

Financial and

New currency, commercial laws spark urban and rural growth

The first customers are trickling in to Afghanistan's newest private bank, Afghanistan International Bank, where officials say they hope to install the country's first ATM machine shortly, providing cash from debit and credit cards. Already the bank is dispensing small agricultural loans for USAID and working with the international financial giant ING on letters of credit so international trade can get started, according to John W. Haye, a Dutch expatriate who is CEO of the new bank.

Afghanistan's economy was crippled by years of war and isolation—for many years the Taliban government was recognized by only three countries: Pakistan, Saudi Arabia and the United Arab Emirates.

The removal of the Taliban in 2001 and the creation of an internationally-recognized government through the Loya Jirga process led foreign advisors, investors, aid agencies, and Afghan officials to begin rebuilding a modern economy on the ruins left by the wars and Taliban rule.

In late 2002, U.S. aid programs financed the collection of all the old *Afghani* currency, which had become nearly worthless, and replaced them with new Afghan notes at a ratio of 1,000

old Afghanis per new Afghani. By January 2003, the currency conversion was complete, reaching every small village and town in the country despite the lack of good roads in many places.

"Logistics was one of the dominant problems during the whole process, but with the help of God and with the assistance of the U.S. government, USAID, and the national air force's planes and helicopters, we covered all the problems," said Central Bank Governor Anwarul Haq Ahady.

In March 2003, the United States awarded international financial consulting firm BearingPoint, Inc. a contract to help the Afghan government promote economic de-

Afghan boy stands amidst falling shreds of old Afghan currency which was replaced with new Afghani bills worth 1,000 times the old ones.



Economic Progress

velopment. The \$39.9 million project focused on fiscal, banking, and trade policy reforms.

But you don't need to dig into the ledgers of the Ministry of Finance to see the changes. Hotels, apartments, supermarkets, and other buildings financed by private investors are rising along many of Kabul's main roads. It's a sign that businessmen believe the financial system is strong and that they will be able to recoup their investments.

Another sign of progress was the March 31, 2004, Berlin Donor's Conference, in which the United States, Japan, the World Bank and other donors pledged \$8.3 billion toward the reconstruction of Afghanistan by 2007.

The Berlin meeting was followed by the Afghanistan Development Forum (ADF) in Kabul April 22–24, where six new National Priority Programs were announced.

Plans call for: industrial parks (these have already been built); factories to dry and export fruits; exploitation of minerals; production and marketing of handicrafts, especially carpets; textile factories; and a smelter to turn tanks into construction rods.

Other potential revenue sources are: a pipeline to move gas from Turkmenistan across Afghanistan to Pakistan and India, and overland transport from South to Central Asia and Russia.

Interim President Karzai said in Washington on June 14, 2004, that the Afghan economy grew 30 percent in 2002 and 25 percent in 2003. He said he expects the economy to grow at 15 percent per year through 2008.

The goal, he told the U.S. Chamber of Commerce, is to lift per capita income of Afghans from \$150 per year to \$700 per year within seven years.

Investing in Agriculture

The chugging sound of a tractor turning the soil comes through the heat of the afternoon in a village outside Jalalabad, capital of Nangarhar Province. The crops grow thick and tall in the fields: tomatoes, potatoes, onions, and wheat. While much of Afghanistan is arid rock and sand, Nangarhar Province is irrigated by the Kunar and Kabul Rivers, bringing melted snows off the Hindu Kush mountains.

Malik Mohammad Ayub, 50, a landowner in Akhund Village, stands in front of a sign announcing a U.S. program to distribute seeds and fertilizer. He recalls that "there was a lot of fighting here—against the Russians and among the mujahidin."

"Now, peace has arrived. The current

government brought peace. But we still want our road fixed."

Over and over, in Ghazni, Balkh, Nangarhar, Parwan and other Afghan provinces, rural people tell a visitor that roads are the key to improving their lives. A 130-kilometer road is being graded in preparation for paving just across the Kunar River from Ayub's village. Already cars and trucks speed at 80 kilometers per hour delivering fertilizer and seeds to farmers and hauling their fruits, vegetables, grain, and goats to the markets in the cities.

Afghanistan suffers from the drought which parched the nation's fields from 1998 to 2002 and once more this year. Combined with the effect of 25 years of war, it has destroyed 50 percent of orchards, 60 percent of livestock and 50 percent of irrigation systems. Some 80 percent of the roads were damaged, five million Afghans fled into exile, government was uprooted, and people turned to growing poppy for opium.

The humanitarian situation was so bad in the final years of the Taliban that the U.S. and other donors provided huge amounts of grain to help Afghans survive even as the Taliban allowed terrorists sanctuaries to recruit, train and plan attacks on America.

Since the fall of the Taliban, many foreign assistance programs have begun to repair roads, provide seed, and give other aid. Among many U.S. and other donor programs, USAID has invested \$153 million over three years in its Rebuilding Agricultural Markets Program (RAMP). In one year, RAMP has repaired 305 kilometers of canals, improved irrigation for 305,000 hectares of

Results

Finance, Industry

- Replaced old Afghan currency with new Afghani notes worth 1,000 more.
- Upgrading Finance Ministry accounting systems.
- Hundreds of new private buildings going up.
- Industrial parks planned and built.
- Reforming revenue-producing customs collection system.

Agriculture

- Supplied improved seed varieties and fertilizer, boosting crop production by 80 percent.
- Dredged canals, cleaned and rebuilt irrigation systems.
- Constructed farm-to-market roads, lowering prices on commodities.
- Funding alternate crop program to replace poppy.

land, fixed 110 kilometers of farm-to-market roads, treated or vaccinated 2.5 million livestock, and provided extension services to half a million farmers.

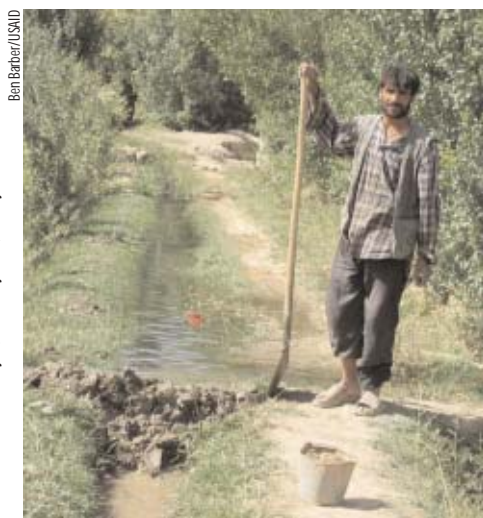
In one small but significant project in Jalalabad, aid worker Richard Strand and his team of dozens of Afghan agricultural experts have planted 24 hectares of trees in tight rows under a U.S.-funded program—the Nangarhar Agricultural Development Project—which gave away 115,000 baby trees last year. Peach, plum, apricot, apple, pear, cherry, almond and walnut are some of the varieties grown by Strand, executive director of International Foundation of Hope, an NGO.

"We sent 37,000 trees to Kabul for their green belt," said Strand, who came to Afghanistan in the 1970s and stayed in the region.

Fighting Poppy

A key goal of agricultural assistance is to end poppy growing, which has become the country's largest source of income at an estimated \$2 billion. Britain has taken the lead for the coalition forces in fighting poppy, which is grown in 28 out of 32 Afghan provinces, said Sayed Ghulfran, director of the U.N. sponsored agency Narcotic Control and Rehabilitation of Afghanistan. This year's crop is expected to yield 3,600 tons of opium, enough to produce 75 percent of the world's heroin. Last year, about 3,400 tons of opium was produced.

Anti-poppy efforts fall into four main areas: alternate livelihoods (providing farmers with roads, seeds or jobs that can replace income from opium); eradicating crops in the field; interdiction (capturing drug dealers, destroying laboratories and shipments); and enforcement of anti-drug laws.



In a village in Ghazni province, a man channels water pumped from a well

as it irrigates apple trees and fields of vegetables.