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Public-Private Cooperation in Fragile States

Case Study Afghanistan 2:

The case of the Baghlan Cheese Factory in Afghanistan.

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Public Private Cooperation

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Context

This case study is part of the research project on Public-Private Cooperation (PPC) in the economic reconstruction of Afghanistan. More information can be found online at: *http://www.clingendael.nl/psdn*.

Other documents on Public-Private Cooperation in Afghanistan

- Final report Public-Private Cooperation in Afghanistan
- Case study 1: Tradepoint Afghanistan Distribution Centre
- Case study 2: Baghlan Cheese Factory
- Case study 3: New Baghlan Sugar Company
- Case study 4: The Development of a Dried Fruits Value Chain

Available online at: *http://www.clingendael.nl/psdn/documents.html*.

This publication is an outcome of the in 2008 established 'Network for Peace, Security and Development'. The Network aims to support and encourage the sharing of expertise and cooperation between the different Dutch sectors and organisations involved in fragile states. The PSD Network is an initiative under the Schokland Agreements in 2007. You can find more information on: www.clingendael.nl/psdn

1. Introduction

Fragile states are plagued with numerous problems impeding development: insecurity, weak governance and a poor enabling environment for businesses are both the result and the cause of poverty and conflict. Getting out of this vicious circle requires sustained efforts by national government, NGOs, bilateral and multilateral aid organisations and the private sector.

The aim of this paper is to asses whether and how Public-Private Cooperation (PPC) can enhance economic development in fragile states or post-conflict situations. A PPC is defined as a partnership between government, the private sector and civil society (NGOs). The case studied is the Baghlan Cheese Factory in Afghanistan. In 2006 a Dutch NGO was asked to rehabilitate this state-owned factory that was destroyed in the 1980s. Consequently, it was supposed to privatise it by handing over ownership to a farmers' cooperative.

This paper addresses three questions. The first is to which extent the intervention has been a success. The second is what the different partners contributed and what they got out of it. The last question is how the context of the fragile state influenced the process and the outcomes.

2. Baghlan area

Baghlan province is situated some 250 km north of Kabul. It is a high potential agricultural area with a wide valley with fertile land and sufficient water for irrigation. In the first half of the 20th century it became a prime investment area to modernise agriculture: irrigation schemes and agro-industries like a sugar factory in Baghlan.

Tajik form the majority in the province (53%), with large minorities of Pashtun (20%), Hazara and Uzbek. Tajik are the most educated group and the provincial capital, Pul-i-Khumri, has some well-known higher education institutions. In Baghlan district, 30 km north of Pul-i-Khumri, the majority are Ghilzai Pashtun, who were forced to move from their homeland in the south to Baghlan in the last decades of the nineteenth century.[1] In the south they opposed the king, Abdur Rahman, the founder of modern Afghanistan as he was a member of the rival sub-tribe: the Durrani Pasthun. In Baghlan they supported the same king as he was a fellow Pasthun whose protection they needed against the Tajik, Uzbek and Hazara. Indeed they did become landlords with large tracks of land operated by sharecroppers.[2]

Over time a social and political rift separated urban, modern Pul-i-Khumri from feudal, rural Baghlan. In the communist era many Tajik intellectuals joined the government to modernize the country and Pul-i Khumri was know as 'little Moscow'. At the same time the Pashtun in Baghlan joined the Mujahedeen; during the day they were farmers, at night freedom fighters. Today, many of them oppose President Karzai, again as he is a Durrani Pashtun. Many support Hekmatyar, the most conservative and opportunistic fundamentalist leader close to the Taliban who is generally held responsible for the bomb blast at the opening of the Baghlan sugar factory that killed nearly 100 people in 2007. Today, Baghlan is one of the most insecure areas of Northern Afghanistan; at the time of the field research it was impossible for foreigners to stay there overnight.

3. The actors

The three *principal* partners in this case are: the Ministry of Agriculture, Irrigation and Livestock (MAIL), the DCA and the farmers. We will explain here what their aims and contributions were. Later we will see what they managed to get out of it.

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[1] See Dupree, 1973. Afghanistan. Pages 419 and 472- 473.

[2] In Baghlan in 1963, 22.2% was sharecropped, compared to the national average of 13.8% (Dupree, 1973 p. 147).

MAIL is the owner of the factory and is trying, as part of the national process of state building, to organise itself to deliver some basic services to the farming community. Its limited funds and human resources hardly allow it to do so. Its *aim* in this PPC is to get its assets, which were lying idle, functioning once again for the benefit of the farming community. Its *initial contribution* to the PPC was to make the land and the destroyed factory available; when the project was underway it signed a MoU in which it agreed to pass on both the land and the assets to a farmers' cooperative once that was created and functional.

DCA was created in 1978 to support the Afghans during the Russian era when the country was closed to Western NGOs. After the Russians left it faced a dilemma: was it still needed or could its work be taken over by general NGOs? In 1994, a group of veterinarians active in the organisation decided to continue as a professional NGO: DCA-VET. Its aim is: "to offer aid and assistance to the population of Afghanistan by improving the health and productive output of the local livestock". The *aim* of DCA in this PPC was to assist Afghan dairy farmers to create an outlet for surplus milk via a milk processing cooperative. Its *contribution* has been to make its knowledge and skills available and to act as a neutral mediator between the state and the farmers. DCA did not make any invest in financial terms or in terms of assets; yet, as we will see below, it did take a considerable risk in entering into this PPC.

The farmers have been the most passive partner, also because they were still trying to rebuild their lives and farms after years of exile (in Pakistan) or after trying to survive in a dysfunctional economy. They were only organised once the project started. Their *aim* was to have an outlet for their surplus milk and to increase their income by operating a profitable milk processing plant. So far, the farmers have not *contributed* anything yet (see below for details).

Revitalisation and Building (PRB), an Afghan NGO created in 1990, was a *support* actor. It was contracted by DCA to implement some components of the project. Its *aim* was to execute these projects as efficiently as possible. Its *contribution* was to make its skill and knowledge available as part of the contract. It did not engage in any long-term commitments or investments.

The final important actors were the donors. CIMIC, the civilian part of the Dutch Provincial Reconstruction Team (PRT) stationed in Baghlan in 2004, sponsored the poultry component of the first project. Their *aim* is to have quick impact projects to win the hearts and minds of the local population and to convince the Dutch public that the Dutch army can contribute to reconstruction efforts. Their *contribution* is both to finance some activities and to provide short-term advice to civilian experts. The Royal Netherlands Embassy (RNE) financed virtually all of the other activities. Its *aim* is long-term, structural development. Its *contribution* is purely financial.

4. Project design

The Baghlan cheese factory was a state-owned plant built in 1971 with donor support and destroyed in 1987 in a battle between government forces and the Mujahedeen. In 2004, MAIL requested the director of DCA to rehabilitate it. He was motivated to do so, as he had worked for the FAO in the early 1970s in Baghlan and knew the factory. He approached the Dutch PRT and the RNE in Kabul as potential donors.

Initially, the RNE did not have funds and delegated much of the work to the PRT. This changed in the spring of 2005 when the Dutch Minister of Development Cooperation visited Afghanistan and pledged € 5 million for development programmes. Quick impact activities were needed as well as long-term structural development programmes. This fitted well within the discussion that had taken place between DCA, PRT and RNE so they entered into a three-way dialogue to design a livestock programme in Baghlan. PRT had IDEA experts coming in to provide suggestions for activities. RNE stressed the need to look into feasibility issues; they wanted more data on milk supply and on cheese markets. They were concerned as Land O'Lakes Inc., a dairy cooperative from the USA, was planning to open a huge milk factory in nearby Kunduz (with USAID support).

The process proved too time-consuming and in September 2005, DCA employed a Dutch expert to start a small, quick impact poultry project with CIMIC funds (see below). At the same time it made a quick assessment of the potential milk supply and cheese markets. After discussions in eight villages, 197 farmers registered who could supply more than a thousand kg of milk per day. This was seen as an indication that sufficient milk could be collected. A survey in four supermarkets in Kabul led to the conclusion that some fifty shops would be able to sell 2,000 kg of Gouda cheese per month. Based on these outcomes and on an assessment of the costs of the plant, it was calculated that the plant would be profitable in five years.

At the end of 2005 the programme was agreed upon and contracts were signed. The stated aim of the 'Animal Health and Production Programme in Baghlan' was: 'To contribute to sustainable and equitable economic development, and to improve food security, through supporting private sector development in animal husbandry and milk processing'. The main activities were:

1. Preparing the ground for a viable dairy industry by creating an outlet for surplus milk
2. Stimulating income-generating activities by distributing dairy cattle, sheep and poultry combined with training in animal husbandry and health issues;
3. Strengthening the prevention of livestock diseases by building Veterinary Field Units (VFUs).

In this research the steps taken in the decision-making process could not be exactly retraced; only a few documents are available. Yet, the key players interviewed (PRT-PoLad and two staff members of DCA) experienced it as a murky process in which many ideas were pushed by actors with different interests. Indeed different players managed to leave their mark on the programme. DCA, being a veterinary organisation, introduced the strengthening of VFUs. PRT stressed the need for a poultry programme, an idea of one of its CIMIC staff. And with the number of animals in the area still being low and with an influx of returning refugees, MAIL stressed the distribution of animals to vulnerable families. All this meant that, although the reconstruction of the plant was the core component, only 27% of the budget was allocated to it. Alongside 25% for overhead and support costs, a substantial part the budget was allocated to the distribution of animals to farmers (31%) and for setting up VFUs (17%).

5. Project implementation phase 1: reconstructing the plant

In June 2005 CIMIC and DCA signed the contract for setting up Poultry Clubs in secondary schools to stimulate interest in commercial chicken production. DCA contracted PRB to implement it. It proved problematic: schools did not consider poultry a priority; responsibilities were not clear (e.g. who would take care of the chickens during the 4-month-long winter holidays); it was difficult to find places for chicken huts; and many feared security problems. Too many issues remained unresolved and, looking back at the exercise today, PRB concludes that it was a 'silly project'. It tried to adjust the concepts, but to no avail. PRB felt that CIMIC was imposing its ideas and both DCA and PRB were relieved when a threatened avian flue epidemic provided the excuse to terminate the project.

In December 2005 the overall programme started with a budget of 1.4 million USD. A Dutch project manager was employed and a new cheese factory was built with Dutch equipment. A Dutch specialist designed the layout (in cooperation with PRB) and assembled and tested it. An Afghan specialist was recruited as the Technical Manager. Staff training in hygiene, recording, documentation and setting up an administrative system were other issues. In six villages milk collection centres were established. Cheese production started in December 2006. At the end of 2007, PRB set up farmers' associations in these villages which together created a cooperative in March 2008. The idea is that the cooperative will be the future owner of the cheese factory.

While the plant was being reconstructed, PRB distributed 500 sheep to beneficiaries selected in close consultation with local authorities. In six villages, 250 vulnerable families received two pregnant sheep, vaccinated and medically checked by a para-veterinarian. A veterinarian trained the beneficiaries in animal health and production. Sheep feed was also distributed for a certain time. In ten villages in the proximity of the factory, 25% of the inhabitants were given a cow; 177 in total. The beneficiaries paid 30%

of the cow's value. In November 2006 PRB signed a contract with DCA to construct seven VFU buildings. These became operational in the spring of 2007.

6. Project implementation phase 2: making the plant viable

Project implementation was successful in the sense that all activities were completed. Yet the economic results were poor. In 2007 the factory collected 210,000 kg of milk at a cost of 77,000 USD, but the income was only 23,000 USD. The overall operational loss was over 170,000 USD. Making and storing good quality Gouda cheese proved difficult and selling it even more difficult; only 150 kg was sold per month and stocks increased rapidly. A crisis was developing and in mid-2007 a new international manager was appointed who was an old hand in dairy development in developing countries and who identified several flaws and deficiencies in the set-up. Next to the marketing problems, the operational management of the factory was weak (leading to poor and inconsistent quality products), and so was the administration (leading to milk/cheese going missing).

One element of the response was to submit a proposal for an extension of the project to the RNE. As it was understandable that a milk plant could not be made profitable in such a short period of time, the 'Dairy Development in Baghlan Province' was granted, with a budget of 0.65 million USD. It started in May 2008 and aims at attaining a profitable and sustainable dairy plant. It was based on a new business plan that showed that the factory could be financially sustainable in 2013 with a turnover of 3,800 kg of milk per day. At the same time, the new project manager introduced a series of measures:

- Installing a new monitoring system for the flow of milk products in the plant, linked to the financial administration and the sales data
- Increasing the capacity of the plant so that it handles 4,000 kg of milk per day. Production was diversified as well. This required new equipment and even the reconstruction of parts of the old factory buildings that were initially disregarded.
- Staff were trained to improve the quality and were given instructions on producing other products.
- Reshaping the sales system with more responsibilities and costs being shifted to the retailers.
- Dismissing the manager of the factory after irregularities had been observed.
- Reorienting the supply of equipment and training from the Netherlands to India, assuming that costs are lower there.

The changes did have a positive impact: the income for 2008 more than tripled to 78,000 USD. But problems still remain as sales equalled only 80% of the production (so stocks increased) and the income hardly exceeds the costs of purchasing milk (70,000 USD). Restructuring continued in 2009 by reducing the high costs for energy and transport and by reducing the number of staff.

The biggest problem, however, was the limited supply of milk. Very few farmers who had been given a cow delivered their milk to the factory. As the NGO which had distributed them was no longer on the scene, any follow-up was difficult. Moreover, the administration of the milk supply was poor and data became lost in the period between the two international managers. So while the new business plan was based on a daily intake of 2,500 kg of milk, in practice it had hardly ever been more than 1,000 kg per day. This overoptimistic view backfired when 2008 turned out to be a very dry year and the milk intake was as low as in 2007: 600 kg per day. Obviously, such poor results put a strain on the relationship with the RNE; it must not only have been disappointed but it probably also started to question the reliability of the reports and plans it received.

One reason for the less than expected milk intake was that the milk collection centres installed outside the 10 km radius of the plant failed. It proved that in this zone half of the surplus milk is sold to traders who sell it to Baghlan and Pul-i-Khumri. They pay a better price; especially if one considers that they accept poor quality, diluted milk, which the factory does not accept. This in stark contrast to the communist era when farmers could not deliver any milk to Pul-i-Khumri as the Mujahedeen blocked the road (probably some dairy farmers were even Majahedeen themselves). The field research also revealed that in the old days the nearby Baghlan sugar factory not only provided concentrate and roughage to dairy farmers; it also provided improved dairy breeds to them. So supply was much easier in the 1980s. Another reason for the low milk intake could be that another project (implemented by ICARDA) handed out 600 hand-operated butter churns to 1500 dairy farmers near the plant.

At the time of this research the key question is how much milk is needed to make a 'minimal' plant profitable. A new business plan has been made, based on an annual intake of 300,000 kg of milk, a very lean organisation and an improved marketing system (leading to higher prices and less risks for the plant). Optimistic scenarios show profits, less optimistic ones still show losses, albeit lower than previous ones. The main question is still how the required amount of milk (50% higher than in 2007 and 2008) can be acquired. All attention is focused on increasing milk production in a 10 km radius from the plant. How can milk production consistent with farmers' priorities and the prevailing farming system be improved? The main elements are herd improvement (Artificial Insemination and record keeping) and the on-farm trials of fodder crops and an extension.

Another outstanding issue is the ownership of the plant. The original idea was that the factory would become a limited company, in which both DCA and farmers would have shares. Over time the farmers could gain shares by delivering milk to the factory. Next to the cash price they would be paid with a small share; by combining all their gains in this way, the cooperative would become the majority share holder in due time. In 2006 MAIL signed a contract to lease the land on which the factory is based to DCA for 20 years on favourable terms. It was agreed that if and when a capable cooperative would be created that could take over the management of the factory, MAIL would entrust the land to the cooperative, while at the same time DCA would hand over the assets provided by the donor to them.

In practice this proved very complicated; under Afghan law assets purchased with project funds cannot be handed over to a limited company. So the rehabilitated plant cannot be handed over to the limited company at the end of the project. It could be handed over to the cooperative, but this is still too weak to handle the responsibility of supervising the management of the plant. As farmers have not yet contributed anything substantial, they have no moral rights as well. So for the time being ownership and the management of the factory will remain separate. MAIL will own all the assets and entrust them to a newly created NGO to manage them. This NGO is controlled by DCA-Kabul and the cooperative. Initially DCA-Kabul will hold the majority on the board; in due time this will shift to the farmers. In order to avoid that DCA as such will be directly responsible for the BCF (and e.g. having to cover the losses), a special Business Unit will be created within DCA-Kabul to deal with this. Although the NHGO does not have shares like a limited company, the farmers will be given more seats on the NGO board, based on the amount of milk delivered (like in the original concept). When the farmers' cooperative has a majority on the NGO board, it can start to prove that it is able to manage the plant in a sustainable way. If it does this successfully for some time the state can entrust the assets directly to the cooperative, as originally foreseen. In the meantime the state will be represented on an advisory board of the NGO, together with some other stakeholders like local NGOs and (potential) clients and representatives of the staff of the plant.

7. Findings

Due to the lack of investments from the farmers' side, the project seems to be more a Private Sector Development project implemented by an NGO than a traditional Public-Private Cooperation. But it is still interesting to address the question posed in the introduction: what has been achieved? What is the balance for each of the stakeholders? How did the specific context of Afghanistan as a fragile state influence the process and the outcomes?

7.1 Outcomes: what has been achieved

Whether the intervention is a success or not cannot be judged as of today. On the one hand, much progress has been made. The plant provides an outlet for surplus milk for 600 farmers and this leads to a higher milk price on the general market. The additional gain for farmers can be estimated at 20,000 USD per year. In the long run the plant could very well be the only way to provide farmers with the necessary incentive to improve their farming system. This is relevant even at the national level; Baghlan is a high potential area and the factory is doing relatively well compared to other dairy plants (considering that relatively few funds have gone into it up to now). If this plant cannot be made to work, what are the other options? On the other hand: 1.4 million USD has been invested; 0.8 in equipment and the plant; 0.3 in TA, studies and training; and 0.3 in covering operational losses. Yet the plant is not economically viable as it still remains to be proven that it can be. How much time can one give the implementers to prove that the plant can be viable?

7.2 The balance for each stakeholder

Although the overall outcome is still in the balance one can assess to which extent the different stakeholders have managed to get the concrete output that they expected from the PPC. MAIL has done the best so far: surplus milk is sold, jobs are created, expertise has been coming in. There is a functioning plan and it might very well be that all assets will fall to it. In that case it will probably look for another donor to take it over (potential donors could be AKDN and FAO).

DCA has done less well; this project is outside its general scope of work and it is somehow at a loose end in its organisation. DCA-Netherlands is closely involved but DCA-Kabul is less so. For it the project requires a great deal of attention for issues that are not that interesting (administration and legal matters). The prospect for it to become the owner of a plant that is making a loss is not an attractive one, to say the least. In anticipation of things to come, it is trying to acquire more influence in the process, but this is, understandably, not always appreciated by the people on the ground. PRB has done the job for which it was contracted, but it has now lost contact with the whole process.

Farmers have been mostly free riders. They happily sell their surplus milk and market prices are kept high. Some participate actively in the cooperative and in extension activities, but most are passive. As they have not contributed to any great extent, they have little influence as well. Obviously it is difficult to mobilise farmers as long as the plant is running at a loss. However, if and when the plant will become profitable, the perspectives for them to own it as a cooperative are real.

The PRT left Bahlan in 2006 but partly managed to get what it had aimed for: a project to show the Dutch public what PRTs can do. In one of its publications on Baghlan[3] key PRT staff state: 'a Dutch NGO has set up a complete dairy chain from production to processing and the marketing of cheese on the local market'. The authors carefully avoid any claim of an active role by the PRT or a claim as to the sustainability of the dairy chain. Only through the context do they strongly suggest that successful reconstruction and development has taken place under their aegis[4].

As a donor the RNE received some benefits in terms of publicity (both Afghan and Dutch) and concrete results. At the same time projects are very time-consuming for embassy staff who already have a very heavy workload in Afghanistan. For them, supporting national programmes like NSP is more attractive, and this is what RNE did in Baghlan with most of the development funds.

All in all, until now all partners have cooperated in a reasonable way and so far this has led to maximum synergy between their aims. Also the balance between what partners contributed and what they received from it is generally acceptable. But what will happen when the factory becomes profitable? Some further conflicts as to who has control over the assets and profits might be expected.

[3] See: v.d. Woerdt, J. and H.A. De la Porte. 2008. Het Nederlandse Provincial Reconstruction Team (PRT). Het Concept. Carré 1- 2008. p. 6-9.

[4] The official evaluation of the PRT in Baghlan also illustrates that defence experts still have a long way to go in understanding development issues; next to failing to distinguish between output and outcomes/impact, there is no attempt at independent fact finding concerning impact.

7.3 Influence of the fragile state context on project design and outcomes

The context had a huge influence on both the process and the outcomes. At the operational level insecurity, a poor infrastructure and inconsistent electricity supplies etc. make it complicated to make any plant profitable. Secondly, the milk supply as well as the demand for cheese has been suppressed due to the ongoing conflict. Thirdly, a lack of qualified local staff is a problem. All this weighed heavily on the project, as during the design period there was a general optimism that security would improve; actually it deteriorated significantly.

At the conceptual level the case shows that simply reconstructing the plant was not enough. This was based on the understanding that the old plant was making a profit; although no data are available, it probably never did. The present cheese maker had the same position in the old days and remembers that also in that period the milk supply was too low and Gouda cheese could not be sold (also then tonnes of cheese had to be thrown away). We also saw that the supply of milk in the old days was different, with the competing market of Pul-i-Khumri being blocked by the Mujahedeen. This lesson is shared with the Baghlan Sugar Factory; also there several economic parameters have shifted during the decades of conflict: imports became cheaper and government policies changed.

Another by-product of decades of conflict is the important role of NGOs. Dozens of NGOs only operate in Afghanistan; like DCA. Donors ask them to implement projects as they know the country well and they are cheap (as volunteers or young experts are used). As long as projects are simple (e.g. the distribution of animals) this can work. However, when it comes to structural development projects, they often lack expertise. In this case the first project manager had no experience in dairy development or in developing countries. Budgetary constraints prevented the appointment of a fully-fledged dairy expert; DCA experienced this as an attempt by the RNE to 'free ride': to pay low wages but expect specialist experts to do the work.

The context of operating in a conflict area led to unusual behaviour by the RNE and DCA. In normal circumstances the RNE would not allow a Dutch NGO to design an intervention like the one in question and then to implement it itself. Structural development projects like the BCF have to go through the full cycle of project identification, project formulation, tendering among potential implementers, an Inception report etc. In this case the pressure to deliver quick results and the extensive local knowledge of DCA can be used to justify the approach taken.

For DCA the project was unusual as well; normally NGOs do not enter into projects that make them responsible for running a commercial factory in a fragile state. One would rather expect a dairy company to invest. Whether such private investors would have done a better job remains to be seen. The neighbouring Baghlan Sugar Factory was rehabilitated by German and Afghan private investors, with donor support, and this amounted to several million Euros. It faced the same problem as BCF: farmers are not able to deliver the raw material for the price which the sugar factory offers. Even more interestingly, this problem was not identified in the extensive feasibility study which was carried out at the onset of the project by experts of the German investor. Although any comparison is complicated, it seems that DCA as an NGO has done better than the private investors; it invested less and with a better, though still not perfect, understanding of the farmers' perspective.

In the final analysis, in the first humanitarian aid project reconstruction and structural development objectives were intermingled. Initially most attention was focused on direct aid with a high level of visibility (distributing animals) and reconstruction (the plant, VFUs). Only halfway through 2007 did the focus shift to structural development issues. Due to the mismatch a great deal of energy was expended on activities with no direct relation to the long-term aim of creating a viable dairy industry, while there was insufficient time to carry out a proper analysis of the milk supply and the market for cheese.

This mismatch still has its consequences today: whether one considers the BCF as sufficiently successful to allow it more time to prove its viability partly depends on whether one sees it as the outcome of a reconstruction project or as a pilot effort to establish an Afghan dairy sector. In the first case one focuses on assessing the progress vis-à-vis the agreed project results, in the latter case a proper assessment has to be based on comparing the progress of BCF with similar dairy development initiatives by FAO, AKDN and Land O'Lakes.

8. Recommendations

The most important recommendation is to avoid mixing different objectives in one project. Quick impact aid requires a different approach and staff than structural development projects. Mixing them together often means that a quick impact is given priority over long-term objectives. Separating objectives means that more specialised organisations and experts can be contracted to do what they are best at doing. Most humanitarian aid projects require quick decision making and (local) NGOs can be hired to implement them without too many procedures. Structural development projects, however, should follow the normal project cycle, including tendering for implementation. In other words, each organisation should stick to what it can do well. This is not to suggest that DCA did not do a decent job.

If a more long-term endeavour is envisaged, more time has to be invested in understanding the context: history, markets, farming systems, legal aspects etc. Investors use the feasibility study as a tool for this; donors usually refer to this as the formulation stage in the project cycle. With PPCs feasibility studies are very complicated. Often the partner(s) investing in the PPC are thought to have a direct interest in making a proper assessment of the feasibility. However, when donor money is involved this is not necessarily the case. Partners can have a greater interest in implementing the project to create a PPC than in making the PPC itself profitable. DCA indeed had an interest in working in Baghlan, irrespective of the BCF. Donors like the RNE would be well advised to commission an independent feasibility study, even if they are inclined to grant a project to an NGO which is familiar with the situation. It makes the decision process more transparent and balanced and it can avoid protracted discussions later on.

9. Acknowledgement of the sources

The researcher would like to acknowledge the cooperative attitude of all actors in this case. Relevant project documents could be consulted and all key actors talked openly about the project. Face to face interviews were held with DCA staff (the Director of DCA, the project manager, the short-term expert in 2005), the present BCF staff (the manager; the chief cheese maker), the chairman of the cooperative, the MAIL staff (the vice-minister responsible for the plant, the regional director) and the manager of PRB. Two people were interviewed by telephone and e-mail: the responsible PRT staff member in 2005 who later became the RNE desk-officer and the first DCA project manager. The current RNE staff declined to become involved in the discussions for very good reasons. The project is still ongoing and the RNE is extremely busy with all development programmes and other activities in Afghanistan.