

## Provincial Profile

### - BAGHLAN -

#### Executive Summary

Baghlan Province is situated 250km north of Kabul. The recently constructed main North-South road links Baghlan with Kabul and a number of other major cities in Afghanistan, providing good access to markets. Pul-e-Khumri, the provincial capital and urban centre of Baghlan Province, and towns like Doshi are today established marketplaces (Zone B). The infrastructure connection to main regional and national market places indicates good potential for future economic growth.

Rural Baghlan has broad ecological diversity that feature large areas of fertile land (Zone D) through permanent irrigation and big canal systems stretching along the Baghlan River and include parts of the Kunduz River Basin that extends from Khenjan in the South to the edges of Kunduz Province in the North. Approximately 75% of the productive land is found in Zones E-F, covering only few remote villages in Zone G.

The majority of the population in Baghlan belongs to a middle class. Sporadic factional fighting flares up in a few Districts but does not impede economic growth in the Province. The sectors with main growth potential include agriculture, medium-sized industries, and small and medium enterprises.

#### 1. Natural Resources

**Water:** The Northern side of the Central Highlands get substantial snow during the winter months. Heavy spring and summer snowmelt runoffs from the surrounding mountain range comprising more than 400km feed into the central Baghlan River through valleys. Yearly flooding causes frequent damage along the river banks, though this is the only serious form of erosion in the area. The Baghlan River plain between Khenjan and Baghlan Jadid Districts has large irrigation canal systems that are currently being rehabilitated under the Kunduz River Basin Programme (KRBP).

**Soil:** Fertile soils enable a double-cropping agriculture showing a good growth potential that is only limited by extensive frost periods during the harsh winter season. The River plains are fertile, and there are comparatively few areas affected by water logging and high salinity that decrease productivity. The mainly loess-covered, soft hillsides are depleted of soil nutrients with low pasture quality and a carrying capacity of less than 0.1 UBL. The landscape features rolling slopes with high skeleton, water permeability and erratic vegetation along the high-altitude mountains of the Central Highland Range (CHR) in the southern part of the Province.

**Biomass:** The actual natural vegetation is restricted to some meagre Juniper shrub zones in the higher altitudes of the CHR. The potential for rehabilitation of forests is high, particularly in those areas where people recall the existence of Pistachio or mixed forests (pine or rubinia were most probably eradicated 2,000 to 3,000 years ago). The traditional Poplar and Willow hedges are cultivated by farmers in the River plains for subsistence. Herbs and grasses are scarce in rangeland areas where invasive plants like thistles dominate. A possibility to rehabilitate pastureland exists in the method of reseeding combined with rotational grazing or other means to prevent overgrazing.

**Minerals:** Currently, Baghlan has the only cement factory producing 100 tonnes of cement daily but the output is insufficient to satisfy the growing demand. The factory could cover a substantial share of the national demand if energy was provided to increase production capacity. Afghanistan's Ministry of Mines

and Industry has recently announced the establishment of the biggest national private cement factory in Pul-e-Khumri within the next two years.<sup>1</sup>

Long-time deposits of good quality coal reach all the way from Central Baghlan to Taloqan in Takhar Province. Missing or bad access roads and high transportation costs, as well as an ongoing debate on air pollution have negatively effected the motivation of provincial authorities to reactivate the commercial exploitation of the deposits by North Coal.

Mineral Atlases point to sources and sufficient quantities of metals to be mined in the South West of the Province. A small crude oil field was identified in Baghlan District. Construction materials like loam, sand, and stones exist in abundant quantities across the region. Small deposits of marble are worth exploring to boost the local marble cutting and cottage industries.

Cement, coal, the rehabilitation of forests and pastures, and – generally – inputs to develop agricultural promise short-term economic potentials for Baghlan Province.

## 2. Human Resources

Baghlan Province is part of the Northern cluster of higher education facilities in Afghanistan and is home to the following *educational institutions*:

- Baghlan University with the Faculty of Higher Education in Pul-e-Khumri (Departments of Physics, Social Science and Literature)
- Faculty of Agriculture in Industrial Baghlan<sup>2</sup>
- Taloqan University in Takhar Province with 4 Faculties, including the Faculty of Higher Education
- Mazar-e-Sharif University: Faculty of Engineering, Faculty of Medicine (trains doctors), Medical Institute (trains assistant doctors)
- Medical Institute, Faculty of Higher Education, Faculty of Agriculture in Kunduz City
- Pul-e-Khumri Teacher Training Centre
- Private College in Mazar
- Private Turkish High School in Mazar-e-Sharif

While Baghlan hosts a number of higher education facilities there is a great need and potential to improve quality standards of these institutions. The rehabilitation needs include infrastructure (including hostels), revised curricula, teacher training, and timely and adequate salary payments of university staff. For example, the Baghlan Hospital for Public Health located in Pul-e-Khumri is currently being upgraded from a capacity of 70 to 100 beds with World Bank funding. The hospital employs 180 doctors, nurses and supporting staff. Other main **health** facilities include the Mazar-e-Sharif Provincial Hospital, Kunduz Public Health Hospital, *Haideri*<sup>3</sup>, the new private clinic in Pul-e-Khumri city, and the Textile Hospital that is part of the Textile factory that provide good standard health services. Comprehensive Health centres in different parts of Pul-e-Khumri and outside (e.g. in Khenjan) offer basic health care services through doctors or trained health workers.

A **broad mix of ethnicities** gives Pul-e-Khumri, the provincial capital of Baghlan, a cosmopolitan character and contributes to tolerance and peace in the region. However, Baghlan Jadid District is home to a majority Pashtun population and used be a Taliban stronghold. For this reason, occasional road-side ambushes still occur in this area. There is no shortage of an industrial work force. In addition, small to medium initiatives for vocational and literacy training as well as for Business Development Services are the drivers of economic progress.

## 3. Agriculture (ANDS Sector 6)

<sup>1</sup> Ministry of Commerce, 6 July 2006.

<http://www.commerce.gov.af/Four%20cement%20factories%20to%20be%20established.asp>

<sup>2</sup> Sub-district of Baghlan Province

<sup>3</sup> Named after the builder and owner

### 3.1 Overview

The highest productivity is achieved in the main ***Baghlan River Plain fed by a canal system*** that stretches over 4km. The traditional system has been rehabilitated during the Russian occupation a few decades ago.

The ***Kunduz River Basin Programme*** (KRBP) is currently rehabilitating irrigation systems that are functional but need repairing. A social water management is being restructured as part of the programme to achieve sustainable maintenance and provide more equitable access to water.

The ***traditionally mixed and diverse farming systems*** were influenced by the cotton and textile industries in the area, a dairy plant and a sugar factory. All of these factories were completely destroyed during the war and are currently being rehabilitated or in parts newly constructed. The New Baghlan Sugar Company Ltd., for example, is a joint venture led by German seed producer KWS SAAT AG and four Afghan investors to restart sugar beet cultivation in the area and rehabilitate local sugar refining facilities. The only sugar plant in Afghanistan aims to supply ca. 25% of the national demand while the increased demand for sugar beet can provide a real alternative to opium crops. In the past, agriculture production was dominated by milk cattle and mixed cropping; in particular rice, wheat, cotton, and sugar beet crops that rotated with fodder, legume, potato and vegetable crops. Perennial horticulture used to be well established in more remote valleys that were out of reach for processing factories. Today wheat and rice production still dominate but development initiatives promote crop diversity and reactivate research to identify regionally suitable and modern crop varieties.

### 3.2 Crops

While ***wheat*** and ***rice*** continue to be the main field crops in the Baghlan region, increasing areas are cultivated with ***cotton, potato and fodder crops*** like alfalfa, maize, barley and triticale. ***Vegetables*** like water melon, carrot, onion, tomato and okra find increasing markets. ***Farm forestry*** and ***cottage fruit*** production is widely found across the region. During the years of conflict, markets lost forced the majority of local households to move towards subsistence farming; growing grains and few vegetables and fruits, and keeping cattle. Yet, more than 60 % of all herds were lost during the period of instability and long-lasting drought periods.

Today's trend is towards the revival of the diversity that marked and benefited the region prior to the conflict. The ***development and rehabilitation of local markets*** through the support of production and processing capacities facilitate this process while opening new potential opportunities. There is unlimited potential for a variety of crops such as oil seeds; like canola, sunflower, safflower, and soybeans, but also for niche products like sesame and strawberries. The production economy has to be carefully examined as the production costs in Afghanistan are comparatively high. There is a danger that, as long as cheap imports from neighbouring countries and the free distribution of vegetal oil and other products for humanitarian reasons prevail, local production cannot be sustainably supported. Mechanisation is at a very low level.

### 3.3 Livestock

Baghlan Province has a ***tradition of high-quantity milk production***. ***Herd rehabilitation*** is vital to revive this sub-sector and is currently supported through a range of initiatives; including cross-breeding through Artificial Insemination (AI), the re-establishment of animal health services, the re-construction of *Fabrica Labaniod*, the Dairy factory in Fabrica village in Baghlan. In the remote areas of Baghlan, ***small ruminants*** are well integrated and play an important role in small traditional Afghan farming systems for the production of wool, meat and milk. However, the sub-sector is restricted by the limited availability of fodder from the largely depleted pastureland. ***Commercial poultry production*** is a real option for the higher altitude zones of Doshi, Khenjan, Anderab and Dhana-e-Ghori, supported by the favourable climate and the proximity of these places to markets.

### 3.4 Fisheries

While this sub-sector has no tradition in Baghlan, fisheries constitute a potential opportunity given that professional input is provided to assess the water temperature, levels of water pollution (e.g. through silt and the fish-farms themselves) as well as whether newly introduced species could endanger the local fauna.

### **3.5 Land tenure**

Land holding is diverse in Baghlan as the province features all kinds of land ownership.

### **3.6 Agricultural support services and input supplies**

Agriculture research is being supported by CGIAR<sup>4</sup> institutions like ICARDA<sup>5</sup> and CIMMYT<sup>6</sup>, and by NGOs. Agriculture extension services are being delivered mainly by NGOs, while Livestock Development services in almost all Districts are provided by the Aga Khan Foundation (AKF) and PRB/CTA. Contract growing is only little developed and mainly found for field crop seed production supported by FAO and NGOs like SCA<sup>7</sup>, which is now terminating its activities. Low quality inputs and erratic sources are available in the urban centres.

### **3.7 Agricultural structures (farmer groups/organisations/larger farmers etc)**

Baghlan used to have farmers' associations like cooperatives and organisations of milk producers along collection chains. Today many farmers still have a sense of institutional membership although the institutions have been inactive for the last 20 years. New informal groups are emerging as a result of NGO activities like Farmer Field Schools and PTD/PID<sup>8</sup> approaches. Though they are informal these arrangements provide a form of self-help. Seed Bank Associations and other groups formed during the humanitarian relief period have almost completely been handed over to Community Development Councils (CDCs).

### **3.8 Agriculture related businesses**

The *New Baghlan Sugar factory* and the *Dairy in Baghlan's Fabrica village* are under reconstruction. The production capacity of the flower mill in Pul-e-Khumri is minuscule given the large wheat production in the region. **Small businesses** are about to emerge and consolidate in certain sub-sectors like honey, carpet, poultry, fruit tree sapling/ornamentals production through certified nurseries. Plans exist for other medium scale processing units showing potential to boost this vital sector. The most promising include ketchup, oil, flower mills, storage/grading and packaging of horticulture products, potatoes etc. There is no shortage of ideas but human and financial start-up capital needs to be in place for these opportunities to be realised.

## **4. Other business activities (ANDS Sector 8)**

Tala wa Barfak and Khenjan Districts have been assessed to have *good potential for eco-tourism*. The Salang region has excellent springs that could support a significant drinking water industry and compete with Nestlé. The traditional textile industry has excellent potential if rehabilitated to comply with modern standards of production. It could process parts of the cotton fibre produced in Kunduz that is currently exported in its raw form at a very low price to Pakistan. All kinds of SMEs have a good growth potential in Baghlan due to the good access to markets and relatively low labour costs in comparison to Mazar-e-Sharif.

## **5. Security (ANDS Sector 1)**

Baghlan is relatively safe. However, frequent factional fighting mainly in Anderab District poses a threat for the region.

## **6. Physical infrastructure (ANDS Sector 8)**

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<sup>4</sup> Consultative Group on International Agricultural Research

<sup>5</sup> International Center for Agricultural Research in the Dry Areas

<sup>6</sup> Centro Internacional de Mejoramiento de Maiz y Trigo

<sup>7</sup> Swedish Committee for Afghanistan

<sup>8</sup> Participatory Technology Development/Participatory Innovation Development

The **newly built Salang road** connecting Kabul with Baghlan is the major asset for the Province boosting North-South-North trade and exchange. The **Irrigation canal system** that is currently being rehabilitated further adds to the regions improved physical infrastructure. Once rehabilitated, the Hydro Power Station in Pul-e-Khumri city can provide energy for entrepreneurial activities. At present, the lack of energy and the bad access road to the main road constitute the main constraints to development.

## 7. (Institutional) constraints (ANDS Sector 8)

The ongoing total deregulation can be seen as a chance as well as a threat to development. The crucial facts that mentioned in interviews are:

1. *Lack of knowledge and access to information*
  - The education system is set up but not yet functional;
  - Approximately 15% of Afghan expertise is abroad and not supporting the country;
  - Many emigrants just have returned to secure their assets but emigrate after a short stay;
  - Trained local staff tends to shift away into donor influenced positions promising higher salaries;
2. *Lack of services*
  - Financial and non-financial services are emerging but still do not reach out to the majority of the population;
  - Cheap imports and humanitarian distribution prevents the development of local enterprises;
  - Ceasing the support to entire sub-sectors (e.g. vegetal oil industry, poultry, leather, garments industry etc.) is hampering potential initiatives;
3. *Competitiveness*
  - High salary expectations enhance production costs or block sub-sector development;
  - A lack of comfort in the country and the psychological (or justified) feeling of insecurity prevent serious investment.

The institutional constraints are complex and general and therefore difficult to localise and address. This reflects in an environment supportive of pioneers but uncondusive to rapid economic growth.

## 8. Credit

Formal financial services are available in Baghlan through financial institutions offering individual loans, group loans, special loans for trade etc., micro leasing and other products. The First Microfinance Bank (FMFB), Kabul Bank and other institutions operate in Pul-e-Khumri. Financial institutions like ARMP, Oxus, BRAC, Finca etc. are also active in the Province. The formation of S&C Self Help Groups is about to start with the main clients being traders or individuals in need for trade loans. SMEs are more relevant clients than farmers. Statistics on financial services are available through MISFA and Projects like ARMP, Oxus, BRAC and others.

While financial services in various forms are available, the terms and conditions to operate in a volatile environment are problematic and often result in abusive service charges and complicated procedures. Informal loans are widely available though are largely provided at unfair conditions and mainly used as consumption loans by households, which often find themselves trapped in high levels of indebtedness.

## 9. Stakeholders

The main Stakeholders are Government Institutions, even if they still lack the capacity to fulfil their functions. There are only a few local CSOs and Common Interest Groups form the new potential of CSOs. These groups are being formed and trained in Human and Institutional Development (HID) and will, with time, take on considerable roles and responsibilities.

### National authorities

National government:	2 (always supportive but not reaching out to the Provinces)
Political figures:	2

Political parties:	3 (largely occupied with political and party issues)
Military:	1 PRT as a donor (3 for other PRTs and the national army)
Central Ministry official:	Assistance has been received from a number of Ministries.

### Regional and local

Local ministry official:	2 (Partly support through observing and advice partly)
Mayors and city council:	To be assessed in the future
Local party officials:	3
Provincial and district administrators:	2 (Communication is established.)
Local law enforcement:	3 (Law enforcement is not yet observed.)
Educational institutions:	2 (In need for funding.)
Regional or local organizations:	To be assessed.
Community-based organizations:	1 (CDCs and soon DDAs will become relevant.)
Rural or other cooperatives:	3 (Concepts exist but are not functional, considered "communist" by some)
Water use groups (MIRABs):	3 becoming 2-1      Process is ongoing within KRBP
Mass organisations:	N/A
Labour or craft groups:	1 (Common interest groups growing into formal Associations.)
Agricultural extension services:	3 (Dormant as outdated. Staff without salaries for the last 20 years.)
Poor unions:	N/A

### NGOs/CBOs

Advocacy NGOs:	2 (In Kabul only.)
Local and regional non-profits:	2 (Only few in number.)
International non-profit:	1 (NGOs do the job!)
Environmental groups:	2-3 (NEPA can answer.)
Women's advocacy groups:	1-2 (Helpful were existing)
Religious organizations - clerics, imams:	1-3 (Can be supportive or destructive.)
Traditional organizations - tribal leaders, organizations (e.g. Zakhat):	2 (erratic)
Commercial and business groups: credit co-operatives, bank officials, business organizations, civic clubs or chambers of commerce:	2 (Growing relevance.)
Groups defined by beneficiary status, social analysis, rural appraisals, or gender analysis: the poor, the landless, the displaced, the elderly, youth, agricultural workers –	2-3.

The Press	2	Radio and TV, press does not exist
Donors	1	Desire to alleviate poverty urgently

## 10. Summary of key potential development opportunities

- Given the large areas of fertile land available and their link with traditional industries, **Agriculture and Livestock** constitute the two most promising sectors for development in Baghlan Province. Agriculture and livestock products as well as non-agriculture value addition would also benefit the development of the SMEs.
- The many natural and historic attractions in the Baghlan region, supported by the good infrastructure are promising for the development of the **tourism** sector and an increased influx of customers to Baghlan.
- The **traditional and new industries** that have been identified as vital for economic growth in the region include Cement, Coal, Dairy, Sugar, Flower mills, as well as storage/grading/packaging. The good quality Salang drinking water brings hope to the development of the bottling industry.
- The clustering of Balkh, Kunduz, Taloqan and Baghlan would be helpful to evaluate the effectiveness of priority inputs.

## Annexes

### List of persons/agencies visited/contacted

Name	Position/agency/relevance re <b>future development</b>	Topic discussed	Date
AKF Baghlan	Regional team of the Aga Khan Foundation, Afghanistan	Rural and urban development issues, promising sectors and sub-sectors, opportunities and constraints for development in Baghlan	14 <sup>th</sup> September 2006
Ministry of Commerce	Website, Business news	Information on industry development in Baghlan	16 <sup>th</sup> September 2006