

The Role of G20 in Supporting Afghanistan's Economic Development And Reconstruction

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Abstract - G20 is the premier forum for international economic cooperation, collectively accounting for 85% of the global GDP. The major contributor of developmental assistance aid to developing countries in G20 is the USA, Germany, European Union (EU), the United Kingdom (UK) and Japan. As of now, Afghanistan's economy is on the brink of collapse and is in dire need of developmental assistance to rebuild the economy and improve the livelihood of its citizen. Its GDP slumps from 20.56 billion (US\$) in 2013 to 14.79 billion (US\$) in 2021. G20 has the potential to play a crucial role in facilitating and coordinating efforts for Afghanistan's economic recovery, if the member countries come forward as they have resources and expertise, will become key stakeholders in Afghanistan's reconstruction process. The G20 can provide support for capacity development in critical sectors such as energy, infrastructure, human capital, etc., establishing the foundation for sustainable economic growth. The G20's commitment to sustainable development and inclusive growth aligns with the long-term goals of Afghanistan. By focusing on job creation, poverty reduction, education, and human rights, the G20 can actively assist Afghanistan in building a resilient and inclusive economy. The paper concludes by stating that G20 has the potential to assist the struggling Afghanistan in overcoming the economic crisis and effects of US withdrawal in 2021 and to accept diverse perspectives and opinions regarding the ongoing matter of concern.

Keywords: G20, Afghanistan's economy, Sustainable development, Infrastructure, Development assistance.

Introduction - Afghanistan is a multiethnic landlocked country located in the heart of South-Central Asia, reflecting its location astride historic trade and invasion routes between Central, South, and Western Asia. The population of Afghanistan is around 41 million as of 2023. The state is fragile and sustained through constant negotiations over power, resources and ideology, but the Taliban established an interim government after the US withdrawal in August 2021. It is a country ravaged by decades of conflict and instability which impacted its economy and pushed it into an economic crisis resulting in the contraction of its economy by 20.7% of GDP in 2021. Decades of war, collapse of the country's Central Bank (DAB), cut in foreign aid due to the Taliban takeover, foreign sanctions imposed on the Taliban and economic shocks have been the primary causes of the deteriorating situation of Afghanistan's economy. Recognizing the urgent need for sustained support, the G20 has taken on the responsibility of addressing the socio-economic challenges faced by Afghanistan, aiming to foster sustainable growth, build resilient infrastructure, and enhance governance and institutional capacity. The Global Partnership for Afghanistan's Economic Development and Reconstruction is a complex and multifaceted endeavour that requires the

collaboration and support of various international actors. The G20 has emerged as a critical player in bolstering Afghanistan's economic development and reconstruction efforts. Comprising the world's major economies, the G20 provides a platform for coordination, cooperation, and financial assistance that can significantly contribute to the stability and prosperity of Afghanistan. This essay examines the crucial role played by the G20 in supporting Afghanistan's economic development and reconstruction, highlighting the initiatives, policies, and financial assistance provided by this influential global forum. By analysing the G20's efforts, we can gain valuable insights into the collective international response and the significance of global partnerships in post-conflict nation-building.

G20 :G20 is an international forum of 19 countries and the European Union. The G20 group was formed in 1999 and its first summit was held in 2008 in Washington DC (USA) and the latest one in 2022 in Indonesia. The presidency of the G20 rotates every year it brings together the world's major economies to discuss and address global economic and financial issues. The G20 serves as a platform for high-level discussions, cooperation, and coordination on topics such as economic growth, trade, finance, and sustainable development. The G20 aims to promote global economic

stability, foster international financial cooperation, and address global economic challenges. The G20 plays a vital role in shaping global economic policies and facilitating dialogue among its member nations and other stakeholders through its meetings and initiatives.

The sixteenth G20 Summit was hosted by Italy on 30-31 October 2021 in Rome. In addition, Italy also convened an Extraordinary Leaders' Summit on Afghanistan, which was preceded by a meeting of Foreign Ministers on Afghanistan, to discuss the G20's role in responding to the crisis in Afghanistan, especially in ensuring humanitarian access; maintaining security and fighting terrorism and issues of mobility and migration. A Chair's statement was issued following the Summit, which spoke about the advocacy role of the G20 within the international community to fully support UN activities and respond to UN appeals on humanitarian aid.

The G20's appeal for international assistance to reach \$4.6 billion in 2023 which is the minimum requirement for Afghanistan. Hence The EU pledged \$1 billion and Germany •600 million at the Italy summit held in 2021. China called for economic sanctions on Afghanistan to be lifted and that billions of dollars of Afghanistan's international assets to be unfrozen and should handed back to Kabul.

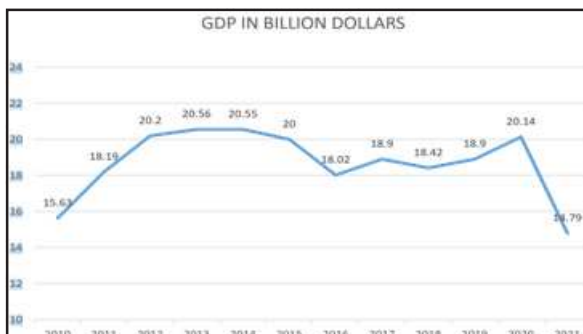
Recently, India got the presidency of G20 summit and it will be held in September 2023.

Objectives:

1. To study the role of G20 in addressing the economic crisis of Afghanistan.
2. To analyse the contribution of G20 nations to Least Developed Countries in the form of developmental assistance, especially in Afghanistan.
3. To examine the factors that could led to Afghanistan's economic recovery.

Research Methodology: The paper is based on historical, descriptive and quantitative methods. The study is primarily based on secondary data for analysis and interpretation. It includes the analyses of previous works and databases. The data is taken from the OECD's official website for the Official Development Assistance (ODA) and Afghanistan's GDP.

Results And Findings: GDP of Afghanistan is steadily declining since 2013, results in contraction of its economy by 20.7% in 2021.



*Source World Bank

Afghanistan relies on international aid to sustain its economy, which accounted for a staggering 75% of total government spending and nearly 40% of GDP at the time of transition which is \$8 Billion approx. But now the foreign donors largely suspended aid after the transition. GDP will further contract by 30-30% between 2021 to 2023(World Bank's new Afghanistan report) if foreign aid is not resumed. About 34 million population of Afghanistan are already in poverty which was increased by 15 million from 2022. The support from international agencies and groups mainly comes in the form of humanitarian aid (around 51%). As a result, aid dependent service sector hit hardest by the crisis which lacks funds. Agriculture sector also declined by around 5%.

(Chart see in next page)

Suggestions:

1. Strong banking system is needed to circulate currency (to maximize the reach of received foreign aid) in Afghanistan.
2. G20 countries should gradually remove economic sanctions on Afghanistan.
3. Inclusion of women in Afghanistan's economic development, because excluding them will cost around \$1 billion or 5% of the GDP.
4. Pledging of more funds by G20 countries to support GDP growth in Afghanistan.
5. Unfrozen the overseas assets held by Afghanistan which worth's around \$9 billion (The Guardian Report).
6. Funds to be released by the World Bank to support the social sector to promote inclusive growth and sustainable development.
7. Afghanistan being an agricultural economy and young growing population, harnessing this potential allow for stabilization of the economic recovery.
8. G20 should also try to initiate a broader program of economic development could be provided to macroeconomic management, broader public services, infrastructure and the private sector, allowing much faster recovery.

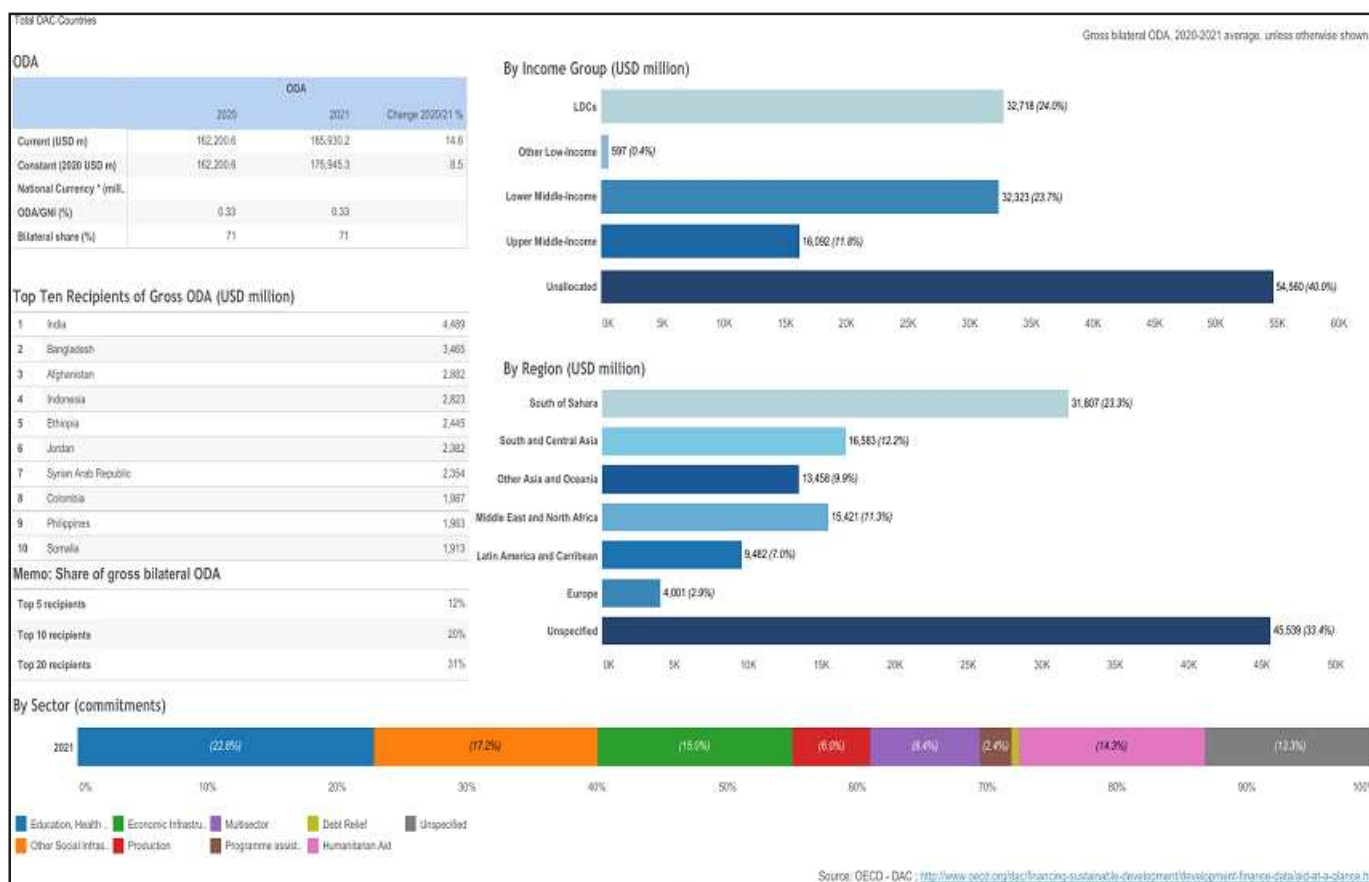
Conclusion : As of now, Afghanistan economy is in free fall. The G20 countries have been actively providing financial assistance, technical expertise and coordination efforts to promote Afghanistan's economic development and reconstruction. G20 facilitates dialogues and coordination among key stakeholders which includes international organizations, civil society and various other bodies. The G20 being an influential group support initiatives for trade, investment and connectivity in the region, fosters new economic opportunities and contributes to Afghanistan's growth and development.

G20 is recognizing the significance of inclusive and sustainable development, earlier signs of recovery have been fueled by international aid amounting to \$3.7 billion in 2022(UNDP) actions by both the international community

and the interim Taliban administration is the need of the hour to address this situation of Afghanistan which necessitate proper inflow of foreign aid in Afghanistan, to avoid the situation of extreme poverty, displacement, fragility and extremism threats.

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