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Afghanistan, Factor 19: Foreign Aid

Afghanistan: Social Business to Build Infrastructure and Empower Rural Farmers

Afghanistan is a nation composed of stark contradiction; lush mountains and broad plains that are inhabited by people whose food resources are unacceptably low. Stricken by decades of conflict, the nation no longer has the infrastructure to process its crop yields into food or to transport the food to cities. Foreign subsidized crops and food aid depreciate markets and decrease the price of crops, resulting in cyclic rural poverty. Poverty, in turn, provides fertile ground for disrupting the tenuous peace that has been established. To complete the circle of destitution, food insecurity, and fighting, in 2005, the Food and Agriculture Organization (FAO) rated conflict as the most common cause of food insecurity. Food infrastructure in Afghanistan is integral to building a virile, self-sustaining populace that can refuse Taliban aid. To build a self-sustaining populace, first world nations must allow rural farmers to take their business into their own hands. Two venues to do this are microcredit, which involves providing a small amount of startup capital, and trade aid.

Nobel Peace Prize laureate Norman Borlaug astutely noted, “Lest we forget, peace will not be built upon empty stomachs or human misery” (Wallace 67). Almost three-quarters of Afghanistan’s population are malnourished (“Afghanistan: Drop in Wheat Prices”). Food insecurity demands resources and so most family, as well as humanitarian aid budgets, are devoted to obtaining sustenance. Asif Rahim, Foreign Minister of Afghanistan, estimates that 70% of Afghan household incomes are devoted to food. The UN Humanitarian Coordinator in Afghanistan, Robert Watkins, states that the UN is in a similar situation and laments that he is unable to provide assistance in the areas of health, nutrition, and education (60% of Afghanistan Insecure).⁵ Because of the lack of education aid, less than one-third of Afghani children are enrolled in primary school. Additionally, Afghanistan exhibits the world’s largest gender gap: 38% of young boys go to school, but only 3% of young girls do (Chabot and Dorosh). Lack of primary school education stunts rural development, especially women’s empowerment. Some uneducated children travel to fundamentalist Islam and join the Taliban. To the extent the Taliban, in turn, engages in guerilla warfare and destroys existing infrastructure, such as schools and roads, the lack of infrastructure perpetuates agricultural and educational struggles. These struggles result in less capital per person, aggravating food insecurity. If Afghanistan can achieve sustained increases in capital per person, it would be a great step towards achieving food security amongst the rural poor (Sachs).

Afghanistan’s primary crops include wheat, sesame, melon and other fruit. Afghans also raise sheep and lamb, but meat is considered a delicacy amongst the rural poor. Rural Afghan women, often bound by rigid societal structures, weave to provide supplemental income (“Afghanistan”). Flat breads made from wheat are the nation’s staple food. Fertile northern plains and a plateau in the south account for most arable land. The wheat produced must serve not only the farming communities, but also urban centers such as Jalalabad and Kabul, rendering the surplus inadequate (Chabot and Dorosh). However, the reason the wheat surplus and other crops are inadequate to feed the nation, and often inadequate to even feed the subsistence families growing them, is not inherent to the land.

Lack of infrastructure and lack of capital are the primary causes of food insecurity in Afghanistan. The two are interrelated as capital is rendered useless without infrastructure and infrastructure development requires access to capital. Both can be obtained, however, through a model of social business that facilitates access to credit and empowers the community to build infrastructure.

In terms of infrastructure, Afghani farmers lack two major constructs: adequate wheat mills and means of transportation (Chabot and Dorosh). Afghanistan has only five mills to process the wheat crops: two functional public mills producing 40-60 thousand tons of grain a day, but dating from the time of Soviet occupation (1980's) and three private mills producing two to six thousand tons, less efficient than the public mills. These mills are located in the heart of Afghanistan's industrial complexes: Kabul, Mazar-e-Sharif, and other cities. Most of these mills are not accessible to local farmers due to lack of appropriate transportation infrastructure. Therefore, rural farmers utilize small scale "chakki" style mills with a productivity rate of approximately 1.6-2.4 tons a day, keeping farmers at a subsistence level (Chabot and Dorosh).

Even if farmers had the ability to utilize appropriate mills, however, they would still confront the dilemma of transporting their goods to the marketplace. Lacking adequate roads, fruit and other agricultural crops are prone to spoiling on the journey. It is also common that the journey to market simply cannot be completed. As a result, much of the wheat supply to Kandahar and Kabul, the major cities of Afghanistan's central/eastern markets, and to Afghanistan's southern markets is provided by Pakistan. Both of these industrial centers receive wheat from Pakistan because the voyage from Afghan farmland to city is too risky to undertake (Chabot and Dorosh). Ironically, the militant groups that pose the greatest risk to market access and agricultural profit fill their ranks with, among others, rural farmers who cannot sustain themselves through farming. This forms a perpetual cycle: farmers cannot sustain themselves and join militant forces, which, in fighting, further destroy farming and agricultural infrastructure.

To compound the dilemmas posed to rural farmers by lack of infrastructure, foreign entities continue to add cheaper produce to the market. Wheat prices in Afghanistan dropped by 30% last year, bringing joy to city-dwellers, but not to the rural poor who could no longer sell their produce. Although it undoubtedly has benevolent intentions, the UN World Food Programme (WFP) has contributed to depreciating wheat prices by supplying the needs of the urban and rural poor with imported food ("Afghanistan: Drop in Wheat Prices") Free food is to the detriment of farmers that, without valued customers, have themselves succumbed to poverty. First-world nations also supply the Afghan wheat market with relatively cheap, subsidized foods. Subsidies flowing from these governments are roughly 2.5 times the development assistance they provide, effectively counteracting the assistance (Brown 146-49). Thus, rural Afghan farmers have been robbed of their infrastructure by war and of their customers by globalization and aid.

No amount of foreign aid can sustain a nation as aid is only temporary. Food aid, specifically, does not provide long term solutions because it does not enhance the average villager's access to capital or improve infrastructure. Without sufficient capital to invest in new ventures, the poor remain in a state of poverty that no external institution can eradicate. To solve Afghanistan's food crises, change must occur from within the system, facilitated by international actors who must put trust in the local population. Muhammad Yunus, founder of the microcredit Grameen Bank in Bangladesh, says, "Poverty is created by failure at the conceptual level" (Wallace 67). He refers to human failure to conceptualize the potential of the poor. If given appropriate resources and aid, the rural villagers of Afghanistan can extinguish food insecurity by creating sustainable infrastructure. Yunus suggests a model of "social business" to empower the poor. He defines two distinct forms of social business: not-for-profit companies that design innovative solutions for the poor and profit-maximizing business ventures that are owned by the poor. Although both forms have the potential of rehabilitating Afghanistan, the latter specifically empowers the rural poor to resolve their own problems.

Yunus's Grameen Bank is a world-renowned example of the latter form of social business. Grameen bank gives microloans to 80% of Bangladeshi poor who, in turn, own the bank (Yunus). The Grameen loans have empowered both rural and urban poor to efficiently produce and sell their goods in Bangladesh. Bangladesh, a moderate Sunni Islamic country, is similar in culture to Afghanistan. Therefore, in principle, microcredit should work quite well in Afghanistan. The Afghanistan Research and Evaluation

Unit (AREU) conducted a study on microcredit in Afghanistan. Analysis from the study on five Afghan villages indicates that microcredit with long grace periods could function well in Afghani villages. Grace periods allow for sufficient time for the farmer to invest and earn back capital. For example, some villagers were able to buy hybrid seed from whose yield they were able to pay back their loan and manufacture a sustainable income (Kantor).

Even with long grace periods, however, the loans provided to each individual villager aren't always sufficient. Often, when confronted with smaller loans, villagers bound together to obtain more credit and a larger loan. For example, in one village, a villager was able to assimilate a loan group to borrow 25,000 Afs to buy a jeep. However, this binding together created an interdependent community that benefited from each other's successes (Kantor).

In the study, to broaden the scope of Afghans that could access microcredit loans, physical collateral was not required to obtain a loan. Therefore, people who may not have had collateral, such as women or the extreme poor, could obtain loans. In its place, "solidarity collateral," whereby a member from a group served as a guarantor of another, held villagers accountable. In this way, microcredit was able to reinforce preexisting social networks that had been strengthened by people coming together to obtain a larger loan (Kantor).¹⁵ It was also able to empower women; with microloans, women were able to begin their own food-processing enterprises making wheat, jam, and other products. Women were also able to supplement household income by partaking in domestic occupations such as weaving (Grace).

Despite all of the benefits, microcredit loses effectiveness when confronted by a lack of infrastructure and access to trade markets. Without these, there is no guarantee that a borrower will be able to make the money to pay back the lender. As a villager explains:

Before the Taliban villagers had good income from their grape gardens and lands...people were giving credit to each other because they trusted each other. When the relatives to whom he gave credit get grapes from the garden and sell them in the bazaar for cash money, then they repaid the credit. Now villagers think that if we give credit how will they repay the money, because there is no way to get grapes to market and no cash money. Therefore we do not trust each other (Kantor).

Lack of infrastructure, in this case a road to transport grapes to the market, impedes trade. Infrastructure development is, thus, a key component to building sustainable agriculture.

Currently, much of the infrastructure in Afghanistan is being rebuilt by foreign forces. The US military has undertaken an important infrastructure initiative in the northeastern Kunar province: a 26-mile long road. The road connecting Pech and Korengal Valleys will provide a venue for commerce, especially trade of produce, to occur throughout the region and rout the Taliban further into the mountains. It will push back conflict that would have otherwise harmed farmland and infrastructure. However, at present these communities remain entirely reliant on external agents, such as the US military, to supply the finances and materials to build roads ("U.S. Teams Build").

Ideally, with the implementation of social business, these communities could gradually embrace infrastructure development themselves. A loan group similar to the group that bought Khan Mohammed's truck could obtain a loan to build a road, a bridge, an irrigation channel, or even a wheat mill. The international, nongovernmental and intergovernmental organizations that function in Afghanistan should continue to facilitate construction. However, the owners of the road, the villagers themselves, should have a vested interest in the road, increasing their incentive to protect it against the Taliban. The road will provide improved market access and more stable sources of income to many families in the region, so they will be disinclined to join the Taliban or other insurgent groups and rather work alongside American forces to preserve their infrastructure. Over time, they will feel secure in expanding and maintaining

personal and communal infrastructure that will be increasingly funded by profits from the sale of surplus produce. Thus, their income will be buffered and they will be more secure in meeting their dietary needs.

This ideal scenario has a significantly lower chance of becoming reality, however, if low-priced foreign food continues to dominate the Afghani marketplace. Yunus states, "Globalization must not become financial imperialism." (Yunus). Appropriate checks must be placed upon international trade. Most of the industrialized nations are pursuing an ever-burgeoning, profit-maximizing commercialized world. A fundamental change is, thus, necessary to allow developing economies into the global marketplace. To optimize this effort, both industrialized and developing nations must take the initiative to nurture social business. Industrialized nations must allow for infrastructure development and market growth to succeed in developing countries by restricting the proliferation of cheap foreign produce and allowing social business to be integrated in emerging markets.

To allow room for developing nations to emerge, industrialized nations and aid agencies must take care not to significantly depreciate prices by exporting subsidized food. Preferably, after sufficient infrastructure has been built, aid agencies ought to obtain the food they will distribute to Afghans from Afghanistan itself. An effective measure by which to counteract price depreciation that the US supports is Reconstruction Operation Zones (ROZ), a type of Export Processing Zone (EPZ). In designated ROZs, Afghani produce would be imported to the US duty-free. Thereby, the US establishes a unilateral trade preference with Afghanistan. In turn, the ROZs place requirements on the nations concerning the quality of the exports ("Afghanistan and Pakistan"). Thus, Afghanistan can revitalize agriculture by providing a steady consumer. Other first-world nations can construct ROZs in Afghanistan to aid its initial development. The investments of these nations will be returned as Afghanistan gradually overcomes its need for aid and ousts extremist forces. Otherwise, other nations should make efforts to stop delivering subsidized food to Afghanistan and severely reduce food aid once there is a known alternative venue for receiving food.

"The rehabilitation of agriculture is a central condition for development, reducing poverty, preventing environmental destruction and for reducing violence" (Erskine and Nesbitt). Afghanistan, a nation whose beautiful visage is marred by conflict, harbors a destructive cycle of conflict and food insecurity wherein conflict destroys infrastructure, which results in food insecurity, which strengthens rebel forces and provokes further conflict. To permeate this vicious cycle, the international community must aid Afghans in self-help to provide enough capital to ensure food security. Afghans can utilize social business, wherein rural poor can own and direct infrastructure and innovation in their villages, to rebuild. Social business will function through large microloans with long grace periods from a locally-founded microcredit bank. Ideally, as institutions founded from microcredit grow, villagers will be able to take ownership, through stocks, of their local bank itself, becoming wholly self-sustaining.

However, rebuilding infrastructure and access to microcredit is not sufficient to guarantee security for a subsistence farmer. Therefore, international actors must also address the dilemma posed by globalization: how can subsistence farmers expand to the marketplace if it is dominated by cheap produce from foreign entities? This is accomplished through measures to counteract price depreciation taken by industrialized nations, which relies on global fiscal cognizance and the responsibility of nations. As rural Afghans gain capital, they will be empowered to build infrastructure such as wheat mills and roads. Thus, the subsistence farmer can expand into a larger market. As Afghanistan develops into a market force, its rural villagers receive sufficient capital to feel secure about food and can focus their attention elsewhere, to schooling and healthcare. The Taliban's presence can gradually be eradicated as the strife that fundamentalist schools and insurgent recruiting thrives off of is eradicated. Thus, Afghanistan can slowly emerge from the cyclic poverty and violence that has been consuming the incredible potential of its people for far too long.

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