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Afghan Exodus: Regional Macroeconomic Implications and Policy Challenges

Rhea Gupta, Chandana Kularatne, Dirk Muir, Pedro Rodriguez, Li Zeng

Under the guidance of Abdullah AlHassan

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ABSTRACT: Afghanistan has endured decades of war and political turmoil, leading to repeated waves of displacement (refugees and internally displaced persons) and emigration. This paper documents key stylized facts of the Afghan displacement and emigration crisis, assesses its macroeconomic impacts from a regional perspective using the IMF's FSGM model, and considers policy challenges facing both Afghanistan and host countries (Iran and Pakistan). It underscores the need for a holistic and coordinated approach to achieve a durable solution.

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WORKING PAPERS

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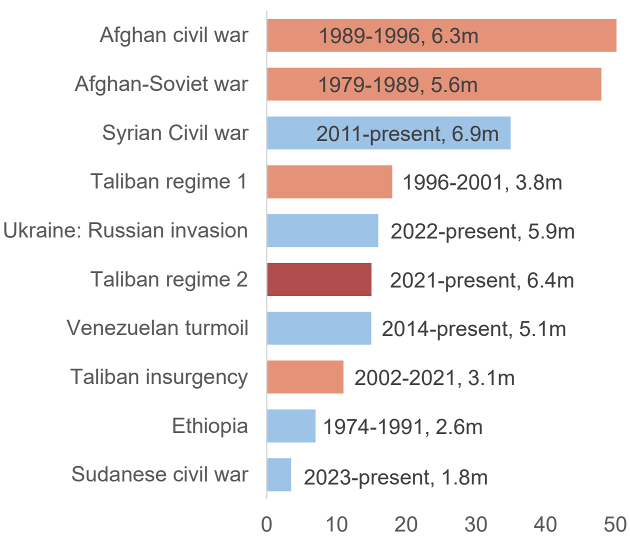
Introduction

1. **Afghanistan has endured decades of war and political turmoil, leading to repeated waves of refugees (Figure 1).** Since the 1970s, the country has faced numerous conflicts, including the Soviet invasion, civil war, the rise of the Taliban, and the aftermath of the 2001 U.S.-led intervention. These conflicts have resulted in political instability, security risks, and severe humanitarian and economic hardship, making Afghanistan the source of five of the ten largest refugee crises in the past 50 years.

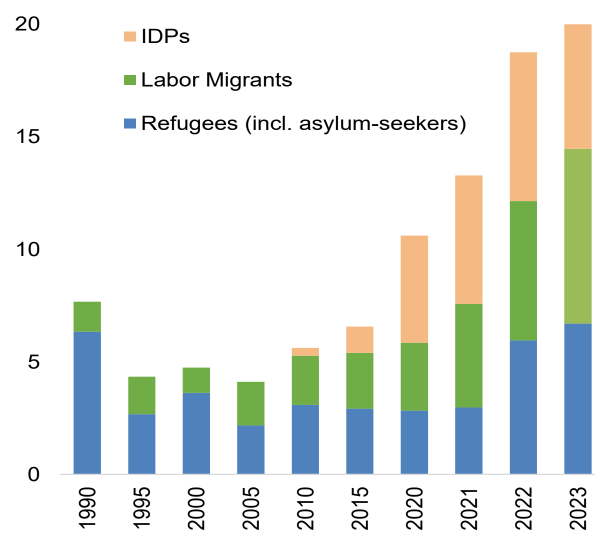
2. **Since 2020, the scale of displaced and emigrating populations has reached unprecedented levels, even compared to Afghanistan's own history (Figure 2).** The combined total of Afghan refugees, internally displaced persons (IDPs), and emigrants exceeded 20 million in 2023, nearly 50 percent of the country's total population. This far surpasses any period before 2020 and more than triples the level in 2015. Unlike in previous crises, the number of IDPs has surged, driven by political, social, and economic challenges following Taliban's takeover in August 2021, as well as climate-related events. When the number of economic emigrants—estimated at 7.8 million in 2023—reaches 20 percent of the total population, it is a population loss—in addition to refugees—with significant negative impacts on the economy.

Figure 1. Largest Refugee Crises Since 1970 by Peak Number
(Percent of Population)



Sources: Pew Research Center, UNHCR, IMF Staff calculations.

Figure 2. Evolution of Afghan Refugees, Emigrants, and IDPs
(Millions)



Sources: UNHCR, UNDESA, IDMC, and Staff estimates.

Notes: Labor migrants are estimated as the difference between total migrants and refugees. Total migrant numbers for 1990-2020 are from UNDESA; numbers for 2021 and 2022 are interpolated from 2020 and 2023 estimates, the later is based on the total number of Afghans in Iran and Pakistan.

3. **An immediate consequence of the current mass displacement is a severe humanitarian crisis.** Millions of displaced persons, both inside Afghanistan (IDPs) and abroad (refugees), face shortages of basic goods and services. International relief efforts have provided humanitarian assistance and basic human needs,

and aimed to help find durable solutions. However, such efforts are hindered by funding gaps and logistical challenges, limiting their overall effectiveness and reach.

4. **The displacement crisis, compounded by large-scale emigration, has further weakened the Afghan economy.** Population loss, due both to refugees and emigrants, directly reduces the labor force, while disruptions often lead to lower participation, fewer job opportunities, and reduced productivity among IDPs, thereby contributing to a decline in output. Furthermore, the exodus of skilled workers and professionals among refugees and emigrants could result in a "brain drain," stifling Afghanistan's potential growth in the medium term. While remittances from overseas Afghans help alleviate some of these negative impacts, if left unaddressed, the displacement and emigration crisis could become more entrenched over time.

5. **The influx of Afghan refugees and migrants has also significantly impacted host countries, especially Iran and Pakistan.** Both nations have long hosted large populations of Afghan refugees and migrants. However, the recent surge has triggered a backlash, partly due to the economic pressures—further strain on public services and infrastructure, and disruptions to local labor markets, particularly in areas with high concentrations of Afghans. Under these pressures, along with security concerns and climate shocks, both countries have adopted stricter repatriation policies targeting undocumented Afghans since late 2023.

6. **Recognizing the far-reaching implications of Afghanistan's displacement and emigration crisis, this paper aims to supplement the existing research from a regional perspective.** It documents key stylized facts, assesses the macroeconomic impacts of Afghan refugees, IDPs and migrants, and recommends policies to address the root causes of the crisis while maximizing the economic potential of Afghans in host countries. The key policy messages include: (i) for Afghanistan, implementing reforms addressing displacement and emigration can yield substantial economic benefits; (ii) for major host countries such as Iran and Pakistan, better integration of Afghan refugees could support local economies but entails trade-offs, including labor market pressures and fiscal costs; and (iii) achieving a “win-win” outcome requires simultaneous reforms in both source and host countries, underpinned by international assistance.

Literature Review

7. Migration and forced displacement are critical global policy issues. The IOM's World Migration Report (IOM, 2024) and the UNHCR's Global Report (UNHCR, 2023) provide comprehensive updates, highlighting key challenges such as inequality, security, gender, and climate change, while calling for international cooperation and support. The World Bank's 2023 World Development Report provides in-depth analyses of international migration and its potential to serve as a force for growth and shared prosperity in all countries. Additionally, World Bank (2022) and Schuettler and Do (2023) address the issue of IDPs, including their status, causes, economic implications, and policy solutions. The IMF has conducted extensive research on these topics from a global perspective, with a particular focus on the macroeconomic impacts of refugee and economic migration flows, as well as policy responses. IMF (2015, 2020, 2025) analyzes the underlying drivers of migration—both refugees and economic migrants, its macroeconomic implications on both source and host countries.

8. Regionally, Europe faces two distinct migration challenges: refugee influxes and intra-Europe labor migration. The Syrian civil war led to a significant refugee crisis, with Aiyar et al. (2016) detailing its impact on European host countries, their responses, and policy priorities, such as humanitarian relief and facilitating labor market integration. Atoyan et al. (2016) address migration from Eastern to more developed European countries, examining both the source countries' and the EU's perspectives, and proposing considerations for regional initiatives to mitigate negative impacts. Caselli et al. (2024) document the surge in immigration to the European Union (EU) in 2022-23, analyzes its macroeconomic implications, and highlights the important role of immigration in addressing the EU's challenging demographic outlook.

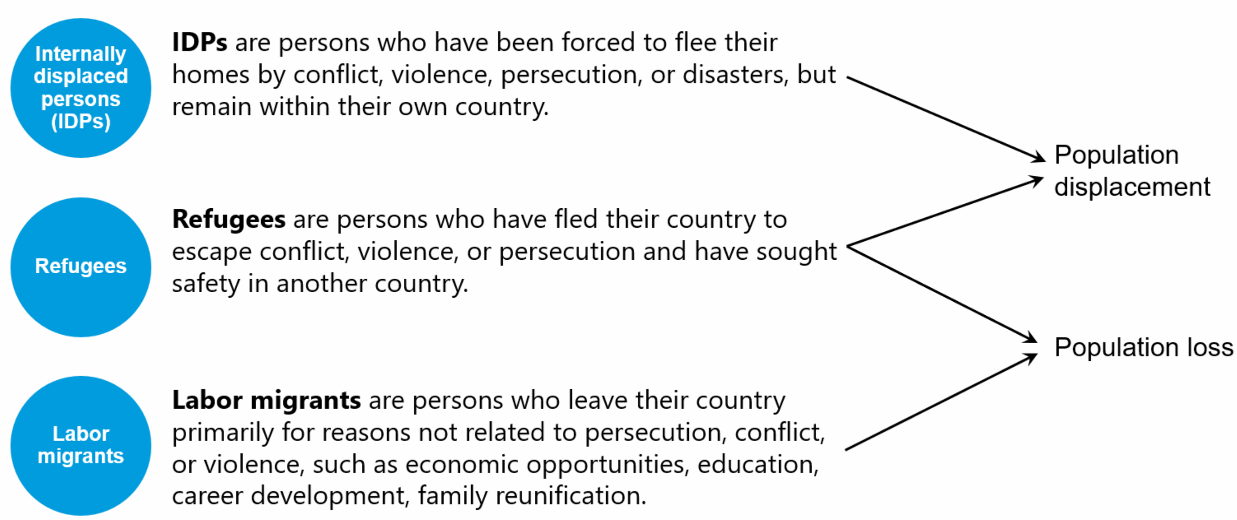
9. Latin American and Caribbean countries also face significant migration challenges due to the influx of migrants from Venezuela. Alvarez et al. (2022) provide an overview of the Venezuelan refugee and migration crisis, analyzes the labor market and other macroeconomic impacts on recipient countries, documents their policy responses, and offers recommendations, particularly for labor market and fiscal policies. Carare et al. (2024) employ a model-based quantitative approach to assess the combined effects of emigration and remittances on economic growth and labor force participation in the region.

10. Migration issues are critical for the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region, which is also the largest source of global refugees. Bassanetti et al. (2025) review the main features of refugees in the region, discuss the policies and legal frameworks for their inclusion, and analyze the economic impacts on host countries. IMF (2024) examines the macroeconomic consequences of conflicts. While its focus is not specifically on migration, its findings underscore the importance of addressing forced displacement issue to prevent the entrenchment of negative effects resulting from conflicts. Hoseini and Jahan Dideh (2022) assess how Afghan refugees in Iran are differently affected by economic shocks compared to locals. This paper contributes to the literature on the MENAP region and differs from previous studies on Afghanistan in three key aspects: It adopts a regional perspective, considering implications for both source (Afghanistan) and host (Iran and Pakistan) countries; includes quantitative analysis based on the IMF's FSGM model to inform the design of effective and coordinated policy solutions; and examines the impacts of refugees, IDPs, and economic migrants.

Stylized Facts

11. Afghanistan is currently experiencing an unprecedented crisis of displacement and emigration, driven by refugees, IDPs, and labor migrants (Figure 3). Forcibly displaced persons, including both IDPs and refugees, face severe humanitarian and economic challenges. Additionally, labor migrants, or economic emigrants, from Afghanistan reached 7.8 million in 2023, accounting for almost 20 percent of the total population. These emigrants and refugees have caused a significant crisis of population loss for the country.

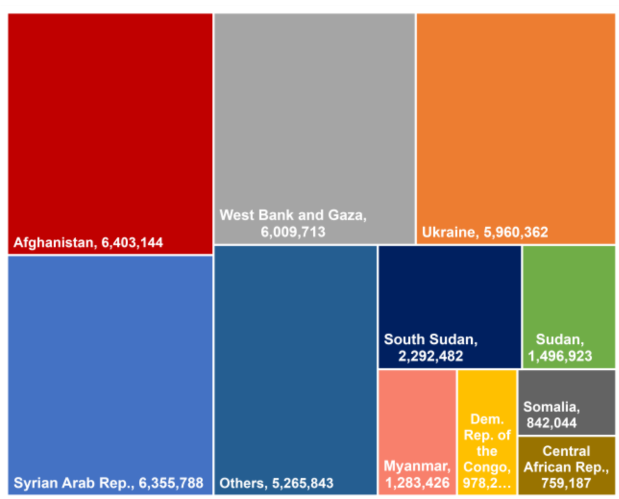
Figure 3. Internally Displaced Persons, Refugees, and Labor Migrants



Sources: ILO, UNHCR, IMF staff.

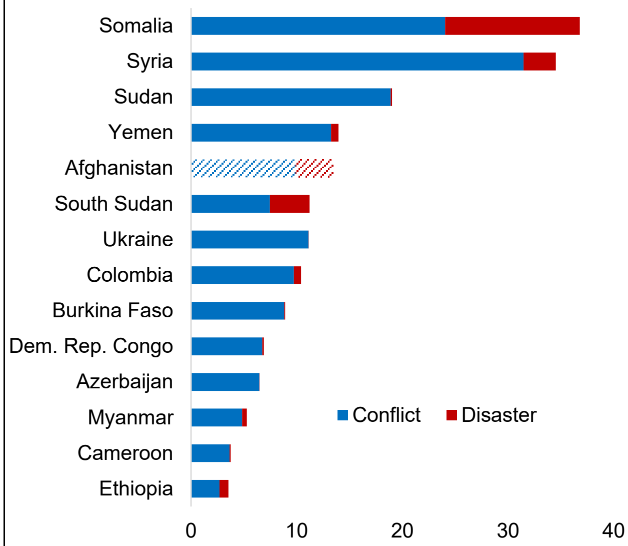
12. The refugee, IDPs, and emigration challenges facing Afghanistan are among the world's most severe. There were approximately 6.4 million Afghan refugees in 2023, making it the largest source country of refugees, followed by Syria, West Bank and Gaza, and Ukraine (Figure 4). There were about 5.7 million IDPs in Afghanistan, representing 13.5 percent of the total population (Figure 5), mainly due to conflict, which is second only to a few other conflict-affected countries such as Somalia, Syria, Sudan, and Yemen. Additionally, the 18.4 percent of emigrants-to-population ratio was one of the highest globally (Figure 6).

Figure 4. Refugees by Country of Origin, 2023



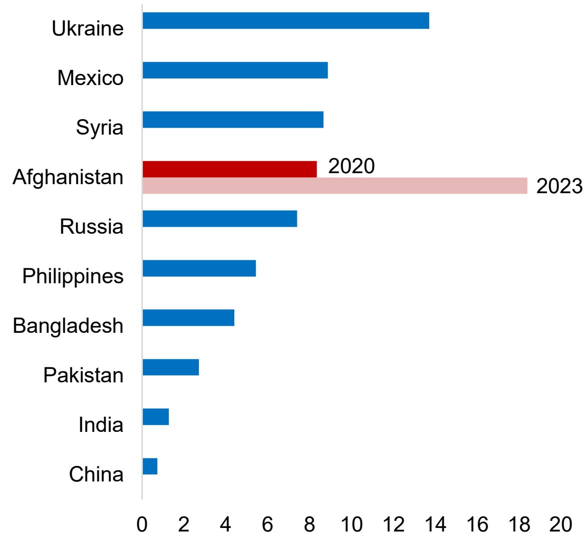
Sources: UNHCR and UNRWA.

Figure 5. Internally Displaced Persons, 2023
(Percent of Population)



Sources: IDMC, IMF WEO.

Figure 6. Labor Migrants by Country, 2020
(Percent of Population)

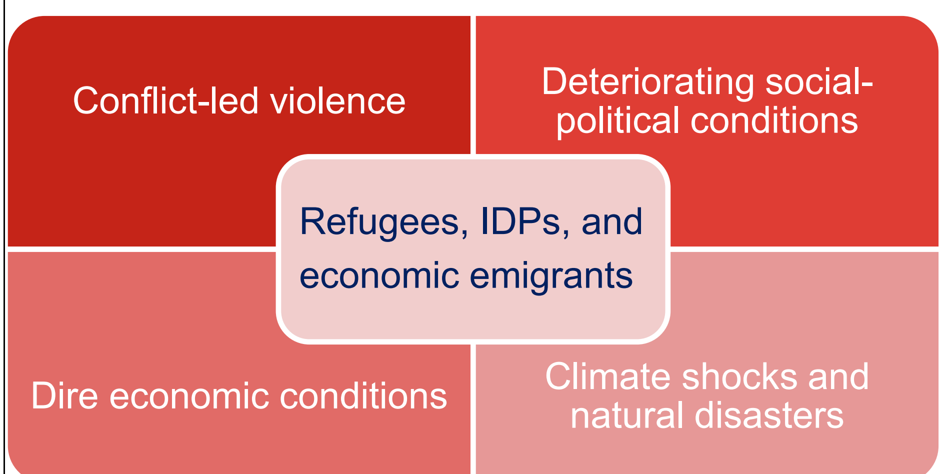


Sources: UNDESA, UNHCR, IMF staff estimates.

A. Drivers for displacement and emigration

Afghanistan's displacement and emigration crisis is driven by a combination of conflict-led violence, deteriorating social-political conditions, dire economic challenges, and climate shocks and natural disasters.

Figure 7. Main Drivers for Afghanistan's Displacement and Emigration Crisis



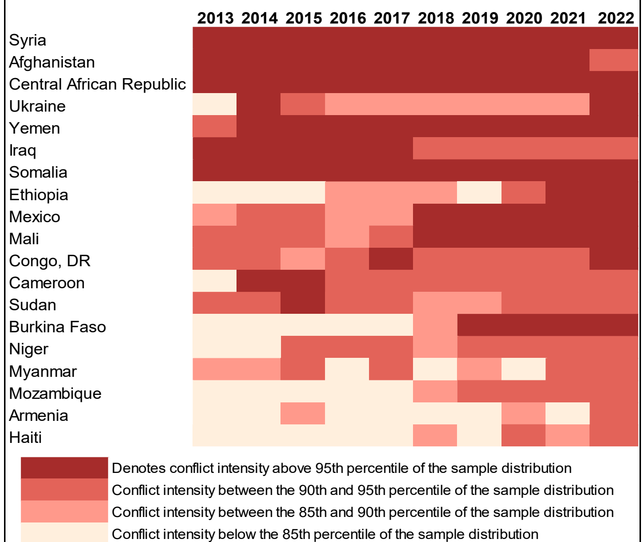
Source: IMF staff.

13. **Conflicts-led violence and insecurity have historically been major drivers for displacement and migration in Afghanistan (Figure 8).** Prior to its takeover in August 2021, Taliban's resurgence and clashes with government forces created a perilous environment for civilians. Many Afghans were compelled to leave

their homes to escape immediate threats of violence, persecution, and human rights abuses. This led to both internal displacements, with people moving to relatively safer areas within the country, migrating to, or seeking refuge in neighboring countries and beyond. Since August 2021, while the security situation in Afghanistan has notably improved, it remains fluid, characterized by frequent terrorist attacks and ongoing political instability.

14. The deterioration in Afghanistan's social-political environment regime is another significant driving factor. The Taliban's stance on the rights of girls and women has continuously deteriorated, from education to employment to exclusion from public office and the judiciary. In 2024, the Taliban ratified a new "Morality Law", which codifies previous decrees and introduces additional restrictions on both women and men, including women's rights, gender segregation, and freedom of expression. Additionally, the international community does not recognize the de facto authorities (DFA), despite a resumption of some regional bilateral relationships focusing mainly on trade and investment.

Figure 8. Conflict Intensity in Select Countries
(Conflict Deaths per Million Persons)



Sources: Uppsala Conflict Data Program, IMF Staff estimates.

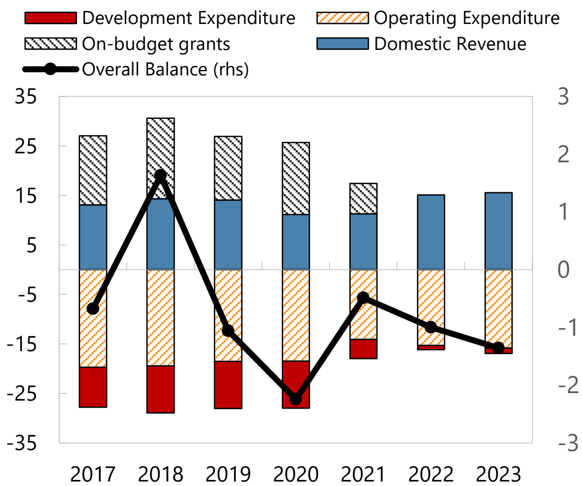
15. The economic situation has also contributed to the sharp rise in displacement and emigration. On the back of historical low growth, the economy is grappling with a threefold shock following the Taliban takeover post-August 2021: the cumulative impact of losing non-humanitarian grants, the freezing of foreign reserves, and disrupted correspondent banking relationships. The cessation of on-budget grants forced a harsh fiscal adjustment to align with domestic revenue. Expenditure declined to 50 percent of 2020 levels, leaving little for development spending (Figure 9). This led to an estimated contraction of 27 percent during 2021 and 2022 (Figure 10). In 2023, a modest recovery of 2.3 percent was observed, primarily fueled by a rebound in the agricultural sector following a period of drought, and bolstered by remittances and international aid, including cash shipments in US dollars. Nonetheless, the economy remains around 25 percent below its 2020 levels. Furthermore, the economy faces considerable challenges, including a low growth trajectory, a weakened banking sector, a loss in labor force due to brain drain and restrictive policies on women, the forced repatriation of Afghan nationals from neighboring countries, widespread poverty, and climate-related events. Further deterioration of the humanitarian situation or rising insecurity could lead to a surge in forced displacement and migrants.

16. The impacts of natural disasters and climate change are further complicating Afghanistan's displacement and emigration crisis. Afghanistan is the 3rd most exposed and is the 15th highest in a lack of coping capacity to climate change (Figure 11). Since 1980, it has experienced the second-highest number of natural disasters among fragile countries, including persistent droughts (in three consecutive years from 2021 to 2023), seasonal floods, and earthquakes.[1] These natural disasters have become an increasingly important

[1] About 65 percent of households faced drought in 2022 (OCHA).

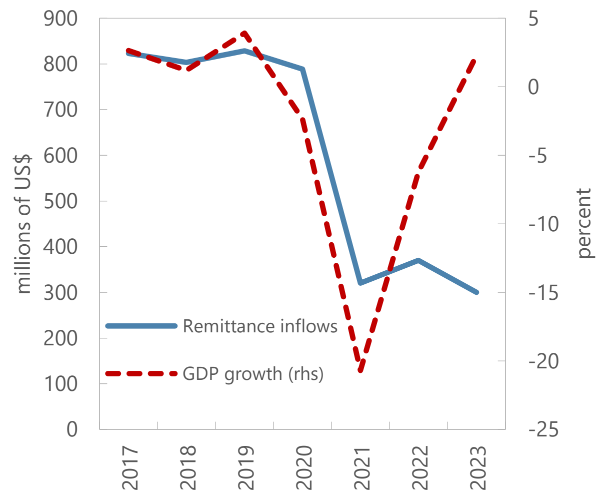
driver of displacement and emigration, as evidenced by the significant numbers of IDPs due to this reason (Figure 12).

Figure 9. Afghanistan: Fiscal Position
(Percent of GDP)



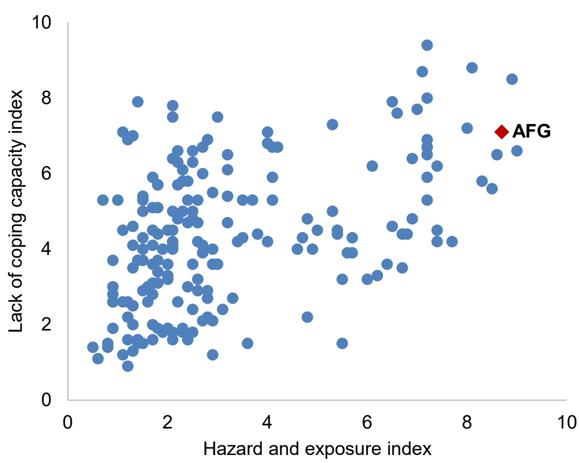
Source: IMF World Economic Outlook database.

Figure 10. Afghanistan: Real GDP Growth and Remittances Received



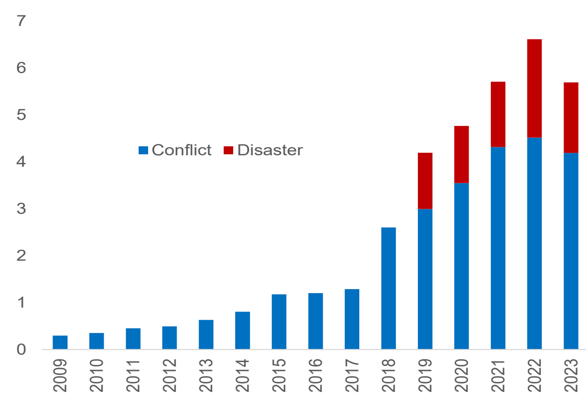
Sources: IDMC, and IMF World Economic Outlook database.

Figure 11. Exposure vs Adaptive Capacity to Climate Change



Source: INFORM Risk Index.

Figure 12. Afghanistan: Internally Displaced Persons
(Millions)



Sources: IDMC, and IMF Staff calculations.
Note: Data for disaster related displacements is not available prior to 2019.

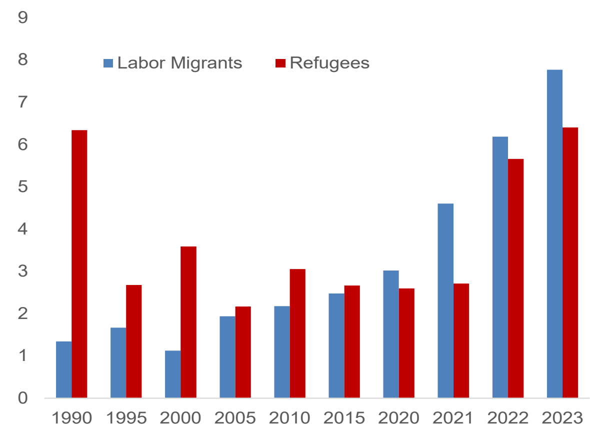
B. Afghan refugee and emigrant trends

17. In the 1990s, most Afghans abroad were refugees, but this trend has evolved over time (Figure 13). In 1990, there were 6.3 million refugees and 1.3 million emigrants overseas, with refugees comprising about 83 percent of the total. By 2000, refugees still constituted 76 percent of the total. However, over time, the number of emigrants increased while the number of refugees decreased. By 2005, refugees accounted for just

53 percent of the total Afghan population abroad, and by 2020, this declined further to 46 percent. Despite a surge in refugees since 2021, their proportion within the total overseas Afghans has not increased.

18. The different trends in the relative numbers of refugees and emigrants are primarily due to their distinct historical developments. Refugee flows are influenced by political insecurity and safety as well as overall economic conditions. For instance, between 2005 and 2020, the number of refugees averaged about 2.6 million, which was lower than the levels both before the U.S.-led intervention started in 2001 and since the Taliban's takeover in 2021. In contrast, the number of emigrants steadily increased over time, rising from about 1 million to 3 million between 2000 and 2020, and subsequently peaking at 7.6 million in 2023.

Figure 13. Afghanistan: Refugees and Emigrants
(Million)



Sources: UNHCR, UNDESA, IMF Staff estimate.

19. Iran, Pakistan, and Saudi Arabia have been the three largest host countries, accounting for 92 percent (14.6 million) of overseas Afghans. In 2023, there were 8.5 million Afghans in Iran, 4.1 million in Pakistan, and 2.0 million in Saudi Arabia. These represent 9.8 percent, 1.8 percent, and 1.3 percent of their respective total populations (Figure 14). However, the composition of Afghan populations in these countries varies significantly (Figure 15). In Iran, labor migrants made up 25 percent of the total in 1990. This share increased to 71 percent by 2020, but dropped to 55 percent in 2023 as the number of refugees surged. In Pakistan, historically, most Afghans were refugees, consistently making up 90 to 95 percent of the total between 1990 and 2020. However, since 2021, many unregistered Afghans moved to Pakistan, with 2023 data showing an even split between refugees and labor migrants. In Saudi Arabia, most Afghans are labor migrants.

- *Pakistan and Iran have consistently been the largest host countries for Afghan refugees, together accounting for some 85 percent of the total (Annex I).* Between 2000 and 2021, Pakistan hosted most Afghan refugees, with Iran second. In 2020, Pakistan had 1.4 million refugees (55 percent) and Iran had 0.8 million (30 percent). However, in 2022 and 2023, Iran became the largest host, accommodating about 60 percent of Afghan refugees compared to Pakistan's 30 percent. Other Afghan refugees are primarily located in European countries such as Germany, France, and Austria.

- *Regarding emigrants, Iran has historically been the primary destination for Afghans, with Saudi Arabia being the second preferred destination for a significant period, although Pakistan have surpassed Saudi Arabia in recent years.* In 1990, there were about 1.3 million Afghan emigrants: 70 percent in Iran, 12 percent in Saudi Arabia, and 9 percent in Pakistan. By 2020, the number grew to 3 million, with the combined share of these three destinations slightly decreasing to 87 percent—Iran 64 percent, Saudi Arabia 15 percent, and Pakistan 8 percent. As of 2023, public statements from the Iranian and Pakistani authorities indicated a significant increase in emigrants Afghans since 2021, with 4.7 million Afghans in Iran and 2.1 million in Pakistan, excluding UNHCR-registered refugees.

Figure 14. Afghan Refugees and Migrants in Iran, Pakistan, and Saudi Arabia, 2023
(Percent of Host Country Population)

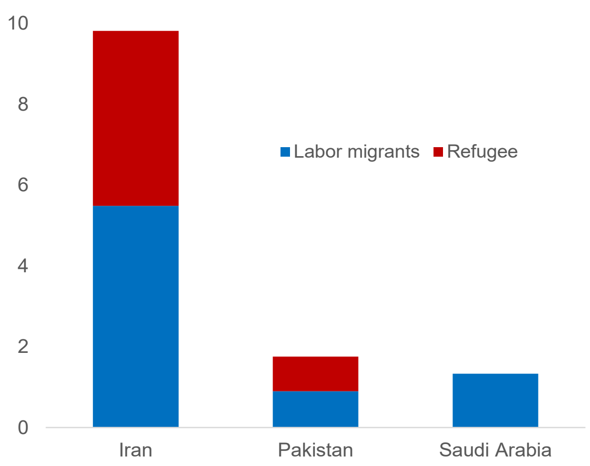
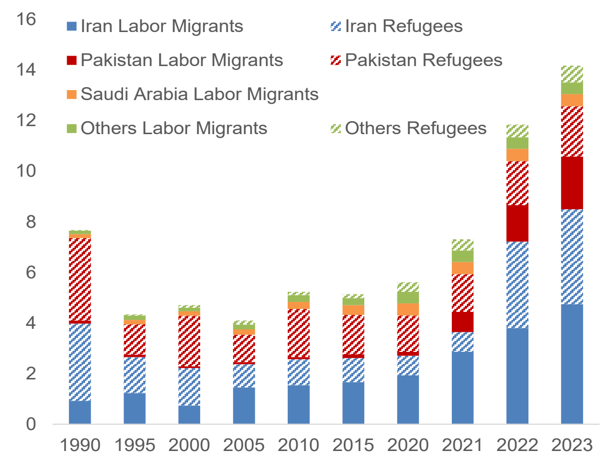


Figure 15. Afghan Refugees and Labor Migrants by Host Country
(Millions)

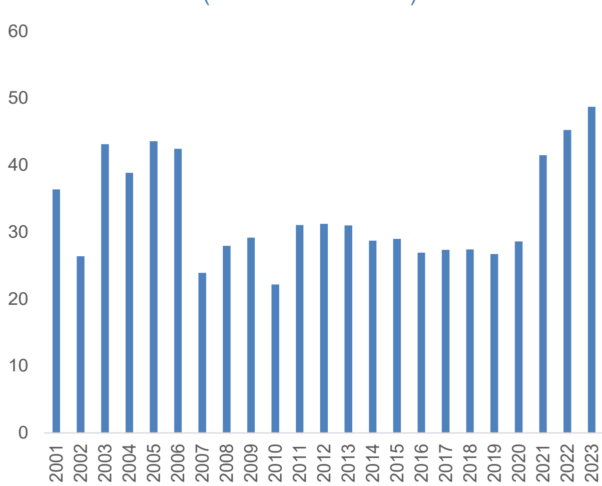


Sources: UNHCR, UNDESA, and IMF staff estimates
Notes: 2021-2023 labor migrant numbers are estimates for Pakistan and Iran. Numbers for Saudi Arabia are as of 2020.

C. Demographics of Afghan refugees and emigrants

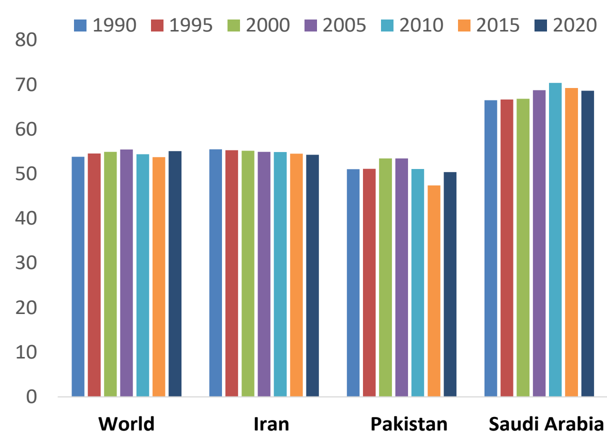
20. The gender compositions of Afghan refugees and emigrants display notable differences. Historically, the share of male Afghan refugees far exceeds that of female (Figure 16). Between 2007 and 2020, men consistently comprised about two-thirds of the refugee population, although since 2021 (and in some earlier years), the ratio of females has increased, approaching 50 percent in 2023. Among labor migrants, the ratio of men has been between 50 to 55 percent, although it varies considerably across the three main destination countries (Figure 17): the share of male Afghan migrants is about 50 percent in Iran and Pakistan (close to the global level), and around two-thirds in Saudi Arabia.

Figure 16. Gender Ratio of Afghan Refugees
(Percent of Women)



Source: UNHCR.

Figure 17. Gender Ratio of Labor Migrants
(Percent of Men)

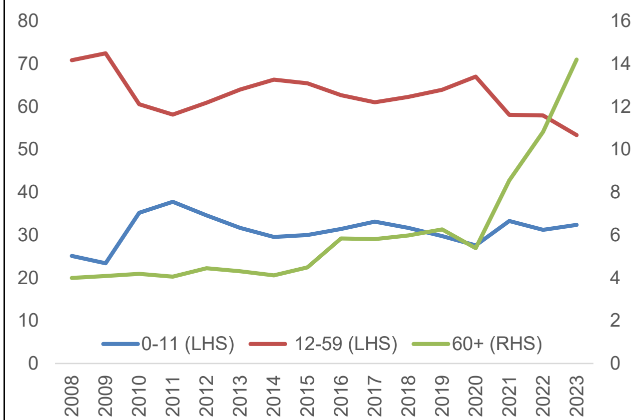


Source: UNDESA.

21. Afghan refugees are predominantly adults and adolescents, but the shares of young children and seniors has surged since 2021.[2] In 2008, individuals aged 12 to 59 represented about 70 percent of Afghan refugees (Figure 18). This percentage slightly decreased to 67 percent by 2020. This reflects Afghanistan's youthful population. However, between 2021 and 2023, this proportion dropped to 53 percent, reflecting a sharp increase in the proportions of children and seniors: the proportion of children aged 0-11 rose from 27.6 percent in 2020 to 32.4 percent in 2023, while that of seniors aged 60+ increased from 5.4 percent to 14.2 percent during this period.

Figure 18. Age Composition of Afghanistan Refugees

(Percent of Total)



Source: UNHCR.

22. The low educational attainment of Afghan refugees significantly impacts their employment prospects, confining them largely to low-skilled, low-paying jobs (Annex I). The majority of Afghan refugees in Iran and Pakistan have an education level below Grade 5, with over half having no formal education. This results in 50.8 percent of employed Afghan refugees in Iran working in unskilled occupations, primarily in construction for men and food and garment sectors for women. In Pakistan, where the literacy rate among Afghan refugees is below 50 percent, most are dependent on precarious daily labor in areas such as garbage collection or agriculture.

D. Forced Repatriation of Afghans by Iran and Pakistan

23. Security concerns, economic challenges, and climate shocks have precipitated the policy shift towards displaced Afghans by Iran and Pakistan. In September 2023, Iran announced plans to deport undocumented Afghans. In October 2023, Pakistan announced its plan for forced repatriation of undocumented Afghans starting November 1. Tensions between Afghanistan and both countries have escalated owing to security risks from Afghanistan. Iran and Pakistan attribute this policy shift to the limited international assistance provided amidst their challenging economic situations. A muti-year drought affecting Afghanistan and Iran is exacerbating tensions over water resources. Afghanistan's plan to build a dam on a major river in eastern Afghanistan has also raised tensions with Pakistan. This shift in sentiment in Iran and Pakistan towards refugees mirrors the pattern exhibited by some host countries faced with domestic economic and other challenges domestically (Box 1).

24. Consequently, there were about 1.7 million Afghans who returned in 2023, followed by 1.6 million in 2024, with an accelerated to 1.3 million in the first half of 2025. Of the Afghans forcibly repatriated from Iran and Pakistan in 2023, approximately 1.2 million Afghans returned from Iran and 0.5 million from Pakistan. From October 2023 to December 2024, both countries accelerated the repatriation of Afghans

[2] The age breakdown of Afghan labor migrants is not available.

(Figure 19), with close to 1.6 million from Iran and 0.8 million from Pakistan. The influx of Afghan returnees increased further in the first half of 2025—reaching about 1 million from Iran and 0.3 million from Pakistan. Almost 90 percent of Afghans returned voluntarily from Pakistan due to "fear of arrest", following the expiration of the Proof of Registration (PoR) cards in 2023 for Afghans who arrived in the country before 2005. Notwithstanding Pakistan's decision to temporarily allow 1.4 million legal Afghan refugees to stay, the trend suggests large-scale returns will continue from both countries. The influx of Afghan returnees has exacerbated Afghanistan's already severe humanitarian and economic challenges. Amidst competing demands for international donor resources, the sudden surge in returning, highly vulnerable refugees have required interventions to address immediate acute humanitarian needs, while also sustaining essential services and increasing economic resilience and livelihoods.

Box 1. The Syrian and Venezuelan Displacement and Migration Crises: Impact on and Response of Affected Countries

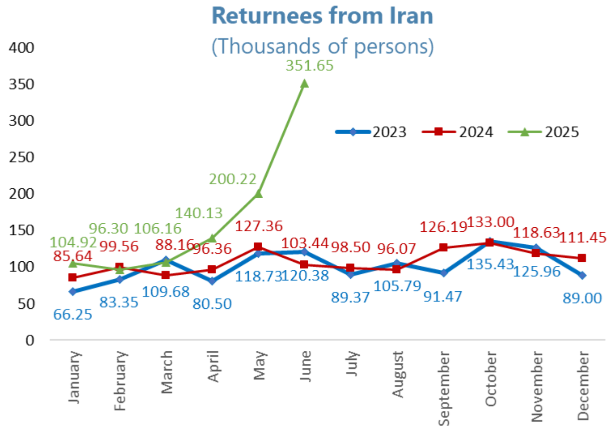
The global landscape of migration and displacement has been profoundly shaped by various crises, with the Syrian and Venezuelan crises being particularly notable. Since 2015, the Venezuelan crisis has led to significant external displacement in the Latin American region, with approximately 80 percent of the over 7 million Venezuelans seeking refuge in neighboring countries such as Colombia, Peru, and Ecuador. Concurrently, the Syrian crisis, which escalated in the same year, has resulted in the displacement of 6.8 million individuals, with nearly 1 million migrating to Europe, predominantly Germany. While the Venezuelan crisis is primarily driven by economic challenges, the Syrian crisis is driven by armed conflict. The large-scale movement from both Syria and Venezuela represents a significant loss of human capital.

The influx of Syrians and Venezuelans has profoundly impacted host countries. Although studies (Aiyar et al. 2016 and Alvarez et al. 2022) suggest that integrating refugees and migrants can lead to long-term economic benefits, host countries face substantial challenges in absorbing such a large influx of people within a brief period. In Latin America, the arrival of Venezuelan refugees and migrants has placed increased pressure on public services and labor markets. Similarly, the influx of refugees in European countries has strained public resources, necessitating effective policy responses to mitigate these challenges.

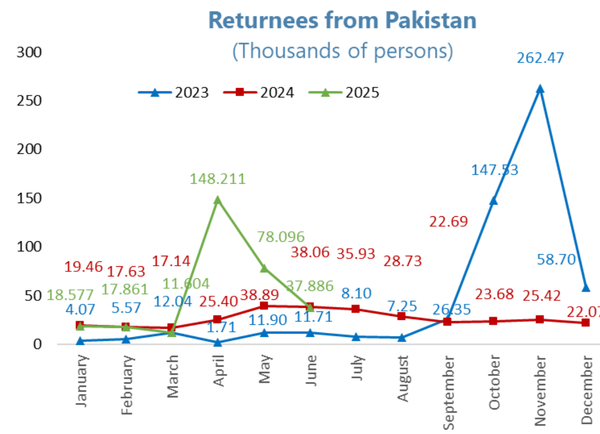
Consequently, sentiment towards Venezuelan and Syrian refugees has shifted among host countries. Initially, many Latin American nations adopted a welcoming approach, granting Venezuelans access to essential services such as healthcare, education, and employment opportunities. With the continued influx of migrants, policy responses began to diverge, with Colombia continued support, while Ecuador and Chile tightened immigration policies and border controls due to economic pressures, social tensions, and capacity constraints. In Europe, a similar pattern occurred: countries initially accepted a large number of Syrian migrants and provided essential support, but concerns about integration and security led some European governments to implement stricter immigration controls and reduce assistance for incoming refugees. Moreover, the actions of member states have often been unilateral, leading to a set of responses influenced by domestic political pressures rather than a unified strategy.

Figure 19. Islamic Republic of Afghanistan: Afghan Returnees from Iran and Pakistan

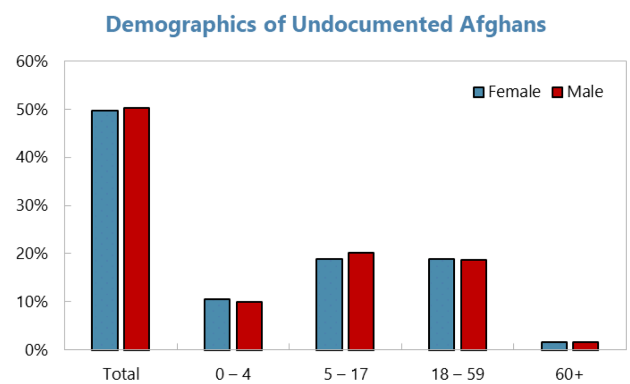
Following the policy shift in Q42023, significant return of Afghans from Iran



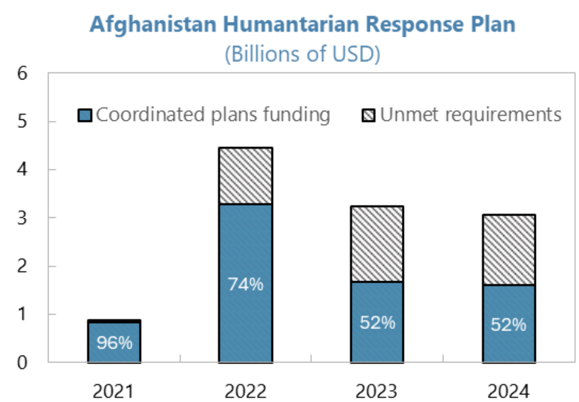
...and Pakistan



Most returnees from Pakistan are youth



International aid falls short of needs



Sources: UNHCR, OCHA, IOM, and IMF staff estimates.

Macroeconomic Implications

A. Macroeconomic channels

25. **Understanding the economic impact of Afghanistan's displaced population and migrants is crucial for formulating effective macroeconomic policies (Figure 20).** For Afghanistan, recognizing the negative economic consequences of these population movements underscores the urgency of addressing the displacement crisis and population outflows beyond humanitarian concerns. For Iran and Pakistan, a deeper understanding of the economic impact of Afghan migrants and refugees can help authorities in both countries develop more effective policy solutions. For example, facilitating refugees' integration into the labor market with international support could be a more effective approach for Iran and Pakistan than forcibly repatriating refugees to Afghanistan.

26. **For Afghanistan, displaced populations and emigrants have direct economic impacts on the labor market, economic activity, public finance, and remittances.** Refugees and emigrants reduce the overall population, leading to a contraction in the labor force. IDPs generally have lower participation rates and higher unemployment compared to the general population. Moreover, many IDPs may work in jobs outside their areas of expertise, resulting in reduced productivity. These labor market disruptions lead to lower output and fiscal revenues. Furthermore, the government incurs additional expenditures to meet the basic needs of IDPs, further straining public finances.

- *Beyond the immediate impacts on labor markets and output, displaced populations and emigrants also result in the loss of human capital, often referred to as "brain drain."* Population outflows include skilled workers, particularly among economic migrants. The education of IDPs—whether basic education for youth or vocational training for adults—is usually disrupted. While the negative effects of brain drain may not be immediately apparent, over the medium to long term, such a loss of human capital can lead to a decline in Afghanistan's potential growth.

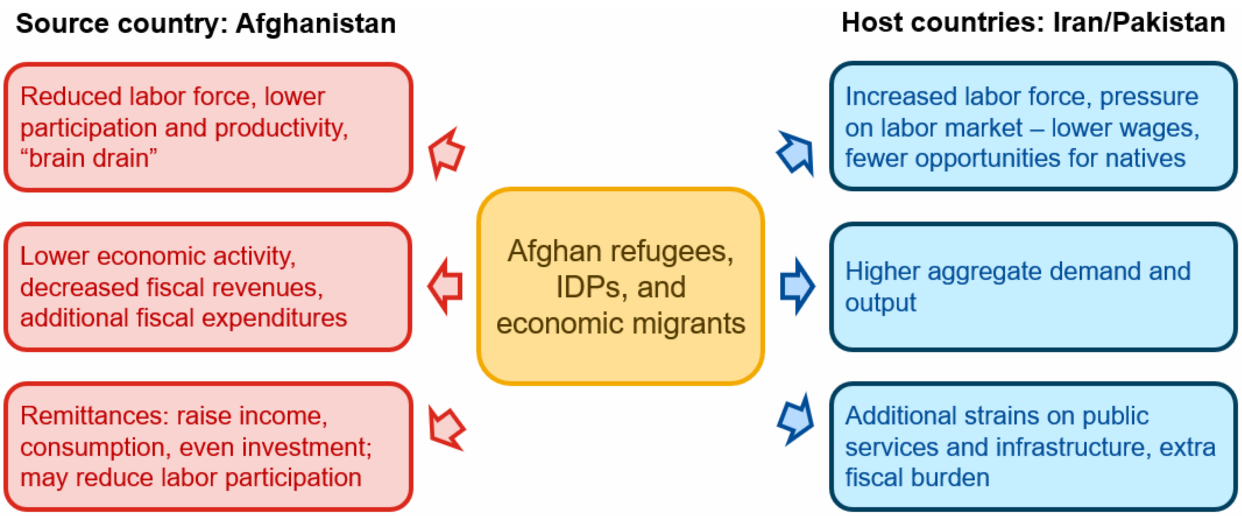
- *Remittances are another important channel through which refugees and emigrants impact the Afghan economy.* According to official statistics, overseas Afghan nationals, residing primarily in Iran and Pakistan, sent around USD 465 million in remittances in 2023, about 2.7 percent of Afghanistan's GDP. However, remittances using non-banking financial institutions, particularly through money service providers, are likely even larger, estimated at around USD 1.5 billion according to World Bank (2024). Remittances, by supplementing income, play a crucial role in supporting Afghan households, often covering basic needs, improving their living standards, and providing financing for investment (ACAPS, 2023).

27. **For Iran and Pakistan, Afghan refugees and migrants impact labor markets, economic activity, and public finance.** These refugees and migrants can be integrated into the labor markets in both countries, but also impose a fiscal burden.

- *The influx of Afghans increases the labor force and aggregate demand, likely boosting overall output.* However, it can disrupt local labor markets, particularly in low-skill, labor-intensive segments, by increasing competition, lowering wages, and reducing employment opportunities for natives. This contrasts with some developed countries, where migrants and refugees often complement local labor markets by filling low-skill, low-wage jobs that locals are less willing to take. Iran and Pakistan do not face similar labor shortages, and the groups most affected by Afghan migrants and refugees are typically the more vulnerable low-skill, low-income segments of the local population.

- *Afghan refugees and migrants place additional strains on public services and infrastructure.* Estimates based on recurrent costs of subsistence needs and basic services (health and education) suggest that Iran and Pakistan's direct spending on refugees in 2023 likely ranges from 0.3 to 0.6 percent of GDP and from 0.03 to 0.07 percent of GDP, respectively.[3] When the costs of providing and subsidizing public resources are considered, the fiscal burdens are higher. This is especially the case in Iran, where substantial subsidies on domestic energy mean that refugee usage of these resources indirectly increases fiscal costs. Iranian officials estimate annual spending on Afghan refugees at over USD 10 billion annually, about 2.5 percent of the 2022 GDP.[4]

Figure 20. Macroeconomic Implications of Afghan Refugees, IDPs, and Economic Migrants



Sources: IMF staff.

B. Scenario analysis

28. The simulation analysis has two main objectives. First, it aims to quantitatively illustrate the macroeconomic transmission channels, including impacts on output, labor markets, and public finances. For Afghanistan, it demonstrates the negative effects of the displacement crisis and emigrants on the economy, highlighting the urgency of addressing the root causes of displacement and migration, and the potential benefits of reforms. Second, it compares different scenarios to identify the most effective policy responses. For Iran and Pakistan, the analysis compares the effects of maintaining the status quo, faster repatriation of Afghan

[3] For a reference on the estimation methodology, see Bassanetti et al. (2025).

[4] See IRNA report, *Iran Spends More Than 10 Billion Dollars Annually on Afghan Immigrants*.

refugees, and facilitating better integration of refugees through reforms. Additionally, the analysis also shows the trade-offs for Iran and Pakistan in each scenario, underscoring the critical role that international support can play in their efforts to accommodate the Afghan refugees.

29. The IMF's FSGM is a multi-region, forward-looking semi-structural model used for analyzing policy impacts and cross-country spillovers. Andrle, Blagrave, et al. (2015) provide a detailed introduction to the structure of the FSGM (Annex II). This paper utilizes an adjusted MCDMOD module of the model. In the original MCDMOD module, Iran and Pakistan are included as individual economies, while Afghanistan grouped with the Central Asia and Caucasus Oil Importers. To analyze Afghanistan's performance under various scenarios, it is incorporated as a separate country in the model. With the addition of Afghanistan, there is also a role for remittances in the simulations, complementing the quantitative analysis without significantly affecting the qualitative analysis.

30. FSGM analysis compares alternative scenarios with different policies to a baseline, evaluating impacts based on deviations in economic performance. The baseline in this exercise is based on the July 2024 release of the IMF World Economic Outlook. While the simulation covers a 7-year period from 2024 to 2030, the analysis below focuses on the medium-term impacts only, that is, the economic outcomes by 2030. Besides the standard calibrations of the FSGM, the baseline includes three sets of key calibrations and assumptions (details in Annex 2).[5,]

- **Labor market**:[6] The baseline maintains the characteristics of different population groups in each labor markets. For example, in Afghanistan, displacement leads to lower participation rates, higher unemployment, and lower labor productivity among IDPs compared to non-IDPs. In Iran and Pakistan, economic migrants—who left Afghanistan for better job opportunities—have higher participation rates than locals, but refugees have lower participation rates. In Iran, economic migrants have lower unemployment rates than natives, while refugees have higher unemployment rates.[7] In Pakistan, both economic migrants and refugees have higher unemployment rates than locals. Additionally, in both countries, economic migrants and refugees have lower labor productivity than locals due to their prevalence in low-skill, labor-intensive jobs.

- **Population movement**: The baseline assumes the status quo, meaning no significant policy changes. This implies that Iran and Pakistan will continue to experience net inflows of economic migrants from Afghanistan during 2024-30. It also implies that Iran and Pakistan will continue to forcibly repatriate refugees to Afghanistan, especially those undocumented, as announced by the authorities. The assumption is that Iran and Pakistan will repatriate 10 percent of the remaining refugees to

[5] Due to data limitations, these calibrations and assumptions may not be perfectly accurate. However, the qualitative assessment of the analysis remains valid as simulation results are presented as deviations from the baseline.

[6] The remittance channel is built in the model with the assumption that Afghans in Iran and Pakistan send 10 percent of their income back to Afghanistan. In the simulation results, this channel partially offsets the impacts of other shocks.

[7] Afghan economic migrants have lower unemployment rates in Iran compared to locals. This may be due to accommodating labor market policies and migrants being less selective about jobs opportunities.

Afghanistan each year.[8] Since Afghanistan has no reform measures under the baseline, these returnees are expected to become IDPs.

- **Public finance**: The baseline utilizes government expenditure estimates based on the costs of subsistence needs and basic services. For Iran, the fiscal expenditure on refugees in 2023 is assumed at 0.3 percent of GDP, while Pakistan's is 0.1 percent of GDP.

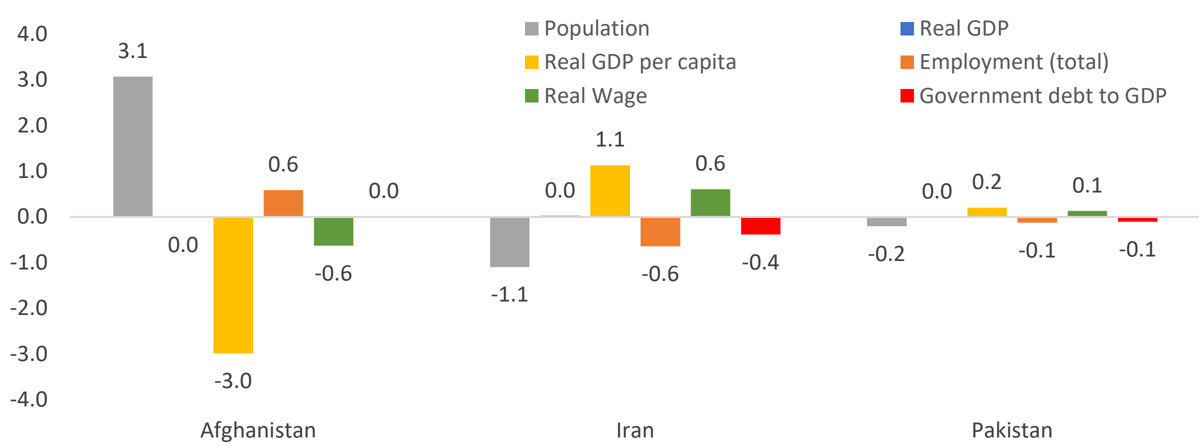
Scenario 1. Faster forced repatriation of Afghan refugees by Iran and Pakistan

31. Assumptions: Compared to the baseline, Iran and Pakistan will repatriate Afghan refugees at a faster rate, returning 20 percent of the remaining refugees each year instead of 10 percent. All other conditions remain the same as in the baseline scenario.

32. Impacts on Afghanistan: In this scenario, Afghanistan's population is 3.1 percent higher than the baseline in the medium term (Figure 21). However, this increase has minimal positive effects on the overall economy: total employment rises by 0.6 percent and real GDP remains virtually unchanged. However, real GDP per capita (-3.0 percent) and real wages (-0.6 percent) decline compared to the baseline. The primary reason is the lack of comprehensive reform measures for resettling and reintegrating returnees, resulting in many becoming IDPs upon their returning to Afghanistan. While repatriation could boost Afghanistan's total output by increasing population and employment, this effect is offset by reduced remittance inflows due to fewer Afghans in Iran and Pakistan. This scenario indicates that merely "recovering" the population loss from refugee outflows is not sufficient to generate substantial positive economic impacts.

Figure 21. Scenario 1: Faster Forced Repatriation of Afghan Refugees by Iran and Pakistan

(Percent or Percentage Point Deviation from Baseline by 2030)



Source: IMF staff estimates.

33. Impacts on Iran and Pakistan: This scenario shows a general improvement for Iran and Pakistan compared to the baseline. Real wages are higher (Iran +0.6 percent, Pakistan +0.1 percent) due to reduced competition. Although total employments decline (Iran -0.6 percent, Pakistan -0.1 percent), a detailed

[8] This assumption is primarily for illustrative purposes, although a draft bill from the Iranian parliament in August 2024 indicated a goal to reduce the number of foreign nationals, mainly Afghans, by 10 percent annually.

breakdown indicates that these reductions are entirely among Afghan workers, while local employment levels slightly increase.[9] Despite the overall population decrease, total outputs are almost unaffected, and GDP per capita increases (Iran +1.1 percent, Pakistan +0.2 percent). In addition, the government debt-to-GDP ratio declines by 0.4 percentage points (ppts) in Iran and by 0.1 ppts in Pakistan. This scenario suggests economic incentives for forcibly repatriating Afghan refugees quickly.

Scenario 2. Afghanistan Reforms

34. Assumptions: Compared to the baseline scenario, Afghanistan will implement reforms aimed at reducing population outflows and facilitating the resettlement and reintegration of IDPs and returnees. The reforms will lead to a reduction in IDPs (from 8.7 million in 2030 in the baseline to 6.0 million) and a shift from a net labor migrant outflow in the baseline (-0.7 million cumulatively between 2023 and 2030) to a net inflow (+1.6 million). This scenario does not assume fiscal costs for Afghanistan's reform measures. In other words, Afghanistan has ample space for reforms without increasing fiscal expenditure, for instance, improving human rights, especially for women and girls. Iran and Pakistan do not have any policy changes compared to the baseline, except from experiencing a shift of Afghan economic migrants from net inflow to net outflow.

35. Impacts on Afghanistan: The results of this scenario contrast sharply with Scenario 1 (Figure 22). The overall population increases by 4.6 percent, which is 1.5 ppts higher than Scenario 1. Total employment improves by 8.3 percent and real GDP by 7.3 percent, both more than 7.0 ppts higher than Scenario 1. A small share of the real GDP gain is offset by a reduction in remittances as Afghans return from Iran and Pakistan. Real GDP per capita rises by 2.6 percent, about 5.5 ppts higher than Scenario 1. The government debt-to-GDP decreases by 1.1 ppts, due to higher economic activity. However, real wages decline by 4.1 percent compared to Scenario 1's -0.6 percent, reflecting increased employment and labor market competition. This scenario demonstrates the substantial economic benefits that Afghanistan can realize by implementing reforms aimed at reducing population loss (refugees and emigrants) and internal displacement. Considering the potential additional impacts of Afghanistan's reforms, such as increased engagements with the international community and attraction of more foreign direct investments (FDIs), the positive effect on the economy could be more significant than indicated in this scenario.

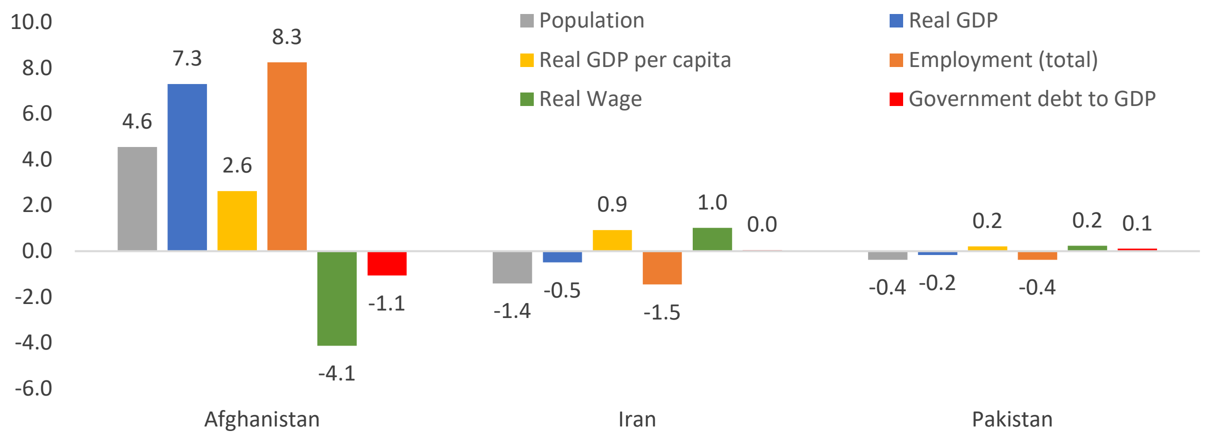
36. Impacts on Iran and Pakistan: This scenario illustrates the trade-offs for Iran and Pakistan when dealing with Afghan economic migrants. These migrants boost overall output, but also increase competition in the labor market, which may lead to employment losses for local workers. Compared to the baseline, reduction in Afghan economic migrants decreased overall output for Iran (-0.5 percent) and Pakistan (-0.2 percent). However, the net outflow of Afghan economic migrants reduces competition, resulting in higher real wages (Iran +1.0 percent, Pakistan +0.2 percent) and increased local employment (Iran +0.04 percent, Pakistan +0.01 percent).[10] Real GDP per capita also increases (Iran +0.9 percent, Pakistan +0.2 percent).

[9] Changes in local employment are not depicted in Figure 21 and subsequent figures because their magnitude, in percentage terms, is too small (see detailed results in Annex 2). Afghan refugees are unevenly distributed, with regions having high refugee concentrations may experience a more pronounced impact than national data suggests.

[10] In regions with high concentrations of Afghan refugees and migrants, the impact on the local labor market could be much stronger than these aggregate numbers suggest.

Figure 22. Scenario 2: Afghanistan Reforms

(Percent or Percentage Point Deviation from Baseline by 2030)



Source: IMF staff estimates.

Scenario 3. Refugee reforms by Iran and Pakistan

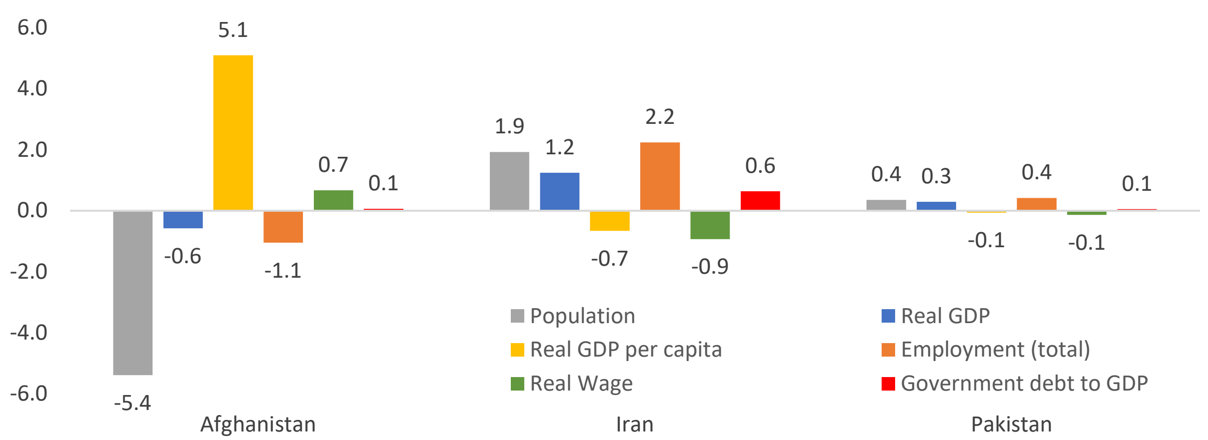
37. Assumptions: This scenario assumes Iran and Pakistan will implement reforms to assist Afghan refugees better integrate into local labor markets, rather than enforcing more draconian repatriation measures as in Scenario 1. The reforms could include relaxing employment restrictions or providing better job search information and skill training. As a result, the numbers of Afghan refugees in Iran (3.6 million by 2030, versus 1.8 million baseline) and Pakistan (1.9 million by 2030, versus 1.0 million in the baseline) will be higher than the baseline. Improved integration policies will improve Afghan refugees' participation, employment, and productivity compared to the baseline. Fiscal spending on Afghan refugees will increase due to both the costs of reforms—assuming a 10 percent increase in per capita spending—and the higher number of refugees remaining in the two countries. Afghanistan's policies remain unchanged from the baseline, except that the number of IDPs in Afghanistan will be lower than the baseline due to the reduced number of repatriated refugees.

38. Impacts on Afghanistan: Due to a reduction in the number of repatriated refugees, overall population is 5.4 percent lower than the baseline (Figure 23). However, the decline in employment (-1.1 percent) and real GDP (-0.6 percent) is relatively modest, as repatriated refugees in the baseline scenario would have become IDPs, who typically have lower participation, employment, and productivity compared to the general population. Moreover, remittances to Afghanistan increase because more Afghans reside in Iran and Pakistan, earning higher incomes relative to the baseline. As a result of the reduced number of IDPs and higher remittances, real GDP per capita increases by 5.1 percent and real wages improves by 0.7 percent relative to the baseline.[11] Additionally, lower GDP leads to a slight increase in the government debt-to-GDP ratio (+0.1 ppts compared to the baseline).

[11] This increase in real GDP per capita is a result of the Afghanistan labor force no longer expanding based on the repatriation of low-productivity workers with lower real GDP per capita than the already-present labor force, who reduce the measurement of real GDP per capita.

39. **Impacts on Iran and Pakistan**: Compared to the baseline, Iran and Pakistan face trade-offs when implementing reforms to better integrate Afghan refugees. While total employment and aggregate output may increase, there could be negative impacts on the labor market. Total employment increases (Iran +2.2 percent, Pakistan +0.4 percent) and aggregate output rises (Iran +1.2 percent, Pakistan +0.3 percent). Local employment also increases slightly (Iran +0.02 percent, Pakistan +0.0002 percent). However, real GDP per capita declines (Iran -0.7 percent, Pakistan -0.1 percent), as do wage levels (Iran -0.9 percent, Pakistan -0.1 percent). Furthermore, the more critical trade-off is in public finances: Iran's government debt-to-GDP increases by +0.6 ppts and Pakistan's by 0.1 ppts. This scenario underscores the importance of international support to alleviate the fiscal burden on these two countries and encourage more accommodative policies regarding Afghan refugees.

Figure 23. Scenario 3: Refugee Reforms by Iran and Pakistan
(Percent or Percentage Point Deviation from Baseline by 2030)



Source: IMF staff estimates.

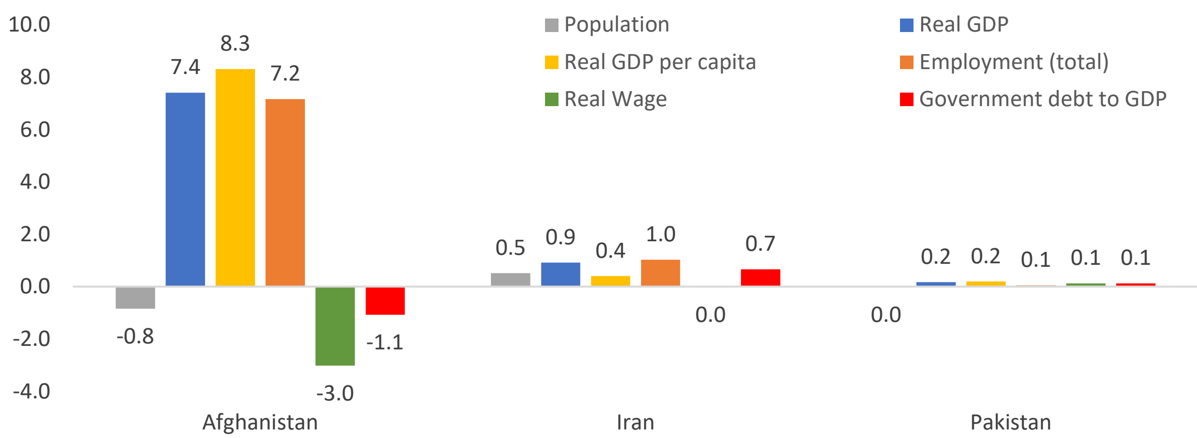
Scenario 4. Reforms by Afghanistan, Iran, and Pakistan

40. **Assumptions**: This scenario combines aspects of both Scenarios 2 and 3. Afghanistan's reforms reduce the outflow of economic migrants and improve the resettlement and reintegration of IDPs and returnees. Simultaneously, Iran and Pakistan implement measures to facilitate better integration of Afghan refugees into local labor markets. Thus, the reforms in both Afghanistan (source country) and in Iran and Pakistan (host countries) are complementary, creating a win-win scenario with international support.

41. **Impacts on Afghanistan**: Compared to Scenario 2, the reforms in Iran and Pakistan complement those by Afghanistan (Figure 24). Although the reduction in repatriated refugees leads to a decrease in Afghanistan's population change relative to the baseline (-0.8 percent, versus +4.6 percent in Scenario 2), the difference in total employment changes is minimal (+7.2 percent, versus +8.3 percent in Scenario 2) and the changes in overall output are nearly identical (+7.4 percent, versus +7.3 percent in Scenario 2). Additionally, real GDP per capita (+8.3 percent, versus +2.6 percent in Scenario 2) and wage levels (-3.0 percent, versus -4.1 percent in Scenario 2) are better than in Scenario 2.

42. **Impacts on Iran and Pakistan**: Afghanistan's reforms also complement the reforms in Iran and Pakistan. Compared to Scenario 3, besides the benefits in total employment and aggregate output, local employments increase relative to the baseline: Iran (+0.06 percent, versus +0.02 percent in Scenario 3) and Pakistan (+0.01 percent, versus +0.0002 percent in Scenario 3). This is due to the reduction in Afghan economic migrants—a result of the reforms in Afghanistan—decreasing competition and preventing the decline in real wages observed in Scenario 3. Additionally, the downside trade-off in real GDP per capita observed in Scenario 3 disappears, increasing relative to the baseline by 0.4 percent for Iran (-0.7 percent in Scenario 3) and 0.2 percent for Pakistan (-0.1 percent in Scenario 3). However, despite these improvements, the additional fiscal burden of refugee reforms remains: the government debt-to-GDP for Iran and Pakistan increase by 0.7 ppts and 0.1 ppts, respectively, compared to the baseline. This highlights again the need for international support for Iran and Pakistan to alleviate fiscal pressures associated with the Afghan refugee issue.[12]

Figure 24. Scenario 4: Afghanistan Reforms and Refugee Reforms by Iran and Pakistan
(Percent or Percentage Point Deviation from Baseline by 2030)



Source: IMF staff estimates.

[12] In this scenario, around USD 5 billion in international support would be needed, Iran (USD 4.3 billion) and Pakistan (USD 0.7 billion), to offset their fiscal costs, that is, to keep their government debt-to-GDP ratios in 2030 the same as in the baseline.

Conclusion

43. The Afghan displacement and emigration crisis has reached an unprecedented scale, with far-reaching economic ramifications for both Afghanistan and neighboring countries. The combined total of refugees, IDPs, and economic migrants now accounts for nearly half of Afghanistan's population. This mass movement of people has created a dual challenge: an acute humanitarian situation and a structural macroeconomic shock.

44. For Afghanistan, the loss of population and internal displacement have led to reduced output and potential growth—partly due to "brain drain"—while placing additional strain on already limited fiscal resources. Although remittances from abroad have provided some relief, the negative economic consequences are likely to persist and deepen unless the underlying causes of displacement and emigration are addressed.

45. For host countries, particularly Iran and Pakistan, the influx of Afghan refugees and migrants has brought both opportunities and pressures. On one hand, Afghan labor can contribute to higher output; on the other hand, large and sustained inflows can depress wages, exacerbate local labor market competition, and strain public services and infrastructure, especially in regions with high concentrations of Afghan refugees and economic migrants.

46. Simulation results using the IMF's FSGM highlight the importance of coordinated strategies. Isolated measures—such as forced repatriation—may bring fiscal and labor market relief for host countries but can further undermine Afghanistan's already fragile economy. In contrast, simultaneous efforts to reduce displacement drivers in Afghanistan and to improve refugee integration in host countries can generate mutually beneficial outcomes, especially when there is adequate international support. Such findings underscore that durable solutions need both humanitarian responses and long-term strategies to tackle the root causes of the Afghan displacement and emigration crisis, as well as promote inclusive regional growth.

Annex I. Displaced Afghans in Iran and Pakistan[*]

1. **Iran and Pakistan host the majority of Afghan refugees and economic emigrants.** As of December 2023, out of the 16 million Afghan refugees and economic migrants worldwide, Iran and Pakistan host an estimated 8.5 million and 4.1 million, respectively. The total number of Afghans in both countries has doubled since the Taliban takeover in August 2021, making Afghans the largest foreign nationality in either country. In Iran, around 56 percent of Afghans are economic migrants, while in Pakistan they are more evenly divided between refugees and economic migrants. Moreover, in 2023, with 3.8 million Afghan refugees, Iran is the world's largest refugee-hosting country.

2. **The relatively low levels of education and skill among Afghans result in their employment in low-paying, unskilled jobs.** Most Afghan refugees in both Iran and Pakistan have an education level below Grade 5, and within this group, over 50 percent have no formal education (Figures A1.1 and A1.2). Consequently, in Iran, 50.8 percent of employed Afghan refugees work in unskilled occupations, with men primarily employed in the construction sector and women in the food and garment sectors (Figure A1.3). In Pakistan, where the literacy rate among Afghan refugees in Pakistan is below 50 percent, most Afghan refugees rely on unstable daily labor, such as in the fields of garbage collection or agriculture (classified as 'others' in Figure A1.4).

Figure A1.1. Education Level of Afghan Refugees in Iran

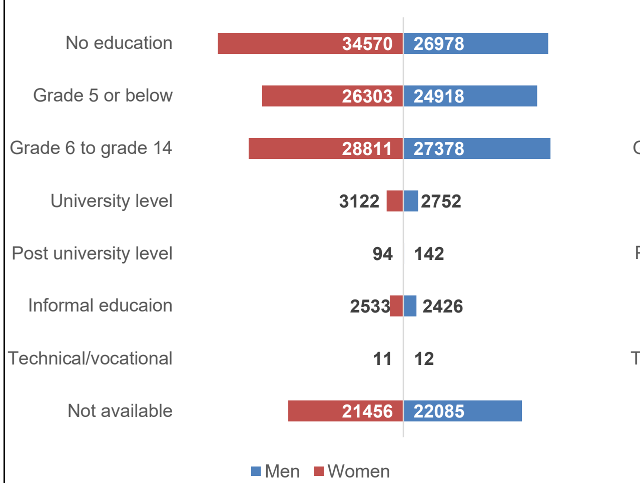
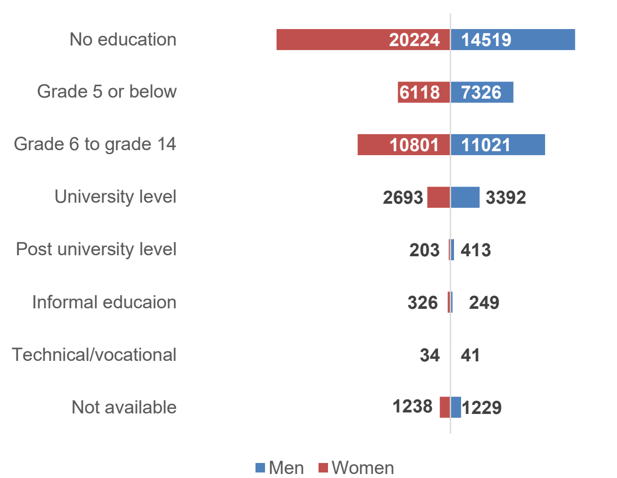


Figure A1.2. Education Level of Afghan refugees in Pakistan



[*] This annex benefited from valuable inputs from and insightful discussions with the UNHCR team led by Alessandro Telo.

Figure A1.3. Employment of Refugees in Iran

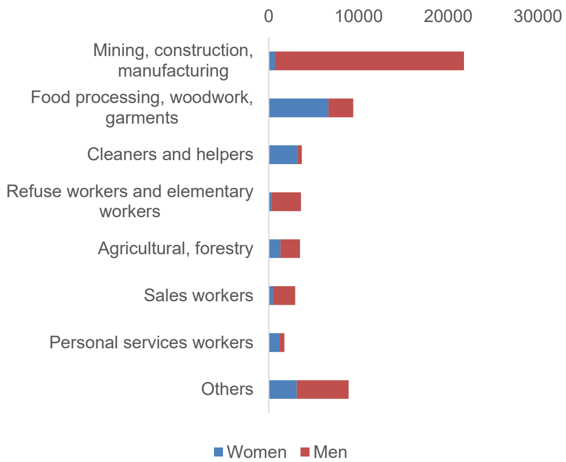
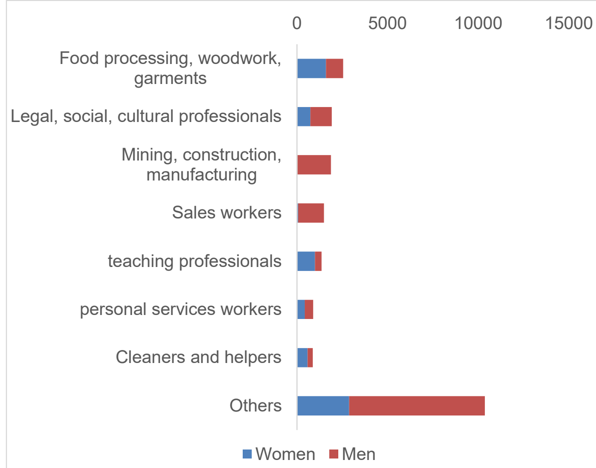


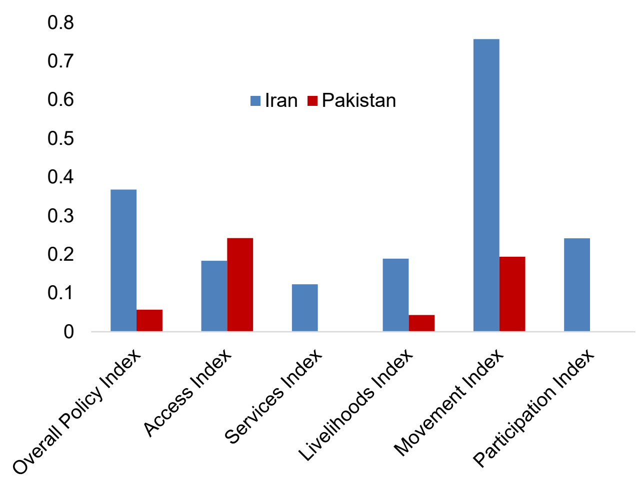
Figure A1.4. Employment of Refugees in Pakistan



Source: IMF Forced Displacement Portal.
Note: This data above is for active individuals.

3. **Owing to legal restrictions, economic necessity, and limited alternatives, informal jobs play a crucial role in both Iran and Pakistan, serving as the primary source of livelihood.** Both countries have implemented policies that restrict refugees' employment rights. In Iran, legal restrictions and penalties were imposed in 2001 to prevent the employment of undocumented foreigners. Specifically, refugees are restricted to specific job categories, limiting their employment options, with male refugees eligible for temporary one-year work permits. In Pakistan, many refugees report that their documentation, such as Afghan Citizen Cards, offers little benefits in terms of employment. These restrictions lead many Afghan refugees and undocumented economic migrants struggle to find employment in the formal economy. For instance, almost all employed Afghan refugees in Pakistan work in the informal economy. Consequently, many Afghans (including children) are vulnerable to exploitation, often face discrimination in the job market, and are under the constant threat of deportation (Box A1).

Figure A1.5. Refugee Related Policy Index



Source: DWRAP data via IMF Forced Displacement Portal.
Note: Higher values indicate less restrictive policies.

4. **The majority of Afghans face prolonged displacement owing to legal barriers and documentation issues, though it is less pronounced in Iran (Figure A1.5 and Table 1).** In Pakistan, there is no legal framework granting refugees (including those holding POR cards) and economic migrants access to social security services or public health services on par with citizens, and only 30 percent of school-age Afghan children are enrolled in formal education. In contrast, Iran has

policies granting Afghan nationals access to a range of legal services, such as enrolling in the national public health insurance system by paying an annual premium fee. Since 2015, all Afghan school-aged children can attend primary and secondary schools regardless of their documentation status, with about 60 percent attending school. However, many economic migrants and refugees still face legal uncertainties and barriers to asylum and residency, complicating their access to social protection, health and education services (Table A1.1).

Table A1.1. *De jure* Policies on Asylum and Forced Migration

Aspect	Refugees		Economic Migrants	
	Iran	Pakistan	Iran	Pakistan
Are refugees entitled to receive social security benefits?	Yes	No	Yes	N/A
Are refugees entitled to receive unemployment benefits?	No	No	No	No
Are refugee-sponsored family members eligible for employment?	No	No	Conditions	Conditions
Are the conditions to open a business the same for refugees and citizens?	No	No	Yes	No
Can refugees access public healthcare on par with citizens?	Yes	No	N/A	No
Can refugees buy property in the host country?	No	No	Yes	Yes
Can refugees reside anywhere in the host country without restriction?	No	Conditions	No	No
Can refugees move and travel within the host country without any restrictions?	No	Conditions	Conditions	Conditions
Does national minimum wage policy apply equally for refugees and citizens?	Yes	Yes	Yes	No

Source: KNOMAD data accessed through IMF Forced Data Platform.

Annex II. FSGM Simulation Analysis

What is FSGM and how does it work

1. **The Flexible System of Global Models (FSGM) is a multi-region, forward-looking semi-structural model developed by the IMF for analyzing policy impacts and cross-country spillovers.** It has been widely utilized in many IMF reports and research papers. The technical details of the FSGM can be found in Andrle, Blagrave, et al. (2015). This annex aims to provide more details on the baseline and alternative scenarios, as well as detailed simulation results.

2. **FSGM analysis compares scenarios with different shocks to a baseline, evaluating the impacts of these shocks by examining deviations in economic performance relative to the baseline.** These impacts are assessed by examining the deviations of various economic indicators (e.g., GDP growth, employment, government debt, etc.) from the baseline. It is important to note that the economic outcomes of the baseline and those of the scenarios are not part of the simulation results. Instead, all the simulation results are presented as percent or percentage point deviations relative to the baseline.

Baseline

3. **Table A2.1 provides key baseline calibrations and assumptions for FSGM simulation.** The base year is 2023, which is not included in the simulation. The calibrations for 2023 form the basis for the 2024-30 baseline assumptions, which in turn form the benchmark for the shocks in the scenarios. The calibrations for 2023 and the assumptions for 2024-30 have three key features: (i) the characteristics (e.g., labor force participation rate, unemployment rate, and productivity) of different population groups are calibrated to reflect the conditions of each labor market; (ii) in terms of population movements, the baseline assumes the status quo will continue—Iran and Pakistan will continue to experience net inflows of economic migrants from Afghanistan and will forcibly repatriate refugees to Afghanistan, especially those undocumented; (iii) the government expenditure on refugees by Iran and Pakistan are estimated based on the costs of subsistence needs and basic services.

Scenarios and shocks

4. **The shocks in each scenario have three forms:**

- *Policy changes.* For example, "faster forced repatriation of Afghan refugees by Iran and Pakistan" is the policy change or shock under Scenario 1. Under Scenarios 2, 3 and 4, policy changes are the reform measures undertaken by Afghanistan, and/or Iran and Pakistan.
- *Direct impact of policy changes on economic variables.* For instance, the policy change in Scenario 1 leads to a decrease in the number of Afghan refugees in Iran and Pakistan relative to the baseline. Similarly, the reforms in Scenario 2 lead to a shifting from a net outflow to a net inflow of economic migrant from Afghanistan's perspective (or, conversely, from a net inflow to a net outflow from Iran and Pakistan's perspective) and a reduction in the number of IDPs. Detailed data are provided in Tables A2.2 – A2.5.

- *Direct impacts of policy changes on economic variables included in the FSGM*. This differs from the second form because some economic variables affected by policy changes are not directly included in the FSGM. For example, the model distinguishes between Afghans and non-Afghans within Iran's population. However, in Scenario 3, refugee reforms in Iran only directly affect a subset of the Afghan group in Iran, namely refugees (not economic migrants). Therefore, to enable the FSGM to assess the impacts of policy changes, it is necessary to translate shocks in the second form (e.g., how the number of refugees in Iran is affected) to the third form (e.g., how the number of Afghans in Iran is affected). Detailed data are provided in in Table A2.6.

Results

5. Detailed results for the four scenarios are provided in Tables A2.7 – A2.10. The main text covers only the medium-term outcomes by 2030, while these tables provide the full simulation path from 2024 to 2030. These tables also include two variables not shown in the main text: domestic employment and the fiscal deficit to GDP ratio. It is worth noting that the distribution of Afghan refugees and migrants in Iran and Pakistan is uneven. Their impacts on the local labor markets where they concentrate might be stronger than suggested by overall domestic employment numbers.

	Afghanistan	Unit	2023	2024	2025	2026	2027	2028	2029	2030
A1	Internally displaced people (IDPs)	Million 1/	5.7	6.3	6.8	7.2	7.7	8.0	8.4	8.7
A2	Participation rate of IDPs	Percent	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
A3	Unemployment rate of IDPs	Percent	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8
A4	Labor productivity of IDPs	Index 2/	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
A5	Non-IDPs	Million	36.5	37.0	37.5	38.2	38.9	39.7	40.5	41.4
A6	Participation rate of Non-IDPs	Percent	41.1	41.1	41.1	41.1	41.1	41.1	41.1	41.1
A7	Unemployment rate of Non-IDPs	Percent	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8
A8	Labor productivity of Non-IDPs	Index 2/	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
	Iran	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
I1	Population	Million	85.8	86.6	87.5	88.4	89.3	90.2	91.1	92.0
I2	Participation rate of the overall population	Percent	42.6	42.6	42.6	42.6	42.6	42.6	42.6	42.6
I3	Unemployment rate of the overall population	Percent	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1
I4	Labor productivity of the overall population	Index 2/	53.0	53.1	53.2	53.3	53.4	53.5	53.5	53.6
I5	AFG in IRN	Million	8.5	8.2	7.9	7.6	7.4	7.2	7.0	6.9
I6	o.w. AFG economic migrants	Million	4.7	4.8	4.8	4.9	4.9	5.0	5.0	5.1
I7	Participation rate of AFG economic migrants	Percent	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0
I8	Unemployment rate of AFG economic migrants	Percent	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
I9	Labor productivity of AFG economic migrants	Index 2/	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
I10	o.w. AFG refugees	Million 1/	3.8	3.4	3.0	2.7	2.5	2.2	2.0	1.8
I11	Participation rate of AFG refugees	Percent	31.3	31.3	31.3	31.3	31.3	31.3	31.3	31.3
I12	Unemployment rate of AFG refugees	Percent	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
I13	Labor productivity of AFG refugees	Index 2/	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1
I14	Fiscal spending on AFG refugees	% of GDP	0.30	0.27	0.24	0.22	0.19	0.17	0.16	0.14
	Pakistan	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
P1	Population	Million	231.6	236.2	240.9	245.7	250.6	255.6	260.7	265.9
P2	Participation rate of the overall population	Percent	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7
P3	Unemployment rate of the overall population	Percent	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.4
P4	Labor productivity of the overall population	Index 2/	16.6	16.6	16.6	16.7	16.7	16.7	16.7	16.7
P5	AFG in PAK	Million	4.1	3.9	3.8	3.7	3.6	3.5	3.4	3.3
P6	o.w. AFG economic migrants	Million	2.1	2.1	2.2	2.2	2.3	2.3	2.3	2.4
P7	Participation rate of AFG economic migrants	Percent	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5
P8	Unemployment rate of AFG economic migrants	Percent	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
P9	Labor productivity of AFG economic migrants	Index 2/	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
P10	o.w. AFG refugees	Million 1/	2.0	1.8	1.6	1.4	1.3	1.2	1.1	1.0
P11	Participation rate of AFG refugees	Percent	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7
P12	Unemployment rate of AFG refugees	Percent	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4
P13	Labor productivity of AFG refugees	Index 2/	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
P14	Fiscal spending on AFG refugees	% of GDP	0.07	0.06	0.06	0.05	0.05	0.04	0.04	0.03

Sources: IMF World Economic Outlook (WEO), World Bank World Development Indicators (WDI), International Labor Organization (ILO), UNHCR, International Organization for Migration (IOM), Our World in Data, Internal Displacement Monitoring Centre, and IMF staff estimates.

1/ The increase of IDPs in Afghanistan over 2024-30 is entirely driven by returnees from Iran and Pakistan.

2/ Based on 2017 international dollar at PPP.

Table A2.2. Scenario 1: Faster Forced Repatriation of Afghan Refugees by IRN and PAK [1/]

	Iran	Unit	2023	2024	2025	2026	2027	2028	2029	2030
I10	o.w. AFG refugees	Million	3.8	3.0	2.4	1.9	1.5	1.2	1.0	0.8
	Pakistan	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
P10	o.w. AFG refugees	Million	2.0	1.6	1.3	1.0	0.8	0.7	0.5	0.4

Source: IMF staff assumptions.

1/ Only variables directly impacted the policy changes are shown. Please refer to Table A2.1 for detailed explanations of their respective baseline assumptions.

Table A2.3. Scenario 2: Afghanistan Reforms [1/]

	Afghanistan	Unit	2023	2024	2025	2026	2027	2028	2029	2030
A1	Internally displaced people (IDPs)	Million	5.7	6.0	6.0	6.0	6.0	6.0	6.0	6.0
	Iran	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
I6	o.w. AFG economic migrants	Million 2/	4.7	4.8	4.6	4.5	4.3	4.1	4.0	3.8
	Pakistan	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
P6	o.w. AFG economic migrants	Million 2/	2.1	2.1	2.0	1.9	1.8	1.6	1.5	1.4

Source: IMF staff assumptions.

1/ Only variables directly impacted the policy changes are shown. Please refer to Table A2.1 for detailed explanations of their respective baseline assumptions.

2/ Instead of a decline in economic emigrants from Afghanistan, this shock is presented as declines in Afghan economic migrants in Iran and Pakistan.

Table A2.4. Scenario 3: Refugee Reforms by Iran and Pakistan [1/]

	Iran	Unit	2023	2024	2025	2026	2027	2028	2029	2030
I10	o.w. AFG refugees	Million	3.8	3.6	3.6	3.6	3.6	3.6	3.6	3.6
I11	Participation rate of AFG refugees	Percent	31.3	37.6	37.6	37.6	37.6	37.6	37.6	37.6
I12	Unemployment rate of AFG refugees	Percent	10.9	6.3	6.3	6.3	6.3	6.3	6.3	6.3
I13	Labor productivity of AFG refugees	Index 2/	14.1	25.0	25.0	25.0	25.0	25.0	25.0	25.0
I14	Fiscal spending on AFG refugees	% of GDP	0.30	0.31	0.31	0.31	0.31	0.31	0.31	0.31
	Pakistan	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
P10	o.w. AFG refugees	Million	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
P11	Participation rate of AFG refugees	Percent	35.7	42.8	42.8	42.8	42.8	42.8	42.8	42.8
P12	Unemployment rate of AFG refugees	Percent	20.4	17.0	17.0	17.0	17.0	17.0	17.0	17.0
P13	Labor productivity of AFG refugees	Index 2/	5.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0
P14	Fiscal spending on AFG refugees	% of GDP	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07

Source: IMF staff assumptions.

1/ Only variables directly impacted the policy changes are shown. Please refer to Table A2.1 for detailed explanations of their respective baseline assumptions.

2/ Based on 2017 international dollar at PPP.

Table A2.5. Scenario 4: Reforms by Afghanistan, Iran, and Pakistan [1/]

	Afghanistan	Unit	2023	2024	2025	2026	2027	2028	2029	2030
A1	Internally displaced people (IDPs)	Million 2/	5.7	5.7	5.2	4.7	4.3	3.9	3.6	3.3
	Iran	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
I6	o.w. AFG economic migrants	Million 3/	4.7	4.8	4.6	4.5	4.3	4.1	4.0	3.8
I10	o.w. AFG refugees	Million	3.8	3.6	3.6	3.6	3.6	3.6	3.6	3.6
I11	Participation rate of AFG refugees	Percent	31.3	37.6	37.6	37.6	37.6	37.6	37.6	37.6
I12	Unemployment rate of AFG refugees	Percent	10.9	6.3	6.3	6.3	6.3	6.3	6.3	6.3
I13	Labor productivity of AFG refugees	Index 4/	14.1	25.0	25.0	25.0	25.0	25.0	25.0	25.0
I14	Fiscal spending on AFG refugees	% of GDP	0.30	0.31	0.31	0.31	0.31	0.31	0.31	0.31
	Pakistan	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
P6	o.w. AFG economic migrants	Million 3/	2.1	2.1	2.0	1.9	1.8	1.6	1.5	1.4
P10	o.w. AFG refugees	Million	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
P11	Participation rate of AFG refugees	Percent	35.7	42.8	42.8	42.8	42.8	42.8	42.8	42.8
P12	Unemployment rate of AFG refugees	Percent	20.4	17.0	17.0	17.0	17.0	17.0	17.0	17.0
P13	Labor productivity of AFG refugees	Index 4/	5.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0
P14	Fiscal spending on AFG refugees	% of GDP	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07

Source: IMF staff assumptions.

1/ Only variables directly impacted the policy changes are shown. Please refer to Table A2.1 for detailed explanations of their respective baseline assumptions.

2/ The decline in IDPs relative to the baseline is due both to the reforms by Afghanistan—IDPs turning to non-IDPs—and those by Iran and Pakistan, which lead to less returnees to Afghanistan.

3/ Instead of a decline in economic emigrants from Afghanistan, this shock is presented as declines in Afghan economic migrants in Iran and Pakistan.

4/ Based on 2017 international dollar at PPP.

Table A2.6. Summary of Average and End-Point Shocks in Different Scenarios [1/]

(Percent or Percentage Point Deviation from Baseline)	Afghanistan		Iran		Pakistan	
	2024-30 avg.	2030	2024-30 avg.	2030	2024-30 avg.	2030
S1. Faster Repatriation of Afghan Refugees by Iran and Pakistan						
Labor Force (%)	0.8	0.9	-0.5	-0.6	-0.1	-0.1
Unemployment economy-wide (ppts)	0.1	0.1				
Unemploment of Afghan workers (ppts)			-0.3	-0.4	-0.3	-0.4
TFP of workers economy-wide (%) 2/ 3/	-0.3	-0.3	0.1	0.2	0.03	0.04
Productivity of Afghan workers (%) 2/			3.3	4.4	3.7	4.9
Government expenditure (ppts of GDP)			-0.1	-0.1	-0.02	-0.02
S2. Afghanistan Reforms						
Labor Force (%)	5.6	9.9	-0.6	-1.3	-0.2	-0.4
Unemployment economy-wide (ppts)	-0.2	-0.3				
Unemploment of Afghan workers (ppts)			0.1	0.2	0.2	0.3
TFP of workers economy-wide (%) 2/ 3/	0.5	0.8	-0.1	-0.1	-0.02	-0.04
Productivity of Afghan workers (%) 2/			-1.2	-2.3	-2.5	-4.8
Government expenditure (ppts of GDP)			0.0	0.0	0.0	0.0
S3. Refugees Reforms by Iran and Pakistan						
Labor Force (%)	-1.0	-1.6	1.5	1.9	0.3	0.4
Unemployment economy-wide (ppts)	-0.1	-0.2				
Unemploment of Afghan workers (ppts)			-1.2	-0.9	-1.0	-0.7
TFP of workers economy-wide (%) 2/ 3/	0.4	0.6	0.5	0.4	0.1	0.1
Productivity of Afghan workers (%) 2/			11.9	8.7	13.6	9.7
Government expenditure (ppts of GDP)			0.1	0.2	0.0	0.0
S4. Reforms by Afghanistan, Iran and Pakistan (S2 & S3)						
Labor Force (%)	4.6	8.3	0.9	0.7	0.1	0.0
Unemployment economy-wide (ppts)	-0.3	-0.5				
Unemploment of Afghan workers (ppts)			-1.2	-0.9	-1.0	-0.7
TFP of workers economy-wide (%) 2/ 3/	0.8	1.3	0.5	0.4	0.1	0.1
Productivity of Afghan workers (%) 2/			11.9	8.7	13.6	9.7
Government expenditure (ppts of GDP)			0.1	0.2	0.03	0.04

Source: IMF staff calculations.

1/ Variables shown in this table are directly included in the FSGM.

2/ For Iran and Pakistan, the increase in economy-wide TFP is due to both enhanced productivity of the Afghan workers and the changes in the size and composition of the Afghan labor force.

3/ For Iran and Pakistan, the TFP adjustment is calculated by multiplying the change in the productivity of Afghan workers by the share of Afghan workers in employment and by the labor share in the production function.

Table A2.7. Scenario 1 Results – Faster Forced Repatriation of Afghan Refugees by IRN and PAK

(Percent or Percentage Point Deviation from Baseline)	2024	2025	2026	2027	2028	2029	2030
Population							
AFG	1.33	2.20	2.74	3.04	3.16	3.16	3.08
IRN	-0.43	-0.73	-0.92	-1.04	-1.09	-1.11	-1.10
PAK	-0.08	-0.14	-0.18	-0.20	-0.20	-0.21	-0.20
Real GDP							
AFG	0.07	0.05	0.04	0.02	0.00	0.00	-0.01
IRN	-0.01	0.00	0.00	0.00	0.01	0.02	0.03
PAK	-0.01	0.00	-0.01	-0.01	0.00	0.00	0.00
Real GDP per capita							
AFG	-1.25	-2.11	-2.63	-2.93	-3.06	-3.07	-2.99
IRN	0.42	0.73	0.93	1.04	1.11	1.14	1.13
PAK	0.08	0.14	0.17	0.19	0.20	0.21	0.20
Employment (total)							
AFG	0.29	0.43	0.58	0.64	0.62	0.60	0.59
IRN	-0.31	-0.42	-0.53	-0.64	-0.65	-0.65	-0.65
PAK	-0.06	-0.09	-0.12	-0.13	-0.13	-0.13	-0.13
Employment (domestic workers)							
AFG	0.29	0.43	0.58	0.64	0.62	0.60	0.59
IRN	0.02	0.02	0.01	0.00	0.00	0.00	0.001
PAK	0.00	0.00	0.00	0.00	0.00	0.00	0.002
Real Wage							
AFG	-0.28	-0.45	-0.61	-0.68	-0.69	-0.66	-0.63
IRN	0.24	0.36	0.48	0.58	0.59	0.60	0.61
PAK	0.04	0.08	0.11	0.12	0.13	0.13	0.13
Fiscal deficit to GDP							
AFG	-0.01	-0.01	0.00	0.01	0.00	0.00	0.00
IRN	-0.03	-0.05	-0.06	-0.07	-0.08	-0.08	-0.08
PAK	-0.01	-0.01	-0.02	-0.02	-0.02	-0.02	-0.02
Government debt to GDP							
AFG	-0.01	-0.01	-0.01	0.00	0.01	0.01	0.01
IRN	-0.03	-0.08	-0.14	-0.20	-0.27	-0.33	-0.39
PAK	-0.01	-0.02	-0.04	-0.05	-0.07	-0.09	-0.10

Source: IMF staff estimates.

Table A2.8. Scenario 2 Results – Afghanistan Reforms

(Percent or Percentage Point Deviation from Baseline)	2024	2025	2026	2027	2028	2029	2030
Population							
AFG	0.00	0.85	1.66	2.44	3.18	3.89	4.56
IRN	0.00	-0.24	-0.49	-0.72	-0.95	-1.18	-1.41
PAK	0.00	-0.07	-0.13	-0.20	-0.26	-0.32	-0.37
Real GDP							
AFG	0.93	2.16	3.37	4.52	5.61	6.53	7.31
IRN	-0.02	-0.10	-0.17	-0.26	-0.34	-0.43	-0.50
PAK	-0.01	-0.04	-0.06	-0.09	-0.12	-0.15	-0.17
Real GDP per capita							
AFG	0.93	1.30	1.67	2.03	2.36	2.55	2.63
IRN	-0.02	0.15	0.31	0.47	0.62	0.76	0.92
PAK	-0.01	0.03	0.07	0.10	0.14	0.17	0.20
Employment (total)							
AFG	0.70	2.40	3.89	5.16	6.35	7.34	8.25
IRN	-0.02	-0.25	-0.48	-0.70	-0.92	-1.25	-1.45
PAK	-0.01	-0.08	-0.14	-0.21	-0.26	-0.32	-0.38
Employment (domestic workers)							
AFG	0.70	2.40	3.89	5.16	6.35	7.34	8.25
IRN	-0.02	-0.03	-0.02	-0.02	-0.01	0.01	0.04
PAK	-0.01	-0.01	-0.01	0.00	0.00	0.01	0.01
Real Wage							
AFG	-0.80	-1.43	-2.17	-2.88	-3.48	-3.89	-4.14
IRN	-0.01	0.13	0.28	0.44	0.61	0.85	1.02
PAK	0.00	0.04	0.08	0.12	0.15	0.19	0.23
Fiscal deficit to GDP							
AFG	-0.23	-0.22	-0.17	-0.12	-0.05	0.02	0.10
IRN	0.01	0.01	0.01	0.01	0.01	0.00	0.00
PAK	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Government debt to GDP							
AFG	-0.34	-0.67	-0.93	-1.11	-1.20	-1.18	-1.06
IRN	0.01	0.02	0.03	0.04	0.05	0.05	0.05
PAK	0.02	0.04	0.06	0.08	0.09	0.10	0.11

Source: IMF staff estimates.

Table A2.9. Scenario 3 Results – Refugee Reforms by Iran and Pakistan

(Percent or Percentage Point Deviation from Baseline)	2024	2025	2026	2027	2028	2029	2030
Population							
AFG	-0.66	-1.81	-2.79	-3.62	-4.33	-4.91	-5.40
IRN	0.22	0.60	0.94	1.24	1.50	1.72	1.92
PAK	0.04	0.12	0.18	0.23	0.28	0.32	0.35
Real GDP							
AFG	-0.11	-0.22	-0.29	-0.36	-0.43	-0.51	-0.58
IRN	0.76	0.89	1.04	1.09	1.18	1.19	1.25
PAK	0.16	0.20	0.23	0.26	0.26	0.28	0.29
Real GDP per capita							
AFG	0.56	1.63	2.58	3.39	4.07	4.63	5.10
IRN	0.54	0.29	0.10	-0.14	-0.31	-0.52	-0.66
PAK	0.12	0.09	0.05	0.02	-0.02	-0.04	-0.06
Employment (total)							
AFG	-0.16	-0.38	-0.56	-0.68	-0.80	-0.92	-1.05
IRN	1.37	1.41	1.68	1.79	2.03	2.12	2.24
PAK	0.26	0.27	0.32	0.36	0.38	0.41	0.42
Employment (domestic workers)							
AFG	-0.16	-0.38	-0.56	-0.68	-0.80	-0.92	-1.05
IRN	0.14	-0.06	0.00	0.00	0.02	0.00	0.02
PAK	0.02	-0.01	0.00	0.01	0.00	0.01	0.0002
Real Wage							
AFG	0.19	0.32	0.45	0.54	0.59	0.64	0.67
IRN	-0.69	-0.59	-0.57	-0.57	-0.72	-0.83	-0.94
PAK	-0.11	-0.10	-0.09	-0.10	-0.11	-0.13	-0.14
Fiscal deficit to GDP							
AFG	0.02	0.02	0.01	0.01	0.00	0.00	-0.01
IRN	0.08	0.08	0.09	0.10	0.13	0.14	0.16
PAK	0.02	0.02	0.02	0.03	0.03	0.04	0.04
Government debt to GDP							
AFG	0.03	0.06	0.07	0.08	0.09	0.08	0.07
IRN	0.05	0.13	0.20	0.29	0.39	0.51	0.64
PAK	-0.04	-0.03	-0.02	-0.01	0.00	0.02	0.05

Source: IMF staff estimates.

Table A2.10. Scenario 4 Results – Reforms by Afghanistan, Iran, and Pakistan

(Percent or Percentage Point Deviation from Baseline)	2024	2025	2026	2027	2028	2029	2030
Population							
AFG	-0.66	-0.96	-1.13	-1.18	-1.14	-1.03	-0.84
IRN	0.22	0.36	0.45	0.51	0.54	0.54	0.52
PAK	0.04	0.05	0.05	0.04	0.02	0.00	-0.02
Real GDP							
AFG	0.93	2.16	3.41	4.58	5.67	6.62	7.41
IRN	0.75	0.83	0.92	0.93	0.94	0.92	0.92
PAK	0.16	0.17	0.18	0.19	0.18	0.18	0.17
Real GDP per capita							
AFG	1.60	3.16	4.59	5.83	6.89	7.72	8.32
IRN	0.53	0.47	0.47	0.42	0.40	0.38	0.40
PAK	0.11	0.13	0.14	0.15	0.16	0.18	0.19
Employment (total)							
AFG	0.54	2.03	3.31	4.38	5.45	6.34	7.22
IRN	1.26	1.06	1.12	1.13	1.05	1.04	0.96
PAK	0.23	0.18	0.16	0.14	0.11	0.09	0.04
Employment (domestic workers)							
AFG	0.55	2.03	3.31	4.38	5.43	6.31	7.17
IRN	0.12	-0.08	-0.01	0.00	0.03	0.02	0.06
PAK	0.01	-0.02	0.00	0.01	0.01	0.02	0.01
Real Wage							
AFG	-0.58	-1.00	-1.50	-2.01	-2.46	-2.81	-3.02
IRN	-0.68	-0.43	-0.24	-0.14	-0.05	-0.06	0.00
PAK	-0.11	-0.05	0.01	0.05	0.07	0.10	0.13
Fiscal deficit to GDP							
AFG	-0.21	-0.20	-0.16	-0.11	-0.05	0.01	0.09
IRN	0.09	0.09	0.10	0.10	0.13	0.14	0.16
PAK	0.03	0.03	0.02	0.03	0.03	0.04	0.04
Government debt to GDP							
AFG	-0.32	-0.64	-0.89	-1.08	-1.17	-1.17	-1.07
IRN	0.06	0.14	0.23	0.32	0.42	0.54	0.67
PAK	-0.02	0.00	0.02	0.04	0.07	0.09	0.12

Source: IMF staff estimates.

Annex III. International Assistance for Afghan Refugees and Internally Displaced Persons

1. **International assistance for Afghan refugees, IDPs, and migrants is multifaceted, delivered through a network of UN agencies, international organizations, donor governments, and NGOs**. After the Taliban's takeover in August 2021, the Afghanistan Coordination Group (ACG) has become a crucial platform for coordinating international assistance. On one hand, political instability, economic hardships, and natural disasters have led to a sharp rise in displaced Afghans, greatly increasing the need for humanitarian assistance. On the other hand, the lack of recognition of the Taliban regime by the international community posed additional challenges for aid delivery. The ACG—an interagency and intergovernmental platform co-chaired by the UN, the World Bank, and the EU—was established to enhance the effectiveness of humanitarian and development assistance to Afghanistan, including through coordinated strategic planning, information sharing (for instance, the International Organization for Migration's Displacement Tracking Matrix publishes weekly Flow Monitoring Snapshot on Afghanistan), and joint funding appeals.

2. **Current international assistance for displaced Afghans focuses on three priorities.** The first, "Sustained Essential Services," aims to provide life-saving assistance and ensure access to basic services for the displaced populations, including food, shelter, hygiene, essential healthcare, and protection services and legal aid. The second, "Economic Opportunities and Resilient Livelihoods," seeks to build economic stability by creating jobs, supporting small businesses, and enhancing agricultural productivity. This includes initiatives such as basic education for youth, skill training, and investments in infrastructures.[1] The third, "Social Cohesion, Inclusion, Gender Equality, Human Rights, and Rule of Law," covers critical elements for building an equitable society, reducing conflicts, and empowering marginalized groups. These priorities integrate humanitarian, development, and peace efforts to address the root causes of instability and conflict.

3. **However, the gap between aid provided and demand on the ground remains significant.** According to the UN Office for the Coordination of Humanitarian Affairs (OCHA), only 51.9 percent of the funding needs for the 2024 Afghanistan Humanitarian Needs and Response Plan (HNRP) were met. The shortfall is driven by a set of factors. Domestically, compounding the complexity arising from its lack of international recognition, some policies introduced by the Taliban regime, such as the 2024 morality law, have further set back human rights, particularly for women and girls, adding obstacles to aid delivery. Globally, many donor governments are grappling with increased fiscal pressures from higher public debt post-COVID-19 and rising expenditures, especially on defense and security. Additionally, humanitarian crises related to Russia's war in Ukraine and instability in the Middle East have heightened demand for international assistance, further stretching available resources and leaving Afghanistan inadequately supported.

[1] See UNHCR (2024a) and UNHCR (2024b).

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