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## **COVID- 19 AND ITS IMPACT ON THE ECONOMY AND UNEMPLOYMENT IN AFGHANISTAN**

*Мазкур мақолада COVID-19 коронавирус инфекцияси натижасида қўйилган карантиннинг Афғонистон иқтисодиётига таъсири ўрганилган. Мамлакатда ишсизликнинг ўсишига пандемиянинг таъсири ўрганилди. Ушбу ҳолатни яхшилаш бўйича ҳам таклифлар билдирилди.*

*В данной статье рассматривается влияние карантина, установленного в следствии корона вирусной инфекции COVID-19, на экономику Афганистана. Изучено влияние пандемии на рост безработицы в стране. Так же внесены предложения для улучшения данной ситуации.*

*This article examines the impact of the quarantine imposed as a result of the COVID-19 corona virus infection on the economy of Afghanistan. The impact of the pandemic on the growth of unemployment in the country was studied. Suggestions have also been made to improve this situation.*

The **COVID-19 pandemic in Afghanistan** is part of the worldwide pandemic of coronavirus disease. As this phenomenon affected all over the world, however Afghanistan is developing country but is not free of risk and defect of this Virus.

Today, the corona virus (COVID19) has invaded the world. As of this writing (May 7, 2020), (3,664,000) people have been infected with this deadly virus worldwide, of which (575,000) have lost their sweet lives. On December 1, 2019, the virus spread from Wuhan, the capital of Hubei Province, China, and soon reached every corner of the world.

After while the first case of Covid-19 was identified on 22 February 2020 in Herat City, bordering Iran, in an Afghan returnee from Iran. As soon and unbelievable the number of infected people increased and within a month, the virus

spread to Balkh, Samangan, Kandahar and Kabul Provinces. The spread of the coronavirus in Afghanistan and the fear of a dire economic future in this country have had a negative impact on the activities of the people. Due to the declining demand in global markets due to the pandemic, many companies closed, which led to an unprecedented level of unemployment.

It seems that the situation will not return to normal any time soon. The private sector, especially non-financial corporations, has resorted to borrowing. At present time Afghanistan is facing lack of medical equipment and other facilities to struggle and come out of this virus. And in such a situation, it is very difficult for a war-torn country, because Afghanistan from one side, is at war with the armed opposition, on the other hand, poverty and economic problems, and the country's political challenges, to Deal with this pandemic phenomenon.

During the spread of the virus, the most vulnerable, including day laborers, businessmen, industrialists, and people in the lower and middle classes, were quarantined and became unemployed indefinitely.

Afghan Workers' Union officials have said that more than half of the country's eligible population is unemployed [1]. And this statistic has risen more than twice during the spread of the corona virus.

With all these problems, the Government of the Islamic Republic of Afghanistan has been able to prevent excessive casualties by designing and adopting economic, precautionary and emergency plans and policies, and after identifying, assisted vulnerable groups. And in addition to this critical situation, the reduction of one billion US aid has also been believed to have negative effects on the wide situation of the country.

If, on the one hand, the current political crisis and peace negotiations with the Taliban remain unresolved, and on the other hand, the number of people infected with the virus increases exponentially, the unemployment rate in the country may rise dramatically.

**Index Terms-** Covid-19, Unemployment, Recession, Poverty, economy of Afghanistan.

## **Introduction**

Corona virus Covid- 19 is an epidemic virus not just in Afghanistan; But in all countries of the world not only cause for concern; Meanwhile, the Afghan

government speaks of full readiness and confidence against the spread of the virus; However it can be seen that in the markets and big cities of Afghanistan, rising unemployment, the shortage of food and the increase in food prices have risen high and unprecedented.

This topic examines the likely effects of the coronavirus spread on the unemployment in Afghanistan during the lockdown stage. The results suggest that Afghanistan faces multiple and serious challenges, as well as for amelioration of even part of the impact on the social sectors would require funds far beyond the reach of the government budget.

Even assuming that the security situation improves, the political impasse is solved and there is capacity to quickly implement the required health response and need for social protection, Afghanistan is not in a position to fund policies of reasonable size from domestic revenues.

The coronavirus has further effected business, especially small and medium-sized enterprises, which make up 80 percent of Afghanistan's business. It has many effects on social, sports, economic and political activities and in almost all aspects of human life are clearly visible. From the cancellation of sports competitions to the quarantine of human beings, from travel restrictions to the closure of borders, from the closure of schools and universities to the closure of many productive activities. As in other countries where companies have been closed, national and international flights have been suspended indefinitely in Afghanistan. Other factories and service companies have temporarily or permanently ceased operations.

Unemployment is the main cause of backwardness in countries, which has been disrupted by the spread of the Corona virus, and its negative effects have started on the smallest community, the family, to the largest companies and cities. This pandemic could affect more on informal activities than formal because, they are not registered and benefit of insurance and as well as they don't have access on bank loans.

Afghanistan's economy is import-oriented, with more than 80 percent of its food imported from other countries. With the spread of the coronavirus in neighboring countries such as Pakistan and Iran, imports may decline because these countries must also consider their own domestic consumption. Therefore, the lockdown of factories, private and government production companies, shops,

cities, stopping of transportation routes and cessation of production and service activities has caused an increase in unemployment, and this unemployment, itself has negative effects on personal, family and national income.

The Afghan government says, it intends to support vulnerable families, control the price of household goods in the domestic market, and allocate a separate budget to deal with the economic pressures caused by the coronavirus outbreak.

Quarantine has left many people unemployed and they out of their cities to earn money; But not only they can't make enough money, they are also more likely to get Covid-19.

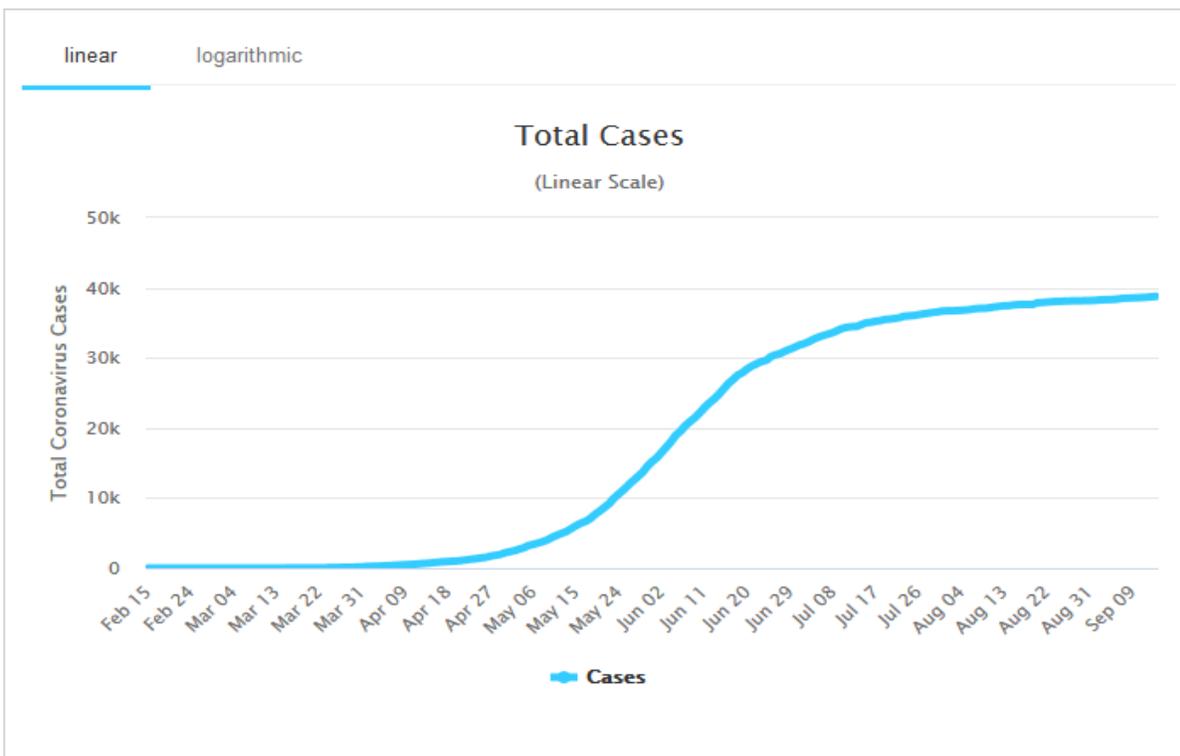
As per statistical forecasts and World Health Organization warnings, the situation is dire and in the peak days of spread of Corona Virus, more than 70 percent of Afghanistan people especially elderly will be defect by this pandemic thus, to struggle with such plague there is need of precaution plan and specific strategies to prevent of more causalities[2].

Afghanistan currently lacks sufficient resources and equipment to struggle the coronavirus. The virus can cause not only a health crisis but also an economic crisis in Afghanistan which is the most dangerous factor. This pandemic has plagued the world economy. However, the Afghan people have not been serious about smoothing the curve [4].

A spokesman for the Ministry of Finance told the BBC that with the spread of the coronavirus in Afghanistan on first one and half month, government revenues had fallen by 18% compared to the same period last year.

One of the board member of the BBC's Chamber of Commerce and Investments, told the BBC that the outbreak of the corona virus had closed 80 percent of manufacturing plants and the exports and imports had fallen to unprecedented levels. Government revenues this year and significant reductions in exports and imports have reduced government revenues by six billion Afghanis (about \$ 79 million) compared to last year [5].

## Total Coronavirus Cases in Afghanistan



Pic.1. Total Coronavirus Cases in Afghanistan [3].

### 1. The impact of Corona Virus on the Afghanistan economy

Afghan Airlines said the two Afghan airlines had lost about \$ 20 million and the Aviation Authority about \$ 7 million in the past month, citing multimillion-dollar losses from the outbreak of the Corona virus in the country.

According to the report, 1,700 airline employees have been sent on unpaid leave. Afghanistan currently has two airlines, one state-owned and one private, and officials say both are in poor condition [6].

Eighty percent of Afghanistan's economic activities are made up of small and medium-sized enterprises, and the unprecedented change in the activities of these institutions has hit hard the economy. Unprecedented effects on informal businesses and lack of access to loans for entrepreneurs. A new study by the Foreign Institute shows that Afghanistan's economy will stagnate by 3.3 percent in the best case scenario and 9.9 percent in the worst case scenario due to recession.

In addition, the \$ 1 billion reductions in US aid to Afghanistan will be another major blow to the fledgling economy.

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As well as, the large supply of grain by major exporters, the hoarding of major commodities by large importers such as corporations and governments are enough to create a crisis. For this reason, only in the first month of the outbreak, Kabul saw a significant increase in the price of food, especially flour. Fortunately, the authorities intervened in time and took measures to prevent a significant increase in food prices across the country [7].

But despite all these problems, the World Food Organization continues to provide food and clothing for vulnerable people.

Lockdown of the big cities, Closing borders and restrictions on exports put pressure on supply routes and push up food prices in Afghanistan; This situation raises concerns about the millions of people who are already at emergency levels of food insecurity and are now at greater risk with the spread of the Corona virus [8].

The Committees on Supervision of Sales and Market Processes in each province have called the increase in food prices a hoarding and warned that if anyone sells higher than the government price list, he will be prosecuted for hoarding, fortunately in last days of lockdown the prices are decreasing day by day and it is getting normal.

According to studies, a 10% increase in the price of raw materials can increase the poverty rate in the country by up to 7% and increase the number of people living below the poverty line from 54.5% of the current situation to 61.5%. Increase from 54.5% of the current state to 61.5%.

Decreased household income due to the closure of businesses and markets

In times of crisis, due to the high risk of infection and the reduction of unnecessary household expenditures, many service businesses generally And the markets are in a state of semi-closure, as a result of which many people are temporarily unemployed or face a reduction in income. Continuation of these

conditions for vulnerable groups whose financial reserves are low, providing daily necessities and essential needs causes problems [9].

Coronavirus spread, quarantine, warnings from recession to multimillion-dollar losses worry Afghan businessmen, the quarantine situation has caused great economic damage not only to the economic situation of the world, but also to Afghanistan due to the spread of coronary heart disease, and the high unemployment rate of this country has faced a recession.

According to the report of ministry of economy “Economic growth is not in good shape. 2020, along with other countries in the world, was not a good economic year for Afghanistan. Our forecast shows that there will be a 4% recession”.

The report indicates, in 2017, 55% of Afghan citizens lived below the poverty line, but this year this figure will increase to 72%.

Afghan President Mohammad Ashraf Ghani inaugurated the "National Table linen" program, said that 90 percent of the country's population lives below the poverty line on less than \$ 2 per day.

However, the Ministry of Economy considers its statistics on the decline of economic growth and poverty in Afghanistan to be more accurate than the statistics of other authorities in this regard[10].

With the outbreak of the coronavirus in Afghanistan, the government imposed restrictions on the movement of people across the country to prevent the spread of the virus. As a result, most jobs in the big cities were forced to close and many people remained on their houses.

Although unemployment was rampant in the country before the outbreak of the coronavirus (9 million out of 16 million eligible workers were unemployed), the outbreak of the coronavirus has added to the outbreak in an almost unprecedented way [11].

The National Union of Workers and Employees of Afghanistan (AMKA) says that about two million workers have lost their jobs due to the outbreak of the coronavirus in the country.

The union called the layoffs "worrying" and called on the Afghan government to take immediate and transparent measures to help them.

On the other hand, AMKA said that the government should promote and implement health insurance for the health of public and private sector workers and

employees. The union also called for employment opportunities to be created after the dangers of the coronavirus were eliminated, and called on the Afghan government to take action in the agricultural, mining, transport, industrial and tourism sectors [11].

The Ministry of Economy had previously warned that unemployment in Afghanistan would increase by 40% and poverty due to unemployment and the prevalence of the corona by 70%. And given that informal jobs make up 80 percent of the country's economic activity, quarantining cities has increased unemployment and, as a result, exacerbated economic constraints [12].

Most of those who lost their jobs due to quarantine are poor workers. Although unemployment caused by the outbreak of the coronavirus is not limited to the poor, it is largely affected by the lack of savings. Given such a work situation in the country, research by the Ministry of Economy shows that the unemployment rate increases from 24 to 30 percent with the impact of the outbreak of the Corona virus.

Raw material prices have also risen due to disruptions in supply and demand. This, in turn, puts another heavy burden on poor families. If the health costs of individual and family struggles with the corona are added to the shoulders of the poor, we can say that this class is under economic pressure today in three ways. Decreasing revenue, increasing raw material prices and spending on health in the fight against coronation [13].

Findings from the Ministry of Economy of Afghanistan show that the poverty rate in the country will reach 70% due to the Corona crisis. This indicates that many middle-class families (economically) fall below the poverty line.

Nor can the affluent class of society be spared the economic losses of the Corona virus.

Disruption of large economic activities, which are often the source of income for the rich, the class will also degrade over time and will be in the middle class of society [14].

In addition, the Afghan government has taken timely steps to curb the virus, Since the outbreak of the Coronavirus in Iran, Afghan health officials have been conducting border screening but have not sent migrants to quarantine. The officials only advise those who have returned to Iran from the country to stay in

home quarantine for 14 days. will be; But not enough; Because the number of positive coronary events is increasing every day [15].

Another good thing the Afghan government has done to combat the spread of the virus is to set up an emergency committee to prevent the spread of the coronavirus. Raising public awareness of the corona virus and attracting international aid to fight the virus in Afghanistan are among the tasks of the Emergency Committee, which provides a strong outlet to fight the virus and rescue the wrecked Afghan economic ship that is sinking is considered [16].

Unemployment due to corona virus in Afghanistan has not only affected the lives of day laborers. Unemployment problems are deeper. Finding a job in Afghanistan has become more difficult in recent years[17].

Most handicrafts and manufacturing factories are located in Kabul, Herat, Nangarhar and Balkh provinces, in addition to insecurity, the corona outbreak has affected 60 percent of manufacturing plants in Kabul, Herat and Nangarhar provinces, with thousands of workers losing their jobs and joining the unemployed population.

According to SohrabBahman, spokesman for the Ministry of Economy, as a result of this economic downturn, the poverty rate in the country will increase to seven percent and 61.7 percent of the population will be below the poverty line: "It has fallen and is projected to fall by 4 percent, and the unemployment rate, which was 24 percent last year, has now risen above 35 percent, which in turn is spreading poverty." [18]

### **Recommendations:**

1. Define a clear and systematic plan and policy to fight the corona virus throughout the country to prevent the spread of the virus.
2. Drafting preventive plans in agreement with the Ministry of Public Health.
3. Establish committees to manage raw material price fluctuations in markets  
Serious implementation of the Anti-Monopoly Law to prevent commercial opportunities in the free market system that prevails in Afghanistan, Articles 800 and 801 as well as Articles 900 to 905 of the Afghan Penal Code criminalize hoarding.
4. Strengthen strategic stocks of cereals and foodstuffs to deal with victims of the Corona virus outbreak.

5. Provide employment opportunities for those who have lost their jobs due to quarantine.
6. Reducing or temporarily eliminating the customs product of raw materials and products and negotiating with business partners to ensure the continued import of raw materials.
7. Postponing the taxes of the affected companies.

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