

STARTING COOPERATIVE DEVELOPMENT IN AFGHANISTAN¹

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1. INTRODUCTION

With an estimated GNP per capita of about 100 US Dollars Afghanistan belongs to the poorest nations in the world². It is a land-locked country of 250 000 sq. miles with rather unfavourable climatic conditions and a population which is estimated as between 11 and 18 million people. Half of the national product is generated from agriculture with animal products, cotton and fruits being principal export commodities³.

Until a few years ago Afghanistan was still a white spot on the international map of cooperative development. However, today one can see the offspring of a cooperative movement; it is not yet viable and still has many problems to overcome but the potential benefits for the country's agricultural population are clearly visible.

2. ORIGINS OF COOPERATIVE DEVELOPMENT

Traditional cooperation previously played an important role in the economic and social life of the Afghan population and it is still practised in the rural areas, as observations by the author have shown. There were, however, only few efforts to introduce cooperative societies until the late sixties, when an agricultural project⁴, assisted by the FAO, began to establish and promote farmers' cooperatives⁵. Progress was slow, partly due to the absence of a cooperative law and appropriate bye-laws for the cooperative societies.

After the last king was dethroned in 1973, a republican government came into power, which aimed at introducing some social reforms in the rural areas. A land-reform-programme was started which put emphasis on the establishment of agricultural cooperatives⁶. The Ministry of Agriculture

affiliated a new department for the promotion and administration of these societies (Department for Cooperative Development - DCD), and a cooperative law was worked out on the basis of "cooperative regulations", which had been enacted under the commercial code in 1972. The new law became effective in November, 1974.

3. DEVELOPMENT OF COOPERATIVES FROM 1973 - 1978

Priority was attributed from the very beginning to agricultural multipurpose cooperatives, a type which is the most difficult to manage, but certainly has the greatest potential to promote the economies and households of members.

Six societies were already established before the law became effective in 1974. The following year saw the registration of 30 cooperatives in 5 provinces. In March, 1978⁷ there were 122 primary and 2 secondary societies in 13 provinces out of 25 existing provinces.

Table 1: Cooperative Development in Afghanistan, 1973/74-77/78

Year	1973/74	1974/75	1975/76	1976/77	1977/78
Number of cooperatives	6	30	59	97	124
Number of members	301	2 588	6 200	9 042	14 382
share capital, in Afs. ⁺	227 050	1 912 200	4 912 600	9 414 200	13 963 550

Source: Unpublished statistics of the DCD.

+) 1 US \$ = 42 Afghanis (Afs.), May 1978

The societies existing in early 1978 had more than 14 000 members, of which up to 400 might be women, who, however, do not participate in the decision-making or management of their societies, due to the prevailing social customs. Total paid-up share capital made up for about 14 million Afs., which means that every member had contributed about 1 000 Afs. for the capitalization of his cooperative. Most of the societies are agricultural multi-purpose, whereas other types like consumers' cooperatives, are still insignificant.

Table 2: Cooperatives in Afghanistan by Type and Province, March 1978

Provinces	Agricult. coops.	Agricult. lifestock coops.	Industrial coops.	Consumer coops.	Honey Bee coops.	Secondary Agricult. coops.	Total	Number of members	Share capital in Afs.
Kabul	23	1	2	4	1	1	32	3 905	2 286 850
Baghlan	11	-	-	-	-	-	11	876	542 500
Balkh	17	-	-	-	-	1	18	2 623	3 536 500
Kandhar	9	-	-	-	-	-	9	967	432 500
Logar	7	-	-	-	-	-	7	758	339 900
Ningerhar	11	-	-	-	-	-	11	747	438 700
Juzjan	4	3	3	-	-	-	10	819	1 895 500
Samangan	6	-	-	-	-	-	6	961	1 150 500
Helmand	8	-	-	-	-	-	8	1 698	1 809 300
Herat	3	-	-	-	-	-	3	533	1 124 000
Parwan	2	-	-	-	-	-	2	75	22 200
Kunduz	4	-	-	-	-	-	4	200	107 600
Ghazni	3	-	-	-	-	-	3	220	277 500
Totals	108	4	5	4	1	2	124	14 382	13 963 550

Source: Unpublished statistics of DCD.

This development within 5 years, during which a new Government department had to be built up, field staff trained and assigned and provincial offices established was a rather remarkable success in mere numerical terms, taking into account the conditions of the country. However, a deeper analysis of the existing societies reveals that the range of activities is still very limited and that they depend completely on the assistance by the government.

4. ECONOMIC FUNCTIONS OF THE COOPERATIVE SOCIETIES

4.1 Marketing of Agricultural Products

Cooperative marketing of the members' agricultural products is the main task of the multi-purpose agricultural cooperatives.

The following statistics give an overview of all cooperative marketing which has taken place up to now:

Table 3: Cooperative Marketing of Agricultural Products in Afghanistan

Product	Year	Volume marketed in tons	Volume sold in Afghanistan in tons	Exports in tons to USSR	PR China	Great Britain	Pakistan
Raisins	1973/74	372,5			250	122,5	
	1974/75	1 280,0		980	300		
	1975/76	1 215,0		965	250		
	1976/77	818,0		608	210		
	1977/78	1 250,0		1 050	200		
Cotton	1975/76	a)					
	1976/77	4 184 b)	4 184				
	1977/78	11 629	11 629				
fresh grapes	1975/76	200					200
sugar bee	1975/76	a)					
	1976/77	913	913				
	1977/78	3 580	3 580				
sugar cane	1976/77	503	503				
Pomo- grenade	1975/76	315		315			
	1976/77	910		700	210		
	1977/78	800		800			

Source: Compiled from marketing data of the DCD.

a) Marketing took place, but volume is not known.

b) Volume stated gives only marketing of 26 cooperatives in 2 provinces; cooperatives in 3 other provinces have marketed cotton as well, volume is however unknown.

Cotton and raisins are the most important products marketed through cooperatives. Cotton is sold to the parastatal cotton factories. They pay cooperatives the same prices as to farmers who sell their produce individually, although the cooperatives reduce the marketing expenses of the companies. The main advantage for the cooperative member is the facilitation of marketing procedures and a stronger position vis-à-vis the companies, as conflicts about weights, qualities etc. are frequent.

Raisins are marketed by cooperatives in 3 provinces although members in other provinces produce grapes as well. Non-members sell their raisins individually to local traders or agents of private wholesalers and exporters. The cooperatives make export contracts themselves, and thereby achieve higher prices for their members. Up to now the Soviet Union and the People's Republic of China are the main purchasers and with the opening of new markets the output of the cooperatives could be increased considerably. Europe and the Middle East, including the Gulf States, are possible market outlets and marketing missions have been undertaken in this respect. Exports to these markets, where higher prices could be realized need however improved processing of the raisins, a much stricter quality control and a higher reliability in regards to contracts on part of the cooperatives. In any case such opening up of new markets is necessary in order to fulfill the demand towards increased cooperative marketing of raisins which exists in a number of cooperatives.

The benefits from cooperative marketing of raisins are not equally shared among all members. Usually only a minority, consisting of upper strata members, seems to benefit most. Furthermore, payments from the cooperative's export contracts are received only after a period of 6 to 10 months, whereas the local middlemen pay on the spot. But the small farmer needs cash for his necessities of life and the marketing advances which are procured through the AgBank⁸ are not yet sufficient. Therefore the small-farmer-member who should benefit most from the cooperative continues to sell to the private trader and does not effectively participate in the cooperative marketing activities. Consequently the bulk of cooperative marketing comes from the more wealthy farmers who in many cases even buy grapes on the local market or from poorer members, to market them through the cooperative and thereby gain additional profits. A change can be brought about only by increasing the marketing advances. In order to reach this goal it is necessary, however, that the cooperatives have storing facilities of their own, so that the AgBank can use the collected crop as a security for the credit.

Apart from these crops the cooperatives of two provinces collect sugar beets and sugar cane for the local sugar factories. Some cooperatives have sold fresh pomogrenades to the Soviet Union and China and in one year fresh grapes have been exported to Pakistan. One bee-keepers' society markets honey and some so-called agricultural livestock cooperatives

start marketing animal products like eggs or chicken, apart from procuring animal feed for their members' private farms. Altogether the proceeds from marketing in 1976/77 totalled 110,2 Mill. Afs. of which 42,4 Mill. Afs. were from exports.

In the case of other crops there exists a need for cooperative marketing as well. This would, however, go beyond the organizational capacity of the cooperatives and the Cooperative Department of the Government. For the time being it seems better, to improve and expand the marketing activities within the scope of the crops presently handled.

4.2 Agricultural Credit and Supply

In Afghanistan there is a great need for agricultural credit to farmers in order to improve the technically low developed farming methods. Due to the undercapitalization of the cooperatives and the fact that most cooperatives keep their share capital in the bank and do not use it as working capital, the same need exists for the business operations of the societies, too.

The AgBank, a predominantly government-owned joint stock company, is the main source for agricultural credit in the country. Apart from giving credit to individuals it has developed into the most important source of credit for cooperatives. The Bank gives

- production loans for the supply of fertilizers, insecticides and seeds to farmer members,
- marketing loans to cover part of the marketing expenses and to provide cash advances to farmers,
- commodity loans for investment purposes of the cooperative societies or individual members and
- crop-improvement loans to pay the wages of agricultural labourers, employed on members' farms for weeding, rice transplanting, etc.

All loans are given on a short-term basis apart from commodity loans which are granted medium- or long-term. The bank charges 9 % interest, p. a. on short-term and 10 % on other loans. It means a discount of 1 % compared with loans to individuals. This is very small taking into account that the cost of loaning procedures are considerably lower in the case of credit for cooperatives than in the case of credit to individuals. Security requirements for cooperatives are less strict and more flexible than with individuals who have to provide land, registered in their name, as security or - in the case of smaller credits - guarantors and court registration of their promissory notes. In the case of registered cooperatives a collective liability of the members is sufficient without any material security. The bank grants up to two thirds of the share capital and the total liabilities of members as

credit to the cooperative. It can receive additional loans, but then the mortgage of property is required.

In the case of production loans for fertilizers etc. the members do not receive any cash money. A government owned company supplies the inputs to the cooperative for distribution. The company is directly paid by the AgBank, which receives the loan repayment from the cooperative after the time agreed upon, i. e. normally immediately after harvest. Credit and the supply of agricultural input is closely connected and all agricultural supplies provided by cooperatives are on this credit basis. Cooperatives are regarded as wholesalers and the members therefore save the retailer's profit. Another advantage for members is facilitated distribution procedures.

Up to now the following loans have been disbursed to the cooperatives:

Table 4: Credit to Cooperative Societies, in Afs.

Year	Production Loans	Marketing Loans	Crop-Improvement
1974/75	4 683 000	10 765 000	-
1975/76	5 982 000	13 396 000	-
1976/77	22 511 508	20 000 000	-
1977/78	74 028 483	30 287 714	3 246 533
Totals	107 204 991	74 448 714	3 246 533

Source: From unpublished statistics of DCD and AgBank.

Another 3 137 551 Afs. have been granted to members via the cooperatives for investment purposes' such as water pumps at 3 % interest out of an Investment-Support-Fund of the PACCA-Project. Tractors have been financed on a small scale out of production loans of the AgBank, but this kind of loan utilization means that the respective implements are owned and used by a few well-off members, whereas the whole cooperative group guarantees the credit.

Up to now, loan repayment from members and cooperative societies compare quite favourable with repayment rates of individuals receiving credit from the AgBank. Whereas there was a repayment rate of 95 % for all types of credit received by cooperatives, the respective rates in the case of non-cooperative credit were 85 % - 90 % for long-term and 65 % for short-term loans. Repayment rates for private fertilizer credits have sometimes even been considerably lower. Meanwhile the AgBank gives most of their fertilizer loans to non-registered groups of more than 5 people, which are organized for this specific purpose and which guarantee

loan-repayment collectively. But even in this case the repayment-rate was not higher than 65 % - 70 %.

The reason for the positive repayment performance of the cooperatives is the fact that a cooperative society usually does not receive new loans if it fails to repay the old ones. The members, therefore, exert close social control on each other in order to avoid that individuals become delinquent and thereby inflict damage on the whole group.

The main advantages for farmers from cooperative credit are the reduced interest rates, the relaxed security requirements and the access to whole-sale buying of inputs. The advantages have brought the procurement of credit to develop as the main reason for farmers to establish a cooperative society or to join it.

In order to further develop the present societies to viable self-help-organizations it seems necessary to convince the members that the procurement of government credit is not a cooperative aim in itself and should be used only to facilitate self-help-activities in the true sense of the word. But this will be difficult as long as the cooperative personnel of the government uses credit as a convenient instrument to convince the farmers to found cooperative and thereby increase the mere number of societies⁹.

4.3 Other Functions

Due to the low stage of industrialization in Afghanistan, traditional handicrafts like the production of carpets or kelims are still practised on a big scale. The produce is for the artisans families' consumption as well as for the internal market and for exports. The supply of raw materials and the marketing side is still dominated by middle-men and the producer in most cases is at the losing end. The artisan family is often highly indebted to a wholesaler and is obliged to sell him the products below market price.

There is therefore a real need for cooperative activities in this field and this is frequently expressed by the craftsmen themselves. But up to now only five cooperatives in the whole country are promoting industrial activities of members. Two cooperatives in Kabul province supply wool threads and dyes for the production of kelims, whereas one carpenters' cooperative and two societies of carpet manufactures in Jozjan province are developing along joint production lines. The lack of capital is still impeding the growth of these "Industrial Cooperatives".

Four consumers' cooperatives exist in the country. Their annual turnover is still very small. Taking into account the well established bazaar system, the competition of the many small retailers and the obviously rather moderate profit margins for basic commodities, one can obviously not produce

reasonable foundations for the expansion of this type of cooperative. It is fair to say that the government should therefore concentrate its limited resources on the production-oriented agricultural societies.

The development of cooperative marketing is still hampered by the lack of a cooperative wholesale system. The societies have to rely on the department which makes marketing arrangements for them. The original idea was to transfer these tasks to secondary societies as fast as possible. Up to now there are, however, only two such societies one of which has started some marketing activities for member cooperatives. The rate of growth of secondary societies will be slower than planned and the DCD will concentrate on promoting primaries instead.

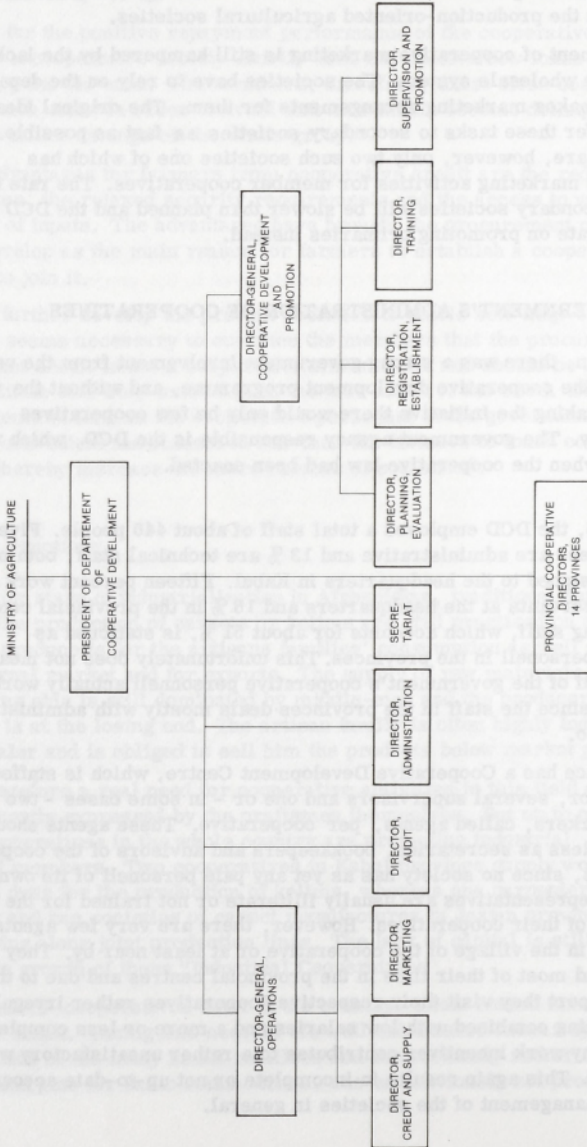
5. THE GOVERNMENT'S ADMINISTRATION OF COOPERATIVES

In Afghanistan, there was a strong government involvement from the very beginning of the cooperative development programme, and without the government taking the initiative there would only be few cooperatives existing today. The government agency responsible is the DCD, which was established when the cooperative law had been enacted.

In May, 1978, the DCD employed a total staff of about 440 people. Five percent of these are administrative and 13 % are technical staff, both of which are assigned to the headquarters in Kabul. Fifteen percent work as drivers and servants at the headquarters and 16 % in the provincial centres. The remaining staff, which accounts for about 51 %, is stationed as cooperative personell in the provinces. This unfortunately does not mean that about half of the government's cooperative personell actually works in the field, since the staff in the provinces deals mostly with administrative work, too.

Every province has a Cooperative Development Centre, which is staffed with a director, several supervisors and one or - in some cases - two extension workers, called agents, per cooperative. These agents should act more or less as secretaries, bookkeepers and advisors of the cooperative societies, since no society has as yet any paid personell of its own and the elected representatives are usually illiterate or not trained for the management of their cooperatives. However, there are very few agents who actually live in the village of the cooperative or at least near by. They seem to spend most of their time in the provincial centres and due to the lack of transport they visit their respective cooperatives rather irregularly. Lack of training combined with low salaries and a more or less complete absence of any work incentives contributes to a rather unsatisfactory work performance. This again results in incomplete or not up-to-date accounts and a poor management of the societies in general.

Chart: Organization of DCD⁺



+) as of May 1978

Source: Mr. A. Q. Nadi, Director of Planning, DCD.

The observations by the author did not show open paternalism on the side of the government staff. However, the dependency of the cooperatives and its members on the cooperative personell and the government is manifest. This dependency bears the danger that initiatives of members do not thrive. Instead a tendency could develop in the cooperatives to wait with everything until the government steps in and provides assistance. In this way the cooperatives would never turn into real self-help-organizations.

6. PROSPECTS FOR THE FUTURE

One of the main goals of the Cooperative Department during the last years was the establishment and registration of new cooperatives. The respective targets for the next 5 years of the present development plan are aspiring too.

Table 5: Cooperative Development Plan for Afghanistan 1978/79-1982/83

Particulars	1978/79	1979/80	1980/81	1981/82	1982/83
No. of Primary Coops.	146	177	209	246	288
No. of District Unions	14	24	36	49	65
No. of Provincial Unions	-	-	1	4	10
No. of Members in 1000	13.9	16	18.25	20.9	24.9
Share Capital in Mill. Afs.	15	20	26.2	23.7	43
Production Loans in Mill. Afs.	389.2	480	547.5	582.2	674.8
Marketing Advances in Mill. Afs.	389.2	480	547.5	582.2	674.8

Source: Planning Data of DCD

Much speaks in favour of making the existing societies viable and more efficient instead of founding a vast number of weak new ones, which can hardly be promoted and supervised by the department. The cooperatives must expand their activities and integrate the small-farmer-members who are presently only pro-forma-members. The "rural poor" have up to now benefitted only very little from the cooperative services.

In any case the government staff will have a crucial role to play for a long time to come and the de-officialization of the movement is not more than a long-term target. The remaining question is, if the present organization and performance of public administration is at all suited to develop and promote self-help-organizations of the rural population. It seems to be more urgent to motivate the staff of the Cooperative Department itself than to motivate the farmers for self-help-activities. This problem is, however, not confined to this department alone, but it is a problem of the whole civil service in the country. Without a comprehensive structural reform of public administration not much will change in the near future. Despite all lip-service neither the monarchical nor the first republican government, which was overthrown by the military in April 1978, has done much for rural development in Afghanistan.

The new government has put agrarian reform as the first point of its political programme and assigned priority to the establishment of agricultural cooperatives¹¹. It has issued a "charta for cooperatives to furnish agricultural services". On the basis of this charta marketing as well as production cooperatives may be organized. The number of societies is to be increased considerably in order to facilitate the planned agrarian reform¹².

If the government sincerely aims at promoting the rural areas and concentrating its efforts on the "rural poor", the establishment of suited organizations of peasants has indeed to be in the centre of the new development strategy. Of course, it then has to be examined whether the present type of "cooperative", which is basically structured along the European pattern, is best suited or if other types of "Self-Help-Organizations" better reflecting the conditions and needs of the country have to be developed.

Footnotes

- 1) Informations for this article were collected in 1978 during a consultancy for an International Organization in Afghanistan.
- 2) Government of the Republic of Afghanistan, First Seven Year Economic and Social Plan, Vol. I, Kabul 1976, p. 3.
- 3) Fisher, W. B., Afghanistan, in: The Far East and Australia 1977-78, London 1977, pp. 134, 136.
- 4) PACCA - Project on Agricultural Cooperatives and Credit in Afghanistan; project is executed by the 'Food and Agriculture Organization of the United Nations' (FAO).

- 5) For a survey of cooperative developments until 1970 see H. Büscher, *Genossenschaften in Afghanistan*, in: *Zeitschrift für das gesamte Genossenschaftswesen*, Vol. 21 (1971), pp. 173-189.
- 6) H. - J. Wald and A. Nadjibi, *Landreform in Afghanistan*, in: *Internationales Asienforum*, Vol. 8 (1977), pp. 110-123.
- 7) The Afghanistan year runs from March 21st to March 20th of the following year.
- 8) Agricultural Development Bank.
- 9) For an analysis of the possibilities to establish cooperative banks in Afghanistan see M. N. Assad, *Genossenschaftsbanken in Afghanistan*, in: *Zeitschrift für das gesamte Genossenschaftswesen*, Vol. 27 (1977), pp. 250-258.
- 10) The Kabul Times, Kabul 10. 5. 1978, p. 4.
- 11) Die Zeit, Hamburg 9. 6. 1978, p. 4.
- 12) Neue Zürcher Zeitung, Zürich 27. 9. 1978.