

Pledging Conference



A New Decade has started

The end of 2020 finds Afghanistan at a crossroad. Against increasing violence since the beginning of the year and the yet unknown future course of the pandemic, there can be optimism about the outcome of the ongoing inter-Afghan peace dialogue and renewed donor support for the next four years. The beneficial impact of peace cannot be overrated. However, more than securing funds will be required to set Afghanistan onto a sustainable and inclusive development path. UNDP has conducted several reviews of the institutional, economic, social and environmental constraints Afghanistan is faced with, including those that have arisen since the onset of the pandemic. It has also evaluated several policy options.

The Pandemic will slow down Progress

Afghanistan has so far achieved less than 40% of the progress required towards all SDGs, one of the lowest in the world. COVID-19 has further derailed this timid progress. The already low Human Development Indicators have taken a hit from the pandemic that has affected lives and livelihoods, has stained health services and, through its impact on the economy, has reduced public revenues while more is needed to be spent on health services and social protection.

UNDP has estimated that the immediate impact of the pandemic on this year's GDP will be 6%. Assuming the impact follows a short-lived V-shape and the economy starts recovering next year, the rate of growth will be slow and GDP may not reach its pre-pandemic level before 2024 and may be later by which time per capita incomes can still be 10% lower than in 2019 as the population would have grown fast in the meantime. Poverty is expected to increase by nearly one-quarter, to 68% from its rate of 55% in 2019.

Amidst the already stressed health facilities, government revenues are expected to be reduced by an average of 16% between 2020 and 2024. If the additional spending required to directly address the effects of the pandemic is funded from raising taxes domestically, the economic growth rate will be reduced by 2%. To fully offset the resulting fiscal gap, donor grants should increase by 30% compared to their 2019 level.

There are still Several Policy Options

UNDP has simulated several policy options for Afghanistan to weather the effects of the pandemic and achieve its longer term development objectives.

Achieving peace can boost GDP by 7% over and above what it might have been, had conflict continued. Improvements in governance can add 2% to the economic growth rate. Private sector growth that would increase exports and regional trade can add another 4% to the GDP. Improvements in the business environment through the reduction of red tape and increased access to credit can add 2 percentage points to the economic growth rate. Improvements in agriculture can increase food security, decrease food prices and increase farmers' incomes by almost 10%.

Effective progress in the peace/state/market nexus will reduce the high informality rate of 80% and, through growth, increase government revenues that are urgently needed to offer assistance to those affected by the recent pandemic in addition to striving for universal enrolment in education with a focus on girls. UNDP has estimated that (i) a public works program for 100 days would require a fiscal outlay of 1.3% of GDP, if one-quarter of the working age population enrolls in the program; (ii) A social pension paid to the nearly one million elderly (65+) for six months would require a fiscal outlay of 0.44% of GDP; and (iii) income support to 500,000 Internally Displaced Persons and 300,000 Returnees also for six months would require a fiscal outlay of 0.35% GDP. All three interventions sum up to US\$ 425 million) that is a fraction of the nearly \$6 billion spent on security annually.

This reinforces the urgency to achieve peace. Any peace agreement should guarantee that the hard won gains for women would be preserved and expanded: it should reduce the chasm between the position of Afghan women living in rural areas and those living in urban areas as well as between the position of women who live in areas that are under Government oversight and the position of women who live in areas that are under the control of nonstate actors.

Working Together

With these findings in mind, UNDP is proposing a portfolio of ten programs to the development partners and the Government. These programs are in line with the vision and priorities of Afghanistan's National Peace and Development Framework (ANPDF II) and include 59 projects that would require a total investment of US\$1.5 billion over the next five years.

The impact of COVID-19 is massive but will hopefully be short-lived compared to the development horizon envisaged for the achievement of the SDGs by 2030. The achievement of the SDGs that are at the center of Afghanistan's development objectives would require predictable, sufficient and timely support by the donors. From Afghanistan's side, the use of donor funds should be consistent with the needs of the citizens and be delivered with utmost efficiency and transparency—coupled with an expansion of social protection and clear efforts to crowd in the private sector through an improved business environment and expand social protection.

Sources: UNDP (2020)

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2. *Afghanistan Coronavirus Socio-Economic Impact Assessment, July.*
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4. *Afghanistan Coronavirus Socio-Economic Impact Assessment: Fiscal Options in Response to Corona Virus Crisis, November*
<http://www.af.undp.org//library/knowledge-products/CountryNoteIV.html>, November
5. *Afghanistan Country Report and UNDP's role as the SDG-integrator: Achieving Long-term Goals amid Short-term Adversities (forthcoming).*