Understanding the Garment Sector in Afghanistan's regional markets: a preliminary assessment of Jalalabad.

A Report to Zardozi

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Key Points

<u>Findings on the Jalalabad garment market:</u>

- In comparison with the Mazaar garment sector, the Jalalabad market has fewer traders but they appear to be of roughly the same size as Mazaar traders in terms of capitalization
- Unlike Mazaar the linkages between the wholesale and retail markets in Jalalabad city are limited reflecting separate market systems and sources of cloth; their functioning however is heavily dependent on informal credit;
- There is currently no trade for ready made Peron Tanbons; however reflecting the greater prosperity of the region there is more higher quality Korean cloth traded for women in comparison with Mazaar and also a greater volume of ready made garments for women;
- Trading in cloth for women is seen to be more risky than the trade in cloth for men and requires greater capital resources;
- The nature of the family firms and the cultural zone of Jalalabad limits the extent to which firms could or be willing or able to expand outside the region

<u>Implications for Zardozi</u>

- There is a potential market opportunity for Zardozi in the development of ready made Peron Tanbons but the lack of reliable electricity and a pool of tailors may limit the extent to which these can be fabricated in Jalalabad;
- There is also opportunities for the sale of hand made quality female garments in the city and regions;
- However this will require a greater attention to working with selected traders and for Zardozi to act as a market intermediator addressing both the interests of the traders and the producers;
- There is a case to be made for developing an upper tier of sales agents who have the skills and aptitude to be successful;

- However Zardozi needs to be cautious about claims that it is building agency and empowerment given the nature of Afghanistan's informal markets; it would be better to account more specifically for actual changes that have happened before deciding or claiming that these reflect significant changes in agency or empowerment, given the limitations on personal autonomy;

Further Research Needs

- More information is needed on how Korean cloth is sourced by the various wholesalers in Jalalabad and the volumes of importation;
- We also need to know more on the source of cloth from Pakistan for both retailers and wholesalers – who they are getting it from and in what volumes;
- Specific information in neeed on the one trader who is apparently trading ready made PTs to the Jalalabad region;
- More information is needed on the major wholesalers in Jalalabad, who they are and how they are related;
- More information is needed on turnover in both the wholesale and retail markets;
- More information is needed on the volume of trade and the relative proportions of different types of cloth in more remote districts;

- **Contents**

Understanding the Garment Sector in Afghanistan's regional markets: a preliminary assessment of Jalalabad.

I Background

1. This report follows from an earlier study of the Mazaar garment market[1]. It seeks to support Zardozi in strengthening the engagement of women in the Afghanistan clothing sector through providing a better understanding of the Afghanistan garment markets to inform Zardozi's strategy.

2. The terms of reference of the Mazaar study – namely to improve Zardozi's understanding of the provincial garment sector for which the city is the hub with linkages to the regional market as a basis for identifying opportunities for the Zardozi programme – broadly apply to this study of Jalalabad's garment markets. However an initial review of the knowledge on Jalalabad's garment sector suggested that there were specific features of Jalalabad garment market that made it different from other regional centres, not least the fact that Jalabad's economy is essentially an extension of Pakistan's, as evidenced by the Pakistani rupee being the dominant currency of use.

3. Five specific research and inter-related questions were identified for the study:

   - QI: What are the structures and dynamics of the overall garment market in Jalalabad?
   - Q2: What is the scope and potential for Jalalabad to become a national hub for the garment sector given its comparative advantage in terms of wage rates, input costs and climatic conditions?
   - Q3: What is the structure and dynamics of rural markets in the districts and provinces that surround Jalalabad particularly for hand made clothing?
   - Q4: What is the scope and opportunity for developing district and provincial level production of hand made clothing around Jalalabad given the potential constraints of credit, input prices and challenges of design and products?
   - Q5: What are the specific opportunities for the Tawro Peron Tomban[2]

4. This report first briefly described the methods of the study and sources of information (informants). It starts first with a review of the range of female garments produced by Zardozi. It then responds in turn to each of the research questions. Specific attention is given to the comparison - similarities and differences between the Mazaar and Jalalabad garment markets , the identification of areas on which we need more information and

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[1] Adam Pain: Understanding the Mazaar Garment Market: An Analytical Report to Zardozi. A Report to Zardozi, Kabul. January 2012

[2] The Tawro Peron Tomban is a product and label developed by Zardozi to position a higher quality product retailing at about Afs 300 above the baseline quality available in the market.

the implications of the findings for Zardozi. The report concludes with a section that leverages the understanding that has been gained so far from the Mazaar and Jalalabad market studies into a critical engagement of what has been learnt about the nature of garment markets in Afghanistan. This is discussed in relation to Zardozi's objectives of seeking women's empowerment through the building of their agency in accessing markets.

II Methods of Study and informants

5. The methods of the study broadly follow those described in the report on the Mazaar market study. However due to security issues, visits to, and time spent in, the physical markets was severely limited. Instead key informants were brought to the office to be interviewed. This reduced the number and range of informants that could be interviewed, the duration of interviews (since traders could not be away from their shops for too long) and accordingly the information that could be collected. In addition observational evidence was restricted. Accordingly many of the interpretations and conclusions in this report must be seen as provisional and requiring further substantiation. For the purposes of this report all prices from Jalalabad are given in the reported currency in Pakistan Rupees (PRS). Exchange rates of PRS 88 = 1$ and Afs 48 = 1$ have been used.

6. Given the links of many of the Jalalabad cloth retailers (but not the wholesalers) to the Kabul wholesale cloth markets for fabric for women a short visit to Koaja Market in Kabul was also made on the final day of fieldwork and three wholesalers were interviewed. Table 1 provides summary details on the informants and the coding used to identify each.

Table 1. Key Informants

Code	Key Characteristics	Location
JL1	Large wholesale trader in female cloth; large shop – 12 shop units combined and part of a three brother enterprise supervised by father covering both male and female garment sector	Jalalabad
JL2	Sales agent for Zardozi	Jalalabad
JL3	Sales agent for Zardozi	Jalalabad
JL4	Retail Shop Keeper, Kama District	Kama
JL5	Retail Shop Keeper, Kama District	Kama
JL6	Father of JL1	Jalalabad
JL7	Wholesale Shop Keeper, Male Cloth; Brothers have separate wholesale shop for Female Cloth	Jalalabad
JL8	Retailer Ready made dresses for women	Jalalabad
JL9	Retail Shop Keeper, , male and female cloth, Metalam	Laghman
JL10	Retail Shop Keeper, female dresses, Metalam	Laghman
JL11	Retail Shop Keeper, male and female cloth	Jalalabad
KBL1	Small wholesaler in Korean Velvet in Koaja Market	Kabul
KBL2	Large wholesaler in Female Cloth in Koaja Market	Kabul
KBL3	Large wholesaler in Gauze in Koaja Market	Kabul

III: Review of Products with Zardozi Staff

7. As in Mazaar the study started in a joint review with Zardozi staff of their major products. These are summarized in Table 2

Table 2: Key Products made by Zardozi Jalalabad

Name	Market & Price (Pakistan Rps)	Rank in terms of importance Zardozi / Market
(a) Female Products		
Khanhjar Dozi	Classic female party dress for urban and rural markets; 6000 Rps; there is a hire market for these;	
Kuchi Dress	Classic product, good market, sold for all ages, wide price range (700 – 2500); change in style about once a year; each of the female Zardozi staff has one;	2/3
Salmar Dozi	Summer and winter versions; beaded and sequined from Pakistan; an everyday dress but mainly for slightly better off people (4000 – 6000 Rps) ; preference for locally made	5/2
Mora Shani Dress	Beaded dress, winter and summer versions; relatively quick to make in comparision with Salmar Dozi, price range 2500 – 10000 Prs, strong demand; style changes in relation to yoke and hems	1/1
Shisha Dozi	Mirror dress, good market demand and can be imported ready make from Pakistan; price fallen from 4000 to 2500; more of a party dress and changes in style based on mirroring; can also be hired	
Western Dress	Bare shoulders dress with Afghan type beading 1500 – 2000	
Sindi Design	Kurti Daman: shirt and skirt with different sort of embellishment; mostly for middle age women and young girls	
Charma Dress	Afghan dress with gold threads; classic and one that most would own; mostly on velvet; depending on adornment price range 1500 – 4000	
Umbrella dress	New design , more of an urban market; design more in relation to embellishment; strong demand 500 Rps and everyday wear; rural market more likely to buy the cloth and have it tailored	
Treesdar	Panel dress for everyday wear …more rural; 500 rps upwards	
Bead Shawl		3/-
Scarf Hand Embroidered	Range from 1000 – 1100 Rps	
Negina Shawl	Ironed on sequins, 150 – 200 Rps	
Kanjar Dozi	Winter shawl for older women, 2000 Rps	
(b) Male Garments		
Kandahari Embroidery	Embroidered Perton Tambon piece for men; 4000 PTS upwards	4/4

8. A number of summary points can be drawn from the discussions with staff

- First the emphasis on ready made garments for women and the limited engagement with ready made clothes (PT) for men reflects the garment market in Jalalabad;
- Second the diversity of ready made garments for women and the costs of them is responding to a demand, driven by shifting fashion and style, and level of spending on ready made clothes by women; this appears to be greater than in Mazaar, an observation supported by later discussions with traders;
- Third the role of style and fashion appears to play a critical role in terms of establishing social status and position between women within the family network – as one of the Zardozi staff put it , 'it is all about jealously'
- Nevertheless men in the household can play a major role in determining what is appropriate and suitable for women to wear;

IV The Jalalabad Market

9. There are a number of features of the Jalalabad economy that make it distinctive from that of Mazaar and largely reflect its geographical location. As noted above its position on the border with Pakistan, the fact that the Pashtun cultural zone is spread across the border into Pakistan and the relatively more prosperous economy of Pakistan – both a source of refuge in the past and a continuing source of employment - have acted to orientate Jalalabad more to the south and Peshwar than the north and Kabul. This is reflected in the use of the PRS as the everyday currency of use. While the cultural zone of Mazaar similarly is cross border but to the north, the long period of Communist rule in Uzbekistan may well be the key factor that has reduced its cultural and economic linkages to the north.

10. Like Mazaar, Jalalabad is located in an irrigated plain surrounded by a mountainous hinterland and both city markets act as regional trade centers. Unlike Balkh, Jalalabad's irrigated plain does not appear to be water constrained and supports a rich agricultural economy. This is likely to contribute at present to a healthier rural economy and stronger market demand for cloth than currently exists in Mazaar. This is evidenced in part as discussed later, by the apparent absence of a market for cheap ready made Peron Tambons for men and conversely a greater demand by women for more expensive Korean velvet (rather than the cheaper Chinese velvet) in Jalalabad in contrast with that of Mazaar.

11. Linked to this, and in part reflecting the lower altitude of Jalalabad in comparison with Mazaar, Jalalabad has lower inputs costs and wage rates due to proximity to Pakistan. The lower costs of inputs is reflected in the fact that there is a group of Kabul traders who have moved into computer based embroidery for PT. They buy their Pakistan sourced fabric from Jalalabad rather than in Kabul, bring it to Kabul, process it and then return to sell it in the Jalalabad region. On the face of it therefore Jalalabad has certain comparative advantages over other Afghan urban regional hubs with respect to costs and climate that might offer it a greater national economic role. That

possibility however and as discussed below, is unlikely to be developed in the near future given the key role of geography and culture in regulating markets.

12. A further distinctive element of Jalalabad, is its identity as a Pashtun city and subject to the norms of Pashtun cultural identity. These are distinctive from those of the Tajik and Uzbek populations of the north and include a tradition of a more restricted economic and social world for women. However this is not uniform – as evidenced by the prominent visibility of Pashaie women who work in the field. However the net effect is that acceptance of an economic role for women in Pashtun households is less than in the north and accordingly there is a smaller pool of women workers in Jalalabad.

13. Jalalabad also differs from Mazaar in that culturally it is relatively homogenous (although there are still Sikh minorities?) and does not have the significant ethnic minority populations that Mazaar has, as reflected in the latter's Hazara population. This as will be discussed, and combined with the social position of women in Pashtun society, has deeper implications.

14. There is a final point which leads into the next section. It appears, and observational evidence supports this that the physical size of the market in Jalalabad as reflected in the number of wholesale traders is considerably smaller than that of Mazaar.

V Findings

Question 1: What is the structure and dynamics of the overall garment market in Jalalabad?

15. First and as noted above Jalalabad is a regional market serving the provinces of Nangarhar, Laghman, Kunar, Nuristan, Kapisa and the lower districts of Logar. None of the informants reported any trading role outside these provinces and districts. As indicated above the number of cloth and garment traders based in Jalalabad appears to be low compared to other regions. Zardozi estimates of a total of about 85 garment shops (wholesale and retail) in Jalalabad compared to the 800 of Mazaar and the 3000 of Kabul, are consistent with the observational and reported evidence.

16. There are not, for example, several distinct physical markets for cloth as are found in Kabul and in Jalalabad. Rather both wholesalers and retailers are housed together in a limited number of market buildings that are located close to each other. As reported by JL7 there are about 15 traders whom he would describe as proper wholesalers and another 15-20 who do some wholesale as well as retail business. He also noted that there was no physical distinction between the location for wholesale and retail trade in comparison with Herat and Kabul which he saw as having proper wholesale markets. Informant JL7 saw this as a problem, the source of which was a lack of interest by the owners of the market buildings to separate the wholesale and retail and implicitly suggested that this was unfair competition for the

wholesalers. Informant JL11 estimated that in Ezazi market where almost all of the retail trade is based has about 100 shops. He reported that about 15 of these shops were run as 'double' or shops with 2 booths i.e about 7-8 traders operated them and the remaining 85 shops were 'single' shops.

17. While these estimates are consistent with those of Zardozi what they do not reveal is the extent to which several shops might be run by the same family. For example in the case of JL6 who has seven sons there appeared to be at least 2 if not 3 wholesale shops run by his sons. One son (JL1) ran the wholesale business in women's cloth and garments (and had a shop that combined 12 booths) while another ran the wholesale business in cloth for men. In the case of JL7 he ran with one brother the wholesale business concerned with cloth for men, while his three brothers ran the wholesale business for female cloth and clothing. While none of the Jalalabad city retailers reported family members running other retail shops, the Kama district based retailer (JL4) noted that his brother was setting up a retail shop next to him. What this evidence points to is the existence and significance of family based enterprises which as will be argued has major implications for the second question (Q2) with respect to the potential for expansion of trading enterprises beyond Jalalabad.

18. As with Mazaar the distinction between wholesale and retail is also reflected in the operating capital that each type of trader is likely to have and table 3 provides various estimate of the operating capital of each type.

Table 3: Reported levels of operating capital of Jalalabad based garment traders

Category of trader	Capital (LakhPRS)	Capital (in Lakh Afs)	Capital in US$	Source
Large Wholesaler	100-200	55 – 110	115 – 200,000	JL7
Small Wholesaler	30 – 40	16 – 22	34-46,000	JL7
Large Retailer (double shop)	30-35	16 – 19	34-40,000	JL11
Small Retailer (single shop)	15	8.2	17,000	JL11

19. The question arises as to why, as it appears, the number of wholesalers and retailers in Jalalabad are so low since the southern eastern region around Jalalabad is one of the most densely settled in the country.

20. In part this might be compensated for by the fact that capital and trading base for each trader in Jalalabad might be significantly larger than those in Mazaar. Table 4 provides comparative estimates of the capital base of cloth and clothing traders in Mazaar and Jalalabad and includes also estimates of the three traders from Kabul. Note should be made that the data provided from Kabul by informants were all estimated in dollars in comparison with the estimates in Afghani from Mazaar and in Pakistan Rupees from Jalalabad.

Table 4 Estimates of Capital base of different sizes and types of traders standardized to US$

	Jalalabad	Mazaar	Kabul
Reporting Currency	Pakistan Rupees	Afghani	US Dollars
Large Wholesalers	100-200 ,000	100,000 +	1 – 2 Million
Small Wholesalers	30 – 40	30,000 – 50,000	50,000 plus
Large Retailers	30-35	30,000	
Small Retailers	15	10,000	

21. The distinction between those traders in Jalalabad city who are wholesalers and those who are retail traders is further confused by the fact that the retailers in Jalalabad city obtain only a small percentage of their cloth from the Jalalabad traders, and largely import themselves the cloth they need. As with the garment sector as a whole, a distinction needs to be made between the market in cloth for men's clothing and the cloth market for women's clothing. All the men's cloth is sourced from Pakistan while cloth for women's clothing mainly comes from China and Korea, although there is a trade in imported ready made female garments from Pakistan.

22. However in contrast to the cloth and garment trade in Mazaar, the market chain in Jalalabad operates in a different way with the circulation systems for cloth between wholesalers and retails being more separate in Jalalabad. The core difference is that the wholesalers do not supply the retailers in the city but are focused almost exclusively on the supply of cloth to provincial and district traders in the region. The wholesalers import male cloth from Pakistan and female cloth from China directly. In the case of the higher quality Korean cloth there is less evidence but some is supplied by wholesalers in Kabul (Jl1) or may be obtained from wholesalers in Herat. More information is needed on exactly how Korean cloth is sourced by the various wholesalers in Jalalabad.

23. The cloth retailers in Jalalabad also import male cloth from Pakistan although they appear to deal with agents and the wholesale market in Pakistan while the Jalalabad wholesalers are supplied directly from the factories. Information on import volumes of male cloth by wholesalers and retailers could not be collected. It is likely, although there is no data to support this that the purchase cost of male cloth is likely to be cheaper for the wholesalers than the retailers, reflecting in part the volume that they are trading. In the case of cloth for women, retailers in the city do not obtain their supplies from the city wholesale market but buy it mostly from the wholesale market in Kabul. As JL11 explained importing male cloth from Pakistan and female cloth from Kabul was cheaper than procuring it from the wholesalers in Jalalabad city. He reported differences in price for male cloth of about 20 PRS per metre between Pakistan and Jalalabad purchase.

24. JL11 also noted that while he preferred to obtain his cloth from Pakistan or Herat he did also source some cloth from the wholesalers in Jalalabad city. He estimated that about 10% of his cloth for men he obtained from such

wholesalers and about 30% of his cloth for female clothing. The two retail cloth traders in Metalam also sourced their cloth for women from Kabul on the grounds that it was cheaper (JL9) than from Jalalabad but as with JL4 (the trader in Kama district) the cloth for men is obtained from wholesalers in Jalalabad city.

25. Underpinning the whole circulation system for cloth, male and female is informal credit and the scale of it is significant. While the purchase of cloth from Pakistan in the case of both wholesale and retail traders was reported to be more cash based (both wholesale and retail informants suggested figures of about 10% of trade was in credit) there appear to be greater levels of credit provided in the case of cloth for women both from the wholesale markets in Kabul and for those importing Chinese cloth. However in the case of the wholesale supply to provincial and districts traders the use of credit is widespread.

26. Informant Jl1 for example reported that he had more than 100 Lakhs PRS outstanding with suppliers but in turn he had more than 300 Lakhs PRS given out as credit to traders in the region. He estimated that on average about 50% of the cloth that he provided was on a credit basis. While he was being interviewed a trader from Kunar was in the shop and purchased cloth to the value of PRS 170,000. He paid in cash PRS 100,000 and the rest of the value of the consignment was in credit. As JL1's father (JL6) noted that while he had a lot of credit out and if he collected it he would have a lot of money, he was not able to do that or he would have no business.

27. Limited information could be collected on turnover and profit margins but such information that was collected was consistent with the profit margins reported from Mazaar – namely 5-10% for those trading in the city with margins rising at the districts on account of small volumes of trade.

<u>The Market for Cloth for Men</u>

28. In contrast to Mazaar there is no market within Jalalabad for ready made PTs. All informants were asked about this and all made it clear that there was no importation of ready made PTs from Peshawar (there is an assumption here that there is a ready made PT market in Pakistan?) or any fabrication of ready made PTs in Jalalabad. However Zardozi is aware of one trader who has been fabricating ready made PTs in Peshawar and trying to sell these at the district level but more information is needed on this. As discussed under Question 5, the absence of a market in PTs in Jalalabad does not mean that there is no potential market – a minimum cost for the purchase of the cheapest PT cloth at 80 PRS per metre and tailoring of PRS 300 give a minimum price of 620 PRS (Afs 340) and it will be suggested that there maybe a market opportunity for ready made PT that Zardozi could pursue.

29. It is worth considering what the reasons might be as to why there is not a ready market in PT in Jalalabad as there is in Mazaar. While it certainly points to the regionalization of markets, reflecting different cultural zones – JL7

simply stated that 'we do not have the culture and history of Mazaar' - a core reason probably relates to the absence in Jalalabad of an ethnic enclave, equivalent to the Hazaras in Mazaar. The Hazaras are a social minority that historically have been economically marginal (and probably still are) and with strong bounded solidarity and Hazara women are accustomed to working. A contributory factor, and linked to the above is the fact that there is not a ready supply of female workers in Jalalabad skilled in tailoring.

30. While there is no market in ready made PTs, it was noted that retail shops in the districts (JL4, JL9) were selling PT pieces that had been computer embroidered. JL7 reported that there was someone from Kabul, as noted above, who had established a fabrication process buying cloth in Jalalabad, doing the embroidery in Kabul and then distributing them in the districts. He noted that the price had been higher but as these were now being distributed in the districts there was now not much demand in Jalalabad city for these. JL9 confirmed this reporting that he had been dealing in computer embroidered pieces for the last six months but they had fallen in price from Afs 500 to Afs 300 – 350 as they were being made on cheaper quality cloth. Further they were being distributed at the village level, a fact confirmed by JL4.

The market for Cloth for Women

31. There are also differences between Mazaar and Jalalabad in terms of the market in cloth and ready made clothes for women. First and in contrast to Mazaar where the majority of the velvet cloth that was traded to the regions was of Chinese origin and low quality, in Jalalabad and the region the proportions of Korean to Chinese cloth was much more equal. JL1 reported how only 50% of his cloth came from China while 40% came from Korea (with the balance as ready made clothes came from Pakistan). JL4, a district trader was selling more Chinese than Korean cloth but JL5 who was a longer established trader in the same district said that Korean cloth constituted about 80% of his sales. JL9, a retailer in Metalam said that about 70% of his stock of women's cloth was Korean and JL11 in Jalalabad city mostly dealt in Korean cloth. The greater significance of Korean cloth in the region probably reflects the greater purchasing power and health of the rural economy in the Jalalabad area (at least in the main valley) compared to Mazaar although the evidence is drawn from two rural areas which are likely to be more prosperous because of access to irrigation. It would be interesting to more information on the relative balance of Chinese to Korean cloth in more remoter rural districts.

32. The second difference in comparison with Mazaar was the apparently greater proportion of ready made clothes in the women's garment sector in Jalalabad compared to that of Mazaar: and if ready made clothes are making an inroad into the clothing market for women, then the question arises as to why this should not happen for men? The evidence on the greater significance of ready made women's clothes was consistently reported across all traders. Jl1 reported that ready made garments constituted 30% of his business. JL4 said

that about half of his retail business in women's clothing was in ready made clothing. Two retailers were interviewed who specialized in ready made dresses for women, one in the city and one in the provincial capital of Laghman. The one in Metalam (JL10) imported his garments from Kabul (for Chinese ready made garments) and Peshawar (Indian and Pakistan sourced dresses). JL8 based in Jalalabad city used to import from Peshawar but now makes the dresses drawing on female labour both in Peshawar and in Jalalabad (through Zardozi). He obtains his cloth both from India (on a cash basis) as well as Pakistan (50% cash, 50% credit) and in Jalalabad when necessary on a credit basis.

33. In summary the evidence from the market in female cloth points to a strong demand for women's clothing, a conclusion that is supported by retailers focusing more on the cloth for women than for men. JL4 for example estimated that cloth for men was only about 25% of his business; JL5's was only 20%. On the other hand JL11 reported that male cloth constituted about two thirds of business while female cloth was about third. Underlying these differences between the traders are perceptions of the relative risks of the two sub-sectors – dealing in cloth for men and cloth for women.

<u>The Relative of Risks of Dealing in Clothing for Men and Women</u>

34. Evidence of differences in riskiness between male and female cloth markets was found in comments made by a number of informants. JL7, for example, gave an account of how his father had built up a retail cloth business that sold both male and female cloth from the early 1990s. However after 2001 with the growth of market demand and the construction of a new marketplace in Jalalabad, it was decided to not only shift from retail into wholesale but to split the business between brothers with he and one brother taking over the male cloth business while four other brothers took over the female cloth business. The way in which the six brothers were distributed between the two businesses was reflected in the way in which the family capital was divided between them with one third of the capital going to the male cloth business and two thirds going to the female cloth business. The explanation given for this division was that the profit to be gained from the male cloth was steady and reliable but relatively low risk while that to be gained from the female cloth business was more erratic (higher risk), had potential to generate greater returns but also required greater capital.

35. This comment about the more dynamic nature of the trade in female cloth and clothing was consistent across all informants and several factors appear to drive this. First with respect to the male cloth market, almost all cloth is sourced from Pakistan and is relatively unchanging with respect to design and quality. The only innovations relate to potential embellishment through, for example computer designed embroidery. The market is relatively steady with respect to differences in quality and in volume of demand being driven essentially by purchasing power. One retailer (JL4) distinguished between the upper class who might buy 12 PT per year, a middle class man who might buy 6 per year and a poor person who might buy two years. For the bulk of

the market (excluding those who could afford Kandahar embroidery) the purchase of cloth, depending on quality ranged from PRS 320 to PRS 800 for a PT piece with an additional PRS 300-400 for tailoring. In sum it is a relatively low value market.

36. Second and in contrast the female cloth market is driven much more by fashion, changes in design and is of higher value as the costs of various dresses given in table 2 suggests. JL8 who dealt entirely in ready made dresses commented that 80% of demand for the clothes he was selling was for dresses between PRS 4000 to 10,000. This level of expenditure is more likely to reflect urban rather than rural demand and is driven by a level of spending on fashion that women with income are willing to make. One of Zardozi's female staff admitted that she spent nearly half of her salary on clothes. While this level of expenditure is unlikely in the rural market, nevertheless the role that clothes play in the identity of women is not diminished and appears to be central to the performance of identity and status by women in the one sphere in which they can openly compete. As the Zardozi staff put it 'women dress for competition between women'.

37. It follows that competition between traders in female cloth – both at the wholesale and retail level depends on being ahead of or with the changes in fashion and not behind them. The levels of personalized contact between wholesale importers and Chinese and Korean manufactures of the various velvets allow for traders, according to their capital base to bring in new designs and different quality of cloth to fuel the shifts in demand. Being left with stock which is of relatively high value that is seen to be out of fashion is a key risk that traders face, both at the wholesale and retail levels.

<u>The Dynamics of Markets</u>

38. The above comments touch on two inter-related dimensions of the dynamics of the garment market in Jalalabad – firstly its growth and second the basis on which traders compete.

39. It is clear that the overall clothing market in Jalalabad has grown since 2001. Wholesale traders such as JL4 and JL7 in their accounts of the growth of their business date the expansion of their business and the move from retail to wholesale from after 2001. Further a number of the retailers who had moved into the clothing sector from other activities (e.g. JL8, JL9) did so in response to the growing market, which was undoubtedly fuelled from 2002 onwards by the growth of the opium poppy economy in the region: many of the informants had set their shops up about '8' years ago which coincides with this growth.

40. What is surprising though, and this returns to the point made under para. 15 concerning the relatively small number of wholesale traders in Jalalabad, is that the number has not grown along with the growth of the market. JL7 commented that after 2001 there were about 10-12 wholesalers and this had only grown to about 15 in 2012. This would suggest, as with the Tawhid

market in Mazaar, there are certain practices of social regulation linked to identity at play in the market that restrict new entrants but it is far from clear how this operates. There appears to have been more of an increase in the number of retail traders but since the retail and wholesale market in Jalalabad are not as connected as they are in Mazaar it is not clear if the same factors or regulation are at play here.

41. Even though there may be restrictive practices at play in terms of market entry nevertheless there is a degree of competition between traders, both wholesale and retail. The basis of the competition between traders in cloth for men is not clear since there is little room for manoeuvre between traders on either price, fabric quality and design. Credit giving and personal relations may play a critical role here. In terms of the cloth and garments for women, given the shifts in design and fashion the competitive edge appears to derive from having a cloth or garment that the competition does not have.

42. The comments from one of the Zardozi sales agents (JL2) are revealing in this respect. She described how she essentially played off retail shopkeepers against each other when she faced delays in payment. She exploited the fact that she had something to sell (scarves) that differed in design and quality from those existing in the market and the shopkeepers wanted them so that they could offer something not available elsewhere in the market. If the shopkeepers she was supplying did not pay in time, then she visibly offered her scarves elsewhere and which point she was promptly paid.

43. In summary the garment market of Jalalabad is different from that of Mazaar in both the male and female clothing sub-sectors, most notably in the limited linkage between the wholesale and retail sectors. There appears to be a higher level of demand, as reflected in the greater proportion of quality female cloth and ready made garments in the market. There is no ready made PT market. What is common to both Mazaar and Jalalabad is the critical role of informal credit in supporting trading networks.

Question 2: What is the scope and potential for Jalalabad to become a national hub for the garment sector given its comparative advantage in terms of wage rates, input costs and climatic conditions

44. It is certainly true that there are certain factors such as lower wage rates, cheaper prices for cloth for men and all year round accessibility which might favour Jalalabad playing a national role in the garment sector. However a key piece of infrastructure – an electricity supply – is missing and its absence means that the necessary conditions for Jalalabad to expand it role are not in place.

45. However even if all the necessary conditions were in place, there are two other factors that are of equal if not greater importance that essentially confining the Jalalabad garment sector to its region and they are linked. The first relates to the distinctiveness of the cultural zone in which Jalalabad is located and its lack of social connectivity to other regions. The second relates

to the nature and goals of the family firms that appear to dominate the wholesale sector in Jalalabad.

46. On the lack of connectivity to other parts of the country it was made very clear by a number of the informants that while they might have connections to Kabul, their knowledge and connection to other parts of the country was limited. A number of traders who dealt in cloth for men were asked about what they knew about Tawhid market in Mazaar and none had heard of it. Jl1 reported that he had tried to set up a shop in Kabul but that did not work – he did not have the connections. His father (JL6) was more explicit and stated 'that he was from this province and knows the language and the people'; by implication he did not know, and neither did his son, either the language or the people beyond the provinces clustered around Jalalabad.

47. Interviews with the wholesalers of cloth for women in Kabul (particularly KBL 1 and KBL2) supports the view that cultural identity is a significant factor in building trading networks. KBL1 who was a relatively small wholesaler whose business appeared to be struggling was a Pashtun (and ran the shop with his brothers) and with an apparently relative small trading base in Kabul; most of his trade was with traders coming from Jalalabad. In contrast KBL2 who was a much bigger wholesaler and with considerable connections to the retail trade in Kabul, was a Tajik. He reported that with respect to connections to provincial traders, most of his connections were with Mazaar.

48. There may also be issues of the social status of the traders in Jalalabad market in relation to the wider social world of Pashtuns. As Zardozi know well, the Shaykh Mohammadi are lower class Pashtuns who have traditionally played the role of pedlars. It is thought that this is the social background of many of the Jalalabad wholesale traders although the details are not clear. What did emerge however was that JL6 and his family came from a weaving group ('Jolas') that it is understood are also seen to be lower class and these factors may also circumscribe the social connections and trading links that they can build.

49. But the second factor given by JL6 was that expansion beyond Jalalabad would mean that he could not control the business, that his sons could not go away from him, that he could not trust anyone else and that he needed his capital for other social reasons – to buy land and build houses for his seven sons and to support his trading networks in the region. The central role of informal credit in the trading systems, the question of trust being broadly confined to the family and the need to maintain a strong joint household in order to run the business point to severe limits to expansion. In short the bounded solidarity of the joint household set the limits beyond which trust could not be assured.

50. Even the limited number of employees working for him did not count as family and were not people to be brought into the business. JL6 made it clear that if any of these wanted to set up a shop he would have to separate and not

be part of the firm. Further if any of his sons wanted to separate and engage in a different business, he would be given his capital but then he would cease to be part of the household. While it is not known whether the position taken by JL6 is characteristic of all the family firms that appear to dominate the wholesale market in Jalalabad, it certainly possible that the size of the family firm will be crucially dependent on the number of sons (or brothers) that are available to run the business.

51. In summary the absence of core infrastructure and social factors explains why the economic world of the wholesalers in Jalalabad remains confined to the Jalalabad region. While the infrastructure issues might possibly be addressed in the short term, given the nature and pervasiveness of the informal economy of Afghanistan and the social connections on which it is based it is highly unlikely that there will be a rapid transformation in the economic perspectives of the traders to a national level. The key lesson to draw from this is that great attention has to be paid to the distinctiveness of the regional markets in the garment sector.

Question 3: What is the structure and what are the dynamics of rural markets in the districts and provinces that surround Jalalabad particularly for hand made clothing?

52. As noted in the discussion under question 1, the rural retail markets of the Jalalabad region are heavily linked to the wholesale cloth market in Jalalabad. This is particularly true for the cloth for men. For those rural retail traders who were interviewed and live relatively close to Jalalabad they procured their cloth for women directly from Kabul as it was cheaper than in Jalalabad. It is probable but unknown that more distant provincial and district traders in the Jalalabad region however procure their cloth for women also in the Jalalabad wholesale market as in the example of the Kunar trader discussed in para. 26.

53. As discussed earlier this regional trade network depends heavily on the credit that the wholesalers give to their provincial and districts trading network and JL1 pointed to the amount of credit that he had given out (300 Lakhs PRS). JL7 described in detail his regional trading network. He reported that he had regional traders mostly from the districts of Laghman, Kunar and Nuristan and from the Jalalabad districts – a total of about 80 traders with most of them coming from Jalalabad and Kunar. His whole system was based on credit – only 1-2% of his business was in cash - and he employed 2-3 collectors who each week on a Friday went to collect weekly installment payments against the credit given. The relatively short interview JL1 was also done on a Friday and was on account of the fact that he needed to go to Shinwar district to make the weekly collection of payments.

54. The retail traders in Kama district (JL4 and JL5) accounts provide the other side of the picture. JL4 had relatively recently (2 months) set up his business with capital (6 Lakhs RPS) borrowed from a friend who had entered into a partnership with him on a profit share basis. His nephew who worked for the

police had also left him with 1 Lakhs RPS to use for his business. He had used his brother to make connections with the Jalalabad wholesale market and had established a credit relationship with 2-3 traders including JL6. He was slowly expanding his business in response to demand but as a new comer to the district centre (he came from a neighbouring village) he did not know people in the district centre and for the moment was only selling for cash. As noted earlier about 25% of his business was in cloth for men and the rest was in cloth and clothing for women.

55. JL5 had been a trader in Karma district in general goods for a number of years but 2 years ago had shifted into the sale of fabrics as he saw greater profit there. He also used friends to introduce him to traders in Jalalabad so that he could establish credit relations as his capital was limited. As with JL4 most of his trading was in cloth and clothing for women but he also suggested that part of the reason was that while men in the district could easily get to Jalalabad, women could not and were less mobile and therefore purchased locally. However a further reason he gave for the smaller contribution of male cloth to his business was the lack of a local tailor to make up the PTs. JL9, based in Metalam gave a similar account in that he moved from a food supply business to the army into clothing and used friends to establish credit networks. A further dimension to the district trade was indicated by JL11 who reported that a number of the retail traders in the Jalalabad market came from the districts as he had and that he also supplied on cloth on credit to customers that he knew from his home district.

56. The account of provincial and district traders moving into the garment sector in the recent past was based on their perceptions of an expanding market. JL9 who started about 8 years ago specifically tied it to the growth in rural incomes due to opium poppy cultivation and noted that during those early years there was a good market. As a result he accumulated, from a starting capital of about 4 Lakhs PRS about 7 Lakhs PRS which he used to buy land. However he observed that the market now was not good and the trade just provided him a living and no more. He used to go to Kabul every week to get stock of clothing for women but now he goes every two months. Further his purchase of cloth in Kabul is all in cash since he buys rolls from different shops.

57. Three of the four district traders spoken to (JL4, JL5, JL10) all carried stock of ready made clothing for women. For JL10 he traded only in ready made clothing for women while for JL4 and JL5 respectively about half of their trade in women's cloth was in ready made clothing. JL10 obtained his stock from Kabul and Peshawar, JL4 from solely from Peshawar and JL5 from Jalalabad and Kabul. The significance of ready made clothing in the trade of these districts traders suggests that there may be scope for Zardozi here, which brings the discussion to question 4.

Question 4: What is the scope and opportunity for developing district and provincial level production of hand made clothing in the districts and

provinces surrounding Jalalabad given the potential constraints of credit, input prices and challenges of design and products?

58. The discussion here focuses specifically on the scope for hand made clothing for women since Q5 addresses that of ready made clothing for men. The fact that ready made clothing for women has already a significant presence in Jalalabad and the regional market and that much of it is imported certainly suggests that there may be an opportunity here. The experience of traders in going to Pakistan was reported not to be good either and JL4 noted for example the harassment that they experienced from the police and the difficulties of taking cash there. But several of the traders also commented that in importing from Pakistan one was never sure of the quality that one would receive.

59. JL8 who was a retailer specializing in ready made dresses and based in Jalalabad city had started his business about 8 years ago. Moving from working in an NGO, he has slowly built up his business, and in its early stages in partnership with another trader who provided capital. He had gradually come to specialize in the more expensive end of the ready made women's garment including items costing up to PRS 30,000. The upper end of his market includes orders from customers who send the garments to relatives overseas for engagements and weddings in the expatriate Afghan community. Part of his success appears to stem from his active engagement in design benefiting from sources in India and Pakistan.

60. What is interesting is the fact that he is an example (and maybe the only one – he said that there were now 3-4 shops like his but they were dealing with mixed sources of clothing and he considered himself the best) of a trader who has moved from simply importing ready made clothes to producing and manufacturing his own (a business model innovation). He employs a male tailor and embroider and works with 3 of Zardozi's sale agents each of which has 8- 10 home producers. He commented that he had tried to set up his own sewing centre with about 200 women but that it had not worked and the women he considered were not productive, the costs were high and he closed it. He was positive about his experience of working with the Zardozi sale agents with whom he could communicate well but felt that he was not getting exactly what he wanted from the home producers. He also noted that the wages were higher in Jalalabad than in Peshawar and given the problems of electricity supply in the city, he divided the fabrication between women in Peshawar and Jalalabad giving the lower value work to the HPs in Jalalabad.

61. All the evidence then points both to an existing and significant market for ready made garments for women, existing experience in their fabrication and an interest by retail traders in the provinces in a local supply. The question was directly asked of the two Kama district traders whether they had any interest in being supplied with hand made clothing for women. They both gave a positive response, JL4 suggesting that such production was likely to be better than that supplied from Pakistan and JL5 emphasised that design and quality took precedent over price. He added if the hand made garments were

supplied to his shop and not to others in the locality this would be even better.

62. This last point is very significant and returns to the earlier discussion of the basis on which retail traders compete. A key part of the competition is based on having a design or quality that the immediate competitors do not have. This offers for Zardozi a potential opportunity particularly at the district level. While much of Zardozi's approach has so far focused on working with women, it does not appear to have matched this with a selective working with traders. It is suggested that an approach that builds selectively relationships with key traders and helps them build their business and reduce the risks that they face over quality and supply, would also serve the goals of providing better support to engage women in the market.

Question 5: What are the specific opportunities for the Tawro Peron Tomban

63. As has already been discussed there does not appear to be any trade in ready made PTs in the Jalalabad region although Zardozi knows of one trader who may be supplying them (but made in Peshawar?) to the districts. An assessment of the costs of buying the cloth for and having tailored even the cheapest of PTs (a minimum of PRS 620) suggest that on price alone there may well be a niche for a product selling at below this cost threshold. It is likely that even for those buying more expensive cloth which would push the cost of a tailored PT to PRS 1000 or more and who purchase a new PT every two months or so might be interested in a ready made quality product selling at slightly below the cost price of a tailored one. Jl11 to whom an example of a Tawro PT was also cautiously interested suggesting that the quality would be essential for developing a market for ready made PT. As he noted computer embroidered PT pieces were now penetrating the districts.

64. It is concluded that there may well be a potential market for ready made PTs; if a market as has been shown has been developed out of the specific cultural and economic conditions of Mazaar, then there are no strong arguments to suggest that a demand for a similar product in the Jalalabad region cannot be stimulated. There is an opportunity here for Zardozi, if it moves strategically and swiftly, to develop such a market, possibly using Mazaar for the present as a centre of production. However there would need to be a careful comparison of costs of inputs between Jalalabad and Mazaar and it is possible that the model of cloth procurement in Jalalabad followed by the computer embroidery business model in Kabul, should be followed here.

VI: Wider Implications

65. The evidence presented in this report on the garment markets of Jalalabad and the previous report on Mazaar point to the distinctive nature of regional markets in Afghanistan. What they have in common is the extent to which the markets work on the basis of informal relations and the nature of the (gendered) social structures that regulate these. Zardozi argues that its

primary focus is to build the agency of women in accessing markets and develop their entrepreneurial skills as a route to their economic empowerment. Agency refers to the capacity of an individual to act autonomously; an entrepreneur refers to an individual who has the ability to take risks and initiate or finance new commercial enterprises; empowerment is a more complex term that relates to issues of consciousness and awareness and capacities to act and achieve. But what can agency, entrepreneurialism and economic empowerment mean in the context of Afghanistan's informal markets governed as they are by social relationships?

66. Annex A lays out the detailed argument which is summarized here. Essentially it is suggested that men and women, in a context of acute risks and uncertainty in Afghanistan seek welfare and human security through personal relationships, particularly within the family or if necessary through patrons or more powerful people. This dependent security i.e they are dependent on others, is necessary to achieve 'freedom from' the risks and uncertainties of life where markets and the state are weak. However this dependent security limits their freedom to act as autonomous agents. Witness for example the limited ability of sons in the Jalalabad trading families to set up on their own or leave their family. Their autonomy is constrained, their choices are limited and this constrains their agency or 'freedom to' do what they want.

67. It means that Zardozi needs to be very cautious in its claims about building agency and creating empowerment. Given the widespread nature of risks the use of the term entrepreneur is also problematic (and somewhat romantic). While the term might apply for the minority of bigger family enterprises, for most they are at best petty entrepreneurs seeking to survive in a hostile market where there are few opportunities for formal employment. Zardozi accordingly would do better to account more specifically for actual changes that have come about through women's activities in the marketplace before deciding whether or not these changes necessarily reflect significant changes in agency or empowerment. It should also seek to understand better the sequencing of steps or graduated changes that might bring about significant changes in agency and empowerment.

68. There is a second issue which develops the concept of 'petty entrepreneur' and draws on the idea of political / economic 'classes', a term which is strikingly absent from discussions in Afghanistan. What is striking about the markets from both Mazaar and Jalalabad is the lack of class heterogeneity. With the exception of a minority of traders whose further economic mobilization is constrained by social factors and the confinement of trust to family and identity networks (bounded solidarity), what characterizes the rest is a common experience of poverty. I think this is what characterizes the ethnic enclave of Hazaras in Mazaar. The absence of an entrepreneurial class is striking, and reflects both the loss of an educated elite during the war years and the lower level of education and skills in those left behind. The higher levels of Afghanistan's economy are not linked to an economic mobilization

but have been seized by powerful people whose interest is in rent seeking (extracting maximum profits for benefit and personal consumption).

69. From a practical viewpoint there are some important implications for Zardozi. First as suggested earlier it needs to pay as much attention to the risks and uncertainties that traders face as part of the process of developing economic opportunities for women. In short Zardozi, within the context of Afghanistan's informal economy needs to act as an intermediator[3] understanding both the risks and uncertainties that both traders and producers face and matching them as partners. This implies a selectivity in terms of which traders it will work with and the terms and conditions of doing so. Linked to this and second, there is a strong case for being highly selective in working with particular sale agents. I am struck by meetings with sales agents in both Mazaar and Jalalabad that in both locations there are individuals who have personal skills that are likely to make them highly successful. Selective support to them (as an upper tier of sales agents) to build their capacities and markets (working with selected traders) might achieve a scaling up that will not be possible with many of the other sale agents.

[3] **Intermediation** involves the "matching" of lenders with savings to borrowers who need money by an agent or third party, such as a bank

Annex A: **Agency and Socio-economic security: the obstacles to empowerment**

We need to pay more attention to the nature of agency in relation to socio-economic security (used in the sense of human security) and give it as Wood argues (2007:109) a 'strong sense of time, opportunity, choice and risk'. This means building on what we know about what poor people do to attempt to gain socio-economic security.

The discussion starts by drawing on the conceptual frameworks of welfare regimes to outline the specific conditions of insecure and informal security welfare regimes. It uses this typology to draw out the crucial distinction between 'freedom to' and 'freedom from' linked to the idea of 'autonomous security' and 'dependent security'. It then argues that most poor people seek dependent security because of the failure of states and markets and the uncertainty and riskiness of their lives: the effect of this dependent security built on investment in social relations many of which are hierarchical, is to constrain choice, to discount the future for the sake of the present and therefore severely limit individual and household capacities 'freedom to' act. The implications of this are that actions and interventions that can shift the balance from 'dependent security' to 'autonomous security' are likely to constitute steps in building empowerment.

Welfare Regimes

The discussion starts by drawing on the conceptual framework of welfare regimes (Gough & Wood, 2004), and in particular to the conceptualisation of the stylised 'informal security' and 'insecurity' regimes. Fundamental to this analytical framework is the concept of the institutional landscape including not just the state but also the market, communities and households. The 'ideal' type against which the informal security and insecurity regimes are positioned is that of the welfare state regimes of the western world where according to their various persuasions, states, to variable degrees, protect and secure labour from market forces, and households achieve formal welfare through a mixture of market and state protection mechanisms. Implicit in this welfare state model is the separation of state from market and individuals, the existence of boundaries, rules, rights and obligations which establish degrees of order, fairness and predictability.

In contexts where the state is weak and the market has reduced or little formal regulation, and in an environment therefore characterised by acute risk and uncertainty, the search for security is paramount and households have to seek it and welfare through informal means. This is done primarily through the institutions of the community and household, which can be local or wider in scale[4]. This is the informal security regime and what characterises it is the

[4] Community includes organised and purposive relations such as national and international NGOs and religious groups as well as more ascriptive relations of

pervasive existence of deep patron-client relations structured by strong hierarchies and inequalities of power. Extreme leakiness between institutions, a characteristic of informal security regimes, blends the informal with the formal and provides individuals and communities opportunities to promote, secure and reward self interests in the market or state, and thereby gain and consolidate position and reinforce patronage. Afghanistan lies firmly within an informal security regimes bordering in certain geographical locations on an insecurity regime.

While informal security regimes provide certain limited informal rights but at a cost, insecurity regimes are characterised as essentially destructive of household coping mechanisms and informal rights. They generate, outside narrow ties of ascribed identities, gross insecurity that few informal security mechanisms can withstand or evade. As Bevan (2004) makes clear with respect to the characterisation of insecurity regimes, account has to be taken of predatory behaviour in relation to conflict, the processes of exclusion and the creation of suffering and personal insecurity.

In most welfare state regimes the state either through direct provision or as regulator of the market provides or guarantees security and order and the provision of basic needs. This security is seen to provide enforceable entitlements and give rise to autonomous security in that the individual can act, within the rules, to further his or her interests. This is the normative position associated with rights and is seen to provide the basis for the 'freedom to act'. This approach is embodied in the UN Human Development index in its comparison of states.

However under conditions where the states are weak and markets insecure, or where there is conflict, security in its widest sense is not assured, and *in extremis* in the failure of its provision, humanitarian intervention occurs. What characterises such situations is not only the dependence of individuals on their household and community for security, but the search for security is not in relation to the 'freedom to act' but seeking 'freedom from' threats, risks and hazards (Wood, 2007). The absence of 'freedom from' insecurity severely limits or undermines the 'freedom to act'. Further the reliance on household and the community to provision that security, makes that security dependent on others, and constraints individual autonomy. There is therefore a correlation or linkage between the nature of the welfare regime and the degree of autonomy that can be secured (table 1).

Table 1: Linking Regime type and forms of security and independent security (Adapted from Wood, 2007: 114)

Insecurity	Dependent Security	Autonomous Security
Insecurity Regime	Informal Security	Many welfare state

kinship, tribe and ethnicity. Households in the wider scale encompass international strategies of migration and remittances.

(Bevan, 2004)	Regime (Wood, 2004)	regimes (Esping-Andersen, 1990)

Insecure and Informal Security Regimes

As noted above insecurity regimes and informal security regimes are 'ideal types' and their presence subject to local context as noted above. The complexity and variability of the institutional landscape linked in part to ecological and geographical variability is a characteristic of Afghanistan (Pain and Kantor, 2011) and there can also be considerable variability in the nature of dependent security between villages that are comparatively close (Pain and Kantor, 2011).

A characteristic of both insecure and informal security regime is the context of acute risk and uncertainty generated by the failure of the state to function effectively and impartially. There is increasing recognition of how significant the exposure to risk and the lack of means to cope with it are as causes of both the perpetuation of poverty and the creation of poverty traps (Dercon, 2006). Risk results in household behaviour that may lead to the avoiding of opportunities that might offer routes out of poverty. The account of risk given by Dercon and others relates more to that of covariant and idiosyncratic risk due to drought, price shifts, pest outbreaks or deaths within the household. It is certainly the case that for poor people many of the risks are likely to be co-variant and closely clustered (and localized) because of the interlinked nature of activities through which livelihoods are pursued and the lack of diversity of the portfolio of options available to them. This clustering of activities increases the probability of risks being realized and exacerbates the intensity and significance of the impact of the shock, when it occurs.

However risk within the context of informal security regimes has to include not just risks of a covariant and idiosyncratic nature but also has to be understood in terms of its structural dimensions as caused by inequalities and exclusion. It therefore needs to incorporate 'an institutional and relational account' (Wood, 2004: 69) due to inequalities of power. Taken as a whole the risk environment leads to the creation of chronic uncertainty where the future is heavily discounted for survival in the present. Under conditions of weak state and market failure the only source of socio-economic security and 'freedom from' threats is to be found in the social relationships that can be established within the household and community. This can come at the cost of autonomy.

Dependent Security

Much of the research on chronic poverty in both Africa and Asia points to the dependent nature of poorer people on richer people for their security and the importance of investment in social resources to secure and maintain social relationships that can offer a degree of socio-economic security. For example work on informal credit in Afghanistan (Klijn and Pain, 2007) points to its critical role in consumption smoothing; Kantor and Pain (2010) argue that it is only through the building of such social relationships that a degree of predictability in the lives of poor people can be achieved. But the nature and quality of relationships that can be established are highly variable and diverse in their qualities: some established between relative equals can be mutually beneficial; others entered into from different resource positions may be highly unequal in terms of outcomes. While these social relationships may provide informal, non-codified rights and security, they require for the poor, as Wood puts it (2003), a Faustian bargain whereby short term security is traded for long term vulnerability. This 'adverse incorporation' (Wood & Gough, 2006:1699) perpetuates clientelism.

An example from Afghanistan illustrates the point. In a village near Kandahar in the south a poor household lost access to land they had been sharecropping for 20 years because the landlord gave the land to a relative of his: the explanation by the wife is revealing, showing how they were entirely dependent on him for work and credit and therefore had no room for autonomy:

'[the landlord] used to say "You have to work on my lands honestly. If you do so, then you will be working on my lands forever. If you do not, then I will take my lands in two weeks" [My sons] used to work on his lands and in another place too. The landlord didn't like that and he took his land away. We couldn't argue with him anymore. He is powerful and also has wealth; we are afraid if someday we were to ask him for credit, he will deny it to us' (Pain, 2010b:37)

Survival has been achieved but at a cost to long term welfare and autonomy. Not only does this example illustrate the issue of socio-economic differentiation within villages and different levels of choice and agency between rich and poor people, but it also questions whether 'resilience' at the household level and 'resilience' at the village or community level can be commensurate. There is evidence (again from Afghanistan, Pain and Kantor, 2011) that points to considerable differences between villages with respect to the degree of socio - economic differentiation, the level of public good provision and the behaviour of elites. Under conditions of relative resource scarcity and limited economic differentiation where even the elite can be insecure, a moral economy and mutual support can be found. However under conditions of resource richness and a high degree of economic differentiation the most extreme forms of adverse incorporation are likely to be found.

All the above points to the fact that for many choices are severely circumscribed, risks are high, autonomy is limited and time preferences are short. This does not mean that there is no capacity to act: the spread of opium poppy cultivation in Afghanistan (Pain, 2010)

But while individuals, households and communities may indeed be able to take actions to gain relative protection and security in the short term, their capacity to envisage and plan for a longer term is severely constrained. But this does not necessarily change the core circumstances of dependent security characterized by a constrained risk pool, short term horizons and limited choice. Shifts in any of these dimensions which would indicate a move along the spectrum from dependent to autonomous security and from 'freedom from fear' to 'freedom to act'. It is on that spectrum that the effects and impact of interventions to 'empower' and support 'agency' could be assessed.