



AFGHANISTAN POVERTY STATUS UPDATE

PROGRESS AT RISK

An analysis based on the Afghanistan Living Conditions Survey 2013-14, 2011-12, and on the Risk and Vulnerability Assessment 2007-08



Islamic Republic of Afghanistan
Ministry of Economy



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FOREWORD

To the citizens of the Islamic Republic of Afghanistan, it is a pleasure to present the second edition of the *Afghanistan Poverty Status Update*.


This report uses nationally representative Afghanistan household survey data from the Afghanistan Living Conditions Survey (ALCS) to analyze the evolution of poverty during the transition period between 2011-12 and 2013-14. By contrasting these findings with those from the pre-transition phase, the report sheds light on underlying trends that affect poverty dynamics in today's Afghanistan.

The analysis presented in this *Poverty Status Update* report cannot completely depict the full, complex web of causal interactions shaping socio-economic dynamics in Afghanistan. Rather, the objective of this report is to present Afghanistan's key poverty dynamics, analyze patterns of social inclusion, and discuss main challenges for poverty reduction moving forward.

The Ministry of Economy of the Islamic Republic of Afghanistan and The World Bank wish to thank the Central Statistical Organization for their continued effort in providing the household survey data necessary for evidence-based policy making.

We look forward to continued collaboration with our distinguished partners.

Sincerely,



H.E. Abdul Sattar Murad
Ministry of Economy



Shubham Chaudhuri
World Bank Country Director for Afghanistan

EXECUTIVE SUMMARY

A severe slow-down in Afghanistan's economic growth characterized the period between 2012 and 2014, the so called "transition period" leading to the 2014 election and handover of security responsibility to Afghan forces. Afghanistan's economic malaise during this time can be attributed to the combined effects of the drawdown of international military forces and a sharp fall in associated international spending, reduction of aid, and increasing conflict and political instability. While aid fueled strong growth during the pre-transition period between 2007–08 and 2011–12, worrisome socio-economic dynamics already present intensified during the transition. Notably, the transition crisis magnified once again the many inequalities—between regions, cities and rural areas, rich and poor Afghans, and between men and women and girls and boys—that fracture Afghan society. The poorest and most vulnerable segments of the population benefited least from pre-transition growth, and the same groups suffered the most once the economy and the security condition deteriorated. This new edition of the *Poverty Status Update* series "Afghanistan: progress at risk" documents the evolution of poverty and socio-economic inclusion during the transition. It examines determinants of poverty and, with an eye beyond 2014, suggests policies to reduce vulnerability and inequalities.

1. POVERTY ON THE RISE: THE IMPORTANCE OF GROWTH AND SECURITY

Evidence from the pre-transition phase shows that *growth is not sufficient for poverty reduction* if it is accompanied by widening inequality. As discussed in the previous edition of the *Poverty Status Update*, increasing inequality and lack of shared prosperity among Afghan people, and throughout Afghanistan's territory, were the main reasons keeping about 36 percent of Afghans in poverty despite sustained economic growth during the pre-transition period between 2007–08 and 2011–12.

Afghanistan's transition phase shows that poverty *increases without sustained, job-creating growth*. Sluggish growth and increasing conflict has pushed 1.3 million more Afghans into poverty since 2011–12, increasing the poverty rate to 39.1 percent. The poorest Afghans were the least able to navigate the crisis, both because they lack the means to cope with shocks and because the crisis was particularly severe in rural areas where most of the poor live; the withdrawal of international forces and declining international spending caused the most job loss in these areas. Poverty in rural areas increased by 14 percent over the period, reaching 43.6 percent in 2013–14, while poverty remained stable at 26 percent in urban areas.

Poverty and vulnerability also increase with conflict. As conflict intensified and spread through the country, internal displacement reached new highs, further exacerbating the structural poverty and labor market challenges Afghan households face. According to the latest United Nations Office for the Coordination of Humanitarian Affairs (OCHA) data, about 2.9 million Afghans are "internally displaced", 22 percent of whom fled their homes in 2016 alone¹. The challenge posed by conflict and internal displacement is aggravated by the massive return of refugees and migrants from Pakistan

¹ Figures updated as of January 2017 (see www.unocha.org/afghanistan)

and Iran. In 2016 alone, about 250 thousand undocumented migrants and 370 thousand registered refugees returned from Pakistan, and an additional 460 thousand undocumented migrants returned from Iran.

2. AFGHANISTAN'S JOB CRISIS: A LOST DECADE

The scale of the crisis which unfolded during the transition decreased demand for labor, preventing the market from creating enough jobs to accommodate Afghanistan's fast growing labor force. Reflecting the bottom-heavy, youthful age distribution of the population, more than 400,000 Afghans are expected to enter the labor market every year for the foreseeable future. Not only did contraction in growth make it more difficult to generate new jobs, but it also contributed to the destruction of most jobs created during the pre-transition phase. Focusing on adult male employment alone, four of five jobs created between 2007-08 and 2011-12 were lost by 2013-14, leaving approximately 1.9 million Afghans unemployed. According to ALCS data, unemployment reached 22.6 percent in 2013-14, meaning that almost one in every four people participating in the labor market were either working for less than eight hours per week or do not have a job and are actively looking for one.

As usual, the job depressing effects of the crisis were not evenly distributed, with youth, rural areas, and illiterate workers bearing the heaviest losses: one half of Afghans unemployed in 2013-14 were below the age of 25, 9 of 10 jobs destroyed during the transition period were in rural areas, and four of five jobs destroyed were previously held by illiterate workers. Human capital emerged as a critical antidote against unemployment during the crisis; it had also been a catalyst for poverty reduction during the pre-transition period as better educated workers were able to take advantage of better paying jobs.

Conflict and narrow economic opportunities are familiar to Afghan households who often use migration to manage risk. As a response to the economic and security crisis during the transition, more Afghans left rural villages either due to forced displacement or as an economic choice to diversify risk and support families left behind. While displaced households seeking shelter in urban centers suffer more labor market vulnerability and poverty, families with members who migrate and find employment outside of Afghanistan find the remittances to be a critical source of income. Under current growth and population dynamics, labor mobility represents an important opportunity for Afghan migrants, the Afghan economy, and recipient countries.

3. BUILDING AFGHANISTAN'S FUTURE: CHALLENGES TO HUMAN DEVELOPMENT PROGRESS

Progress in human development outcomes has been among the most important achievements in post-2001 Afghanistan, fueled by unprecedented levels of aid, literacy, school enrollment, and access to basic services such as water, sanitation, and electricity. All of these improved at a fast pace during the pre-transition period between 2007-08 and 2011-12. However, declining aid and increasing conflict during the transition period between 2011-12 and 2013-14 slowed progress, especially on education and maternal health outcomes.

Despite increased attendance in secondary education, recent data suggests that increased conflict resulted in fewer children attending primary school in 2013-14 compared to 2011-2012. This affected girls and children in rural areas most. Attendance rates for girls fell annually by more than 2 percent between 2011-12 and 2013-14, while that of boys fell by only 0.6 percent. Children living in rural areas, where conflict most often occurs, fell further behind in primary attendance. The urban-to-

rural gap in primary attendance increased between 2011–12 and 2013–14 as a result of decreased attendance in rural areas. Again, decreased school attendance among girls living in rural areas was particularly acute.

Maternal health in Afghanistan continues to improve, but at a slower pace compared to past years as a result of slowing progress in rural areas. The percentage of Afghan women receiving skilled antenatal care and delivering with skilled assistance doubled between 2007–08 and 2013–14. While this trend was largely driven by improvements in rural areas, women living in rural areas remain at a severe disadvantage in accessing maternal health services, and growth of rural women's access slowed considerably between 2011–12 and 2013–14.

Despite conflict and poverty, access to water, and electricity continues to improve across Afghanistan faster than previously observed. Nevertheless, Afghanistan remains far from closing its infrastructure access gap, particularly when comparing access rates between urban and rural areas. In urban areas for instance, eight out of ten households had access to improved sanitation in 2013–14, compared to only three out of ten in rural households.

4. FRAGILITY AND VULNERABILITY OF AFGHAN HOUSEHOLDS

As discussed in the previous edition of this *Poverty Status Update*, vulnerability to shocks is one of Afghanistan's most defining social and economic challenges. The country's heavy reliance on subsistence agriculture, difficult geography and climate-change risk, absence of formal safety nets, and protracted history of conflict all contribute to the vulnerability of Afghans.

The economic and security crisis that unfolded during the transition phase increased the incidence of shocks, pushing many households unable to cope into poverty. Not only did the risk of large scale (covariate) shocks remain high, but the incidence of household specific (idiosyncratic) shocks related to injury, illness, or death of household members almost doubled between 2011–12 and 2013–14 from 9.5 to 18.6 percent of households.

Poverty and conflict combine to exacerbate Afghans' vulnerability to shocks. Poorer households and those living in high-conflict areas are not only more likely to be exposed to shocks, but they are also more likely to suffer the negative consequences of shocks over long periods of time. Lacking means to cope with risk, these households face bitter trade-offs when hit by a shock and may be forced to resort to "harmful" coping mechanisms that may depress future productivity and livelihoods, such as selling livestock or assets; increasing use of child labor leading to intergenerational poverty; or reducing consumption and going hungry, reducing health, human capital accumulation, and future labor productivity.

5. KEY MESSAGES

Afghanistan suffered a severe economic crisis during the transition period between 2011–12 and 2013–14. Coupled with deteriorating security, the crisis increased poverty and the vulnerability of Afghans. Afghanistan's economic growth in more recent years has improved marginally from 1.3 percent GDP growth in 2014, to 1.5 percent in 2015. World Bank forecasts indicate a growth path that moves gradually from 1.2 percent in 2016 to 5 percent by 2030, but this kind of growth remains substantially below both pre-transition levels, and remains well below the eight percent growth needed to fully employ Afghanistan's growing labor force. Meanwhile, conflict and fragility will likely continue to constrain Afghanistan's development and poverty reduction.

In such context, trends that emerged during the transition period provide insights on how to best weather the challenges ahead. With growth unlikely to reach pre-transition levels, poverty reduction in Afghanistan in future years will require:

- More inclusive and broad-based growth than in the past, with greater focus on agriculture development and on improving access to markets and rural-urban linkages.
- Helping Afghan people, especially youth, to find jobs. With 400,000 youth entering the labor market every year, efforts to support legal channels for economic migration abroad must accompany labor-intensive growth in Afghanistan.
- Continued focus and progress in education and health outcomes by increasing access to services. The main challenges will be to ensure service delivery in conflict affected areas and to close service access inequalities between poor and non-poor Afghans, and between urban and rural areas.
- Helping Afghan households to cope with shocks and reducing their vulnerability to becoming trapped into poverty as a consequence of conflict, natural disasters, and economic events beyond their control.

CHAPTER 1

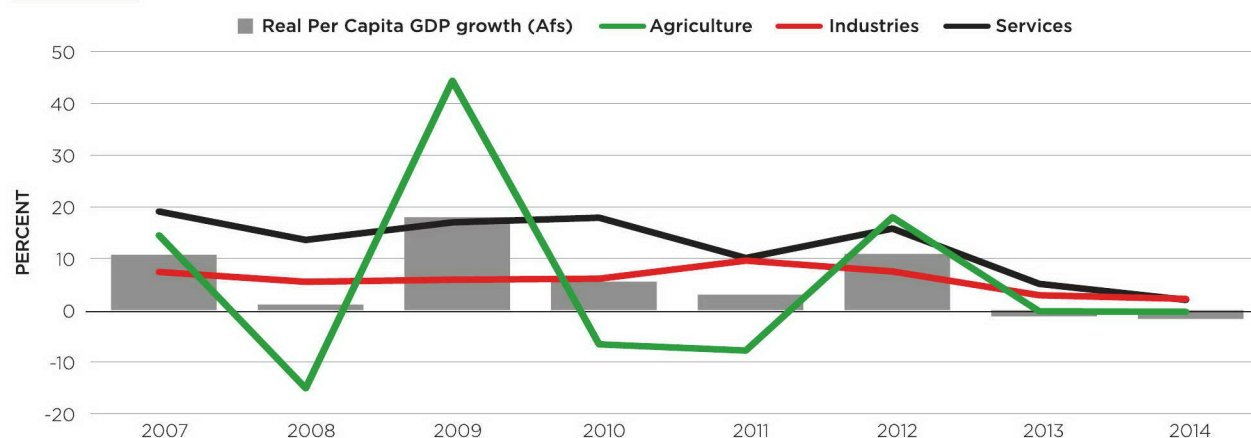
THE TRANSITION PHASE: ECONOMIC TRENDS, CONFLICT, AND POVERTY

SUMMARY: Economic growth contracted severely between 2012 and 2014, due to declining international spending, worsening conflict, and overall uncertainty stemming from the political and security transition. As a result, the percentage of people living under the poverty line increased from 35.8 percent in 2011–12 to 39.1 percent in 2013–14; 1.3 million additional Afghans fell into poverty. The increase in poverty was particularly severe in areas that had benefited most from international spending during the pre-transition phase, notably rural areas and the Southwestern region. Moreover, as conflict intensified through much of the country, internal displacement reached new heights, further exacerbating the structural poverty and livelihood challenges Afghans face.

ECONOMIC TRENDS, AID, AND CONFLICT

A major slowdown in economic growth characterized the transition phase. Economic growth contracted significantly between 2012 and 2014, largely due to declining international spending and a worsening investment climate as a result of increasing conflict and political instability. Per capita GDP growth collapsed from 10.9 percent in 2012 to -1.7 percent in 2014, down from an annual average of 7.7 percent during the pre-transition period 2007 to 2011 (Figure 1). Non-agricultural sectors were hit hardest during the transition period. In particular, service sector growth was seven times slower in 2014 compared to 2012, and industry sector growth suffered a four-fold contraction. On the positive side, no major shock affected agriculture production, which remained constant at the bumper harvest level registered in 2012.

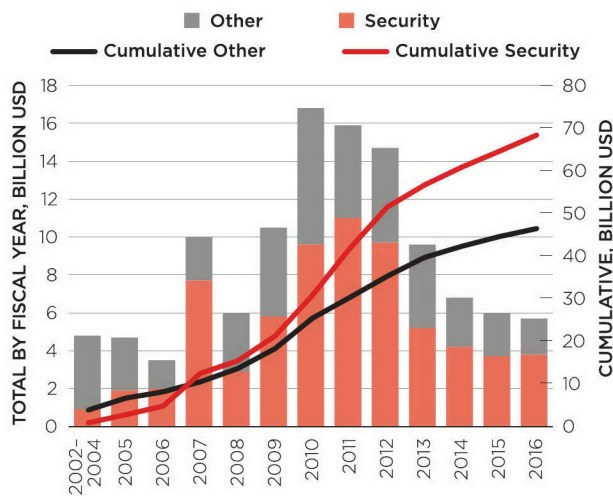
Figure 1 Growth in real GDP per capita and output sectors



Source: CSO, 2016

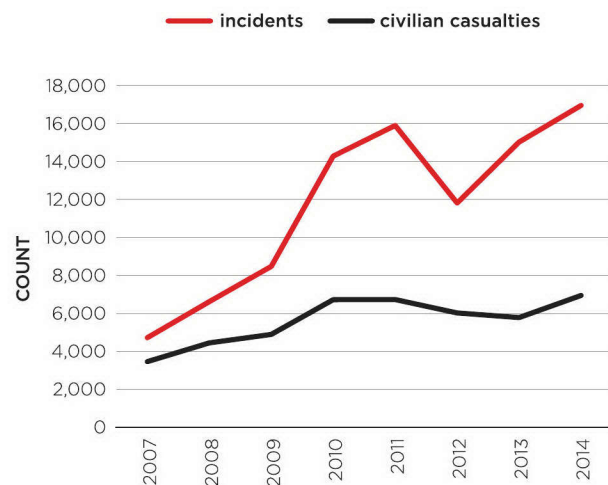
Steady decline in international spending helped suppress growth. Reduction in international spending accompanied the drawdown of international security forces. Looking at US funding alone, Congressional appropriations for reconstruction and military operations in Afghanistan declined by 34 percent between 2012 and 2013, mostly due to the contraction in security spending. US Congressional appropriations declined by more than 50 percent between 2012 and 2014 when adding both security and other reconstruction spending (Figure 2). While not possible to obtain information on the spatial profile of spending decline in Afghanistan, it is reasonable to assume that the same regions that benefited most in the past²—such as the Southwest, and to a lesser extent the South and East regions—were more severely affected by the drawdown in spending.

Figure 2 US reconstruction funding for Afghanistan (appropriations)



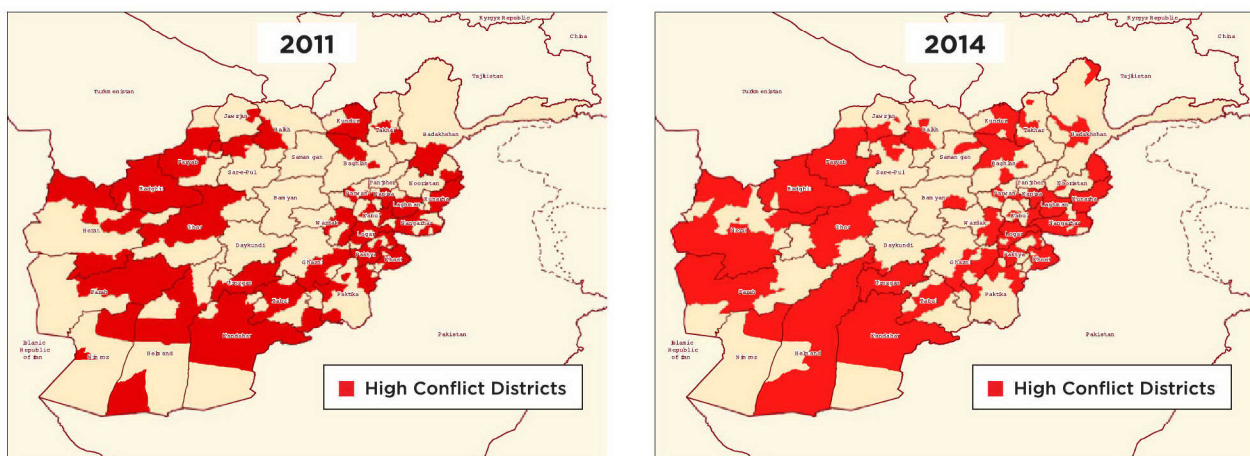
Source: SIGAR (2016)

Figure 3 Trends in conflict related incidents and civilian casualties.



Source: Authors' elaboration based on SIOCC data

Figure 4 High conflict districts in 2011 and 2014

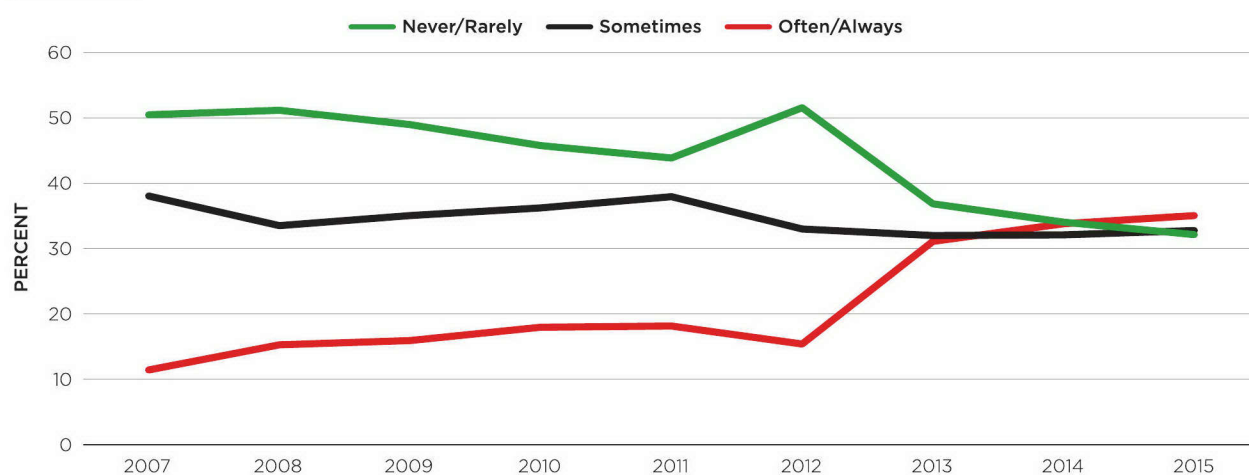


Note: A district is defined as high conflict if the number of security incidents is above the national median in 2011.
Source: Authors' elaboration based on SIOCC data

At the same time, conflict and insecurity worsened. After a modest decline between 2011 and 2012, conflict in Afghanistan increased to record highs in 2014, when the number of conflict related incidents and civilian casualties³ reached a staggering count of 16,948 and 6,946, respectively (Figure 3)⁴. Conflict dynamics and its geographical spread evolved over time. Intensification of combat operations led by international military forces (the so called “surge”) increased conflict between 2009 and 2011, but the increase in conflict after 2012 was mostly driven by intensification of clashes between the Afghan military, police, and anti-government elements. Conflict has become more widespread throughout Afghanistan’s territory. While conflict at the peak of the surge in 2011 was geographically concentrated in fewer districts affected by high combat intensity, in 2014 conflict had intensified outside traditionally insecure districts⁵ (Figure 4).

A deteriorating security situation also emerges from analysis of households’ perceptions. According to data from the Afghanistan Living Conditions Survey (ALCS), the share of households reporting “*feeling insecure in their district of residence*” reached 16 percent in 2013-14, up from 14 percent in 2011-12⁶. Similarly, data from the Asia Foundation’s Survey of Afghan People indicates that the share of Afghans reporting to “*live in constant fear for their own security or for that of their family*” have increased over time, in parallel with the increase in incidents and casualties, reaching levels well above those registered during the pre-transition phase. Pessimism over future security outlook is likely to have further contributed to the deterioration in Afghan households’ perception of insecurity and to the downward spiral in investments and growth.

Figure 5 Afghans reporting to fear for their own or family’s safety/security



Source: Authors’ elaboration based on Asia Foundation “Survey of Afghan people” data

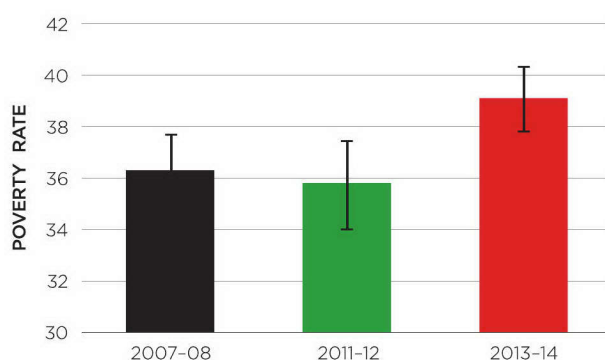
- 3 Following OCHA (2016) definition, an incident and/or casualty is classified as “conflict-related” if originated by the following 10 types of events: abduction, air strike, armed clashes, assassination, attempted assassination, IED detonated, intimidation, mine/UXO incident, stand-off attack, and suicide attack.
- 4 More recent data confirm further deterioration of conflict in 2015 and 2016. According to the Global Peace Index, in 2016 Afghanistan was considered the fourth least peaceful country on earth, after Syria, South Sudan, and Iraq. (Institute for Economics and Peace (2016) “Global Peace Index 2016”).
- 5 In 2014 only 7.6 percent of districts were not affected by conflict, i.e. did not suffer from conflict-related incidents or casualties. The corresponding figure in 2011 was 8.9 percent.
- 6 Afghanistan Living Conditions Survey (ALCS).

Deteriorating security, compounded by declining international spending, negatively affect household welfare. Violent conflict has destructive effect households' on individual and household welfare, both directly and indirectly⁷. Direct effects include: (i) changes in household composition due to killings, injuries, and recruitment of fighters, (ii) changes in household economic status due to destruction of assets and livelihoods, and (iii) forced displacement and migration. Indirect effects include changes in households' access to, and relationship with, markets, employment, networks, and institutions. During the post-transition phase, effects from conflict were further exacerbated by heightened political instability and by declining international spending. As discussed in the previous edition of the Poverty Status Update⁸, high international spending helped counterbalance the negative effects of conflict on households' welfare by supporting job creation in the off-farm sector, particularly in the areas most affected by conflict. Between 2012 and 2014, declining international military expenditure and aid contributed to reducing job opportunities, especially in rural areas, limiting the range of risk coping mechanisms available to households affected by shocks⁹.

POVERTY TRENDS

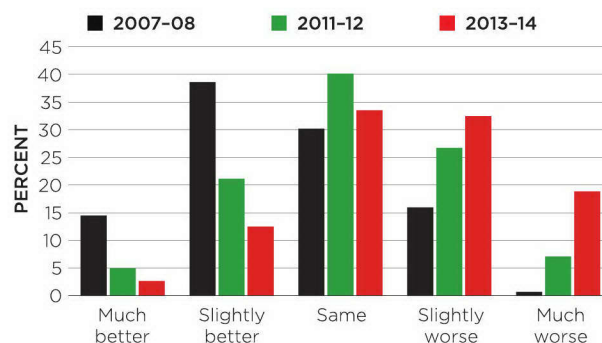
Poverty has increased markedly during the transition period. The worsening economy and security situation in Afghanistan translated into a marked increase in poverty from 35.8 percent in 2011-12 to 39.1 percent in 2013-14 (Figure 6). This trend confirms once again the extreme vulnerability of Afghan households to the risk of falling into poverty when hit by a negative shock¹⁰. In fact, taking the welfare distribution in 2011-12 as a baseline, the sharp increase in poverty (9 percent) during the transition phase is consistent with a relatively small, about 4 percent, negative shock to household consumption¹¹. The increase in poverty is mimicked in a deterioration of Afghan households' perceptions of welfare. Asked to compare their situation to the previous year, 51.3 percent of Afghan households reported a worsening of their economic conditions in 2013-14, compared to 33.8 percent in 2011-12, and 16.7 percent in 2007-08.

Figure 6 Poverty trends



Notes: Vertical bars indicate the confidence interval of poverty estimates. Poverty estimates for 2013-14 obtained using SSI technique (see Box 1). Source: Authors' calculation using ALCS 2013-14, ALCS 2011-12, NRVA 2007-08

Figure 7 Household self-reported welfare, compared to the year preceding the survey



Source: Authors' calculation using ALCS 2013-14, ALCS 2011-12, NRVA 2007-08

7 Justino 2009, 2012.

8 Ministry of Economy Islamic Republic of Afghanistan (2015).

9 See Chapters 2 and 4.

10 In 2011-12, approximately half of Afghanistan's population (55 percent) was consuming less than 120 percent of the poverty line, implying that a 20 percent negative shock to consumption could have pushed half of the country's population into poverty.

11 The corresponding decline in real per capita GDP over the period was 10.5 percent.

Box 1 Poverty Measurement in Afghanistan

In line with international standards, poverty measurement in Afghanistan follows the Cost of Basic Needs approach (CBN). The official poverty line for Afghanistan was set in 2010 using National Risk and Vulnerability Assessment (NRVA) 2007-08 data and updated in 2011-12 to reflect price changes over time. The CBN poverty line indicates the monetary value of consumption at which members of a household can be expected to meet food and non-food needs. Accordingly, the poverty headcount rate (poverty rate) indicates the share of the population whose consumption falls short of the poverty line.

Measuring the evolution of poverty in Afghanistan requires a comparable measure of consumption. However, in line with the rotating module plan, the 2013-14 round of the Afghanistan Living Condition Survey (ALCS) did not survey food consumption. In the absence of food consumption data, poverty for ALCS 2013-14 was estimated using the Survey-to-Survey Imputation (SSI) technique; SSI uses a regression model built from existing data in a survey to estimate missing data (in this case household aggregate consumption) in another survey.

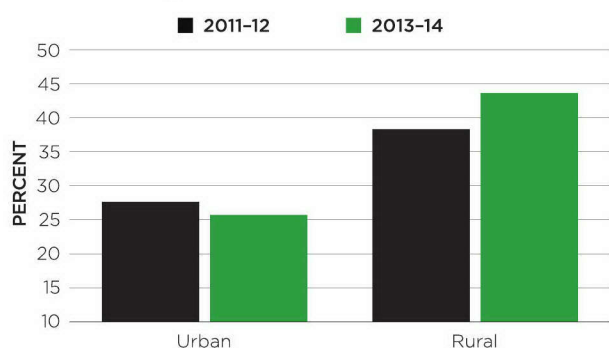
More specifically, ALCS 2011-12 was used to estimate a model of per-capita consumption and the SSI method was then used to impute the missing household consumption and poverty rates for ALCS 2013-14. Based on the SSI method, poverty in 2013-14 is estimated at 39.1 percent.

The results of the SSI exercise were further validated by using the same approach and consumption model to estimate consumption and poverty in NRVA 2007-08, for which actual consumption data and direct poverty estimates are available. Evidence confirms that actual poverty rate in 2007-08 are not statistically different from the one obtained using the SSI estimation method.

Notes: See CSO (2015) and Sherpa et al. (2016) for a detailed technical description of the methodology.

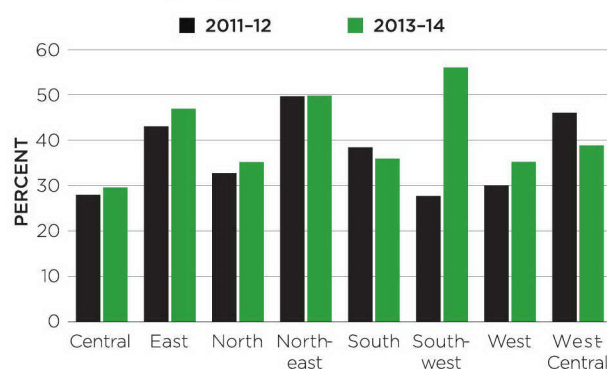
Rural areas were hardest hit by the decline in welfare during the transition phase. Poverty in rural areas increased by 14 percent between 2011-12 and 2013-14, going from 38.3 percent to 43.6 percent (Figure 8). On the other hand, poverty in urban areas did not change over time despite substantial migration flows from rural to urban areas. Deteriorating living conditions in rural areas were mostly due to deteriorating security and decline in international spending associated with withdrawal of international military forces. As a result, labor demand in the off-farm sector declined, and most of the jobs created in the service sector during the pre-transition phase¹² were lost, thus decreasing employment and household welfare.

Figure 8 Trend in poverty headcount, by area of residence



Notes: Poverty estimates for 2013-14 obtained using SSI technique (see Box 1). Source: Authors' calculation using ALCS 2011-12 and ALCS 2013-14

Figure 9 Trend in poverty headcount, by region

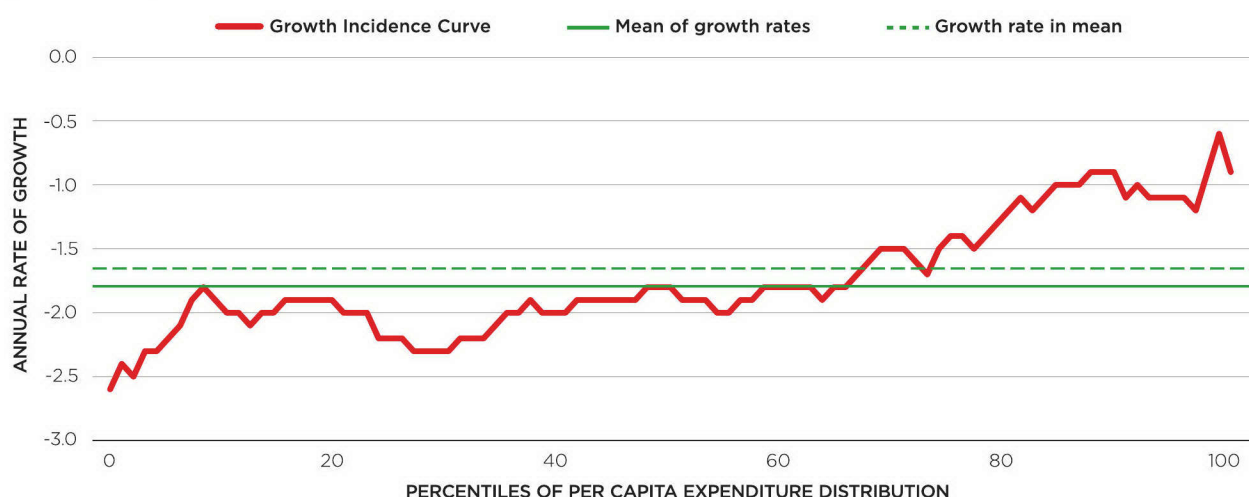


Notes: Poverty estimates for 2013-14 obtained using SSI technique (see Box 1). Source: Authors' calculation using ALCS 2011-12 and ALCS 2013-14

12 Ministry of Economy Islamic Republic of Afghanistan (2015).

Poverty in the Southwest region increased dramatically, but otherwise the regional profile of poverty did not change. Geographical differences in welfare are a distinguishing feature of Afghanistan's poverty profile. As discussed in the previous *Poverty Status Update*, some regions — the lagging regions of East, Northeast, and West Central — emerged from the analysis in the previous *Poverty Status Update* as highly vulnerable to poverty. Between 2011-12 and 2013-14, there were generally no significant changes in regional poverty, with lagging regions remaining poorer than the rest of the country. The notable exception to an otherwise unchanged regional profile of poverty is the Southwest region, where poverty increased from 28 to 56 percent (Figure 9). The Southwest region, which includes provinces such as Nimroz, Helmand¹³, Kandahar, Zabul and Uruzgan, has historically been characterized by high conflict and high international spending on both civilian and military operations. As such, it is not surprising that poverty increased most in the region that, for given conflict intensity, likely experienced the greatest decline in international spending during the transition phase.

Figure 10 Growth incidence curve between 2011-12 and 2013-14



Notes: The Growth Incidence Curve (GIC) refers to the annualized growth rate of per capita consumption for every percentile of income distribution between two points in time (2011-12 and 2013-14). Consumption estimates for 2013-14 obtained using SSI technique (see Box 1). Source: Authors' calculation using ALCS 2011-12 and ALCS 2013-14.

Deteriorating living conditions during the transition phase affected poor people most. Changes in welfare over time do not affect all households equally. During the pre-transition phase, when economic growth was sustained, the richest 20 percent of Afghans saw their level of welfare—as measured by their average per capita consumption—increasing by 9 percent, while the poorest 20 percent saw a 2 percent decline. A similar picture emerges during the transition phase. Between 2011-12 and 2013-14, average per capita consumption declined at an annual rate of -1.7 percent, but the decline was particularly severe at the bottom of the distribution (Figure 10). While the poorest 20 percent of the population saw a 4.2 percent decline in real per capita expenditure over the period, the decline for the richest 20 percent was only 2.8 percent, once again confirming higher vulnerability to shocks of the poor¹⁴.

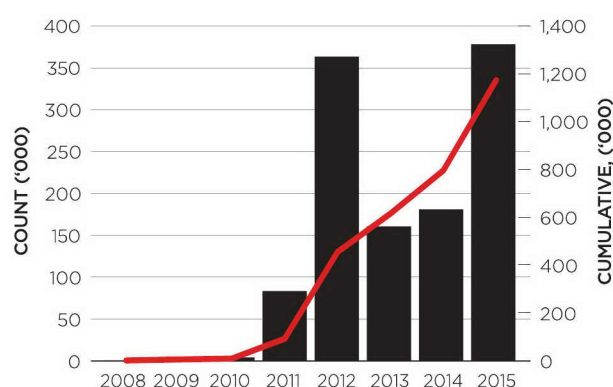
¹³ Due to data quality issues in 2011-12, poverty estimates are not available for the province of Helmand.

¹⁴ See Chapter 4.

DISPLACEMENT TRENDS AND PROFILE

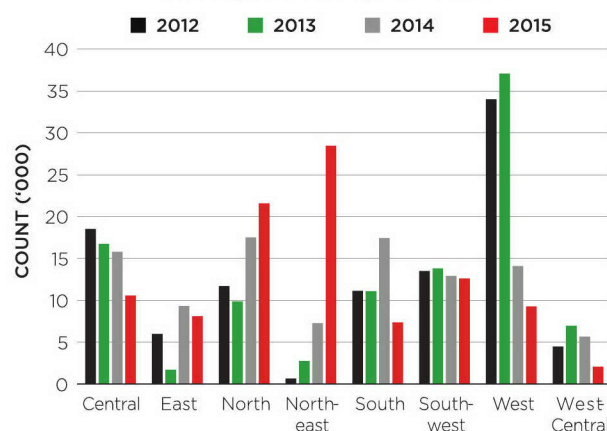
The intensification and geographical reach of conflict increased the number of Internally Displaced People (IDP). As shown in Figure 11, the number of IDPs has been growing over time, with peaks in displacement in 2012 and 2015. According to the latest United Nations Office for the Coordination of Humanitarian Affairs (OCHA) data, about 2.9 million Afghans are “internally displaced”, 22 percent of whom fled their homes in 2016 alone^{15,16}. Estimates suggest that, on average, for every security incident (casualty) happening in a district 9 (10) more individuals are forced into the pool of internally displaced Afghans¹⁷. The profile of displacement trends across Afghanistan’s regions mirrors the increase in the geographical spread of conflict (Figure 12). In 2012 and 2013, about one in three displaced individuals originated in the Southwest region; in 2014 and 2015 an increasing number of IDPs originated from Northern, Northeastern, and Eastern provinces.

Figure 11 IDP population, by year of displacement (thousands)



Source: Authors' elaboration based on UNHCR data

Figure 12 Distribution of internal displacement, by region of origin and year



Source: Authors' elaboration based on UNHCR data

Security considerations affect both the decision to move and the choice of destination, with Afghan cities attracting an increasing number of IDPs. Displacement in a context characterized by conflict is a consequence of the threat of violent attack rather than a voluntary migration decision. As discussed in the literature¹⁸, traditional economic push and pull factors (differences in wage and unemployment between area of origin and of destination) are compounded by violence and insecurity, with displaced households explicitly taking into account the “security differential” between the area of origin and destination. In the case of Afghanistan, both security and economic considerations have pulled both economic migrants and displaced populations towards urban

15 Figures updated as of January 2017 (see www.unocha.org/afghanistan)

16 These data should be taken as only broadly indicative. There are a number of complexities and constraints to measuring internal displacement in a dynamic environment due to the challenge of keeping up-to-date with the actual movements and the returns of displaced population. See Schmeidl (2016). Between January and December 2016, 636,500 individuals fled their homes due to conflict (UN Afghanistan, 2017).

17 Results based on a district-year fixed effect panel model over the period 2007-2015. Results are in line with the literature on violence and population flows, which shows that intensification of conflict prompts forced migration (Morrison and May, 1994; Lonzano-Gracia et al., 2010).

18 See Czaika and Kis-Katos (2009); Ibanez (2014).

Box 2 Displacement data challenges and the ALCS

Analysis of internal and international displacement in Afghanistan has long been limited by the lack of comprehensive and reliable data. Several small, mostly qualitative studies have focused on urban areas, but methodological differences and the lack of a proper frame for sample selection limit the possibility to provide a clear picture and profile of these populations of interest.

The Afghanistan Living Condition Survey (ALCS), being a nationally representative survey, has the potential to provide a more comprehensive picture of displacement issues in Afghanistan.

In particular, the 2013–14 survey allows the identification of both returnees and IDPs by cross-referencing the information collected in the shock module (module 9) and in two extensive migration modules (modules 12 and 13), in particular:

- Module 9 focuses on “shocks” and, among others things, collects household information on displacement history, both within Afghanistan and across country boundaries. The information includes province of origin, province/country of displacement, and year of displacement and return.
- Module 12 focuses on individual migration histories, collecting information on residence (province, country and urban/rural area) at three points in time: birth, 1380 (i.e. 2001, year the US started the war against the Taliban), and two years before the survey. In case residence at any of these points is different from the current residence, the respondent is asked for the motives for migration (economic, family, conflict/violence, etc.).
- Module 13 focuses on members who have left the households over the 12 months preceding the survey and, for each individual currently away from the household, provides information on gender, age, destination (both within Afghanistan and internationally) and reason for migration (economic, family, conflict/violence, etc.).

By compiling information from these different modules we can obtain information on mobility and on internal and international displacement.

The World Bank is currently collaborating with the Central Statistical Organization to mainstream data collection on migration and displacement issues in Afghanistan. In particular, the analysis of ALCS 2013–14 data identified two main areas of improvement, namely: (i) streamline survey questionnaires to help reconcile analysis of household and individual migration histories; (ii) improve the migration module, particularly on the profile of members away from the household; and (iii) improve sample design to better reflect ongoing urbanization trends, and potentially to include a separate “displacement stratum” in the sample design.

centers, and particularly towards the capital city Kabul¹⁹. According to the ALCS 2013–14 (Box 2), 48.1 percent of IDP households and 46.6 percent of returnee households were living in urban centers at the time of the survey, against a national urban population rate of 24.1 percent.

19 Kabul population increased from 500,000 in 2001 to 3 million in 2007, and over 4 million in 2013 (Kabul SDES). The main driver of Kabul growth was the influx of returning refugees from Pakistan and Iran over the years after the fall of the Taliban and the influx of economic migrants and displaced populations from other provinces. According to the latest Kabul Socio Demographic and Economic Survey (SDES) conducted in 2013, approximately 5 percent of the households living in Kabul province (170 thousand individuals) are IDPs coming from the top IDP sending districts of Afghanistan over the period 2007–13; while 31 percent of households (1.1 million individuals) are returning refugees or economic migrants coming back from Pakistan or Iran. Overall, one in three of Kabul province inhabitants are immigrants from abroad or from other provinces of Afghanistan (CSO, 2016).

Among the poor, internally displaced individuals remain particularly vulnerable, especially immediately after displacement. Conflict-induced displacement is generally associated with a higher risk of poverty. Loss of assets and livelihood sources, disruption of networks, and loss of human capital all factors that contribute to heightening vulnerability to poverty of forcibly displaced households²⁰. In the context of Afghanistan, vulnerability to poverty and fragility are widespread and the poverty rate among IDP households is on average in line with that of the general population. However, a higher risk of poverty among IDP households emerges after controlling for the area of residence (urban vs rural), the duration of stay in their current place of residence, and whether they had returned from displacement abroad in the past (secondary displacement). Once taking these factors into consideration, IDP households are on average 10.5 percentage points more likely to be poor than the rest of the Afghan population, with vulnerability being the highest immediately after displacement.

Internal displacement challenges are currently heightened by a massive involuntary return of refugees from Pakistan. Recent changes in regional politics have spurred the return (mostly involuntary) of thousands of Afghans from Pakistan, Iran, and to a lesser extent from Europe. In 2016 alone, about 250 thousand undocumented migrants and 370 thousand registered refugees returned from Pakistan, and an additional 460 thousand undocumented migrants returned from Iran²¹. While little is currently known about the welfare profile of this returnee population, international evidence suggests that their reintegration, either in new relocation regions or in sites of origin, is highly dependent on their capacity to access markets and to find jobs²². With low economic growth and high prevailing unemployment, massive inflows of returnees are likely to severely strain absorption capacity in resettlement areas, causing economic competition, threatening social stability, and eventually increasing the number of people living in poverty²³.

20 Ibanez, A.M. and Moya (2010).

21 UNAMA (2017).

22 World Bank (2016b).

23 World Bank, UNHCR (2016).

CHAPTER 2

AFGHANISTAN'S JOB CRISIS

SUMMARY: *Limited economic growth and continued demographic pressure exacerbated challenges in Afghanistan's labor market. In 2013–14, 22.6 percent of the Afghan labor force was unemployed, with youth unemployment accounting for 46 percent of the total. Youth unemployment, especially unemployment of young men, emerges as a particular concern because of its potential to fuel conflict and social stability. About 500,000 male youth were unemployed in 2013–14, most of whom reside in rural areas (72 percent) and have either no education or only primary education. The job crisis was particularly severe in rural areas and disproportionately affected low-skilled, illiterate workers, largely in the service sector. In addition to contributing to slowing economic growth and labor demand, deteriorating security has contributed to both internal displacement, mostly from rural to urban areas, as well as to migration out of Afghanistan. Migration emerges as an important livelihood strategy for Afghan households, not only as a source of remittance income, but also as an important channel for easing Afghanistan's labor market constraints.*

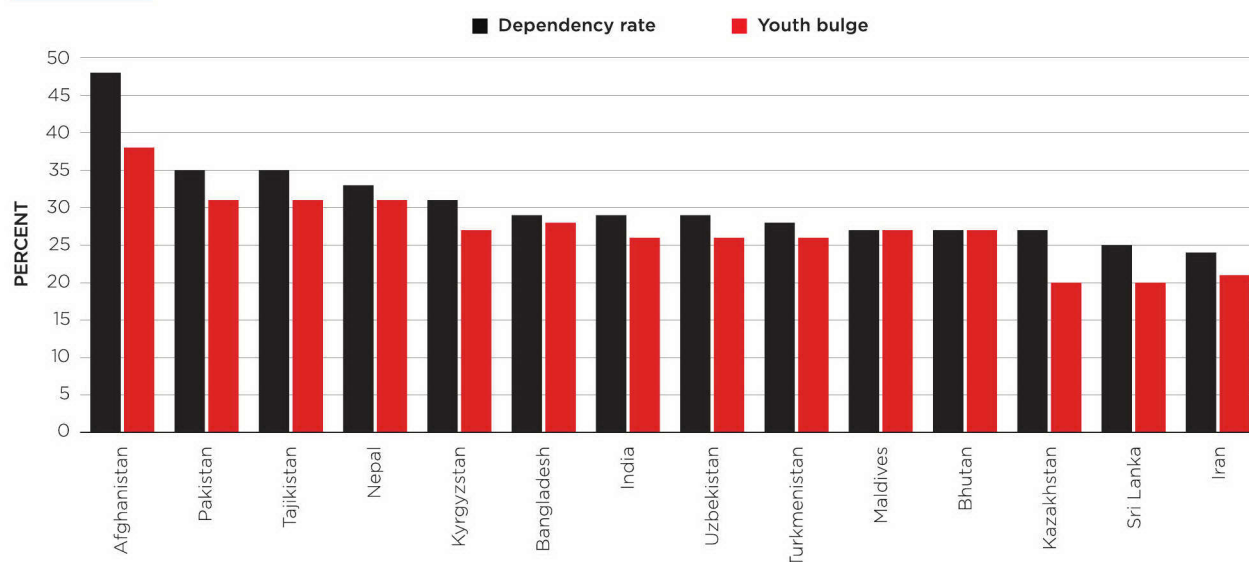
AFGHANISTAN'S JOB CHALLENGE

The Afghanistan economy struggles to create enough jobs to accommodate its fast growing labor force. Slowdown in economic growth has focused attention on Afghanistan's chronic excess of labor. With a fertility rate steadily above five children per woman²⁴, Afghanistan has the fastest growing population, the highest dependency rate, and the biggest "youth bulge" in South Asia²⁵ (Figure 13). Afghanistan's demographic profile poses tremendous challenges to public finances and the labor market. In particular, high dependency rates squeeze private savings, which hampers investment and growth while straining spending on social services, notably health and education. In the labor market, an estimated 400,000 jobs need to be created every year to accommodate new workers; this is a daunting challenge in the absence of economic growth and with constrained budgets for public investment²⁶.

24 According to the most recent estimates, the Total Fertility Rate in Afghanistan is 5.3 children per woman (DHS, 2015). Together with Timor-Leste, Afghanistan remains the only country outside Africa where the TFR is above 5 children per woman (UNDESA 2015).

25 According to UNDESA (2015), Afghanistan is endowed with the third largest youth bulge in the world, after Uganda and Chad, as more than one fifth of the population is aged between 15 and 24. The Afghan population is expected to double in size from 28.4 million in 2010 to 56.5 million in 2050.

26 It is estimated that, even under optimistic growth and labor-intensity of growth scenarios, the Afghan labor market will not be able to match labor supply growth until 2027 (Holzmann, 2017).

Figure 13 Youth Cohorts in Central and South Asia

Notes: Dependency rate defined as $(0-15)/(Total\ Population)$; Youth bulge defined as $(15/24)/(15+)$.
 Source: ALCS 2013-14 (Afghanistan); UNDESA (2015)

Box 3 Definition of labor market indicators

Labor market indicators used in this chapter follow official definitions. Minor deviations from official definitions were introduced to allow comparability between the two survey years.

Working Age Population (WAP): All persons aged 14 and above.

Labor Force (LF): All persons in WAP who are active, i.e. employed or unemployed.

Labor Force Participation Rate (LFPR): Labor Force as a share of the WAP.

Employed. All persons in WAP who, during the reference period of one week, engaged in paid or self-employment for at least eight hours.

Underemployed. All persons aged 14 and above who, during the reference period of one week, are employed but worked less than 40 hours. (Note: official definition also includes requirement of availability/willingness to work for additional hours).

Unemployed. All persons in WAP, during the reference period of one week, who were: (i) without work, or working less than eight hours, and (ii) seeking work.

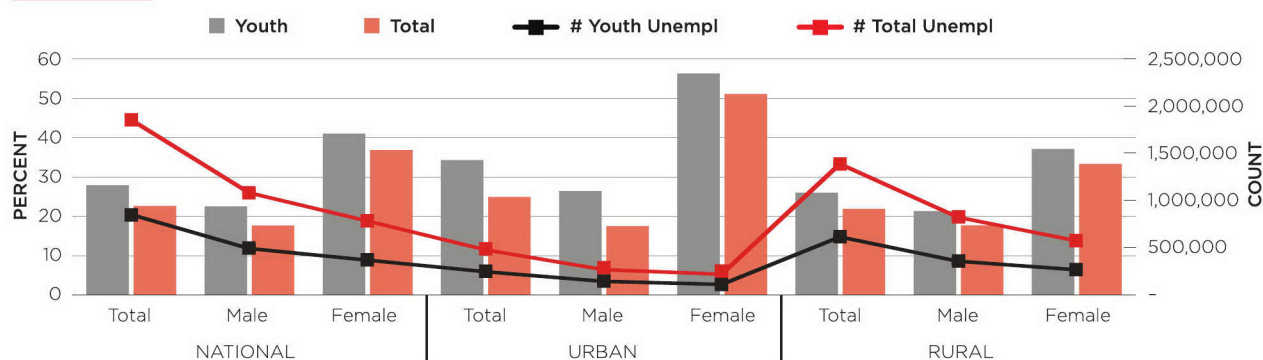
Labor under-utilization (not gainfully employed). All persons in WAP who are unemployed or underemployed.

Informal (vulnerable) employment. All persons in WAP who are either (i) self-employed; (ii) day laborer, or (iii) contributing family workers.

According to most recent estimates, 1.9 million Afghans are unemployed, with youth and women hit hardest by the jobs crisis. “Unemployment” and “poor economy” are the biggest problems cited by Afghans in the most recent opinion polls²⁷. Evidence supports these perceptions of a bleak labor market. According to ALCS data, in 2013–14, 22.6 percent of the Afghan labor force was unemployed. Almost one in every four people participating in the labor market, or 1.9 million individuals, are either working less than eight hours per week or do not have a job and are actively looking for one. Unemployment was particularly severe among youth²⁸ (27.9 percent) and women (36.8 percent). Nationwide, almost half of the unemployed are below the age of 25 (45.6 percent), reflecting Afghanistan’s struggle to create jobs for its growing labor force amidst the economic recession that accompanied the transition phase.

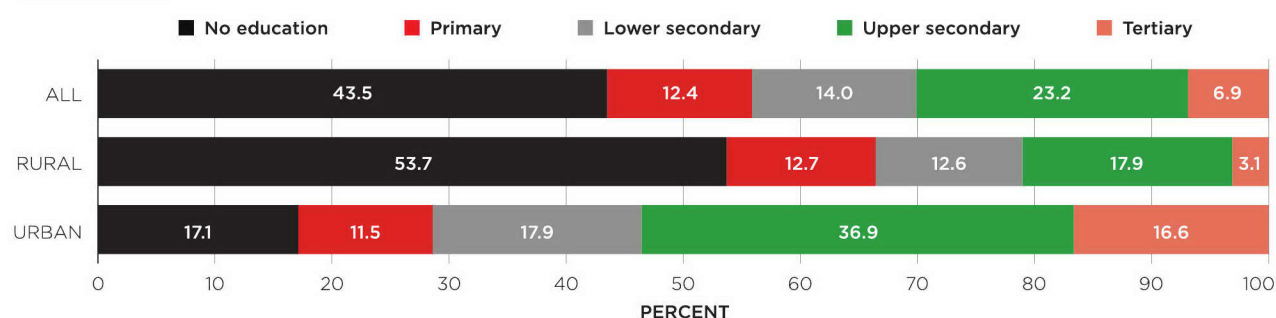
Youth unemployment represents a complex phenomenon, with stark differences between urban and rural areas. Tackling youth unemployment requires an understanding of the scale of the problem as well as of the profile of this population. As of 2013–14, approximately 877 thousand youth were unemployed; two-thirds were young men, about 500 thousand, and four in five of these unemployed young men lived in rural areas (Figure 14). There are stark differences in the education profiles of unemployed youth; while unemployed male youth in urban areas are more likely to be educated—54 percent have secondary education or above—the opposite holds in rural areas, where 54 percent of unemployed male youth have no formal education and 37.1 percent are illiterate (Figure 15).

Figure 14 Youth unemployment, by sex and area of residence



Source: Authors' calculation using ALCS 2013–14

Figure 15 Education profile of unemployed male youth, by area of residence



Source: Authors' calculation using ALCS 2013–14

27 See Asia Foundation (2013–2016), Survey of the Afghan people. Accessible at <http://asiafoundation.org/where-we-work/afghanistan/survey/>

28 According to the United Nations' universal definition, youth are individuals aged 15–24. To harmonize the UN youth definition with Afghanistan's definition of working age population (i.e. population aged 14 and above) we consider all individuals aged 14 to 24 to be “youth”.

Afghanistan's jobs challenge intertwines with the country's quest for socio-economic stability. Recent literature shows that youth bulges strongly correlate with occurrence of large-scale, violent conflict; economic stagnation and pre-existing proclivity to violence and political instability reinforce this relation (Box 4). With high unemployment, lack of growth, and continued conflict, a large influx of Afghan returnees and migrants from Pakistan and Iran will further strain the country's labor absorption capacity, thus further threatening stability.

Box 4 Demography, labor market dynamics and conflict

Global evidence has demonstrated that countries are more likely to experience conflict when exposed to the kinds of societal stresses that Afghanistan is currently trying to manage: external support for domestic rebels; presence of illicit cross-border flows; severe corruption; ethnic rivalry; and perceived discrimination on behalf of the state. Afghanistan's demographic dynamics and job shortages further contribute to exacerbate these stability concerns.

Vast recent literature has linked youth bulges to domestic conflict. In one study, an in-depth analysis of a wide variety of conflicts between 1950 and 2000 showed strong correlation between youth bulges and conflict (Urdal, 2004). In a study looking at the 1990s, countries in which the "young" account for 40 percent or more of the total adult population were twice as likely to experience civil conflict than those below this benchmark (Cincotta et al., 2003). The literature also shows that the correlation between the presence of a youth bulge and conflict is further strengthened by economic stagnation and youth unemployment (Urdal, 2004). In youth-bulge countries that experienced civil conflict in the 1990s, youth unemployment rates were generally three to five times higher than those of adults (Cincotta et al., 2003). In countries with a large percentage of young adults, high structural unemployment may result in increased political radicalization of jobless youth (Nichiporuk, 2000). Youth bulges and high youth unemployment may aid terrorist organizations to recruit youths in vulnerable countries (Lia, 2005; Urdal, 2006).

Box 5 Comparability issues and trends analysis

Changes in survey questionnaires between NRVA 2007–08, ALCS 2011–12, and ALCS 2013–14 complicate the analysis of labor market trends in Afghanistan. Key differences introduced in the 2011–12 questionnaires include: (i) the recall period to collect information on labor market status was changed from the "month prior to the survey" used in 2007–08 to the "week prior to the survey" to be in line with international best practices; and (ii) the number and precision of employment screening question were drastically reduced, resulting in a severe underestimation of labor force participation of categories with weaker labor market attachment, notably youth, elderly and women.

The 2013–14 round — while maintaining the "week prior to the survey" recall period of 2011–12 — reintroduced all screening questions originally used in 2007–08 to elicit information on employment in order to remedy problems that emerged in estimating labor force participation of marginal worker categories in 2011–12.

As a result of these changes, the analysis of labor market trends is severely limited and can be meaningfully extended solely to the male-adult population (aged between 25 and 50 years); that is, the segment of population with the strongest labor market participation — closest to 100 percent irrespective of the survey year.

Notes: See Ministry of Economy Islamic Republic of Afghanistan (2015) and (2016) for a detailed discussion of comparability issues.

LABOR MARKET TRENDS

Worsening labor market conditions are even more striking when looking at unemployment trends (Box 5). The national unemployment rate for the adult male workforce increased more than three-fold between 2011-12 and 2013-14, from four to 12.9 percent.²⁹ Increased unemployment has been particularly severe in rural areas that had registered the most improvement during the pre-transition period 2007-08 to 2011-12 (Figure 16). Most of the progress between 2007-08 and 2011-12 was lost during the transition, particularly in rural areas. Rural unemployment, after having dropped from 10.5 to 3.8 percent during the pre-transition phase, overshot its 2007-08 high to reach 13.7 percent in 2013-14.

Figure 16 Unemployment trends, adult male workforce [25,50]

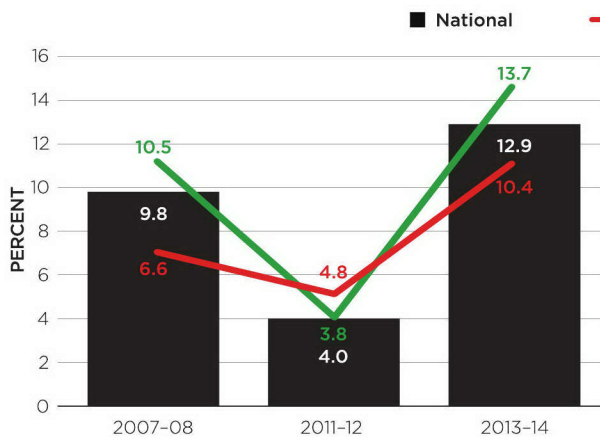
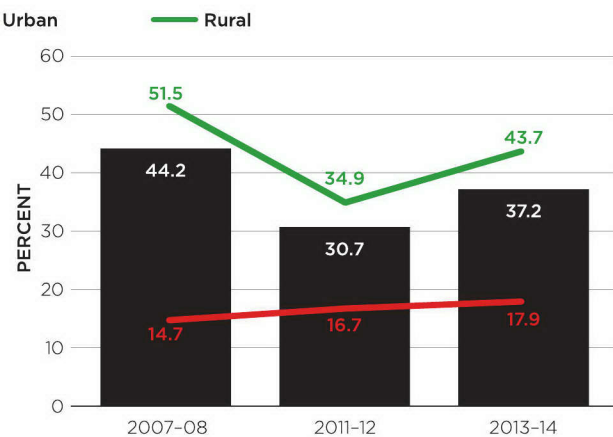


Figure 17 Underemployment trends, adult male workforce [25,50]



Source: Authors' calculation using ALCS 2013-14, ALCS 2011-12 and NRVA 2007-08

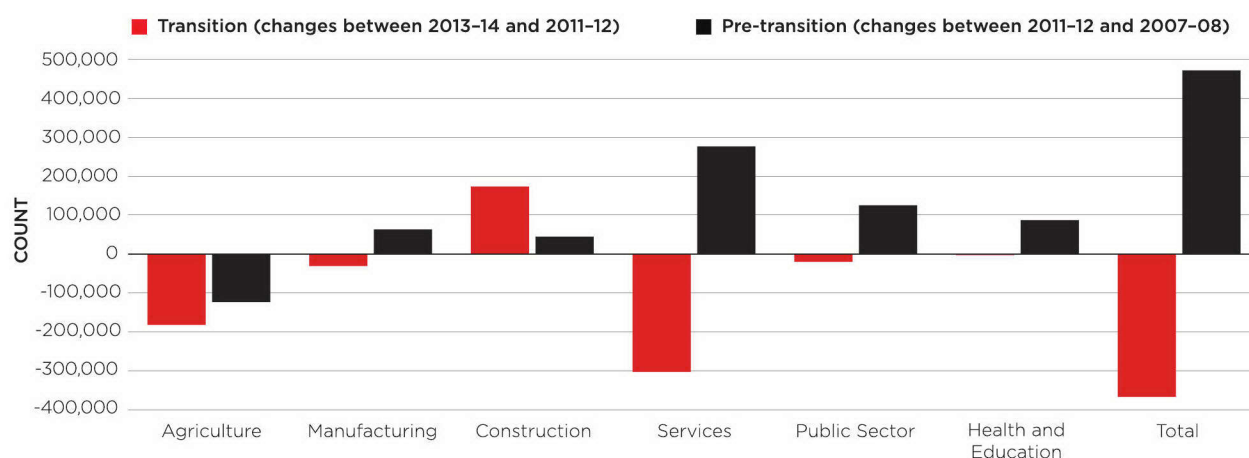
Worsening underemployment has accompanied increased unemployment. Not only has it become more difficult to find jobs, but for adult male Afghans able to find one, the risk of underemployment—that is, of not being able to work at least 40 hours per week—increased by 21 percent, going from 30.7 to 37.2 percent between 2011-12 and 2013-14³⁰ (Figure 17). In 2013-14, one in two adult male Afghans were not gainfully employed, being either unemployed or underemployed.

The increase in unemployment went hand in hand with job destruction, particularly in rural areas. Slowing growth prevented creation of new jobs to accommodate Afghanistan's growing labor force, while the drawdown of military forces, decline in spending, and increased insecurity pushed adult male employment close to pre-transition levels. As shown in Figure 18, while 471 thousand jobs were created between 2007-08 and 2011-12, 367 thousand jobs were lost between 2011-12 and 2013-14. Overall, nine of 10 jobs lost during the transition were in rural areas. The job crisis in rural areas and the deteriorating security situation pushed Afghan households to migrate to urban areas in search of work and safety. Despite lower fertility rates, the urban population increased by an estimated 10 percent (or 612 thousand) between 2011-12 and 2013-14, compared to a mere 2.2 percent increase in rural areas. Rural to urban migration might have contributed to sizeable increase in urban unemployment.

29 While the reliability of trend analysis might be weak, it is worth noting that similar trends emerge when looking at male youth unemployment. In particular, youth unemployment decreased from 20.2 percent in 2007-08 to 10.5 percent in 2011-12 and then increased again to 27.9 percent in 2013-14.

30 A similar trend emerges if explicitly considering the information on availability and willingness to work additional hours, collected in the ALCS 2011-12 and ALCS 2013-14. Using this definition, underemployment increased from 17.9 to 21.2 percent.

Figure 18 Changes in employment by sector, adult male [25-50]

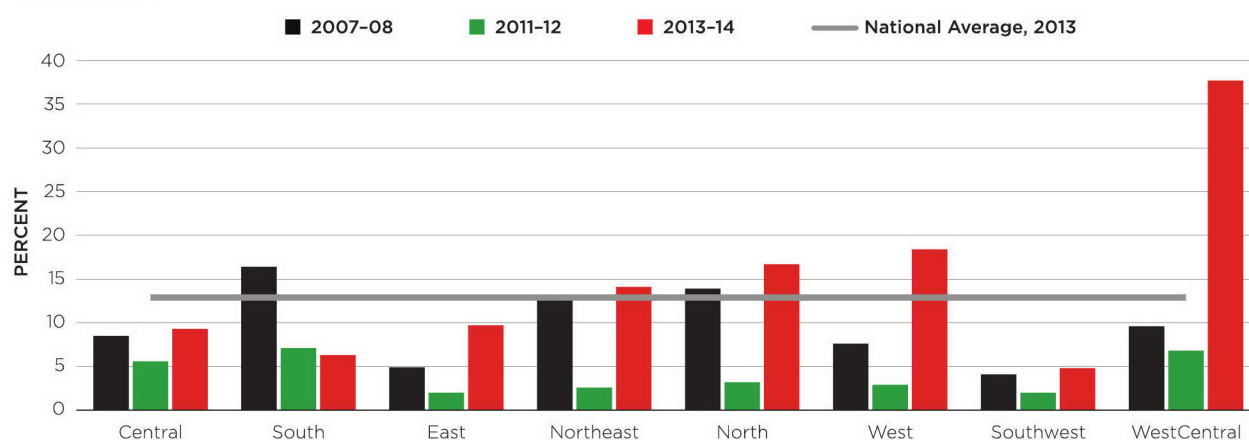


Source: Authors' calculation using ALCS 2013-14, ALCS 2011-12 and NRVA 2007-08

The transition affected service sector employment most. During the pre-transition 2007-08 to 2011-12 period, male adult employment in the service sector increased by 33 percent. The transition period marked equally strong contraction of the service sector, where employment decreased below that in 2007-08³¹ (Figure 18). Construction was the only sector where employment continued to grow during the transition, while agricultural employment continued to decline.

The extent of the jobs crisis was not uniform across Afghanistan. The crisis affected rural areas disproportionately, but some regions suffered more than others. The male adult unemployment rate increased most in the West-central region, where it increased from 6.8 percent in 2011-12 to 37.7 percent in 2013-14. Male adult unemployment in the West, North, and Northeast regions was also above the national average. Overall, unemployment increased most in the lagging Northeast, East, and West-central regions, which together account for 38 percent of job losses during the transition period.

Figure 19 Unemployment rate by region, adult male [25,50]



Source: Authors' calculation using ALCS 2013-14, ALCS 2011-12 and NRVA 2007-08

³¹ During the period between 2007-08 and 2011-12, service sector employment contracted by approximately 27.3 percent. In 2013, the service sector employed 808 thousand adult male workers compared to 1.11 million and 835 thousand in 2011-12 and 2007-08, respectively.

Similarly, the crisis affected low-skilled, illiterate workers most. Four of every five of jobs lost during the transition were low-skill, as illustrated by the sharp decline in employment of the illiterate workforce. Illiterate adult male workers' employment declined by 15.4 percent, from 1.9 million in 2011-12 to 1.6 million in 2013-14; the adult illiterate male unemployment rate increased by almost 4 times, from 3.8 to 14.5 percent³². The negative employment trend was much less severe for literate adult males. As a result, while illiterate males made up 57 percent of the male adult unemployed population in 2007-08, the percentage increased to 66.3 percent in 2013-14. These findings prove once again the extreme vulnerability to shocks the poorest segments of the population face.

CONFLICT, LABOR MARKET OUTCOMES AND POPULATION MOVEMENTS

The relationship between unemployment and conflict is complex. While there is little doubt that deteriorating security has contributed to slowing economic and job growth, there is no evidence that individuals living in high-conflict districts are more likely to be unemployed. In fact, the opposite appears to be true based on household survey evidence: higher conflict is associated with lower unemployment³³. Two possible explanations could account for this counterintuitive result. First, high conflict intensity reduces local labor supply through migration, either by forced household displacement or by individual economic migration. Second, high conflict intensity sometimes creates new jobs related to the "conflict economy", either in direct combat or through activities related to the presence of combatants.

Forced displacement is associated with high labor market vulnerability. Internally displaced households face many challenges, the first being to find employment in the areas of destination. As most IDPs move from rural areas to more secure urban centers, finding work is complicated by lack of skills required to adapt to urban livelihoods. According to available evidence, heads of IDP households are more likely to have vulnerable forms of employment and to be underemployed³⁴.

Besides forcing displacement, conflict might also push households to diversify risk through economic migration of household members. Afghanistan has traditionally been a country of migrants. Conflict has forced Afghans to migrate both internally and internationally, but they have also relied on economic migration of male members to face economic crises and manage the high risk associated with their livelihoods³⁵. Overall, 3.4 percent of Afghan households in 2013-14 report having a member who has left the household over the previous year to seek employment elsewhere³⁶. Analysis shows that households who feel more insecure in their district of residence are more likely to have economic migrants; however, increase in actual violence decreases the likelihood of having a single member migrate. This may be due to increased need for protection, or because the entire household is forced to move.

32 As a result of these diverging trends between literate and illiterate adult male workers, the share of literate workers in employment increased from 39.2 percent in 2011-12 to 42 percent in 2013-14.

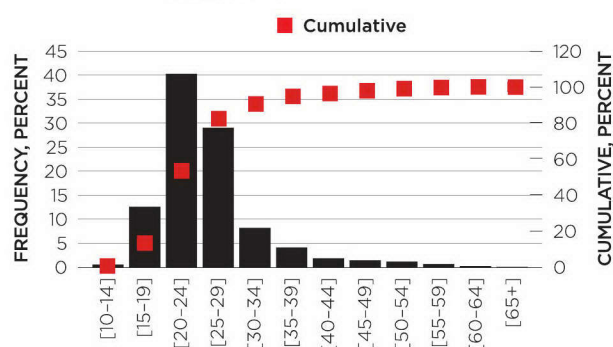
33 The finding is robust to different conflict classification and holds for all labor force subsets (total, male, youth male and adult male).

34 Controlling for literacy status, urban residence and province, heads of IDP households are four percent more likely to be underemployed or employed in vulnerable jobs. As observed among the poorest segments of the Afghan population, the risk of open unemployment is lower for IDPs as they lack any resources to make their ends meet.

35 See Chapter 4 for a detailed discussion of shocks incidence and vulnerability in Afghanistan.

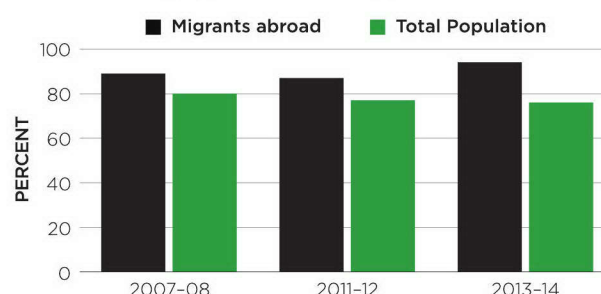
36 These numbers are only indicative of out-migration flows over the year preceding the survey, not of the total stock of households having at least a member working elsewhere.

Figure 20 Age profile of individual economic migrants



Source: Authors' calculation using ALCS 2013-14

Figure 21 Share of migrants abroad coming from rural areas and share of rural population in Afghanistan



Source: Authors' calculation using ALCS 2013-14, ALCS 2011-12 and NRVA 2007-08

Afghan economic migrants are predominantly male youth originating from rural areas. Information on the profile of Afghans seeking employment abroad is limited. ALCS data provides only indirect information on age, gender, and location of migrants as reported by their families living in Afghanistan³⁷. The latest available survey round (2013-14) pre-dates the most recent surge in migration. Nevertheless, information from past economic migration trends and profiles informs current and future challenges. Due to cultural norms, economic migration is predominantly a male and youth phenomenon³⁸. As shown in Figure 20, 53.3 percent of economic migrants who left in 2013-14 are youth, 83 percent are less than 30 years of age, and 90 percent are younger than 35. Moreover, migrants who chose to seek employment abroad are disproportionately, and increasingly, leaving rural areas, reflecting the deteriorating economic and security conditions in rural Afghanistan (Figure 21).

As expected, migration increases with unemployment in Afghanistan. As shown in Figure 22, economic migration is not a new phenomenon, but rather reflects internal unemployment trends; people leave their place of residence when there are fewer jobs available locally. Notably, while the economic and security situation was substantially worse in 2013-14 compared to 2007-08, there were 40 percent fewer migrants in 2013-14 than in 2007-08. This is most likely due to shrinking opportunities to migrate internally or to neighboring countries, and to increasing difficulty in accessing resources for leaving the country³⁹. As shown in Figure 23, while 12 percent of migrants in 2013-14 left to far away OECD destinations and 18 percent left for Gulf Countries, these destinations accounted for only 4 and 13 percent, respectively, of migration in 2007-08.

Education level is a strong determinant of migration destination⁴⁰. Looking at the male population aged 15-35, migrants have less education whether they leave from rural or urban areas. Migration options and networks may be more available for low-skilled workers when they head for neighboring Iran and Gulf Countries⁴¹. Migrants to farther destinations, on the other hand, are more likely to be educated. Destination choices likely reflect the costs associated with the journey (transport, smugglers, time, etc.),

37 See Box 2.

38 A similar profile emerges looking at data on Afghans who reached Greece en route to Europe in the first few months of 2016 (Joint IDP Profiling Services), with single male youth being the relative majority of arrivals.

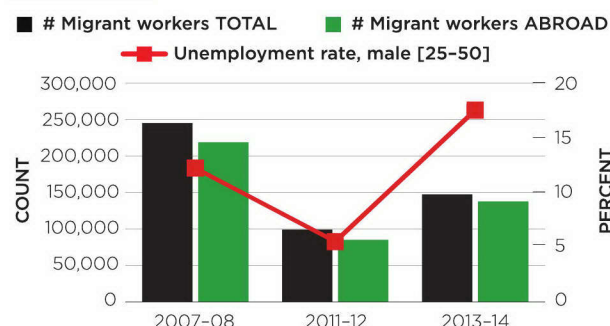
39 Analysis confirms that economic migration is a strategy more accessible to relatively richer households who are more likely to have resources to support the costs of migration. International evidence also shows that while migration reduces poverty, the poor tend to migrate less or to migrate to low-return destinations because they lack opportunities or resources (monetary or human capital). See World Bank and UNHCR (2016).

40 Unfortunately, information on the education and employment outcomes of individual migrants was only collected in 2007-08, so it is not possible to assess any changes in migrants' profiles.

41 In 2007-08, migrants abroad were mostly employed as day laborers (82 percent) and salaried employees in the private sector (12 percent).

as well as skills and connections necessary to obtain information to complete the journey and settle and find employment once reaching the destination. In 2007-08, 44 percent of migrants choosing destinations other than Iran, Pakistan, or the Arabian Peninsula had secondary or tertiary education. This concurs with evidence emerging from a recent Joint IDP Profiling Service⁴² initiative showing that male Afghans arriving in Greece in early 2016 were mostly single youth possessing higher education.

Figure 22 Individual migration trends



Source: Authors' calculation using ALCS 2013-14, ALCS 2011-12 and NRVA 2007-08

Figure 23 Destination chosen by migrant workers, by survey year

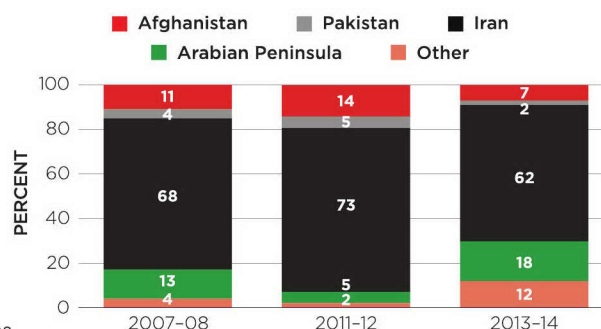
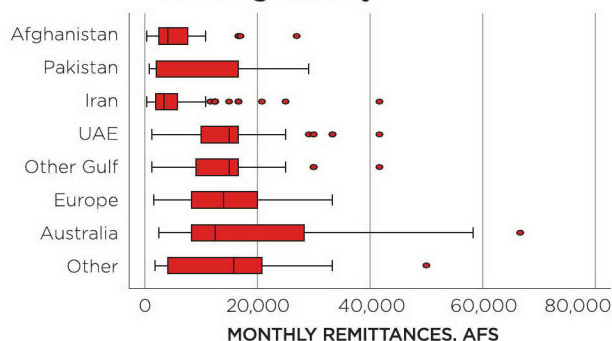


Table 1 Monthly labor income in Afghanistan and remittances from abroad

	MEAN	MEDIAN
Agriculture	5,930	4,800
Manufacturing	7,496	7,000
Construction	6,516	5,600
Services	9,927	8,000
Public sector	14,368	12,000
Health and Education	9,402	7,000
Remittances	8,581	5,833
Total (excl. remittances)	8,529	7,000

Notes: Labor income has been computed for male workers aged [14,35] to match migrants' demographic profile.
Source: Authors' calculation based on ALCS 2013-14

Figure 24 Distribution of remittances, by sending country



Note: The figure shows a box and whiskers plot. The box ranges from the 25th percentile to the 75th percentile. The line in the middle of the box shows the median. The two lines on either side of the box extend to minimum and maximum values, excluding outliers. The dots indicate outliers.
Source: Authors' calculation based on ALCS 2013-14

Remittances play an important role in sustaining Afghan families. Data on remittances confirms the importance of individual economic migration to Afghan household livelihood strategies. ALCS 2013-14 data shows that four in five migrants send remittances back to families in Afghanistan. The data captures only migrants who left during the year preceding the survey, implying that the vast majority of migrants were able to find employment quickly to contribute to the welfare of families left at home. Remittance amounts vary by destination country, reflecting differences in the education profile of migrants and in local wages. On average, remittances are approximately 8,600 Afs per month, in line with the average monthly income of a male worker below age 35 in Afghanistan. However, the median value of remittances is 20 percent lower, confirming the prevalence of low-skilled workers among migrants. Nevertheless, the contribution to households from remittances is important; on average, 70 percent of total income from labor of households that rely on migration comes from remittances. If migration options decrease, Afghan households will find it increasingly difficult to manage and cope with risk.

42 The Joint IDP Profiling Service was set up in 2009 as an inter-agency service based in Geneva, to provide technical support to government, humanitarian and development actors seeking to improve their information about internally displaced populations. Additional information can be found at: <http://www.jips.org/en/home>

CHAPTER 3

HUMAN DEVELOPMENT OUTCOMES AND ACCESS TO SERVICES: PROGRESS AT RISK

SUMMARY: *Afghanistan has made significant progress over time in terms of human development outcomes and access to basic services such as education, health, and access to water and electricity. However, increasing conflict and challenges to service delivery, especially in rural areas, slowed the pace of progress during the transition period, 2011-12 to 2013-14, compared to the pre-transition period, 2007-08 to 2011-12. Similarly, during the transition period, gaps in access between poor and non-poor, girls and boys, and rural and urban areas widened, especially for access to education, evidencing the precarious nature of progress and the challenges that lie ahead.*

TRENDS IN EDUCATIONAL OUTCOMES

Educational outcomes in Afghanistan have improved, but at a slower pace during the transition period.

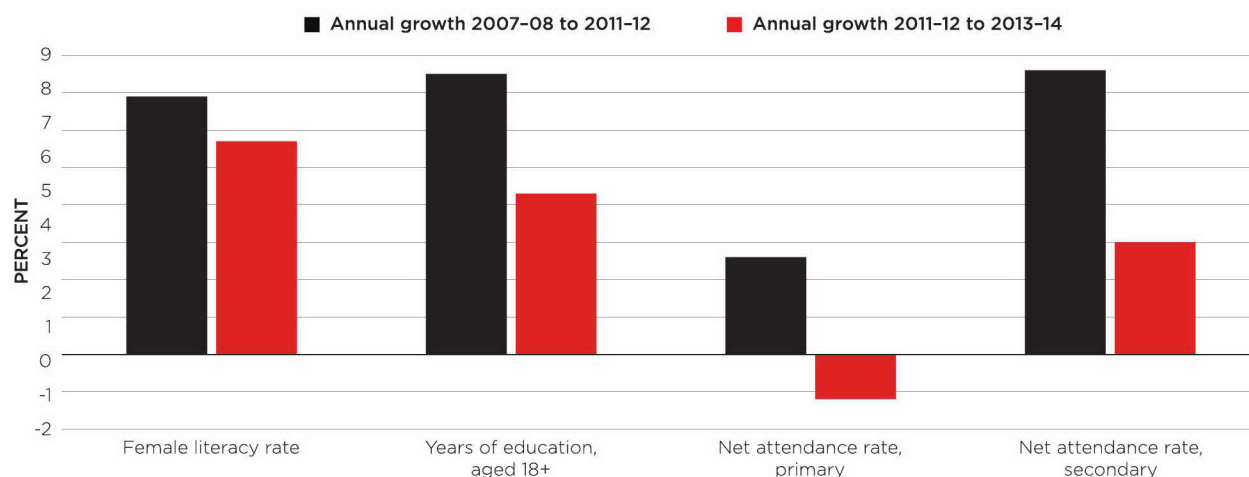
Despite improvements over the past decade, Afghanistan, sadly, maintains the lowest educational outcomes in South Asia. The country continues to lag behind in average educational attainment compared to other low-income and fragile countries. Despite ample margins for improvement, the pace of progress in education outcomes declined markedly during the transition phase. As shown in Figure 25, the annual growth rate of female literacy, years of education, and secondary attendance declined substantially from its pre-transition level. As of 2013-14, only 20.3 percent of Afghan women above the age of 15 are literate⁴³; the average years of education of an Afghan individual above the age of 18 is only 2.8⁴⁴; and only 37 percent of pupils attend secondary school. More concerning, the progress in primary school attendance halted and reversed during the transition phase, declining by 1.2 percent annually between 2011-12 and 2013-14. As a result, a lower share of primary school-aged children in Afghanistan (54.4 percent) attended primary school in 2013-14 compared to 2011-12 (55.8 percent).

Girls are falling further behind in educational outcomes. The decrease in primary school attendance rates between 2011-12 and 2013-14 was largely driven by decline of girls' outcomes. In fact, while attendance for both boys and girls fell in the transition period, primary school attendance for girls decreased by 2.2 percent annually against a smaller 0.6 percent annual decline for boys (Figure 26). With already much lower attendance rates for girls (45.4 percent) compared to boys (62.4 percent), girls are falling further behind as the trend in the pace of progress reversed; between 2007-08 and 2011-12, girls' primary attendance grew faster than boys', but between 2011-12 and 2013-14, boys' attendance fell at a slower pace, leading to an increase in the gender gap.

43 Male literacy rate in Afghanistan is 50.2 percent and the literacy rate for the entire population aged 15+ is 35.4 percent.

44 Afghan men aged 18 and above have three times the years of education compared to Afghan women, who averaged 1.4 years of education in 2013-14 compared to 4.2 years for Afghan men.

Figure 25 Annual growth rate of selected education outcomes



Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

Figure 26 Trends in primary school attendance, by gender

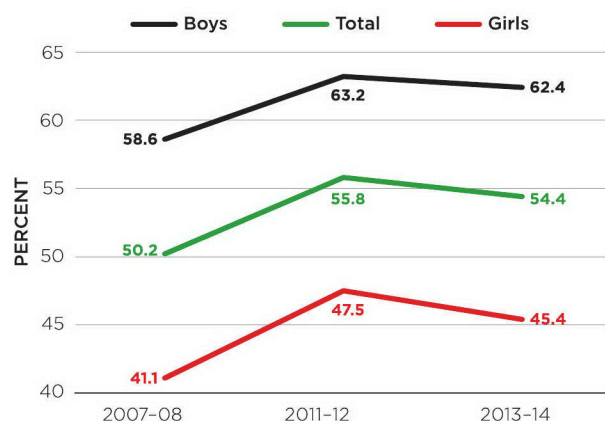
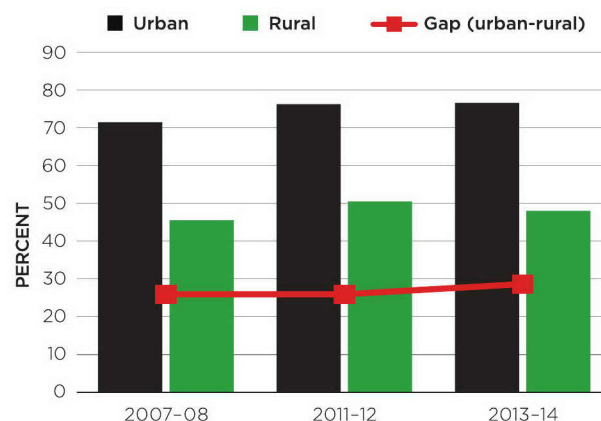


Figure 27 Trends in primary school attendance, by area of residence

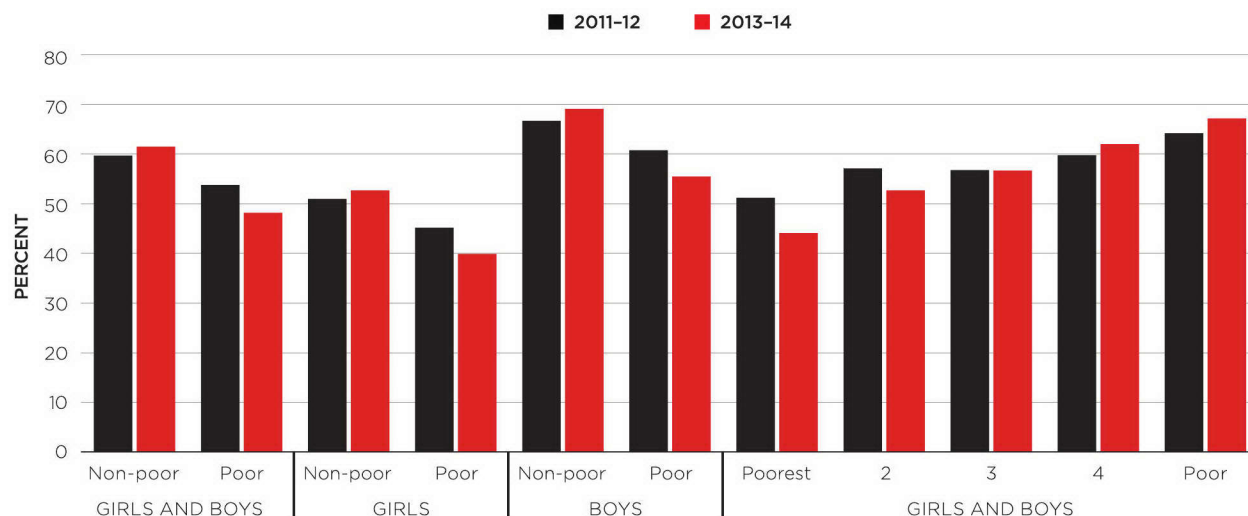


Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

In addition to girls, deterioration in primary school attendance was particularly severe in rural areas. As shown in Figure 27, the transition phase marked a decline in primary school attendance in rural areas, and an increase in the gap in primary attendance between children living in urban and rural areas. In 2013-14, about eight out of ten children attended primary school in urban areas, against five out of ten children in rural areas. As previously discussed, most of the decrease in attendance in rural areas stems from girls not going to school. Attendance rates for girls in rural areas decreased from 41.0 in 2011-12 to 37.3 percent in 2013-14; while rural attendance for boys decreased by a smaller extent, from 58.9 percent to 57.4 percent. Moreover, gaps in attendance between urban and rural areas are much smaller for boys than for girls.

Conflict keeps children out of school, particularly girls. Worsening conflict and increasing insecurity in rural areas were responsible for the negative trends in primary school attendance observed during the transition period. As shown in Figure 28, provinces where conflict-related incidents increased over the period between 2011-12 and 2013-14 saw a decrease in primary attendance rates, while the opposite trend emerged in provinces where conflict declined. Conflict affected girls' school attendance the most. In 2013-14, for every ten boys, seven girls attended primary school in low-conflict areas but only

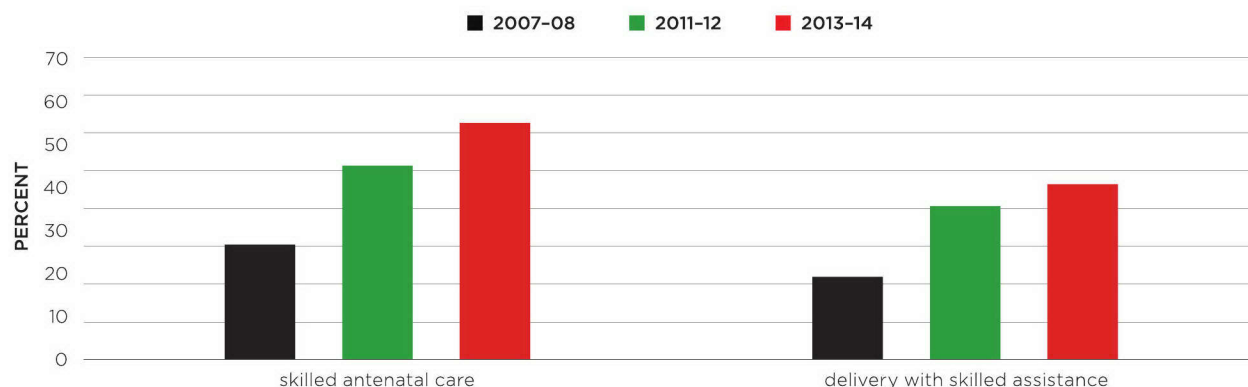
five girls attended school for every ten boys in high-conflict areas⁴⁵. As shown in Figure 29, the ratio of girls-to-boys primary school attendance tends to be lower in high-conflict provinces (large bubbles toward the bottom of the graph). Similarly, in provinces with high-conflict incidence (large bubbles), girls-to-boys' attendance rates for primary school declined from 2011-12 to 2013-14 (bubbles above the 45° line).

Figure 30 Primary school attendance, by welfare status

Notes: Quintiles constructed based on the distribution of per-capita consumption in each survey year.
Source: Authors' calculation based on ALCS 2011-12, and ALCS 2013-14

TRENDS IN MATERNAL HEALTH OUTCOMES

Maternal health outcomes in Afghanistan have improved, but at a slower pace during the transition period. The expansion in primary healthcare services has significantly improved maternal health outcomes over time: the percentage of women receiving skilled antenatal care⁴⁸ and delivering with skilled assistance doubled between 2007-08 and 2013-14 (Figure 31). In 2013-14, 62.6 percent of women received skilled antenatal care compared to 30.4 percent in 2007-08. About 46 percent of Afghan women delivered with skilled assistance in 2013-14 compared to 21.9 percent in 2007-08. Improvements in maternal health outcomes between 2011-12 and 2013-14 were, however, slower than between 2007-08 and 2011-12. The percentage of women delivering with skilled assistance, for example, increased annually by 16.6 percent between 2007-08 and 2011-12, but progress slowed to 6.9 percent per year between 2011-12 and 2013-14.

Figure 31 Trends in maternal health outcomes

Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

48 Antenatal care encompasses the total care a woman receives during pregnancy to ensure good health for both herself and her child at the time of delivery.

Figure 32 Trends in access to skilled antenatal care, by area of residence

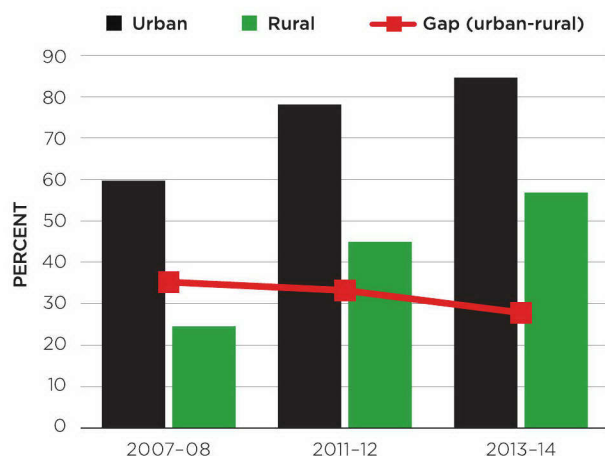
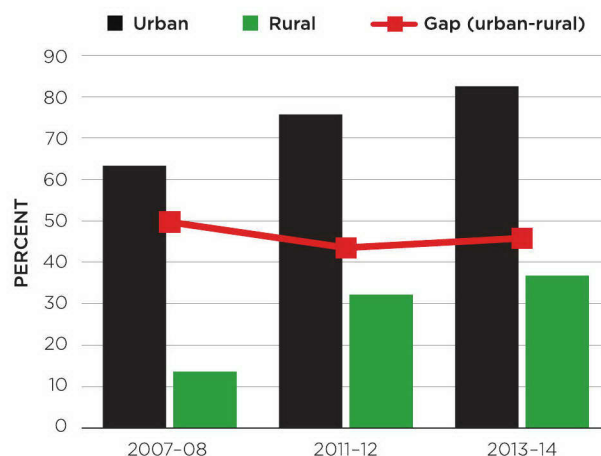


Figure 33 Trends in deliveries with skilled assistance, by area of residence



Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

Large urban-rural discrepancies in maternal health outcomes persist. In 2013-14, 84.6 percent of Afghan women in urban areas had access to skilled antenatal care compared to 56.8 percent of women in rural areas. However, this urban-rural gap narrowed over time, from 35.2 percentage points in 2007-08 to 27.8 percent in 2013-14 (Figure 32). Similarly, Afghan women in urban areas are more than twice as likely to deliver with skilled assistance as women in rural areas. In 2013-14, 82.5 percent of Afghan women in urban areas delivered with skilled assistance compared to 36.8 percent of women in rural areas. The gap between skilled birth assistance in urban and rural areas widened during the transition period, from 43.5 percentage points in 2011-12, to 45.8 percentage points in 2013-14 (Figure 33). In line with the trends observed for educational outcomes, the pace of progress deteriorated in rural areas, suggesting ongoing service delivery challenges due to conflict and deteriorating security.

Figure 34 Trends in access to skilled antenatal care, by poverty status

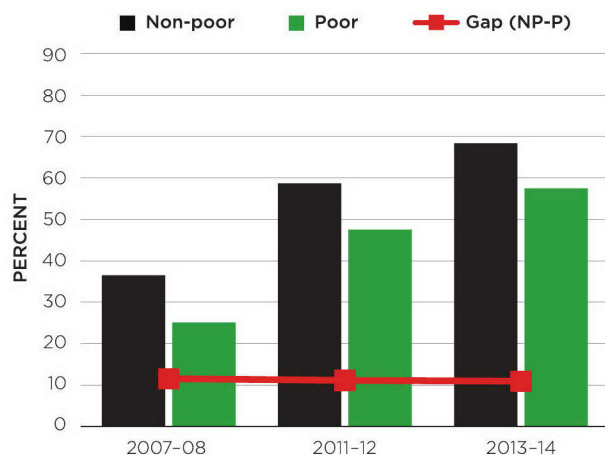
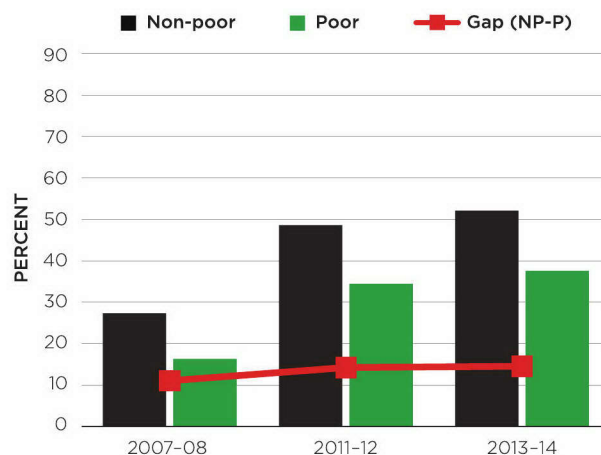


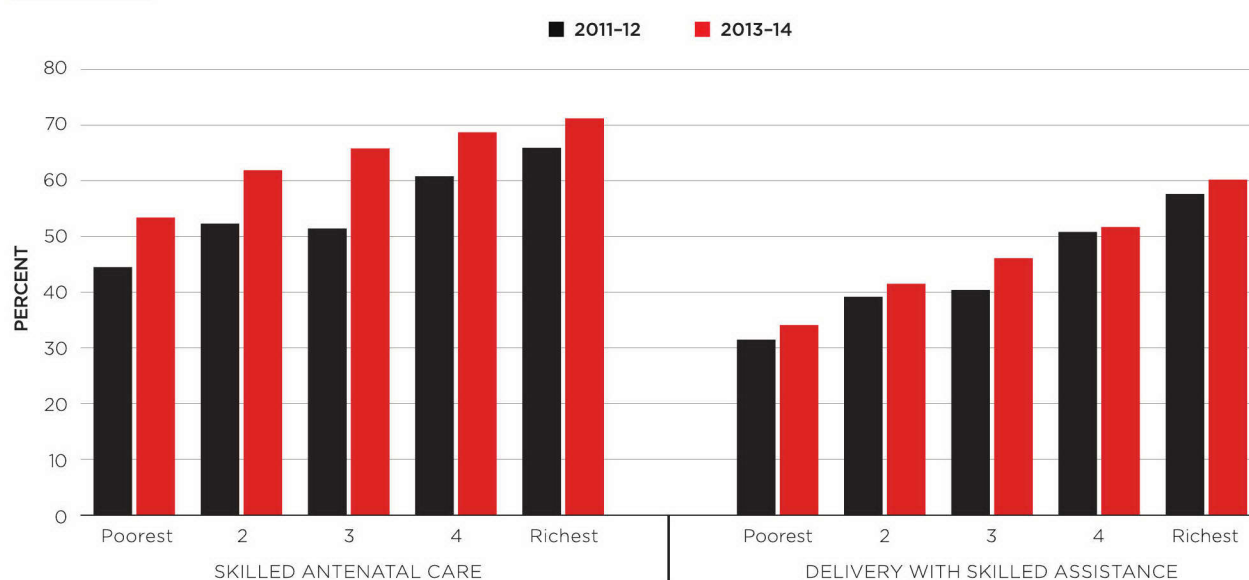
Figure 35 Trends in access to delivery with skilled assistance, by poverty status



Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

Despite some progress, poorest women have less access to maternal health care compared to their rich counterparts. As shown in Figure 36, the poorest 20 percent of Afghan women are at a disadvantage in accessing maternal health services and are only about half as likely to deliver with skilled assistance compared to the richest 20 percent. In 2013-14, 7 out of 10 women in the richest 20 percent received skilled antenatal care, but only one in two of the poorest 20 percent of women received such care. While some progress was achieved in narrowing poor women's access gap in antenatal care, differences in access to delivery with skilled assistance remained constant over time; between 2011-12 and 2013-14, access to skilled antenatal care grew by about 9 percentage points for the poorest 20 percent of women, against 5 percentage points for the richest 20 percent of women, while improvement in delivery with skilled assistance grew by about 2.6 percentage points for women both at the bottom and at the top of the distribution.

Figure 36 Trends in Maternal health outcomes, by consumption quintiles



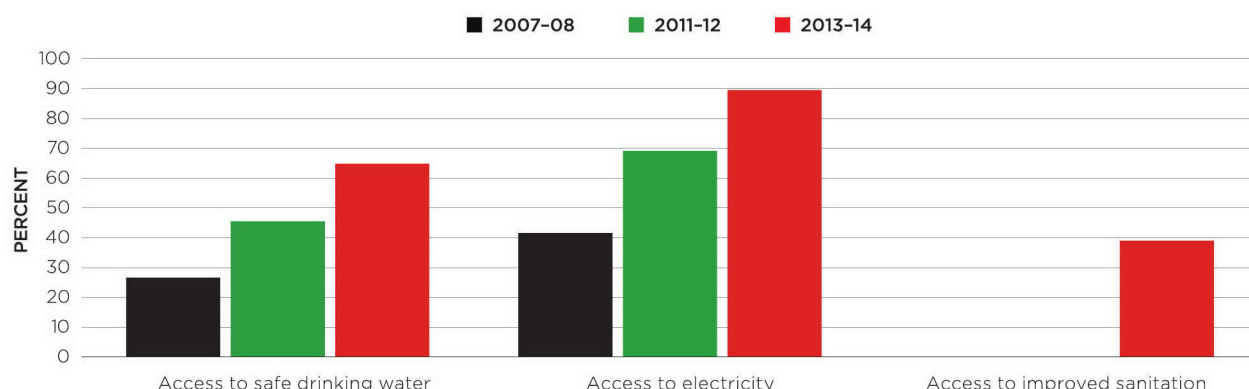
Notes: Quintiles constructed based on the distribution of per-capita consumption in each survey year.
Source: Authors' calculation based on ALCS 2011-12 AND ALCS 2013-14

TRENDS IN ACCESS TO BASIC SERVICES

Improvements in access to basic services such as water and electricity remain an important success story in Afghanistan. Despite challenges of increasing conflict and declining aid, access to water and electricity continued to improve across Afghanistan during the transition phase, at even faster rates than previously observed (Figure 37). The percentage of Afghans with access to safe drinking water more than doubled from 26.6 percent in 2007-08 to 64.8 percent in 2013-14. Similarly, access to electricity improved from 41.6 percent in 2007-08 to almost 90 percent in 2013-14. Furthermore, 39 percent of Afghans had access to improved sanitation in 2013-14⁴⁹.

49 The questionnaire in ALCS 2013-14 incorporated a change in the question on the main toilet facility. This change in methodology prevents us from comparing improved sanitation over time. Only the new definition, consistent with international standards as defined by the WHO and UNICEF Joint Monitoring Program, is included in this report.

Figure 37 Trends in access to basic services



Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

As progress in access to services continues, closer attention should be devoted to narrowing the gap between urban and rural areas. In 2013-14, nine out of ten urban households in Afghanistan had access to safe drinking water, but this was the case for only six out of ten rural households (Figure 38). The rural-urban gap in access to water increased between 2011-12 and 2013-14 from 32.9 to 34.5 percent. This increase in the gap is due to strong progress in urban areas between 2011-12 and 2013-14 while rural areas remained constant. Furthermore, eight out of ten urban Afghans accessed improved sanitation in 2013-14 but this was the case in only three out of ten rural households. With respect to access to electricity, however, Afghans living in rural areas have almost caught up to urban areas. About 99 percent of Afghans in urban areas had access to electricity in 2013-14, an increase from about 90 percent in 2007-08. Meanwhile, access in rural areas almost tripled between 2007-08 and 2013-14 from 30.5 percent to 86.6 percent (Figure 39), largely based on increased availability of solar energy in rural areas since 2007-08.

Figure 38 Trends in access to safe drinking water, by area of residence

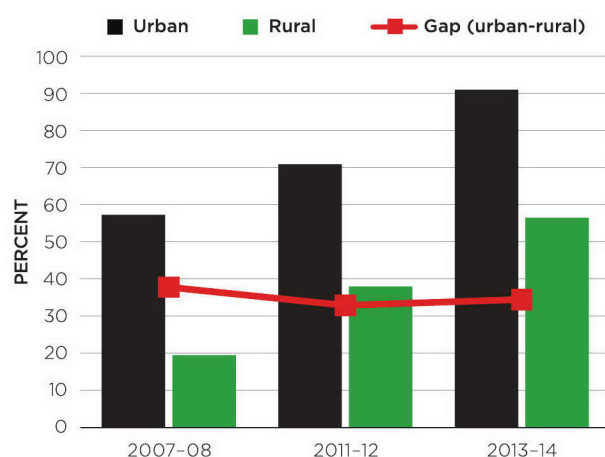
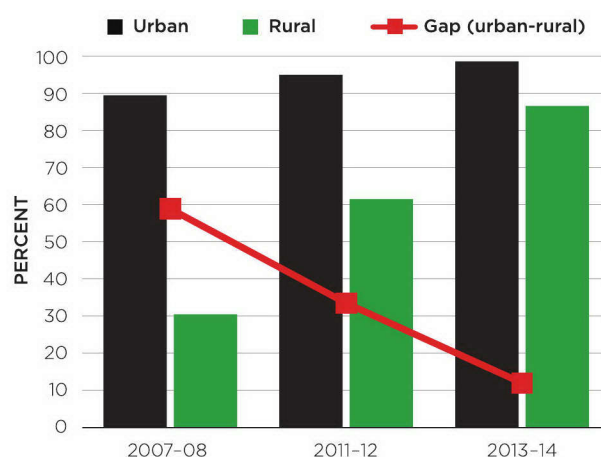
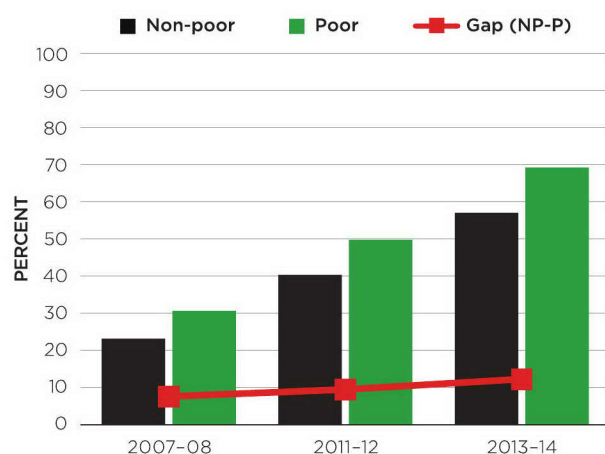
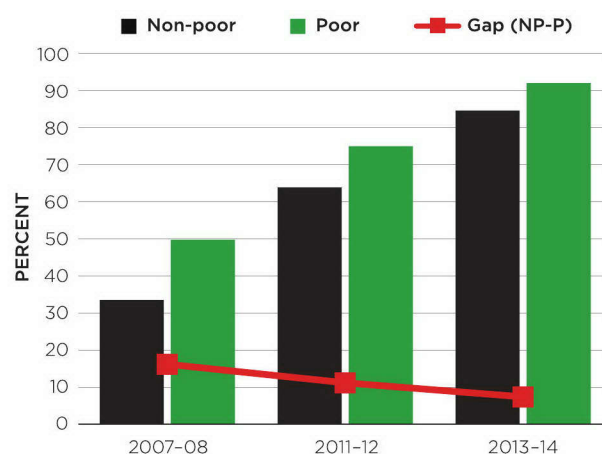


Figure 39 Trends in access to electricity, by area of residence



Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

Figure 40 Trends in access to safe drinking water, by poverty status**Figure 41** Trends in access to electricity, by poverty status

Source: Authors' calculation based on NRVA 2007-08, ALCS 2011-12, and ALCS 2013-14

The urban-rural divide in access to safe drinking water is mirrored by a strong gap in access between the poor and the non-poor. The expansion in delivery of drinking water benefitted the relatively better-off segments of the population more. The gap between the poor and the non-poor continued to increase from 7.5 percent in 2007-08 to 12.2 percent in 2013-14 (Figure 40). About 57 percent of poor Afghans had access to safe drinking water in 2013-14, compared to 69.2 percent of non-poor Afghans. Access to improved sanitation is lower for both the poor and the non-poor than for other basic services; in 2013-14, 29.5 percent of poor Afghans had access to improved sanitation compared to 46.5 percent of non-poor Afghans.

On the other hand, improvement in access to electricity in rural areas contributed to narrowing the gap for the poor. Consistent with past trends, the poor were able to catch up to the non-poor in terms of accessing electricity thanks to the expansion of off-grid access in rural areas. The gap between the poor and non-poor declined over time from 16.2 percentage points in 2007-08 to 7.4 percentage points in 2013-14 (Figure 41). In 2013-14, 84.5 percent of poor Afghans had access to electricity compared to 91.9 percent of non-poor Afghans.

CHAPTER 4

HOUSEHOLD RISK AND VULNERABILITY AMIDST CONFLICT⁵⁰

SUMMARY: *Afghans face exceptionally high risk and vulnerability. Although many different kinds of vulnerabilities are common, poor rural households are particularly exposed to multiple shocks and are more likely to employ harmful coping strategies. These coping strategies often result in loss of physical and human productivity in the longer term, which may contribute to “poverty traps” among very vulnerable households. Afghans’ vulnerability is exacerbated by fragility, violence, and conflict, and the use of harmful coping strategies differs not only by welfare status but also by conflict intensity. Households in conflict-affected areas in Afghanistan are on average exposed to more shocks, and their access to existing social protections—such as cash transfers or food-for-work programs—is especially low where conflict intensity is high.*

VULNERABILITY TO SHOCKS AND COPING STRATEGIES

The vast majority of households are exposed to very high risk and vulnerability. Analysis of 2013–14 data confirms previous findings related to extreme incidence of, and vulnerability to, shocks of Afghan households⁵¹. Incidence of shocks is pervasive and has long-lasting welfare and poverty implications. Economic and financial fluctuations, illness and death, natural hazards, and political events affect the welfare of individuals, households, and communities in Afghanistan. These shocks pose particular risks to those living below or near poverty, and to those whose livelihoods are vulnerable to specific shocks (for instance, rural households facing unexpected climatic fluctuations).

The high incidence of shocks underlies significant vulnerabilities, and some risks have been increasing. A very high share of Afghans, 88 percent, reported facing at least one shock,⁵² and this percentage has increased between 2011–12 and 2013–14 (Figure 42). Incidence of community-level (covariate) shocks is particularly high at 84 percent. In comparison, incidence of household-specific (idiosyncratic) shocks is much lower at 31 percent—though still high by international standards⁵³. Incidence of idiosyncratic shocks increased by almost nine percentage points between 2011–12 and 2013–14, largely due to a doubling from 9.5 to 18.6 percent of reported shocks related

50 This chapter is largely based on Ghorpade, Y.; Justino, P.; Morton, M.; Pop, L.B.; and Redaelli, S. (forthcoming). Households’ decisions under Risk and Insecurity in Afghanistan.

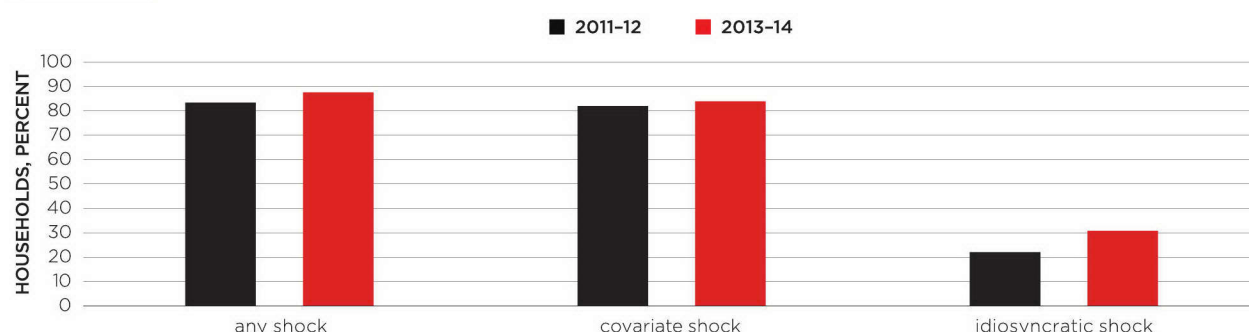
51 Ministry of Economy Islamic Republic of Afghanistan (2015).

52 A shock is defined as exposure to an event that negatively effects households in the 12 months preceding the survey.

53 Idiosyncratic shocks refer to shocks that affect only the household (household-specific), and are typically unrelated to neighboring households. Examples include death, injury, or unemployment. Covariate shocks, on the other hand, affect the entire community (community-level shocks) where the household is situated. Covariate shocks are grouped into six major categories: prices, agricultures, security, epidemics, drinking water, and natural hazards.

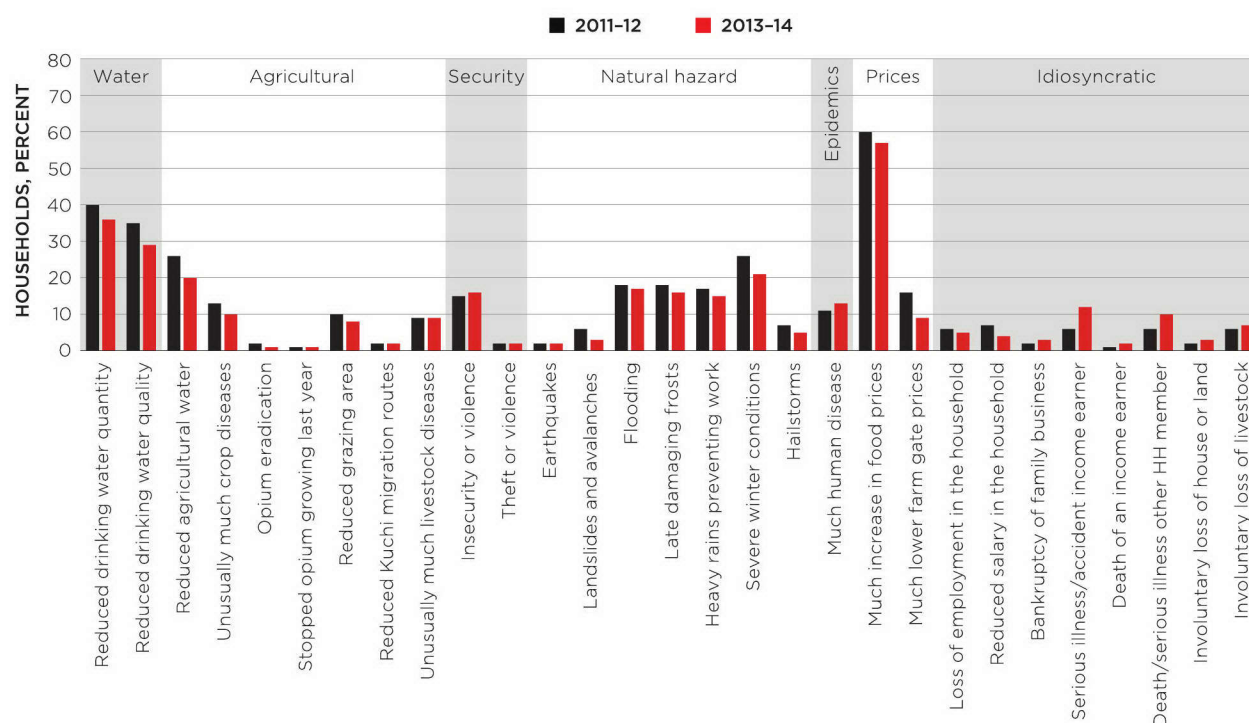
to injury, illness, or deaths of household members, possibly partly related to the increase in conflict and forced displacement. In fact, while there is no direct correlation at the district level between number of idiosyncratic shocks and the number of conflict related incidents⁵⁴, displaced households are 10 percent more likely to report having suffered from injury, illness, or death of a member. Moreover, households that self-report their districts as insecure were significantly more likely to have reported idiosyncratic shocks. Exposure to multiple (three or more) shocks is also pervasive, but the percentage of households reporting multiple shocks decreased slightly from 2011-12 to 2013-14 from 53 to 51 percent, mainly due to modestly lower reports of water-related shocks, both drinking and agricultural, winter-related conditions, and prices (Figure 43).

Figure 42 Incidence of shocks, 2011-12 and 2013-14



Source: Authors' calculation based on ALCS 2011-12 and ALCS 2013-14

Figure 43 Exposure by type of shock faced, 2011-12 and 2013-14

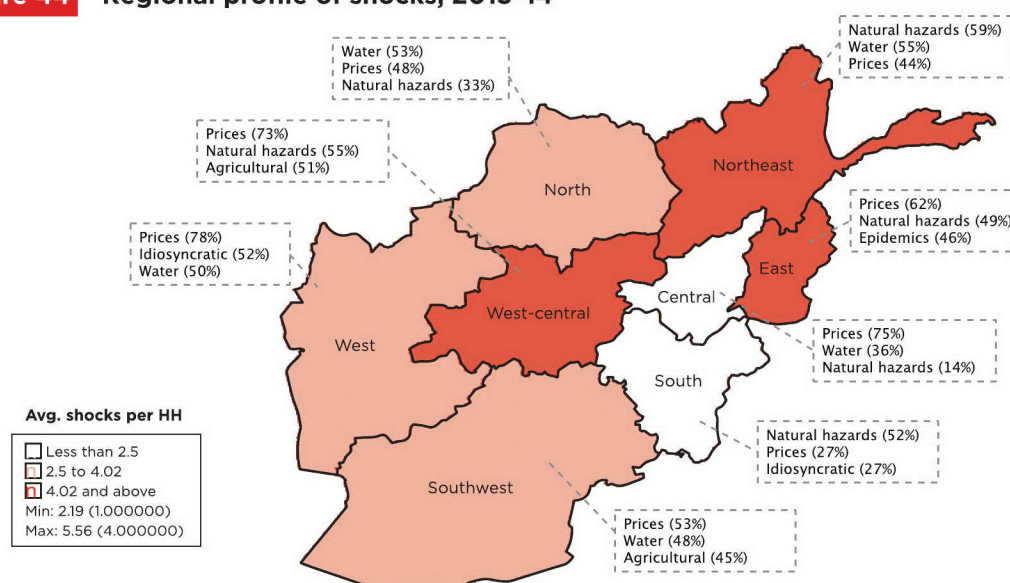


Source: Authors' calculation based on ALCS 2011-12 and ALCS 2013-14

54 The lack of correlation between incidents and number of idiosyncratic shocks might be explained by out-migration due to forced displacement of households affected by such shocks. As discussed in Chapter 1, every security incident (casualty) is associated, on average, to 9 (10) individuals being displaced from their district of origin.

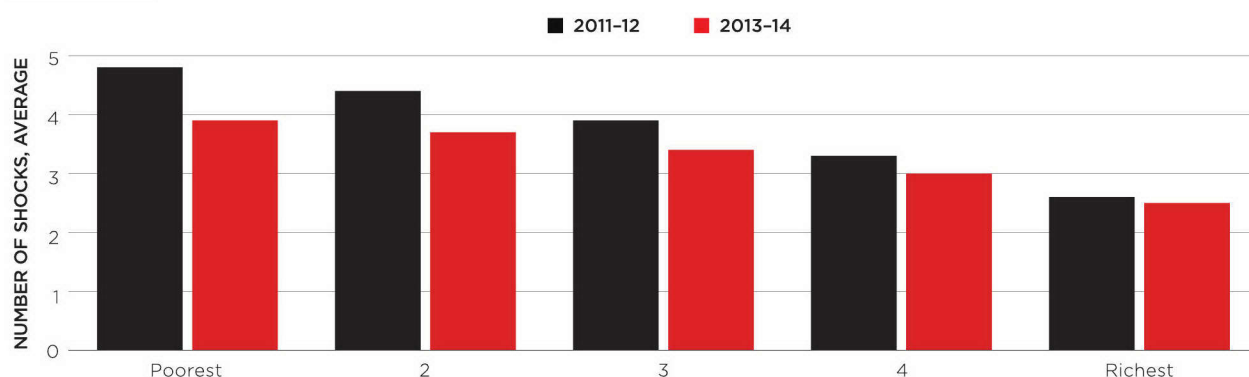
The intensity and nature of risks varies across Afghanistan's regions. As discussed in the previous *Poverty Status Update*, in 2011-12 households living in the lagging West-central, Northeast, and East regions experienced the highest number of shocks and were particularly affected by natural hazards. This remained the case in 2013-14 (Figure 44). Regional variation in the incidence and nature of shocks also emerges from the analysis of 2013-14 data. While price shocks are among the most prevalent in every region, households in lagging regions remain disproportionately exposed to a higher number of shocks and to natural hazards⁵⁵. Unlike in 2011-12, in 2013-14 idiosyncratic shocks emerged as among the most prevalent shocks in two regions, West and South, and households reported an alarming level of exposure to epidemics in the East region. Households in the West region reported the most idiosyncratic shocks; 37 percent of households in this region reported incidence of injury, illness, or death of household members⁵⁶.

Figure 44 Regional profile of shocks, 2013-14



Source: Authors' calculation based on ALCS 2013-14

Figure 45 Average number of shocks by consumption quintile, 2011-12 and 2013-14



Note: Quintiles constructed based on the distribution of per-capita consumption in each survey year.
Source: Authors' calculation based on ALCS 2011-12, and ALCS 2013-14

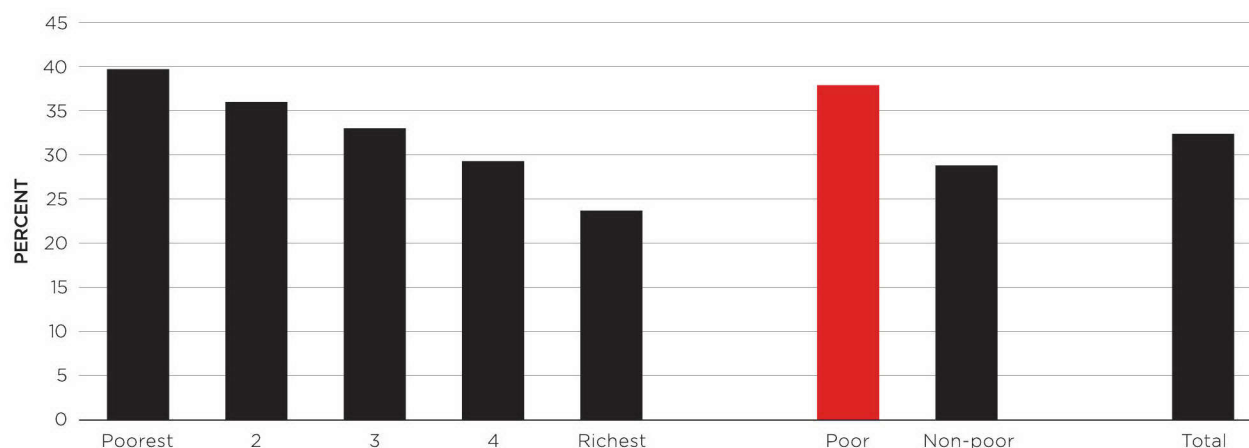
⁵⁵ The high prevalence of natural hazard shocks is largely attributable to severe winter-related events, such as harsh winters, frosts, and floods.

⁵⁶ According to UNHCR, the West region was home to the highest number of IDP families over the period 2011-14 (cumulative).

Poorest households are more vulnerable to shocks. As discussed in the previous *Poverty Status Update*, vulnerability to shocks and poverty are closely intertwined. Vulnerability to shocks is determined by the interaction between risks and the ability to cope with them; households exposed to shocks but possessing means to cope without compromising their long-term welfare have relatively low vulnerability to shocks and to poverty. Conversely, households without the means to mitigate and cope with risk are more likely to experience shocks and are more vulnerable to future or deeper poverty. This is even more so the case if they reside in areas more prone to shocks⁵⁷. As shown in Figure 45, the poorest 20 percent of Afghans remain more vulnerable to shocks and faced an average of four shocks in 2013–14, while the wealthiest 20 percent faced an average of only 2.5 shocks. This cumulative, multi-shock exposure has compound effects on households' decisions and wellbeing.

Poorest household are more likely to rely on coping strategies that negatively affect their current and future productive capacity and poverty status. Three quarters of Afghans who experienced a shock in 2013–14 had to rely on some form of coping mechanism to deal with its consequences. However, not all coping strategies are equally effective in mitigating the impact of shocks. In particular, strategies such as reducing food consumption or divesting in human capital or productive assets are more likely to have long-lasting “harmful” consequences on households' livelihoods⁵⁸. The analysis of 2013–14 data confirms that poorer households are more likely to adopt such harmful coping strategies. As shown in Figure 46, approximately 40 percent of the poorest 20 percent of Afghans rely on harmful coping mechanisms when faced with a shock, compared to 24 percent of the wealthiest 20 percent of Afghans. Similar patterns emerge when comparing the deployment of harmful coping strategies of poor (38 percent) and non-poor (29 percent) Afghans.

Figure 46 Incidence of harmful coping strategies by welfare status, 2013–14



Note: Conditional on experiencing any shock
Source: Authors' calculation based on ALCS 2013–14

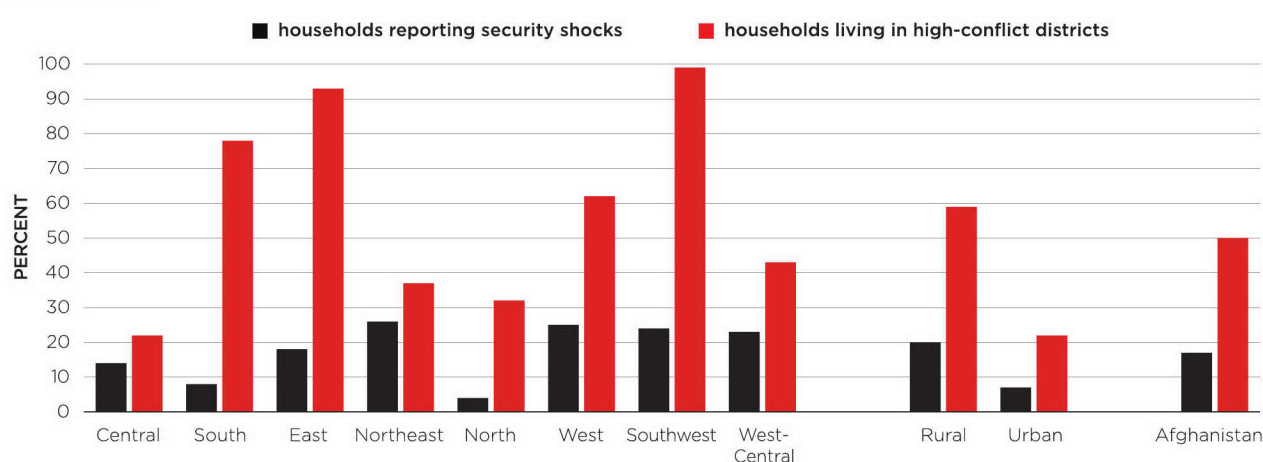
57 Ministry of Economy Islamic Republic of Afghanistan (2015).

58 The following risk coping strategies are considered as “harmful” i.e. potentially hampering long-term household welfare: reducing the quantity or quality of dietary intake; renting or mortgaging land; selling assets, land or female reproductive livestock; taking children out of school; increasing child labor; and selling child brides.

SHOCKS AND CONFLICT

Violence and insecurity pose additional and increasing risks for Afghan households. Conflict and insecurity are an important dimension of Afghan households' vulnerability. Approximately 17 percent of households reported exposure to security-related shocks in 2013–14, up from 15 percent in 2011–12. As seen in Figure 47, incidence of security shocks was highest in the Northeast (26 percent), West (25 percent), and Southwest (24 percent), and among rural households (20 versus 7 percent for urban households). Incidence of security shocks reported by households is largely in line with the actual incidence of conflict incidents as reported by United Nations Department of Safety and Security (UNDSS). In particular, regions and areas with higher prevalence of households reporting security shocks largely match areas with a higher concentration of households living in high-conflict districts.

Figure 47 Incidence of self-reported security shocks and actual conflict, 2013–14



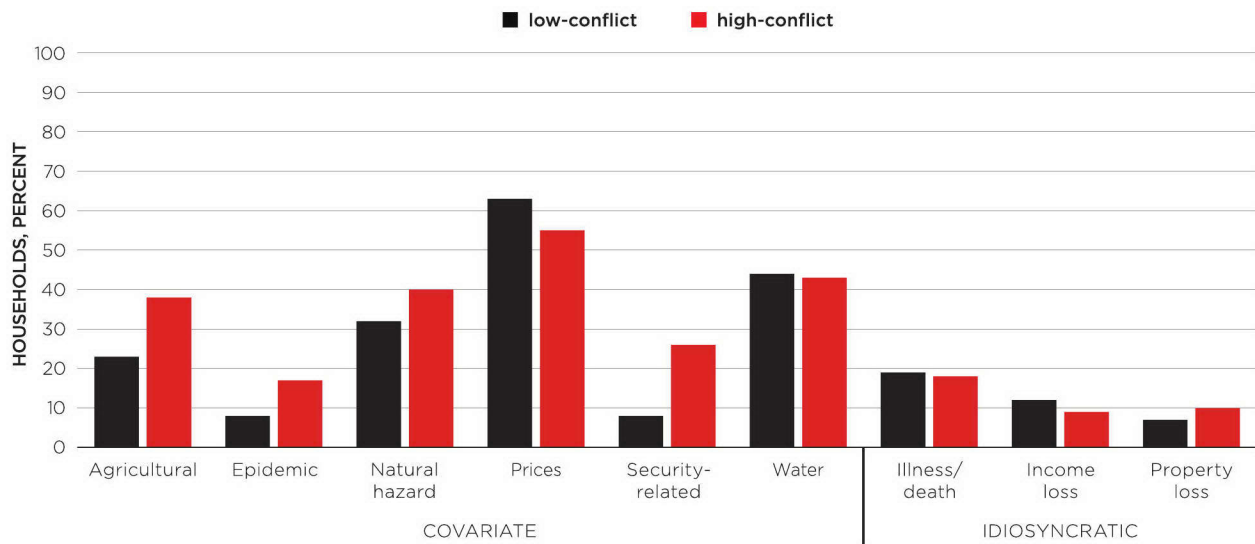
Note: Percent of households living in high-conflict districts refers to households living in districts with above-median rates of conflict incidents per 1,000 inhabitants in 2014.

Source: Authors' calculation based on ALCS 2013–14 and SIOCC.

Conflict exacerbates household vulnerability, and households living in high-conflict districts are exposed to more shocks. According to ALCS 2013–14 data, 53 percent of households in high-conflict districts reported three or more non-security-related shocks compared to 43 percent in low-conflict districts. Similarly, households living in high-conflict districts reported, on average, a slightly higher number of non-security-related shocks (3.3 shocks) compared to those living in low conflict districts (3.0 shocks). Type of shocks also varies by conflict intensity; households living in high-conflict districts are more likely to report agricultural shocks, natural hazard shocks, epidemic shocks, and, as expected, security-related shocks (Figure 48). Higher incidence of human disease could reflect weaker health service delivery in high-conflict districts, while higher incidence of agricultural shocks could reflect disruption of production cycles and market functioning due to conflict. Interestingly, high-conflict districts are not associated with higher incidence of idiosyncratic shocks, possibly due to selective outmigration (displacement) of households directly affected by such types of shocks.

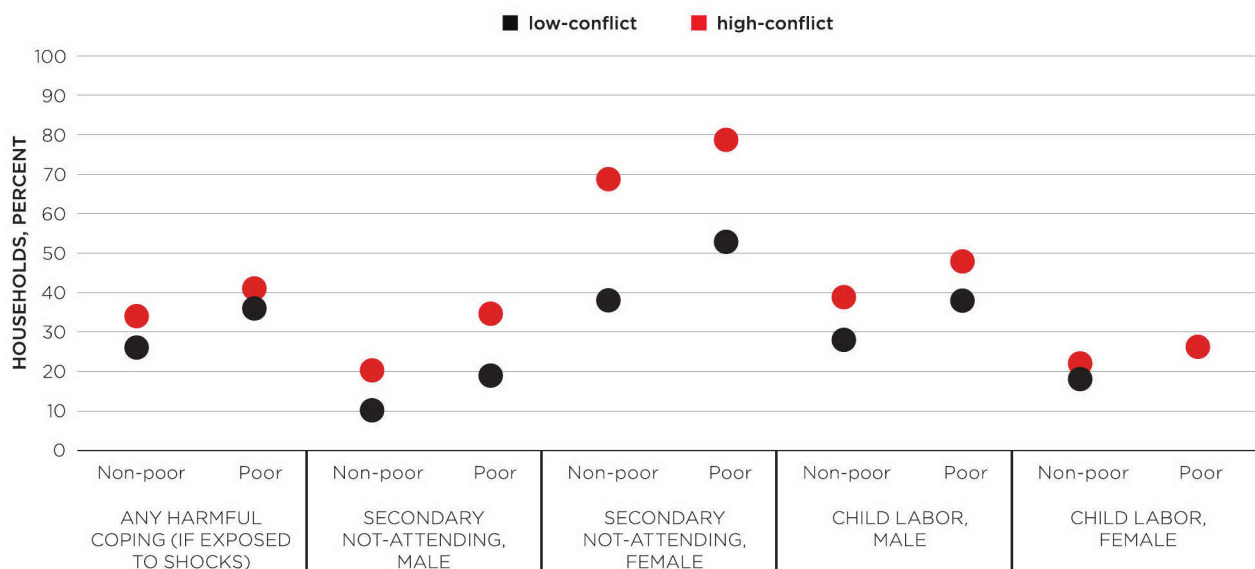
Higher conflict exposure is associated with greater reliance on harmful coping strategies and lower human capital investments, particularly for the poor. As shown in Figure 49, Afghan households living in high-conflict districts, irrespective of their poverty status, are more likely to adopt harmful coping strategies compared to those residing in low-conflict districts. Conflict is also strongly associated with greater likelihood of households of not having primary (not shown) and secondary school-aged children (especially girls) attending school, as well as greater likelihood of child labor for boys.

Figure 48 Shocks incidence by conflict intensity and type of shocks, 2013-14



Note: Low conflict intensity indicates district with low (below median) conflict incidents per 1,000 inhabitants. High conflict intensity indicates district with high (above median) conflict incidents per 1,000 inhabitants. The number of conflict incidents in a district refers to the 12 months preceding the survey. Source: Authors' calculation based on ALCS 2013-14 and SIOCC dataset

Figure 49 Harmful coping strategies by conflict intensity and poverty status, 2013-14



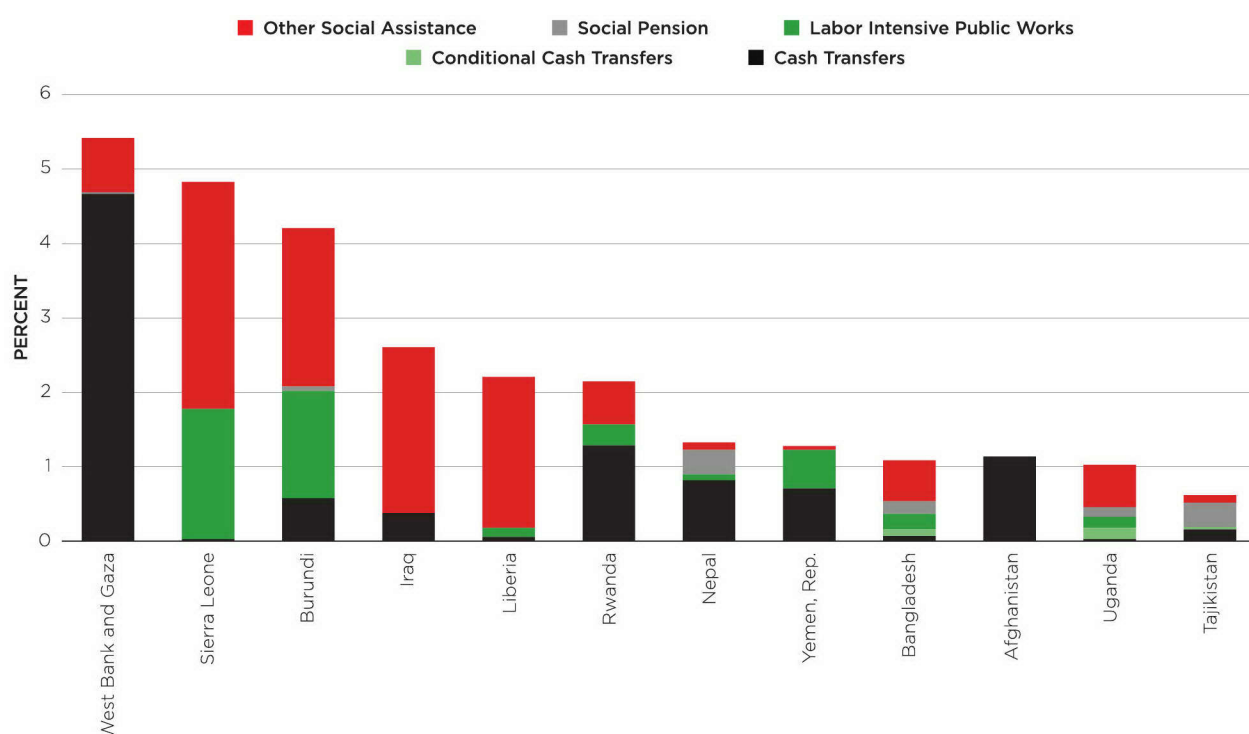
Note: Low conflict intensity indicates district with low (below median) conflict incidents per 1,000 inhabitants. High conflict intensity indicates district with high (above median) conflict incidents per 1,000 inhabitants. The number of conflict incidents in a district refers to the 12 months preceding the survey. Source: Authors' calculation based on ALCS 2013-14 and SIOCC dataset.

ACCESS TO SOCIAL PROTECTION

Afghan households' high exposure to risks reinforces the need for social protection, especially for poorer and rural households. The covariate nature of the most common shocks renders local support and informal safety nets less effective because other family or community members that might help are also in danger. Moreover, the volatility and multiplicity of shocks makes it difficult for households or government to anticipate risks. In general, it is important to identify instruments that can provide regular, predictable assistance that can target the most vulnerable households at scale. Government financial resources are too constrained to provide universal protection. Irrespective of the instrument(s), an effective, robust system for identifying and delivering benefits to the most vulnerable households is the cornerstone of an effective social protection strategy.

Public spending on social assistance in Afghanistan is very low by international standards, and it is heavily dependent on unreliable donor support. Main social protection programs include cash transfers through irregular public works, relief/humanitarian programs (food and cash for work), and other small pilots or humanitarian interventions. Most of Afghanistan's social protection spending is dedicated to cash transfers (in the form of pensions) for those injured in conflict, the families of those killed in conflict, and persons with disabilities. In contrast, other developing and conflict-affected countries tend to allocate greater public expenditures to social safety nets such as poverty or vulnerability-targeted cash transfers, or to labor-intensive public works (Figure 50).

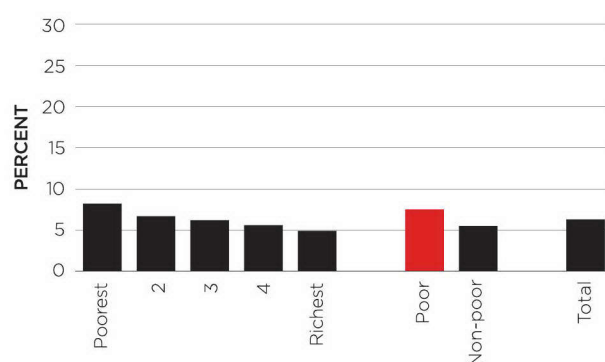
Figure 50 Total (on budget) spending on social assistance benefits as percentage of GDP



Source: Authors' calculation based on the World Bank ASPIRE database, as of 03/31/2016.
For Afghanistan: Authors' calculation based on reported spending on Martyrs and Disabled Program, MOLSAMD.

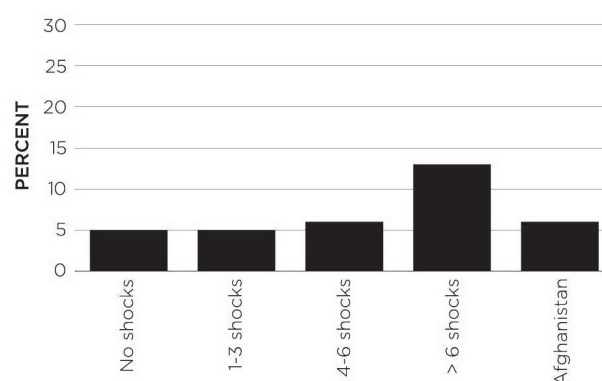
Social protection in Afghanistan has low coverage, and it does not effectively target the poorest and most vulnerable households. Only 6 percent of all Afghan households participated in any social protection program in 2013-14 (Figure 51) such as food-for-work, cash-for-work, or any income generating activity⁵⁹. Not only is social protection coverage low, but benefit incidence is only mildly progressive: 8 percent of all poor households receive formal social protection compared to 6 percent among the non-poor. Furthermore, 8 percent of the poorest quintile were covered by social protection mechanisms compared to 5 percent of the wealthiest quintile. Similarly, Afghanistan's social protection system does not seem well suited to support households exposed to shocks; as shown in Figure 52, households that did not experience shocks were not less likely to receive formal social protection than households that had experienced one or more shocks.

Figure 51 Access to social protection by welfare status, 2013-14



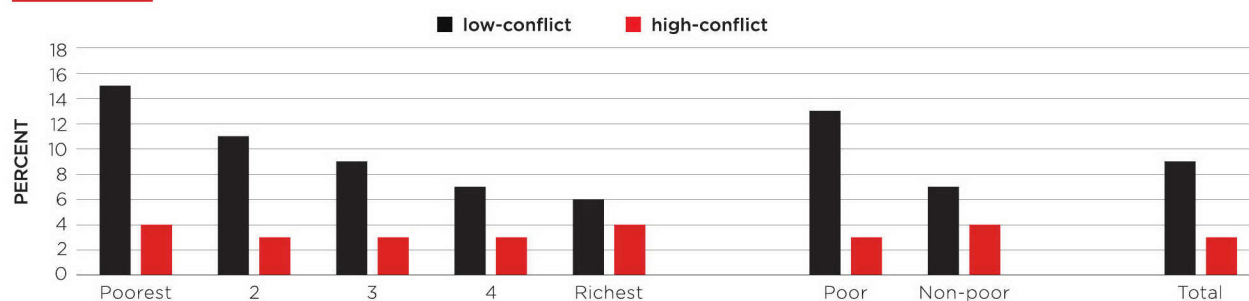
Source: Authors' calculation using ALCS 2013-14

Figure 52 Access to social protection by shocks' incidence, 2013-14



Access to social protection is lower where conflict and needs are higher. As might be expected, social protection coverage is substantially lower in districts exposed to higher conflict (Figure 53). This is particularly the case among poor Afghans; 13 percent of the poor are covered by some form of social protection program in districts with low conflict, but only three percent of the poor have access to formal social protection in districts with high conflict rates. Moreover, while social protection is broadly progressive in low-conflict areas, this is not the case for high-conflict areas. Delivering social protection programs face the same challenges as delivering other types of service in conflict-affected areas. Absent improvements in the security situation, prospects for improving social protection service delivery in these areas are, unfortunately, challenging.

Figure 53 Access to social protection by welfare status and conflict intensity, 2013-14



Note: Low conflict intensity indicates district with low (below median) conflict incidents per 1,000 inhabitants. High conflict intensity indicates district with high (above median) conflict incidents per 1,000 inhabitants. The number of conflict incidents in a district refers to the 12 months preceding the survey.
Source: Authors' calculation using ALCS 2013-14 and SIOCC dataset

⁵⁹ Of households receiving social protection, 23 percent received food-for-work, 78 percent received cash-for-work, and only 1 percent participated in an income generation-based program. Less than one percent received both food-for-work and cash-for-work programs.

CHAPTER 5

KEY MESSAGES

The main finding of this second edition of the *Poverty Status Update* series is that Afghan households have been negatively affected by the crisis induced by the security and political transition. Not only has the decline in aid and growth cost jobs, but also the intensification of conflict further strained the already massive vulnerability that Afghan households face.

The poverty challenge has emerged in all its strength during the transition period. Absolute poverty is increasing, with about 39 percent of Afghans now poor; there are not enough jobs for a fast growing labor force and to provide livelihoods for those Afghans who lack basic literacy and numeracy skills. Moreover, the diffusion and intensification of conflict contributes to perpetuating the transmission of poverty to future generations as children miss school and more households flee their homes as options for managing risk and for protecting livelihoods disappear. The economic and security crisis has once again emphasized deep and widening inequalities between those who have the means to cope with shocks and those who must give up vital assets to stay alive; between Afghans in cities with better security, access to services, and economic opportunities and those in rural areas; and between Afghan men and women, who increasingly find it difficult to access to education and health services.

Such poverty and inequality, if left unattended, could further undermine social cohesion and jeopardize progress attained at such great cost since toppling of the Taliban regime 15 years ago. The findings illustrated in this report suggest a few fundamental policy considerations.

First, improvements in security and in overall economic performance are pre-requisites for addressing poverty and inequality. Poverty dynamics that emerged during the pre-transition phase showed that growth alone cannot reduce poverty unless equally shared by Afghans, but lack of growth coupled with conflict has pushed more Afghans into poverty. This report shows how contraction in growth during the transition phase increased poverty and dramatically increased unemployment, especially in rural areas. Moreover, besides hampering growth, worsening conflict dramatically increased internal displacement, with thousands of Afghans forced to leave their homes and livelihoods only to suffer precarious living conditions in cities. Reviving growth is difficult under current security constraints. Nevertheless, as discussed at the latest conference in Brussels⁶⁰, poverty reduction in Afghanistan will require growth to be much more inclusive and broad-based than in the past. Above all, agriculture sector development focusing on interventions to support small-holder agriculture, to develop commercial value chains, and to improve access to markets and urban-rural linkages will remain a priority for reducing poverty and for stimulating internal demand and jobs in other sectors⁶¹.

Second and closely related, poverty reduction in Afghanistan hinges on improving labor market opportunities, both internally and internationally. The dramatic increase in unemployment that accompanied the transition exposed the challenge of creating enough jobs to absorb a fast growing labor force, which is estimated to rise by 400 thousand Afghans annually. Given population dynamics,

60 See World Bank (2016).

61 See World Bank (2014) for a detailed discussion of challenges and opportunities for agriculture sector development in Afghanistan.

more jobs are needed, especially for Afghan youth. Restoring growth, particularly labor-intensive growth, will play a critical role moving forward. In the short run, given current economic and security constraints, relying on growth alone might not be sufficient to ease labor market pressure; greater attention should be devoted to promoting legal channels for international labor migration⁶². Migration has long been a core risk management strategy for Afghan households to cope with conflict and few economic opportunities. As in many low-income countries, labor migrants and their remittances contribute to domestic income and consumption, reducing poverty and bolstering foreign exchange receipts. Promoting channels for safe and legal migration can help manage likely destabilizing effects—including increased secondary displacement, unemployment, and poverty—caused as other Afghans return from Pakistan, Iran, and Europe.

Third, overcoming Afghanistan's poverty and inequality challenges, as well as improving growth prospects, will not succeed if not accompanied by improvements in human capital. The study of poverty and inequality dynamics in Afghanistan display the connection between investment in education and socio-economic inclusion. Not only were illiterate Afghans not able to take advantage of economic opportunities during the years of sustained growth preceding 2012, but illiterates were also most negatively affected by the later jobs crisis during the transition period. With more children missing school due to conflict and/or increasing poverty, greater attention should be devoted to improving access in rural areas and for the poor. Furthermore, greater attention should be devoted to minimizing the negative effects of conflict on school attendance, which is especially strong for girls. In this respect, it is important to explore more flexible and innovative options for education service delivery in conflict-affected areas.

Poverty reduction requires reducing Afghan households' vulnerability to shocks. Afghan households' poverty challenge and extreme vulnerability to shocks are well recognized, as is the complexity of Afghanistan's risk environment. The vast majority of shocks affect entire communities or areas at once, limiting the possibility to rely on local forms of mutual assistance. Moreover, not only is Afghan households' exposure to shocks extremely high by international standards, but the incidence of shocks exacerbates any pre-existing vulnerability. Poor households and households living in conflict ravaged areas are often forced to cope with risk by relying on harmful long-term strategies, such as selling productive assets or withdrawing children from school. These strategies constrain future welfare and perpetrate a vicious circle of poverty. In such context, reducing poverty requires greater attention to helping households navigate risk, including supporting development of credit and insurance markets and development of a safety net system.

62 See Holzmann (2017).

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