

TRENDS AND ACTIVITIES OF ECONOMIC DEVELOPMENT IN AFGHANISTAN: AN OVERVIEW

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ABSTRACT

This paper has discussed generally an overview of economic development trends in Afghanistan since 2002, with particular reference to the economic sectors. And finally, it will identify the major obstacles on economic development in the context of Afghanistan. This study has emphasized main factor of economic development such as Education, Agriculture, public health, poverty reduction, GDP, and Employment rates these factors contribute to the economic development of Afghanistan mainly on macroeconomic performance

KEYWORDS: Afghanistan, Economic Development, Economic Obstacles, Economic Growth Trends,

INTRODUCTION

Afghanistan, the least developed nation in Asia, has been at war for 20 years. Since the end of the partial war, the Afghan economy has undergone significant change. After 2008, when the insurgency first emerged and cross-border attacks increased, reforms have accelerated. Due to substantial public dissatisfaction with the administration, corruption became out of control and reforms stalled throughout this time. The global community announced that by 2014, more than 100,000 personnel will have left the region. In 2016, an order for the departure and transfer of power to the Afghan government was approved, (ANDS,2013). An international summit organized in Tokyo in July 2012 committed ten years of development support to make the process of development smoothly. Afghanistan focused on substantial reconstruction after the Taliban regime was overthrown in 2001; this process has gone through numerous stages. The Afghanistan Reconstruction Trust Fund (ARTF), which was administered by the World Bank, was utilised by donors to pool funds in support of a core set of national government and service delivery programmes, allowing the first phase of reconstruction to be promptly started. (Republic, 2016). Since 2001, the international community has supported economic development on a new page: reconstruction and restoration. Despite the political and security upheavals of the previous 15 years, a sizable amount of economic and social progress was made in post-conflict reconstruction.¹

But nonetheless, in the wake of 9/11, international communities have begun to understand that unstable countries like Afghanistan, which have experienced recent armed conflicts, can represent hazards to both regional security and global growth. Although billions of dollars are streaming into Afghanistan in the form of international aid, the Afghan people still have to deal with poor living conditions, a high unemployment rate, and the potential of the start of new conflicts. (Zhang et al., 2019). The political and scientific sectors are debating how to more successfully repair the economic and national stability in fragile and conflict-affected country. After the end of the war, many elements of the

¹ Central Statistics Organization of Afghanistan (CSO). 2016. Afghanistan Living Conditions Survey 2013-2014.

Afghan economy have improved, (Ramez and others, 2019).

The objective of this research is to describe the information that is currently available regarding the composition and operation of the Afghan economy, with a particular emphasis on macroeconomic performance-related trends and development statutes. It also discusses some first economic analyses.

REVIEW OF LITERATURE

Many aspects that are beneficial for development were taken into account in the literature review. And the changes made by the World Bank's funding programme in some areas, such as education, electricity, agriculture, poverty alleviation, employment rate, social welfare, human development, financial sector institutions, public policy, the environment, public health, natural resources, macroeconomic management, and others, are truly remarkable. (Gado & Sanusi, 2019) Generally, the objectives of economic development can be interpreted as the creation of money and employment opportunities, as well as the enhancement of life quality. Another way to think about economic development is as a procedure that affects economic growth and restructuring in order to improve a community's financial stability. (Abouharb & Duchesne, 2019). Economic development's primary objective is to raise a public's economic standing by actions such as job creation, employment retention, tax base improvement, and quality of life improvements. A successful economic development requires a variety of strategies, policies, and programmes, all of which are not contained in a single definition of the term. Geographical and political advantages and disadvantages vary among communities. So, the challenges for economic development will be different in each community. (Limpach, S, 2014). Economic, political, and philosophical spheres of existence are all impacted by economic development. Although it is a goal in progress and a policy in action, there is no clear conclusion. Economic development, in general, refers to the ongoing, coordinated efforts of communities and policymakers to raise the standard of living and economic vitality of a certain region. The quantitative and qualitative adjustments in the economy are also referred to as economic development. The development of human capital, crucial infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other activities are only a few examples of the many sectors that such measures might cover. Economic growth and development are two different things. (Survey, G. 2000).

RESEARCH METHODOLOGY

Methods of Data Collection

There are a large number of data reports and advance literature published by World Bank open data. In this study, I relied on secondary sources of data collection, through World Bank open data, government sectors, Internet websites, central Bank of Afghanistan, and Afghanistan Central Statistical organization. The Methods of Study are heightened to clarify this part for further explanation. The requirement for explanations that are necessary to comprehend how the World Bank has helped Afghanistan achieve economic development—a case study of the World Bank's project funding—led me to choose the qualitative research approach. Using this strategy is also justified by the fact that it will help define and comprehend the meanings attached to social phenomena as well as carry out a thorough investigation of the topic at hand. Creswell (2014) asserts that a study that seeks to examine an in-depth analysis requires a strong qualitative approach, which is why I chose the qualitative research method.

Analysis of Data

We used a qualitative descriptive analysis as our method of data analysis, describing the data verbally in order to fully

understand the correlations between the variables. The implementation of the aforementioned analytical approach is required because the study will mostly use secondary sources of data. Furthermore, we primarily used tabular presentation, where the data is organized into columns and rows, for data presentation. Others comprise the graphical presentation of data using pie charts, line graphs, and bar charts, as well as the geometrical presentation of data

The Trends in Economic Development; An overview from 2001 to 2020

The possibilities for exports and investment in Afghanistan. The three-year slowdown in domestic economic development has been overcome, though. It is reasonable to anticipate a return to a healthy, though moderate, growth trajectory if sound and effective reforms are implemented. In addition to having a sizable foreign exchange reserve and a well controlled Afghani exchange rate, Afghanistan has a low debt load. Macroeconomic policies that support development are based on them. On the other side, drastic cuts in aid, ineffective taxation, or bad management of public finances may lead to budget shortfalls and a worsening of growth prospects. (Republic, 2017).

Table 1: Macroeconomic Indicator:

Microeconomic Indicators								
Figures are in billion of USD	2015	2016	2017	2018	2019	2020	2025	2030
Real GDP Growth	0.9%	2.1%	3.5%	4.7%	5.2%	5.7%	6.7%	7.5%
Nominal GDP level (bn USD)	19.0	19.1	20.3	21.8	23.6	25.6	38.7	60.7
GDP per capita (USD)	605.0	592.0	613.6	643.2	677.3	718.5	984.0	1,432.9
CPI Inflation Average (%)	-1.5	4.7	5	5	5	5	5	5
Exchange rate (USD/Afs)	63.00	67.00	68.34	69.71	71.10	72.52	82.05	92.84
Population (million)	31.4	32.2	33.1	33.9	34.8	35.6	39.4	42.4

Source: Ministry of Finance Fiscal Policy Department Estimates

Inflation in 2016 is pushed via way of means of low charges in 2015 and is anticipated to stay slight at 4.7 percentage for the relaxation of the cutting-edge year. Over the medium to long-term, we anticipate inflation to slight to round five percentage and live properly inside unmarried digits. GDP in line with capita is anticipated to begin growing through the give up of 2016 after moderate falls in 2014-15, which mirror the slowing hobby with inside the USA . caused through the worldwide safety transition. GDP in line with capita is anticipated to get better to 2013 values via way of means of 2017. Until now, all predictions need to be taken into consideration with a grain of salt because of the excessive stage of financial uncertainty. The conflict's depth and area stay critical factors. A loss of defensive and adaptable infrastructure in addition to social coverage makes herbal screw ups and weather-associated shocks even greater of a chance in Afghanistan.

Through 2017, economic growth is anticipated to continue to pick up, rising to 6% by 2020. The agricultural sector, which is driving GDP growth, expects wheat and fruit production to rise. The proportion of domestic spending in this sector will rise as security duties pass to national forces. This would lead to a rise in domestic product and service demand, which would boost economic growth. Secondary production of materials like marble, cotton, saffron, food, drinks, cement, mining, and natural gas has barely increased. Exports are more likely to rise when transportation, horticultural, and agricultural assets are used to their maximum capacity. We will reduce operational and regulatory hurdles to investments and exports in order to promote this growth. Despite unduly optimistic prior expectations for substantial mining returns, investments in the extractive sectors would eventually become a crucial part of long-term

growth. If global prices stay low, major mining investments are likely to be delayed.²

Growing and significant aid inflows over the past 10 years have benefited Afghan political actors, affording them some time to strengthen their historically underdeveloped domestic resource extraction capacity. According to the evidence that is currently available, domestic resource mobilization has increased steadily in Afghanistan during the past ten years. According to the table below, domestic revenue as a percentage of GNP climbed from 4.6% in 2003 to 11.5% in 2012:³

Table 2: Afghanistan Domestic Revenue as Percentage of GNP (2003 – 2012)

Year	Total GNP (Million Afs)	Domestic Revenue (%GNP)
2003 – 2004	217,388	4.6
2004 – 2005	272,707	5.1
2005 – 2006	322,231	6.4
2006 – 2007	385,489	7.5
2007 – 2008	505,629	6.5
2008 – 2009	541,113	7.7
2009 – 2010	627,393	8.4
2010 – 2011	746,859	10.8
2011 – 2012	862,840	11.5

Source: Afghanistan Statistical Yearbook (2005, 2008- 2009, 2009- 2010, 2010- 2011), (MOF, 2010 – 2011, 2011 – 2012).

Economic Development and Achievements

Afghanistan is a landlocked and mountainous country. Its population is estimated at 35 million table (01) Socio- Economic Indicators provides a clear trends of some key

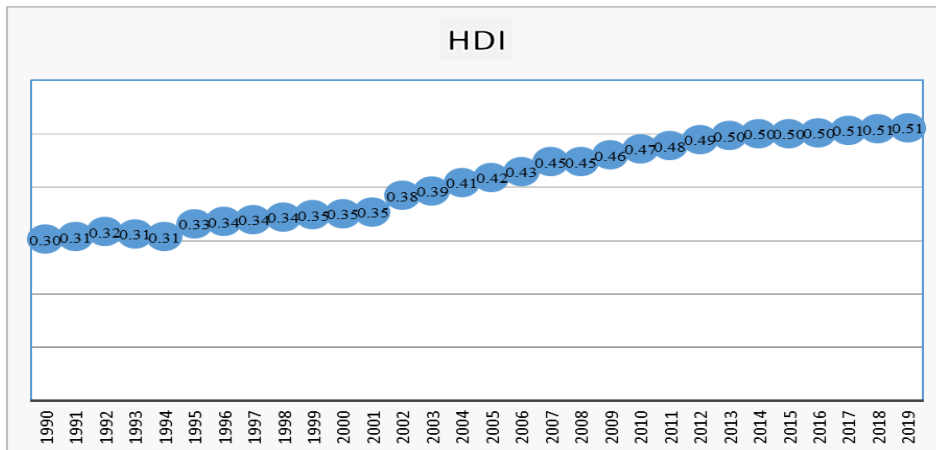
Table 3

Indictor	1990	1995	2000	2005	2007	2010	2011	2015	2016	2019
Total Population (Millions)	12.4	18.1	20.8	25.7		29.2		34.4		38
Life expectancy	0.467	0.514	0.551	0.589		0.631		0.667		0.69
Education index	0.122	0.179	0.235	0.312		0.372		0.405		0.414
Poverty(Working poor at PPP\$3.20 a day (% of total employment)	86	90.2	91.9	89.5		82.6		72.9		66.3
Poverty headcount ratio at national poverty lines (% of population)					33.7		38.3		54.5	
Income index	0.485	0.393	0.333	0.398		0.446		0.462		0.469
Gross capital formation (% of GDP)				23.2		18		19.5		17.8

² Maier, R. Growth and Equity in Fragile States. Conflict Research Unit, Clingendael Security and Conflict Programme; Netherlands Institute for International Relations: Den Haag, The Netherlands, 2010

³ Source: Afghanistan Statistical Yearbook (2005, 2008- 2009, 2009- 2010, 2010- 2011), (MOF, 2010 – 2011, 2011 – 2012).

Figure 1: Social Economic Indicators



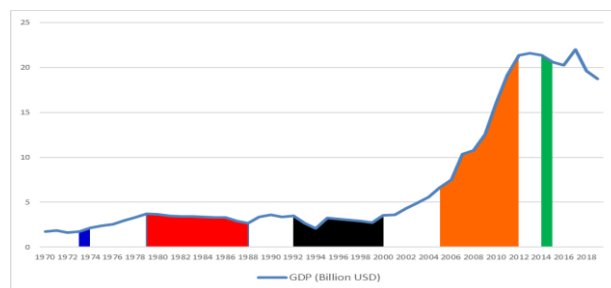
Source: UNDP/ Global Human Development Indicators

indicators of the economy from the last three decades. Afghanistan has, in general, been suffering poorer levels of human development; in 2019, it was rated 169th out of 189 countries. The HDI index declined before 2001, especially during the civil war (1993 and 1994). The new government's rule, a more stable political environment, and considerable economic reforms cause the HDI index to increase after 2002. In a broad sense, we distinguish between the pre- and post-war eras of macroeconomic development (unfortunately, still now this country is one of the war-prone countries).

Macroeconomic Performance

Any strategy's primary objectives are growth to ensure peace and human wellbeing from an economic point of view. In view of Afghanistan's dismal economic performance, all initiatives heavily rely on having to achieve such traditional goals. In order to achieve this, all of the efforts were undertaken in two stages: reconstruction in tandem with the economic system change that took place between 2001 and 2014, and the transition beyond 2014, which is planned to take place (political, security, and economic) in/from 2015 through 2024. Afghanistan is recognized as one of the most forward-thinking reformers in the area because of the extensive range of reforms that have been implemented since 2001. These reforms all took place in chronological order, and each one was accompanied by important political, security, and economic developments that affected how adaptable the reforms were. It indicates that from the start till 2007, the reforms were carried out in a secure manner.

Figure 2: GDP Timeline



Source : UN data

Most efforts, however, have been made since 2007 in a dangerous atmosphere marked by political upheaval.

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Generally, all actions and efforts are directed on how to set the stage for achieving macroeconomic goals. The macroeconomic performance of Afghanistan from 2001 to 2019 is examined in this section. Additionally, it contrasts Afghanistan's performance with that of other nations, notably low-income nations, in terms of inflation, real GDP growth, monetary and exchange rate policies, trade policies, and fiscal policies.

IMPACT OF CONFLICTS ON ECONOMIC ACTIVITIES

As a result, 400,000 young Afghans entering the labour force every year. There are a lot of internally displaced people (IDPs) and migrants in Afghanistan as a result of the conflict and the country's economic downturn, and many of them are expected to return once things get better and they can start making a life, (Socio Economic Outlook, 2019). According to the World Bank, it will be extremely challenging to maintain present levels of job creation over the next ten years, even in a scenario with high growth. This is because a number of Afghanistan's major economic drivers, such as mining, oil, and long-distance trade, require more capital than labour to operate. ⁴ As a result, our development strategy combines an emphasis on growth with other programs such as agriculture, construction, and education, all of which contribute to the development of the country while also providing additional jobs.⁵

Political unrest, poverty, corruption, bad governance, and foreign interference are all major problems in the nation. On all levels, the entire political and economic system has disintegrated. However, Afghanistan's current economic and security circumstances suggest that the government will have difficulty establishing the security, law, and order necessary for the country to prosper politically and economically. (Berfield, 2011). Political conflict, destitution, graft, bad leadership, and foreign interference are all major problems in the country. All levels of the political and economic system have collapsed. The administration will also have difficulty establishing the security, law, and order necessary for the country's economic growth and political advancement, given the country's current security and economic problems. (Maiti, & Bidinger. 1981). bring industrial growth to Afghanistan, the government must acknowledge the country's political and economic reality, as well as modify the country's economic, social, and political systems. The government must also strengthen human, economic, and infrastructure capacities to develop industries and political infrastructure, (London, H. of C. 2014). The government must take into account both international participation and Afghanistan's financial capabilities while developing strategies for these goals; otherwise, it will be impossible to be ready. The government must work with local communities to launch development initiatives that take into account those communities' needs and interests. ⁶ Non-governmental organizations (NGOs), the international community, and the Afghan government should abstain from funding projects in Afghanistan. A divided society would benefit from the adoption and implementation of economic policies by being more economically and socially stable. Yet if centralized economic policies are implemented, the country will struggle and lag in economic progress, as it did for the last ten years, (Affairs, 2010). According to SENLIS Afghanistan, Afghanistan is now suffering from poverty, and if proactive measures are not implemented, Afghanistan will continue to be a failing state. Whether the Afghan government, the international coalition, non-governmental organizations, and foreign contractors can develop a long-term economic strategy and political framework that can bring about significant political and economic progress will determine the future of Afghanistan and its economic growth.

⁴ DHS, 2015

⁵ world Bank, Afghanistan Country Management Unit

⁶ NATO (2018) Resolute Support Mission "placemat" as of November 2018.

https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2018_11/20181112_2018-11-RSM-Placemat.pdf.

(Mohmand et al., n.d.)

KEY CONCLUSIONS

This paper undertakes an overview of the general structure of the Afghanistan economy. It analyses the various factors in the structural transformation process, including social welfare and economic factors of income, dualistic economic structures, and political transformation. It also outlines the various structural transformation strategies and their impact on economic development. Afghanistan's economy was threatened by political issues and vast corruption during the massive receiving of foreign aid.

Afghanistan is Asia's least developed country, and it has been at war for the past 20 years. Many aspects of the Afghan economy are changing after the partial war ended; Reforms started to accelerate reconstruction by support of international community after 2001. This chapter has discussed an overview the trends of economic development from 2002 to 2020. This study has emphasized main factor of economic development such as Education, Agriculture, public health, poverty reduction, GDP, and Employment rates these factors contribute to the economic development of Afghanistan mainly on macroeconomic performance. The purpose of this study is to summarize available data on the structure and the performance of the Afghanistan economy which focused on trends and development statutes from the perspective of macroeconomic performance and to discuss some preliminary analysis of the Afghan economy.

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