

CHAPTER 2: THE OPIUM ECONOMY

2.1 THE SCALE AND NATURE OF THE PROBLEM

2.1 *Afghanistan is far and away the world's largest producer of illicit opium.* To many, Afghanistan has become synonymous with opium production. The United Nations Office for Drugs and Crime (UNODC) has estimated that 193,000 hectares of opium poppy were cultivated in Afghanistan during the 2006/07 growing season. This represented a 17% increase over the 2005/6 area of 165,000 ha and an almost doubling in total area devoted to cultivation of the crop since 2004, when there was an estimated 104,000 ha of opium poppy grown in Afghanistan.

2.2 *Production is increasingly concentrated in five southern provinces and has been declining elsewhere.* The disaggregated data show a growing concentration of opium poppy cultivation in the southern provinces of Helmand, Kandahar, Uruzgan, Dai Kundi and Zabul. These five provinces alone accounted for 69% of total cultivation in 2007, up from 61% in 2006. This contrasts markedly with a fall in the level of cultivation in the northern, northeastern and central provinces in 2007, most notably in the province of Balkh where cultivation is estimated to have fallen from 7,232 ha in 2006 to zero in 2007. Badakhshan province, which has been a major producer since 2001, also saw significant reductions in the amount of land allocated to opium poppy. Given the temporary nature of such dramatic reductions in cultivation in the past, for example in the province of Helmand in 2003 and in Nangarhar in 2005 and 2006, the sustainability of these current low levels of cultivation in the north remains a major question.

2.3 *The opium economy thrives in remote or insecure areas where markets for other crops are lacking.* The coincidence of growing insecurity in the southern region and increasing levels of opium poppy cultivation highlights 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. Traders make cash advances and purchase at the farm gate. They pay the transport costs, they pay the bribes to those manning the checkpoints, and they take the physical risk of travel in insecure areas. This favourable market access for farmers does not exist for other agricultural crops in Afghanistan.

2.4 *Generally, opium is at its most concentrated in conditions of insecurity and where rural people cannot otherwise earn a decent livelihood.* The return of widespread cultivation across many districts of Nangarhar and the growing insecurity in the province highlight the links between insecurity, lack of alternative livelihoods and opium production. Reductions in cultivation have not been sustainable where security and viable legal livelihood alternatives are not in place.

2.2 THE CURRENT COUNTER NARCOTICS STRATEGY

2.5 *Afghanistan's counter-narcotics strategy is to improve the rule of law, to strengthen and diversify legal livelihoods, and to improve governance.* The Afghanistan National Drugs Control Strategy (NDCS) was written in May 2003 and subsequently updated in January 2006. The overall goal of the NDCS is to achieve a sustained and significant reduction in the production and trafficking of narcotics with a view to complete elimination. The strategy has four priorities:

- Disrupting the drugs trade by targeting traffickers and their backers
- Strengthening and diversifying legal rural livelihoods
- Reducing the demand for illicit drugs and providing treatment for drug users
- Strengthening state institutions both at the centre and in the provinces

2.6 *Counter-narcotics is thus linked to the wider process of rebuilding the Afghan state, and needs to be integrated into national development planning and programmes.* Under the NDCS, the Ministry of Counter Narcotics coordinates (and monitors) development efforts of the line ministries responsible for delivering both development and drug control outcomes in the provinces. The NDCS is based on the experience of other illicit drug producing countries and recognizes that no single project or programme can address the multiple factors that have led to the expansion of opium poppy cultivation in the country. The NDCS approach is that tackling the drugs issue cannot be isolated from the wider state building process and that the counter narcotics issue has to be integrated into national development planning. Counter narcotics has, therefore, been made a cross cutting issue under the Interim Afghanistan National Development Strategy (I-ANDS), and the NDCS calls for counter narcotics policy to be “mainstreamed” in both national and provincial plans and strategies. The targets in the NDCS are also enshrined within the Afghanistan Compact.

2.7 *If adequate means of livelihood are not available, eradication will undermine the goals of state building and development.* The challenge is thus clearly a long-term one. The NDCS recognizes that without economic alternatives in place a sudden reduction in illicit drug crop cultivation is likely to have negative repercussions on governance, security and economic growth. It therefore calls for interventions to be appropriately phased and sequenced so as to initiate the transition from illicit to licit livelihoods in different areas without undermining the overall goal of a prosperous and stable Afghanistan. The NDCS position is that the standing opium crop should only be eradicated in those areas where there are viable legal alternatives to opium poppy. Thus the NDCS recognizes that the transition to licit livelihoods takes time and that there is a need to maintain a balance between drug control and wider development objectives. This understanding of the sequencing of eradication and development outcomes is founded on a review of international experience (Foreign and Commonwealth Office 2003). For example, the *Thematic Evaluation of Alternative Development* undertaken in 2005 for the Commission for Narcotics Drugs in Vienna concluded that “the eradication of illicit crops on peasant farms lacking viable alternatives undermines development” (Commission for Narcotics Drugs 2005: 12/13).

2.8 *Where rural people have livelihood choices, eradication can increase incentives to reduce poppy cultivation. If choices are not available, eradication will pauperize the population and damage their frail ties to the state.* Field evidence from Afghanistan demonstrates that for households with diverse livelihood opportunities and which are not dependent on opium production, eradication or the threat of it, combined with the establishment of the necessary governance and security conditions needed for longer-term economic growth, can raise the opportunity cost of opium poppy cultivation and facilitate its abandonment. However, in areas where opium poppy cultivation is most concentrated and where legal livelihoods are limited, there are simply no alternatives, and eradication can only further marginalize already vulnerable socio-economic groups, resulting in pauperization, migration, and damage to the nascent relationship between citizen and state.²

2.3 THE ROLE OF OPIUM POPPY IN RURAL LIVELIHOOD STRATEGIES

2.9 *Opium is a high-value crop well adapted to Afghan conditions, with a strong impact on rural incomes and employment.* In Afghanistan’s current economic and political climate there are distinct advantages to cultivating opium poppy. Opium is a high-value, low-weight commodity for which there is 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. As a crop, opium maximizes returns on scarce irrigation water. Opium has brought very substantial economic opportunities to both farmers and laborers, and has increased the overall level of activity in the rural economy through the multiplier effect the opium trade has on the wider economy. The total farm gate value of the opium crop in 2007 is estimated at \$1 billion (UNODC 2007: i). There are sufficient

² See Mansfield 2006b, 2006c; Mansfield and Pain 2006.

returns at each stage of the supply chain and, despite Afghanistan's fractured infrastructure, there are well-linked markets 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 (Mellor 2005).

2.10 *The benefits of opium are very different between large landowners and the poor.* It is critical to recognize, however, that the economic advantages associated with cultivating opium poppy differ according to the assets that farmers have at their disposal. There is a considerable difference between the factors that drive a large landowner with 20 hectares of land, 24 family members, some of whom are sending remittances from Pakistan, two tractors, and a general store in the local bazaar, to cultivate four hectares of opium poppy, and the factors impelling a sharecropper, with 12 family members, solely dependent on the income derived from agriculture, to cultivate only a half of a hectare of opium poppy on the landlord's land (giving the bulk of the final crop to the landowner as a payment for working on his land and for the credit advanced early in the year). 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. Landowners who contract out land to sharecroppers can earn as much as two thirds of the final opium yield (despite contributing only 20 percent of the total costs of production). They may also have the financial resources to purchase opium in advance at rates considerably below the harvest price (Mellor 2005). Returns to a landlord can be as much as 1,400% higher than those of a sharecropper (Mansfield 2002; Mansfield 2004b ; Mansfield 2007c).

2.11 *Nonetheless, opium is often poor people's only means of access to credit and land.* 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 to cultivate opium poppy and possession of the requisite skills have 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 income from farming plummet, driving people off the land, or forcing them further into poverty (Mansfield 2006c).

2.12 *Opium is also an invaluable source of employment for the rural poor.* Opium poppy cultivation creates a large demand for itinerant labour to weed and harvest the crop. Based on UNODC's estimate that 193,000 hectares of opium poppy were cultivated in the 2006/07 growing season, the crop would have generated approximately 70 million labour days, of which potentially one-third would have been for hired labour (Mansfield 2004a). 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 such a household might earn through sharecropping.

2.13 *Thus rural people have varying degrees of dependence on opium, and responses need to recognize degrees of dependence and of poverty.* Rural people's dependence on the opium economy is largely a function of their factor endowment and access to markets. A broad distinction can be made (Mansfield and Ward 2006: 3) between: (i) better off and not dependent farmers; (ii) more marginal dependent farmers; (iii) poor, highly dependent farmers; and (iv) the landless (see Table 1). As a general rule, **better off farmers (Type 1)** 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 labour 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 (Type 2)** have less access to markets and lower land and water endowments. They have fewer or no alternative sources of income to opium. **Poor, highly dependent farmers (Type 3)** may live in low potential areas, often remote and mountainous, and with very limited market

access or alternative income earning potential. In addition, there are the *landless (Type 4)*, typically labourers with very few farming assets such as a few head of small livestock, who can be very dependent on opium. When the opium economy shrank in Nangarhar in 2005, labourers lost \$1,000 in wages, and turnover of businesses and shops halved. More marginal farmers and labourers can be considered to a greater or lesser extent dependent on opium for their livelihoods. Although this rough typology needs to be treated with great care as poppy cultivation is very dependent on local factors, it does serve to identify the target population for development responses to the opium economy: the more marginal, poor farmers and labourers either engaged in the opium economy or vulnerable to the incentives it presents.³

Table 1: Typology of Opium Producing Areas and Farmers within Them

	Type 1 Not Dependent	Type 2 Dependent	Type 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 cannot 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, 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 Fruits/nuts for sale 	<ul style="list-style-type: none"> Poppy 50%+ Wheat Vegetables –some for sale Fruits/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 labour – poppy during harvest 	<ul style="list-style-type: none"> Daily wage labour - 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"> Little debt Various 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 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, some surplus 	<ul style="list-style-type: none"> Pre harvest

2.14 *The lesson is that alternatives to opium have to address the problems of the marginal and vulnerable by supporting their access to land, credit, food security, employment – at least in adequate measure to provide a minimum livelihood.* Given the different roles that opium poppy plays in 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. Table 2 shows the multiple advantages of the opium economy and the types of development responses needed to provide poor and vulnerable rural people with credible alternatives to opium. The development responses are essentially those that will rebuild the rural economy on a profitable and sustainable basis, including the provision of infrastructure, notably irrigation and roads, support to improved value added in farming and livestock, the promotion of high-value agricultural crops, the development of agro-processing and non-farm income opportunities, and the provision of finance.

2.15 *The challenge requires a broad-based governance building and development effort over many years.* There are no short cuts. Some of the complexity of the incentives that may draw rural people into the licit economy – or keep them in the opium business – can be seen from the recent study of localized reductions in opium production in Badakhshan (see Box 1). If opium poppy is to be

³ See Mansfield 2004a: 10, 2006a: 10, 40; Maletta 2004.

eliminated sustainably, even over a small geographic area, a broad-based and multi-sectoral effort is required over a number of years to create the needed governance and security conditions, and to put in place the critical mass of infrastructure, markets and services that can create a veritable growth dynamic. Much is already happening, and very large investments are being made, but these have been fragmented and not within a programmatic approach and not with a counter-narcotics lens. The dividend will be reaped in the *medium to long term*, and will require *consistent approaches, persistence* in the face of short term setbacks, and *massive, coordinated and continuous investment*. This provides a daunting challenge for the government and its partners.

Box 1: Changing Incentives Led to Localized Reduction of Opium Production in Badakhshan

In 2006, opium production declined in some areas of Badakhshan but persisted in others. Why? *In areas close to urban centres, there has been a move away from opium.* In central Barak, near to population centres, markets for high-value agricultural produce have improved, livestock prices have revived, and wage labour rates have gone up. Many farmers have moved out of opium.

Higher returns and greater security of income in licit activities drove this shift. Essentially, the combination of high-value cash crops with higher livestock prices and the growth of the labour market with attractive wages meant that farmers could get higher returns than if they grew opium. They could also achieve greater security of income, given the risks of opium cultivation.

Essentially, the growth of markets for licit produce changed the economics. There were several contingent and highly localized factors that aided this shift. First, the high labour demand of opium was a key factor, as the local opportunity cost of labour rose. Second, traders for alternative crops offered similar financing and marketing arrangements to opium to reduce market risk. Third, past engagement with opium has allowed farmers to restock herds, which paid off with the revival of the livestock economy. The increase in herds has led to an increase in demand for fodder crops and wheat (for the straw), thereby further displacing opium poppy. Dairy production also proved profitable.

The provision of public goods and services also helped. The economic incentives described above combined with improved availability of public goods and services and increased physical security. Taken together, these incentives encouraged farmers to switch out of opium, and the switch may well be permanent if these conditions are consolidated.

In remoter areas of the province, farmers continued to grow opium. In remoter areas of Barak and Jurm, many farmers continued to grow opium. Essentially these are poor mountain economies with very small farms and scarce water. Cash cropping is limited. Poor roads and transport prevent a shift to high-value horticultural production. In this area, the classic drivers keep poor farmers in the opium economy.

Sources: Mansfield 2007a: I, 23; 2006a: 13,14

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

Asset	Advantages of the Opium Economy	Development Responses
Land	<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 degree 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
Water	<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
Credit	<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
Labor	<ul style="list-style-type: none"> • Labor-intensive crop, significant labour opportunities created during weeding and harvesting periods • Maximizes utilization of unremunerated family labour, 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 fruits • Raise opportunity cost of family labor by 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

2.4 REDUCING OPIUM PRODUCTION: WHAT CAN BE ACHIEVED OVER WHAT TIME FRAME

2.16 *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 programmes that treat opium poppy farmers as homogenous will not only be ineffective, they could prove counter productive. It is necessary to work with the diversity that exists amongst 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 in the opium economy are critical to identifying the entry points for developing effective strategies for the sustainable elimination of the crop in Afghanistan.

2.17 *Experience shows that reductions in opium poppy cultivation can be achieved in a relatively short time period in areas with good markets, decent security and a modicum of governance.* Where households are in close proximity to provincial centres, with access to both agricultural commodity and labour markets, and where the writ of the government can be maintained, reductions in opium poppy cultivation have been obtained in relatively short time periods. In these areas, there is greater diversification in cropping systems and a shift to high-value horticultural production (see Box 2). Under these conditions, vegetable traders "mimic" many of the advantages of the opium trade, offering advances, purchasing at the farm gate and absorbing transportation and transaction costs. The same pattern of trade can be seen in many of the provinces in which opium poppy is currently cultivated (Mansfield 2007b).

Box 2: When Net Returns From Other Crops are Not So Different From Poppy

With low opium yields, falling farm-gate prices for opium and rising wage labour rates, the returns on opium poppy in two districts of Badakshan in 2006/07 began to look little more attractive than those from a range of other crops, including wheat (see Table below). Households that had sufficient labour to manage their own crop could still achieve a reasonable net return from opium when the by-products of opium poppy cultivation, such as seed for oil and the stalks for fuel are included. However, for those that needed to hire labour during the peak period of the harvest (when wage labour rates typically spike at Afs 500 per day plus food), the net returns for opium poppy were considerably less.

Potential Net Returns on Winter Crops in Jurm and Baharak, Badakshan (Afghanis/jerib)

	With family labour	With some hired labour
Opium poppy	29,580 (\$296)	22,580 (\$226)
Wheat (low yield)	15,520 (\$155)	
Wheat (medium. yield)	27,520 (\$275)	
Onion (improved)	33,200 (\$332)	30,200 (\$302)
Onion (local)	13,857 (\$139)	10,407 (\$104)
Potato	29,500 (\$290)	

Not only was the price of opium falling and that of labour rising, but returns from other crops were more attractive. In the case of wheat, for example, the increase in both livestock prices and the size of herds greatly increased the value of wheat straw to the extent that wheat straw brought twice the returns of wheat grain. This, combined with the low cash cost of inputs on wheat and the universal use of only family labour on the wheat crop, made wheat a competitive crop. Potato and improved onion were also competitive with opium – but not traditional onion varieties, which underlines the need for agricultural improvements in the package of counter narcotics measures.

Source: Mansfield 2007a

2.18 *Farmers in these areas can combine wage labour opportunities with high-value cash crops and livestock production.* These farmers can thus not only generate a higher return to

household resources but also obtain greater security than from cultivating opium poppy. In this scenario “security” is not only a function of the different income streams available acting as a safety net against crop or market failure, but is also a consequence of the household operating within the “rule of law” and therefore being less vulnerable to harmful interventions by both state and non-state actors. In this situation a household will also typically be a recipient of public goods such as education, health, physical infrastructure, as well as physical security, thereby improving economic opportunities and extending social contract between the state and community. Experience in other former opium poppy growing areas in countries like Thailand and Pakistan illustrate that once these gains are consolidated, farmers are unlikely to return to opium production even when farm-gate prices increase significantly.

2.19 *However, it is also clear that the pace of reduction in cultivation will not be uniform over time and location.* As discussed above (2.3), those cultivating opium poppy are not a homogenous group but differ according to both their access to assets (including governance and security) and their corresponding level of dependency on opium poppy cultivation as a means of meeting their basic needs.

2.20 *The process of moving from illicit to licit livelihoods is likely to be very different in the more remote areas where agricultural commodity and labour markets remain constrained.* Limited natural assets, such as land and water, combined with poor roads and high transportation costs, preclude the shift to high-value vegetable production. Little wage labour employment is available locally. Insecurity and poor governance stymie the growth of the legal economy. More often than not the political and financial interests of local powerbrokers reinforce high levels of dependency on opium production and prevent households from making sustainable shifts to legal economic options. Especially in such areas, attempts by local and central authorities to reduce opium poppy cultivation can be viewed negatively and seen as part of a wider attempt to reinforce their political and economic grip over the area. Counter-narcotics efforts can also impact on the legal economy, reducing disposable income and consequently sales and employment opportunities, and further weakening the relationship between the state and local communities. In more remote areas where these conditions prevail, eliminating opium poppy is likely to take a generation. This is apparent from experience in Thailand and Pakistan, among other countries.

2.21 *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 for these different socio-economic groups.* Programmes should focus particularly on smaller and poorer farmers and laborers (Types 2, 3 and 4) for whom choices are very limited at present. Programmes need to avoid adopting a strategy of simply attempting to replace the relatively high level of income from opium as derived by the resource-rich (Type 1 farmers). Interventions are needed that improve the access of smaller farmers (Type 2 and 3) to those assets to which they currently have access only through their willingness to produce opium poppy. ***Improving access to credit, land and off-farm and non-farm income opportunities to the poor should be a priority.*** Table 3 lists some of the development responses that should be emphasized to address the situation of these Type 2 and 3 farmers, as well as the Type 4 landless. For those farmers who are not economically reliant on opium poppy cultivation (i.e. Type 1 farmers), greater emphasis should be given to applying social and legal pressure and establishing an enabling environment for greater private sector investment.

2.22 *Considerable thought also needs to be given to provincial and regional economies.* Areas of potential economic growth need to be prioritized rather than spreading efforts too thinly across a wide geographical areas and where the development impact is likely to be limited. It has to be recognized that there are many geographical areas in Afghanistan that are unlikely to offer viable legal alternatives to opium poppy cultivation given their location, the productive capacity of the land, and current population densities. From both a drug control and

development perspective, the proportion of development funding that should be allocated to these areas needs to be carefully considered. This is not to say that these areas or their populations should be ignored, and clearly attention and resources should be devoted to “stay in place” economic solutions and the provision of public goods, but particular effort should also be given to establishing the necessary “pull factors” in areas of higher economic potential so as to increase the legal livelihood opportunities for those moving to them from more marginal areas.

2.23 *Along with economic incentives, state building and improving governance are indispensable for opium reduction.* In creating the framework conditions for exit from opium, there is no substitute for state building and extending the presence of the state and service delivery of the state in areas where there has been little or no direct relationship between the government and rural communities for the best part of two decades, if not longer.

Table 3: Indicative Opium Producer Profiles and Exit Routes From Opium

Type	Typical Profile	Programmes with Counter-narcotics Impacts	Exit Route From Opium	Indicative Timeframe
Better off farmers	Diversified livelihood Living close to provincial or district centers Varied crops including high value horticulture Access to land and irrigation Access to commodity, credit and labour markets Not dependent on opium, “opportunistic producer”	Enabling environment for private sector investment Improvements in physical infrastructure Application of rule of law regarding both illegality of opium poppy cultivation and support of private sector investments	Exit will largely be a function of security, governance and economic growth	Short-run (roughly 1-3 years)
Less affluent farmers, dependent on opium	Marginal Small landholding Not food self-sufficient Some vegetables, dairy or fruits and nuts for sale Intermittent irrigation Seasonal wage labour Some accumulated debt	Integrated farming programmes High value agriculture Contract growing Irrigation Livestock development Enterprise development Credit Rural infrastructure Governance	Provided that security can be assured and local and national governance further developed, these programmes indicated should enable such farmers to quit opium	Medium-term (roughly 3-8 years)
Poor highly dependent farmers	Marginal Very small landholding or sharecropper Food self-sufficient for only a few months Almost no cash sales except opium Where sufficient household members, year-round wage labour	Integrated farming programmes Livestock development Micro enterprise development Labour intensive infrastructure works Vocational training Governance Investments in areas of greater economic potential	Provided security and governance are present, these programmes should over time enable such farmers to quit opium Migration to areas of greater economic potential will play a major role	Long-term (roughly 8-20 years)
Landless labourers	Very poor Sheep and goats Handicrafts Year round wage labour	Livestock development Micro enterprise development Labour intensive infrastructure works Vocational Training Governance Investments in areas of economic potential	Provided security and governance are present, these programmes should enable landless labourers to eventually quit opium Migration to areas of greater economic potential will play a major role	Long-term (roughly 8-20 years)