

In the Name of God, the Most Merciful, the Most Kind



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## Poverty: The Main Causes and Consequences

Historically, poverty has been related to income, which is one of the main concepts in terms of social welfare today. Nonetheless, income is as problematic as a concept as poverty. As a result while we discuss poverty, we should discuss the income as well. In the context of Afghanistan, poverty is one of the main social issues. Poverty as a cause of conflict can exacerbate the current conflict in the country. Though, it is about 18 years that Afghanistan is one of the biggest recipients of the international aid, but the rate of poverty has increased in the country. According to new research findings, Afghanistan's poverty rate has increased fast over the past five years as the economy has stalled and the Taliban insurgency has spread into new areas, and more than half (54%) of the Afghans live under poverty line in the country. Those Afghan citizens who live in poverty are substantially less likely to have access to electricity, safe drinking water and sanitation. As poverty is both a critical national and social concern for Afghanistan, it is necessary to identify the root causes of it and also address them systematically at the policy level of the government.

### Major causes of poverty

#### Government Corruption

Since its founding, government corruption plagued Afghanistan. This has been and is one of the major causes of poverty in Afghanistan. Government officials both in previous administrations and even now take payments from contracting companies and misuse government revenues that should go to go into public trusts and instead such money and revenues are siphoned into their own personal bank accounts.

It is evident when government officials engage in this kind of corruption; the poor and underserved Afghan citizens are inevitably hurt. Considering the amount of international aid and the national revenues misused by the government officials, if these large sums of money stopped going into government officials' pockets, the Afghan government could use such resources to build up the country's infrastructure—electricity, roads, running water, improving health care facilities and more.

#### Violent conflict

Damaging infrastructures, institutions and production, the destruction of assets, the breakup of communities and social networks, forced displacement, migration crisis, increased unemployment and inflation, changes in access to and relationship with local exchange, employment, death and injury to people are among the main consequences of conflict in a region, country and society. As a result, decades of war have destroyed economic and political institutions.

#### Lack of Economic Infrastructure

Afghanistan lacks the basic physical systems of a business — including transportation, communication, sewage, water and electric systems. These systems require high-cost investments and are vital to Afghanistan's economic development and prosperity. However, Afghanistan with a weak economy cannot afford to establish them unless having access to long term loans.

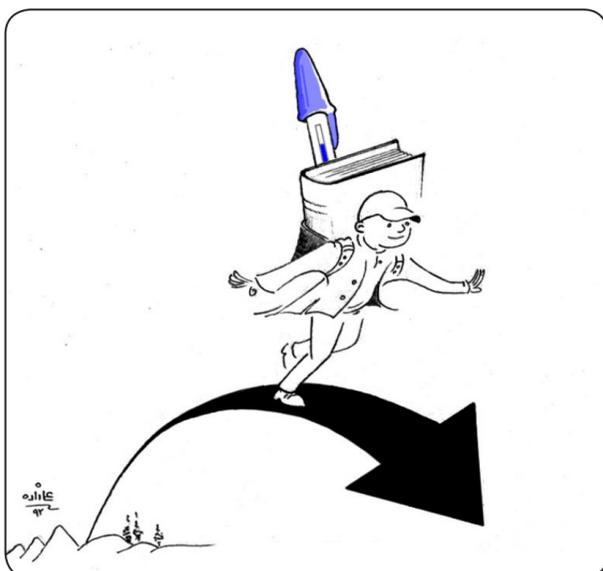
Further, Afghanistan shall develop Infrastructures that support economic development at every level essential in order to pull people out of poverty. Therefore, setting up economic structures that empower Afghan people is vital to combating poverty within the country.

#### Poor Access to Education

Economic infrastructure is not the only infrastructure that is lacking in Afghanistan. Currently, many Afghans suffer from the lack of a robust educational system to serve the nation. About 64 percent of people over age 15 are illiterate. Currently Afghanistan has 9.2 million children in school of which 39 percent are girls. Insecurity is a key challenge for the education and because of this, thousands of students drop out annually. This not only contributes to increasing illiteracy in the country but also contributes to improving fundamentalism too.

Education plays a vital role in poverty alleviation. To this end, a dramatic change is needed in the way the government thinks about education's role in development of Afghanistan. As a result, the education should be in gear with the Afghanistan's challenges and aspirations and strengthens the right types of values and skills that will lead to sustainable and inclusive development in Afghanistan.

Afghanistan can take specific measures to reduce poverty by focusing on different policies including tackling government corruption, addressing the root causes of violent conflicts, developing sustainable economic infrastructures, and improving access to comprehensive education.



## Poverty: The Paralyzing phenomenon in Afghanistan

By Mohammad Zahir Akbari

Beside various social and political disorders, poverty is one of the most paralyzing crisis which has severely impacted our nation. Afghan nation had warmly welcomed the international community expecting to end the long-lasting crises but their dreams have never come true. After 17-years wasting of economic and political opportunities, Afghanistan still ranks as one of the poorest, the most insecure, the most uneducated and the most corrupt country in the world. With the passage of everyday, the situation is exacerbating by staggering levels of acute malnutrition and unprecedented levels of unemployment. Over fifty percent of the Afghans are living below the poverty line with no well access to basic amenities such as food, clean water, shelter and educational services. The depth of this crisis can be measured by gauging the level of public dissatisfaction expressed through successive social outcries. Based on media broadcasts, it can be realized that 90% people are extremely tired of current autocratic policies but there are no concerns about people's dissatisfaction as long as the lords are satisfied.

Widespread poverty forces many families to prevent their children from going school and educational centers. Recently, a study had released by the Ministry of Education and the U.N. children's agency, said that 3.7 million, or 44 percent, of all school-age children are not attending school. It marks the first time since the U.S.-led invasion of Afghanistan in 2001 that the rate of attendance has declined, following years of steady gains in education for boys as well as girls, who were banned from attending school under the Taliban. The survey says girls account for 60 percent of those being denied an education.

The war is the main contributing factor to poverty and it prevents children from schools and driving the nation towards a poor and weak generation in the future; it is said that 55 to 75 percent of the Afghan population is living under poverty line, whereas the drought-hit regions might be in the higher poverty rates. According to Center for Strategic and Regional Studies, the poverty rate in Afghanistan has remained stagnant since the outbreak of war in 2001, even with increases in foreign aid. Only 28 percent of the entire Afghan population 15 years and older is literate. Because of the lack of water and other necessities, Afghanistan has the highest infant mortality in the world. Thousands of Afghan families are taking refuge in unclean makeshift camps; Unemployment is a significant challenge in relocating these and other internally displaced people, as they are reluctant to return to rural areas where there are no jobs available.

Drought is a newly threatening emerged factor which has intensified the poverty throughout country; almost two thirds of Afghanistan's 34 provinces have been hit by a lack of rain or snowfall since late last year, according to several reports released recently. Some

rivers and water points have totally dried up, and the last wheat harvest has been "completely lost", according to the Food and Agriculture Organization. "Six months down the road, millions of people could be in a situation of untenable hunger without knowing where their next meal will come from," said Toby Lanzer, the U.N. humanitarian coordinator in Afghanistan. Already, the drought has forced 21,000 people to leave their homes and settle on the outskirts of the western city of Herat, said OCHA.

Legally, the selected economic system of Afghanistan is stipulated in the constitution as market economy system but over the past 17 years, and at present, no functional system practically exists, and the country's economic affairs are confronted with absolute anarchism and political chaos. The mafia groups have domination on the market and they use speculation and monopoly of goods. In fact, these groups are mercilessly sucking people's blood and pricing as they wish.

With dramatic decrease in value of Afghan currency, the basic goods needed by the people in the market has climbed sharply while the central bank is not able to do anything as a policymaker and responsible for the stability of Afghan currency, except direct intervention by pumping dollars to maintain its value. Whereas, the currency policy is economic policy which affect the supply and demand of currencies, and in particular the exchange rate of domestic currency against foreign currencies. Their countries, never allow to use direct policy (Direction Action) using the Auction tool, but unfortunately the central bank has relied on this policy unreasonably.

Overall, poverty has caused many disastrous consequences such as spread of armed violence, huge increase in addition, domestic migration, increasing the population of cities, brain drains and the vacancy of the countryside. More importantly, poverty and unemployment fuels war in the country as the terrorist groups can easily hire unemployed teens to use as suicide attackers, battle forces, or laborers for implanting Improvised Explosive Devices (IED) and in some provinces unemployment has also led people to grow opium, poppy, and others are encouraged to join the extremist groups.

In conclusion, the importance of economy in Afghanistan should not override by political games otherwise Afghanistan may face irrepressible uprising against current crisis. However, the way out of this situation is a detailed discussion of the work, but what is very important is the existence of economic self-sufficiency at the strategic level of Afghanistan. It is important for Afghan policymakers to go further from artificial and expeditious stage. The history taught us that myopia policy does not rescue this nation. For immediate consideration, there is need for an extra measure to ensure safe environment for investors and industrialists in the country.

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## Three Cheers for Regulation

By Diane Coyle

One of the striking changes any rich-world traveler to low-income countries cannot fail to have missed during the past decade or so is the rapid spread of mobile phone use, followed now by expanding mobile Internet access. Mobile communications are playing the same role in social and economic development in Africa, Asia, and Latin America that the spread of fixed-line communications did in countries like France and the United Kingdom in the 1970s. Family and social connections, as well as business and educational opportunities, are being transformed.

A key contributor to this technological transformation was a mandatory EU technical standard enforced in 1987. The regulation created a continent-wide market for hardware and services, one large enough that the standard — called GSM, after the Groupe Spécial Mobile committee that had codified it — was adopted globally. By 2004, there were more than a billion subscribers to GSM services worldwide. The global reach of the regulation implied huge economies of scale in the manufacture of handsets and network hardware, so prices fell rapidly, and interoperability between networks and across countries was much easier to achieve.

Many regulations play this standard-setting role. Contrary to the simplistic view that regulation is inevitably bad for business, there are in fact three important channels through which regulation can benefit an economy.

One is the market-creating and market-growing role illustrated by the GSM standard. When there are competing technological approaches, such as the famous contest in the 1970s between the Betamax and VHS standards for videotape, consumers are better served if these contests between similar standards are settled promptly and decisively, to preclude the risk of spending money on a losing technology. When the standard is set by regulation in a large market like the EU, the United States, or China, economies of scale kick in quickly. The virtuous circle of falling prices, quality improvements, and growing demand is thereby established.

This is a powerful dynamic. It explains why British businesses are increasingly appalled by the prospect that the UK government will not deliver continuing post-Brexit regulatory alignment with the EU. After consulting thousands of its members, the Confederation of British Industry (CBI), the country's biggest business organization, recently called for "ongoing convergence" with EU rules for goods, services, and digital standards. The scale of the accessible market is immensely important to growth prospects.

Regulation can also benefit an economy by enabling competition. This seems counter-intuitive, and indeed some forms of regulation serve to enable rent-seeking behavior. Businesses in oligopolistic sectors often complain about the burden of compliance; but they clearly rely on regulation as a barrier to market entry by new competitors. The cost of their regulatory burden is a fee they pay for market power.

The regulation of some of these sectors, like finance, is an example

of what not to do. Officials imagine that consumer protection requires another regulation whenever something goes wrong, resulting in thickets of rules that protect incumbents and lead to all kinds of unintended consequences and complexities. As the new regulations prove ineffective (not surprising, given the overabundance of scams and mis-selling in finance), a vicious circle is set in motion, with additional regulation resulting in further failure — and more regulation.

That is why smart regulators charged with ensuring healthy competition, like the UK's Financial Conduct Authority, use a "sandbox" approach to enable testing of new technologies and business models without a crushing burden of regulation. The FCA is proposing to make its regulatory sandbox method global.

Moreover, there is some safeguard against complex regulatory thickets if new rules need to undergo a cost-benefit analysis. But such assessments are only incremental, whereas what is needed is a periodic assessment of the regulatory framework as a whole. Major disasters are often the result of a failure to think in such terms, as evidenced, tragically, by the fatal Grenfell Tower fire in the UK.

In new sectors, or those with a real possibility of new entrants with new technologies, regulation actually helps to create a market. For example, by removing information asymmetries about innovative products — asymmetries that are larger the more technologically advanced the products — regulation facilitates a level playing field between large incumbents and new entrants, enabling innovation to take root. And by providing assurances about the safety or effectiveness of new products and services, and setting minimum mandated standards, regulation gives consumers the confidence to try something new.

The third way in which regulation is good for an economy is precisely in its protection of consumers. If this means businesses earn a lower short-term profit, so be it. A society's welfare is not identical with the profitability of its businesses, or with the growth rate of GDP. In the CBI's conversations about post-Brexit regulation, the sectors most interested in regulatory divergence were waste and environmental services and water. Tough EU environmental standards impose high costs on these businesses, which might mean they grow more slowly than they otherwise would. But it is well known that GDP growth does not account for environmental externalities.

All of this underscores the importance of how regulators regulate. Their actions can — and often do — harm competition and growth, while failing to protect consumers. But that need not be the case. Recognizing the potentially large economic benefits of regulation might encourage a more sophisticated debate that moves beyond political pantomime and focuses attention on the crucial issue of regulatory design.

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