

## The Economic Viability of Alternative Development

Only 1% of total arable land is used to cultivate opium poppy and the coca bush in Asia and Latin America. This 1% constitutes about 400,000 hectares. UNDCP alternative development projects have been tried on only 6.5% of these areas under illicit cultivation (see Table 1). Projects from other agencies have probably covered a similar proportion. Alternative development has thus been tried on only about a tenth of total illicit cultivation areas.

In 1995, investments of US\$ 71.8 million in alternative development were

**Table 1: Area under illicit cultivation covered by UNDCP projects**

Country	Arable land (ha) 1995 (FAO)	Area under illicit cultivation (ha) 1998	Area under ill. cult. as % of arable land	Area under illicit cultivation covered by UNDCP projects (ha) 1998
Myanmar	9,540,000	130,300	1.36%	2,000
Thailand	17,085,000	716	0.00%	0
Laos	875,000	26,837	3.07%	1,660
Vietnam	5,509,000	442	0.01%	442
Pakistan	21,050,000	950	0.00%	950
Afghanistan	7,910,000	63,612	0.80%	4,012
Colombia	2,406,000	77,000	3.20%	7,700
Peru	3,800,000	51,000	1.34%	5,100
Bolivia	2,130,000	28,000	1.31%	2,800
<b>Total</b>	<b>34.535.000</b>	<b>378,857</b>	<b>1.10%</b>	<b>24,664 = 6.5%</b>

equivalent to 1.6% of total Official Development Assistance (ODA) in the countries under consideration. Of the US\$ 71.8 million invested in alternative development, UNDCP provided US\$ 26 million, equivalent to 0.6% of ODA in 1995. (See Table 2.)

Alternative development aims at providing alternative sources of income for opium and coca through rural development. UNDCP's approach takes into account the economic, social and cultural factors that form part of the drug problem and tries to resolve it on several fronts through a balanced approach. More than twenty years experience in eradication, crop substitution and alternative development have resulted in successful reductions in illicit cultivation in most of the areas targeted. Through the endorsement of the 'Action Plan on International Cooperation on the Eradication of Illicit Drug Crops and on Alternative Development' at the Special Session of the General Assembly, Governments confirmed that through international cooperation at policy and operational levels alternative development could make a global impact.

Yet, the acceptance of alternative development as an instrument of drug control is still limited. This is on account of several misconceptions, the most widespread of which are listed and refuted below:

**Misconception 1: From a national economic development point of view, illicit drug cultivation can be ignored because of its relative insignificance.**

**Table 2: Investment in Alternative Development: A Comparison (In million US\$)**

	UNDCP 1987 - 1996	Others 1987 - 1996	Annual Average (UNDCP + Others)	Total Net ODA from DAC * Countries, Multilateral Org. and Arab Countries in 1995
Myanmar	13.6		1.4	n.a.
Thailand	20.0	75.0	9.5	863.0
Vietnam	3.8		0.4	826.0
Laos	15.0	14.0	2.9	311.0
Colombia	27.0	6.0	3.3	231.0
Bolivia	80.3	102.0	18.2	692.0
Peru	44.0	146.0	19.0	428.0
Pakistan	48.5	103.6	15.2	805.0
Afghanistan	9.5	10.0	1.9	214.0
<b>TOTAL</b>	<b>261.7</b>	<b>456.8</b>	<b>71.8</b>	<b>4,370.0</b>

\* DAC = Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD)

Areas under illicit cultivation do not represent significant amounts of land used for agricultural purposes. On an average, illicit crops are cultivated on 1 - 2% of arable land in Asia and Latin America. This small area, however, has a high potential for economic and political destabilisation through the underground economy fed by drug crops. Illicit drug crops tend to be cultivated in remote rural areas which are often thinly populated and below the average income level of the country. These areas are often inhabited by ethnic minority groups and are characterised by limited central state power. This marginalisation has led to growing associations between drug production areas and processes of political destabilisation. From a macro-economic and political perspective, ignoring enclaves or areas of an underground economy with a tendency to act autonomously will only escalate social conflicts and divisiveness.

Alternative development projects aim primarily at the structural factors which hinder integration of the concerned areas into the development process. In Pakistan, for example, alternative development programmes have provided

economic justification for government pressure to move away from cultivating poppy, resulting in a reduction of opium production from approximately 800 mt in the late 1970's to 24 mt in 1998.

The Dir District, a remote, poor area with a tribal population and clear potential for social unrest and fundamentalism, has been integrated into mainstream national development, linking the region to urban centers and their marketing opportunities. With a total investment of US\$ 38 million over 15 years, and with an initial target group of 50% of the population below the poverty line, this district has now become the third-highest income-level district in the province, showing substantial increases in income and a simultaneous reduction of poppy cultivation to almost zero.

**Misconception 2: The production of illicit drug crops is a sustainable economic activity for farmers**

Economic dependency on cultivation of illicit crops for rural population groups is not sustainable in the long run. This not only relates to aspects of legality, law and order and national image, but also to economic principles. The agro-industrial illicit drug economy forms an enclave increasingly separate from national economic development, and is subject to market fluctuations as dictated by demand. For example, the coca market has contracted and prices are low. In Latin America, poverty issues previously compensated for by the informal sector - including the illicit drug economy - will now reappear as major macro-economic issues. The illicit sub-economy is also increasingly linked to processes of political destabilisation in Asia and Latin America.

This non-sustainability is tackled by development efforts which, in areas of illicit cultivation, take the form of alternative development. This has provided sustainable development in the project areas and at national level. Experience has shown, however, that investment periods of 10 to 20 years are needed to show and sustain success.

In Thailand, 20 years of alternative development assistance (1973-1993) and a total investment of US\$ 125 million reduced opium poppy cultivation from 150 mt to less than 10 mt. The remote, marginal areas were systematically integrated into the national mainstream economy through development programmes covering areas from infrastructure and agricultural techniques to social services. The drug control programmes contributed to improved skills of ethnic minorities, enabling them to better integrate into the larger society. The policy development, organizational and technical skills of many government agencies was strengthened and village structures were reinforced. The sustainability of these development efforts is testified by opium production statistics and by the high economic growth rates in recent decades.

**Misconception 3. Unstable areas with a potential for social unrest need to be**

### **pacified by law enforcement measures and not alternative development**

In Colombia since 1996, about 85% of the annual national budget for drug control was used for law enforcement and crop eradication and 2.7% for alternative development. The net result has been that coca and opium poppy growers have seen their plots eliminated without ever receiving any technical and financial assistance. There can be little doubt that armed conflict, the lack of state control and the absence of significant alternative development programmes made Colombia's rapid increase in illicit crop hectareage possible.

In Afghanistan, the armed conflict and the parallel rise in opium production has lead in international perception to a strong endorsement of the development alternative as the only solution to this country's problems. If law enforcement strategies were pursued in isolation under these circumstances, it would only exacerbate the problem and be counter-productive. In Myanmar, development of minority areas with illicit cultivation is endorsed as a long-term sustainable approach to socio-economic problems in the national territory.

#### **Misconception 4: Investment in eradication efforts is more effective and more cost-effective than investment in alternative development**

Forced eradication of drug crops requires control over, and access to the cultivation areas as well as continuous law enforcement. Typical illicit cultivation areas, however, are isolated and often beyond the control of the national government. Eradication needs to be re-applied regularly since recidivism of cultivation seems to be the rule. As long as no legitimate alternatives for income are available, costs for law enforcement will re-occur.

Alternative development, by contrast, account for the micro- and macro economic aspects of illicit drug cultivation and aims at a long term solution. It tackles the drug supply problem at its roots and is very cost effective compared to other supply control strategies if considered over a longer period of time. For every hectare that is not cultivated and harvested, there are commensurate savings on law enforcement and interdiction.

In the Palavek area in Laos, opium production was 3.5 tonnes in 1989. From then, UNDCP invested US\$ 6.6 m in the area over the next 6½ years. With a target population of about 5000 people, this amounts to approximately 200 US\$ per head per year. The project was able to make the area accessible (from 3-days travel by foot, ferry and car to three hours by road), open it up to trade (the number of shops increased from 2 to more than 60), provide better health care and food security, transforming Palavek from a rice importing district into an exporting one. Dependency on opium was reduced because the project addressed opium in each its three roles: as cash crop, source of credit and medicine. At the end of the project, opium production had decreased from 3.5

tonnes to less than 100 kg. This is equivalent to about 350 kg heroin prevented from being trafficked and abused.

**Misconception 5: There are no alternative crops which are as profitable as drug crops**

In South West Asia, including Afghanistan, there is little doubt that there are many crops that can compete with opium poppy, particularly if the cost of labour is taken into account. Alternative crops range from wheat to onions, cumin, saffron, and different kinds of fruit. In Nangahar province of Afghanistan, in 1995, for example, net returns on wheat were Afs. 290,700 per hectare whereas for opium the net returns per hectare were Afs 235,400, i.e. wheat was 23% more profitable.

In Laos, income from coffee, chili and sericulture exceeds income from opium. On a per hectare basis in 1995, coffee exceeded opium by almost 300% and chili exceeded opium by 370%. The problem in the opium cultivating area was in market access, which had not been developed. With the investment in alternative development, market access was provided and coffee and chili became profitable and marketable alternative crops.

In Latin America, alternative development is more focused on the creation of local organizations, improvement of production through technical assistance and extension, development of agro-industry and marketing. This has been successful in Peru (Ucayali), where oil palm was developed as an ecologically appropriate alternative in the mid-1990s. Returns on oil palm are US\$ 700 per hectare in comparison with US\$ 460 for coca. The switch in cropping has also created jobs and generated dynamic occupational activities in the region such as food services, lodging and trade.

**Misconception 6: Narcotic crops bring wealth to peasants and to the area**

The illicit income provides on an average 50% of the small farmers' household income and provides the urgently needed cash in typically cash-constrained subsistence economies. Apart from solving the cash-flow problem, the illicit crop is the traditional collateral for credit, which otherwise is hardly - and often not at all - accessible. However, illicit drug cultivation never means wealth and farmers in all narcotic crop cultivating areas have remained poor.

For example, money income is relatively high in Colombian departments with illicit cultivation and agricultural wages are twice the national average. Nevertheless, life quality in these districts is significantly below the Human Development Index average for Colombia. The underdevelopment of the coca and cocaine producing regions comes out even stronger when the Human Poverty Index is applied, operating with concepts such as "unsatisfied basic needs" and "misery" that combine data not only on education and life

span, but also on housing, water facilities, health services etc. It is calculated that 68% of the households in these regions have “unsatisfied basic needs” and that 35% live “in misery”: the national averages are 27% and 11% respectively. The drug money may bring wealth to some people, but it certainly does not bring development.

In contrast, alternative development in illicit cultivation areas has led to higher and stable incomes from legitimate sources: In Buner (Pakistan), an assessment of alternative development impact showed that the estimated gross per capita income of US\$ 61 with poppy cultivation in 1976 went up to US\$ 157 without poppy cultivation in 1987. Likewise, on a larger district scale, and as noted above, in Dir (Pakistan), income increased so substantially through the development programme, that the formerly poverty stricken district of Dir now ranks third highest in income after the two major urban centers of the province.

**Misconception 7: Investment in alternative development only brings localised success which is offset by displacement of illicit cultivation to other areas.**

It has been argued that alternative development is an instrument of drug control with substantial limitations. This is emphasized particularly in the context of global production increases for opium poppy and coca. However, as stated above, only 10 - 15% of areas under illicit cultivation are covered by alternative development projects supported by the international community. In areas with alternative development, projects have been successful and it is a fallacy to hold alternative development responsible for drug production in areas where it is not applied. The so-called balloon effect, i.e. the displacement of illicit drug production is not a function of failed alternative development efforts but a result of several factors such as implementation of law enforcement and eradication activities without alternative development as well as the development of global drug markets.

In fact, when properly applied, alternative development has multiplier effects beyond the project areas. The opening up of remote, underdeveloped areas with initial investment and the attempts to link such areas to national mainstream economic development has been a major achievement. The initial investment is often followed by further investment efforts. Thus, the development of the Dir district (Pakistan) has led to the selection of adjoining areas for investment by other development agencies. Subsequent to the pioneering role of UNDCP, other multilateral partners are brought on board to continue the development work.

To conclude, mainstream development discourse now recognizes that a decision in favour of drug control and particularly alternative development is ultimately a question of governance and political will. While this is certainly valid, it should be noted that it applies equally to both sides of the equation, i.e. the recipient and the donor countries. To choose alternative development

as an instrument for drug control means to choose the long-term perspective for sustainable economic development and equitable growth.