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Coronavirus Socio-Economic Impact Assessment

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Abbreviations

A-GTAP-CGE	Global Trade Analysis Project's Computable General Equilibrium Model for Afghanistan
ANPDF	Afghanistan National Peace and Development Framework
A-SDGs	Afghanistan Sustainable Development Goals
CEPI	Coalition for Epidemic Preparedness Innovation
COVID-19	Corona Virus Disease 2019
CGE	Computable General Equilibrium
GTAP	Global Trade Analysis Project
HEAT	High Expertise Advisory Team
IMF	International Monetary Fund
IOM	International Organization for Migration
MOPH	Ministry of Public Health
MPI	Multi-dimensional Poverty Index
MSME	Micro, Small, and Medium Size Enterprise
NGO	Non-governmental Organization
NSIA	National Statistics and Information Authority
OCHA	United Nations Office for the Coordination of Humanitarian
OECD	Organization of Economic Cooperation and Development
PCR	Polymerase Chain Reaction
PPDP	Private Public Development Programme
PPE	Personal Protective Equipment
RECCA	Regional Economic Cooperation
SAARC	South Asian Association for Regional Cooperation
TB	Tuberculosis
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations International Children's Fund Affairs
Youth NEET	Youth not in education, employment or training
WFP	World Food Programme

Foreword

This note examines the likely effects of the corona virus outbreak in Afghanistan using the UNDP-GTAP model that has been developed specially for Afghanistan. Along with their fiscal implications, the note simulates the impact of changes mainly for the short-run (2020-21) arising from disruptions in the global and regional trade, the health response required to contain the spread of the virus, and the need to introduce policies to mitigate the social impact of the pandemic. The simulations are performed for a Medium Transmission scenario developed by the Ministry of Public Health. For completeness, results for 2021-2 are also included but, given the extraordinary degree of ongoing uncertainties, domestically and internationally, these may be subject to significant forecast errors.

The results suggest that the decline in GDP from global and regional economic effects on Afghanistan may reach 6.25% in 2020 compared to a level of economic activity without the pandemic that was previously predicted to increase by around 3%¹. The Poverty rate is estimated to increase by around 13 percentage points respectively from 55 percent and 68 percent.

UNDP is committed to assist initially halting and then reversing the downward economic trends that confront Afghanistan amidst declining international donor support. In addition, UNDP as a development organization is uniquely placed to continue its support to Afghanistan's security sector. UNDP also believes that it is the opportune moment to fundamentally transform and strengthen the Afghan economy via the implementation of socio-economic protection programs, thereby alleviating the COVID-19 hardship and reduce the probability of likely social unrest, especially among the youthful population. UNDP's strategically targeted support could enable MSMEs to create \$4 worth of additional economic value and jobs, for each \$1 spent on related programs.


This paper assesses several scenarios on the COVID-19 impact and potential pathways towards recovery. Current trends in infection rate refers to "Medium Infection Transmission rate" as defined by the Ministry of Public Health (MoPH), where the costs for addressing the pandemic for additional beds, equipment and personnel may reach almost \$250 million according to early estimates (April 2020) though this amount may no longer be adequate given the spread of the virus since then. Still this ignores that these additional requirements can hardly be implemented in weeks, even in months, amidst the small and weak base of the health system and limited outreach across the country that is still ridden by security issues and a political impasse. This also excludes funding needs to overcome current deficiencies in the health sector; 15% of the population across provinces, several communities in Eastern Afghanistan, returnees and Internally Displaced Persons still lack to hospitals in their vicinities.

To ameliorate even part of the impact on the social sectors would require funds far beyond the reach of the government budget. For example, to compensate citizens for even a small loss in consumption (equal to one-third of the poverty line) across the population and only six months would require a fiscal outlay of nearly 10% of GDP even after ignoring administrative costs and outreach challenges. And this already high figure is much higher than the current non-military government expenditure.

An income support program for 6 months (equal to half of the poverty line) targeting only working age adults or every citizen (e.g. Universal Basic Income) would require respectively 6% to 13% GDP. Again, this is beyond the reach of government spending capacity.

However, measures that are more within the government's fiscal reach include inter alia income support to elderly only ("social pension"), or the Internally Displaced Persons (IDPs) and returnees. If each of these two measures is paid for 6 months at a level equal to one fourth or half poverty line, they would cost between 0.11% to 0.25% GDP. Introducing civil works for 100 days paying a wage equal to half poverty line or at a level equal to the poverty line would cost between 1% to 2.7% of GDP.

1. ANPDF: Afghanistan National Peace and Development Framework (2019)



Even assuming that the security situation improves, the political impasse is solved and, there is capacity to quickly implement the required health response and introduce some social protection measures, Afghanistan is not in a position to fund policies of reasonable size from domestic revenues. For example, funding the \$250 million required for the health response from domestic revenues through expenditure switching so to preserve budget neutrality, would further compromise growth (an additional decline of 1.3% in GDP in 2020 on top of the expected loss from the pandemic). This can be avoided if the additional health expenditure is funded through grants. Moreover, if hopefully regional trade increases by 3% it can add significantly to the GDP (more than 2%). And if the cost of trade between Afghanistan and South Asian Association for Regional Cooperation (SAARC) countries decrease by 10%, this would boost Afghanistan's GDP more than 4%. A similar reduction in trade cost between Afghanistan and Pakistan would add around 4% to Afghan GDP.

Thus, the importance of adopting the right fiscal, monetary, financial, trade and private sector development policies for countering the impact of Covid-19 in the short-run and setting the economy in a sustainable and equitable medium and longer term path cannot be overrated.

Absence of unemployment benefits to serve as automatic stabilizers as well as Afghan Government's low financial capacity to fund large stimulus package points to the fact that the current national programs are unable to address the massive socio-economic impact of COVID-19 on Afghans. Thus, the dire need to deploy social insurance or income tax systems to identify workers who lose jobs and provide them with a proportion of their salaries. In light of the likely unavailability of donor resources at the necessary level of resources required for broad-based social protection measures and strengthened public services, fiscal space will need to be created and leveraged by reevaluating the existing policy stance. Some pre-pandemic policies that never were or are no longer optimal from society's point of view need to be discontinued, and the saved resources be reallocated to a carefully calibrated stimulus package. While the net impact on aggregate demand may not be exceptionally large, reducing waste and allocating it for purposes that favor all Afghan citizens, safeguarding activity levels and livelihoods, would still greatly contribute to reducing suffering and social tensions. It would improve expectations about the future and could set the stage for trust building measures.

Demonstrating that extraordinary times have led to extraordinary decisions from the country's decisionmakers would also greatly strengthen the case for enhanced foreign assistance. This is particularly important in light of the forthcoming donor conference in the fall. An increasing and more generous support from donors would also help, but donors themselves face similar fiscal pressures from the spread of the virus and tightening budgets in their own countries.

UNDP's offer for fight against COVID-19 and recovery aims to help bring the change by enabling national and sub-national authorities to address the crisis in the short run and help reverse negative effects on the realization of the A-SDGs in the medium and long run.

UNDP will continue its support to Afghanistan through a reorientation of its current programs and the introduction of new ones in cooperation with other development organizations in close dialogue with the Government. As a long-term development partner, the UNDP team will continue to engage and support the Government of Afghanistan on the evolving COVID-19 response as well as longer term development programs, and A-SDGs.



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Introduction

Since the beginning of March, COVID-19 has spread rapidly all over Afghanistan. The officially reported cases as of July 18, 2020; 35,000+ infections and 100+ deaths. These are likely to be underestimates as the daily new cases are in the order of seven hundred. Alarmingly, more than a third of the confirmed COVID19 cases are among doctors and healthcare staff. The MoPH estimates the virus spreads at a Medium Infection Transmission rate and will reach its peak in soon. Afghanistan is struggling to create the required testing capacity being constrained by lack of personnel and medical equipment. Invariably, the funding and equipment needs for the medical response is way off the ability of Afghanistan to cope.

In a recent interview with the Atlantic Council, H.E. President Ghani stated that his government envisions five phases² in managing the Coronavirus COVID-19 outbreak and that the country is now in the Phase 3: Adversity. He also stated that the economic consequence of the outbreak means that around 90% of the Afghan population requires food assistance and medical attention.

UNICEF³ assessed that around 12 million Afghans could be pushed to food security deprivation. If these people are unable to go back to being food secure, the incidence of multidimensional poverty could rise from 51.7% to 61.4%

OCHA warned about a bigger food security risk, and rank Afghanistan among the top 5 countries in the World (beyond Central African Republic, Somalia, South Sudan, and Chad). The health crisis may therefore rapidly evolve into a humanitarian one if proper measures are not taken.

In addition, trade and transportation have also been disrupted and domestic activity has slowed down sharply. This is threatening the livelihood of thousands of Afghan families as border closures and panic-buying has led to a spike in prices of some foodstuffs⁴.

The UNDP has worked with the Afghan Government since the early days of the pandemic, re-oriented its programs in a way to incorporate COVID-19 impact in its short-medium- and longer-term support to development in Afghanistan.

The rationale of UNDP's involvement and support are based on the following premise:

If health system responses to COVID-19 at subnational level are strengthened, if integrated assessments and labour markets on the impact of COVID-19 on society and local economy are conducted and if information gaps on the threats posed by COVID-19 in border areas are identified and addressed then, Afghanistan national and sub-national authorities will be able to recognize and address emerging and long-term needs, be better prepared to contribute to the COVID-19 Socioeconomic Response Framework, and communities will be more resilient to shocks and better prepared to build back better in the short and long term because of evidence-based planning and programming.

UNDP intends to leverage funds in collaboration with other donors such as for example the World Bank's HEAT (High Expertise Advisory Team). This initiative offers leading expertise that is aligned with the four priority areas of the COVID-19 2.0 Offer (Governance, Social Protection, Green Economy, and Digital Disruption). HEAT aims to assist senior government officials in responding to the COVID-19 pandemic and through future oriented strategies: beyond recovery.

This report describes the current situation and challenges in combatting COVID-19; then presents the results of select simulations; first; regarding the likely impact of COVID-19 on GDP due to disruptions in regional and global trade flows; second, options to finance the immediate needs in the health sector; third; the budgetary implications of income support and civil work programs. This is followed by some policy recommendations and how UNDP can and plans to assist the Government to overcome the adverse effects of the pandemic and beyond that set Afghanistan in a pathway to sustainable and equitable development.

2. Five phases comprise: Awareness, diffusion, adversity, relief, and recovery. <https://www.atlanticcouncil.org/uncategorized/transcript-afghanistans-vision-for-peace-a-conversation-with-h-e-president-mohammad-ashraf-ghani/>

3. University of Oxford and the UNICEF (2020). The Socioeconomic Impact of COVID-19 in Afghanistan: Microsimulation of Effects of Multidimensional Poverty.

4. IMF Policy Tracker (2020); <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

Situation Analysis

Epidemiological Context

As of July 18, 2020; 35,000+ confirmed cases and 1000+ deaths are officially recorded in Afghanistan with more than a third among doctors and healthcare staff.

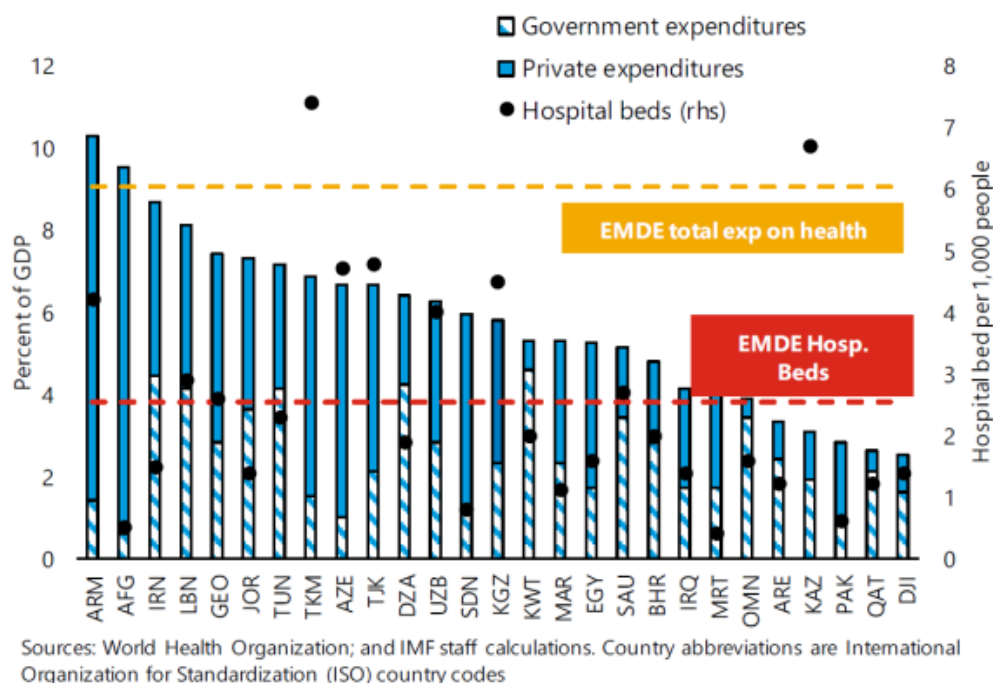


Figure 1. Health expenditure and infrastructure⁵

The pandemic is expected to reach its peak by the end of July according to the MoPH experts. The below statistics show that the medical response is beyond the ability of Afghanistan to cope largely due to huge deficiency of hospital beds, medical equipment such as testing kits and ventilators across the country.

The number of beds per 1,000 people is around 1. This is the lowest in the Middle East and Central Asia region (4 beds on average) after Mauritania (MRT), (Figure 1). Similarly, public expenditure on health is by far the lowest in the region at less than 1% of GDP implying that most health costs (around 75%) are financed privately (Figure 1). In fact, private expenditure on health is the highest in the region and this strains financially ordinary household most of whom (55%) are below the poverty line.

Moreover, Afghanistan has struggled to maintain testing capacity, both due to lack of personnel and medical equipment.⁶ The total number of COVID-19 testing labs is 11, with five in Kabul (National Public Health Lab, National Veterinary Lab, Afghan-Japan Hospital, Military Hospital and FMIC), and one each in Herat, Kandahar, Nangarhar, Balkh, Paktya, and Kunduz.

In June, the Ministry of Public Health had reported shortage of testing kits and treatment capacity at state-owned health centers and announced that private clinics and hospitals would conduct Polymerase Chain Reaction (PCR) testing of COVID19 samples to increase testing capacity. With the surge in cases and the daily testing capacity is still estimated to be at around only 30% of the planned testing capacity.

While the current plan envisages an increase of daily test to 3,000, the current number is less than 1,000. More recently, a new 100-bed COVID-19 hospital has opened in Heart, funded by the government under direct orders of President H. E. Ashraf Ghani. In addition, the Darulaman Palace (300 beds) and Kabul and PolyTechnic universities’ dormitories have been converted into isolation facilities in Kabul city.

5. Source: IMF, Regional Economic Outlook Update, April 2020

6. MoPH experts, personal communication.

In late June, the MoPH announced that the whole health system starting from the health post to national hospitals would be ready to provide COVID-19 related case management and contact tracing services.

MoPH recently instructed private hospitals and clinics across the country to start treating COVID-19 based on clinical symptoms and approved plasma transfusion for therapy in critical patients.

Since the beginning of pandemic in Afghanistan, the Government introduced measures to contain the spread of the virus and “flatten the curve”⁷ as discussed in the following sections. Public health policies aim to contain the rapid spread of the virus may reach 190,000 persons⁸. Given the limitations of the health system, authorities plan to impose stricter containment measures, such as wearing masks and maintaining social distancing for the next 3 months. A national survey is now being conducted to find out about the real prevalence of COVID-19 in the country. The findings of the survey would be the base for making decision on restart of schools and major economic activities.

The situation can be aggravated by the large influx of refugees returning from Iran and Pakistan—without proper quarantine and containment measures in place. The danger posed by COVID-19 in Afghanistan has been exacerbated, as returnees from the Islām Qala, Torkham, and Chaman border areas enter communities.

Like returnees, IDPs are also of rising concern⁹. According to OCHA (UN – Office for Coordination of Humanitarian Affairs), almost 86,000 people have been displaced by conflicts or natural disasters in Afghanistan in the first 5 months of 2020 alone. Both returnees and IDPs have limited access to basic health services and testing facilities. They may have lost income and assets and therefore not being able to afford health care services. They may also face limited economic opportunities because of the countrywide lockdown.

Both IDPs and returnees’ unplanned movements put additional pressure on health and social services in many Afghan provinces. As shown in Figure 2, local populations including IDPs and returnees do not have access to a health center in their vicinities meaning less than <5km less within in several provinces (highlighted in green in Figure 2).

7. See “UNDP (April 15, 2020) Afghanistan COVID-19 Impact: Short Term Disruptions and Policy Considerations” for further details.

8. National Emergency Response Plan for Corona Virus 2020, MoPH (2020).

9. Internal Displacement Monitoring Center (IDMC) ranks Afghanistan among the top 5 countries in mass movements after Syria, Democratic Republic of Congo, Ethiopia, And Burkina Faso. Source : <https://www.internal-displacement.org/>

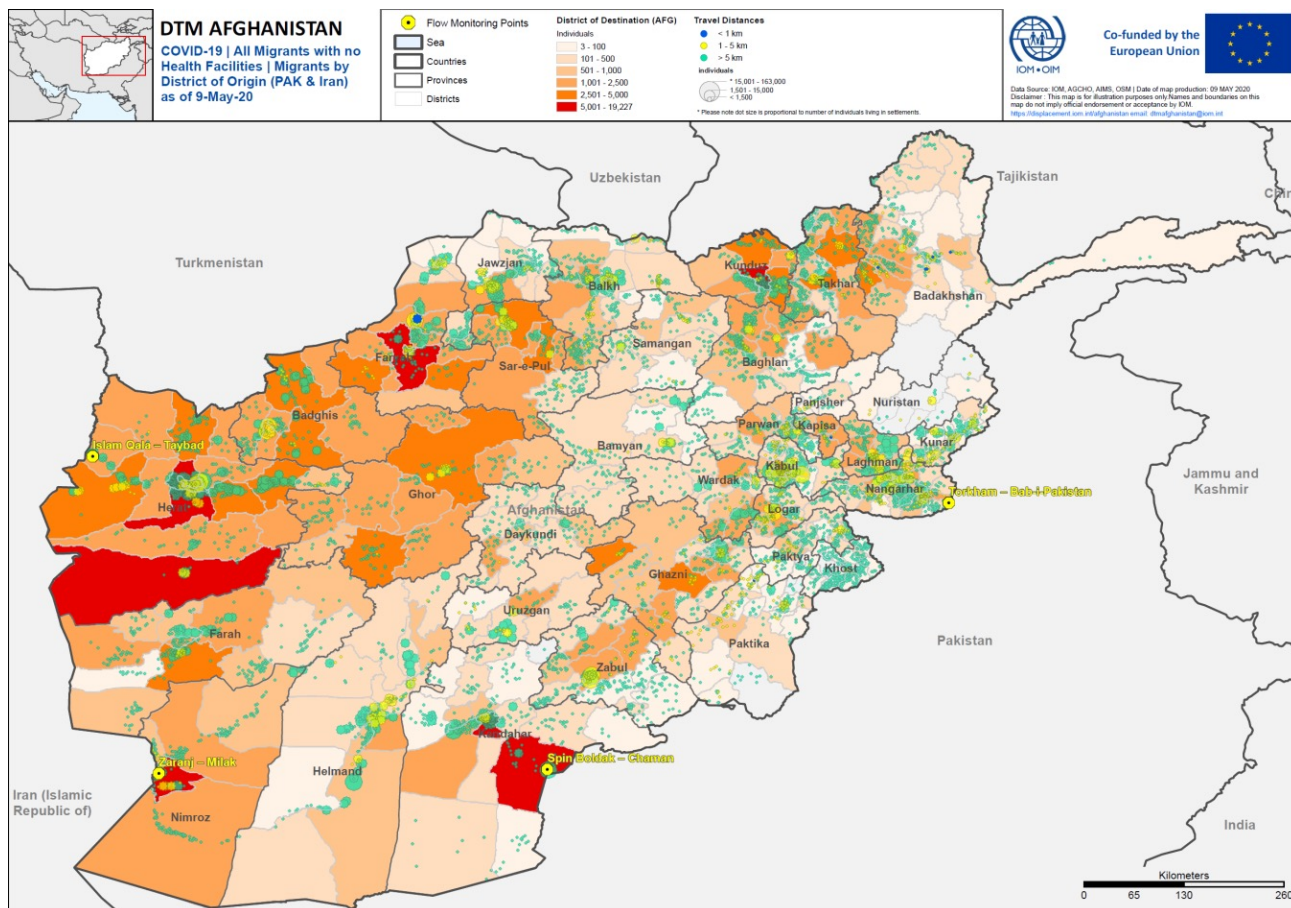


Figure 2: Map of Communities in Need for Health Services¹⁰

Social and Development Impact

It is important to emphasize that socio-economic cost of the pandemic in Afghanistan largely exceeds the health care cost: the Government needs to finance social protection measures made necessary regarding livelihoods are lost; and that families also bear additional costs of care, transport, isolation of additional family members who may have been in contact with confirmed cases.

With 11.3 million people in acute food insecurity² in 2019, Afghanistan was already extremely vulnerable even before the pandemic: It was ranked 180th out of 185 countries assessed. The World Food Programme (WFP) is now warning that the number of people experiencing acute food insecurity may double as a result of COVID-19 crisis, giving rise to a new hunger pandemic.

The Multi-dimensional Poverty Index (MPI) comprises of three dimensions (health, education and standard of living) and is reported to have deteriorated since the start of the pandemic based on a report by UNICEF¹¹. The effect of COVID-19 on MPI is estimated based on multi-dimensional deprivation indicators¹².

For instance, regarding “work” deprivations are most likely to affect the population living in households in which all working members hold a vulnerable employment post characterized by informal work arrangements and insecure tenure (75% of the population). If the effects concentrate only in that part of particularly vulnerable population, then the could rise from 51.7% to 67.3%. In particular, the proportion of people living in households that are deprived in food security the impact of the pandemic will deteriorate the MPI by a two-digit figure in practically all Provinces, except for Baghlan.

10. Source : International Organization for Migration, 2020 - www.afghanistan.iom.int

11. University of Oxford and the UNICEF (2020). The Socioeconomic Impact of COVID-19 in Afghanistan: Microsimulation of Effects of Multidimensional Poverty.

12. Predisposing factors to COVID-19 which include i) food insecurity, ii) lack of adequate sanitation, iii) lack of a safe source of drinking water and iv) lack of access to clean cooking fuel.

Effect on Children

The UNICEF report foresees socio-economic vulnerabilities for children to be further deepened by the pandemic:

- Eight out of 10 people and nine of 10 children may face at least one type of deprivation, thus the poverty impact of the pandemic on children would be higher.
- Nine of out of 100 people would face deprivations in all four predisposing factors simultaneously. Most of the at-risk population is highly likely to be multidimensional poor.
- On average, children aged 0-17 would bear the highest burden compared to all the other population subgroups.
- The number of children aged 6-18 deprived in school attendance could rise from 5.6 to 9.7 million. Thus, if these children are unable to go back to school, the incidence of multidimensional poverty could rise from 51.7% to 60.9%.
- If unemployment, underemployment, youth NEET¹³ increase, given the and a high dependency ratio (less than one household member works for every 6 people), the multidimensional poverty headcount could rise from 51.7% to 73.5%.

Effect on Women

In parallel, UN-Women reports¹⁴ that COVID-19 impact on women is higher in developing countries; especially for vast majority of women who work for the informal economy. In the health and social services sectors where women make up to 70% of workers, heightened care needs of older persons put extra pressure on workers. With children out-of-school, unpaid care workload for women has also increased, it is well known that women already do three times as much unpaid care work as men globally. It is also reported that about 70% COVID-19 quarantining has caused a spike in domestic violence levels. Finally, there appears that more men were tested than woman. This cannot be optimal since no country that had deployed wide-ranging testing has so far detected any significant difference in the ability of the virus to infect—and make infectious—either gender.

The Urban Effect

UN-Habitat underlines that over 90% of COVID-19 cases are happening in urban areas. With over one billion people living in informal settlements and slum-like conditions, COVID-19 is also exacerbating the vulnerability of these population groups¹⁵. Investing in environmental health, access to water and improved air quality emerge as priority areas for Afghanistan's recovery from COVID-19.

Environmental Impact

Scientists warn that polluted cities such as Kabul may have higher mortality rates from COVID-19, since there would be more people with underlying health issues. Scientists also believe viruses may bond with pollution particles, enabling them to remain in the air longer and helping them make their way into the body¹⁶.

As highlighted by the OECD¹⁷, while measures undertaken in response to the COVID-19 pandemic help improvement in outdoor air quality, at the same time, confinement measures can result in increased exposure to indoor air pollution. This is particularly relevant for Afghanistan where many people still rely on polluting fuels for cooking stoves, lighting, and heating. In addition, housing conditions tend to be crowded.

Furthermore, indoor air pollution is an issue for buildings and small shops lacking, or with poor, ventilation systems. Circulation of people in buildings with poor ventilation, including hospitals, can also facilitate the spread of COVID-19 and other viruses¹⁸.

13. Share of young people not in education, employment or training as defined by the ILO.

14. UN Women and UN SG Brief on "The Impact of COVID-19 on Women" (9 April 2020). UN Women (2020) Issue Brief: COVID-19 and Ending Violence Against Women and Girls, May 2020.

15. UN-Habitat Urban Indicator Data base, 2020. CCSA (2020), How Covid-19 is changing the world: a statistical perspective.

16. National Geographic, 8 April 2020.

17. <http://www.oecd.org/coronavirus/policy-responses/environmental-health-and-strengthening-resilience-to-pandemics-73784e04/>

18. Xu, C. (2020), The 2019-nCoV epidemic control strategies and future challenges of building healthy smart cities, <https://journals.sagepub.com/doi/10.1177/1420326X20910408>

Therefore, improved air quality is one of the priorities for sustained development and sustained health outcomes in Afghanistan.

Beyond, air quality and emissions' mitigation, there is also much to be learnt from the societal impact of the current COVID crisis that will be relevant in building resilience to Climate Change. Both crises will reveal and exacerbate pre-existing vulnerabilities in society, especially for those experiencing multi-dimensional poverty and for the large numbers of returnees, and internally displaced people.

National Response Strategies and International Cooperation

The Government continues to face major challenges in coping with the situation created by COVID19 pandemic due to vast gaps in the health sector's capacities to accommodate the evolving needs of its citizenry.

As the pandemic hit hard on the Afghan economy, trade and transportation have been disrupted and domestic activity slowed sharply, imperiling the livelihood of thousands of Afghan families. Border closures and panic-buying led to a temporary spike in prices of some food products¹⁹.

Since the first case in February, the central government has been working to stabilize market prices by protecting food supply into the country and reopening borders for supplies. In March, the government announced restriction on movements and social distancing regulations which was followed by a nation-wide lockdown. The Ministry of Public Health assigned a number of state-owned hospitals across the country as intensive care units and COVID-19 testing centers. In April, the government opened national food reserves for public use and experimented with distribution of wheat in West Kabul. In May, the government started a national program to fight hunger that led to distribution of over 100 million units of bread through local bakeries across the country. In the meantime, charity foundations, celebrities, private sector firms and NGOs started distributing food and medical supplies across the country¹⁴.

On June 6, the government announced that it was extending the nationwide lockdown for three more months, issuing new health guidelines for citizens to follow. According to the new guidelines, people must wear a face mask in public places at all times, maintain a 2-metre physical distance, avoid gatherings of more than 10 people, disinfect all workplaces, and ensure older people stay at home. Additionally, all schools and educational centers, hotels, parks, sports complexes, and other public places will remain closed for three months since the announcement. Public transport facilities, such as buses, carrying more than four passengers will not be allowed to travel. However, implementation of these measures continues to differ across provinces, with provincial governments having been given the authority to decide on and implement their own lockdowns. While several provinces have already begun easing their lockdowns formally or informally, other provinces instead reinstated a full lockdown from the end of May as the number of infections began increasing¹⁴.

An institutional response to the evolving disease outbreak, has been the cabinet decision to create a new structure within the Ministry of Public Health to deal with coronavirus pandemic in the country. The National Procurement Committee purchased 500 ventilators.

More recently, a new 100-bed COVID-19 hospital has opened in Heart, funded by the government under direct orders of President H. E. Ashraf Ghani. In addition, the Darulaman Palace (300 beds) and Kabul and PolyTechnic universities' dormitories have been converted into isolation facilities in Kabul city.

In addition, the Government of Afghanistan approved \$1.1b package for COVID-19 response. President H.E. Ashraf Ghani said that very soon temporary daily wage jobs will be available for those who have lost their income due to the ongoing lockdown. The Corona Emergency Committee was tasked to pay the water and electricity bills of around 350,000 families in Kabul.

The government also released over 5,300 prisoners to reduce the risk of mass infections in penitentiaries. On May 28, the government began partial easing of the lockdown in Kabul and other major cities for workers but retained restrictions on movements and mass gatherings. To avoid further outbreak of coronavirus, the government announced new working hours for government and non-government organizations, in two shifts

19. IMF Policy Tracker (2020); <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

following even and odd days of the week, from 7 am till 1 pm. Workers in the financial sector are exempted from the guideline.

On May 17, Pakistan re-opened its Torkham and Chaman borders points with Afghanistan (two major entry points for the returnees). By end-June, the authorities announced the resumption of domestic and international flights and exports to Europe via the air corridors²⁰.

The international community pledged help through Afghanistan through various channels. To name a few:

- The U.S. committed to provide Afghanistan with more than \$18 million in funding for infection surveillance, lab improvements, case management, infection prevention and control, and community resilience.
- The IMF Executive Board approved Afghanistan's request for emergency assistance approximately US\$220 million under the Rapid Credit Facility.
- Ministry of Public Health announced further commitments of around \$300 million by the World Bank (\$100 million), Asian Development Bank (\$40 million) and European Union (\$129 million) with the condition that the funds should be spent through UN and NGOs.
- To satisfy Afghanistan's dependency on imported food; India pledged 75,000 Tons of wheat in total to ensure food security in the country. The first consignment of India's wheat donation arrived through alternative routes (Chahbahar and Karachi ports).

Below sections explore the socio-economic impact of COVID-19, potential fiscal policies, donor contributions as well as income support and community projects towards recovery from COVID-19.

Macro-economic Response and Recovery

Early assessment indicates a global deep economic downturn, comparable to the consequences of the Great Recession. The World Bank has warned that it could push between 40 and 60 million people into extreme poverty this year, with Sub-Saharan Africa being hit hardest followed by South Asia.

A recent UN report entitled "Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19", highlighted the ravaging impact of the pandemic on low-wage workers, small and medium enterprises, and the informal sector. ILO's global estimates in April indicated that working hours would decline by 6.7 per cent in the second quarter of 2020, which is equivalent to 195 million full-time workers.²¹

The World Food Program projected that 135 million people are facing crisis levels of hunger or worse, while another 130 million are on the edge of starvation.

COVID-19 impact on developed countries in 2020 (e.g. in Germany, USA⁴ and UK) is estimated as downturn of around 8% to 10.2% of GDP growth due to interruption of businesses, supply chain disruptions, labour layoffs³. Global growth is projected to decline by 4.9% in 2020²².

If the spread of the virus cannot be contained, given the low economic growth that prevailed in the period leading to the pandemic (annual average GDP growth around 2% and even lower, in fact negative in terms of per capita income) the social impact may be higher in countries like Afghanistan due to the fragile security situation. The prospects for the Afghanistan's recovery may further be weakened given the limited available fiscal space, uncertain donor support and a weak health sector.

The COVID-19 pandemic's likely impact on the Government's objectives is being integrated to the Government's road map ANPDF that is designed to support the transition from a war to a peace economy and to support the Government's self-reliance objectives²³. Below sub-sections come up with some early estimates from IFIs and the UNDP country team on the likely socio-economic impact of COVID-19 in Afghanistan.

20. IMF Policy Tracker (2020); <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

21. ILO Monitor: COVID19 and the World of Work (Second Edition) Updated estimates and analysis, April 2020, <https://www.ilo.org/wcmsp5/groups/public/---dgreports/--->

22. IMF-WEO, April (2020)

23. These include improving security, maintaining service delivery, tackling the underlying drivers of corruption, building better governance, restoring fiscal sustainability, building private sector confidence, and promoting economic growth.

A-GTAP Model simulations

The UNDP GTAP model (A-GTAP-CGE) developed for Afghanistan was used in this section to provide ballpark estimates on the short-term impact of COVID-19 and short- to medium- term funding requirements for potential interventions.

A-GTAP CGE model simulations below refer to the economic impact of the separate shocks arising from disruption of trade with its partners²⁴ and globally compared to the state of the economy without the pandemic²⁵. More specifically the model simulates what may happen:

- If global supply chains were disrupted and international trade flows were weakened
- If Afghanistan’s borders with Pakistan and Iran were closed either partially or fully thus leading to shortages in essential products (food, medicine, etc.)
- If Kazakhstan stopped its flour exports to Afghanistan
- If cost of trade between Afghanistan and its main partners is reduced and regional cooperation strengthened, etc.

The A-GTAP-CGE model for Afghanistan uses as baseline the Medium Transmission scenario for Covid-19 that was developed by MoPH. The Business as Usual Case scenario refers to a simulated growth path for Afghan economy without COVID-19 (Table 1).

Column 2 of Table 1 shows the assumptions underpinning the model’s Medium Transmission Case scenario separately for 2020 and expected recovery in 2021 assuming medical progress, such as the development of vaccines. Column 3 summarizes model simulations on the socio-economic impact assessment for a recovery scenario (i.e., when no interventions are made).

Simulation 1: Impact of COVID-19

Table 1: Impact of Covid-19 on Afghanistan due to Global and Regional Economic Effects Change from GDP without COVID19 - No Policy Response -		
Time horizon	Modelling Assumptions	Change in Real GDP (%) Compared to no-COVID 19 scenario (Business as Usual)
2020 No policies are introduced	<ul style="list-style-type: none"> • Technological change (TFP growth) to replicate growth in 2019 • Estimated number of returnees from Iran and Pakistan (297,700) • World prices for crude oil and gas decline by 54% compared to their average level in 2019 • Trade cost increase globally (leading to 11-13% reduction as reported by the Economist, IMF and WTO) 	-6.25% of GDP
2021 No lasting COVID effects	<ul style="list-style-type: none"> • Technological change (TFP growth) as in IMF WEO Projections (2019) • Population growth as in UN-STAT 	+2% growth of GDP *
<p>* A sizeable growth rebound post-crises is not uncommon though it can be compromised in Afghanistan for (a) structural reasons that were already present before the corona virus resulting in economic growth around 2% (per annum average since the middle 2010s), and (b) uncertainties arising from security issues and transition to peace process, the political impasse and volatile donor support.</p> <p>Source: UNDP estimates based on A-GTAP-CGE model</p>		

24. See “UNDP (April 15, 2020) Afghanistan COVID-19 Impact: Short Term Disruptions and Policy Considerations” for further details regarding the transmission channels of virus’ shock on the economy.

25. The current state of the economy is generally assumed to be that in 2018 depending on the availability of most recent data.

Table 2 shows simulations of the A-GTAP-CGE model show that the emergency health response by cutting other public spending, the effect on GDP will be negative (row 1). This is not the case of such funding from donor funds, albeit the effect will be small (row 2). In contrast, an improved trade environment can boost GDP significantly, thus releasing the additional funds required for health and allow more spending on other public services (row 3). This underscores the importance of rebooting the economy and indicates the limits and implications of continuing and predominant reliance on donor support. Further gains are possible from improvements in trade balance as discussed below.

Simulation 2: Funding Options for Combat against COVID-19

Table 2: Medium Case Infection Scenario for the Change in GDP under Different Funding Options for the Expected Costs for Combatting the Impact of Covid-19 (\$250 million) in 2020 (percentage change compared to no-virus 2020 GDP level²⁶)
• -1.32% of GDP assuming expenditure switching from other public services (neutral deficit impact) as decided by the government
• 0.03% of GDP assuming grants (not loans) from donors
• 2.11% of GDP assuming greater regional cooperation and based on higher trade preferences (2.8%) for trade between Afghanistan, Pakistan, Iran, India and Kazakhstan.
<i>Source: UNDP estimates using the A-GTAP model</i>

Table 3 shows the potential economic benefits from more trade between Afghanistan other countries due to a decline of 10% in trade cost. This assumes that Afghanistan's exports to and imports from its partners become cheaper, due to several factors such as custom's procedures, transport logistics, easing of political tensions with repercussions on trade. Colum 3 shows that Afghanistan would gain as much as 4.245% GDP from enhanced regional cooperation with SAARC (South Asian Association for Regional Cooperation) countries.

Simulation 3: Revenues from Regional Cooperation

Table 3: Change in GDP from Regional Cooperation in 2020 (percentage change compared to no-cooperation 2020 GDP level)		
Initial conditions (Table 1): Baseline (BAU) no cooperation in 2020 where global trade declined by 13% due COVID-19, 297,700 Afghans returned from Iran and Pakistan, and oil prices are half of 2019 average		
Countries	Scenario	Impact on GDP (% change from BAU)
Afghanistan Pakistan	Trade cost reduced by 10%	+ 3.74% + 0.04%
Afghanistan Pakistan India Sri Lanka Bhutan	Trade cost reduced by 10% with SAARC	+ 4.245% + 0.442% + 0.002% + 0.001% + 0.522%
Afghanistan Kazakhstan Turkey Georgia Armenia India Iran Tajikistan Kyrgyzstan	Trade cost reduced by 10% (RECCA-VII)	+ 1.462% + 0.0005% + 0.002% + 0.002% + 0.001% + 0.002% + 0.004% + 0.001% + 0.067%
<i>Source: UNDP estimates based on the A-GTAP model</i>		

26. Baseline GDP in 2019 is estimated based on a Social Accounting Matrix for Afghanistan (2018), GTAP Global dataset (2018) with the assumptions 297,700 returnees until 2023, and low world oil prices.

27. Main traded commodities may include dry fruits, precious stones, and non-metal minerals.

Social Protection

As COVID-19 is spreading quickly across Afghanistan, there are increasing concerns for its disproportionate impact on the most vulnerable, including returnees and internally displaced people.

To safeguard the overall welfare of the affected population and protect further people from falling into multidimensional poverty, several social protection measures (including cash grants) can be examined. Subsequent sections explore potential interventions to bridge the poverty gap among vulnerable populations²⁸.

Simulation 4: Cash Transfers to Permanent Residents by Age Group

Table 4 simulates the costs of selected interventions in closing the poverty gap as an illustration of the fiscal challenge facing Afghanistan. For example, an income transfer to citizens for only 6 months at a level well below the poverty line (2,064 Afghani per person per month or \$31 (2016 constant prices international dollar))²⁹. The income can be paid to all citizens, or only adults or only senior citizens in the form of a “social pension” (not contributory). It is assumed that children and elderly are paid half the amount given to adults (in equivalence terms in terms of needed consumption). The results are presented in Table 4.

Table 4: Estimated Budgetary Costs of Different Income Support for 6 Months*				
	Population		Benefit level (% of poverty line = \$31.02/month)	
	Share (%)	N (million)	1/2**	1/3***
Universal Basic Income				
Population <15 (% population)	47.7	16,5	25.0%	16.5%
Population >65 (% population)	2.7	0.9	25.0%	16.5%
Adults	49.6	17,2	50.0%	33.0%
Total	100	34,7		
Budgetary cost (\$ millions)		1,655	2,411	1,591
Budgetary cost (% of GDP)	8.71		12.7%	8.4%
If only working age adults receive ...				
Budgetary cost (\$ millions)			1,599	1,055
Budgetary cost (% of GDP)			8.4%	5.6%
If only elderly receive (65+) ...				
Budgetary cost (\$ millions)			43,5	28,7
Budgetary cost (% of GDP)			0.23%	0.15%
NOTES:				
* Administrative costs are not included				
** Half for adults only (\$15.51/month) and half of that for children and the elderly (\$7.76/month)				
*** One-third for adults only (\$10.24/month) and half of that for children and the elderly ((\$5.12/month)				
<i>Source: UNDP Estimates</i>				

28. The poverty gap is an indicator that measures the “poverty deficit” of the entire population, where the poverty deficit is the per capita amount of resources that would be needed to bring all poor people above the poverty line through targeted income transfers. Poverty gap as a percentage of the national poverty line in Afghanistan was estimated at 8.4 % in 2011, according to the World Bank.

29. Source: Afghanistan Living Conditions Survey 2016-17, NSIA (2017).

Income support measures of universal or more targeted kind are being introduced or expanded in several countries following the pandemic with additional ones that expand health services, provide support and lifeline to companies and so on. However, Table 4 suggests that even measures that would cost on average only around 1,000 Afghanis (\$15) per adult equivalent per month are beyond of the current reach of the government. This conclusion holds even though the income support intervention in this example is foreseen to last for only six months while the effects of the crisis may last for two years or even more.

Based on these estimates, there may be room for a more modest kind of income support, for example, the introduction of a social pension (last two rows in Table 4). Social pensions have been found to have low leakages as they are categorically targeted. Even though explicitly designed to protect the elderly poor, they have been found to have significant effects not only on family consumption but also on increasing the human capital of children³⁰. This is so because most old persons in developing countries live with their children and grandchildren, thus they spend their incomes within the family. Naturally, unlike other income support measures, social pensions do not have a significant adverse effect on labor supply as older people usually do not or cannot work.

Simulation 5: Cash Transfers to Returnees and IDPs

Table 5 builds on the previous social income transfers discussion (Table 4) and estimates the cost of helping working age adults (between ages 15 and 65, IDPs and Returnees) for 6 months at a rate $\frac{1}{4}$ Poverty Line or $\frac{1}{2}$ Poverty Line; the Government would need to create for such an intervention a fiscal space of around 4% to 9% GDP (2020).

Table 5: Estimated Budgetary Costs of Helping Working Age (15-65) Population including IDPs and Returnees for 6 Months				
	Population		Benefit level	
	Share (%)	N (million)	(% of Poverty Line)	
IDPs	1.33	0.46	25%	50%
Returnees	0.85	0.29	25%	50%
Adults (age 15-65)	49.6	17.18	25%	50%
Working Age Population - Total	51.34	17.93		
Universal Basic Income				
Budgetary cost (\$ millions)			834	1,668
Budgetary cost (% of GDP)			4.39	8.78
If only IDPs receive ...				
Budgetary cost (\$ millions)			21.4	42.8
Budgetary cost (% of GDP)			0.11%	0.23%
If only Returnees receive ...				
Budgetary cost (\$ millions)			13.7	27.5
Budgetary cost (% of GDP)			0.14%	0.25%
Note: Administrative cost are not included. <i>Source: UNDP Estimates</i>				

30. Carvalho, I. E. (2000). "Elderly Women and Their Living Arrangements in Brazil." Cambridge, MA: Massachusetts Institute of Technology. Dufo, E. (2003). "Grandmothers and Granddaughters: Old Age Pension and Intrahousehold Allocation in South Africa." World Bank Economic Review 17 (1): 1–25.

Supporting Workers and Job Creation

In Afghanistan, 90% of the economy is informal and operated by MSMEs (Medium and Small Size Enterprises). Besides limiting revenue mobilization, the informality of MSMEs expose them fluctuation of markets. COVID19 is the sheer example where the economic shocks have made many MSMEs lose their business.

There are could be three ways to protect and bring them back better:

- First, provide them access to formal finance. Only 2% of firms use banks to finance investments; this is less than one-tenth the average for firms across all LDC. Despite a slight increase from 2008, access to bank finance for investments remains extremely low³¹.
-
- Second, MSMEs need incubation to grow; there are many best practices available that can be used as a model to replicate.
- In COVID19 scenario when global value chains are disrupted ripple effects are being experienced in Afghanistan. Even in the distorted value chain and stranded market, many examples are emerging to support MSMEs. A quick survey of existing digital technologies, in Least Developed Countries and Fragility, Conflict, Violence context and replicating them in Afghanistan will be helpful.
-
- Third, there is a need to support MSMEs in the health sector by enabling their access to digital technologies. For example, MSMEs could provide medical and scientific expertise to clinically and sociologically contextualize and interpret diagnostic tests as well as drugs and vaccines that will be deployed in the coming months as part of the global collective response to the COVID-19 pandemic. In a time of pandemic and more specifically a novel infectious pathogen, health care workers need domestic as well as international scale consultation and support. Even creating a small consultation network using mobile applications might offer improved health outcomes. The Internet of Things and digital health may be considered in concert with telemedicine as part of an effective pandemic response³², and incorporated to the Ministry's Emergency Plan³³.

Protecting Vulnerable Groups, Social Cohesion and Community Resilience

Beyond Governments and MSMEs, communities bear the socio-economic burden of COVID19. Investing in social cohesion and community resilience is therefore key to “flattening the curve”, responding proactively to the pandemic, and ensuring sustainable, longer-term recovery.

Creating cash for work opportunities to working age adults would help to build the social fabric. Table 6 shows the estimates for 100-day temporary work paid at ½ Poverty Line or Poverty Line, Civil Works for unemployed people that would come at a cost of around 1 – 2 % GDP. If all people below the Poverty Line are employed for 100-day temporary work paid at ½ Poverty Line or Poverty Line the budgetary cost would vary between 5 and 10% GDP, that would be most probably hard to cover without assistance from international donors. Although the second measure lies beyond the current limits of Government's budget, the first measure could be considered with necessary re-adjustments within the current expenditure framework.

31. <https://www.enterprisesurveys.org/content/dam/enterprisesurveys/documents/country-highlights/Afghanistan-2014.pdf>

32. <https://www.liebertpub.com/doi/full/10.1089/OMI.2020.0053>

33. MoPH (2020), National Emergency Response Plan for Corona Virus

Simulation 6: Civil works

Table 6: Estimated Budgetary Costs of Civil Works for 100 days				
	Population		Benefit level	
	Share (%)	N (million)	(% of Poverty Line)	
Unemployed	12	4.1	50%	100%
All people under the Poverty Line	54.5	18.9	50%	100%
Only unemployed				
Budgetary cost (\$ millions)			212.3	424.5
Budgetary cost (% of GDP)			1.12%	2.23%
All people below the Poverty Line				
Budgetary cost (\$ millions)			975.8	1,951
Budgetary cost (% of GDP)			5.14%	10.3%
Note: The upper bound estimate assumes that all in the eligible population will enroll in the program. Administrative costs for the program are not included. <i>Source: UNDP Estimates</i>				

The subsequent sections illustrate how UNDP's approach in leveraging funds from the international donor community may help Afghanistan in the vast need for funding in the fight against COVID-19, support communities and MSMEs and move forward in its development agenda.

Summary of Policy Recommendations

- The first policy objective should be to initially contain and then reduce the spread of the virus.
- Second, the health sector should be prepared in case the virus reappears in a second wave hopefully with a lower peak than this. More funding should be made available to the health sector based on the lessons learnt from the pandemic.
- Third, the lack of fiscal space to fight COVID19 can be dealt with domestic revenue mobilization. This will be hard to achieve in the short term through additional revenues therefore the government should explore expenditures switching measures from other sectors and promoting openness in trade and regional cooperation.
- Fourth, given the domestic revenue mobilization is unlikely to fill the gap, the government should aggressively seek additional donor money. With security spending reaching around 30 percent of GDP, there is already limited fiscal space for emergency health interventions. While, peace and security expenditures are paramount for effective recovery and development in Afghanistan, UNDP is also proposing to play an integrator role towards a platform for innovative finance, private and public investments, support to MSMEs, digital technologies (starting with telemedicine) and job opportunities for Youth. UNDP's analytical tools would guide strategic thinking and policy in collaboration with top experts from HEAT initiative. Such a cooperative approach would help the Government in generating revenue, creating jobs (in the short and longer term) and progress towards SDG.
- Fifth, there will be a need to increasing social protection, given the tight fiscal situation and institutional constraints and limited effectiveness of targeting. There are limited options for Afghanistan, a country that is under fiscal constraint and 55% of its population lives below the poverty line and perhaps half of the remaining are vulnerable or about to become vulnerable. As per UNDP and UNICEF estimates increase in poverty rate and MPI are likely to reach double digits (respectively around 11-13 percentage points) during COVID-19 pandemic. Under this condition, the most promising universal benefit can be to grant a social pension to the elderly. In terms of more targeting measures, a promising measure may be public works for poor households in poor regions. Income support programs for a period of 6 moths targeting only IDPs, only returnees or only unemployed as per official statistics would fall within the Government's budget.
- Sixth, as a development partner, UNDP is uniquely paced to play a major role in funding security sector programs. UNDP prioritizes its support in expanding health facilities and services for police. UNDP will

continue to support the Government in prioritizing, piloting and upscaling its programs in security, peace, and rule of law that are paramount for effective pathways for recovery from COVID-19 and economic development.

- Finally, Afghan decisionmakers should demonstrate that extraordinary times lead to extraordinary decisions to strengthen the case for enhanced foreign assistance. In light of the likely unavailability of donor resources at the necessary level of resources required for broad-based social protection measures and strengthened public services, fiscal space would also be created and leveraged by reevaluating the existing policy stance. Some pre-pandemic policies that never were or are no longer optimal from society's point of view need to be discontinued, and the saved resources be reallocated to a carefully calibrated stimulus package. Reducing waste and allocating it for purposes that favor all Afghan citizens, safeguarding activity levels and livelihoods, would contribute to reducing suffering and social tensions. It would improve expectations about the future and could set the stage for trust building measures. These bold policy actions from the Government are particularly important considering the forthcoming donor conference in the fall.

The role of UNDP in this respect is discussed next section.

The United Nations Offer for COVID19 Recovery and Beyond

Overall program portfolio

The UN defined its responsibility by a Call for Global Action³⁴. In light of the UN's Global Action, UNDP Afghanistan Office has developed a portfolio of ten programmes designed to address the vision and priorities expressed in the new ANPDF (Afghanistan National Peace and Development Framework - ANPDF II (2021-2025)), particularly in support of the Government's core objectives of self-reliance, peace and recovery from COVID-19. UNDP's interventions aim to enhance Afghanistan's capacities to pilot, expand and upscale Government's development objectives.

To strengthen the evidence-based nature of the ANPDF, UNDP's SDGs platform will provide evidence-based decision making back stopping to support Afghanistan's development agenda. Based on recently published growth indicators which reveal a declining and negative income per capita growth rate in 2019 - 2026 and increase till 2030 to converge to its level in 2015.

As the global economy experiences the broadest peacetime collapse in per capita income since 1870 (World Bank, 2020), the UNDP is committed to reversing the downward economic trends and uncertainties that confront Afghanistan amidst declining international donor support and its dire need to alleviate the impact of the COVID-19 pandemic on its citizenry.

It is the opportune moment to fundamentally transform and strengthen the Afghan economy via the implementation of socio-economic protection programs, thereby alleviating the COVID -19 hardship and preventing social unrest, especially among the youthful population.

The UNDP will partner with the Government in reducing vulnerabilities, inequalities, multi-dimensional poverty and promoting health and wellbeing. It will provide stimulus packages in the non-farm rural economy in the form of grants to micro and small enterprises and offer digital technology (e.g. M-PESA) related solutions to support aligned with policies to tackle climate change and environmental damage in select provinces, border areas and major transport centres. The model simulations developed using A-GTAP estimates large economic returns from support to MSMEs across sectors that would help them to access credit, recover and provide employment opportunities³⁵.

Meanwhile, Government authorities would be facing tough choices are needed on behalf of between immediate

34. The UN Framework for the Immediate Socio-Economic Response to COVID-19 (June 2020) summarizes the UN's principles globally in the fight against COVID-19.

35. As an illustration, a support package of \$135 million would generate an additional economic value of around \$540 million.

emergency interventions and longer-term development goals. Some recommendations would include the following:

In the short term

- Coordinated, joint dissemination by the two sides of the conflict of mutually agreed information on more effective social distancing to stem the spread of the disease.
- To focus limited resources on ensuring the protection of healthcare workers.
- To launch public works that employ both males and females with a focus on immediate healthcare, health system strengthening, disease information campaign, peace, and reconciliation work and agricultural needs to ensure food security. If designed well, this will feature self-targeting; and contribute to trust-building by covering all areas.
- Pointing to credible progress made on all these fronts, the government can turn to donors to raise their contribution, in the knowledge that it would more effectively contribute to sustainable development.

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In the medium-term

- To create fiscal space, the intensity of conflict needs to be reduced—doing whatever it takes, including previously unprecedented political choices to join forces against a common enemy, the virus to save lives. The saved resources need to be recycled to people—equitably in all regions, and transparently to build trust. These require joint action of previously opposing forces.
- Another measure to build fiscal space is to reexamine previously wasteful use of budgetary resources on both the revenue and expenditure side, in both current and capital spending, and in financing; and raising transparency on all future use of budgetary resources.
- Use the fiscal space created to address immediate survival needs through a distribution of cash to the elderly. Data show that this is reasonably affordable; and because essentially all live with extended families and very likely share the additional income with those in the same household, it would reach a much broader set of households than essentially any affordable alternative. The inevitable leakage to high-income households would be very limited, and far less than the costs of effective targeting. Moreover, any adverse incentives to work, save and invest would be kept to a minimum.
- Promote export of select Afghan products (i.e. dry fruits) by enabling Afghan exporters secured and smooth access to international markets in alternative ways (Gwadar, Chanbahar, etc.)

Health sector

The UNDP has engaged in supporting health sector in Afghanistan under its Social Protection umbrella program. UNDP is repurposing and mobilizing funds to support Afghanistan's initial national response, prevention and mitigation activities, and preparation for longer-term development interventions in subsequent phases. With international partners it is working to procure personal protective equipment (PPE) and other health supplies. The UNDP established 15 fixed health centers and 11 mobile health teams and 2 home follow up teams—which will significantly expand prevention, diagnosis, and management of COVID-19. In addition, the UNDP is focusing on increased risk communication, contact tracing, case detection and home based care follow up: fixed and mobile teams in Kandahar, Jalalabad and Herat through the Rapid Response Fund; two mobile teams and one fixed health center for COVID-19 in each of the above three provinces.

With financial support from the Global Fund, UNDP has helped strengthen Afghanistan's laboratory and diagnosis capacity nationally and provided technical assistance to train 25 regional and provincial laboratory staff in the use of high-tech equipment. The country's central public laboratory can now process 1500 samples daily, while laboratories can process 150 daily in Herat, 100 in Balkh, 100 to 150 in Nangarhar, and 120 to 150 in Kandahar province.

In partnership with Ministry of Interior Affairs, UNDP is operationalizing five new hospital facilities to quarantine, isolate, and treat infected Afghan National Police personnel. These hospitals will receive health equipment and medical supplies and comprise some 300 beds, with quarantine facilities and intensive care units, across five provinces.

And to further support frontline medical and security personnel, UNDP is procuring protective and sanitary kits including hand sanitizers, rubber gloves, face masks, and other protective gear and equipment. In combination with preventive emergency policies, there is a need to ensure that lockdown and social distancing policies are effective.

UNDP will partner with MoPH in strengthening healthcare system ensuring strong and resilient institutions for health in Afghanistan.

Below section concludes this note through recommendations on funding possibilities for SDGs, immediate health sector interventions as well as economic reforms for gradual recovery from COVID-19 and support to implementation of ANPDF objectives.

Funding Opportunities

UNDP stands firm in its support to Afghanistan. In close dialogue and consultations with the government and United Nations Country Team (UNCT), it is examining ways to develop stronger partnerships with other international organizations such as the Global Fund and World Bank. It is currently reprogramming existing resources in line with the identification of critical measures that would strengthen the health system, contain the economic impact, and provide social support to mitigate the adverse health and economic effect on citizens. Assisting the government in devising a cash transfer or other income support program is also being explored along with a stimulus package to the MSMEs and Private Public Development Programs.

Regarding funding opportunities, UNDP can help:

- Identify, in collaboration with the World Bank, other IFIs and the Global Fund, resources that can be mobilized immediately. Possible focus areas include offering mass testing for the virus, protecting workers' health, expanding medical facilities, and contributing to economic recovery.
Act fast by adopting fund raising instruments that use advanced technology such Crowdfunding. UNDP can use an existing Crowdfunding Platform to raise donations such as Youcaring.com, Causes, Give-Forward, Crowdrise, GoFundme, FundRazr, Indiegogo, Kickstarter etc. UNDP can also have its own UNDP Crowdfunding Platform that can be used also for SDGs project financing. Think out of the box to come up with new blended financial instruments to fund commercial enterprises that support critical prevention and mitigation activities required by the pandemic. As example: structuring a blended finance instrument to finance a project to turn empty containers into mobile intensive care units.
Benefit from the existing Philanthropists that are also pitching in the fight against COVID-19. The foundation, created by Jack Ma, a United Nations advocate for sustainable development goals and the co-founder of Alibaba Group Holding, is donating protective masks and test kits around the world. The Bill & Melinda Gates Foundation, Wellcome, and Mastercard partnership will contribute up to \$125 million in seed funding to speed-up the response to the COVID-19 pandemic by identifying, assessing, developing, and scaling-up treatments.
- UNDP will leverage funds in collaboration with other IFIs for example the World Bank's HEAT (High Expertise Advisory Team). This initiative offers leading expertise that is aligned with the four priority areas of the COVID-19 2.0 Offer (Governance, Social protection, Green economy, and Digital disruption). HEAT targets immediate needs of senior government officials in responding to the COVID-19 pandemic and through future oriented strategies: beyond recovery.
- UNDP will take immediate action to benefit from newly created initiatives and funds to fight the outbreak of COVID-19 like:
 1. Tencent announced the launch of the Global Anti-Pandemic Fund, a \$100 million effort designed to help curb the devastating spread of COVID-19. The news follows the launch of \$100 million funds from fellow tech giants Netflix and Facebook. The initial funding will go to practical and vitally important health supply donations, including protective gear and other products for hospitals and healthcare first responders.
 2. Abu Dhabi launched a donation programme to support the fight against Covid-19. It will put collected funds towards medical and educational aid and food supplies and anything else that will benefit the community.
 3. The Global Fund is enabling countries to use up to 5% of approved grant funding to help protect and treat vulnerable communities. This fund is being used for support of diagnostic capacity, and provision of protective supplies for healthcare workers working in Tuberculosis (TB), Malaria and HIV Program in Afghanistan. An additional \$2 million was committed by the Global Fund Response fund, which is from

the global allocation of \$500 million. This \$2 million will be used to mitigate the risk of COVID-19 on HIV, TB (Tuberculosis) and Malaria Programs in Afghanistan.

4. Under the new guidelines, the Global Fund is encouraging countries to redeploy underutilized assets, repurpose grant savings and, in exceptional cases, reprogram funding from existing grants. Activities under the new COVID-19 guidelines include, but are not limited to, epidemic preparedness assessment, laboratory testing, sample transportation, use of surveillance infrastructure, infection control in health facilities, and information campaigns.
5. The Global Fund continues to work closely with partners at global, regional and country levels on COVID-19 preparedness and response, from resource mobilization for CEPI (Coalition for Epidemic Preparedness Innovation), mobilizing the private sector, securing the supply of vital medical products and expediting the development of diagnostics, to support WHO's overall leadership of the global response.
6. start with donor funds but with joint finance from the private sector, such as in Private Public Development Programs (PPDP) (Text Box 1).

Textbox 1: Private Public Development Program (PPDP)

A PPDP involves many institutions in a collaborative effort to encourages the private sector to proactively create business ventures that utilize and develop human resources locally (focusing on people living in poverty) through community engagement, skills and access to finance. It does so by increasing the capacity of communities to lobby for increased access to public and social services e.g. water, education, health, sanitation, and other basic services.

This framework enables the civil society to contribute to solutions and makes it part of the implementation project team. It also paves the way for the private and community partners to continue the dialogue and collaboration post-donor funding. International experience shows that “When a project is designed through a participatory, bottom up co-creative process, the likelihood for resource mobilization, sustainability and scale are enhanced”.

An example of this approach is the Kenya “Inclusive Growth Through Decent Work in The Great Rift Valley” PPDD. It constitutes one of the best practice partnerships involving the ILO, SIDA and Kenyan partners including the Ministry of Energy, Ministry of Education, Science and Technology, Ministry of Labour and Social Protection, Akiira Geothermal Ltd, Kenya Electricity Generating Company Ltd (Kengen), other Power Developers, County Governments of Narok and Nakuru, and other strategic partners including Federation of Kenya Employers, Central Organization of Trade Unions COTU-K, Micro and Small Enterprise Authority (MSEA), National Industrial Training Authority (NITA), Forum Syd, Local Governments etc.

Source:

<https://bit.ly/2Epl7IT>

<https://bit.ly/2BygwUI>

SDGs

In Afghanistan, making longer term planning (including for the A-SDGs) is harder than in other countries. In addition to other challenges mentioned earlier, it is difficult to address the pandemic and the extent of the derailment of the fragile economy where the government's control of the territory is limited, and people's movements are unpredictable. Across the globe, countries have abandoned long term forecasts of market variables given current global risks. But they have not abandoned forward-looking thinking, turning to analysing a small set of plausible scenarios, as deployed by the government of Afghanistan, as well as in this note.

Further priority areas that require longer term commitment during recovery from COVID-19 are Climate Change Adaptation and Climate Resilience. The lesson to be learnt from the COVID-19 pandemic is that the political will is required to tackle the socio-economic damage from Climate Change needs. Afghanistan has a head start in some areas. For example, it has one of the lowest carbon footprints of any country in the world (7th lowest out of 175 countries assessed)³⁶, and has negligible per capita Green House Gas emissions⁴³⁷, but it lacks both an Environmental Management policy and a national Climate policy. The starting point for change will need to be policy development and institutional reform.

The COVID-19 crisis is likely to prove to be a policy inflexion point in which the view of climate change as a slow-onset phenomenon that can be dealt with later, will change. Moving from the acute phase with very limited information about the nature of the disease and its transmission to a prolonged phase of alternating opening up and tightening, aided by more granular knowledge of disease incidence”. This would reflect the shifting (perceived) balance of costs and benefits between lower transmission stemming from social distancing, versus lower economic costs as activity can pick up in periods of opening. These two phases will alternate, very probably differently in sub-regions of the country. During this transition period, policy will increasingly be made from the ground up rather than the national level down. The COVID-19 recovery needs to be a ‘Green’ Recovery that includes things like renewable energy, dealing with health issues like air pollution, preventing further deforestation and promoting large-scale reforestation and afforestation initiatives, and creating the enabling conditions for clean technological innovation and the development of a green economy based on sustainable investment and green job creation with social protection. UNDP will support Afghanistan in moving away from fossil fuels to renewable and sustainable forms of energy, as well as in sustainable use of international and national water resources along with the livelihoods that depend on them.

Annex I. Evidence Based Decision Making: Data, Tools and Assessments

The analyses in this note were based on the UNDP’s economy-wide modelling tools. UNDP Country Brief analyzes developments continuously and compare its own estimates with those forecast by the Government, other donors and think tanks. Emphasis is placed on identifying policies that stimulate growth, considering projected inter-sectoral and inter-temporal impacts in view of trade-offs and severe budget constraints. A new Social Accounting Matrix was developed for Afghanistan; it was used to develop a detailed Single Country CGE (Text box 2) and represent Afghanistan on Global Trade databases/models (GTAP). Several simulations using A-GTAP CGE are described in the above sections.

Models help make decisions in the face of uncertainty. Clarifying which drivers matter for a particular question and identifying the areas of continuing uncertainty allow a more nuanced and evidence-based approach to decision making. They help decision makers establish priorities for allocating resources by quantifying sensitivity to changing parameters or key assumptions.

UNDP will conduct trainings and develop knowledge products for capacity building among ministry staff, experts, and universities.

36. <http://data.footprintnetwork.org/#/>

37. Islamic Republic of Afghanistan, Initial Biennial Update Report under the United Nations Framework Convention on Climate Change (UNFCCC), July 2019

Text box 2: UNDP's Next steps in Economic Modelling

Following an assessment of the effects of the global crisis on Afghanistan economy, the UNDP Afghanistan team aims to assess the impact of the domestic economy using a single country Computable General Equilibrium (CGE) model. In the next version of the Covid-19 note would include:

1: The effects of the internal and external crisis on the Afghan's economy

- The fiscal impact, as the model takes into consideration all the fiscal instruments.
- The sectoral impacts (38 sectors).
- Distributional impact of the crisis (Bottom 2 of the 5 Income Deciles & Rural, Urban).

2: Assessing the socio-economic effects of the stimulus package

- Transfers to the most vulnerable population
- An increase of government expenditure in the health sector
- Fiscal exemption for the most affected sectors
- Public investment program to revive the economy

The simulations will include a number of funding modalities including

- Grants
- External borrowing
- Internal borrowing
- Other innovative policies



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