AF
309.2
N274

PD-ABU-535
11271

ECONOMIC ADVISORY SERVICES
PROVIDED TO THE
MINISTRY OF PLANNING
ROYAL GOVERNMENT OF AFGHANISTAN
SEPTEMBER 1961 TO JUNE 1972

FINAL REPORT

Submitted to the

ROYAL GOVERNMENT OF AFGHANISTAN
and
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

by

Robert R. Nathan Associates, Inc.
Washington, D.C.

July 1972

A.I.D.
Reference Center
Room 1656 NS

PD-ABU-535

FINAL REPORT: ECONOMIC ADVISORY SERVICES
Provided to the
MINISTRY OF PLANNING, ROYAL GOVERNMENT OF AFGHANISTAN

September 1961 to June 1972

Submitted to the

Royal Government of Afghanistan and
U.S. Agency for International Development

by

Robert R. Nathan Associates, Inc.
Washington, D.C.

July 1972

CONTENTS

LIST OF EQUIVALENTS AND ABBREVIATIONS..... v

CONTRACTUAL PROVISIONS AND SCOPE OF WORK..... vii

PREFACE..... xiii

I. MILIEU WITHIN WHICH RRNA TEAM WORKED..... 1

II. PLANNING IN AFGHANISTAN..... 9

Background to Planning in Afghanistan..... 9
The First Five-Year Plan (1336-40)..... 11
The Second Five-Year Plan (1341-45)..... 17
The Third Five-Year Plan (1346-50)..... 19
The Fourth Five-Year Plan (1351-55)..... 21
Characteristics of Planning in Afghanistan.. 23

III. THE RESULTS OF PLANNING, 1335-50..... 33

Investment Targets and Implementation of the First Three Plans..... 34
Impacts of the First Three Plans..... 42

IV. MAIN THRUSTS AND RESULTS OF RRNA ADVICE AND ACTIVITIES..... 59

Plan Preparation, Concepts and Methodology.. 59
Plan Implementation and Public Administration..... 68
Training Activities in the Ministry of Planning..... 75
Reorganization and Improvement of the Policy and Planning Agencies..... 79
Statistics..... 85
Finance..... 89

Banking and Financial Markets..... 110
Budgeting..... 114
Agricultural Sector..... 120
Rural Development..... 135
Industry Sector..... 137
Tourism Development..... 161

V. A LOOK AHEAD..... 165

Some Lessons from Past Development Strategy..... 165
Principal Elements of a Future Development Strategy..... 167
Private Savings and Investment..... 171
A Future Planning Process..... 189

APPENDIX A..... 195

APPENDIX B..... 199

LIST OF EQUIVALENTS AND ABBREVIATIONS

Currency

Floating rate was US$1 = Afs83 in June 1972

Weights and Measures

1 jerib = 0.2 hectare
1 hectare = 2.471 acres
1 seer = 7.067 kilograms

Dates

The Afghan calendar was used for dating in this report. The Afghan calendar year begins March 21 and ends March 20. For example, Afghan year 1350 runs from March 21, 1971 through March 20, 1972. The beginning and ending dates of the First Five-Year Plan, only, were Afghan fiscal years, ending September 30, because the fiscal year differed from the calendar year for only a limited period of time. The years of each of the 5-year plans are as follows:

First Five-Year Plan - Fiscal years 1335-36 to 1339-40 (years ending September 20, 1957 through September 20, 1961)
Second Five-Year Plan - 1341 to 1345 (years ending March 21, 1963 through March 21, 1967)
Third Five-Year Plan - 1346 to 1350 (years ending March 21, 1968 through March 21, 1972)
Fourth Five-Year Plan - 1351 to 1355 (years ending March 21, 1973 through March 21, 1977)

Abbreviations

ADB	Asian Development Bank
Afs	Afghanis
CSO	Central Statistical Office
FAO	Food and Agricultural Organization
FDPIL	Foreign and Domestic Private Investment Law
FRG	Federal Republic of Germany
HAVA	Helmand-Arghandab Valley Authority
HRH	His Royal Highness
IAC	Investment Advisory Center
IBRD	International Bank for Reconstruction and Development
IDBA	Industrial Development Bank of Afghanistan
IESC	International Executive Service Corps
IFC	International Finance Corporation
IMDBI	Industrial and Mining Development Bank of Iran
IMF	International Monetary Fund
KIP	Kabul Industrial Park
PACCA	Program of Agricultural Credit and Cooperatives
PAS	Public Administration Service
PDP	Provincial Development Program
RGA	Royal Government of Afghanistan
RRNA	Robert R. Nathan Associates
U.N.	United Nations
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development

CONTRACTUAL PROVISIONS AND SCOPE OF WORK

On May 12, 1961, Robert R. Nathan Associates, Inc. (RRNA) entered into an agreement with the U.S. Government (Contract ICAc-1935) to conduct a brief and preliminary economic survey designed to determine the character and scope of advisory services which might be provided to the Royal Government of Afghanistan (RGA) in the broad area of economic and social development planning. Pursuant to the recommendations of that report, a 2-year contract, financed by the International Cooperation Administration of the U.S. Government, to provide technical advice and assistance to the RGA in the formulation and implementation of economic and social development plans and programs, was entered into between the RGA and RRNA on August 15, 1961. The contractor was required to provide an Economic Advisory Team of four resident economists -- chief economist, financial economist, industrial economist, and agricultural economist -- to accomplish the stipulated services. Work was initiated in September 1961.

The basic contract was amended on April 3, 1962, to extend the completion date to December 31, 1963; it was amended again on July 11, 1963, to extend the completion date to September 30, 1965, and to add a fifth position (that of economic statistician) to the team. Prior to the termination of the contract, another agreement was entered into by the RGA and RRNA (AID/nesa-186-CC) dated July 22, 1965, extending the RRNA advisory services for 2 more years.

The statement of services to be performed in the extensions and agreements was almost exactly as set forth in the original agreement. However, the position

of economic statistician was terminated in the July 1965 agreement, and the position of development economist was added, specifically to assist the RGA in the preparation of the Third Five-Year Plan.

Amendment No. 1 to AID/nesa-186-CC, dated June 1, 1967, extended that contract for 2 years, deleting the position of development economist and once more adding the position of economic statistician. Amendment No. 2, dated October 1, 1969, provided a continuation of services for another 2 years, including assistance to the RGA in the formulation of the Fourth Five-Year Plan. It also eliminated the position of economic statistician, thus reducing the team to its original four-man size. A third amendment of October 1, 1971, extended the advisory services to the final termination date of June 30, 1972.

The scope of work of the RRNA advisory group has remained virtually unchanged since the commencement of the team's efforts. The description, as contained in Article I-A of the present agreement between RRNA and the RGA, is as follows:

1. The Contractor shall provide technical advice and assistance to the Government through its Ministry of Planning in its efforts to improve and institutionalize its policy and its conceptual, procedural, technical, research and administrative capacity to develop, implement and constantly appraise multi-year plans for the economic growth and social development of Afghanistan.

2. The general objectives of this project are:

   a. To provide technical advice and assistance to the Ministry of Planning of the Government in the formulation of economic and social development programs of Afghanistan.

   b. To provide assistance to the planning staffs of related ministries as requested by the Government.

c. To advise and consult on the management, prosecution and implementation of the various segments and components of the development program.

3. More specifically, the Contractor in rendering advice and assistance to the Ministry of Planning shall:

a. Assist in the programming from year to year of the capital development activities of the Government, relate the projects and undertakings to the aggregate available resources, both domestic and foreign, and recommend adjustments as necessary and desirable in the overall development goals and plans of the country, with special emphasis on those projects carried out with the aid of the U.S. This will encompass the evaluation of available resources and the submission of recommendations designed to maximize not only the availability of all resources but also assuring their maximum and efficient utilization. Such plans and recommendations with respect to resources shall include, but not be limited to, training and management, increased output of basic commodities, and justification for external assistance. The Contractor shall also give consideration to appropriate balance within the annual program relative to overall goals and make recommendations with respect to appropriate priorities.

b. Advise and consult and submit recommendations to the Government with respect to basic economic policies essential for maximizing and accelerating the economic and social development of the country. These will concern such areas as fiscal (expenditures and revenues), monetary

credit, tariff, price, wage, land use, foreign trade and balance of payments, investment incentives, and related economic policies.

c. Advise and consult on the prosecution and implementation of various segments and components of the development program. This will include advice on organization and procedures, on progress reporting, on techniques for breaking of bottlenecks and overcoming specific limiting factors.

d. Review from time to time, on request of the Government, basic existing development plans and initiate fundamental research and analytical studies leading toward the adoption and publication of the Fourth Five-Year Plan. This will include such aspects of planning as phasing of development projects, scheduling of commitments, scheduling of expenditures, scheduling of completions, projecting increases in production and income, projecting consumer income and expenditure patterns, projecting available internal and external resources, determining maximum feasible goals, and proposing priorities.

e. Provide such further related advice and consultation as the Contractor may be called upon by the Government to perform.

In addition to the long-term services of the resident members of the basic team, all of the contracts made provision for short-term specialists to be used on particular policy or sectoral assignments. Specialists' services were utilized on several occasions, for periods of time ranging from a few weeks to several months.

A further requirement of the contract was that Mr. Robert R. Nathan visit Afghanistan at least once a year to personally supervise and direct the operations of the field team: Mr. Nathan made a total of 18 trips to Afghanistan. The contract also provided for the backup services in Washington of Mr. Nathan and of a professional staff member on a part-time basis.

The contracts called for semiannual reports, which have been prepared and presented regularly, and for a final report covering "operations, accomplishments and recommendations developed during the term of this contract." This report is submitted in response to that requirement.

PREFACE

Serving in an economic advisory capacity to the RGA has been a challenging and rewarding experience for RRNA. As will be noted in this final report, there have been many evidences of progress and perhaps even more manifestations of unduly slow economic improvement in the country. However, even where failure to achieve the desired direct results has marked the team's efforts, there has always been a total sense of the worthwhileness of constant and intensive seeking to accelerate modernization and development.

Over the past quarter of a century RRNA has worked in some 30 countries, undertaking diversified responsibilities encompassing a wide range of projects both in scope and duration. The Afghanistan assignment has extended over a longer period of years as a continuing effort than any other service RRNA has rendered to a national government. The duration of the contract afforded us the opportunity to deal with far more than the preparation of plans. It has been a continuing goal of the firm to seek assignments which would permit work on both planning and actual developmental activities, including policy formulation, institution-building, budgeting and programming, and a varied range of implementation procedures. In these respects the Afghanistan assignment has been particularly satisfactory.

In serving various national governments, it has always been our strong conviction that the prospects for effective results are greatly enhanced if the staff is exclusively responsible to the government to which service is being provided. Although this project was financed throughout by foreign assistance agencies of

the U.S. Government, the grant was made to the RGA, and RRNA was employed by the RGA. At all times the team's responsibilities and services flowed exlusively and totally to the RGA. This obligation and the confidential relationship between the members of the team and the RGA was never brought into serious question by any responsible U.S. Government official in Kabul or in Washington.

Frequent contacts were maintained with U.S. Government agencies, because one of the ways in which to provide maximum service to the RGA was to supply non-confidential information which would support and facilitate the flow of financial, commodity and human resources to Afghanistan from the United States and from other nations and international agencies. In addition, discussions were held with embassies of other countries providing economic assistance to Afghanistan. The team maintained close and fruitful contacts with the United Nations Development Programme (UNDP), the UN specialized agencies, the World Bank (IBRD), the International Monetary Fund (IMF), and such regional organizations as the Asian Development Bank (ADB) and the Economic Commission for Asia and the Far East (ECAFE). However, the team sought meticulously never to deviate from its direct commitments to its client, the RGA.

From the very beginning, the leaders of the RGA indicated a willingness for the members of the team to have ready access to all RGA agencies. It was recognized that such access could enhance the work of the team. The usual bureaucratic tendency to maintain rigid jurisdictional lines was not a deterrent to the flexible and free movements of the team's members, who exercised discretion in working with different agencies and officials and who sought to guard confidential information and views. At no time did any Afghan officials manifest concern or dissatisfaction over the fact that varieties of contacts were being maintained by the team's staff members.

This open access prevailed not only at professional levels within the various Ministries and agencies, but also included Cabinet Ministers and others at the very highest levels of authority. No advisory group

could possibly have expected or received greater opportunities to deal directly with top officials of government than did our team.

One of the most gratifying aspects of the advisory service was the receptivity of RGA officials to full and frank discussions of all subjects. The team members sought not to intrude into highly sensitive political or cultural matters which did not have a direct bearing on economic development or which, if appropriately related to development, were of such a confidential nature that good taste precluded intrusion. But, by and large, the members of the team did not feel inhibited from dealing with sensitive matters in a forthright manner. Criticisms were couched in as constructive an approach as possible, but the team did not regard it necessary to tread gently and subtly when dealing with issues or subjects where performance was unsatisfactory and where strongly expressed criticisms were necessary.

One should not equate this receptivity to frank and open communications of a critical nature with an equal readiness to take positive and demanding steps to correct situations that required change. Although officials of the RGA often accepted and discussed criticism in a direct and responsive manner, essential results were not always forthcoming. Nonetheless, the very fact that the team always operated with a sense of unrestrained opportunities to deal with difficult issues forthrightly at all echelons of authority made possible the most constructive kind of approach and presentations.

Another aspect of the services of the team worthy of note concerns the matter of initiative. In many nations, advisers to a government are discouraged from taking much initiative in developing policies and programs. Host governments often limit advisers to responding to requests for specific services, or to providing their views on and analyses of specific plans and programs only. While a considerable portion of the time of the team was required for work on specific and general assignments from RGA officials, there was never any tendency to discourage the team members from taking initiative. In fact, the officials of the RGA

welcomed the offers of the team members to develop new ideas and new programs. The team was urged to call the attention of officials to specific problems or measures wherever they felt it appropriate, and the RGA officials generally expressed appreciation for such an approach. This served to encourage the team to play a more dynamic and constructive role than would have been possible had advice been responsive merely to requests for assistance.

One of the most interesting features of this assignment was the opportunity to work closely with other national groups and international organizations. The presence of advisory teams from the U.S.S.R., the Federal Republic of Germany (FRG) and the Republic of France in the Ministry of Planning made possible frequent and constructive contacts with these teams. The different groups performed in different ways, and their responsibilities were often dissimilar. Nevertheless, the activities of the groups did from time to time coalesce, which made interchanges of views and information beneficial to each team and to the RGA. Although there were differences in approaches and concepts, cooperation among the teams often served to reinforce specific findings and, as a result, common views and judgments were presented to RGA officials. Of course, different views were also submitted, affording Afghanistan officials the benefit of making decisions on the basis of these diverse analyses and suggestions. It might be noted that the RGA officials never discouraged the interchange of views among various advisory teams. In fact, such activities were encouraged, and this added to the interest of the work.

From the point of view of RRNA, recognition and appreciation is owed to the resident members of the team who served for as brief a period as 15 months to as long as almost 7 years. Their diligence and their determined efforts to serve the best interests of the people of Afghanistan can be understood fully only by the Afghans with whom they worked, although a review of the impressive volume and quality of memoranda and reports presented to the RGA will give some indication of their efforts. Their performance, as well as the work of short-term specialists and of backup activities in

the home office, are all a tribute to the cooperation and the receptivity of the RGA officials with whom the team worked.

Although all of these various circumstances and relationships were highly satisfactory and conducive to effective performance, the total end product of these advisory services over more than a decade must be judged far from optimal. An appraisal of the results is presented in this report in some detail. Overall, it should be noted, the degree of effectiveness of the team's work would certainly have been far less had it not been for these harmonious and direct relations. Although these favorable opportunities could have been expected to yield greater immediate results, perhaps the lasting effects of the team's services will be more meaningful and more enduring just because these arrangements made possible close contacts and open discussions and forthright recommendations that will likely influence policies and actions in Afghanistan far into the future.

I. MILIEU WITHIN WHICH RRNA TEAM WORKED

An advisory group to a government must take account of the conditions or milieu within which it is working, if the group is seriously concerned about the acceptance of its advice or the effectiveness of its effort. Furthermore, in addition to taking account of the quality of work, any evaluation of the performance of an advisory group must similarly give consideration to the environment or milieu within which the advisers served. Thus it is necessary in this report to include a precis of the milieu within which the RRNA team worked in Afghanistan. To serve the purposes of the report, only a few of the major elements need be taken into account. All of the factors mentioned bear on the role of the RGA in development, because it was principally the RGA with which the RRNA team dealt. The work, however, was conducted with constant reference to many more aspects of the milieu than can be identified in this analysis.

The milieu to which reference has been made includes two general aspects which are frequently identified for analytical purposes. These are social relationships and cultural patterns (both broadly conceived to cover political, economic, social, and religious spheres, etc. Social relationships are concerned with intergroup and intragroup relationships, as well as with relationships of individuals with groups and of individuals with other individuals. Cultural patterns are concerned with common understandings about human behavior and values. It is not necessary here to treat social relationships and cultural patterns as separate entities, as there is a strong connection between the two. They are mutually interdependent and are integrated in such a fashion that they reinforce each other and

stand together with respect to external influences. Thus, certain equilibria exist, and, indeed, in Afghanistan the whole society takes on a static character frequently referred to as a traditional society. The integrated character of what in fact is a system of social relationships and cultural patterns creates behavior which fosters a common resistance to change or hesitance to facilitating change. It therefore provides a firm framework against which advice is judged relevant and acceptable on traditional grounds.

The structure of the society in Afghanistan is characterized by a large number of relationships which exist between tribes, clans, families, economic classes, and possibly other groupings. The tendencies to maintain the equilibria which exist between these various groupings are stronger than the tendencies toward modernization and the upsetting of existing equilibria. This balance of social and cultural forces tends to leave relatively limited latitude for actions which foment economic growth. The numerous conflicting patterns which permeate the society tend to reinforce the existing equilibria, and the tendency to maintain the balance in fact appears to have something of the nature of a mandate. It seems clear that most or all important decisions are made primarily with reference to maintaining these balances (or, in some instances, to regressing them to some status quo ante). Benefits are distributed in terms of entitlements within the framework of balances rather than on the basis of what would optimize economic growth and thus contribute to increasing the national welfare.

Many of the activities which would bring about development would have a strong potential for upsetting these various equilibria. Since development by its very nature is dynamic, any set of static relationships which stands in the way will either thwart development and persist, or will itself be upset as a result of development. The relative strengths of the traditional forces seeking to maintain existing equilibria and of the modernizing forces seeking development through change determine in large part the rate of economic development in a country. Since the traditional forces in Afghanistan have tended to be stronger than the modernizing ones, a large number of decisions have not

been commensurate with development objectives. More often, there has been inaction, which has had much the same outcome.

Those development decisions which have been made and acted upon have tended to be of a rather narrow type wherein changes in the balances have been modest and have favored those already possessed with power. This may be in conformity with the mores, but it does little to alleviate the economic privation of the mass of people -- an objective which is frequently proclaimed in official documents.

Inherent in any traditional system are a number of mechanisms which tend to maintain the patterns of mass distress arising from the lack of opportunity to compete in making a better living. When the sharing of opportunities and benefits is restricted, behavior patterns which might result in increased production frequently do not emerge, or emerge only in limited degree. The amount of development under these circumstances is suppressed, and the national income improves but slowly.

Within this general system of balances and equilibria, the RGA plays largely an accommodative role as distinct from an initiative role. The time and energies of RGA officials are directed at maintaining the balance of the many forces operating within the traditional system and at tempering the stresses which threaten to disrupt the general order of the system. The efforts devoted to such balancing divert attention away from economic planning and development, subdue initiative, and otherwise place undue constraints on decision-making in these matters.

Decision-making on developmental issues is also in part affected by other aspects of the stage of political change in Afghanistan. There is relatively limited articulation of policy views by professional, occupational, sectoral, or aligned economic interest groups since the mechanisms and channels for articulation frequently follow tribal lines, or other lines where the more obvious economic group interests are subsumed by

other interests. Khans and mullahs do not make good spokesmen for tenant farmers, for example. However, those economic groups that want to maintain the status quo have some advantage over others in getting receptivity for their views, whether or not these views are articulated. Thus, because of their status, landlords have an edge over tenants in influencing decisions.

The poor articulation stems from a lack of adequate comprehension and cohesion of class interest within the more numerous classes, as well as from a lack of discussion processes from which leaders and spokesmen can emerge. There has been little or no tendency to encourage such articulation through the encouragement of social intercourse. Thus, those who have most to gain from policies designed to achieve economic development which would raise the standard of living of the Afghan people (an officially accepted objective) are not heard and have relatively little influence on the course of events. Their lot tends to remain largely unaffected by the developmental efforts of the RGA. Such efforts are rarely directed to the objective of optimum growth and a wider degree of sharing in the increased income flowing from such development efforts.

Every system has a set of principles which affects social stratification -- principles which determine the distribution of wealth and power. The structure and characteristics of this system have much to do with facilitating or hindering economic development. A set of principles of stratification may be classified either as being primarily ascriptive in character or as being primarily achievement-oriented. An ascriptive model determines roles and statuses on the basis of family and other relationships which derive from birth. Any individual's future is to a large extent determined for him at birth and depends only secondarily on his own achievement efforts. This tends to make the society largely static in character, and by the rules most people cannot and do not achieve significant economic or social mobility. Ascriptive models of social stratification tend to impose serious restraints on economic development. On the contrary, if roles were assigned on the basis of achievement, there would be more opportunities for advancement by most people (even though some

obviously would continue to get a considerable head start as a result of advantages enjoyed because of birth, such as greater access to education). An achievement model makes for economic and social mobility because competition acts as a spur to those who want to get ahead. Achievement models promote economic development through increased skills and production on the part of those who are achievement-oriented.

Afghanistan's stratification has been based almost solely on the ascriptive model. This can readily be seen in the Civil Service, where important assignments are made largely on the basis of personal connections. Promotions often are on the same basis. It is difficult to perceive, at any level, effective and positive incentives for achievement or negative incentives for nonperformance. What seems to count most are (1) having and maintaining the right connections, and (2) doing nothing that could be interpreted as upsetting the existing relationships and equilibria. Those who do not display sufficient deference to the accepted ascriptive principles usually do not get, or do not remain in, decision-making assignments. There is no risk in omission, only in commission. This creates a lack of willingness to act on independent judgment. The right questions are not asked and the right answers are not obtained.

Advice which brings with it the possibility of upsetting the equilibria is regarded as irrelevant, no matter how rational it might otherwise be. Decisions on developmental issues are consciously or instinctively screened in terms of the possibility of disrupting these ascriptive principles. If it seems that a decision may result in changing over to an achievement model, this may result in no decisions being made. Those development decisions which do in fact result in some modification of the stratification principles are often such that the shift is not obvious, and may not be recognized on the part of the decision-makers.

The Afghan policy known as "guided economy" may in fact be instrumental in precluding so large an amount of achievement rewards for the economically active segment of the population as to have a serious dampening effect on economic development. Pragmatically, "guidance"

can be and more often is a tool for obstructing than facilitating economic activity. Even when it is constructively used, moral judgments may largely determine the degree of permissiveness which is to be allowed, and these judgments will likely favor the already privileged groups. Economic ends are subordinated to moral ends. An inner group, represented by a moral-intellectual elite, acts in the name of public service. Economically active personnel frequently are considered morally inferior and are restrained, on moral grounds, from being as economically productive as they otherwise could be.

Under such a scheme, occupations are divided into those associated with intellect-morality and those that are not. Performance of the former is not judged on technical grounds. In turn, the judgments of the performance of the other occupations by the intellect-morality guiders is seldom, if ever, based on technical grounds. Under such circumstances, economic efficiency suffers, and decisions are made which are frequently counterproductive in economic terms. Since economic development is primarily concerned with an improvement in the conduct and management of economic affairs, it is necessary for decisions to be based on technical grounds and managerial performance if there is to be progress.

Reliance on noneconomic criteria in the making of economic decisions explains in good part the lack of determination on the part of the RGA in collecting and analyzing economic facts. When decisions are made on other grounds, there is no felt need for economic information. The policy of economic guidance may reflect the lack of proper institutional differentiation -- a failure to separate secular and other values. This lack of institutional differentiation means that institutions are not free to make decisions which are rational in strictly economic terms. The same impediments to the proper functioning of existing economic institutions also stand in the way of creating additional economic institutions, thus further restraining development.

In a milieu of the kind described above, economic proposals put forward on the basis of rational economic calculation have little appeal per se and will

not be accepted unless they in some way also satisfy the noneconomic criteria by which they are judged. The total advice which can thus qualify, even when utmost efforts are made to couch it in acceptable terms, is only a fraction of the minimum necessary before a satisfactory rate of growth can be achieved.

Too often, proposed changes in economic policies and practices which may be necessary to facilitate economic development may be interpreted by present leadership as an attack on the entire existing social-cultural system. Such interpretation frequently has enough credibility to cause an abandonment of proposed changes. The credibility derives from the high degree of singleness of purpose to maintain the prevailing structure of power. In this environment, gaining acceptance of advice poses problems that go beyond the matter of competence in "technicians," their ability to be personable and to establish satisfactory working relationships with concerned officials. In Afghanistan acceptance does not appear to have been adversely affected either on technical grounds or on the personal character of the advisers concerned. Acceptance largely has been limited because policies have an impact on the balance of power and on the principles of social stratification. Advisers certainly cannot apply leverage for decisions which may upset balances. Since development depends on decisions which shift the stratification principles and the distribution of power, the expectations concerning the efficacy of an advisory group in Afghanistan may have been exaggerated. Evaluations of their efforts hence have also frequently been unrealistic.

Economic and social development demands a modernization of traditional structures and changes in the traditional value system. In Afghanistan, changes have come very slowly. Behavior is still dominated by tribal factors and ties to the extended family unit. Public employees are a product of their cultural and social environment and operate within it. It is, therefore, no surprise that the public administration has been slow to adopt modernized institutions and practices.

At the higher levels of the RGA, time and energies continue to be absorbed by efforts to balance the many

forces operating within the traditional culture; to temper the stresses created by the attempt to strengthen the Central Government; to create a democratic parliamentarian system; and to formulate and implement a program of economic and social development. Not surprisingly, political problems almost invariably take precedence over economic problems in this milieu.

It should not be construed that no economic and social advancement is possible within the framework of the Afghan traditional society. Experience at times has demonstrated that some development is possible without upsetting the intricate and delicate balances which exist in the system. Some constructive decisions affecting social and economic progress have been taken, but usually where there is confidence that their implementation will not result in the creation of serious disequilibrium. However, the system's rigidities are such that development considerations do take on something of a lower priority than essential for major progress. Generally, the tolerances within which development decisions take place have been so narrow and so lacking in continuity as to render the rate of progress unacceptably low by modern standards.

It was in this setting that the RRNA team tried to act as modernizing agents in assisting Afghan policymakers and technicians to use modern scientific methods of economic analyses to understand and solve their economic problems and to develop their country. Sooner or later, hopefully sooner, there will evolve in Afghanistan a more hospitable environment for the policies and actions that will accelerate development. Perhaps the RRNA services over the past 11 years will have a delayed and ongoing fruitful impact on Afghanistan's economic progress.

II. PLANNING IN AFGHANISTAN

Background to Planning in Afghanistan

During the early 1950's a decision was made by the RGA to seek foreign development and military assistance. An earlier attempt to obtain help for the regional development of the Arghandab and Helmand areas resulted in a loan from the Export-Import Bank of the United States in 1328 for $21 million to finance construction work. This loan was followed by another $18.5 million Export-Import Bank loan in 1333. The first arrangement for diversified assistance at the national level was initiated by the Technical Assistance Agreement signed with the U.S. Government in 1329 under the Technical Cooperation Administration, which was modified in 1330 under the Mutual Security Act.

The RGA sent various missions to the United States between 1331 and 1333 to discuss assistance both for strengthening the national military forces and for developing the country economically. The request for military assistance was turned down, and the RGA was advised that the formulation of a national development plan was a precondition for receiving economic project assistance. Subsequently the planning unit in the Ministry of Finance was assigned the task of preparing Afghanistan's First Five-Year Plan, which was completed in 1335 and covered the fiscal years 1336 through 1340. The Ministry of Planning was established in 1335, with the Prime Minister himself filling that portfolio.

The RGA requested a commitment of $100 million from the U.S. Government to help finance the First Five-Year Plan. The RGA was informed that the laws of the United States did not permit this type of commitment and that each project and each function would have to be considered separately. Subsequently, exploration of possibilities of assistance from the U.S.S.R. resulted in successful negotiations. The U.S.S.R. offered a long-term commitment of both military and economic assistance that resulted in a loan agreement of $100 million in 1336 and subsequent agreements for about $436 million in loans and grants over the intervening years.

The First Five-Year Plan was prepared entirely by Afghan personnel. The Second Plan, written after the U.S.S.R. became an important source of assistance, was prepared with the assistance of a team of Soviet planners and primarily reflects the influence of that group. The first RRNA team arrived in Afghanistan in time to participate only in the final review of the Second Plan. The Third and Fourth Plans were prepared with the assistance of the Soviet planners as well as of the RRNA team and other advisers.

National economic and social development planning was initiated in Afghanistan to create an instrument for the mobilization, allocation and utilization of domestic resources. It was also initiated as a useful device for securing development assistance from foreign donors. The apparently increasing emphasis on the second purpose over time gave rise to a commonly expressed contention that Afghanistan's 5-year plans were largely "shopping lists" of projects formulated principally to solicit financial assistance.

The First Plan reflected the major interest of the RGA at that time: the ending of Afghanistan's isolation. It emphasized road construction, particularly road links with Afghanistan's neighbors, and air communication through the creation of Ariana Airlines. Other infrastructure emphasis was on large irrigation and power projects. The Second Plan added agricultural development and mineral exploration to the national

priorities. Recognizing the urgent needs to achieve more prompt and pronounced increases in production and income and debt service capabilities, the Third and Fourth Plans proposed a shift from infrastructural to quick-producing and higher yielding projects.

Clearly, economic and social development depends on more than inflows of financial and material resources. It is a process that requires the adoption of modernizing institutions and practices within the recipient country. The more tradition-bound a society is, the more difficult it is to initiate and accelerate this process. Afghanistan was and still is one of the most traditional of the less developed countries. Over the years it became increasingly apparent that, if the available domestic and foreign resources were to yield significant results, the highest priority and greatest concentration of efforts in Afghanistan had to be focused on the implementation of modern principles of administration and management and the building of development institutions.

This perspective, and the discussion that follows of the four 5-year plans, describe important elements of the framework within which the RRNA team operated. They help to explain the degree of effectiveness of the team's activities in the various areas in which it sought to influence plans, policies and actions.

The First Five-Year Plan (1336-40)

As already noted, the First Five-Year Plan covered the fiscal years 1336-40. It evolved the general planning format followed by subsequent plan documents. It also established the following conceptual parameters for planning, which have changed only slightly since then: (1) the economic system of Afghanistan is described as a "guided economy" (in later documents, it is referred to as a "mixed guided economy"); (2) the planning exercise is directed toward "...drafting development projects, programs and activities within the framework of a development plan, launching them on a fixed schedule..." for the purpose of raising the standard of living and utilizing and

exploiting the country's resources; (3) the statement was made that "For the smooth functioning of the Plan, schedules for implementing projects should be established," but this scheduling was not incorporated in the document, a deficiency that persisted in subsequent plans; and (4) planning must take into consideration "the lack of statistical data and experience in planning." It was stated in the First Plan document that the absence of reliable data and trained personnel perforce limited planning. The early recognition of this serious problem did not lead to needed changes, and the deficiency persisted during the preparation of subsequent plans.

It is obvious that sparse and unreliable data and untrained personnel made it difficult to engage in comprehensive planning and impossible to use standard, let alone advanced, planning techniques. However, under the circumstances other elements of planning could have been utilized, such as:

1. A careful evaluation, based on whatever data were available, of past trends, available internal resources, and current conditions which would favor development, as well as of those obstacles that would need to be overcome

2. A statement of how the plan intended to change past trends and the current situation; the development of fairly definitive goals and objectives; estimates of resources needed to achieve the goals and objectives; and articulation of the specific policies, programs, projects and implementation measures to be pursued

3. Approximations of the costs and benefits of individual programs and projects, an indication of their priorities, and an estimate of the overall impact of the plan, particularly with reference to production, employment, income, Government revenues and expenditures and the balance of payments.

The First Plan document was deficient even within the limitations of data and trained personnel. Nevertheless, given all the circumstances surrounding this ambitious initial planning effort, it was a remarkable achievement.

The statement in the plan with respect to the private industrial sector clearly stipulated those activities which the Government reserved for itself, and left all others to private development. This clarity is lost in subsequent plans. The statement in the First Plan was: "Excluding the industrial branches connected with the manufacturing and production of war materials or connected with the business of energies such as electricity (excluding installations with a capacity of less than 50 kilowatts), coal, oil and atomic energy, every other kind of industrial enterprise shall be independent in business" (p. 204). Under the heading "Industrial Projects" were listed 32 projects "that shall be enacted in accordance with this plan or shall be placed under operations." Some of the listed projects were subsequently financed through public investments, others were financed by the private sector, and others were not implemented at all.

No analyses in the plan supported the feasibility of any of the projects or related benefits to costs. Nor was there evidence of consideration of the possibility that entrepreneurs might want to establish industries <u>not</u> specifically mentioned in the list.

In a statement cautioning that industrial development "shall not be achieved unless every means of encouragement and facilities are provided by the government," a number of specific "encouragements" were listed (p. 207). They include exemptions or reductions in custom duties and income taxes; the establishment of an industrial development bank and the provision of long-term, low-interest credits; sale of Government or municipal lands to enterprises on favorable terms; protection for local products; preferential purchasing of local products; special power rates; and premiums paid to encourage industrial exports. However, the specific legislation, instruments, administrative actions, and other implementing actions required to put these "encouragements" into effect were not discussed.

This absence of implementation measures is apparent throughout the plan. For example, in the extensive section on banking, where the importance of

banking and credit to development was clearly stated, no recognition was given to the need for legislation to modernize the banking system -- central bank and commercial banking laws and ancillary legislation such as a mortgage law and commercial code.

The section on commerce rightfully emphasized export development and discussed various aspects of such a program, including the increase of production of exportable products; improvement in grading, sorting and packing, and in quality control in general; diversification of exports by developing new products; and the provision of special credits, marketing information, and other inducements. Here again, the essential institutional arrangements and implementation measures were not specified. The need to introduce and carry out these various key aspects of an export development program are still being discussed today. Recognition of problems and articulation of general needed measures may have been improved, but the failure to take necessary actions and to get results has persisted over the years.

Agricultural activity was entirely in the private sector at the time of the writing of the First Plan. It was stated that the principal objective of the Agricultural Plan was "to increase the output per jerib and per animal...through...a program of research and training so that research should be carried out in agricultural problems and measures adopted for training farmers and training personnel to advise farmers so that agricultural output will be increased" (p. 10).

A number of statements were made drawing attention to the need for seed multiplication, range management, water conservation, fertilizer use, improvements in the existing land ownership systems, agricultural credit, agricultural education for farmers, etc. Specifically how these needs were to be met -- through what institutions, what programs, what instruments, what action -- the plan did not say. Sixteen years later, these specific deficiencies still exist and are even more intense.

Although the central thrust of the Agricultural Plan was said to be the direct support of the farmer and increase of productivity, only one-tenth of the agricultural development budget was earmarked for that purpose. The RGA allocated Afs221 million for agricultural development and Afs2.1 billion for construction of dams and canals.

The scope and depth of treatment in the various sectoral chapters of the plan varied greatly. The agricultural chapter contained headings and accompanying short statements about objectives of the plan, the general condition of agriculture and agricultural policy, descriptions of eight agricultural areas of the country, and quantitative targets for karakul pelts, wool exports, and ginned cotton. Annual budgets were estimated for this "agricultural development program," as well as for an agronomy program, plant protection program and animal husbandry program. The chapter included a fairly extensive discussion of the Helmand Valley Development Project, with some cost and benefit estimates and a scheduling of investment for the first 2 years. It also included a one-page listing of seven other irrigation projects, totaling Afs600 million and $6.5 million, which contained only the names of the projects, the cost estimate in dollars and afghanis, and the estimate of construction time.

In the transportation section, a two-page general statement preceded a three-and-one-half page listing of 13 road construction and six road asphalting projects, totaling Afs518 million and $32 million in foreign exchange. The project descriptions included only the names of the projects, length and width of the roads, costs in afghanis and dollars, and estimated construction period. The section also included a paragraph on airport construction and an estimate of annual expenditures for airfields, with separate cost estimates for the Kabul and Bagram airfields only. A line item for $22.5 million for "machinery," etc., was included in the Summary of Expenditures.

The Communications Plan was given one paragraph and a total cost estimate for the 5 years, plus a two-page listing of a variety of constructions, installations and purchases not otherwise described or costed, and a one-line estimate of annual expenditures. The chapter ended with a 10-page presentation of the Program for the Development of the Afghan Meteorological Institute.

The same uneveness is apparent in all of the other sectoral chapters, reflecting the general lack of surveys and statistics on the one hand, and some intensive interest in and studies of a specific though limited number of projects or programs on the other hand.

The discussion of the financing of the plan included targets for annual ordinary budget expenditures, annual sectoral allocations, and sources of financing. Foreign exchange requirements for the plan were estimated at about $190 million. No estimate was made of grants as distinguished from loans, nor was there mention of commodity assistance.

In general, the First Plan was an extremely uneven document, reflecting the varying degrees of capability or interest in the Ministries and agencies. Some studies had obviously been undertaken of specific subjects or projects which were dealt with in some depth, but which were not necessarily priority or large undertakings. For some very important issues and sectors, there was apparently little information or analysis, and therefore a common format was not used for the sectoral analyses or project feasibility studies. It seems apparent that the central planning group provided only the most limited guidance to the sectoral planning groups in the Ministries and agencies.

With all its defects, however, the First Plan represented an impressive first attempt at identifying the infrastructural needs of a nation on the first rung of the development ladder. It also revealed the implicit acknowledgment that although external financing was necessary, a major internal financial effort also

had to be made. Had this historical planning venture been paralleled by similar vision and daring in the policy and implementation areas, the rate of development of Afghanistan would have been far more rapid than it has been.

The Second Five-Year Plan (1341-45)

The central planning group, now the Ministry of Planning, played a more active role in the preparation of the Second Plan. As stated in the Second Plan document:

> ...the Ministry of Planning played the key role in its formation; while other ministries and development agencies were responsible for making of their respective plans, the task of coordinating and integrating them into a national plan fell on the former. The programs of individual organizations were prepared in the light of the guidelines provided by the Ministry; these related to overall goals, priorities and strategies. Care was taken to associate the experts of the Planning Ministry with those of individual organizations, in order to secure effective consultation and interchange of views. At the same time a close liaison was established with the Ministry of Finance whose representative actively participated in all deliberations (p. 10).

From an organizational point of view, it appears that an attempt was made in the Second Plan to give the Ministry of Planning an effective central planning role. This is reflected in the document by the more uniform presentation of the sectoral chapters. Almost all of the chapters had a short introduction, a summary of outlays, and a description of programs and projects with their respective costs. The document was less than one-third the size of the First Plan document. Whereas much more uniformity was achieved, much pertinent discussion was noticeably missing. Many of

the limitations of the First Plan with regard to the absence of sector planning studies and project feasibility studies were carried into the Second Plan. Also, as in the First Plan, the relation of costs to benefits was neglected, and even rough estimates or qualitative observations on income and employment and other impacts of the investment program continued to be markedly absent.

An interesting statement (p. 2) in the first chapter of the plan is that planning in Afghanistan is not "conditioned by a preconceived ideology," but rather that "certain basic facts of the economy...have shaped public policy and determined the broad strategy of development." These "facts" were said to be: (1) no great population pressure, (2) reserves of arable land, (3) agricultural potential based on improved practices, and (4) ample natural resources such as hydropower potential, coal, natural gas, and petroleum.

The Second Plan document contained a statement calling for expansion of the role of the public sector. Whereas the First Plan confined public sector industrial investment exclusively to the areas of public defense enterprises and of power, the Second Plan stated:

> Experience has shown that private enterprise does not possess adequate resources and experience for undertaking large scale investment of the type required for achieving a rapid rate of growth. Development of power, gas, petroleum, coal, cement, chemicals and other basic industries which require large investment funds and also usually involve long gestation periods, will be the responsibility of the public sector; on the other hand consumer industry will generally be left to the private sector (p. 37).

Comparisons of the first two planning documents indicate that there was only limited improvement of the planning exercise in the first years that elapsed after the writing of the First Plan. This observation

seems to be confirmed by a statement in the Second Plan similar to one made in the First Plan:

> Afghanistan has had to adopt techniques of programming to suit its particular stage of economic development and state of statistical intelligence.... The only approach feasible which suggested itself was that of partial planning, with various government agencies formulating their own programs and coordination being achieved through the national budget (p. 3).

The major deficiencies of the First Plan were repeated in the Second Plan. Although the complaints about the lack of trained personnel and reliable data were repeated, the Second Plan included no programs for improving either. In addition, it included no provisions for an effective mechanism for policy formulation and adoption, or for the establishment of modernizing organizations and institutions and the nature of varied measures required for plan implementation. No mention was made of the need to improve the capability to identify, evaluate and implement projects. In its almost total disregard for these vital planning elements, the Second Plan did not represent a major advance from the initial effort in the First Plan. However, the improvement in planning in some sectors, and the better integration of the sectoral plans into a more cohesive total, did add to the value of the work.

The Third Five-Year Plan (1346-50)

The Third Plan document reiterated what was said in the prior two documents about the limited role of the Ministry of Planning. "The Ministry of Planning is only a central body in drafting and implementing the plans, linking developmental activities, and therefore the success of the Plan in the sphere of implementation depends on the degree of success attained by the concerned department" (p. 7).

Once again, reference was made to "the absence of necessary statistics" that precludes an improvement of the planning methodology.

However, the Third Plan document was an improvement over the previous plans in some important regards. It included a detailed review of the first two plans and a more comprehensive statement on objectives, policies and strategies than ever before. Significant additions were the extensive discussions entitled "Main Thrust and Expected Results of the Plan," and "Administrative Management and Plan Implementation." These were the first attempts in the planning exercise in Afghanistan to estimate the impact of the plan and to recognize and consider the problems of implementation, and specifically those related to the public administration. Detailed targets continued to be set for agriculture and industrial production, road construction, and other categories of substantial investment. Projects were described in terms of costs and output, but no benefit-cost evaluations were made. There was a short discussion of manpower.

Of major importance was the strong emphasis placed on the need to shift from the predominantly infrastructural composition of the investment program to more productive projects with more immediate yields. This reflected the analyses made of the results of the First Plan and of the Second Plan. But the details of programs and sectors did not sufficiently reflect this shift. A statement on technical assistance was: "...necessary care and attention have been directed to designing the aid utilization program prior to the preparation of the annual budget; ministries and agencies using technical assistance are required to prepare individual operation reports" (p. 42). In fact, no such reports were prepared.

It was recognized in the Third Plan document that:

> During and prior to the Second Plan, the collection of revenues from government enterprises tended to be very irregular.... In order to improve profitability in these enterprises and to facilitate collections of revenue from them, a number of new

> measures are being implemented at the start of the Third Plan, including improvement of accounting systems and requirements for the preparation of annual reports (p. 45).

Few such measures were actually implemented, with the result that about Afs10 billion invested in public manufacturing and electric power enterprises continued to return little or no net revenues to the Treasury.

The estimates of revenues included anticipated proceeds from the sale of newly irrigated lands, the sale of products from Government farms, the sale of newly developed minerals, increased land and livestock taxes and prices of fuels, etc., all of which proved to be grossly overestimated. In reality, most of these new or changed proposals were not implemented at all.

The Third Five-Year Plan was never endorsed by the Jirga, although the annual development budgets were submitted to, and approved by, it.

The Fourth Five-Year Plan (1351-55)

The absence of notable progress in the emergence of a well-developed planning methodology, staff, and structure within the RGA became apparent on the eve of the preparation of the Fourth Plan. One of the first tasks confronting the foreign advisory groups in the Ministry of Planning with respect to the Fourth Plan was to develop proposals and to submit to the Ministry of Planning the scheduling of the plan preparation, the forms to be used and the content of the plan. Discussions by Planning Ministry officials were held separately with each advisory group, and also jointly in a kind of round-table conference. Not surprisingly, complete agreement among the groups was not reached, although there were many areas of agreement.

The first draft of the Fourth Five-Year Plan was prepared by the Soviet Gosplan group, and was given to the RRNA team for comment in late 1350. It contained many of the defects of the previous plans. The investment program was still preponderantly composed of large-scale, long-maturing projects. Unrealistically ambitious projections were made for revenue collections and foreign exchange earnings with no clear commitment to the specific policies, measures, institutions and definitive actions required to reach these targets. The lack of stated policies and implementation measures required to achieve the goals and targets of the plan, and the lack of the desperately needed provisions for public administration improvement, were a source of deep concern.

The accelerated agricultural development program concentrating on quick and widespread increases in production, and the Wheat-for-Work Program, both of which were given special emphasis by the Government, received inadequate attention in the first draft. This was corrected in the revised draft, and some of the agreed-upon changes were made. A section was added by personnel of the Ministry of Planning in the second draft incorporating some discussion of policies and implementation measures.

During the period covering the first three plans, there appeared to be either steady deterioration or no perceptible improvement in the degree of attention given to plan preparation and plan execution, in the sorting out and establishment of priorities at high policy levels, in the preparation of more carefully conceived and detailed annual budgets, in the formulation and coordination of sectoral programs in the operating Ministries and agencies, in project preparation, and perhaps even more importantly, in the formulation and execution of policy and in the vigor and firmness with which the nation's development effort was pursued. Up to the very end of its presence in Kabul, the RRNA team continued to attempt to influence changes in the Fourth Plan document to make it a more effective blueprint of action for Afghanistan's future development.

Characteristics of Planning in Afghanistan

The following appear to have been the principal characteristics of the Afghan planning experience:

1. In the First Plan document it was noted that planning in Afghanistan suffered from insufficient reliable data and insufficient trained personnel. This complaint was repeated in each successive plan. In the 16 years of planning experience, little was done to improve the data base, to establish an in-country training program for Afghan personnel, or to achieve sufficient continuity of policy and technical personnel to provide needed experience and expertise. However, a great deal of informal training resulted from daily contact with the RRNA and other advisory groups, and a Central Statistical Office has at last been established to carry out a long-range statistical improvement program.

2. The institutional foundation for effective planning has not yet been satisfactorily established. At the macro level, improvement of the capability of the central planning organization has been slow. At the sectoral level, the Ministries and agencies have not yet developed the units capable of formulating meaningful sectoral plans and programs. At the project level, the skills and organization required to identify, prepare and adequately justify projects are still lacking. Perhaps most importantly, a suitable mechanism for policy formulation and coordination is yet to be developed. However, the first appointment has just been made to what may become a staff group for the High Economic Council, which will make the Council a more effective policy planning organization.

3. The principal emphasis in planning has been the formulation of 5-year public investment programs, consisting primarily of a compilation of projects in each sector, plus framework perspectives. However, over the 16 years of planning, very little capability was developed to undertake penetrating sectoral analyses, specific and selective project identification, careful project feasibility analyses and evaluation, or the essential elements of project implementation. The Afghan personnel with these skills are little, if any, better trained than when the First Plan was being prepared. In fact, the situation may have deteriorated

because some trained personnel are no longer engaged in planning, and some have become so frustrated that they are no longer interested in applying their skills.

4. Little attention in the preparation of the plans has been paid to institutions and processes for implementation. In particular, the critical role of public administration and the need to greatly improve its effectiveness have never been given due emphasis. Some reference was made to this problem in the First Plan. The Third Plan document gave it somewhat fuller treatment, evidencing improvement in this regard.

A reporting system was established that obliged the operating Ministries and agencies to submit quarterly implementation reports to the Ministry of Planning. Their purpose was to report financial expenditures and stages of physical completion of projects to justify releases of the next quarter's allocations. In fact, the timeliness of the reports and the inclusion of significant data were so deficient that proper monitoring of project implementation was not possible within the operating Ministries and agencies or within the Ministry of Planning. Furthermore, within the Ministry of Planning, responsibility for information concerning specific projects was spread among several departments so that a project file containing complete and up-to-date information on each project did not exist. The preparation of such a filing system was started in the Ministry of Planning only in recent months, and very slow progress is being made. Attempts to get compliance by Ministries and agencies in the preparation of implementation schedules have been so minor that these quarterly reports have become meaningless as an instrument for monitoring, evaluating and enforcing plan implementation.

5. The formulation of each 5-year plan recurred as a major effort, extending over a period of a year or more, of the Ministry of Planning, and as a lesser effort of other Ministries and agencies. During the intervening periods of approximately 4 years, however, there was no short-term, annual or biennial planning process to facilitate more effective resource mobilization, allocation and utilization and to provide the basis for annual budgeting.

No mechanism was built into the planning system to enable a monitoring of the economy and of plan implementation, or to permit a redesign of strategy or policy or a reallocation of resources within the frame of a total plan. Annual or biennial planning could have provided the opportunity for necessary revisions and improvements, but, in fact, no such short-term planning procedures were adopted.

When the annual performances of the economy and the annual implementation of the 5-year investment programs varied substantially from the original plan, there was no provision for revising and updating the plan. In the Second Plan document, a one-and-a-half page "postscript" announced that the need for many necessary changes in the plan had already been perceived. Events during the first 2 years of the Third Plan revealed the clear requirement for a complete revision of the investment program. Significant changes occurred during the several planning periods in resource availabilities, economic conditions, investment opportunities, and priorities, but the adaptability of the planning process to respond to changing problems and opportunities was severely limited by the sole reliance on the basic plan document. There was generally an increasing divergence within the plan period between the original targets and priorities and actual performance, a divergence which raised questions about the meaningfulness and usefulness of the 5-year plan. As a result, the credibility of the successive plans has steadily declined, and the plan is now regarded by many as being more a vehicle for getting foreign assistance -- and not very credible even for that purpose -- than a blueprint for Afghanistan's development.

6. The role of the Ministry of Planning has encountered increasing difficulty over the 16-year period. During the First Plan period, and during the preparation of the Second Plan, the Prime Minister was Minister of Planning, and the Ministry had unquestioned supremacy vis-a-vis the other Ministries. When the portfolio was no longer held by the Prime Minister, the subsequent Minister of Planning (who had previously been Deputy Minister of Planning) initially continued to operate with the prestige of the Prime Minister's office, but

this steadily declined. It is inevitable and understandable that any Minister resents being controlled or dominated by another Minister of equal status. This means that the planning function must be elevated above other Ministries, especially if it is to include any policy, coordinating and expediting responsibilities. As an alternative, the High Economic Council could thoroughly review the policies, guidelines and implementation measures of the plan in degrees of detail and with the serious attention that provide special support to the Ministry of Planning in relation to other Ministries.

7. In between the quinquennial effort to prepare each 5-year plan, the Ministry of Planning was primarily engaged in preparing the annual development budget, in the release of the quarterly development budget allocations, and in other routine activities. Continuing work programs to evaluate and report on economic problems and implementation of the plan were not established on a regular basis. These kinds of useful tasks were not undertaken regularly, and many Ministry personnel remained underutilized or idle much of the time and could have been used for such efforts.

The sectoral specialists in the Ministry of Planning could have met regularly with their counterparts in the operating Ministries and agencies and gathered appropriate information to continuously monitor, evaluate and report on the sectoral development programs. Those assigned to the private sector could have established close liaison with the Private Investment Committee, the Chamber of Commerce, and elements of the private sector to become familiar with and to continuously evaluate problems, progress and prospects related to private sector development. The monetary, fiscal, and balance of payments specialists in the Ministry could have undertaken data collection and evaluation programs to follow developments in their areas of responsibility, evaluate them in terms of their impact on plan implementation, identify problems requiring actions, and propose solutions. These and other such work programs have yet to become part of the Ministry of Planning's regular activities.

8. There was a persistent failure to achieve resource targets both from domestic and foreign sources, as well as a strong tendency to overstate feasible investment opportunities. Domestic resource mobilization, lying entirely within the realms of public policy and public administration, was seriously and continuously deficient, principally because appropriate planning was not done and suitable decisions and actions were not taken. This resulted in inadequate revenues, public savings and foreign exchange earnings.

Foreign resource availability was greater than the capacity to utilize it effectively. This was a result of the inability to design operational plans to effectively mobilize domestic resources required to match foreign loans and grants, as well as of poor implementation performance. Again, this related directly to deficient administration and management practices. In addition, many of the projects proposed in the plans lacked adequate feasibility studies and did not qualify for financing.

9. The planning process was largely ignored for annual budgeting purposes. This was a fatal flaw, because the annual budget is the most important vehicle for carrying out plans. Many projects in the plan were not implemented, while some projects that were implemented were not in the plan. Revenue and expenditure targets in the plan had little relationship to what actually happened.

Projects and programs that required foreign financing were listed in the plan, yet they lacked suitable feasibility studies and implementation plans to qualify for financing. Many of these were not included in the annual development budgets. At times, when an unsolicited offer was made by a friendly country to finance a project, it was accepted uncritically even if it was not contemplated in the plan. Because of the lack of annual planning, which would have afforded an opportunity to keep the plan under continuous review, there was a tendency to take the plans less seriously as the years went by and to widen the gap between the annual budgets and the budget projections, as well as between the projects and programs in the plan and those detailed in the annual budgets.

Annual budgeting suffered from two major defects. One was the lack of an annual plan on which to base the budget, as well as the lack of phasing in the 5-year plans. The second was the division of the budget between "development" and "ordinary" expenditures without any clear standards of classification, or the division of responsibility for preparing each budget. The former was prepared in the Ministry of Planning, while the ordinary budget came from the Ministry of Finance. These defects led to several problems:

a. The annual budget requests from the Ministries and agencies only tenuously related the ordinary and development budgets and rarely contained all of the elements that permitted serious evaluation. These requests were reviewed by a few responsible individuals in the Ministry of Planning (for the development budget) and in the Ministry of Finance (for the ordinary budget). For carryover projects, these reviews were primarily concerned with the consistency of new allotments with previous levels of expenditure and with overall resource availability. For new projects, the reviews related almost exclusively to resource (especially foreign aid) availability, and not to how the different elements fitted together. Insufficient consideration was given to stated plan objectives and to policy implications of the budget decisions. Decisions at the Cabinet level seem to have been based on the same lack of information and considerations. No central authority had the responsibility for preparing a unified budget consistent with plan policies and objectives.

b. Such "ordinary" expenditure categories as education, public health, road maintenance, etc., that are highly essential to basic development were given low priorities and were often starved for funds.

c. The capital expenditure and operating expenditure components of projects were not sufficiently integrated, which led to such situations as medical facilities standing with insufficient or no medical personnel and/or supplies.

d. Adequate coordination was lacking in the preparation of such vital estimates as public revenues and ordinary expenditures, with the result that estimates of the Ministry of Finance often differed from estimates of the Ministry of Planning. Such lack of coordination also extended to reporting on actual expenditures.

A sound and workable basis for making revenue and expenditure projections and for annual budgeting suffered from the lack of coordination, and also from a lack of determined effort to link the budgeting and planning processes.

10. Large turnkey-type projects held a strong appeal for donors because they could implement them rapidly by providing their own nationals for engineering and construction supervision and even execution. Particularly in the first two plans, there was a tendency on the part of Afghans to relinquish much of the responsibility for development by permitting the donors considerable latitude in identifying and financing projects. This was the result of less than appropriate efforts by Afghans to do their own planning with the help of advisers. This would have entailed a strenuous effort to build indigenous capabilities for sectoral programming and project preparation within the various Ministries and agencies. Such an effort has not yet been forthcoming.

11. During the formulation of the plans and in the preparation of the annual development budgets, more emphasis was placed on the level of expenditure targets and on realizing these expenditures than on the composition of expenditures. Insufficient attention was given to the impacts of the expenditures on production, income, employment, balance of payments, and the fiscal situation. There was little concern for implementing quick-yielding projects until the Third Plan, and little success in translating this concern into action, then or thereafter.

12. The inattention to impacts and benefits, and the inability to design and implement plans that would result in widespread increases in production, income, revenues and foreign exchange, precipitated increasingly severe fiscal and balance of payments problems. This lack of concern over yields from investments contributed to a situation in which over Afs10 billion invested in public sector manufacturing and electric power enterprises produced a net annual return of Afs40 million or less. Year after year most public enterprises operated in such a way that they drained resources from the Treasury -- resources badly needed for the development of the nation. Furthermore, the bad performance could not even be analyzed because of poor data.

13. An extraordinary amount of technical assistance was made available to the Ministry of Planning. It included Soviet, American, German and French resident groups, as well as special Soviet teams sent for the purpose of assisting with the preparation of 5-year plans. With the exception of the First Plan, foreigners were depended upon to prepare the first drafts of each plan. Although the initial sectoral programs for each plan came from the Ministries and agencies, the foreign advisory groups, and the Soviet group in particular, were given the responsibility of organizing the basic data, setting the preliminary targets, and preparing the sectoral investment programs and the financial framework.

The advisers were generally not successful in their attempts to have counterparts assigned to them or in establishing formal training programs. They were equally unsuccessful in having the Afghans take primary responsibility for drafting the plans. As a result, subsequent to the First Plan, at the beginning of each planning period the preparation of the plan would be approached de novo, with very little experience or continuity being carried over from earlier planning exercises.

How was it possible that such deficiencies as mentioned above could exist after 16 years of planning experience with such an input of advisory services?

To some extent, this can be explained by a view of development that gave emphasis to the solicitation of foreign assistance and neglected internal mobilization. The donors were dealt with individually, and to a certain degree were played off against each other, to elicit the largest possible contribution to the development program. The technical assistance teams of various nationalities were thought of, to a large degree, as channels of entree to their respective governments, rather than as advisers whose primary purpose was to assist the RGA in building an effective planning institution.

During the initial few months of preparation of the Fourth Plan, the various technical assistance groups were brought together periodically in an attempt to reach a consensus. These meetings were discontinued, presumably because they were so time consuming. However, the fundamental problem of properly using the advisory groups of various nationalities in the Ministry of Planning cannot be solved by occasional meetings. The solution lies in strengthening the RGA's own abilities so that it can effectively use advisers, assign tasks to them, provide counterparts, and sift and evaluate and choose the best from among the advice given.

The kinds of problems that have been persistent in Afghanistan have solutions, and many of these solutions are known. In fact, the RRNA filing cabinets in the Ministry of Planning are overflowing with memos, studies, reports, projects, policies, proposals, etc., suggesting many solutions. There is also a wide body of knowledge on national development planning, gathered, evaluated, formulated and dispersed through international agencies. These could represent a valuable resource for Afghan planners. There is every opportunity for Afghans to profit from this store of knowledge if they have the will.

The final goal in the development and functioning of a planning system in Afghanistan should be to reach a stage where Afghans can effectively manage their own economic affairs. This requires a heavy emphasis on training and particularly on improving public administration. It also involves, for the private sector,

the creation of a climate conducive to stimulating the maximum possible contribution to the national development. A major test of the effectiveness of planning is whether it provides for the necessary institutional development, including the legal framework. A beginning has been made, with the Private Investment Law and incentive programs to encourage private development, the establishment of the Agricultural Development Bank, and prospects for the establishment of the Industrial Development Bank in the near future. Progress has been made, but it has been far too slow.

III. THE RESULTS OF PLANNING, 1335-50

Afghanistan was one of the least developed countries in the world when it started its development effort. It had one of the lowest per capita income levels, almost completely lacked basic economic infrastructure, and had a traditional public administration that was not development oriented. Although there has been considerable change over the past 16 years in selected sectors and regions, most of Afghanistan still fits these descriptions.

Hundreds of millions of dollars of material and technical resources flowed into the country over the past 16 years to help Afghanistan to develop. Had these resources been supplemented by the domestic resources Afghans should have been able to mobilize, and had these combined resources been used effectively, much more could have been accomplished during this period than was actually produced.

What emerges from an evaluation of the achievements and failures over the past three planning periods is that many of the most serious problems facing Afghanistan today stem from past mistakes -- errors of both commission and omission. They result, primarily, from the lack of sufficient determination in the past to achieve an efficient and effective mobilization, allocation and utilization of resources; from a strategy of development that did not emphasize increases in production and income and a wide distribution of the benefits of development; and from failures to make so many of the tough decisions and to take the decisive actions that are essential to an indigenous development effort.

Investment Targets and Implementation of the First Three Plans

The original planned investment program of the First Five-Year Plan covering fiscal years 1335-36 to 1339-40 heavily emphasized agriculture and industry. This emphasis changed, however, during the plan period to one of building an economic infrastructure of roads, hydroelectric power generation, major water storage dams and irrigation systems, communications, and mineral exploration. Some regionalization of development was attempted through emphasis on such programs as the Helmand Valley Project, which was started prior to the First Plan.

An evaluation of the results of the First Plan in the 1961-62 Survey of Progress points out that:

> The planning method adopted was to prepare a list of what seemed to be the most urgent economic requirements of the country; make the necessary project surveys; and adjust the list empirically....Some of the projects were abandoned because they did not prove economically feasible....Progress in the field of industry is inevitably slow and fraught with pitfalls, many of which cannot be foreseen at the beginning of a Five-Year Plan. For this reason, constant revision of the goals and objectives have been necessary from year to year (Chapter III, p. 19).

That evaluation, now 10 years old, noted that whereas the construction of new enterprises "is impressive," the resulting production has been disappointing. "The relatively small increase of production is due primarily to inefficient management and low productivity of labor...plants operating at undercapacity...shortage of raw material...marketing problems and lack of trained personnel." Unfortunately, these same observations apply very aptly today.

Actual development expenditures during the First Plan period exceeded expectations, totaling Afs10.35 billion. Ordinary expenditures were Afs6.31 billion. Manufacturing activity increased substantially from a low base at the beginning of the plan period. In manufacturing establishments of over 20 employees and in electric power plants, the value of production rose from about Afs340 million in 1334 to close to Afs1,000 million in 1340, and employment rose from 5,500 to 14,000 (Survey of Progress 1961-62, p. 18). Agricultural production figures were little better than educated guesses, but it was estimated that the physical production of food grains increased by about 7 percent; of fruits, by about 23 percent; of vegetables, by about 5 percent; and of commercial crops (mainly cotton), by about 41 percent (Survey of Progress 1961-62, p. 5).

Although there was a $26.3 million positive balance of trade for the period, the trends were unsatisfactory; commercial imports rose steadily, while exports actually declined from $58.9 million in 1336 to $53.4 million in 1340 (Survey of Progress 1961-62, p. 81).

Prices increased moderately during this plan period (as compared with subsequent periods), growing by about 20 percent.

The Second Five-Year Plan (1341-45) followed the same partial planning approach used in the First Plan, with the various Government Ministries and agencies formulating their own programs, and coordination being achieved through the Ministry of Planning. The main objectives were to continue the construction of a more adequate infrastructure in the transportation and agricultural sectors, to establish some basic industries, and to develop a few light consumer industries, mainly for processing agricultural raw materials.

Technical assistance in the formulation of the Second Plan was provided by a Soviet Gosplan planning group. The first RRNA team arrived in Afghanistan in time to participate in the final discussions concerning the size of the plan. The Ministry of Planning had

set an investment target of over Afs40 billion. The RRNA, U.S.S.R. and FRG advisory groups were in agreement that this was an unrealistically high target, and it was finally adjusted down to Afs31.35 billion. However, even the revised targets proved to be overly ambitious.

The implementation record in comparison with the planned targets was better in the First Plan than in the Second Plan, largely because a higher proportion of First Plan investment consisted of turnkey projects, and also because the Second Plan targeted over a three-fold increase in planned investment -- even after the targets were revised downward in the last stage of plan preparation. Total investments actually rose by almost 2 1/2 times from about Afs10.35 billion during the period covered by the First Plan to Afs25.01 billion during the Second Plan period, but inflation accounted for some of the rise (table 1). Overall, the First Plan public sector investments exceeded the target by about 10 percent, whereas investments fell short in the Second Plan by about 21 percent. In both plans, an overachievement took place only in the transport and communications sectors: by 40 percent in the First Plan and 19 percent in the Second. Shortfalls in the other sectors ranged in the two plans from 9 percent to 78 percent, but substantial absolute increases were experienced in all public sectors during the Second Plan as compared with the First.

Ordinary expenditures almost doubled during the Second Plan period from Afs1.85 billion in 1341 to Afs3.4 billion in 1345, totaling Afs13.1 billion, of which debt service was Afs1.9 billion. The total value of industrial output rose from Afs9.2 billion in 1340 to Afs12.7 billion in 1345 (Third Five-Year Plan, p. 11). In spite of the general recognition given to the need to improve management and to upgrade skills, the public enterprises continued to operate with deficits and far below capacity.

Especially disappointing was the failure to increase agricultural production appreciably. The total value of agricultural production rose by only about 7 percent. This rise was mostly accounted for by

Table 1. Investments During the First and Second Plans
(In billions of afghanis)

Investments	First Plan			Second Plan		
	Planned	Actual	Percent accomplished	Planned	Actual	Percent accomplished
Total public investment.....	8.50	9.35	110	31.08	24.65	79
Mining & industry.....	2.85	2.60	91	10.23	8.40	82
Agriculture & irrigation.....	2.65	1.20	45	7.36	4.40	60
Transportation & communication...	2.10	5.04	240	8.01	9.60	120
Social services.....	0.60	0.40	67	3.51	11.82	52
Other.....	0.30	.11	37	1.97	.43	22
Total private investment.....	n.a.	1.00	n.a.	.27	.36	133
Total investment.....	n.a.	10.35	n.a.	31.35	25.01	80

n.a. = not available.

Source: Ministry of Planning

increases in vegetable and fruit production, while all other crops showed no increase or actually declined. Livestock numbers increased slightly (Third Five-Year Plan, p. 14).

During the Second Plan the national price index rose very sharply from a base of 100 in 1340 to 214.1 in 1345 (Survey of Progress 1967-68, pp. 5-12). This index, it should be noted, is largely a price index of consumer goods and does not reflect prices of capital goods which were largely imported and prices of which rose only moderately.

The Third Plan (1346-50) proclaimed a basic change in development strategy, moving away from infrastructural investments mainly in the transportation and communications sectors and toward rather quicker yielding projects in the agricultural and industrial sectors, with particular emphasis on agriculture. This shift was undertaken in the hope of achieving a substantial rise in gross domestic product originating in the commodity-producing sectors. The plan envisaged an expansion of private sector investments in agriculture, livestock and industry, a greater generation of domestic saving, increased levels of employment and a general improvement in living standards. Expenditures on social services were planned to increase substantially both in absolute and relative terms. The balance of payments was to be strengthened by providing increased incentives for major agricultural exports and encouraging investments in import-substituting and in export-oriented industries.

The Third Plan document discussed the nation's problems and spelled out actions much more fully than did previous documents, but poor performance persisted. In fact, the results of the Third Plan were, perhaps, more disappointing than in the previous plans, not only because of poor implementation as such, but also because the plan document was more comprehensive and specific in its articulation of the implementation measures required to reach the objectives of the plan. Regrettably, the statement spelling out goals, policies and executing instruments was not taken seriously. In fact, the plan was never accepted by the Jirga.

Once more, investments in the transportation and communications sectors exceeded plan targets, but investments in every other sector and for the plan as a whole fell far short of expectations. In financial terms, the implementation of the Third Plan was only about 63 percent of the original and about 72 percent of the revised plan, and about 17 percent less than actual investment outlays in the Second Plan (table 2). Since prices of capital goods rose over this period, the shortfall was even more pronounced.

Table 2. Third Plan Investment Program and Actual Expenditures

(In billions of afghanis)

Investment	Original plan	Revised plan	Actual	Percent of actual to revised plan
Total public investment.....	31.10	25.7	19.02	74
Agriculture & irrigation....	9.64	7.7	6.63	86
Mines & industries....	8.73	9.0	5.85	65
Transportation & communication.....	4.10	2.9	3.38	117
Social services.....	5.51	3.8	2.27	60
Other.....	--	1.1	.89	81
Reserve	3.00	1.2	--	--
Total private investment....	2.00	3.0	1.70	57
Total investment.....	33.00	28.7	20.72	72

The shortfall in implementation of the targeted financial outlays was only one manifestation of failure of the plan. Whereas investments in the agricultural sector did increase over Second Plan outlays, thus carrying out the stated intention to increase resources for agriculture, there was very little accompanying increase in production and income. Growth in GNP, therefore, instead of rising to the targeted 5.2 percent rate, probably was below 3 percent per annum, hardly keeping ahead of population growth.

The principal reason for this was the failure to define, identify and formulate those projects that would increase production and income in the short run, particularly in the agricultural sector, and to improve the development institutions and personnel. Although the Third Plan included well-formulated statements on what needed to be done to implement the plan, the necessary policies, programs and actions were not, in fact, carried out.

Ordinary expenditures rose from Afs13.1 billion in the Second Plan to Afs23.2 billion in the Third. Of this increase of Afs10.1 billion, debt service accounted for Afs4.3 billion, which compares with Afs1.9 billion expended for debt service during the First Plan (Fourth Plan draft document).

As in the Second Plan, the lack of significant growth in agricultural production seriously retarded overall growth. The gross value of all agricultural production was estimated to have increased by 11 percent over the period, with crop production increasing less than 1 percent annually. Overall industrial production continued to grow rapidly, relative to agricultural production, but its share of GNP was still only about 7 percent at the end of the Third Plan (Fourth Plan draft document).

A sharp rise in merchandise exports, from $66.4 million in 1346 to $88.6 million in 1350, was accounted for almost entirely by gas exports to the U.S.S.R.; traditional exports increased by only

2 percent over the entire Third Plan period. Commercial imports continued to increase steadily, from $62.9 million in 1344 to $77.4 million in 1346.

The national price index rose by a substantial 20 percent during the first 4 years of the Third Plan, but much less than the rise of over 100 percent experienced during the Second Plan.

The budget surplus contributed about 24 percent of the public investment program in the First Plan, rising to 63 percent in the Second Plan, and then dropping sharply to only 11 percent in the Third. Loans from the Da Afghanistan Bank financed 14 percent, 7 percent and 17 percent, respectively, of the three plans.

Revenues increased from Afs16.9 billion to Afs25.3 billion from the Second to the Third Plan (table 3). However, this increase was entirely from indirect taxes -- direct taxes did not increase at all -- and from gas sales to the U.S.S.R. Of the Afs8.4 billion rise, some Afs6.8 billion came from these two sources: Afs4.6 billion from higher import duty collections that resulted mainly from higher commercial imports rather than better customs enforcement, and Afs2.2 billion from gas exports.

The increase of Afs10.8 billion in expenditures more than offset the revenue increase. The overall deficit from the Second to the Third Plan periods increased by Afs2.4 billion (from Afs4.7 billion to Afs7.1 billion), financed by both an increase in commodity assistance (from Afs2.9 billion to Afs3.8 billion) and in domestic borrowing (from Afs1.8 billion to Afs3.3 billion).

The utilization of foreign project loans and grants rose from $210 million in the First Plan to $355.4 million in the Second, and then fell to $217.1 million in the Third, dropping steadily and sharply within the 5 years.

Table 3. Revenues and Expenditures in the Second and Third Plan Periods

(In billions of afghanis)

Revenues and expenditures	Second Plan period (1341-45)	Third Plan period (1346-50)
Domestic revenues.....	16.9	25.33
Expenditures.....	21.6	32.4
Ordinary expenditures.....	11.2	18.9
Debt service.....	1.9	4.3
Development expenditures..	8.5	9.2
Overall deficit.....	-4.7	-7.1
Commodity assistance.....	2.9	3.8
Domestic borrowing.....	1.8	3.3
Project aid ($ million)....	355.4	217.1

Source: Fourth Plan draft document.

Impacts of the First Three Plans

The total investment during the past 16 years has resulted in a great many visible and impressive accomplishments in transportation, industry, irrigation, power, communications, education and public health (table 4). The financing of these investments was largely foreign, with little evidence of sustained progress in the internal mobilization of financial, material and manpower resources. The development program was not well conceived to produce rapid growth in production, income and foreign exchange receipts. Foreign debt service mounted rapidly from $28 million in the 5 years of the Second Plan to $108 million in the Third Plan (and is projected to rise to over $200 million in the Fourth Plan) without corresponding increases in foreign exchange earnings.

Prior to the First Plan there were no paved roads and very few permanent bridges, and air transport was

Table 4. Some Accomplishments During the First Three Plans

Item	1335	1340	1345	1349	Percentage increase 1335-1349
Production					
Cotton cloth (1,000 meters)..	15,405.0	27,234.0	66,000	57,100	371
Rayon cloth (1,000 meters)..	2.5	267.9	1,304	8,272	3,309
Woolen cloth (1,000 meters)..	243.3	157.0	463	433.3	178
Cement (metric tons).....	-	40,169.0	174,000	94,300	-
Soap (1,000 cakes).....	1,086.0	2,589.5	1,400	5,300	488
Sugar (metric tons).....	4,757.0	4,844.0	7,100	8,600	181
Coal (metric tons).....	28,908.0	66,484.0	161,600	170,000	588
Electricity (production in million KWH)....	47.18[a]	126.78	303.3	356.3	755
Natural gas (million cu. meters).....	-	-	522[b]	2,583	-
Leather shoes (1,000 pairs)...	-	25.2	107.6	199	-
Vegetable oil (1,000 tins)....	-	1.5	3.4	4.1	-
Education					
Number of schools.....	804	1,436	2,298	3,646	453
Number of teachers.....	4,007	5,983	9,824	18,138	453
Number of students.....	126,092	235,301	443,459	660,135	524
Number of university students...	874	1,987	3,571	7,397	846

continued--

Table 4. Some Accomplishments During the First Three Plans --continued

Item	1335	1340	1345	1349	Percentage increase 1335-1349
Health					
Number of doctors.....	149	250	527	689	462
Number of hospital beds.....	1,380	1,759	2,197	2,429	176
Industrial employment.....	-	18,169 c/	24,690	26,584	
Imports of chemical fertilizers (tons).....	-	5,000	10,000	27,000	
Motor vehicles registered in Kabul.....	-	16,363 c/	45,102	50,289	

a/ 1336
b/ 1346
c/ 1341

Sources: Survey of Progress 1961-62; Survey of Progress 1967-68; Survey of Progress 1970-71.

practically nonexistent. Industry was mostly in the handicraft stage, with major industries consisting of a few cotton ginning companies and textile mills, a vegetable oil extracting company, a sugar factory, machine repair shops and a match factory. Total annual electricity produced in the country was only 47.2 million kilowatt-hours in the year before the First Plan. Education and health facilities were very limited; the total number of children attending schools was 126,092, and there were only 149 doctors and 1,380 hospital beds in the entire country.

In the past 16 years, the accomplishments were many and varied. The construction of 2,780 kilometers of paved highway was completed, and motor vehicle registration in Kabul has tripled in the past 10 years. International airports in Kabul and Kandahar and several local airports were constructed. An international carrier (Ariana) and a domestic airline (Bakhtar) were established. River ports on the Oxus were developed. Meteorological and communications installations were established throughout the country.

Both the installed capacity of power plants and the production of electricity increased fivefold. Coal production increased almost sixfold. Cement production, a new industry established in the First Plan, reached peak production of 174,000 metric tons in 1345 and then declined to 94,000 tons in 1349 as the pace of the large-scale construction projects slowed down.

The production of cotton textiles increased 3.7 times, while rayon cloth production went from 2,500 to over 8 million meters. The first factory for leather shoe production was built during the First Plan, and the country now produces about 200,000 pairs annually.

Extensive geological surveys have identified such deposits as barite, dolomite, limestone, talc, beryl, iron ore, coal, lapis lazuli, gold and copper. Natural gas deposits are being exploited and over 2.6 million cubic meters annually are being piped to the U.S.S.R. A factory for the production of over

100,000 tons of chemical fertilizers annually is nearing completion, as is a thermoelectric plant using gas as fuel.

In the social sectors, the numbers of schools and teachers have increased by 4.5 times; of students, over 5 times; and of graduates, almost 10 times. The number of hospital beds has almost doubled, and the number of doctors has increased 4.6 times.

During the Third Plan, as a result of the new private investment law and the encouragement given to the expansion of private industry, 139 applications were presented for the establishment of industrial plants, representing an investment of Afs3.7 billion. One cannot fail to notice a great deal of construction activity in the principal cities, and especially in Kabul where new bazaars and residential construction have mushroomed over the past 10 years.

The Wheat-for-Work Program has begun to bring benefits to the rural population, and the rapidly increasing use of new seed varieties and of fertilizer promises to provide a basis for a major breakthrough in agriculture.

In an aggregate sense, however, the results of 16 years of development effort have been disappointing. The investment programs included a very high proportion of projects with long gestation periods, which have not contributed greatly as yet to increases in the level of output and income and to exports or import displacement. For example, about 25 percent of all investments (Afs15 billion) went to the construction of a 2,700-kilometer paved highway that still requires about Afs4 billion to complete. Although the highway has undoubtedly contributed to faster and cheaper road transport and has encouraged commerce and tourism, the design standards were far higher than necessary, the costs were commensurately high, and the construction of feeder roads connecting production centers to the main trunklines to capitalize on the heavy financial outlays have so far been neglected.

The decrease in gross aid of over 50 percent since 1345 was directly attributable to difficulties encountered by Afghans in the effective use of aid and in improving the management of the economy. The failure to mobilize internal resources, poor economic management, the heavy burdens of rising debt service, and the sudden and sharp decline of net capital inflow have brought on the present state of economic stagnation and an impending balance of payments crisis.

Actual power consumption is only about 40 percent of generation capacity, partly because of an inadequate transmission-distribution network and partly because of the slow growth in demand. As a result of low capacity utilization and poor collection practices, the revenues are not even sufficient to meet recurrent costs.

About half of the Afs12.5 billion invested in the agricultural sector was allocated to two large irrigation-land development projects -- the Helmand-Arghandab Valley Authority (HAVA) and Nangahar. The latter has only recently started to produce, and only recently has output in HAVA shown a significant rate of increase. It is now contributing importantly to the overall agricultural production of Afghanistan.

Some projects were poorly conceived or designed, such as the Kandahar Airport (U.S.) and the Mahipar power generation project (German), and may never be productive. Others were overly costly, such as the Balkh textile mill (French), or involve outdated technology, such as the Mazar fertilizer plant (U.S.S.R.), which is still not completed. Most of the factories built in the public sector are operating far below capacity or have ceased operations because of inadequate availability of raw materials (cotton ginning, textile, vegetable oil and sugar mills) and very poor administration and management.

The severe droughts in 1348 and 1349 resulted in sharp cuts in farm output and more than offset progress in new seed and fertilizer uses. Generally, agricultural production and income have increased at a very low rate. This has tended to drag down growth

in GNP, since the agriculture and livestock sector accounts for well over 50 percent of GNP. This sector also gives direct employment to about 75 percent of the labor force and contributes about 90 percent of foreign exchange earnings.

Almost all Afghan farmers produce food grains, principally wheat. In the past 10 years, in spite of large investments in the agricultural sector, production of food grains has increased no more than about 1.5 percent annually, which is less than the population growth rate. The same can be said of the industrial crops -- cotton, sugar beet and sugarcane. Vegetable and fruit production has increased significantly, largely through expanded acreage, but unfortunately these high-value crops are grown by a very small proportion of farmers. It is worth noting that these crops have largely been free of Government controls and not affected by Government programs. Their growth has been a result of farmer response to market opportunities. Improvements in yields, in the aggregate, have been insignificant.

This failure of the agricultural sector to develop more rapidly is directly related to the low proportion (10 to 12 percent) of expenditures in the agriculture and livestock sector specifically designed to improve agricultural production.

The drought dramatically focused attention on the urgent necessity to increase wheat yields on already irrigated lands. This led to the initiation of the emergency accelerated agricultural development program with its emphasis on greatly expanding the use of fertilizer and improved seeds. The costly drought thus has at least given a strong impetus to long-awaited activities to increase agricultural output.

Use of chemical fertilizers had increased slowly, from about 2,000 tons annually 10 years ago to about 22,000 tons in 1349. Through the emergency program, over 60,000 tons will be distributed in crop year 1350-51. Fertilizer distribution is targeted to reach 120,000 tons in 1352-53 and about 200,000 tons by the

end of the Fourth Plan. There is ample evidence that the agricultural sector can absorb such increases if efficient distribution avenues can be developed.

The impact this accelerated development program, and especially increased fertilizer use, can have may be surmised from the experience in HAVA, where the introduction of improved wheat varieties and fertilizer some 4 years ago have led to rapid increases in wheat production. The new varieties are quick-maturing and thus permit double cropping. A projected growth rate in the value of agricultural crop production of 15 percent per year for the next 5 years is credible in the Helmand area, based on an expansion through the valley area of double cropping with improved wheat varieties and fertilizer, an improvement in cotton and corn varieties, and the introduction of higher value crops.

About 90 percent of total exports are fresh or processed agricultural products. The failure of agricultural production to grow has greatly inhibited the growth of these exports.

The responsiveness of Afghan farmers to export opportunities was demonstrated by the rapid increase in fresh fruit exports, principally to Pakistan and India. They rose from $1.7 million in 1341 to $8.3 million in 1349. Exports of dried fruits and nuts, largely raisins, increased from $11.5 million in 1342 to $20.9 million in 1349. Afghan raisins have a great potential in world markets, if quality controls are further improved and the product is increasingly standardized. Growing conditions for fruits and vegetables seem to be ideal in Afghanistan, and prospects are excellent for exporting high-quality fresh and processed produce to the Persian Gulf area and to Europe.

Afghanistan has proved it can grow cotton competitively. Higher yields can be achieved through improved varieties, better cultural practices and more fertilizer. Further higher prices paid to the producer should stimulate production and result in greatly increased export earnings.

The Karakul Institute was largely responsible for improving varieties and quality of karakul skins. The drought of the past 2 years has been devastating, reducing the karakul population by 50 percent or more. It will take 3 or 4 years to recover, but thereafter substantial increases in earnings from karakul exports will be possible. Similarly, meat exports, particularly to Iran and the Persian Gulf countries, represent a large potential source of foreign exchange earnings once the sheep flocks are restored to former numbers and the livestock and meat development program now being considered is implemented.

Industrial activity now provides about 12 percent of the GNP, but five-sixths of this is accounted for by handicrafts and small manufacturing establishments. The stagnation of the agricultural sector has inhibited the growth of domestic industries. The low levels of income and consumption are serious deterrents to industrial growth, and the failure to increase per capita incomes has placed severe constraints on significant industrial expansion for the domestic market. Where opportunities do exist for import-displacing expansion, such as in sugar and edible oil production, insufficient raw material production has led to continued heavy reliance on imports.

Billions of afghanis have been spent on mineral exploration and development, yet the production resulting from this effort to date has been disappointing, with the exception of the recently developed gas exports. Resulting exports to the U.S.S.R. are scheduled to peak at about 4 billion cubic meters (valued at $20 million annually). The gas exports are used principally to contribute to Soviet debt repayment. The presently exploited fields will probably be exhausted within 10 years (when pressure will drop to the point that recovery becomes uneconomic).

Coal production seems to have peaked at about 170,000 tons annually, and about 5 tons of marble and of lapis lazuli are mined annually.

The large Hajigak iron ore deposit may one day be economically exploited when transport and technological problems are solved. There is no immediate prospect for the utilization of this resource, however.

As a result of the poor overall performance of the productive sectors, national income has increased at an annual rate of perhaps 3 percent over the past 10 years, and this rate has undoubtedly been less in the past 5 years than it was earlier, barely keeping up with the estimated population growth rate of 2 to 2 1/2 percent. Even these bleak figures, however, disguise the failure of the development program to improve the lives of the vast majority of the Afghans living in the rural areas. Whereas some farmers in the areas of the several large development projects have profited greatly from the assured supplies of water and the better transport access to markets they enjoy, the lives of most Afghan farmers have changed little if any from those of their forebears.

An important and increasingly visible problem is the failure to create sufficient employment opportunities for the growing population. The labor force is currently increasing by at least 100,000 annually. The stagnant economy is not able to absorb more than a fraction of these entrants. Of special importance is the failure to provide employment opportunities for the graduates of secondary schools, high schools, trade schools and the University of Kabul.

The Government contribution of domestic resources to development has declined in recent years. The prospect for the Fourth Plan is that revenues may be barely sufficient to cover operating expenses, leaving no surplus for the development program. It is essential that revenues increase far more rapidly than current expenses. This is a key means of mobilizing domestic savings and avoiding the inflationary pressures that result from large deficits.

The failure to increase foreign exchange earnings sufficiently to service the increasing debt service payments is directly related to the past strategy of development that focused on increased expenditures as

such, rather than on quick- and high-yielding projects and programs, as development targets. As a result, Afghanistan is facing a serious balance of payments problem.

Export earnings have increased at a rate of about 3 percent over the past 8 years, but the increase has been accounted for entirely by natural gas exports to the U.S.S.R. The value of all other exports combined has fluctuated around an annual figure of $70 million. This compares with average yearly foreign project and commodity assistance of nearly $60 million. The value of natural gas exports may increase another $3 or $4 million yearly over the next 3 years to reach a peak of around $20 million. This increase, however, will not offset the increase in commercial imports, which have risen sharply in recent years. Afghanistan must find ways of increasing substantially this wholly inadequate level of foreign exchange earnings if there is to be sufficient foreign exchange for debt service and commercial imports, let alone enlarged capital imports. More debt will have to be incurred, but the requisite funds will not be forthcoming unless foreign exchange earnings rise and give promise of further and sustained increases.

The increasing debt service drain of foreign exchange is a critical element in the balance of payments problem. Debt service rose from about $7 million 6 years ago to about $26 million last year, and is now scheduled to rise to $43 million by the last year of the Fourth Plan. The ratio of debt service payments to export earnings, currently at an impossibly high level of about 36 percent, will increase to well over 40 percent in the next few years, given the present prospects for export growth. It is clear that a combination of debt relief and high priorities on increasing foreign exchange earnings is urgently needed.

It is useful to make a distinction between Soviet aid and the debt situation of non-Socialist nations. In recent years, a considerable portion of the U.S.S.R. aid has been channeled into the development of projects that provide a means to repay debt. The exploitation of natural gas and its export to the U.S.S.R. will pay

for about 80 percent of the debt service on Soviet loans to Afghanistan. The Soviet-financed Nangahar project is scheduled to provide citrus exports to help defray debt payments.

Aid from Western nations and institutions has not been so directly related to projects that increase earnings or savings of foreign exchange in sufficient magnitudes to support debt service payments. This may be changing, however, with the increased attention being given to such projects as tourism development, development of exports from HAVA, development of meat exports and other livestock byproducts, and programs to greatly increase fertilizer use, which should expand exports of fresh and processed agricultural products.

The debt burden impinges not only on the balance of payments, but more broadly on the entire development effort, especially when related to the gross flow of external resources into Afghanistan. The total gross flow declined from the Second to the Third Plan, from about $556 to $408 million. However, the increase in debt service payments from $28 to $95 million sharply reduced the net flow from $528 to $313 million. The actual net flow of material resources (project and commodity aid only) was about halved from $398 to $192 million (table 5).

More significant, however, is the trend in the most recent years when net aid declined from a high of $95.2 million in 1344-45 to about $20 million in 1350-51. A continuation in the trends of aid and debt service would reduce net aid to zero or a negative figure in the next few years. The Fourth Plan figures indicate that even with the projected stepped-up level of gross aid, net aid will fall below the level of the Third Plan unless there is some early and drastic rescheduling of debt service payments. Better debt terms will be needed, along with more capital inflow, but these will be conditional on marked improvement in Afghanistan's internal resource management.

Table 5. Aid Levels and Debt Service During the Second and Third Plans and Projection for the Fourth Plan

(In millions of dollars)

Item	2nd Plan	3rd Plan	4th Plan
Total gross aid.....	556	408	479
Project aid.....	355	217	268
Commodity assistance..	71	70	81
Technical assistance..	130	121	130
Less: debt service....	28	95	193
Net aid.....	528	313	286
Net material resources (net aid less technical assistance)....	398	192	156
Gross aid per annum....	111	92	96
Net aid per annum.....	106	63	57
Net material resources per annum.....	80	39	31

Source: Ministry of Planning.

Resource mobilization, allocation, and utilization have suffered serious defects, as is frequently brought out in evaluations of the results of the past plans. Completed projects do not contribute sufficiently to development. This is not surprising since, typically, public industrial enterprises operate at 30 to 40 percent of capacity. Performance targets are not established, nor are adequate financial controls exercised on public enterprises and other projects. In projects with heavy infrastructure inputs, sufficient attention has not been paid to utilizing fully and effectively these investments by putting in place the ancillary investments and other programs designed to stimulate production increases and thus to capitalize on the infrastructural investments.

The need for adequate management is foremost in this problem of efficient resource utilization. We emphasize once more that RGA planners, policymakers and administrators have been too concerned with the size of the development program and not enough concerned with managing the program so as to optimize its impact on production, income and employment. If attention had been focused on the latter, better resource utilization would have been given more importance, and a more positive role of management would have yielded far greater results.

It will be impossible to improve the performance of the public enterprises without first recognizing as the highest priority the need to improve management, and then undertaking the appropriate actions to provide better management.

Similarly, the performance of the Ministries and agencies cannot be improved without improving management within the public administration. An effectively functioning bureaucracy requires the enforcement of the principles of delegation with authority to act, and holding people accountable for performance. This means rewarding good performance and penalizing bad performance. It involves the establishment of training programs and, in general, of a system that is development-oriented rather than tradition-bound. The failure to operate an effective development program in the past has largely been due to the neglect of managerial and public administration performance.

Much attention in this report is paid to the role of the public sector in Afghanistan's development. Although it is true that the Government has played an important role as an entrepreneur and dispenser of investment funds, it is also true that the largest sector -- agriculture and livestock -- is almost exclusively private. Many public enterprises are in trouble and may not improve greatly. The private industrial sector is likely to expand much more rapidly than the public industrial sector in the near future, provided the economic environment is favorable.

For the sake of a sounder development program -- on purely practical grounds, without any ideological considerations -- the further expansion of the public sector into commerce and industry should be postponed until currently operating enterprises are placed on a sound basis and adequate management and administration can be assured. Furthermore, with limited public resources, the Government should encourage the mobilization and investment of private resources. In this regard, it can play an important and even crucial role. The response to the Private Investment Law is only one example of the potential that exists for the Government to influence savings and investments in the private sector. The establishment of institutions to mobilize savings and make investments and to minimize Government actions that impede expansion of private investments, the development of appropriate fiscal and monetary policies, and the shaping of an investment program that expands overall demand and provides markets for domestic enterprises are areas of public action that can result in a release of private energies and resources that can make important contributions to Afghanistan's development.

The only -- or even the principal -- objective of development cannot be the mere increase in aggregate production and income. Naturally, this objective must receive emphasis in a country like Afghanistan which is on the lower rungs of the development ladder. However, the effects and benefits of development must be dispersed widely and felt throughout the country if the widespread support of the people is to be marshalled. Such support is essential for the continuation of a meaningful development program.

After 16 years of 5-year plans, this sense of participation by a significant number of people in the various regions of the country is notably lacking. This is particularly distressing when the Government should be asking for increased contributions from the people to support a continuing program. Certain people in certain areas of the country have profited enormously, but the Government finds it unfeasible to attempt to increase the taxes <u>only</u> for these people. On the other hand, it finds great resistance to a <u>general</u> increase in taxes when most Afghans can rightfully say they are paying for the exclusive benefit of a privileged minority in privileged areas of the country.

Certainly, the Government should at least enforce compliance with tax laws already in effect and should collect the full charges for public services such as power, water and telephone. But also, the strategy of the development program must be redesigned to achieve widespread benefits for the people throughout the country for two reasons: (1) the improvement of the level of living of the people of Afghanistan is, after all, a primary objective of development; and (2) without achieving such improvement, the mobilization of the domestic resources and popular support essential to the launching of a self-generating development program will be impossible.

IV. MAIN THRUSTS AND RESULTS OF RRNA ADVICE AND ACTIVITIES

Plan Preparation, Concepts and Methodology

One of the major activities of the team related to various inputs into the 5-year plans and efforts to improve the planning process. Some of the efforts in this general area were geared to each plan, thus relating to the phases of the planning cycle. Others were of a continuing nature and were related to improving Afghanistan's ability to manage economic affairs.

Because of the timing of the team's stay in Afghanistan, the inputs varied by plans. Much of the work of the Second Plan preparation had been completed at the time the RRNA team arrived in Afghanistan. Hence the input into that plan was confined to a final review, to cutting back the excessive size of the projected investment, and to many general observations. The plan was reviewed during the course of implementation because the magnitude of available resources was clearly not large enough to carry out even the curtailed level of investment. A major restrictive element was the supply of local currency. An attempt was made by the Government to carry out a larger part of the plan than the poorly implemented level of domestic revenues would support, with a resulting overdraft on Da Afghanistan Bank. This precipitated a financial crisis which had broad implications for fiscal policy as well as for specific components of the investment program. Government revenues apparently could not be significantly increased in the short run, or at least this was not

PREVIOUS PAGE BLANK

accomplished. In addition, limits had to be placed on central bank borrowing. These necessitated a review of the investment program. The RRNA team participated fully in that review. A similar review of the Third Plan was held in 1347, and the RRNA team made a similar input both in the formulation of the appropriate financial policies and in the decisions concerned with cutting back the investment program. The Fourth Plan period was only in its 4th month at the time the RRNA team's tour was completed, and hence there has been no comparable review.

The inputs of the team in the preparation of the Third and Fourth Plans were of the same general nature. As one of the initial foundations for laying out the Third Plan, the industrial economist prepared a detailed analysis of industrial development problems and prospects (A.A. Strauss, Industrial Development in Afghanistan, A Forward Look, September 1965, p. 77). Two papers were prepared for the agricultural sector, entitled Agricultural Development in Afghanistan (Dr. R.H. Allen, May 1965) and Irrigation Development in Afghanistan (Dr. O Nervik, August 1965). The papers were designed primarily to serve as guides for the preparation of an investment program for the Third Plan, but also dealt importantly with policies, strategies, institutional changes and the like. Draft chapters were prepared in 1345 for the various sectors. These draft chapters included discussions of various problems facing the respective sectors and then proceeded to bring into focus the objectives and strategies to be pursued, and the policies, institutional improvements, and investment programs that would achieve the objectives. In addition, the team prepared a number of memoranda commenting on the investment programs which were proposed by other advisory groups and by the claimant Ministries. As discussed in this chapter in the section on industry, advice was also proposed on the kind of planning which could successfully be done within the Government with respect to the private sector. Because of the importance of this activity, it will be discussed in detail in the portion of the industry section which deals exclusively with private sector planning and policy.

Illustrative of the inputs of the RRNA team to make the entire planning process more meaningful were the memoranda submitted in the early stages of the preparation of the Third Five-Year Plan. One such paper prepared by the development economist, The Proposed Framework for the Third Five-Year Plan, was designed to (1) suggest an appropriate process of national economic planning for the Third Five-Year Plan; (2) suggest integrated global output, consumption and investment goals; (3) provide an initial framework for sector planning; and (4) indicate the general magnitude of the financial resources that would be required and that could be effectively used in the 5-year span. It was intended to serve as a preliminary and illustrative report which was to be critically appraised and then fleshed out with data and Afghan views by the staff and officials of the Ministry of Planning. This memorandum not only provided a substantive input, but also was designed to give the Ministry staff an important task to perform that embodied most of the key conceptual and framework elements of national planning. The paper stressed the limited value of sectoral plans unless they are interrelated and unless the magnitude of proposed resource inputs realistically reflect the total resources that could be mobilized in Afghanistan and abroad, and their general allocation among priority purposes. The framework paper was read and commented upon by some senior officials of the RGA, but the needed data were not forthcoming and the intended use of the memorandum as an analytical tool was not fully realized.

In another document, Policy Issues, Instruments and Institutions in the Third Five-Year Plan, the development economist attempted to identify the most significant policy choices facing the RGA that required decisions, and to emphasize the importance of specifying implementation measures and the related instruments and institutions needed to achieve them. The intention of the document was to help the Afghan planners go far beyond the mere selection of national and sectoral goals and targets which do not, in and of themselves, constitute a plan. To become a blueprint for the economic and social development of Afghanistan, any plan document must spell out how the objectives, goals and targets will be achieved. This necessarily entails a wide range of

proposals dealing with the numerous and varied essential steps that must be taken in proceeding from broad goals to specific projects and detailed actions.

Policies, instruments and institutions were discussed in the paper, and specific recommendations were made concerning the investment climate and incentives to encourage investment in agriculture and industry; mobilization of greatly increased national savings; improvement in the efficiency of the utilization of available resources; fiscal and monetary policies strengthening the balance of payments; manpower mobilization and use; and improvement in public administration.

At a formative stage in the development of both the Third and Fourth Plans the U.S.S.R. sent a team of Gosplan advisers to Kabul to write plan documents and propose projects. These intense efforts resulted in the formulation of project lists essentially devoid of analytical rationale. Many chapters of the Gosplan drafts did not contain the elements essential to a meaningful plan, but were largely investment budgets with some notations about the projects contained therein. The drafts contained little analysis of the anticipated impact of scheduled projects at the sectoral level.

One contribution of the RRNA team was to review the Gosplan work and to recommend to the Ministry of Planning appropriate modifications to bring the scope of the work into line with realistically available resources and long-run sectoral goals. Another was to add much to the nonproject inputs. As work progressed on the Third Plan, the RRNA team prepared a draft of the entire plan to demonstrate the nature and content of a comprehensive plan, to put forth many of the substantive elements still missing, and to submit these in readily usable form. The Third Plan document in its final draft did contain sections on strategies, policies and objectives, reflecting the advice of the RRNA team and representing a broadened concept of the planning process.

Other efforts made during the preparation of the Third Plan which concerned the improvement of planning concepts are discussed in the sections dealing with public administration and the private sector.

In general, the RRNA team played a somewhat different role in the Fourth Plan than in the Third, primarily because of a difference in working relationships. There were fewer opportunities for participation by the team in the Fourth Plan than in the Third Plan operation. The team's contribution was made largely through committee assignments. In the earlier stages, detailed discussions were held in the committees concerning the information required for the plan. The RRNA team had the task of preparing chapter outlines and statements regarding objectives, strategies, policies and institutional programs. The U.S.S.R. advisers were assigned the role of participating in committees dealing with sectors, and of working out the sectoral programs and preparing sectoral chapters. In theory, the RRNA team was to serve on evaluation committees and, concurrently, to comment on what was in progress in the sectoral committees. Generally, the evaluation committees were inactive, and the RRNA team's participation in the evaluation was restricted to general meetings which took place after the drafts were completed.

The preparations for the Fourth Five-Year Plan were begun in mid-1349. The RRNA team prepared a series of recommendations on the scheduling of the plan, its content, forms to be used in providing necessary information, chapter outlines, statements of policies and strategies, financial resource availability and measures required to increase domestic revenues.

The outlines of the sectoral chapters contained seven essential elements: (1) an introduction which gave a precis of the main aspects of the sectoral plan, (2) a section analyzing the status of the sector at the start of the plan, (3) a section analyzing problems and opportunities for development within the sector, (4) a section stating the objectives sought and the strategies to achieve them, (5) a section on policies and

institutional programs necessary to implement the plan, (6) a section on the investment program, and (7) a section analyzing the impact of the plan.

These outlines were discussed with Ministry of Planning officials and accepted as a part of the instructions to be given to the claimant Ministries and agencies. A member of the RRNA team and an official of the Ministry of Planning visited all of the claimants to discuss these outlines. As a result of these discussions, it was decided that the Ministry of Planning should prepare sections (4) and (5) of the outline and submit them to the claimants for their consideration in formulating their sectoral plans. This took place early in the planning process, and during the summer of 1349 the sections were prepared by the RRNA team for the Ministry of Planning and then forwarded to the claimants.

The sectoral submissions from the Ministries and agencies came back from the claimants during the course of 1350 without reflecting any acceptance of this material. The sector plans were largely in the same format as those of the Third Plan. The quality of the materials included in the investment sections represented a retrogression, if anything, as compared to the Third Plan. Projects were again included without reference to their feasibility. The team did not further participate in the preparation of the plan until after the U.S.S.R. Gosplan advisory group submitted its proposed draft.

The sectoral drafts by the Gosplan advisory group formed the basis for discussions in late 1350 in which members of the RRNA team took part, along with other advisers and Government officials. These drafts which were made available for review were in large part simply revisions of the submissions made by the claimant Ministries and agencies. They represented some exclusion of proposed investments on the basis of lack of feasibility, but it was not possible to resolve or even discuss many areas in a satisfactory manner because it was contended that some deficiencies would be covered adequately in texts which were not made available to the team.

In addition to a number of comments on details of the draft plan, the team called attention to what it considered to be major defects. The targeted revenue figures, it was pointed out, were unrealistically high and the ordinary budget expenditures were unrealistically low, and lacked the specifications of the measures the Government would take to achieve these targets and the commitment to implement these measures; the investment program was still heavily weighted by large land development and infrastructural projects in contradiction to the stated Government policy to shift to quick-producing projects; there was no clear statement of policies and strategies, of implementation measures, or of programs to improve the public administration.

The main thrusts of the team's advice with relation to the preparations of the Fourth Plan were:

1. Domestic revenues must be increased appreciably by major improvements in revenue administration and some new tax programs and rate increases.

2. Managerial capabilities and administrative efficiency must be increased to utilize more effectively available resources, particularly in the public enterprises.

3. An intensive program is needed to improve the competence in project preparation within the operating Ministries, and in project evaluation within the Ministry of Planning.

4. A strong program to increase foreign exchange earnings is essential, including export development and tourism development.

5. The reduction or elimination of export taxes and more favorable foreign exchange surrender rates to exporters are as important in stimulating development as some capital expenditures.

6. There is a possibility for substantial economizing in unnecessary or low-priority ordinary expenditures. However, care should be taken to provide adequate funds for necessary expenditures on maintenance and operation of completed projects such as roads and

irrigation systems; for staffing, materials and supplies for hospitals and schools; and certainly for salary increases for public employees.

7. A commodity assistance program should be formulated that satisfies the multiple purposes of supply of unavailable commodities, price stabilization and budget financing. Proceeds from commodity sales, however, must not serve as a continuing substitute for strong actions to increase domestic revenues.

8. Internal borrowing is a legitimate and useful source of development finance, but must be kept within limits that do not put undue pressure on prices or balance of payments.

9. Afghanistan's debt rescheduling negotiations should be related to Afghanistan's long-term development strategy; a product of the negotiations should be a formulation of this strategy and a coordination of aid effort in support of the strategy.

10. It is necessary to encourage and mobilize savings and investment in the private sector to the maximum degree possible. To achieve this, it is essential to establish the Industrial Development Bank; to adopt a central banking law and to establish a central bank; and to enact a modernized commercial code, commercial banking legislation, a mortgage law, a petroleum law, and a minerals law.

11. Sectoral allocations should be governed by the long-accepted policy to shift resources into quick-producing projects that carry benefits widely throughout the country.

12. In agriculture, the accelerated agricultural development program should be the principal instrument to achieve increases in yields, production and income from already productive land. This program, with Food-for-Work, will bring quick and widespread benefits to the people.

13. In manufacturing, further expansion of the public sector should be curtailed until public enterprises can be reorganized and managed efficiently.

Private industrial expansion should be accelerated through the provision of incentives and services, particularly for export industries.

14. The principal goal of the mining sector should be to develop exploitation plans for commercial deposits and develop them through private as well as public enterprises.

15. For the power sector, power and energy surveys must be made, the management improved, services expanded, utilization increased, and charges enforced for all power used.

16. In the transportation sector, special emphasis should be given to adequate maintenance of existing roads and construction of feeder roads connecting production areas to trunklines.

17. The communications sector should be as nearly self-supporting as possible; technical assistance and training programs should be expanded to improve maintenance of communications systems; and services and facilities and management of the postal system should be greatly improved.

18. The public health program should expand preventative services as rapidly as possible and should concentrate on improving efficiency of health services through programs to strengthen administration, train personnel, raise standards and maintain better records and information systems.

19. The family guidance program should be expanded widely to seek slower population growth, especially as medical health programs will inevitably decrease mortality rates.

20. The planning process should be revised to include annual planning and to integrate budget with planning.

21. The timeliness, scope and reliability of statistical information must be radically improved to provide a firm basis for planning and decision-making.

22. The planning function should be elevated to the level of the Prime Ministry.

23. An economic advisory and expediting unit should be established in the Prime Ministry to provide staff work for the High Economic Council, Council of Ministers and Prime Ministry, where policymaking and coordinating must be performed, and to expedite the implementation of decisions.

As a result of the discussions held in late 1350, the Gosplan group was instructed to prepare a revision of the first draft incorporating agreed changes. This draft was submitted to the RGA, which modified it somewhat and presented it to the RRNA team for comment in early 1351. As this report was being written, the translation of the draft was completed and comments were in varying stages of preparation and transmission to the Planning Ministry. Before the departure of the team members from Afghanistan, the comments were given to the Ministry of Planning.

Plan Implementation and Public Administration

Although plan implementation conceptually comes after plan preparation, in actual practice implementation is a continuing activity throughout the planning cycle. It is concerned with putting into effect the policies and actions described in the plan. Since the effectiveness of any plan, no matter how well formulated, depends on how well it is executed, plan implementation must be given at least equal importance to plan preparation. If anything, implementation is more important in that plans tend to raise expectations, and failure to implement leads to greater frustration than if expectations had not been encouraged.

In any country, and especially in Afghanistan, the problems of plan implementation are more difficult than those of plan preparation. Many persons can write a plan, copying from textbooks or from other plans if necessary, but it takes leadership and exceptional

talents to lay out the most fruitful policies and set up the right institutions, collect the needed revenues, spend efficiently, select and support good personnel and eliminate incompetents, check on progress, break bottlenecks, and, most importantly, demand and get good management and administration. Accomplishing these actions are much more difficult than preparing the plan. However, implementation problems are exacerbated by any deficiencies in plan preparation. Plan preparation requires the participation of a relatively limited number of people, at least compared to the large number of implementers. Setting up the plan can to a considerable extent to be facilitated by the assistance of a few outside experts. Implementation, to be successful, not only requires the participation of a much larger number of people, but, in fact, it also depends on the basic administrative competence of the government. Except for some projects which may have foreign managers under turnkey contracts, indigenous personnel must be overwhelmingly responsible for development.

It is clear that the deficiencies in plan implementation in Afghanistan have been of greater magnitude than those of plan preparation. These deficiencies have indicated the need to make much more progress in several directions, viz.:

1. To improve policy formulation, coordination and adoption, including new legislation where necessary, and to establish a review of implementation policies

2. To provide for budgeting on the basis of annual overall plans so that the resource allocating process is linked to planning

3. To provide for a review of all projects and programs to be included in the plan to determine their feasibility, and for a review of detailed responsibilities, procedures and schedules for each project and program, so that implementation can be carried out and can also be properly evaluated in relation to the plan

4. To take into account in the preparation of plans all the problems of implementation which are likely to be encountered, and to spell out in the plan as fully and clearly as possible what is to be done in general to improve implementation, such as systems of

progress reports, field inspection, expediting procedures, standards for project preparation and implementation, and incentives and penalties for good and poor performance

5. To take account of the need for improvement in public administration and to spell out a program within the plan to meet the objective of improvement, including matters related to administrative structures and relationships, procedures, and personnel (recruitment, promotion, tenure, pay levels, incentives and the like).

The First Five-Year Plan in Afghanistan had no sections dealing adequately with plan implementation or with public administration. The Second Plan omitted these subjects altogether. During the initial stages of the preparation of the Third Plan, the RRNA team called attention to deficiencies in these areas and the need to develop chapters for inclusion in the plan. In Jadi of 1345 (January 1967), the Ministry of Planning agreed that sections should be prepared on plan implementation and on public administration. Thereupon the RRNA team, in cooperation with an Asia Foundation adviser and the Public Administration Division of USAID, prepared and presented to the Ministry of Planning a document on public administration and another one on implementation. These documents spelled out programs and policies designed to be carried out during the Third Plan.

The program would have committed the Government to a concerted effort to improve public administration. It provided for the establishment of an Afghan Management Institute and set goals for the recently established Civil Service Department. It included a great many definite proposals, including the establishment of a staff for the High Economic Council; a review of the relationship of the Ministry of Planning with other Ministries and agencies to determine the changes that should be made in central planning; the establishment of planning units in agencies which were without such units, and a strengthening of existing planning units; a procedural manual to govern aspects of annual planning, project planning and evaluation; progress

reporting; and plans for expediting other key elements in plan implementation (all were spelled out in detail in the plan implementation document). The document also outlined improvements to be made in annual planning, development budgets, and plan implementation. It spelled out a program for statistical improvement and a series of measures to improve tax and customs administration. In addition, it provided for a speedup of the cadastral survey, a plan for materials management, and an organization and methods program to be carried out by the Management Institute. The document also specified responsibilities for carrying out the various improvement measures.

The document on plan implementation proposed relationships between plan preparation and plan implementation and the role of annual planning as a link between global 5-year plans and development budgets. It proposed adoption of the program budget technique as a device for control and evaluation of plan implementation and analyzed the general nature of implementation problems and their solutions, of supporting policies, and of program and project implementation, as well as guidelines for sectoral implementation. It also recommended preparation and adoption of an Implementation Manual which would detail standards for project planning and evaluation, progress reporting and expediting; detailed relationships between various agencies assigned different but related responsibilities; and spelled out a policy for broader public participation in plan implementation.

The effort to include programs and policies regarding public administration and plan implementation in the Third Plan was only partly successful. Some mention was made of these areas, with more space devoted to them in the English translation than in the original Farsi version. During the Third Plan period, the RRNA team continued to press for greater attention to be given to problems in public administration and plan implementation.

It should be noted that during the Third Plan period the Government took more interest in public

administration than ever before. A commission was set up to recommend organizational changes. These changes were largely concerned with such matters as redrawing organizational charts for Ministries and agencies. Also, a redraft of the Civil Service Law was prepared and enacted. These efforts were not sufficiently documented and detailed by the necessary studies and analyses, or by sufficient expert advice. A broader look, however, was being taken under the direction of one of the Ministers Without Portfolio, but these efforts were terminated by a change in government in the summer of 1350.

During the same period the RRNA team held discussions and sent forward proposals to improve progress reporting. These efforts included work done on task forces to determine the nature of the information which could be collected in the field, as well as of what could be done to improve and expedite progress reports. Recommendations were made to set up task forces which would make periodical field inspections with a view to checking reports submitted, to improving the quality of reporting, to making recommendations on expediting, and to evaluating the implementation capacity of various agencies. Recommendations were again made to prepare a manual dealing with implementation and matters concerning project preparation (an antecedent condition to proper implementation). Efforts were also directed to the more timely release of financial allotments from the development budget to prevent delays in such releases and to introduce more order into the implementation process.

Some improvement was noted in the timely release of funds. The establishment of task forces did not take place as recommended, largely because it would have required hiring engineers, accountants and other skilled personnel which did not exist in the Ministry. On at least two separate occasions the Ministry agreed to start preparation of the manual, with assistance as needed from the RRNA team. However, these intentions were never carried out. The team did prepare materials for three sections of such a manual in the form of memoranda of advice on the information and analyses that were necessary to establish the feasibility of

mines, electric power facilities, and manufacturing plants. The purpose of the discussion on the first two was to help the Ministry determine whether it had sufficient information in its files to support loan applications. The purpose of the discussion on the third one was to advise the Investment Committee on the information it needed to make sound decisions on pending applications. These memoranda could be incorporated in a manual with only slight modifications; until such a manual is adopted and accepted, however, they have no official standing. Because of the failure of the Ministry of Planning to act, the RRNA team recommended that the World Bank be asked to furnish someone who would work with an Afghan counterpart to draw up a manual that would meet the standards of the IBRD and other funding agencies for project preparation, and who, after agreement on the manual, would hold a seminar to train personnel in the necessary methodology of project preparation and project implementation. The Government accepted this recommendation and sent a letter to the World Bank, but regrettably no action was taken by the World Bank to implement the request.

Attention was given during the Third Plan period to the problem of setting up adequate administrative machinery to take care of manpower problems, including the preparation and implementation of manpower plans. Attention was also given to the problem of rationalizing policies related to natural resources, and the establishment of a Ministry of Natural Resources was proposed. Much attention was given to the problem of improving the organization and staffing of the Ministry of Planning, and to an alternate scheme of establishing a Plan Organization in the Prime Ministry to be made up of a Central Statistical Office, a Central Planning Office and a Central Budget Office. These efforts are discussed in more detail in this chapter in the section on reorganization and improvement of the planning function.

The RRNA team sought to stir up concern for measures that could be taken to improve the training of personnel in public administration, since success in the public sector depends heavily on an improvement in the capabilities of administrators. Business management was also included because it bears on state

enterprises in the public sector, and in addition exercises great importance in the private sector. Efforts were made to organize interest on what could be done to provide training in these areas, both by increased foreign training and by an improvement in Afghan training facilities. Partly as a result of this effort, Professor Lee Nehrt came to Afghanistan in 1350 to review the problem of improving Afghan training. There is a continuing problem, however, in that the importance of improved training within Afghanistan is inadequately understood. There is also a problem of providing the proper governance of any advanced training facility. (The section of this chapter on training activities discusses other related efforts of the RRNA team.)

In the early phases of the preparation of the Fourth Plan, the RRNA team again urged that adequate programs be drawn up to cover improvements in plan implementation and in public administration. The team offered to cooperate in the preparation of appropriate chapters for inclusion in the Fourth Plan if the Ministry would designate someone either in the Ministry of Planning or elsewhere to be in charge of the necessary work. The Ministry, however, did not pursue this matter. The latest draft of the Fourth Plan is therefore deficient in that these areas are not adequately covered. Some actual progress, however, may already be underway even though it is not covered adequately by the plan, just as some progress was made during the Third Plan period outside the framework of the plan itself.

Improvement in public administration and plan implementation remains one of the major problems of Afghanistan with regard to economic development. Much additional effort must be devoted to these areas before satisfactory progress will emerge. This improvement will take time and, although the long-term possibilities are favorable, valuable time and needed production are being dissipated. The efforts of the RRNA team have contributed to prospects for improvement in that there has been a growing awareness of these important problem areas, and some positive programs seem seriously in prospect.

Training Activities in the Ministry of Planning

One of the important functions of the RRNA team was that of providing assistance in the training activities of the Ministry of Planning so that the Ministry and planning units elsewhere in the RGA might become professionally self-sufficient in planning and policy matters.

Two avenues of assistance were open to the team in carrying out this function. The informal efforts consisted of submission of memoranda and reports; ensuing discussions; training through counterparts; continuing conversations with officials and staff members of the Ministry of Planning, as well as with others outside the Ministry, on a wide range of planning, policy and implementation issues. The formal training efforts were concerned with such organized activities as in-house training, training institutes and foreign training programs.

Informal training

The RRNA team was composed of professional economists actively engaged in collecting and analyzing available information on various matters related to economic policy and planning. They were in a position to reveal and to transmit to the Afghans with whom they came in contact the practical techniques used by experienced and qualified professionals. This transmittal included discussions with Afghans while the work was in progress, dealing with clarifying and isolating specific issues, identifying interrelationships, the collection of all pertinent data, the analysis of such information, the evaluation of alternative ways of finding solutions, and other steps in planning and policy work. There were also discussions of the recommendations and the means by which they were developed, the probable results of carrying out the recommendations, the probable results of alternate policies and actions, and the reasons for their rejection.

In addition, the members of the team were always available, and often did, discuss with Afghans how they might proceed in carrying out their own jobs, both through more casual office discussions on how to perform specific tasks and through more detailed assistance in defining the various appropriate activities of a given position or facilitating the successful assignment of a new occupant of that position. Further, members of the team helped to train Afghans by acting as members of working groups and of committees in the Ministry of Planning as well as in other Ministries and agencies. Of special significance were the various weekly and other meetings which were held to discuss with some officials and staff members both theoretical and practical questions on economic development. While the numbers of people involved were small, the impact was valuable in improving the competence and comprehension of some who were later able to assume broader responsibilities.

Some counterpart relationships were established which existed over long periods of time. These resulted in higher productive activity in which two people worked together in partnership, discussing problems and possible solutions and coming to a mutual understanding concerning what ought to be done, as well as how it should be done. These counterpart relationships provided some of the best opportunities for informal training. As the importance of this fruitful approach was increasingly recognized through the successive tours of the team, continuous efforts were made to have counterparts assigned and to develop productive counterpart or partnership relationships where possible. Unfortunately, problems were encountered in getting counterparts assigned, and in some cases there was reluctance on the part of the Afghan to work closely with the adviser. If there had been a larger number of counterparts and if more had been inclined to work in partnership, undoubtedly the benefits of informal training could have been greater.

Despite the limitations, benefits of informal training constitute a significant contribution to the training of Afghans in matters related to economic policy and planning.

In-House Training Programs

Efforts regarding in-house training were of several kinds. These included (1) participation in various seminars organized outside the Ministry of Planning in which Ministry personnel could benefit; (2) efforts to organize informal seminars and discussion groups on a part-time basis, in which members of the team would take part; and (3) efforts to organize seminars on a more formal basis in which Afghans for a period of time would be relieved of other duties.

The efforts under item 1 were restricted by the reticence of Planning personnel to take an active part in such outside seminars and discussions. The RRNA team on several occasions attempted to develop an interest in part-time seminars to be conducted in the Ministry of Planning, for the purpose of considering problems related to plan preparation. One effort to consider problems related to the preparation of the Fourth Plan, in cooperation with Soviet and German advisers, reached the point of an agreement on topics to be discussed and participation of the three advisory groups in an agreed-upon agenda, only to have the whole proposal dropped by the Ministry of Planning.

Efforts to organize a full-time formal seminar never bore fruit. Following advice by the RRNA team, arrangements were made by the Ministry of Planning with the Asian Institute for Economic Planning and Development to conduct a seminar on practical problems of planning and project evaluation. Team members worked with Planning Ministry officials and officials of the Institute to make detailed plans for such a seminar to be held in Kabul in 1350, and also prepared papers to be given by team members at the seminar. However, the seminar was twice postponed, and then indefinitely suspended. There were similar abortive efforts.

Training Institutes

Continuing efforts over a period of time were made to interest the Ministry of Planning in availing itself of possible training facilities at Kabul

University. Efforts were also made to explore the possibilities of the establishment of special institutes at Kabul University or elsewhere to sponsor applied economic research, to enhance statistical techniques, to expand teaching of development economics, and to improve training in related areas of public administration and business management.

Although the team offered to help prepare proposals to obtain financial support and to make the necessary contact with various foundations and other possible financial sources, no tangible results were obtained. As a result of lack of interest among some officials and conflicts with Kabul University, no Afghan effort was made to exploit the team's repeated attempts to be of assistance.

RRNA team activities with reference to foreign training programs included (1) activities to identify various training opportunities which might be available to Planning Ministry personnel, (2) assisting in the development of plans for foreign training by identifying the skills for which training was available and desirable, and (3) assisting in the arrangements for such training.

To some extent there was a reluctance within the Ministry to participate fully in the training opportunities which were available. As a result, foreign training was not used as extensively as it might have been, and the benefits from training abroad were limited. One problem was the method of selection, in which training opportunities were sometime meted out on the basis of rewards rather than on the needs of the Ministry to derive the greatest possible benefit from an improvement in skills. Also, some personnel trained at great expense were not always fully utilized on their return to Afghanistan. In some cases the existing staffing patterns of the Ministry precluded the maximum use from being made of the returned participant. In other cases, the participant himself showed no interest in performing the functions for which he had been trained, since the training program was regarded largely as an opportunity for foreign travel. Furthermore,

some participants did not return to Afghanistan, but instead got assignments abroad which were not directly connected with Afghanistan's development efforts.

In summary, the team throughout its tour demonstrated a very strong and continuing interest in training. It took advantage of opportunities to train Afghans to improve their job competence, and these informal efforts were more successful than the formal ones. This was due to a difference in the willingness of the officials and Ministries to accept informal as compared to more formal efforts.

Reorganization and Improvement of the Policy and Planning Agencies

Throughout the entire tour of the RRNA team there was a continuing interest in improving the planning organization and function. This interest extended far beyond the Ministry of Planning. It included formulation, coordination and review of policy at the High Economic Council, as well as reconsideration of the location of the planning function. It related to improvement of the Ministry's organizational structure, definition of functions, procedures, and work flow, along with matters affecting personnel, such as proper incentives and pay as well as promotion, recruitment and training. It also included improvements in planning concepts and methodology. Training efforts and activities related directly to plan preparation and to improvements in planning processes in various sectors. This particular section of this report is devoted to a discussion of the efforts to reorganize and improve the policy and planning agencies.

Several major efforts may be identified regarding improved structure, functions and procedure:

1. As early as 1341 the RRNA team was concerned with making recommendations for improvements in the Ministry of Planning. Some of these recommendations were accepted, and the appropriate actions taken for their

implementation. These were concerned largely with structural changes.

2. In 1345, the team assisted in some degree of reorganization of the Ministry of Planning and in drawing up a revised organization chart which was accepted and which has essentially remained intact. The team also drew up a list of functions for each of the organizational units. The functions described were largely accepted and have persisted to this day. This reorganization, by the nature of its timing and consistent with the nature of request for assistance, was done on the pragmatic basis of making improvements with a minimum disruption of on-going work.

3. The team was asked in 1348 to comment on a proposed reorganization scheme prepared by the Commission on Administrative Improvements in the Office of the Prime Minister, and slightly later on a proposal which originated with the Soviet advisers in the Ministry of Planning. Both proposed boards to replace some existing departments. In the memoranda prepared and in discussions with the Minister and other officials of the Ministry, it was emphasized that although the two proposals were addressed primarily to the problems of changes in the vertical organizational structure (as represented by a chart), the more serious problems of the planning organization concerned the location of the planning function in the governmental structure, and lateral coordination, procedures and personnel. Unless these problems were attacked, little improvement could be expected in performance. The Minister requested a study to be made regarding these matters, instructing that any proposal should not contemplate any change in the location of the planning function within the governmental structure, or any change in anything which was then working reasonably well or which might disrupt the preparation of the Fourth Plan. The team adviser and a counterpart assigned by the Minister collected and analyzed all available documents bearing on the subject and interviewed in depth all of the responsible officials.

As a result of this work, the adviser and counterpart prepared a paper (Reorganization of the Ministry of Planning, April 5, 1970, p. 41) analyzing problems of both vertical and lateral organization structures and relationships, the procedures used in handling the work of the Ministry, and problems with respect to personnel. Some recommendations for improvements were included in the memorandum within the parameters set by the Minister.

On reviewing the paper, the Minister agreed to proceed on the basis of the general lines set forth and asked the adviser to work with another counterpart to draw a new organization chart and a new description of functions. There were hopes that this might not only yield needed improvements in the Ministry, but might also serve as an example of the application of principles of sound administration to other Ministries. The Office of the Prime Minister had announced the intention of making a demonstration project of the Ministry of Planning with regard to administrative reforms.

The adviser and counterpart agreed on an organization chart which included some changes in the organizational units, and on a description of functions of each of the units included in the chart. The description of functions clarified a number of areas in which confusion had existed and spelled out more clearly the lines of vertical authority. It also spelled out a number of lateral responsibilities designed to obtain a higher degree of cooperation between the various departments and units within a department. In addition, there were provisions designed to encourage the Minister and Deputy Minister to use officials more effectively in executing functions. No action was taken on the detailed proposals, and the whole situation lapsed into quiescence without any formal changes being made. However, some improvement in lateral coordination took place through the use of working groups.

A survey was made of the training each Ministry of Planning employee had received, of foreign language capabilities, and of similar information designed to provide some basis for developing a training program. Such an approach, while an improvement over the past,

provided no information related to the skill requirements of the jobs which various employees were doing or to their relative competence to perform such jobs.

In the spring of 1349, the Government also had under consideration a reorganization of the High Economic Council, which had, over a period of time, lapsed into almost complete ineffectiveness. On request, the RRNA team drew up proposals with regard to procedures and functions of the Council and once again urged that top priority be given to the establishment of a competent professional staff to assist in the preparation of agenda, the preparation of staff papers and proposals, a review of the effectiveness of policy implementation, and the like. The team had for a long time been calling for an economic policy and coordinating entity at the highest level of authority, and had repeatedly noted that this important function would depend on a competent, limited-sized staff. Unfortunately, the Council did not approve the proposed procedures and functions and did not set up the staff. Rather, it designated the Ministry of Planning to perform staff functions, but the Ministry did not release any personnel for this purpose and did not perform the proposed staff functions. Furthermore, such an arrangement has inherent difficulties because of a natural reluctance of one Ministry to make its staff available to another organization where it might lose control of those staff members. Actually, the performance of this staff function could have served to strengthen the role and status of the Ministry of Planning.

4. In 1350, the team was asked to make recommendations for a complete reorganization of the planning function, with no restrictions being placed on the scope or nature of the recommendations. Since the group had favored placing the planning function at a level where it could be given high-level status and where planning and statistics and budgeting could be coordinated, the team worked with the Public Administration Service Adviser and the Statistical Adviser from the U.S. Bureau of Census. A plan was drawn up which proposed a Plan Organization composed of three coordinate units: a Central Planning Office, a Central Statistics Office, and a Central Budget Office. These would report to the

Deputy Prime Minister through a Director of the Plan Organization. The Plan Organization would act as staff to the Deputy Prime Minister and to the High Economic Council, and in addition would carry out the statistical, planning and budget functions assigned to it.

This proposal was translated into Farsi for consideration by the Cabinet, but no action was taken because of an impending change in government at the time.

5. The new government which came in during the summer of 1350 decided not to move the planning function outside the Ministry of Planning and not to change the location of the budget function. However, some changes were contemplated in the structure of the High Economic Council. Provision was to be made for two staffs under the Deputy Prime Minister -- one to be concerned with policy formulation and review, and the other with project preparation and implementation. The RRNA team assisted in drawing up detailed plans for these staffs. However, the proposals made were not implemented.

Several problems which have been outstanding for a number of years still remain unsolved. These are (1) the location of the planning function at too low a level to be fully effective, (2) lack of coordination of planning and budgeting, and (3) lack of an adequate mechanism for formulation, coordination and review of policies, plans and implementation because of a lack of staff work for the High Economic Council.

The location of the statistical function has finally been solved by the decision to establish the Central Statistical Office (CSO). An agreement reached for technical assistance from USAID with the cooperation of the U.S. Bureau of the Census should provide sufficient foreign resources to make the CSO a viable entity. Of course, there must be sufficient support by the RGA, in terms of money and authority, to accomplish the objective of viability. The relocation of the planning and budget functions presents problems, as changes can apparently be made only at the time of complete Cabinet changes. At the time of such changes in government,

the new Cabinet members are usually preoccupied with other matters and cannot assign such problems a high priority. Thereafter, they develop an interest in maintaining the status quo. It cannot be stated too strongly that the functioning of the High Economic Council is adversely affected by the lack of adequate staff work. If the Council does not become a powerful and effective entity, there will continue to be no high-level policy formulating and coordination, no real expediting, no fruitful execution of any 5-year plan or annual plans, and even no carrying out of important on-going decisions and actions. The work of the Office of the Prime Minister is hampered by the lack of a professional staff to keep tabs on emerging economic problems, to formulate the highest priority day-to-day policies, and to review the implementation of policies which have been adopted.

Over the years in which the RRNA team has been in Afghanistan, some improvement has occurred in the policy and planning agencies in terms of structure and assignment of functions. However, most needed action remains to be done in order to obtain satisfactory performance. Aside from any relocation of planning at a higher level of Government, and coordination with the Central Statistical Office and a Central Budget Office, there needs to be an improvement in delegation of authority and in lateral coordination between the different organizational units, and a simplification of procedures. Changes must also be made in personnel policies to provide more effective incentives and an increase in the competence of staff through various kinds of training, both domestic and foreign. Also, more effective checking of performance must be instituted so that the incentives will work effectively. Officials must be paid viable salaries so that capable Afghans can be induced to accept difficult and demanding assignments and will develop interest as well as pride in doing a good job.

More attention must also be given to policy formulation, coordination and review. The Ministry of Planning cannot play the top policy role in the Government. It is not the right place for that responsibility. The need is for a more active and constructive role of

the High Economic Council in policy formulation, coordination, and review, as well as in overall economic guidelines for each Ministry and agency. The review and evaluation function cannot be overemphasized, because without review, implementation will suffer. To carry out these functions, the High Economic Council needs competent and diligent staff work available to it.

The RGA must in the future devote considerable attention and effort to these needed improvements. During the last weeks prior to the conclusion of RRNA activities, the RGA established a unit that will serve as staff to the High Economic Council. The functions of the staff unit had not yet been determined, but it appears that they would be similar to those proposed by the team. If so, this will be a significant step forward.

Statistics

Shortage of statistics has continued to be one of the principal deficiencies facing the RGA. There has been no serious and sustained program to collect and analyze the data that are prerequisite to economic planning and programming and implementation. There were virtually no data derived from samples, such as price surveys, consumer surveys and agricultural crop surveys. The administratively generated statistics are late, unreliable, and more often than not, presented in an unusable form. Funds and staff support for this needed service were not forthcoming.

One of the first team proposals called for the formation of an information network to supply policymakers with data upon which they could make sound decisions. A committee was quickly appointed to look into the possibilities, and found that much basic work had to be undertaken before any fruitful information system could be established. Since financial and balance of payments crises were relatively common occurrences, much of the early effort focused on improving financial, monetary and trade data. Numerous working meetings were held with appropriate agencies, and

detailed improvement steps were scheduled. The team members, along with other foreign advisers, assisted their Afghan counterparts in the preparation of tables and forms, as well as in reporting procedures and analytical techniques.

Some degree of success was achieved in sample survey design. Consumer expenditure surveys were made in Nangahar, Lashkar Gah, Kabul and elsewhere. A new price index was developed, and economic classifications were developed for trade data. The team made rough estimates of national income, and worked with Afghan counterparts to develop their skills so that estimates of national income could be improved and made on a regular basis. This effort was of very limited success, and only sporadic attempts at estimates were made by some individuals.

Throughout the years, team members worked on the annual Survey of Progress with Afghan counterparts. Two statisticians were on the RRNA team at different times, and each devoted considerable effort to the improvement of the survey. The newly developed price indices were first published in the survey. Improvements were made in other series in addition to the price series.

During the Second Plan period, the first systematic agriculture survey, covering some 100 rural villages in Nangahar Province, was conducted with assistance from RRNA agricultural economists and from the team's statistician, who helped train and supervise field enumerators and data processing clerks. Some assistance was also provided during the Third Plan for the nationwide agricultural census covering some 15,000 villages.

Both team statisticians developed short training programs for personnel of the Planning Ministry's Department of Statistics. One trip was arranged for Afghans to visit statistical institutes in Iran. Other

team members tried to help organize statistical services in their various fields of professional specialization. The development of a precipitation index which pointed up the seriousness of the drought years of 1348 and 1349 was one of the few successes.

Over the years, some improvement in format, reliability and timeliness occurred, but the progress in statistics was not steady or satisfactory relative to need. Personnel were often assigned new jobs, and the benefits of continued experience was lost. The task of regularizing information was thereby rendered more difficult. Top leadership too often was not seriously interested in regular information, wanting it only in crises. Consequently, policy and financial support fluctuated widely. Those individuals or agencies which desired regular information were frustrated in their attempts, since they were, as a general rule, dependent on others for information and could not muster needed support. More often than not, information was either not forthcoming on a formal basis or was late, inaccurate or incomplete. Statistics were treated as the personal property of functionaries at varying levels of authority. Far too often, information had to be gotten on a personal relationship basis, which is hardly compatible with good statistical practices.

The lack of an organized institutional base and the lack of recognition by higher authorities of the urgent need for information in the development process hampered continuing attempts at statistical improvement. The RRNA team's repeated and persistent efforts resulted, in 1348 and early 1349, in arousing a stronger awareness on the part of policymakers of the need for a regularized flow of information. Part of this recognition can probably be attributed to the more pressing financial and balance of payments crises that emerged. However, part must also be attributed to the constant pressure for essential information by the team and other advisers and by the support of a growing number of Government officials at all levels.

An information center was proposed, and a tour of information centers in neighboring countries was

arranged for Afghan officials through USAID sponsorship. Upon their return, a center was created, and the publication of a bimonthly economic report began. After considerable effort was expended on this project by team members and by Afghans in the Department of Statistics, the program was discontinued because of the pressure of other duties of Afghan officials. Also, a serious degree of high-level support was not manifested.

The continued efforts of the team finally led to significant results. USAID, with RGA approval, brought in a specially qualified and high-level consultant to review the Afghan information system. The result was the acceptance by the RGA of a proposal prepared by the U.S. Bureau of the Census and financed by USAID to formally create a CSO located in the Prime Ministry with supporting administrative laws and regulations and its own budget. The RRNA team played an important role in initiating the preliminary work, maintaining donor and Government enthusiasm for the program, and pushing for final approval.

This program has good prospects for success primarily because it will have an institutional life of its own. In the past, the Ministry's and agency's statistical units operated more or less independently, and each set its own standards. The CSO has been given the responsibility for all statistical activities, and its location within the Prime Ministry will provide it with the prestige and authority necessary to accomplish this task. Also, the CSO will have several foreign advisers for several years to work with counterparts exclusively on statistics. In addition, foreign assistance will provide needed equipment, such as vehicles and calculators, and will also provide for substantial domestic and overseas training programs. The CSO itself will generate some statistics, but more importantly, it will set standards, formulate programs for collection and presentation, and generally coordinate the activities of other statistical units, thereby making possible a more reliable, timely and valuable information system for the Government and others in need of statistics. It is to be hoped that firm high-level support will be given to this important program.

Finance

RRNA activities in Afghan domestic and international finance concentrated on financial planning; institutional, administrative and legal matters; and operational problems. In addition, much time and effort was devoted to establishing and maintaining substantive liaison with various national, international and regional groups such as the IBRD, IMF, various U.N. agencies, ADB, and USAID. Activities concerned with budgeting, the banking system, statistics, and training are all discussed elsewhere. Although the broad outlines of financial advice and activity are given in this report, no coverage is given to the time-consuming and important recurring activities required to prepare the annual budgets and a wide range of papers on special topics.

Broadly, RRNA policy advice and assistance covered both the Government and private sectors, and was directed at the mobilization and more efficient allocation of increased financial resources. Throughout the contract period the team endeavored to create within the RGA an awareness of the need for and the capability of developing a domestic revenue base sufficient to support sustained and increasing economic development. The ambitious plans required continuous increases in revenue if the targeted development expenditures were to be realized. Completed development projects required larger ordinary expenditures. Increasing foreign debt required more domestic revenue to go along with capital goods imports, as well as foreign exchange for debt service.

For these reasons, RRNA advisers constantly urged the RGA to increase domestic revenues substantially by new legislation, particularly through the land tax, higher income taxes and other such measures. At the same time, team advice stressed again and again the need for better administrative performance and enforcement, particularly in matters pertaining to customs and tariff collections. The RGA was also advised to take administrative action to raise the level of charges and fees for Government-furnished goods and services and to collect all of these charges as well as taxes owed to the Government.

The RRNA team urged efficiency in the operation of Government enterprises and monopolies, and the adoption of stern measures to ensure the collection of monies owed to the Government enterprises so that a greater contribution could be made to the development effort by these enterprises. Many services provided by the Government, such as telephones and power, do have rate schedules, but many users never pay and yet continue to receive the services. The team also recommended that the Government restrict the scope of its enterprise operations, such as in the monopolies, and divest itself of uneconomic investments in these areas. It advised that foreign commodity assistance should be considered as a supplement to domestic revenues and should not be used in lieu of a domestic revenue effort. Commodity assistance should be used as a temporary input to help meet the essential needs of the country and should not, simply because it is offered, be accepted either to satisfy consumption or to endlessly provide local currencies for development.

In the early years, the team encouraged the RGA to use deficit financing cautiously because, although some fiscal stimulation was needed, price inflation and foreign exchange losses posed serious threats to the economy in view of the lack of a central bank and the limited prospects for reasonably sizable changes in fiscal policy. During a later period, it was necessary to recommend that the RGA moderately increase its use of deficit financing to help overcome the economic stagnation that had set in. The team always advised that substantial increases in Government revenues be sought to finance expanded investment programs and to avoid price inflation and foreign exchange losses as expansion occurred.

The team constantly emphasized the twin themes of the need for increased development expenditures and the need for reductions in unnecessary ordinary expenditures. As is discussed in the section on budgeting, the team began early and persisted in its efforts to have the RGA adopt performance budgeting to ensure that expenditures would be productive.

Banking and financial market views are covered elsewhere in this report, but as part of overall financial advice, the RGA was urged to create an effective central bank, modernize the commercial banking system, and develop financial markets so that financial institutions could play a dynamic role in the mobilization of financial resources for development and could permit vigorous financial expansion and price stability.

In the foreign financial sector, RRNA advice concentrated on measures to increase export proceeds, to hold down unnecessary imports, and to rationalize the exchange rate system.

Both past foreign borrowing and the continued foreign borrowing that a sustained development effort will require make it imperative that foreign exchange earnings be steadily increased to provide the means for servicing these debt obligations. The team constantly urged the RGA to eliminate foreign exchange taxes on exports in order to increase economic incentives to exporters and producers. The team further urged the creation of a high-level Export Development Board as a mechanism for making policy and for assuring implementation through coordination and cooperation between Government agencies and with the private sector.

The team made a major effort to get the RGA to increase import duties on less essential consumer goods in order to secure more revenues, to help support an import substitution program, and to hold down foreign exchange expenditures for consumer goods. The team continuously stressed the importance to the RGA of improving its enforcement in order to collect more revenues and to reduce smuggling. Both are difficult tasks in Afghanistan, but a start must be made sometime and perceptible improvement should be pursued.

The rate has been allowed to float for some years for private transactions, but for official transactions the lower rate and its harmful consequences persist. The RGA has come face to face with the need for foreign debt rescheduling. Team recommendations were primarily

concerned with emphasizing that foreign debt rescheduling was not to be taken lightly, and that the RGA had to make every effort to ensure that domestic resources were mobilized and that incentives were given to producers and exporters to increase foreign exchange earnings. The RGA was advised that repeated debt rescheduling was undesirable as it would adversely affect the creditworthiness of Afghanistan. Also, it was emphasized that if debts had to be rescheduled again and again, foreign donors and international agencies would not be likely to continue existing levels of assistance, let alone increase the levels. Decisive self-help actions must be taken in this area.

Background and Analysis

Prior to and during the First Plan, the financial situation in Afghanistan was characterized by substantial monetary expansion, price inflation, losses in foreign exchange reserves, considerable foreign economic assistance, increasing imports, and static or declining exports. Large public sector deficits were the principal cause of the monetary expansion. Net Government borrowing during the First Plan rose from an outstanding aggregate of less than Afs800 million at the beginning to over Afs3 billion by the end of the plan. Domestic revenues increased very little, averaging Afs1.8 billion annually, while domestic expenditures nearly doubled, rising from Afs1.6 billion to over Afs3 billion. Afghanis generated from the sales proceeds of commodity assistance were significant during the plan, amounting to about Afs1.6 billion, compared to Afs8.9 billion from domestic revenues.

The exchange system was characterized by a multiple rate structure which heavily discriminated against exports, lowering incentives to the producers of key export commodities. Foreign exchange was made available by the Da Afghanistan Bank to the Government and for special development projects at official rates which were substantially below free market prices. Foreign trade was characterized by fairly constant export values, while imports rose rapidly. Exports were valued at $51 million in 1335 and $59 million in 1341, while commercial imports for the same years had grown

from $44 million to $59 million. As a consequence, international reserves fell from about $65 million in 1336 to $42 million in 1340, and the value of the afghani against the dollar depreciated in the free market from Afs40 in 1333 to Afs60 in 1337.

Official foreign debt repayment and interest requirements were small in the First Plan period. There were heavy inflows of foreign project and technical assistance, much of these in the form of grants, often for turnkey infrastructure projects. Many of the projects required little in the way of matching afghanis. Administration and management of projects were often in the hands of foreigners.

The Second Plan was prepared at a time when the financial situation was already critical, with domestic expenditures rising much more rapidly than domestic revenues and little evidence of an uptrend in foreign exchange earnings. The ambitious expenditure levels in that plan promised even more fiscal and monetary instability unless the very high revenue projections were realized. The main thrust of RRNA fiscal and monetary planning advice, after playing some part in reducing the spending goals in the final draft of the Second Plan, was on increased revenues and reduced reliance on deficit financing. The Government was urged to rationalize the exchange system so as to provide incentives to exporters and to restructure and improve customs collections in an effort to discourage imports of certain nonessential commodities.

The substantial increases in Government expenditures called for in the Second Five-Year Plan led to another huge budget deficit in 1341, the first full year that the RRNA team was in Afghanistan. There was a 26-percent increase in the money supply, which led to price inflation, and the afghani rate deteriorated after a previous period of strengthening. This worsening financial situation led to the development by the team of a stabilization policy proposal to the Government, including devaluation of the afghani as part of an exchange reform program, and fiscal changes designed to reduce the degree of public sector reliance on central bank borrowing. The Government was advised to reduce

the disincentive and discriminatory treatment applied to major export items and to move towards a less restrictive trade policy. Import duties, since they were primarily set in specific money terms per item, had not kept pace with the depreciation of the afghani and inflated prices. Recommendations to review and selectively raise import duties were made. Also, the Government was urged to improve administrative efficiency in the collection of revenues and to increase income tax rates. These policy measures were in large part adopted by the Government and formed the basis for a major exchange rate reform and for negotiations with the IMF for Afghanistan's first stand-by agreement with that agency in 1342.

The exchange reform in particular represented a major policy change by the Government. The afghani was officially devalued from Afs20 to Afs45 to the dollar, and the complex system of multiple exchange rates was substantially simplified. Even though the principal export items of karakul, cotton and wool were still heavily taxed through arbitrary surrender requirements and export taxes, the level of the tax burden was reduced and additional afghanis were available to exporters, which made possible the payment of higher prices to producers. The complex system of exchange controls on other export items was eliminated or the burdens were lightened.

A reduction in the number of importers who could purchase foreign exchange at the official rate, plus the proximity of the new official rate of Afs45 to the free rate of Afs50 to the dollar, substantially reduced the previous large cost-price distortions between domestic and foreign goods. In addition, higher levies were placed on imports, largely through revising the specific tariff rates to reflect the higher import prices.

The exchange reform resulted in higher afghani costs of foreign exchange purchased by the Government. Government expenditures for both development and ordinary budgets increased greatly. There was a sizable increase in revenue from the new revenue measures recommended by the RRNA team and adopted by the Government, but it was not sufficient to cover the increase

in afghani costs. The budget deficit was reduced only slightly to about Afs950 million in 1342. There was a further reduction in 1343 to Afs710 million.

The improvements which followed the exchange reform were temporary, and the measures taken proved to be insufficient to provide economic stability. The large Government deficits resulted in continued monetary expansion. Domestic prices increased substantially and the free market exchange rate depreciated at an accelerating rate as the balance of payments position deteriorated. The yearly average free market rate, which was Afs55 per dollar in 1342, jumped to almost Afs80 per dollar in 1343. The rapid widening of the spread between the official and free market exchange rates served to wipe out many of the positive effects of the currency devaluation and reform of 1342 and reestablished cost and price distortions.

The constant emphasis by the RRNA team and others for additional revenue collections, more export incentives, and a reduction in unnecessary ordinary expenditures, combined with a deepening fiscal and monetary crisis, resulted in the Government's taking some decisive measures, in 1344. The land tax was doubled, the sale of surplus property and the collection of past-due loans that had been made to Government employees were speeded up, import duties were raised, and tax collections were somewhat improved. Overall, revenues increased by Afs90 million, 30 percent more than the previous year. However, almost half of the increase came from Government monopolies and was not repeated the following year. The increase in ordinary expenditures was held to Afs300 million. Development expenditures increased by only Afs100 million, although the RRNA team had recommended larger increases in order to continue the development effort. This was the start of a restrictive pattern that was to recur in future years. Increased commodity assistance and a continued moratorium on debt owed to the U.S.S.R. also temporarily helped establish conditions for price stability.

Additional incentives were given to exporters of karakul and wool. Increased incentives had been

given a year earlier to cotton exports. As in 1342, the stabilization program included a stand-by agreement with the IMF.

Further changes were made in 1344 in the foreign exchange area as a response to the team's stabilization program, primarily aimed at moderating the cost-price distortions arising from the widened spread between the official and bazaar rates of exchange and at reducing the sales of foreign exchange by Da Afghanistan Bank. RRNA advice to devalue the afghani was again disregarded. The RGA did limit official rate foreign exchange sales to the Treasury only for Government purposes, and narrowed to Afs2 the spread between the free market rate on the bazaar and the Da Afghanistan Bank's free market dollar rate as a result of an agreement with the IMF. This narrower spread reduced the advantage of those fortunate enough to purchase their exchange from Da Afghanistan Bank.

The last 2 years of the Second Plan reflected the actions of the stabilization program. Budget deficits were less than Afs100 million in each of the years, and the money supply showed almost no increase. The slowdown in expansion of the money supply in turn relieved some of the upward pressure on prices and tended to stabilize the free market exchange rate of the afghani. The Afs300 million increase in domestic revenue in 1345 was offset by an equivalent increase in ordinary expenditures, but needed development expenditures did not increase, contrary to team advice. The Government concentrated on stabilization at the expense of development, because it was much easier for the Government to hold down development expenditures than to make another determined revenue effort. A general slowdown in activity had already begun to occur as large infrastructure projects were nearing completion. This tendency was further aggravated by the failure to finance new development projects.

The RRNA team advised the Government to take further steps to encourage exports in view of the pending rising foreign debt service problem during the Third Plan period. The team proposed that the RGA designate a group headed by a competent senior official

for the full-time job of coordinating export development schemes of the various Ministries. The Ministry of Commerce was given the responsibility. To date there has been very limited success. Real coordination and cooperation are still lacking. Recent proposals by the team have stressed the urgent need for a high-level Export Development Board.

During 1345, the Da Afghanistan Bank continued to limit foreign exchange sales for official Government purposes at the official rate. The team recommended that the RGA take steps in the exchange field to provide more incentives for production and export. These included total elimination of the exchange taxes on cotton, cottonseeds and on wool, and a sliding scale exchange tax on karakul, walnuts and on some other items. In order to prevent windfall profits, customs duties were imposed on the export of karakul, cotton, wool and walnuts. The tax on karakul was eliminated later in the year.

The Government monopolies were the sole importers of several important consumer goods, particularly those from the U.S.S.R. One of the strongest recommendations by the team was to return this activity to the private sector, as it had been prior to 1330, since the monopolies had not been successful. This proposal was accepted, and Government monopoly activity in the importation of consumer goods was restricted to wheat, sugar, petroleum products and occasional small quantities of other food items by the Food Department.

Equally important was the reduction of monopolies to only three: the Petroleum Monopoly, the Sugar Monopoly and the Liquidation Monopoly. The latter organization was formed to liquidate the consumer goods inventories of the former monopolies and then to liquidate itself. Because of Government bureaucracy and inaction, the Liquidation Monopoly is still in existence. The present government, however, has taken some steps which could lead to liquidation of this monopoly. The team also advised the liquidation of the assets and activities of the Employees Cooperative. Many of its consumer goods assets were disposed of in 1350 and its bank balances transferred to the national Government.

Throughout, the team advised the RGA to adopt a cautious approach to reliance on commodity aid. An analysis of the cost of commodity aid and the net returns to the RGA budget was made, pointing out that commodity assistance should not be considered as a long-run alternative to an increased domestic revenue effort. RGA officials were advised that commodity assistance should be used to supplement domestic resources rather than supplant them, and only to provide sufficient time to enable the RGA to mobilize its own resources. It was pointed out that commodity assistance should be carefully related to the development needs of the country and should not be accepted merely because it is available.

As long as Afghanistan must supplement its grain production with grain imports and as long as its foreign exchange availabilities are very scarce and its local currencies are inadequate for a development budget, wheat imports via commodity assistance arrangements make good sense. However, the level of such imports must not be so great as to depress grain prices and thus discourage local production. Nor must such imports serve as an excuse for a failure to efficiently collect local revenues or to pursue a vigorous export program so that the country will sooner or later be in a position to finance its own imports. Also, the composition of commodity assistance differently influences production and consumption patterns in the recipient country, sometimes discouraging production and sometimes leading to unsustainable types of consumption. Then, too, the assisting country may limit the types of commodity assistance by its own surplus pattern, and the commodities offered may or may not fit the needs of the assisted nation. It depends too on the size of the development effort. For Afghanistan, commodity assistance has been a mixed blessing. During the drought, grain imports have been critically essential. At other times they have depressed grain prices and been counterproductive. The pending fertilizer arrangement with the United States can be a very valuable program from all points of view. It can provide needed agricultural inputs resulting, in time, in more exports, and can generate local currency. If Afghanistan did better in its revenue collections and in pushing exports and much larger investment programs, it could benefit greatly from much larger commodity assistance programs.

The year 1345 was one of preparation for the Third Plan. A detailed program of action to improve revenue performance was urged by the team since an ambitious Third Plan would require substantial domestic revenues. Foreshadowing what was to come, however, was the RGA's action to suspend the livestock tax at the beginning of 1345 on the grounds that it was being unfairly administered. Because of the need for revenue, the team repeatedly advised the reimposition of the tax and made suggestions for its administrative improvement in an effort to eliminate those aspects of the tax which had led to its suspension. The RGA accepted in principle the team's recommendation on reimposition of the tax for the Third Plan, but as it turned out, the tax remained permanently "suspended."

In an added effort to stimulate more positive action on revenues, Dr. Harley Hinrichs was brought to Afghanistan by RRNA for a short time in late 1345. In consultation with RGA officials, he prepared a report, The Role of Public Finance in Economic Development in Afghanistan (May 1967), which outlined broad fiscal policies necessary for economic development and also identified specific revenue measures that could be taken. This report was submitted to the Government and, although it did not result in any immediate action, it was useful in that it reemphasized the need for a broader view of the role of finance in economic development.

Financial policy advice for the Third Plan followed the same general pattern of earlier recommendations: increased development expenditures, curtailed ordinary expenditures for less essential purposes, improved budgeting, modernization of the banking system, less reliance on commodity assistance and on deficit financing, a much greater domestic revenue effort, increased incentives to producers of goods for export, and the development of a dynamic export development program. All of these proposals were included in the RGA's Third Plan.

One specific recommendation was to increase revenues from the land tax. It was again pointed out, as in previous memoranda on the subject, that direct

taxes on the agricultural sector were very small and that the land tax offered the greatest potential for substantially increased revenues from this major sector of Afghanistan's economy. During early 1345, the team, in cooperation with the Public Administration Service (PAS) team, met several times with RGA officials to discuss the possibility of using the cadastral program as the vehicle for increasing land taxes. These discussions led to a specific proposal. One basic concern which prevented the RGA from implementing this proposal to tax farmland more effectively was the fear that a tax receipt would give the taxpayers a feeling of proof of ownership. The Government believed that it owned much land occupied and used by private farmers. This view is still widely held.

In addition to substantially higher land taxes, major revenue proposals of the team in the Third Plan included the reimposition of the livestock tax, increased income tax rates, revised customs duties, and improvement in revenue administration. For various reasons, no serious effort was made by the RGA to translate these policy declarations into action. It soon became apparent that the Third Plan, never approved by the Jirga, would have to be revised downward substantially because the local resources were not going to be mobilized by the Government, though far larger revenue collections were feasible. The team actively participated in the downward revision. A major recommendation again was to hold down unnecessary ordinary expenditures in order to minimize cuts in the development budget. The team continued to urge the RGA to implement decisively and promptly measures to increase revenues so that the development program could move ahead.

The afghani component of the development effort was increasing relative to foreign assistance because of the shifting pattern of projects. As a result, merely maintaining the earlier level of afghani development expenditures meant a reduction in total development project financing. Unlike the First and Second Plan periods, foreign assistance in the Third Plan was primarily in the form of loans. There seemed to be a hardening of lender attitudes and terms during the Third Plan, brought on in part by the lack of economic performance in earlier periods, disappointment in the Afghan revenue effort,

lack of sound feasible projects and deep concern over the general absence of progress and of convincing evidence that improved administration and better performance would be forthcoming. Domestic development expenditures in 1347 and 1348 were no higher than in 1342. Although the national price index is not a precise deflator, the fact that it had more than doubled over the base period of 1340 provided a clear indication that the development effort was less than in 1342. Substantial decreases in foreign assistance have contributed to slowing the development effort, but aid decreased, at least in part, because of domestic failures.

The team, to combat the economic stagnation that was setting in, advised the RGA to embark on a moderately expansionist program which included both a greater domestic tax effort and larger but manageable budget deficits. As in the past, the RGA relied more on deficit finance than on increased taxes. As a result, the size of the deficit increased in 1347 and reached Afs1.2 billion in 1348. Although the deficit was reduced by half that amount in 1349, the basis was laid for price increases and the subsequent substantial depreciation of the afghani to over Afs90 per dollar. More recommendations on revenue improvements were made by the team in 1348. Following these recommendations, the RGA sent a number of revenue measures to the Jirga for approval. The price of gasoline and diesel fuel was increased, although the increase was much too small; a higher income tax rate schedule was adopted; road tolls were increased; and a vehicle registration tax was passed. New land and livestock taxes were not approved. The large deficit in 1348 was partly a result of increased expenditures, but it was also due to overoptimistic revenue projections, inadequate administrative performance by the Ministry of Finance, and Jirga refusal to act on land and livestock taxes.

The revenue gains expected from the income tax were illusory. In 1349 the Jirga declared that it had not in fact approved this revenue measure. The controversy forced the RGA to collect according to the earlier 1347 schedule and not the higher 1349 rates.

In mid-1348, the Ministry of Finance made upward revisions of some import duties, although the increases were substantially less than justified by the rise in prices since the last general revision. In addition, the export taxes were reduced on a few items as a stimulus to exports. The gains in import duty collections in the last half of 1348 and in 1349 were claimed to have been a result of higher rates and better administration, but this was by no means clearly demonstrated because the level of imports rose substantially in 1348 and again in 1349 as a direct result of excessive deficit financing. Although detailed import data are not yet available for these 2 years, it is apparent that increased customs collections were in significant degree attributable to higher import levels.

New efforts to resurrect the land tax were begun in mid-1348. A land tax proposal was prepared by the team at the request of the Government. Very little discussion ensued, however, as the newly installed government was busy with other affairs. It was not until late 1348 that meetings began to be held regularly. The team pointed out that unless new temporary tax registers were created, new land tax legislation would be impossible to implement even if passed by the Jirga. It was also recommended that the RGA should consider an accelerated land inventory program as the best alternative for the creation of new land tax registers rather than the administratively hopeless task of handling in a short time well over 2 million farmer self-declaration forms. The RGA, however, decided in favor of farmer self-declaration forms and a new and progressive rate structure.

The new land tax law was submitted to the Jirga in 1349 but was rejected. The same law was submitted in 1350 and again rejected. The team advised the RGA to reconsider the proposed land tax law, but no results were forthcoming.

The 1350 emergency situation, created in large part by the two successive years of drought, resulted in a request by the new government for assistance in developing an emergency financial program. The financial economist prepared several papers and held discussions with RGA officials. Working groups were

established to review both revenue and expenditure prospects. A number of revenue proposals were made, primarily those that could be implemented by RGA administrative action without legislative action. These proposals included higher petroleum prices, quick sale of Government surplus property, fast action to collect the vehicle registration tax, and others. It was again recommended that the level of ordinary expenditure be restricted. Some effort was made to implement these recommendations, although the results were not satisfactory on the revenue side. The droughts had devastating impacts on a great many cultivators and livestock owners, which shrank the tax base, but those cultivators with adequate water enjoyed highly inflated prices for their crops and paid little or no taxes.

Also during the emergency, the financial economist was assigned to the Prime Ministry to work on wheat transportation and allocation problems. Several papers were prepared for RGA use on policies and problems on these critical issues. The financial economist accompanied RGA officials at the Government's request on two trips to Pakistan to expedite the movement of wheat. Daily operational advice and assistance was provided for several months.

In response to the 1350 budget crisis, the team again emphasized the importance of a reasonably effective land tax. The current government accepted a joint RRNA-PAS proposal prepared in mid-1350 on the land tax and ordered a committee, chaired by the Minister of the Interior and including the Ministers of Finance and Planning, to devise procedures to implement the proposal. The proposal is based on the use of existing tax rates, existing legislation and administrative authority, and the cadastral land inventory program. It would therefore not require Jirga approval. At the time of the writing of this report, only the approval of the implementation procedures by the committee was needed to get the program underway.

The vehicle registration tax, although approved in 1348 and not rescinded by the Jirga in 1349 as were the land, livestock and personal income taxes, was not implemented. The fiscal crisis of 1350 forced the RGA

to take some action. RRNA had urged the new government which was formed in mid-1350 to make a dramatic move in the enforcement of the vehicle tax as an encouragement to tax officials to make a more determined revenue effort to collect other taxes. The team worked closely with the Ministry of Finance in establishing tax collection procedures and otherwise assisted the Ministry in this endeavor, including the acquisition of windshield stickers. However, the Government has continued to move very slowly to implement the tax. As 1350 came to a close, virtually nothing had been collected, although a limited effort was begun early in 1351. It is anticipated that collection efforts will be accelerated in 1351.

The Third Plan closed after 2 successive years of drought, preceded by 3 years of declining development effort in real terms. The rapidly mounting foreign debt and reduced foreign aid receipts lowered net capital inflows from over $70 million in 1346 to about $16 million in 1349 and slightly more in 1350, the last year of the plan. Increased donor concern over the poor development record and the lack of project preparation contributed to the marked decline in foreign assistance. Mismanagement and inefficiency in Government enterprises and in general Government administration added to the economic malaise.

In preparation for the Fourth Plan, the financial economist worked initially with the Ministry of Planning in developing estimates of resource availability and expenditures. Preliminary policies and implementation procedures were developed to ensure access to maximum usable resources. This activity continued for several months on an almost daily basis. At a later stage, a working group comprised of officials from the Ministries of Planning and Finance was formed, and a review was made of these preliminary estimates, policies and implementation procedures. Still later, discussions were held with some operating Ministries on their ordinary expenditures for the Fourth Plan. The team's advice during this preparation period emphasized the need for clear statements of policies and strategy to achieve these goals. More emphasis than in the past

was placed on improved administrative performance in revenue collections.

Because of the impending foreign exchange crisis during the Fourth Plan period, a number of papers were written and discussions were held with various officials on measures to be taken. The RGA made an auspicious first start. Drafts were prepared of needed debt relief based on revised estimates of foreign exchange earnings and expenditures. Initial contacts were made with creditors and international agencies for advice and assistance. Some of the immediate pressure was relieved as unexpected large inflows of foreign exchange were received in 1350 due principally to extraordinarily high prices received through karakul auctions, liquidation of cotton inventories, and higher prices for cotton exports. This undoubtedly will not be repeated for karakul because of the very high sheep losses during the past 2-year drought. The team, in anticipation of the financial needs of flockowners to rebuild herds, urged the RGA to eliminate the exchange tax on karakul and on cotton and wool. No action was taken on karakul, but a modest increase in Government-controlled prices to cotton producers was announced in view of higher export prices.

The need for debt rescheduling poses a difficult problem for Afghanistan. Accurate and reliable information is required in order to correctly assess the magnitude and duration of the debt service problem. Debt service postponements had been arranged in the past, but the increase in exports and the reductions in imports necessary to reduce the need for additional postponements were not achieved. In memos and working committees, the theme was stressed by the team that the domestic effort must be improved substantially or debt rescheduling would have to be repeated again and again in the following years, and the RGA would increasingly encounter resistance to further loans required for the country's development. The rescheduling exercise is even now moving too slowly and without sufficient reference to the long-term needs of the economy.

Progress has been made in some areas, however. Domestic revenues have increased threefold since the beginning of the First Plan, excluding natural gas sales, and by almost 3 1/2 times, including natural gas sales. These gains have substantially been a result of price inflation rather than of taxes and better enforcement. If the large investment in Government enterprises had been made productive during the Third Plan, the revenue shortage would not have been so critical, even with foreign debt service requirements 4 times higher than in the First Plan. Dependence on commodity assistance as a revenue source increased about 2 1/2 times, and reliance on deficit financing was about double the First Plan level in the Third Plan. Neither of these two factors would have been cause for alarm if the economy had been moving ahead and exports had been increasing. Commodity assistance can effectively supplement the development effort, but it means that the foreign debt will grow and that debt service will become more unmanageable. An increased money supply resulting from Government deficits is necessary in a growing economy to increase monetization and to prevent a reduction in growth through deflation, but it must be limited to manageable amounts or it will result in inflation.

Prospects for increasing land tax revenues based on the team proposals are good. The cadastral land inventory program is well equipped and well staffed with trained personnel. Also, new efforts are underway in the Ministry of Finance to increase revenues through administrative improvement programs assisted by foreign advisers. Customs revenues can be greatly increased if the RGA will take the necessary steps to increase import unit valuations and if some of the more blatant violators are dealt with harshly and publicly to deter the high degrees of evasion and avoidance that have prevailed up to now.

In the foreign exchange field, substantial though insufficient progress and reform have been made. The complex multiple exchange system of the First Plan has been simplified somewhat. The last 2 years have seen the RGA make a more determined effort to screen governmental requests for foreign exchange at the official rate, although lingering adherence to an official rate

which is substantially below the free market rate continues to cause cost-price distortions. The inefficient trading monopolies have been reduced to three, although there recently seems to be an unfortunate tendency to formulate proposals for increased Government monopoly activity despite evidence that the monopolies have had a poor record and that there is no solid basis for an optimistic outlook for increased future Government activity in this area.

The RGA made efforts over the years to increase incentives to exports, but the actions were always too little and too late and were invariably wiped out by subsequent domestic inflation and afghani depreciation. At the time of writing this final report there is still no real organized effort on export development, and despite recent efforts, there is still a need for a more coordinated and consistent approach to an import substitution program. Increases in import duties over the years did not keep pace with either the higher costs of imports or the depreciation of the afghani. As a result, imported goods are available in the bazaars at excessively low prices, draining Afghanistan's scarce foreign exchange reserves. Of course, tariff rates must not be so high as to give strong stimulus to smuggling.

In general, although there have been some bright spots, the implementation of constructive financial policies has been inadequate over the years. Most serious of all, not enough domestic revenues have been raised, which in turn has led to an excessive monetary expansion. In its turn, this has caused substantial domestic price inflation, loss of foreign exchange reserves, excessive foreign borrowing for commodity imports, and other negative effects.

The basic theme of emphasizing the need for more domestic revenues must be repeated over and over in the future if the development effort is to be successful. To lay the basis for a substantial improvement in economic performance and to overcome stagnation, domestic revenues must be greatly increased. It is no exaggeration to conclude that until and unless there is far

greater progress in this critical area, Afghanistan's economic development will lag and the future prospects will continue to be dim. However, fiscal policy is not concerned solely with increased revenues; it must also be deeply concerned with expenditures. Merely raising more revenues for more wasteful spending will do nothing for economic growth, and in fact will erode revenue-collecting efforts. Also, continuation of the present system of mismanagement will lead to even more difficult situations in the future. Fiscal policy must encompass expenditure performance, for without such performance, satisfactory economic growth is not likely to occur. Renewed interest in expenditure performance is essential. Unless the Government takes seriously its reponsibilities in demanding performance from its Ministries, agencies and projects, increased revenues will result in the same dismal expenditure record.

The stagnation in the level of development spending cannot continue if there are to be real possibilities for development, but neither can poor performance continue. Existing large-scale projects have to be completed and made productive. Simultaneously, there must be a reorientation of development investment toward faster yielding projects. Existing Government enterprises have to be either sold or made productive. Poor expenditure performance and continued low levels of development spending will mean continued economic stagnation. The creation of a more viable Bureau of the Budget and the proper use of the newly created Central Statistical Office (both of which were repeatedly recommended by RRNA) can be the useful mechanisms whereby policymakers can demand, evaluate and enforce performance standards.

In the future, deficit financing can play an important but limited part, provided other policies are implemented so as to yield quick increases in output both for domestic use and for export. The deficit could be larger in later years as the economy expands, savings grow, and monetary mechanisms become more effective. Part of the rationale for a limited level of deficit spending also rests on the fact that larger agricultural and industrial outputs will require larger supplies of credit and a more rapid monetization of the

economy. It must be stressed that planned deficits have to be met with successful implementation of policies and programs in the agricultural and industrial sectors, or economic growth will be thwarted and further inflation and balance of payments problems will result.

Much discussion and debate over the years have centered on the land tax, with little result. Whatever the incidence and equities and complexities of a land tax, it must be a significant source of revenues in Afghanistan where agriculture is so overwhelmingly important a part of the total economy. The land tax seems the best means of tapping this sector for needed revenues. The Government should move ahead on implementing the joint RRNA-PAS land tax proposal. This will make it possible to get minimum essential legislation, the implementation of which will impose higher rates early in the Fourth Plan.

Financial policy also relates to the foreign trade sector. RRNA repeatedly advised the Government to eliminate totally the foreign exchange tax on cotton, karakul and wool. The RGA has had a reasonably good performance record in raising the return to exporters and producers by reducing the tax, although the reduction usually came too late, was too little, and then was eroded by the subsequent depreciation of the afghani and offset by cost-return relationships more favorable for competing products which farmers and livestock owners could produce. The RGA has been reluctant to free exports fully from the disincentive of this tax. Indeed, the abolition of the tax should be accompanied by a simultaneous increase in several other areas of taxation in order to avoid a revenue reduction. Cotton is more disadvantaged relative to wheat, and karakul skins are less favorable relative to mutton than heretofore because of the drought and the consequent increase in wheat and meat prices.

Elimination of the exchange tax is an absolute necessity for the longer term because repayment of existing foreign debt will continue to increase and exports will therefore have to be increased. Furthermore, an accelerated development effort necessarily

means increased foreign loans. Much debt will be acquired in the next development plan period, on which interest costs will be sizable, and repayment will begin within the next decade. It is imperative that a maximum effort be made to stimulate exports sufficiently to service a larger share of the debt burden, or the development effort will fail.

The RGA has taken limited actions which can lead to better economic performance, but to move the economy clearly and strongly out of the current stagnation will require the acceptance and determined implementation of more constructive fiscal and monetary policies than have been made by the RGA to date. If such policies are adopted and implemented and if quick-yielding projects and programs are emphasized, the development momentum can be regained. If not, economic stagnation will continue.

Banking and Financial Markets

For mobilizing the resources needed to fulfill the requirements of the ambitious Second Plan, it was essential to modernize the banking system of Afghanistan. Monetary policy was nonexistent primarily because of a lack of a central bank and of credit instruments whereby monetary policy could be implemented. One of the central themes of the RRNA team's effort in Afghanistan was the repeated emphasis on changes in the banking system so that the Da Afghanistan Bank could become a true central bank and so that modern commercial banks could be created to mobilize private savings to meet the credit needs of a developing economy. Also, the team urged RGA to develop credit instruments as vehicles for attracting idle funds for public and private development purposes.

When the RRNA team arrived, the banking system was composed of three deposit banks: the Da Afghanistan Bank, the Banke Millie and the Pashtany Tejaraty. Da Afghanistan Bank performed some of the functions of a central bank. There were three investment institutions: the Agriculture and Cottage Industries Bank, the Mortgage and Construction Bank, and the Industrial Loan Fund.

The investment banks, although strictly intermediaries, were largely financed from funds provided by Da Afghanistan Bank. At least half of the private sector assets of the three deposit banks consisted of equity investments in enterprises. There was virtually no organized capital market. Resources of the deposit banks principally comprised capital, reserves and undistributed profits, rather than demand and savings deposits.

There was little real interest in team proposals until late 1344 and early 1345, at which time the team participated in meetings concerned with the proposed issuance of Government bonds to the general public and the banking system. The Government bonds were to accomplish two purposes: (1) to provide a noninflationary method of financing development through mobilization of private savings, and (2) to help lay a basis for a domestic financial market. The team prepared memoranda discussing the policy issues involved and held meetings with Afghan officials. Proposals were made concerning denomination, accounting, interest rates and other aspects of the bond issue. The Government interest in the project was serious, and bonds were ordered from a British printing company. Discussions and meetings continued until early 1346, when Government interest waned and the project was discontinued. Efforts to revive interest met with little success. The continuing exposure of the concept has led to a greater awareness of the need for such credit instruments by a growing number of Afghan officials.

In the latter stages of the Second Plan, the efforts of RRNA to alert RGA leadership to the urgent needs for a modern banking system appeared to offer improved prospects for success. As an important step of a major effort to revise the banking system, the RGA was urged to appoint a committee to study the banking system. A committee was formed and included a member of the team. Proposals called for the creation of an authoritative central bank, a commercial banking law and a commercial code. The RGA accepted in principle the committee's recommendations and provided for them in the Third Five-Year Plan.

In the early months of 1346, Dr. Clay J. Anderson, a senior and experienced specialist in banking, was brought to Afghanistan by RRNA for several months at the request of the RGA. Meetings and consultations were held with high-ranking Government and banking officials. Senior RGA and existing banking staff members participated in working sessions. The team's specialist prepared an analysis and made specific recommendations. He also assisted in the preparation of central and commercial banking legislation. After his departure, the team continued unsuccessfully to seek implementation of the RGA's previously announced banking revision policy. Later, another committee was established to reconsider the situation. Team members were consulted, were asked to furnish materials, but did not participate in the committee deliberations. The team forwarded previously prepared documents. However, as with many previous promising programs, RGA enthusiasm waned and the proposals were never implemented.

Relatively little change has occurred in the deposit banking system during the past decade. There is still no meaningful monetary policy in Afghanistan, mainly because there are no tools or instruments to formulate and execute monetary policy. There is no rediscounting; there is no modern financial market; there are no credit instruments; there is no real control over commercial bank reserves or lending policies. Domestic credit creation is a function primarily of note issue in response to Central Government deficit. Monetary changes that occur are largely without reference to the needs of the country's economy. Banking institutions and functions essential for economic modernization continue to be largely nonexistent.

Whereas commercial banking changes have failed to occur, investment banking has changed significantly. The ineffectiveness of the Agriculture and Cottage Industries Bank in meeting the credit needs of the agricultural sector was early recognized by the team, and efforts were made to encourage and assist in its reorganization to attract foreign capital and expand its lending activities. Many FAO and IBRD missions came to Afghanistan to investigate the potential of a new form of agricultural bank. In 1349, the Jirga ratified a

World Bank IDA loan of $5 million to reorganize, strengthen and expand lending activities to the agricultural sector through a new Agriculture Development Bank. The loan provided for foreign management assistance and for the purchase of pumps, tractors and other agricultural equipment to be sold on credit to farmers. Also in 1349, the Agricultural Finance Agency, operating in the Helmand-Arghandab region, was reorganized with USAID financial assistance to provide farmers in that area with more and better credit.

The Industrial Loan Fund began liquidation in late 1345 in anticipation of the establishment of an industrial development bank. The Mortgage and Construction Bank, although nominally still in operation, has had very limited impact. No industrial development bank existed which could meet the medium- and long-term credit needs of industry. As noted in the section on industry, a considerable amount of effort was exerted by the team over the years to encourage the RGA to take the necessary steps to establish such an essential bank. Legislation was prepared in 1345-46, but was not finally passed until 1350. The bank is still in the organizational stage. It is expected to begin operations some months hence.

A major barrier to significant economic development in most developing countries is the shortage of banking institutions with sufficient funds to provide credit to agriculture and industry. The new Agriculture Development Bank and the pending Industrial Development Bank can contribute materially to Afghanistan's development effort in the private sector. The establishment of active and aggressive investment banks with access to loanable funds, supplemented by other constructive Government measures, will enhance the economic potentials of Afghanistan.

It cannot be emphasized too strongly that important changes that have occurred in investment banking must be paralleled by substantial central and commercial bank changes. An active central bank, and equally active commercial banks, could reduce the inflationary and balance of payments effects of deficit

financing and could effectively mobilize private savings and credit flows to the private sector.

Budgeting

The budgeting function was still in a relatively early stage of modernization when the RRNA team arrived, and much still remains to be done.

Authority for budget formulation is divided nominally between the Ministry of Finance, for the "ordinary" budget, and the Ministry of Planning, for the "development" budget. The two budgets were prepared separately, based on submissions of the operating Ministries and agencies. Little recognition was given to the impact of development expenditures on future operating budgets or of operating expenditures on the development effort. Nor was much consideration given annually to the impact which total budgeted expenditures would be likely to have on the economy.

The dichotomy which existed between the development and ordinary budgets was artificial, since many outlays in both budgets contained ordinary and development components. Had the two categories been closely coordinated, difficulties could have been avoided, but there was no central point at which real budgeting control existed. The lack of coordinated budgetary control was aggravated by the absence of any standards against which performance could be measured. There were no criteria against which projects in the development budget and programs in the operating budgets could be measured.

One of the first efforts of the RRNA team was to work with the Ministry of Finance in its varied efforts to improve budgeting practices and procedures. In particular, the team took the initiative in seeking to change budgeting which was on a line-item basis for each Ministry to one which was on a project basis and therefore geared to the needs of development programming.

Putting all salaries in one item, all expenditures for office supplies in another, and transportation outlays in still another may have been useful for some purposes, but was hardly meaningful for programmatic purposes. As a first step toward program budgeting, RRNA and the PAS group organized, under the leadership of Afghan officials, a working committee, which included representatives from the operating Ministries as well as from those of Planning and Finance, to discuss ways to improve budgeting. Also, a joint Planning and Finance group was established to prepare overall expenditure and revenue targets.

Efforts were made to formalize the budget calendar to assure that successive steps in budget preparation would permit time for review and coordination, while still achieving a firm budget at predetermined dates. The RRNA team prepared a number of memoranda on various aspects of budgetary timing. Procedures and sample forms were prepared for use by the various operating Ministries as well as by the officials of the Planning and Finance Ministries. Team members wrote evaluation reports on budget requests from operating Ministries, which were intended to serve as guidelines for continuing review of budget requests by Finance and Planning officials.

These efforts resulted in recommendations to improve not only budget preparation timing but also budget control, and the introduction of performance budgeting. The authorities accepted the committee's recommendations and ordered them implemented, but implementation was slow, irregular and only partially successful. Frequent turnover of personnel and limited interest by officials, as well as a lack of experience, all contributed toward limited degrees of progress.

One major improvement that was generally accepted was the development of a system of reporting on development outlays by project rather than by Ministry. Here again, however, the actual application was never fully pursued and improvement was limited. A vital step proposed and accepted was the development of physical performance standards for measuring project progress.

Here also, implementation was never fully effected. Financial control through the budgeting process has been exercised to a certain extent, but the important link between financial expenditure and physical product has never been properly developed.

Periodic attempts over the years to revive interest in more systematically relating development budgeted outlays and actual expenditures with project implementation have met with little success. The team worked with the Planning Ministry's Department of Implementation and Control in devising reporting forms and in the development of a project control file as preliminary steps to effective operation of this department. Only a partial attempt has been made to develop and use such a system. As a consequence, there has been little improvement in determining if expenditures were wisely spent, or even if part or all of the actual expenditures were made on the designated projects.

Similarly, efforts by the team and other advisers to gain acceptance of performance budgeting for ordinary expenditures have had only limited success. Legal, administrative and institutional inadequacies have been identified, and proposed solutions were presented to the Government in efforts to initiate performance budgeting, but the necessary implementing steps have not been taken. In 1345, renewed efforts to gain acceptance of program budgeting resulted in a foreign adviser being assigned to the Ministry of Finance to develop program budgeting. For various reasons, there were no results.

Throughout the contract period, the team participated extensively in the annual budget preparation and made attempts to get better budgetary coordination between the Ministries of Planning and Finance. The joint working committees that were created (based on RRNA advice) often did not meet regularly, and the results varied from year to year. The team encouraged the working committees to evaluate the impact on the economy of the total budget, as well as to concern themselves with estimations of revenues and expenditures and the allocation process.

In 1346 and 1347, the team again made efforts to identify clearly the difference between ordinary and development expenditures so that the two budgets would give a sharper picture of the development effort. Proposals were made to transfer ordinary expenditures which were in the development budget to the ordinary budget and vice versa. However, little success was achieved. At the same time, the team made renewed efforts to better define the functions of the two Ministries regarding budget preparation and budget administration, and to establish a better mechanism for making macroeconomic analyses of issues arising in the budgeting process. For this latter purpose, it recommended that a technical board representing both Ministries be established to collect, collate and analyze all pertinent information on such matters as potential revenues, expenditure requirements, and resulting fiscal balances, and to recommend overall magnitudes and fiscal policies. The technical board was also to keep a watch on budget administration to identify any needed shifts in policies if impacts on the economy were different than had been envisaged at the time the budgets were prepared. Unfortunately, the improvement achieved was limited both in degree and in duration.

Although the subject of Government enterprise activity is discussed elsewhere in this report, it is useful to review briefly the problems of such enterprises as they reflect deficiencies in budget practices. There are over 50 Government enterprises, constituting an investment of Afs15 billion or more. This sum is exclusive of the natural gas facilities and the fertilizer plant, whose capital investment to date aggregate over Afs9 billion. It is virtually impossible to determine the precise amount of initial and subsequent Government investment in these enterprises, or the level or rate of return, since they provide either inadequate or no financial or physical output data. The data that are available are incomplete, misleading, and late. It is quite apparent that the returns to Government on capital invested in public enterprises are insignificant. Most Government enterprises are inefficient and poorly managed, operate at levels substantially below full capacity, and contribute little to Government revenues. In the aggregate,

they may be a continuing drain on the Government's very scarce resources. The poor performance in Government enterprises has many causes, but one of them is simply the lack of proper budgeting and control thereof. Clearly, performance budgeting is needed for Government enterprises as well as for all ordinary and development outlays.

There are many reasons why the about $1 billion that have flowed into Afghanistan during the last 15 years have not yielded satisfactory results. Certainly, part of the inadequate performance must be attributed to the lack of standards and accountability. The unsatisfactory control over the budget has resulted in wasteful expenditures and leakages of funds. It has often been noted by Afghans and foreign advisers that projects are difficult to complete and usually cost substantially more than planned. Part of this is caused by poor project planning. However, even with better project planning, the development record would not have been much improved without better budgetary control. There is little question that if performance standards had been set and performance had been demanded, given the levels of expenditures, the economy would have been much further ahead.

The absence of sound budgetary practices goes hand in hand with the absence of penalties for poor performance or rewards for good performance. Too often the measure of success is the actual disposal of funds rather than the projected completion and anticipated output of a project or a program. Since little real performance control is or can be exercised under prevailing budgetary procedures, the reasons why projects take so long to complete and why programs yield such limited results are understandable.

One of the reasons for Afghanistan's lagging economic development record is the lack of a domestic revenue effort to adequately finance development-related expenditures. But, improvement in domestic revenue collection must be paralleled by a change in attitude toward expenditures, because spending money wastefully is no way to develop a nation. Only with better

performance will much more be accomplished from increased revenues and from expenditures than has been accomplished in the past. Development must be both revenue-oriented and productive-expenditure-oriented. This is particularly important in Afghanistan where the Government is by far the largest investor.

The RRNA team has long advocated reductions in unnecessary expenses. Past efforts by the Government to limit ordinary expenditures have often resulted in curtailing essential activities rather than in eliminating or reducing leakages and waste. More important than merely holding down expenditures is the goal of making expenditures productive. But without performance standards and proper budget control there can be very little audit and little accountability. The Government, as has been urged by the team and others, must insist on performance in relation to specified programs and projects and functions. Justification for all budget requests and expenditures must be given in sufficient detail so that there can be meaningful comparisons between the purposes for which funds have been allocated and the results flowing from the actual expenditures, whether for ordinary or development purposes.

The most hopeful prospect for achieving these objectives lies in the formation of a Budget Bureau in the Office of the Prime Ministry. The team has worked with others on a governmental reorganization plan, which included a proposal for such a Bureau. This could be an effective organization if located in the Prime Ministry and staffed with the most able Afghan officials, assisted and advised by technicians from abroad. Institutionalization of the budget process offers strong possibilities of providing much improved annual programming, relating expenditures to priority needs, keeping disbursements in line with prebudgeted purposes, and assuring better performance.

Agricultural Sector

The areas of advice and assistance provided by the RRNA team in the agricultural sector from the beginning to the end of the contract have covered practically the whole range of subjects affecting the major sector of agriculture, including goals, planning, policies, institutional development, training, project identification and preparation, implementation actions, survey research, statistics, and evaluation.

Agricultural policy matters dealt with by the team included a number of important and controversial issues that bear directly on the achievement of self-sustaining increases in agricultural output, incomes and better living conditions for the masses of people of Afghanistan. Policy recommendations made by the team were always based on pragmatic grounds and not on ideology. The team recommended basic policies and specific measures to intensify agricultural development on existing cultivated land by providing farmers and agribusinessmen with economic incentives, adequate supplies of yield-increasing production inputs, and competent technical assistance at the local level. The team also recommended a high-priority policy for the attainment of assured self-sufficiency in food grains as quickly as possible as a prerequisite to the achievement of badly needed diversification into those high-value crops and livestock products in which Afghanistan has a comparative advantage in domestic and export markets. Other recommendations made by the team were:

1. The postponement of expenditures for large, slow-yielding infrastructure irrigation land development and building construction projects in favor of programs designed to provide, through agricultural research and extension, those supplies, implements, and technical assistance that can greatly increase yields

2. The initiation of labor-intensive, self-help local rural public works programs and small irrigation and land conservation programs

3. A substantial degree of self-help from the beneficiaries of Government-sponsored agricultural and irrigation development programs by imposing direct charges and equitable taxes on agricultural production and land and livestock ownership to replace indirect taxation on exports and the surrender of earned foreign exchange at penalty rates.

Agricultural sector planning assistance and training by the team has included assistance in the preparation of sector plans and budgets on 5-year and annual bases. Project preparation and implementation assistance has been concerned primarily with intensive, quick-yielding agricultural and irrigation programs aimed at increasing yields per unit of existing land, livestock and water. Assistance and training were provided in conducting agricultural surveys and research, project reviews and evaluations and progress checking to supply information designed to strengthen the decision-making process related to development. Institutional development assistance and training were provided in agricultural research and extension, credit, cooperatives and marketing, as well as in sector planning and statistics. Training activities involved, for the most part, on-the-job training related to the day-to-day planning, policies and operations of the Ministry of Planning, the Ministry of Agriculture and Irrigation, the Agricultural Bank and the Provincial (Rural) Development Department.

The approach followed by the RRNA team in providing advice and assistance in the agricultural sector has been: (1) to take the initiative in submitting positive and practical proposals and recommendations to the Government as the opportunities arose, including efforts to enhance these opportunities through close and continuing relations with officials at various levels of authority; (2) to be accessible at all times to RGA officials and to foreign assistance agencies when needed; and (3) to respond willingly and readily to requests for assistance.

The team had no part in the First Five-Year Plan. Preparation of the Second Five-Year Plan had largely been completed when the team arrived in Afghanistan in 1340, and only some late reviews and some impact in reducing goals to more feasible levels were possible. The Second Agricultural Sector Plan consisted primarily of a list of projects and production targets. Because of this deficiency, during the early years of the Second Plan the main advice and activities of the agricultural economist were concerned with policies and with program formulation and implementation.

Agricultural programs, projects and actions that were formulated and recommended by the team encompassed agricultural and livestock research and extension, agricultural credit-in-kind, small-scale irrigation projects, rural community development, village agricultural surveys, and price and foreign exchange surrender rate reforms for cotton, karakul and wool. During the years prior to the preparation of the Third Five-Year Plan, the Ministry of Agriculture started wheat variety and fertilizer trials at the Daralaman Research Farm, and the agricultural extension service was reorganized and expanded to cover more areas of the country. The first sizable imports of tractors (200) and pumps (1,000) were made and sold to farmers on credit provided by the Agriculture and Cottage Industries Bank. The first moderately sizable imports of fertilizer (15,000 tons) were made during this period and distributed to farmers in connection with a cotton production increase program conducted by the Ministry of Agriculture in the Kataghan area. Several small irrigation projects were initiated in the northern provinces by the Ministry of Agriculture and Irrigation, with financing provided to landowners by the Agricultural Bank. Exchange surrender rate reforms for cotton, karakul and wool were implemented by the Government at this time, a move which had been recommended by the team. This action had a great impact on the cotton farmer, as changes in the surrender rate were passed along to the grower and amounted to an increase of around 50 percent in the afghani price per seer of cotton delivered to the ginning mills.

This action, plus the intensive fertilizer distribution campaign mounted in the major cotton-growing areas of the north, resulted in a doubling of cotton production from 1340 to 1342. Unfortunately, this increase in cotton production was not sustained in subsequent years because shortages of food grains and the resulting rise in food grain prices led to a decline in the cotton-wheat price ratio and the shift of economic advantages from cotton to food grains. Also, strong and continued efforts were not made to provide farmers with fertilizer and extension services.

During the early part of the Second Plan period, the agricultural economist accompanied high-level Ministry of Planning officials on a number of field-study trips to the provinces. These trips, recommended by the team to acquaint Ministry officials and team members with rural problems, development projects and potentials, provided valuable information and insights on agricultural and rural development problems and possibilities in remote areas of the country upon which future development plans, projects and programs could more realistically be based. A series of field-trip reports which were prepared jointly by team members and Ministry of Planning officials contained observations on rural problems and recommendations concerning types of programs needed in rural areas as revealed by local people. A special supplement to this series of reports dealt with irrigation developments and made proposals for increased emphasis on small-scale surface and ground-water irrigation projects.

It was also during the Second Plan period that the first systematic agricultural survey-census, covering some 100 rural villages in Nangahar Province, was conducted with assistance from the team's agricultural economist and statistician, who helped train and supervise field enumerators and data processing clerks. This pilot census laid the groundwork for a nationwide pilot agricultural census covering some 15,000 villages, which was subsequently conducted during the Third Plan period, again with assistance provided by the team's agricultural economist.

Toward the end of the Second Plan period, two comprehensive papers were prepared, one entitled Agricultural Development in Afghanistan, by Dr. R.H. Allen, team chief, and the other, Irrigation Development in Afghanistan, by Dr. Ottar Nervik, agricultural economist. The paper on agricultural development, which covered the 7-year period from 1344 to 1350, was submitted to the Ministers of Planning and Agriculture. It dealt with the potential for agricultural development, the nature of the problem of stimulating such development, a basic strategy for expanding agricultural production and income, priorities in resource use and a general assessment of the results that could be expected under appropriate policies and measures. The paper on irrigation development was also submitted to the Ministers of Planning and Agriculture and contained a complete inventory, description and evaluation of irrigation projects underway and planned; recommendations with respect to the type, size and location of surface and ground-water irrigation projects which should be undertaken; and a proposal and plan for establishing, staffing and training a unit within the Ministry of Agriculture and Irrigation to survey, design and supervise the construction of an expanded number of small, quick-yielding irrigation projects.

Both of these papers stressed the importance of concentrating development efforts in the best agricultural areas of the country and on supplying production inputs and technical services to farmers for increasing per unit yields of crops and livestock on existing cultivated lands. These two papers were the most comprehensive and analytical pieces that had been written up to that time on agriculture and irrigation development in Afghanistan, and provided a useful input for drafting the Agricultural Sector of the Third Five-Year Development Plan.

With the arrival of a new group of RRNA economists during 1344, work began almost immediately on the preparation of the Third Five-Year Plan. The agricultural economist worked closely with officials and technicians in both the Ministry of Planning and the Ministry of Agriculture and Irrigation on the agricultural sector plans during the period from late 1344 through 1345. The agricultural economist prepared a chapter outline

guide for writing the agricultural sector plan and participated in drafting sections dealing with sector goals, strategies, policies and programs for the Third Plan. This sector plan emphasized the need to shift development programs and expenditures from a few large, slow-yielding infrastructure irrigation and land development projects to quicker yielding programs of agricultural extension; to provide farmers with increased quantities of production inputs such as improved seeds, fertilizer, pesticides and pumps; to implement small self-help irrigation projects aimed at stabilizing and increasing water supplies on already cultivated croplands; and to provide strong economic incentives to farmers to increase yields and production. Laudable beginnings were made in the new directions spelled out in the plan, but implementation of the Third Five-Year Agricultural Sector Plan fell far short of expectations, and the impact of these new programs and new approaches on agricultural production and incomes was very limited. Although it is certainly true that the severe droughts of 1348 and 1349 had a devastating impact on most agricultural activities, there was little evidence of strong underlying trends toward constructive development and there is no reason to believe that the drought interfered with notable progress that might otherwise have been made.

During the Third Five-Year Plan period, the agricultural economist participated with Afghan officials and foreign assistance missions in identifying and helping to prepare a number of agricultural development projects for financing and implementation. These projects included the IBRD/U.N. Agricultural Credit Project; the IBRD Minor Irrigation Project; the IBRD Livestock Development Project; the IBRD Kunduz-Khanabad Irrigation and Agricultural Development Project; the ADB Agricultural Sector Planning Study; the ADB Gawagan-Char Dara Irrigation and Agricultural Development Project; the U.N./FAO (Sweden) Project Assistance for Credit and Cooperatives in Afghanistan (PACCA); the U.N. Special Fund Feasibility Study for the Development of the Hari-Rud and Upper Kabul River Basins; the U.N. Water Resources Planning and Administration Project; the USAID Accelerated Wheat Production Project; the USAID Helmand-Arghandab Agricultural Credit Project; the French Cotton Production Project; the British Cotton and Oilseed Production and

Processing Project; the Swiss Cheese-Making Project; and the Indian Rice Research Project. All of these project preparations subsequently resulted in foreign financing and technical assistance becoming available, and are currently either being implemented or are in the process of being approved by the Jirga prior to implementation. They add up to an impressive aggregate of efforts which could provide the basis for a meaningful new thrust forward in agricultural development.

Of the project preparation activities mentioned above, the Agricultural Credit Project probably involved the most time and effort by the agricultural economist. During the period of preparation, review and evaluation of the project loan request and in the subsequent negotiations between the Government and the World Bank for development credit and for managerial and technical assistance to the Agricultural Bank, the agricultural economist served as principal adviser to the Deputy Minister of Planning and to the President of the Agricultural Bank, and provided assistance and training in the preparation of the project and the loan request.

Also, in the initial stages of the project preparation on the IBRD Livestock Development Project in 1348, the agricultural economist, at the request of the Government, prepared a paper dealing with the potential for livestock development, the nature of problems encountered in stimulating such development, a basic strategy for expanding livestock production and income, and a general assessment of the benefits that could be expected. This paper was used by the Government in preparing its formal request to the World Bank for long-term financial and technical assistance in developing the important Afghan livestock industry. The response by IBRD to this request has been favorable; project preparation is now in the final stages, with initiation expected in 1351.

The RRNA team was also asked by the Government to help prepare a request to the ADB for a comprehensive planning study of the agricultural sector. Subsequently, during the implementation of this sector study, the team in the Ministry of Planning provided assistance and

guidance to the Government and to the ADB study group (organized under an ADB contract with the team) which conducted the study. A number of recommendations made in the ADB sector study were included in the Government's draft of the Fourth Five-Year Plan.

During the implementation of the Third Plan, the agricultural economist participated with Afghan counterparts and with other advisers in conducting a number of research surveys designed to assist in the formulation of policy and decision-making. Reports based on these studies were made available to the RGA and to foreign assistance agencies for decision-making and action. These reports included a farmer survey conducted for the Agricultural Bank on the economics of tractor and irrigation water pump utilization on Afghan farms; a study of cotton production, ginning and marketing for the Textile Committee appointed by the Ministry of Mines and Industries; a socioeconomic survey of innovativeness among Afghan farmers; a study of the production responses in cotton, karakul and wool to price changes; and studies of land and livestock taxation in Afghanistan with recommendations for reforms. These research studies have contributed to some positive decisions and actions by the Government and foreign assistance agencies.

Throughout the Third Plan period, the RRNA team continued to provide operational assistance and on-the-job training to Afghan counterparts in the Ministry of Planning and the Ministry of Agriculture and Irrigation, and, toward the end of the period, in the Prime Ministry as well. These activities involved annual planning and budgeting; periodic field inspections and evaluations of project implementation progress; annual progress reporting; analyses and forecasts of the food grain supply-demand situation; preparation of requests to foreign governments and international agencies for project, commodity and technical assistance; and planning and managerial assistance in the operations of the new Accelerated Agricultural Development and Food-for-Work Programs implemented by the Prime Ministry under the direction of His Excellency Dr. Wakil during the fall of 1350 and the spring of 1351.

Toward the end of the Third Five-Year Plan period, the team assisted the Ministry of Agriculture and Irrigation and the Ministry of Planning in drafting the Fourth Five-Year Agricultural Sector Plan. Draft guidelines for the sector plan were prepared by the agricultural economist and discussed with officials in the Ministry of Agriculture and Irrigation and the Helmand-Arghandab Valley Authority. Subsequently, he was given the assignment to assist the President of Planning in the Ministry of Agriculture and Irrigation, along with the Director of Agriculture Sector Projects in the Ministry of Planning, in drafting a review of the Third Plan agricultural sector development progress and problems and of Fourth Plan agricultural sector objectives, strategies, priorities, policies and implementation measures.

When responsibility for planning and implementing the agricultural extension, private agribusiness development, and provincial development programs was transferred in the summer of 1350 to the Prime Ministry under His Excellency Dr. Wakil, Minister Without Portfolio, the agricultural economist and other advisers were assigned to the Prime Ministry to help plan and organize an emergency accelerated program covering priority agricultural and rural development activities, and to assist in preparing a 5-year plan incorporating the concepts, policies and priority programs of the new government with respect to agricultural development. Many of the concepts, policies and programs recommended by the team over the years were incorporated into this revised agricultural and rural development program prepared under the direction of His Excellency Dr. Wakil. This program of operations represented a major change in agricultural development priorities, strategies, policies and implementation procedures on the part of the RGA and, if implemented at the provincial, district and farm level as proposed, could result in substantially faster growth in the agricultural sector than has been achieved in the past.

Many of the recommendations made by the RRNA team for the faster development of the agricultural sector during the period of the contract have, in fact, been accepted and acted upon by the RGA and by foreign agencies interested in assisting in the country's development. Unfortunately, but not surprising in view of the early stage of development of the country, often the recommendations, though accepted in principle, were not acted upon quickly and vigorously. Nevertheless, the direction of change and development in certain areas of agriculture has without doubt been positive and holds potential of gaining momentum in the years immediately ahead. This potential can be realized provided that the policies and programs currently being implemented by the present government are continued with the same enthusiasm and energy as has been displayed during the past 9 months in the emergency accelerated agricultural and rural works programs, and that increased foreign technical and managerial assistance at the provincial, district and village levels is forthcoming for the Accelerated Agricultural Development Extension Program, the Provincial Development Food-for-Work Program, the Agricultural Development Bank and the proposed Afghan Fertilizer Company.

Much has been said and written over the years by Afghans and foreigners on the importance of agriculture to the nation's development; on what has been accomplished and not accomplished in agriculture in Afghanistan, and the reasons for success or failure; on what should and should not be done in the future to achieve faster agricultural progress; and on how to go about doing it. The what, why and how relating to agriculture development are now fairly well known to most Government officials and foreign assistance groups. The urgent need now is to do what needs to be done and to do it quickly and with firm determination.

In recent years, and particularly during the past 2 years of severe and successive droughts, Afghans and foreigners alike have come to realize more than ever before the urgent need for program and project managers and expediters to be located in the provinces, subprovinces and villages in daily contact with farmers and businessmen. This need is much greater than a

proliferation of policymakers, planners, administrators, researchers and statisticians in Kabul. Further, an increased and serious awareness has emerged of the fact that continued concentration of expenditures on a few large irrigation and land development projects is not the answer to the problems of agricultural development.

Large and expensive irrigation and land development projects take a long time to survey, design and construct. After they begin to yield, they still require many years to come to fruition. Even then they tend to add only small increments to the cultivated area and to benefit only very small proportions of the farm population. Attention has been focused on the development of Government research stations, demonstration and mechanized farms, and on formal, institutionalized training of technical personnel, and not enough attention has been devoted to helping farmers directly and specifically to increase their production and income. Urgently needed technical assistance to farmers has been neglected, as have continuous direct contacts with farmers and with businessmen-suppliers to assure the flow of improved seeds, fertilizer, pesticides, pumps, tractors, and threshers, and of supplies for building permanent river diversion dams and canal intakes. Because of a lack of programs, not enough time and effort have been spent working directly with farmers in their villages and on their own farms. Not enough foreign advisers and qualified Afghan technicians have been located in the provinces and the villages where they are most needed and can be used most effectively.

Along with changes in input and program priorities it is essential to take serious note of the fact that slow and complicated administrative procedures have resulted in inaction and delays in carrying out plans and decisions. Most emphasis has been placed on centralized planning and generalized decision-making, and not enough attention has been given to regional and provincial planning and programming focusing on effective execution at the local level. Farmers and local suppliers must be involved in preparing and implementing projects and programs, because without their support and participation, substantial results cannot be achieved.

These are the main reasons for slow increases in agricultural output. If a fraction of the money and effort spent over the years on large, expensive, poorly implemented, and slow-yielding irrigation and land development projects and on Government farms in the poorest and most sparsely populated agricultural areas of the country had been devoted to assuring farmers in the best irrigated agricultural areas a larger and growing supply of fertilizer, improved seeds, pesticides, tractors, pumps, small self-help surface irrigation improvements, and technical assistance in crops and livestock practices, Afghanistan would today be self-sufficient in food grain production. It would be producing and exporting more cotton, fruits and vegetables; producing more alfalfa, clover and grain for supplemental livestock feed; and exporting large amounts of mutton to Iran and the Persian Gulf area. Furthermore, the Government would not be as heavily burdened with debt problems as it is today. It would be in a position to better service its foreign debt, and could support more borrowing for more agricultural and industrial inputs. The Afghans in the rural areas would be more productively employed and more prosperous.

The lessons learned from past mistakes must serve to guide future agricultural development policy and actions. Afghanistan has the potential for greatly increased agricultural output and exports. There is clear evidence of this in the successful beginnings made during recent years in the adoption by farmers of high-yielding Mexican wheat varieties and chemical fertilizers. Farmers who have been able to purchase fertilizer and improved seeds have doubled and tripled their crop yields on identical plots of irrigated land in a single season and have realized a return of at least Afs5,000 for each Afs1,000 spent on fertilizer.

With the reorganization and strengthening of the Agricultural Development Bank during the past 2 years, more farmers have been able to buy pumps and tractors on credit than ever before. During the crop year 1350-51, the bank, with the assistance of the agriculture extension service, provided credit in kind for the purchase of fertilizer. As a result, in 1 year fertilizer sales increased threefold, from 20,000 tons in 1349-50

to 1350-51. As this report is being written, a private joint-stock company is being formed with participation by the Agricultural Development Bank and private businessmen to import and distribute more efficiently the substantially larger volumes of fertilizer and other farm production inputs being demanded by farmers. Current negotiations underway between the RGA and USAID will provide for a large increase in the supply of fertilizer.

During the past 9 months, over 2,000 self-help rural public works projects have been started and completed in 20 provinces under the Provincial Development Department's new Food-for-Work Program. Over 200,000 rural people have been productively employed in this program constructing local water reservoirs, dams, canals, karizes, wells, soil erosion protective structures, rural roads, bridges, culverts and schools, for which some 150,000 tons of wheat have been provided to the people as an incentive in initiating self-help community projects.

These and other new initiatives and actions taken recently by the Government in cooperation with rural people represent a major change in Government policy and priorities. If continued, strengthened and expanded over the next few years, they will result in substantially larger and faster increases in agricultural production and incomes and improvements in living standards in rural areas of Afghanistan. Too much credit cannot be given to the local farmers for their own efforts and for their recognition of the value of more supplies and better techniques that result in higher yields, and their eagerness to use these inputs.

Based on the experience of the recent past, the future development strategy for Afghan agriculture is clear. The emphasis by the Government and foreign assistance agencies must be shifted away from constructing irrigation systems and developing new cultivated lands in desert areas to programs that allocate the limited trained personnel and development funds toward greater emphasis on increasing yields on already cultivated land and to small self-help rural works projects.

The accelerated wheat program should be intensified by means of significantly larger fertilizer supplies and increased extension efforts. A crop diversification program with emphasis on fruit, nuts, vegetable and cotton, and on alfalfa, clover and feed grains for sheep fattening, should be implemented by the entension service to provide the basis for increased exports of skins and meat. An integrated program of livestock development, including feeding, fattening, slaughtering and marketing, should be implemented in cooperation with the private sector. Agricultural business programs should greatly improve the flow of farm supplies and equipment (fertilizer, seeds, pesticides, pumps, tractors, threshers, etc.) to farmers. Also, farm credit, cooperatives, marketing and export market development should be given top priority, with the Government providing incentives and technical assistance to firms and to the Agricultural Development Bank and the proposed Industrial Development Bank. Higher farm prices for cotton and sugar are essential for increasing production until success is achieved in increasing the supplies of wheat and lowering wheat prices. At present, highly inflated wheat prices divert land from cotton and other crops. As the effects of the two droughts are overcome and as the accelerated wheat program succeeds, more normal price relations will prevail. In the meantime, cotton and sugar production need to be stimulated.

Grower prices for karakul will also need to increase to offset expected increases in meat prices in the domestic market, which will tend to favor meat consumption rather than the breeding of karakul sheep. Serious attention needs to be devoted to the problem of obtaining more revenue from direct taxes on agriculture. The subsidy on fertilizer should be eliminated and beneficiary landowners should be required to pay a substantial share of the public cost of constructing, maintaining and operating irrigation facilities as well as other infrastructure facilities and services. More revenues must be collected from direct taxes on agriculture as production and incomes increase.

To improve the administration and implementation of field-level activities, area development authorities should be established in the more important farming

areas. The individual area development authorities could be subsidiaries of the proposed Bureau of Agricultural and Local Development in the Ministry of Agriculture and Irrigation. These area development authorities should be set up to receive foreign financial, technical and managerial assistance as is now provided for large- and medium-scale irrigation and land development projects.

Area development authorities would be responsible for operating local integrated programs concerned with small irrigation works, including ground-water development, rural public works, research and extension work on fertilizer and crop production practices, marketing procedures, new concepts in livestock feeding and such other activities appropriate for solving problems and achieving potentials in the local areas.

This approach is suggested to obtain the benefits of program coordination and integration, to simplify field-level implementation efforts and to avoid complex administrative procedures which make accomplishment difficult. Three basic principles should be followed in establishing area development authorities: (1) a considerable degree of managerial and financial autonomy: (2) use of foreign technicians to assist Afghan management, and (3) structuring the programs toward greater self-help by the farmers and agribusinessmen being benefited by the development program.

The RGA, together with foreign assistance agencies, should give serious attention to establishing and supporting such area development authorities to provide the necessary support for effectively implementing programs at the local level. Initially, the best and most accessible agricultural areas of the country should be selected for intensive integrated area development programs, i.e., Kunduz, Baghlan, Herat, Balkh, and Kandahar, with other areas to be added as internal and foreign resources, mainly personnel, become available. Foreign assistance agencies, including volunteer agencies interested in helping Afghanistan reorient its agricultural and rural development efforts along more productive lines, should now be asked to assist in this program activity, and arrangements should be worked out

whereby particular donors would support one or more particular area development authority for a period of at least 3 to 5 years.

The shift in emphasis suggested above is of utmost importance and must be made without further delay in order to expand and strengthen the new accelerated agricultural and local development program initiated by the Government during the past year. It is recognized that there will be a need to improve central planning, programming, budgeting and overall determination of priorities and coordination of development programs; for coordination at the national level of overall development programs for central negotiations with foreign assistance agencies for financial, technical and commodity assistance; and for centrally conducted institutional, agricultural and marketing research, feasibility studies, and formal personnel training. These activities are important, and it is assumed that they will be continued and strengthened. The problem is one of emphasis and priorities. The big push needed now is toward the regional, provincial and local efforts if success is to be achieved. Continued work at the central or national level will be needed, but there is more danger of inadequate rather than excessive decentralization of effort.

Rural Development

A continuing goal of the RRNA team has been to bring about a fuller sense of participation by the provincial governments in Afghanistan in the development and implementation of economic programs which would provide direct and tangible benefits to the Afghan people. Specific recommendations were made in the paper Regional Planning, prepared by the development economist in 1345, to encourage provincial and village-level participation in the planning process and to mobilize local resources for local self-help projects. It was proposed that the already existing organization of the Provincial Governor and his staff -- consisting of heads of ministerial programs in the provinces, including the provincial director of the Rural Development Program -- and the village councils be utilized for these purposes.

Between late 1345 and late 1348, the RGA reorganized the Rural Development Program along the recommended lines and changed its name to the Provincial Development Program (PDP). Subsequently, a series of meetings was held with officials of the PDP, the Ministry of Planning, and the RRNA chief economist to discuss the team's evaluation and recommendations to activate the program. Recommendations included: (1) responsibilities should be clearly assigned and procedures simplified for purchasing materials; (2) the production of a PDP water pipe factory should be expanded in the sizes needed; (3) a standard, simplified checklist of information required for preliminary analyses of the types of projects proposed and constructed by the PDP should be prepared, as should a training program for development officers in the use of the checklist, and more field trips should be undertaken by PDP engineers to assist the development officers; (4) the Provincial Development Councils should be required to meet regularly and to submit progress reports to the Ministry of Interior, and seminars should be held for Governors so that they would engage in an active development role in their provinces; (5) some Ministry of Planning personnel should be assigned to one or more of the most active Governors to assist in preparing a pilot 5-year development plan or plans for provinces; (6) an evaluation should be made of the number of Afghan and foreign technical personnel needed to support the program; (7) all project proposals should be submitted through the Provincial Development Councils; and (8) standard forms should be prepared and used to report the actual expenditures and work completed for each target date. Actual expenditures were running at a rate of less than half of the programmed appropriation, demonstrating the need for all these actions to channel the programmed resources into the rural areas of the country, and a Cabinet decision was recommended to resolve the unsettled question of definitive responsibility for completing projects started under the previous Rural Development Program. These recommendations were submitted to the Minister of Interior, but no action was taken.

The chief economist took a field trip to Pakhtia Province to evaluate the Food-for-Work Program undertaken by the German-assisted Pakhtia Development Authority to see whether this approach could be used to stimulate

rural works construction in other provinces. He returned convinced that a national wheat-for-work rural works program was not only needed but was feasible. The report which resulted from that trip suggested that such a program should become a main thrust of the nation's development effort.

The recommendation was designed to improve the operations of the PDP and, at the same time, to launch a complementary rural works program that would undertake small projects not ordinarily included in the PDP. In the longer run it was recognized that the wheat-for-work rural works program would be phased out by the end of the Fourth Plan, as the country approached self-sufficiency in wheat. By that time, it was hoped, the PDP would have greatly improved its capability to undertake expanded activities, and the continuing process of rural development would be facilitated.

The chief economist actively sought to interest various donor agencies -- AID, UNDP and Peace Corps -- as well as officials of the RGA in this proposal. This effort coincided with a change in the government. Several months after the establishment of the new government of Dr. Zahir, the RGA moved rapidly to execute this program, and the team assisted in the planning and programming of this valuable undertaking. The U.S. Peace Corps and the German Volunteer Service played a vital role in supplying the personnel to work alongside Afghan counterparts -- an essential input. Wheat from USAID, the World Food Program, and the European Economic Community was supplied. Tens of thousands of people were given work and a vast number of projects were completed during the fall of 1350. In 1351 the project was extended to almost all the provinces of Afghanistan.

Industry Sector

The industry sector in this report covers manufacturing, mining, electric power, transportation and communications.

Conceptually, RRNA activities in this sector were concentrated in several main categories such as (1) advice on planning, objectives, strategies, policies and procedures; (2) advice on institutions and laws; and (3) advice on specific projects and problems. In the first two areas, efforts were directed toward improving the general prospects of industrial growth and were, to a very large extent in the earlier stages, undertaken at the initiative of the advisory group. Work on specific projects and problems frequently was in response to requests from Government officials and tended to involve operational matters.

Advisory services cannot be precisely classified, and any classification raises problems in a discussion of activities because of overlapping aspects. For purposes of describing and evaluating the main advisory work in the industrial sector, therefore, a topical organization is preferable, giving due consideration to the various elements wherever appropriate. Some activities which affect other sectors as well as industry are discussed under more generalized headings elsewhere (for example, the Third and Fourth Plans and the efficiency of existing enterprises).

Private Sector Planning and Policy

The private sector posed continuing planning and policy issues which were of importance during the period both of plan preparation and of plan implementation. Efforts to develop some sort of modus operandi in the relationships between Government planning for the public industrial sector and private industrial sector planning offered a continuing challenge. This primarily concerned manufacturing, but to some extent affected also other areas such as trade, agriculture and services.

In 1345 a detailed analysis was made of the problem of economic planning as it affected the private sector, and of the factors affecting industrial growth. A summary and conclusions section pointed out what needed to be done. There ensued a number of conferences concerning the policies to be spelled out in the Third Plan, and the drafting of a proposed policy statement.

The industrial economist participated fully in the negotiations with the World Bank Mission and prepared a summary statement covering the outstanding issues and problems (except certain legal and tax matters) not settled by the negotiations, together with advice on possible ways these issues might be solved. The outstanding issues included the placement of the Investment Advisory Center; the role of IDBA in the Industrial Park Project; the function of the IDBA as a possible lender to state enterprises as well as to private enterprise, or only to private enterprises; and the problems of the interest rate to be changed by IDBA. The statement, after a review by His Excellency Dr. Aman, was passed on to the World Bank at his suggestion. A favorable report was prepared by the World Bank, and discussions were held with Chase Manhattan. An agreement was reached that Chase Manhattan would participate, accepting the World Bank Report as an adequate appraisal of the feasibilities of the project.

It would appear, therefore, at the time of the writing of this report, that there is a good chance that the IDBA will be established in the near future. The team played a constructive role in bringing the project to this stage.

Work on Laws and Institutions Affecting Industrial Development

In addition to the work on all aspects of the IDBA project, the team spent considerable time on other matters affecting laws and institutions necessary to industrial development. These efforts will be mentioned only briefly.

The Foreign and Domestic Private Investment Law (FDPIL)

The RRNA team offered two proposals on the FDPIL in 1345 while the law was still in the draft stage:

1. It was suggested that the Investment Committee be given authority to approve the application

with one or more of the fiscal incentives, or even to approve a project without any fiscal incentives, rather than a categorical decision of giving all incentives (even if not needed) to all projects approved, or to deny the application (in which case it could not go ahead). This proposal would have given more flexibility to the program, varying incentives with benefits to the economy, and would have saved the Government revenues in some cases.

2. It was suggested that the law provide for a staff for the Investment Committee so that there could be the capacity directly under the control of the Committee to carry on promotional activities, carry on analysis of applications, keep records on implementation, assist industrialists wherever appropriate, and analyze the results of the program.

After the Investment Committee began to function, the team made efforts to achieve an improvement in the flow of information on implementation, production, and related matters.

Investment Advisory Center (IAC)

During the preparation of the Third Plan, a considerable amount of work was devoted to the establishment of an Investment Advisory Center (IAC). Several elements essential to the success of an IAC were emphasized: (1) the management of such a center should operate the center so as to encourage its use by the private sector; (2) the functions must include assistance in assessing technical and economic feasibility of proposed investment, in providing technical and engineering assistance to new and existing enterprises, in providing management assistance training, and in making sectoral studies; and (3) technological backup should be provided through affiliation with some research organization to assure proper access to existing technical information to supplement the knowledge of its own limited staff.

As regards governance, advice was given opposing the establishment of the IAC in the Ministry of Mines

The point was made repeatedly that private sector planning must be sharply distinguished from public sector planning concerning the role that the Government plays in the process, as well as sources of investment funds. Public sector planning is done directly by the Government on the basis of funds available in the governmental budget, from internal or external sources. Such plans make allocations which to a greater or lesser extent reflect the Government's judgments about the public interest. Private sector planning tends to reflect a joint endeavor between private individuals and groups, on one side, and the Government, on the other. It is concerned with funds which may be in part public and in part private. The investment of private funds in any optimum manner must be induced rather than ordered by fiat. Thus, a form of partnership is involved with the Government providing a business environment and specific conditions and incentives which will elicit or restrain the private participation in industrial development.

It was also pointed out that private sector planning, if effectively carried out, can mobilize industrial development funds which otherwise will not readily be available for such a purpose. It adds elements of management and risk which are critically needed in Afghanistan. However, a major problem of getting effective industrial development is one of defining the needed partnership relationships to achieve optimum mobilization and use of funds for such development.

Efforts were made during the preparation of the Third Plan, and again in the preparation of the Fourth Plan, to have the Government adopt a policy statement which would be explicit enough to be considered operational. One positive outcome of the effort to get a more workable policy was that the list of enterprises included in the Third Plan for the private sector, originally intended to be prescriptive, wound up simply as illustrative, with a willingness to allow projects not on the list to be implemented if they were found to be in the national interest. This concept has been continued in the Fourth Plan.

The policy of a mixed, guided economy has never been spelled out in meaningful detail. As a result there have been widely divergent meanings given to the slogan by various officials. Because of this clear lack of a common understanding of the meaning of such an economy in Afghanistan, the RRNA team, in 1347, was asked to give its advice on the most useful definitions and policy approaches to be taken. A memorandum was prepared from a strictly pragmatic and functional point of view setting out definitions and policy lines which would be in conformity with the general ideas previously defined by the Government and which would serve the purpose of economic growth. The recommended Government role in this mixed economy was described as that of engaging in those enterprises which are clearly affected with the public interest, such as enterprises which have a significant overall economic impact or enterprises which are natural monopolies, i.e., which by their nature offer substantial economies if conducted as monopolies. It was suggested that mixed enterprises had not been successful and that a mixed economy in Afghanistan should not consist of mixed enterprises. This of course would not preclude either the Government's providing financial assistance to the private sector directly or through a development bank, or private individuals' making loans to state enterprises. Guidance was suggested through indirect controls to replace a multitude of direct controls that obstructed rather than facilitated development.

An additional memorandum was forwarded on the problems of guidance. It pointed out that the Government would need to acquire more information on economic relationships and the structure of the economy, which would have to be accompanied by an improvement in analytical ability. In other words, before promulgation of a specific policy designed to guide economic activity, there should be a clear understanding of the situation it is to govern and some showing that the policy effect will in fact be the one that is desired. In addition, there should be followup research on policies to see whether or not they were being implemented and whether or not the effects were the ones which were sought.

Throughout the period when these matters were under consideration, the team argued the need for

collection and analysis of information on which to base industrial policy and industrial decisions. They urged clarification of basic policies because the private sector universally abhors undefined public policies toward private enterprise, and Afghanistan is no exception. Although the assumption of risk is an inherent feature of private enterprise, it does not apply to the risks associated with vague or vacillating Government policies.

The response of the private sector to the Foreign and Domestic Private Investment Law, following its enactment late in 1345, resulted in an unexpectedly large number of applications. The Investment Committee acted promptly in making approvals of most of these applications. Despite the lag in implementation, there have been a significant number of starts. However, by the latter part of 1348 it had become obvious that some problems were being encountered because of the issuance of more licenses for certain kinds of establishments than could be justified on rational grounds, and the resultant nonfeasibility of some approved projects. The rayon weaving industry, for example, was being overexpanded even though a very large percentage of approved applications were never implemented. Those who had entered business were experiencing financial difficulties. The problems which were accumulating in some categories were of such severity that further foreseeable development of much of the private sector was in jeopardy.

A memorandum was forwarded to the Deputy Prime Minister for Economic Affairs emphasizing that a sharp revision of policy was indicated to prevent emergence of more serious problems. This memorandum led to a general discussion of governmental policies toward the private sector. Other memoranda were also prepared at about the same time pointing out that there were legal standards in the Private Investment Law on the basis of which the Investment Committee could undertake feasibility screenings. These memoranda proposed a series of questions for applicants designed to furnish the basis for making rational decisions as to economic and technical feasibility. They resulted in a more meaningful review of applications.

Because of a concern for what might be causing relatively poor progress in development, Dr. Roy Feldman, a social psychologist at the Massachusetts Institute of Technology, was hired for a short tour in 1348 (June-September 1969) to examine noneconomic attitudes which might be having an effect on the rate of development. His study (Thought Flexibility and Entrepreneurial Flexibility and Entrepreneurial Motivation Among Businessmen and Government Workers in Afghanistan, August 1971, p. 20) concentrated on matters relating to thought flexibility in new and would-be industrial businessmen, and to the nature of training which might affect the emergence of businessmen. He found that the attitudes among new and would-be businessmen were not always those which might lead to business success and that the educational system did not provide prospective businessmen with a sufficient degree of cognative flexibility to make for a high probability of success in the business world. Dr. Feldman made recommendations regarding changes in the educational system which would favor the development of achievement motivation as well as the desirability of testing prospective officials for the degree to which they were achievement oriented.

Another problem the private sector has always encountered relates to the lack of satisfactory communication with the Government concerning varied industrial policies. In turn, this lack has inhibited the development of such policy. Most communication which has existed has been of a parochial nature, in which each individual businessman has discussed his own problems and requested his special favors. There has never been an effective mechanism whereby representatives of the private sector as a whole have discussed common problems with Government officials.

An attempt to bridge this gap was made in 1345. The industrial economist worked on plans for a conference scheduled to be held in the spring of that year. He worked with officials of the Ministry of Mines and Industries on an agenda which focused on policy problems which would be faced during the Third Plan and on plans to establish an advisory council to the Ministry of Mines and Industries. A detailed agenda was prepared and circulated to a number of Ministries. However, the conference

never took place, and subsequent efforts to revive the proposals were equally unsuccessful. Communications between the Government and the private sector continue to be a problem.

Private sector planning must largely be concerned with definitions of economic roles and the determination of necessary aids to facilitate the role being played by private business. Clear policies must be formulated as a basis for defining economic roles. Institutions must be established which fill the existing gaps, especially training in business management. Additional required legislation, such as revision of the Commercial Code, passage of mortgage legislation and other legislation to establish the inviolability of contracts, are needed. Industrialization depends on supplanting status by contract, to repeat the terms employed more than a century ago in the analysis by Sir Henry Main in his Ancient Law, the fundamental study of the relation of law to the development of society.

Project for the Industrial Development Bank of Afghanistan (IDBA)

The RRNA team has always been concerned about filling a serious gap in the financial structure of Afghanistan by the establishment of an Industrial Development Bank to provide the financial and related assistance necessary to accelerate the growth of the private industrial sector. Indeed, the establishment of the IDBA has been one of the priority concerns in the industrial sector. That activity can be divided roughly into two parts: from the date of arrival of the RRNA team in mid-1340 to the latter part of 1342, and from the latter part of 1344 to the end of the tour. These periods correspond to two phases of the history of the project.

The early efforts of the team included a review of industrial bank experience and practice in neighboring countries, and assistance in preparatory work such as drafting the Articles of Incorporation and related

matters and preparing materials to be presented to a World Bank Mission which came to Afghanistan in the first part of 1341 to study the feasibility of the proposed project and possible participation by the World Bank Group. The Bank Mission prepared a report which was debated and revised within the staff of the World Bank and which resulted in a recommendation for setting up a limited sort of industrial loan fund arrangement. Even the more limited approach was unexpectedly turned down by the World Bank.

There was a complete cessation of activity on the Afghan side until a new initiative was successfully urged by the RRNA team in the latter part of 1344, when a memorandum was prepared setting out the proposed resumption of activity and indicating that a World Bank role in the project, though desirable, was not necessarily crucial. Development banks in some developing countries have been established without initial participation by the World Bank and without any prejudice to availability of loan funds from the Bank after the development bank was established. Two actions were identified as first steps in the establishment of IDBA: (1) appointment of a full-time Project Manager with sufficient prestige to secure the cooperation of the Government and of private investors, and (2) reactivation of a working committee to make the necessary preparations. A decision was taken by the Government to reactivate the project and Dr. Mohammad Aman, at the time Deputy Governor of Da Afghanistan Bank, was designated by Royal Decree to take charge of the project and to do whatever was necessary to establish the IDBA. Work was started on the project in the last quarter of 1344 with the establishment of a working group, including the industrial economist of the RRNA team.

The working group, after many discussions, concluded that the tasks included not only drafting the Articles of Incorporation but also drafting an Industrial Development Bank Law because it was necessary to have legislation before such a bank could be established. A draft of the proposed law was prepared and revised several times during the course of a short period, and a draft of the Articles of Incorporation was also prepared and revised.

While this work was going on, Mr. Albert Waterston of the Economic Development Institute (an agency of the World Bank) visited Kabul to study the planning process in Afghanistan. The activity on the project was brought to his attention and he was informed that Afghanistan would welcome resumption of World Bank interest in the project. He agreed to communicate with the World Bank, passing on this information. In due course, the International Finance Corporation (IFC), an affiliate of the World Bank, sent a letter proposing a reconnaissance visit by Mr. A. Gassem Kheradjou, the Managing Director of the Industrial and Mining Development Bank of Iran (IMDBI) to assess the progress and prospects of the project. In the spring of 1345 Mr. Kheradjou came to Kabul, but before his visit the members of the working group spent 10 days in Teheran to learn as much as possible about the organization and activities of IMDBI.

The industrial economist of the RRNA team prepared a detailed report of findings on the inspection trip to IMDBI for the guidance of those interested in the IDBA project, and he participated fully in the preparation for Mr. Kheradjou's visit, as well as in the discussions during the visit. Mr. Kheradjou's report to the IFC resulted in an offer by IFC in the summer of 1345 to help in the project preparation until the IDBA could be successfully established, provided certain conditions were met. Various economic Ministers who had an interest in industrial development agreed to accept the terms, and the IFC proposed and sent a mission to Kabul to assist in the preparation of the necessary documents and plans. The mission was also to establish a work program for preparing a detailed proposal for submission to the IFC. The industrial economist of the team again participated fully in preparing for the visit and in the negotiations while the mission was in Kabul.

A Sponsoring Group of prospective major shareholders was formalized and an Executive Committee of the Sponsors was designated to be in direct charge of all talks necessary to the establishment of the bank. The Executive Committee agreed on a work program in connection with making a formal application to the IFC for assistance.

The industrial economist for an extended period worked practically full time in making revisions of the draft IDBA law and Articles of Incorporation in accordance with the agreements which had been reached, and in preparing the other necessary documents. The entire package of documents was reviewed by the Executive Committee of the Sponsors and submitted to the IFC.

The IFC had indicated need for passage of the Foreign and Domestic Private Investment Law (FDPIL) to make IDBA feasible. Action was taken by appropriate authorities, resulting in enactment of the FDPIL in February 1967 as a Royal Decree.

Though review of the draft IDBA Law and Articles by the IFC staff led to only relatively minor technical suggestions, a decision was made by IFC to discontinue active participation in the project, with renewal of interest contingent upon the meeting of eight detailed conditions.

Despite the uncertainty of foreign sponsorship and participation, the draft law was again revised by the Executive Committee and forwarded to the Cabinet for review. A number of changes were incorporated in both the draft law and draft Articles of Incorporation by a committee of the Cabinet.

The industrial economist advised the RGA to seek another bank to act as sponsor and also to notify the IFC of progress made in meeting its conditions for resumption of help and to ask for its continued interest. Both of these suggestions were accepted and acted upon.

Chase Manhattan Bank, one of the banks approached, expressed an interest in looking into the project for the purpose of taking the lead in organizing foreign participation of the project. As a result, a Chase official came to Kabul in the summer of 1346 on a reconnaissance mission. In the late fall of 1346, another Chase official arrived in Kabul and entered into negotiations with the Sponsors and with the RGA, and as

a result of these negotiations an agreement was reached on the proposed project. The industrial economist of the RRNA team participated fully in these negotiations and then prepared briefing materials for Government officials and others to use in their presentation to the Jirga. This included general material on the philosophy of the law and an analysis of each article of the law.

To facilitate consideration of the legislation by the Jirga, Government officials relied on information provided by the industrial economist concerning arrangements and experience of development banks in other countries. Analyses were made by the team of proposed or possible changes in the draft legislation ranging from ownership and control patterns to such issues as interest rates and patterns of Government loans. These questions and requested analyses stemmed largely from the needs of Government officials for answers to questions and objections raised by members of the Jirga.

The passage of the legislation by the Jirga was finally achieved in the spring of 1350. Chase Manhattan indicated a desire to defer at least some matters to the World Bank and suggested that the RGA write to the Bank to send a Mission to Kabul. This was done, and in the fall of 1350 the industrial economist advised that a working group should be created to prepare for the expected visit of the World Bank Mission and to accelerate the project as fast as possible. The working group was established in due course, with the team's industrial economist as a member. The goal set for the working group was to revise and update all plans related to IDBA, including all documents previously requested by IFC in the 1345 presentation; a legal brief setting forth the basis in law of the various provisions for IDBA, including those in the Articles of Incorporation; and a feasibility analysis.

The World Bank Mission arrived in late 1350 and undertook intensive discussions with the Sponsors, Government officials, industrialists and others, and a detailed review of the presentation which had been prepared by the working group.

and Industries, because of that Ministry's responsibility for public enterprises functioning. In 1345 and 1346, a group of advisers considered other possible locations, but found no satisfactory answers until an arrangement was made to attach IAC to the pending IDBA.

Due to the delay in passage of IDBA legislation and the fear on the part of some officials that the Government would lose the services of some foreign technicians without an IAC, a decision was made to set up a center under the Chamber of Commerce. The RRNA team advised that there would be problems in such a location, but the IAC was set up in 1348 under that organization.

The Kabul Industrial Park (KIP)

The RRNA team was long aware of the need for the provision of industrial sites at a reasonable cost to private enterprisers as a means for promoting development of the private industrial sector. Activity by the team in KIP began as a result of an Investment Committee decision to disapprove an application by a private enterpriser to establish an industrial park. The Committee instead initiated a project to make KIP a state enterprise. Although the team believed the private enterprise form was perhaps more appropriate, it sought to be helpful in carrying out the industrial park project as established.

The team participated in a number of discussions in 1348 with representatives of the ADB concerning KIP. ADB expressed an interest in KIP, provided two problems were settled: (1) that a satisfactory piece of land be set aside which would become the property of KIP, and (2) that a decision be made on the form of organization for KIP.

A decision was made to establish KIP as a state enterprise, and in the summer of 1348 a parcel of state-owned land in the Puli Charki section of Kabul was designated to be transferred from the Ministry of

Interior to the Investment Committee. However, there was hesitation on the part of the outgoing government to notify the ADB, and the project remained inactive until sometime later when the new government became interested and discussed the project with the ADB, which hired a consulting firm to make a design and feasibility study of KIP. In the spring of 1350, ADB proposed to send a mission to Kabul for further study of the project with a view towards making a $3 million loan. The visit was delayed by the RGA because of an impending change in government. In the summer of 1350 the new government made a decision not to invite the ADB mission, but to turn the KIP project over to the IDBA for implementation. KIP, therefore, is still not in existence. Some industrial plants were allowed to be constructed on the Puli Charki tract, but this practice does not offer a viable solution to the problem of industrial sites. Until KIP is brought into being, the benefits of an industrial park to the community and to industry will continue to elude Kabul.

Petroleum and Mining Legislation

Throughout its services, the RRNA team encouraged the RGA to consider legislation which would optimize access to knowledge and experience from abroad for the exploration and exploitation of Afghanistan's mineral and related resources. Consideration of such needed legislation, however, has been sporadic because there has been much indecision as to the policies which should be followed in the development of the mineral industries. There was and continues to be, on the one hand, a strong desire to enlarge the use of these natural resources and, on the other hand, a deep concern over possible large profits for private companies.

The advice given in each 5-year plan called attention to the need for such legislation, but no opportunity arose for the team to participate in the preparation of such legislation until 1350. In 1350 and 1351, the industrial economist participated in the preparation of a draft Petroleum Law, which included policy guidelines under which the Government would hire a specialist in

petroleum law to prepare a final draft of such a law. No similar opportunity arose to assist on a draft mining law.

The industrial economist made available his knowledge of industry practices and regulatory legislation in other countries to assure protection of Afghan national interests and at the same time to make Afghanistan attractive for exploration. Through such exploration, Afghanistan could (1) obtain expert help without having to make an investment in exploration, or take the risk of loss in the event nothing is found; and (2) share fairly in the benefits of any discoveries, provided the terms of concession are properly drawn.

Other Needed Economic Legislation

The RRNA team was concerned with the lack of other appropriate and needed legislation. Advice was given on the need for revising the Commercial Code. The present form is not adequate for the needs of Afghanistan if economic development is to accelerate. The lack of an adequate mortgage law has been a glaring deficiency which has impeded industrial growth as well as other progress. Adequate banking legislation also is needed for the development of the industrial sector. Many industrial enterprises have no access whatsoever to commercial banks for working capital needs.

As a general comment, it can be said that growth and modernization of industry require acceptance of the principle of inviolability of contracts. This principle has not yet been accepted in Afghanistan, with the consequent impediment to the various business transactions that are essential for all industrial enterprises.

Special Problems of Electric Power, Transportation and Communications

Since electric power, transportation and communications have strong linkages with all other economic

activity, they are essential factors in promoting economic development, including mining and manufacturing. In planning investment, rates and charges in these key sectors, it has been essential to take into consideration this broad effect. Electric power, transportation and communication facilities have had to be built to serve these economic needs and should be used in such a way as to encourage economic growth generally. These sectors tend to be capital intensive, and it is necessary, when financial resources are scarce, to economize to the extent possible on investments. As a consequence, investments in all three areas tend to be lumpy.

To carry out proper planning requires studies and the projection of possible future demand as well as analyses of the best and cheapest ways of providing necessary facilities and services. However, planning in these fields, particularly as regards electric power and transportation, has been far from adequate, with the result that the usefulness of the investments have not been optimal. Policies governing use have also tended to inhibit the efficient exploitation of these large investments as instruments of development. As an illustration, advice on electric power included emphasis on building power loads in less developed areas of modest size by the use of diesel-powered generators, as an interim measure to make more permanent investments feasible at later dates.

Similar emphasis was given in transport and communications to tie outlying areas which are potentially productive into the national market. It was pointed out that such investments should of course be related to the needs. For example, road capabilities should be related to the expected volume of traffic. Emphasis in communications and transport included the possible consequences of these facilities and services in the development of foreign trade.

Recommendations emphasized the need to make power and energy surveys on which to base future investment plans, the need to use electric power rate experts to make a study of the rate problem and devise an

appropriate rate structure, and the need to make some management assistance inputs into the system in addition to the technical and engineering assistance.

In addition to long-term planning emphasis in the transportation sector to provide such things as feeder roads to open up additional production, there was emphasis on balancing the need for Government revenue from highways against the need to keep transportation costs and charges as reasonable as possible since one of Afghanistan's major problems is high transport costs. There was also emphasis on the need for adequate maintenance to minimize costs over time.

Efficiency of Existing Enterprises

One of the continuing concerns of the RRNA team in the industrial sector focused on what could be done to improve the operational efficiency of existing industrial enterprises. The need for remedial action was obvious, as few enterprises have averaged better than 50 percent of capacity utilization, and many have consistently fallen far below this figure. This poor record has been characteristic of both private and public enterprises. This means a considerable amount of growth in output could take place in the industrial sector without additional investment in capacity if some way were found to remove the constraints on production. Efforts to improve efficiency, if successful, could have the same impact on development as sizable expensive investments to expand capacity. Further, with such poor performance of existing investments, the feasibility of additional new investments is called into question. Feasibility analyses of proposed new investments seem to be undertaken on the assumption that output will in fact approach capacity, whereas experience in Afghanistan has taught that this is far from reality. Prospective investors in projects which are profitable only at relatively high rates of capacity utilization are discouraged by learning about present performances.

When enterprises generally have outputs at such a low percentage of capacity, the question arises as to

the nature of constraints on production. However, it is easier to identify and analyze such constraints than it is to gain acceptance of a program of action which might remove them.

Constraints may be based either on the availability and quality of inputs, the technical competence of the plant, the availability of competent management, the availability of markets, or the economic environment and governmental rules under which the enterprise must operate. Of course, these various factors may be interrelated, and it is not possible or appropriate in this report to more than illustrate some of these problems and describe the advice that was given.

One constraint affecting a number of enterprises has been the lack of raw materials in adequate amounts at fair prices. This problem resulted from a lack of proper project planning in the first instance, or in a failure to coordinate raw material production with needs of industry. Cotton ginning and edible oil plants come to mind as examples. Seed cotton production has often fallen substantially short of quantities essential for efficient use of the existing industrial facilities. Frequently, the production shortfalls have been attributable to public policies which have created distortions in price relationships between cotton and other crops. Industrial planning continues, as a matter of fact, without much reference to agricultural plans. To solve existing problems and to prevent future emergence of similar problems, the industrial economist proposed that an Inter-Ministerial Committee on Raw Materials be established to try to ensure that raw materials would not be a constraint on industrial development, and at the same time to ensure that industrial investment undertaken would be consistent with raw material availability. This would largely be a matter of coordination of agriculture and industry. There is little point in building sugar refining facilities if cane or beet crops are inadequate, and vice versa. There are also problems of coordination within the industrial sector itself to which attention has been given for the purpose of avoiding additional constraints. Advice was given on the need to pay more attention to coal mine development, for

example, as developed reserves were being depleted and adequate alternative sources were not being developed.

By far the most important and pervasive constraint on production has been the lack of competent management. Only rarely has an industrial enterprise had what could be termed adequate management. Two separate studies were made of the cotton ginning industry (in 1344 and again in 1349), and one study was made of the cotton and rayon textile industries. All of these studies indicated serious deficiencies in management in these industries. A large part, but not all, of these deficiencies was related to the pattern of paternalism which exists in Afghanistan. The Government is prone to intervene in industrial and business decisions without having an adequate basis for determining the effects of such intervention. Management has become dependent on Government to solve enterprise problems and to bail out the enterprise. This does not lead to the necessary problem-solving approach which successful management must take. Problems which lie outside the area of active Government interference do not receive proper attention, and this is perhaps a spillover from the paternalistic pattern just described.

A problem specifically relating to state enterprises concerns detailed day-to-day interferences in operations by the concerned Ministries, making it most difficult to achieve even modest efficiency of operations. Indeed, they divert attention from the effectiveness of long-term results. This emphasis on day-to-day interference with operating decisions, plus the lack of adequate and timely information on results of operation, means that management is never held properly accountable for results. Balance sheets and income statements are delayed in part because of poor accounting, but also in some cases as a result of deliberate policy, which may be designed to disguise managerial deficiencies. Information requirements have put too much emphasis on balance sheets (which simply show financial status at a given point in time) and not enough emphasis on profit and loss statements, cost accounting, and other operating data which are required to understand the process by which the financial status was achieved. Because of the lack

of appropriate information, coupled with a serious lack of ability to interpret the meaning of such information and then to adjust operating policies and measures, management does not act effectively, and the Government is not in a position to properly call management to account. A similar problem exists in private enterprises when their size becomes so large that the owner cannot have personal knowledge of all significant facts.

Several efforts were made by the team to achieve improvement in management of industrial enterprises. The approaches included (1) obtaining the assistance of the International Executive Service Corps (IESC), (2) establishing task forces to look into the problems of specific industrial enterprises, (3) advice on revising of the relationship of Ministries to state enterprises, and (4) advice on mechanisms and methods for achieving effective management inputs.

IESC

In 1345, discussions concerning possible assistance were held by the industrial economist on a personal basis with a representative of IESC. In 1346, USAID sponsored an official trip of IESC representatives to Afghanistan to discuss the possibility of obtaining IESC assistance with Afghan officials and managements of industrial enterprises. A second official trip was made by an IESC representative to conclude an assistance contract with an Afghan company, but difficulties arose and the contract was never concluded.

Task Forces

Efforts were made in 1346 and 1347 to have the Government set up a number of task forces to look into the enterprises which were having serious problems because of the relative stagnation of the economy prevailing at the time. A list of both state and private enterprises to be studied was prepared. The task forces were to be made up, insofar as possible, of persons already in Afghanistan, and were to include those who would be able to assess technical and engineering problems, financial problems, and economic

and managerial problems, and to propose solutions. A number of discussions were held with Government officials concerning steps to initiate this activity, but nothing was ever done with respect either to enterprises in which the state had an interest or to private enterprises. No action was taken as a result of this initiative.

Relationship of Ministries to State Enterprises

In 1347, advice was given regarding changes which should be made in the relationship between the state enterprises and the various Ministries to which they report. The advice was to make the state enterprises more autonomous by organizing them along corporate lines with a Board of Directors standing between the Ministry and the enterprise. The Government was called upon to refrain from day-to-day control of expenditures and the like, and instead to provide broad policy guidelines on what was expected of the enterprise. No action was taken as a result of this advice.

Mechanisms and Methods for Management Inputs

In view of the fact that various previous efforts to achieve improvement in management had failed, a new approach was taken. This approach suggested the formation of a separate holding company device to be set up within the Government so that state enterprises might be transferred from ministerial jurisdiction to such a new entity designed for controlling them. This advice was given by way of a commentary on a similar but more ambitious proposal by the German Group. No action was taken by the Government on either proposal.

In 1350, the Government began an effort to improve state enterprises, and set up a committee under the direction of the Minister of Mines and Industries to study the problem. Improvement of state enterprises was discussed by the industrial economist with the Minister, and advice was submitted. The main lines of the advice were that a general study would be useful as a basis for changing the relationships between the state enterprises

and the concerned Ministries. Detailed studies would be needed to make improvements in the management of specific enterprises which had been identified by the general study. Actual improvement in the management of specific enterprises would be a difficult task, and care would have to be exercised to avoid the number of cases handled at any one time from exceeding the management resources available. Foreign assistance would be needed in recruiting persons with competent management skills and satisfactory management experience. Such persons, when available, would then have to be given actual authority to manage for varying periods of time, with Afghans acting as understudies and counterparts. Existing Afghan management personnel would be given the earliest possible opportunities to perform such roles. The inputs, in many cases, would have to contemplate a period of 5 years. There must be an emphasis on training of a management corps on the job under foreign managers as well as by other means. The planning of new state enterprises should in the future include a management component, or else the enterprise should be delayed.

In general, the improvement of management efficiency of existing enterprises is one of the most difficult of all tasks related to economic development. Once management is installed (and this is particularly true of state enterprises), it develops a vested interest in continuation of control of the enterprise. It therefore develops a number of protective encrustations which make change difficult. It has control of the information system and manipulates it in accordance with its special interests. Especially where managers are selected on the basis of various relationships within the society, most of which have nothing to do with the relative competence of such persons to manage enterprises, change is hard to come by. It is most difficult to develop an effective approach which in fact runs counter to these vested interests. One possible remedy is supplanting managers from time to time by others who have a higher status in the scheme of social relationships. The most important element is to assure means of checking results and demanding accountability. Good performance should be rewarded, and poor performers must be demoted or replaced.

Advice and Assistance on Specific Projects and Related Matters

Assistance on specific projects ranged from such matters as feasibility of project proposals and preparation of financing requests to problems related to implementation and operations. Work of this nature was a continuing aspect of the activities of the industrial economist. Such projects covered a wide range of activities, including specific proposals in mining, manufacturing, electric power and transport. The funding sources involved included IBRD, ADB, British, German, French, Soviet, Indian and other countries. By far the larger part of this work on specific problems had to do with implementation problems. Much time was devoted to advice cutting across sectoral lines concerning the establishment of proper procedures for contracting varied services needed for design and feasibility analysis, for detailed engineering specifications, for supervision of construction, for supply and construction contracts, and for management functions. The advice covered the problems of conflicts of interests which might arise, and ways to avoid such conflicts. This area of proper and orderly procedures is of special importance in improving the planning, implementation and operation of state enterprises.

Conclusion

There has been progress in the industry sector, although that progress falls far short of what might have been accomplished if the necessary policies, procedures, institutions and implementation actions had been pursued more expeditiously. Much work still remains to be done before the preconditions of optimal industrial growth are met. There is reason to believe that progress will continue in these areas. Afghanistan has a substantial potential for industrial growth. Furthermore, the limiting parameters of raw materials, markets, domestic savings, and managerial and other skills are by no means rigid and narrow. Much can be done to improve the quantity, quality and cost of national raw materials, to process these materials efficiently, to expand national markets, to gain access to international

markets, to mobilize and expand domestic savings, and to teach the necessary skills. These parameters will, however, not be changed without concerted action, especially by the Government, designed to solve the problems which have set limits in the past.

Rates of moderate progress in industrialization that would be termed slowdowns in such developing countries as Korea, Taiwan, and Malaysia would have to be considered highly successful in Afghanistan. Yet the very slow growth rates of the past can be greatly exceeded, and many changes would not be required for better results. Although transportation facilities are still very limited, there is enough transport for much more manufacturing. There is enough power for much more industry. Some imports could be replaced and some raw materials could be processed for export. There are Afghans interested in investing in new businesses, and there are reasonable prospects for enticing foreign capital for joint ventures or foreign-owned and managed industries. There exists the basis for industrial growth, and it will not require large numbers of large enterprises to make a significant impact.

Most of all, a favorable environment for new private firms and better management of public enterprises are required. Both in essence are dependent on better planning, clearer and more constructive policies, greatly improved public administration of laws and taxes and minimum essential regulations, and, finally, such institutions as commercial banks, an industrial development bank and laws that facilitate rather than stifle initiative. In effect, what is needed for industrial progress in Afghanistan is similar to what is needed in agriculture and trade and other sectors. A great many outputs can be accomplished with modest inputs.

Tourism Development

Tourism has long been seen as one of the brightest potentials in the spectrum of Afghan economic opportunities. Not only are the prospects of Afghan tourism favorable, but important accomplishments already

have taken place and attest to the considerable perception of some RGA officials as to the possibilities for the development of jobs and scarce foreign exchange earnings through the important tourism industry. In the short period between 1965 and 1970, total tourist arrivals increased nearly tenfold, from 10,539 to 100,233. Most important, from an economic standpoint, is the inflow of tourists arriving by air, and such arrivals increased from around 1,600 in 1965 to over 16,000 in 1970.

One development of considerable significance was the construction of the Intercontinental Hotel in Kabul. The planning of that hotel consumed a great deal of time over a period of several years, and the RRNA team was involved from the early stages of its development. A series of memoranda were prepared by the team at the request of the Ministries of Planning and Finance concerning alternate financing arrangements, and the team rendered advice and counsel on the nature and scope of the proposed agreement between the RGA and the Intercontinental Hotels Corporation, which was to manage the operation, and Taylor Woodrow International Ltd., the British firm which constructed the hotel. Economic advice was provided throughout the planning and construction phases of the operation, and a close relation to and keen interest in the hotel have been retained up to the present time. The team has maintained close contact with the Afghan Tourist Office, which has proven to be one of the best organized operations in the country.

It is generally acknowledged that tourism must be expanded beyond Kabul and into the provincial areas, particularly Nouristan, and to the central Hindu Kush areas of the Bamyan and Band-i-Amir, and northward up to Tashkorghan and Mazar. Two key impediments to such expansion have been the inadequacy of transportation facilities and the nonexistence of suitable accommodations for Western travelers. These problems were partially overcome by the creation of a domestic airline (Afghan Bakhtar Airlines) and the acquisition of several small STOL aircraft, and by the construction of tourist facilities at Bamyan. Here also, the team assisted the RGA in planning the development of these facilities, and in 1349

a detailed memorandum (Elements of a Tourism Development Program for Afghanistan) was prepared for and discussed with various interested officials, especially HRH Prince Sardar Sultan Mahmood Ghazi, President of the Afghan Air Transit Authority.

The paper expressed strongly the conclusion that tourism can be an important contributor to economic growth by generating income, employment, revenues, and foreign exchange earnings, and by stimulating local economic activity. Tourist buy rugs and other Afghan-produced goods that are highly attractive to visitors from abroad. The memorandum suggested a strategy of tourism development that focused on (1) selecting a number of present or potential tourist destination areas, developing them for international tourism, and programming their capacity use through organized tours and promotion; and (2) extending and improving services available to tourists and arranging package tours that enable the tourist to enjoy a vacation in Afghanistan with the minimum effort on his part in selecting accommodations, tours, transportation, shopping, restaurants, entertainment and entering and leaving the country.

The paper discussed the constraints to tourism development, as well as Afghanistan's attractions, and suggested a number of programs that would help to achieve the three main targets of the tourism development program. These targets included increasing the average length of stay of visitors, the average daily expenditure, and the number of visitor arrivals. Subsequently, the team was requested to prepare a draft of the section on tourism development for the Fourth Five-Year Plan. This was done in cooperation with HRH Prince Ghazi and Mr. Abdul Wahab Tarzi, head of the Afghan Tourist Office. U.N. adviser on tourism, Dr. A. Fayman, was also consulted.

The plan proposes a reorganization of the administration of tourism development and an improvement in tourist services; the construction of accommodations meeting norms of international standards in various tourist destination areas of the country; the construction of high-quality hotels in Bamyan, Kabul and Mazar-i-Sharif.

Several of the specific proposals contained in the paper are now moving forward, and the development of tourism in Afghanistan continues at a gratifying pace.

It is also important to note that an IBRD-sponsored major study on tourism was completed in 1972 (A Study of the Development of the Tourist Industry in Afghanistan). It urges the development of additional facilities in Bamyan and Kabul, and the creation of a hotel at Mazar. If these recommendations are acted upon, Afghanistan can develop a most attractive tourist industry and realize very substantial foreign exchange earnings from that source. The physical characteristics of the country, the traits and costumes of the people, and the indigenous products all tend to attract tourists, and to date the responses of those who have come to Afghanistan have been highly positive.

V. A LOOK AHEAD

The preceding chapters have discussed in some detail the characteristics of past development strategy and of the past planning process in Afghanistan and, in that perspective, the general thrust of the activities of the RRNA team in that country. In this chapter, certain elements are briefly suggested which would enhance the value of future development strategy, and an appropriate and improved process for economic and social planning in Afghanistan is described.

Some Lessons from Past Development Strategy

The past 5-year plans have contained very little explicit exposition of strategy. There have been inadequate statements of specific and reasonable goals and objectives, and of definitive policies, instruments and actions required to develop them. Development strategy in Afghanistan is largely implicit in the design of the financial outlays. These have been directed primarily to large, long-maturing and low-yielding projects that have only minimally increased production, employment income, Government revenue, and exports (except for natural gas).

Future development strategy must be more directly based on and related to the needs and aspirations of the Afghan people and the national effort they are willing to make to achieve it. Past governments have been successful in negotiating for large inflows of foreign resources, but not in mobilizing domestic resources. Large capital inflows have in some degree been self-defeating,

however, because they resulted, on the one hand, in a rapidly mounting debt service burden that has now reached untenable levels and, on the other hand, in less than needed pressure to mobilize internal resources. In fact, internal resources have been inadequate to utilize the sustained high level of capital inflow that probably could have been arranged.

It is not clear just how high a priority the Government and the people of Afghanistan attach to development. As discussed elsewhere in this report, the shortcoming of public administration and the general low level of national effort devoted to economic development does not necessarily reflect a lack of concern on the part of the Afghan leadership or the people. It is probably more closely related to the total Afghan cultural setting. Even within this traditional setting, however, the experience of the RRNA team over the past 11 years indicates that, outside the Government bureaucracy, there is a receptivity to change and a desire to improve the level of living throughout the rural as well as the urban areas of Afghanistan.

Since the beginning of the "experiment in democracy" in 1343, there has been a tendency for the Government to shift the blame for slow progress to the Wolesi Jirga for the failure to enact strong development measures. It must be noted, however, that no government has yet proposed essential development legislation in an energetic and persuasive way, with the determination to put the full force of the Government behind its enactment and with a willingness to resign in the event that the Jirga refused to act positively. Furthermore, there is a wide area of action which the Government can take without Jirga approval, which is still unexploited. To this degree, at least, the Government leadership has not revealed a total commitment to development. There would appear to be a large potential step-up in development resulting from a more decisive and energetic exercise of leadership.

Principal Elements of a Future Development Strategy

The elements of a future development strategy that will more effectively mobilize, allocate and utilize resources, and that are consistent with the needs, potentials and constraints of the Afghan culture and economy, follow.

Mobilization of Resources

Government Revenues

Needs. An annual revenue level at least Afs1 billion per year above the 1350 level is required now, rising to Afs2 billion above the 1350 level by 1355. These funds should be used to raise appreciably the salaries of public employees; to increase expenditures effectively for health and education and for operation and maintenance of roads, irrigation systems, research farms, local extension services, etc.; to provide afghani funds for viable projects for which foreign capital assistance is available; and to compensate for elimination of counterproductive export and production taxes.

Potentials. The above revenue sums seem to be relatively modest when one considers the potential sources from which they can be collected. Land tax revenues currently amount to about Afs80 million. If these revenues were only 3 percent of the value added in agriculture, they would total over Afs1 billion. If landowners who benefited greatly from public investments in new roads and irrigation facilities paid a fair portion of their higher incomes attributable to these investments, the land revenues would increase many times. Land taxes must, should, and can be quickly expanded by many hundreds of millions of afghanis.

Payments for Government services of various kinds, such as electricity and telephone, are some Afs300 million less than they should be. Taxes exist which have

not been collected, such as the vehicle registration tax, and others exist that are not being collected effectively, which could add another Afs200 to Afs500 million.

Government enterprises should be operated so as to realize a reasonable return on invested capital. This should total about Afs1 billion per year, compared with the net amount now being collected, which is probably nil or negative.

Municipal property taxes, if collected, would reduce the amount the Treasury must provide for urban development. In Kabul alone, unpaid municipal taxes are said to amount to some Afs200 to Afs400 million.

Local taxation should be encouraged for local purposes, thus reducing the dependence on the national Treasury. These can include water-user charges to provide funds for maintaining and expanding irrigation systems, and assessments for community improvements such as roads, potable water supplies, schools, health clinics, etc.

Probably the largest potential is in more effective collection of import duties. There is substantial smuggling, and many imports are wrongly graded, with a resulting large evasion of proper payments. It is commonly agreed that widespread corruption prevails in the customs service, and the leakage is certainly large. Some informed sources believe that as much as Afs2 billion more could be collected from import duties alone.

Under the circumstances described above, and without considering new tax measures or increased rates (other than the land tax), there is a very clear potential for substantially increasing Government revenues.

Constraints. There is a limit on public revenue generation imposed by the very low income levels in Afghanistan, but this limit should not prevent increased revenues of Afs2 billion per year by 1355 from

being collected. Rather, the apparent constraints which operate against the determination to act decisively center around the cultural milieu, the traditional relationships among friends and family, the entrenched status of the privileged classes, and the low level of efficiency of the public administration, which is attributable at least in part to the fact that pay scales are impossibly low.

Strategy. No one enjoys paying taxes. However, acquiescence is more likely when taxes are used to good purpose. One element of the fiscal strategy is, therefore, related to the development strategy -- the benefits of development should be widespread and should be of such a nature that they are perceived and enjoyed by a majority of the people.

An improvement in the performance of the public administration is absolutely essential if revenue collections are to be increased appreciably. This cannot be achieved if salaries of public employees are insufficient for them to live on. An increase in salaries at least to levels that allow employees to sustain themselves and their families makes honest performance possible even if it does not guarantee it. At present, Government officials must come from families of means, or must also perform non-Government work, or must participate in some corrupt practices to meet modest living needs. The vicious circle of low salaries, corruption and poor revenue collection must be broken. Higher salaries are absolutely necessary. Jointly with these necessary salary increases, a drive must be initiated to deter evasion and corruption by severe punishment and to institute systems and programs that will produce the targeted increases in revenues.

Targets. Targets for revenue increases over and above current programs should include: land taxes to provide Afs500 million by 1355; administrative improvements of all kinds to provide Afs500 million in import duties and Afs250 million in other revenues by 1355; profits of Government enterprises to provide Afs500 million by 1355; and resources from local assessments for local uses to provide Afs250 million by 1355. These total Afs2 billion -- an amount that is well within

feasibility, given the potential that exists. If Afghanistan does not achieve this minimal revenue program, it indicates the inability of the country to utilize the levels of aid that are available for its development and would be a signal to aid donors to further reduce their assistance. Also, it is important to give strong emphasis to the need for much greater efficiency and effectiveness in public spending. Just as there is avoidance and evasion on the revenue side, it is generally conceded that there is very considerable leakage in the expenditure area. Such practices cannot be eliminated overnight, but they must be curtailed and brought within manageable limits if Afghanistan is to have its economy move into line with most of the other nations of the world.

Programs. To achieve the proposed revenue targets, each and every program should be examined and evaluated to determine:

1. The amount collectable under 100 percent enforcement and compliance

2. The organizations, programs and resources required to achieve various levels of enforcement and compliance (e.g., 50 percent, 75 percent)

3. Determination of realistic and achievable targets scheduled time-wise, and the required specific organizational and programmatic changes needed to achieve them.

Once this determination is made, it should be considered and adopted by the Cabinet. The successful implementation of such an ambitious but vital program will require the unequivocal and determined support of His Majesty. Further, a small group of prominent, senior and respected citizens should be recruited to monitor the execution of the program, reporting directly to the Prime Minister and keeping His Majesty fully informed on the progress, problems and corrective actions taken in the course of implementing the programs. The urgency of the need for mobilizing greater domestic resources for development warrant these unusual measures and extraordinary authority.

A separate, though equally determined, program is required to achieve a reasonable rate of return from the public enterprises. The enterprises must be assigned managers who have the responsibilities and authority to make all managerial decisions within the general Government policies established by the Boards of Directors or the Ministries. However, policies must be distinguished from management, and the latter must be the prerogative of the manager. The managers must be given achievement targets, and must be obligated to report fully to the Board of Directors and to disclose publicly and fully all pertinent financial and other information concerning the operation of the enterprise. The managers must be held completely accountable for the performance of the enterprise, with suitable rewards for success and punishments for failure.

Since managerial talent is in very short supply in Afghanistan, technical assistance programs will be essential in achieving the goals of this program.

Private Savings and Investment

The Government attitude toward the private sector is ambivalent. This is unfortunate because even if the resources available to the public sector were greatly enlarged, the ability to utilize these resources effectively would certainly continue to be limited. If relationships are properly determined, the private sector can contribute importantly to Afghanistan's resource mobilization and utilization.

Afghanistan's economic system has been designated a "mixed-guided economy." Implicit is the existence of both a public sector and a private sector. Also, it indicates that the Government will exercise some measure of influence or control over the development of the private sector. The degree of influence or control, and how it will be exercised, remain unanswered, and this uncertainty is an obstacle to private initiative. As long as interference with private investment decisions or with the operations of private enterprise, or even uncertainty about these, is likely, private investors will be discouraged from playing the development role

of which they are capable in Afghanistan. This role can be greatly enhanced by policies and actions that clearly define the area of public sector activity, give latitude to the private sector, and encourage private savers and investors to mobilize and use private resources aggressively.

A program for the future, designed to maximize the contribution of the private sector to Afghanistan's development, must include modernization of the banking system and legal instruments affecting private sector activity. A draft of an improved Commercial Code was started, and draft documents relating to the establishment of a central bank, a commercial banking law and a mortgage law have long been available and frequently discussed. Their early enactment is essential.

Foreign Assistance

Technical assistance. Afghanistan receives an exceptionally large amount of technical assistance, in numbers of advisers and technicians and in monetary terms, in proportion to its size. However, it is not planned and not coordinated. As a result, it has not been nearly as effective as it should have been. The setting of priorities, planning, and coordination of technical assistance are urgently needed. Actually, these can be done only by the RGA. Foreign donors should attempt to provide encouragement and assistance to the RGA in developing this capability, but in the meantime they should give thoughtful attention to the priorities of Afghanistan's needs for such help. Technical assistance has been far from fully productive in the past, partly because it has not been programmed in relation to need, partly because the quality has been uneven, and perhaps most importantly, because of the constraints on its effective use by Afghans. Too often there are no counterparts, or else no sufficiently qualified or dedicated counterparts, to work with the foreign technicians. Also, advisers are not attached at levels which would facilitate effective performance. Too frequently, almost any technical assistance offered is accepted irrespective of need, which leads to waste and frustration.

In the future, an especially helpful kind of technical assistance will be the provision of "opex" (operating executive) type personnel who are given operational responsibilities rather than strictly advisory responsibilities. There is a desperate need for this type of assistance, especially at the provincial, district and village levels, to assist the Government in the formulation and implementation of rural works and accelerated agricultural development programs. However, it is not clear to what extent the RGA perceives this need, or is willing to utilize this type of assistance. It need not raise questions about turning control over to foreign managers, particularly if policies are clearly established by Afghan authorities and if good counterparts are assigned for training and for later assumption of full responsibility.

Total aid level. Afghan planners in the past have almost entirely been preoccupied with the gross levels of aid, following the principle of "the more the better." They have paid inadequate attention to net flows, and even less attention to categories of aid and to the productivity of investment. In a country like Afghanistan, a net inflow of $6 to $7 per capita might be required to reach GNP growth targets of 5 to 6 percent annually. However, with the present low absorptive capacity and the aid weariness of donors (which is related to the low absorptive capacity), it will be extremely difficult to reestablish these levels. Every effort must be directed toward reducing the constraints on the absorptive capacity -- especially fiscal, balance of payments and management -- so as to enable higher levels of aid to be utilized in the future. More assistance can be acquired if Afghanistan's own performance is improved. More aid will be needed if the country is to move ahead.

Given the limitations on net capital inflow, special attention must be paid to getting the best results per unit of capital. Capital output ratios in the past may have been 4:1 or 5:1 or even much higher. With the net inflow reduced from an annual level of about $90 million 5 years ago to about $20 million currently, and with prospects of no more than double the present level without major domestic reforms (assuming successful debt rescheduling negotiations) during the next 5 years,

an attempt should be made to reduce the capital/output ratios significantly. Not enough projects have been identified that meet quick and high productivity criteria.

To achieve and maintain a high rate of growth, Afghanistan must increase net inflows of aid to former peaks. It can do this only by demonstrating that this aid can be used effectively and that the resulting debt can in time be serviced. The more assistance Afghanistan can use effectively, the more it is likely to get, and the greater will be its capacity to absorb additional amounts of aid. To move in this direction, Afghanistan must build its capability to plan and program; to identify, prepare and manage projects; and to mobilize internal resources. Thus, it is not the unavailability of foreign economic resources which is so serious, but the lack of capacity to use such resources, which in turn puts potential foreign assistance beyond Afghanistan's reach.

Commodity assistance. Commodity assistance serves the three purposes of supplying goods not otherwise available because of budget and/or foreign exchange constraints, of helping to stabilize prices, and of providing Government revenues. Afghanistan has been receiving commodity assistance from various sources and under varying conditions ranging from 100 percent grants to what amounts to short-term commercial loans. In the future, commodity assistance agreements should be related more closely to the development needs of the country, should be coordinated with technical and project assistance, should avoid depressing local prices so much that production is discouraged, and should preclude heavily mortgaging the country's future by going into debt when better management of fiscal measures would reduce the need for commodity assistance.

Project aid. Afghan planners and foreign donors should impose two conditions with respect to projects being considered for financing: (1) they should be selected as a result of a sectoral analysis that relates the projects to the policies, goals and objectives of the sector and assigns sectoral priorities; and the analysis by sectors should take into consideration the development priorities of the nation's economy; (2) they

should be subjected to a feasibility test. Additionally, for the period of the Fourth Plan at least, projects should satisfy the requirements that they be short-maturing and quick-yielding, that they provide adequate management and management training programs through related technical assistance agreements.

Allocation of Resources

The Budget

The budget is the principal instrument for the allocation of public financial resources. The budgeting process includes the review and evaluation of budget requests and the determination of allotments; the setting forth of policies in the budget document; release of funds for predetermined purposes within established limits and schedules; and the review and evaluation of actual expenditures with respect to the objectives they were designed to achieve.

Planning objectives are generally expressed in program or activity terms. Since it is the purpose of the budget allocations to contribute to the achievement of these objectives, the budget should be organized along these functional lines. This would permit a more effective allocation of resources within the plan framework; better coordination of ordinary and development expenditures; and a more meaningful review of budget allocations relative to their contributions to national objectives.

The preparation of the budget along functional or program lines would better integrate the budgeting with the planning process. It would permit the budget to become a means for developing a systematic monitoring of programs in the execution of the plan and would make it a powerful management tool for the development of the nation.

The RRNA team has recommended that a Budget Bureau be established in the Prime Ministry, along with the Central Statistical Office and Planning Office.

Even if this is not done, there must be at least a careful review of the total budget by the High Economic Council to assure that it faithfully reflects plan goals and programs. This requires good staff work, and cannot depend solely on discussions among the members of the Council. The setting up of a small but high-quality staff in the Council and the improvement of staff functions in the Ministries (especially of Finance and Planning) are absolutely essential if the budget is to serve Afghanistan's development purposes.

Future Priorities

In the near- and medium-term future, the highest priorities should be given to the accelerated agricultural development program (including private sector fertilizer distribution) and the rural works program (currently emphasizing food-for-work); livestock development for export; human resource development; improvement of management practices and personnel of public enterprises; maximum possible growth of the private sector; and exploitation of mineral resources.

Agriculture. This sector (and within the sector, the accelerated agricultural development program) should be given the highest priority. Afghan planners and foreign donors should support the establishment of regional development organizations with a great deal of autonomy to formulate and implement comprehensive and integrated programs for the specific regions they serve. The organizations should arrange for technical and professional personnel to live and work closely and directly with farm operators and not confine their activities to regional centers. Such personnel, geographically dispersed, can be more responsive to the needs of cultivators, can transmit the resources and know-how flowing from Kabul and provincial capitals and research centers, and can facilitate the interchange of experience among farmers. The organizations must have resources they can draw on with a minimum of restraint from the central administration.

The strategy of agricultural development should include a phased program that emphasizes, in sequence:

(1) the adoption on all existing irrigated land of fertilizer and improved seeds (particularly for wheat and cotton) and the improvement of on-farm irrigation systems; (2) the adoption of double cropping and improved cultural practices; (3) the introduction and adoption of higher value crops and new varieties; (4) the construction of storage and distribution systems giving priority to smaller scale and quicker yielding local projects.

The agricultural research program should be designed to support this strategy at each stage and to anticipate the move from one phase to the next.

Improved marketing facilities and practices should receive special emphasis at all phases. Once wheat self-sufficiency is reached, production and marketing programs should be designed to maximize the flow of fresh and processed products to export markets. This will require encouraging processing, transporting and distribution enterprises through incentive and the dissemination of the results of better planning.

Livestock. There is a high income elasticity of demand for meat around the world. As populations and incomes rise, meat imports in many countries rise appreciably. Meat exports represent one of the most promising potentials for increasing employment, income and foreign exchange earnings in Afghanistan. Nearby markets -- Iran and the Persian Gulf countries -- can easily absorb all Afghanistan can export in the foreseeable future.

The livestock development program for greatly expanded output and for export markets should be accelerated. The very high losses suffered during the drought years have set this program back considerably since attention must now focus on overcoming the short supply of meat for the domestic market. However, there should be no delay in moving quickly and aggressively to lay the basis for much larger export supplies in future years. In fact, the urgency resulting from the droughts and the desperate need for exports can together serve to generate programs and actions that will better serve

both domestic and export needs. No time should be lost in planning and implementing water, feed and pasture development; in establishing slaughtering facilities and related feedlot development; in improving animal health and breeding, and other elements of this program.

Irrigation. For at least the next 5 years, priorities should focus on utilizing to the maximum those storage and distribution systems already constructed; improving existing river irrigation systems;' supplementing present systems with shallow and tube wells; educating farmers to use water supplies properly; and, in general, getting the optimum use of water on lands now under water command. When this phase has progressed satisfactorily, attention can then be given to the construction of additional water storage and distribution systems and new land development.

Rural works. Benefits from Afghanistan's development program have not reached most of the people living in rural areas. Their living conditions remain much the same as they have been for centuries. And yet, these are hard-working people with the desire and capacity to learn and to improve their lives.

The Provincial Development Program (PDP) was designed to encourage rural people to undertake local improvements -- small bridges, culverts, roads and wells -- by offering them technical assistance and some materials not available locally. It never really got off the ground because it depended too much on the slow-moving central bureaucracy. The recently established Wheat-for-Work Program was a successful attempt to break through bureaucratic contraints by moving the decision-making process to the field where projects were approved and supervised locally and the resources (wheat) were made available on the spot. This program is now being expanded to all provinces.

It is unclear what the future relationship will be between the Provincial Development Program and the Wheat-for-Work Program, but the self-help program must

be continued in some form, and it should strive to retain the two principles which have so effectively contributed to its success to date. These principles are that (1) decision-making, supervision and local resource allocations must be done in the field by a highly motivated field staff; and (2) the projects must be selected by the people themselves.

When wheat self-sufficiency is approached and it is no longer feasible to offer wheat as an incentive, other wanted commodities or money can be substituted. An eventual goal of the program should be to stimulate community interest and participation in the construction of community rural works with minimum outside input other than technical and organizational assistance by the Government.

Public enterprises. The main effort as regards public enterprises should be to improve the quality of management and establish systems to make management accountable for its actions, and to impose performance standards by which those actions can be judged so that these enterprises will appreciably increase their contribution to the development effort. No new public manufacturing enterprises should be established during the period of the Fourth Five-Year Plan. In subsequent years, proposals for new enterprises should be required to pass feasibility tests before being approved.

Private enterprises. The private sector must be encouraged to maximize savings and to engage in productive investment, and it is incumbent on the RGA to assist in these activities. In large part, the efforts of the RRNA team in this sector have been directed at improving the institutional climate within which the private industrial sector operates. As noted earlier, clear policies must be established to define the relationships between the private entrepreneurial class and the society at large. To this end, it is of utmost importance that key legislation be adopted, such as a modernized commercial code and mortgage law. The commercial banking system must be modernized if industrial and trade expansion is to be achieved. Similarly, an organized market for the exchange of securities should be created at an appropriate time. The Industrial

Development Bank of Afghanistan must be established as soon as possible. Useful information channels from Government agencies to private businessmen, and vice versa, should be provided. Export industries should especially be encouraged through attractive incentives.

The use of fiscal incentives is a most important stimulant to private industrial expansion and exports. Procedures under the Foreign and Domestic Private Investment Law should be improved to facilitate more effective action. Assistance in the preparation and evaluation of project proposals should be improved.

Fiscal incentives of course represent a cost to the Government in terms of foregone revenues. They are justified, however, if they result in the establishment of new industries that might otherwise not be established. They often generate benefits in excess of costs, including tax receipts by the Government. Criteria need to be established that better identify and evaluate these benefits and costs to permit more rational judgments to be made.

Other measures for stimulating private industrial development should also be utilized -- for example, a rationalization of the import tariff structure which now imposes, in some cases, higher duties on imported raw materials than on components or finished goods, lesser duties on components, and the lowest duties on essential raw materials. However, the level of duties for incentive purposes should not be so high as to protect and perpetuate inefficiencies.

Mining. Substantial sums have been spent by the Government for petroleum and mineral exploration. The only significant return to the country from these expenditures has come from the production of gas in the north. To some degree at least, future exploration costs and risks can be borne by the private sector. This will conserve the scarce funds for public investment. Further, the interests of the people of Afghanistan can be protected and enhanced through royalty arrangements that are fair to the investors and to Afghanistan. The enactment of a petroleum law and a minerals law -- both now under consideration -- is essential. The evaluation

of mineral deposits already identified, and analyses of their feasible extraction by either public or private sources, should be given principal emphasis in this sector. Also, new exploration should be encouraged, and the Government should closely follow developments in new transportation technologies to determine whether they might at some future time make economic the exploitation of deposits that heretofore could not be undertaken profitably.

Transportation. For the next 5 years, the road construction program in the country should provide largely rural roads connecting farms to markets and improving communications with productive areas, roads linking provincial capitals with the interior of each province and with Kabul, and generally creating a limited network that connects with and profits from the main trunk system already established. In the interest of making Afghanistan's limited capital resources as geographically and economically widespread as possible, the roads should meet essential, not luxury, standards.

Maintenance programs must be improved and expanded. Both the construction and maintenance of rural roads should be encouraged through the Food-for-Work Program, with necessary engineering assistance provided by the Ministry of Public Works, the Provincial Development Department, and Kabul University.

Power generation and distribution. Competing demands -- water for irrigation, water for power generation, water for industrial and domestic uses -- are already creating problems along the system that extends from Charikar to Jalalabad. A survey is urgently needed to estimate demands for power over the next 15 years. An energy plan is needed to determine the optimum way to meet these future demands, considering hydro as well as thermal systems.

During the next 5 years, emphasis should also be on balancing the current generation-distribution system by improving the efficiency of the distribution system

and achieving a higher rate of utilization of generation capacity. Improved management and the collection of power charges are essential prerequisites to optimal use of the system.

Communications. The improvement of communications -- international, among the regions of the country, and between rural and urban areas -- should take precedence for the near future over continued expansion of communications within urban areas. Improvement of management and of the collection of charges is essential. Because industrialization requires a good local telephone service which can and should be a high-yielding investment, provided fair rates are set and collected, over time there will therefore be needs to improve local service.

Health and education. The social sectors which concern the health and the education of the people directly affect human resource development and must be given high priority. A satisfactory political and economic system cannot be built upon a base of unhealthy and illiterate people. Actually, the most important determinant of development is the capability of the people of a nation.

The most urgent need in the field of health is for an extension of health units throughout the country, providing basic health services and emphasizing preventative medicine. The program should emphasize the expanded training of paramedical personnel, the provision of adequate incentives to encourage them as well as individual doctors to serve in rural areas, and the adequate equipping and supplying of the health units. Good management of this system will be critical and will require substantial technical assistance.

The major emphasis with regard to education must be given to the improvement of quality throughout the system, and the expansion of 6-year primary schools and secondary schools servicing rural areas. Increasing numbers of graduates from the secondary schools are applying for admission to institutions of higher learning, yet university graduates have been having difficulty in finding productive employment. Under

these conditions, there is a tendency to advocate restrictive measures to hold down the movement from secondary schools to higher levels. However, restrictive measures are no solution. More constructively, the quality of education must be improved and educational training must be related to the development needs of the country. This must be done in the context of increasing educational opportunities rather than restricting them. In this way, education can make an optimum contribution to development.

While education is being improved and expanded, a more dynamic and meaningful development effort must simultaneously be undertaken to break the bonds of stagnation which have gripped the country for the last several years, or jobs will not be available. Only when this is done will there be a great demand for the various skills on which development depends and which an effective educational system produces. Special emphasis should be placed on vocational and paraprofessional training to supply the technicians who are now in such short supply -- laboratory and X-ray technicians, midwives, draftsmen, construction foremen, electricians, plumbers, mechanics, statistical clerks, bookkeepers, typists, stenographers, etc. At the same time, more attention must be given to the development of managers and administrators on whom the effective management of economic affairs depends.

Effective Utilization of Resources

The effective utilization of resources, the third element of the development strategy, is now probably more important than the mobilization and allocation of resources. Many external resources have been mobilized. They have not always been carefully allocated. However, the utilization has been subject to the greatest degree of criticism. The past investment programs have absorbed large amounts of outside capital and have resulted in large future claims against Afghanistan's resources in the form of debt service obligations. These investments should have generated far more impetus to growth, more actual production and more exports to help service the debt and to contribute to future growth.

Perceptible increases in the ability to service past debt and the establishment of the creditworthiness of the country are important because Afghanistan will need to borrow large additional sums in the coming years. An energetic, seriously pursued development program with an effective mobilization of internal resources will increase both the need and the capacity to utilize foreign capital. However, the resources thus made available must be employed more efficiently to increase output and exports, which will furnish the means for debt service and for further investment.

The past record is not encouraging. Foreign exchange earnings have increased so slightly, except for natural gas, that Afghanistan has been unable to service past debt, and simultaneously the failure to mobilize sufficient local currency has limited the utilization of foreign capital. A continuation of these conditions will totally stifle development.

Improved utilization of past investment in public sector enterprises, which requires a strong effort to improve management personnel and methods, would contribute importantly to this purpose. Other types of public sector investment must also be better utilized. The large storage-distribution systems for water can be better utilized by connecting them more fully to on-farm systems, by encouraging and training farmers to use irrigation water more efficiently, and by enacting and enforcing water-user legislation. The power generation systems can be more effectively utilized by improving transmission, distribution and management. The major trunk highway system can be better utilized by constructing ancillary networks of connecting feeder roads. Adequate and timely maintenance programs for roads, irrigation canals and buildings; provision of supplies of fuel for pumps, tractors, and vehicles; provision of medical equipment and supplies for hospitals and clinics; and provision of materials and transportation equipment for agricultural projects are all needed to improve utilization of past investments.

Improved utilization and more investment in the private sector are needed, which will require additional managerial, technological and engineering inputs. Some of these can be provided by the Industrial Development Bank, the Investment Advisory Center, and other channels. The use of foreign technical assistance programs can yield beneficial results. Training programs are required which look to the development of an Afghan corps of skilled personnel in all industries and enterprises. Efforts must also be made by the Government to improve its services to the private sector. This would include provision of market and other economic information, the establishment of a viable employment service, provision of information of a technical nature on raw materials, processes, minimum quality and performance standards, etc.

A Reorientation of RGA and Donor Efforts

Even as RGA leadership succeeds in formulating an effective development strategy, the implementation of this strategy will require overcoming serious obstacles, and success will depend largely on the energy and tactics employed by RGA leadership.

Afghans readily acknowledge three critical factors impeding development: (1) the Government bureaucracy is permeated with red tape, underpaid workers, and corruption, with the result that the allocation and use of resources are adversely affected; (2) the present pervasive lack of management ability makes it almost impossible to manage projects effectively; and (3) the level of training and, perhaps more important, the traditional work methods, make the Government bureaucracy incapable of effectively implementing development programs.

It is important to note once more that the way the Government operates -- the interpersonal relationships, the structure of the hierarchy and the way it functions, the work habits and methods, the moral and value system -- is a direct reflection of the Afghan culture from which the bureaucracy comes and within which it

performs. It seems perfectly obvious that the rate at which the Government modernizes will largely determine the rate of modernization in the rest of the country. Since Afghanistan is one of the most traditional of the developing countries, this goal of modernization will not be reached for a long while unless some very special modernizing forces are set in motion by the very top authorities and institutions in Afghanistan. Such extremely strong initiative at the very highest levels of leadership will need to be supported by new forms of organization and new systems for decision-making and execution that will have to make important inroads in the traditional structure.

The root of the problem is the process by which decisions are made and executed. All too often, an intensive and prolonged series of discussions in the High Economic Council or Council of Ministers culminates in a decision -- and many months later the necessary actions to implement the decision have not yet been taken, with no efforts to follow up and no sanctions for failure to perform.

Firm decisions must be made where the authority really rests, and the act of making the decision must be followed by a clear assignment of responsibility for its execution, with the authority standing firmly behind demands for effective performance. Persons given responsibilities must also be given authority to act and must be held accountable for their actions. Those who make the decisions also have the responsibility for monitoring performance, for demanding proper execution, and for taking corrective action when necessary.

The establishment of an effective system of decision-making and execution is urgently needed, not only at the top levels of Government, but throughout the Government structure, whether dealing with planning, collecting taxes, managing public enterprises, running the university, distributing fertilizer, or stimulating exports. Simple principles of management and performances are required universally to achieve results.

Afghans recognize that there is growing "aid weariness" on the part of all donors of grants and loans. This is understandable, given the record over the past 20 years of poor performance and common discouragement and frustration. Had donors better understood the limitations and constraints of the environment in which they operated, they might have moderated their expectations and been less disappointed with the results. In spite of the large retrenchments that have occurred, resources still available to Afghanistan exceed the current ability to utilize them effectively. There is no doubt that the net resource flow to Afghanistan can be appreciably increased if (1) a rational development strategy such as that proposed here is adopted, (2) the RGA leadership acts to execute the strategy, and (3) the increased flow of assistance brings increased results.

There is a more constructive role for aid donors to play in the formulation of the future development strategy and in its execution. They share responsibility with Afghanistan for they participated in the investment decisions that contribute to Afghanistan's performance. They are in part responsible for the present position of stagnation and frustration. Individually, each donor tends to express the same dissatisfaction with the programs it has helped to finance, and recites the same list of reasons for poor performance. Too often there is no coordination among donors, and each tends to offer assistance which reflects what is readily available or what fits the donor's notion rather than Afghanistan's needs. In addition, the terms underlying the aid arrangements often do not fit the Afghan situation, but would more appropriately apply to more advanced developing nations. It is incumbent on aid donors to coordinate their aid efforts to maximize the effectiveness of the total aid contribution to Afghanistan. Such coordination would reduce wasteful aid competition and make available a more prudent and efficient allocation of resources for Afghanistan. However, in the final analysis, such coordination should be the responsibility of Afghanistan, and donors should help the RGA become better able to perform that critically important function.

The RRNA team has recommended in various memos and discussions the kind of planning process that seems most suitable for Afghanistan. It would place less emphasis on the 5-year plan, more emphasis on long-term sectoral programming which provides the framework for project identification, and much more emphasis on short-term annual or biennial plans that provide the basis for budgeting. It is not necessary to drop 5-year plans at once, because the longer term and the short-term approaches can be undertaken as added functions.

The longer range planning should be indicative in terms of projecting needs and resources, and should mainly serve to identify and emphasize the main thrusts of policy and development strategy and provide a framework for on-going policies and actions related to and essential for economic and social progress. The 5-year plan cannot and should not attempt unalterably to determine the precise magnitude and allocation of resources in the later years of the plan, or to specify precisely those projects and programs that must be implemented during the plan period without permitting changes. Flexibility is necessary to respond to future problems and opportunities that cannot be anticipated in advance, and to allow time for project feasibility determination for the many projects that will be suggested at the beginning of the plan period. Changes will warrant and even require consideration of replacement or additional projects during the plan period. Especially in Afghanistan, the present stage of development needs flexibility to adjust policies, programs, and projects as circumstances change. This should not be interpreted as an excuse for inactivity, procrastination and indecisiveness on all matters. In fact, it calls for very strong positive actions with constant attention to successes and failures and to newly emerging obstacles and advantages so that momentum can and will accelerate rationally and effectively.

The principal operational planning exercise within the frame of the 5-year plan should be the formulation of annual or biennial plans and sectoral plans. The sectoral plan provides the framework for project and program identification and formulation, the rationale and justification for these projects and programs, the

To help achieve better coordination, the principal donors should organize themselves into a formal group or consortium which would have consultative functions as a minimum objective, but, more importantly, which would assist the RGA in mobilizing external resources and in developing its internal allocation and implementation capabilities. A more rational planning and coordination of development assistance from abroad is important, but it must be emphasized again and again that nothing is as critical to Afghanistan's development as the Afghan leadership's commitment and dedication to internal development, and its decisiveness in making and implementing decisions. Development must be indigenous, and that applies to Afghanistan as much as to every other country.

A Future Planning Process

At the inception of the preparation of the Fourth Plan, several months were spent by Planning Ministry officials and technicians in discussions with foreign advisers on the procedures to be followed and the form and content of the planning document. Finally, the task of preparing the draft of the plan was given to the Soviet group.

It is long overdue for Afghans themselves, many of whom have participated in the preparation of three or four 5-year plans, to develop an Afghan planning methodology most suited to the political, social, economic and administrative systems of Afghanistan. Fresh from the experience of the Fourth Plan preparation, the Ministry of Planning should immediately start an evaluation of that experience -- reviewing and critically evaluating the proposals of the various foreign groups, the procedures and forms actually used, and the final plan document. A manual should be prepared incorporating the recommendations of the Ministry for future plan preparation. It should include procedures, forms, plan content and scheduling. Assignments for evaluating and for preparing parts of the manual should be regarded seriously and should involve those likely to prepare the Fifth Plan.

formulation of sectoral policies and priorities, and the needed degree of coordination of projects and programs that will add up to a meaningful and fruitful total. The planning units in the operating Ministries and agencies must be appreciably strengthened to enable them to carry out suitable sectoral planning. The annual or biennial plans will enable these planners to take into consideration the most recent data in preparing or updating the longer term plans and programs. Thus, the planning process is a continuous one, under constant review and revision, where appropriate. These annual and biennial plans will give substance and perspective to the budgeting process, pulling together planning and budgeting into a common development effort.

Effective planning cannot be done without reliable information. The recently initiated statistical development program being assisted by the U.S. Bureau of the Census should help provide data that are essential to the improvement of planning in Afghanistan. Support for this program is necessary if the planning process is to be improved.

Project preparation, evaluation and implementation are critical links in the planning process that require special attention. The Central Planning Office must assist the operating Ministries and agencies in identifying and formulating projects, and must develop the capability to evaluate projects. A manual should be prepared assigning responsibilities to the responsible Ministries for the various aspects of project preparation and evaluation, and providing instructions on the format and methodology to be used. Training programs should be established to assist the responsible project preparation units in the operating Ministries and agencies to develop the necessary competence and, in the process of this training, to help produce projects suitable for financing. Those equipped to do the training therefore must be more than competent theorists. They must have the capacity to teach project preparation by actually preparing some projects.

A decision has been made to create a Project Preparation Center. This center should play a central

role in developing expertise in project formulation and evaluation, in establishing and supervising training programs, in assisting the project preparation units in the Ministries and agencies to prepare projects, and in reviewing and evaluating project proposals. The relationship between the Project Operation Center and the Central Planning Office needs to be clearly defined.

The ineffectiveness of the Government bureaucracy has been one of the most serious constraints on development. As mentioned above, a substantial salary increase for public employees is a required high-priority element of a public administration improvement program which must emphasize improvement in organization, personnel management, operations and methods. While measures to improve the performance of the public administration are essential and should be pursued with all dispatch, this process is bound to meet with many difficulties and to take much time. The anticipation of difficulties, however, is no excuse for delays and vacillation.

While this process of modernization of the public administration is going on, indigenous development can be furthered by channeling resources and technical assistance directly to the people in the provinces for agricultural and rural works. It is impossible to bypass entirely the Central Government apparatus in the provinces, but the provincial authorities are closer, and therefore may be more responsive, to the needs and aspirations of the rural population than are the administrators in Kabul.

The final link of the planning process is the implementation of policies, programs and projects targeted in the plan. No plan that does not specify how it will be implemented -- the assignment of implementation responsibilities, and the organizational, institutional and legal actions necessary for implementation -- is worthy of consideration. For example, as emphasized repeatedly, the achievement of targets for the private sector requires the modernization of the financial system and such actions as the establishment of an effective central bank, the creation of the Industrial Development Bank of Afghanistan, the enactment of a modern banking law, mortgage law, cooperative law and commercial

code. The plan document should include a section listing the laws required to implement the plan, a time schedule of priorities for their enactment, and an assignment of responsibility to the Ministries or agencies responsible for preparing the draft laws.

The responsibilities for plan implementation in Afghanistan are widely dispersed. There is and must continue to be decentralization of responsibility for projects and programs, but services and expediting and demanding performance are responsibilities that in the last analysis require the top authorities to carry much of the burden. The Central Planning Office must establish procedures for monitoring and reporting on plan implementation and for recommending corrective action where necessary, and these must be part of the plan. However, its authority to enforce corrective action is limited when its chief executive is a Minister with the same authority as the other Ministers of the Cabinet. If the responsible Ministries or agencies do not perform their implementation responsibilities adequately, the corrective actions must be taken in the High Economic Council or in the Council of Ministers, and the final responsibility must rest with the Deputy Prime Ministers and the Prime Minister and, in Afghanistan, with His Majesty.

The central planning organization must alert the Government to situations requiring policy decisions and must suggest what these decisions should be, but actual formulation of policy and carrying out the policy must rest at the very highest levels of state. The policies are the principal directives of the plan, indicating the main thrusts, the priorities, and the dimensions, and they must precede plan formulation. The Prime Minister, his Cabinet and the High Economic Council must determine the broad lines of Government policy and see that they are carried out. Only they can decide what position the Government will take with respect to fiscal and monetary policy, the incidence of taxation, the roles of the public and private sectors, the use of incentives, trade promotion, the emphasis given to quick-yielding or infrastructural investments, and so on.

Policy formulation and implementation are at present the weakest link in the planning process. In Afghanistan, policymakers rarely have sufficiently reliable information to enable them to make informed judgments. What is clearly needed, in addition to improving the reliability, timeliness and scope of information, is a staff in the Prime Ministry that prepares agendas, memoranda, briefing papers, position papers, and whatever pertinent data and analyses are needed for the Prime Minister, the Cabinet, and the High Economic Council to provide them with a rational basis for decision-making and policy formulation.

Even more important is the creation of a mechanism for assuring that, once a policy decision is made, it is, in fact, implemented. The process of policy implementation requires a clear assignment of responsibility, the authority to exercise that responsibility, a system to monitor the progress of implementation and to facilitate corrective actions when needed, and incentives for good performance and disincentives for poor performance.

The improvement of the process of policy formulation and implementation is a key aspect of the modernization of public administration -- something that can be achieved only by a strong public commitment and aggressive action by the top Government leadership.

The nature of the traditional Afghan bureaucracy is such that the imposition of this process will be strongly resisted, and efforts to have it adopted generally and quickly throughout the system will be most difficult and challenging. We are proposing only that the process be started where it is most urgently needed and where it can be most successfully controlled: at the apex of the Government structure. If it is started there and is forcefully pursued by example and by persistence, it can eventually be transmitted to the lower echelons. When this happens, one of the most important basic conditions will have been established for creating a truly indigenous development process in Afghanistan.

APPENDIX A. RRNA STAFF PERSONNEL WITH SUBSTANTIAL INVOLVEMENT IN AFGHANISTAN PLANNING CONTRACTS

Contract numbers: AIDc-2179,
AID/nesa-186-cc and
amendments.

PREVIOUS PAGE BLANK

Long-Term Field Staff

	Arrival/Departure Dates
Chief of Party	
Richard Huber	12/24/61 - 7/13/63
R. H. Allen	7/13/63 - 10/21/65
Glenn H. Craig	9/24/65 - 1/16/70
Marvin R. Brant	2/16/70 - June 1972
Agricultural Economist	
R. H. Allen	10/16/61 - 7/13/63
Ottar Nervik	8/11/63 - 8/6/65
Richard F. Saunders	9/1/65 - June 1972
Industrial Economist	
A. A. Strauss	2/28/62 - 10/1/65
Glen L. Parker	8/10/65 - June 1972
Fiscal Economist	
Wilfred Lewis, Jr.	4/19/62 - 8/13/65
Max Fieser	2/1/66 - 5/26/67 (deceased)
Edward R. Kittrell	1/23/68 - 9/5/69
Robert D. Foster	8/26/69 - June 1972
Development Economist	
Marvin R. Brant	8/24/65 - 2/18/67
Statistician	
Norman P. Brand	3/1/64 - 10/3/65
Donald H. Niewiaroski	2/1/68 - 9/4/69

Short-Term Field Staff

Donald S. Green	3/10/64 - 5/12/64
Harley Hinrichs	1/19/67 - 1/29/67
Clay J. Anderson	2/1/67 - 4/24/67
R. H. Allen	2/5/67 - 3/13/67
Roy E. Feldman	6/13/69 - 8/18/69
Gordon C. Whiting	6/22/70 - 9/6/70
Rufus B. Hughes, Jr.	6/30/70 - 8/17/70

PREVIOUS PAGE BLANK

Field Inspection Trips

	Arrival/Departure Dates
Louis J. Walinsky	10/14/61 - 12/10/61 11/26/62 - 12/11/62
Robert R. Nathan	18 trips between 1961 and 1972
Sidney M. Lerner	11/27/62 - 12/16/64

Home Office Support

Robert R. Nathan
Louis J. Walinsky
Lawrence H. Berlin
Donald S. Green
Glen L. Parker
Sidney M. Lerner
Joseph R. Gunn, III

APPENDIX B. SELECTED DOCUMENTS AND MEMORANDA OF RRNA

GENERAL PLANNING

Guidelines for Educational Development in the Third Plan, Marvin R. Brant, 1965.

Additional Information Requirements from Ministries and Agencies, RRNA to HE A. W. Haider, Deputy Minister of Planning, October 20, 1965.

A Proposed Framework for the Third Five-Year Plan, Marvin R. Brant, December 20, 1965.

Policies, Issues, Instruments and Institutions on the Third Five-Year Plan, Marvin R. Brant, June 5, 1966.

Private Sector Investment Target for the Third Plan, Marvin R. Brant, August 10, 1966.

Suggestions for Presentation of Third Plan Revisions to the Parliament, Glen L. Parker to HE A. S. Hamed, Minister of Planning, October 4, 1968.

Paper by Committee on Development Planning, Glen L. Parker to A. Khorram, President of Planning, Ministry of Planning, December 17, 1968.

Institutional Aspects of Economic Development, Glen L. Parker, January 29, 1969.

Coordination of Planning and Budgeting, Glen L. Parker, June 16, 1969.

Scheduling of Fourth Five-Year Plan, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, June 6, 1970.

Strategy Considerations in the Fourth Five-Year Plan, Marvin R. Brant and Glen L. Parker, June 17, 1970.

Center for Project Preparation, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, July 28, 1970.

PREVIOUS PAGE BLANK

A Technical Assistance Program for Project Preparation and Implementation, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, July 28, 1970.

Proposed Fourth Plan Chapter Outline for Public Health, Marvin R. Brant, July 29, 1970.

Comments on Proposed Center for Project Preparation, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, October 24, 1970.

Education Plan, Marvin R. Brant to M.A.F. Siddiq, President of Planning, Ministry of Planning, October 28, 1970.

Schedule of Preparation of Five-Year Plan, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, October 28, 1970.

First Estimate of Provinces Available for the Fourth Five-Year Plan and the Size and Sectoral Distribution of the Development Program, Marvin R. Brant, November 16, 1970.

Brief Summary of Major Recommendations for the Fourth Five-Year Plan (jointly with Hendrickson Team), Marvin R. Brant, April 24, 1971.

Note on Commodity Assistance in the Fourth Plan, Marvin R. Brant, April 28, 1971.

Suggested Priority Actions by the New Government, Marvin R. Brant, June 10, 1971.

Comments on "An Appendix to the Strategy for Achieving the Goals of the Fourth Five-Year Plan," Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, July 17, 1971.

Comments on "On the Main Statutes and Targets of the Draft Fourth Five-Year Plan for the Development of Economy and Culture of Afghanistan During 1351-1355," Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, October 7, 1971.

Strategy of the Fourth Five-Year Plan, Marvin R. Brant, March 6, 1972.

PLAN IMPLEMENTATION

Plan Implementation (Draft Chapter, Third Plan), Glen L. Parker with Tom Tindale, February 1967.

Task Force: Composition and Function, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, April 20, 1968.

Implementation Manual (proposal), Glen L. Parker, November 9, 1968.

Max F. Millikan's Paper on Procedure for Reporting and Evaluating Development Progress During the Nineteen Seventies, Glen L. Parker to A. Khorram, President of Planning, Ministry of Planning, December 12, 1968.

Information Needed on Industrial Development During Implementation, Glen L. Parker to W. Briggs, T. Minor and Associates, February 22, 1969.

Implementation Manual Outline (proposed), Glen L. Parker, June 1, 1970.

Comments on "Proposal to the Cabinet - Basic Measures for Reaching the Goals of the Fourth Plan," Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, March 8, 1971.

Need to Prepare a Chapter on Public Administration and Implementation for the Fourth Plan, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, March 25, 1971.

RURAL DEVELOPMENT

Rural Development - A Suggested Plan of Work, R. H. Allen to HE A. Yaftali, Minister of Planning, December 18, 1963.

Program for Conference of Sub-Governors, Ottar Nervik to HE M.S. Farhang, Deputy Minister of Planning, December 21, 1963.

Provincial Development Program Progress Reports, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, January 2, 1970.

Provincial Development Program - Problems and Actions Needed, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, October 13, 1970.

Provincial Development Program, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, November 2, 1970.

Rural Works Program and Commodity Assistance, Marvin R. Brant to HE M. A. Ghausi, Deputy Minister of Planning, March 29, 1971.

Proposal to Establish a Wheat-for-Work Rural Works Program, Marvin R. Brant, April 21, 1971.

Report on Trip to Pakhtia, April 5 - April 8, Marvin R. Brant, April 21, 1971.

Rural Works Program, Marvin R. Brant to Mr. Charles Naas, American Embassy, April 26, 1971.

Report on Trip to Northern and Northeastern Provinces, April 30 - May 8, 1971, Marvin R. Brant, May 1971.

Note on the Relationship of the Wheat-for-Work and Provincial Development Programs, Marvin R. Brant, May 17, 1971.

Objectives and Goals of the Food-for-Work Program, Richard F. Saunders, November 1, 1971.

TOURISM

Plan for Financing, Construction and Operation of a New First Class Hotel in Kabul, December 12, 1963.

New First Class Hotel in Kabul, R. H. Allen, July 1965.

Taylor Woodrow International, Ltd., Glen L. Parker to S. A. Baha, October 9, 1966.

General Report on Proposed Hotel at Baghi Bala, Glen L. Parker to HE A. H. Aziz, Minister of Planning, December 3, 1966.

Intercontinental Hotel, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, January 30, 1969.

High-Grade Jewelry Store in the New Hotel, Glen L. Parker to J. K. Gharwal, President, Pashtany Tejaraty Bank, March 17, 1969.

The Problem of a Subsidy for the New Hotel, Glen L. Parker, March 18, 1969.

Elements of a Tourism Development Program for Afghanistan, Marvin R. Brant, August 8, 1970.

ORGANIZATION

The Need for a Top Level Decision-Making, Supervisory and Coordinating Body, Louis J. Walinsky to HE A. H. Aziz, Deputy Minister of Planning, December 6, 1962.

Organization of the Ministry of Planning, RRNA, April 23, 1963.

Publications of the Ministry of Planning, R. H. Allen to HE A. Yaftali, Minister of Planning, December 14, 1963.

Legal Council for the Ministry of Planning, RRNA to HE A. H. Aziz, Minister of Planning, May 15, 1963.

Organization of the Economic Department of the Ministry, Wilfred Lewis, Jr., to HE A. Yaftali, Minister of Planning, June 15, 1963.

Staff Machinery for Economic Development Policy Formulation, Wilfred Lewis, Jr., March 23, 1964.

Government Organization for Economic Policy and Program Preparation, RRNA, May 19, 1964.

Administrative Machinery for Planning in Afghanistan, RRNA, June 8, 1964.

Ministry of Planning: Organization and Functions, RRNA, June 8, 1964.

Work Program for the Private Investments Division of the Planning Department, Glen L. Parker to M. S. Dawar, Ministry of Planning, April 27, 1966.

An Approach to the Improvement of the Ministry of Planning, Glen L. Parker, February 15, 1968.

Weekly Activities Reports of Ministry Officials, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, February 24, 1968.

Job Descriptions in the Planning Ministry, D. H. Niewiaroski to Glenn H. Craig, March 5, 1968.

Draft Chart on the Reorganization of the Ministry of Planning, Glen L. Parker, August 28, 1968.

Comments and Suggestions Regarding Proposal Transfer of Planning Functions, Glen L. Parker, November 11, 1969.

Issues Related to the Expanded Council, Glen L. Parker, December 30, 1969.

Future Institutional Arrangements for Science and Technology, Glen L. Parker to H. Habib, President of Economic and Technical Cooperation, Ministry of Planning, January 20, 1970.

Organization and Functions of the Ministry of Planning, Glen L. Parker to HE A. W. Sarabi, Minister of Planning, January 22, 1970.

Comments on the Russian Proposal for the Reorganization of the Ministry of Planning, Glen L. Parker to HE A. W. Sarabi, Minister of Planning, February 25, 1970.

Reorganization of the Ministry of Planning, Glen L. Parker, April 5, 1970

An Improvement Program for the Ministry of Planning, Glen L. Parker, April 13, 1970.

Ministry of Planning (Mission and Functions), Glen L. Parker with S. M. Maiwand, released by sections June 10-20, 1970.

Procedures and Activities of the High Economic Council, Marvin R. Brant to HE M. A. Ayeen, Minister without Portfolio, January 12, 1971.

Suggested Changes in the Location of the Planning Functions, Marvin R. Brant to HE M. A. Ayeen, Minister without Portfolio, March 6, 1971.

Central Planning Office (proposal), Glen L. Parker, March 11, 1971.

Organization Chart for the Proposed Plan Organization, Marvin R. Brant to HE M. A. Ayeen, Minister without Portfolio, March 18, 1971.

Personnel Requirements of the Newly Proposed Plan Organization, Marvin R. Brant to HE M. A. Ayeen, Minister without Portfolio, March 22, 1971.

Composition of the High Economic Council, Marvin R. Brant to HE M. A. Ayeen, Minister without Portfolio, March 25, 1971.

Commentary on Proposed Reorganization of the Prime Ministry, Marvin R. Brant and Glen L. Parker with Larry Young (PAS), March 1971.

Recommended Functions and Organization of the Proposed Plan Organization, Marvin R. Brant and Glen L. Parker, March 1971.

Proposal for Organization and Functions of the Economic Advisory Unit in the Prime Ministry, Glen L. Parker with Abdulhay Kayoumy, August 16, 1971.

Organization and Functions of Project Center, Glen L. Parker with S. M. Maiwand, September 1971.

TRAINING

Agricultural Policy Course, Faculty of Economics, Kabul University, R. H. Allen, June 22, 1964.

Comments on Proposed NESA Regional Seminar on Agricultural Taxation, Richard F. Saunders to Robert D. Layton, USAID Mission to Afghanistan, November 15, 1967.

Asian Institute for Economic Development and Planning, Glen L. Parker to HE A. W. Haider, Deputy Minister of Planning, September 19, 1968.

Joint Proposal for an In-Service Training Program, RRNA, signed also by the USSR and FRG Advisory Groups, to HE A. S. Hamed, Minister of Planning, November 28, 1968.

Outline of Proposed Speech of the Minister of Planning Opening the Training Program, Glen L. Parker, December 31, 1968.

Comments on ADB Agricultural Seminar, Richard F. Saunders to HE A. W. Haider, Deputy Minister of Planning, April 1, 1969.

Manpower Problems and Planning in Afghanistan in the Next Five to Ten Years, Glen L. Parker, May 25, 1969.

IDA School Project, Glenn H. Craig and Glen L. Parker to HE A. S. Hamed, Minister of Planning, June 25, 1969.

Some Comments on Vocational Education and Economic Development, Glen L. Parker, December 3, 1969.

Training Program in Marketing and Market Research for the Ministry of Commerce, Glen L. Parker, December 30, 1969.

Terms of Reference for Survey of Administration and Management in Afghanistan, Glen L. Parker, June 3, 1970.

Conversation with Dr. P. B. Patnaik, Acting Director Asian Institute for Economic Development and Planning, Glen L. Parker to HE M. A. Ghausi, Deputy Minister of Planning, September 3, 1970.

Discussion with President Baha of the University of Kabul Concerning the University's Interest in Establishing Institutions for Economic Research and Development, Business Management, and Public Administration, Marvin R. Brant to HE M. A. Ghausi, Deputy Minister of Planning, November 23, 1970.

Training Programs for the Ministry of Planning, Marvin R. Brant to HE M. A. Ghausi, Deputy Minister of Planning, December 14, 1970.

Proposed Training Programs for Ministry Personnel, 1970-75, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, September 21, 1971.

Comments on the Michelec Memorandum of November 9, 1971 and Suggestions for Next Steps (in Management Training), Glen L. Parker to Mr. B. Harvey, Director USAID Mission to Afghanistan, November 30, 1971.

Notes on Brain Drain, Glen L. Parker, December 20, 1971.

FINANCE

Domestic Finance

A Proposal for Increasing Revenue from Motor Fuel Sales, J. Richard Huber, May 2, 1963.

Income Tax, Wilfred Lewis, Jr. to Irving J. Olson, PAS, June 17, 1963.

World Food Program, Wilfred Lewis, Jr. to HE A. H. Aziz, Minister of Planning, July 17, 1963.

Price Controls, RRNA, November 19, 1963.

Approaches to Land Taxation, Wilfred Lewis, Jr., April 25, 1964.

Effect of the New Law on Individual Income Tax Revenues, RRNA, July 2, 1964.

Inflation, RRNA, October 29, 1964.

Illustrative Returns for Taxing Imputed Income from Agricultural Land, Wilfred Lewis, Jr. to HE M. S. Farhang, Deputy Minister of Planning, January 5, 1965.

Possibility of Discussion with Mr. Dove (Cadastral Survey Group) Concerning an Interim Land-Tax Survey, Max E. Fieser to HE A. Yaftali, Minister of Finance, April 5, 1966.

Land and Agricultural Tax Policy, Max E. Fieser, April 13, 1966.

Notes on Meeting on Land Taxation, Max E. Fieser to HE A. Yaftali, Minister of Finance, April 19, 1966.

Considerations in Livestock Taxation, Max E. Fieser, June 22, 1966.

Taxation of Foreign Contract Personnel on Government Contracts, Glen L. Parker to S. A. Baha, Ministry of Planning, December 28, 1966.

Valuation and Eminent Domain, Max E. Fieser to HE Mr. Ziayee, Deputy Minister of Finance, December 30, 1966.

Factors Affecting Recent Movements of Foreign Exchange Rates on the Kabul Bazaar, Glen L. Parker, February 3, 1968.

Proposed Administrative Reforms and Livestock Development Programs in Conjunction with the Reintroduction of the Livestock Tax, Richard F. Saunders, June 22, 1968.

State Enterprises as a Source of Government Revenue and Investment Resources, Glen L. Parker, August 4, 1968.

Tabulation of Estimated Potential Annual Agricultural Land Tax Revenue and Rate Structure, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, August 10, 1968.

Land Inventory and Cadastral Survey: Revenues and Incentive Repercussions in Afghanistan (Seminar on Fiscal Incentives, Istanbul, Turkey), Edward R. Kittrell and Mohammed Khan, November 1968.

Comments on the Rate Structure of the New Land Tax Act Proposal, Edward R. Kittrell, March 18, 1969.

Land Tax Rate Schedule, Glenn H. Craig and Edward R. Kittrell to HE A. S. Hamed, Minister of Planning, March 25, 1969.

The Asian Development Bank and the Association of Tax Administration of Southeast Asian Countries, Edward R. Kittrell to HE A. W. Haider, Deputy Minister of Planning, April 1, 1969.

Some Immediate Actions Concerning the 1348 Budget Problem, Edward R. Kittrell, June 9, 1969.

P. L. 480 Cotton, Glen L. Parker to M. K. Jalallar, President of Finance, Ministry of Planning, July 8, 1969.

Land Tax, Robert D. Foster to HE A. W. Sarabi, Minister of Planning, January 29, 1970.

Land Tax, Robert D. Foster to HE A. Yaftali, Deputy Prime Minister, March 20, 1970.

Financing Fertilizer Imports for the Fourth Plan, Robert D. Foster, January 23, 1971.

Proposed Land Tax Law Dated Assad 1349, Ministry of Justice, Robert D. Foster to Mr. Maiwand, Ministry of Planning, April 6, 1971.

Note on Afghani Proceeds Generated from U. S. Commodity Wheat Sales, Marvin R. Brant, July 21, 1971.

Renting of Government Owned Pistachio Forests, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, February 5, 1972.

Land Tax Proposal, Julian H. Orr (PAS) and Robert D. Foster (RRNA), February 9, 1972.

Foreign Finance

Afghanistan's System of Foreign Exchange Rates, RRNA, November 8, 1962.

Foreign Exchange Reform: Summary of a Study Prepared by Robert R. Nathan Associates for the Ministry of Planning, RRNA, November 11, 1962.

Implications of Bi-Lateral Agreement for Exchange Reform, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, November 14, 1962.

Discussions on Exchange Rate Negotiation, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, November 20, 1962.

Import Duties to Offset Cost of Exchange Reform, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, November 21, 1962.

Some Further Thoughts on Exchange Reform, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, November 28, 1962.

Exchange Rate Negotiations with the IMF, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, December 9, 1962.

Exchange Reform, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, December 29, 1962.

Exchange Rate Reform and Prices of Agricultural Products, R. H. Allen, January 3, 1963.

Revision of Import Duty Manual, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, February 4, 1963.

Exchange Rates for Existing Stocks of Karakul and Cotton, Wilfred Lewis, Jr. to HE Mr. Achakzai, President, Da Afghanistan Bank, February 23, 1963.

Import Duty Manual Revision, Majeebula Amarkhail and Wilfred Lewis, Jr. to HE A. H. Aziz, Minister of Planning, and others, March 18, 1963.

Estimated Yield of Taxes on Exports Associated with Exchange Rate Reform, J. Richard Huber, March 28, 1963.

Import Duty Manual Revision, Wilfred Lewis, Jr. to HE A. H. Aziz, Minister of Planning, May 15, 1963.

Framework for Evaluating Foreign Trade Policies of Afghanistan, J. Richard Huber to HE A. Yaftali, Deputy Minister of Planning, May 29, 1963.

Local Currency Needs of Foreign Governments, Wilfred Lewis, Jr. to HE A. H. Aziz, Minister of Planning, June 5, 1963.

The Commercial Trade of Afghanistan: Past Trends and Future Prospects, RRNA, June 25, 1963.

Export Licensing, R. H. Allen to HE A. Yaftali, Minister of Planning, December 3, 1963.

Import Duties, Wilfred Lewis, Jr. to HE Mr. Ziayee, Deputy Minister of Finance, January 2, 1964.

Import Duties, Wilfred Lewis, Jr. to HE Mr. Ziayee, Deputy Minister of Finance, January 18, 1964.

Import Customs Duties, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, February 19, 1964.

How to Collect Import Duties, Wilfred Lewis, Jr., March 18, 1964.

Budget and Foreign Exchange Situation, R. H. Allen and Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, September 30, 1964.

Comments on Draft Regulations Concerning Foreign Traders, Wilfred Lewis, Jr. to HE M. S. Farhang, Deputy Minister of Planning, January 27, 1965.

Imports and Import Duties, RRNA, April 7, 1965.

Imports and Import Duty Collections, R. H. Allen to HE Mr. Yusuf, Prime Minister, April 17, 1965.

IMF Negotiations, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, May 12, 1965.

Import Duties, Wilfred Lewis, Jr. to HE Mr. Ziayee, Deputy Minister of Finance, May 31, 1965.

Background Paper on Afghan-IMF Relations (and) Recent Fiscal and Financial Developments in Afghanistan, RRNA, 1967.

Factors Affecting Recent Movements of Foreign Exchange Rates, Glen L. Parker, February 3, 1968.

The New Export Duties Schedule, Edward R. Kittrell to HE A. S. Hamed, Minister of Planning, March 5, 1968.

Some Reflections on the Proposed IMF Agreement and Appropriate Next Steps, Wilfred Lewis, Jr., April 21, 1968.

Export-Promotion of Lapis Lazuli, Glen L. Parker to HE N. Ali, Minister of Commerce, May 16, 1968.

Comments on Current Exchange Rate Policy, Edward R. Kittrell, September 26, 1968.

Exchange Rate Policy, Edward R. Kittrell to HE A. S. Hamed, Minister of Planning, October 31, 1968.

The Trend to Import Duties and Remedial Action, Edward R. Kittrell to HE A. S. Hamed, Minister of Planning, February 13, 1969.

The Proposed Tax on Tea, Glenn H. Craig and Edward R. Kittrell to HE A. S. Hamed, Minister of Planning, March 29, 1969.

Removal of Export Taxes, Edward R. Kittrell to HE A. S. Hamed, Minister of Planning, July 24, 1969.

The Foreign Exchange Rate of the Afghani, Robert D. Foster to HE A. Yaftali, Deputy Prime Minister, March 14, 1970.

Sale of Cotton to Multilateral Countries, Robert D. Foster to M. Khan, Ministry of Planning, June 29, 1970.

Foreign Exchange Rate of the Afghani, Robert D. Foster to M. Khan, Ministry of Planning, July 11, 1970.

Foreign Exchange Rate and the IMF, Robert D. Foster to HE M. A. Ghausi, Deputy Minister of Planning, October 7, 1970.

Current International Monetary Crisis, Marvin R. Brant and Glen L. Parker to HE A. Yaftali, Deputy Prime Minister, May 17, 1971.

Some Problems on the Conduct of Foreign Trade, Glen L. Parker to HE M. A. Ghausi, Minister of Commerce, August 7, 1971.

Debt Moratorium, Robert D. Foster to HE G. H. Dawar, Minister of Finance, August 30, 1971.

Note on Agriculture Sector Projects in Relation to Debt Reduction, Rescheduling, etc., Richard F. Saunders, September 14, 1971.

Afghanistan and the IMF, Robert D. Foster to HE M. M. Sahfiq, Minister of Foreign Affairs, September 27, 1971.

Devaluation of the U.S. Dollar and Afghanistan's Exchange Rate Policy, Robert D. Foster to HE A. W. Sarabi, Minister of Planning, January 13, 1972.

Precipitation in 1350, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, March 28, 1972.

Financial Planning

Some Comments on the Use of Imports to Generate Domestic Currency for Financing Economic Development, RRNA, December 2, 1961.

Domestic Resources for the Second Five-Year Plan, RRNA, December 2, 1961.

Fiscal Policies for Afghanistan's Development, Wilfred Lewis, Jr., May 23, 1962.

Tax Policies for Afghanistan's Economic Development, Wilfred Lewis, Jr., May 23, 1962.

Some Comments on the Foreign Debt Burden of Afghanistan, RRNA, August 16, 1962.

Proposal for Study Groups on Public Finance, J. Richard Huber to HE A. H. Aziz, Deputy Minister of Planning, August 20, 1962.

The Need for Sensitive Economic Indicators on a More Timely Basis, Louis J. Walinsky to HE A. H. Aziz, Deputy Minister of Planning, December 6, 1962.

Procedures for Announcing Exchange Rate Agreement, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, December 13, 1962.

Regular Publications of Financial Statistics, Wilfred Lewis, Jr., February 23, 1963.

Monthly Economic Indicators, Wilfred Lewis, Jr., March 20, 1963.

1342 Development Budget Proposals of Helmand Valley Authority, R. H. Allen to HE A. H. Aziz, Minister of Planning, April 10, 1963.

H. A. V. Budget for 1342, R. H. Allen to HE A. Malikyar, Minister of Finance, April 22, 1963.

Plan Review and Budget for 1343, Wilfred Lewis, Jr., July 16, 1963.

The Role of Trade in Afghanistan's Development Program, RRNA, October 1963.

The Current Economic Situation and the Budget for 1343, Wilfred Lewis, Jr., January 19, 1964.

Fiscal and Monetary Policy Committee, R. H. Allen to HE A. Yaftali, Minister of Planning, October 29, 1964.

Organization and Procedures for Budgeting and Planning, R. H. Allen and Wilfred Lewis, Jr., December 12, 1964.

Fiscal and Monetary Policy Committee, R. H. Allen to HE A. Yaftali, Minister of Planning, December 16, 1964.

Some Economy Ideas for the 1344 Budget, RRNA, January 9, 1965.

Next Steps in the 1344 Budget, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, and others, January 14, 1965.

Possible New Revenues, RRNA, February 16, 1965.

Economy Ideas for the 1344 Budget, R. H. Allen and Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning and others, March 11, 1965.

Trade, Balance of Payments, and Foreign Exchange, RRNA, March 25, 1965.

Next Steps in Foreign Trade and Exchange Management, RRNA, August 5, 1965.

Public Revenues for the Third Five-Year Plan, Max E. Fieser, November 27, 1966.

Amount of Budgetary Deficit, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, December 12, 1967.

Public Revenues (New Revenues for 1347-48), Glenn H. Craig to HE Mr. Ziayee, Minister of Finance, February 6, 1968.

Deficits, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, February 14, 1968.

The Amount of the Deficit for 1347, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, February 22, 1968.

Revenue Requirements for the Third Five-Year Plan, Wilfred Lewis, Jr., April 27, 1968.

HAVA 1347 Development Expenditures, Fourth Quarter 1347 Allotment Request and 1348 Budget Request, Richard F. Saunders to M. Khan, Ministry of Planning, January 14, 1969.

Precautionary Considerations on the Budget for 1348, Glenn H. Craig and Edward R. Kittrell to HE A. S. Hamed, Minister of Planning and others, April 5, 1969.

Summary of Paper Entitled "Proposed Administrative Reforms and Livestock Development Programs in Conjunction with the Reintroduction of the Livestock Tax," Richard F. Saunders to HE A. W. Sarabi, Minister of Planning, January 28, 1970.

Current 1348 Economic Situation and Recommendations for 1349, Robert D. Foster to HE A. W. Sarabi, Minister of Planning, March 14, 1970.

Survey Trip with Afghan Officials, Robert D. Foster, July 3, 1970.

Fiscal, Monetary and Balance of Payments Policies and Projections - Fourth Plan, Robert D. Foster, July 30, 1970.

Balance of Payments and Fiscal Problems and Issues - Fourth Five-Year Plan, Robert D. Foster, January 18, 1971.

Some Implications of the Agriculture Sector Fourth Plan Targets, Robert D. Foster, January 23, 1971.

1350 Budget, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, July 27, 1971.

Assumptions and Analyses of Major Revenue Projections - Fourth Plan, Robert D. Foster, August 3, 1971.

Comments on Some Fiscal Issues for 1350 and 1351, Robert D. Foster to M. Khan, Ministry of Planning, September 18, 1971.

Fiscal and Balance of Payments Projections - Fourth Plan, Robert D. Foster, November 4, 1971.

Comments on Estimated Revenues for the 1351 Budget, Robert D. Foster to HE M. Khan, Deputy Minister of Finance, January 29, 1972.

Suggestions for Additional Revenues in 1351, Robert D. Foster to HE A. W. Sarabi, Minister of Planning, February 2, 1972.

Commodity Assistance in 1351, M. Khan and Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, February 21, 1972.

General Finance

A Tentative Summary of the Domestic Financial Position of the RGA During the First Five-Year Plan Period, RRNA, April 5, 1962.

The Budget Problem, Louis J. Walinsky, December 4, 1962.

The Impending Financial Crises, Louis J. Walinsky to HE A. H. Aziz, Minister of Planning, December 8, 1962.

1342 Budget, RRNA to HE A. H. Aziz, Minister of Planning, April 27, 1963 and May 29, 1963.

Price Controls, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, November 13, 1963.

Recent Trends and Future Prospects for the Economy of Afghanistan, RRNA, January 8, 1964.

Revised Budget Estimates for 1342, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, March 11, 1964.

Economic Developments in 1342: A Review, RRNA, May 12, 1964.

The Budget Deficit, RRNA, March 20, 1965.

IMF Agreement on Budget and Foreign Exchange, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, May 19, 1965.

1344 Budget, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, July 21, 1965.

Current Economic Problems of Afghanistan, Glen L. Parker, October 14, 1967.

Distinctions Between Tolls and Taxes, Glen L. Parker to HE A. Kazimi, President of the Secretariat, June 22, 1970.

Status Report - The Current Critical Fiscal Situation and the Seven Strategic Actions the Government Can and Should Take, HE M. A. Ghausi, September 14, 1970.

1349 Preliminary Financial Figures and Comments, Robert D. Foster, May 10, 1971.

Renting of Government Owned Pistachio Forests, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, February 8, 1972.

Government Deficit for 1350, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, February 19, 1972.

BANKING AND FINANCIAL MARKETS

Income Tax Treatment of Financial Institutions, Wilfred Lewis, Jr. to HE M. S. Farhang, Ministry of Mines and Industries, July 20, 1963.

Sales of Long-Term Government Bonds, Wilfred Lewis, Jr., February 8, 1964.

Lotteries and Payroll Deductions, G. Ghaussi and Wilfred Lewis, Jr. to HE Mr. Rishtaya, Minister of Finance, December 30, 1964.

Possible Issue of Government Bonds, Max E. Fieser to various officials, May 3, 1966.

Details of the Prospective RGA Bond Issue, Max E. Fieser to Mr. Z. Noorzoy, Ministry of Finance, August 10, 1966.

Proposed Redemption Features in the Forthcoming Bond Issue, Max E. Fieser to Mr. Z. Noorzoy, Ministry of Finance, June 29, 1966.

A Banking and Credit System for the Economic Development of Afghanistan, Clay J. Anderson, May 1967.

The Committee on Banking and Finance, Max E. Fieser to various officials, May 14, 1967.

The Forthcoming Issue of Bonds by the Government of Afghanistan, Max E. Fieser, May 17, 1967.

Comments Related to the Forthcoming Issue of Government Bonds, Max E. Fieser to HE Mr. Hakimi, Minister of Finance, May 17, 1967.

Banking System in the Third Five-Year Plan, Glenn H. Craig, August 13, 1968.

The Use of the New Paper Currency, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, January 5, 1969.

The Money Supply Problem, Edward R. Kittrell to M. Kahn, Ministry of Planning, January 15, 1969.

Program for Improvement of the Banking System, Robert D. Foster to HE M. A. Ayeen, March 4, 1971.

BUDGETING

Budgeting, Accounting, and Reporting for Development Projects, Wilfred Lewis, Jr. to HE A. H. Aziz, Deputy Minister of Planning, July 23, 1962.

Meeting to Study Budgeting, Wilfred Lewis, Jr. to HE Mr. Ziayee, Deputy Minister of Finance, September 26, 1962.

Meeting on Budgeting, Wilfred Lewis, Jr. to various officials, October 11, 1962.

Project Budgeting, Wilfred Lewis, Jr. to HE A. Yaftali, Acting Deputy Minister, Ministry of Planning, October 23, 1962.

Procedures for the 1342 Budget, RRNA to HE A. H. Aziz, Minister of Planning, March 13, 1963.

Ministry Budget Hearings, A. Khorram and Wilfred Lewis, Jr. to HE A. H. Aziz, Minister of Planning, March 25, 1963.

Definition of Budget Receipts and Expenditures, Wilfred Lewis, Jr., April 16, 1963.

Definition of Budget Receipts and Expenditures, Wilfred Lewis, Jr. to PAS, May 13, 1963.

Activity Budgeting in the Ministry of Agriculture, R. H. Allen to HE A. Yaftali, Minister of Planning, September 23, 1963.

Budget Calendar for 1342, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, September 25, 1963.

RGA Government Receipts and Expenditures, Wilfred Lewis, Jr. to James Auburn, USAID, October 30, 1963.

Definition of Government Receipts and Expenditures, Wilfred Lewis, Jr., October 31, 1963.

Role of the Ministry of Planning in the Budgeting Process, Glen L. Parker, December 27 and 28, 1967.

Budget Process, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, December 28, 1967.

Classification of Expenditures for Inclusion in Ordinary and Development Budgets, Glen L. Parker, February 17, 1968 and February 21, 1968.

Multi-Year Appropriations for Long-Term Projects, Glenn H. Craig and Wilfred Lewis, Jr. to HE A. S. Hamed, Minister of Planning, April 22, 1968.

Proposed Framework for Memorandum on Budget Administration, Glen L. Parker, May 11, 1968.

Preparation of the Annual Budget, RRNA, May 29, 1968.

STATISTICS

A Long Range and an Immediate Statistical Program, Louis J. Walinsky to HE A. H. Aziz, Deputy Minister of Planning, December 9, 1961.

National Product of Afghanistan in 1337 -- An Estimate, RRNA to HE A. Yaftali, Ministry of Planning, March 14, 1962.

Statistical Summary of the Second Five-Year Plan, R. H. Allen, April 9, 1962.

Procedure for Recording Values of Foreign Trade of Afghanistan, J. Richard Huber to HE A. Yaftali, Ministry of Planning, August 16, 1962.

A Tentative Estimate of the Balance of International Payments of Afghanistan for Period 1336-1340, RRNA for general distribution, November 19, 1962.

Some Comments on Balance of Payments Estimate for Afghanistan, J. Richard Huber, March 26, 1963.

Proposed National Survey Service, RRNA to HE A. H. Aziz, Minister of Planning, April 13, 1963.

Statistics on Foreign Trade and Balance of Payments for Economic Indicators, J. Richard Huber, April 22, 1963.

Health Statistics, Wilfred Lewis, Jr., to Mr. B. Yusufzai, Ministry of Planning, May 8, 1963.

Sample Survey of Herat Population and Labor Forces, Wilfred Lewis, Jr., to HE A. Yaftali, Minister of Planning, May 20, 1963.

Proposal to Establish a Central Statistical Office, J. Richard Huber, to HE A. Yaftali, Ministry of Planning, July 28, 1963.

Money Supply Statistics, Wilfred Lewis, Jr. to Dr. Hossenein, Afghanistan Bank, June 3, 1964.

Survey to Provide Agricultural Statistics, RRNA, July 6, 1964.

Resources of the Ministry of Agriculture for Statistics, Mr. Sayyed and Wilfred Lewis to Mr. Keshawars, Ministry of Planning, July 14, 1964.

Prospects for Automatic Data Processing in Afghanistan, Norman P. Brand, September 12, 1964.

Proposed Household Survey, Norman P. Brand, November 30, 1964.

Quarterly Statistics on Balance of Payments with Multilateral Areas, Wilfred Lewis, Jr., December 7, 1964.

Work Program of the Research and Statistics Department, RRNA, December 15, 1964.

Statistics Work Program, R. H. Allen to HE M. S. Farhang, Deputy Minister of Planning, December 22, 1964.

Comments on Nangahar Agricultural Survey Project, R. H. Allen and Norman P. Brand to A. H. Ahmadzai, Ministry of Planning, January 7, 1965.

Prospects for Agricultural Survey in Nangahar Province, Norman P. Brand, February 17, 1965.

Price Trends in Kabul, Norman P. Brand, April 17, 1965.

Statistical Advisory Assistance to the Ministry of Planning, Marvin R. Brant, March 8, 1966.

Technical Assistance to the Department of Statistics, Marvin R. Brant to A. H. Ahmadzai, Ministry of Planning, April 10, 1966.

Status of Population Census, Donald H. Niewiaroski, April 14, 1968.

The Situation in Statistics and Statistical Organization in Afghanistan, Donald H. Niewiaroski, April 16, 1968.

Household Expenditure Survey of Greater Kabul, Glenn H. Craig, April 24, 1968.

Suggested Program for the Next Three Months, Donald H. Niewiaroski to A. G. Malikzadah, Ministry of Planning, April 25, 1968.

Proposal for a Statistical Inventory Working Team, Donald H. Niewiaroski, June 15, 1968.

Suggestions for the Program of Work for the System Analysis (Cadastral and other Data-Processing Problems), Donald H. Niewiaroski, June 29, 1968.

Population Census, Glenn H. Craig to HE A. Yaftali, Deputy Prime Minister, September 25, 1968.

Report of Visit to Iran Statistical and Economic Agencies, Donald H. Niewiaroski, November 20, 1968.

The Need for Automatic Data Processing in Afghanistan, Donald H. Niewiaroski, November 26, 1968.

Employment in Agriculture, Afghanistan, 1345-1350, V. Chupir and Richard F. Saunders, December 1968.

Population Census, Glenn H. Craig and Donald H. Niewiaroski to HE A. S. Hamed, Minister of Planning, February 8, 1969.

Toward a New Structure for the Statistics Department, Donald H. Niewiaroski, June 14, 1969.

Commodity Price Trends, Afghanistan, 1342-1347, Richard F. Saunders, October 16, 1969.

Draft Proposal for the Improvement of Statistical Information Needed, Glen L. Parker to USSR Advisory Group, FRG Advisory Group, and French Advisory Group, February 7, 1970.

Precipitation Index, Robert D. Foster, June 1970.

Industrial Statistics and the Fourth Plan, Glen L. Parker to M. Y. Farand, President of Statistics, Ministry of Planning, July 6, 1970.

Committee on the Schiro Report, Marvin R. Brant to HE M. A. Ghausi, Deputy Minister of Planning, August 29, 1970.

Interim Training and Development Programs for the Department of Statistics, Ministry of Planning, Robert D. Foster to HE M. A. Ghausi, Deputy Minister of Planning, October 19, 1970.

Comments on Proposals by the USSR Advisory Group on Statistical Matters, Marvin R. Brant to HE M. A. Ghausi, Deputy Minister of Planning, November 18, 1970.

Precipitation in 1350, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, February 19, 1972.

AGRICULTURE

Planning

Five-Year Plan for the General Development Authority of the Helmand Valley and Arghandab Dam Area, R. H. Allen, July 18, 1962.

Development of a Plan for the Helmand Valley, R. H. Allen, August 6, 1962.

Agricultural Program of the Helmand Valley During the Second Five-Year Plan, R. H. Allen, September 19, 1962.

Agricultural Policy, R. H. Allen, September 25, 1963.

Agricultural Development in Afghanistan, R. H. Allen, May 1965.

A Simplified Outline Guide for Planning Agricultural Development at the Provincial Level, Richard F. Saunders, no date.

Agricultural Policy Issues and a Strategy for Increasing the Productivity of Agriculture, Richard F. Saunders, February 3, 1966.

Agricultural Policy Issues to be Decided Upon in the Preparation of the Third Five-Year Plan, Richard F. Saunders, May 19, 1966.

Agriculture Sector Third Plan Objectives, Strategies, Policies and Priorities, Richard F. Saunders, 1966.

Proposed Third Plan Chapter Outline - Agriculture and Irrigation, Richard F. Saunders, 1966.

Third Plan Agriculture and Irrigation Sector, Richard F. Saunders to HE A. H. Ziai, Minister of Planning, January 16, 1967.

Agriculture and Irrigation Development Projects (Priorities), Richard F. Saunders to HE A. S. Hamed, Minister of Planning, March 14, 1968.

Evaluation of Agriculture Sector Second Plan Performance and Third Plan Goals and Investment Program, Richard F. Saunders, May 17, 1968.

Shamalon Work Plan and Cost Estimates, Richard F. Saunders to S. A. Baha, Ministry of Planning, August 12, 1968.

Agricultural Diversification with Emphasis on High Value, High Profit, and Labor Intensive Export and Import Substitution Commodities, Richard F. Saunders, February 23, 1970.

Agriculture Sector Fourth Plan Objectives, Strategies, Policies and Priorities, Richard F. Saunders, July 23, 1970.

Prospective Fourth Plan Crop Production, Fertilizer Requirements and Wheat Import Requirements, Richard F. Saunders, April 24, 1971.

Proposal for a Series of Five Regional Pakhtia-Type Projects During the Fourth Five-Year Plan, Richard F. Saunders, July 12, 1971.

Proposed Integrated Approach for Local Agricultural Development During the Fourth Five-Year Plan, Richard F. Saunders, July 28, 1971.

Examples of Agriculture and Irrigation Projects which Are Quick-Yielding, Have a High Return on Investment and Are Relatively Easy and Inexpensive to Implement in Afghanistan, Richard F. Saunders, August 4, 1971.

Outline for a Pilot Integrated Approach for Local Agricultural Development, Richard F. Saunders, September 2, 1971.

Evaluation of Comments Made by Ministry of Agriculture and Irrigation on ADB Agricultural Sector Study Draft Report, Richard F. Saunders, November 4, 1971.

Comments by Ministry of Planning on ADB Agricultural Sector Draft Report, Richard F. Saunders, November 9, 1971.

Agricultural Extension and Agri-Business Development Strategies and Policies, Richard F. Saunders, December 16, 1971.

Proposed Plan of Operation for an Integrated Program of Agricultural Extension, Provincial Development and Private Agri-Business Development During the Fourth Five-Year Plan Period, February 1972.

Plan Implementation

Helmand Valley Development Program Proposals Based on the Benz-Holmgreen Report, R. H. Allen, December 27, 1962.

Helmand Valley Development Program, R. H. Allen, January 9, 1963.

Helmand Valley Development, R. H. Allen, November 20, 1963.

Report on Visit to Helmand Valley Authority, Richard F. Saunders, October 18, 1965.

Proposed Organization and Duties of the Presidency of Planning and Economics in the Ministry of Agriculture and Irrigation, Richard F. Saunders, November 18, 1965.

Helmand Valley Project, Richard F. Saunders to HE A. H. Ziai, Minister of Planning, January 6, 1966.

Development Project Evaluation Report - Helmand-Arghandab-Valley Authority, A. Z. Murshidi and Richard F. Saunders, October 1967.

Illustrations of Recent Accomplishments in Agriculture Sector, Richard F. Saunders to Glenn H. Craig, Chief of Party, RRNA, May 25, 1968.

Information Obtained from Ministry of Agriculture and Irrigation for Self-Help Report on Agriculture to USAID, Richard F. Saunders to M. K. Jalallar, Ministry of Planning, December 19, 1968.

Institutional Changes in the Agricultural Sector, Richard F. Saunders, March 5, 1969.

HVA Agriculture Progress Report, Richard F. Saunders to Thomas T. Gibson, USAID/A, May 13, 1969.

Items of Importance Requiring Attention and Action by the New Cabinet in the Agricultural and Related Sectors, Richard F. Saunders, November 26, 1969.

Checklist of Topics for Consideration in the Ministry of Agriculture & Irrigation, Glenn H. Craig and Richard F. Saunders to HE A. Hakim, Minister of Agriculture and Irrigation, December 13, 1969.

A Proposal for a New Department of Food Supply and Consumption in the Ministry of Agriculture, N. Nashband and Richard F. Saunders, 1969.

Some Thoughts on Organizational and Operational Matters of the Ministry of Agriculture and Irrigation, Richard F. Saunders to HE A. Hakim, Minister of Agriculture and Irrigation, January 27, 1970.

Proposal for Technical Assistance Project in Agricultural Development Planning and Administration in the Ministry of Agriculture & Irrigation, Richard F. Saunders, February 14, 1970.

Note on Emergency Actions Needed to be Taken by the Government to Help Alleviate the Critical Shortage of Water, Food and Livestock Feed, Richard F. Saunders, July 23, 1971.

Suggested Steps to Follow in Preparing the Self-Help Report on Agriculture for Calendar Year 1971, Richard F. Saunders to A. Sami, Ministry of Planning, December 22, 1971.

Livestock

A Karakul Cooperative, R. H. Allen to HE G. H. Adalat, Minister of Agriculture, January 31, 1963.

Cooperative Statutes - Karakul Cooperative, Ottar Nervik, 1963.

Proposal for a Study of the Sheep Industry of Afghanistan, R. H. Allen to HE A. H. Aziz, Deputy Minister of Planning, March 2, 1963.

Comment on Proposal to Vary the Exchange Rate on Karakul with the Average Price Received by Exporters on Karakul Shipments, Richard F. Saunders to Mr. Majid, Ministry of Agriculture & Irrigation, February 8, 1966.

Karakul Exchange Surrender Rates and Exports, Richard F. Saunders, March 13, 1968.

Afghanistan Livestock Improvement Program, Anwar Afghan, Dr. Paul Sihm, Richard F. Saunders, September 1969.

IBRD Memo on Livestock Working Group Entitled "Necessary Action for Project Preparation," dated November 15, 1970, Marvin R. Brant to HE M. A. Ghausi, Deputy Minister of Planning, November 23, 1970.

Crops

Increasing Agricultural Production, August 22, 1962.

Grain Storage, R. H. Allen to HE A. H. Aziz, Minister of Planning, April 29, 1963.

Supplying a Sugar Beet Factory in the Helmand Valley, R. H. Allen to HE A. H. Aziz, Minister of Planning, May 14, 1963.

Further Thoughts on Grain Storage, R. H. Allen to HE A. H. Aziz, Minister of Planning, May 22, 1963.

Additional Material on Sugar Beet Growing in the Helmand Valley, R. H. Allen to HE A. H. Aziz, Minister of Planning, May 25, 1963.

Wheat Production Program, R. H. Allen, January 9, 1964.

Basis of RGA's Wheat Crop Forecast, Richard F. Saunders to Dr. Thomas T. Gibson, Program Division, USAID/A, no date.

The Wheat Supply - Demand Situation in Afghanistan and Steps Being Taken to Increase Production of Wheat and Other Agricultural Products, Richard F. Saunders, August 1966.

Position Paper on the Accelerated Wheat Improvement and Increased Programs for Use in Discussions with Mr. Freeman and Mr. Gaud, Richard F. Saunders, August 1966.

Cotton Production Response to Changes in Prices and Recommendations for Increasing Cotton Production in Afghanistan, S. A. Keshawarz and Richard F. Saunders, January 1967.

Afghanistan's Wheat Supply Situation at End-of-Harvest 1967 and the Need for Wheat Imports During 1967/68, Richard F. Saunders, October 5, 1967.

Price and Crop Outlook Information, Richard F. Saunders to HE A. S. Hamed, Minister of Planning, December 20, 1967.

Mexican Seed Wheat, Richard F. Saunders to S. A. Baha, Ministry of Planning, February 26, 1968.

Steps to Keep Wheat Prices From Falling, Richard F. Saunders to Glenn H. Craig, Chief of Party, RRNA, June 12, 1968.

Wheat Prices, Richard F. Saunders to Dr. J. Motheral, USAID/A, August 6, 1968.

Suggested Outline for Policy Discussion Paper Dealing with Broadening the Emphasis in the Agricultural Program to Include Certain Crops in Addition to Wheat, Richard F. Saunders to HE A. S. Hamed, Minister of Planning, September 22, 1968.

Wheat Price Observations Made During Recent Field Trip to Various Parts of Afghanistan, Richard F. Saunders to HE A. S. Hamed, Minister of Planning, October 16, 1968.

Technical Assistance in Foodgrain Marketing, Richard F. Saunders to M. K. Jalallar, Ministry of Planning, April 27, 1969.

Raw Cotton Prices, Glen L. Parker and Richard F. Saunders to HE A. S. Hamed, Minister of Planning, July 3, 1969.

Materials on Horticultural Crops in Afghanistan, Richard F. Saunders to Mr. Horst Eschenberg, IBRD, April 26, 1970.

Wheat Price Observations and 1349 Cotton Crop Prospects, Richard F. Saunders to A. Kazimi, Prime Minister's Office, October 7, 1970.

Cotton Production and Marketing Problems and Recommendations Concerning Proposed Cotton Board, Richard F. Saunders to HE M. A. Ghausi, Deputy Minister of Planning, October 19, 1970.

Cotton Growing and Marketing in Afghanistan - Key Problems and Recommendations, Richard F. Saunders, January 1971.

Fertilizer Needs, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, January 27, 1971.

Fertilizer Commodity Assistance, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, January 27, 1971.

Memorandum on Cotton Growing, Marketing and Ginning, Richard F. Saunders, March 4, 1971.

What Can Be Done to Distribute More Fertilizer, Marvin R. Brant to HE A. Kazimi, Prime Minister's Office, May 1, 1971.

Note on 1971 Wheat Crop Prospects as of Mid-Harvest, July 1971, Richard F. Saunders, July 12, 1971.

Forms Used by Agricultural Bank for Distributing Fertilizer on Credit, Marvin R. Brant to Mr. Bjorn Olsen, Representative, United Nations, September 28, 1971.

Summary of Recommendations of the Cotton Committee, Richard F. Saunders, February 9, 1972.

Draft Request for Wheat Imports in 1351 (1972/73), Richard F. Saunders, February 1972.

Irrigation

Irrigation Development, Ottar Nervik, August 4, 1965.

Some Considerations Concerning Water Charges as a Source of Repayment of Capital Costs of Constructing Irrigation Improvements, Richard F. Saunders to HE E. Reza, Minister of Agriculture & Irrigation, December 5, 1966.

Hari-Rud Irrigation Development, Richard F. Saunders to HE A. W. Haider, Deputy Minister of Planning, no date.

Loan Request for First Stage Hari-Rud Basin Development, Richard F. Saunders to Mr. Mohammadi, Ministry of Agriculture & Irrigation, September 2, 1967.

Summary Statement on the Proposed Kunduz-Khanabad Irrigation Project, Richard F. Saunders to S. A. Baha, Minister of Planning, October 31, 1967.

Position Paper on the Kunduz-Khanabad Irrigation Project for Discussion with Mr. Woods of IBRD, Richard F. Saunders, 1968.

Small-Scale Irrigation Project Reports, Richard F. Saunders to Mr. Habib, Ministry of Planning, January 22, 1969.

Small-Scale Irrigation Improvement Works, Richard F. Saunders to HE A. S. Hamed, Minister of Planning, May 11, 1969.

Assistance in Small and Medium Scale Irrigation Projects, Glenn H. Craig and Richard F. Saunders to HE A. W. Haider, Executive Director, Asian Development Bank, September 23, 1969.

Cooperation with UNDP Water Resource Administration Personnel in Producing Data Concerning the Helmand-Arghandab-Region Development Project, Glenn H. Craig and Richard F. Saunders, December 8, 1969.

Note on Irrigation Development Coordination, Policy and Project Preparation, Richard F. Saunders, March 8, 1971.

Agriculture Development Bank

Short-term Production Credit Pilot Project, Ottar Nervik, October 29, 1963.

Proposed Farm Credit Project File, Richard F. Saunders to A. Afzal, President, Agricultural Bank, February 7, 1966.

Activities Associated with Orientation of Mr. Darrell Dunn, Agricultural Credit Adviser, USAID, TDY, Bost, Richard F. Saunders to A. Afzal, President, Agricultural Bank, May 11, 1966.

Position Paper on Proposed IDA Loan to the Agricultural Development Bank for Discussion with Mr. Woods of IBRD, Richard F. Saunders, 1968.

Farmers' Experiences and Utilization of Tractors and Water Pumps in Afghanistan, Prof. Dawalty, Gerald P. Owens, Richard F. Saunders, 1968.

Fringe Benefits Provided to Employees of the Da Afghanistan Bank Located in the Provinces, Richard F. Saunders to HE A. W. Haider, Deputy Minister of Planning, November 20, 1968.

Thoughts on Agricultural Credit, Richard F. Saunders to Don Block, USAID, December 14, 1968.

Agricultural Bank, Robert R. Nathan to Paul G. Hoffman, Administrator, UNDP, January 7, 1969.

Agricultural Bank, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, January 25, 1969.

Training for Agricultural Bank Officers, Glenn H. Craig to HE A. S. Hamed, Minister of Planning, February 2, 1969.

IBRD List of Consulting Firms and Terms of Reference for Technical Assistance to Agricultural Bank, Richard F. Saunders to A. Afzal, President, Agricultural Bank, April 27, 1969.

Transfer of Affairs of Old to New Agricultural Bank, Richard F. Saunders to Mr. Rahami, Vice President, Agricultural Bank, March 4, 1970.

General

Effects of Exchange Rate Reform on Agriculture, R. H. Allen, January 3, 1963.

Development of Cooperatives, R. H. Allen and Ottar Nervik, December 16, 1963.

Report on Field Trip to Kataghan and Mazar-i-Sharif, Ottar Nervik, May 10, 1964.

Agricultural Field Trips, R. H. Allen to HE A. Yaftali, Minister of Planning, May 13, 1964.

Interrelation Between Industry and Agriculture in Afghanistan, R. H. Allen, June 6, 1964.

Comments on the Cooperative Bill Presented by the Rural Development Department, Ottar Nervik and H. Habib, September 15, 1964.

Field-Study Trip Reports, 1962-65, no date.

Proposed Agricultural Credit Study Tour to Iran and Jordan, Richard F. Saunders to HE A. S. Hamed, Minister of Planning, January 17, 1968.

Agricultural Equipment from Australia, Richard F. Saunders to HE A. W. Haider, Deputy Minister of Planning, June 17, 1968.

Supply Responses to Price Changes: Two Afghanistan Cases - Cotton and Karakul, F. R. Mihmand, Richard F. Saunders and Edward R. Kittrell, November 1968.

Summer Research Projects, Richard F. Saunders to Thomas T. Gibson, USAID/A, April 22, 1969.

Suggested Objectives, Scope and Approach in Proposed Study of Structural and Attitudinal Factors Related to Acceptance or Rejection of Change in the Rural Segment of Afghan Society, Richard F. Saunders and Thomas T. Gibson to Mr. Farand and others, Ministry of Planning, June 15, 1970.

Proposed Action to Deal with the Drought Emergency, Richard F. Saunders to HE A. S. Hamed, Deputy Prime Minister, July 31, 1971.

Wheat Distribution Problems and Policies, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, September 25, 1971.

List of Types of Peace Corps Volunteers Needed for Agricultural Extension and Provincial Development Programs, Richard F. Saunders to Mr. Mahmood, Ministry of Planning, October 19, 1971.

The Afghan Farmer: Report of a Survey, Gordon C. Whiting and Rufus B. Hughes, October 1971.

Suggested Wheat Allocation from November 1, 1971 to July 1, 1972 by Estimated Population Size, Robert D. Foster, November 6, 1971.

Emergency Wheat Program, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, April 24, 1972.

Wheat Supplies to Meet the Current Crisis From Now Until Mid-June, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, April 26, 1972.

Loan Application for a Wool Processing Facility (draft), A. A. Strauss, October 24, 1963.

Helmand Valley Authority Cottonseed Oil Plant - Lashkar Gah, A. A. Strauss, March 30, 1964.

Asbestos, A. A. Strauss to W. S. Wali, Vice President of Planning, Ministry of Planning, April 29, 1964.

Pre-Investment Analysis of a Cottonseed Oil Factory for the Helmand Valley Authority, A. A. Strauss, July 20, 1964.

Comments on Summary of Request for Credit for Oil Processing Plants for Sherkate Spinzar, A. A. Strauss to S. A. Baha, Director General, Projects and Programs Division, Ministry of Planning, January 11, 1965.

Comparison Between Cotton and Sugar Beet Income to Farmers, A. A. Strauss to HE A. Yaftali, Minister of Planning, February 10, 1965.

Report on a Study of Certain Aspects of Sherkate Spinzar's Operations, A. A. Strauss with M. I. Rafiq, President of Production and Extension Department, Ministry of Agriculture, February 23, 1965.

Comparison of Friedrich Krupp and Rose, Downs and Thompson, Tenders for Refinery and Crude Oil Mills for Sherkate Spinzar, A. A. Strauss, March 18, 1965.

Cotton Gin for Miamana Company, A. A. Strauss to HE M. H. Massa, Minister of Mines and Industries, May 18, 1965.

Proposed Beet Sugar Factory in the Helmand Valley, A. A. Strauss to A. Akbar, President of Industries, Ministry of Mines and Industries, June 19, 1965.

Textile Company, R. H. Allen to HE A. Yaftali, Minister of Planning, July 17, 1965.

Manufacturing Industries (Draft Chapter Third Plan), Glen L. Parker, December 5, 1966.

Additional Work Required on the Chapter on Manufacturing Industries, Glen L. Parker to HE S. Salim, Minister of Mines and Industries, January 10, 1967.

Feasibility Study of Ammonium Nitrate Plant in Southern Afghanistan, Glen L. Parker, May 16, 1967.

Afghan Textile Company, Glen L. Parker to Glenn H. Craig, June 10, 1968.

Preliminary Study of the Hajigak-Maidan Steel Complex, Glen L. Parker to HE A. S. Hamed, Minister of Planning, February 19, 1969.

Consumption and Production Study of Afghan Cotton and Rayon Textile Industry, Glen L. Parker to Mr. Winstanley Briggs, Thomas H. Miner and Associates, March 18, 1969.

Comments on Russian Feasibility Studies, Glen L. Parker to Mr. Ali Khoram, President of Planning, Ministry of Planning, May 1, 1969.

Proposed Study of Cotton and Rayon Textile Industries in Afghanistan, Glen L. Parker, May 5, 1969.

Combustion of Coal and Briquettes for Domestic Purposes, Glen L. Parker to Mr. Ali Khoram, President of Planning, Ministry of Planning, June 24, 1969.

Raw Cotton Prices, Glen L. Parker to HE A. S. Hamed, Minister of Planning, July 3, 1969.

Herat and Kandahar Silo Contracts, Glenn H. Craig and Glen L. Parker to HE A. S. Hamed, Minister of Planning, July 20, 1969.

Proposed Procedures for the Investment Committee (feasibility analysis, manufacturing), Glen L. Parker to HE M. Aman, Minister of Finance, February 9, 1970.

Memorandum on the Cotton Textile Industry, Glen L. Parker, February 20, 1970.

Comments on Statement on Rayon Weaving Industry, Glen L. Parker to Mr. Bartlett Harvey, Director, USAID/A, April 29, 1970.

Technical Committee on Textile Industry, Glen L. Parker to HE A. Mansouri, Minister of Mines & Industries, June 9, 1970.

Manufacturing Industries (objectives, strategies, policies and institutional program), Glen L. Parker, August 5, 1970.

Memorandum on the Rayon Industry, Glen L. Parker, February 20, 1971.

Financial Recommendations to the Cotton Textile Committee, Robert D. Foster to Marvin R. Brant, March 8, 1971.

INDUSTRY

Manufacturing Industries

Report on Projects Proposed by Ministry of Commerce for Implementation During Second Five-Year Plan, RRNA, August 4, 1962.

Preliminary Report on Flax Production and Utilization (dated October 19, 1962, by Commercial Attache of the Polish Delegation), A. A. Strauss to S. A. Baha, Ministry of Planning, December 5, 1962.

Exchange Rate Reform and Prices of Agricultural Production, R. H. Allen, January 3, 1963.

Comments on Report of Sherkate Spinzar, A. A. Strauss to HE M. Yusuf, Minister of Mines & Industries, March 27, 1963.

Feasibility Studies of Processing Project, A. A. Strauss, May 9, 1963.

1. Summary of Proposed Industrial Power Projects in Katagan Province and Scope of Work for Specialists
2. Summary of Cottonseed Oil Project and Scope of Work for Specialist
3. Summary of Fresh Fruit Processing, Storage and Transportation Project and Scope of Work for Specialist

Supplying a Sugar Beet Factory in the Helmand Valley, R. H. Allen to HE A. H. Aziz, Minister of Planning, May 14, 1963.

Report of the Sub-Work Group on Cotton Processing Capacity, A. A. Strauss et al., June 18, 1963.

Loan Application for Cotton Processing Machinery Sherkate Spinzar (draft), A. A. Strauss, July 3, 1963.

Industrial and Business Management Problems in the Cotton and Rayon Textile Industries, Glen L. Parker, April 21, 1971.

The Competitive Position of the Cotton and Rayon Textile Industries in the National Market, Glen L. Parker, May 5, 1971.

Analysis of Match Factory Proposal, Glen L. Parker to A. W. Amiri, Ministry of Planning, July 14, 1971.

Animal Feedstuffs Factory, Glen L. Parker to M. K. Jalallar, President of Finance, Ministry of Planning, August 16, 1971.

Slaughter House, Marvin R. Brant to HE A. S. Hamed, Deputy Prime Minister, September 27, 1971.

Development of a Pharmaceutical Industry in Afghanistan, Glen L. Parker to S. M. Maiwand, Ministry of Public Health, November 22, 1971.

Proposed Animal Feed Factory (Pellet Mill), Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, February 7, 1972.

Electric Power

Interconnection of the Sarobi-Naghlu-Kabul Transmission Lines and Sub-Stations, A. A. Strauss to HE S. A. Popal, Deputy Minister of Mines & Industries, August 27, 1963.

Note on Energy Sources and Utilization in Afghanistan, A. A. Strauss, June 27, 1964.

Beck Report, Volume I, Part 2, Organization and Management, R. H. Allen and A. A. Strauss to S. A. Baha, President of Implementation, Ministry of Planning, January 27, 1965.

Alternatives to the Beck Recommendations for Kajakai Power Suggested by Secord and Eskilsson, A. A. Strauss to HE A. Yaftali, Minister of Planning, April 22, 1965.

Industrial Load Projection Helmand Valley Region, A. A. Strauss to Mr. James H. Claussen, USAID/A, August 19, 1965.

Kandahar Diesel Loans, Max E. Fieser and Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, June 15, 1966.

Electric Power (Draft Chapter for Third Plan), Glen L. Parker, December 22, 1966.

Comments on the Afghan Electricity Institute Rate Proposal, Glen L. Parker, May 20, 1968.

Suggestions on the World Bank's Role in the Electric Power Industry, Glen L. Parker to Glenn H. Craig, November 5, 1969.

Outline for Project Proposal - Herat Thermal Plant (feasibility analysis), Glen L. Parker, January 29, 1970.

Proposed Chapter Outline Electric Power Industry, Glen L. Parker, July 20, 1970.

Electric Power Industry (objectives, strategies, policies and institutional program), Glen L. Parker, August 10, 1970.

Recent Report of the Afghan Breshna Moasessa (ABM), Glen L. Parker to HE A. S. Hamed, Deputy Prime Minister, September 2, 1971.

U.S.S.R. Estimates on Afghan Breshna Moasessa's Contribution to the State Budget During the Fourth Plan, Glen L. Parker to HE A. Khorram, Deputy Minister of Planning, December 20, 1971.

Mineral Resources and Mineral Industries

Mineral Resources and Mineral Industries (Draft Chapter Third Plan), Glen L. Parker, December 22, 1966.

Proposed Approach to Exploration and Development of a Putative Gas Field on the Afghanistan-Iran Border Area, Glen L. Parker, October 4, 1969.

Outline for Coal Mine Projects (feasibility analysis), Glen L. Parker, January 29, 1970.

Mineral Resources and Mineral Industries (objectives, strategies, policies and institutional program), Glen L. Parker, July 29, 1970.

Industrial Development Bank of Afghanistan

Notes on the Prospectus and Draft Proposed Charter of the Industrial Development Bank in Afghanistan, Louis J. Walinsky, May 13, 1963.

Afghanistan Industrial Development Bank, Lawrence H. Berlin, June 7, 1963.

Next Steps in the Establishment of an Industrial Development Bank, Glen L. Parker, October 26, 1965.

Draft Prospectus of the Industrial Development Bank of Afghanistan, Glen L. Parker, February 5, 1966.

Volume of Business and Profit and Loss Projections, Glen L. Parker to M. Aman, March 9, 1966.

Comments on March 1, 1966 Draft Industrial Development Bank Law, Glen L. Parker, March 23, 1966.

Comments on March 1, 1966 Draft Articles of Incorporation, Glen L. Parker, March 25, 1966.

Notes on Trip to Teheran (Analysis of the IMDBI Experience), Glen L. Parker, May 2, 1966.

Financial Needs of the Industrial Development Bank, Glen L. Parker, May 24, 1966.

Proposed Liquidation Procedures for the Industrial Loan Fund, Glen L. Parker, August 1966.

Changes Proposed in the Draft Industrial Development Bank Law, Glen L. Parker to the Executive Committee of the Sponsors, October 3, 1966.

Analysis of the Commercial Code as Related to the Industrial Development Bank, Glen L. Parker to the Executive Committee of the Sponsors, October 5, 1966.

Memorandum Describing Proposed Industrial Development Bank of Afghanistan (IDBA), Glen L. Parker, October 30, 1966.

Next Steps for Establishment of IDBA, Glen L. Parker to Dr. N. Ali, Acting Chairman of Executive Committee of the Sponsors, November 11, 1966.

Statement to the Jirga Concerning the Draft Industrial Development Bank Law: Part I, Philosophy of the Law; Part II, Analysis of the Law, Glen L. Parker (proposed for use by appropriate officials), December 2, 1966.

Deposit Function of the IDBA, Glen L. Parker to M. Aman, December 14, 1966.

Required Foreign Management and Technical Assistance, Glen L. Parker, February 1, 1967.

Analysis of Changes Made in the IDBA Law by Cabinet Committee, Glen L. Parker, March 4, 1967.

Background and Present Status of the Industrial Development Bank of Afghanistan, Glen L. Parker, June 13, 1967.

Pro Ag for Industrial Development Bank, Glen L. Parker to Mr. Russell S. McClure, Director, USAID/A, June 26, 1967.

Problems of Financing IDBA, Glen L. Parker to Glenn H. Craig, April 30, 1968.

Comments on the Industrial Development Bank Law: Management and Control, Glen L. Parker, May 5, 1968.

Further Comments on the IDBA Law: Position of the Government Loan in Liquidation, Glen L. Parker, May 5, 1968.

Problems of the Draft Legislation on the Industrial Development Bank, Glenn H. Craig and Glen L. Parker to HE A. S. Hamed, Minister of Planning, May 21, 1968.

Ariana Afghan Airlines and Problems of the IDBA, Glen L. Parker to HE A. S. Hamed, Minister of Planning, May 29, 1968.

Terms of Government or Central Bank Loans to Private Development Bank, Glen L. Parker, July 21, 1968.

Proposed Liquidation Procedures for the Industrial Loan Fund, Glen L. Parker to M. Aman, IDBA, August 17, 1968.

A Guaranteed Rate of Profit for the Industrial Development Bank -- Comments, Glen L. Parker, November 30, 1968.

Some Problems on the IDBA Legislation, Glen L. Parker, January 16, 1969.

Taxation of Reserves of the Industrial Development Bank, Glen L. Parker to HE M. A. Ziayee, Minister of Finance, April 13, 1969.

Issues on the Industrial Development Bank, Glen L. Parker to HE A. S. Hamed, Minister of Planning, April 14, 1969.

Comments on the Industrial Development Bank Law (management and control), Glen L. Parker, May 29, 1969.

Exploratory Analysis of Chase Comments on IDBA Draft Legislation, Glen L. Parker, (for team discussion), June 23, 1969.

Issues Raised by Chase International Investment Corporation Regarding the Draft Industrial Development Bank Law, Glen L. Parker to M. Aman, Industrial Development Bank, September 15, 1969.

Work Program on Industrial Development Bank of Afghanistan, Glen L. Parker to HE M. Aman, Minister of Finance, December 20, 1969.

Status of Negotiations on the Industrial Development Bank Law, Glen L. Parker to Ambassador Robert G. Neumann, May 5, 1970.

Issues Affecting the Industrial Development Bank, RRNA and PAS to HE M. Aman, Minister of Finance, June 11, 1970.

A Note on the Industrial Development Bank Project, Glen L. Parker, July 18, 1970.

Problems Related to the Industrial Development Bank, Glen L. Parker to HE M. Aman, Minister of Finance, July 20, 1971.

Brief on the Industrial Development Bank of Afghanistan, Glen L. Parker, September 2, 1971.

The Industrial Development Bank and the Industrial Park Project, Glen L. Parker, November 11, 1971.

The Industrial Park Project and the IDBA, Glen L. Parker, November 17, 1971.

Organizational Structure of the Industrial Development Bank of Afghanistan (proposed), Glen L. Parker, November 17, 1971.

Industrial Development Bank of Afghanistan, Draft Statement of General Policies, Glen L. Parker, November 17, 1971.

Possible Roles of IDBA in the Industrial Park Project, Glen L. Parker, November 24, 1971.

Briefing Paper on the Industrial Development Bank of Afghanistan, Glen L. Parker, January 11, 1972.

Memorandum on the Industrial Development Bank of Afghanistan, Glen L. Parker, January 11, 1972.

Negotiations on the Industrial Development Bank of Afghanistan - Problems, Issues and Possibilities, Glen L. Parker, February 3, 1972.

General

The Engineering Aspect of Project Analysis, A. A. Strauss, June 6, 1964.

Industrial Development in Afghanistan: A Forward Look, A. A. Strauss, September 1965.

Overall Aspects of Industrial Development: Manufacturing, Glen L. Parker, November 11, 1965.

Comments on "The Investment Climate of Afghanistan," Glen L. Parker to Mr. Howard Nyberg, Thomas Miner and Associates, February 2, 1966.

Comments on the Provisional Draft of the Foreign and Domestic Private Investment Law (1965), Glen L. Parker, February 14, 1966.

Ministry of Mines & Industries Conference with Enterprisers, April 1966, Glen L. Parker, February 22, 1966.

RGA Relations with the Private Sector, Glenn H. Craig to HE A. G. Majid, Minister of Mines & Industries, March 6, 1966.

Policy Considerations Affecting the Growth of Private Industry, Glen L. Parker, June 25, 1966.

An Outline of the Ministry of Mines & Industries Policies, Glen L. Parker, June 30, 1966.

Staff for the Investment Committee, Glen L. Parker to HE N. Ali, Minister of Commerce, September 4, 1966.

Comments on the August 1966 Draft Foreign and Domestic Private Investment Law, Glen L. Parker, September 7, 1966.

Staff for Investment Committee (Ref. Memo September 4, 1966), Glen L. Parker to HE N. Ali, Minister of Commerce, January 26, 1967.

Need for Additional Legislation in Industry, Glen L. Parker to HE A. Akbar, Deputy Minister of Mines & Industries, February 25, 1967.

Industrial Investment Center, Glen L. Parker to HE S. Salim, Minister of Mines & Industries, April 29, 1967.

Accelerating Growth in the Private Sector, Glen L. Parker, June 20, 1967.

Inter-sectoral Factors and Relationships Affecting Opportunities for Industrial Development, Glen L. Parker, December 17, 1967.

Afghanistan's Mixed-Guided Economy: Definition and Policy, Glen L. Parker, February 23, 1968.

Proposal for Visit to Bangkok and Kuala Lumpur to Observe Industrial Development Process, Glen L. Parker, April 13, 1968.

Proposed Observation Trip on Private Investment Encouragement, Glen L. Parker to HE A. S. Hamed, Minister of Planning, April 13, 1968.

Comments on "Engineering Manpower Forecasts for Afghanistan," Glen L. Parker, May 22, 1968.

The Bazaar and Industrial Development, Glen L. Parker to HE N. Ali, Minister of Commerce, June 6, 1968.

Comments on Individual Projects in the Third Five-Year Plan's Industrial Program, Glen L. Parker to Glenn H. Craig, June 15, 1968.

Observations on the Problems of Guidance, Glen L. Parker, June 18, 1968.

Revision of the Industrial Sector of Third Five-Year Plan, Glen L. Parker, June 19, 1968.

Questions on Individual Projects in the Industrial Program Revision, Glen L. Parker, June 24, 1968.

UNIDO Regular Programme 1969, Glenn H. Craig and Glen L. Parker to HE A. S. Hamed, Minister of Planning, July 17, 1968.

Problems Related to State Enterprises, Glen L. Parker, July 22, 1968.

An Outline of Government Policy for Industry, Glenn H. Craig, August 4, 1968.

Foreign Private Investment in Developing Countries, Glen L. Parker to A. Khorram, President of Planning, Ministry of Planning, October 9, 1968.

Industrial Development Prospects and Problems in Afghanistan, Glen L. Parker, December 26, 1968.

Proposal for Issuance of a Private Investors' Manual, Glen L. Parker, December 30, 1968.

Estimation of Plant Capacity, Glen L. Parker to M. Y. Farand, President of Statistics, Ministry of Planning, February 8, 1969.

Preliminary Study of the Hajigak-Maidan Steel Complex, Glen L. Parker to HE A. S. Hamed, Minister of Planning, February 19, 1969.

Occupational Structure and Attitudes as a Key to Understanding the Development Process, Glen L. Parker to Glenn H. Craig, March 27, 1969.

Comments on Private Sector, Glen L. Parker to Dr. Thomas T. Gibson, USAID/A, May 26, 1969.

Private Industrial Investment in the Third Plan, Glen L. Parker to M. Y. Farand, President of Statistics, Ministry of Planning, June 3, 1969.

Need for an Overview of the Private Industry Sector, Glen L. Parker, October 17, 1969.

Comments on Louis Dupree's Draft Article "The Private Sector Explosion and the New Investment Law," Glen L. Parker to Glenn H. Craig, October 23, 1969.

Private Enterprise Policy Problems in Afghanistan, Glen L. Parker, December 22, 1969.

Private Enterprise Policy in Afghanistan, Glen L. Parker to Mr. Bartlett Harvey, Director, USAID/A, May 30, 1970.

Perspectives for a USAID Program on Private Enterprise, Glen L. Parker, June 3, 1970.

Alternatives Before AID, Marvin R. Brant to Mr. Bartlett Harvey, Director, USAID/A, June 15, 1970.

Questions Concerning the Investment Advisory Center, Glen L. Parker to Mr. Bartlett Harvey, Director, USAID/A, June 15, 1970.

State Enterprises, Glen L. Parker to HE M. Y. Lali, March 20, 1971.

Mining and Manufacturing Sectors, Glen L. Parker to A. A. Farogh, Chairman, Evaluation Committee, Ministry of Planning, June 29, 1971.

Contracting and Consulting Services on Industrial Projects, Glen L. Parker to M. A. Mehr, President of Industries, Ministry of Mines & Industries, July 23, 1971.

Statement on Mines and Industries (comments), Glen L. Parker to A. A. Farogh, President of Statistics, Ministry of Planning, August 1, 1971.

Some Comments on the Herat Problem, Glen L. Parker to A. Z. Murshidi, Ministry of Planning, August 4, 1971.

Thought Flexibility and Entrepreneurial Motivation Among Businessmen, Potential Businessmen and Government Workers in Afghanistan, Roy E. Feldman, August 1971.

State Enterprises, Glen L. Parker to HE M. Y. Lali, Minister of Mines & Industries, March 20, 1972.

TRANSPORTATION AND COMMUNICATIONS

Highway Maintenance, Wilfred Lewis, Jr. to HE A. Yaftali, Minister of Planning, July 13, 1965.

Draft Memorandum of Agreement on the Chaman-Spin Baldak Railroad Spur Operation, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, December 5, 1965.

Specifications for Herat-Islam Quala Highway, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, May 26, 1966.

Chaman-Spin Baldak Draft Agreement, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, June 5, 1966.

Icing of Fresh Fruit Shipments, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, June 5, 1966.

Letter of the M. R. Traders Company with Respect to a Belt Conveyor from Chaman to Spin Baldak, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, July 17, 1966.

Transportation (Draft Chapter Third Plan), Glen L. Parker, January 7, 1967.

Transit Agreements, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, May 12, 1968.

Terms of the Proposed KAMPSAX Contract of Road Maintenance, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, May 20, 1968.

Highway Maintenance Study Consolidated Report March 1968, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, July 15, 1968.

Proposed Chapter Outline Communications, Glen L. Parker, July 18, 1970.

Proposed Chapter Outline Transportation, Glen L. Parker, July 18, 1970.

Distinction Between Tolls and Taxes, Glen L. Parker, July 22, 1970.

Transportation (objectives, strategies, policies and institutional program), Glen L. Parker, August 5, 1970.

Communications (objectives, strategies, policies and institutional program), Glen L. Parker, August 6, 1970.

Transportation Costs of Wheat, Robert D. Foster to HE A. W. Sarabi, Ministry of Planning, August 22, 1971.

Karachi to Kabul Costs of the New 100,000 Tons of U.S. Wheat, Robert D. Foster to HE G. H. Dawar, Minister of Finance, September 2, 1971.

Wheat Distribution Problems and Policies, Robert D. Foster to HE A. S. Hamed, Deputy Minister, September 25, 1971.

Vessel Size, P. L. 480 Title II, Robert D. Foster to V. Skiles, Deputy Director, USAID/A, November 4, 1971.

Estimated Weekly Lorry (Truck) Requirements (for wheat transport), Robert D. Foster, November 8, 1971.

Mobilizing Transportation and Financial Resources for the Emergency Program, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, November 13, 1971.

International Transit, Marvin R. Brant to HE A. S. Hamed, Deputy Prime Minister, November 27, 1971.

Potential Transportation Problems, Robert D. Foster to HE A. S. Hamed, Deputy Prime Minister, February 1, 1972.

GENERAL

Proposed Insurance Company, Wilfred Lewis, Jr. to HE A. H. Aziz, Minister of Planning, June 24, 1963.

A Literacy Program, Marvin R. Brant, 1965.

Regional Planning, Marvin R. Brant, December 9, 1965 and March 10, 1966.

Current Economic Problems of Afghanistan and Some Proposals for Action, Glen L. Parker, October 26, 1967.

Water Pumps for Kabul Municipality, Glen L. Parker to S. A. Baha, President of Implementation, Ministry of Planning, February 27, 1968.

Comments on the Asian Development Bank's Loan Regulation No. 1, Glen L. Parker, April 1, 1968.

Comments on the Proposed Helmand-Arghandab Agricultural Finance Agency, Glen L. Parker, July 13, 1968.

Comments on Proposal by Messrs. Saunders and Chupir (in re a Department of Human Resources), Glen L. Parker, September 17, 1968.

The Present Economic Situation in Afghanistan (for presentation to Mr. McNamara of IBRD), RRNA, October 1968.

Housing Policy, Glen L. Parker to HE A. S. Hamed, Minister of Planning, October 17, 1968.

Obstacles and Inhibitions Affecting Economic Development - The Afghan Case, Glen L. Parker, March 18, 1969.

Perception of the Planning Process, Personnel, Information and Implementation. A Critique of Ministry of Planning, Glen L. Parker, March 26, 1969.

Technical Assistance from the Indian Government, Glenn H. Craig and Donald Niewiaroski to HE A. S. Hamed, Minister of Planning and others, May 17, 1969.

Historical Perspective and Present Economic Situation in Afghanistan, Glen L. Parker, May 19, 1969.

IDA School Project, Glenn H. Craig and Glen L. Parker to HE A. S. Hamed, Minister of Planning, June 25, 1969.

Prices of Construction Materials, Glen L. Parker to HE A. S. Hamed, Minister of Planning, July 3, 1969.

Afshar Project for Supplying Water to the Kabul Municipality, Glen L. Parker to M. K. Jalallar, President of Finance, Ministry of Planning, September 29, 1969.

Notes for Possible Use in Preparing a Country Paper for Use at the Kuala Lumpur Conference, Glen L. Parker to M. A. Mehr, Ministry of Planning, October 16, 1969.

IBRD Project Plans, Glenn H. Craig to Manuel Zenick, Resident Representative, IBRD, November 5, 1969.

Promotion in the Ministry of Commerce (Exports), Glen L. Parker, December 15, 1969.

Proposal for Working Group on Export Promotion in the Ministry of Commerce, Glen L. Parker, December 15, 1969.

Vice President Agnew's Visit, Glenn H. Craig to HE A. W. Sarabi, Minister of Planning, December 23, 1969.

Position Paper on the IDA School Loan for Discussion with Mr. Woods of IBRD, Glenn H. Craig, 1969.

The Ideology and Attitudes of Government and Society, Glen L. Parker, January 3, 1970.

Future Directions of Economic Advisory Services to the Ministry of Planning, Marvin R. Brant to HE A. W. Sarabi, Minister of Planning, October 29, 1970.

Future Directions of Economic Advisory Services to the Ministry of Planning, Marvin R. Brant to Bartlett Harvey, Director, USAID/A, November 23, 1970.

Regional Trade and Cooperation, Glen L. Parker, December 10, 1970.

Interest of the University in Establishing Training Programs in Management and Economic Development and a Program of Economic Research, Marvin R. Brant to HE S. A. Baha, Rector, Kabul University, January 19, 1971.

Engineering Careers and Economic Development, Glen L. Parker, March 22, 1971.

Some Problems on the Conduct of Foreign Trade, Glen L. Parker to HE M. A. Ghausi, Minister of Commerce, August 7, 1971.