

Poverty and Unemployment Crisis: The Case of Afghanistan from Recent Evidence

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Abstract

Afghanistan has been enduring a deepening and increasingly deadly humanitarian crisis, since the Taliban takeover in August 2021. Acute malnutrition is spiking across Afghanistan and 95% of households have been experiencing insufficient food consumption and food insecurity. At least 55% of the population is expected to be in crisis or emergency levels of food insecurity. More than 22 million people could face life-threatening food insecurity, and 9 million of them are close to being afflicted by famine. Nearly 100% of female-headed households are facing insufficient food consumption and 85% are taking drastic measures to obtain food. 82% of Afghan families had lost wages since August 2021 and almost one in five were sending children to engage in labor, while 7.5% stated they resorted to begging or requesting money or food from charities. Half a million people in Afghanistan have lost their jobs since the Taliban takeover and expected that job losses will increase to nearly 700,000 - 900,000 by June 2022. More than 770,000 boys and about 300,000 girls are involved in child labour. In rural areas where 9.9% or 839,000 children are much more likely to be in child labour than in urban areas 2.9% or 80,000.

This paper provides a broad overview of the poverty and unemployment crisis from recent evidence (during COVID-19 and after Taliban takeover), the paper started with a brief overview of the current state of the Afghanistan economy, the impact of COVID-19, and collapsing the government on poverty and unemployment. Also, the causes of Afghanistan's Economic Collapse, Poverty, and Unemployment have been examined and the paper concluded with solutions and suggestions.

Keywords: Afghanistan, Humanitarian crisis, Unemployment, Poverty

Jel codes: E24, I30, I32

1.Introduction

Since the US withdrawal and the Taliban takeover of Afghanistan in August 2021, the country has endured a deepening and increasingly deadly humanitarian crisis. Acute malnutrition is spiking across the country and 95% of households have been experiencing insufficient food consumption and food insecurity. At least 55% of the population is “expected to be in crisis or emergency levels of food insecurity” through March 2022 (Human Right Watch, 2022). Humanitarian organizations have repeatedly issued warnings about the sheer scale of the crisis and how much worse it can get. Afghan children are starving to death nearly every day.

Before collapsing the government, the Afghans suffered severe economic losses from COVID-19, war, and climate changes such as floods and drought, resulting in poverty and unemployment. The impact of COVID-19 on poverty in Afghanistan has been a domino effect across the country as many have fallen below the poverty line and increased the unemployment rate. Close to 15 million Afghans across 2 million households, are clearly exposed to severe economic vulnerability due to travel restrictions and lockdown (Cancho & Pradhan, 2020).

The current humanitarian crisis could lead to more deaths than twenty years of war. 82% of Afghan families had lost wages since August 2021 and almost one in five were sending children to engage in labor (for miniscule wages), while 7.5% stated they were resorted to begging or requesting money or food from charity. The huge spike in prices caused by the economic crisis has left many families unable to afford food (Human Right Watch, 2022).

Almost all Afghans are facing these dangerous hardships, but women and girls, who face greater obstacles to obtaining food, health care, and financial resources, are disproportionately affected. Taliban policies that have barred

women from most paid jobs have had a swift and devastating impact on households in which women were the sole or main earners. Nearly 100% of female-headed households are facing insufficient food consumption and 85% are taking “drastic measures” to obtain food (Human Right Watch, 2022).

The root causes of Afghans’ loss of access to food, water, shelter, and health care are almost all economic: millions of dollars in lost income, spiking prices, and the collapse of the country’s banking sector. Other factors have contributed to the country’s humanitarian crisis, including a major drought and the effects of decades of war, but economic shocks have been the primary causes of the deteriorating situation.

Since August, more than four out of five Afghan households have experienced significant decreases or elimination in income which resulted in more than 700000 job losses and more than 90% poverty. This paper provides a broad overview of the poverty and unemployment crisis in Afghanistan from recent evidence (during COVID-19 and after Taliban takeover), the paper started with a brief overview of the current state of the Afghanistan economy, the impact of COVID-19, and collapsing the government on poverty and unemployment. Also, the causes of Afghanistan’s Economic Collapse, Poverty, and Unemployment have been examined and the paper concluded with solutions and suggestions.

2. The State of Afghanistan’s Economy

Afghanistan’s economy and people have suffered an overwhelming shock since the Taliban takeover. The ongoing crisis has been driven by the cutoff of development aid, existing international sanctions and the freezing of Afghan foreign exchange reserves. This has sparked the incipient collapse of the private sector, banking system and the urban economy in particular precipitating enormous humanitarian needs (USIP, 2022).

The Taliban’s unexpectedly taking control of Afghanistan brings another shock to the long-suffering Afghan people and the country’s very weak economy. Already plagued by insecurity, COVID-19, corruption, government over-centralization and mismanagement, declining revenues and drought, the Afghan economy will now face a host of challenges in the aftermath of the Taliban’s takeover and the international community cracking down on aid and assistance (USIP, 2021).

The economy was already extremely fragile, heavily dependent on aid. A nation is considered aid-dependent when 10% or more of its gross domestic product (GDP) comes from foreign aid; in Afghanistan's case, about 40% of its GDP was international aid (Nagesh, 2021). On top of foreign aid, another 4% of Afghanistan's GDP was made up of remittances, - that is, family members living outside the country sending money home from abroad. This meant that it was one of the countries most dependent on remittances in the world (Nagesh, 2021).

On top of all of this, Afghanistan is in the middle of a devastating drought, the second drought in three years, which according to UN estimates has left around half of the country's children malnourished. Afghanistan, already had the second-highest level of food insecurity in the world, high rates of poverty, and a health system "at breaking point" due to the COVID-19 pandemic. Now "What we have in Afghanistan is a perfect storm - and what I mean by perfect storm is multiple crises happening at once. It could really turn Afghanistan into a catastrophic humanitarian crisis (Nagesh, 2021).

3. Poverty

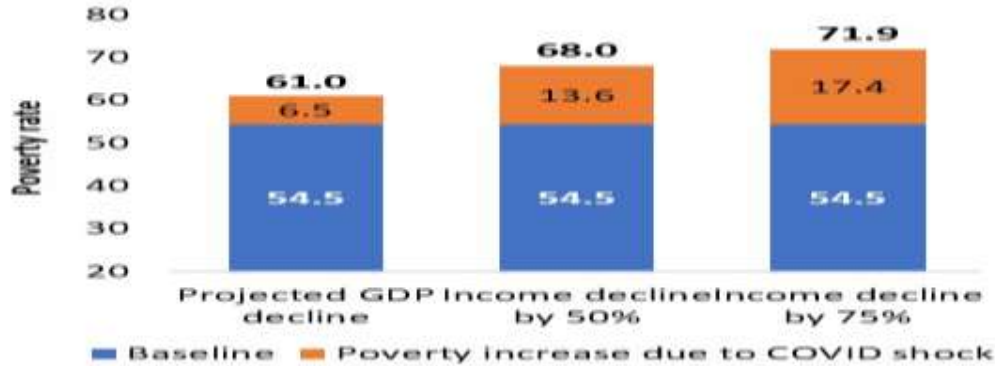
3.1. Poverty Status During the COVID-19 Pandemic

Afghanistan with 11.3 million people in acute food insecurity in 2019 was already extremely vulnerable even before the pandemic: It was ranked 180th out of 185 countries assessed (UNDP, 2020). The pandemic has shaken the Afghanistan economy once again. The serious economic consequences that can be expected from the coronavirus include the unprecedented decline in business activity, increased food prices, rising unemployment, and a strong blow to exporters, Afghanistan endured and witnessed it.

In 2020, the Afghanistan economy contracted by 2.4% (ABD, 2021), and poverty levels rose from 41.6% to 45.5%. These higher levels correspond with a significant rise in food insecurity, as suppliers raised prices in response to trade restrictions. The combination of COVID-19 and rising urban poverty levels are resulting in 16.9 million Afghans facing crisis and emergency levels of food insecurity. Of these 16.9 million, 5.5 million are experiencing emergency levels of food insecurity, severely threatening their health (Sharma, 2021).

The surge and impact of COVID-19 on poverty in Afghanistan, along with food insecurity, is partly due to the early closing of borders. In March 2020, one of Afghanistan’s primary food import and export sources Pakistan closed its routes to and from suppliers to prevent the spread of COVID-19, resulting in a food shortage and food prices soaring. Poverty in Afghanistan will increase due to COVID-19 if the projected GDP income decline. If the GDP income decline by 50% the poverty will increase up to 13.6% more, and the total poverty will become 68% with a baseline of 54.5%, also if the GDP income decline by 75% the poverty rate will increase up to 71.9% in total (Figure 1).

Graph 1. Impact of COVID-19 on Poverty Rate in Afghanistan



Source: Cancho & Pradhan, 2020

3.2. Poverty Status After Taliban Takeover

More than 22 million people could face life-threatening food insecurity, and 9 million of them are close to being afflicted by famine. Millions of Afghans have gone months without a steady income (Ryssdal & Cunningham, 2022).

Earlier this month, the World Health Organization (WHO) warned that around 3.2 million children were likely to suffer from acute malnutrition in Afghanistan by the end of the year -- one million of whom were at risk of dying as temperatures drop. By the middle of 2022, as much as 97% of the Afghan population could sink below the poverty line, the report cited an analysis by the United Nations Development Program (NDTV, 2021).

Acute malnutrition is spiking across Afghanistan, and 95% of households have been experiencing food insecurity. Afghan children are starving to death nearly every day (Human Right Watch, 2022). Afghans see food in the market but lack the cash to buy it. Most Afghan households have lost some or all of their livelihoods over the past six months. The economic crisis has disproportionately harmed women and girls, who face greater obstacles to getting food and basic resources, including because of a Taliban ban on women working in most jobs.

4. Unemployment

4.1. Unemployment Status During the Covid-19 Pandemic

In Afghanistan, most families have become vulnerable in terms of earning income, and 59% of the country's population is made up of individuals whose heads of families have been working in vulnerable jobs. If the people of the country do not work daily, they will not be able to meet their daily needs (Omid, 2020).

Based on the statistics of the Ministry of Economy, about 69% of the country's population is made up of people who have vulnerable jobs, of which nearly 700,000 people make a living through daily wage work. Among them, 500,000 people are poor and if they are not working, they are not able to meet their daily needs and expenses. In the conditions before Corona, 24% of the workforce was practically unemployed and 54% of the population lived below the poverty line. With the spread of this virus, the unemployment rate has increased significantly (Shadab, 2020). Holidays, quarantine, establishing social distancing to prevent the spread of this disease, and stopping and limiting work and activities have caused an increase in unemployment and hunger in the country (Table 1).

Table 1. Unemployment and Hunger Status During the Pandemic In %

Years	Labor force participation rate	Youth unemployment rate ages (15-24)	Unemployment participation rate for ages 15-24	Hunger statistics
2019	39.54	17.61	11.22	23
2020	34.06	16.12	11.71	23.4
2021	33.74	20.23	13.28	25.6

Source: Macrotrends, 2022.

The Labour force participation rate shows a decrease in 2021 compared to 2019 and 2020 which were pandemics. The youth unemployment rate shows a significant increase in 2021 due to the collapse of the government. Unemployment participation rate and hunger statistics also show an increase in 2021 because of the same reason collapse of the government (Table 1).

4.2. Unemployment Status After Taliban Takeover

Half a million people in Afghanistan have lost their jobs since the Taliban takeover and by mid-2022 expected that job losses will increase to nearly 700,000 - 900,000 as a result of the crisis in Afghanistan and restrictions on women's participation in the workplace.

Women's employment levels are already extremely low by global standards, they are estimated to have decreased by 16% in the third quarter of 2021, and they could fall by between 21% and 28% by mid-2022. Hundreds of thousands of job losses have been seen in several key sectors which have been "devastated" since the takeover (United Nations, 2022). These include agriculture and the civil service, where workers have either been let go or left unpaid. In construction, the sector's 538,000 workers - of which 99% are men have suffered too, as major infrastructure projects have stalled.

The Taliban takeover has also led to "hundreds of thousands" of Afghan security force members losing their job, noting that teachers and health workers have been deeply impacted by the lack of cash in the economy, amid falling international donor support (United Nations, 2022). 82% of Afghan families had lost wages since August 2021 and almost one in five were sending children to engage in labor, while 7.5% stated they resorted to begging or requesting money or food from charities (Human Right Watch, 2022).

The lack of work also threatens to worsen child labour levels in Afghanistan, where only 40% of children aged five to 17 years old attend school (Poya, 2022). More than 770,000 boys and about 300,000 girls are involved in child labour. The problem is worst in rural areas where 9.9% or 839,000 children are much more likely to be in child labour than in urban areas 2.9% or 80,000. (Poya, 2022).

5. Causes Of Afghanistan's Economic Collapse, Poverty and Unemployment

Afghanistan's economic collapse was caused by a combination of factors and decisions taken by governments and international institutions, outlined below, and on a larger level, by the US and the Taliban's failure to reach an agreement to avert the humanitarian impacts of the change in governance in August 2021, besides all, flood, major drought, gender inequality, COVID-19, instability of previous government ...etc. caused poverty and unemployment (Rahimi & Artukoglu, 2022). Actions underlying the crisis include:

- Suspending support for essential salaries and large-scale poverty alleviation food security mechanisms. Afghanistan's economy before August 2021 was 75% dependent on foreign assistance. After the Taliban took control of the country on August 15, 2021, donor governments, led by the US, instructed the World Bank to cut off about \$2 billion in outside international assistance the bank had previously been dispersing through the Afghanistan Reconstructive Trust Fund (ARTF) to pay salaries of millions of teachers, health workers, and other essential workers, and through projects funded by the International Development Association (IDA).

- These massive funding streams provided purchasing power to millions of Afghan families, including many very poor households who benefited from cash-for-work, cash distribution, and livelihood support programs. Additional budgetary assistance from the International Monetary Fund (IMF), USAID, and the Asian Development Bank (ADB) was also cut. As a direct result, an enormous number of Afghan households immediately lost their primary sources of income. According to a World Food Program survey released in February, four out of five households reported no income or significantly reduced incomes in January 2022. (Human Right Watch, 2022).
- The non-humanitarian aid has been halted, foreign assets mostly frozen and Afghan banks have been crippled by cash shortages after the Taliban returned to power.
- These shocks could cause a 20–30% output contraction, with falling imports, a depreciating Afghani, and accelerating inflation. The resulting drop in living standards threatens to push millions into poverty and could lead to a humanitarian crisis (CNBC, 2021).

6. Solutions and Suggestions

From the above finding and discussion, it can be concluded that Afghanistan is in a dire situation and the country has endured a deepening and increasingly deadly humanitarian crisis because of COVID-19 and collapsing the government. Millions of people lost their jobs and 95% of households have been experiencing insufficient food consumption and food insecurity; therefore, some steps should be taken by international organizations and other countries. Here the researcher briefly mentioned some suggestions to at least contribute to human catastrophe prevention.

- In order to prevent the increase in inflation and poverty, the government should keep the supply stable and give subsidies to vulnerable people.
- The UN should provide lifesaving assistance, sustain essential services and preserve social investments and community-level systems which are essential to meeting basic human needs.
- Governments, the UN, the World Bank, and the Taliban should work to reach an agreement to allow the Afghanistan Central Bank access to the international banking system and provide it with its requisite credentials. As an initial step, the US Treasury Department and other financial authorities should issue licenses and guidance to allow the Central Bank to engage in limited settlement transactions with outside private banks so that the bank can pay its World Bank dues and process or settle incoming dollar deposits from legitimate private depositors – such as UNICEF, the UN Development Program, remittance banks, and other legitimate actors and purchase banknotes to hold commercial auctions for private banks in Afghanistan.
- Governments, the UN, the World Bank, and the Taliban should work to urgently reach an agreement on a mechanism to restore wage support for essential workers and numerous food-for-work and other food insecurity programs that were providing purchasing power to millions of families across Afghanistan, including very poor and female-headed households.
- If agreement involving the Central Bank is not possible, governments, the UN, and the World Bank should negotiate a short-term agreement with the Taliban to designate a private bank or other entity, independent of the Central Bank, to process large-scale humanitarian transactions to be monitored by officials with the World Bank, UN, or a designated third-party auditing entity.
- In the absence of any agreements, the UN should continue to use whatever means are at its disposal to continue shipments of currency to Afghanistan for humanitarian purposes. The Taliban should cooperate in allowing these shipments, allowing deposits into independent private banks, and permitting the UN to use the funds independently and without interference.
- The US, along with other governments, should immediately undertake sanctions policy reviews, adjust current measures accordingly, and issue new licenses and guidance to facilitate liquidity and availability of paper currency to address the humanitarian crisis.

- UN Security Council members should take immediate steps to ensure that legitimate financial transactions related to humanitarian activities and the provision of other essential goods and services are excluded from the scope of UN sanctions.
- The ILO should pledge to work with employers and trade unions to promote productive employment and decent work.
- The ILO organization should focus on four key areas: emergency employment services, employment-intensive investment, enterprise promotion and skills development while respecting labour rights, gender equality, social dialogue, social protection, elimination of child labour and disability inclusion.
- Supporting the recovery of micro, small, and medium-sized enterprises (MSMEs) hard hit by the pandemic is pivotal to safeguarding workers' incomes and livelihoods.

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