



Country Partnership Strategy

Counter-Narcotics Mainstreaming in ADB's Activities in Afghanistan, 2002-2006

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David Mansfield, ADB Staff Consultant

This document is part of a series of background assessments, diagnostics, and discussion papers commissioned by the Asian Development Bank (ADB) to underpin the development of its new Country Partnership Strategy (CPS) for Afghanistan.

The findings, opinions, and recommendations contained in this document may not reflect those of the Asian Development Bank, but are shared to generate stakeholder comment and overall input into the CPS process.

Such comment is welcomed by ADB, and can be sent to: gcurtis@adb.org

EXECUTVE SUMMARY

The illicit drugs issue continues to represent a significant threat to political, security and development investments in Afghanistan. Currently, it is estimated that 165,000 hectares of opium poppy were grown in Afghanistan in 2006, producing an estimated 6,100 metric tons (mt) of opium. The revenues generated by the drugs industry alone were estimated at US\$ 3.1 billion in 2006, the equivalent of 46% of Afghanistan's Gross Domestic Product. Drug use is also on the increase with UNODC estimating that there were as many as 920,000 drug users in Afghanistan, of which 200,000 were reported to be regular users of opiates in the form of either opium or heroin.

The widespread cultivation of illicit opium poppy typically suggests that there are severe structural problems with economic development and governance within a region or country. In Afghanistan opium poppy plays an important role in rural livelihoods strategies providing access to land, credit and both on and off-farm income for the rural population. The income generated by the production and trade in opium also has a multiplier effect throughout the rural economy and depending on the assets a household have at their disposal and the level of their involvement in the opium economy provides the funds for investments in both luxury goods and basic needs.

However, the absence of viable legal livelihoods leaves many parts of the country dependent on opium production and vulnerable to inequitable land tenure and credit arrangements, as well as exploitative terms of trade. Opium production typically fuels inflation driving up agricultural rents, wage labour rates and crowds out legitimate private sector investments. The revenues generated by the trade exacerbate the corruption that is already considered endemic within the country and creates alliances between drug traffickers and ant government elements neither of whom have an interest in a strong central state in Afghanistan.

'Quick fixes' to this problem are not available. Many of the 'magic bullets' presented by various policy groups and think tanks, such as legal cultivation, crop buy-out and subsidies, flounder on the absence of the necessary prerequisites for their successful implementation. The Government of Afghanistan does not have the institutional capacity or sufficient control over the countryside to implement these options. Without the preconditions of governance and security attempts to buy-up the opium harvest for either destruction or legitimate medical use would simply result in the trafficker and the state competing for the crop, driving up farm gate prices and increasing the level of cultivation in subsequent years. Similarly a mechanism aimed at subsidizing legal crops so that they can compete with the economic returns on opium poppy would prove impossible to implement in the current environment and would not prevent farmers continuing opium production. Were the necessary conditions in place for these schemes to be successful it is most unlikely that there would be such a significant trade and cultivation in Afghanistan in the first place.

The Government of Afghanistan has recognised the importance of the counter narcotics issue and that there is no simple solution. It has also recognised that no single project or 'alternative livelihoods' programme can address the multiple factors that have led to the expansion of opium poppy cultivation in the country and that a more concerted and comprehensive effort is required. It is increasingly recognised that it is the combination of governance, security and economic growth that will deliver the development impact required to increase household access to assets and reduce overall dependency on opium poppy cultivation. Consequently, counter narcotics has been made a cross cutting issue under the Interim Afghan National Development Strategy (IANDS) and the NDCS calls for counter narcotics policy to be mainstreamed in both national and provincial plans and strategies.

There is a range of government activities that are designed to directly tackle the narcotics issue in Afghanistan. These include law enforcement efforts, such as support to the Counter

Narcotics Police of Afghanistan (CNPA) and the specialist interdiction unit, the Afghan Special Narcotics Force (ASNF), institutional strengthening for the MCN, or demand reduction efforts through the Ministry of Public Health. However, there are other interventions that are not specifically aimed at reducing the production, trade or consumption of illicit drugs in Afghanistan but can nevertheless contribute to delivering drug control outcomes.

The overall objective mainstreaming is to ensure that, where relevant, development programmes address the causes of the illicit drug problem in Afghanistan. At the highest level of application, “mainstreaming” will ensure that each development programme is designed and implemented in such a way as to maximise its potential impact on containing production, trade, and consumption of illicit drugs in Afghanistan. At minimum, mainstreaming will help ensure that projects or activities do nothing to exacerbate the existing drugs problem. Effective mainstreaming will help to include elements within development activities that target specific areas in which opium poppy is grown or target those socio-economic groups that are most dependent on opium poppy as a source of livelihood, but also will help build synergies with other activities that might maximise both development and counter narcotics impact.

Both national and international actors that have taken a proactive stance on mainstreaming counter narcotics into their programmes. For example, a number of line ministries within the GoA have already taken up the mantle: the Ministry of Rural Rehabilitation and Development (MRRD) is developing a strategy document to outline the role its National Programmes can best play in delivering drug control outcomes; the Ministry of Agriculture Animal Husbandry and Food (MAAHF) has obtained technical support to integrate the counter narcotics issue into its development programmes through a DFID-funded FAO Programme; and the Ministries of Public Health and Education have already made some early forays into exploring how their respective national programmes might contribute to education and prevention in the area of problem drug use.

Donors such as the European Commission and the UK government have also been supportive of efforts to integrate counter narcotics as a cross-cutting issue in both GoA and bilateral planning, lending technical support on occasions. The World Bank has produced analytical work to explain the interlinkages between security, governance, economic growth, and the drugs issue, as well as commission technical support to mainstream the drugs issue into the design and implementation of a number of the national programmes it oversees. Most recently, it has synthesized its work on mainstreaming counter narcotics into “Guidelines for Treating the Opium Problem in World Bank Operations in Afghanistan”. These Guidelines are to be used for screening all World Bank activities, including both operations and analytical and advisory work, to ensure that the counter narcotics issue is treated consistently and in a way that can make the maximum contribution to overall counter narcotics efforts.

However, despite this progress, and whilst mainstreaming counter-narcotics into development programming is Government policy and is viewed as intuitively correct by many in the development community, operationalization and delivery has been disparate and slow given the scale and nature of the drugs problem in Afghanistan.

The overall picture with regards to the integration of CN analysis and objectives into ADB projects is one of – at best -- inconsistency. Typically, Counter Narcotics is mentioned in the background section of TA, project and consultant terms of reference, but is subsequently not explored in any real depth in either the ensuing PPTA report or in project design. Typically analysis of the drugs situation is descriptive and there is little context in relation to the complex role that opium poppy plays in rural livelihoods strategies in Afghanistan and how this differs by socio-economic group. Despite clear interlinkages between ADB’s key sectors of work, particularly transport and natural resource management, the drugs issues generally has not been addressed or otherwise factored into programme design.

As a result, the likely impact (both positive and negative) an ADB-financed intervention might have on the Government's counter narcotics efforts is typically not considered and the failure to include CN integrated indicators into project design and monitoring frameworks means that a project's impact on counter narcotics is likely to go unnoticed during project monitoring and evaluation. The failure to by ADB to assess the likely impact of its interventions in Afghanistan on counter narcotics has meant that some of ADB's investments to date do not comply with the "does no harm" principle. There also is the strong likelihood that some ADB projects may inadvertently exacerbate Afghanistan's drugs problem.

A. Recommendations

Increasing engagement within ADB

To ensure that the Counter Narcotics issue is explicitly addressed in ADB's Afghanistan programme there is a need to formalize its inclusion as a cross cutting issue. This will require:

- Including counter-narcotics as a distinct category in the Summary of Initial Poverty and Social Analysis under the section "**Social Safeguards and other Social Risks**".
- **Including technical assistance on CN** for the design and implementation of projects where the impact on the production, trade, or consumption of illicit drugs is likely to be significant.
- Ensuring that **a member of staff within AFRM is tasked** with responsibility for briefing all visiting Missions on the counter narcotics issue. This staff member would need to be skilled-up in drugs and counter narcotics issues.
- **Training of both AFRM and HQs-based staff** to ensure that they understand the nature of the drugs problem in Afghanistan, as well as the process and substance of mainstreaming Counter Narcotics into ADB programmes.
- **Partnering with other interested donors** in the adoption of joint Guidelines for Mainstreaming Counter Narcotics.
- AFRM "educating" ADB's Executive Board, Management, and staff working on Afghanistan about the importance of CN in relation to Afghanistan's further reconstruction and development.

Increasing CN engagement in those sectors where ADB has a leading role

ADB should take a **more proactive position on counter narcotics in those sectors where it has a lead role**. Natural Resource Management and the Transport sector are clearly areas that can have a significant impact (both positive and negative) on counter narcotics. This would include:

- ADB, together with the sectoral line ministries, needs to give more attention to counter narcotics issues. At least initially, priority should be given to including **CN within the TORs for planned project** development.
- AFRM reviewing TORs to ensure that CN is adequately covered. Annex 1 outlines possible **CN entry points** in the main sectors of ADB engagement.

Increasing engagement with other donors

There is a real appetite and need for closer cooperation among donors on effective mainstreaming of CN. This would include:

- Consolidating the findings of counter narcotics reviews that have been undertaken of programmes by key donors (e.g. EC, World Bank) and exploring areas for further joint efforts such as the development of **toolkits and training programmes**.
- Promoting discussions around the new **World Bank Opium Mainstreaming Guidelines** as a basis for agreeing common terms and approaches.
- Joining with other donors in the establishment of a small **informal donors group on mainstreaming CN** that would include EC, the World Bank, USAID and ADB.

II. INCREASING ENGAGEMENT WITH THE GOA ON CN

Despite the cross cutting status the Government has accorded to counter narcotics in the IANDS, to date line ministries and the Ministry of Finance have not given sufficient emphasis to Counter Narcotics. ADB can:

- Remind the GoA of the government's policy position on mainstreaming CN in its **ongoing dialogue with line ministries**.
- Consider how the CN issue and the importance of developing the appropriate **interlinkages with other sectoral interventions** (so as to at least comply with the principle of "do no harm" and at best to maximise CN impact) might be built into project design as well as with respect to ADB's overall program in Afghanistan.

1. INTRODUCTION

This paper was prepared as one of several background diagnostics and assessments for the Asian Development Bank's (ADB) country partnership strategy (CPS) process in Afghanistan.

The paper provides an overview of the narcotics production and trafficking problem in Afghanistan as well as efforts underway to maximize the impact of development activities on counter narcotics objectives. It focuses on efforts to integrate counter narcotics analysis and objectives into conventional development programmes and the policy framework for this process, known as mainstreaming. The paper outlines some of the major policy issues that impact on the mainstreaming agenda, including continuing confusion over the "alternative livelihoods" concept or approach. The paper also reviews the current ADB programme in Afghanistan from a counter narcotics perspective and assesses how ADB projects and programs might better contribute to the Government of Afghanistan's (GOA) counter narcotics effort. Finally, the paper provides a number of recommendations as to how ADB might better equip itself so that the drugs issue can be dealt with in a consistent manner across its programming in Afghanistan, as well as in its policy dialogue with the GoA.

2. The Scale and Nature of the Narcotics Problem in Afghanistan

2.1 "Facts" and Figures

To many, Afghanistan has become synonymous with opium production. The United Nations Office on Drugs and Crime (UNODC) estimates that 87% of the world's production of opium comes from Afghanistan. In 2006, 165,000 hectares of opium poppy were grown in Afghanistan up from 104,000 hectares in 2005.¹ Total production was estimated at 6,100 metric tons (mt) of opium, the equivalent of 610 mt of heroin,² and the revenues generated by the drugs industry in 2006 were estimated at US\$ 3.1 billion, the equivalent of 46% of Afghanistan's Gross Domestic Product. This compares with development assistance of 2.2 billion in 2004.

Whilst the area under opium poppy is reported to have fallen by 21% between 2004 and 2005 due to a combination of falling opium prices (due to record production in 2004) and the GoA's concerted actions in key provinces, a 58% increase in the level of cultivation occurred in 2006. The result is an unprecedented level of cultivation for Afghanistan of 165,000 hectares.

This increase is largely due to dramatic increases in production in the southern provinces of Helmand (accounting for 70% of the increase), Oruzgan, Dai Kundi and Zabul – not coincidentally, all provinces where security is poor, with significant Taliban and other anti-government element (AGE) activity. These four provinces were responsible for 92% of the increase between 2005 and 2006 and when combined with the other southern provinces of Qandahar and Farah make up 66% of total opium cultivation in 2006. In other provinces like Nangarhar, where cultivation fell by 96% between 2004 and 2005 due to the efforts of the local authorities, there is evidence that cultivation has increased in the more remote areas (to 4,872 ha) but has remained negligible in those areas nearest the provincial centre where households are investing in a range of different licit income streams.

¹ The United States Government (USG) also produces estimates of the extent of opium poppy cultivation in Afghanistan. These figures have generally differed from those of UNODC. The USG estimated that 107,400 hectares were grown in Afghanistan during the 2004/05 growing season, increasing to 172,600 ha in 2005/06.

² This works on the standard conversion rate that assumes that 10 kg of opium are required to produce 1 kg of heroin. Heroin production requires a range of different chemicals, none of which are produced in Afghanistan, including calcium hydroxide, ammonium chloride, hydrochloric acid, acetic anhydride and sodium carbonate. According to UNODC the price of 1 kilogramme of heroin in Afghanistan was US\$ 2,600 in April 2006. In the United Kingdom the street price of heroin was US\$ 75 per gram in June 2005.

UNODC reports that over the last decade opium poppy cultivation has spread from core areas such as the provinces of Helmand, Nangarhar, Kandahar, Uruzgan and Badakhshan. Consequently whilst opium poppy was cultivated in only 8 provinces in 1994, it was grown in all 34 provinces by 2004. There was some retraction in 2005 with cultivation reported in only 26 of the 34 provinces but in 2006 small amounts of cultivation were once again detected in Parwan, Khost, and Kabul (whilst Wardak became “poppy free”). Currently the top seven opium producing provinces (Helmand, Badakhshan, Qandahar, Uruzgan, Farah, Balkh, and Dai Kundi) are responsible for 77% of total opium poppy cultivation in Afghanistan.

The coincidence of growing insecurity in the southern region and increasing levels of opium poppy cultivation this year highlight the fact that opium poppy is a low risk crop in a high risk environment. It can generate relatively high revenues for farmers but its main attraction lies in the fact that the market for opium functions in remote areas with limited physical infrastructure and where insecurity often prevails. The same cannot be said for the markets for other agricultural crops grown in Afghanistan.

The widespread cultivation of illicit opium poppy typically denotes that there are severe structural problems with governance within a region or country. It is certainly the case that corruption is endemic within Afghanistan. Indeed, it can be argued that corruption is pervasive, and not just related to the illicit drugs industry but associated with the trade and delivery of both public and private goods. Indeed, in many parts of the country the markets for basic agricultural commodities such as vegetables, fruit and livestock are dominated by local and regional powerbrokers that use the threat of violence to extract higher returns or bribes. The higher margins that can be earned from involvement in the illicit drugs industry strengthens the hand of these forces, further fueling corruption while at the same time undermining the state building process.

An aspect of the production and trade of illicit drugs often neglected in Afghanistan is that of problem drug use. In 2005 UNODC estimated that there were as many as 920,000 drug users in Afghanistan, of which 200,000 were reported to be regular users of opiates in the form of either opium or heroin. Injecting drug use is also reported to be a relatively common phenomenon amongst both heroin and pharmaceutical users with evidence of sharing needles and the concomitant risk of blood borne infections such as HIV/AIDS, syphilis and hepatitis B and C.³ The regional dimensions of the drug problem are highlighted by the incidence of opiate use in Pakistan and Iran, estimated to be 0.7 million and 1.2 million respectively.⁴

2.2 The Role of Opium Poppy in Afghanistan’s Rural Economy

The phenomenon of opium poppy cultivation and its key function in the rural economy has particular resonance in discussions amongst the development community in Afghanistan. As opposed to other illicit drug producing countries opium poppy is not restricted to the marginal “borderlands” in what is often contested territory, it is grown in some of the more accessible and fertile parts of the country. For some, the presence of the crop in these areas is one of the most vivid illustrations of both the scale of Afghanistan’s drugs problem and how weak the state has become after 25 years of conflict.

It is certainly the case that in Afghanistan’s current economic and political climate there are distinct advantages to cultivating opium poppy. As noted above, opium poppy is a low risk crop in a high risk environment. Opium is a high-value, low-weight commodity for which there is a steady demand. Opium poppy is so well suited to Afghanistan’s climatic conditions that it produces yields of opium and morphine that are higher than the global average and

³ UNODC report that 15% of the 50,000 people it estimates to be using heroin in Afghanistan inject the drug intravenously. UNODC/MCN Drug Use Survey 2005. Kabul: UNODC.

⁴ See UNODC World Drug Report 2006: Volume 1 Analysis. United Nations, Vienna. Page 74.

maximizes returns on scarce irrigation water. There are sufficient returns at each stage of the supply chain and, despite Afghanistan's fractured infrastructure; there is a well-linked market in terms of credit, purchase, transport and processing. Some estimates suggest that as many as 5.6 jobs are created in the rural non-farm economy for every hectare of opium poppy cultivated.⁵

The traditional credit system, known as *salaam*, which provides an advance payment on a future crop, has increasingly favoured opium poppy cultivation over other crops. In areas where opium poppy cultivation has become entrenched, access to credit is dependent on a farmer's willingness to cultivate opium poppy. The willingness and possession of the requisite skills to cultivate opium poppy has increasingly determined sharecroppers' access to land, and the rental value of land is determined by potential opium yield rather than wheat productivity. Under such conditions there is no other crop or activity that can provide the same range of benefits, and when cultivation declines or is suppressed, the opportunities for on-farm income will also decline, driving people off the land, or forcing them further into poverty.

It is critical to recognise, however, that the economic advantages associated with cultivating opium poppy differ according to the assets that farmers have at their disposal. For the relatively few large landowners, opium poppy represents a high-value crop that can accrue even greater value if it is sold after the harvest season when prices rise. Through inequitable land tenure arrangements, a landowner can accrue up to two thirds of the final opium yield (despite contributing only 20 percent of the total costs of production) and purchase opium in advance at rates considerably below the harvest price. This can lead to the generation of windfall profits.

The situation of the land poor is quite different. For this group, opium poppy is not just a source of income: it provides opportunities to access land on a sharecropping or tenancy basis and provides access to both on-farm income and, in the typical mixed cropping system practiced in Afghanistan (even amongst opium poppy growers), the means of producing food crops for household consumption. In this way, opium can define the "creditworthiness" of the land poor. Without it, access to basic food items, agricultural inputs and funds for health care or other household expenditures becomes severely constrained.

Opium poppy cultivation also creates a demand for itinerant labour to weed and harvest the crop. Based on UNODC's estimate that 104,000 hectares of opium poppy were cultivated in the 2005/06 growing season, the crop would have generated approximately 57.75 million labour days of which potentially one third would have been for hired labour. Where a household has more than one male able to follow the staggered weeding and harvesting seasons, the off-farm income generated from opium poppy can last up to five months, and it is usually higher than the on-farm income they might earn as sharecroppers. Daily wage labour rates in districts such as Achin in Nangarhar province have reached as high as US\$ 8 during the harvest season in 2006 compared to US\$ 2-3 for labouring on legal crops in the same area.

Given the different roles that opium poppy plays within household livelihood strategies, replacing only one of these, such as access to income, credit or food security, with a licit alternative will not be sufficient to eliminate opium poppy on a sustainable basis. There are no short cuts. If opium poppy is to be eliminated, even over a small geographic area, a broad-based and multi-sectoral effort is required over a number of years. This, though, provides a daunting challenge for the Government as well as its donor partners.

⁵ John W. Mellor "Poppies and Agricultural Understanding Rural Livelihoods and Addressing the Causes of Development in Afghanistan", USAID/RAMP Project, Afghanistan, presentation at the World Bank South Asia Rural Development Forum. Afghanistan. Kabul, 3 March 2005.

3. The Response to the Problem

3.1 The Government of Afghanistan

On 17 January 2002, in the initial year of the Interim Administration, a decree banning the cultivation, use, production and trafficking of illegal drugs was issued. On 3 April 2002 a further decree on eradication was issued, followed by another decree on 4 September calling for the continuation of an opium poppy ban for the 2002/03 growing season.

An initial Afghan Counter Narcotics Strategy (ACNS) was promulgated in May 2003. It outlined the difficult nature of the task facing Afghanistan and recognised the delicate balance required between drug control and the state building agenda if the country was not to face economic and political instability. It argued that eradication should be pursued where “rural reconstruction has already produced tangible results and alternative livelihoods are sufficiently available”.⁶

After his inauguration in December 2004 President Karzai established a Ministry for Counter Narcotics (MCN) that took on the functions of its predecessor the Counter Narcotics Directorate, with overall responsibility for the development, coordination, and monitoring and evaluation of the Government’s counter narcotics strategy. A deputy Minister for Counter Narcotics in the Ministry of Interior was created to specifically address drug law enforcement issues, including eradication and interdiction. A Counter Narcotics Implementation Plan (CNIP) subsequently was developed for 2005.

In January 2006 the initial strategy was superseded by the “National Drug Control Strategy (NDCS): An Updated Strategy Five Year Strategy for Tackling the Illicit Drug Problem”. The overall goal of the NDCS, to achieve a sustained and significant reduction in the production and trafficking of narcotics with a view to complete elimination, also is enshrined in the Afghanistan Compact.⁷

The strategy broadly contains the same strands of activities (or “pillars” as they are now known) as the CNIP: (i) Public Awareness; (ii) International and Regional Cooperation (iii) Alternative Livelihoods; (iv) Demand Reduction; (v) Law Enforcement (vi) Criminal Justice; (vii) Eradication; and (viii) Institution Building. These pillars are grouped the following four national priorities:

- **Priority One:** Disrupting the drugs trade by targeting traffickers and their backers and eliminating the basis of the trade
- **Priority Two:** Strengthening and diversifying legal rural livelihoods
- **Priority Three:** Reducing the demand for illicit drugs and treatment of problem drug users
- **Priority Four:** Strengthening state institutions both at the centre and in the provinces

The MCN has the responsibility for driving the process of implementation of the NDCS with those line ministries responsible for implementation. It has begun a process of establishing working groups with relevant line ministries and donors to undertake this work. The MCN also has responsibility for assisting line ministries in ensuring that their various activities and development programmes address the causes of opium poppy cultivation. As yet it is unclear how these implementation plans will subsequently relate to the delivery of the four priority objectives.

To further support the implementation of the NDCS a Counter Narcotics Trust Fund (CNTF) was established in mid 2005 with oversight by the United Nations Development Program (UNDP). Key donors to the Fund have included the United Kingdom (US\$ 50 million), the European Community (US\$15 million) and the Government of Japan (US\$ 5 million). Line

⁶ The Afghan Counter National Drug Control Strategy. Counter Narcotics Directorate May 2003

⁷ ‘The Afghanistan Compact: Building on Success’, London 31 January – 1 February. p.15.

ministries are able to draw on the Fund to support each of the different pillars of the NDCS strategy to supplement existing programmes or to fill identified gaps.

A Criminal Justice Task Force was also established in 2005 to fast-track CN cases within the criminal justice system. In parallel, President Karzai established the Kabul Primary Court and the Kabul Appeals Court to deal with significant drug offenders.⁸

Responsibility for counter narcotics policy resides with the Cabinet Sub-Committee on Counter Narcotics chaired by the Counter Narcotics Minister. The Sub Committee consists of Ministers from key line ministries including Finance, Rural Reconstruction and Development, Agriculture, Public Works, and Interior and was established in 2005. As of 2006 the Sub Committee has been increasingly chaired by the President.

3.2 The Donors

As agreed by the Group of 8 in 2002 the United Kingdom assumed "lead nation" role in coordinating the international effort on counter narcotics in Afghanistan. Under the Afghanistan Compact this role has now become one of "partner" supporting the GoA in its CN efforts.

The UK helped the GoA develop the NDCS and allocated £70 million between 2003-2006 to assist in the strategy's implementation. It has a dedicated team in Kabul (the British Embassy Drugs Team) and in London (the Afghan Drugs Inter Departmental Unit) that work on both the policy and delivery side of each of the different strands of the strategy.

The UK is funding interventions in each of the different strands of the NDCS in particular, interdiction through heavy investment in the Counter Narcotics Police Agency, the establishment of a Criminal Justice Task Force, institution strengthening of the new CN Ministry and in rural livelihoods. The UK has been one of the main advocates of mainstreaming CN objectives into reconstruction and development plans. DFID has invested in interventions aimed at strengthening and diversifying legal rural livelihoods in Badakhshan province, and more recently has made a £30 million investment in Helmand province aimed at improving the delivery of national programmes in the province between 2006 and 2009. DFID also supports a range of other interventions aimed at strengthening and diversifying legal rural livelihoods including two programmes implemented by the Food Agricultural Organisation. The UK's total contribution to strengthening and diversifying legal livelihoods is £130 million over three years. In addition, the UK Government is by far the largest contributor to the Counter Narcotics Trust Fund.

From Financial Year (FY) 2002 to FY 2004 the United States Government committed around US\$ 470 million on Counter Narcotics in Afghanistan. By FY 2005 the annual budget had risen to US\$966.19 million of which US\$350 million went to Department of State, US\$ 345 million to USAID, and US\$ 260 million to the Department of Defence. The remaining funds went to the Drugs Enforcement Agency (DEA). Funds for FY 2006 were US\$ 434.10 million of which US\$ 235 million went to State.

In FY 2005 USAID allocated approximately US\$ 40 million to alternative livelihoods projects, mainly cash for work, aimed at meeting the shortfall in income created by the GoA's efforts to reduce opium poppy in the 2004/05 growing season. A further US\$ 300 million was budgeted for alternative livelihoods programmes in Nangarhar, Badakhshan and Helmand provinces. The US has also placed "alternative livelihoods advisers" into the office of the governor in each of these provinces to support the Poppy Elimination Programme. USAID has included provision for making its assistance conditional on an area reducing the level of opium poppy cultivation. Where reductions do not occur, US assistance subsequently can be withdrawn.

⁸ A significant drug offender is defined as someone involved in smuggling more than 2kg of heroin, morphine or codeine, more than 10 kg of opium and more than 50 kg of hashish.

From 2004 the USG has funded the establishment of a manual eradication force within the Ministry of Interior. By 2006 what was the Central Poppy Eradication Force (CPEF) became known as the Afghanistan Eradication Force (AEF) and was provided with funding for the necessary air support to facilitate greater mobility. The responsibility for this programme lies with the contractor that conducts aerial eradication in Colombia. The USG and UK also jointly fund the Poppy Elimination Programme, which is undertaken in twelve of the key opium producing provinces. This programme is aimed at mobilising the provincial authorities to dissuade farmers from planting opium poppy through public awareness campaigns and to encourage governors to support eradication where cultivation persists.

The European Commission (EC) is the second largest donor to Afghanistan and is already investing in a number of programmes that are critical to both Afghanistan's future stability and development, including the achievement of counter narcotics objectives. The EC has made investments in the security sector (€ 65 million), including the payment of police salaries and the reform of the Ministry of Interior, which are seen as integral to extending the writ of the state, reducing corruption and building respect for the rule of law. The European Commission also is at the forefront of the rural livelihoods agenda (over €100 million in 2005), investing in a number of strategic interventions aimed not only at contributing to improvements in the lives and livelihoods of the rural poor but shaping policy in a number of sectors that are key to the country's future development, including irrigation, livestock and horticulture. Investments in programmes such as the National Solidarity Programme (€25 million) have helped extend provision of basic services and establish mechanisms for greater dialogue between village, district and provincial tiers of government. EC support for the rebuilding of primary trunk roads in Nangarhar (€ 90 million) will not only extend state presence but will reduce the transportation costs of licit goods.

Aside from this core development work primarily aimed at reducing poverty, improving security and strengthening the role of the government, the European Commission is engaged in specific Counter Narcotics work in Afghanistan at both the programme and policy level. In the eastern region (Nangarhar, Laghman and Kunar) the European Commission is funding the Project for Alternative Livelihoods (PAL) at a cost of around € 20 million. This is a pilot programme that will assist in building the capacity of the local authorities at the provincial and district level to respond to the development priorities in their area particularly the problem of illicit opium poppy cultivation. The European Commission is also investing € 3 million in UNODC's project aimed at strengthening Afghan-Iran Drug Border Control and Border Cooperation.

The World Bank is one of the main protagonists in pushing for counter narcotics objectives to be included in development assistance in Afghanistan. Through a number of policy papers the World Bank has outlined how various interventions might be sequenced.⁹ The Bank has advocated an approach that initially targets the traffickers and traders who benefit most from the trade and have greater capacity to threaten the authority of the state, while at the same time improving the lives and livelihoods of the rural population. The World Bank has urged caution in pushing an eradication-led approach, suggesting that such an emphasis would have a destabilising effect both on the economic and political situation in the country.

Since 2002 the World Bank has financed 21 projects committing US\$1.13 billion of which US\$ 696.8 million was in grants and US\$436.4 was in interest free credits. For FY 2007

⁹ World Bank. Afghanistan: Poverty, Vulnerability and Social Protection: An Initial Assessment. Human development Unit, South Asia Region, June 2005. pages 15-19; World Bank Country Study. Afghanistan – State Building, Sustaining Growth and Reducing Poverty. February 2005. Chapter 7, pages 111-130; 'The Role of Opium as a Source of Informal Credit in Rural Afghanistan' in Rural Finance in Afghanistan and the Challenge of the Opium Economy. ed. by Ward. C. et al. World Bank South Asia Region, Prem Working Paper Series, Report No. SASPR-9. World Bank: Washington D.C. Christopher Ward and William Byrd 'Afghanistan's Opium Drug Economy'. December 2004 World Bank South Asia Region PREM Working Paper Series, Report No. SASPR-5.

(June 2006 to June 2007) the World Bank has committed a further US\$ 267 million. The Bank's programmes mostly support rural livelihoods and include many of the National Priority Programmes being implemented through the Ministry of Rural Reconstruction and Development, including the National Solidarity Programme (NSP), the National Rural Access Programme (NRAP), the Micro Finance Investment and Support Facility for Afghanistan (MISFA).

In August 2006 the World Bank issued Opium Mainstreaming Guidelines for World Bank-supported activities in Afghanistan (see Section 4.3). Discussions are now underway among several donor partners, including ADB, to the joint adoption of similar guidelines.

UNODC continues to provide an annual assessment of the level of opium poppy cultivation in Afghanistan. In addition, UNODC supports a number of initiatives that focus on law enforcement and justice as well as a project in Demand Reduction. UNODC also implements a project aimed at rehabilitating a section of Pul-e-chawki prison for the incarceration of drug traffickers. UNODC has a number of advisers in Kabul, particularly in the Justice Sector but also in Demand Reduction and Regional Law Enforcement; it also provides the Ministry of Counter Narcotics with an "alternative livelihoods adviser".

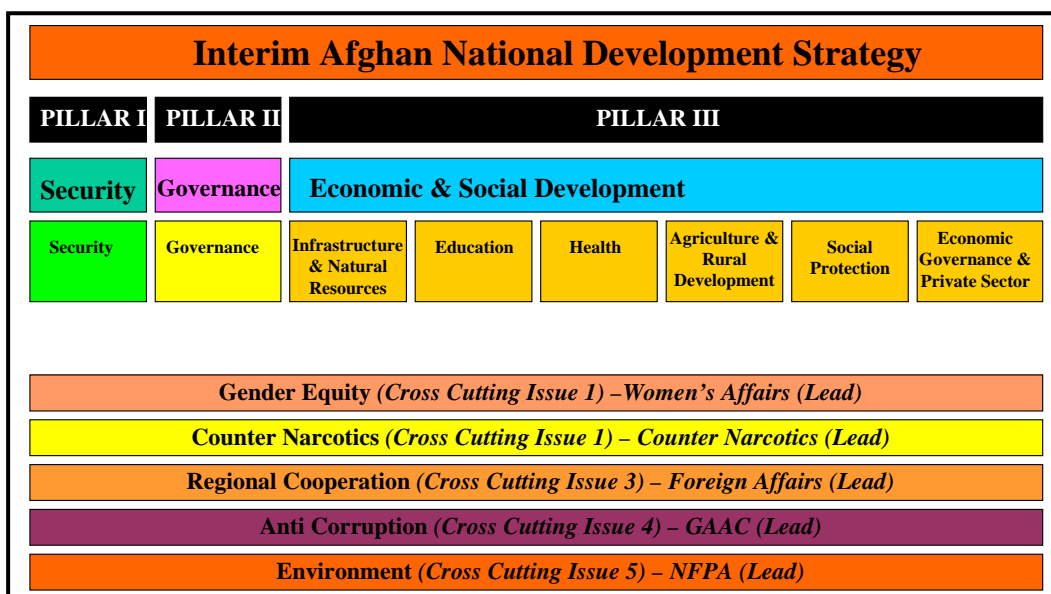
4. MAINSTREAMING COUNTER-NARCOTICS INTO DEVELOPMENT PROGRAMMING

4.1. Mainstreaming: Its Status within The National Policy Framework

The Government of Afghanistan has recognised the importance of the counter narcotics issue within its national planning processes. It has also recognised that no single project or programme can address the multiple factors that have led to the expansion of opium poppy cultivation in the country and that a more concerted and comprehensive effort is required. Consequently, counter narcotics has been made a cross cutting issue under the Interim Afghan National Development Strategy (IANDS) and the NDCS calls for counter narcotics policy to be mainstreamed in both national and provincial plans and strategies.¹⁰ The MCN has lead responsibility for supporting such efforts.¹¹

¹⁰ *'...it is crucial that counter narcotics is fully integrated into the broader national development agenda as set out in the National Development Strategy and the Government Security Sector Reform programmes laid out in the National Security Policy' (page 7) 'The Government's CN policy must occur within the context of a broader stabilization process. CN policy must therefore be mainstreamed, that is included, and facilitated in both national and provincial plans and strategies.'* (page 15) Ministry of Counter-Narcotics. 'National Drug Control Strategy: An Updated Five Year Strategy for Tackling the Illicit Drug Problem'. Kabul, January 2006.

¹¹ Ibid. Page 6



4.2 Mainstreaming: What is it?

There is a range of government activities that are designed to directly tackle the narcotics issue in Afghanistan. These include law enforcement efforts, such as support to the Counter Narcotics Police of Afghanistan (CNPA) and the specialist interdiction unit, the Afghan Special Narcotics Force (ASNF), institutional strengthening for the MCN, or demand reduction efforts through the Ministry of Public Health.

However, there are other interventions that are not specifically aimed at reducing the production, trade or consumption of illicit drugs in Afghanistan but can nevertheless contribute to delivering drug control outcomes. Whilst it is anticipated that many of the interventions that might have more of an indirect effect on the drug control effort relate to rural livelihoods interventions, there are programmes in sectors such as transport, public works, and vocational training that also could contribute to reducing the threat that narcotics poses to Afghanistan’s development.

The NDCS is clear that all line ministries will need to consider how their programmes impact on counter narcotics objectives.¹² In practice, this involves looking at development programmes through a counter narcotics prism, what some have called “mainstreaming” [counter narcotics into development programmes] and others have referred to as “undertaking development in a drugs environment”. Ultimately such a process involves:

- Developing policies and programmes that are informed by the potential impacts on the illicit drug problem;
- Adjusting the focus of development programmes and projects so that they recognise and understand the potential impact they might have on the illicit drug problem, and take steps to maximise positive impacts when conducting such activities;
- Promoting coordination and encouraging programmes to be complementary in their interventions, at national, province and district level;
- Ensuring programmes or projects do not inadvertently encourage illicit drug crop cultivation, trafficking or use.

The objective of such mainstreaming is to ensure that, where relevant, development programmes address the causes of the illicit drug problem in Afghanistan. At the highest

¹² Ibid. Page 25.

level of application, “mainstreaming” will ensure that each development programme is designed and implemented in such a way as to maximise its potential impact on containing production, trade, and consumption of illicit drugs in Afghanistan. At minimum, mainstreaming will help ensure that projects or activities do nothing to exacerbate the existing drugs problem. Effective mainstreaming, then, will help to include elements within development activities that target specific areas in which opium poppy is grown or target those socio-economic groups that are most dependent on opium poppy as a source of livelihood, but also will help build synergies with other activities that might maximise both development and counter narcotics impact.

Effective mainstreaming, however, presents clear operational and other challenges and requires concerted and sustained effort.

4.3. Mainstreaming: Who are the Protagonists?

Whilst mainstreaming counter-narcotics into development programming is Government policy, and is viewed as intuitively correct by many in the development community, operationalization and delivery has been disparate and slow given the scale and nature of the drugs problem in Afghanistan.

It is certainly the case that some national ministries have begun to tackle the issue. The Ministries of Public Health and Education have already made some early forays into exploring how their respective national programmes might contribute to education and prevention in the area of problem drug use.

The Ministry of Agriculture Animal Husbandry and Food (MAAHF) has obtained technical support to integrate the counter narcotics issue into its development programmes through a DFID-funded FAO Programme. Such support will help ensure that as the Ministry develops and implements national programs more attention is given to how these programs might better address the causes of opium poppy cultivation (and how these differ across different socio-economic groups) than is currently outlined in the Agricultural Master Plan.

The Ministry of Rural Rehabilitation and Development (MRRD) also is developing a strategy document to outline the role its National Programmes can best play in delivering drug control outcomes. As MRRD is responsible for the delivery of a number of key national programmes in rural areas, increased attention by MRRD to drug-related issues is a welcome development.

Unfortunately, most other ministries have not yet begun to engage in narcotics issues, despite their relevance to virtually every sector and every development activity in Afghanistan.

As noted above, a number of donors support the Government’s stance that counter narcotics must be seen as a cross cutting issue.

In 2005 the World Bank undertook an exercise to explore how the drugs issue might be better integrated within a number of the national programmes it oversees, including the National Solidarity Programme (NSP) and the National Rural Access Programme (NRAP). The World Bank-financed education (EQIP) and health programmes were also reviewed to see how they might better address counter narcotics issues. An “opium window” was also established under the Microfinance Investment and Support Facility for Afghanistan (MISFA) in 2006 to facilitate its expansion into the seven “priority provinces” identified by the GoA due to the prevalence of opium poppy cultivation.

In early 2006 the World Bank also commissioned technical support to mainstream the drugs issue into the design of the Emergency Horticulture and Livestock Programme (EHL) and the review of its Emergency Irrigation Rehabilitation Project (EIRP). This work included

recommendations for the retargeting of activities both in terms of geographic areas and socio-economic groups to ensure that those most dependent on opium poppy as a means of livelihood were not ignored. This work also included advice to implementing partners as to how they might be able to include an assessment of the potential impact their interventions might have on the causes of opium poppy cultivation and possible mitigating action.

Most recently the World Bank has synthesized its work on mainstreaming counter narcotics into “Guidelines for Treating the Opium Problem in World Bank Operations in Afghanistan” (see Annex 2). It is intended that the Guidelines be used to screen all World Bank activities, including both operations and analytical and advisory work, to ensure that the counter narcotics issue is treated consistently and in a way that can make the maximum contribution to overall counter narcotics efforts. The Guidelines also provide useful examples of the kind of interventions required to address the different motivations and factors that influence households from different socio-economic groups to cultivate opium poppy. The Guidelines, now formally adopted by the World Bank, might also be used by other agencies working in Afghanistan, including the Asian Development Bank.

The European Commission has also looked at how its activities in Afghanistan might be better targeted to address the causes of the production, consumption, and trafficking of illicit drugs in Afghanistan. A review was undertaken in February 2005 outlining what action the EC could take at both the policy and operational levels to support the Government’s counter narcotics effort. Recommendations emerging from the review included building partnerships with key donors like the World Bank with respect to mainstreaming and using elements of the EC’s own program, particularly in the rural livelihoods and health sectors, to develop a clearer understanding of the appropriate targeting and sequencing of activities required to maximise the achievement of both development and drug control outcomes.

The UK Government has long been an advocate of an approach that seeks to integrate the counter narcotics issue into the development and reconstruction effort in Afghanistan. The Afghan Interdepartmental Drugs Unit (ADIDU) in the Foreign and Commonwealth Office (FCO), and its predecessor the Drugs and International Crime Department have played an important role in pressing the GoA and the international community to ensure that the drugs issue is factored into national, bilateral and multilateral development programmes. DfID has expressed interest in chairing a Counter-Narcotics Mainstreaming working group to further integrate Counter-drugs activities in development programming in Afghanistan.

In 2006 the Department for International Development (DFID) partnered with the World Bank in discussions over the importance of credit, and particularly the issue of opium denominated debt, in rural livelihood interventions. DFID also has looked at how it might generate a better understanding of the impact of development assistance on the lives and livelihoods of the rural population and how this might affect households in their decisions to engage in opium poppy cultivation. This particular piece of work is informed by recognition that an analysis of the role that opium poppy plays in livelihoods strategies needs to be integrated into an impact assessment that focuses on rural livelihoods. It also promoted a clearer understanding of how households move from illicit to licit livelihoods (and vice versa). Such understanding is critical to the development of improved “know how” for effective mainstreaming.

Germany’s BMZ, the Federal Ministry for Economic Cooperation and Development, also has recently undertaken a review of its bilateral programme. The assessment was undertaken by the Drugs Orientated Development Programme of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) using its Drug Profile Analysis.

5. Current Policy Dilemmas and Constraints to Mainstreaming

The cross cutting nature of the drugs issue in Afghanistan was recognized during the initial steps of the Bonn Agreements and the establishment of the Interim Administration.¹³ Despite such recognition, progress unfortunately has been rather slow and uncoordinated.

There are of course clear capacity issues, certainly within the Government but also on the part of the donor community, which remains insufficiently aware of drugs issues, including the link between Afghanistan's drug economy, security, and state-building. In addition, the Government has not been clear and consistent in its demands for national, multilateral, bilateral and non governmental organisations to fully integrate measures to address the different drivers of opium poppy cultivation (and how these differ by location and socio-economic group) into overall reconstruction and development programmes. But whilst some progress in the technical aspects of mainstreaming has been made with the work done by the World Bank and others, the necessary political momentum to ensure that the drugs issue is not compartmentalized or ignored but is effectively mainstreamed across and throughout overall development efforts has not been forthcoming.

Reasons for this lack of political commitment are partly related to capacity and partly because of the policy distractions that are an intrinsic part of the narrative on opium poppy cultivation in Afghanistan, including the pursuit of "alternative livelihoods" projects and programmes. A further policy distraction has been discussion about the control and regulation of Afghanistan's opium production, or so-called legalisation. Both issues relate to the naïve belief that despite policy statements regarding the need for multi-sectoral and longer-term approaches to Afghanistan's drugs economy, there must be a simple "magic bullet" solution to opium poppy cultivation in Afghanistan. Two such solutions – "alternative livelihoods" and legalization of opium production for the production of morphine or other legal (i.e. medical) opiates – are discussed, below.

5.1. "Alternative Livelihoods"

The term "alternative livelihoods" was meant to represent an evolution from the discrete project-based "alternative development" approach of the 1990s which has become somewhat discredited in the minds of many in the development community. Alternative development was generally seen as simple crop substitution interventions (even if in Asia they were often not in practice), focused solely on the reduction of opium and coca production with little regard for impact on lives and livelihoods, and typically implemented by drug control agencies with no comparative advantage in delivering effective or sustainable development activities.

In the context of the scale of the drugs problem in Afghanistan, the level of funding announced at the Tokyo Conference in January 2002, and the preferred mechanism for funding and delivery (with an emphasis on national programmes and a consistent national architecture for planning and implementation), it was recognised that there was real potential for scaling up development efforts to strengthen and diversify legal livelihoods at a regional and national level. An "alternative livelihoods" approach was meant to achieve this, moving beyond discrete projects and integrating an analysis of the drivers of opium poppy cultivation -- of which an increasing amount was understood -- into the design and implementation of conventional development programmes, or, to use another development catch-phrase, "mainstreaming".

Early advocates of an "alternative livelihoods" approach also recognised that no single project or programme can address the myriad reasons why households cultivate opium poppy and that no single institution can have sole responsibility for implementation of the

¹³ A conference discussing this very subject was arranged in Wilton Park in the United Kingdom in April 2002. The conference included senior officials from the Government, most of the major donors, international Financial Institutions, as well as the United Nations.

approach. Instead, a more concerted and coordinated effort across a range of different sectors and ministries is needed. In particular, the alternative livelihoods approach gives emphasis to a growing partnership between development actors and drugs and development specialists (a partnership that has been rare in most coca and opium poppy producing countries) where development organisations focus on implementation and drug control experts advise on how best to target the root causes of opium poppy cultivation.

It is to be noted, however, that like “alternative development”, the notion of “alternative livelihoods: means different things to different people. For many in the development community “alternative livelihoods” is synonymous with rural livelihoods and an excuse for “business as usual”. Implicit in this approach is the assumption that by enhancing licit livelihood opportunities, opium poppy cultivation will automatically contract. Evidence from other drug producing countries indicates this is not always the case and that poor project design and implementation, together with weak governance, have resulted in licit livelihood opportunities and illicit drug crop cultivation continuing in parallel or poppy cultivation simply being relocated to neighbouring areas. In other cases, a failure to adequately include the underlying causes of illicit drug crop cultivation in programme design or to take into account how such causes can differ among various socio-economic groups has allowed increasing levels of poppy cultivation within particular areas or regions.

Others see alternative livelihoods as a way to undertake alternative development, with development assistance used as a lever to negotiate maximum reductions in levels of opium poppy cultivation from specific communities. Success is measured in terms of hectares of opium poppy reduced rather than in sustained improvements in the lives and livelihoods of rural communities, including a diminishing dependency on opium as a means of accessing income and assets. This approach sees development assistance as “compensation” rather than a means by which to promote equitable economic growth and to empower the poor. Much of the talk about quick impact projects, such as cash for work programmes or the provision of agricultural inputs such as seed in areas where eradication has been undertaken is informed by this particular understanding of an alternative livelihoods approach.

In the case of Afghanistan, there is an increasing realisation that “alternative livelihoods” can be a rather unhelpful term, with endless debates in Kabul regarding which interventions constitute an alternative livelihoods project or programme and which do not. For example, there have been discussions about which interventions should be included or excluded in the “Alternative Livelihoods” database maintained by the Ministry of Counter Narcotics, with the MCN currently giving priority to infrastructure (road building and irrigation), credit, and agricultural extension projects.

Unfortunately, much of the debate is not only time consuming but somewhat ill-informed. Whilst there may be catalytic projects or programmes that might serve to deliver more effective drug control and development outcomes, such activities are context specific and may not fall under predetermined sectors, such as agriculture, credit and irrigation. For example, at its most simplistic in a district where there is good access to irrigated land and where markets for agricultural commodities function (including the provision of credit) but the absence of farm-to-market roads in the more remote parts of the district prevent households from diversifying their cropping systems, a road building programme could influence households in their decisions as to whether to cultivate opium poppy. However, if the neighbouring district were to have good roads and functioning agricultural markets but has a high population density (making the shift to a legal crop with lower returns per unit of land problematic), then vocational training and the generation of off-farm and non-farm income opportunities would have greater impact in encouraging households to shift from illicit to licit livelihoods.

Another example might be a district where there are few ongoing interventions (either public or private sector) and where there has been an influx of returnees or agricultural labour looking for land to lease or sharecrop. An intervention aimed at increasing the availability

and consistency of irrigation water might actually serve to increase opium poppy cultivation if it is not supported by other sectoral interventions such as the provision of roads, micro finance and agricultural extension, as well as improvements in the governance of the area.

Ultimately, then, it is the combination of interventions that delivers the development impact required to increase household access to assets and reduce overall dependency on opium poppy cultivation. Indeed, as was the intention when the term was first coined, “alternative livelihoods” is not a project or programme but an end state. The kinds of interventions required to deliver this outcome will differ depending on household assets and the prevailing level of dependency on opium poppy cultivation that exists in a given area. In some areas, perhaps those nearer the provincial centers with relatively good access to assets, the extra push required to reduce the level of opium poppy cultivation may be a more concerted effort aimed at removing the barriers on investing in legal livelihood opportunities (perhaps by addressing the issue of corruption) rather than specific agricultural development programmes or investments in irrigation. In the more remote areas where opium poppy is at its most concentrated there will be a need for a broader development effort that includes investments aimed at drawing part of the population to lower lying areas where there is greater potential for agricultural and non agricultural economic growth.

To date, it appears that that drug control organisations and policy makers in Afghanistan have largely failed to understand and adjust to the new policy and operational context, and have continued to try and work within the model of discrete “alternative livelihoods” projects. There has been little meaningful debate as to how these projects will contribute to raising the opportunity costs of opium poppy cultivation and therefore deter households from planting (“the change model”). There is, however, a sense that alternative livelihoods projects should have a more immediate impact on levels of opium poppy cultivation than other development programmes such as the national priority programmes. Yet given the inclusion of sectors such as agriculture or credit, or the likely development impact (and subsequent drug control outcome) of implementing what could be isolated single sector intervention, this seems unrealistic.

A year after the establishment of the Counter Narcotics Trust Fund, it remains unclear how alternative livelihoods interventions funded by the alternative livelihoods window of the trust fund differ from other rural development programmes. For example, what will be the difference between a road funded in one district by the CNTF and a road built in the neighbouring district funded by another donor or some other trust fund? What is it that will provide the value added in terms of CN rather than conventional rural development? There is growing concern in Kabul that given the rather blueprint approach to defining and developing alternative livelihoods projects there will be a corresponding blueprint approach to the justification of their contribution to drug control outcomes and that “conditionality” (making development assistance to a community contingent on reductions in opium poppy cultivation) will be attached to CNTF funded projects.¹⁴

There is also confusion at the policy levels as to how the expenditure on alternative livelihoods will now be calculated and how this figure will be used to reflect the commitment of both the Government and donors in their efforts to address counter narcotics in Afghanistan. In the past, national programmes were labeled as alternative livelihoods, even if they were not specifically designed to address the factors that influence opium poppy cultivation. Will this still be the case? Or will some donors who have been investing in these programmes, believing that they are making a positive contribution to strengthening household assets and reducing dependency on opium poppy cultivation (and particularly for

¹⁴ Whilst we have not yet seen the imposition of this kind of ‘conditionality’ on areas that have not reduced or abandoned opium poppy cultivation, there is likely to be increasing political pressure to apply such a policy given the increase in opium poppy cultivation in 2006. USAID has provision for the use of conditionality in their Alternative Livelihood Programme and UNODC has called for making ‘the receipt of development assistance conditional on a commitment by farming communities to refrain from drug cultivation. (UNODC Afghanistan Opium Survey 2005, November 2005 page iv)

those programmes where counter narcotics has been mainstreamed), be criticized for failing to contribute sufficient funds to alternative livelihoods?

Ultimately, too much debate about what alternative livelihoods is or isn't can be an unhelpful distraction. The IANDS and the NDCS both refer to the overall objective of "strengthening and diversifying legal rural livelihoods". Both give recognition to counter narcotics as a cross cutting issue. Yet the debate and planning process has not moved on. "Alternative livelihoods" survives as a term as a function of historical context and the ill-conceived notion that there is a particular type of project that can deliver or promote an alternative livelihood. Until policy makers within both the Government and the donor community let go of the project concept and accept the fact that an alternative livelihood is the culmination of a combined effort by a range of actors to increase access to assets (including governance and security) and reduce the dependency on opium poppy cultivation, there is unlikely to be much progress in integrating CN analysis and objectives across the Afghan development effort.

Hence, a more constructive use of the CNTF's alternative livelihoods window might be to support the process of mainstreaming by: (i) providing technical assistance to ensure that CN analysis and objectives are fully integrated into national programmes and (ii) funding catalytic projects or programmes that will serve to develop synergies between existing development programmes in a given area. These later interventions would not be sector specific and may even include support to provincial and district planning processes.

5.2. Legal Cultivation

A further policy distraction to the mainstreaming effort is the issue of the control and regulation of opium poppy cultivation in Afghanistan, or so called legalisation. Over the last decade there has been considerable debate regarding the efficacy of Afghanistan seeking to control its illicit cultivation of opium poppy through licensing and regulation. A range of different actors including NGOs and drug policy think tanks such as the Senlis Council have stimulated this debate.¹⁵

A review of the experience of other source countries reveals that Turkey is the only country to have successfully moved from illegal to licensed cultivation. In Turkey opium production was banned in 1971 by the military government of the time. Following the return to civilian rule in 1974 licit cultivation was permitted but only for the production of poppy straw. Cultivation was limited to only 5 provinces (compared to 32 in 1933) and cultivation has remained relatively stable at around 30,000 hectares. According to both UNODC and the US Government, diversion of opium into the illegal market has been minimal. Strong state presence in areas of licit cultivation (particularly during the harvest season) and the shift to the production of poppy straw are thought to be instrumental in preventing any significant diversion.

Comparative experience of the licit opium industry in Turkey, as well as India (the only exporter of legally produced raw opium) shows that to minimise diversion to the illicit trade in opiates there is a need to shift to the production of Concentrate of Poppy Straw (CPS). There is, however, high investment costs associated with establishing the necessary plant and control mechanisms for this process. For example the Bolvadin CPS factory in Afyon in Turkey was established with funds and technical assistance from the USG and the UN. The conversion to licit production in Turkey has also involved market support from the USG which has established in law that *at least 80% of licit opiates imported into the United States must have as its original source India and Turkey* ("the 80/20 Rule") providing a guaranteed market for the "traditional producers". Japan is the only other country to purchase from "traditional producers" despite INCB encouragement.

¹⁵ The Senlis Council is an international policy think tank whose work encompasses foreign policy, security, development and counter narcotics policies'.

There are a variety of reasons why this relatively positive experience could not be replicated in Afghanistan. The Single Convention on Narcotics Drugs of 1961 does state that any country is at liberty to cultivate, produce and trade in licit opium in accordance with the conditions laid down by the Convention and under the supervision and guidance of the INCB. However, the Convention also states that each country must establish an agency responsible for establishing and policing a licensing system for licit opium poppy cultivation that acts as the sole purchaser of the crop, and that maintains the exclusive right for importing, exporting, wholesale trading and maintaining stocks of opium and its derivatives. As the authorities in Afghanistan are institutionally weak and security is problematic, the GoA could not act as the sole purchaser of opium. The result is the authorities would be competing against traffickers, driving up the price of opium and its inputs and encouraging even more farmers to cultivate opium poppy.

Afghanistan also would be unable to compete with the current producers of legal opiates in what is an international market. Australia, France, India, Spain, and Turkey currently dominate the export market for licit opiates. However, it is Australia, France and Spain that have comparative advantage in licit industry using improved seed and well-resourced agricultural extension. The development of new genetic breeds of opium poppy has provided increased alkaloid content. So much so that the production costs for the equivalent of 1 kg of morphine in 1999 was US\$56 in Australia compared to US\$159.77 in India and US\$250 in Turkey. It is only Turkey and India's status as "traditional supplier countries" (as recognised by the UN) and the preferential access they obtain to the large US market (under the 80/20 rule) that ensures they remain viable producers of licit opium.

The current cost of production of a one kilogramme of morphine equivalent in Afghanistan is approximately US\$450 (without factoring in the costs of regulation and control for licensed cultivation).¹⁶ Costs are likely to rise further if both licit cultivation and illicit cultivation were competing for relatively skilled labour inputs. Licit production in Afghanistan would not be competitive on the international market without the kind of guaranteed market India and Turkey have access to. There is little evidence that there is support for such a move from the major purchasers of legal opiates. A shift to the CPS method would result in agricultural unemployment, as well as require expensive capital equipment that is unlikely to be forthcoming from the private sector pharmaceutical companies given the current high-risk environment. CPS production also requires considerable water inputs not readily available in Afghanistan.¹⁷ Given the Government's limited enforcement capacity, there would continue to be high levels of diversion of raw opium to illegal markets.

A further constraint on Afghanistan's entrance into licit opium production is the size of the global market. According to INCB the global demand for licit opiates (measured in morphine equivalents) was 400 metric tonnes in 2005, yet production in 2004 was the equivalent of 447 metric tonnes. Furthermore over production since 2000 has led to stocks in producing countries 'that could cover global demand for two years'. INCB report that opiate production was likely to decline in 2005 and 2006 so as to reduce the size of stocks. Afghanistan's production in 2006 of 6,100 metric tonnes, or 610 mt of morphine equivalent far outweighs the demand for licit opiates.¹⁸

6. How Can the Asian Development Bank Better Contribute to Mainstreaming Counter Narcotics?

¹⁶ This assumes that the costs of production consisted of fertilizer (at a rate of 250kg of Urea and 250kg of Diammonium Phosphate per ha and a cost of US\$200), oxen (at a rate of 10 days per ha and a cost of US\$2 per day), and 350 labour days, including 200 days for harvesting (at a shadow wage rate of US\$6 per day) and 150 days for land preparation, sowing, weeding, field clearance seed collection (at shadow wage rate of US\$ 2.5 per day). It assumes opium production of around 40 kilogram per hectare and that 10 kilograms of opium are required to produce 1 kilogramme of morphine equivalent.

¹⁷ For instance, Kussner (1961) estimated that to produce only 10 kg of morphine base, 80 mt of poppy straw with a morphine content of 0.25%, and 2000 m³ of water would be required. Kussner, W. (1961) 'Poppy straw: A problem of international narcotics control' in the United Nations Bulletin on Narcotics, Vol. 1, No. 1, p: 1-6.

¹⁸ See INCB Annual Report. E/INCB/2005/1. United Nations, Vienna. Page 17.

6.1. The current state of mainstreaming within the ADB programme

Together with other multilateral and bilateral donors the Asian Development Bank's support to Afghanistan has focused primarily on providing much needed technical and financial assistance. Consequently to date the counter narcotics issue has not been addressed by ADB on a more systematic basis at either the policy or operational levels.

The drugs issue is mentioned in the Country Strategy and Program Update (CSPU) for Afghanistan for 2006-2008, although the discussion is more contextual than strategic.¹⁹ There CSPU indicates ADB's commitment to "mainstream Counter narcotics and alternative livelihood approaches" within ADB operations.²⁰

The current review of individual ADB-supported projects, however, reveals that drugs issues generally have not been addressed or otherwise factored into project design (a detailed analysis of a selection of individual ADB activities is provided in Annex 1).²¹ This is despite the clear interlinkages between ADB's key sectors of work, particularly transport and natural resource management, and counter narcotics efforts. For example, irrigation programmes are an obvious area of concern. In areas where opium poppy cultivation is present, improvements in irrigation works or increases in irrigable land may also facilitate an increase in opium poppy cultivation. This is not to say that ADB should not make investments in irrigation infrastructure, but rather that those responsible for project design and implementation must give more attention to the potential impact of project interventions on opium poppy cultivation and to either include a specific Counter-narcotic component(s) or to link the interventions with activities in other sectors so as to proactively address the risk, where appropriate, of potentially increasing levels of cultivation.

Despite the prevailing levels of opium cultivation in the provinces of Herat and Balkh²² it is notable that neither the Balkh River Basin Integrated Water Resources Management Project (JFPR 9060) nor the Western Basins Water Resources Management Project (Loan 2227-AFG and Grant 0033-AFG) consider that improvements in irrigation supply in the respective catchments areas might lead to increases in the levels of opium poppy cultivation. Whilst opium poppy is mentioned in various project documents, the analysis of rural livelihoods and the role opium poppy plays in them, as well as the likely impact the interventions will have on households and their decisions to engage in the illicit drugs economy, is largely ignored. Goals and corresponding impact indicators aim for increases in income but fail to consider the legality of the crops that might be cultivated. The lack of analysis on CN contrasts with the attention ADB gives to other cross cutting issues or to safeguard issues such as resettlement and the rights of indigenous peoples.

ADB's assistance to Afghanistan's transport sector has similarly been CN-blind. Somewhat surprisingly, the Technical Assistance (TA) Cross Border Trade and Transport Facilitation (TA-4536-AFG) which aimed at facilitating the smooth movement of goods across Afghanistan's borders with its neighbors only considers "smuggling" in the context of the trade in untaxed legal goods and does not address the potential for increasing flows in the movement of prohibited goods. Similarly, the ADB-supported Master Plan for Road Network Improvement (TA-4371-AFG) does not consider the potential for facilitating the movement of

¹⁹ Country Strategy paper pp. 3 and 5.

²⁰ Ibid . p. 8.

²¹ The projects reviewed in detail were selected purely on the basis of the ready availability of documentation during the time of the consultancy. As ADB's operations in Afghanistan resumed only in 2002, no projects in ADB's current portfolio have yet been completed.

²² According to UNODC 1,924 ha of opium were cultivated in Herat in 2005 (down from an estimated 2,531 in 2004) and 10,837 ha were cultivated in Balkh (up from 2,495 ha in 2004).

illegal goods. Nor have ADB's transport and cross-border trade interventions been complemented or sequenced with the development of appropriate border controls.²³

Whilst the PPTA for the Master Plan for Road Network Improvements does recognise the positive role that road building plays in increasing access to remote areas of Afghanistan and in improving the population's legal livelihood opportunities, it does not clearly factor counter narcotics into the criteria for the prioritisation of road construction. As a result, the main poppy growing provinces do not contain a high proportion of roads that are assessed as being of high priority for national development – or for ADB investment. .

As these examples show, the overall picture with regards to the integration of CN analysis and objectives into ADB projects is one of – at best -- inconsistency. Typically, Counter Narcotics is mentioned in the background section of TA, project and consultant terms of reference, but is subsequently not explored in any real depth in either the ensuing PPTA report or in project design. Typically analysis of the drugs situation is descriptive and there is little context in relation to the complex role that opium poppy plays in rural livelihoods strategies in Afghanistan and how this differs by socio-economic group. As a result, the likely impact (both positive and negative) an ADB-financed intervention might have on the Government's counter narcotics efforts is typically not considered and the failure to include CN integrated indicators into project design and monitoring frameworks means that a project's impact on counter narcotics is likely to go unnoticed during project monitoring and evaluation.

The failure to by ADB to assess the likely impact of its interventions in Afghanistan on counter narcotics has meant that some of ADB's investments to date do not comply with the "does no harm" principle. There also is the strong likelihood that some ADB projects may inadvertently exacerbate Afghanistan's drugs problem.

6.2. Ways forward

Increasing engagement within ADB

To ensure that the Counter Narcotics issue is explicitly addressed in ADB's Afghanistan programme there is a need to formalize its inclusion as a cross cutting issue. This can be done a number of ways, the most important of which might be to include Counter-narcotics as a distinct category in the Summary of Initial Poverty and Social Analysis under the section "**Social Safeguards and other Social Risks**". This would require Project Officers working in Afghanistan to determine whether the drugs issue is relevant and where it is to ensure that the issue is adequately included in PPTA Terms of Reference.

ADB also should consider specific **technical assistance on CN** for projects where the impact on the production, trade, or consumption of illicit drugs is likely to be significant.

There is also a need to ensure that **a member of staff within AFRM is tasked** with responsibility for briefing all visiting Missions on the counter narcotics issue. This staff member will need to be skilled-up in drugs and counter narcotics issues in order to provide technical guidance to visiting missions. Core reading materials should be provided²⁴ along

²³ An example of this kind of sequencing is the financing by the European Commission of the reconstruction of Torkham Border Post as a direct complement to the EC-financed Torkham to Jalalabad road. Whilst it may not always be appropriate for a donor to fund such additional work, partnerships with other donors can be explored to ensure that the necessary border controls are put into place in order to facilitate the collection of taxation revenue for the movement of legal goods and to control the movement of prohibited goods.

²⁴ Reading material should include: Ministry of Counter-Narcotics. 'National Drug Control Strategy: An Updated Five Year Strategy for Tackling the Illicit Drug Problem'. Kabul, January 2006; UNODC/MCN Annual Opium Poppy Survey; "Alternative Livelihoods: Substance or Slogan?" AREU Briefing paper by David Mansfield and Adam Pain. September 2005; 'Economical with the truth': The limits of price and profitability in both explaining opium poppy cultivation in Afghanistan and in designing effective responses.' By David Mansfield in

with a list of contacts within the GoA and the donor community as well as potential consultants who can advise on mainstreaming Counter Narcotics.

Consideration should also be given to **the training of both AFRM and HQs-based staff** to ensure that they understand the nature of the drugs problem in Afghanistan, the complex role that opium poppy plays in rural livelihood strategies and how this differs by socio-economic group, key policy issues such as “alternative livelihoods”, eradication, conditionality and their interdependencies, as well as the process and substance of mainstreaming CN itself. Such training could be provided by way of a 1-2 day training course.

ADB also should **partner with other interested donors** in the adoption of joint Guidelines for Mainstreaming CN. The guidelines recently adopted by the World Bank for its own programming in Afghanistan might serve as the basis for a common donor approach.

Increasing CN engagement in those sectors where ADB has a leading role

It would seem particularly important that ADB take a **more proactive position on counter narcotics in those sectors where it has a lead role**. Natural Resource Management and the Transport sector are clearly areas that can have a significant impact (both positive and negative) on counter narcotics. ADB, together with the sectoral line ministries, needs to give more attention to counter narcotics issues. At least initially, priority should be given to including **CN within the TORs for planned project** development. The TORs should be reviewed by AFRM to ensure that CN is adequately covered. Annex 1 outlines possible **CN entry points** in the main sectors of ADB engagement.

Increasing engagement with other donors

Discussions in Kabul suggest there is considerable appetite for closer cooperation among donors on effective mainstreaming of CN. Several key donors (e.g. EC, UK, World Bank) have now undertaken reviews of their own programmes to determine what more could be done to integrate CN analysis and objectives. This work needs to be consolidated and areas for further joint efforts such as the development of **toolkits and training programmes need to be explored**. As noted above, discussion around the new **World Bank Opium Guidelines** might provide a real momentum for donor dialogue. DfID is already considering the establishment of a small **informal donors group on mainstreaming CN** that would include EC, the World Bank, USAID and ADB. ADB should ensure that it is an active partner in this group and consider sharing the work that it undertakes on mainstreaming CN with its fellow participants.

Increasing engagement with the GoA on CN

Despite the cross cutting status the Government has accorded to counter narcotics in the IANDS, to date line ministries and the Ministry of Finance have not given sufficient emphasis to CN in their discussions with donors. In its **ongoing dialogue with line ministries** in those sectors in which ADB has a leading role, ADB should remind the GoA of its policy position on mainstreaming CN. Consideration should be given to how the CN issue and the importance of developing the appropriate interlinkages with other sectoral interventions (so as to at least comply with the principle of “do no harm” and at best to maximise CN impact) might be built into project design as well as with respect to ADB’s overall program in Afghanistan. AFRM also has a particular role to “educate” ADB’s Executive Board, Management, and staff working on Afghanistan about the importance of CN in relation to Afghanistan’s further reconstruction and development.

¹Reconstructing Afghanistan: what crisis in agriculture and food security?, ed. by Pain , Adam. Kumarian Press.

**Counter-Narcotics Review of Selected ADB Activities
in Afghanistan 2002-2006**

Master Plan for Road Network Improvement Project: ADB TA No. 4371-AFG²⁵	
Programme Goal	<ul style="list-style-type: none"> Support poverty reduction, economic growth, national integration and the peace process in the country through efficient and effective rehabilitation of the road network.
Programme Purpose	<ul style="list-style-type: none"> Prepare a sustainable road development program in consideration of strategies for financing operation and maintenance Prepare high priority projects for the follow-on Asian Development Bank loan.
Target Group	National
Cost	US\$ 2 million
Location	"The main geographic focus is on areas presently underserved by the national road network" (page 1)
Relevance to CN	Medium - with regard to role road building can play in integrating isolated areas into nation state (see review of Dir District Development Programme in Pakistan);
Current level of Mainstreaming	<p>Low – the drugs issue raised, but not in a substantive or systematic manner. Implicit is the assumption that opium poppy cultivation and trade will be dealt with either through broader economic growth or by other agencies dealing specifically with CN. The TA does not consider the how road construction has a proactive CN role and does not include sectoral linkages to ensure the "do no harm" principle.</p> <p>Scope of work for TA includes: "<i>preliminary analysis of environmental, social and resettlement impacts</i>" (page 2, para 11) and "<i>develop prioritisation criteria for investment which includes economic rate of return, contribution to national integration and peace, improved access to areas of high poverty density</i>" (page 2, para 12). The TORs include no specific mention of opium poppy or necessary CN measures.</p> <p>"<i>Use road development as a powerful instrument to accelerate exploitation of natural resources, alleviate poverty and eliminate dependence on opium cultivation. This can be done in several ways: a) by building road links in previously isolated areas to bring them in connection with other, more developed parts of the country and thus help in fostering outward and inward penetration of government and private services and trade; b) creating employment through road construction works, as well as the multiplier effect through increased transport and other services and trade; c) allowing for improved productivity of agriculture by reducing inputs costs and increasing cultivable lands previously not feasible for production due to high transportation costs; d) support of directed poverty alleviation programs by improving access to educational and health facilities, as well as government and private services, and allowing for more frequent visits by service providers including NGOs. Improved access and breaking isolation is perhaps one of the most important factors for sustainable poverty reduction.</i>" (page 20) This assertion is not developed further in the report, and there is no specific attention given to drugs issues or CN measures.</p>

²⁵ Based on Draft Final Report November 2005; and TAR AFG 37084 July 2004.

Current level of Mainstreaming (continued)

Criteria for prioritisation of road network includes “*population density, agricultural potential, mining and industrial development potential, tourism, improvement in network connectivity, traffic potential*” (page 48) With regard to the road’s contribution to agricultural development, “*the amount of irrigated area in hectares per thousand population along the link was taken as a measure of agricultural potential along the link*” (page 48). Prioritisation does not include state penetration of isolated despite inclusion of ‘*contribution to national integration and peace*’ as criteria in scope of work of TA (page 2, para 12).

In order of provinces with proportion of roads evaluated as a high priority the main poppy growing provinces do not feature highly. For example Nangarhar 9th, Helmand 10th, Balkh 16th, Farah 20th, Kandahar 23rd, Badakhshan 28th, Kunar 29th and Uruzgan 31st (page 54)

Some roads, such as the North-South Corridor (page 46) play an increasing role in drug smuggling (see Adam Pain “Opium Trading Systems in Helmand and Ghor, AREU, January 2006) as southern opium trading markets look for supplies from the northern provinces.

Outlines the role that road network can play in facilitating regional trade between Afghanistan and its neighbors (i.e. Pakistan considering increasing border crossings from 4 to 12 (page 2.41 in Interim Report)) but does not seem to address risks of increasing transit of illegal drugs or the smuggling of legal goods.

Methodology for fieldwork does not include potential for movement into illicit high value crops (Household Questionnaire). Analysis in the Feasibility Study does not include risks of increase in cultivation of high value illegal crops and trade in opium as a consequence of road investments even in Balkh province where cultivation of opium poppy is reported to have increased from 217 ha to 10,837 ha between 2002 and 2004.

In the Feasibility Study opium production is mentioned only in relation to assumptions regarding economic growth and traffic forecasts. The lack of any discussion of drugs issues as part of the economic analysis of agriculture in Balkh province is a particularly striking omission, and a clear indication of how ADB has failed to mainstream CN into its activities in Afghanistan. .

Social Analysis includes section 5.10 under the Poverty and Social Analysis on “Opium Poppy Production and Road Network Development” (page A7a.34-35). This recognizes the risks that road development poses to increased levels of trafficking whilst highlighting how an improved road network will facilitate law enforcement as well as general economic development. The section does not offer any suggestions on how road development may play a more proactive role in addressing the causes of opium poppy cultivation or how to mitigate the risks of increased trafficking. Although the subsequent Master Plan Social Analysis Checklist and Safeguards includes gender, ethnicity, agriculture and industry, road safety, HIV/AIDS, human trafficking and landmines (page A7a.43-48) as issues to be considered when reviewing possible road projects, there is no mention of poppy cultivation.

The Summary of the Initial Poverty and Social Analysis states “*The project will use, to the extent possible, labour intensive construction methods to provide much needed employment and income generation opportunities. It will contribute to social stability and poverty reduction by engaging, among others, refugees, and excombatants*”. The social analysis refers to hiring 70% of workforce from the local population. Consideration is not given to timing works to coincide with times of peak labour demand for opium poppy crop so as to raise the opportunity cost of opium poppy cultivation.

Entry Points for Mainstreaming at Programme Level

Recognise the need for appropriate border controls when constructing national highways with international links and ensure rehabilitation or construction of border control points is sequenced with road development (e.g. the EC's financing the reconstruction of the Torkham Border Post as a direct complement to the Torkham to Jalalabad road). Such work need not necessarily be undertaken with ADB financing, but clear linkages must be established through dialogue with the MPW and other development partners.

While there is some potential to use local construction labour timed to work during periods of peak labour demand for poppy, the highly mechanized nature of ADB road projects limits such CN impact.

Recognise importance of "state building" as criteria for prioritisation of road building. Build in economic value of "security" when establishing scores under link evaluation (page 47-50).

Consider building conditionality regarding phasing of border controls into loan agreements.

Western Basin Project ADB TA No. 36252-AFG²⁶	
Programme Goal	<ul style="list-style-type: none"> • Raise the productivity of irrigated agriculture to improve rural incomes and stem rural poverty • Strengthen integrated water resources management (IWRM) for sustainable development in the Western Basins
Programme Purpose	<ul style="list-style-type: none"> • Improve delivery of irrigation service and equity of benefit distribution • Improve capacity, institutional framework and resources for IWRM • Improve productivity of existing cropping patterns and increase diversified and higher value cropping with equitable benefits for the poor
Target Group	Population living in the Hari Rud and Murghab river basins
Cost	TA US\$ 2.06 million leading to a US\$ 24.5 million loan and a US\$ 15.5 million grant
Location	The Provinces of Herat and Ghor on the Hari Rud and Murghab river basin
Relevance to CN	<p>High</p> <p>According to the USG Herat produced 2,700 ha of opium poppy in 2004 and 920 ha in 2005. UNODC estimate cultivation at 1,924 ha in 2005 down from 2,531 ha in 2004. More limited cultivation is reported in five of the previous ten years.</p> <p>In the districts that the Western Basins Programme proposes to implement sub projects UNODC reports 394 ha in Injil, 144 ha in Obe, 249 ha in Pashtun Zarghun, 124 ha in Karukh.</p> <p>The project assumes that 55,205 hectares of irrigable land will be rehabilitated/developed over the project's seven year implementation.</p>
Current level of Mainstreaming	<p>Low – opium poppy is briefly mentioned and there is some description of the possible socio-economic position of those cultivating opium. However, the potential for increases in cultivation and particularly due to increasing the amount of land under irrigation is not considered.</p> <p>Project Goal should read “Raise the productivity of irrigated agriculture to improve <u>legal</u> rural incomes and stem rural poverty”</p> <p>The TAR states that “<i>the western basins are well positioned to develop higher value crops and are strategically located for export</i>” but opium poppy cultivation, or the potential for it is not mentioned in the report at all.</p> <p>The Report refers to “alternative livelihoods” but refers to non farm income opportunities rather than alternatives to opium poppy cultivation per se (page 4).</p> <p>The project also assumes substantial increases in household income, for example for subproject 1 Jui Nau the average household income at maturity is projected to increase from the current level of US\$ 254 to US\$ 721.” (page 8)</p>

²⁶ Based on Final TA Report: Volume 1, July 2005; the Addendum to the Final TA report; The Team Leader Overview; the Social Impact Reports for Core Subproject 1-5 and TAR AFG 36252 October 2004.

Current level of Mainstreaming (continued)

The Final TA Report states “*Although poppy cultivation in the irrigated areas of the lower Hari Rud is not common, expanding the income potential from alternative crops through increasing reliability of water supply is an important incentive not to cultivate poppy. The same applies to the provision of alternative livelihood opportunities such as small animals, carpet making or similar activities*” (page 14).

The Final TA Report goes on to say: “*The farmer vulnerable to association with the opium production business in Herat Province would be relatively poor, with a very low cash flow, but would have access to sufficient land and water to cultivate staple crops for household consumption as well as having a jerib or two available for poppy cultivation. The land he farms is likely to be marginal for irrigation because there are no reports of poppy being cultivated widely in the main canal systems and poppy does not require good quality land nor particularly intensive irrigation. The vulnerable farmer would most likely live in the remote villages at the head of and around the washes and will be exposed to and susceptible to shocks from drought, floods and erosion which will threaten his livelihood. They are more likely to rely on opium credit for food security and farm inputs. The gross margin of poppy in 2004 was about Afg 114,000 per hectare. Although cultivators would not realise the whole gross margin (interest payments, security costs and risk of destruction) the financial ---- remains high. The vulnerability of such farmers can be reduced with improved reliability of irrigation water, reduction in risk from flooding, erosion and drought, the provision of reasonably priced crop inputs on credit, and micro finance for alternative livelihood opportunities*” (page 15). This narrative is based on a number of assumptions of varying validity. The subsequent social impact assessments and surveys do not adequately cover opium poppy cultivation so these assumptions are not tested by solid field work.

The Final TA Report also indicates that “*the use and potential for wells is far greater and more important than the project brief would indicate; this is an issue that requires serious technical investigation. Wells are regularly increased in depth each season, indicating increasing pressure on groundwater resources*” (page 19). It also states “*The population in the Western basins is increasing rapidly. The birth rate is high and augmented by returnees and migrants. The pressure on land and water resources is in consequence immense*”. It is to be noted that opium poppy cultivation tends to be at its most concentrated in those areas with limited access to irrigation and where population densities are at their highest.

The Project’s Design Summary and Performance targets refer to increasing household incomes (as well as high value crops) but not legal incomes. It would be possible to achieve targets set and increase incomes considerably through shift to or increase in opium poppy cultivation – which the project may well promote (page 23-24).

Sub Project Screening Criteria does not include poppy cultivation or potential for increase. (page 84 - 86) Nor do the criteria include ‘exceptional security risks: (e.g: mines, UXO, active armed conflicts etc).

Appendix C Annex 1: “*Does ask whether opium is grown? Have people stopped growing some crop recently? If yes, give types and reasons for stopping.*” No analysis of this data is included. Nor is Opium poppy included in the Socio Economic Survey (annex 2) which is closed question covering Wheat, Vegetables, Fruits, Fodder, Rice and Barley. No analysis of opium poppy cultivation or potential threat of it is subsequently presented.

Annex D: Poppy not included in any of TORS for project team, including Community Development Specialists responsible for baselines and socio-economic surveys, Social Assessment Specialists, Agricultural Economist, Agricultural Extension Specialists, and ‘Alternative Livelihoods’ Specialist

Social Impact Reports for Sub Projects only mention opium poppy in passing amongst list of determinants of poverty (-ie page 9) and poppy cultivation is not included at all in subsequent discussions on socio-economic groups, incomes, etc. Nor is it included as a potential threat. This is despite UNODC and USG reports of cultivation in Herat and more specifically in the districts to be covered by the sub projects.

Entry Points for Mainstreaming at Programme Level

Ensure agricultural and livelihoods component is maintained and priority is given to areas where opium poppy cultivation is being undertaken and where the project will increase availability of irrigation water.

Build linkages with other Ministries and donors to increase investment in agriculture and agro-processing for example FAO AALP.

Integrate analysis of role of opium poppy in rural livelihood strategies in preliminary studies, including baseline studies.

Include number of tasks aimed at “developing a greater understanding of potential impact of programme on opium poppy cultivation and identify measures to mitigate against increasing levels of production” in Terms of Reference of project implementation team including those of Community Development Specialist, Agricultural Economist and Monitoring and Evaluation Specialist.

Include indicators that will capture process of change from illicit to licit livelihoods (and possibly vice versa) and how these differ across socio-economic groups (for example diversification of licit income streams not just increase in overall income)

Given that irrigation structures will be rehabilitated using “labour based methodologies” the project should explore potential for conducting such work during key parts of poppy season so as to raise the opportunity cost of labour.

Despite the fundamental need for improvements in access to water for increasing agricultural production there is concern amongst some donors and agencies that investment in irrigation could lead to increases in opium poppy cultivation. This programme should explore the necessary supporting elements required to ensure irrigation investments do not result in increase in levels of opium poppy cultivation and share such information with the GoA and other donors.

Proactive engagement with opium poppy issue could encourage MEW to become more actively engaged on issue of opium poppy cultivation.

Balkh River Basin Integrated Water Resources Management. ADB JFPR : AFG 38096²⁷	
Programme Goal	<ul style="list-style-type: none"> To improve water resources management and agricultural productivity and to provide greater livelihood opportunities and reduce poverty in the Balkh river basin.
Programme Purpose	
Target Group	Rural communities in Balkh river basin
Cost	US\$ 10 million
Location	Provinces of Balkh, Sar-e Pol, Bamian, Samangan and Jawzjan
Relevance to CN	High – In 2005 UNODC estimated Balkh produced 10,837 ha, Sar-e Pol 3,227 ha, Bamian 126 ha, Samangan 3,874 ha and Jawzjan 1,748 ha. This represents a total of 19,812 ha or almost 20% of the total amount of opium poppy cultivated in Afghanistan in 2005.
Current level of Mainstreaming	<p>Low – not considered in design or inception stage.</p> <p>Goal should read “To improve water resources management and agricultural productivity and to provide greater <u>legal</u> livelihood opportunities and reduce poverty in the Balkh river basin”</p> <p>Opium poppy cultivation is mentioned in passing (page 6). <i>“Farmers in upstream systems such as Sholgara and at the head of canals are growing rice, cotton, and other higher value crops with midstream farmers growing wheat and other traditional crops, and downstream farmers with little water.[something missing here??] Orchards and higher value crops that once grew in many areas are languishing, second crops are no longer taken in many areas, and downstream fields lay fallow. In addition to increasing poverty, these conditions combined with general deterioration of economic opportunities due to the civil unrest have led to a difficult situation in the area and to help perpetuate employment by local commanders making disarmament, demobilization, and reintegration (DDR) a more difficult challenge and <u>increasing reliance on poppy as an attractive economic opportunity</u>. This perpetuates the instability in the region and increases the challenge of creating opportunities for sustainable development.”</i></p> <p>The supporting project documentation does not indicate how the project will mitigate such problems and avoid increasing levels of opium poppy cultivation.</p> <p><i>“Community participation for the civil works will focus on employing the poor as well as have target of employing 25% DDR ex combatants”</i> (page 7),</p> <p>Table of “Risks Affecting Grant Implementation” (page 13-14) does not include potential for increase in poppy yet includes governance, security and conflicts amongst water issues (with all directly affected by the drugs issues)</p> <p>Opium poppy is not specifically included in the TORs for consultants.</p> <p>The Inception Report by SMEC does not mention opium poppy at all even when discussing land use and existing cropping patterns (see page 4).</p>

²⁷ Based on Proposed Grant Assistance Report, November 2004, and Inception Report, August 2005.

<p>Entry Points for Mainstreaming at Programme Level</p>	<p>Build interlinkages with FAO AALP and with EHLP to ensure adequate investments in agriculture and agro processing in areas where irrigation improvements planned.</p> <p>Integrate analysis of role of opium poppy in rural livelihood strategies in preliminary studies, including baseline study.</p> <p>Include number of tasks aimed at “developing a greater understanding of potential impact of programme on opium poppy cultivation and identify measures to mitigate against increasing levels of production” in Terms of Reference of project implementation team, including the Project Team Leader, Social Impact Assessment Specialist, Monitoring and Evaluation Specialist, and Rural Development Expert</p> <p>Consider inclusion of opium poppy impact assessment as part of protocol for rapid social assessment by MEW.</p> <p>Include indicators that will capture process of change from illicit to licit livelihoods (and possibly vice versa) and how these differ across socio-economic groups (for example diversification of licit income streams not just increase in overall income)</p> <p>Given that irrigation structures will be rehabilitated using “labour based methodologies” the project should explore potential for conducting this work during key parts of poppy season so as to raise the opportunity cost of labour</p> <p>Despite the fundamental need for improvements in access to water for increasing agricultural production there is concern amongst some donors and agencies that investment in irrigation could lead to increases in opium poppy cultivation. This project thus should explore the necessary supporting elements required to ensure that investments in irrigation works do not result in increased levels of opium poppy cultivation, with such information shared with the GoA and other donors.</p> <p>Again, proactive engagement with opium poppy issue could encourage MEW to become more actively engaged on issue of opium poppy cultivation.</p>
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Cross Border Trade and Transport Facilitation ADB TA No. 4536-AFG²⁸	
Programme Goal	<ul style="list-style-type: none"> Improved cross border and transit trade with neighbouring countries
Programme Purpose	<ul style="list-style-type: none"> To facilitate the smooth movement of goods across borders linking Afghanistan with neighbouring countries
Target Group	
Cost	TA US\$ 550,000
Location	National: 8 border crossing points
Relevance to CN	<p>High – In 2005 UNODC estimate that Afghanistan produced 4,100 metric tonnes of opium the equivalent of 410 metric tonnes of heroin.</p> <p>Low – focus on facilitation of movement of legal goods with little to no attention given to potential for risks associated with increased flows of good across borders either in analysis or proposed outputs, as follows:</p> <ul style="list-style-type: none"> (i) formulate a longer term perspective plan for cross border and inland investment (ii) recommend reform of rules and procedures and agreements and institutions (iii) undertake cost benefit analysis of alternative corridors (iv) develop a framework for private sector participation in cross border trade, transport and trade (v) design methods of setting tolls, transit fees and other revenue generating measures <p>Programme purpose should read “to facilitate the smooth movement of <u>legal</u> goods across borders”</p> <p>TAR States the purpose is to facilitate the smooth movement of good across its borders..... while ensuring adequate measures to prevent smuggling and other illegal activities that erode economic efficiency (page 2) but there is little consideration of this in the final report</p>
Current level of Mainstreaming	<p>Indicators and targets do not include revenue generated by improved border controls or seizures of prohibited goods.</p> <p>‘Consultants listed in TAR include transports logistics expert, transport infrastructure expert, transport legal expert. Does not include expert on border control.</p> <p>In Final Report para 22 of Executive Summary <i>Border control, immigration and security on the Afghan side are very lax. The TA Team observed total chaos and confusion at two of the four border crossings visited by the mission. Cars and people simply move in and out without any checks. This together with shuttle trade gives rise to increasing incidence of smuggling and narcotics trade. Whilst stating this potential there are no discussion of potential for movement of illegal goods.</i></p> <p>Says Team leader met to discuss ‘(vi) <i>prevention of illegal activities in light of regional and international requirement</i>’ (page 4, para 8). Emphasis in report on smuggling of licit goods rather than movement of prohibited goods including drugs.</p> <p>Review of people and institutions (page 3, para 5 and page 162) suggest that TA did not meet with national or international drug control institutions except Customs. No review of institutional responsibilities for control of prohibited goods at international borders.</p>

²⁸ Based on Draft interim Report Volume 1, Main Text, December 2005. TAR: AFG 36292 December 2004.

<p>Current level of Mainstreaming (continued)</p>	<p>Review of people and institutions (page 3, para 5 and page 162) suggest that TA did not meet with national or international drug control institutions except Customs. No review of institutional responsibilities for control of prohibited goods at international borders.</p> <p>Mentions other donors activities in border control including EC, World Bank, DFID and USAID. Specifically mention that USAID funding range of interventions including those aimed at <i>'enforcement of border control and management, curbing drugs, contrabands and corruption'</i> (page 13-14 para 12). Discussion on responsibility for enforcement amongst donors and national agencies and coordination of these activities is not expanded further.</p> <p><i>When the problem is one of smuggling, and illegal drugs and arms trade, Border Police and Customs Police of Afghanistan have to join hands with their counterparts in the spirit of bilateral and multilateral cooperation to tackle this menace'</i>. Subsequently no explanation of how this will be done either with help from TA or other programmes planned or ongoing.</p> <p>Profile of size and composition of legal trade between Afghanistan and bordering countries but no assessment of movement of illegal goods. (page 49-50; 58-59)</p> <p>States that <i>'apparent current account trade and payments imbalance is obvious and clearly not sustainable in the long run as aid flow and foreign expenditure in Afghanistan diminishes and squeeze is put on illegal drug money'</i> (page 64). Yet no risk assessment of movement of illegal goods and how current intervention would make drugs smuggling harder.</p> <p>Assessment that <i>'Despite short comings the border control and Customs control systems work but unfortunately works perhaps more to the advantage of those who prefer to escape the control nets and avoid paying legitimate duties making the system output in terms of amount of revenue generated much lower than what it could otherwise have been'</i> (page 93; see also para 164 page 97). Sees system purely from context of revenue generation and ignores how those moving illegal goods are benefiting from such a system.</p> <p>Section on smuggling (page 103, para 177) only considers smuggling of legal goods.</p>
<p>Entry Points for Mainstreaming at Programme Level</p>	<p>Include expert with experience in border enforcement work in TA team.</p> <p>Include analysis of threat of drugs smuggling in risk assessment and Cost benefit Analysis.</p> <p>Ensure that drugs training for relevant border authorities is integrated into the package of border improvements.</p> <p>Consider making adequate investment in enforcement capacity of border control authorities a conditionality of road sector loans/grants.</p>
<p>Entry Points for Mainstreaming at Policy Level</p>	<p>Consider making adequate investment in enforcement capacity of border control authorities a conditionality of road sector loans/grants.</p>

Treating the Opium Problem in World Bank Operations in Afghanistan - Guidance Note

A. Strategic Approach

The opium problem

Reducing opium production is one of the greatest challenges facing Afghanistan. Opium is central to the *macroeconomy*, contributing one third of GDP and significant support for aggregate demand and the balance of payments. In the *rural economy*, opium is a key livelihoods coping strategy for as many as 350,000 farm families, most of them poor. In the area of *security*, opium is fuelling warlordism and terrorism, and in *governance* the illegal economy is capturing or undermining state building efforts at all levels.

Government strategy

Government's strategy to reduce and ultimately eliminate opium from the Afghan economy comprises essentially three elements. The first is to improve governance and the rule of law, strengthening public institutions and mechanisms to control drugs, together with the development of responsible governance structures and the "social contract" at all levels from the community up. The second is to raise the general level of economic activity and services, improving living standards and providing social protection. The third is to emphasize in development programs specific components that can have a significant impact on farmer behavior, with a focus on poorer farmers, laborers, and more vulnerable areas.

World Bank approach

With this background, the World Bank's working approach to the opium problem is:

- to factor considerations of the opium problem into analysis and dialogue at all levels, including the macroeconomic dimension
- to support and engage in analytical work on the development dimensions of the drug problem in Afghanistan and associated options for addressing it
- to help support the development elements of the Government's strategy through Bank-financed programs as appropriate
- to ensure that the activities supported by the Bank do not inadvertently contribute in any way to the opium economy

Screening

Under this approach, the Bank proposes to screen all its activities in Afghanistan, both operations and analytical and advisory work, to ensure that counter-narcotics aspects are treated consistently and in a way that can make the maximum contribution to the national effort against drugs. The screening process will demonstrate to what extent the operation or activity:

1. Contributes to the governance agenda
2. Maximizes synergies to deliver broad livelihoods impacts at the community and household level

3. Maximizes more specific counter-narcotics impacts by geographical area coverage and by addressing the poorer target groups, with components which strengthen and diversify legal livelihoods
4. Identifies risks and develops an approach to ensure that Bank support “does no harm” and does not create risks to the Bank’s reputation.
5. Contains a monitoring and reporting capability that can effectively track outcomes related to the opium economy.

B. Understanding the Role of Opium in Livelihood Strategies and Devising Appropriate Development Responses

Reasons for the “success” of poppy cultivation in Afghanistan

In Afghanistan’s current economic and political climate there are many advantages to cultivating opium poppy. It is a high-value, low-weight, durable commodity, for which there is strong demand. There are sufficient returns at each stage of the value chain and well-developed market linkages in terms of credit, purchase, transport, and processing, all of which function well and flexibly despite Afghanistan’s fractured infrastructure. Traders are willing to purchase at the farm gate for cash, often in advance of the harvest.

Opium poppy can be cultivated almost anywhere in the country, although it grows best in free draining sandy loam soils. It is so well suited to Afghanistan’s agro-climatic conditions that it produces higher than the global average yields of raw opium and morphine and maximizes returns to scarce irrigation water. This latter attribute and its marketability have proven crucial to farmers with small landholdings and large families, particularly in remote areas where opium poppy cultivation is becoming increasingly concentrated. For small marginal farmers there is no other crop under current conditions that can provide the same returns; when opium declines in those areas, the opportunities for farm income for such households will also decline, driving people off the land.

With these characteristics – and despite law enforcement efforts – opium poppy is a relatively low risk crop in what is generally a high-risk environment – for both farmers and traders. The traditional credit system known as *salaam*, that provides an advance payment on an agreed amount of a future crop, has increasingly favoured opium poppy cultivation over other crops. In areas in which opium poppy has become entrenched, access to credit has become dependent on a farmer’s willingness to cultivate this crop. This willingness and the possession of the requisite skills to cultivate opium poppy have increasingly determined sharecroppers’ access to land. The rental value of land also has become determined by potential opium yields rather than by wheat productivity.

Uneven distribution of the considerable benefits of opium production

The economic advantages associated with cultivating opium poppy differ according to the assets farmers have at their disposal. For the relatively few large landowners, opium poppy represents a high-value crop that can accrue even greater value if it is not sold immediately after the harvest season but later on, when prices rise. As larger farmers have other income streams and liquid assets, they can realize higher prices by selling later in the year. Moreover, landlords who make sharecropping arrangements for opium production can do even better: some inequitable sharecropping arrangements allow the landowner to take two thirds of the final opium yield, despite contributing only 20% of the total cost of production. Landlords may also make advance purchases of opium at rates considerably less than the harvest price, generating further considerable profits on the opium crop. These profits can then be reinvested in further diversifying assets and income sources or in the opium trade itself – an ascending spiral of wealth accumulation for larger landowners.

The position for the land-poor is quite different. For this group, opium poppy is not just a source of income. Opium poppy cultivation increases the opportunity to obtain land on a sharecropping or tenancy basis and draws on the labor supply of the household. It provides access to both cash income from opium poppy and, in the typical mixed cropping system practiced in Afghanistan even among poppy growers, to the means of producing food crops for household consumption. Without opium poppy cultivation, the opportunity to access land diminishes considerably, as happened in the province of Nangarhar in 2004/05.

Opium poppy cultivation also creates a demand for itinerant labor to assist in the weeding and harvesting of the crop. Based on UNODC's estimate that 104,000 hectares of opium poppy were cultivated in the 2004/05 growing season, the crop would have generated approximately 36.4 million days of employment, of which one-third would have been daily wage labor opportunities. Where a household has more than one male able to follow the staggered weeding and harvesting seasons, the off-farm income generated from opium poppy can last up to five months and is typically higher than the on-farm income earned from cultivating the crop as a sharecropper.

Opium poppy also provides an important source of credit for the resource-poor. In areas where opium cultivation is entrenched, it defines the "creditworthiness" of the land-poor. Without it, access to basic food items, agricultural inputs, and funds for health care becomes severely constrained.

In addition to the above direct benefits, the cultivation and trade of opium has considerable multiplier effects in the rural economy. Some estimates even suggest that for every hectare of opium poppy cultivated, as many as 5-6 jobs are created in the rural non-farm economy.

Typology of opium farmers

For the purposes of this Guideline, rural households involved in the opium economy have been classified as (1) "better off" and not dependent; (2) less affluent but not dependent; and (3) poor and highly dependent. As a general rule, Class (1) "better off" farmers have more diversified livelihood strategies. They reside in areas in close proximity to provincial or district centers, they cultivate a variety of crops including high-value horticulture, and they have better access to land and irrigation, and to the commodity and labor markets. They are not dependent on opium for a decent living and could be considered to be "opportunistic producers", for whom application of the law is the primary instrument of drug control. More marginal farmers (Class 2) and the poor (Class 3, landless or with very small landholdings) are considered to be the target group for development programs that aim at contributing to the reduction of drug production. As such, poverty reduction and opium poppy reduction strategies are closely entwined. The characteristics of these three classes are summarized in Table 1.

Appropriate development responses

Opium poppy cultivating households are diverse and dynamic, and their decision as to how much land to dedicate to opium is influenced by a range of different factors – not just price. Policies and programs that treat opium poppy farmers as homogenous will not only be ineffective, they could prove counterproductive. It is necessary to work with the diversity that exists among opium poppy cultivators. Understanding the contribution of the different socio-economic groups involved in opium poppy cultivation and the multiple benefits (for example social, economic, and political) they derive from their involvement are critical for identifying the entry points for developing effective strategies for the sustainable elimination of the crop in Afghanistan.

Table 1: Typology of Opium Producing Areas and Farmers within Them			
	Class 1 Not Dependent	Class 2 Not Dependent	Class 3 Highly Dependent
Access to markets/services/governance	<ul style="list-style-type: none"> • Close to district and provincial centers • Government can impose will with minimum reaction 	<ul style="list-style-type: none"> • Accessible but limited physical infrastructure 	<ul style="list-style-type: none"> • Remote • Government presence and service delivery limited • Government finds difficult to impose will beyond district centre
Land cultivated (winter+summer)	<ul style="list-style-type: none"> • Larger cultivable land (>15 jeribs) 	<ul style="list-style-type: none"> • Medium sized (>7.5 <15 jeribs) 	<ul style="list-style-type: none"> • Small cultivable <7.5 jeribs)
Irrigation	<ul style="list-style-type: none"> • Canal or main river 	<ul style="list-style-type: none"> • Canal and river but also karez and mountain spring 	<ul style="list-style-type: none"> • Karez and mountain spring,
Land Tenure	<ul style="list-style-type: none"> • Landlord • Owner cultivator 	<ul style="list-style-type: none"> • Owner cultivator • Tenant 	<ul style="list-style-type: none"> • Owner cultivator • Sharecropper
No. of Crops	<ul style="list-style-type: none"> • Double Crop 	<ul style="list-style-type: none"> • Double Crop but limited in summer 	<ul style="list-style-type: none"> • Single Crop
Cropping	<ul style="list-style-type: none"> • Diversified • Poppy 30%-50%. • wheat • vegetable for sale • Fruit/nits for sale 	<ul style="list-style-type: none"> • Poppy 50%+ • Wheat • Vegetables –some for sale • Fruit/nuts –some for sale 	<ul style="list-style-type: none"> • Poppy 70%+ Wheat 20-30% vegetable solely for consumption
Population density	<ul style="list-style-type: none"> • 1 –1.5 per jerib 	<ul style="list-style-type: none"> • 2 –3 per jerib 	<ul style="list-style-type: none"> • 3.5 to 5 per jerib
Livestock	<ul style="list-style-type: none"> • Sale of dairy products and cattle 	<ul style="list-style-type: none"> • Some sale of dairy products 	<ul style="list-style-type: none"> • Goats/sheep • Dairy cow for milk products for household
Off farm	<ul style="list-style-type: none"> • Limited 	<ul style="list-style-type: none"> • Daily wage labor – poppy during harvest 	<ul style="list-style-type: none"> • Daily wage labor - mainly poppy throughout season
Non Farm	<ul style="list-style-type: none"> • Salaried (NGO, Govt), trade, transport 	<ul style="list-style-type: none"> • Construction • Semi Skilled 	<ul style="list-style-type: none"> • Limited
Credit	<ul style="list-style-type: none"> • Accumulated debt marginal • Variety of sources of credit • Gives loans 	<ul style="list-style-type: none"> • Some accumulated debts • Variety of sources 	<ul style="list-style-type: none"> • Accumulate debts significant as proportion of total income • Opium only source of loans
Opium Sales	<ul style="list-style-type: none"> • Some time after harvest 	<ul style="list-style-type: none"> • Pre harvest but some surplus 	<ul style="list-style-type: none"> • Pre harvest

Development programs that offer farmers real livelihoods alternatives would need to have as many characteristics as possible that “mimic” the attractions of the opium economy, particularly for smaller and poorer farmers and laborers (Classes 2 and 3), for whom choices are very limited at present. Programs need to avoid adopting a strategy of simply attempting to replace the relatively high level of income from opium that accrues to the resource-rich (Class 1 farmers). Interventions are needed that improve the access of smaller farmers (Class 2 and 3) to those assets which they currently have access to only through their willingness to produce opium poppy. **Improving access to credit, land, and off-farm and non-farm income opportunities for the poor should be a priority.** Table 2 lists some of the development responses that should be emphasized to address the situation of these Class 2 and 3 farmers.

For farmers who are not economically reliant on opium poppy cultivation (i.e. Class 1 farmers), greater emphasis should be given to applying social and legal pressure.

Table 2: Development Responses to Counterbalance the Advantages of Opium for the Rural Economy

Asset	Advantages of the opium economy	Development responses
<p>III. LAND</p>	<ul style="list-style-type: none"> • Preferential access to land for sharecroppers with experience of poppy cultivation • Only poppy can pay the high land rents: in areas where poppy is concentrated the rentable value of land is inflated to such a point that farmers cultivating legal crops would not be able to meet their rent • High returns per unit of land, preferred crop for those with limited land holdings. 	<ul style="list-style-type: none"> • Increase agricultural land under irrigation (winter and summer seasons) • Promote high-value horticulture and cottage level agro processing to provide value added • Increase income from livestock and by-products • Develop non-farm income opportunities, for example through skills development and development of market linkages
<p>Water</p>	<ul style="list-style-type: none"> • High return per unit of water, poppy particularly attractive in single crop areas • One of few crops to meet capital and recurrent costs of tubewells 	<ul style="list-style-type: none"> • Increase agricultural land under irrigation (summer and winter) • Integrated approach to improving value added in farming through water efficient techniques/technologies and high value added production packages
<p>Credit</p>	<ul style="list-style-type: none"> • Advance payment on future crop facilitates purchase of agricultural inputs • Those that cultivate opium poppy, particularly the resource poor, are considered “creditworthy”. They can access credit, including consumption credit, and are able to repay both seasonal and outstanding loans 	<ul style="list-style-type: none"> • Advance payments on other crops (orchards, onions, cumin) sometimes available, promote market linkages • Contract growing, including provision of agricultural inputs • Improve credit opportunities for consumption and investment through MISFA
<p>Labor</p>	<ul style="list-style-type: none"> • Labor-intensive crop, significant labor opportunities created during weeding and harvesting periods • Maximizes use of unremunerated family labor, including women • Sharecroppers receive greater share of final crop when they cultivate opium than they do for legal crops • Food provided for those harvesting opium poppy 	<ul style="list-style-type: none"> • Develop labor- intensive agro processing opportunities such as in dried fruit • Raise opportunity cost of family labor through expanding potential income earning opportunities for women, including livestock, poultry, dairy, agro processing, etc • Develop non farm income opportunities • Cash For Work during periods of peak labor demand in areas where strong law enforcement against cultivation is occurring • Improve access to agricultural inputs for sharecroppers to allow greater share of larger final yield of legal crops .

In addition to the development responses that may directly offer income-earning opportunities to poor farm families, much might be done to improve governance and so develop responsible reciprocity between rural communities and the state. The spread of efficient and responsive delivery of services like health and education, and the development of counterpart community structures like parent-teacher associations, increase respect for the Government's development capability, build responsible local community social capital, and open paths for dialogue on the drugs issue. In addition, specific programs like education, health, and the National Solidarity Program may offer multiple entry points for education and dialogue and for the building of trust and good governance. ***The problem of opium is thus a consideration that may be factored in across a whole range of development activities in rural areas.***

Finally, institutional development at the broader level – for example strengthening the central and local administration or improving institutions and mechanisms in specific sectors bearing on the opium economy, such as financial services (e.g. anti-money laundering actions) – can support the Government strategy to improve governance and thereby control drugs. ***Many aspects of governance and institutional development at the broader level can thus have an impact on the opium economy.***

C. Implementing Counter-Narcotics Screening for Bank Activities

This section sets out a checklist for screening Bank activities, assesses the benefits to be gained, and discusses institutional responsibilities for implementation.

The checklist

The following eight questions provide an analytic framework for screening Bank activities. The questions are designed to highlight how activities may contribute to the counter-narcotics effort, and also to underline any risks that need to be managed.

1. How does the activity touch the target population or areas? Review the activity description and assess the “interface” with the opium economy in terms of the target population, the causes of cultivation, the type of actions envisaged, and the targeting, timing, and geographical location in relation to opium production.
2. Does the activity promote governance and institution building? Do governance and institution building under the activity create the possibility at some stage of development of responsible interaction between the state and the population on the subject of drugs? Within the governance and institutional set-up of the activity, is there scope to conduct dialogue or transmit information, provide education, and engage in communication about drugs? What measures could improve the impact on governance?
3. Is there an impact on the standard of living and on livelihoods in general? Does the activity contribute to improvements in living standards and incomes in drug producing areas or “vulnerable” areas? What measures could improve the impact on the standard of living? Is the activity coordinated with other development efforts to avoid overlap or gaps and to achieve a critical mass of impacts on livelihoods at the local level that would increase the attractiveness of licit activity over opium production?
4. Are there direct impacts on the target population? Are components of the activity likely to directly affect actual or potential drug-producing households,

and are these components adapted to maximize the chances of raising the opportunity cost of opium poppy cultivation and providing an alternative to opium? How can direct impacts be optimized? Is there a case for targeting actual or “at risk” opium producing areas and households by selection of project areas that are growing or at risk of growing opium, or by modifying the components to address the production systems of those engaged in the opium economy – or who might be? Is such targeting desirable, and if so, is it feasible?

5. Is there a risk of harm? Is there a risk that the activity may promote drug production and how can that risk be managed? Could interventions be timed, targeted, and coordinated with other initiatives to reduce this risk?
6. Do monitoring, evaluation, and reporting capture outcomes? How would any agreed contribution of the activity to national drug control objectives be monitored and evaluated? How could an understanding of the movement from illicit to licit livelihoods be used to inform both operations and policy? How would any emerging risks be captured and reported?
7. Overall, does the activity contribute to Afghanistan’s counter-narcotics effort? Overall, to what extent does the activity contribute to Afghanistan’s strategy to reduce and ultimately eliminate the opium problem?
8. Can more impact be obtained through the activity? What solutions could increase the contribution of the activity to Afghanistan’s fight against drugs? At what cost could those impacts be obtained, and what operational changes would be required?

Benefits

It is expected that the approach outlined above can contribute materially to Afghanistan’s efforts to combat drugs. In addition, development effectiveness should be increased by taking the opium economy into account, because of its strong links to Bank development goals of poverty reduction, governance building, and sustainability. Reputational risk will also be better managed. Finally, a lead from the Bank will provide a model that the Government and other donors can follow.

Institutional responsibilities, scope, and key stages

Within the region, the Operations Advisor for Afghanistan will be responsible for guiding teams in the completion of the checklist and in formulating appropriate changes to activities. Advice will be provided by SASPR as needed based on past and ongoing analytical work on the opium economy. It is expected that the checklist should be applied to all activities, both investment operations and analytical and advisory activities. For investment operations, an initial screening would normally be carried out upstream at concept review stage. Thereafter, the analysis and reporting would be conducted, as appropriate, through appraisal and supervision. “Opium compliance” will form one aspect of the review of readiness for entry to the program.

ANNEX 3

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