

Introduction

Like so much else in Afghanistan, the direction that the opium economy takes after 2014 will depend on a complex matrix of factors. Those who despair point to the more than one-third increase in cultivation, with a new high in 2013. They observe that with a contracting economy, increasing insecurity in rural areas, reduced international spending (and leverage) and a search for alternative sources of patronage among local power-holders, there are no obvious factors that would discourage expansion even beyond the current “unprecedented” levels. The absence of state influence in the 1980s and 90s allowed the expansion of opium poppy from relatively small and isolated areas to widespread cultivation, in the process becoming integrated with the larger rural economy and tilting political and economic power away from Kabul. Now, similar if not identical conditions underlie the fear of even greater expansion.

The opium economy persists for obvious reasons. It creates income for everyone from farmers to government officials, provides employment for the landless (an estimated up to seven full-time jobs per hectare), helps households accumulate capital and liquidate debt, and generates an economic multiplier that benefits even those not directly involved. With \$US 3 billion of value (equivalent to 15 percent of GDP) generated in 2013, more than all other exports combined, the opium economy has been Afghanistan’s largest source of import earnings, positively affecting balance of payments and currency stability as well as, indirectly, the government’s fiscal situation. On net, however, the opium economy poses a serious threat to the country’s stability. It crowds out legitimate activity, undermines government institutions and creates perverse incentives to maintain a weak state, as well as creating addiction and other public health problems. Finally, drugs are seen by both Afghans and foreigners as emblematic of wider state weakness.

While in the aggregate, counternarcotics (CN) is considered to have failed, hope comes from the fact that in some areas households have made the transition to the licit economy, suggesting that under the right conditions, opium poppy in Afghanistan can be—if not eliminated—at least reduced, and that some of the problems associated with the opium economy can be better managed.

Right and wrong conditions for transition out of opium poppy

Despite national increases of 70 percent in opium poppy cultivation over the last three years, in parts of Balkh, Helmand and Nangarhar Provinces where roads, security and market access have improved, households have combined cultivation of higher-value licit crops such as vegetables with non-farm employment to transition out of opium poppy. While opium poppy is usually considered a more attractive crop than its alternatives, it also requires high labour input. Thus, under the right conditions, the opportunity cost to households of foregoing employment and other profitable cropping combinations may tip the balance away from opium poppy cultivation.

On the other hand, where positive economic and security conditions have not prevailed, households continue to survive only by out-migration, selling off long-term productive assets such as animals and land, reducing the quantity and quality of food consumed and foregoing healthcare. In the absence of alternatives, households may still look to opium poppy to fulfil a number of other roles: allowing access to land and other inputs, obtaining credit, liquidating debt incurred due to shocks (e.g. the harsh 2011-12 winter in Badakhshan), reducing risk and providing a store of value. Some households have used opium poppy to accumulate financial capital which, ironically, has allowed them to transition out of the illicit economy by purchasing assets such as vehicles or tractors and by investing in human capital through education and training.

The right and wrong conditions can appear in the same province, in the same district or valley or even among households in one area. For instance, households in areas of Helmand close to the river, the Boghra Canal and Lashkargah and Girishk were able to thrive by multi-cropping higher-value crops for those urban markets, while those farther away with less reliable irrigation and limited access to employment continued to rely on lower-value crops. Similarly, in Nangarhar, there were stark differences in livelihoods security and reliance on opium poppy between those who lived in the lower river valleys with proximity

to markets and those who lived in the less accessible mountainous areas. Moreover, within a given area, each household's ability to respond to opportunities depends on access to land and human capital, as well as on external opportunities.

Governance and the political context play important roles in discouraging or encouraging opium poppy cultivation. In Nangarhar, resurgence of cultivation in the years after the 2007-08 ban was accelerated by the breakdown of political relationships in the province. Active resistance to Governor Shirzai, the ban's prime mover, was to some extent an opportunistic response by his political rivals, exacerbated by his involvement in a polarising land dispute and by the heavy-handed tactics of international military forces who conflated counternarcotics and counterinsurgency.

The resulting fragmentation increased insecurity, discredited the state and the rural elites who had agreed to enforce the ban, and created an opportunity for the Taliban, who in some areas were invited in by residents explicitly to keep out the state and to allow farmers to resume opium poppy cultivation after suffering the accumulated economic strains of several years of enforced abstinence. In Helmand, the concentration of the post-2001 division of spoils among a few favoured groups resulted in insecurity and animosities that provided a fertile environment for opium poppy cultivation and trade.

Counternarcotics and its discontents

If narcotics have undermined the state, in many instances CN has done the same. While the government's National Drug Control Strategy (NDCS) is a largely sensible mix of incentives ("carrots") and coercive measures ("sticks") dealing with both supply and demand, the challenge, of course, is in the implementation. The NDCS has not been applied consistently, with coercive measures not to plant opium poppy often imposed where farmers have no alternatives. Obsession with numerical targets has caused "one-size-fits-all" policies to be applied regardless of the negative unintended consequences. There have also been trade-offs with stabilisation and counterinsurgency objectives as actors known to be involved in the trade have been given a free pass because of their demonstrated opposition to the Taliban.

Coercive approaches such as across-the-board bans and eradication have often ignored the political, governance and economic context. Where there is a strong and motivated force, as in Balkh and Nangarhar, coercive measures can achieve short-term reductions in cultivation. In the absence of the right economic and political environment, however, coercion will eventually erode and collapse as it did in Nangarhar (see description above). This has been the case for all past bans, including the poorly understood 2000-01 Taliban ban, which time would have shown to be unsustainable even over the intermediate term, and which in fact plunged many farmers into deep poverty and debt.

Policy has often ignored the economic consequences of cultivation bans. Because of opium poppy's economic multiplier—creating a high demand for labour and injecting money into the broader economy—its suppression in the absence of other opportunities can have a local deflationary effect. While in Balkh and Nangarhar this was somewhat blunted by a booming urban economy, and in Helmand and Nangarhar to a lesser extent by international spending, the effects of the bans on people's welfare were still noticeable.

In Nangarhar, beginning in 2011-12, the major resurgence in cultivation in more remote areas was accompanied by reports of higher incomes, improved consumption of food and medical services and increased investment. Similarly, the expansion of opium poppy cultivation in the *dasht* (desert) in Helmand created labour opportunities, especially during the harvest season when wages in Lashkargah and Girishk doubled, and drove demand for other goods and services.

At the same time, the opium poppy crop failure in Helmand in 2012 and 2013 created stress not only for households that were growing opium poppy in the *dasht*, but also for those in the canal area that relied on casual labour income or that were owed money by opium poppy farmers who were unable to pay. Besides contraction of the local economy, the unintended negative consequences of prohibition include increased poverty and landlessness, relocation and intensification of cultivation and greater support for the Taliban at the expense of the state.

For example, there is strong evidence that suppression of opium poppy cultivation within the Helmand Food Zone beginning in 2008 contributed to the relocation and intensification of cultivation while harming the poor. Following the ban and accompanying large-scale distribution of wheat seed and fertiliser, many land owners adopted less labour-intensive crops that they could farm with their own household members. This both eliminated a source of employment for labourers and reduced the amount of land available for sharecropping or leasing by landless and land-poor farmers. Where the poor could get land, it was on less favourable terms than previously. Unable to access land on acceptable terms, many migrated and settled in the less hospitable *dasht*, where they could obtain land and eke out an existence in the non-state-controlled space, but where the high-cost structure of farming almost ruled out any crop other than opium poppy.

Expanded production was further encouraged by the high opium prices from 2010 onwards. Without a diversified mix of crops, farmers in the *dasht* are also more vulnerable to the types of devastating crop failures that occurred in 2011-12 and 2012-13. In 2013-14, large landholders were able to reduce the proportion of land on which they grew opium poppy, while many smaller holders had to “double down” in the hope of obtaining cash income for necessities and for land improvements. Now that the settlers have been uprooted from the canal area, some have become a mobile, landless and land-poor class of people who specialise in opium poppy cultivation.

Box: Eradication

Eradication has generated the most discussion and controversy of any policy area, even among the international community’s leading nations on CN. The terms “eradication” and “elimination” are often incorrectly used interchangeably. Eradication is the physical destruction of the standing crop and elimination an end state where the crop is no longer grown. Elimination occurs as a result of a number of factors, perhaps including the eradication of the standing crop.

Eradication is intended primarily to discourage future cultivation by raising the perception of risk (the demonstration effect), not to reduce the amount of opium entering the market in a given year. Intended to be applied in places where farmers have alternatives, eradication has instead been used in a blanket way in order to meet arithmetic targets or to increase the number of “poppy-free” provinces.

Eradication generates the most hostility when carried out just before the harvest, when farmers have already invested time and money in the crop and it is too late to grow anything else. It is also resented when those representing the state (or claiming to do so) are perceived to be corrupt and/or outsiders, sparing those who have *wasita* (connections) and punishing those who are poor or have rivalries with those wielding the sticks (or driving the tractors). Corruption in eradication is seen as consistent with a more general sense of corruption in development assistance and government services. In its worst manifestations, eradication—intended to be an instrument of public policy—has instead become a tool of private extortion.

Eradication or other forms of physical confrontation may be intended to communicate state control, but in some places the net effect may be the opposite—destabilising by provoking a violent reaction by farmers. Attempts to destroy the crop have provided the Taliban and other anti-government elements with an opportunity to portray themselves as defenders of the community against a state seen to be actively opposing the population and unconcerned about its welfare. It appears likely that the Taliban accumulate more political capital from resisting eradication than financial capital from collecting money from the crop. Such political capital is an even easier win in areas such as Helmand and Nangarhar where eradication or coercion not to plant is seen to be done at the behest of “the *khareji*” (foreigners). In some opium poppy growing areas, farmers explicitly attribute improvements in their economic situation to the Taliban presence. Pragmatic farmers see no inconsistency in family members holding government positions as teachers or even police while at the same time growing opium poppy.

Development assistance: priming the pump or stealing it?

The development assistance (or extravagant promises of such assistance) which has usually accompanied opium poppy bans has been vastly inadequate to the task of helping farmers transition to licit livelihoods on a large scale. Many farmers who gave up opium poppy in favour of subsidised wheat seed and fertiliser have found themselves unable to meet their basic living expenses. In addition, many “alternative livelihoods” programmes, limited by funding and planning cycles, were simply of too short a duration to make a difference; some programmes have shifted assistance from district to district each year or focused on deliverables (inputs distributed or farmers trained) which could be counted in order to report to the donor. More fundamentally, development assistance has typically focused on one aspect of the mosaic of farmers’ livelihoods rather than its totality. Perceived maldistribution of assistance—either in comparison with other areas of the country or through alleged corruption among local elites who captured the benefits for themselves—has bred additional cynicism about the Afghan state.

Policy implications: hoping against despair?

In the years ahead, a combination of factors is likely to strengthen the incentives to cultivate opium: reduced funding for development and CN programmes; contraction in the broader national economy; the withdrawal of political, financial and military assets; and the preoccupation of the new government and the international community with other matters. At the same time, the disengagement of the international community from larger development objectives increases the possibility of more aggressive, less incentive-oriented measures (more and larger “sticks” and fewer “carrots”). While CN has largely fallen off the public policy agenda, considering opium’s weight in the rural economy and its importance in governance, looking the other way may have long-term, structural consequences.

The implications for policy are clear:

- **Acknowledge the long-term nature of the problem.** Recognition that this is a long-term problem must be internalized into policy and put into practice, rather than simply being given lip service. Sustainable reduction is an ongoing process that cannot be measured by year-to-year fluctuations or numbers of "poppy-free" provinces. Year-to-year snapshots exaggerate both successes and failures; one striking example is the attribution of reductions in 2007-08 to development assistance without taking into account that this was a time when relative prices for opium were low and labour demand was high.

It is important to take advantage of opportunities where they exist and not leap to seemingly simple interventions that do not stand up to rigorous consideration and that ultimately make things worse. Two examples of such interventions are chemical spraying (not feasible on a significant scale and certain to create profound collateral political damage) and licensing for the international pharmaceutical market (impractical due to Afghanistan's inefficient production and the certainty that confused public perceptions about legality and the lack of effective monitoring capacity would simply increase the supply of illicit opiates).

- **Understand the local context.** Changes in cultivation cannot be attributed to a single variable such as price, insurgency or a governor's leadership. Unfortunately, CN has often either ignored or inadequately considered the local context. Policy and programmes must take an area-based perspective, responding to variations in geography and household characteristics and differing opportunities based on natural resource endowments and on proximity to trade routes, markets and urban areas.

In areas with a combination of enabling economic and political factors—decent governance, security, agro-economic possibilities, infrastructure and functioning markets—pressure from the authorities not to cultivate may induce households to opt for livelihoods that include a combination of licit crops and/or off-farm employment. On the other hand, in areas with poor resource endowments, low effective demand for cash crops, and limited access to urban employment, similar pressure will lead only to hostility and reduced welfare. Simply improving the physical infrastructure, particularly irrigation, without supporting income development and social protection is likely to increase opium poppy cultivation in due course. Evidence shows that conditionality—making development assistance contingent on reduced cultivation—in this economic and political terrain may bring about reductions in the immediate growing season but ultimately prove counterproductive. Rigorous impact monitoring can help to understand the local context as well as the relationship between development interventions and outcomes.

- **Reduce market and agronomic risks.** Despite improvements in some areas, farmers still face major constraints and market risks such as low prices at harvest time and expensive or limited transport, as well as agronomic risks such as pests and disease. In some areas which are distant from markets, weak demand for agricultural outputs remains a constraint to deriving benefits from higher-value crops. Value-added processing, especially for labour-intensive crops, should be encouraged.
- **Focus on pro-poor interventions.** Opium poppy is not grown only or even primarily by large landowners. Without relevant alternatives, suppression of cultivation has the largest effect on the poor, especially the landless and the land-poor. The most productive interventions are labour intensive, including those which focus on livestock and high-value horticulture.
- **Put counternarcotics into a development context (mainstreaming).** CN cannot be implemented in isolation from other programs and dynamics. It should be "mainstreamed": integrated into all development policies and programs by taking advantage of complementarities. Between 2006 and 2009, the idea of CN mainstreaming gained ground among some of the major donors in the international development community, including the World Bank, DFID and EC. But acceptance of the concept was undermined by several forces: a lack of political support among drug-control institutions at the time; the Afghan government's push for greater drugs-specific assistance in poppy-growing areas ("alternative livelihoods" programmes); and, subsequently, the national-level reductions in cultivated areas.

Those who formulate development policies and programmes should recognize their potential impact on the drug economy; they should work to minimize unintended negative consequences and maximise positive ones. Otherwise expansion of agricultural productivity or cultivated areas—including new desert areas being brought under cultivation—may simply expand opium poppy output, defeating the purpose of the CN effort.

About the Research

This Policy Note is based largely on European Community-funded research on the opium economy and rural livelihoods conducted in the four provinces of Badakhshan, Balkh, Helmand and Nangarhar between April 2011 and November 2013. Quantitative and qualitative methods were used to look at decision-making among rural households in a broader political economy context. Approximately 2,000 in-depth household, labourer, and shopkeeper interviews were conducted in opium poppy-cultivating areas identified by geospatial mapping, in addition to interviews with shopkeepers, labourers, government and aid officials and NGOs. Analysis also draws on previous related research starting in 2002.