Report No: AUS0000426

Afghanistan
Poverty in Afghanistan
Results based on ALCS 2016-17

July 2018

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POVERTY IN AFGHANISTAN[1]

One of the main objectives of the Afghanistan Living Conditions Surveys (ALCS, formerly the National Risk and Vulnerability Assessment or NRVA) is to provide information on welfare and living standards, on their evolution over time, and their distribution over households. Of particular importance is the measurement and tracking of welfare amongst the poorest segments of the population, and ALCS survey data provide the principal means for estimating the extent and severity of poverty in Afghanistan.

MEASURING POVERTY IN AFGHANISTAN: THE COST OF BASIC NEEDS APPROACH

The measure of welfare adopted to assess population living standards is based on household expenditures. An individual is considered as poor if their level of consumption expenditures is not sufficient to satisfy basic needs, or in other words, if their consumption expenditure falls below the minimum threshold identified by the poverty line. In line with international standards, the official absolute poverty line for Afghanistan is estimated following the Cost of Basic Needs (CBN) approach and it was set using the NRVA 2007-08. The CBN absolute poverty line represents the level of per capita consumption at which the members of a household can be expected to meet their "basic needs" in terms of both food and non-food consumption.[2]
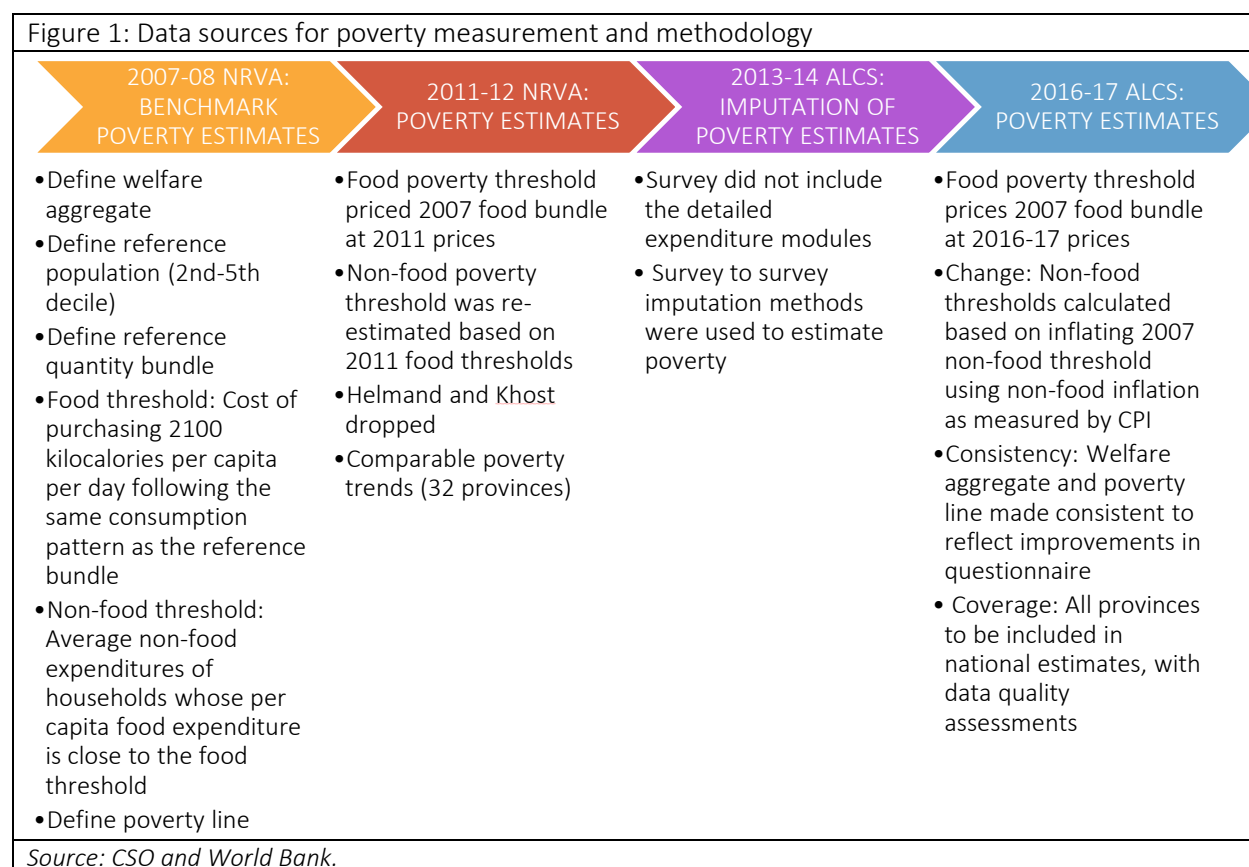
To assess the evolution of wellbeing over time, the 2007-08 poverty line was updated to 2011-12 and 2016-17 prices for each of the survey years to reflect changes in the cost of living. Figure 1 below briefly describes the data sources and the estimation methodology[3]. It is important to note that the detailed consumption expenditure module, which allows for direct estimation of poverty, was not included in the ALCS 2013-14. Rather, survey-to-survey imputation techniques were used to predict poverty rates for this survey year. The 2016-17 estimates introduced improvements in the methodology, which have been consistently taken backwards to 2011-12 and 2007-08 (survey to survey imputation estimates for 2013-14 have not yet been revised). These comprise of three important changes: (i) In the interest of increased transparency, and in line with international good practice, non-food thresholds are inflated from their 2007-08 benchmark levels using non-food inflation rates as measured by the official CPI; (ii) Improvements and changes in the survey questionnaire have required small changes in the definition of the welfare measure, which have been consistently revised for all survey years; and (iii) CSO has made the decision in the interest of transparency to include all provinces in national estimates; while indicating clearly provinces for which estimates are

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[2] More specifically, the food component of the poverty line captures the cost of consuming 2,100 Kcal per day following the typical food consumption patterns of the relatively poor; the non-food component of the poverty line is estimated as the median non-food expenditure of individuals with food consumption around the food poverty line. For more details, please refer to: http://documents.worldbank.org/curated/en/665241533556485812/Poverty-measurement-methodology-using-ALCS-2016-17
[3] For a more in-depth description of the methodology, please refer to:
http://documents.worldbank.org/curated/en/665241533556485812/Poverty-measurement-methodology-using-ALCS-2016-17

deemed to be of inadequate quality due to the security situation or concerns about data quality. These revisions imply that current estimates may differ from previously released numbers.

Figure 1: Data sources for poverty measurement and methodology

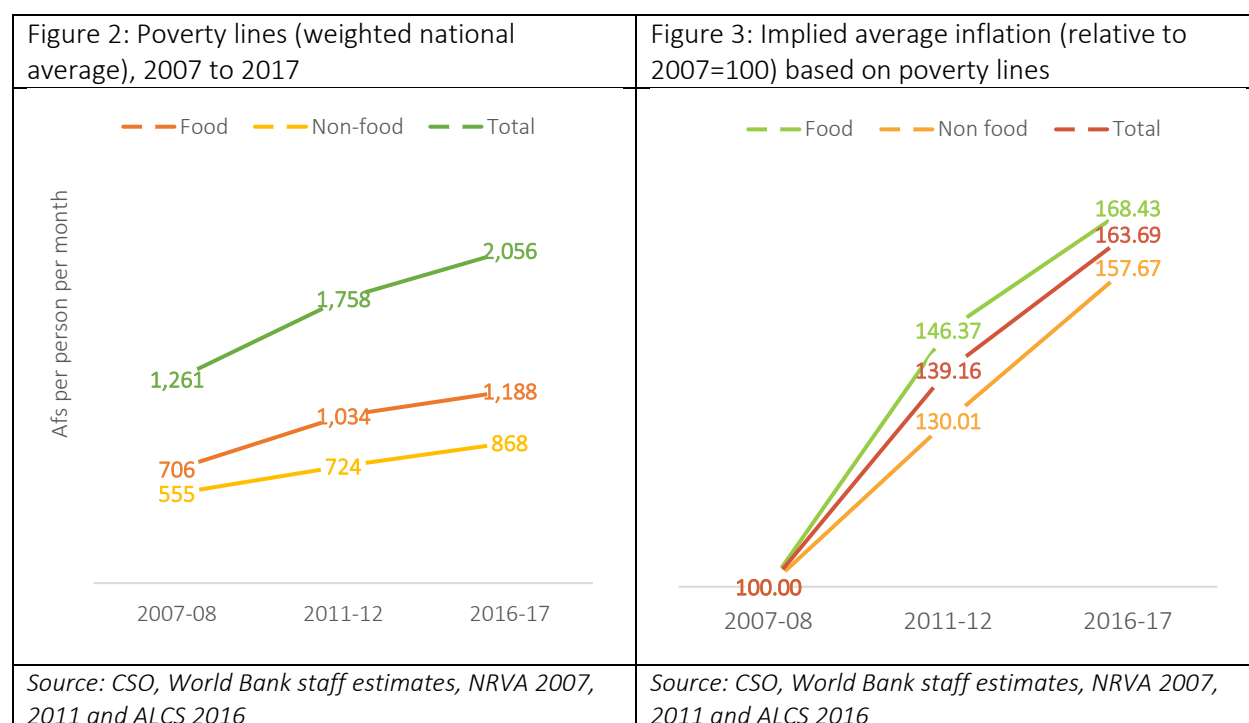| 2007-08 NRVA: BENCHMARK POVERTY ESTIMATES	2011-12 NRVA: POVERTY ESTIMATES	2013-14 ALCS: IMPUTATION OF POVERTY ESTIMATES	2016-17 ALCS: POVERTY ESTIMATES
• Define welfare aggregate • Define reference population (2nd-5th decile) • Define reference quantity bundle • Food threshold: Cost of purchasing 2100 kilocalories per capita per day following the same consumption pattern as the reference bundle • Non-food threshold: Average non-food expenditures of households whose per capita food expenditure is close to the food threshold • Define poverty line	• Food poverty threshold priced 2007 food bundle at 2011 prices • Non-food poverty threshold was re-estimated based on 2011 food thresholds • Helmand and Khost dropped • Comparable poverty trends (32 provinces)	• Survey did not include the detailed expenditure modules • Survey to survey imputation methods were used to estimate poverty	• Food poverty threshold prices 2007 food bundle at 2016-17 prices • Change: Non-food thresholds calculated based on inflating 2007 non-food threshold using non-food inflation as measured by CPI • Consistency: Welfare aggregate and poverty line made consistent to reflect improvements in questionnaire • Coverage: All provinces to be included in national estimates, with data quality assessments

Source: CSO and World Bank.

POVERTY LINES

Poverty lines in Afghanistan are estimated at the regional-urban/rural strata level, and the national poverty line is the population weighted average of these regional-strata lines. The classification of provinces into regions for this purpose is shown in Table 1 below. These 8 regions, when split into urban-rural strata, yield 14 region-strata classifications (some regions do not have urban strata), and therefore 14 poverty lines.

Table 1: Regions and provinces							
Central	South	East	Northeast	North	West	Southwest	West Central
Kabul	Ghazni	Kunarha	Badakshan	Balkh	Badghis	Helmand	Bamyan
Kapisa	Khost	Laghman	Baghlan	Faryab	Farah	Kandahar	Daykundi
Logar	Paktika	Nangarhar	Kunduz	Jawzjan	Herat	Nimroz	Ghor
Panjsher	Paktya	Nooristan	Takhar	Samangan		Urozgan	
Parwan				Sar-e-Pul		Zabul	
Wardak							

Figure 2 shows the revised poverty lines for Afghanistan after implementing the methodological changes described above. In 2007-08, the national average threshold for the cost of covering basic needs, the poverty line was 1,261 Afs per person per month. This threshold, consistently defined and valued at 2016-17 survey prices, increases to 2,056 Afs per person per month. Relative to 2007, this represents a 64% increase in the cost of basic needs, comprised of a 68% increase in the cost of the basic food bundle (benchmarked at 2,100 Kcalories per person per day), and a 58% increase in the cost of non-food necessities.

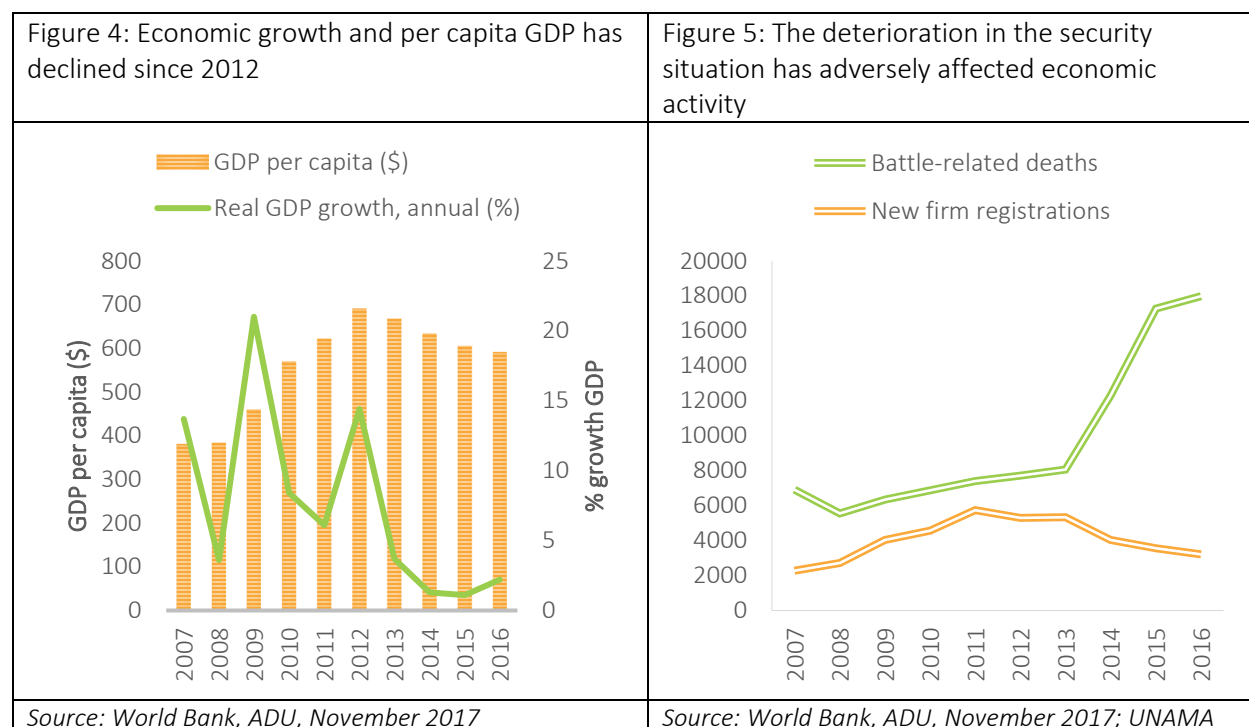| Figure 2: Poverty lines (weighted national average), 2007 to 2017	Figure 3: Implied average inflation (relative to 2007=100) based on poverty lines
Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016	*Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016*

The rest of this chapter is organized as follows. The next section briefly describes the country context in which the revised poverty trends are situated, followed by a description of the trends in welfare between 2007 and 2017. These trends are analyzed at the national, urban-rural and regional level. The chapter concludes with a profile of Afghanistan's poor, highlighting key correlates of welfare.

CONTEXT, 2007-2017: DECLINE IN ECONOMIC GROWTH AND A DETERIORATING SECURITY SITUATION
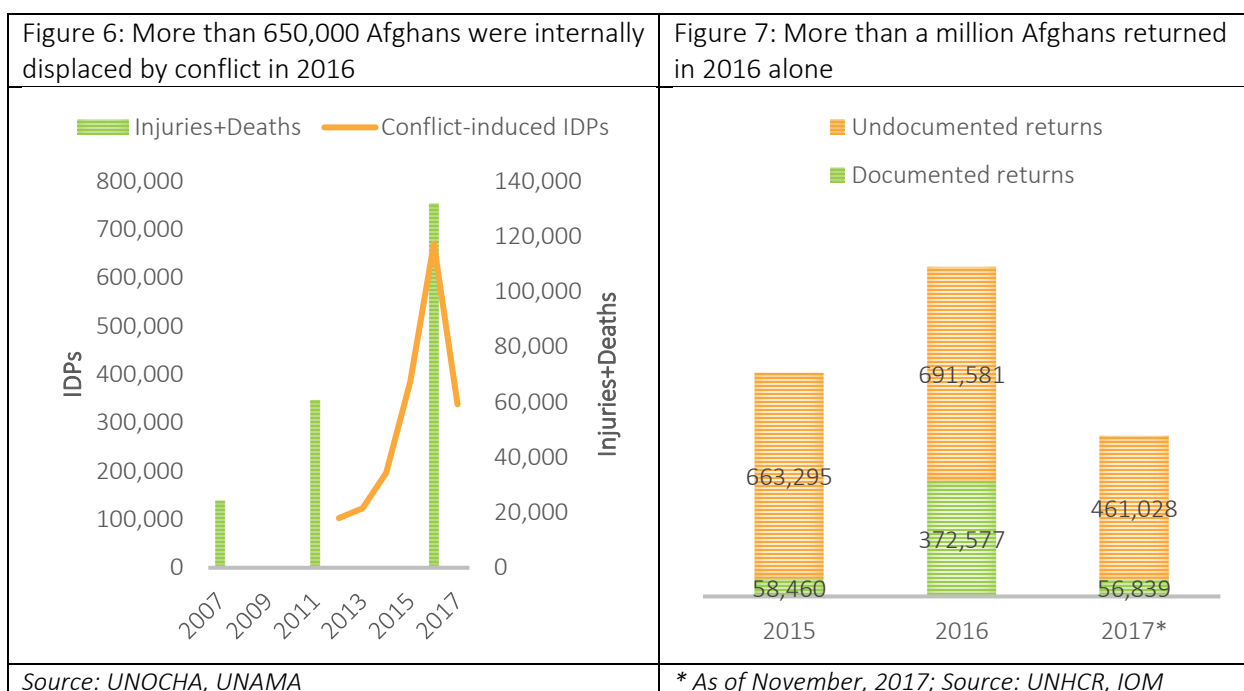
The overall macro-economic and security context in the country since 2007 can be broken into two distinct phases, pre- and post- the 2014 security transition. While the pre-transition phase was characterized by higher economic growth and a relatively stable security situation, since 2014, growth has stagnated, and the security situation continues to deteriorate. In this context, the 2016-17 poverty estimates are the first direct estimates of welfare since the security transition in 2014.

Figure 4 plots per capita GDP and annual GDP growth between 2007 and 2016.[4] Between 2007 and 2012, GDP per capita increased from $381 to $691, with economic growth averaging 11.2 percent per year. In contrast, the Afghan economy has grown at an average of 2.1 percent between 2013 and 2016, and GDP per capita in 2016 remains $100 below its 2012 levels. This economic slowdown has been accompanied by a deterioration in security since 2014 and economic activity (as measured by new firm registrations, Figure 5) has been adversely affected.

| Figure 4: Economic growth and per capita GDP has declined since 2012	Figure 5: The deterioration in the security situation has adversely affected economic activity
Source: World Bank, ADU, November 2017	*Source: World Bank, ADU, November 2017; UNAMA*

The deteriorating security situation has led to large-scale population displacements (Figure 6), and has coincided with the return of more than a million Afghans. Since 2007, the number of injuries and deaths has increased five-fold, and in 2016, more than 650,000 Afghans were internally displaced due to conflict. At the same time, 2016 witnessed the return of more than a million documented and undocumented Afghan refugees, primarily from Pakistan and Iran. Internal displacement and large scale return within a difficult economic and security context pose risks to welfare, not only for the displaced, but also for the population at large, putting pressure on service delivery systems and increasing competition for already scarce economic opportunities.

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[4] Afghanistan's economic growth is projected to increase slightly to 2.6 percent in 2017, and assuming no further deterioration in security, to 3.2 percent in 2018. World Bank, 2017. Afghanistan Development Update, November 2017.

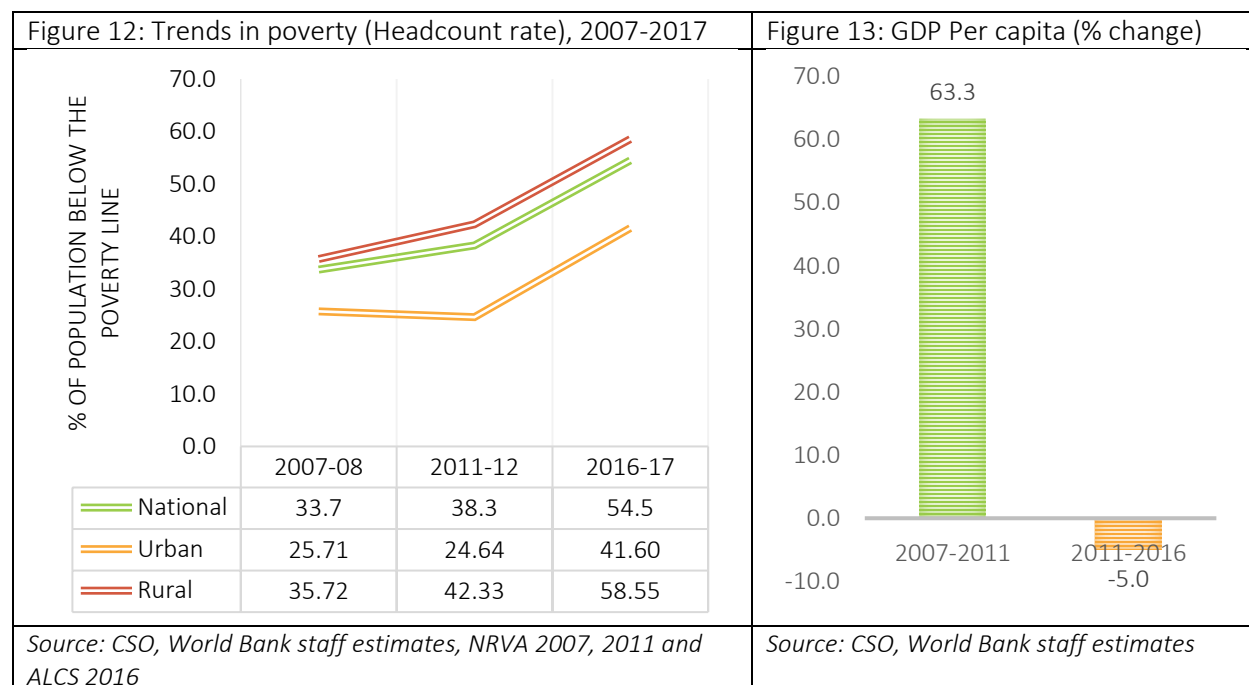| Figure 6: More than 650,000 Afghans were internally displaced by conflict in 2016	Figure 7: More than a million Afghans returned in 2016 alone
Source: UNOCHA, UNAMA	** As of November, 2017; Source: UNHCR, IOM*

Sector specific trends in growth suggest further causes for concern. While agriculture's contribution to GDP has declined steadily from around 30 percent in 2007 to 22 percent in 2016, it remains an important sector as a source of livelihoods for the rural poor, in influencing the affordability of basic food items for the population, and its significant inputs into the manufacturing sector. Significant annual fluctuations notwithstanding, the agricultural sector grew, on average, 8 percent per year between 2007 and 2012. Since then, its annual growth rate has fallen sharply to 0.1 percent on average. Potentially related, the ALCS 2016-17 survey period coincided with an increase in food price inflation, which climbed to 10.7 percent year-on-year in May 2017 (World Bank, ADU, November 2017).

Figure 11: Annual growth rates by sector (%)
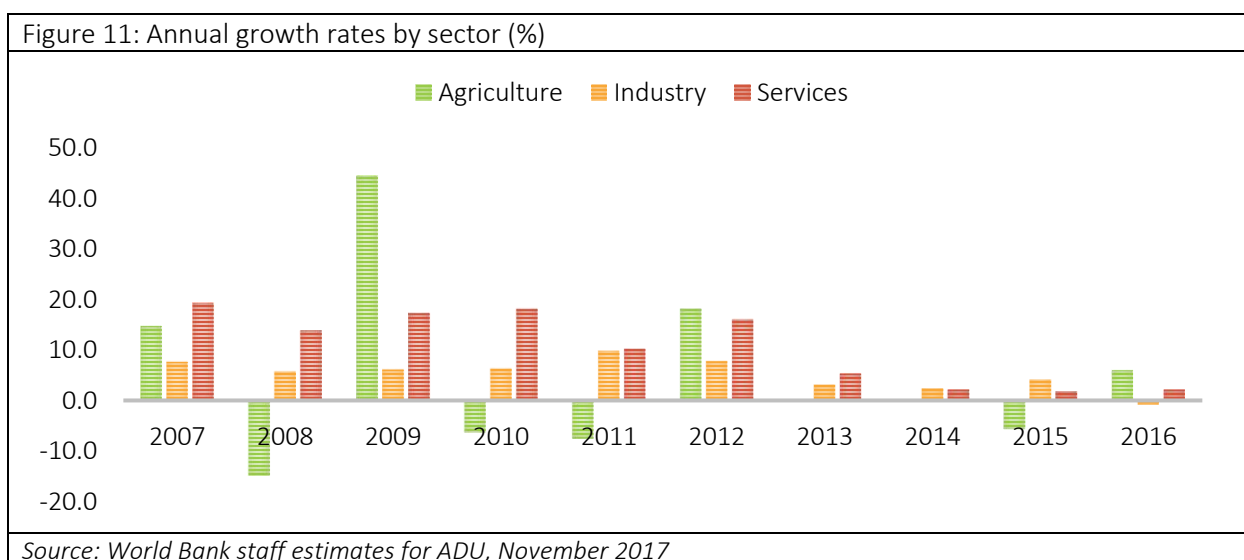
Source: World Bank staff estimates for ADU, November 2017

Afghanistan has experienced a sharp increase in poverty since 2011-12. Figure 12 plots the national, urban and rural poverty headcount rates based on the new series and using the three surveys where direct estimation of poverty is possible.[5] Poverty headcount rates measure the share of the population whose monthly per capita expenditure falls below the poverty line. At the national level, these headcount rates increased from 34 percent in 2007-08 to 38 percent in 2011-12, followed by a sharp rise to 54.5 percent in 2016-17. Rural poverty remains consistently higher than urban poverty, although the deterioration in welfare has become more widespread. While the increase in poverty in the first period, 2007-2011, was driven by an increase in rural poverty, in the second period, both urban and rural poverty rates have increased substantially. These trends are consistent with the large economic contraction the country has experienced since 2012. The period 2007 to 2011 was characterized by a large increase in GDP per capita (which grew 63 percent relative to its 2011 value), whereas during the latter period, 2012 to 2016, GDP per capita actually fell (Figure 13).

Figure 12: Trends in poverty (Headcount rate), 2007-2017	Figure 13: GDP Per capita (% change)
Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016	*Source: CSO, World Bank staff estimates*

Figure 12 data:

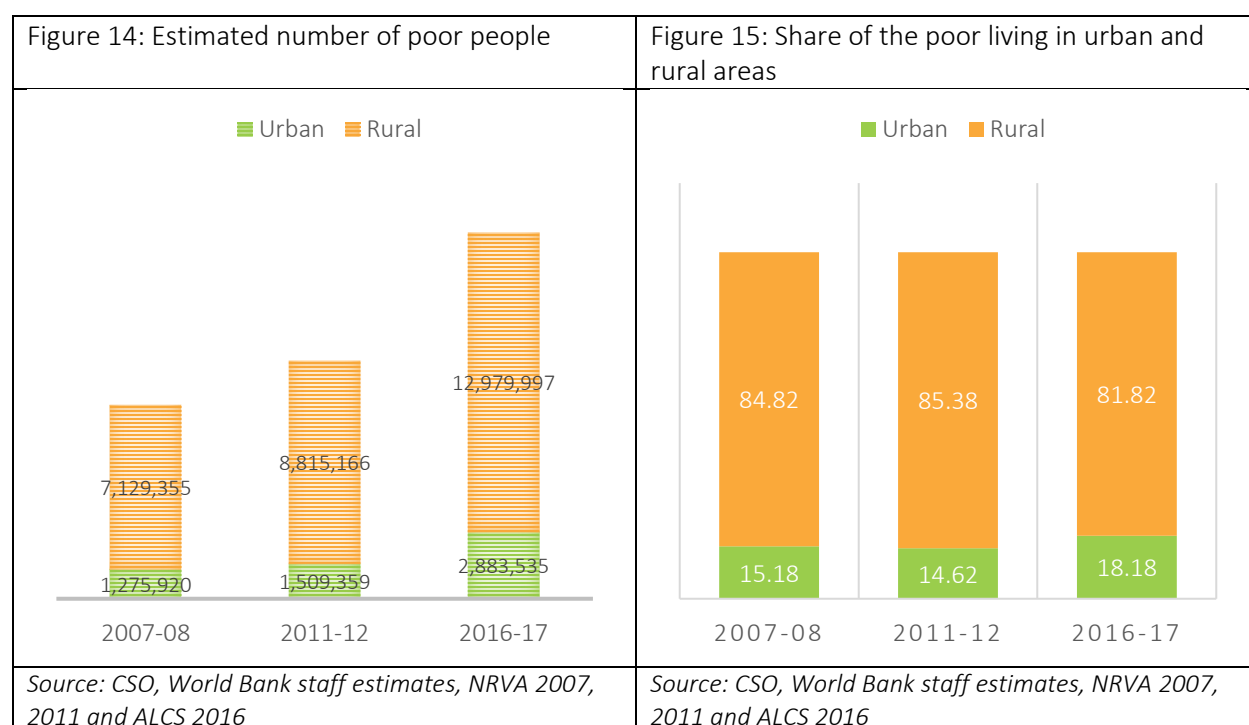|	2007-08	2011-12	2016-17
National	33.7	38.3	54.5
Urban	25.71	24.64	41.60
Rural	35.72	42.33	58.55

As economic growth has lagged behind population growth (as measured by CSO's population estimates, which, according to most recent estimates has underestimated true population growth), not to mention

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[5] These trends take into account methodological improvements defined consistently over time, and therefore differ from previously released estimates.

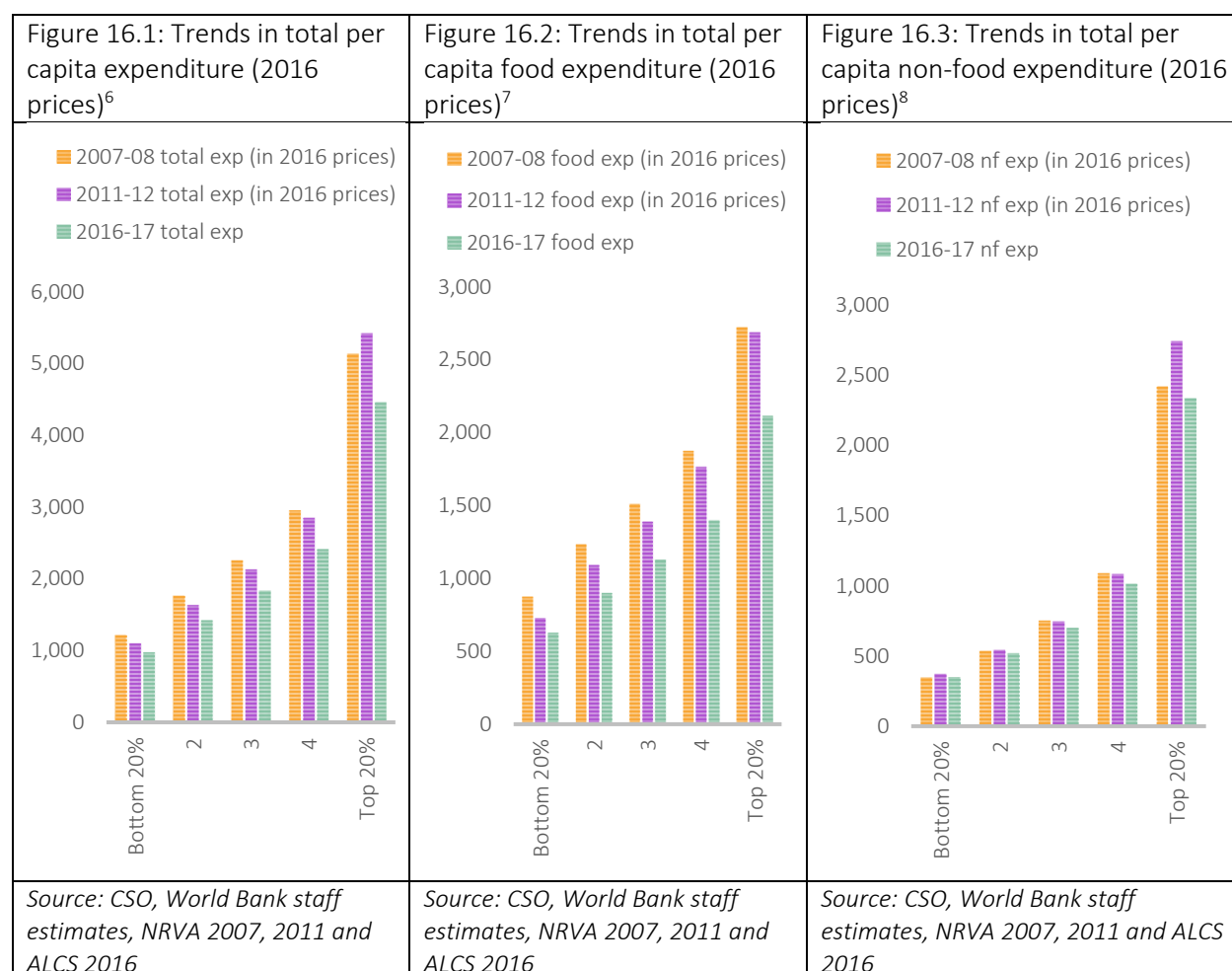| Table: Comparable poverty trend series (Old and revised)				
	2007-08	2011-12	2013-14*	2016-17
Old series, excluding Helmand and Khost	36	36	39	
Revised series, all provinces	34	38		55
*Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016; *Imputation estimates*				

the additional 2.3 million Afghan returnees since 2015, the country has experienced a large increase in the number of poor people (Figure 14). In 2016-17, almost 13 million rural Afghans lived below the poverty line. At the same time, urban poverty has become more widespread, with the number of urban poor more than doubling since 2007, and consequently, 18 percent of Afghanistan's poor now live in urban areas (Figure 15). The increase in urban poverty since 2011 was concentrated in Kandahar, Kabul, Herat, Balkh and Kunduz. In 2016-17, these provinces together accounted for 80 percent of the urban poor, with Kabul alone accounting for about half of all the urban poor. In part, this trend may be driven by IDPs and returnees turning to urban centers in search of security, jobs and services. If this trend continues, the pressure on urban centers will likely increase.

Figure 14: Estimated number of poor people	Figure 15: Share of the poor living in urban and rural areas
Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016	*Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016*

DISTRIBUTIONAL CHANGES IN WELFARE

This deterioration in welfare was experienced across the distribution, among the poorest households, as well as among the most-well off. Figure 16.1 plots the average per capita expenditures in 2016-17 prices by quintiles (dividing the expenditure distribution into five equally sized groups, sorted in ascending order of per capita expenditures), and shows that each quintile, even the richest 20 percent, experienced a decline in welfare. On average, per capita expenditure fell by 18 percent across the distribution between 2011-12 and 2016-17, and fell by 11 percent among the poorest 20 percent. Between 2007-08 and 2011-12, instead, the richest 20 percent was the only group to experience an improvement in welfare. Average per capita expenditures increased slightly by 3 percent during this period, driven by this welfare improvement among the well-off, among the poorest 20 percent, expenditures fell by 10 percent. For the 2011-12 to 2016-17 period, these trends were largely explained by trends in per capita food expenditures, which fell by 21 percent on average, with each quintile experiencing a decline, and with the poorest 20

percent experiencing a 14 percent fall (Figure 16.2). Note that per capita expenditures fell while food prices were increasing, implying a decline in the quantity of food items consumed. The fall in non-food expenditures was more muted, except among the top 20 percent of the distribution.

Figure 16.1: Trends in total per capita expenditure (2016 prices)[6]	Figure 16.2: Trends in total per capita food expenditure (2016 prices)[7]	Figure 16.3: Trends in total per capita non-food expenditure (2016 prices)[8]
Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016	*Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016*	*Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016*

These distributional changes imply that while the intensity of poverty has increased between 2011-12 and 2016-17 (Figure 17), inequality has declined (Figure 18), as the welfare loss among the top of the distribution has been relatively larger than that at the bottom of the distribution (albeit from very different baseline levels). The poverty gap index measures the extent of poverty as the average distance between the per capita expenditure levels of the population and the poverty line, assuming the non-poor have a zero shortfall, and is expressed as a proportion of the poverty line. As Figure 17, shows, the intensity of poverty has doubled at the national, urban and rural level since 2007. On average, the gap between per capita expenditures and the poverty line was 0.15 times the poverty line (calculated across the population).[9] Another interpretation of the poverty gap index is that it provides a measure of the aggregate

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[6] Implicit inflation adjustment based on total poverty line
[7] Implicit inflation adjustment based on food threshold
[8] Implicit inflation adjustment based on non-food threshold
[9] Among the poor, this gap is larger, on average 27 percent of the poverty line.

size of the monetary transfer required to bring the poor out of poverty, assuming perfect targeting were possible. Assuming a national population of 29 million in 2016-17 and using the poverty line of 2,056 Afs per capita per month, a poverty gap index of 0.15 or 15 percent of the poverty line, implies an average transfer of 310 Afs per person per month would be needed to eliminate poverty (and the total budget needed would be 131 million US$ per month, targeted to the poor).
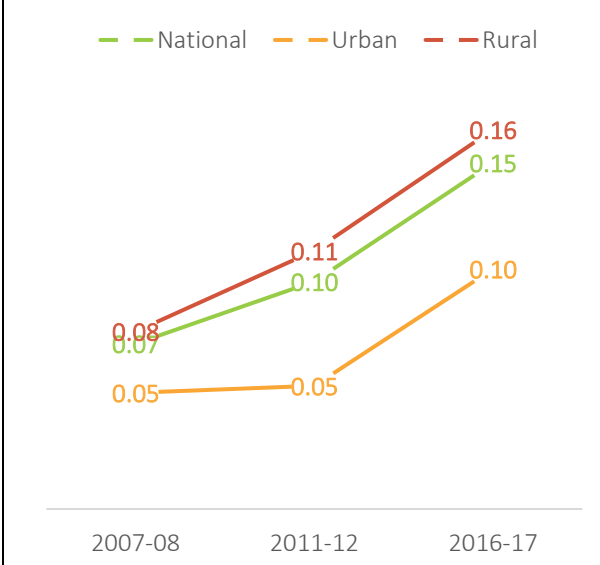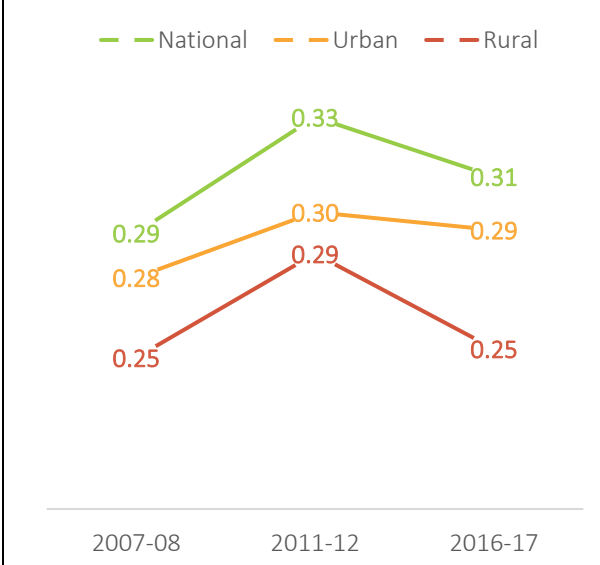
Figure 17: Trends in the intensity of poverty (Poverty gap index)	Figure 18: Trends in expenditure inequality (Gini coefficient)
Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016	*Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016*

Figure 18 plots the trends in expenditure inequality as measured by the Gini coefficient. The Gini index measures the extent to which the distribution of consumption among individuals or households differs from a perfectly equal one. A value of 0 represents absolute equality with everybody consuming the same amount, a value of 1 absolute inequality, where all consumption is concentrated in one person. The welfare decline experienced across the distribution (shown in Figure 16.1-16.3) is reflected here as a decline in the Gini index in 2016-17 relative to 2011-12, driven by the decline in rural inequality, stemming from a compression of living standards.

To what extent was the increase in poverty between 2011-12 and 2016-17 driven by these distributional changes (which compressed the welfare distribution) relative to the overall decline in per capita expenditures (or in other words, the negative rate of growth of welfare)? Poverty reduction can take place without growth in average per capita expenditures if it is accompanied by relatively higher growth in the expenditures of the poor (a solely distributional effect). Alternatively, if the distribution remains

Figure 19: Growth-inequality decomposition of change in poverty rates between 2011-12 and 2016-17

*Source: CSO, World Bank staff estimates, NRVA 2011 and ALCS 2016*
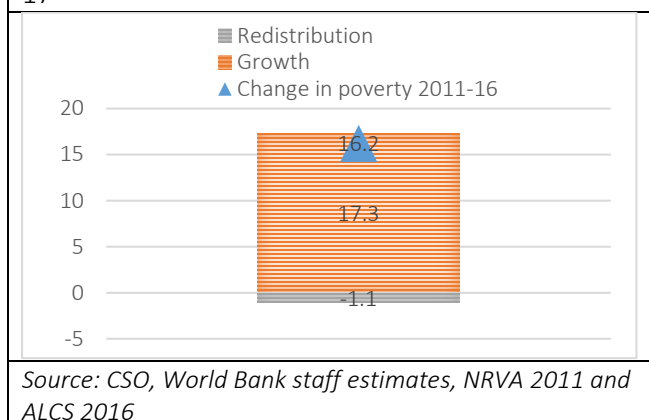
unchanged, or each individual's per capita consumption growth is equal to the average, then the change in poverty stems solely from the growth effect. Between 2011-12 and 2016-17, the overall increase in poverty was 16.2 percentage points. This increase was almost entirely due to a lack in growth in per capita expenditures across the distribution. In fact, had there been no (favorable) change in the distribution of expenditures in 2016-17 relative to 2011-12, national poverty rates would have increased by 17.3 percentage points. The redistribution effect was able to slightly counter the rise in poverty as poorer households did slightly better than richer households in 2016 compared to 2011, although everyone lost.

REGIONAL TRENDS

Poverty headcount rates increased in every region between 2011-12 and 2016-17 (Figure 20). Even in the South, where regional estimates appear to have remained unchanged, the exclusion of a province where field operations were limited to the first two quarters of the survey year results in a regional poverty estimate of 46 percent in 2016-17. Regional disparities in welfare levels have also become more marked over time. The largest increases in poverty between 2011-12 and 2016-17 were in the Central, East, North and North-East regions, between 17 and 20 percentage points. The South West region recorded the highest poverty rate in 2016-17, and even if estimates for provinces where fieldwork was affected by security or of inadequate quality are excluded, while the region estimate is lower at 72 percent, it is still the highest in the country.

Figure 20: Trends in regional poverty

Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016
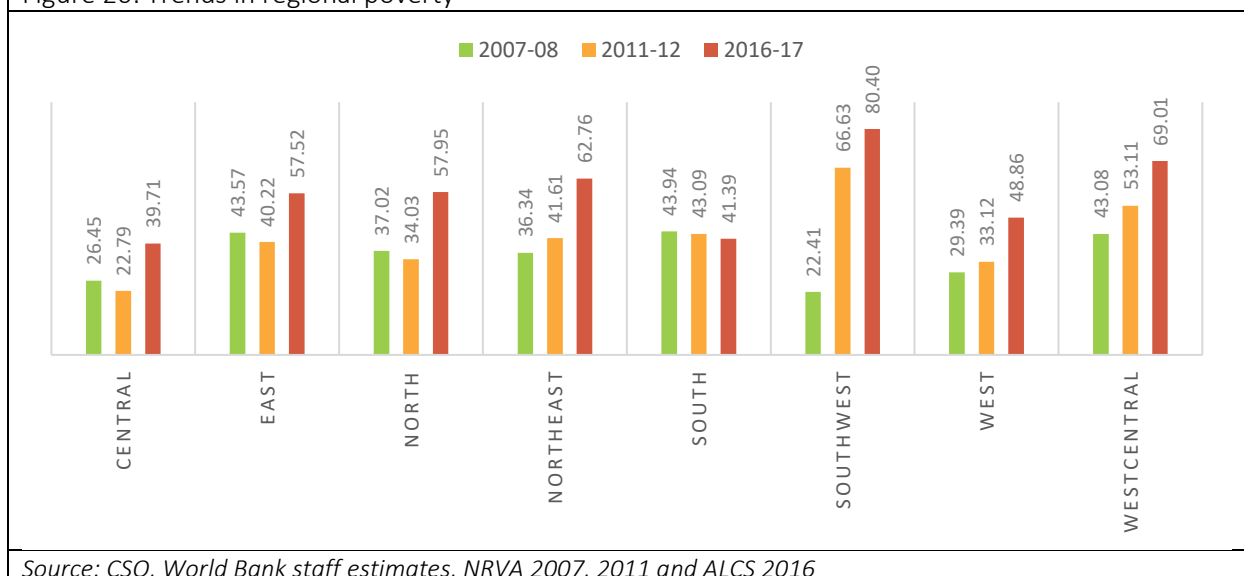
As previously noted, a distinct feature of the increase in poverty between 2011 and 2016 has been the shift in the distribution of the poor towards urban areas. Nevertheless, four out of every five poor Afghans continues to live in rural areas. Figure 21 further breaks down the distribution of the urban and rural poor across regions in 2016-17. The Central region, including Kabul, alone accounts for a half of all urban poor, while the North, North East and South West regions account for another third. The rural poor are more dispersed throughout the county. The North East and South West regions each account for 17 percent of the rural poor, followed by the North region, with 15 percent.

The distribution of the poor across regions has also changed over time (Figure 22). The South rural and East rural regions have experienced a steady decline in their share of the poor since 2007. The South West rural region's share of the poor also fell from 17 percent in 2011-12 to 14 percent in 2016-17. In contrast, North rural and Central Urban now account for a larger share of the poor relative to 2011.

Figure 21: Share of urban and rural poor by region, 2016-17

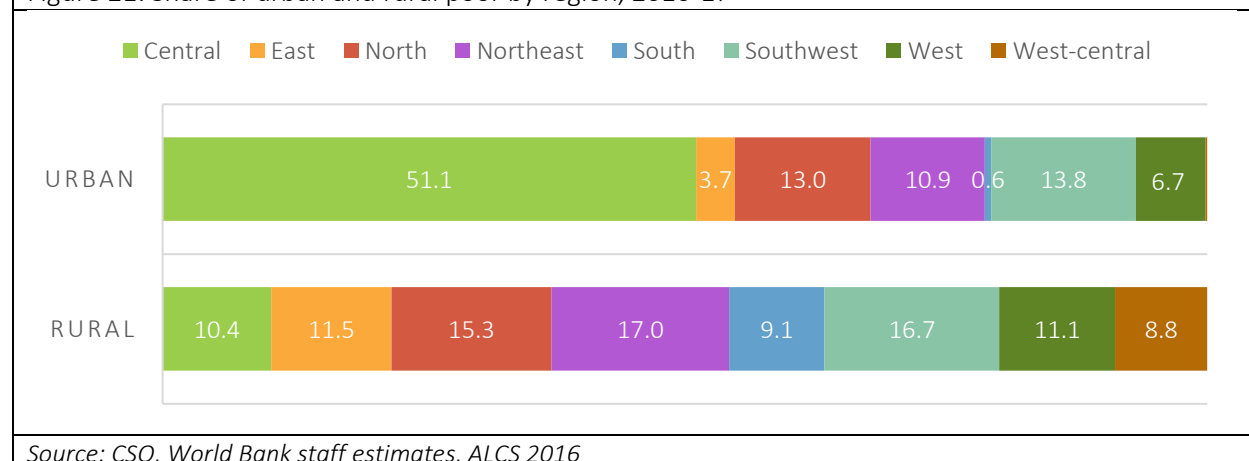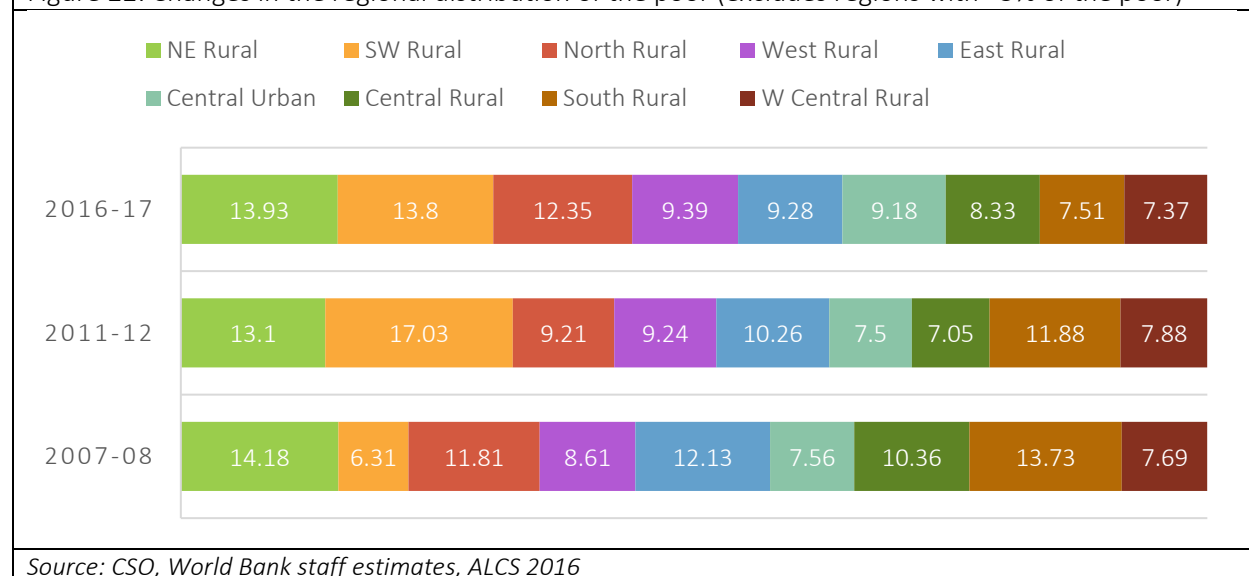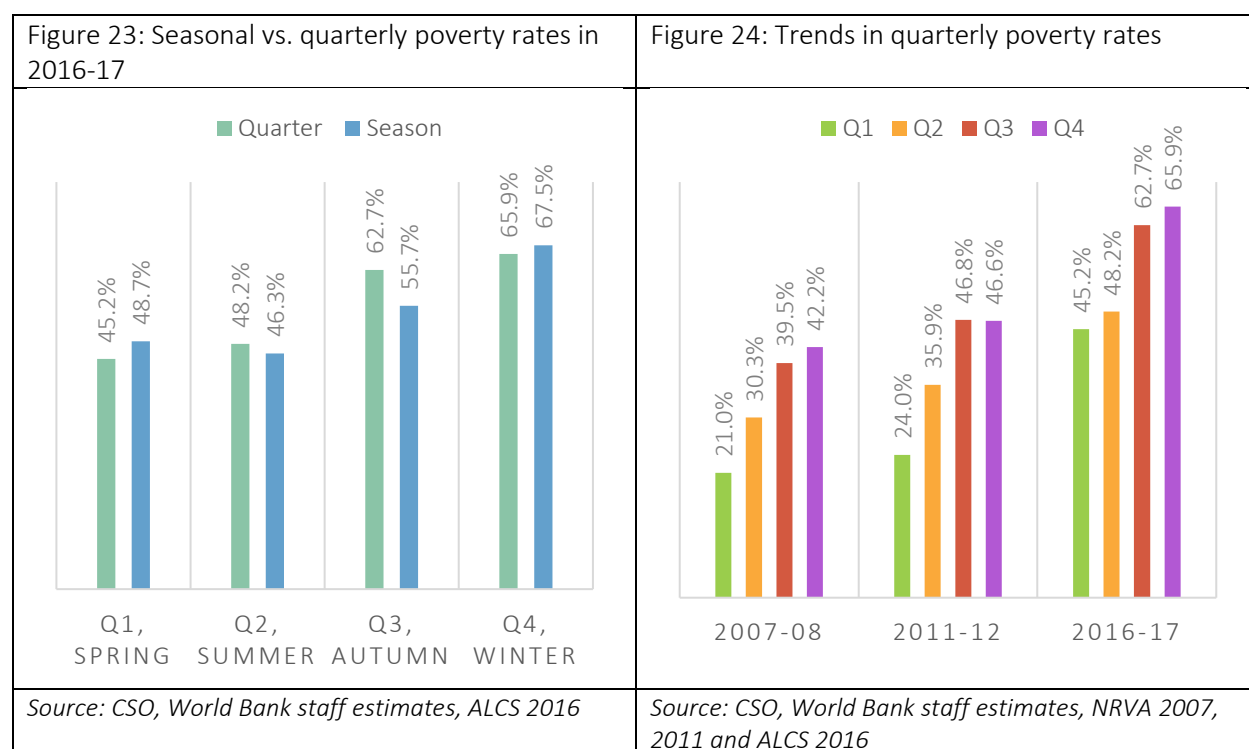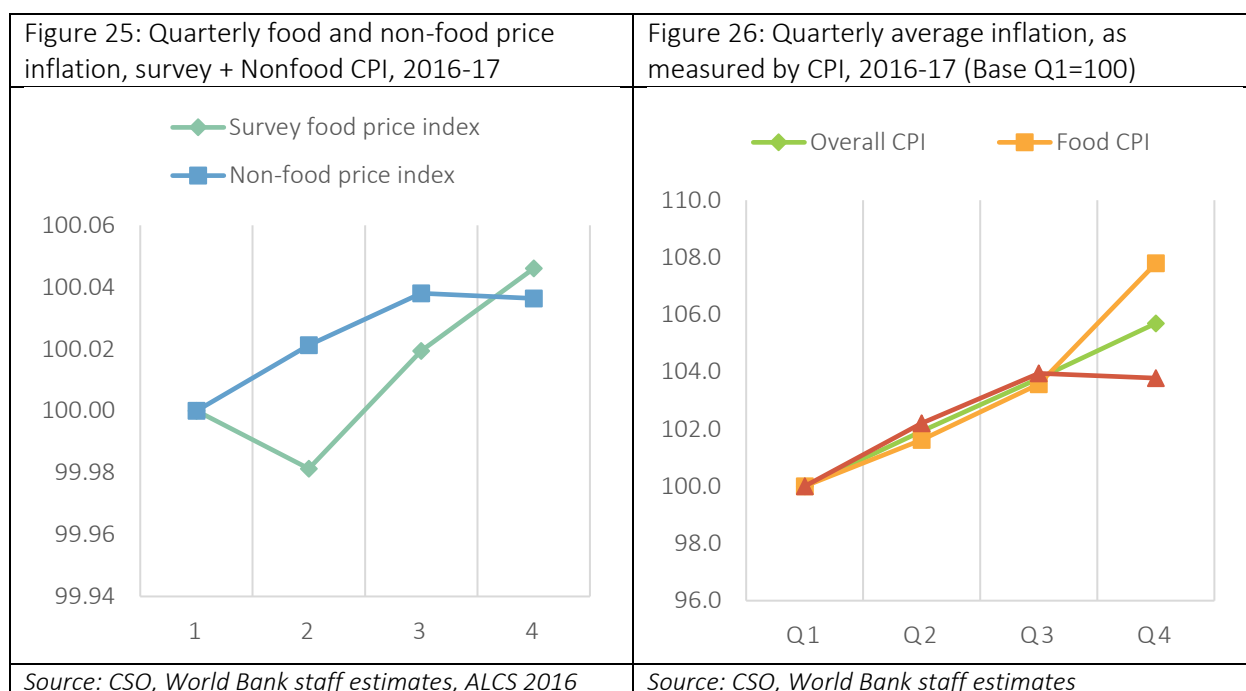Source: CSO, World Bank staff estimates, ALCS 2016

Figure 22: Changes in the regional distribution of the poor (excludes regions with <5% of the poor)

Source: CSO, World Bank staff estimates, ALCS 2016

Poverty has always had a seasonal character in Afghanistan, with winter months being characterized by a deterioration in welfare. While the methodology for poverty measurement divides the survey period into quarters, these quarters closely track seasons in the country, with quarter 1 roughly coinciding with Spring, and quarter 4 with Winter. Figure 23 and 24 show the relation between seasonal and quarterly estimates of poverty in 2016-17, and trends in quarterly poverty rates from 2007 to 2017 respectively. Two patterns become evident here: the first, that there was a sharp increase in poverty in quarter 3 and 4 in 2016-17; and the second, that this increase was the largest in 2016-17 relative to other survey years. In part, these trends are driven by increases in prices, particularly food prices, over the survey period, peaking in quarter 4 (Figure 25 and 26). They may also be explained by a decline in income-generating opportunities from agriculture; and by a decline in the local availability of food items in the market during the winter months.

Figure 23: Seasonal vs. quarterly poverty rates in 2016-17	Figure 24: Trends in quarterly poverty rates
Source: CSO, World Bank staff estimates, ALCS 2016	*Source: CSO, World Bank staff estimates, NRVA 2007, 2011 and ALCS 2016*

Figure 25: Quarterly food and non-food price inflation, survey + Nonfood CPI, 2016-17	Figure 26: Quarterly average inflation, as measured by CPI, 2016-17 (Base Q1=100)
Source: CSO, World Bank staff estimates, ALCS 2016	*Source: CSO, World Bank staff estimates*

WHO ARE AFGHANISTAN'S POOR?

Household and individual demographic and socio-economic characteristics are important correlates of poverty. This section provides some descriptive statistics on the key correlates of poverty in Afghanistan, while describing the prevalence of these characteristics among the poor and the population as a whole.
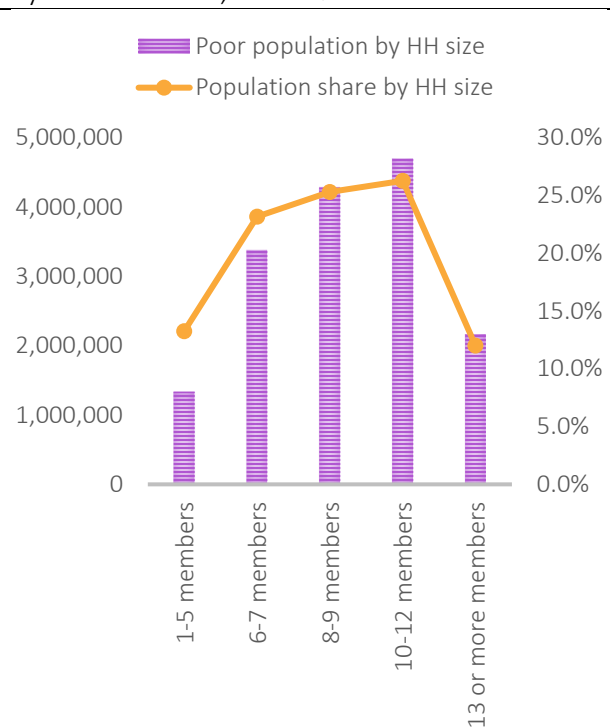
DEMOGRAPHIC CHARACTERISTICS

Consistent with past NRVA surveys, demographic characteristics are strongly correlated with poverty headcount rates. First, poverty rates increase steadily with household size (Figure 27). While a third of households with 1 to 5 members live below the poverty line, roughly 60 percent of households with 8 members or more are poor. However, smaller households with 1 to 5 members make up only 13 percent of the total population, whereas households with 8 or more members make up more than 60 percent of the population (Figure 28). Households of larger size therefore, are both more prevalent and face a higher poverty rate. Poverty also rises with increasing dependency. Figure 29 plots the share of the population living below the poverty line by child dependency and total dependency ratios. Given the demographic distribution of the country, with roughly 40 percent of the population below the age of 14, the bulk of dependency is accounted for by children, and as a result, the prevalence of poverty is very similar when comparing child dependency or total dependency. As with household size, households with very high dependency, for instance, 3 or more dependents to each working age household member, face rates of poverty as high as 70 percent.

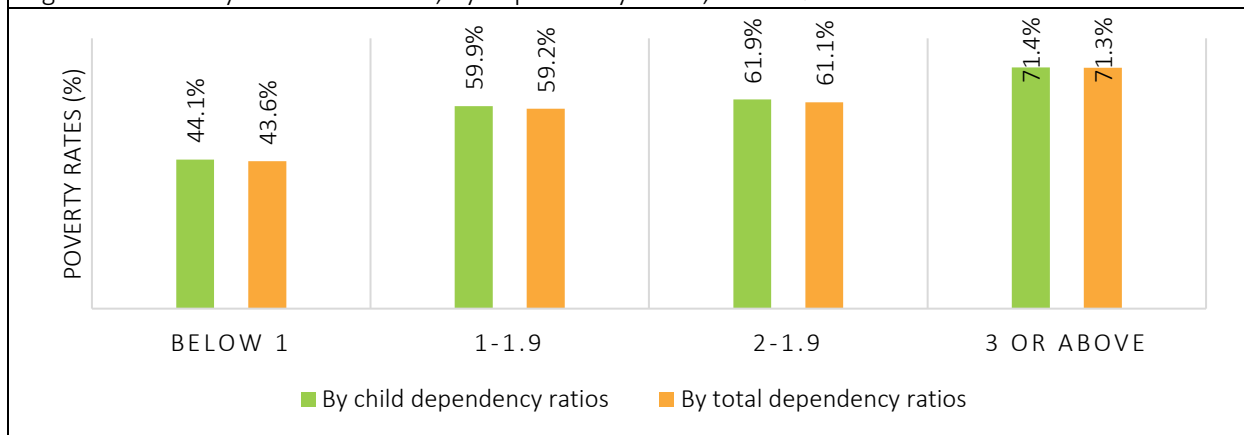| Figure 27: Poverty rates by household size, 2016-17	Figure 28: Population share and poor population by household size, 2016-17
Source: CSO, World Bank staff estimates, ALCS 2016	*Source: CSO, World Bank staff estimates, ALCS 2016*

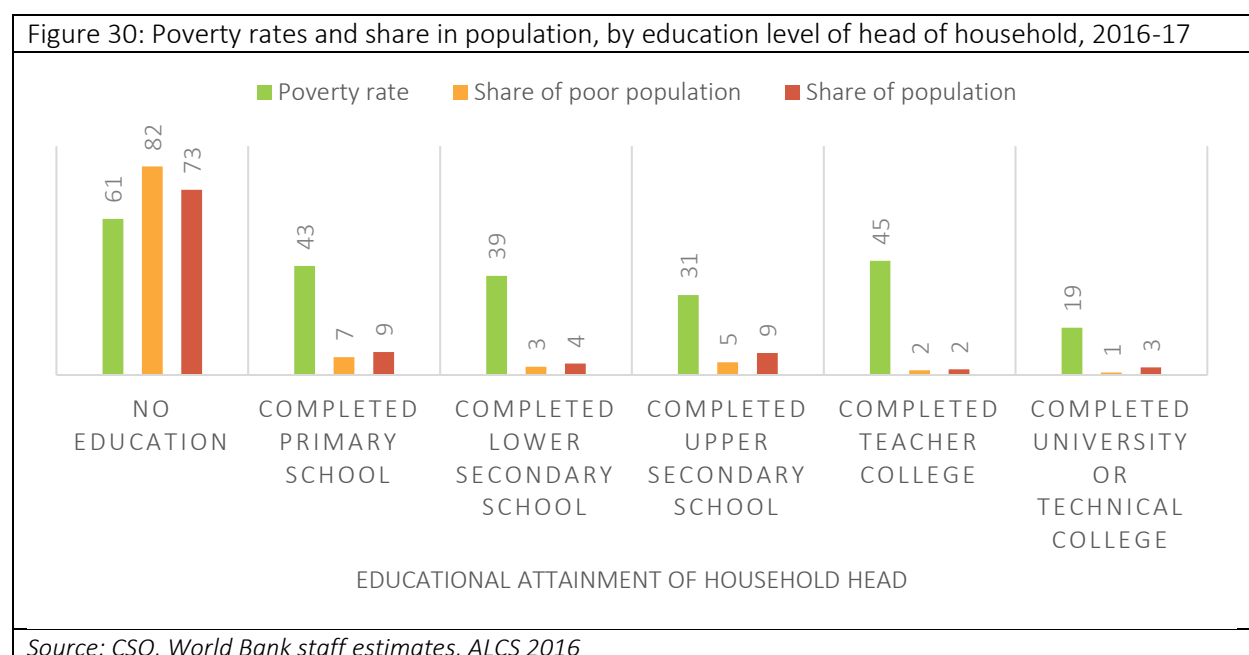Figure 29: Poverty headcount rates, by dependency ratios, 2016-17

Source: CSO, World Bank staff estimates, ALCS 2016
Note: The child dependency ratio is defined as the number of children aged 0-14 over the population in the most productive ages (15-64). The total dependency ratio is defined as the number of children aged 0-14 and elderly aged 65 and above over the population in the most productive ages (15-64)

Education (or the lack thereof) is another important correlate of poverty in Afghanistan. With only 36 percent of household heads being literate, the low levels of educational attainment are pervasive. Households with illiterate heads account for 74 percent of the population, facing poverty rates of 63 percent on average, compared with headcount rates of 40 percent among households with literate heads.

Breaking it down further, it becomes evident that the lack of education is both highly correlated with poverty as well as highly prevalent. Approximately 73 percent of the population belongs to households where the head of household has no education (Figure 30). These households account for 82 percent of the poor, facing a poverty rate of 61 percent on average. While poverty does fall with increasing education of the head of household, households where heads have more than secondary education account for only 5 percent of the population. Finally, having an educated household head does not eliminate the risk of poverty.

Figure 30: Poverty rates and share in population, by education level of head of household, 2016-17

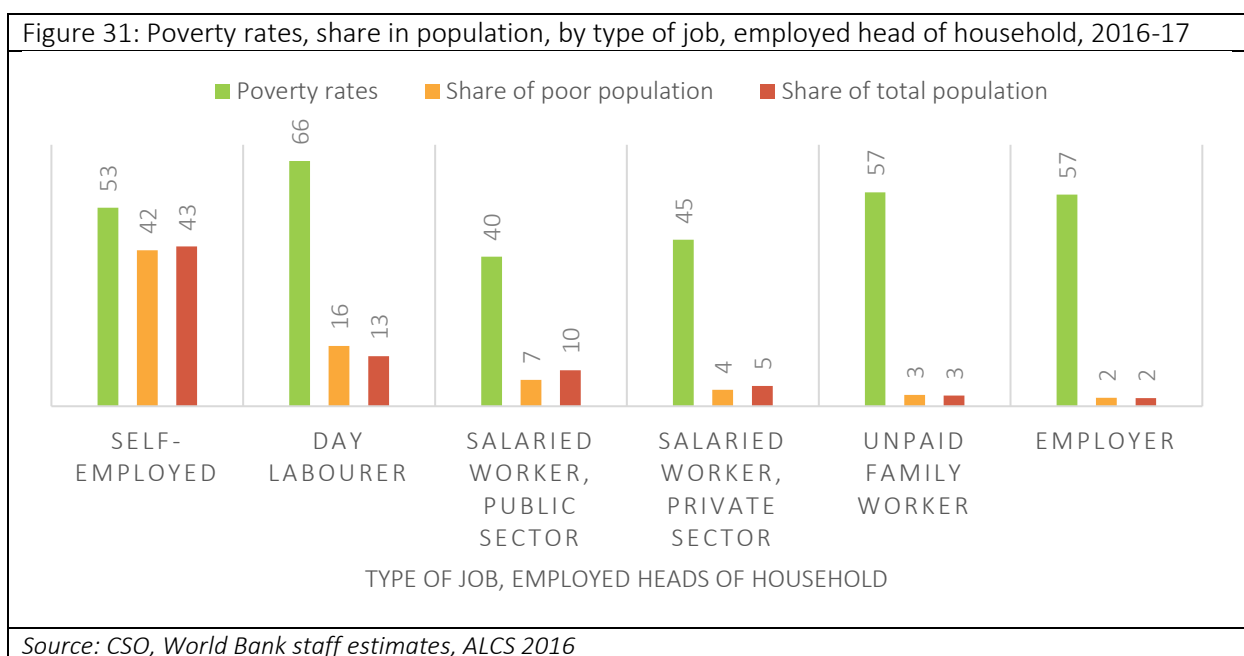*Source: CSO, World Bank staff estimates, ALCS 2016*

The lack of a strong link between higher education and lower poverty likely reflects the pervasive lack of productive employment opportunities. Overall, 38 percent of the population belongs to households whose heads are either unemployed, under-employed or inactive (Table 2). About 42 percent of the poor population belongs to these types of households. In other words, the employment status of the head of the household does not sharply differentiate poor households from non-poor households. While poverty rates are highest among households with heads who are unemployed (68 percent), they remain high irrespective of the employment status of the head.

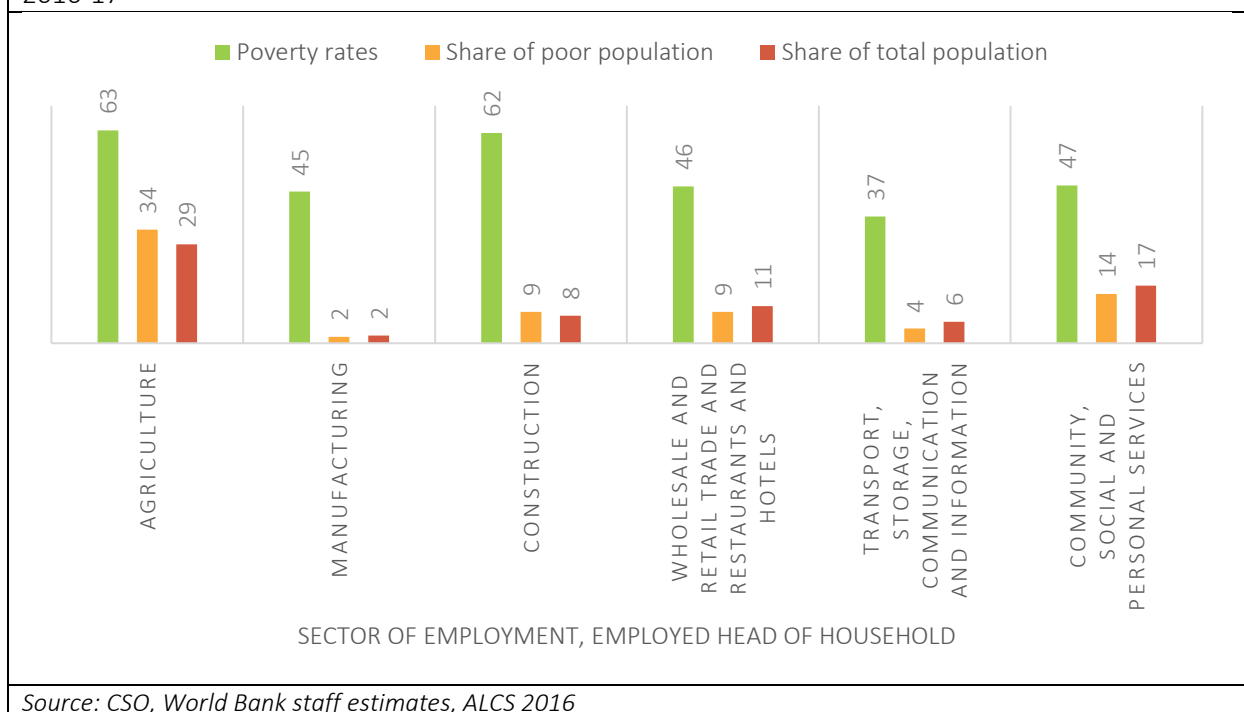| Table 2: Poverty rates, share in population, by employment status of head of household, 2016-17			
Employment status of head of household	Poverty rate	Share of poor population	Share of total population
Employed	51.1	57.6	61.4
Underemployed	63.0	17.6	15.2
Unemployed	58.8	13.9	12.9
Inactive	57.2	10.8	10.3
Source: CSO, World Bank staff estimates, ALCS 2016			

To understand why the poverty rate among households with employed heads is more than 50 percent, we must understand the quality of employment. Figure 31 plots poverty rates, share of the poor population and share of the total population by the type of job held by employed household heads. Approximately 59 percent of the population belongs to households where the head of household holds *vulnerable* employment, or in other words, is self-employed or works on own-account, is a day laborer or is an unpaid worker. Only 17 percent of the population belongs to households where heads hold salaried employment or work as employers. As Figure 31 shows, only having a salaried job (15 percent of the population) brings poverty rates below 50 percent. In contrast, 56 percent of the population belongs to households with heads who are self-employed or day laborers, whose poverty rates are as high as 53 and 66 percent respectively.

Figure 31: Poverty rates, share in population, by type of job, employed head of household, 2016-17

Source: CSO, World Bank staff estimates, ALCS 2016

While employment of the household head in agriculture continues to be associated with higher poverty rates (63 percent), and accounts for a third of the poor population (and 29 percent of the total population) with employed heads, other sectors are also characterized by high poverty rates. Industry accounts for 11 percent of the poor (and total) population with employed heads of household, with a poverty rate of 58 percent; and the services sector, with 29 percent of the poor (and 35 percent of the total) population with employed heads, has poverty rates of 45 percent. Figure 32 breaks these patterns down into the major

sectors of employment (2-digit codes), highlighting the vulnerability of non-agricultural employment in the construction sector in particular.

Figure 32: Poverty rates, share in population, by sector of employment, employed head of household, 2016-17

Legend: ■ Poverty rates ■ Share of poor population ■ Share of total population

Values by sector:
- AGRICULTURE: 63, 34, 29
- MANUFACTURING: 45, 2, 2
- CONSTRUCTION: 62, 9, 8
- WHOLESALE AND RETAIL TRADE AND RESTAURANTS AND HOTELS: 46, 9, 11
- TRANSPORT, STORAGE, COMMUNICATION AND INFORMATION: 37, 4, 6
- COMMUNITY, SOCIAL AND PERSONAL SERVICES: 47, 14, 17

SECTOR OF EMPLOYMENT, EMPLOYED HEAD OF HOUSEHOLD

Source: CSO, World Bank staff estimates, ALCS 2016

CONCLUSION

A severe slow-down in Afghanistan's economic growth characterized the period between 2012 and 2016. This sharp deceleration can be attributed to the combined effects of the drawdown of international military forces and a sharp fall in associated international spending, reduction of aid, and increasing conflict and political instability. These trends are reflected in the increasing vulnerability of the Afghan population, as widespread deteriorations in welfare are evidenced in the sharp increase in poverty rates to 55 percent in 2016-17. Many inequalities persist in Afghanistan, between regions, cities and rural areas, and rich and poor Afghans. Poverty headcount rates increased in every region between 2011-12 and 2016-17 and the deterioration in welfare was experienced across the distribution, among the poorest households, as well as among the most-well off. These distributional changes imply that while the intensity of poverty has increased between 2011-12 and 2016-17, inequality has declined, as the welfare loss among the top of the distribution has been relatively larger than that at the bottom of the distribution.

Demographic characteristics remain are strongly correlated with poverty headcount rates. Poverty rates increase steadily with household size and households of larger size are both more prevalent and face a higher poverty rate. Education (or the lack thereof) is another important correlate of poverty in Afghanistan. Low levels of educational attainment are pervasive and households with illiterate heads account for 74 percent of the population, facing poverty rates of 63 percent on average, compared with

headcount rates of 40 percent among households with literate heads. While unemployment of the head of household is correlated with higher poverty, employment is no guarantee against poverty. Roughly half the population belonging to households with employed heads lives in poverty. Few have access to productive or remunerative employment. Afghans living in households where the household head is employed in agriculture are likely to face higher poverty rates (63 percent) and account for a third of the poor population. More broadly, almost 60 percent of the population belongs to households where the head of household holds *vulnerable* employment, or in other words, is self-employed or works on own-account, is a day laborer or is an unpaid worker.