Inequality in Afghanistan: Drivers and Welfare Consequences

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Author’s Introduction

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Abstract
This paper explores the phenomenon of inequality in Afghanistan and analyzes its fundamental drivers and impacts on the socio-economic well-being of the people. The paper uses a qualitative case study method and draws upon the information from secondary sources, including Afghanistan living condition survey (ALCS) data. The findings indicate that Afghanistan has experienced growing levels of inequality in terms of income, wealth, gender, and economic and political statuses over the last decades. The inequality of income and wealth has been staggering since 2002 when selected individuals and groups benefited from the flow of foreign aid money, and the majority of Afghans, particularly those living in rural areas, largely remained excluded from the benefits of the development aid. Several elements, e.g., systemic corruption, wage-gap, unemployment and weak labor union, privatization, drug economy, development assistance expenditure in a non-transparent and irregular manner and socio-cultural constraints that pose limits to women’s progression are discussed as the significant factors driving the unequal resource distribution, and socio-political and gender disparities in Afghanistan. We contend that, in a broader sense, the structural elements of ethnonationalism, the highly centralized political system, and the hasty implementation of the neoliberal economic reforms in the immediate post-Taliban Afghan society have been at the core of political exclusion, output loss, and economic inequality. We also note that, over the last 18 years, the economy of Afghanistan has experienced a decent average rate of economic growth. Paradoxically, economic growth has not been accompanied by poverty reduction. Based on the findings of this study, we challenge the notion of trickle-down theory in economic science and argue that not only the pace but also the pattern of growth matters for achieving inclusive and sustainable economic growth.

Keywords: Afghanistan, Income, Wealth, Income Distribution, Wealth Distribution, Inequality, Exclusion. Gender Inequality
1. Introduction

The economic rights, economic freedom, and equitable access to public goods and services are the fundamental rights of the citizens. Contraction of liberty and inequality of access to resources not only exacerbate the social divides but also limit the economic growth potential of countries by debilitating the poor to exploit the economic opportunities and pursue their ‘reasoned agency’ (Sen, 2000, p xii). Although there is a very long history of apprehensions with the phenomenon of inequality in social sciences [e.g., Francois Quesnay (1694-1774), Adam Smith (1723-1790), David Ricardo (1772-1823), and Karl Marx (1818-1883) among others], the researcher’s interest in this topic surged significantly since the great recession of 2008–2009. The growing theoretical and empirical literature, see increasing inequality in the distribution of income and wealth within the countries as well as across countries as a severe economic challenge of our time (Peterson, 2017).

In the literature, income and wealth distributions are extensively used as the main proxies for economic inequality. But there are a wide variety of inequalities of the types that Therborn (2013) labels as ‘existential’ – disparities that arise from the unequal socio-economic statuses of the people as a result of gender, racial, ethnic, and other forms of discriminations that cannot be well represented by disparities in income or wealth. In many countries across the world, more so in the contexts of less developed countries (LDCs), a significant portion of the population not only does not have access to economic resources and effective political participation, but also lack equitable access to the very basic amenities of life such as healthcare, education, and employment opportunities. Weak governance systems, dysfunctional institutions, the exclusive nature of foreign aid allocations, and certain discriminative societal norms prevalent in this set of countries are closely associated with the inclusion and exclusion of the people in the economic and political processes. Any study on the assessment of inequality and its implications for societal welfare, particularly in the context of LDCs, is, therefore, inevitable to take a multi-dimensional approach. Mere, a money-metric aspect of the distribution of income and wealth, will not render an accurate picture of inequality. In this paper, we aim to investigate the severity, forms, and drivers of inequality in Afghanistan, and discuss its socio-economic impacts on the daily life of the ordinary citizens. The study uses a qualitative case study method and draws upon information from the secondary sources, including Afghanistan living condition survey (ALCS) data, academic papers, descriptive case studies, and published reports.

We argue that the systemic corruption, wage-gap, unemployment and weak labor union, drug economy, development assistance expenditure in a non-transparent manner and socio-cultural constraints that pose limits to women’s progression are the major determinants of unequal resource access and widening socio-political and gender disparities in Afghanistan. In a broader sense, the structural elements of ethno-nationalism, centralized political system, and the hasty
implementation of the neoliberal economic reforms such as privatization of state-owned enterprises and liberalization of foreign trade and financial market in the immediate post-Taliban Afghan society have been at the core of political exclusion, massive output loss, and economic inequality.

Afghanistan is well-known for its protracted conflict, complex political economy, and fragile institutions. The economy of the country features a low productivity agriculture sector, weak industrial foundations, and limited export base. There are substantial socio-economic cleavages among the various social classes of Afghan society, in general, and among its urban-rural divides in particular. Poverty, underemployment, and informal economic activities are mainly concentrated in the countryside with “Four out of five poor people living in rural areas” (Aviles, 2019). The gender inequality is massive across Afghanistan. The Afghanistan gender disparity index indicates that 70 percent loss in development is due to the limited participation of Afghan women in the workforce, low women’s education, and poor health outcomes (Samar et al. 2014).

The rest of the paper is arranged as the following: Section two provides a glimpse of the forms and severity of inequality in Afghanistan. Section three analyses the drivers of inequality in Afghanistan. Section four discusses the political and economic ideology behind the rising inequality, and finally, section five concludes with a few recommendations.

2. A Glimpse of Inequality in Afghanistan

2.1. Inequality of Income and Wealth

In the academic discourse on inequality, the most widely discussed forms of inequality are the inequalities of income and wealth. The econometric studies have shown that in developing countries, in particular, inequality has had an impoverishing effect and that the high inequality has reduced the prospects for pro-poor growth (Kuznets, 1955; Ravallion, 2001). The case of Afghanistan as a low-income country in South Asia is clear evidence in support of this argument. Over the period 2003-2017, Afghanistan’s economy has grown at an average rate of 7.09\(^1\) percent. Paradoxically, unemployment, poverty, and inequality have increased simultaneously. Currently, 54.5 percent of the population of Afghanistan is living in poverty. Unemployment stands at 24 percent high. The poverty gap ratio had an increase of over a 100 percent from 7 percent in 2007 to 15 percent in 2017 (Aviles, 2019). Consumption inequality measured in the Gini index has increased from 0.29 in 2007 to 0.32 in 2017\(^2\). The Palma ratio of

\(^1\) Data: WDI, World Bank.
2.34\(^3\) based on 2014 data indicates that the top 10 percent of the Afghan households earn more than twice what the bottom 40 percent makes. Similarly, other measures of inequality, the Lorenz curve, and quintile distributions (table 1 & figure 1)\(^4\) register staggering levels of inequality in Afghanistan. The quintile distributions indicate that while the top 10 percent of the population earns 33.61 percent of all income and the mid 40 percent, 44.87 percent of the income, the bottom 50 percent of the populace gets only 21.73 percent of all income.

Though there is a lack of credible data on the distributions of wealth, reports\(^5\) have pointed out to the concentration of wealth in the hands of a few dozen of individuals, families and political parties who controlled the political landscape of the country and enriched themselves through monopoly access to office, foreign aid money, and military contracts.

### Table 1: Percentile Shares

<table>
<thead>
<tr>
<th>Percentiles (proportion)</th>
<th>Coef.</th>
<th>St. Err.</th>
<th>(95% conf. interval)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50</td>
<td>0.2173</td>
<td>0.0019</td>
<td>0.2136 0.2211</td>
</tr>
<tr>
<td>50-90</td>
<td>0.4464</td>
<td>0.0032</td>
<td>0.4401 0.4527</td>
</tr>
<tr>
<td>90-100</td>
<td>0.3361</td>
<td>0.0048</td>
<td>0.3226 0.3456</td>
</tr>
</tbody>
</table>

Source: Author

The immediate implication that one draws from the above figures is that the economic growth in Afghanistan in the post-2001 has not been fairly shared. It has exclusively benefited those at the top of the income ladder, at the cost of impoverishing masses of the populace. Over the last decade, while the population of the poor has increased tremendously, the instances of the social and economic upward mobility as an indicator of the improvements of the lots of ordinary people have been few or altogether absent in Afghan society. The experience of simultaneous economic growth and abject poverty challenges the notion of the trickle-down effect of economic growth – an argument that economic growth is always accompanied by a reduction in the incidence of poverty (Aghion and Bolton, 1997). The Afghanistan case provides ample evidence in support of the argument that what matters the most for inclusive and

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\(^3\) ALCS dataset reports household’s income data under the various income heads. The calculation of Palma ratio and quintile distributions in this paper are based on the category ‘most important income.’

\(^4\) Data: ALCS database.

sustainable development is the pattern of economic growth, which received the least attention at the policy level in Afghanistan. The fragmented aid expenditures over the last two decades led to the outgrowth of corruption networks and massive wastage of funds with the minimum or no changes in the lots of left-out majority from the economic and political processes.

2.2. Inequality of Access to Basic Amenities

In the post-2001 era, the major agendas of the international community in Afghanistan have been: (a) providing necessary humanitarian assistance for the people, and (b) establishing and consolidating a political and economic order that can accommodate the vastly divided ethnic and linguistic groups of the country. Though Afghanistan has had some progress in these areas, it is still the worst-performing in the world both in terms of improvements in the living standards of the people and the inclusiveness\(^6\) of its political and economic processes.

The data shows that, on the one hand, there is an immense shortage of service provision by the state. On the other hand, there is evidence of a massive disparity in access to public services across regions, age groups, and gender. Based on the recent survey\(^7\) by Afghanistan’s statistic organization, 30.7 percent of the youth are unemployed against the average unemployment rate of 23.9 percent. The net primary enrollment rate of the children of the poor and non-poor households shows that the chances that the children of the poor continue to secondary education are significantly lower. The net secondary enrolment ratios of 13 percent and 18 percent for the poor and non-poor children respectively indicate that the children from poor households have a 40 percent lesser chance of attending secondary education. In 2014, only 29.5 percent of the poor against 46.5 percent of non-poor had access to proper sanitation, 57 percent of poor against 69.2 percent of non-poor had safe drinking water, and 84.5 percent of poor against 91.9 percent of the non-poor had access to electricity (CSO, 2018).

Nepotism and discrimination in employment, specifically in the public sector, are alarmingly high. There have been numerous cases of systematic ethnic cleansing by the government. A recent memo leaked from government’s interior ministry in the media shows that the office of the president of Afghanistan has asked for the establishment of a new anti-riot force in capital Kabul, particularly, mentioning that the recruits for the same should be exclusive of the particular ethnic group(s). A similar document entitled “Things To Do,” which was said to be attributed to Mr. Sawabuddin Mokhkash, former deputy director of Oversight and Evaluation of the Afghan Presidential Administrative Office, was leaked to the social media two years back. The document contained guidelines on how to relocate more Pashtun staff to various

\(^6\)Afghanistan is ranked 154 among 156 countries of the world in the index of ‘social inclusion’ constructed by Raihan (2017). The index ranks countries based on the inclusiveness of their political and economics processes.

departments and ‘trusted’ people to key departments of the ‘President’s Office of Administrative Affairs’ and elsewhere\(^8\) (BBC Persian, 21/01/2019, translated from Farsi).

2.3. **Regional and Gender Disparity**

Welfare disparities in Afghanistan are strongly related to the increasing disparity across provinces and the geographic regions. While in 2007-08, welfare disparity among the different regions explained only 15 percent of the inequality in Afghanistan, in 2011-12, the share of total inequality explained by spatial differences increased drastically, varying from 19 percent in the case of rural/urban divides, to 26 percent in the case of interprovincial disparities (MoE, 2015). Between 2007-08 and 2011-12, the three regions (West-central, Northeast, and East), in particular, were found lagging behind the rest of the country in terms of welfare. The inequality profile of the lagging region between 2011-12 and 2017-18 mostly remained unchanged (MoE, 2015). Inter alia, the regional difference in allocation of foreign aid money, developmental projects, and vulnerability of these regions to climatic shock can be the primary reasons for the increasing income gap between these lagging regions and the rest of the country.

Growth theories emphasize on gender equality in employment and education as an essential factor for fostering economic growth. Women’s empowerment that can be attained in a meaningful manner only after the attainment of gender parity in a society can positively affect economic growth, at least in two ways. (1) Through the direct participation of the educated women in the workforce and (2) Through women’s role as parents in educating and nurturing future generations. Although since 2001, women and girls in Afghanistan have got a new window of opportunities opened for them, yet the path to gender equality in Afghanistan seems to be far away\(^9\).

The institutions of household and education as the two primary environments where teenagers learn and prosper are highly discriminatory against women in Afghanistan. The former, being influenced by certain social and family norms such as early marriage, honor, polygamy, son presences, and parental authority, creates barriers to women’s progress. The later undermines women’s role in society through the schools’ curriculums. Most of the religious schools’ texts, as well as the modern schools’ curriculums, are highly filled up with the gender-biased mental models that picturize women as household objects—in-capable of certain employments.

Female labor force participation is meager in Afghanistan, both in the rural areas and the urban centers. The proportion of women in managerial positions is measured at 4 percent only,

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\(^8\) Afghanistan’s General Prosecutor’s Office sentenced Mr. Mokhkash to two years of suspended imprisonment for a violation of religious and ethnic equality. According to Afghanistan laws, this form of imprisonment is not immediately effective.

\(^9\) Afghanistan is ranked 170 among 189 countries in the gender inequality index (GII) of the UNDP’s human development report for the year 2019.
indicating an extremely low women’s power in decision making (CSO, 2018). The gross primary, secondary, and tertiary attendance rates of girls in educational institutions are 71 percent, 51 percent, and 39 percent of men, respectively (CSO, 2018). These data show that the chance of female children finishing secondary and tertiary education is drastically lower than that of the male children. Besides all, the threats of ongoing conflicts and the Taliban insurgency have been creating serious obstacles to women’s progress in Afghanistan.

### 2.4. Inequality of Opportunity and Freedom of Expression

Certain groups of the people in Afghanistan face systematic discrimination and limited opportunities merely based on the destinies that s/he is born a female or a hermaphrodite or belong to a specific ethnic minority, e.g., Uzbek, Kyrgyz, Pamiri, Pashaei, Hazara, etc. or a minority religious group, e.g., Sec, Hindu, Jew. Employment opportunities are mostly grabbed by those with relations in the government or the ability to buy a position against a bribe. The poor and those already out of the bureaucracy who cannot afford position-buying can hardly get a job. Likewise, most of the higher education opportunities, such as the entrance to national universities and foreign scholarships, are grabbed by the influential figures who would then either offer those opportunities to their relatives and clients or sell them out in the black markets.

Though the constitution of Afghanistan has mandated the freedom of speech and press as inviolable, yet the insurgent groups and the government practically impose various restrictions on freedom of press, speech, mobilization and protest through the use of threatening, pressures, warnings, and regulations. Journalists, civil society members, and human rights activists have been facing constant threats to their lives from armed groups and as well as state actors. ‘Nai-Supporting Open Media in Afghanistan’ recorded 416 cases of violence against the journalists in 2016, out of which the government authorities have committed 63 instances. This organization in another report has compared the extent of the violation of freedom of expression during the 13-years presidency tenure of Hamid Karzai, the former president, and the three years of the National Unity Government. Its findings indicate that:

“The government’s behavior with the media has worsened during the period of the national unity government. In nearly three years of the national unity government, the government’s behavior towards the media and cynical journalists and the state of the media’s work have worsened. …during the three years of the national unity government, contrary to the presidency of President Hamid Karzai, the heads of state have been insulting the media and journalists. According to statistics, for the first time, the National Security Council has been cracking down on journalists’ unlawful arrests under the national unity government” (Nai-Supporting Open Media in Afghanistan, 2017).
The cyber-crime law passed by the government of Afghanistan in 2017 clearly criminalizes the freedom of expression. According to a survey\textsuperscript{10}, 83 percent of the people do not agree with criminal codes imposed through this law. There are several other similar instances of the government’s violation of the citizen’s freedom of protest and mobilization, the discussion of which is out of the tolerance of this study.

3. Drivers of Inequality in Afghanistan

The staggering levels of poverty and inequality in Afghanistan are to a large extent linked to factors such as corruption, unemployment and weak labor union, social norms, privatization, inefficient fiscal institutions, drug economy, and the foreign aid expenditure in a non-transparent manner. This section elaborates on these factors.

3.1. Unemployment and the Missing Institutions of Labor Market

The official data from Afghanistan’s central statistic organization shows the national unemployment rate in Afghanistan at 24 percent high. Currently, 42 percent of the country’s youth (aged 15-24 years) are not in education, employment or training (NEET), and the youth unemployment rate is as high as 30.7 percent (CSO, 2018). With an already congested labor market, every year, 400000 people enter the labor market who surge the ‘reserve army of labor’ year on year. In the ongoing transformation period (2015-2014), factors such as the lower growth rates, fall in private investments, reduction of the foreign military and non-military expenditures can be attributed as the main reasons behind rising unemployment.

The excess supply of labor has put the labor markets demand side in an advantageous position to exploit the laborers and force them for longer working hours against the less than the minimum wage pays. Though the 2008 labor law of Afghanistan specifies a minimum wage for the public sector employees, it is silent about the minimum wage in the private sector. Article 59 of the labor law reads: “The minimum wage cannot be less than the amount fixed by the Government,” which is Afs 5000, approximately ($70) per month. Even if we take this as the minimum wage across the sectors, it is way less than the subsistence level for an Afghan family with an average of 7.7 members. The government, despite the constant appeals of the labor union and civil society, has failed to revise the minimum wage level as per the current prices.

The reports\textsuperscript{11} show that the laborers in Kabul’s industrial parks are paid a daily wage of only Afs 200 ($3.5) despite working 12 hours a day. According to reports from the National Union of Afghan Workers and Employees (NUAWE), every year, hundreds of workers die or get injured during the work. Yet, the necessary life and health insurance services are not implemented. An

\textsuperscript{10} Nai—Supporting Open Media in Afghanistan (2017).
\textsuperscript{11} Tolonews, 06/03/2017. Low Wages Cause Anger among Workers in Kabul’s Industrial Parks.
inspection by the Human Rights Research and Advocacy Group Consortium (HRRAC) in 2015 revealed very harsh work conditions and labor practices in the mining sector in Afghanistan. The report surveyed 60 mines across the country and found the use of child labor, abusive management practices, the presence of dangerous toxins, low wages, the absence of insurance and safety measures and lack of food and water supplies as the challenges in the extractive sector that Afghan workers are posed to.\textsuperscript{12} Though the labor law of Afghanistan bans child and forced labor, yet, 7.5 percent of children under the age of 14 are working in agriculture, carpet-making, brick kilns and domestic works (Department of State, 2017). More than 1,000 of some 5,000 people working in 560 coal mines spread across the Dara-e-Suf district of Samangan province are underage (Azorda, 2017).

There are also substantial pay gaps in the Afghanistan civil service sector. Ramazan Bashardost, a member of the Afghanistan parliament, said to a local news channel: “The constitution of Afghanistan obligates the government for the preservation and maintenance of social justice. But, the salary of the president being 75 times, that of the CEO and vice presidents 42 times and the members of the parliament 30 times higher than the salaries of the teachers and civil service employees is not social justice.”\textsuperscript{13} Of course, in addition to the large pay-scales, the higher-ranked officials enjoy other monetary and non-monetary benefits from various legal and illegal sources. In the face of the erroneous unemployment situation, the government passed a law\textsuperscript{14} in 2005 that allows for the employment of foreign workers, a large number of whom have managed to acquire high positions with the luxurious pay scale easily.

Over and above the vast unemployment, the absence of minimum wage law and the criteria for the revision of the minimum wages based on the changes in prices, on the one hand, and the massive wage/salary gap between higher and lower ranked bureaucrats\textsuperscript{15}, on the other hand, have significantly contributed to the inequality of income in Afghanistan.

### 3.2. Weak Labor Union

In Afghanistan, the first union was reportedly established by the left-wing Hezb-e Democratic-e Khalq-e Afghanistan (People’s Democratic Party of Afghanistan) in 1967. Later on, the union transformed itself, at its 1990 congress, into the ‘National Workers’ Union of Afghanistan’ (NUWA) (ICTUR, 2005). Following the establishment of the Islamic State of Mujahidin in 1992 and subsequently, during the Taliban regime, this structure ceased to exist. The organization

\textsuperscript{12} Tolonews, 03/06/2015. Report Details Horrid Conditions Facing Afghan Mine Workers.
\textsuperscript{13} Available at: http://www.jomhornews.com/fa/news/93195/ [accessed: 02/06/18, translated from Farsi].
\textsuperscript{15} According to Afghanistan’s ‘Independent Administrative Reform and Civil Service Commission’ the salaries of the ordinary civil service employees are between Afs 5000-32500.
once again reemerged in 2012. A split group of the National Union of Afghan Workers and Employees [henceforth NUAWE] called The ‘Central Council of the Labor Unions of Afghanistan’ (CCLUA) is now the second largest union in the country. Despite the operation of NUAWE in 25 provinces, its membership hardly reaches 144,000, of which 23,000 are women. The absolute majority of the Afghan farmers, rural workers, and day laborers are neither attached to any union, nor do they enjoy any collective bargaining power. The workers being vulnerable to worsening employment situations and highly unaware of their rights tend to supply their labor at low cost under the erroneous work conditions.

There are numerous cases of systemic discrimination against the labor and trade unions that have weakened the negotiation power of the unions and retarded their overall progress. Recently, the president of Afghanistan ordered the seizure of the properties of the NUAWE, calling it illegal properties of the organization, to which the international trade union confederation reacted by issuing the following statement.

“NUAWE property in Kabul and 28 regional offices of the trade union center were raided by armed police and military on 8 April, and on 21 April 2018, security forces invaded the NUAWE headquarters. On Monday 14 May 2018, the police once again raided and sealed the offices. Union members have been engaged in non-violent resistance to protect the union premises, and the organization has filed a court case to seek protection under guarantees enshrined in the country’s constitution. The government has so far ignored the court proceedings and continued its anti-union actions. It has also instructed the Justice Ministry to cancel the NUAWE’s registration unless it hands over its legally acquired property to the government, and has disrupted a planning meeting at the union offices on 26 March 2018. The government has not responded to NUAWE requests for dialogue” (ITUC, 2018).

### 3.3. Corruption and the Influx of Forging Aid

Corruption not only deteriorates economic growth but also increases income inequality by reducing social spending and rising inequality of access to education, health care, and employment (Gupta et al., 2002). Bureaucratic corruption has been affecting all Afghans through disinvestments, entrepreneurship reduction and policy failures, and in particular, it has been the poison to the poor who less afford to pay a bribe to get a job or access the public services. The corruption scandals have been robbing the resources form the bigger infrastructural projects to basic public services like education, health care, justice, and security. Based on the findings of Afghanistan’s enterprise survey by the World Bank, every one out of two firms, i.e., 48 percent of the surveyed firms, have faced at least one case of bribe payment request in 2014.
The consumption of foreign development assistance in a non-transparent manner via various sources has been a significant factor in battening the national and international networks of corruption active in Afghanistan. A report published in 2008 by the Agency Coordinating Body for Afghan Relief (ACBAR) showed that from a total of $15 billion aid that was spent in Afghanistan between (2001-08) about one-third have been sucked up in the black holes of corruption. Another 40 percent of the total disbursed aid (i.e., $6 billion) went back to the donor countries in the form of salaries and consultants fees (Waldman, 2008). A similar study found that “up to 80 percent of America’s aid to Afghanistan flow right back to the US through consultancy fees, corporate contracts, and exported goods” (Mayr, 2010). These multifaceted corruption scandals that have been sucking the majority of the developmental expenditures and the return of the vast amounts of aid money back to the donor countries have been the major causes of the massive loss of development in Afghanistan and the enriching a few at the cost of the most vulnerable and deprived segments of the Afghan society.

The majority of the donor countries and the international organizations are spending their disbursed aid directly—independent of the core development budget of the government of Afghanistan. According to the recent quarterly report of the Special Inspector General for Afghanistan Reconstruction (Sigar), out of $33 billion that US has provided to support the economic and social development and governance in Afghanistan, since 2002, approximately $19.9 billion was appropriated to the USAID’s economic support fund (Sigar, 2018, p.157). The disalignment of the aid expenditure has led to the immense leakages in the process of aid consumption and has nurtured the bloated NGO industry that has become the primary earning venture for the thousands of people from within and without Afghanistan. Based on the information from Afghanistan’s Ministry of Economy, currently, there are 4338 registered local NGOs and 445 international NGOs active in the country. Many of them are just the networks of mafias and corruption who are involved in exploiting the developmental resources under the tag of humanitarian organizations.

3.4. Restrictive Social Norms and Approaches to Gender

Afghanistan, before its civil war in the 1990s, had a relatively progressive attitude towards women. The constitution of 1923 guaranteed equal rights for men and women. The women in Afghanistan were first given the vote right in 1919—only a year after women in Britain got that right (Department of State, 2001). After the civil war and the rise of the Taliban in 1994, women and girls were systematically discriminated against. During the Taliban regime (1996–2001), women were denied public appearance; they were harassed and beaten by the Taliban in public places if their public appearance was perceived to be in contradiction with the Taliban’s edicts. Women’s access to education, healthcare facilities, and employment were severely restricted that caused the deteriorating economic and social conditions of the women and immense gender disparity in the country.
The widely rumored perception that girls are ‘other’s property’ has been encouraging discriminatory investments on boy’s and girl’s education, healthcare, and their overall treatment in their birth families. Though Islam, a religion followed by the majority of Afghans mandates for the rights of women in as diverse areas as marriage, divorce, property rights, and inheritance, yet the women are the victims of the fundamental interpretation of the religion and ill social norms. The treatment of women as second class citizens without considering them worthy of being awarded the fundamental rights and freedoms that the typical man enjoys has historically kept the women population of Afghanistan less educated and vulnerable. Certain socio-cultural norms, i.e., male/son preferences, Honor, concern for women’s purity, and housewife treatments of the women, patriarchal nature of society, the dogmatic interpretation of the religion on gender issues, and the decades of the ongoing conflict have been the root causes of persisting gender disparity in Afghanistan.

Since 2001, the situation has relatively changed in favor of women. The Elimination of Violence against Women (EVAW) law was passed in 2009 that criminalized child marriage, self-immolation, forced marriages, and forced labor (Rahman, 2016). The education and employment opportunities for women and their socio-political statuses had improved significantly in relative terms. Overall, though the Afghan government and the international community have largely invested in the improvement of the state of women since 2002, yet the massive gender disparity and violence against women remain a significant challenge in Afghanistan.

### 3.5. Privatization

Public sector enterprises in Afghanistan have a long history. In particular, the state’s involvement in the economy had grown tremendously over the period 1950s-80s. The state-owned enterprises (henceforth SOEs) were the best revenue-generating entities for the governments. Reportedly at times, SOEs could generate up to 60 percent of the revenues of the government\(^\text{16}\). As of 2004, the government of Afghanistan owned 64 large-scale and fully or semi-operational SOEs. Though many of these enterprises are not in good shape and operation today, still few of them like the electrical utility (Sherkat-e-Breshna), Afghan Telecom, the Ariana Afghan Airlines have significant market shares in their respective sectors.

In 2005, the government approved the privatization bill. According to information from the ministry of finance, 26 of the SOEs were either privatized, changed to public companies, or entirely dissolved since 2005. Privatization can render efficiency and competitive advantages where there are a robust private sector economy and a great incentive for private business, not in a country like Afghanistan where due to insecurity, inefficient markets, and the weak rule of law, the private sector lacks minimum incentives for investment and expansion. Outsourced

state enterprises to the hands of a hobbling private sector did not only not rendered any efficiency gain but also raised serious concerns. First, the privatization of semi-operational enterprises has taken away thousands of jobs from a very vulnerable group of workers who have been serving these enterprises for years. Secondly, there are allegations of the looting of the assets and possessions of these enterprises under the tag of privatization. Finally, the government, by privatizing these enterprises, has lost a significant source of its revenue, which could otherwise draw by investing in their re-operationalization.

3.6. Opium Economy and Jihadi Elites

Afghanistan, currently producing an estimated 80 percent of the world’s opium, is the largest opium producer and exporter in the world (Sigar 04/2018). Since 2002, The US alone has appropriated $8.7 billion for opium-poppy eradication, but the hectares of land under the opium-poppy cultivation have remarkably increased and reached its highest level in 2017. According to the United Nations Office of Drugs and Crimes (UNODC), there have been 328,000 hectares of land under opium cultivation in 2017, which is 63 percent higher than the 2016 level. The production level too has shown an 87 percent increase from the preceding year, reaching 9000 tons in 2017. The estimated net value of opium production totals $2.9 billion in 2016, which is 16 percent of the country’s GDP (UNODC, 2018).

The narcotics industry in Afghanistan, coupled with rampant fraud and corruption, has become an integral part of Afghanistan’s war economy and a significant source of illicit revenue, feeding mostly the insurgents and crime networks. According to MCN/UNODC village survey 2017, people’s responses on the primary beneficiaries of the opium poppy have been the Taliban, de facto rural power-holders, national and international drug traders, and other anti-government insurgent groups. The report also showed that Taliban and other de facto power holders are involved in collecting opium taxes from the farmers that estimate to about $78-124 million for the de facto rural powers, $76-121 million for the Taliban, $40-63 million for other anti-government insurgent groups and $25-121 million for the Jihadi commanders (UNODC, 2018, p 10).

The drug economy can explain not only a significant portion of the inequality of income and wealth in Afghanistan but also the inequality of socio-economic and political statuses. Although the opium poppy has provided the necessary income to some impoverished farming households in the rural areas. It has been the smugglers, prominent power holders, drug dealers, and the insurgent groups who grew millionaires and social and political elites by the drawing benefits from Afghanistan’s opium economy.

The phenomenon of Jihadization that started in Afghanistan with the Soviet invasion of the country in 1979, along with the immense life and economic cost for the people of Afghanistan, has also contributed to the birth of some Afghan jihadi millionaires. The Jihadists were
organized groups involved in the US-funded war against the Soviets in the late 20th century, who, later on, emerged as main actors in the post-2001 government. The group’s control of political power and economic resources over the last two decades has helped them and their clients to become the major political figures and military contract holders. The few dominant contractors who are close relatives of the top officials control the foreign and domestic military contracts to which billions of dollars of aid money have been allotted since 2002.

4. State Ideology and Neoliberalism

Historically, Afghanistan has been a battleground for major world powers and an experiment field for the testing of different economic and political ideologies. The two critical junctures—the Soviet invasion, and Afghanistan’s experiment of socialism and the current involvement of the US, and Afghanistan’s experiment with neoliberalism have had significant impacts on the economic and political developments in this country. After 15 years of development intervention guided by the free market principles since it was formally adopted through the 2004 constitution, today, Afghanistan remains as one the poorest nations of the world. Besides, the prevalence of ethno-nationalism intertwined with identity politics, and a highly centralized political system are the other major structural complications that lie at the core of the challenges of political exclusion and economic setback in Afghanistan. The rest of this section discusses ethno-nationalism, the centralized political system, and the hasty implementation of the neoliberal economic reforms as the fundamental structural factors behind socio-political injustice and inequality in Afghanistan.

4.1. Ethnonationalism and Political Centralization

Mahmud Tarzi, the editor in chief of Saraj-of-Akhbar-e-Afghaniyah (The lamp of the news of Afghanistan, published from October 1911 to December 1918) for the first time founded the Afghan nationalism. Tarzi led the small, enlightened elite group called the ‘Young Afghans,’ who limned the political silhouette of the ‘progressive Afghanistan’ (Gregorian 1967). The Afghan nationalists of 1919-1929 were a small group of Kabul centric elites, patronized by the state. The idea of Pashtun ethno-nationalism got stronger in tandem with the rise of the slogans of greater Pashtunistan by Prime Minister Mohammed Daoud in the early 1950s who pursued a one-sided policy of the reunification of the Pashtuns of both sides of the Durand line. Since then, the Afghan/Pashtun ethnopoltics have been the main ideology of the state in Afghanistan.

The Afghan ethno-nationalism can be best characterized as the Pashtun led government with two main agendas on board. (1) Endeavors for the continuation of the Pashtuns ruling of Afghanistan and homogenization of the ethnically and linguistically divided Afghanistan by
imposing a single Pashtun identity, history, and values on all citizens. (2) Upholding the slogans of the so-called Greater Pashtunistan. The maneuvers behind these objectives have been costing Afghanistan immensely. On the one hand, it has been creating political instability by boosting identity politics and igniting ethnic hatred among the people of Afghanistan. On the other hand, according to the widely held perception, it is this anti-Pakistan’s sovereignty slogans being raised from Afghanistan that have partly determined the major lines of Islamabad’s Afghan policy since the 1950s—a policy that played a critical role in Afghan political instability, regime changes and rise of fundamentalism.

The ethnic and linguistic discriminations institutionalized in the 2004 constitution has undermined the socio-cultural justice and increased the economic and political dominance of the people of the particular ethno-linguistic and religious group(s) over others. The article four of the constitution of Afghanistan states that: “the word Afghan shall apply to every citizen of Afghanistan.” In the academic discourses and based on the historical facts and general perceptions, the word Afghan is equivalent to the word Pashtun, the historical nickname of the Pashtuns of Afghanistan. The institutionalized generalization of the term is an act of force ethnic-homogenization and imposition of the Pashtunwali codes of ethics and norms of behavior to others. Not only the word Afghan but also the use of Pashtu language terminologies is mandated in the constitution. The articles sixteen of the constitution reads: “Academic and national administrative terminologies and usage in the country shall be preserved,” which are all Pashtu terminologies. In this way, the government over the years has defined national identity, national anthem, the national expressions, the language of the currency, and many more merely based on the Pashtun values, ignoring the cultural and ethnic diversity of Afghanistan in all fronts.

The constitution of 2004 has defined a highly centralized political system in a largely decentralized Afghan society. For centuries, the people of Afghanistan, particularly those living in the countryside, have lived in isolated clans and the tribes, directed by specific sets of informal institutional norms and rural power structures. These ground realities of the Afghan society have not been reflected in the 2004 constitution and democratic processes thence. In fact, the post-2001 political institutions and the state power structure are barely distinguishable from the monarchial systems in the past. The power of the center is massively extended into the hinterland through control of all local appointments and the centralized decision makings for budgetary allocations and expenditures across the country. The president of Afghanistan appoints all ministers, all provincial and district governors and mayors, and all subnational officials. Such centralized decision making has been proved wildly unfit and unstable in a society that has grown self-reliant and has creatively learned to govern itself (Murtazashvili, 2016).
Due to the centralization of power and the zero-sum game nature of the Afghanistan political system, the patterns of political affiliations by ethnicity, tribe, clan, family, and kinship have remained strongly dominant. These patterns are best evident in post-2001 elections, where the citizens seem to have been voting based on ethnicity and kinship (Katzman, 2011). After the 2014 election crisis that took Afghanistan to the brink of yet another civil war, the US mediated the establishment of a National Unity Government. The agreement of the formation of the National Unity Government mandated that within the two years of office, the NUG should: (1) call the constitutional Loya Jirga to negotiate a constitutional amendment for changing the absolute centralized-presidential system to a semi-presidential one, with a prime minister serving as the head of state. (2) To reform the electoral system and, (3) to distribute electronic national identity cards (Ayoobi, 2018). Though there have been selected reforms in electoral institutions, there has not happened any constitutional reform over the lifetime of the NUG to make the political system representative. The widespread demands for a decentralized state have been bypassed, and the political system is kept highly centralized, where the president governs with the sole power like a medieval monarch.

4.2. Neoliberal Reforms

The modernization agenda and the models of economic development and industrialization in Afghanistan have always been imported blueprints from elsewhere with no or minimum adaptability with the local institutional and power structures. Whatever their nature, be it the modernization endeavors of King Amanullah (1919-1929) borrowed from the Turkish model of democratization or the socialistic model (1978-1992) imposed by the Soviet Union or the current neoliberal order propped up by Washington consensus, they all being socially unfitted to the local mindsets and structural reality of Afghan society could not readily precipitate in Afghani context, thus failed to bring about stability, development and prosperity.

The experiences of the post-conflict nations and the countries in transition indicate that before the full-fledged adoption of the neoliberal models, these countries have undergone a period of transition in which they have formed certain primary institutions of the market and nurtured the people’s perceptions towards it. In Afghanistan, such a transition period was not allotted; the transition to the neoliberal values was too hasty too soon. As a result of the non-compatibility of the new institutional framework with the local mindsets and structures, despite the flow of billions of dollars of foreign aid and the development interventions of hundreds of national and international humanitarian organizations, Afghanistan neither achieved political stability nor any significant economic progress.

With Afghanistan’s constitutional endorsement of the neoliberal system, the government was compelled to transform the ownership of the state-owned enterprises to the private sector, relax the market regulations, lower the tariff rates, and reduce the government’s role in the
economy. Since 2005 when the privatization bill was approved, many of the SOEs in Afghanistan that could once reportedly generate a significant share of the governments’ revenues have been transferred to the hand of the crippling private sector. The result of which has been only the unemployment of thousands of individuals who were dependent on those enterprises directly and indirectly for their livelihood and reportedly the looting of the properties of these enterprises.

The aid money expenditure in Afghanistan in the post-2001 era got a donor-driven shape. This model of development expenditure not only sacrificed efficiency and priority-based development but also increased the inequality of income and wealth by enriching a few individuals and groups. The Aid money spending through multiple channels led to the emergence of a class of contractors and NGO owners in Afghan society who appropriated a significant share of the aid money disbursed to Afghanistan since 2002. Now, some of the mega-rich Afghans are these contractors. Many of them were once translators who took advantage of gaps in the Pentagon’s supply chain and became contractors to supply the American and NATO military their immediate needs. Others were pity-entrepreneurs who fed off the foreign aid money being apportioned to different sectors of the post-2001 society by undertaking the infrastructural building projects and logistics procurement contracts from the foreign and domestic military forces (Mashal, 2014).

Many of the contractors have achieved their affluence in virtue of the presence of their patrons at the high level of Afghan politics who help them in assessing the contracts. A family can have one member in the bureaucracy, another in parliament, and yet another running a mega enterprise (Mashal, 2014). Whatever the nature of their employment, many members of the current wealthy class in Afghanistan owe their fortunes either to politics or to the non-transparent aid money expenditure. Moreover, the dispersed spending of the development fund via various sources has facilitated corruption and led to resource wastages and project inefficiency. Had the aid money been channeled through a core development budget in a planned, transparent, and priority-based manner, it could have acted as a ‘big push’ to trigger economic growth and bring about significant changes to the life of Afghans.

Overall, while acknowledging Afghanistan’s progress in certain areas as a result of the developments in the post-Taliban era, it is also important to note that the unfettered economic system and the donor-driven model of development expenditure have contributed significantly to the rising corruption, inequality, and policy failures in Afghanistan over the past two decades.
5. Conclusion and Recommendations

In this paper, we have explored the phenomenon of inequality in Afghanistan, examined its multiple forms and drivers, and analyzed its economic impact on the everyday life of the ordinary citizens. Afghanistan has experienced rising levels of inequality—in terms of income, wealth, genders, socio-cultural conditions, and economic and political statuses over the last decades. The economy of Afghanistan has grown at an average rate of 7.09 percent between 2003 and 2017, but the growing levels of poverty, unemployment, and inequality show that economic growth has not been shared fairly. It has exclusively benefited the already well-to-do strata of the society at the cost of impoverishing masses of people. While the population of the poor has increased tremendously, the instances of the social and economic upward mobility, which is an indicator of the improvements of the lots of ordinary people, have been few or altogether absent. We have discussed the casual impact of factors such as systemic corruption, wage-gap, unemployment and weak Labor union, ill social norms, privatization, inefficient fiscal institutions, drug economy, and the development aid expenditure in a non-transparent and irregular manner on growing inequality in Afghanistan. We have argued that, in a broader picture, that the structural factors of ethno-nationalism, the centralized political system, and the socially unfit liberal values have been at the core of all economic and political challenges in this country. Based on the findings of this study, the following are a few recommendations to various stakeholders.

I. A large part of the wealth and income inequalities in Afghanistan over the last two decades has been due to disparities in development resource allocations across different social classes and provinces. The people excluded or less benefited from resource allocation over the past 19 year ranges from ethnic-based exclusion (Viz. particular, Jugis, Aaimaqs, Pamiris, Pashaeis, etc.), religion and sect-based discriminations (Viz. Hindus, Sikhs, and Jews) and exclusion based on the certain geographic regions (Viz. West-Central, North-east, and East). To make the development process inclusive, the government of Afghanistan and international donors need to adopt policies that directly target the most vulnerable and excluded strata of the people and the lagging provinces of the country.

II. Over the last 18 years, the alignment between the development expenditures by the government and those by the international donors has been completely missing. Based on reports, currently, there are more than 30 different foreign donor countries, each with ownership and control of their disbursed aid to Afghanistan. The uncoordinated and independent aid expenditure via various sources has led to resource wastages, corruption, and project inefficiency. There is an immense need for the alignment of the development expenditure by donor sources to avoid leakages and target national priorities. Perhaps the more effective way forward would be the streamlining of the aid expenditure through the core budget of the government.
III. The domestic revenue mobilization by the government is way less than its total expenditures. World Bank reported the tax revenues in Afghanistan at only 7.55 percent of the country’s GDP in 2015. The government’s total spending in the same year was $6.63 billion, of which only 31 percent was constituted from domestic resources. The customs revenues represent an important source of revenue for Afghanistan. However, on the one hand, the vast corruption and capacity deficiency in customs and, on the other hand, the accession to the WTO of Afghanistan in 2016 that has forced the country to relax its customs duties have led to the enormous loss of government’s revenues from this source. Moreover, there seem to be substantial tax evasions particularly, by the underground and family-owned businesses of the politically influential people. The massive yearly budget deficit and dependence on uncertain donor’s assistance should compel the government to make the fiscal reforms as one of its main priorities.

IV. According to the benchmark set by UNESCO, governments should spend 15-20 percent of their national budget or 3-4 percent of their GDP on education. The organization urges less developed and post-war countries to reach the upper bound of this standard. In Afghanistan based on the 2018-19 budget document, only 13 percent of the national budget is allocated to the education sector, 4 percent to the health sector, 7 percent to the social protection, and 2 percent to the economic sector. The amount yearly allocated to these sectors, considering the immense need of the citizens for these services is trivial. The government and the humanitarian organization operating in Afghanistan need to focus on enhancing people’s capabilities by facilitating inclusive and free education, health care, and social protection.

V. Corruption, pity-bribery, clientelism, position buying, and the elite capture of the public resources are of serious concern in Afghanistan. While the widespread corruption in the government’s bureaucracy has made some people millionaires in the span of a few years, it has been the poison to the poor. The so-called anti-corruption policies that target specific sectors and individuals and exempt others based on certain affiliations as has been the practice of the NUG over the past five years will not only not reduce corruption but would also undermine the independence of the judiciary and the overall political stability in the country. The anti-corruption measures of the government need to take a holistic approach targeting bureaucratic accountability across the state’s bureaucracy, irrespective of affiliations.

VI. For promoting gender equality in Afghanistan, the government’s policies need to target the historically vulnerable segments of the society, i.e., women in areas of education, health, capacity building, and employment opportunities. The women in rural Afghanistan possess extraordinary skills such as netting, sewing, etc. The government shall provide them with
microfinance and promote their products in the national and international markets. Doing so will make women breadwinners and give them a decision making power in family affairs.

VII. In the less developed countries like Afghanistan, the existence and operation of public sector enterprises are not a choice but a necessity. SOEs are always available as a policy tool in the hands of the government for value creation, employment generation, controlling of inflation, and the production and supply of the public necessities at a lower price. In war-torn countries, in particular, the public sector enterprises would fill up the gap created by the none-presence of the private sector due to less encouraging business environments. The government of Afghanistan needs to invest in the re-operationalization and expansion of the public sector enterprises instead of transferring them to private hands.
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