

Provincial Profile

- Balkh -

Executive Summary

Balkh Province in the North of Afghanistan has high potential in the agriculture sector. The main border crossing point located 30km north of the provincial capital, Mazar-e-Sharif, and the main access road to Uzbekistan links the province to a vibrant trade with the Central Asian countries.

Mazar-e-Sharif is an attractive historical site. Its famous tomb of Hazrat Ali, or “Blue Mosque”, attracts many tourists and pilgrims. With a population of approximately 250,000 inhabitants, Mazar is also an important trade hub. Major shares of imports from Central Asia arrive in Mazar and change hands through a diverse services sector. The significant natural gas resources of Sheberghan near Mazar supply a thermo power plant and constitute an important retail business distributing gas to other locations in Afghanistan.

Balkh has fertile agriculture land. The Province obtains its abundant water resources from as far away as Bande Amir in Bamyan that mainly feed into the ground water feed and into well maintained irrigation systems. Horticulture, field crops, livestock, and niche sectors like silk are traditional sectors that are being revived in Balkh. New ventures for Afghanistan, including oil seed production, are being challenged with active participation of Balkh University.

A range of financial services are available in Mazar and in the Province, where e.g. finance cooperatives are successfully being piloted. Balkh is a politically active Province with a majority Tajik population which represents a special situation. It is comparatively safe, and the economy based on a mix of agriculture, MSMEs and Services is developing.

1. Natural Resources (ANDS Sector 3)

Balkh Province has *limited perennial river water* flowing from higher altitudes in the south of the Province into the northern plain, which harbours *good ground water* resources. The water table is fairly deep, though accessible for tube well irrigation. During the war many of the tube wells deteriorated. As a result of lacking irrigation, parts of the agricultural land deteriorated as well. Rehabilitation of the irrigation system has been ongoing for the past few years, and today big almond and apricot orchards are being planted. Overall, the good soil and water quality allow for intensive double cropping in the northern plain, and there is potential for various kinds of annual and perennial crops.

Natural gas from Sheberghan and Turkmenistan is the main source of energy. Mazar is also supplied with electricity from Central Asia through the power line that is currently under construction and will electrify Kabul in the near future.

Minerals are not abundantly available. Coal is being exploited in Dara-e-Suff, a District which has now falls under the administration of Samangan Province.

Balkh Province has *sparse vegetation*. The northern belt along the Amu Darya River is deserted, and the southern hillsides are sparsely covered with shrubs and herbs for pasturing. Farm forestry provides fuel and construction wood for the Province. However, high-quality timber is being imported from Central Asia and Russia – not only for Balkh, but for the whole country.

2. Human Resources

Mazar-e-Sharif has a population of approximately 250,000 and is the fourth largest city in Afghanistan. The comparatively high literacy rate can be attributed to a tradition of high educational standards in the Province, especially at higher levels. Mazar has a private college and a private (Turkish) University providing high-

quality education. The capital's Government University is currently improving its curricula and the university infrastructure. It has been said that the country's highest computer literacy rate is found in Mazar, though this needs verification. Mazar has a good social infrastructure with private clinics and a Government Hospital, a sufficient number of schools with high enrolment figures for girls.

3. Agriculture (ANDS Sector 6)

3.1 Overview

The warm climate and moderate winter frosts are conducive to intensive *double cropping agriculture* in Balkh. *Mixed farming systems with livestock, field crops and horticulture* dominate the sector. In areas where tube well irrigation is functional large scale rehabilitation of perennial horticulture and almond orchards is ongoing. In remote districts, subsistence farming is dominant and seasonal migration for income generation is more prominent than agricultural intensification. An important tribe of transhumant shepherds (Kuchi) is based in the Mazar region. During the summer, the Kutchi take their herds to graze at the high altitude pastures of Badakhshan Province. After this period, the sales of small ruminants are an important economic activity in the region.

3.2 Crops

Cereals and potato are the most common field crops in Balkh. However, there is a trend towards oil seed production, components of chicken feed and other products in the province motivated by demand from Central Asia. Soybean and oil crops like safflower and canola achieve good prices abroad, and the numerous trucks returning empty from Mazar to Central Asia offer transport at good conditions.

New crops are subject to research before they can be exported. Research into field crops diversification comprises new but little external input technology development like "zero tillage" and ICM in general.

Balkh has *traditionally exported perennial horticulture products*. The rehabilitation of the fruit drying, nuts grading and packaging industries is being done in parallel to the large scale rehabilitation of destroyed orchards. Though annual horticulture cannot compete with more fertile regions like Laghman Province, water melon and onion are two main products sold at Kabul markets. A variety of other crops are being produced and sold at local markets in Mazar.

3.3 Livestock

Most farming households keep cattle. The *rehabilitation of the high-standard breeding tradition* will soon commence, and the former dairy plant in Mazar is currently being modernised. Animal power is gradually being replaced by tractors, providing increasing potential for milk cows. Small ruminants are mainly managed by nomadic Kuchis whose herds comprise hundreds of animals that supply a considerable share of the regional market needs.

3.5 Land tenure

The average farm size varies across the Province. Most farming households in the remote districts are small land owners with an average farm size of 2 jerib. A small number of farmers own large areas of irrigated land, and land holdings in the deserted strip of land south of the Amu Darya River comprise 100ha and more. Perennial horticulture is being rehabilitated on land irrigated by deep tube wells and drip irrigation systems.

3.6 Agricultural support services and input supplies

Mazar is an urban centre where a large variety of commercial inputs is available. The Ministry of Agriculture and Irrigation (MAI) has commenced a restructuring process to staff individual Departments (e.g. Extension) and define function. Though urgently needed Government services in support of the agriculture sector are not yet functional, NGOs, FAO etc. together with Balkh University in Mazar cover a wide range of services. Functional research units are managed by NGOs like JDA or FAO. The silk research centre based in Mazar will soon start to revitalize silk production in the north of Afghanistan.

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

Balkh Province has an *increasing number of urban-based, privately initiated organisations* with a growing membership base. Finance cooperatives (credit unions) initiated by WOCCU are a model for the provision of credit products to the entire country. Former cooperatives still exist and are activate around oil seed production and marketing, fruit drying, seed production dairy and silk. While still weak, farmers' organisations in Balkh will soon become relevant. The fairly homogenous ethnic structure in the Province could be the main reason for the comparatively high number of organisations in Balkh.

3.8 Agriculture related businesses

Mazar is *largely a trade centre*. Agro Chemicals like seed, fertilizers and pesticides, as well as agro machinery (tractors, rippers, threshing machines etc.) are imported from Central Asia or reach Mazar through Kabul market. Mazar has a good investment climate as it offers relative political stability, good security (promoted by the strong presence of the German PRT), good access through linkage roads and the airport, and because it has electricity. Plans or future projects comprise a new dairy, a fruit drying factory, oil extraction; concentrate feed mix for animals, grain mills and others.

4. Other business activities (ANDS Sector 8)

The services sector (trade, finance services, Government, business travel and tourism, SMEs for agri processing and production of high-value/high-tech goods) summarise the good growth potential for Mazar. Labor costs are generally lower than in Kabul, Nangarhar or Herat, giving Mazar a comparative advantage over these Provinces. The availability of investment capital through trade will support the rehabilitation of an important and diverse MSME sector.

5. Security (ANDS Sector 1)

The high presence of international organisations and the military, as well as the ethnic homogeneity contribute to the relatively high security levels not only in Mazar but the whole Province. However, even in Balkh unpredictable IED, road-side and suicide bomb attacks cannot be controlled.

6. Physical infrastructure (ANDS Sector 8)

Twenty years of war and long-term under-investment have had a serious impact on urban housing and physical infrastructure in the Province. Large parts of the urban infrastructure in Mazar, especially government and municipal buildings, schools and health facilities were either damaged or completely destroyed. This has led to large uncontrolled settlements. However, though many buildings are still in need of repair, large areas of Mazar have been reconstructed and the beautiful, undamaged "Blue Mosque" in the city centre is a magnet for many visitors. Hospitals, schools, the University and other social infrastructure are functional. In the highly war-affected eastern part of the Province, the almost completely destroyed infrastructure still needs to be rebuilt. Though it is ongoing, the reconstruction work in areas outside the capital progresses only slowly. Productive infrastructure like irrigation canals has largely been repaired, and the new tube wells are being constructed mainly by owners of significant areas of land. The main access roads are in good shape, while secondary roads particularly in the remote areas of the Province have been neglected.

7. Institutional constraints (ANDS Sector 8)

Although Balkh has an *advanced and diverse institutional landscape*, legal and social structures required to provide the enabling environment for the development of businesses and the agriculture sector in rural areas are largely absent. The Government's capacity, though increasing, is still insufficient to establish and enforce a legal framework. The Government has taken only few initiatives to resolve conflicts surrounding issues of land ownership. However, this situation is common in other Provinces as well, and Balkh has a comparatively good "self-help" potential with solutions being found through deregulation.

8. Credit

Diverse financial products and services are currently being offered by a number of established and newly emerging Microfinance Institutions, including the First Microfinance Bank (FMFB), ARMP, Kabul Bank, BRAC, WOCCU, Women for Women, and Madeira.

9. Stakeholders

Balkh has an active community with good governance structures and relevant stakeholders at all levels and in all areas where there is a potential for economic growth.

10. Summary of key potential development opportunities

The key potentials of Balkh Province are:

1. Agriculture:
 - Field crops, especially grains. High potential for diversification into oil seed production
 - Perennial horticulture and nuts/almonds
 - Niche products like natural silk.
2. Livestock:
 - Dairy production & small ruminants (A good part managed by nomadic Kuchis of local origin).
3. Services Sector:
 - Urban Tourism, trade, education, health, financial services.
4. Construction and maintenance at least for another 5 years:
5. MSMEs for all kinds of value addition on agricultural products and traded goods like timber and raw metals etc.