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(Decentral January 16, 1976)

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



**DEVELOPMENT ASSISTANCE PROGRAM
FY 1975**

AFGHANISTAN

BEST AVAILABLE

**DEPARTMENT
OF
STATE**

JANUARY 1975



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(Decentral January 16, 1976)

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Part I

DEVELOPMENT ASSISTANCE PROGRAM

AFGHANISTAN

**KABUL, AFGHANISTAN
December 24, 1974**

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**INTRODUCTION
and
SUMMARY**

General Content

In its present form, this draft Development Assistance Program (DAP) contains an exposition of the general philosophy the Mission has developed for assisting Afghan development. The project areas described in the document have been developed in conjunction with the Government of Afghanistan (GOA) and can be considered as agreed upon. On the other hand, this specific document has not been coordinated with the GOA. While pleased we asked, GOA has been unable or unwilling to respond to our requests for a jointly-drafted product. We are now in the process of creating a sanitized version which the GOA has agreed to address. We hope that from this exercise a GOA/USAID agreement will flow on the specific DAP substance and strategy.

This document discusses, as required, the strategy and areas of priority interest for the future. Since a major turnaround in the Afghanistan assistance program is still in progress, many projects (agreed on in principle as areas for U.S. assistance) are still incompletely planned. As a consequence, some of what is given in the project descriptions is conjectural although based on discussions with the GOA. Also, because

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the emphasis is on future activities, ongoing and phasing-out projects are not discussed. These activities are adequately discussed elsewhere, most recently in the FY 76 Field Program and Budget Submission (FPBS).

Afghanistan

Important in judging the contents of this DAP is the awareness that Afghanistan is a country which started its emergence into the modern world in very recent times. Without repeating extensively what has often been said, it is valuable to cite a few salient factors.

Afghanistan did not benefit from a colonial training of its bureaucracy, nor did it receive a basic infrastructure such as that found in many former colonies. Due both to a geographic remoteness and a conscious policy of isolation designed to protect its independence, it was not until well into the 20th century that Afghanistan began to be significantly influenced by changes occurring elsewhere.

It is only in the past twenty or so years that national development has begun to have a serious impact on the people and the bureaucracy. Kabul University (except Medicine and Law Faculties formed in the 1930's) was started in the 1940's, the first paved road connecting with the outside world (to Pakistan) was finished in the early 1960's, as recently as 1950 total school enrollment (other than for religious instruction) was under


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The General Approach in the DAP

The reader should keep in mind while addressing subsequent chapters that the purpose of the DAP is to describe a strategy for adapting to the host country's development needs. Our judgment is that too often in the past conceptually attractive development projects (but too sophisticated for Afghanistan) have mushed along, frequently not achieving targets nor even producing results worth the investments. At the conceptual level, responsibility for these past problems can be laid at the doors both of the GOA and its donors. But for future purposes the placing of blame is of no particular value, and it is not our intention to do so.

Over a long period of time the GOA certainly can and will improve its capacity for development activities; but in the short run this capacity is going to have to be more or less taken as a given. It is our purpose and responsibility to, if possible, define an approach which will lead to projects on which the GOA can and will act successfully. In describing weaknesses in the GOA system, we are attempting to provide the background necessary for establishing the validity of our judgments as to how to operate successfully in this milieu. Since to some extent these difficulties were recognized by the drafters of the 1973 FAA, some of

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what we have done was in any case necessary as an adjustment to the Agency's new directions. Other strategy elements are, however, specifically adapted to the Afghan environment.

The Development Assistance Strategy

The essence of the project strategy espoused in this document is summarized as follows:

- 1) **Simplicity** - Keep assistance projects at a basic level particularly at the beginning.
- 2) **Incremental Project Development** - Do a little bit first and let the project grow in size and to some extent perhaps in complexity if it can be handled.
- 3) **Direct Benefits** - As specified in the 1973 FAA, projects should achieve direct benefits for the common man.
- 4) **Objective Results** - Results should be unambiguously observable.
- 5) The above are the more important, but other criteria and conditions are: maintain U.S. leverage with the GOA, progress reporting systems, fixed-cost reimbursement, limited number of activities, and a firm attitude toward commitments being met as a condition of further assistance.

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This complex of guidelines has been developed as our best guess as to what will give good "new look" development results in Afghanistan. It provides the basis for selecting projects in which USAID assistance is possible.

Project Areas

The DAP moves on from this basically procedural outline of how we ought to do business to a description of new project areas which have been discussed by the GOA and USAID as mutually desirable for American assistance. These projects, with the exception of family planning (a still small but growing area for U.S. aid), are focused on the average rural dweller. Rural social service improvements are represented by proposed assistance activities in elementary education and basic health services. These service projects are furthest along in our new plantilla because of the GOA's greater emphasis and/or sophistication in these areas.

Of equal, or greater, interest are projects focused on increases in the productivity of the rural resident. GOA plans for projects and capabilities for implementation along these lines are less well developed. A rural works project focused on upgrading very small infrastructure is in the test phase. Initial plans are being discussed on assistance projects for rehabilitation of small irrigation systems, agro-business development and perhaps an experimental project on rural electrification. This DAP

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case be meaningful -- as examples: a significant (5-10 percent) increase in income, more and better education, greatly expanded health services, etc.

It is our judgment that we will be able to document these results with considerable certainty and we believe this will be a significant level of achievement for U.S. assistance to the people of Afghanistan.

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CHAPTER 1

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Chapter 1

Generalized Mission Assistance Strategy

One recurring theme pervades formal overall assessments on the development history of Afghanistan and the development community folklore about this nation; that theme is failure -- the failure of economic development activities and policies to achieve overall growth and progress goals. There have been individual successes, but the net assessment is one of little overall progress. Afghanistan, which has received average annual per capita assistance of \$8^{1/} for the last 20 years, has, as often as not, had an annual per capita growth rate of under 1/2 percent. Usually the responsibility for this lack of progress has been laid at the door of the Afghan government, but the foreign donors are also culpable for they have persisted in assisting with projects that historically have not produced results in the Afghan environment. In this year of 1974, we have, within the limits of time and knowledge available, studied the whys of this "failure" and have attempted to formulate an assistance strategy explicitly directed at the Afghanistan situation. Our hope is to avoid at least the more common mistakes of the past.

^{1/} This figure can be as high as \$10 or as low as \$6 depending on the population estimate used.

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I. BRIEF ENUMERATION OF THE FACTORS BEHIND FAILURE

The following chapter, giving an Overview of the Development Situation, provides some detail on the factors upon which the Mission's assistance strategy is based. However, briefly citing the more salient factors here, even though duplicative of some of the next chapter, should aid the reader in assessing the strategy presented below.

Over-sophisticated Projects -- As of the end of 1974 a significant number of large capital facilities have been constructed. But, a pervasive assessment has been that to date, except for certain basic essential infrastructure, these large projects have contributed little to overall national economic growth and, further, the lives of the vast majority of the rural people have been little influenced by the completion of these projects. Much of the successful construction of these capital projects is associated with their being carried out on a turnkey basis by foreign organizations.

Transience of Institutional Development -- On the other hand, some of the truly large training and technical assistance projects have been characterized by lack of success - that is, by an apparent lack of attainment of significant institutional growth. While some gains have been made, the GOA is still both deficient in "available" trained personnel and without any significant institutional capacity for further development. Institutional

development results, that is an institutional capacity to implement programs, have seldom transcended the departure of the foreign advisors. Further, the GOA will have difficulty in finding the budgetary resources needed to adequately maintain all the sophisticated institutions developed to date by foreign donors.

Lack of Development Commitment -- While President Daoud has strongly and publicly emphasized his government's commitment to development, the GOA as a whole has yet to develop a firm allegiance to giving development factors major weight in government decision making (undoubtedly a causal factor in the noted impermanence of institutional development).

Poor GOA-Donor Communications -- Vis-a-vis foreign donors (including the U.S.) communications have been slow, turbid and cautious. Too often, communications are effective only at the highest levels of the GOA with the operationally responsible agency given little role in these communications.

Bureaucratic Turnover -- GOA turnover has been high both in higher bureaucratic and in political positions. Many of the more skilled personnel in the nation are not being used by the Government or are in positions in which their training and experience are not being well utilized.

Bureaucratic Inability to Act -- Strong individual pressures to avoid "mistakes" together with poor lateral coordination severely hinder the capacity of the GOA to decide and to implement.

Continuation of Interest in High Visibility Physical Monuments -- While there is a growing interest in people-oriented programs, there is still an atmosphere of commitment to high visibility, too-sophisticated projects as a surrogate for serious, step-by-step development work.

II. GENERAL STRATEGY FOR DEVELOPMENT ASSISTANCE

These brief statements summarize the facts of life which have led us to the following general strategy which it is hoped will help Afghanistan achieve better results. The USAID's general strategy is presented, for convenience, in three parts: timing considerations, project characteristics and procedural considerations. These are discussed in turn.

A. Timing Considerations

Assessment -- Despite frequent and easy contact, communication between GOA and the U.S. is difficult, as is communication within the GOA itself. The GOA's ability to marshal itself for decisions and action such as project development is very limited and there has been a great reliance by GOA bureaucrats on foreign advisors to do the work for them.

At the same time, there is a general pressure on both the GOA and

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our own sides to proceed with projects (before they are ready) in order to keep the "obligation level" up. In the past this has inevitably led to poorly-planned projects. Nonetheless the problem of "obligational level" is a real one and the option of waiting until a project is completely ready is often not a viable one. From a policy view, the level is read by Afghan officials as a signal of U.S. interest in Afghanistan, irrespective of whether the Afghans lack fundable projects. Equally importantly, from a "doing business" point of view, keeping a reasonable level of assistance is one of the factors which keeps interest high and communications channels open. This is a particularly important need in light of the communication problems cited above.

Phased Approach — With these factors in mind, we have developed a strategy of measured and phased project development. However, project development, even if measured, is not likely to work well in this country if it is only a paper exercise. Rather, it must be an empirical/field-based experience. Thus, we foresee a need for small, trial-and-error activities as interim steps to mature projects. Perhaps a three-phase process will typically be needed -- a very small test phase, a pilot phase, and a final or mature phase. The procedure, while a general guideline, will vary from project to project.

It currently appears that 18 to 36 months will be required for project development in the small test and larger pilot phases before projects now in the incipient stage will mature into the final phase. During this time AID staff will be heavily concerned with getting the Afghans to define their project ideas in explicit terms, and with conducting some field trials. The communication and interest problems both can be addressed during this development phase.

In any case, the essence of the approach is to be slow and measured and to be reasonably sure of Afghan interest, of project design and of its manageability before a mature project is mounted.

Operational Adaptations Required for a Phased Approach --

The above approach implies some requirements for modifications in both the AID and GOA approaches. First, on AID's part it implies an ability to move forward expeditiously on promising small-scale but often incompletely planned interim or trial projects within our areas of program concentration. Second, also on AID's part, this approach will require a continuity of policy and emphasis which stretches well beyond the normal two-year tour for AID personnel. Incoming senior personnel will have to live with the existing program and glory in making it work rather than in dreaming up new ideas. This is particularly important in a country such

as Afghanistan where staff turnover has been higher than for many posts. This approach will also require the use of direct-hire personnel to a greater degree than recently envisioned by the agency (see the appendix on staffing). On the GOA side there will be the same problem of turnover in personnel and/or policy. Some method to address this problem must be devised; perhaps it lies in elevating development assistance plans to a level approximating formal government-to-government agreements. Although such an elevation will not by any means solve the problem of continuity of policy, it could help by providing a specific agreement to focus negotiations on when changes in Government suggest possible changes in priorities.

B. Project Characteristics

Assessment -- Slow and measured project development does not appear to be a sufficient condition to assure a reasonable probability of success for a development activity. Historically, complicated, big-leap projects -- no matter how carefully planned -- haven't worked. Well conceptualized projects, foisted on a reluctant government by an eager foreign advisor, have often failed because the government remained hesitant to act despite the advisor's difficulty in understanding the reluctance or being able to do anything about it. From our examination

of this past pattern of frequent failure and occasional success, the following characteristics emerged as those likely to bring success probability within an acceptable range.

Simplicity -- The project must be simple. Communication is difficult even with ideas of limited complexity. The project design must be basic enough so that the AID and GOA agreement is operationally meaningful. The project should not require complicated intellectual gymnastics to comprehend what must be done to achieve whatever goals are laid out. Just as important, the project must not be burdened with difficult conditions precedent which satisfy only AID's internal bureaucracy.

Incremental Improvements -- Related, but somewhat more difficult, is the necessity of limiting projects to incremental improvement rather than attempting to achieve great leaps forward. The old adage, "The baby crawls before he walks" carries the clear message of what we believe to be necessary. A steel mill project today would be too great a leap for both the social and bureaucratic system to adapt to. A project should have incremental objectives both in terms of changing bureaucratic administrative capacity and in terms of its demands for response by the socio-economic system.

GOA Interest -- It is mandatory that there be a considerable GOA

interest and participation in any project for it to be worth undertaking. But, it isn't that simple -- a good project must be supported by key people, not be opposed by too many, and be one which has some chance of surviving personnel/policy changes.

Medium-Term Results -- Related to the point on GOA interest made above, is the desirability of focusing on projects which can achieve near to medium-term results. Projects with a long incubation period before objectives can be achieved, are likely to lose both AID and GOA attention.

Specific Purposes -- While the objectives of a project may be incompletely defined during the first, trial phase, the objectives will be given precision before the end of the second phase, should the first two phases prove successful. Vaguely defined project purposes cannot be evaluated since it becomes impossible to determine how well things are really going. Given the difficulty of project accomplishment in Afghanistan, there is a strong need for explicit targets and indicators against which to judge performance. These targets must be expressed in terms of ultimate project purposes. Such clear purposes also aid the communications process.

Limited Range of Activity -- Finally, it appears highly desirable to limit the number of projects on-going at any one time. Both AID and the GOA have a limited span of control and attention.

In our project selection we intend to be guided by these characteristics to the extent possible. We believe this will increase our chances of achieving project purposes. Beyond these, there are certain procedural adaptations which we propose to follow as useful in the Afghan context.

C. Procedural Matters

Assessment -- Achieving the stated project objectives is not just a matter of good design. Once a good design is made there is the long-term task of remaining focused on the accomplishment of the stated tasks and of finding innovative means for solving the unforeseen hitches and problems.

There is a history in Afghanistan of deviations from project agreements. This appears to have resulted from a series of factors such as: (1) USAID pushing an unwanted approach or project, (2) unrealistic or vague design and assumptions, (3) conscious deviations by Afghan officials to achieve other, non-project purposes, (4) poor GOA administrative capacity, (5) new AID personnel with different views on projects, etc.

In our criteria listed in the previous section, we have tried to minimize the possibility of unrealistic and/or unwanted activities.

Often in the past when it has come down to the crunch, we have felt a need to concede to the GOA because we realized that the project agreement as originally signed wasn't exactly what they wanted. Good design, if achieved, can largely solve this problem; in addition the following procedures will be followed:

Maintenance of Agreements -- Major changes in project agreements will not be renegotiated unless there is a good external (that is non-performance will not be a reason for renegotiation) reason for doing so. Usually, if the GOA no longer wishes to proceed as agreed, projects will be canceled.

Maintain U.S. Leverage -- The USAID contribution should contain an element of leverage to augment our reliance on mutual good faith. Thus, U.S. inputs must constitute a significant share of the inputs required to achieve project objectives (at least 25 percent as a guideline). U.S. inputs will be sequenced with GOA inputs and actions. That is, some fraction of U.S. inputs will be made only after the GOA has accomplished agreed scheduled actions. To the extent possible, the ultimate form of this approach -- fixed cost reimbursement -- will be employed.

Meaningful Progress Indicators -- In order to make U.S. leverage realistic, it will be necessary to have well-defined objectives and to have

timely reports of achievement of these objectives. Thus, each project will have to have a definite progress reporting system with well-defined targets and intermediate milestones to be reached. A continuous project monitoring and evaluation system is to be employed.

Integrity of Commitments -- Given the history of development in Afghanistan, there is little chance for success unless a firm attitude of meeting contractual commitments is maintained. Projects in which goals are not being achieved despite best efforts will need to be terminated.

* * * * *

These factors tend to increase the likelihood of a project being realistically achievable. However, in the end it is only the people of Afghanistan who can determine the success or failure of the joint development activities. What this USAID Mission can determine is that U.S. assistance will go to areas where Afghan performance should be possible but that U.S. funds will not be assigned to project activities which are not producing.

CHAPTER 2

Chapter 2
Development Overview

Introduction

As indicated earlier, there is a general assessment that in this fiercely independent republic which is ranked close to the bottom in the list of LDCs, development activities (almost all of which have been foreign-donor assisted or perhaps more appropriately, foreign-donor funded) have not proceeded very well. Facts, data, informed opinions are scarce in Afghanistan; consequently, even the most authoritative reports available are short on documentation and contain many conclusions based on tenuous assumptions. Nonetheless, we believe there is substantial evidence that the increased output from foreign assistance to date has not been large enough to service the resulting external debt, even though the assistance was made available on highly concessional terms, including a large grant element. It also appears that such benefits as exist have accrued to a relatively few, further skewing income/wealth distribution. Development activities have attracted people to urban centers, especially Kabul. Reports from both World and Asian Bank assessment teams, in suggesting poor developmental results in most fields, support these assumptions. For example, the following quotes are from the most recent IBRD economic report.

[REDACTED]

"Large sums of money have been available in past years and to a considerable extent this money would simply not have been disbursed had it not been for activities in the only available projects namely large-scale irrigation and infrastructure schemes." (IBRD, 1972, p. 8)

"Over the past fifteen years close to one billion dollars worth of equipment, technical and commodity assistance were disbursed with relatively little effects on the living standards of the vast majority of the people." (p.24)

"The vast amount of Afghan and foreign capital that has been invested in development projects has failed to yield a commensurate increase in the rate of growth of GDP and has saddled the country with an enormous external debt." (p.1)

"The Government has been unable to provide effective economic management or to devise or follow an effective development strategy. There has been an undue emphasis on large scale costly 'development' projects associated with donors' preference and the Government's desire to benefit by accepting help from all donors regardless of project merit or cost. There are in addition great difficulties with identification, preparation and implementation of projects designed to achieve quick-yielding results." (p.2)

The foreign donors (see above quotes), collectively, have been as culpable as the GOA in the process which underlies the poor development history. Yet the donors have, to all intents and purposes, continued to conduct conventional assistance activities in Afghanistan despite the dismal record. It seems obvious there is a necessity for a changed development assistance strategy based on greater understanding and adaption to what exists in Afghanistan. Some things do happen in this country, an

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economic system functions, even though it is very primitive, some growth takes place and changes occur, albeit slowly. Moreover, today a basic physical infrastructure and cadre of trained personnel exist as a result of past assistance. This chapter describes some of the existing structure which if built upon may offer a higher degree of future success in meeting the needs of the people of Afghanistan. This objective must again be qualified by saying there is a serious lack of thorough, documented knowledge.

I. FACTORS AFFECTING DEVELOPMENT

For convenience, the discussion of factors affecting development is divided into three parts -- economic, political/bureaucratic and cultural. There is considerable overlap among the three classifications despite the categorization effort.

A. Economic

Although past investments in capital infrastructure are not yet paying large returns, these investments have given the country a basic infrastructure which is more sophisticated than one might normally expect for a nation at Afghanistan's present stage of development.

Thus, for daylight flights adequate domestic and international airports are available. A basic, nearly completed circumferential road network

exists. This network is all-weather and although lightly used, does connect most of the major population centers. It connects with Iran, the USSR and Pakistan but there is no efficient outlet to a seaport (work and discussions are underway on constructing a more direct outlet to the sea through southern Iran). In some areas, electric power availabilities are in excess (or will be) of medium-term future needs and electrical services in Kabul are good. In several selected areas water storage facilities and mainline irrigation canals exist. All major cities in Afghanistan and a number of smaller ones are served, albeit somewhat tenuously, by postal, telegraph and telephone systems. Direct international communication is available by radiotelegraph and/or radiotelephone to the USSR, Europe, the U.S. and Canada, and Iran, India and Pakistan. These basic facilities do make it possible to contemplate a reasonably wide range of development activities.

Although the physical infrastructure is fairly substantial, it is exceedingly unequally distributed. Perhaps 10-20 percent of the nation's settled population lives within 5 kms. of a paved highway (a reasonable distance for foot or animal travel), another 50-60 percent is within 5 kms. of a road motorable for all or most of the year, with an estimated 30-40 percent either not close to motorable roads or for whom the nearest road

is closed for extended periods.^{1/} Only a few, more 'urban' centers have electric power -- 90 percent of electricity generated is consumed in Kabul. Irrigation investments have been large but major improvements have been restricted to a few areas in which there have been large donor-assisted projects and have affected no more than 10 to 15 percent of the population. While radio communications are moderately widely available, most of the existing telecommunication carrier systems are used to provide communications among the provincial capitals and between them and Kabul. Thus, even with a relatively substantial infrastructure base, a significant portion of the country lives beyond the reach of modernizing factors.

The country's major source of economic activity is agriculture. And, with the exception of natural gas, almost all foreign exchange earnings currently come from the export of agricultural products. Moreover, it is a moderately diversified agricultural export sector. A variety of fruits and nuts (pomegranate, grapes/raisins, walnuts and pistachios are important produce), karakul, sheep by-products, cotton, wool carpets are among the major exports in terms of value. Despite this export

^{1/} These are gross estimates, which can only indicate the magnitude of the problem.

activity the agricultural production and processing system including production inputs, distribution, organization, credit and marketing are in most areas very minimal and in some areas primitive. Although the business environment and Government attitudes toward business leave much to be desired, there is, because of the primitiveness of the current system, considerable room for improvements in productivity and, for the export market, for increased product value through improved and extended processing. One significant limit on agriculture exports is that, except for the adjacent nations, relatively low-cost transport networks have not been developed. Furthermore, transportation costs have been rising rapidly recently. Limited availability and inefficient use of water, generally low soil fertility, lack of developed markets and information are among the other factors most restrictive in agricultural production. Nonetheless, at least conceptually, development possibilities in Afghanistan are promising because of the existing inefficiencies in the production and processing of a wide variety of agricultural products for which there are potentially good export markets. Because these activities are engaged in by a large number of the rural poor, productivity improvements could benefit many people.

There is, on the other hand, very little modern industrial sector economic activity. That which does exist (mainly cement and textiles)

is largely state-run, and is, with infrequent exceptions, inefficient with much unutilized capacity. Handicraft industries, especially carpet weaving, embroidery, and copper/brass artifacts, are reasonably widespread and offer some prospects for improvement.

The economic institutional structure is primitive. Credit services are available mainly through traditional systems, although an Industrial Bank is just getting started and an Agricultural Bank finances farmer credit for fertilizer. The latter also makes credit available to farmers to purchase tractors, pumps, etc. Its ability to accommodate the credit needs of small farms is, however, quite limited, at least partially due to collateral requirements. Agricultural extension advice in production is directly available to perhaps 10-20 percent of rural producers. Although agricultural inputs availability is growing because of recent institutional growth, fertilizer inputs for instance have just begun to be used in significant amounts with less than 5-10 percent of farmers using meaningful quantities of fertilizer.

Trading has long been conducted on a person-to-person bargaining basis and most continues to be so done today -- with much carried out on a credit basis. The proprietary trader in the bazaar buys wheat or fruit for future delivery against a partial advance of the purchase value

in kind or cash. The buyers are generally better informed on prices than the sellers. These procedures, combined with the practice of many farmers striving essentially for self-sufficiency, results in very limited markets for agricultural commodities. Because of limited market information, geographic isolation, subsistence farming, etc., prices fluctuate through a wide range even for a basic commodity like wheat. Except for wheat and a few other commodities (like cotton, with a support price) the market cannot cope with large local surpluses except through severely depressed prices.

In summary, much of the economic organization of the country is capable of supporting no more than a subsistence economy where the major universally transported items are tea, sugar, salt, cloth, wheat, and perhaps wool carpets. Cultural attitudes, institutional structures, etc., function with these needs in mind. If one element of this complex (for example, credit) is upgraded, some other element becomes a bottleneck, blocking the extent to which system improvements can be engendered by improvements in that one element. That is, greatly increased credit supplies alone will not improve production/income distribution because of marketing, transport, input, and attitude factors presently adapted to a total system adjusted to limited credit availabilities. In fact, there would likely be no demand for significant changes in production credit

supplies unless other key factors in the chain were changed simultaneously.

Government attitudes about a desirable economic structure significantly influence what is possible. Some in Government have a distinct distaste for private entrepreneurs making "undue" profit. Related is a bias toward state-run or at least state-guided economic enterprises/activities. There is also a paternalistic view of what Government ought to do which tends to result in Government-provided services having to be "free." Conversely there is a widespread attitude in the populace that the Government cannot be trusted, owing to its past reputation as an oft-corrupted tax collector, policeman or military conscriptor.

B. Political/Bureaucratic Factors

The Government of Afghanistan is far from an ideal force for development. Its bureaucratic structure has limited capability and capacity and the commitment to assigning development a high priority in government decision-making is at best ambiguous, much compromised by the higher goal of tenure in office. On the other hand, a large cadre of technical and administrative personnel exists as a result of past assistance activities. If this cadre is used effectively, it could provide some potential for future development.

Afghanistan has only within this century begun to develop a centralized government with extensive responsibility for, and power to influence, domestic events throughout the area within its national borders. Domestic affairs have traditionally been handled on a regional basis (small regions) with the tribal structure being the real power base outside of Kabul as well as forming the base for both administration and allegiance.

Today the national government is starting to extend its influence and presence to even the remote areas of the country. Schools are operating, health services are being extended, some police are present and some officials are in evidence who owe a degree of allegiance to the central government. However local khans or landowners still have considerable influence over local government decisions which are considered vital to them, although there is evidence that this influence is being reduced since the change of government in July 1973. Development programs with detrimental consequences as viewed by the khans may on occasion not be implemented effectively because of the central government's limited coercive capacity and an unwillingness to alienate the local power structure.

The conflict between a change-oriented national government and powerful status quo-leaning local barons has important ramifications

for development. The first priority of any government is to remain in office. Since remaining in office is a tenuous affair, the decisions of government are often made with that in mind and are consequently often anti-development decisions as the compromises are made with competing factions. Bureaucrats are reluctant to make decisions which may be used by a competing power group to make them a "scapegoat." Thus, decisions are often made to not disturb a particular group, to do a pet project (development or not) of some group or to make an opposition group look bad. Trained and experienced personnel are often left "at home," to use the Afghan euphemism for domestic exile from governmental affairs. Consequently, the government bureaucracy does not mature into a cohesive unit as personnel move in and out with changes in power.

Related to the above is the limited capacity of the Government bureaucracy to act even when a development decision is made. The discontinuity of personnel is a major problem particularly in the higher ranking positions. Personnel are also lost to repeated training exercises (one donor after another). Political uncertainty makes for a very cautious bureaucracy. Perhaps because of this, Ministers are reluctant to delegate authority and, consequently, spend excessive time performing routine

chores. The system acts punitively against those making "errors" of commission but inflicts no such penalty for inaction. The bureaucracy is viewed as an employment agency with the jobs owed to deserving candidates; and there is little tradition of the incumbents performing well solely for the sake of the public good. Again, there are signs that the Republic is demanding some increase in performance.

C. Cultural Factors

The cultural factors impinging on development are probably not greater in Afghanistan than in most other Least Developed Countries. The socio-cultural system is adapted to subsistence, to nearly autonomous village economic operations. There is a fatalism associated with an historically unchanging and therefore unchangeable standard of living. There is a continued fervent attachment to religious beliefs with the attendant deep conservatism which accompanies a strong belief in any comprehensive theology.

There is a pervasive Islamic perception of the obligations of the rich to help the poor. This is a fundamental of Islam which in Afghanistan tends to take the form of a paternalistic responsibility of the government to help the helpless and ignorant poor. A khan (local leader), being a man with worldly goods, has similar obligations to the community. Ideally

he will be pious and perform religiously defined good or pious acts (sawab) for the welfare of the community or for needy individuals, e.g., build a mosque, fountain or some other community facility, aid the poor and destitute, support the mosque with firewood, or pay a large share of the expenses for maintaining the community prayer leader (mullah). The ethic of individual responsibility and initiative is not highly developed in this society. Authoritative decisions and instructions flow from the top down.

However, there is also an element of egalitarianism and a belief in the individual value of a person. Thus, the poor man sees himself as having the same intrinsic human value as the wealthy man. At the tribal level the Jirga is a semi-democratic gathering of the heads of families which legitimizes the actions of the chief. There is a fierce pride in a person's individual worth and honor. Thus, there is an inherent conflict between the egalitarian and paternalistic values of the culture.

As in so many poor societies there are strong reciprocal obligations among members of the extended family. Family obligations require that sharing of income and opportunities be given a very high priority. Thus, the hiring of a family member into one's department in government is

viewed as a morally correct action. Allegiance to the family may often dampen initiative because increased receipts do not accrue to the earner alone. Similarly the family will support any out-of-work member.

Community Cooperation -- There is a tradition of and numerous indigenous institutions for cooperative action. They include the building and maintenance of irrigation systems, systems of water distribution, pasture use and changes in cropping patterns as they relate to systems of fallow land, mosque building, trail or road building and maintenance. This is not to suggest that cooperative efforts and institutions are not used and manipulated for personal gain by those with power or that cooperation does not break down in the face of inter-kin group disagreements or hostilities. But the element of community cooperation is strong and may be expressed in religiously defined or sanctioned terms, religion being the commonly expressed basis for legitimate action. The power structure, as suggested, must function within the context of these cooperative institutions and values.

Although there are numerous examples of indigenous institutions of cooperation in the society, an antithesis of non-cooperation may be supported when the traditions of memorable events are examined. The

villager and nomad in particular settings (as in situations of endemic shortage of valued resources -- land, animals, water, women) may have a long history of inter- and intra-group conflict. With respect to any particular project and regardless of the indigenous institutions in the area, and the homogeneity or heterogeneity of the ethnic-kin composition, there remains a need to understand present political relations among groups of all levels. A cooperative socio-political environment cannot be assumed until the local history of conflict and cooperation is known.

Government-Village Relations -- The authority and power of the central government and its civil servants are recognized as legitimate, but feared, at the village level of society. These two systems of organization, the governmental structure and the village structure, may be viewed as representing subcultures of Afghan society. Each has its own set of values and rules, not infrequently in conflict.

In theory, the Government takes a strong, authoritarian hand in ruling the rural areas. In fact, the elements of physical distance, geographic barriers and social distance between the rulers and the ruled, have combined to allow a tradition of local indigenous systems of power in most situations. These traditions are strong, even as distances are being

reduced by better communications. Traditionally, it is only when deviations from the bureaucratic rules and laws by the rural folk are made obvious to the civil servant that action and conflict are necessary. Informally, this potential seems to be recognized by both groups and embarrassing encounters are avoided whenever possible. The civil servant will remain to some degree ignorant of the local scene by remaining in his office, which he will probably prefer in any case. The villager will attempt to maintain community privacy by turning to the civil servant only as a last resort for the solution of his problems, if then. When face-to-face contact does occur, this mutual attempt to maintain distance will frequently result in a kind of formalized, almost ritualized, exchange with each party playing a role designed to minimize involvement in the other's affairs. Development projects, of course, require a slightly different set of relationships and expectations between the parties.

II. DEVELOPMENT ASSISTANCE EXPERIENCE

Of special concern in Afghanistan is the rather poor development assistance experience in the past 20 years. Afghanistan has been an unusually heavy recipient of foreign assistance. The general consensus gleaned from the reports of the World Bank and Asian Development Bank

is that this aid has been to a degree irresponsibly given and received in the past. Unfortunately, neither source provides much explicit analysis to support its assertions. Nonetheless, these institutions provide the most authoritative overall assessments -- ones which cannot be easily ignored even if there is less than complete certainty in their judgments. In addition, such detailed analyses of projects as do exist, generally indicate very poor development results.

R.R. Nathan Associates, in the 1971 Agricultural Sector Planning Report done for the Asian Development Bank state:

"Afghanistan needs to take a serious look at its heavy reliance on foreign assistance. In the past it has been offered and accepted freely, with inadequate concern for the day when these obligations have to be repaid. The RGA and the donors also appear to have been too little concerned with benefit and cost relationships ... The objectives of foreign lenders and aid donors were not met." (p. 33)

The Nathan report goes on to suggest the lessons for Afghanistan and its donors are:

"1) More attention should be paid to the probable relationships between benefits and costs when projects and programs are being formulated.

"2) Acceptance of foreign financial assistance should be considered along with the necessity for improved management, particularly at the project level." (p. 36)

In development assistance planning, the implications are more

severe than the Nathan report was apparently willing to assert. It appears likely (but unprovable without a far more detailed study) that foreign donor personnel under pressure from the GOA and their own countries or agencies to commit development assistance funds have gone forth with inadequately planned and unrealistic projects. The GOA has not had the capability or motivation to review these plans and demand that they be improved before moving ahead. After projects have been initiated, their implementation has very frequently been poor.

Foreign donors must undertake projects within this milieu. They should not continue trying to undertake projects which are abstractly desirable when historically it has been shown that the odds are against achieving solid results with such projects. This is particularly critical with loan projects which involve repayment, but grant projects, too, can tie up Afghan personnel and domestic financial resources. To assure meaningful achievements, projects must be realistic for Afghanistan and must be evaluated constantly.

III. GOA FISCAL SITUATION

In addition to the political and cultural realities of Afghanistan, one must address development planning within the fiscal restraints on the public sector. Afghanistan is one of the world's poorest nations. Its

foreign exchange earnings are small, it produces few modern products and the public share of the small GNP is rather limited.

A. Foreign Exchange Position

Within this context, it is true that foreign exchange earnings from commodity exports have been rising rapidly over the past three years. From \$100 million in 1971/72, earnings rose to \$159 million in 1973/74 and are projected at \$188 million in 1974/75. The growth from 1971/72 to 1973/74 was mainly, however, a consequence of price increases. That is, export earnings in 1973/74 would have been little larger than those of 1971/72 if valued in 1971/72 export prices, although there were some large changes in the export mix. For example, the volume of fresh fruits rose by 20 percent and dried fruits and nuts by 30 percent. The volume of exported cotton fell by over 50 percent and the number of karakul skins by almost 40 percent. The projected increase in export earnings in 1974/75 is mainly due to an anticipated sharp increase in cotton exports.

However, it appears likely that the rate of growth in export earnings of the recent past will not be sustained since a sharp reversal in the terms of trade appears likely. For example, the price of luxury consumer goods such as karakul, carpets, and possibly fruits will

probably fall significantly with the general economic recession being experienced in non oil-producing countries. We see no significant production increases except perhaps in cotton. Cotton exports go largely to the USSR and what future prices may be are uncertain. Similarly, there is substantial uncertainty about the value of natural gas exports (we expect volume to remain constant), although at present the GOA is expecting to negotiate an increase in price to \$0.45 per 1,000 cubic feet. Price decisions made in Moscow on gas and cotton will strongly affect the final result. However, given the data we have now, we would expect at best a leveling off or more probably a decline in export earnings.

Within the recent past, official loans and grants, project and non-project, have accounted for about one-third of gross foreign exchange availabilities. It appears likely that the dollar value of loans and grants will remain constant or possibly decline but, in real terms, concessionary aid is likely to decline significantly. (Possible aid from oil countries could change this but we believe it will be some time before money will actually begin to flow.) Thus, both because of a tapering off or even decline in export growth and a continuing decline in concessionary aid, it would appear that the recent promising uptrend in foreign exchange inflow has peaked and that the next couple of years will see a moderate

worsening in dollar value.

On the foreign exchange outflow, debt servicing and purchasing of sugar, tea, fertilizer, and petroleum products have accounted for 41 percent foreign exchange expenditures during the past two years, but for over 50 percent this year. Exact debt servicing requirements will depend on the precise terms of the debt rescheduling already agreed to by the USSR, but we believe repayment requirements will be somewhat lower for the next couple of years. The demand for the other products listed above is such that, except for fertilizer which is now beginning to be produced domestically, the import volumes are likely to gradually increase. It appears there will be little price relief on any of these items during FY 75 although some may be possible (on sugar) in FY 76. Petroleum prices are an unknown. The bilateral (not necessarily economically based) negotiations between Afghanistan and the USSR will make a large impact on the final outflow picture. In any case, Afghanistan's import picture over the next few years will depend heavily upon prices, especially those for a few commodities.

The favorable net foreign exchange position of the past few years is likely to be reversed, with the most probable situation being a slight but probably manageable net deficit position for the next three years.

Excluding debt relief and assuming foreign assistance to continue at roughly the same level as for the past three years, a deficit of around \$40 million is projected for 1975/76. This is due in large part to much larger outlays for sugar and to a softening of most export prices. In the following year, the deficit is projected at \$15 million and in the following, at \$7 million. Expected Russian debt relief will cover these last two years, but some commodity assistance will likely be required for 1975/76. An important factor to note is Afghanistan's lack of control of this situation. Price, concessionary aid, and debt relief decisions (the latter to be made in Moscow) are very important. Prices on imported staples (quantities cannot be easily changed) are another key element. And lastly, export volume has been constant and is not easily changed. Thus, world prices are a critical element.

Since most foreign exchange earnings go for consumption, sugar, tea, petrol, the foreign exchange component of development expenditures by the GOA out of its own budget -- i. e., development expenditures not financed by project assistance -- is small, typically around 5 percent of its budgetary development expenditures or about \$2.5 million per year. Thus, any development which depends in considerable measure on foreign-made goods and services must depend on foreign aid.

B. Domestic Revenues

Domestically generated public sector revenues are also modest, recently amounting to about \$10 per capita or about 8 percent of the GNP. Due to a firmer attitude on tax collection by the new government, public sector revenues are showing a tendency for a meaningful upward trend (perhaps a 40 percent increase in real terms in 1974/75 over 1971/72). This gives the Government some options for increased development investments. However, most of the government's revenues are tied up in operating expenses, debt servicing and subsidies.

It would appear that at the absolute best the GOA could have about afs 2 billion (\$33 million total or about \$2.50 per capita) annually from domestic revenue and internal borrowing for development investment (excluding Government salaries) over the next few years. However, we believe a figure of from \$1 to \$1.50 is far more likely. A limit on the receipt of project aid is the ability to generate the necessary local currency financing. Given these domestic resources, and without commodity aid, project aid probably cannot exceed \$25 - \$30 million (assuming a one-third counterpart requirement and some government development expenditures on wholly domestically-financed projects). However, the GOA has depended heavily on commodity assistance for

budgetary support in the past and this has averaged about afs 900 million annually for the past four years. Continued commodity assistance could generate local currency making it possible to absorb greater project aid.

IV. DEVELOPMENT DATA

Factual information on Afghanistan is very limited. Piecemeal surveys have been done on a variety of subjects from which some inferences can be made. It is fair to say that in the areas we are interested -- population, health, education, and rural development/agriculture -- there are very few firm facts. A population sample census is being funded by AID which will eventually produce reasonably reliable data on population, birth rates, death rates, and population geographic distribution. This will help somewhat in development planning in the health, education, and population sectors. However, these data are being produced slowly and it will be 12 to 24 months before an impact will be made on planning.

Basic agricultural and economic activity data are not available. We know that Afghanistan has a moderately diversified agricultural economy and that most exports are from the agricultural sector. We know very little about the production process, yields, land tenure,

cropping patterns, income distribution, etc. Actual population access to infrastructure such as roads and reliable water sources is poorly known.

V. LIMITS OF THE COLLABORATIVE STYLE

Because of several conditions in Kabul, there are definite limits on the collaborative style. It is obvious that donors have done too much of the work of development in the past and it is equally obvious that there is still a tendency in the Government to rely on the donors for project selection, design and implementation.

This Government does not (and probably does not have the capability to) coordinate the inputs of several donors although generally duplication of donor efforts is avoided. It does not, on its own, develop acceptable projects which can provide the basis for assistance. It does not communicate very well with foreign donors nor among its own ministries.

Under these circumstances, a passive AID posture will either result in no assistance activities or unacceptably poorly designed and implemented activities. The Mission has moved toward a middle ground of assuring first that a project is something that is of strong interest to relevant members of the GOA. After there is a conclusive determination

of GOA interest, a slow trial-and-error process (see Chapter 1) is followed in moving toward a full-fledged project. During this process there is a considerable involvement of Mission personnel and much of the putting down of ideas on paper is done by them. This appears to be as collaborative a style as can be achieved at the present time.

VI. DEVELOPMENT PRIORITIES OF THE GOA

President Daoud in his Jeshyn Day speech of August 23, 1973 presented the new Republic's aspirations, plans and priorities for the future. He noted that "The economy of the country is in great shambles Social injustices are evident in all spheres of life. Poverty, unemployment, disease and illiteracy are overriding the country." There is much to be done and, "The prime condition for the successful performance of all the onerous national duties is the participation of all the people to the economic, social and political life of the country." On development priorities, "The Republican State of Afghanistan attaches great importance to heavy industries, such as extraction of mines . . . chemical industries and electric power . . . exploitation of the Hajigak iron ore . . . and industrialization of the country is our long-cherished wish."

In agriculture, "The State will reclaim and provide irrigation

facilities for arid lands" and "...will adopt scientific measures for expanding and developing animal husbandry." The State will furthermore "...take steps as far as possible for ... allotting State lands to landless people...." and "...institute land reform...." "Cooperatives ...for agriculture...will be established with participation of the majority of farmers and in their interest."

In education, the Government "...will strive for eliminating illiteracy among the masses..." and "... will provide general and free primary education for ...all children by ...increasing the number of public schools...."

In health "...the Government will establish maternity hospitals, nurseries..." as the country's financial resources permit and will strive "...in particular to expand facilities for preventive medicine..." and "...will expand and develop curative medicine and state hospitals...."

Developments since the Jeshyn Day speech have been generally supportive of, and in conformance with, the priorities and policies enunciated by the President at that time. It seems clear that the highest development priority is placed on large capital projects -- projects that the GOA leadership believes can have a significant, or even profound, effect upon the Afghan economy. These are the kinds of projects that

were publicly emphasized during the President's visit to the USSR in June 1974. This does not mean that the GOA is not interested in other development activities, for it is. Based on the Jeshyn Day speech and the developments since then, it would seem that the GOA's priority areas are: Mining -- the exploitation of minerals; industry related to agriculture -- textile mills, gins, silos, chemical fertilizer; electricity generation and distribution; large irrigation land reclamation schemes; rural development; expanding primary education and promoting adult literacy; and rural health services. These, it would appear, are the priority areas for economic and social development now and will probably be for some time.

The priority assigned to agricultural-related industries -- as suppliers of inputs to agriculture and processors of agriculture's output -- is not misplaced. There have been a number of cases in the past where crop production was not coordinated with the industrial capacity to process the crop with consequent grossly underutilized industrial capacity and great inefficiency. Given the needed coordination and management, there are substantial opportunities for agricultural-related industries in agricultural Afghanistan.

Given Afghanistan's spotty experience with large irrigation/land

reclamation projects, one may question the economic wisdom of this priority. The President stressed, however, "...resettling nomads and allotting State lands to landless people," and reclamation projects may be a means to this social end more than an economic means to increase agricultural production. In addition, the Ministry of Planning has laid some stress on small-scale irrigation construction and rehabilitation. The GOA's priority on the exploitation of the country's natural resources is well placed. There is a growing recognition on the part of GOA officials of the desirability of conducting full feasibility studies prior to making the capital investment required of mineral exploitation.

President Daoud has deplored the fact that most of the citizens of Afghanistan have failed to share in the benefits of development. This, the new Republic intends to rectify with schemes for rural development, rural electrification, primary school expansion, adult literacy, and the expansion of health services, although there is as yet no nationally coordinated plan for doing this.

CHAPTER 3

Chapter 3

Project Substance What and Why

Introduction

The substantive focus of the proposed new program for Afghanistan is determined by GOA interests. As a subset within GOA interests, the program focuses on those activities which will improve the quality of life of a significant number of the rural mass. This chapter gives some details on GOA interests and describes the specific project areas which appear most sensible, given these guidelines.

I. GOA INTERESTS

As noted earlier, much of what the GOA is interested in is not something which we can support and still follow the Congressional mandate since the GOA still tends to favor large showpiece projects. Nonetheless President Daoud has repeatedly asserted that he is interested in assisting the common man, especially in the rural areas. We have looked at these people-oriented areas which are of interest to the Government (even though these projects may not represent their highest priorities) and believe the following are supportable under the new legislation and can be translated into joint development projects.

A. Rural Services

Primary Education -- Probably for reasons of national integration and for reasons of responding to public demand, one of the highest priority people-oriented goals is the expansion of the education system. The GOA has concluded that, relatively, university and secondary-school education are in good condition. The need of the country is for wider basic educational exposure (70 percent or more of primary age children are not in school). The Government has stated as a goal, the achievement of universal primary school attendance and thereby universal literacy.

The GOA view is that the primary constraint to expanding capacity and results in the primary educational system is that of adequate buildings (schools and teacher residences). Teachers are already being trained at a rate consistent with the Government's school expansion objective. Modern textbooks through the sixth grade have been written (or are being written) with AID assistance and are being printed. However, already established schools are operating without buildings and further expansion with makeshift physical facilities will exacerbate an already difficult educational situation. Thus, the Government's interest is in a building program to allow the full utilization of the results of teacher training and curriculum development investments.

Rural Health -- A rather similar situation exists in the rural health field. The new government has stated publicly a firm commitment to expand health services, particularly to the rural areas. Health services for most of the rural population of Afghanistan have been almost exclusively restricted to the very primitive, traditional healers. Recent intensive GOA efforts have created a cadre of relatively well-trained doctors and nurses; and the skeleton of a basic health system is in place.

Certain equipment is available (UNICEF) and some provisions are made for medicines (donor contributions and private purchase). Female auxiliary nurses are now being trained at a good rate. Again, the limitation is the lack of a physical structure to house a health service center. Past foreign assistance (which the GOA has relied on so heavily) has emphasized institutional development and left the construction problem alone. The GOA has stated that it will bring health services to its rural people by first completing a basic health center (building, equipment and staff) per woleswoli (county) and then by extending paramedical services (in a yet-to-be defined way) out from the BHC.

Family Planning -- Related to the BHC interest of the GOA is a concern with family planning. There is not an homogeneous view on the subject of family planning; but it appears that the Government would like

to encourage a measured expansion of a contraceptive service system. Probably because of the uncertainty of public reactions, the GOA prefers this overt expansion to take place (initially) outside of the Government health service (although the Ministry of Public Health says the BHC clients will be provided family planning supplies/information if they request it). The International Planned Parenthood Federation (IPPF) has for several years supported a local, private family planning agency -- the Afghan Family Guidance Association (AFGA). Now the Government wishes the AFGA to significantly expand its services. The next step no doubt will be dependent on the public's response to this expansion and the ability to manage the larger system.

B. Rural Productivity

The above interests explicitly address better development for the common people of the rural areas. They are service functions, however, which are not in the short run going to have any significant impact on productivity and thus will not increase earned wealth. The GOA at this time does not have a coherent plan for increasing the productivity of the rural areas. Nonetheless, there are some interests on the part of the GOA which are directed, consciously or unconsciously, at the problem of widespread productivity increases.

Rural Works -- As indicated in Chapter 2, extensive improvements have been made in major roads and irrigation systems. On the other hand, there has been little attention paid to the small, unsophisticated infrastructure network needed to enable the rural mass to participate in their country's economy.

Some realization of this situation is apparently reflected in the GOA's assigning greater importance to the Rural Development Department (RDD) located in the Prime Ministry. The charter of the RDD is extremely broad, but the department is in an embryonic state and currently the emphasis is on rural works, especially feeder roads and irrigation, and to a lesser extent on popular participation in rural works project selection. The GOA is interested in expanding the pace of RDD's operations.

Small Irrigation Systems -- In addition to the RDD's responsibility for minor irrigation systems within the GOA, there is a Department of Irrigation with the charter of upgrading small irrigation systems. The Ministry of Planning has expressed strong interest in accelerating the work of the Department of Irrigation. This strong interest has not been translated into much action, probably because of a sufficiently full platter to absorb available time and attention and perhaps also for bureaucratic reasons.

Agro-Business -- Although as yet the GOA has no overall concept of how to move in the agro-business field, there is, in the Planning and Commerce Ministries, a strong interest in exploratory or experimental efforts which will lead to projects designed to bring jobs and income to the rural areas. This interest has in the past been exemplified in rather grand terms in sugar and cotton, motivated by foreign exchange earnings perhaps as much as by anything. More consistent with our emphasis, a GOA interest in manual weaving of cloth has been based on a job/income creation motivation.

Regional Electrification -- Electricity is almost non-existent except in a few more "urban" areas, and outside of Kabul there is little reliable power. The GOA is very concerned with the use of the soon-to-be available generation potential at the Kajakai Dam. Currently the GOA is thinking in terms of supplying this power to the three population centers of the Helmand-Arghandab Valley -- Kandahar, Girishk, and Lashkar Gah. These semi-urban centers appear to be a first priority but they will not consume more than 60 percent of the Kajakai power potential. Since the transmission line will necessarily pass through unelectrified rural areas which are among the nation's most productive, there is an incipient interest in rural electrification. How and when this interest will ultimately manifest itself remains to be seen.

Other Interests -- The above areas of GOA interest -- varying from strong to incipient -- are ones which appear to the USAID to have potential for cooperation. Other GOA interests which could potentially impact on the common people appear less attractive for one or more reasons, such as a difficult to work with ministry, hard to conceive of successful action, lack of Mission expertise, etc. Other people-oriented areas in which the GOA has stated an interest are land reform/nomad settlement, cooperatives, low-income housing, livestock upgrading, state farms and general agricultural productivity. Although any of these might in the abstract appear attractive, in the particular situation we, for one or more of the above reasons, do not believe the USAID should consider involvement in these areas at this time.

II. RURAL LIFE IMPROVEMENT - AID STRATEGY

An estimated 90 percent of the people of Afghanistan live in the rural areas. A major but not precisely known share of these rural dwellers has seen little evidence of modernization and is extremely poor. Health, family planning and education services, requisites for a better quality of life, are available to a small to insignificant minority. Entrance into the market economy, a requisite for income increases, is severely hampered for many by lack of cheap, reliable transport. Lack of capital,

organizational discipline, and technical know-how, further limit income improvement opportunities. These characteristics are not unusual for the Least Developed Countries, perhaps only more acute in Afghanistan's case.

At the same time the GOA's ability to plan and implement projects to change this environment is extremely limited. The GOA has no overall concept or strategy for an integrated attack on rural life improvement. The USAID does not believe, under the new legislation, that it should attempt to guide the macro planning process of the GOA. It further believes that even if such guidance were attempted at this time, it would very likely have limited or no success.

While the Government intends to address a number of important aspects affecting the rural milieu, for the above reasons AID's strategy for rural life improvement at this time cannot realistically consist of an integrated concept. Rather, the substantive strategy is addressed in the following sequence:

1. Select from among the GOA interests, projects which appear to impact meaningfully on a large number of the common people.
2. Judge each project considered to determine if the hoped-for benefits are great enough to justify the costs.

3. Examine the rural system to determine insofar as possible if the proposed project will produce the intended benefits, given the constraints of the existing rural system, which constraints are not to be modified by the project. (That is, don't start a project to produce pomegranates in a town without a market road unless the project encompasses the building of the road.)
4. Determine if project investment and recurring costs are manageable within GOA financial resources and if the GOA can manage the project.
5. Attempt to select assistance projects which are mutually reinforcing, realizing this is only marginally possible.

In guiding ourselves on these lines, we are using the framework shown in Figure 1.

Using Figure 1 as a reference, the GOA's redistribution schemes appear, for whatever reason, to be further along in planning and implementation. Further, indirect productivity increase activities in the infrastructure area are ahead of projects giving direct productivity increases. The USAID, on the other hand, is very interested in the latter. We see, in a hopeful sense, an evolution of emphasis in the

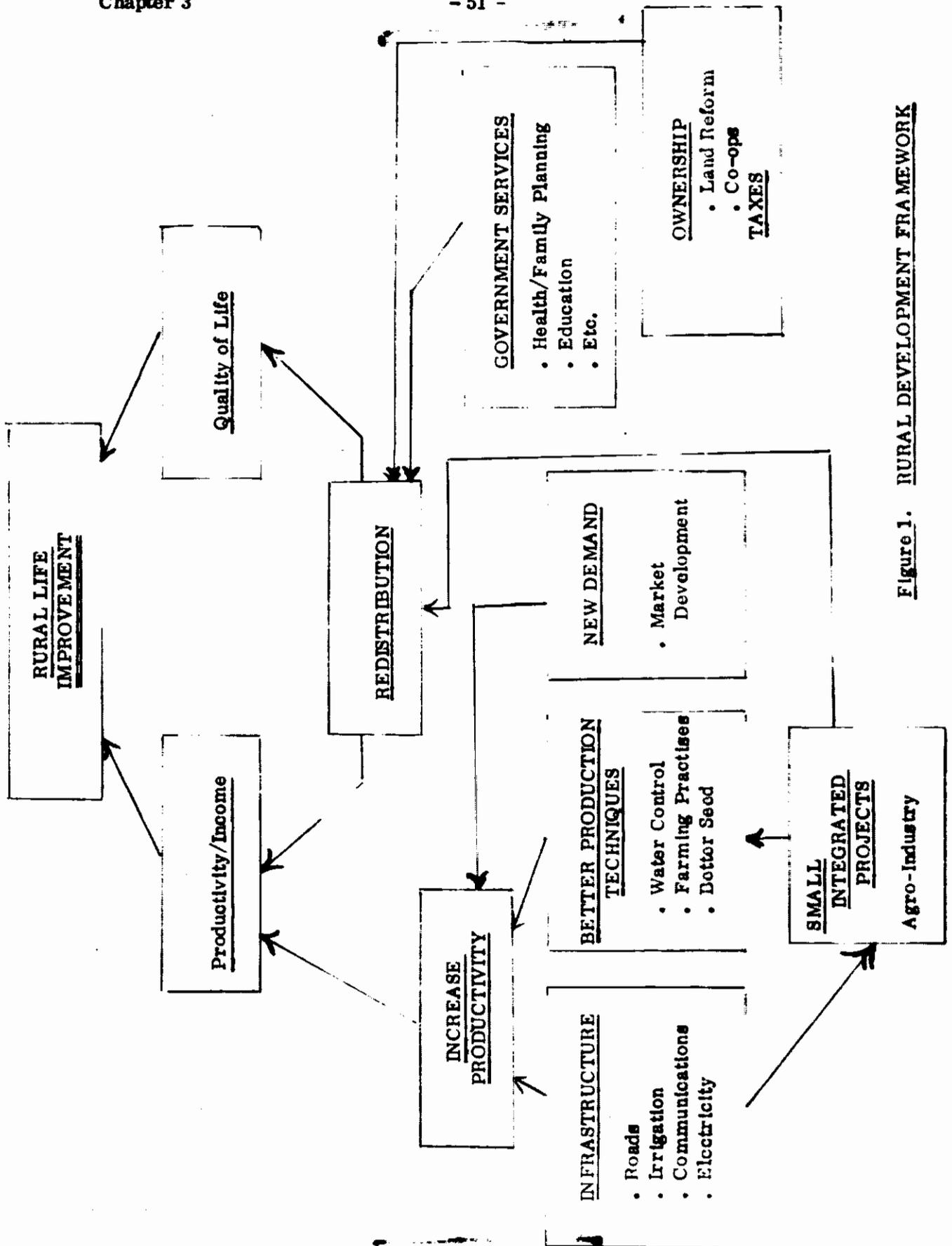


Figure 1. RURAL DEVELOPMENT FRAMEWORK

package of AID-assisted activities from services to infrastructure to direct income/productivity projects. This evolution should occur over a 2 to 4 year time period as the GOA strengthens its project plans.

From among the GOA interests, the USAID has selected education and health/family planning as having the greatest potential rewards in terms of social services. In the infrastructure area, feeder roads, small irrigation system rehabilitation and upgrading and perhaps electrification are the elements appearing to be most needed. Vertically integrated agro-businesses offer a step-by-step approach for integrated rural development in manageable chunks. The subsequent sections analyze the expected benefits accruing as well as the need for each of these project areas.

III. THE EDUCATION AREA

The literacy rate in Afghanistan is low, perhaps half that of Pakistan and less than that of Nepal. Literacy is probably less than 10 percent with the rural female population almost totally illiterate. The GOA's goal is to increase in a major way elementary school attendance and to develop an effective functional/non-formal educational approach. The USAID is interested in assisting in the elementary education area by helping with school construction and in non-formal education with experimental activities.

A. Rural School System

The Government has placed a relatively high priority on education for a number of years and the share of public resources flowing into education is significant. The ordinary budget ^{1/} of the Ministry of Education (MOE), which does not include outlays for higher or university level education, has grown at a roughly constant average rate of 11 percent annually for the past five years. In size, the ordinary budget (budget for recurring expenses) of the MOE is second only to that of the Ministry of Defense and has been growing sharply relative to that of other ministries. Thus, the budget of the MOE was 14 percent of the ordinary budgets of all ministries in the last year of the Second Plan (1966/67), averaged 17 percent during the Third Plan, and amounted to 19 and 20 percent respectively during the last two years.

In terms of future priorities, the Annual Economic and Social Development Plan for 1353 (1974/75) indicates that currently there are secondary and university graduates who are unable to obtain jobs.

^{1/} The ordinary budget covers recurring expenditures while the development budget covers new investments.

Further, it is stated that: "In Afghanistan, the percentage of literacy is still small and the propagation of literacy and village and elementary schools have basic roles in changing the mentality of the people. The increase and improvement of elementary schools will help the children of Afghanistan to understand their environmental problems in a better way, and to make use of the modern methods and techniques in solving these problems."

The Plan indicates that 26 new primary schools are to be established in 1974/75 (compared to 8 in 1973/74) and about 98 village schools (vs. 18 in the prior year), with 104 village schools to be upgraded to primary schools (compared to 29 last year). Teachers are to increase in number by 11 percent. Simultaneously, no new intermediate or secondary schools are to be established in 1353 (1974/75) and the ordinary budget of Kabul University is increased by only 1 percent. For 1353, "The objective of the education program will be the expansion of primary education and the qualitative improvement of instruction in all the levels of education."

Thus, there is, in 1974/75, a sharp reorientation in educational priorities away from higher and secondary education to elementary. We find this reorientation attractive although it is true that the country

has no overall education plan nor has it fully articulated what it wants from its education system.

Currently, by MOE estimate, about 25 percent of primary school age children are attending school. Recent institutional development efforts by the Ministry have increased the number of teachers being trained and produced a new set of primary school texts and curricula materials, thus providing the basis for greater emphasis on primary education. Shelter construction has not kept up with this expansion and consequently most schools are operating with ad hoc (mosques, rented buildings, etc.) or with no shelter arrangements. This, of course, means that the quality of education is below what is possible, given the teachers and materials. It also means that teachers' motivation is difficult to maintain. Teachers are paid very poor salaries and there is little incentive for teachers to go to remote rural areas. The GOA has recently established a policy of providing housing for teachers as an incentive, but the housing remains to be constructed.

In order to improve the quality of education, to reduce the dropout rate and to permit further expansion, a building construction program is called for. The program will include building teachers' houses in villages where no or inadequate housing exists.

The MOE has a tentative construction plan worked out for the next

five years which calls for the construction of 400 teachers' houses, 1,782 village and school buildings, and 753 primary schools. While we don't believe it will be possible to implement such a large program on this schedule, in light of the potential benefits to accrue to the rural areas, it appears to us that an increased school building program is very attractive. We propose to assist (using Fixed Cost Reimbursement) the GOA in doing its first year plans (which we think might be accomplished in two years) and to decide, based on the results of that assistance, what else might be desirable. We believe, based on budgets and available funds, that the MOE will have the necessary counterpart funds to match our proposed inputs.

This project appears feasible and attractive for the following reasons:

1. Better distribution of subsidized education should have some effect on increasing the poor's share of the wealth.
2. Improved basic education will make rural productivity projects more effective in the future.
3. One should expect that proper facilities should help increase the enrollment of female students.
4. The level of expenditure required to maintain the proposed system appears within the realm of the possible if the capital investments are subsidized from external sources. The annual per student recurring

cost is about \$10.00. This is about 10 percent of the per capita GNP. If we assume universal education for 6 years with about 14 percent of the population in this age bracket, it would take only about 1.4 percent of the GNP to fund the recurring costs. This seems just barely within the realm of the feasible. But the GOA's intermediate goal of 50 percent of students enrolled is certainly fiscally possible.

5. Curricula have been developed and quality textbooks, workbooks and teachers' manuals are available (developed with the assistance of USAID's C&T project). There will be enough trained teachers to staff the schools. Most areas with inadequate, or no school buildings, express an interest in them. Thus, we see no system constraints which will prevent the effective expansion of elementary schools given sufficient funding.

6. Again, it is an article of faith rather than an assertion based on analysis, but we believe longer-run rural development will proceed faster, given a population with at least rudimentary literacy. Health and family planning, agro-industry, agricultural productivity are more easily achieved given an audience with some discipline in learning new things. Thus, we believe this educational activity will contribute, a few years hence, to the other projects being undertaken.

While there are a large number of donors assisting Afghanistan in education, the only ones directly involved in rural elementary school

construction are UNICEF and UNESCO. UNESCO developed a basic and tested set of prototype designs for low-cost school buildings and UNICEF has funded the construction in the country of six of these buildings. The WFP plans to provide food for work.

B. Non-formal Education

Although the GOA's primary concentration is in the formal school system, it has made preliminary moves into non-formal education. The General Directorate of Functional Literacy and Adult Education (FLAE) has had pilot efforts underway in Baghlan and Kohdaman for three years. The FLAE inputs constitute a segment of an integrated agricultural development project (PACCA). Plans have been made to expand that effort into new provinces with continuing UNESCO assistance. Meanwhile, the GOA is seeking additional donor assistance for new pilot efforts in non-formal education.

In 1974 a USAID feasibility team studied the Afghan situation and agreed with the GOA to consider an experimental non-formal education project. In January 1975 a joint U.S./Afghan project design team is to survey three areas with a view to designing one or more projects that would have the potential for replicability to other areas of the country.

Until the project design team completes its work, the specifics of USAID's involvement in non-formal education cannot be determined. However, based on the feasibility team's recommendation, it is clear that any non-formal education project will first attempt to enhance the earning power of participating villagers. This may be done by introducing new skills or making improvements on skills already available. There may also be non-formal opportunities for improving the quality of family life through specialized training for women. In any case, we believe that simple literacy will not be a primary objective of USAID's non-formal education inputs, although it may grow out of the need for reading and writing subsequent to the achievement of the type of programs described above.

The UNDP/Kabul is also considering a non-formal education effort but that is to be centered in an urban/industrial area as opposed to the USAID project which is planned to be rural. The GOA's interest in reaching the illiterate adult population is reflected in funding in the amount of afs 64 million which has already been made available by the GOA for 1352, 1353, 1354 (1973, 1974, 1975).

IV. THE HEALTH/FAMILY PLANNING AREA

It is the intent of the GOA to significantly expand basic health and family planning services. USAID is interested in helping the Government

to expand the basic health service by adding assistance for building construction to its already existing projects in health management and auxiliary nurse training. USAID would also like to respond positively to the GOA's request for aid in expanding the operations of the semi-private Afghan Family Guidance Association.

A. Basic Health Services

In Afghanistan, infant mortality is close to the world's highest, as is the statistic number of persons per hospital bed. The number of persons per doctor is also high. For comparison, Pakistan, an only slightly wealthier country, has about one-fourth the number of persons per doctor and per hospital bed as does Afghanistan. Expenditures by Afghanistan's Ministry of Public Health (MOPH) in 1973/74 amounted to afs 23 (\$0.38) per capita, ^{1/} to 3.4 percent of the national budget and to 0.3 percent of GNP. Again by comparison, in 1973, Pakistan's public expenditures on health amounted to pak rs 301 million, 0.52 percent of GNP, pak rs 4.74 (\$0.47) per capita and accounted for 9.7 percent of the national budget. Again, without specifying an optimum

^{1/} Public health expenditures by the University -- by the Faculties of Medicine and Pharmacy and the Faculty of Medicine at Nangarhar -- are estimated to add afs 3 to the afs 23 figure. The public health expenditures by the University plus those of the MOPH amounted to 3.9 percent of the total GOA budget in 1973/74.

budget level, it would appear reasonable to believe Afghanistan can spend more on public health.

While Afghanistan's public health program is small, it is growing steadily. The MOPH budgetary expenditures increased at almost twice the rate of increase of total GOA budgetary outlays over the past five years. Development expenditures of the MOPH have been growing especially rapidly -- by over 23 percent annually over the past five years. The number of medical doctors increased by 14 percent in the last two years and the number of hospital beds by 9 percent.

Moreover, available health services, even though still limited, are most unevenly distributed. Eighty percent of the country's doctors are located in Kabul as are almost 60 percent of the hospital beds. Records show that 53 percent of basic health center patients are men, 19 percent women, and 28 percent children under 15 years of age. Even for children and infants, the ratio of male to female clients is roughly 2 to 1. Thus, health services are limited and within that limit strongly biased toward males and urban areas.

On the authority of the Annual Development Plan for 1352, "The main objective of public health services, in light of Government strategy, is to spread these services to all parts of the country." Since "... 80

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percent of the doctors and medical facilities are in Kabul, a great number of population do not benefit in a practical way from health services." And "The basis of the propagation of medical services, especially the services of preventive medicine, is dependent on the establishment of health centers in the various parts of the country."

As part of its expanded public health program, the MOPH has begun constructing basic health centers (BHCs) with a goal of one such center in each of the country's approximately 180 woleswalis (counties). The ability of the GOA to expand health services is limited by: (1) inadequate management systems (now being addressed with USAID's assistance), (2) the lack of trained female paramedicals (the purpose of the USAID-assisted auxiliary nurse-midwife training activity is to overcome this shortfall), (3) an overall GOA financial constraint. The new sub-project we are proposing addresses the latter constraint as it applies to health. The sub-project would help finance basic health center construction to provide family health services through a basic health system.

As indicated earlier, it is the Government's intent to construct and staff a Basic Health Center in each woleswali in the country. Such a network of centers when established should provide reasonable access (four hours or less travel) to curative treatment for an estimated

30 to 40 percent of the population with access for up to 60 to 70 percent of the population where motivation is such as to undertake a full day's journey each way.

The recurring costs of this system will be about \$0.31 per capita on a nationwide basis or perhaps \$0.75 to \$1.00 per capita for the population within possible commuting range. To operate and maintain the BHC system effectively will require about 2.0 percent of the national budget or 0.2 percent of the GNP, both of which should be manageable.

Benefits will be in terms of response to public demand and in terms of alleviating human suffering and personal loss, factors which are difficult to quantify at best and impossible to specify with the data available to this Mission. In terms of treatment capacity a workload of 50 patients per day is well within the possible, giving a visit load of almost 3,000,000 per year for a 300 work-day year and 180 centers. This amounts to almost one visit per year per person in the area with reasonable access to the health center. This should result in significantly better curative treatment for treatable diseases.

But many of the leading mortality causes are best addressed through preventive approaches. For example, contaminated water is probably the greatest cause of Afghan infant mortality. The GOA includes at least two sanitarians in each BHC whose job it is to educate the surrounding

population on improved methods of sanitation; but to date very little has been either planned for or done by these workers. The GOA is now only beginning to plan for outreach services from the BHCs using paramedical personnel. Preventive medicine would have first priority in the outreach system, although probably provisions would be made for services, simple prescriptions and referrals of more serious appearing cases. Perhaps 600 to 1,000 paramedical personnel would be needed to cover adequately most of the accessible rural population. GOA budgetary resources are such that added staff in this number should be feasible by the time the program could be implemented. As part of the BHC expansion, the MOPH proposes to develop experimentally an outreach capacity.

In our view the level of investment required for the Basic Health Center system is commensurate with the ability of the GOA to support it; it is consistent with expenditures of other countries and it will meet both a real and perceived need of the people. It is also obvious that an outreach system is necessary to reach more of the people. The form of the outreach system remains to be determined.

We and the GOA agree this is a goal to be achieved over time. Expert opinion suggests that preventive medicine, especially sanitation, must have more attention. Although firm plans do not as yet exist for the

outreach/preventive combination, the WHO is tentatively scheduling a national Health Planning exercise in mid-1975. Out of this may come a more coherent plan to supplement the BHCs. However, it is judged to be most likely that the BHC will form an essential nucleus or building block for any likely more extensive system.

In terms of system constraints, public attitudes are important. Demand for curative treatment appears high with perhaps a constraint on female attendance at clinics. We are unsure of the degree of resistance to improved sanitation or to improved services to women, two apparent problem areas. Part of the trial effort will be to gather data on these subjects.

A number of UN agencies have been and continue to be rather heavily involved in supporting Afghanistan's public health sector and continue to assist in malaria, tuberculosis and smallpox control or eradication programs; provide supplies, equipment, transportation, technicians, and training. The UN also assists in the production of vaccines and environmental health efforts, the latter mainly by developing potable water supplies. A large number of donors provides assistance in the development of health manpower. The USSR is loan-financing the construction of a military hospital in Kabul and the PRC is planning on grant-financing the construction of, and technical assistance for, a 250-bed hospital in Kandahar.

B. Family Planning

The GOA has expressed a cautious interest in expanding family planning services. The U.S. has been asked to assist the Afghan Family Guidance Association (AFGA) in expanding its services and USAID is interested in doing this.

AFGA has been in existence for six years and was organized as an affiliate of International Planned Parenthood Federation (IPPF). IPPF and USAID have been AFGA's principal donors and supporters. USAID has contributed contraceptive supplies, equipment, and participant training while IPPF has provided funds for staff salaries. AID personnel have functioned as advisors on a semiformal basis. AFGA has pioneered the delivery of contraceptive services in a strongly pro-natalist, sometimes hostile atmosphere and has earned a certain position of acceptance and credibility in the society. At present, it operates 19 clinics - nine in Kabul and ten in the headquarters town of ten provinces.

In terms of total numbers, its clientele is still modest, about 45,000 women, but there is a steady increase in patronage. Total annual contraceptive visits have increased from 459 in 1347 (1968) to 42,961 in 1352 (1973). The first seven months of 1974 have resulted in 31,771 visits.

AFGA has accomplished this through a limited clinic-based physician-oriented system located in areas of greatest population density.

The AFGA is a voluntary organization with the Ministry of Public Health as its patron. This patronage puts the imprint of Government of Afghanistan approval on its activities. In return AFGA must tread a narrow path to retain governmental approval.

The Ministry of Public Health, six months ago, made a request to AFGA and IPPF to expand contraceptive service clinics so as to place one clinic in each provincial center and include to the extent possible Maternal and Child Health (MCH) services. IPPF agreed to fund the necessary increased personnel for these new clinics (physician, nurse, one family guide per clinic). The MPH was to provide other necessary personnel and facilities on an "as available" basis. The MPH also agreed to take over the functioning system at an unspecified future date.

AID believes that Afghanistan currently has a population problem and that this problem is likely to get worse as the Government provides improved health services. As yet, there is no consensus in the GOA on the desirability of actively supporting the extension of family planning services. But there is a willingness to have AFGA modestly expand service activities to cover all provincial capitals. This approach through AFGA will not

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provide the ultimate solution to the need for better family planning services. On the other hand, the public is responding to the AFGA clinics and a precedent is being established. We believe it is very much worthwhile to expand the AFGA effort to achieve a nationwide distribution of its facilities.

With continued public response it is deemed likely that the Government will overcome its cautiousness. Perhaps with this precedent, it will be possible to provide family planning services throughout the public health system within a few years.

V. RURAL INCOME AND EMPLOYMENT

The GOA is interested in improved small infrastructure -- roads, bridges, and irrigation -- agro-business and regional electrification. USAID believes accelerated development in these areas is necessary to provide increased rural productivity and income. It is in these areas that the USAID hopes to heavily concentrate its assistance activities as the GOA plans and implementation capacity mature.

Until productivity increases in the rural areas, betterment of life can only be accomplished through constant Government intervention to redistribute wealth toward the rural areas. Schools and health centers

are such redistributive efforts which hopefully will lead to increased productivity as well as contribute to an improved quality of life. However, the improved productivity consequences of these projects are likely to be rather small and relatively far into the future.

The Mission would like to engage in assisting the GOA in projects which will more directly and in the nearer term increase productivity and/or income of the common man of the rural areas. But it must be remembered that GOA plans are less well developed in the productivity area and consequently our analysis of possible assistance is less specific.

A. General Sector Comments

Most of the Afghan population lives in the rural area (as high as 90 percent estimated) and most of the rural population lives at near subsistence levels, producing primarily for self-consumption. Consequently, there is at best an extremely limited domestic market for all but a few farm stuffs. Afghanistan is, moreover, roughly self-sufficient most years in foodstuffs (a logical extension of a heavily rural subsistence economy). Even wheat, for which there is a major domestic market, cannot be produced in significantly larger quantities without a disproportionate drop in price (inelastic demand). As a consequence of these conditions, increased agricultural production cannot be readily and profitably marketed in-country.

Afghanistan is, on the other hand, reasonably close to significant external markets -- the USSR, Pakistan and India for basic products; Iran, the Gulf oil states, and even Europe for higher valued crops. Export-oriented, integrated agro-industry holds promise for increased income and employment. More can be grown, higher value crops can be substituted and greater value added through more extensive processing of already grown crops. Moreover, if there is better use of water, there is a considerable potential for both increasing the productivity of land now under cultivation (for example, current rainfed wheat land yields only 25 percent of irrigated land) and for increasing the land under cultivation (estimates of doubling the cultivated area are made). Better technology can be used on most land to significantly increase yields if inputs can be made available and surplus crops transported to market.

As indicated previously, large investments in heavy infrastructure have been made in the recent past and the existence of this infrastructure has caused (it is believed) some increase in rural productivity for a percentage of the rural areas. For example, exports of fruits and nuts by truck have increased significantly in recent years. But to achieve a better spread of development the World Bank and Asian Development Bank

survey teams have advocated that now it is time for Afghanistan to concentrate on more widely dispersed, less costly in terms of scarce capital (especially foreign exchange) infrastructure. Existing basic transport networks are such that with reasonable extensions of feeder roads, options exist for greater spread of increased rural productivity. The Helmand-Arghandab Valley is an excellent case in point where feeder roads have contributed to productivity, much of it for export. Agro-industry productivity increases can be better and more widely achieved as the infrastructure system is extended to more producers.

Similarly, in both old and new irrigation systems, water distribution is very poor, drainage is in some areas inadequately done and ad hoc maintenance is performed which, because of its limited lifetime, results in high cost repeated repairs. Such small scale infrastructural improvements to reach more people appear to be both a means and, to some extent, an end in rural productivity.

Beyond these basic small infrastructure efforts, there is a strong limit on activities to achieve productivity increases (such as agribusinesses) which is the absence of cheap, reliable power. Irrigation opportunities are increased if low-cost power is available to pump ground water or to lift surface water so that total reliance on gravity flow is not

necessary. Rural electrification by providing such cheap power can make rural development activities more likely to succeed.

A relatively prosperous rural area of Afghanistan, the Helmand-Argbandab Valley, will shortly have passing through it a power line capable of serving far more than the existing distribution systems and it may prove feasible to provide relatively low-cost hydroelectric power to rural communities, at least on a trial basis.

In summary, then, we see as the basic productivity opportunities:

- 1) extension of basic roads and irrigation systems to allow and encourage higher productivity
- 2) encouragement of finite, integrated agro-industry opportunities building on the dispersed infrastructure
- and 3) exploration of rural electrification potential.

There are no rural area sector studies of Afghanistan. The World Bank and Asian Development Bank teams have made qualitative surveys and their findings and judgments as well as GOA interests appear consistent with the above project areas. The projects we anticipate assisting will produce benefits worth the investments given the rural situation as it is. They will build on the past investments but will not be critically dependent on concomitant actions in separate projects by the GOA or other donors. No effort will be made to turn the rural system around

by changing basic policies or smashing the major bottlenecks. Given the knowledge of rural Afghanistan now available to planners this appears to be the best approach to improving the lives of the rural population.

B. Rural Works

The medium term objective in this area is to build up an annual capacity to construct rural works projects impacting on two or three percent of the rural population. This will be achieved by funding an increasing tempo of work using the fixed cost reimbursement approach. An immediate objective is to benefit as many people as possible with better rural works, given the GOA's implementation capacity.

The Annual Development Plan for 1353 (1974/75) notes that, "The aim of the community development policy in its final phase is the creation of a sound and desirable economic structure in the villages of Afghanistan.... The motive behind such a policy is the establishment of social justice and the development of the real elements of the economy of Afghanistan.... One of the specific aims of community development is the relative improvement of the conditions of poor villages and regions... with the average development level of the country."

Until recently, relatively little attention has been given by the public sector to improving the basic infrastructure currently in use in the rural

areas. Consequently, most such infrastructure, as it exists, is a product of village self help. Because of limited capital, poor engineering capacity and the difficulty of marshaling and organizing village capability for any but the most short-term stop-gap measures, most village infrastructure is ad hoc, only seasonally adequate or perhaps even with only a one-season lifetime and seldom allows full efficiency even in the best of circumstances. Bridges wash out each year, irrigation diversion dams may have to be replaced one or more times each season, heavy water losses occur in irrigation canals, roads are not open to vehicular traffic much of the year. Short-term investments for ad hoc repairs may be rather small. But cumulative maintenance costs tend to be rather high and losses of production are often major because of inefficiencies and breakdowns.

As indicated in the quote from the 1353 Plan, the GOA is interested in mounting an attack on these small-scale infrastructure needs. USAID proposes to assist by funding a portion of the construction costs of mutually-approved projects. Projects will be selected based on several criteria, the most important of which are:

1. By the end of the third year the accumulated benefit/cost ratio will have to be at least 2 to 1.

2. At least one person will have to be meaningfully and directly benefited for each \$20 of construction input.

3. Projects will have to either be production-oriented such as roads, irrigation, flood control, or health or education oriented.

Public buildings for example are excluded.

4. Projects will have to be technically sound.

Currently, the GOA's RDD has a limited capacity to actually plan and construct such projects. Thus, irrespective of actual construction need, no significant effort can be undertaken until the RDD's capacity is markedly expanded.

An over \$1.0 million grant project over two years is being proposed.

The objectives are to:

1. Prove the Fixed Cost Reimbursement method.

2. Allow the RDD to build up to a meaningful construction capability and habit of accomplishment by doing an increasing tempo of work.

3. Prove the validity of the benefit assumptions.

4. Directly benefit over 50,000 rural residents of Afghanistan.

If the project proves out, the RDD should have an ability to plan and implement projects benefiting about 100,000 persons (1.0 percent of the

rural population) per year at project completion. After that, AID or other donors should consider loan funding a continuation effort which should be a major contribution to the development of the preconditions necessary for a more productive rural sector. Assuming a reasonable growth rate in RDD capacity, targeting on 2 to 3 percent of the rural population per year should be possible in the medium term future.

The UNDP is currently providing technical assistance in rural public works selection, design, and construction, and India is planning on providing advisory services in rural development. How these donors' activities will be coordinated with U.S. assistance is still being worked out and we do not believe there will be any problems in this regard.

C. Small Irrigation System Improvement

Our intent is to develop a project in this area which will contribute to improved utilization of water through better physical systems and perhaps ultimately through better irrigation practices. Such an achievement would improve incomes from existing cultivated areas and make it possible to bring more land into cultivation.

The importance of system rehabilitation and upgrading is recognized in the Annual Development Plan for 1353 which notes that, "In Afghanistan the total area under irrigation is an estimated 2.4 million hectares, but

due to lack of organization in irrigation networks and lack of balance in the utilization of water, about 26 percent of the lands do not come under irrigation every year. For technical reasons the level of effective utilization of the present water resources and irrigation networks is very low.... it is necessary that the irrigational networks should be improved and expanded. Similarly...to the extent possible barren lands should be made ready for cultivation through building up irrigation systems." The above "...constitutes the basis of the strategy of water resources development in the country and the following methods shall be followed: -- To keep a reasonable balance in making investments in the present irrigational networks and to construct large irrigational systems to develop new lands for agriculture." It is projected in the plan that 29,400 hectares (8,000 farms) of land will be improved because of rehabilitation work on the existing irrigation systems in 1974/75. We do not expect that this will happen, but there is encouragement that it might happen in the future.

Afghanistan has a relatively plentiful supply of land, but is terribly short of water. Exclusive of livestock which is raised mainly by dryland grazing, at least 85 percent by value of agricultural production is dependent on irrigation. At least 600,000 hectares^{1/} of land are within the command

1/ Most estimates are substantially larger than this.

area of existing irrigation systems but are not farmed because insufficient water is available. If irrigation water were available so this land could be utilized, it could potentially increase Afghanistan's agricultural production (excluding livestock) by 35 percent and the GNP by up to 12-15 percent. Experience has shown that internal rates of return averaging over 30 percent are possible in system rehabilitation and upgrading.

The RDD has in its plans the intention to upgrade small irrigation systems. However, the RDD's approach is (appropriately) very limited in scope --- primarily limited to very small rehabilitation or improvement efforts. The problem is much larger than that. Often extensive rehabilitation, upgrading of design, construction of major structures and so forth are needed.

Currently, the Department of Irrigation is assigned the task of overall improvements of small irrigation systems. However, the rate of implementation is extremely low. A USAID-assisted project is being proposed similar to that described for rural works above, that is, grant-funding of a couple years' construction effort to establish procedures, build capability, begin to define a sense of accomplishment while completing projects of benefit for a significant number of people. In the longer term, as capability is established, consideration would be given to loan-funding.

Development of a project in this area is proceeding very slowly. However, because of its importance every effort will be made to work out a project to accelerate the rehabilitation and upgrading of existing irrigation systems and perhaps ultimately for working on water control methods.

At the present, the USSR is the only donor with a project that focuses specifically on building and reconstructing small scale irrigation systems although the FRG is focusing on this problem as part of its Pakia project.

D. Agro-Industry

It is hoped to develop a project which will have the purpose of spawning integrated, export-oriented agro-business operations. In this way the problem of improving rural income by directly increasing productivity and employment will be addressed within a manageable framework.

Despite the potential for increased agricultural productivity, attempting to affect production nationwide is very difficult because often the entire (or much of the) system must be changed to achieve benefits for the target group. For example, bringing in additional fertilizer, assuming only that it is used, is very likely to increase agricultural production. At the same time, unless price support, credit, access to fertilizer and other factors are addressed, an increased supply of fertilizer for wheat (given basic

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self-sufficiency and an inelastic demand) will have a tendency to reduce income for the poorer farmers. Thus, the distributional effects may be undesirable if sufficient elements in the system are not addressed. This suggests that an integrated (or total system) approach is necessary to achieve the desired distribution of benefits. Yet, the bureaucracy does not have the capability to simultaneously improve the nationwide agricultural economic/production system as would be required to get the benefits of fertilizer to the poor.

In line with the modest step-at-a-time strategy defined earlier, a concept of a geographically and crop limited integrated agro-business system is proposed. The entire range of elements -- credit, price, ag extension, input supply, marketing, processing, etc. -- will be addressed in microcosm with a system focused on a processing facility.

The intent will be to develop new or upgraded production enterprises which will increase the common man's income by one or more of the following:

1. Increasing production.
 2. Increasing the poor's share of added value.
 3. Offering additional employment opportunities.
 4. Increasing value through better, more extended processing.
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5. Better pricing with improved marketing and transport.

As has been well discussed in numerous surveys by outside experts, there is much room for improvement in all five steps. The problem rather is to devise systems for more closely approximating the theoretically possible situation.

Because of the limited domestic market noted above, this project will give priority attention to export-oriented activities. The immediate aim is to work out a plan for two or three test operations. As guidelines we would be interested in project possibilities with societal benefit/cost ratios (at theoretical capacity) of three or more cumulative within five years of start-up and with spread effects such that at least one job equivalent is created per \$250 capital invested. A job equivalent is a job or the equivalent income increment for persons already working. It is our judgment that by reducing agricultural productivity increase activities in scope to focus on specific crop production/processing in a limited geographic region, the probability of the GOA being able to successfully implement change is reasonably high.

However, the success of the project will depend strongly upon selection of marketable products. Technical assistance by a consultant team probably will be needed to conduct a study identifying 2 or 3 crops

whose production would be attractive to small farmers. The crops will be those having good possibilities for export (through appropriate processing and informed marketing). Recommendations will be made regarding the size and location of the processing plants and how the plants should be equipped, as well as on export markets and the transport mode to be used.

Once promising crops are identified and good production systems specified, the project will undertake 2 or 3 pilot or test operations (grant funded). These will be kept small and will be viewed as learning centers for both the GOA and the farmers. Careful attention will be paid to the distribution of rewards. Once procedures and attitudes are established, a follow-up project (ultimately loan financed) will be addressed.

Although the GOA has not yet marshaled itself to systematically attack this problem, conversations with the Ministry of Commerce have revealed great enthusiasm for USAID support. Larger scale GOA efforts in cotton and sugar have created conceptual precedents for this approach as well as encouraged a belief in its validity. The GOA is in the process of untangling its bureaucratic processes for moving ahead. We believe with the addition to the AID staff of one officer responsible for this area and with appropriate consultancy, the test phase project can be defined

within the next 6 to 12 months. It is this project which will help integrate the rural development efforts in rural works, irrigation, education, and even health.

The UN is supplying technicians to the GOA to assist in developing relatively small export-oriented agro-businesses. Other donors (USSR and PRC) are assisting in the construction of additional textile and ginning capacity, possible addition to sugar manufacturing capacity and silos.

E. Regional Electrification

The GOA is strongly interested in our assisting in "completing", to use their terms, the Kajakai electrical generating/transmission/distribution project. There is considerable pressure not to leave the transmission line hanging in mid-desert, or at the load centers' outer walls. It would appear that the GOA's primary focus is on upgrading and extending the electrical grids now existing in the three population centers of Kandahar, Lashkar Gah, and Girishk. Nonetheless, there is also some interest in bringing electrical service to the rural areas although the strength of this interest is not known.

There is some validity to the concept that the AID project is not a success until the power is brought to the user as the GOA suggests. There is also a considerable excess of power available at Kajakai. The

rural areas of the Helmand-Arghandab Valley, are, it appears, sufficiently densely populated to economically support a backbone electrical distribution system -- if increased agro-industry and ground water utilization and other irrigation uses should be made of reliable electrical power. The proposed study of the Kajakai distribution area will give the GOA the needed information to address expansion of the current distribution systems with other donors.

There are also, as indicated above, a number of good reasons for undertaking a pilot electrical distribution project some place in the Helmand-Arghandab Valley. We believe this possibility should be seriously explored. It would have the value of providing experience in rural electrification at a time when Afghanistan should begin to address how and when it will undertake nationwide electrification. However, final decisions on a pilot project in this area will have to await further expressions of GOA interest. The current tendency is to insist on the following criteria when addressing a possible project:

1. Assured income, from whatever source -- be it charges to users or government taxes -- to permit system maintenance.
2. Wide distribution of services to include at least a significant rural component.

3. Serious addressing of a workable management/administrative system.

If the GOA restricts its interests to simply hardware for strengthening existing distribution systems, it is highly likely that the Kajakai Distribution Area Survey, now planned, will complete the USAID's involvement in Afghanistan's electrical power development.

VI. A SYNOPSIS

During the past year, USAID/A has worked with the GOA in an effort to define a revised set of projects for U.S. assistance, which projects would be consistent with the emphasis of the 1973 FAA. At the same time an effort has been made to devise an approach to assistance which will produce better results than has often been the case in the past.

To date a general agreement has been reached with the GOA on a set of project areas for which USAID assistance is considered desirable. USAID/A believes these project areas are attractive ones in terms of the Agency's new directions and in terms of what is possible in the Afghan milieu.

It will take time, however, to translate this general agreement into a set of implementable projects. As of this writing, a small rural works

pilot effort is nearing completion and a considerably expanded follow-up is being proposed. The rural school system expansion project is nearing the point at which a pilot phase can be undertaken. The AFGA expansion plans have been worked out in sufficient detail to permit writing of a ProAg as soon as project approval is received.

The Basic Health Services project should be ready for the first trial implementation by late fiscal 1975. A team is coming to Kabul in FY 1975 to study Non-Formal Education opportunities, which should lead to some experimental activities in FY 1976.

Agro-Business and Small Irrigation Systems are project areas which will probably not move very rapidly until the USAID project manager slots in these areas are filled. Given staff, we hope to undertake the first phases of these projects in mid to late FY 1976. Regional Electrification remains an uncertainty with different GOA functions having quite divergent views on the subject.

The following chapter outlines our best estimates for completing the program turnaround. It also provides estimates of the expected impact which the projects in the above areas will have when implemented.

CHAPTER 4

Chapter 4

The New Look

In the past year considerable effort has gone into revamping the U.S. development assistance program in Afghanistan to conform it to both the new legislation and to Afghan development realities. This revamping has been a slower process than we would have hoped, but we see no alternative to a deliberate pace which avoids engaging prematurely in project implementation. It will probably take at least another 12 months before all the major elements now being discussed will be fully in the experimental implementation phase, though certain elements will be initiated before then.

L. PROGRAM TURNAROUND

In our program turnaround, ongoing activities not conforming to the Mission strategy are being phased out as rapidly as is feasible. New project development will proceed only as fast as solid projects evolve. We cannot yet be sure how fast this will be. However, given the phaseout schedule we have established for "old look" projects and our current estimates of the time required for project development, we anticipate having the following percentages of our program in the "new

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look" category. (Note: only grant-financed activities are treated below because the annual grant total is fairly constant, varying much less than the annual loan level.)

<u>FY</u>	<u>% of Projects by Dollar Value Conforming to Mission Strategy</u>
1974	30
1975	55
1976	65
1977	85
1978	90

This will mean that the Afghanistan program will, within two years, conform almost fully to the high priority sectors and meet the direct benefit criterion of the new legislation.

The following classification of projects was used to calculate these percentages.

<u>Old Look -- Traditional "Trickle Down" Projects</u>	<u>New Look -- Direct Benefit Projects</u>
National Development Training	Rural Primary Schools Nonformal Education
Financial Administration Improvement	Rural Works
Industrial Development	Curriculum & Textbook (primary only)
Higher Education	Basic Health Center Development (to include Auxiliary Nurse Training, Health Management Advice, and Nutrition)
Statistical Information Systems Dev.	Agri-Business Systems

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Demographic/KAP

Afghan Family Guidance
Association Clinic Expansion

Afghan Fertilizer Co. Management ^{1/}

Regional Electrification

Small Irrigation Rehabilitation

The primary constraints on the achievement of these targets are two: (1) pressure from any of a variety of possible sources to initiate new, or to extend old, non-conforming projects and (2) the speed with which viable new projects can be worked out with the GOA. The former is something that, with self-discipline, is largely under our control and is grounded in a continuing education program for Mission staff and an intra-USG accord on program strategy; for the latter we have only the limited influence of a partner in a multifaceted partnership.

II. PROGRAM IMPACT

The new legislation speaks of direct, meaningful and observable benefits for the common man. We have incorporated these criteria into our strategy. How does our projected program conform? How great will be the impact on the people of Afghanistan? Admittedly we cannot fully answer these rhetorical

^{1/} This project is continued with a shift to grant funding even though it does not fully meet our project guidelines. We believe this is necessary to achieve an orderly phaseout of U.S. assistance and secondly because of the current emphasis on food production regardless of the distribution of direct benefits.

questions. Over the next 6 to 12 months we will refine our knowledge of the expected benefits. Given the information we have now, we foresee the following quantifiable, annual benefits:

FY 1976*

<u>Project</u>	<u>\$ Expended</u> ^{1/}	<u>Estimated Range of Direct Beneficiaries per Year</u> ^{2/}		<u>Amount of Annual Benefit</u> ^{3/}
		<u>Low</u>	<u>High</u>	
Rural Works	350,000	18,000	30,000	\$2 - \$10 per capita
Rural Schools	500,000	11,000	14,000	Better schooling
Curriculum & Textbooks	800,000	140,000	200,000	Better schooling
Basic Health Services	560,000	150,000	200,000	Health Services
AFGA Clinics	200,000	30,000	35,000	Controlled Fertility
	TOTAL	350,000	480,000	

FY 1977

Rural Works	450,000	40,000	40,000	\$2 - \$10 per capita
Curriculum & Textbooks	all	200,000	300,000	Better schooling
Rural Schools	700,000	28,000	33,000	Better schooling
Non-Formal Education	50,000	5,000	10,000	Practical knowledge
Basic Health Services	800,000	340,000	450,000	Health Services
AFGA Clinics	200,000	25,000	32,000	Controlled Fertility
Agro-Business Systems	300,000	7,000	12,000	\$12 - \$18 per capita
Small Irrigation	200,000	5,000	7,000	\$2 - \$6 per capita
	TOTAL	650,000	910,000	

FY 1978

TOTAL 850,000 1,100,000

FY 1979

TOTAL 1,000,000 1,300,000

* See the end of this chapter for the definition of these terms and how the estimates were computed.

By 1979 if all projects go well, an estimate of 1,000,000 persons directly benefited by USAID-assisted projects annually appears reasonable. This constitutes almost 10 percent of the rural population. The amount of the benefit per recipient is not quantifiable for all projects, but we believe in each case the benefits are meaningful. Health and education services are valued and although we cannot at this time quantify their impact, it appears thoroughly justified to call the benefits meaningful. For the projects in which quantifiable economic benefits can be estimated, the results appear encouraging. Estimated annual per capita income in the rural areas is no more than \$35 - \$45. Benefits in rural works, agro-industry and irrigation are estimated at from \$2 to \$18 per beneficiary which is several percent of current average income, a meaningful increase. The estimation procedures, although the best we can devise, may well be too optimistic. Nonetheless, it appears reasonable to state that the amount of the benefit will be meaningful to the recipient.

If these plans materialize, USAID/A will have achieved a new look program by FY 1976. The results of such a program will be an annual impact on about 10 percent of the rural population of one or more activities each of which will be meaningful in its own sphere.

Explanation of Tabular Materials

1/ "Dollar Expended" is defined as resources reaching targeted beneficiaries in a direct fashion, e.g., structures built and used, services and commodities supplied. Under this definition "overhead costs" such as technical advisors and participant training are excluded.

2/ Beneficiaries are computed in a variety of ways depending on the project. In primary education beneficiaries are estimated based on students per school facility; in health, beneficiaries are estimated by projecting annual visit rates in currently operating centers; rural works beneficiaries are those directly using a bridge or receiving better irrigation water supplies; etc.

3/ Economic benefits are very crude estimates based on benefit/cost calculations and number of beneficiaries.