Situation in Afghanistan
SPECA Economic Forum, 16-17 November 2022
The last 12 months have brought cascading crises: a humanitarian emergency; massive economic contraction; banking and financial systems crippling, in addition to denying access to secondary education to girls and the restrictions on women’s mobility and participation in the economy.

The cost of a basket of essentials has risen 35 percent, forcing poorer households to go deeper into debt or sell off assets, just to survive.

Nearly 700,000 jobs have vanished, further threatening a population reeling from impacts of the COVID-19 pandemic, conflict, drought, and war in Ukraine.
The economic chock in August 2021 precipitated a sharp contraction in the licit economy that was already in decline.
Afghanistan has relied on international aid to sustain its economy, with 75 percent of total Government spending and nearly 40 percent of GDP before 15 August 2021.

Without foreign aid, Afghanistan must now rely on limited domestic revenue from agriculture and coal exports.

Two decades of heavy dependence on international aid and imports, along with a lack of industrialization and competitiveness, limited mobility and connectivity among regions, among other factors, have hindered Afghanistan’s economic development.

January-July 2022, state revenue collection, primarily driven by customs revenue, marginally exceeded collection in the same periods in 2021 and 2020.

Exports to two key trade partners, Pakistan and India, are higher than in the previous year while prices for essential commodities have stabilized, and in some cases declined – likely owing in part to regional imports from Russia.
Cost of Excluding Women

- Restricting women from working can result in an economic loss of up to $1 billion – or up to five percent of the country’s GDP.
- 42 percent of women-owned business has closed, compared to 26 percent of male-owned business.
- The rights of women and girls are critical for the future of Afghanistan, from education to equal opportunities, employment and payment as well as full participation in public and political life.
- Support to women-owned businesses is key. Economic recovery requires livelihoods as part of the overall crisis response. Connection to local markets and small businesses are the backbone of Afghanistan’s economy.
Opium cultivation increased by 32 percent since August 2021 to 233,000 hectares – making the 2022 crop the third largest area under opium cultivation since monitoring began.

Opium prices have soared following the announcement of the cultivation ban in April 2022.

The illicit economy is thriving as the licit economy contracts sharply - illicit drug markets account for a larger share of the national economy.

The income made by farmers from opium sales tripled from USD 425 million in 2021 to USD1.4 billion 2022 - the equivalent of 29 percent of the 2021 agricultural sector value. The sum still represents only a fraction of the income made from production and trafficking within the country. Increasingly larger sums are further accrued along the illicit drug supply chain outside the country.

Seizures of opiates around Afghanistan indicate that trafficking of Afghan opium and heroin has not stopped. Afghanistan supplies 80 percent of global opiate demand.

Most of the 2023 opium crop must be sowed by early November; farmers will take decisions on whether and how much opium poppy to plant amid severe economic disruption and humanitarian crisis, continued high prices for opium and uncertainty about how the de facto authorities will enforce the cultivation ban.
Extreme hunger and poverty are key problems for Afghanistan, and climate change impacts further deepen this by reducing livelihood opportunities, agricultural production, and the availability of energy, water and other natural resources.

**Rural energy poverty**: Only a 30 percent of Afghanistan is covered by grid connected electrification. Large rural areas will unlikely be connected to the grid during the next decades, due to remoteness, difficult terrain and high investment costs.

95 percent of rural population is using solid fuel for cooking and heating, which has led to high rate of deforestation and consequently to climate induced disasters such as flash flood, draught, and increased green house gas emissions.

Since water security, energy security and food security are inextricably linked, access to energy is critical for addressing the various dimensions of climate change resilience and wider social and economic development.
2023 Needs

- **Two-thirds of the population** in need of humanitarian assistance in 2023.
- **Drought and economic shocks** have taken over conflict as the main drivers of humanitarian needs.
- 32 of 34 provinces are in **extreme severity levels of need**.
- 30 of 34 provinces are in **severe or extreme indicators for quality of water**, due to two consecutive years of drought.
- Climate **disasters are occurring more frequently** (earthquake June 2022; atypical summer floods).
- Forecasts show that a triple-dip La Niña has been declared (the first one in the 21st century) indicating the likelihood of a third consecutive drought year for Afghanistan.
Mean annual temperature has increased by **1.8°C since 1950** and is projected to further increase **1.5°C by 2050** and **2.5°C by 2100**
Lost Forest

- Between 1990 and 2005 Afghanistan lost over a third of its forest.

- By 2013 half of the country’s forests had disappeared.

- If the rate continues, by the year 2050 all of Afghanistan’s forest will be gone...
Currently, some 21 million people cannot access clean water and sanitation, with another drought around the corner.
In Afghanistan, La Niña events typically bring below-normal snowfall/rainfall and warmer temperatures across the country. The current La Niña phenomenon – first registered in the second half of 2020 – is expected to continue at least until spring 2023.

With most of the country being drier than usual, further shortage of rainfall may put additional stress on water resources. Presently, autumn has been warmer than normal, increasing the potential for stress in the early phases of winter wheat season.

The current La Niña event coincides with the main wheat planting season and harvests in June-July 2023. Any reduction of winter wheat production could further intensify food insecurity which has been at IPC 3 (crisis) and 4 (emergency) levels in many parts of the country. The dry spells in 2021 and 2022 had already driven the degradation of water resources, severely affecting crop and pasture productivity, exacerbating food and economic crisis.

Dry conditions may also lead to an increased risk of flash floods, landslides and favourable conditions for crop pests.
Climate outlook (Jan-Mar 2023)

Below-normal precipitation
Probability (FMA23): 45% 40%

Above-normal temperatures
Probability (FMA23): 50% 45% 40%
Accumulated rainfall and snow depth (Nov 2022)

Rainfall accumulation compared to average
(1 Oct 2022 to 1 Nov 2022, CHIRPS v2.0 prelim)

Snow depth compared to average
(7 Nov 2022, NASA Goddard Noah 3.6 SWE model)
Thank you