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Research Report

War gains: How the economic benefits of the conflict are distributed in Afghanistan and the implications for peace. A case study on Nimroz province

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**LESSONS
FOR PEACE**
Afghanistan

Report
August 2021

War gains: how the economic benefits of the conflict are distributed in Afghanistan and the implications for peace

A case study on Nimroz province

Alcis, David Mansfield and Graeme Smith

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Contents

Key messages	8
Overview	10
1 Introduction	12
2 Methodology	16
2.1 A focus on key goods and services	16
2.2 Clarifying terms and amounts	17
2.3 Data collection on the ground	17
2.4 Merging and mapping data	18
2.5 Recognising data constraints	20
3 Nimroz: a burgeoning economy on the borders	21
3.1 The reach of Kabul	22
3.2 A small player in production...	23
3.3 But a central role in trade	26
4 A look at the books: what taxes are paid, to whom, and where?	32
4.1 Government revenues	32
4.2 Taliban revenues	34
4.3 Payments to government-affiliated actors	37
4.4 What does this all mean?	39
5 Conclusion	42
Recommendations	44

List of figures

Figures

Figure 1	Production and trade in Nimroz by activity	10
Figure 2	Map showing where Nimroz province is located and main features, including agricultural area, border infrastructure and important locations	13
Figure 3	Map showing the Afghanistan–Pakistan border fence, border infrastructure and the dates built	15
Figure 4	Photograph showing the departure point for migrants being smuggled from Ziranj to Dak on the Pakistan border	18
Figure 5	Imagery showing fuel smuggling via tractors on the Iran–Afghanistan border	19
Figure 6	Map and imagery showing the location of Kamal Khan dam and the intakes on the Helmand river	23
Figure 7	Imagery showing the use of solar powered deepwells in former desert areas of Khashrud	24
Figure 8	Estimates of opium poppy cultivation in Nimroz province, 1999–2020 (hectares)	25
Figure 9	Imagery showing ephedrine lab in Khashrud, Nimroz	26
Figure 10	Imagery showing trucks at Ziranj on the Afghan–Iranian border	27
Figure 11	Map showing primary routes in Nimroz for the smuggling of fuel, drugs and people	28
Figure 12	Imagery and ground photographs showing catapult used in the smuggling of drugs from Afghanistan to Iran	31
Figure 13	Ground photography of boat in Rudbar, used for transporting cars over the Helmand river at Rudbar in Charburjak en route to Baramchar, Helmand	31
Figure 14	Estimates of government revenue by activity	32
Figure 15	Map showing estimate of total revenues collected by government in Nimroz	33
Figure 16	Estimate of Taliban revenue by activity	34
Figure 17	Estimate of Taliban revenue from drugs by activity	35
Figure 18	Map showing estimate of total revenues collected by the Taliban in Nimroz	36

Figure 19	Estimate of government-affiliated actors' revenue by activity	37
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Figure 20	Map showing estimate of total revenues collected by government-affiliated actors in Nimroz	38
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Figure 21	Map showing estimate of total revenues collected by government, Taliban and government-affiliated actors in Nimroz	40
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Acronyms

ABP	Afghan Border Police
ANA	Afghan National Army
ANDSF	Afghan National Defence and Security Forces
ANP	Afghan National Police
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
NDVI	Normalized Difference Vegetation Index
NGO	non-governmental organisation
UNAMA	United Nations Assistance Mission to Afghanistan
UNODC	United Nations Office on Drugs and Crime
USFOR-A	United States Forces-Afghanistan

Key messages

1. For the first time, researchers have pieced together all major sources of funding for both sides of the war in Afghanistan, including Taliban and pro-government figures, in a strategic province that borders Iran and Pakistan. The study of Nimroz province reveals how power and money actually work in the fast-moving conflict – revealing a different picture from the story told by official statistics, with some surprising findings.
2. The first surprise was how small international donors' funding has been to these remote provinces, compared with the roaring trade in legal and illegal goods that happens mostly off-the-books. In Nimroz, informal taxation on both sides of the war raises about \$235 million annually, compared with less than \$20 million flowing into the province from Kabul.
3. This finding matters because after the withdrawal of US and allied troops, money becomes the main instrument available to international partners during negotiations. Our results suggest that reducing funding for humanitarian and development projects might not be so persuasive to the Taliban, because there are plenty of hidden sources of cash circulating, although these might not be applied to similar development or humanitarian purposes. This research addresses an important gap by providing a realistic understanding of the sheer volume of resources that comes from control of cross-border trade.
4. The response of Afghanistan's neighbours to the seizure of border crossings will determine the flows of resources to parties in the conflict. The Taliban's victories pose a dilemma for neighbouring countries, which are being forced to weigh the costs of giving the Afghan insurgents more power against the financial pain of denying themselves trade revenues. Regional powers may be unwilling to resume trade and give the Taliban the profit and prestige of running border posts, something that could prove expensive for the Taliban. Neighbouring countries have already closed some border crossings which will affect the flow of resources to the parties involved in the conflict. All sides could be encouraged toward a peace deal if they knew it would result in improved trade.
5. Our results also allow for a better understanding of the economic forces that shape political power in Afghanistan. Gaining the upper hand in this conflict is not always related to the sheer amount of landmass that falls under the 'control' of any side. More important are the funds collected by seizing key terrain along roads and highways. In Nimroz province, the insurgents captured Ghorghory, the administrative centre of Khashrud district, on 20 June 2021, followed by the town of Delarem on the main highway on 7 July. Capturing these two towns could be worth \$18.6 million per year for the Taliban if they maintain current systems of informal taxation: \$5.4 million from the fuel trade, \$13 million from transit goods, and about \$300,000 from commercial businesses.
6. Changing control of border posts and trade routes tilts the economic balance of the parties to the conflict. The implications are potentially serious for the Afghan government, which loses the declared revenues to its central treasury – and, just as importantly, pro-government political players have been stripped of vast undeclared incomes they were collecting at Ziranj and along the trade routes radiating from this border crossing. Until now, our work has consistently shown that pro-government powerbrokers collected about twice as much as the Taliban, in revenues from illicit goods. Only a small proportion of Taliban revenues from trade involves opium, hashish, methamphetamines, and other narcotics. Even more lucrative is the legal movement of ordinary goods, such as fuel and consumer imports. Human smuggling becomes more important as the rising violence forces Afghans to flee the country.

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7. Our method of matching satellite imagery with on-the-ground observations could help answer some basic questions: for example, how much money will the Afghan state require to survive, what is the potential for the government to increase its share of payments made to informal actors and corrupt officials, and how might the system of subnational government finance be improved?
 8. This study illustrates the potential of this approach for other countries. Combining geospatial analysis and in-depth knowledge of the ground is useful for analysing the relations between economic rents and political order, as well as formal and informal taxation, with implications for policymaking in areas such as corruption, trafficking, stability, governance, public administration, economic statistics and fiscal policy.

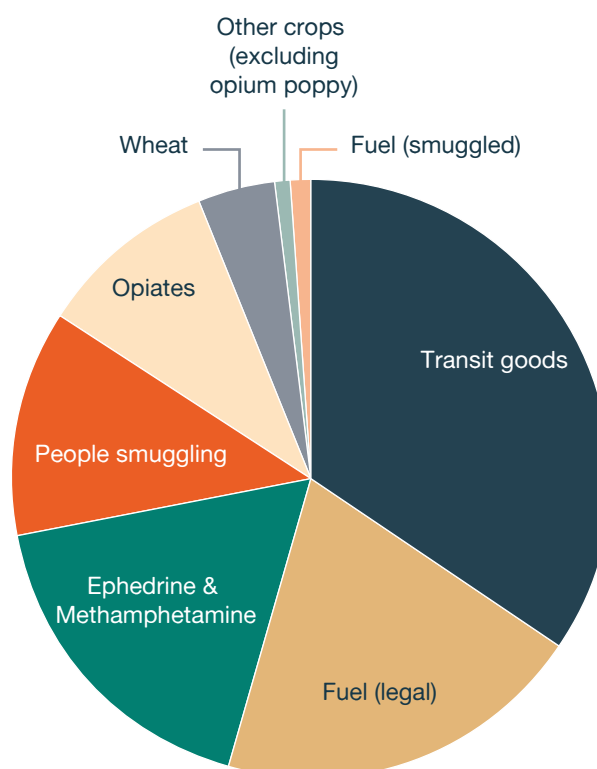
Overview

The province of Nimroz produces little. It has no active mines or industry, and agricultural production is constrained by dry summers, cold winters and heavily salinated ground water across much of the province. The conditions are so harsh that even cultivation of the hardy opium poppy is limited to a few narrow swathes of farmland. This lack of natural resources is offset by the province's strategic location, allowing Nimroz to serve as a market hub for the processing of opiates, ephedrine and methamphetamine, alongside an even bigger cross-border trade. However, the smuggling of illegal drugs is far less significant compared to the value of legal goods passing through the province. Afghanistan's official trade with Iran was valued at \$2 billion in 2017, and the crossing at Ziranj is one of the three primary routes by which goods from Iran enter the country. Actual trade is even more valuable, with large amounts of legal and illegal goods crossing the border unreported: fuel and consumer imports flowing into the country, and illegal drugs and migrants leaving.

Using in-depth fieldwork and high-resolution satellite imagery, this research estimates and maps the formal and informal taxes earned by the Afghan government, the Taliban, and government-affiliated actors across the province. It shows the degree to which each of these sets of power-brokers rely on taxes they collect on the trade in legal goods, contradicting the usual assumption that the warring sides depend mostly on drug money. The research points to the uneasy alliances between traders, communities, the government and the Taliban to ensure the continued production and movement of goods through Nimroz worth an estimated \$2.3 billion a year – equivalent in value to the official imports from both Pakistan and Iran in 2020 (see Figure 1).¹

This mapping highlights a logic behind the Taliban's military ambitions, revealing the resource flows associated with changes to control of lucrative 'choke points'. This methodology also provides a new window into Afghanistan's political economy: who profits, how much, and where the big players

Figure 1 Production and trade in Nimroz by activity



take their cuts. The \$5.1 million in revenues collected by the Taliban from the production and trade in illegal drugs was found to be only a fraction of the \$40.9 million income earned from taxing transit goods and fuel, and less than the money earned by government-affiliated actors profiting from the drug trade.

These findings put foreign donors' role in Afghanistan into a fresh context, revealing the insignificance of international aid relative to the informal economy in border provinces such as Nimroz. This finding matters because after the withdrawal of US and allied troops, money becomes the main instrument available to international partners of Afghanistan. Our results suggest that reducing funding for humanitarian and development projects might not be so persuasive to the Taliban, because there are plenty of hidden sources of cash

¹ National Statistics and Information Authority (2020) *Afghanistan trade statistical yearbook 2019*. July, p.3 (www.nsia.gov.af:8080/wp-content/uploads/2020/05/Afghanistan-Statistical-Yearbook-2019-1st-Version.pdf).

circulating, although these might not be applied to similar development or humanitarian purposes.

As this research shows, foreign donations are less economically significant than is generally understood. It points to the importance of Afghanistan's trade with its neighbours, the need to be conscious that encouraging trade through some routes might increase the revenues for one or another of the warring groups, and how the decision to terminate trade through official border crossings occupied by insurgent or other independent militias, might influence military options and incentives for the parties to negotiate. It also shows how the

Taliban's capture of key choke points through which large amounts of goods are traded will impact local power-holders, potentially destabilising the political bargains that hold the Afghan government together.

Experimental in nature, combining granular data on taxes in the field with high-resolution imagery analysis, this report provides a detailed technical Annex explaining how revenues were calculated and mapped. The authors believe that similar methods could be employed to assess the political economy in other provinces, generating a more realistic understanding of resource flows and of potential pathways out of armed conflict.

1 Introduction

This research set out to calculate and map the revenues earned by power-holders in the province of Nimroz in south-western Afghanistan. The intent was to better understand the amounts earned by different actors (the government, the Taliban or others), identify their primary sources of income and assess implications for any future political settlement. There has been significant focus on the amounts of money the Taliban earn from illegal sources: by the media, Western governments, the Kabul government, and the United Nations (UN) sanctions committee.²

Our interest was not limited to the amounts earned by power-holders and the types of goods and services they derived revenues from. We were also interested in *how* revenues were raised and, in particular, where these taxes were collected. This related to the fact that over the past few years, both the Afghan government and the Taliban have been reporting claims about the extent of each other's territorial control as a mark of their success or failure. Our research points to significant problems with the way these assessments are made, shaped by both misunderstanding and misrepresentation of the nature of the relationship between armed actors and the population in conflict-affected areas.³ Gaining the upper hand in this conflict is not always related to the sheer amount of landmass that falls under the 'control' of any side, and military progress cannot be measured only by the number of Afghans who find themselves living in Taliban territory or government zones. More important to the war effort on both sides are the funds collected, or denied to the opposition, by seizing key terrain along roads and highways – the

main routes on which commodities are traded – rather than trying to dominate the wider area where commodities are produced.⁴

This is particularly the case in Afghanistan where the mountainous and hostile terrain has not only limited the ability of the Afghan state to enforce its writ, but also limited the conduits for the movement of goods and people, creating revenue opportunities for any group that can position itself on trading routes. Accommodations with groups that sit astride these conduits of trade in strategic locations, or 'choke points' – a mountain pass, or an oasis along a desert route – have historically been central to Afghan state-building.⁵ It was our hypothesis that in mapping these choke points we would not only develop a better understanding of the finances of today's warring parties, but also identify the potential fracture lines or points of conflict in the political process and eventual peace settlement.

In undertaking this work, we remained mindful that these choke points are not static. While the geography of Afghanistan has shaped historical transport routes, recent infrastructure investments have also opened new conduits, encouraging trade along some routes and deterring it on others. Regulation and formalisation of cross-border trade at some locations has established new choke points where goods can be channelled and taxed, both legally and illegally. The expansion of the road network and border improvements have also supported the exploitation and trade of natural resources, such as minerals, and created further choke points and opportunities for raising

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- 2 United Nations, Analytical Support and Sanctions Monitoring Team (2020) *Eleventh report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2501 (2019) concerning the Taliban and other associated individuals and entities constituting a threat to the peace, stability and security of Afghanistan*, 27 May, pp. 14–16 (www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2020_415_e.pdf).
 - 3 Mansfield, D. (2017) *Understanding control and influence: what opium poppy and tax reveal about the writ of the Afghan state*. Kabul: Afghanistan Research and Evaluation Unit (AREU) (<https://areu.org.af/wp-content/uploads/2017/08/1724E-Understanding-Control-and-Influence1.pdf>).
 - 4 Schouten, P. and Kalesspo, S-P. (2017) *The politics of pillage: the political economy of roadblocks in the Central African Republic*. International Peace Information Service (IPIS)/ Danish Institute for International Studies (DIIS) (<https://ipisresearch.be/wp-content/uploads/2017/12/1711-CAR-roadblocks-English.pdf>).
 - 5 Barfield, T. (2010) *Afghanistan: a cultural and political history*. New Jersey: Princeton University Press.

Figure 2 Map showing where Nimroz province is located and main features, including agricultural area, border infrastructure and important locations



revenues. The growth in illegal production and trade of narcotics, including a relatively new methamphetamine industry, has also reshaped the geography of revenue extraction in Afghanistan.

Conscious of the scale of the task, and the untested nature of the methods, we piloted our effort over a limited area. The province of Nimroz was selected partly because of the body of work we had built during previous research efforts in the province and region, but largely due to its strategic position deep in the south west on the border of Pakistan and Iran, straddling the trading routes for significant legal and illegal value chains.

Nimroz is often dismissed as a backwater: an arid, largely desert area, with a small population and limited agriculture. Even levels of opium cultivation are relatively low compared to other provinces in the south west. However, Nimroz has transformed in recent years into a major artery for cross-border trade. This growth emerged from more than a decade of regularisation of trade with Iran, starting with the opening of an official border crossing at Ziranj in 2005, major infrastructure developments, and a shift in Afghan government trade policies that deprioritised business with Pakistan. Official cross-border trade with Iran was valued at over \$1.3 billion in 2019, just short of the \$1.4 billion official trade with Pakistan.⁶ With the challenges of policing its borders – particularly the desert terrain to the south – Nimroz is also a primary conduit for the trade in drugs and people into both Pakistan and Iran, some moving onward to Europe. Sitting astride these major licit and illicit value chains, the province has become important for power-brokers in Afghanistan, Iran and Pakistan who seek to regulate and tax the movement of goods (see Figure 2).

These cross-border dynamics were of particular interest because of growing efforts by both Iran and Pakistan to gain greater control over their borders, and the role both nations play in negotiating a political settlement in Afghanistan. Focusing on Nimroz presents an opportunity to examine how patterns of trade and revenue opportunities on both sides of the border are affected by efforts to regulate movement.

Iranian border controls along the Nimroz border are already much more developed than those built by Pakistan. The erection of a border wall and fence along the length of Iran's boundary with the province has served to concentrate trade through the official crossing at Ziranj. Combined with the construction of a road between Ziranj and Afghanistan's main highway, this has greatly increased traffic and revenues.

There are no such formal crossings into Pakistan from Nimroz or infrastructure to support the journey. There is also the added barrier of the Helmand river, which bisects the province from east to west, with no working bridge to cross it. Despite this, there is a vibrant trade in the smuggling of people and drugs across the Afghan border with Balochistan. A Pakistani fencing effort continues to gather pace, a project that will undoubtedly impact on power-holders on both sides of the border, including armed groups in Pakistan such as Jundullah (see Figure 3).

With an objective and a geographical boundary to our research, we then considered our approach. We elected to position the research to examine the wider realities of politics in Afghanistan. Policy analysts often misunderstand how power and money function on the ground in these far-flung territories, leading to ineffective and costly responses by the international community. For example, the international community, most recently via the Financial Action Task Force (FATF), spent decades trying to understand and interrupt Taliban financing. However, claims about insurgent taxation – not just in Afghanistan but in other conflict-affected areas – are tainted by hearsay and blind repetition.⁷ Reports of the amounts of revenues earned by insurgent groups are often unrealistic given the value of the goods and services being taxed, and their profit margins. For example, there have been claims of the Taliban earning as much as \$400 million⁸ when the insurgents' earnings are almost certainly significantly smaller in reality – tens of millions, at most. Such inflated estimates also ignore the high costs of operating in a war zone: transportation, labour, and other overhead

6 National Statistics and Information Authority, Islamic Republic of Afghanistan (2020) *Afghan statistical yearbook 2019*. Issue 41, May, pp. 243–245 (www.nsia.gov.af:8080/wp-content/uploads/2020/05/Afghanistan-Statistical-Yearbook-2019-1st-Version.pdf).

7 Hazen, J. (2013) *What rebels want: resources and supply networks in wartime*. Ithaca: Cornell University Press.

8 Bezhan, F. (2020) 'Taliban's expanding financial power could make it impervious to pressure, confidential report warns', Radio Free Europe, 16 September (www.rferl.org/a/exclusive-taliban-s-expanding-financial-power-could-make-it-impervious-to-pressure-secret-nato-report-warns/30842570.html).

Figure 3 Map showing the Afghanistan–Pakistan border fence, border infrastructure and the dates built



payments that allow power-holders to maintain support from the population.

We mostly refer to all payments as ‘taxes’, taking our lead from those paying them. Afghans often do not distinguish between taxes paid to the Afghan government and those to the Taliban. Where there is some differentiation is in the payments made to corrupt officials, for which the term ‘bribe’ (*rishwat*) is often used. These payments are viewed with considerable disdain but accepted as part of the costs of doing business, particularly when involved in the illegal movement of goods such as drugs and fuel, or with people smuggling. In our final calculations, we have differentiated between those who receive these payments – the government, the Taliban and government-affiliated actors – rather than how the taxes are described.

The rest of the paper is divided into five sections and an Annex. The next section documents our research methods, explains how we merged the results of both fieldwork and high-resolution satellite

imagery analysis, and outlines some of the limitations of the research. Given the pilot nature of our efforts, and the challenging task, this section is also supported by details on the taxes levied, the amounts paid, taxable units, how calculations were made, and how the results were mapped.

The third section charts the economy of Nimroz, drawing on data collected from this research, as well as previous work in the province. It describes a border province with an estimated \$2.3 billion in legal and illegal goods passing through it each year, vastly surpassing official figures. The fourth section details the revenues earned by the different power-holders, reflecting the growing importance of trade with Iran not only for the Afghan government but for the Taliban. The insurgents’ choke points on the road to Iran earn them an estimated \$40.9 million annually, far outweighing the \$5.1 million the Taliban earns from the production and trade of illegal drugs each year. The fifth and final section of the report presents our conclusions and recommendations.

2 Methodology

This study combines high-resolution satellite imagery analysis with focused fieldwork to calculate and map the taxes paid to different power-holders in Nimroz province. This mixed-methods approach has been used for almost two decades by our team in researching the changing role of illicit drug crops in rural livelihoods in some of the most remote and insecure parts of Afghanistan. It has been further developed to examine other phenomena in fragile and conflict-affected areas, including the cross-border trade in drugs, fuel, minerals and transit goods.

This latest iteration of fieldwork involved 65 in-depth interviews with those directly involved in the production, trade, transportation and regulation of a range of goods and services in the five districts of Nimroz province. It builds on more than 300 interviews conducted during previous rounds of fieldwork in the province and region,⁹ as well as detailed research on both heroin¹⁰ and methamphetamine production in the neighbouring district of Bakwa in Farah province,¹¹ which provided deep insights into how taxation works across a wider range of goods and services. Most of these interviews were conducted in and around key choke points – locations where goods are produced or channelled through as a consequence of physical geography, formal or informal regulations, and/or infrastructural developments. These locations were identified using satellite imagery and deep knowledge on the ground. Ground-collected geo-referenced data was also important to further increase confidence in the interpretation of observations from satellite imagery.

2.1 A focus on key goods and services

To develop a comprehensive assessment of the revenues earned by power-holders in Nimroz, we concentrated our efforts on the key goods and services either produced in the province or transported through it. We used our previous research in Nimroz and other parts of the south west of the country, as well as work in other provinces, to draw up a list of what these goods and services might be.

In terms of the goods produced in Nimroz, we focused on agriculture, including poppy cultivation, ephedrine, methamphetamine, and the opiates: morphine base, heroin base, and heroin hydrochloride. There were no reports of mineral production in Nimroz and imagery analysis did not show any significant mining, except for limited amounts of sand and gravel used in the construction industry, particularly around the Kamal Khan dam. Taxes on land and water were also considered.

The list of goods traded in or through Nimroz was more extensive. This included the goods produced in the province (as listed above) and those that pass through it. Sharing borders with Pakistan and Iran, Nimroz straddles trading routes for a variety of goods, including fuel, transit goods, illicit drugs, and migrants smuggled out of the country. We examined each in turn, disaggregating ‘transit goods’ into particular commodities where possible, given reports that both government and the Taliban varied the taxes they levied accordingly, and ‘illicit drugs’ into the different types transiting Nimroz. We also examined other commercial enterprises such as fuel stations and shops that benefitted from the transit trade.

9 Mansfield, D. (2020) *Catapults, pickups and tankers: cross-border production and trade and how it shapes the political economy of the borderland of Nimroz*. Kabul: AREU (<https://areu.org.af/wp-content/uploads/2020/09/2013E-Catapults-Pickups-and-Tankers.pdf>); Mansfield, D. (2020) *When the water runs out: the rise (and inevitable fall) of the deserts of southwest Afghanistan and its impact on migration, poppy and stability*. Kabul: AREU.

10 Mansfield, D. (2019) *Denying revenue or wasting money? Assessing the impact of the air campaign against ‘drugs labs’ in Afghanistan*. LSE International Drug Policy Unit, page 30 (www.lse.ac.uk/united-states/Assets/Documents/mansfield-april-update.pdf).

11 European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2020) *Emerging evidence of Afghanistan’s role as a producer and supplier of ephedrine and methamphetamine*. EU4MD Special Report, November 2020. Lisbon: EMCDDA (www.emcdda.europa.eu/system/files/publications/13410/emcdda-methamphetamine-in-Afghanistan-report.pdf).

Finally, we looked at services, including utilities such as cell telephone networks and the electricity supply, given reports of the Taliban taxing these in other provinces. The last service we looked at was development assistance: national and provincial programming as well as interventions by non-governmental organisations (NGOs).

2.2 Clarifying terms and amounts

As noted above, both to mitigate bias and to better understand what rates were economically feasible, our focus of enquiry was the cost of doing business in Nimroz. People who pay formal and informal taxes have a finely tuned understanding of territorial control, which does not resemble the kinds of assessments offered by United States Forces-Afghanistan (USFOR-A) and others who consider the status of entire districts. Instead, the relevant bits of territory from an economic point of view are often only an asphalt road or desert track. This kind of control might only be temporary and surrounded by an area where opposing groups held sway. This was particularly the case with Afghan government checkpoints taxing trucks moving goods through the district of Khashrud.

Clarity was needed when respondents referred to taxes. Scholars have documented the degree to which the tax terminology in Afghanistan has historically reflected local custom rather than Islamic precepts. Noelle (1997) highlights that terms such as *ushr* and *zakat* have often been used as generic terms for payments to those in authority, rather than describing particular types or levels of tax or denoting to whom they are payable.¹² Our own research highlights the importance of not assuming that when a farmer uses the term '*ushr*' they are paying 10% of the final crop in tax, as Islamic tenets dictate, or that those citing '*zakat*' have paid 2.5% of their annual savings.¹³

In fact, both terms are used regularly in Afghanistan to describe what are viewed as forced

payments made to those with a degree of coercive capacity. In most cases, the amount of tax paid is not a percentage of yield or price, but is more likely to be calculated as a fixed amount of money on a given weight or amount of goods. For this reason, it was important not only to understand how much was paid in taxes and to whom, but the unit on which a payment was made. For example, our researchers asked whether tax on a particular good was paid by a weight or measure, such as a kg, seer¹⁴ or metric ton, by the vehicle used to transport the commodity (a fuel tanker, a truck or a pickup) and how much these could carry.

In all cases, including the traditional tithe, *ushr*, the actual amount paid is also subject to negotiation, and a function of patronage, the prevailing economy, and the particular economic circumstances of the individual.

2.3 Data collection on the ground

Experience in Nimroz and other provinces has shown that when looking to deepen understanding of the rules and practices that govern the taxation imposed on various goods and services, it is critical to focus on those directly involved in their payment and to cross-check their answers. In the case of taxes on production, it is the farmers, miners, lab workers and owners who really know the costs of inputs, the amounts produced, the prices obtained, and thereby the parameters of what is economically feasible before tax rates become punitive and deter further activity. By mapping these elements within a geographic information system (GIS), we were able to develop a targeted field survey plan. Previous research, as well as further analysis from satellite imagery, helped shape the various data collection tools developed for the fieldwork.

We were particularly conscious of the tendency towards aggrandisement and bias of those in positions of authority within the Taliban and the Afghan National Defence and Security Forces (ANDSF) when reporting on the sources and amounts

12 Noelle, C. (1997) *State and tribe in nineteenth-century Afghanistan: the reign of Amir Dost Muhammed Khan (1826–1863)*. Surrey: Curzon Press.

13 Mansfield, D. (2013) 'Briefing paper 7: taxation in central Helmand and Kandahar'. Unpublished paper for the UK embassy, Kabul, www.davidmansfield.org/home/docs/field/56.pdf; Mansfield, D. (2017) *Understanding control and influence: what opium poppy and tax reveal about the writ of the Afghan state*. Kabul: AREU (<https://areu.org.af/wp-content/uploads/2017/08/1724E-Understanding-Control-and-Influence1.pdf>).

14 A seer is a measurement of weight commonly used in Afghanistan. However, the actual amount varies by region or by the item being weighed. For example, a 'Kabuli seer' is the equivalent of 7 kg, a Mazari seer, 14 kg, while a seer of opium in the eastern region refers to 1.2 kg, further highlighting the importance of specificity when calculating taxes.

earned on illicit drugs and other commodities such as minerals. Exaggerated claims of the amounts earned, particularly on illicit drugs, litter the policy narrative and media reports. Simple reports of the total amounts earned on illicit drugs, minerals and other commodities do not allow closer scrutiny of how these figures are derived. Variations in commodity price or value may lead to adjustments in tax rates over time, but do not figure in the amounts charged in the short to medium term, presenting significant problems for administration and scope for significant corruption of those responsible for collecting taxes.

Our prior work had shown the limits of any individual's knowledge when collecting data on price and costs, highlighting the importance of interviewing both traders and transporters and limiting speculation. For example, a transporter of a particular commodity – illicit drugs, minerals or transit goods – often knows little about the price of that good at different points in its journey, but they do have a deep understanding of the costs incurred along the route, each checkpoint they stop at, and how much is paid, as these are all subtracted from the fee or rent they charge the trader for the journey. On the other hand, a trader – the owner of the goods being transported – will be largely unaware of the number of stops made en route, whether a checkpoint is manned by the Afghan National Police (ANP) or Afghan Border Police (ABP), or how much they charge, but they will have a profound understanding of price differentials as a commodity moves from one market to another. To interview one type of respondent without interviewing the other would produce only partial or speculative data.

We also obtained supporting data on costs and changing patterns of trade from key informants well known to the research team over many years of fieldwork in the area. These were often individuals in important choke points for the storage and transfer of goods from one mode of transport to another, as well as key informants in strategic locations such as Ziranj.

2.4 Merging and mapping data

The results of the fieldwork were combined with geo-referenced photography from the ground, high-resolution imagery, and a range of foundation and value chain-specific geospatial data layers within a GIS platform, to visualise, calculate and then map the amounts paid on each good or service. For some sources of revenue, we could identify and map the exact locations where payments were made and to

whom. When combined with an understanding of the unit on which taxes were charged and an estimate of the amount of goods produced or transported using reports from the ground and/or imagery analysis, we could then estimate the total taxes raised at that specific point over the period of a year. This was particularly the case for formal and informal taxes and bribes collected on fuel and transit goods crossing the border at Ziranj and along the main highway, but also for the smuggling of people through the Pakistan border to the south, for fuel crossing the border with Iran, and ephedrine production, where we could identify labs using high-resolution imagery (see Figures 4 and 5).

For a small number of goods and services, we were not so well-positioned and did not have the exact location for where taxes were paid or the amounts produced and transported. In these cases, assumptions had to be made, or we had to draw on other sources that would offer indicative data on the geographic distribution of different sources of revenue. In some cases, payments were diffuse, spread over a wide area, and paid to the Taliban through village representatives. For the sake of mapping such diffuse sources, we distributed them across each of the household compounds within that area. Examples include the agricultural tithe collected on wheat, opium poppy, and other crops in Taliban areas, as well as the taxes paid on the production and transportation of opiates. In the case of the latter, data on the amounts of morphine and heroin produced and opiates transported is, by its very nature, difficult to obtain on the ground, and high-resolution imagery has its limits. Here, we had to draw on other data sources,

Figure 4 Photograph showing the departure point for migrants being smuggled from Ziranj to Dak on the Pakistan border



Figure 5 Imagery showing fuel smuggling via tractors on the Iran–Afghanistan border



our previous detailed work in this area during other rounds of fieldwork, and a series of assumptions to calculate and map the data.

The Annex to this document offers a full account of the data used in calculating the potential taxes collected against each of the sources of revenue under investigation. It also describes the assumptions that underpin these calculations, and explains how these values were subsequently mapped.

2.5 Recognising data constraints

As with any research in Afghanistan, there are a number of caveats that need to be noted when considering the results of this study. The most significant are those associated with estimates of the scale of drug production within the province, and in Bakwa, a district in neighbouring Farah province. While high-resolution imagery supported the identification of ephedrine labs, it could not be used in the assessment of production of methamphetamine or opiates. Processing of these drugs tends to be concealed, with fewer waste products that can be identified using imagery. Instead, we made informed assumptions about the number of methamphetamine and heroin labs in Nimroz province.

In the case of methamphetamine, we could have greater confidence in our assessment due to the imagery analysis of ephedrine labs, prior detailed research on production in Bakwa, and a growing body of interviews with cooks, drugs traders and smugglers in Nimroz itself. Estimating the number of heroin labs in Nimroz, and what opiates they produced, was more a matter of judgement; for this, we drew on interviews with those directly involved in the province, along with in-depth interviews with cooks and workers in both methamphetamine and heroin labs in both Farah and Helmand provinces, which have helped identify the processing capacity of these facilities.

Estimating the quantity of drugs transported through Nimroz was even more challenging. Here, we not only had to judge the amount of the different drugs – cannabis, opium, morphine base, heroin base, heroin hydrochloride, ephedrine and methamphetamine – smuggled through Nimroz but also the different routes taken. The prominence of the neighbouring district of Bakwa, alongside Khashrud, as a major source of production and an

entrepôt for drugs transiting Nimroz (via the border area or Kang or through Rudbar in Charburjak en route to Baramchar in Helmand) presented further challenges that we had to address in our calculations of revenues and subsequent mapping.

Information from traders, transporters, and those working in the labs offered insights into the districts and provinces beyond Nimroz where opium was sourced for these labs and for transporting across the borders. We also found that we could draw on data on transport costs – or the absence of them – for the smuggling of particular drugs to inform our judgements as to the quantity of opium, morphine and methamphetamine trafficked along particular routes. Other data sources – such as the United Nations Office on Drugs and Crime's (UNODC) opium poppy survey, and officially reported Iranian and Pakistani seizures – also gave some indication of the productive capacity of the labs in Khashrud and Bakwa and the significance of particular smuggling routes. While we are confident as to the details on individual taxes and the locations where these amounts are due, our calculations of the quantities of drugs transported along the different routes – and therefore the taxes payable on drug smuggling to the Taliban and corrupt government officials – are based on our best judgements.

Although fieldwork indicated that cannabis is transported through Nimroz, we do not include a calculation on the amount smuggled. The paucity of data on cannabis production in Afghanistan and the fact that there were no reports of cultivation in the province would have made such a calculation purely speculative.

Another important caveat is the way field observations quickly become outdated in the fast-moving war. Our research offers a picture of the situation in Nimroz that has already changed, because the Taliban have captured large swathes of the province and other key border crossings with Iran in the months since our fieldwork. Further research would support an assessment of the impact of Taliban gains, using the data from this study as a baseline.

Ultimately, this research is pilot in nature.¹⁵ It should therefore be seen as a 'first cut', where both method and results can be improved, and drawn upon not just across the provinces and regions of Afghanistan, but in other environments where the production and trade of commodities are central to conflict and therefore to any potential peace agreement.

¹⁵ Outside of Afghanistan, important work on cross-border economies across the Sahara-Sahel, where war and non-state armed actors are a feature, has been undertaken by OECD (2014) *An atlas of the Sahara-Sahel: geography, economics and security*. Paris: OECD.

3 Nimroz: a burgeoning economy on the borders

The province of Nimroz ¹⁶ is located in the south-west corner of Afghanistan, bordering both Iran and Pakistan (see Figure 2). It is divided into five districts: Charburjak, Asl i Chakhansur, Kang, Khashrud and Ziranj, the provincial centre. The terrain and climate of Nimroz is harsh despite being fed by three major rivers: the Helmand, the Hari Rud and the Khash Rud. A vast amount of the land area is desert, and includes the infamous Dasht i Margo, ‘the desert of death’. Persistent drought and floods plague the province, and strong northerly winds from May until September¹⁷ drive sandstorms that can cover buildings, the main highway, minor roads and tracks across the desert, making it particularly difficult to navigate.

The population of Nimroz is estimated at 320,000 and is largely concentrated in and around the city of Ziranj.¹⁸ The city itself has grown rapidly since 2008, with growing numbers of Pashtuns moving to the area from the neighbouring provinces of Helmand and Farah to escape conflict and violence. Despite this, the Baloch are still thought to be the majority ethnic group, along with Pashtun, Tajik and Brahui minorities.

The influence of Iran looms large in Nimroz. The rial, or toman (10 rial equal one toman)¹⁹ is the currency most commonly used.²⁰ Iran provides electricity to Ziranj, and cell phone coverage comes

from Iranian providers.²¹ Cultural, linguistic and family ties are also strong, with many people on the border, particularly the Baloch, having relatives in both Iran and Afghanistan (many are believed to have identity cards issued from both countries). The cross-border bonds grew stronger during the Soviet occupation of Afghanistan in the 1980s, when many Afghans fled across the border to Iran to escape the war, including some of the province’s politico-military elite such as Abdul Karim Brahui, leader of the Nimroz Front (*Jabha e Nimroz*) in 1979, and governor of the province no fewer than three times (1992–95, 2001–05 and 2010–12).

Historically, the border between Afghanistan and Iran has been subject to dispute, leading to skirmishes. In 1872, under the auspices of the British, it was agreed that the Helmand river would delineate the southern part of the two territories. The shifting course of the river, however, meant that a more permanent demarcation was required. Between 1871 and 1936, the border between Iran and Afghanistan was agreed upon, culminating in 172 stone pillars being erected to mark the official boundary. Locally, respondents claimed that many of these markers now lie up to 1 km inside Iranian territory.

Unofficial travel between Iran and Afghanistan and, to a lesser extent, Pakistan has long been a part

16 This section draws heavily on previous research in Nimroz, see Mansfield, D. (2020) *Catapults, pickups and tankers: cross-border production and trade and how it shapes the political economy of the borderland of Nimroz*. Kabul: AREU (<https://areu.org.af/wp-content/uploads/2020/09/2013E-Catapults-Pickups-and-Tankers.pdf>).

17 Larson, A. (2010) *Governance structures in Nimroz province*. AREU Case Study Series, November, p. 6. Kabul: AREU (https://areu.org.af/wp-content/areu_publications/2016/02/1042E-Governance-Structures-in-Nimroz-CS-2010-Web.pdf).

18 This is the population estimate from the World Pop Flowminder project, which draws on high-resolution domestic compound data from Alcis and satellite imagery to map domestic compounds. See Flowminder (2017) ‘Final population mapping for Afghanistan 2017’, unpublished report, p.18. The Afghan government’s population estimate, which is based solely on a ground-based survey, estimates the population at 167,863.

19 There are 10 rial to one toman and at the time of fieldwork 24,400 toman was equal to one US dollar on the unofficial market.

20 Foschini, F. (2011) ‘Economy and development: bad lieutenants in Nimroz’, Afghanistan Analysts Network, 23 August.

21 The Diplomat (2010) ‘Afghanistan’s forgotten province’, 1 December (<https://thedi diplomat.com/2010/12/afghanistans-forgotten-province>); Tim, B. (2019) ‘The counterinsurgency fight in Zaranj, Afghanistan, 2010–2012’, The Freq, 24 May.

of life for those living in Nimroz. Many crossing points have developed over the years where local inhabitants could travel across the border by foot, mule, boat or, in some cases, vehicles. Iran's efforts to inhibit the cross-border smuggling of people and drugs, as well as the antipathy it felt towards the 1996–2001 Taliban regime, prompted it to invest more in border controls. In the late 1990s, the Iranian government built berms, ditches and sentry points, and posted up to 30,000 personnel on the border with Afghanistan, limiting but certainly not eliminating cross-border movement.²² Some of this infrastructure separated Afghan villages from their agricultural land, necessitating the construction of crossing points by the Iranians to allow farmers to pass by foot and by tractor.

3.1 The reach of Kabul

The population of Nimroz is poorly served by the central government nearly 1,000 km away. Nimroz typically ranks near or at the bottom of provincial tables in terms of coverage for healthcare (comprehensive health centres, basic and sub-health centres, medical personnel, immunisation, etc.)²³ and education (students enrolled for primary, secondary and tertiary education, student-to-teacher ratios).²⁴ There is also scant provision of private sector services.²⁵

In 2019, the central government provided the province with only \$18.7 million in national-level programmes and provincial development, accounting for 1.2% of the total budget.²⁶ Only a few NGOs were

working in the province in 2019, with a total budget of \$1.5 million.²⁷ The only notable government project in the province is the construction of the Kamal Khan dam. At a cost of \$100 million, and with the dam complete, the project has the potential to transform the agricultural base of Nimroz, irrigating up to 100,000 hectares of new agricultural land and generating 8.5 megawatts (MW) of electricity.²⁸ However, the project remains contentious, linked to ongoing disputes over water rights with Iran and fears that it will reduce the volume of water flowing into Iran, including into the increasingly dry Hamoun e Helmand in Sistan Balochistan (see Figure 6).

At the time of our fieldwork, the national security and military presence in the province was thin and has become even more limited along the highway between Ghorghory and Delarem, with the closure of multiple ANP bases, as well as a major Afghan National Army (ANA) base at Manar in Khashrud in April 2021.²⁹ There remained a large contingent of the ABP around the Kamal Khan dam, with the local population describing it as 'one of the most secure places in Afghanistan'. (Subsequent to our research, most government forces abandoned Nimroz during the Taliban offensive of summer 2021.)

While the district of Ziranj and the lower reaches of the Helmand river below the district centre of Charburjak largely fell under government control, there were large parts of the province where access to government officials is severely restricted. Local reporting was of a Taliban that held sway in the rural areas of Khashrud and over much of Charburjak and

22 Chouvy, P.-A. (2009) *Opium: uncovering the politics of the poppy*. London: I.B. Tauris & Co. Ltd., pp. 85–86.

23 National Statistics and Information Authority, Islamic Republic of Afghanistan (2020) *Afghan statistical yearbook 2019*. Issue 41, May, pp. 135, 138. National Statistics and Information Authority.

24 Ibid., pp. 64, 67, 68, 69.

25 Ibid., pp. 73, 87, 109, 136.

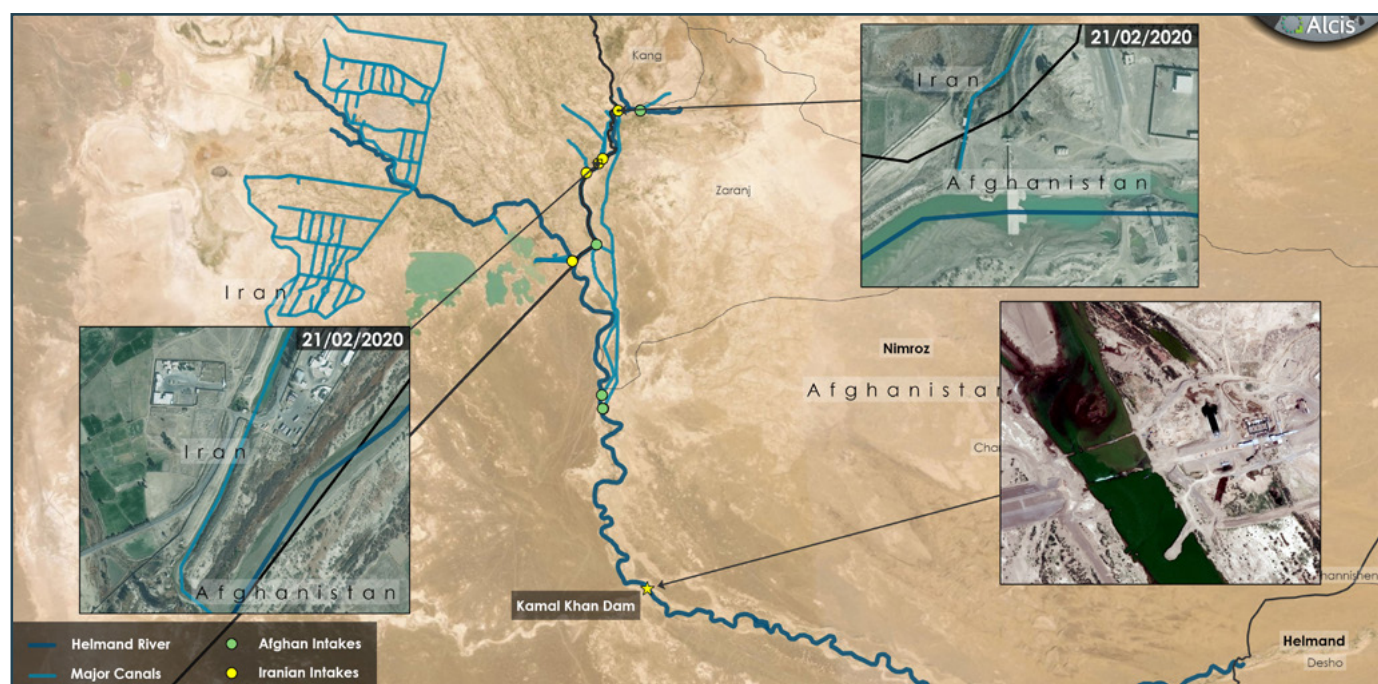
26 Ibid., p. 276.

27 Ibid., p. 292.

28 Wadsam (Afghan Business News Portal) (2018) 'Completion of Kamal Khan dam in Nimroz province', 3 December (<https://wadsam.com/afghan-business-news/completion-of-kamal-khan-dam-in-nimroz-province-232>).

29 It is notable that, in contrast to many other provinces, there was no Provincial Reconstruction Team (PRT) in Nimroz following the fall of the Taliban. While often a source of tension and a target for insurgent attacks, these teams did bring development aid and military assistance, especially when led by the United States (US) government or other major Western donors. The more limited US presence in Delarem (to the north-east of the province on the main highway to Kandahar) departed in April 2014. See Johnson, F. (2014) 'Last US forces leave Nimroz, Afghan Army is ready to stand on its own', Defense Visual Information Distribution Service, 12 April (www.dvidshub.net/news/125662/last-us-forces-leave-nimroz-province-afghan-national-army-ready-stand-their-own).

Figure 6 Map and imagery showing the location of Kamal Khan dam and the intakes on the Helmand river



Chakhansur. Outside of the district of Ziranj, the government could operate in the district centres and their immediate environs but other than on the main highway and in the lower parts of Charburjak, it could not stray further without fear of attack. The Taliban presence in parts of the countryside was such that it could run an effective tax collection system both on land holdings (differentiating by irrigation source) and on agricultural production (including opium poppy cultivation).

3.2 A small player in production...

With poor agricultural conditions in the province, Nimroz is much more a conduit for trade than a zone of production. The desert climate, with dry conditions in the spring and summer and freezing temperatures between November and March, make the growing season too short for tropical and subtropical vegetation.³⁰ Livestock have been severely depleted by repeated drought in the late 1990s, and annual and perennial horticultural production is limited.³¹ Agricultural cropping systems in Nimroz are basic, consisting largely of wheat and melons in the spring with some maize and mung bean (largely

for household consumption) during the summer. Yields are low, particularly during drier years such as 2021, but with around 180,000 hectares of cultivated land during the winter months, we estimate gross revenues of \$118 million per year from the cultivation of wheat and spring crops in 2020 (see Annex).

Traditionally, opium poppy cultivation was restricted to the upper reaches of the Khashrud and Helmand rivers, where the land was better irrigated. This began to change in the early part of the 21st century, with the encroachment of the former desert areas of Khashrud. Here, as in the neighbouring district of Bakwa in Farah province, and the area north of the Boghra canal in Helmand, desert land was settled and irrigated using deep well technology, funded largely by opium poppy cultivation (see Figure 7). Yet, even in the case of opium poppy, Nimroz does not have a comparative advantage, cultivating little more than 6,000 hectares – less than 5% of the country's total output – in the early 2000s when there were few government controls, rising to 16,000 hectares in 2013 following particularly favourable prices between 2010 and 2012 (see Figure 8).

Dry conditions across much of the province mitigate against widespread cultivation, and heavily salinated ground water in much of Kang, Charburjak,

30 Whitney, J. (2006) *Geology, water, and wind in the lower Helmand basin, southern Afghanistan*. Scientific Investigations Report 2006-5182, US Department of the Interior. pp. 15–16. Denver, CO: US Geological Survey (https://pubs.usgs.gov/sir/2006/5182/pdf/SIR06-5182_508.pdf).

31 National Statistics and Information Authority, Islamic Republic of Afghanistan (2020) *Afghan statistical yearbook 2019*, p. 165.

Figure 7 Imagery showing the use of solar powered deepwells in former desert areas of Khashrud



Ziranj and Chakhansur prevents the move into desert areas in other parts of the province.³² Historically, reports of any government efforts to prohibit and eradicate opium poppy cultivation in Nimroz have been exaggerated and unverified.³³ Cannabis is not grown in the province. With relatively low levels of poppy cultivation in Nimroz in 2020, and farmgate prices of \$87.5 per kg, our calculations indicate that the opium poppy crop would have had a gross value of \$11.4 million in 2020 (see Annex).

Of much greater importance to the drugs economy of Nimroz than opium production has been an

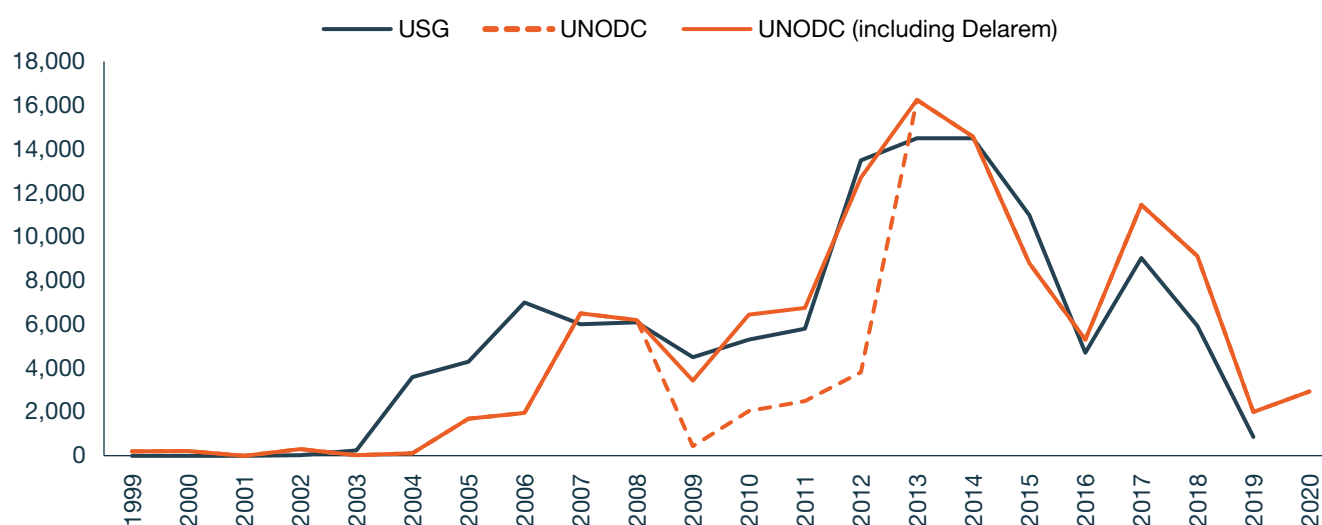
increasing concentration of drugs processing in the district of Khashrud. Closely linked to the growth of both heroin and methamphetamine production in neighbouring Bakwa (Farah province), the area has rapidly become a market hub for both the production and trade of illegal drugs – so much so that both Khashrud and Bakwa were targets for the USFOR-A aerial bombing of heroin labs in April 2018,³⁴ and of methamphetamine labs in May 2019.³⁵ Justified by the US government as a campaign against insurgent revenues on the assumption that the Taliban earned as much as 60% of their total revenues from illegal

32 Ramin (2015) 'Ministry in quest of funds for completing vital dam project', Pajhwok Afghan News, 29 November (www.pajhwok.com/en/2015/11/29/ministry-quest-funds-completing-vital-dam-project).

33 SIGAR (2018) 'Counter narcotics: lesson from the US experience in Afghanistan', pp. 88–91. Arlington, VA: Special Inspector General for Afghanistan Reconstruction (www.sigar.mil/pdf/lessonslearned/SIGAR-18-52-LL.pdf).

34 Rempfer, K. (2018) 'Airstrikes against Taliban drugs labs extend to western Afghanistan', Military Times, 10 April (www.militarytimes.com/flashpoints/2018/04/10/airstrikes-against-taliban-drug-labs-extend-to-western-afghanistan); Khaama (2019) 'NDS special force storm Taliban hideout, prison and drug lab in Nimroz province', 14 March (www.khaama.com/nds-special-force-storm-taliban-hideout-prison-and-drug-lab-in-nimroz-province-03483).

35 BBC News (2019) 'US meth lab strikes in Afghanistan killed at least 30 civilians, says UN', 9 October (www.bbc.co.uk/news/world-asia-49984804); Mansfield, D. and Soderholm, A. (2019) 'New airstrikes obscure a dramatic development in the Afghan drugs industry – the proliferation of low cost methamphetamine'. London School of Economics (LSE) blog, 28 May (<https://blogs.lse.ac.uk/usappblog/2019/05/28/new-us-airstrikes-obscure-a-dramatic-development-in-the-afghan-drugs-industry-the-proliferation-of-low-cost-methamphetamine>).

Figure 8 Estimates of opium poppy cultivation in Nimroz province, 1999–2020 (hectares)

drugs,³⁶ a detailed independent evaluation reported that the bombings had little effect,³⁷ while the United Nations Assistance Mission to Afghanistan (UNAMA) reported up to 30 civilian casualties.³⁸

The dramatic rise in ephedrine and methamphetamine production in Khashrud since 2017 is of particular note. Sparked by falling methamphetamine prices in the neighbouring consumer market of Iran, Afghan producers shifted from production methods that relied on costly, imported over-the-counter medicines (including cough syrups and tablets) to extract pseudoephedrine, to using ephedra, a crop that grows wild in the central highlands of Afghanistan.³⁹ In doing so, the costs of production fell markedly, and less complex production techniques created a cottage industry in ephedrine production (although converting ephedrine to methamphetamine remained in the hands of more skilled chemists). Located between consumer markets in Iran, and the central highlands where the ephedra crop grows, Bakwa (in neighbouring Farah province) and

then (as the industry grew) Khashrud were ideally placed to take advantage of the growing demand for methamphetamine within the region and beyond. Both districts had a history of opiate production in which their geographic position and history of falling outside the reach of the Afghan state had also played to their advantage.

High-resolution satellite imagery analysis shows that Khashrud was home to 148 ephedrine labs in early 2021, with a potential capacity to produce 532.8 metric tons (see Figure 9). Once converted into methamphetamine, at the equivalent of 351.6 metric tons, this product would be worth up to \$131.8 million at domestic prices (see Annex). The scale of opiate production in Nimroz is harder to determine, but it is our judgement that it would not be unreasonable for there to be up to 30 heroin labs in the area, given reports of large amounts of opium being transported to the area for processing from districts across northern and central Helmand. Producing both morphine and heroin base (with no reports of heroin hydrochloride production in the area), the potential

36 US Department of Defense News Transcript (2017) Department of Defense Press Briefing by General Nicholson in the Pentagon Briefing Room, 2 December (www.defense.gov/Newsroom/Transcripts/Transcript/Article/1019029/departments-of-defense-press-briefing-by-general-nicholson-in-the-pentagon-brief).

37 Mansfield, D. (2019) *Denying revenue or wasting money? Assessing the impact of the air campaign against 'drugs labs' in Afghanistan*. LSE International Drug Policy Unit (www.lse.ac.uk/united-states/Assets/Documents/mansfield-april-update.pdf).

38 United Nations Assistance Mission Afghanistan and United Nations Office of the High Commissioner for Human Rights (2019) *Afghanistan protection of civilians in armed conflict, special report: airstrikes on alleged drug processing facilities, Farah, 5 May 2019*. Kabul.

39 Mansfield, D. and Soderholm, A. (2019) 'New airstrikes obscure a dramatic development in the Afghan drugs industry – the proliferation of low cost methamphetamine', LSE blog, 28 May (<https://blogs.lse.ac.uk/usappblog/2019/05/28/new-us-airstrikes-obscure-a-dramatic-development-in-the-afghan-drugs-industry-the-proliferation-of-low-cost-methamphetamine>).

Figure 9 Imagery showing ephedrine lab in Khashrud, Nimroz



outputs of these labs – 55.1 metric tons of morphine base and 27.6 metric tons of heroin base – would be worth up to \$93.4 million each year (see Annex).

3.3 But a central role in trade

Cross-border trade is what fuels the Nimroz economy in the absence of a wealthy resource base. While the province continues to draw on its cross-border connections with Iran and Pakistan as a way for people to earn a living by smuggling people, drugs, fuel and other items, this economy is dwarfed by the formal trade in goods channelled through the border crossing at Ziranj. Iran has been a major proponent of this cross-border route, investing significant amounts of money in infrastructure, on both sides of the border, along with India, in order to increase the traffic. Tehran's introduction of passport and visa requirements for Afghans, as well as substantial investments in reinforcing border controls (including a major fortification effort along its boundary with Nimroz), has directed the movement of people and goods through the official crossing at Ziranj.

The volumes of trade transiting Ziranj have grown dramatically over the past decade. After the crossing officially opened in 2005, trade was largely limited to smaller trucks and vehicles until 2009, when the Indian government-funded highway between Ziranj

and Delarem was completed.⁴⁰ By 2020 there were as many as 350 trucks crossing into Ziranj from Iran each day. A large proportion of this cross-border traffic – as many as 100 trucks – consists of fuel, primarily diesel, much of which is stored on the outskirts of the city before being transported to other parts of Afghanistan (see Figure 10). A conservative estimate would put this trade at a gross value of \$448.5 million a year.

By far the more significant part of the official cross-border trade is transit goods – that is, goods imported into Afghanistan under tax-free arrangements with countries across the Middle East, Asia and Australasia. Transit goods can be anything from car engines and spare parts from Korea, China or Australia, cigarettes from Dubai and Indonesia, or food items from Iran, China and India. Due to Afghanistan's landlocked status, these goods largely transit the neighbouring countries duty free under bilateral trade agreements that detail the goods that can be imported, and stipulate that all of these goods should be consumed within Afghanistan.

Prior to 2014, most of these transit goods passed into Afghanistan through Pakistan via Torkham in the eastern province of Nangarhar or via Spin Boldak in Kandahar. In order to exploit the higher import duties in Pakistan, traders would then smuggle a significant proportion of these goods back into

⁴⁰ India subsidised the trade route from the Iranian port of Chabahar into Afghanistan as a way of developing alternative routes into Central Asia that circumvent its rival, Pakistan.

Figure 10 Imagery showing trucks at Ziranj on the Afghan–Iranian border



Pakistan either through the same border crossing or via well-established mountain routes, such as over the Sasobai pass in Durbaba or via Kase in Spin Boldak. The election of President Ashraf Ghani in 2014 changed things, as he looked to improve Afghanistan's economic and political relationship with Iran and reduce the country's trade dependency on Pakistan, signing a trade deal with both Iran and India that sought to route more goods via the Iranian deep-water port at Chabahar. To protect its own domestic producers, since 2014 Pakistan has also looked to restrict the number of smuggled goods coming in from Afghanistan – as well as to demarcate its disputed border with Afghanistan and contain its own restive and mobile border population – through improved border infrastructure (including the construction of a border fence).

These uneasy trade and political relations meant that by 2017, official trade between Iran and Afghanistan had increased in value to more than \$2 billion – almost twice the value of trade with Pakistan.⁴¹ Although trade with Pakistan increased in 2019, Pakistan imposed strict border controls during the Covid-19 pandemic in 2020, permanently closing some unofficial crossings, such as the one at Sasobai.⁴² Trade across the Iranian border was not

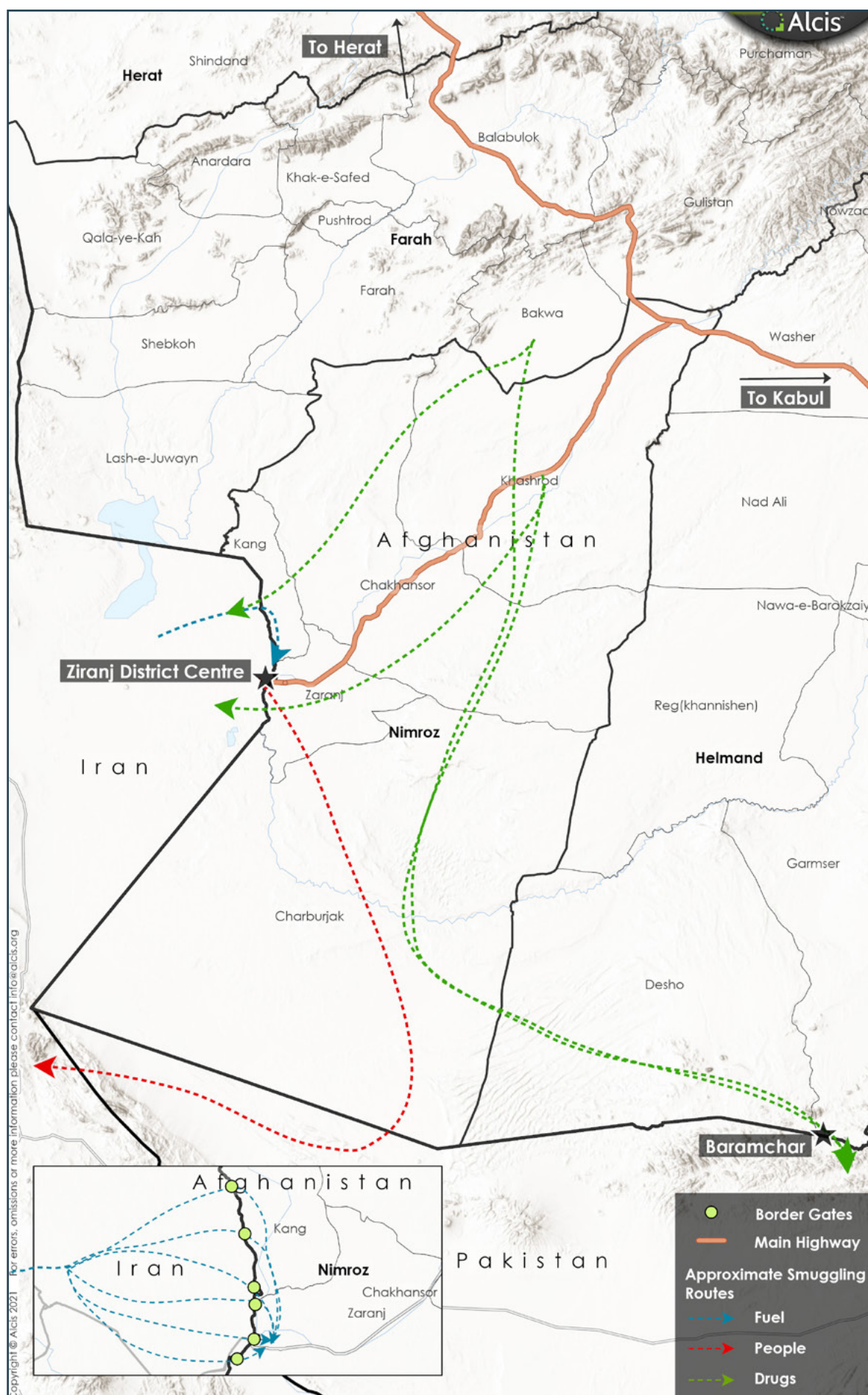
subject to the same controls, and Afghan traders (even those on the Pakistan border at Spin Boldak) increasingly talk of their preference for transiting goods via Iran. As a result of these changing trading patterns, a growing number of goods are transported to Afghanistan via Ziranj, up to 250 trucks per day. While it is difficult to provide an accurate estimate of the value of the goods passing through Ziranj and Nimroz, an estimate of \$780 million a year would be conservative, given the potential value of the freight each truck contains (see Annex, section A2.3).

Smuggled goods are still integral to the Nimroz economy, especially to populations in the more far-flung parts of the province. The three primary smuggled goods transported through the province are illegal drugs, fuel and people. Each largely travels along different routes, sometimes in different directions, and transported by different populations (see Figure 11). For example, fuel enters from Iran through a series of gates along the border, primarily in Kang. It is carried by tractors, smuggled by farmers whose land and homes have been separated by Iran's fortification of the border. Iranian domestic fuel, sold at subsidised prices to the population of Sistan Balochistan, crosses the border with the connivance of the Iranian Border Guards and the Afghan Border

41 Financial Tribune (2018) 'Iran biggest trade partner of Afghanistan in 2017–18', 8 April (<https://financialtribune.com/articles/economy-domestic-economy/84309/iran-biggest-trade-partner-of-afghanistan-in-2017-18>).

42 Alcis (2021) *Managing local resources and conflict: the undeclared economy*. A report for the United States Agency for International Development (USAID), pp. 53–60.

Figure 11 Map showing primary routes in Nimroz for the smuggling of fuel, drugs and people



Police. Transferred onto pickup vehicles on the Afghan side of the border, the fuel is then transported to Ziranj to be decanted and mixed with officially imported fuel, which is of lower quality. Estimated to be of relatively low total value compared to other smuggled goods, at \$19.2 million per year, fuel provides an important source of income for a border population that regularly experiences drought and whose livelihoods have been dramatically curtailed by the Iranian border wall and the restrictions on cross-border movement.

Those involved in people smuggling now travel a completely different route from previous years. Prior to the Iranian border fortification, it was possible to move relatively freely, and many of those living in villages in Kang and Ziranj would charge a small fee to act as guides for people wishing to travel to Iran. The border wall changed all this, rerouting the journey south through the desert from the city of Ziranj, via Charburjak district centre, to Dak on the border with Pakistan. From here, migrants change vehicles and take the journey westwards through the deserts of Balochistan, where they either walk for six to eight hours over the Mashkel mountains or enter Iran via Raja.

This is a well-travelled route, with the market centre in Ziranj. Hoteliers act as the central hub, collecting travellers from the provinces and preparing them for their onward journey. Each migrant is charged between \$145 and \$245 for the journey to Iran. Most are young men, often as many as 22 loaded into a pickup vehicle. In the winter, fewer people make the journey due to the difficult walk over the Mashkel mountains, so there may be an estimated 100 vehicles per day. In the summer, this number rises to as many as 200 vehicles each day, with reports of even greater numbers during the spring of 2021. The number of vehicles and passengers plying this route is such that as many as 1.3 million people are projected to leave in 2021 based on the fieldwork conducted in March/April 2021.⁴³ Many are only seasonal migrants, working in Iran illegally for a period before returning to Afghanistan. Others plan to join family in Iran or are looking to set

up a more permanent home. An unknown number will be looking to be smuggled into Turkey and further into Europe. These figures would indicate an industry with a gross value of up to \$270 million.

The final major element of the smuggling economy in Nimroz is illegal drugs. Nimroz's position in the illegal drugs industry in Afghanistan is substantial. The rapid expansion of opium poppy cultivation in the 1990s under the Taliban regime was accompanied by a growing cross-border trade and increasing capacity to produce opiates in-country.

Located on both Pakistani and Iranian borders, with tribal and familial links across both, Nimroz was well placed to become an important hub for a growing illegal drugs trade. Under the Taliban regime, opiates were traded openly in the provincial bazaar opposite the governor's office, and the province experienced a local boon, with a multitude of people engaged in the purchase, sale and cross-border trade of illegal drugs.⁴⁴

The drugs traded in Nimroz are not just those grown and produced in the province – the small amounts of opium produced in Khashrud and Charburjak, and the ephedrine, methamphetamine, morphine base and heroin processed in the labs of Khashrud. Nimroz is a net importer of opium and ephedra for its own labs, and also has large amounts of opium and cannabis passing through the province en route to Iran and Pakistan. In this regard it is also important to recognise the pivotal role of the neighbouring district of Bakwa (Farah province). A cornerstone of ephedrine, methamphetamine and opiate production, Bakwa is a major staging post for onward traffic to Iran and Pakistan, primarily trafficked through Kang and passing through Rudbar in Charburjak en route to Baramchar in Helmand province. Khashrud serves a similar role as a major transshipment point for smuggling drugs across the border at Ziranj, as well as to Baramchar.

Smuggling of drugs to Baramchar appears to be of a different order from that of the cross-border trade through Kang and Ziranj. Those involved in transporting drugs to Baramchar appear to be more specialist contractors, rather than opportunistic

43 Contacts in Nimroz subsequently reported a marked uptick in the number of migrants departing Ziranj following the US announcement of the withdrawal of their military forces, increasing from 4,400 per day in March/April 2021 to as many as 9,900 per day in July 2021, once the Iranian elections were over. It was also reported that a significant proportion of this rise in the number of people migrating was made up of those who had served in the ANDSF and former government employees.

44 Mansfield, D. (2020), 'Catapults, pickups and tankers: cross border production and trade and how it shapes the political economy of the borderland of Nimroz'. AREU, August (<https://areu.org.af/wp-content/uploads/2020/09/2013E-Catapults-Pickups-and-Tankers.pdf/>).

traders with a long family history of taking advantage of their geographic position straddling the border, as found in Kang or Ziranj. While those in Kang and Ziranj use ladders, and even catapults, to smuggle tens of kilos of drugs at a time across the border into Iran, those making the journey from Bakwa and Khashrud to Baramachar travel in multi-car convoys carrying drugs by the ton (see Figures 12 and 13). Multiple seizures of hundreds of kg of illegal drugs produced in Afghanistan along the Pakistan-Iran border suggest the significance of this smuggling route and the central role of Nimroz in the drugs trade (see Annex). Our calculations reflect this, suggesting the channelling of 901.7 metric tons of opium, 82.7 metric tons of morphine base, 41.3 metric tons of heroin base and 1,064.4 metric tons of methamphetamine through Nimroz along four primary routes – an economy with a potential gross value of up to \$618.2 million.

What we see from this overview of Nimroz is an economy grounded in cross-border trade rather than production, with possibly as much as \$2.3 billion worth of goods passing through the province each year. The majority of this trade is legal goods entering via the official border crossing at Ziranj and transported along the main highway to Delarem before joining the ring road for onward travel to other parts of Afghanistan. This is one of the three primary trading routes for the growing volume of goods entering Afghanistan from Iran. It is an economy that brings considerable benefits to the city of Ziranj: to those traders and transporters directly involved, and to a vibrant service sector that has grown to support the cross-border trade with Iran.

The illegal trade in drugs and people is also significant, while the illegal fuel trade is somewhat smaller. Smuggling probably transports goods worth as much as \$900 million through Nimroz each year. However, in contrast to the official cross-border trade, it is an economy that provides income and employment opportunities far beyond the city of Ziranj, including for those residing on the borders in Kang and Ziranj, communities at key choke points along the Helmand river in Charburjak, and farmers and labourers in the irrigated valley and former desert areas of Khashrud.

The diffuse and illegal nature of the trade in smuggled goods such as drugs and people can make it more challenging to tax, for both government and Taliban tax collectors. Regulation can prove particularly difficult in areas that have a history of evading the reach of the state and where the population largely lives on the margins of the national economy. The wide-open desert terrain can also allow routes to be varied, allowing people to circumvent any effort to create checkpoints and exact payment.

The next section offers a detailed account of the revenues earned on production, trade and services by the different power-holders in Nimroz province. Along with the technical Annex, section 4 presents and maps the results of our detailed fieldwork, high-resolution satellite imagery analysis, and well-informed judgements, to advance some empirical findings into an area of work where opinion and belief have largely dominated the international community's policy and programming approaches.

Figure 12 Imagery and ground photographs showing catapult used in the smuggling of drugs from Afghanistan to Iran



Figure 13 Ground photograph of boat in Rudbar, used for transporting cars over the Helmand river at Rudbar in Charburjak en route to Baramchar, Helmand



4 A look at the books: what taxes are paid, to whom, and where?

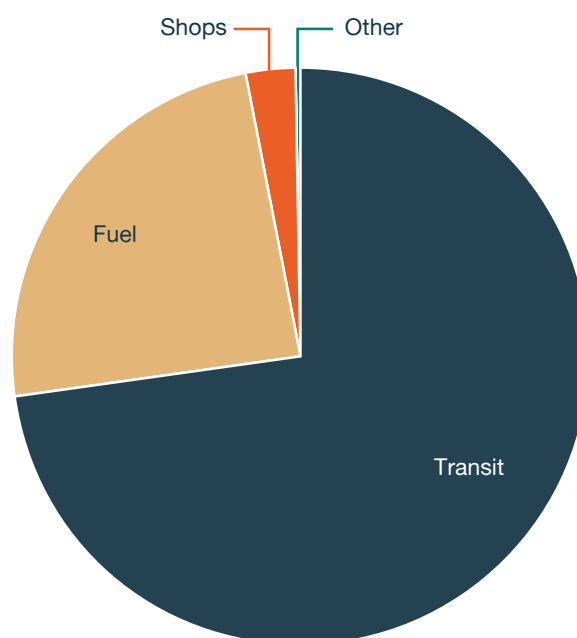
4.1 Government revenues

During the period of our study, the government's primary source of revenue in Nimroz province was from the customs office on the Iranian border in Milak, on the outskirts of the city of Ziranj. Here, a multitude of payments were made on goods entering the country, not just import duties but a number of other taxes including roads tax, profit tax, municipality tax, as well as further fixed payments for transit, weighing and the resealing of goods. While some payments were fixed and levied per vehicle, others varied according to the value and type of goods. For example, food items were taxed heavily as part of government efforts to deter imports and encourage domestic production. As a consequence, the amounts collected by the government on a truck of goods could vary from around \$750 for cement to \$4,975 for imported cloth.

According to official statistics, by 2020, Nimroz generated \$43.2 million annually in customs duties for the Afghan government, more than Kandahar (\$38.4 million), and was ranked fourth after top-placed Herat (\$95.7 million), Nangarhar (\$82.9 million) and Balkh (\$77.7 million), where the major official border crossings of Islam Qala, Torkham and Hairatan (respectively) are located.⁴⁵ A further \$50 million was collected in Nimroz by the government in 2020 in the form of direct taxes, making a total contribution of \$93.2 million to government revenues – only slightly down on the 2019 amount (\$98 million), despite the disruption caused by the Covid-19 pandemic to the Afghan economy and international trade.

Our own calculations estimated total government revenues on the imported goods at \$176 million per year: \$132.3 million from transit goods and

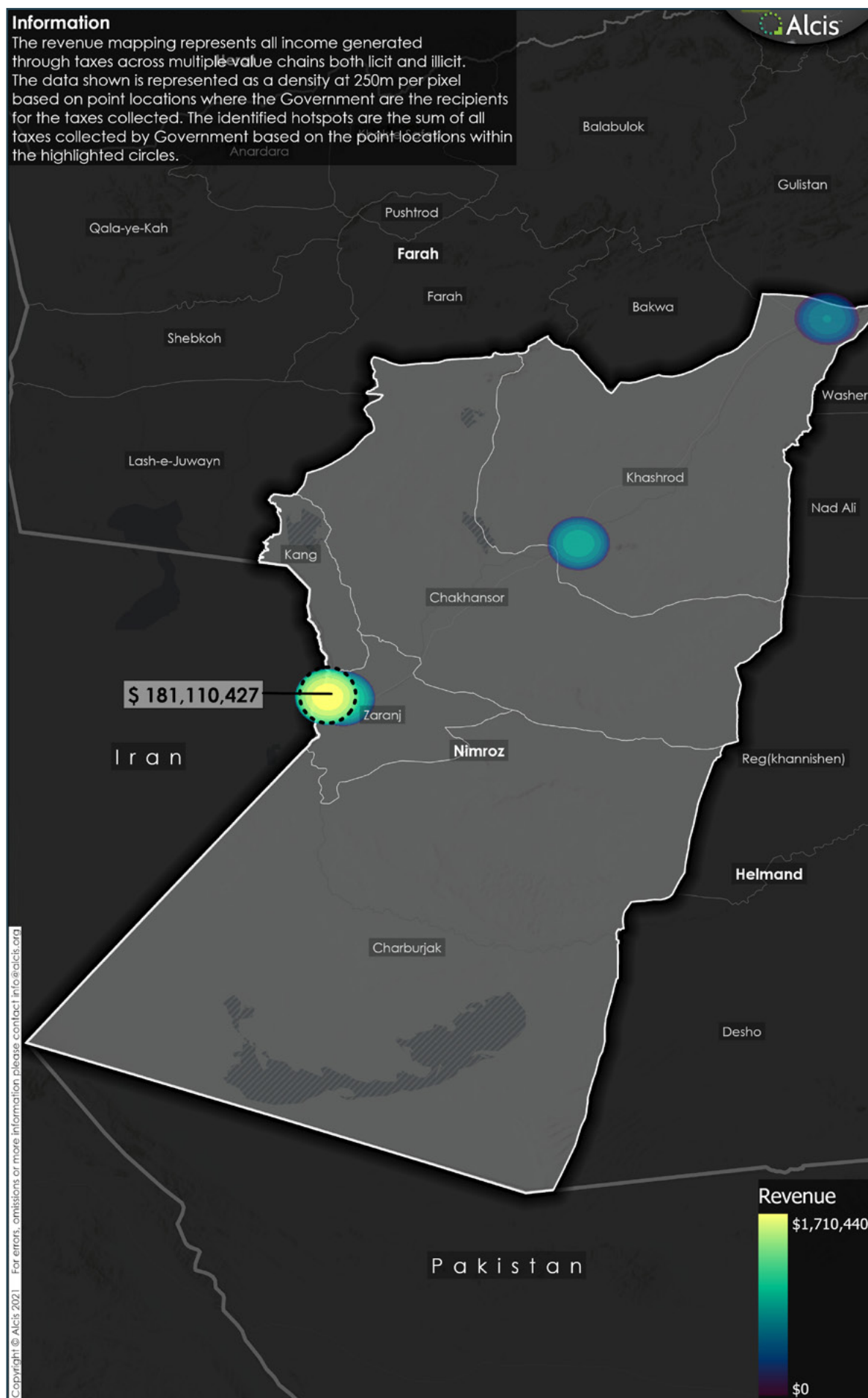
Figure 14 Estimates of government revenue by activity



\$43.8 million from fuel (see Annex). The discrepancy could be largely accounted for by the scale of underreporting that occurs at the borders and the large quantities of goods entering the country undeclared. For instance, officials will allow goods to pass through without levying any official taxes, instead typically accepting a payment in return for undervaluing the goods or misreporting the amounts carried. This is particularly the case with fuel, where previous research has revealed the extent to which fuel tankers plying the route through Ziranj use concealed tanks to hide higher-quality domestic fuel they are carrying from Iran.

⁴⁵ National Statistics and Information Authority, Islamic Republic of Afghanistan (2020) *Afghan statistical yearbook 2019*. Issue 41, May, p. 259.

Figure 15 Map showing estimate of total revenues collected by government in Nimroz



Much less significant are the revenues the government collects as municipal taxes in Ghorghory and Delarem on passing freight as well as on commercial businesses across the province. According to our calculations, these account for little more than \$5 million per year, making up only 2.8% of the government's annual revenues from Nimroz, and dwarfed by the amounts collected at the Customs House in Ziranj (see Figures 14 and 15).

4.2 Taliban revenues

The Taliban actively seek to mimic the government in their revenue-generating role. Their narrative is one of a 'shadow government' that also provides services (in particular, security) to the population. As with the government, the Taliban also relies heavily on the taxation of goods entering Afghanistan from Iran as a source of revenue – by our estimates collecting \$17.5 million on fuel and \$23.4 million on transit goods in 2020, accounting for 79% of the estimated \$54.3 million it collects in taxes each year in Nimroz province (see Figure 16).

These taxes on legal trade were collected by the roadside in Khashrud, around 70 km from Ghorghory. As with the government, the taxes levied by the

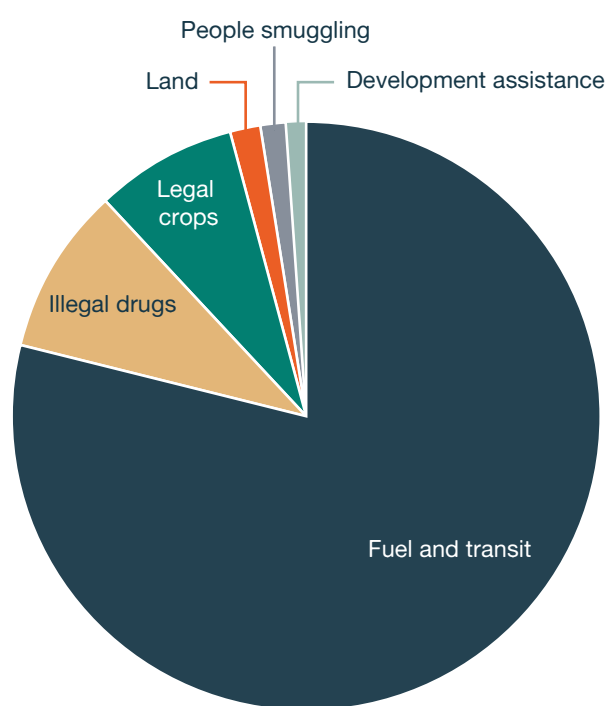
Taliban varied according to the type of good and its value, with rates ranging from \$125 on a truck of cement to \$562.50 for fuel or spare parts for vehicles. In contrast to the government, however, there was no obvious trade policy being applied in the Taliban's tax regime; for example, imported food items such as fruits and vegetables incurred some of the lowest taxes.

The Taliban's lack of a coherent trade policy should be no surprise. Between 2015 and 2017, they were engaged in little more than sporadic raids on trucks passing through Khashrud. Some of the drivers that were stopped would be beaten and taken, along with their goods, into the desert north of the highway and kept for days, while payments were demanded from the traders who owned the freight. It is said that traders in Ziranj were so exasperated with the level of disruption to their businesses that they approached the provincial governor and the central government in Kabul, as well as the Taliban, to have a Taliban representative appointed at the customs office for the collection of taxes. This individual – a well-known local businessman – was only removed after nine months once the Taliban discovered that he had underreported the number of vehicles that were passing through Ziranj and stolen \$1.2 million in taxes.⁴⁶

Since July 2018, the Taliban have been more systematic in their revenue collection in Nimroz, establishing a permanent presence by the roadside in Khashrud and a system of receipts to reduce the risk that a trader will be taxed twice on the same truck. This has no doubt been helped by their dominance on the 110 km stretch of the road between Ghorghory and Delarem. Whereas in 2018 the Taliban had to be mobile, sharing the road with between six and 10 ANP bases, and an ANA base at Manar, these are now gone, thereby strengthening the Taliban's military position on the highway and their ability to collect taxes.

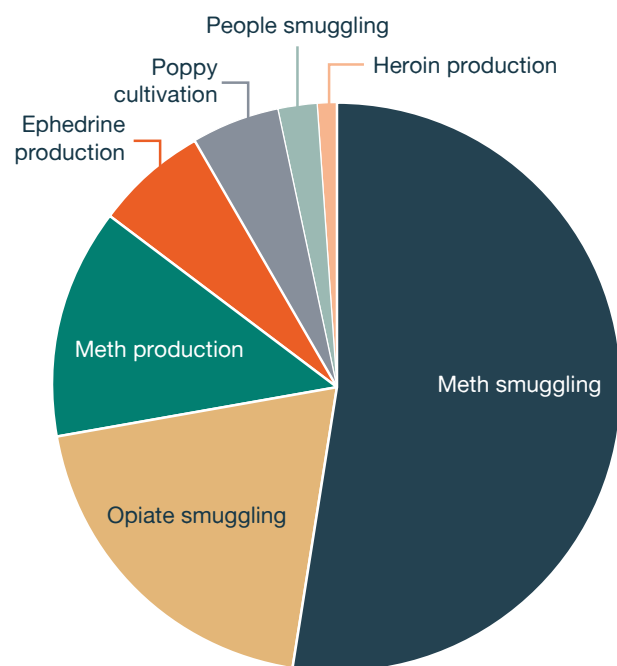
While informal taxes on legal goods represented the biggest source of revenue for the Taliban, their second most important revenue stream in Nimroz was the tax collected on the illegal drugs business in Khashrud. These comprised taxes on opium poppy cultivation, the production of opiates and both ephedrine and methamphetamine, and subsequently the smuggling of drugs en route to both Pakistan and Iran. We estimate that the Taliban received \$5.1 million in taxes collected on the drugs industry, far less than the \$40.9 million levied on fuel and transit goods. Of the Taliban revenues

Figure 16 Estimate of Taliban revenue by activity



46 Mansfield, D. (2020) *Catapults, pickups and tankers: cross-border production and trade and how it shapes the political economy of the borderland of Nimroz*. Kabul: AREU (<https://areu.org.af/wp-content/uploads/2020/09/2013E-Catapults-Pickups-and-Tankers.pdf>).

Figure 17 Estimate of Taliban revenue from drugs by activity



from drugs, the greatest proportion derived from the smuggling of opiates and methamphetamine through the province (see Figure 17).

Contrary to many of the claims made in the literature,⁴⁷ none of these taxes were levied on the price or value of the drugs being produced or traded but on the weight of the final output. There was some differentiation for the taxes levied on lower-value drugs compared to the more expensive ‘powdahs’ (powder). For example, the trade in opium and cannabis, and the production and trade in ephedrine, incurred taxes of only up to \$1.25 per kg compared to the \$3.75 per kg charged on the trade in the higher-value derivatives (morphine base, heroin base, heroin hydrochloride and methamphetamine). However, with local prices varying from \$56 per kg for ephedrine to \$1,750 per kg for heroin base, these taxes were often a fraction of 1% of the value, let alone the 10% (as *ushr*) that is typically cited as the rates levied by the Taliban.

Similarly, the tax on opium poppy cultivation was levied at a fixed rate of 100 g per harvester, in line with the taxes imposed in both Bakwa and Helmand.⁴⁸ With

local practice determining the use of two harvesters per *jerib* (one fifth of a hectare), the equivalent of 10 labourers per hectare, and yields of 45 kg, tax rates were little more than 2% of value.

Our calculations show the overwhelming role that the growing methamphetamine industry now plays in the Taliban’s revenue from the illegal drugs industry, accounting for almost three-quarters of the total amount of drugs-related money collected. This is essentially a function of the large amounts of ephedrine and methamphetamine produced in Nimroz and in neighbouring Bakwa, far outweighing the quantities of morphine and heroin base. It is also a consequence of the division of labour within the methamphetamine industry and the fact that taxes are charged on production from both ephedrine and methamphetamine labs (that is, at two places on the value chain). With the production of opiates taking place in a single building, taxes imposed only on the final product, and conversion rates from opium to heroin base of 18:1, there is much less potential revenue to be collected.

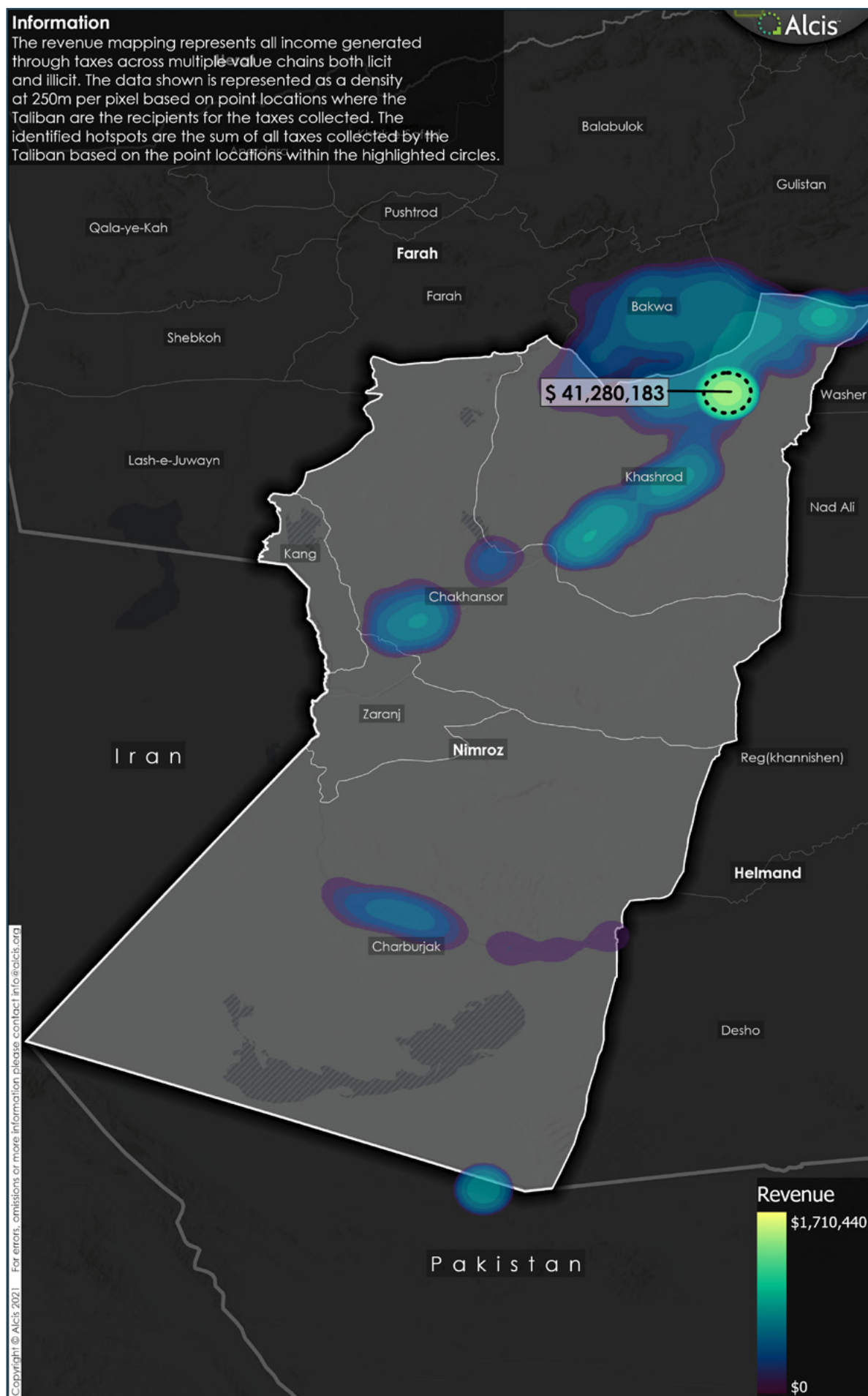
From our calculations, the potential taxes collected by the Taliban on legal crops (such as wheat and melon) as well as on land are of similar value to those levied on the illegal drugs industry. The taxes on agricultural production alone could be as high as \$4.3 million – a function of the almost 130,000 hectares of irrigated land in areas where the Taliban dominated at the time of this study, and were able to impose taxes, accounting for around 72% of productive agricultural land in the province (see Annex). Imposing further taxes on land, differentiating as to whether it is irrigated, and whether it is former government land (such as the former desert areas that have been appropriated by farmers in Khashrud), the Taliban could be earning a further \$863,000 in these same areas (see Annex).

Much less significant for the Taliban were the taxes it collected on development assistance and people-smuggling, each of which contributes around 1% to estimated total annual revenues. With such a limited budget for development assistance for the province, and many of the projects implemented in government areas, it should be of little surprise that the Taliban

47 Afghan officials have persistently accused their enemies, the Taliban, of collecting hundreds of millions of dollars annually from narcotics based on estimates of the drugs’ value. These erroneous figures are regularly reported in United Nations documents: for example, Djani, D. (2019) ‘Letter dated 10 June 2019 from the Chair of the Security Council Committee established pursuant to resolution 1988 (2011) addressed to the President of the Security Council’, United Nations Security Council.

48 Mansfield, D. (2017) *Understanding control and influence: what opium poppy and tax reveal about the writ of the Afghan state*. Kabul: AREU, p. 37 (<https://areu.org.af/wp-content/uploads/2017/08/1724E-Understanding-Control-and-Influence1.pdf>).

Figure 18 Map showing estimate of total revenues collected by the Taliban in Nimroz



could generate only small amounts of revenue by taxing aid in Nimroz. Our calculations indicated that the taxes levied may have been as little as \$500,000.

With the people-smuggling routes centred in Ziranj and passing largely through government-held territory up to Charburjak district centre, then open desert until the border with Pakistan, there were few opportunities for the Taliban to collect taxes on this activity. It is only once the vehicles reached Dak on the border with Pakistan that the Taliban had a presence. Here, they imposed taxes both on vehicles arriving from Ziranj and those making the journey from Dak to the Mashkel mountains bordering Iran, to which the migrants are transferred. With as many as 200 pickup vehicles making the journey from Ziranj to Dak each day during the height of summer, and a similar number leaving for Iran, the taxes levied in Dak could be worth up to \$750,000 per year to the Taliban (see Figure 18).

4.3 Payments to government-affiliated actors

The final group of actors collecting revenues in Nimroz were those affiliated with the government, who collected an estimated \$36 million per year. This group consisted of what can only be described as corrupt officials belonging to an array of different government institutions, including the ANDSF, primarily the ANP and ABP. Many of these officials fled the province in summer 2021, after the conclusion of our study, but the details of their profit-making schemes are illustrative of the potential spoils of war for whichever side wins permanent control of the province.

In assessing these payments to government-affiliated actors, it is important to recognise that the large amounts collected are not usually retained by the individual staff at a checkpoint or base. In fact, the monies are typically accrued by more senior officials and influential local actors who have influence over staff appointments. Some bases or checkpoints may even be named after the person whose patronage determines who is employed there. In other provinces, these individuals have been found to be relatives of members of the provincial council or members of parliament. It is this network of local actors and officials, and the bargains they have reached (locally as well as with Kabul) over how these revenues are shared, that support the central government's writ in Ziranj and other strategic choke points in Nimroz, such as Ghorghory, Delarem and Charburjak.

Most traders and transporters would describe payments made to these local officials and actors as bribes rather than taxes. They also perceive them as particularly punitive due to the fact that in the case of legal goods, formal taxes might already have been paid; but even where they have not, or where the goods are being smuggled illegally, it is the sheer number of officials demanding payments along any given route that stirs anger among those who have to pay.

For example, in the case of legal goods passing along the 220 km of the main highway between Ziranj and Delarem, there were six different checkpoints in the district of Ziranj, a further six in Chakhansur, four in or around the district centre of Ghorghory in Khashrud, and seven in and around Delarem. Each required payment from truck drivers passing along the way, anything from \$5 per truck at an ANP checkpoint, to \$25 at the customs post in Delarem. Almost 50% of the total revenues collected by government-affiliated actors were collected on the trade in fuel and transit goods along this route (see Figure 19).

Government-affiliated actors were well positioned to profit from the people-smuggling business, with the market hub firmly entrenched in the hotels of Ziranj, and the route to Pakistan largely following the river to Charburjak district centre before heading south across the desert (see Figure 20). Within Ziranj itself, a multitude of government officials – including the security commander and the National Directorate

Figure 19 Estimate of government-affiliated actors' revenue by activity

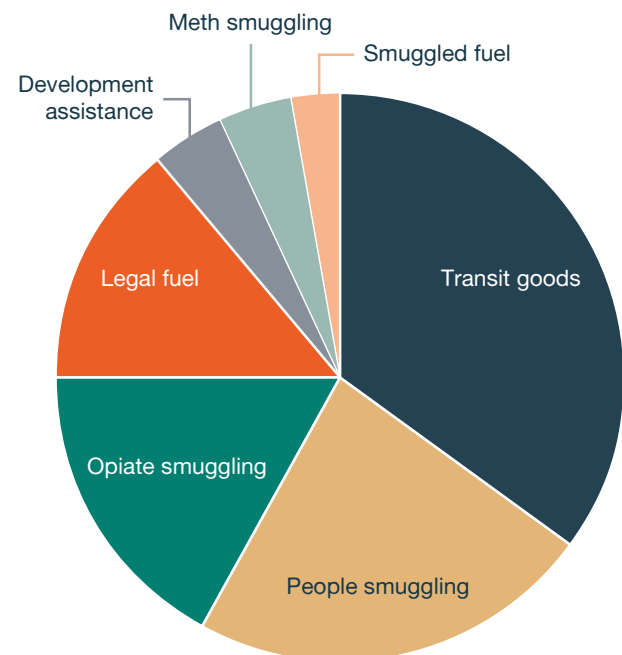
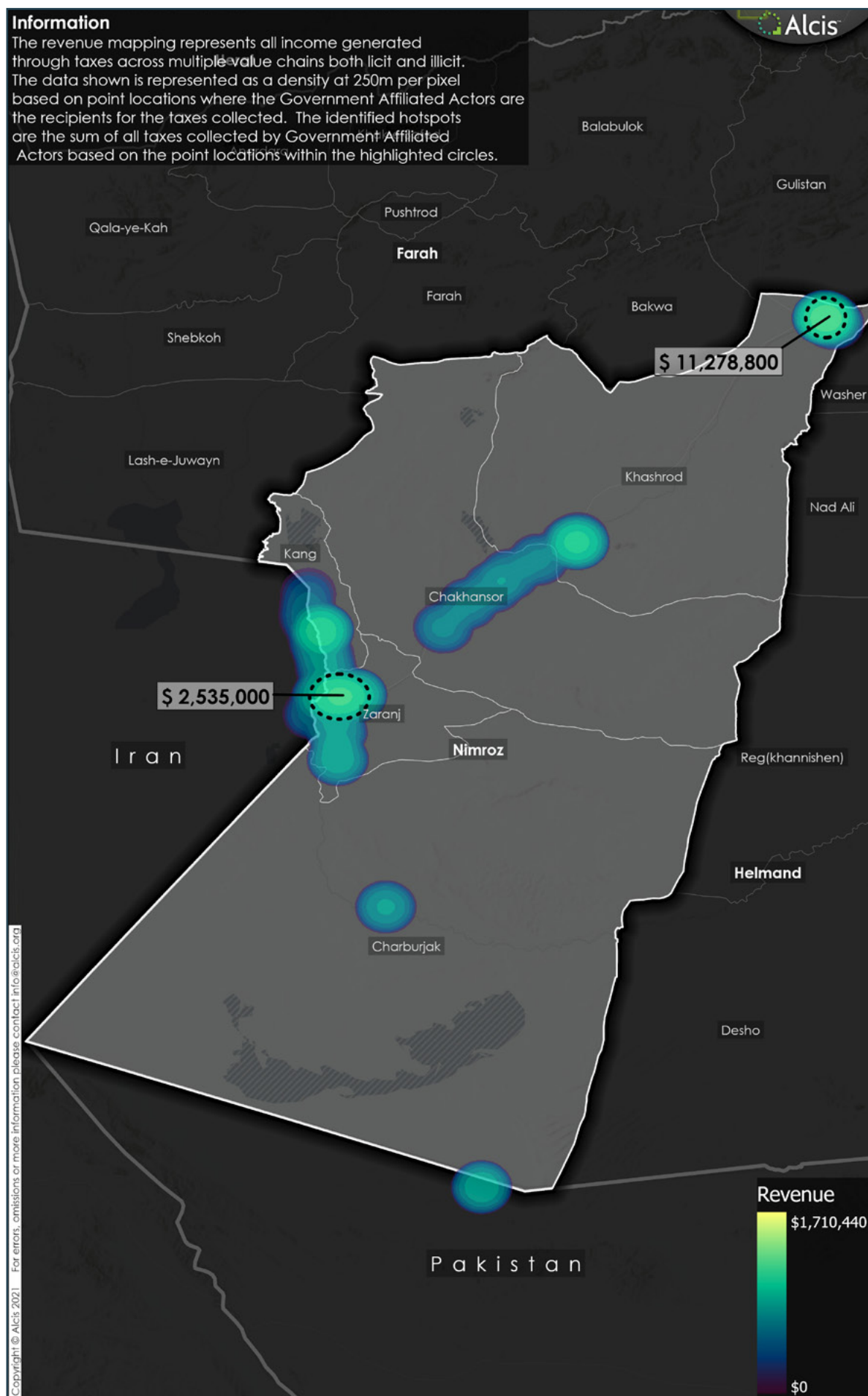


Figure 20 Map showing estimate of total revenues collected by government-affiliated actors in Nimroz



of Security – were alleged to collect payments from hotel owners, in exchange for turning a blind eye to their central role in people smuggling (see Annex).

Further payments were then extracted to the south of the city in Masoomabad from where the passengers depart in pickup vehicles to Dak. There were further ANDSF bases along the route south to Charburjak, and one ABP base in Sardasht, that together collected a potential \$1.47 million on the estimated 60,000 vehicles plying that route annually transferring people to the Pakistan border. We calculate a potential \$8.2 million in taxes levied each year on people smuggling by government-affiliated actors.

There were similar patterns of revenue collection by government-affiliated actors in Kang and Ziranj, albeit on fuel and drugs smuggling rather than people smuggling. The revenues earned from fuel were relatively minor, given the comparatively low volumes being traded – an estimated 37.2 metric tons per year (see Annex). Far more significant was the tax on cross-border trade in illegal drugs, where a variety of government-affiliated actors could earn up to \$7.6 million due to their position on the border with Iran.

As with the Taliban, most of these taxes are levied against the weight of drugs transported, although there are also payments exacted on each catapult (\$120 per month), along with payments per month imposed on each smuggler by district officials. With large amounts of opium plying the routes through Kang and Ziranj (not just from Nimroz but other provinces), and a preference for not using catapults to smuggle methamphetamine (an activity that has incurred high rates of tax), government-affiliated actors were found to earn significantly more from the trade in opiates (\$6.1 million) than methamphetamine (\$1.6 million).

A final source of revenue for government-affiliated actors was development assistance in Nimroz. Our calculations estimate the amounts paid at \$1.5 million per year based on the levels of aid allocated to Nimroz in 2020 (see Annex). There is some likelihood that the amounts paid could be higher, given the concentration of development assistance in government areas and reports of increasing corruption among government officials, as well as the growing number of government departments with decision-making authority over project approval. Although contributing less than 5% of the total revenues potentially earned by government-affiliated actors, the payments appropriated on development monies are seen as particularly egregious, given the purpose of the aid and the fact that most of the

funds are allocated from the government itself – an exemplar in the minds of many Afghan interviewees of the self-serving nature of government officials.

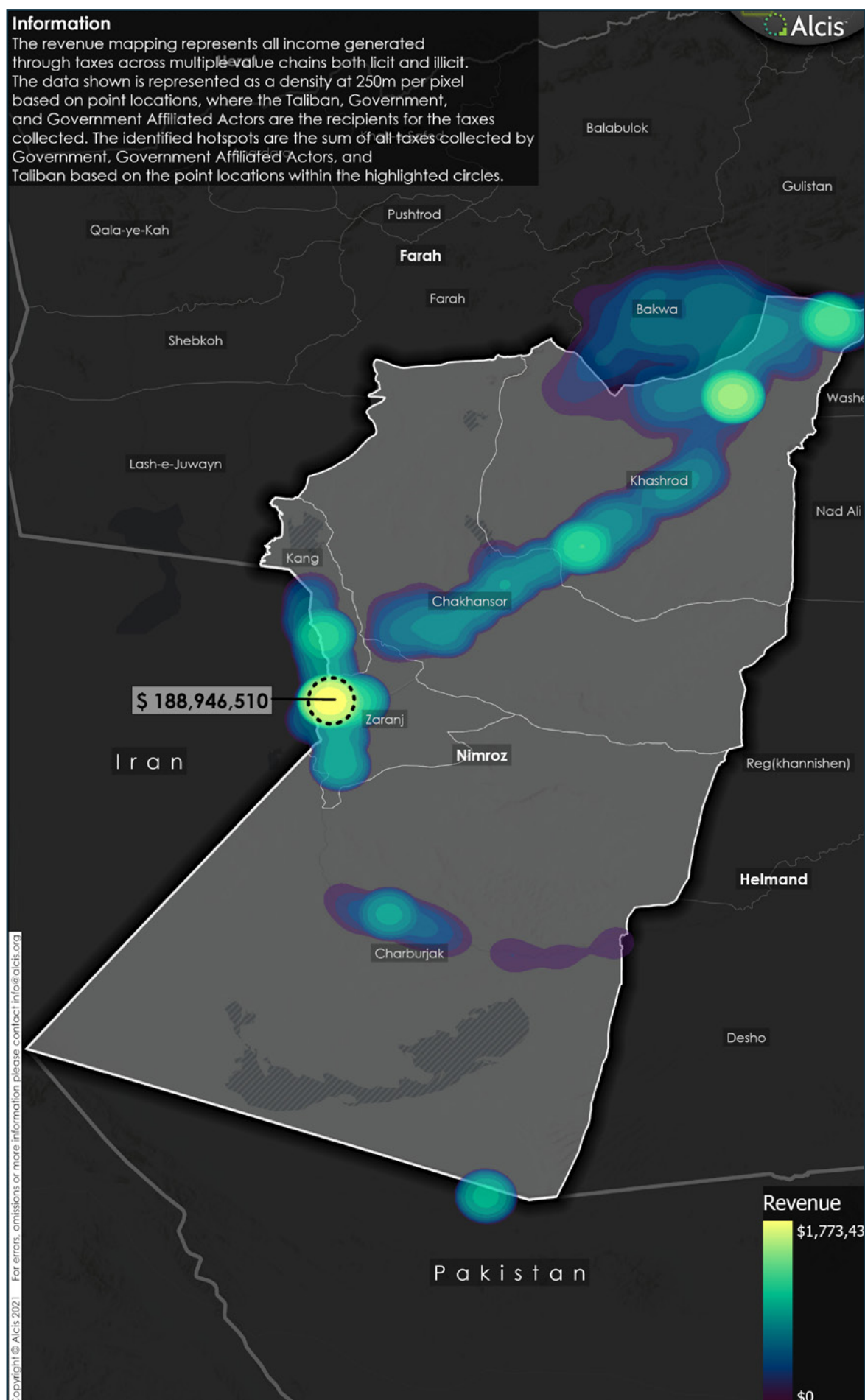
4.4 What does this all mean?

A number of insights emerge from this detailed breakdown of the potential revenues earned by the different power-holders in Nimroz province. The first was the overwhelming importance of the revenues earned from the trade in legal goods, to the government, the Taliban and government-affiliated actors. The sheer volume of fuel and transit goods imported from Iran, transiting Ziranj and the main highway, is such that each set of actors earns significantly more taxing legal goods than illegal ones – even the Taliban, despite the rhetoric and reporting to the contrary. A majority of the taxes collected are invisible to the central treasury in Kabul, meaning that the most profitable business for all of the strongmen of Nimroz is the illegal movement of legal goods. This is true for all three categories of political fortunes studied in this research, whether it's the war profiteering of the Taliban, the government, or government-affiliated actors.

A second and related issue is the diverse nature of the Taliban's tax base compared with that of the government. Whereas the government was almost entirely dependent on collecting duties and taxes on goods imported through Ziranj, the Taliban could draw on a wider portfolio of resources, including land, agricultural production, and the production and trade in illegal drugs. The tax base of government-affiliated actors was also diverse, but given the fractious nature of this group – comprising a multiplicity of different institutions collecting money for a number of different patrons – they would not appear to have the same level of financial sustainability as the Taliban.

A third issue is that previous discussions of how taxes are levied in Afghanistan, particularly by the Taliban, have depended on quite inaccurate guesses. This research has shown how tax rates are typically levied on the volume of goods rather than their value. The latter is too difficult to administer, with the price of many goods fluctuating almost daily, and those plying the primary transport routes (be it as drivers or those collecting payments) largely unaware of the value of goods. Claims of tax rates of 10%, 20% or more on the price or value of a good do not stand up to scrutiny; with the high cost of doing business in Nimroz and the large number of taxes levied on a good as they are transported to the

Figure 21 Map showing estimate of total revenues collected by government, Taliban and government-affiliated actors in Nimroz



border, such rates would render trade unprofitable. When calculated as a percentage of price, most of the taxes imposed are little more than 1% of the value of the goods.

What is also significant is the negotiated and tempered relationship between Taliban fighters with guns and the businesses that fall under their control. Negotiations between tax collectors and those who pay taxes frequently involve more give-and-take than official narratives suggest. The current economic approach of the Taliban seems far more akin to one of small-government conservatism than one that enjoys full domination and control. How this would change were they included in a Kabul government is hard to gauge.

The final issue raised by this disaggregation of revenues is that of territorial control and its role

in revenue collection. As mentioned earlier, the Taliban have a diverse revenue base that requires a consolidated presence in some locations, or at least representatives with detailed knowledge of the terrain for the sake of taxing land, agricultural production, and the processing of illegal drugs. However, our research also points to the fact that the most significant revenues are earned by those who control key choke points along particular routes. The official border crossing at Ziranj, smuggling routes through Kang and Charburjak, and the highway at Delarem provide opportunities for extraction by those who dominate these locations (see Figure 21). It is this reality – and the primacy of the revenues earned from goods transiting the main highway – that explains some of the Taliban's recent focus on seizing control of trade routes.

5 Conclusion

This research has sought to develop a better understanding of the revenues accrued by three groups of power-holders in the province of Nimroz in south-western Afghanistan. It has focused on the granular detail of the taxes (formal and informal payments, whether to the government, the Taliban, or government-affiliated actors) collected on a wide range of goods and services. In Afghanistan taxes are rarely calculated and collected as described in the current literature and media accounts, which mistakenly refer to a percentage of the price or value of the goods produced or traded. If only it were that simple, it would render an assessment of the total taxes earned by a group like the Taliban rather easy. However, our research shows that taxes in Afghanistan, especially informal taxes, are charged on volume – a fixed price on a given weight or quantity. For example, in the case of people smuggling, taxes are levied on each hotel for migrants, each passenger, or each pickup truck that ferries people across the desert. When it comes to illicit drugs, taxes are calculated based on the number of labourers in the fields, the amount of land under cultivation, the total kg of drugs produced, the number of vehicles smuggling shipments, the number of catapults flinging packages across the border, or even the number of smugglers themselves. Even where legal goods are produced and transported, it is volume that counts – not value – when it comes to taxes. This makes it critical to understand the measures and weights by which goods are produced and transported. Is fuel moved by the litre, the *bushka* (barrel), or the tanker? And how big is the tanker? Is it the 25 metric ton truck that transits the border at Ziranj or Islam Qala in Herat? Or is it the 90 metric ton tankers plying the border at Mile 78 in Farah province? When it comes to offering meaningful estimates of the revenues earned on the production and trade of goods – or, in the case of the government, the revenues lost because of corruption – details matter.

For this research, informed judgements and assumptions had to suffice where robust empirical data was difficult to collect. Not everything is visible

and can be counted, either on the ground or using high-resolution satellite imagery – especially when it comes to illegal drugs. Area of opium cultivation can be assessed using high-resolution imagery, and drug production usually has unique visual signatures that can be assessed by analysts (see Annex). Still, assessing the quantities of drugs transported is far more problematic. The underground economy thrives at night when satellites cannot necessarily see it. Judgements rather than measurement have been required to make estimates, and the authors remain enthusiastic for a dialogue as to how assessments might be improved.

As incomplete as any piece of research is, this study has offered insights into the scale and sources of revenues earned by power-holders in the south-west of Afghanistan. It has highlighted that the province of Nimroz is not a marginal desert, as many see it; in fact, it is an oasis through which multiple commodities are traded, and on which the powerful make their fortunes. On the journey across borders with Iran and Pakistan, commodities take routes that have been shaped by nature, infrastructure, regulations and conflict. Legal goods can be moved in high volumes through official crossings, channelled by investments in roads and border fortifications, along with supportive trade deals; by contrast, smuggled goods have to take a more circuitous path. This means that some items are far easier to tax than others, not just with reference to the physical location where taxes are levied, but also the rates charged, given the cost burden that illegality and difficult journeys through deserts and over walls pose to profit margins.

Our findings should be of interest to policy-makers and scholars. The most obvious is the overwhelming importance of the official cross-border trade through Ziranj to the revenues of all power-holders in Nimroz, but particularly to the government and the Taliban, and how this might be leveraged in pursuit of a political settlement. The importance of cross-border trade to the government's revenues should not be surprising; Nimroz is one of three primary routes for cross-border trade with Iran, a trading relationship

that has become increasingly significant to both Kabul and Tehran since 2014.⁴⁹ The Afghan government's tenuous hold on Nimroz collapsed in summer 2021 as the Taliban seized all major crossings with Iran.

Our research allows for fine-grained estimates of the economic fallout: the insurgents captured Ghorghory, the administrative centre of Khashrud district in June, followed by the town of Delarem on the main highway in July. Capturing these two towns could be worth \$18.6 million per year for the Taliban if they maintain current systems of informal taxation, including \$5.4 million from the fuel trade, and \$13 million from transit goods.

The real prize was the customs house in Ziranj, the first provincial capital to fall during a Taliban offensive in August. Officially earning the government \$43.2 million in annual duties and a further \$50 million in annual direct taxes in 2020, we found that a significant amount of trade enters undeclared, particularly fuel, making the combined licit and illicit revenues from the border crossing at least \$176 million annually.

The Taliban's victories pose a dilemma for neighbouring countries, who are being forced to weigh the costs of giving the Afghan insurgents more power against the financial pain of denying themselves trade revenues. Regional powers may be unwilling to resume trade and give the Taliban the profit and prestige of running border posts, something that could prove expensive for the Taliban. For example, we estimated that the Taliban earned \$84 million in 2020 by taxing Afghans who trade with Iran, revenues that would be imperilled by any disruption at the borders.

In fact, Tehran halted trade with Afghanistan in early August in response to Taliban takeovers along the border. Still, the economic pressure to re-open commercial traffic is significant. More than \$2 billion dollars in trade passed through those crossings last year, according to official figures, and our research suggests that the actual figures could be twice as much if they included informal trade.

The implications are potentially serious for the Afghan government, which loses the declared revenues to its central treasury — and, just as

importantly, pro-government political players have been stripped of vast undeclared incomes they were collecting at Ziranj and along the trade routes radiating from this border crossing.

The Afghan government has other sources of finance besides revenue from cross-border trade, including the international community, whose grants continue to fund the ANDSF and the development budget. Measuring the financial impact on the Afghan state, and the systems of patronage among pro-government actors, fall outside of the scope of this research.

Still, our study reveals major differences between the Taliban and the government from an economic point of view. The insurgents earn a bigger share of revenues from rural communities, not only cross-border traders. The Taliban tax regime is embedded in Afghan tradition, loosely based on Islamic principles (or one that at least borrows Islamic concepts and terms), which legitimises revenue collection. The Taliban collect taxes on land and agricultural production whereas the government has not attempted to do so, even when it had a presence in rural areas. While a future political settlement between the government and Taliban remains a distant prospect, any negotiation to end the war would involve bringing together not just disparate political groups but also two distinct tax bases.

The final element that stands out in this analysis is how insignificant development assistance is to the overall economy and the earnings of the key power-holders in Nimroz, and perhaps other provinces. International donors are considering how best to use financial leverage to encourage peace talks, and diplomats frequently warn the Taliban that they must satisfy the demands of the international community or else donations will be cut or curtailed, leading to economic collapse. Many donors believe this threat is plausible because most of the Afghan government's budget comes from international aid. However, the view from Nimroz province is different: informal taxation by both warring parties raises about \$235 million annually, making the \$20 million flowing into the province from Kabul less significant by comparison. Foreign donors are less influential than they might expect in one of the world's poorest countries.

49 For example, it is particularly notable that despite coronavirus, the duties earned at Nimroz, Herat and Farah wavered little from those in 2019, compared to a marked fall in Nangarhar and Kandahar, further reflecting the growing prominence of the trade between Iran and Afghanistan. See National Statistics and Information Authority, Islamic Republic of Afghanistan (2021) *Afghan statistical yearbook 2020*. Issue 42, p. 262 (<https://invest.gov.af/theme3/wp-content/uploads/2021/06/Afghanistan-Statistical-Yearbook-first-Version.pdf>).

Recommendations

Our findings and recommendations are primarily technical in nature. More far reaching recommendations would be premature without similar research in other parts of Afghanistan. Still, a few suggestions emerge from this work for international donors:

There is a need to closely monitor developments on the Afghan borders to better understand the strategic and financial implications of the loss of territory by the Afghan government, the implications of the Taliban's advance, the potential for a political settlement and economic policy options under any changes to the political order

The Taliban's capture of strategic border crossings in 2021 will have a significant impact on the government's domestic revenue and may undermine the bargains Kabul reached with powerful elites in the provinces by denying revenues to government-affiliated actors. Disruptions in trading patterns may also erode the Taliban's own revenue base, resulting in rising prices for essential goods and services and impacts on poverty and humanitarian needs. Future iterations of research could expand on the baseline data collected for this study, showing changes over time.

Donors should undertake a far more rigorous assessment of political economies, not just in Afghanistan but in other conflict-affected areas, to avoid costly and ineffective interventions

Humanitarian and development spending in Afghanistan is based on faulty estimates of licit and illicit resource flows, and military action has targeted drug labs on the mistaken premise that illegal drugs are the Taliban's primary source of revenue. Assumptions and flimsy data have not made for good policy in Afghanistan and will not assist with reaching a political settlement. Deploying methods that combine geospatial analysis and in-depth knowledge of the ground may assist with future programming. This study illustrates the potential of this approach for other countries for analysing the relations between economic rents and political order, as well as formal and informal taxation, with implications for policymaking in areas such as corruption, trafficking, stability, governance, public administration, economic statistics and fiscal policy.

Any future spending on Afghanistan by the international community should be designed to reach a broader geography, so that foreign aid reaches rural populations

Restless and exploited populations in Afghan provinces have the capacity to undercut any government in Kabul; indeed, they have a history of doing so. This report highlights how development spending has failed to reach the periphery of the country at scale, a problem that may affect future Afghan governments no matter what their political makeup.



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