

COVID-19 and social protection in South Asia: Afghanistan¹

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COVID-19 is posing an unprecedented challenge to countries' social protection systems. Informal workers are particularly at risk, as they often represent the 'missing middle', covered by neither social assistance nor social insurance. In a recent policy brief, the International Policy Centre for Inclusive Growth and the United Nations Children's Fund Regional Office for South Asia (IPC-IG and UNICEF ROSA 2020) analyse the economic fallout from the crisis and the policy measures taken in eight South Asian countries, and advocate for the inclusion of the missing middle in mainstream social protection. This One Pager summarises the study's findings for Afghanistan.

As Afghanistan reported its first case of COVID-19 on 24 February 2020, the country was bracing for flood season while dealing with ongoing conflict. To mitigate the impact of the pandemic on the health care system, the Government of Afghanistan implemented a lockdown in major cities, although some measures to reopen the economy have been taken since the end of May. Afghanistan must also cope with the pandemic's economic shock, which is exacerbated by falling household income from remittances due to job losses affecting Afghan migrants abroad.

The International Labour Organization estimates that almost 95 per cent of the labour force work in the informal sector, predominantly in agriculture and construction. While the effect on the agriculture sector is medium to low, a large proportion of the workforce is vulnerable and not covered by social protection. These workers are now at acute risk of falling into poverty. The revised Humanitarian Response Plan report estimates that around 35 million people are expected to be living below a poverty line of approximately USD2 per day (at 2011 purchasing power parity) in 2020, requiring some form of social protection. Approximately 14 million of these poor people also face extreme food insecurity, and humanitarian assistance is planned for 11.1 million of them.

Prior to COVID-19, a significant proportion of Afghanistan's population was not covered by social protection. Social insurance only targeted formal workers in the public sector and was being extended to the private sector. Social assistance and labour market interventions mainly targeted the poorest people or public-sector workers. Non-humanitarian, non-contributory, flagship social assistance programmes targeting the individual or household level only covered an estimated 0.9 per cent of the population, with local initiatives lacking government support. Thus, unlike neighbouring countries, whose main challenges entail covering the missing middle, Afghanistan has the additional challenge of reaching poor people.

The Government of Afghanistan has implemented various monetary and fiscal policies to mitigate the impact of this crisis on livelihoods and incentivise social distancing. The former included deferring administrative penalties and fees by Da Afghanistan Bank, temporarily freezing loan classifications, and measures to maintain price stability and prevent exchange rate volatility. Fiscal responses included tax cuts, extensions of tax filing deadlines, and the allocation of 1.4 per cent of gross domestic product (GDP) to the COVID-19 response. Varying sums have been allocated to provincial responses to the pandemic, reportedly ranging from AFN20 million to AFN500 million, according to various media.

Two existing programmes were adapted as part of the response to COVID-19: the Martyrs and Disabled Pension Programme was expanded to cover descendants of deceased health professionals, and the World Bank plans to repurpose USD100 million of its Citizens' Charter Afghanistan Project for COVID-19 relief efforts, aiming to cover 90 per cent of households under the project. Additionally, the World Bank is planning to support the government's relief efforts through the REACH programme, aiming to provide in-kind and cash transfers to around 2.7 million households. The remaining government-led social protection response has entailed new labour market and social assistance initiatives, with no changes to social insurance. The government created the National Plan for the Distribution of Baked Bread, targeting poor families through bakeries and civil society, and other in-kind transfers, to around 290,000 households. Internally displaced persons (IDPs) and returnees have received emergency cash transfers offered through humanitarian organisations. Generally, new social assistance initiatives have targeted informal and formal workers, poor people, IDPs and returnees.

While humanitarian assistance is planned for people living in extreme food insecurity, and additional World Bank relief efforts will provide further temporary support to those who are not part of the humanitarian caseload, thus far the government has not put any long-term proposal in place to cover the poor people who were not benefiting from social assistance before the pandemic.

Given the low level of social protection coverage before and during the pandemic, the following is recommended for Afghanistan:

- Social protection floors should be expanded to secure broad coverage and a minimum amount of protection. Since most households in Afghanistan include children, social assistance coverage could be expanded via universal child benefits in the form of unconditional cash transfers to families with children. This can be implemented gradually, tolerating inclusion errors during the crisis. Programme design and benefit amounts can be adapted based on the funding available.
- For this, the Government of Afghanistan may use mass enrolment campaigns to enrol families in a simple registry and pay benefits as they are enrolled. In the medium and long term, this registry can evolve to inform multiple programmes and be used to respond to future shocks.
- Social insurance should be expanded to cover independent and informal workers. The government may consider expanding semi-contributory social insurance schemes covering self-employed people, day labourers and unpaid family workers to include them.

Reference:

IPC-IG and UNICEF ROSA. 2020 (forthcoming). *Socio-economic impacts of COVID-19, policy responses and the missing middle in South Asia*. Research Report. Brasília: International Policy Centre for Inclusive Growth.

Note:

1. The author gratefully acknowledges the support and comments received from Freshta Ahrar, Nienke Voppen and Stanley Gwavuya (UNICEF Country Office for Afghanistan). Full references for the data cited in this One Pager can be found in the full report (IPC-IG and UNICEF ROSA 2020).