**Focusing on Afghan economy**

BY A S A D E J A Z B U T T 2021-08-16

SOUTH ASIA is home to 1.94 billion people of which 39 million, around two per cent, live in Afghanistan. In terms of population, Afghanistan seems to be an insignificant part of South Asia. Yet, the mention of South Asia in any policy discourse inevitably leads to Afghanistan which is now seen as the pivot upon which hinges the stability and future of South Asia. A stable Afghanistan, many experts concur, is the pathway to a stable South Asia.  
  
This is certainly true for politics. But if one looks at the Afghan economy in regional terms, one tends to downplay the significance of Afghanistan, which is important neither from the perspective of what and how much its economy contributes to the region, nor from the perspective of geostrategic location that has made Pakistan indispensable to China and the Western powers. Afghanistan is landlocked and depends greatly on Pakistan for its transit trade; the Pakistan Business Council estimated in 2015 that roughly 54pc of Afghanistan`s transit imports travel through Pakistan.  
  
Afghanistan`s GDP per capita is the lowest in the region. It is disturbing to see that despite billions in overseas development assistance and many programmatic interventions by bilateral and multilateral agencies and financial institutions, Afghanistan only does better than Nepal on the GDP per capita scale, in the South Asian region.  
  
Bangladesh has a much larger population and even with similar characteristics of turbulence and ethnic conflicts it has managed to outpace both India and Pakistan to become the regional leader in per capita income; it`s GDP per capita surpassed India`s in 2021. Bangladesh`s history of political turbulence seems trivial compared with Afghanistan`s.  
  
Economists agree that political stability is vital for the development of institutions and good institutions are the guarantors of economic growth.  
  
However, the fact that political stability is economic growth`s antecedent, does not automatically imply that economic problems have to be analysed throughapoliticallensand thatthere couldbe sustainable political solutions to economic problems.  
  
Political experts analyse various factors contributing to the deadlock in Afghan politics and discuss potential solutions that could pave the waytowards sustainable peace in the region. However, this focus has diminished the importance of economics and the fact that the problemin Afghanistan is at least as much economic as it is political.  
  
Policymakers must attend to this aspect and view the region from an economic lens to enhance their understanding. Afghanistan is not only in perpetual conflict. It is also a country whose economy continues to flounder but this fact still remains unnoticed. There is very little literature on the Afghan economy and the discourse on South Asia misses the economic plight of the Afghan people.  
  
Poverty in Afghanistan is chronic and pervasiveand the poor segment of society is the one most vulnerable to recruitment by the Afghan Taliban.  
  
When Covid-19 began, 24pc of Pakistan`s population lived below the national poverty line. Poverty was reassessed after the first few months of Covid19, though not formally. The new estimate was 33pc; it underscored 3m job losses that occurred due to the closure of industry and the retail sector.  
  
India is home to the largest number of poor people in South Asia; 364m people in India live below the national poverty line. However, in percentage terms, those living below the national poverty line comprise 28pc of the total population. The Afghanistan population is less than 20pc of Pakistan`s, yet at the start of Covid-19, 47.3pc of its people lived below the national poverty line; a situation that may have exacerbated during the pandemic.  
  
Poverty, in fact, is not the only manifestation of systemic exclusion and marginalisation in Afghanistan. GDP per capita is embarrassingly low because of the lack of female participation in the labour force. While labour force participation islow across all South Asian countries, the case of India and Afghanistan are, in particular, worrisome. Only 21pc of women participate in the labour force in India while 16pc of women in Afghanistan work in the labour market. While Pakistan continues to be reckoned as an unfriendly country for women, around 25pc of its women are in the labour force. Although the figure is significantly below the average female labour force participation in the developed Western world, it appears respectable in the South Asian context.  
  
Public health suffers enormously from capacity constraints and lack of commitment to spending on public healthcare. While life expectancy in Afghanistan has remained comfortably above 60, around 66 years for women, 78pc of the public health expenditure is out of pocket. Infant mortality is 46.5 per 1,000 which is slightly better than Pakistan`s 55.7, but much worse than India`s 28.3 and Bangladesh`s 25.6 per 1,000 live births. The government spends around 15pc of its budget on education which is around 4pc of the Afghan GDP of $20bn. Interestingly, spending on education is four times the spending on the military which defies perceptions of the war-torn country. Despite proportionately high spending on education, only 29pc of all females and 55pc of all males above the age of 15 are literate.  
  
The Afghan GDP is an indictment of the purported efforts of the US and its allies to bring the vulnerable segments of the Afghan population into the mainstream. An aggregate GDP of $20bn does explain that capacity constraints may have led to the formation of a sizable informal economy and dedication of large segments of the youth to low-value-added sectors like agriculture that contribute little to the Afghan economy or to the lives and livelihoods of its people who remain poor and unserved. Before the Americans exit the region, they should assess the state of the Afghan economy. In times to come, the legacy they leave behind will be determined more in economic than political terms. m The writer is an economist based in Islamabad.  
  
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