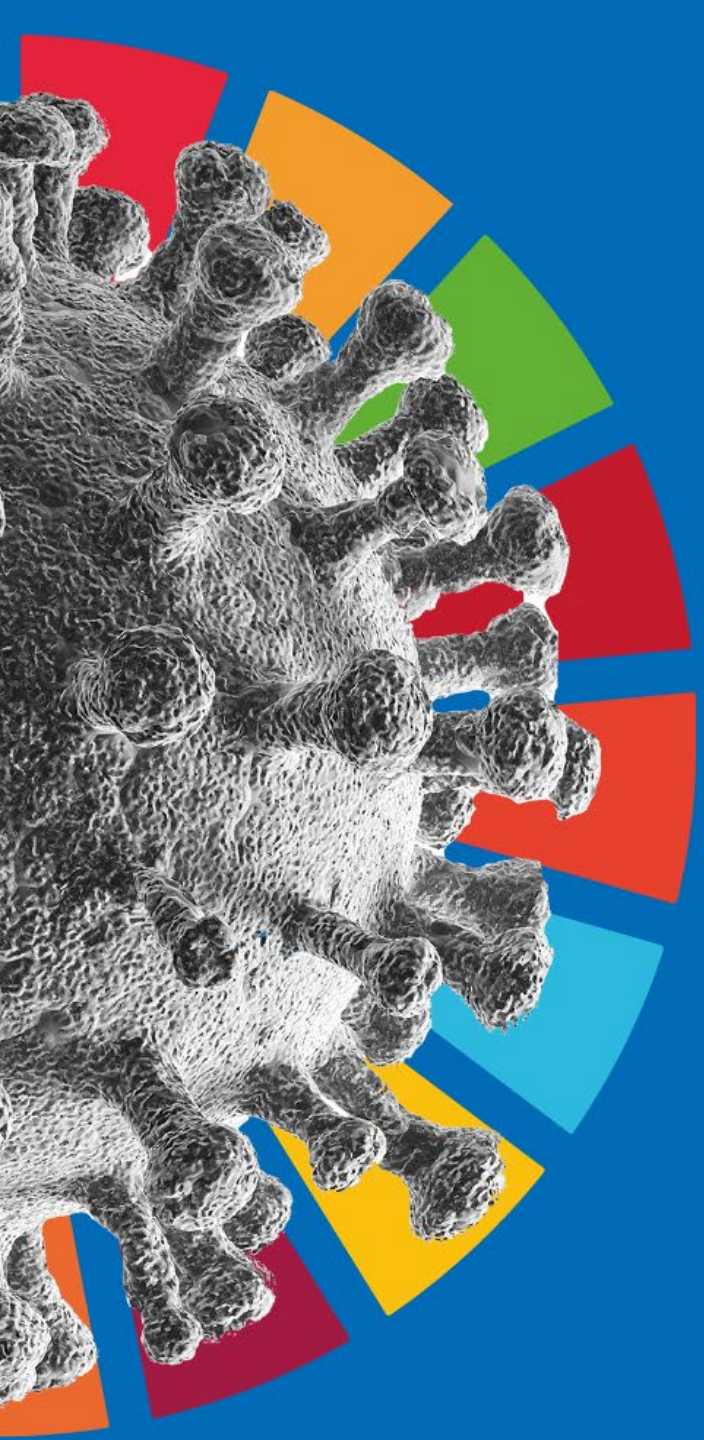
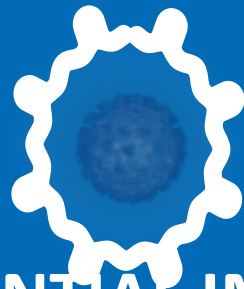




COVID-19



POTENTIAL IMPACT ON SDG ATTAINMENT IN AFGHANISTAN

Sebnem Sahin, PhD*
UNDP team - Afghanistan SDG Platform

*Contact author: Sebnem.Sahin@undp.org

*24th Annual GTAP Conference on Global Economic Analysis
Conference on Global Food System*

June 23-25, 2021

Introduction



- This paper assesses the impact of the pandemic on the economy and SDGs and investigates the role of fiscal policies, international trade and social protection for implementing solutions that respond efficiently to it.
- First time, Afghanistan is represented in GTAP dataset.
- First time CGE-SDG matrix for Afghanistan, IGES (Institute for Global Environmental Studies).
- 3 sets of policy messages emerge from the GTAP CGE analysis for Afghanistan (A-GTAP model).
- Highlight on technical issues.

STRUCTURE OF THE NOTE

A woman wearing a purple headscarf and a floral dress stands in a warehouse, holding a long wooden staff. To her left is a large pile of white sacks. The background shows a corrugated metal wall and a blue tarp.

A. Overview

**B. CGE Analysis
and Link to
SDGs**

**C. Policy
messages**

D. Way forward

A. OVERVIEW

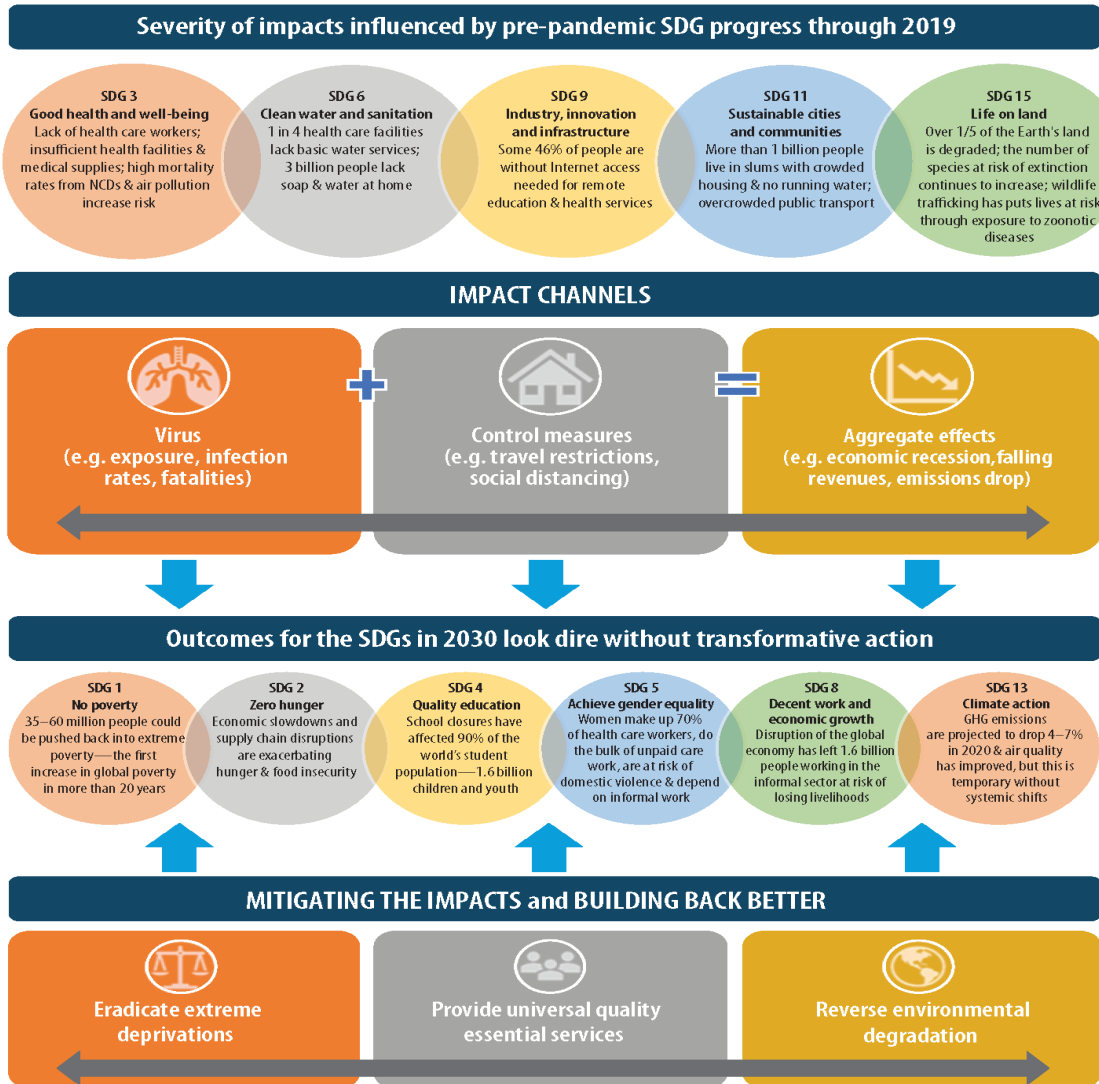
- i. Pathways of COVID-19 to SDGs
- ii. Pre-COVID-19 progress in SDG attainment in Afghanistan
- iii. COVID-19 impact on A-SGDs

Background



- The COVID-19 pandemic continues to erode socio-economic progress and threatens to roll back hard-earned development gains. While this impact is global, poor and developing economies are disproportionately affected.
- Globally, the rate of improvement in human development is expected to decline this year for the first time since 1990, when the composite Human Development Index (HDI) was first introduced.
- The ability of governments around the world to achieve the Sustainable Development Goals (SDGs) by addressing the so-called triple bottom line (economic, social and environmental) issues, will naturally have been impacted as well.

PATHWAYS OF COVID-19 IMPACT ON SELECT SDGs



* This figure is indicative. All SDGs are impacted by COVID-19.



End Poverty: SDG1

Even before the onset of COVID-19, Afghanistan faced increasingly dire circumstances as most Afghans did not have access to basic needs, such as food, shelter, healthcare, and schooling.

Around 55 percent of the population were extremely poor and already needed income, nutrition and shelter support. The pandemic made them exceedingly vulnerable to disproportionate harm caused by the pandemic.

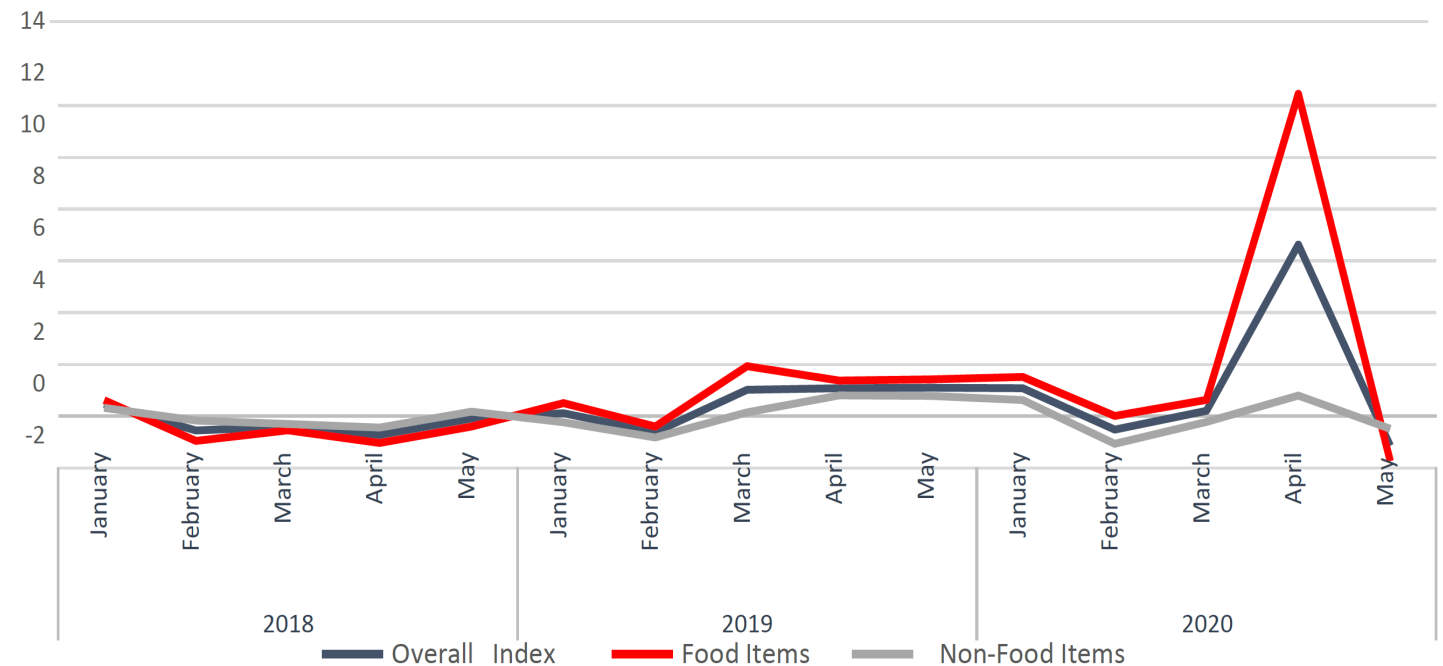
Food Security and malnutrition: SDG2

Most recent assessments showed that around 11 million Afghans needed emergency food assistance before the pandemic hit. Around 44 percent of the population are either moderately or severely food insecure. The prevalence of stunting among children (SDG-2.2:) under 5 is 41 percent while wasting among children under 5 is reported 9.5 percent (SDG-3.2). These rising social and humanitarian needs were triggered by the combined effect of conflict and fragility, climate change, rising levels of extreme poverty, unemployment, demographic pressures, returnees, and internal displacement.

COVID 19 IMPACT ON SDG 1 & 2: POVERTY AND FOOD SECURITY

Income loss (SDG-1) and higher food prices (SDG-2c) due to COVID-19 are likely to have significantly reduced economic access to food (SDG-2.1) for the most vulnerable segments of the population. COVID-19 will also have impacted national food supply chains and cross border supplies of imported food and therefore, the physical access to food. This comes on top of a food supply system that is still recovering from the impacts of the 2018/19 drought.

2 NO
HUNGER



Source: National Statistics and Information Authority, Consumer Price Index (CPI).

Health: SDG3

Despite conflict and insecurity, the Government of Afghanistan, together with its development partners, has been able to provide basic health services to 85% of Afghans. This shows a significant increase compared to 2013 when these services were available only to 60% of the population across the country. The results—compared to just a few years back—are impressive. The percentage of pregnant women who had at least one antenatal check-up increased to 70% while in 2005 it was just 23%. The maternal mortality rates have dropped from 1600 death per one hundred thousand live births to 638 maternal deaths in 2018. The proportion of births attended by skilled health personnel has also increased from just 39.9% in 2012 to 53.4% in 2017.

This serves as proof of the fact that the Government of Afghanistan has made some progress to improve service delivery in the health sector, in extraordinary circumstances.

COVID 19 IMPACT ON SDG 1 & 2: POVERTY AND FOOD SECURITY



3 GOOD HEALTH



- The pandemic highlighted the vulnerabilities of the health system in Afghanistan.
- The government has been unable to reach many conflict-affected regions to help with COVID-19 testing and treatment. COVID-19 will have stretched what capacity there is and so a significant injection of funding and intensive capacity building programmes will be needed for the health system to regain ground lost after COVID-19.
- UN-Women reports that COVID-19 impact on women is higher in developing countries, especially for vast majority of women who work for the informal economy. In the health and social services sectors where women make up to 70% of workers, heightened care needs of older persons put extra pressure on workers. With children out-of-school, unpaid care workload for women has also increased, it is well known that women already do three times as much unpaid care work as men globally. It is also reported that about 70% of COVID-19 quarantining has caused a spike in domestic violence levels. Finally, there appears that more men were tested than women. This cannot be optimal since no country that had deployed wide-ranging testing has so far detected any significant difference in the ability of the virus to infect—and make infectious—either gender.
- Overall corruption (SDG-16.5) is likely to have reduced the impact of increased public spending on healthcare during the COVID-19 crisis. For example, corruption is likely to have driven up the price of many essential goods and services, reduced availability of essential protection equipment and drugs, and reduced the effectiveness of social protection payments to the most vulnerable.

Economic Growth and Jobs: SDG 8

Even prior to the pandemic, Afghanistan was confronted with increasingly dire circumstances, wherein most Afghans did not have access to basic utilities such as food, shelter, healthcare and schooling. Around roughly 55% of the population living in extreme poverty, and urgently required sources of income, shelter and support.

The COVID-19 shock therefore comes at a time where the country is already facing a number of other parallel shocks including climate change and weather-related concerns. The disruptions caused by COVID-19 on regional and international supply chains, along with the eight-week long quarantine measures implemented from April to May, meant that the GDP growth of the country was negatively affected in the first and second quarters of 2020. Other extenuating circumstances, such as the departure of over 114,000 international troops, led to the loss of an estimated 55,000 skilled and semi-skilled support jobs. The immediate impact of such factors was a severe slow-down in economic growth, starting from 2012. Furthermore, emigration from Afghanistan to European countries contributed to a decline in the workforce, which continues today due to a steady stream of emigration.

Although the impact of the pandemic on the Afghan economy is projected as a short-term shock with most of the deceleration expected to recover in the space of one to two years, the cascading negative impact on the other SDG targets, such as those on unemployment, loss of savings and income, and increasing household expenditures on health, could linger for years.

SDG 8: ECONOMIC GROWTH & DECENT JOBS



8 GOOD JOBS AND ECONOMIC GROWTH



COVID-19 impact exacerbated the situation in Afghanistan since a decline in GDP is likely to interact negatively with several other significant drivers of internal conflict. These include poverty (SDG-1), health (SDG-3), trade activity (SDG-10.a.), regime type, youth population size and unemployment rate (SDG-8.6), and conflict in neighbouring countries. For example, COVID-19 is projected to increase internal conflict in Uzbekistan (0.1-0.25 probability of internal conflict) and Tajikistan (>0.25) which would in turn affect conflict in Afghanistan.



- Before COVID-19, Afghanistan already had a very low score for all four global indices relating to peace, and these scores were also all declining. When this baseline is set against the increased difficulty in holding face-to-face negotiations and obtaining adequate community input, the peace talks are now not likely to be as inclusive as originally planned.

Ranking for Afghanistan against Global Indices of Peace

Index/Statistic	+/-	Trend	Period	Latest World Rank
Fragile States Index	-	99.8-105	2006-2019	169/178
Global Peace Index	-	3.1-3.644	2008-2020	163/163
Global Terrorism Index	-	8.6-9.6	2012-2019	138/138
Positive Peace Index	-	4.15-4.25	2018-2019	154/163



B. CGE ANALYSIS and LINK TO SDGs

CGE ANALYSIS: COVID IMPACT IN AFGHANISTAN 2020-21



- First time, Afghanistan data is incorporated to the GTAP database
- SAM (2018) by Biruni Institute (Kabul) – 39 Regions, 35 Sectors, 5 Occupations
- COVID-19 has had a significant impact on trade.
- Trade and transportation have been disrupted.
- Afghanistan's exports dropped from a reported \$204 million to US\$ 32.7 million at the beginning of 2020. Considering challenging bilateral relations between Afghanistan's immediate trade partners, Iran and Pakistan, the recovery of pre-pandemic export levels may not be possible in just one or two years.
- Border closures and panic-buying led to a temporary spike in prices of some food products, and adversely affected poverty level and related SDGs.

C. POLICY MESSAGES

- I. FISCAL MEASURES
- II. REGIONAL POLICY & SDG FUNDING
- III. AFFORDABLE SOCIAL POLICIES

POLICY MESSAGES - MESSAGE #1: FISCAL MEASURES



Paths to recover in revenues from the negative impact

The Government can recover from the negative impact of the pandemic on SDGs by generating additional \$300 million in 2021 for SDG attainment

~30% of VAT collection at the borders: through more efficient tax collection system

~30% of excise tax and export tax: legalizing and taxing illegal mining activities

Around 5% GDP, 9% increase in farmers incomes additional revenue creation through enhanced regional trade

Improvement in security and peace situation reduction in security spending and reforms in personnel (e.g. ghost soldiers) in the short-term, regional spill-over impact from peace around 7% GDP gain for Afghanistan and 1% for its main trade partners in the medium term

POLICY MESSAGE #2: REGIONAL POLICY & SGD PROGRESS



Evaluation of COVID-19 Impact on SDGs based on SDG Cross-Elasticities and A-GTAP CGE Model scenarios (2020 and 2021)

1 SDG	2 Target	3 Description	4 Indicator	5 Data source	6 Baseline	7 Latest value	8 Value - under COVID19	9 % Change under COVID compared to latest value - no policy	10 % Change in recovery from COVID compared to latest value - with SDGs policy implementation*	11 % Change in recovery from COVID compared to latest value - with policy and additional funds from fiscal reforms**	12 % Change in recovery from COVID compared to latest value - with policy and additional funds from regional cooperation***
1		End poverty in all its forms everywhere									
	1.2.	By 2030, reduce at least halve poverty	Proportion of population living below national PL	ALCS & UNICEF	(2016) 54.5%	(2016) 54.5%	(2020) 72%	-17.5 pp	-12.5 pp	5.45 pp	15 pp
2		End hunger, achieve food security and improved nutrition and promote sustainable agriculture									
	2.1.	By 2030 end hunger and ensure access by all	Proportion of population below minimum level of dietary energy consumption	ALCS & UNICEF	(2016) 45%	(2016) 45%	(2020) 45.5%	-0.5 pp	-0.33 pp	5.12 pp	14.3pp
	2.2.	By 2030 end all forms of malnutrition	Prevalence of undernourishment (% of population)	WDI - WB	(2015) 28.6%	(2018) 29.8%	(2020) 27.3%*	-2.5 pp	-2.29 pp	5.12 pp	
	2.3.	By 2030 double the agricultural productivity, incomes	Agricultural value added (annual growth %)	WDI - WB	(2016) 5.97%	(2019) 7.5%	(2020) 5%	-2.5 pp	-2.18 pp	5.07 pp	9.24%
	2.4.	By 2030 ensure sustainable food production systems	Agricultural value added (annual growth %)	WDI - WB	(2016) 5.97%	(2019) 7.5%	(2020) 5%	-2.5 pp	-1.96 pp	3.97 pp	9.24%
16	16.8	Broaden and strengthen participation in global governance institutions									
		Regional cooperation with SAARC countries	Real GDP	A-GTAP model simulations		(2019) 2.9%	(2020) -6.25%			5.37%	
			% Increase in farmers' income								9.24%

Legend:

Adversely affected by COVID19

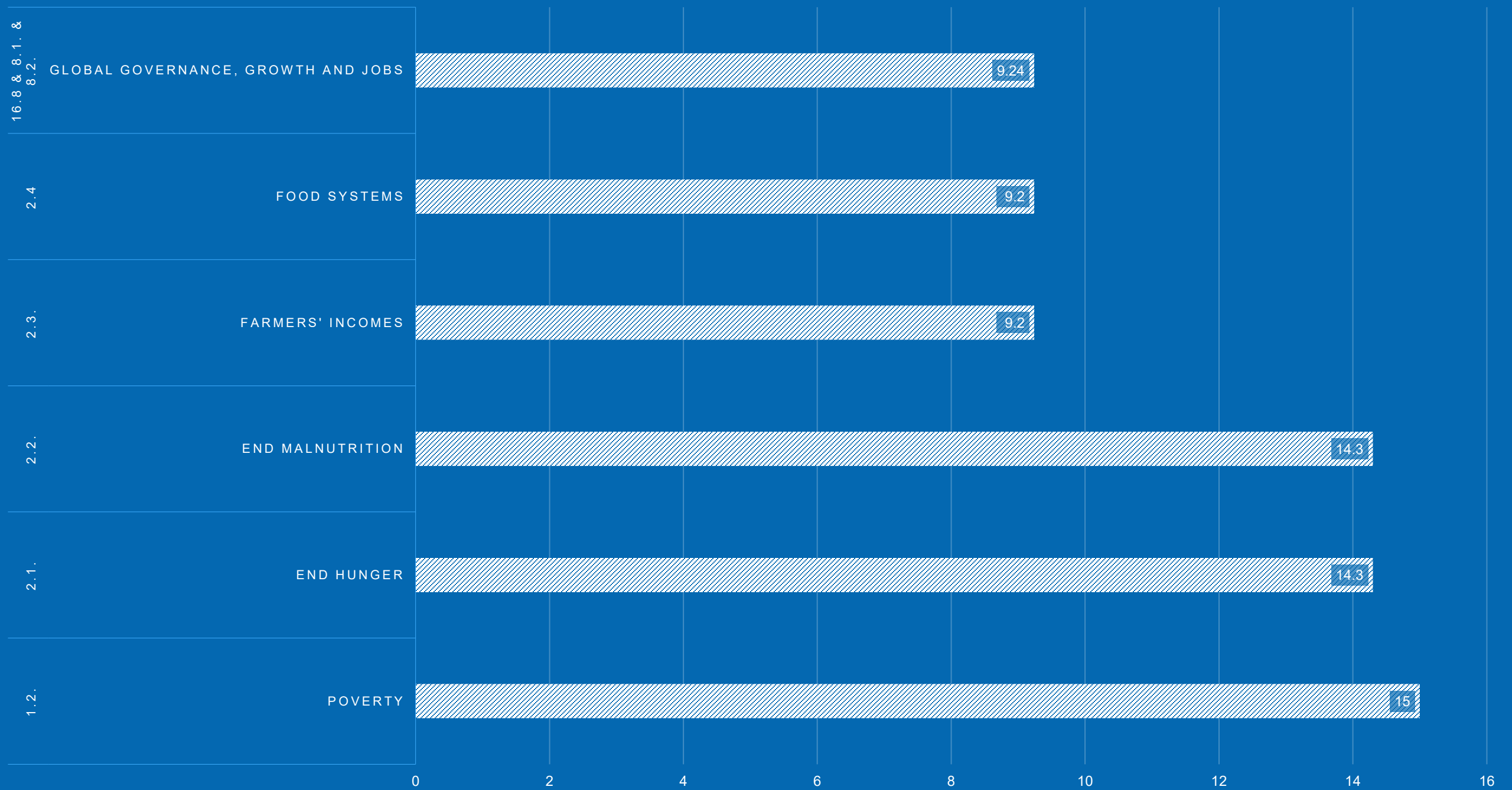
Positively affected by COVID19

* UNDP estimations using cross-elasticities

** UNDP estimations using cross-elasticities and fiscal projections third of mining and border VAT revenues

*** UNDP simulations using A-GTAP model and cross elasticities

SDG POLICY FUNDED BY REGIONAL TRADE



REGIONAL SPILL-OVER EFFECT FROM PEACE IN AFGHANISTAN

A-GTAP Model Simulation on Peace and Regional Cooperation

Change in Real GDP	(%)
Afghanistan	6.8413
Iran	1.1167
Armenia	0.0030
Nepal	0.1269
Pakistan	1.1114
United Arab Emirates	0.0002

IMF PROJECTION

- As per a recent IMF study on the macro-economic cost on conflict, improved peace conditions and regional cooperation would benefit both Afghanistan and its trade partners. By incorporating IMF projection into the UNDP multi-country model (A-GTAP model) we estimated the peace dividend of trade on growth.

TRANSACTIONS WITH SAARC

- Assuming a peace deal is signed in 2020 and maintained for the four consecutive years, Afghanistan would cumulate around 7 percent GDP gain triggered by higher trade transactions with SAARC countries (a cumulative increase of 11% in Afghanistan's imports, meaning higher demand towards SAARC exports by 2024). Based on the A-GTAP Model Simulations, this would translate to significant GDP gains in the country's major trade partners (Iran and Pakistan around 1% GDP) due to spill-over effect

POLICY MESSAGE #3: AFFORDABLE SOCIAL POLICIES



Cash for peace & social insurance

Reducing the intensity of conflict and therefore its cost (SDG-16.1), significantly reducing current levels of corruption (SDG-16.5) and an improved trade environment (SDG-10.a.) would enable Afghanistan to address the adverse impact of the Coronavirus on the economy as well as SDG alignment. Reforms would include among others accelerated implementation of the anti-corruption strategy, starting with the customs and revenue reforms to boost Afghanistan's trade performance and finalization of legal reforms to improve overall business environment.

POLICY MESSAGE #3 ('Ctd)

Government interventions

should reach the most vulnerable in the most efficient way. Although a comprehensive measure such as a Universal Basic Income scheme is beyond the reach of the Government, there are more affordable options.

Although compensating citizens for even a small loss in consumption (around 700 Afghanis per month) for only six months would require a fiscal outlay equivalent of 10% of GDP.

MORE AFFORDABLE MEASURES INCLUDE AMONG OTHERS:



**0.25%
GDP**

INCOME SUPPORT OF AROUND 1,000 AFGHANIS/MONTH TO THE ELDERLY ONLY ("SOCIAL PENSION") FOR SIX MONTHS WOULD REQUIRE 0.25% GDP



**0.5%
GDP**

INCOME SUPPORT FOR THE INTERNALLY DISPLACED PERSONS (IDPS) AND RETURNEES WOULD COST 0.5% GDP AGAIN FOR SIX MONTHS;



**1%
GDP**

CIVIL WORKS FOR THE UNEMPLOYED FOR 100 DAYS AT A WAGE OF 1,000 AFGHANIS/MONTH WOULD REQUIRE AROUND 1 % OF GDP.

D. WAY FORWARD

- I. HIGHLIGHTS FOR POLICY MAKERS
- II. NEXT STEPS IN CGE ANALYSIS

HIGHLIGHTS POLICY MAKERS



01

Third wave

The disease is currently spreading fast, spill overs from India. First peak recorded in July 2020.

02

Donor's assistance

Resource mobilization, including international financing is key in addressing the adverse impact of COVID-19 in a sustainable manner. In Afghanistan, the SDGs can be achieved through a combination of policies, including increased public transfers to the poor to alleviate poverty (SDG-1) and food insecurity for the most vulnerable households (SDG-2), increased public outlays for social services such as healthcare (SDG-3), in tandem to improved governance and strong institutions (SDG-16) as an enabler for effective and transparent policy implementation regarding overall SDG agenda.

03

Governance reforms

COVID-19 caused was clearly a setback for Afghan economy and the attainment of the A-SDGs in the short-term, but this does not put out of reach neither the A-SDGs, nor Afghanistan's long-term commitment on sustainable development. Based on the simulations model develop for Afghanistan and its major trade partners by the UNDP Afghanistan office, governance reforms in the health sector regarding revenue mobilization, it would be possible to raise \$300 million necessary to fund the SDG attainment as early as the next year. Additional revenues may come from revenue collection as royalties and export duties on the illegal mining activities (\$ 41 million per year) and 1/3 of revenue collection from VAT at the borders (\$257 million).

04

Complementarity between policies

It is pertinent to emphasize complementarity between fiscal, monetary, financial, trade and private sector-driven development policies for countering the impact of COVID-19 in the short-run, and setting the economy on a sustainable development path, which is in alignment with the A-SDGs.

NEXT STEPS IN CGE ANALYSIS



- Update SAM: Macro-economic indicators; new HH Consumption and Labor surveys (2019)
- COVID-19 impact on Households
- Illegal trade
- Inconsistencies between national and international sources
- Dual economy
- Territorial issues

THANKS

Sebnem.sahin@undp.org

