



Biannual Report

Economic Sector Monitoring

Reporting Period: January to June 2022

September 2022

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Acronyms and Abbreviations

ACD	Afghan Customs Department
AED	United Arab Emirates Dirham (currency)
AFN	Afghan Afghani(s) (currency)
ANDMA	Afghan National Disaster Management Agency
ARD	Afghan Revenue Department
CPI	Consumer Price Index
DAB	Da Afghanistan Bank
ESM	Economic Sector Monitoring
FY	Fiscal Year
ICA	Integrated Context Analysis
IMF	International Monetary Fund
IRT	Iranian Toman (currency)
ITA	Interim Taliban Administration
LTO	Large Taxpayers' Office
MTO	Medium Taxpayers' Office
NRC	Norwegian Refugee Council
NSIA	Afghanistan National Statistics and Information Authority
NTA	National Technical Assistance
PKR	Pakistani Rupee (currency)
RFE/RL	Radio Free Europe/Radio Liberty
STO	Small Taxpayers' Office
MA	Monitoring Agent
USD	United States Dollar(s) (currency)
WFP	World Food Programme

Executive Summary

At the end of 2021, as third-party Monitoring Agent (MA)¹ for the World Bank in Afghanistan we were tasked with monitoring key economic indicators in Afghanistan covering topics such as consumer price levels and banking activities. Data has been collected continuously since mid-November 2021 in 22 provinces in 50 districts, covering Afghanistan's six largest urban centers and sixteen smaller ones. Data was shared with the World Bank on a weekly basis through our Digital Platform, where analysis is also visualized through a PowerBI dashboard. In addition, we provided exhaustive weekly 'live updates' from Afghanistan on topics such as exchange rate movements and new directives from Da Afghanistan Bank (DAB).

The purpose of this report is twofold. First, it provides an overview of data collected in the first half of 2022. Second, the report aims to provide greater appreciation and understanding of data collected, showing the various ways in which the data collected can be analyzed and visualized. However, for in-depth analyses of how these findings should be interpreted in the overall context of Afghanistan, please refer to the publications posted on [Afghanistan's country page](#) on the World Bank website.

In the first half of 2022, we conducted 1,449 site visits for Economic Sector Monitoring, comprising 1,200 market visits and 249 border crossing visits. During the site visits, 65,609 on-site interviews were conducted. In addition, 1,222 phone interviews were conducted in this period.

Our analyses of data collected in the first half of 2022 indicate that food prices and non-food prices continued to increase in the first half of 2022. Liquidity concerns have also remained: none of the Afghan banks we interviewed were able to adhere to DAB withdrawal limits for corporate account holders because they did not have sufficient funds, and there was a decreasing availability of Afghani banknotes in the country because no new bills could be imported and in the absence of domestic printing capacity. Furthermore, available work for daily laborers decreased on average by one day per week for unskilled laborers and all types of skilled laborers, except carpenters. Finally, public expenditure has been halved, with little money left for development programs.

Nevertheless, we also detected a few positives: almost all food and non-food items monitored were available in sufficient quantity. In addition, most banks were able to respect DAB withdrawal limits for individual account holders, except for Maiwand and Azizi Banks, and to a smaller extent, the Islamic Bank of Afghanistan. Furthermore, since the second half of 2021, the Afghani has appreciated and stabilized against all currencies we monitored in informal exchange markets, including the United Arab Emirates Dirham, the Iranian Toman, the Pakistani Rupee, and the United States Dollar. Public revenues have also remained stable although there has been a major decrease in traditional tax collection revenues, compensated for by

¹ In August 2022, our name changed from Third Party Monitoring Agent (TPMA) to Monitoring Agent (MA) because we entered into a new contract with the World Bank.

increased revenues from natural resource extraction. Banking withdrawals appear to have decreased compared to 2021 and activities for other banking activities increased. Finally, after initially decreasing, rates for daily workers appear to have bottomed out in March and increased since. However, they are still lower than at the end of 2021.

Importantly, many of the positive trends mentioned, such as the rise in rates for daily laborers, have only recently begun. Our report, to be issued at the end of 2022, will reflect on how sustainable or short-lived these changes have been.

Finally, regarding the second goal of this report, we illustrate that seasonality, province and region, as well as by bank (e.g. Afghan United Bank, Pashtany Bank, etc.), all have a crucial effect on the data collected. The economic challenges affecting Afghanistan are not consistent across the country, so that aggregating MA data at the national level and showing and analyzing it accordingly can severely misrepresent the reality on the ground.

1. Introduction

2021 was a year of sudden and unprecedented change for the Afghan people. The Covid-19 pandemic and ongoing conflict severely constrained the economy in 2020, and the projected recovery in 2021 was slow to materialize, with waves of new Covid-19 variants and intensified conflict throughout the summer. By August 2021, an estimated eleven million Afghans were facing food insecurity. The impact of the new interim Taliban administration (ITA), the freezing of Central Bank assets, and the suspension of international payments to Taliban-controlled ministries, precipitated dramatic shocks to the Afghan economy and financial systems.

Throughout 2021, we worked to support the Bank and other stakeholders in navigating rapidly changing and increasingly challenging circumstances nationwide. Since August 2021, we have continued to support accounting for funding expended before the Taliban takeover and verifying investment project implementation and assets.

We also undertook new activities to fill information gaps following the fall of the government, as part of a commitment to providing timely and accurate information to help guide decisions in support of the Afghan people. One of these ‘new’ activities was Economic Sector Monitoring.

Following the collapse of the government in August 2021, we were tasked by the World Bank to monitor economic indicators in Afghanistan in several key areas:

- Prices and availability of food and non-food items combined into a Consumer Price Index (CPI) basket as defined by the World Bank, and the extent to which shopkeepers selling these items were paying taxes and relying on cashless transactions.
- Banking sector activities, including formal banking activities and the activities of informal currency exchange traders and Hawala operators.
- Transport flows at major border crossings.
- Labor market activities, including nominal wages and the availability of casual workers, as well as the extent to which salary payments of civil servants were being made.

We collected this information by conducting surveys at markets and banks with shopkeepers, bank branch managers, bank customers, skilled and unskilled laborers, and Hawala operators. Physical data collection also took place at border crossings through observations and interviews with truck drivers and phone interviews with telecom operators and civil servants.

Data has been collected continuously since mid-November 2021 in 22 provinces in 50 districts, covering Afghanistan’s six largest urban centers and sixteen smaller ones. Data is being shared with the World Bank

on a weekly basis through our Digital Platform, where analysis is also visualized through a PowerBI dashboard. In addition, we provide exhaustive weekly ‘live updates’ from Afghanistan related to a variety of topics such as exchange rate movements and new directives from DAB.

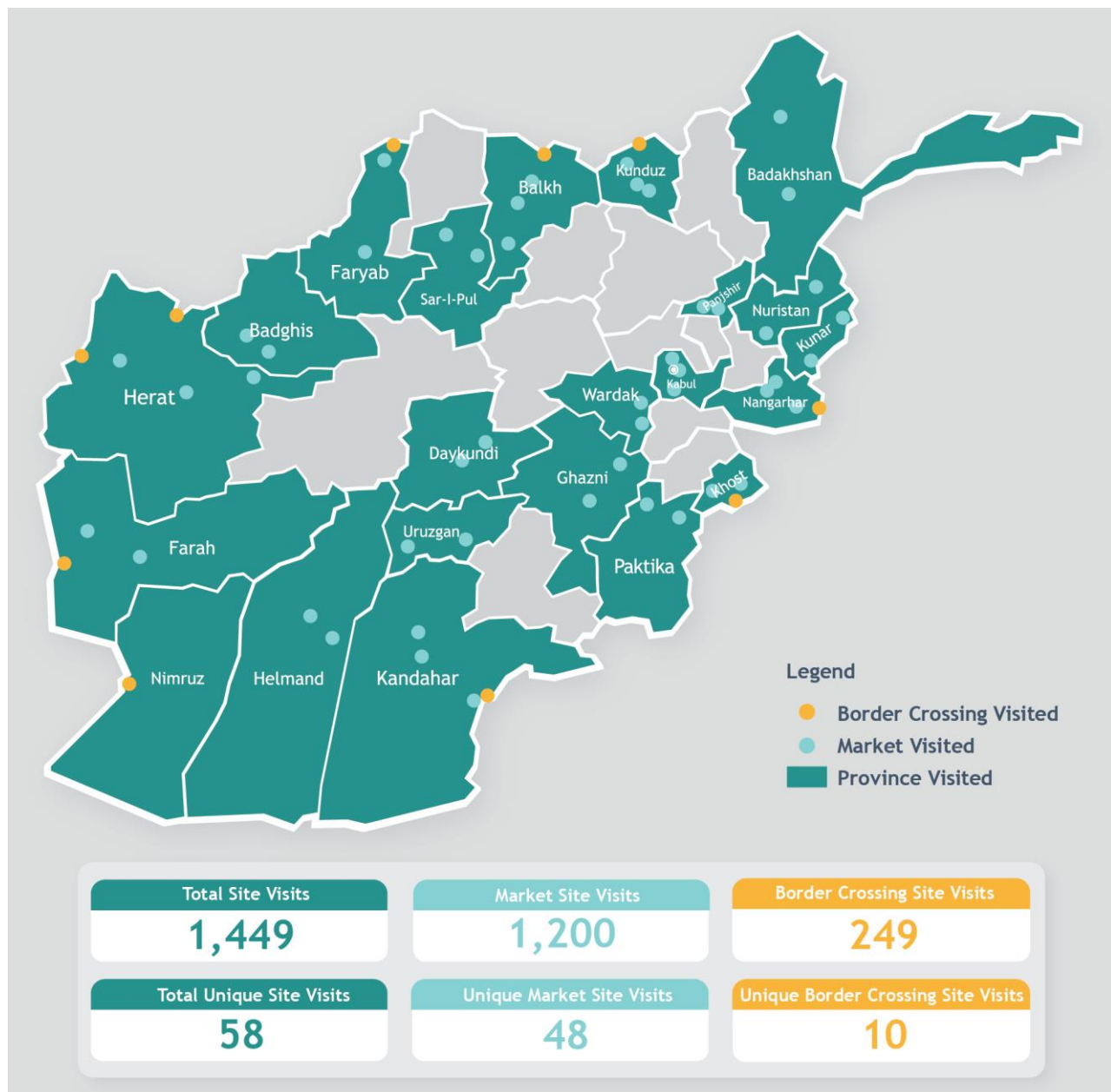
The purpose of this report is twofold. First, it provides an overview of the data we collected in the first half of 2022. Second, the report aims to provide greater appreciation and understanding of the data that we collected, showing the various ways in which the data we collected can be analyzed and visualized. However, for in-depth analyses of how these findings should be interpreted in the overall context of Afghanistan, please refer to the publications posted on [Afghanistan's country page](#) on the World Bank website.

2. Main Findings

2.1 Site visits and interviews conducted in the first half of 2022

In the first half of 2022, we conducted 1,449 site visits, comprising 1,200 market visits and 249 visits to border crossings (monitoring visits to bank branches are considered as part of the market visits).

Figure 1: Site visits from January to June 2022



During these site visits, 65,609 on-site interviews were conducted. In addition, 1,222 phone interviews were conducted (to note that these are the number of interviews conducted, not the number of people interviewed, because many of the respondents interviewed in one week might be interviewed again). Also, some interviews conducted were group interviews. Almost all the interviewees were men.

Table 1: Interviews conducted from January to June 2022²

Survey Type	Interviews conducted on site or by phone	Respondent Type	Interviews conducted with men	Interviews conducted with women	Total interviews conducted
Banking survey	On site	Bank branch manager	1,219	6	1,225
		Bank customer	5,767	116	5,883
Bank Operationality survey	On site	Shopkeeper next to the bank	797	1	798
		Bank security guard	1,209	-	1,209
		Bank customer	147	-	147
		Bank branch manager	267	6	273
Food Items survey	On site	General/grocery store	3,486	1	3,487
		Shop/cart/stall with vegetables	3,488	-	3,488
		Shop/cart/stall with fruits	3,447	-	3,447
		Bakery	3,199	8	3,207
		Butcher (shop with meat)	3,261	-	3,261
		Dairy shop	2,489	15	2,504
Hawala/ Foreign Exchange survey	On site	Informal currency exchangers	2,072	2	2,074
		Hawala operators	1,402	-	1,402
		Informal currency exchangers and Hawala operators	686	1	687
Market Services survey	On site	Shared taxi/van/rickshaw driver	3,231	-	3,231
		Barber	3,240	-	3,240
		Private health facility staff	3,351	6	3,357
		Real estate agent	1,981	1	1,982
		Tailor for men and boys	3,485	2	3,487
		Tailor for women and girls	2,346	142	2,488
		Daily laborers (group interviews)	N/A	N/A	1,200
Non-Food Items survey	On site	Firewood seller (commonly used)	1,933	-	1,933
		Petrol pump/gas station staff/shopkeeper	2,298	-	2,298

² No gender data was available for daily laborers because these respondents are interviewed through group interviews.

		Shopkeeper (fabric) for women and girls	2,349	1	2,350
		Shopkeeper (fabric) for men and boys	2,378	-	2,378
		Shopkeeper (stationery)	2,217	-	2,217
		Shopkeeper (shoes)	2,356	-	2,356
Civil Servant Salary survey	Phone	Civil servants	692	36	728
Telecom Operators Survey	Phone	Telecom operators	418	76	494
		TOTAL	65,211	420	66,831

2.2 Prices and availability of food items and non-food items

2.2.1 Changes in food and non-food prices

Figure 2 shows how CPI levels changed in 2021, highlighting a particularly dramatic increase starting from July 2021, broadly coinciding with the confirmation from the US military of its withdrawal from Bagram Airfield. We started collecting this information in mid-November 2021, so Figure 2 is based on information from the Afghan National Statistics and Information Authority (NSIA).

Figure 3³ highlights how the CPI continued to change in the first half of 2022, from data collected by our enumerators. This indicates that prices appeared to stabilize in the first quarter of 2022, with food prices increasing rapidly in April, while prices for non-food items similarly increased from June.

Figure 2: CPI in 2021 as reported by NSIA

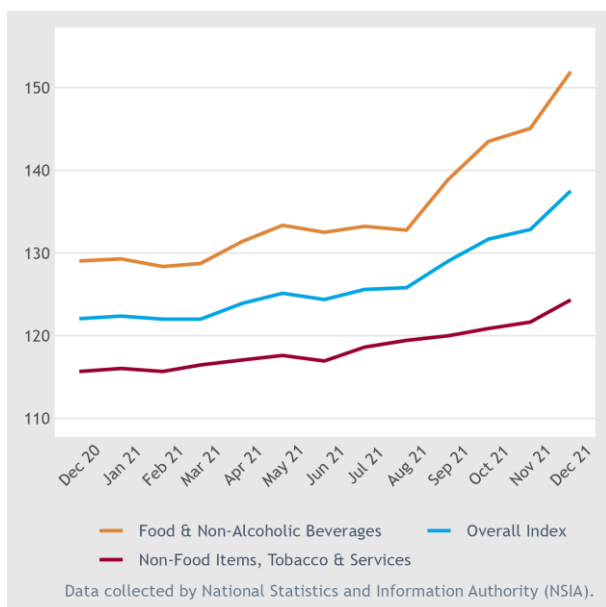
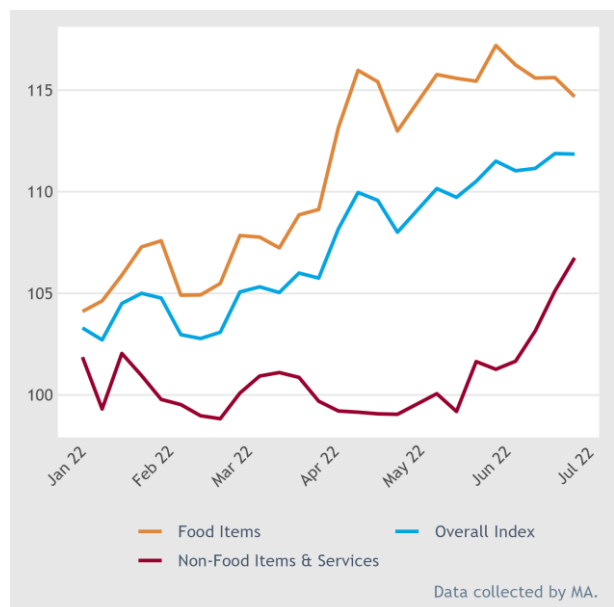


Figure 3: CPI from January to June 2022 as reported by MA



³ Week 48 of 2021 is used as a base period for the MA CPI calculations. NSIA uses a different base period, which explains the difference in y-axes between Figures 2 and 3.

The findings of Figure 3 are confirmed by both World Food Programme (WFP) and MA price data of key commodities in Afghanistan, shown in Table 2. Findings⁴ indicate how both WFP and the MA found there was a slowdown and, for some commodities, a decrease in prices of key commodities in the first quarter of this year before increasing rapidly again in the second quarter.

Although differences between prices collected by WFP and the MA seem minimal at a national level, there are some significant differences between the data collected by WFP and the MA. A more exhaustive overview about differences between WFP data and MA data is provided in Annex A.

Table 2: WFP and MA price data for key commodities from January to June 2022

Commodity	January 2022 (Weeks 1-4)		March 2022 (Weeks 9-13)		Change January- March		May 2022 (Weeks 19-22)		Change March- May	
	WFP price	MA price	WFP price	MA price	WFP change	MA change	WFP price	MA price	WFP change	MA change
Bread (nan)	59.6	58.9	59.9	57.2	0%	-3%	65.0	61.6	9%	8%
Fuel (diesel)	74.0	74.3	79.2	79.9	7%	8%	86.1	81.9	9%	2%
Oil (cooking)	186.2	178.0	177.6	175.0	-5%	-2%	204.8	193.3	15%	10%
Rice (high-quality)	104.7	103.6	105.1	101.3	0%	-2%	115.7	109.5	10%	8%
Rice (low-quality)	55.6	58.4	53.0	57.5	-5%	-2%	56.3	60.9	6%	6%
Salt	15.8	14.5	15.4	14.1	-3%	-3%	16.0	14.4	4%	2%
Sugar	68.5	69.1	62.6	63.0	-9%	-9%	64.9	64.8	4%	3%
Wheat Flour (high-quality)	50.3	49.9	46.0	44.7	-8%	-11%	54.1	51.9	17%	16%
Wheat Flour (low-quality)	46.4	46.8	42.4	42.0	-9%	-10%	49.7	47.8	17%	14%
Average Change					-3%	-4%			10%	8%

⁴ In principle, all findings in this report use simple averages and/or standard deviations based on all available observations for the indicated variable, period, and location. In the few cases where weighted- or rolling averages or standard deviations are used for creating a certain graph, it is indicated in the figure.

Figures 4-7 show the food and non-food items experiencing the strongest price decreases and increases. In the first half of 2022, Figure 4 shows that the food commodities that decreased most in price and in most provinces were okra, watermelon, grapes, and cucumber. This probably reflects seasonality, with these items being scarcely available in the winter and increasingly available towards and into the summer. Figure 5 also shows that the commodities increasing most in price were bananas and onions, again due to seasonality: onion availability is lower in the spring and summer (when they are being planted rather than harvested) while bananas are imported from Pakistan, and customs duties on bananas tend to increase during the summer months to promote the selling of locally produced fruits.

Figures 6 and 7 indicate that there is significant variation among non-food commodities: the price of toothpaste, shampoo, and women's shoes were found to have decreased the most in the first half of 2022 in some provinces, but in other provinces the prices for the same commodities had increased most. We believe this finding, that price movements differ significantly between different provinces at the same time, requires additional care be taken when seeking to draw conclusions on the basis of aggregate trends of food and non-food prices in Afghanistan. Another non-food item experiencing a major price rise in many provinces was diesel, which increased in all provinces by at least 25 percent, although this was not always the item showing the largest increase in percentage terms.

In addition, the maps in Figures 8-11 show the food and non-food items that experienced the strongest and smallest price variations in the first half of 2022. For food items, these were bananas, garlic, green tea, and mutton. There were seven provinces where bananas showed the most variation, largely reflecting the steep increase in the price of bananas shown in Figure 5. On the other hand, food items that hardly changed in price were eggs, salt, and yogurt.

Figures 10 and 11 show that shoes are the most variably priced item in all provinces, reflecting for a large part the price decreases for shoes that were shown in Figure 6. On the other hand, stationery items and firewood showed the least variation in price.

Figure 4: Food items with largest price decreases, by province

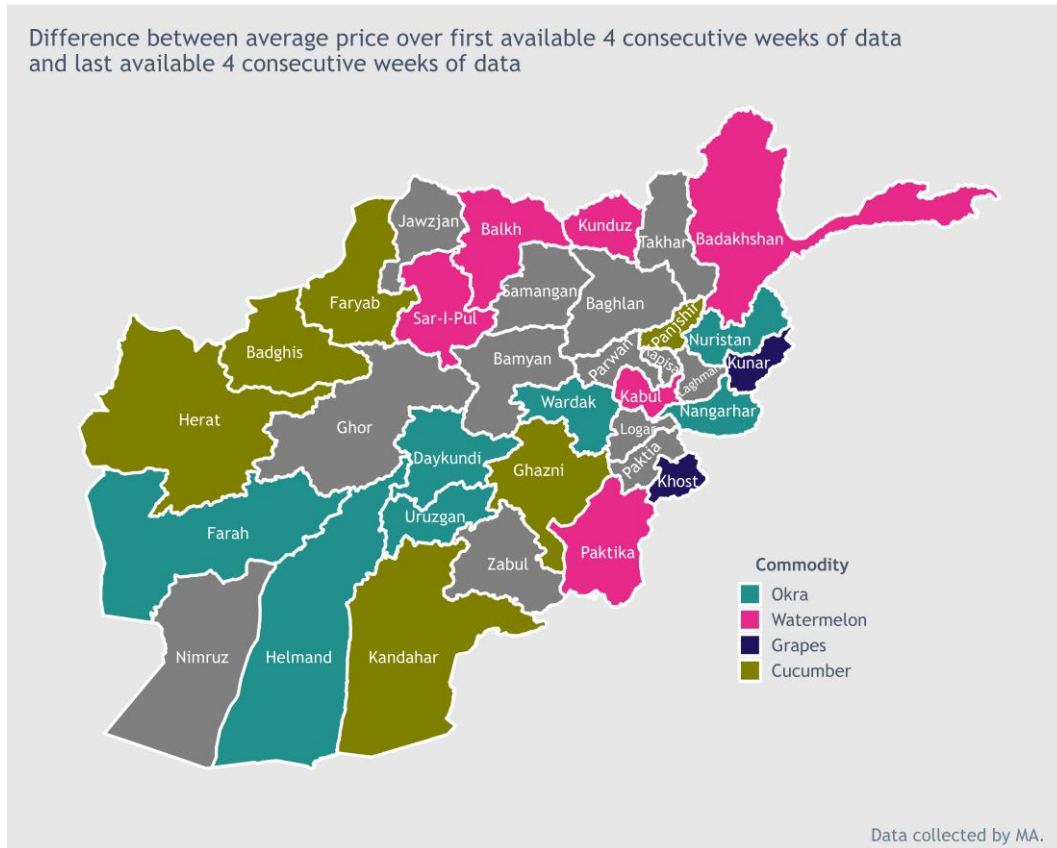


Figure 5: Food items with largest price increases, by province

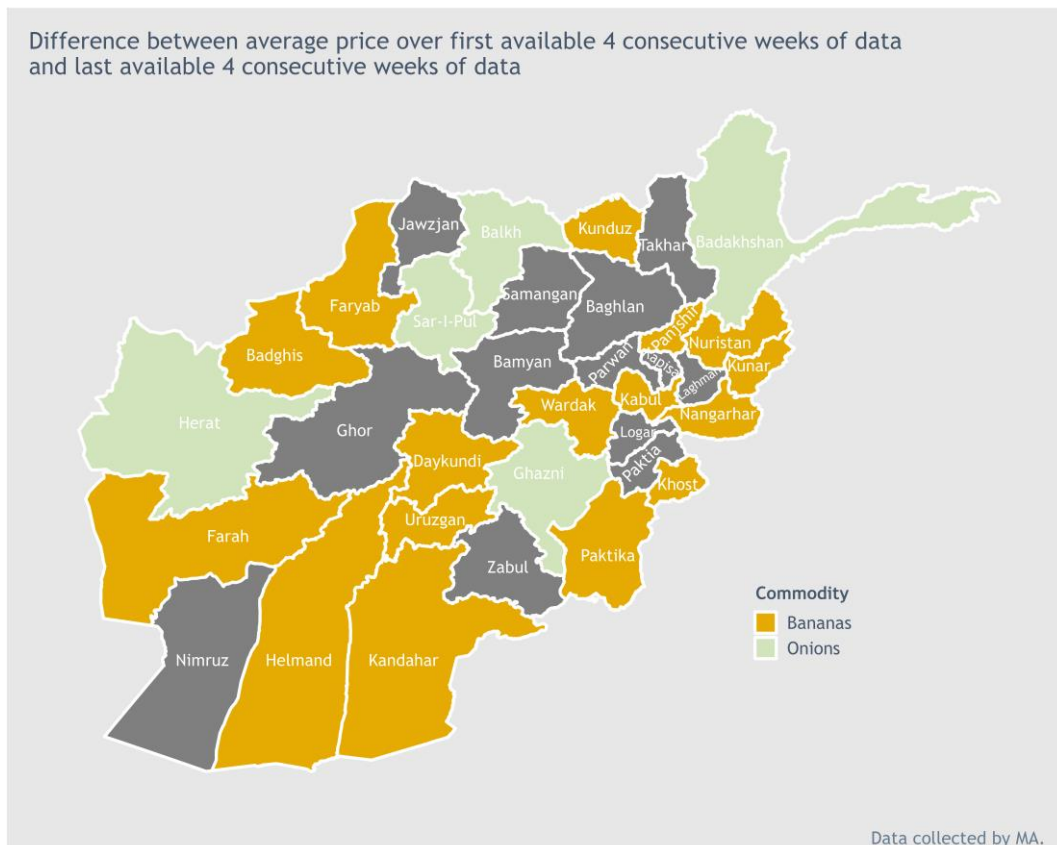


Figure 6: Non-food items with largest price decreases, by province

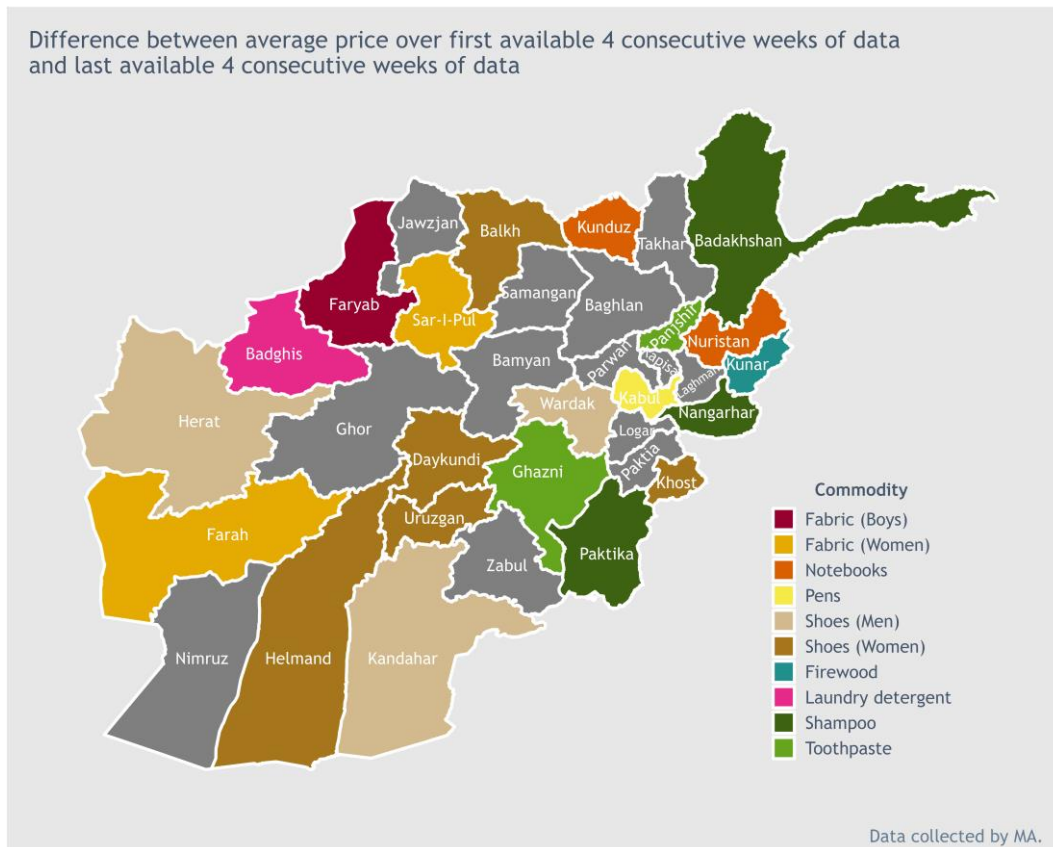


Figure 7: Non-food items with largest price increases, by province

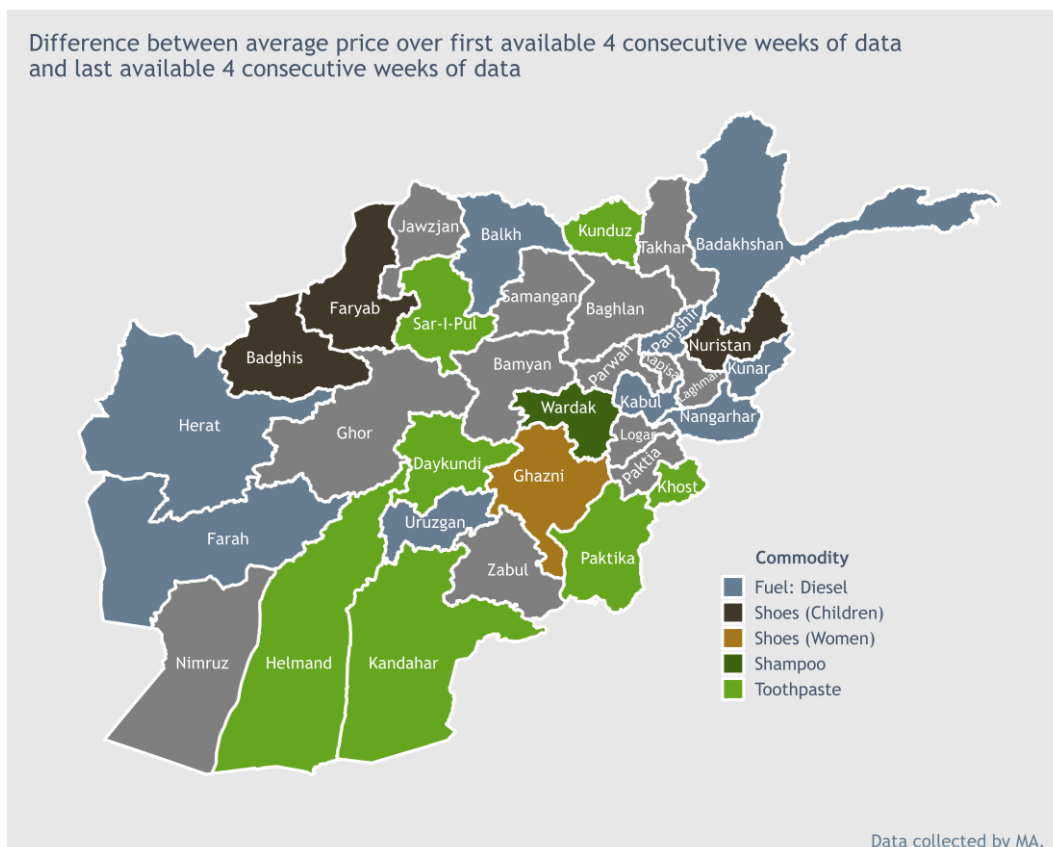


Figure 8: Food items with largest price variability, by province

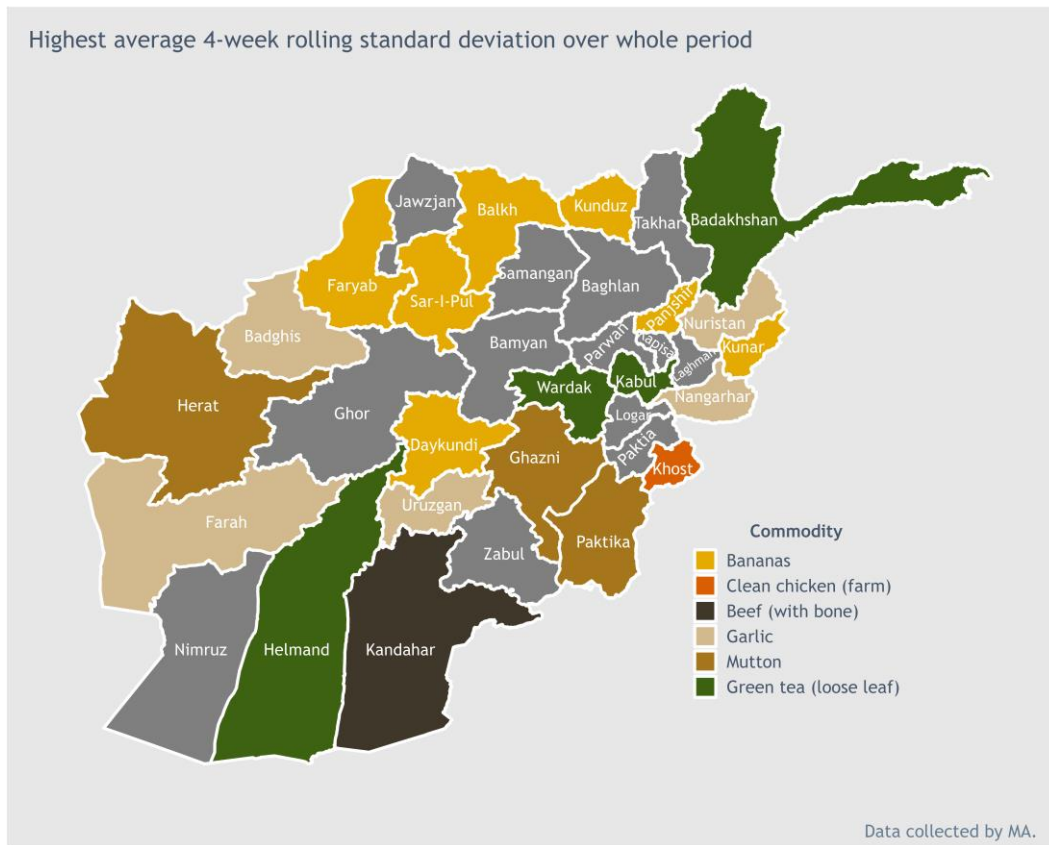


Figure 9: Food items with least price variability, by province

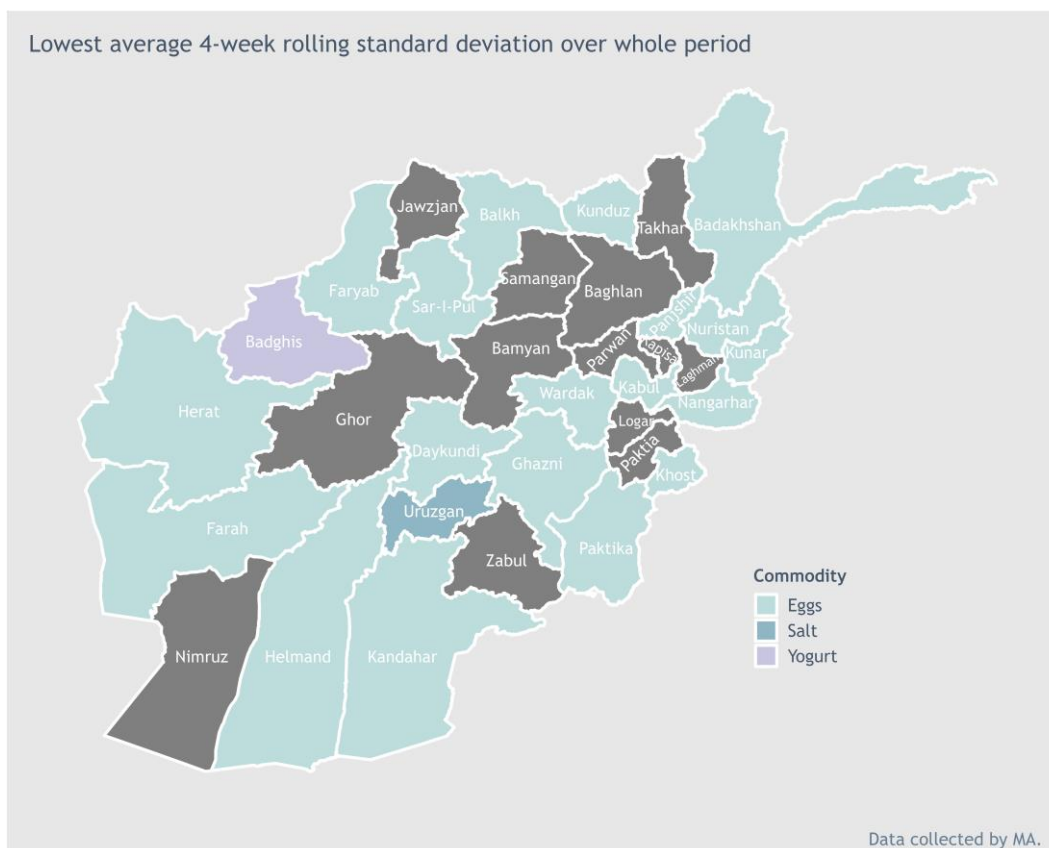


Figure 10: Non-food items with largest price variability, by province

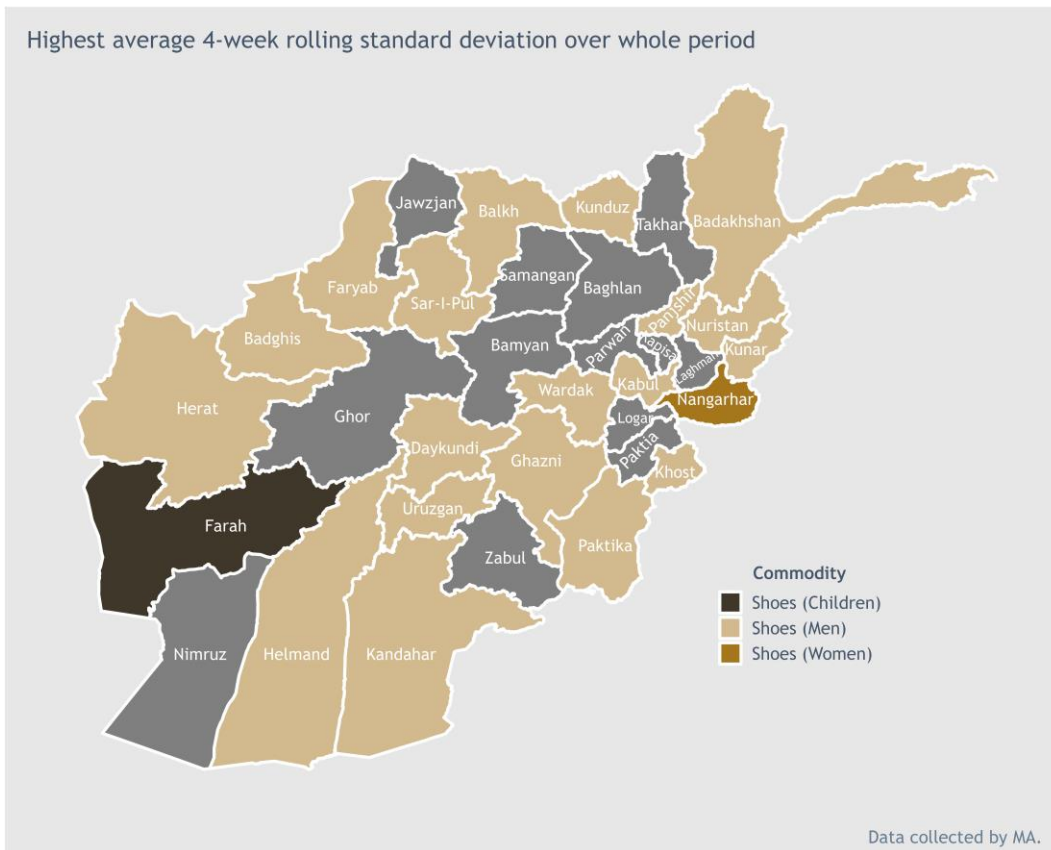
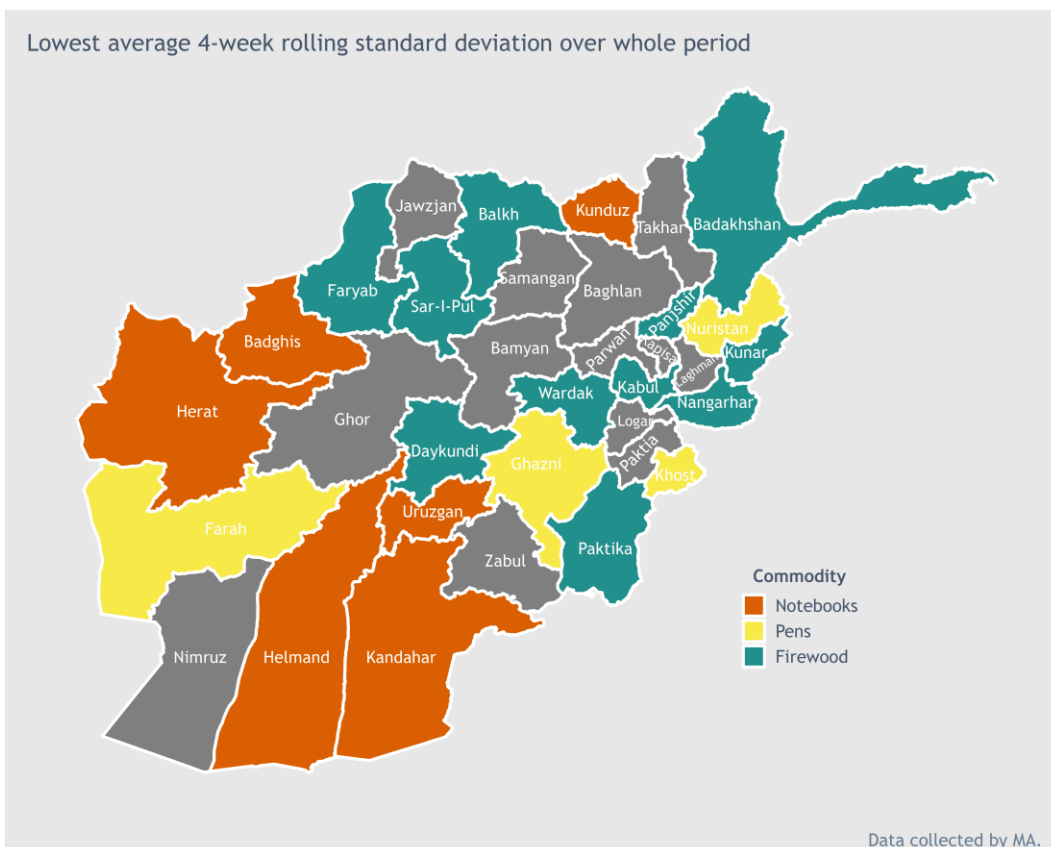
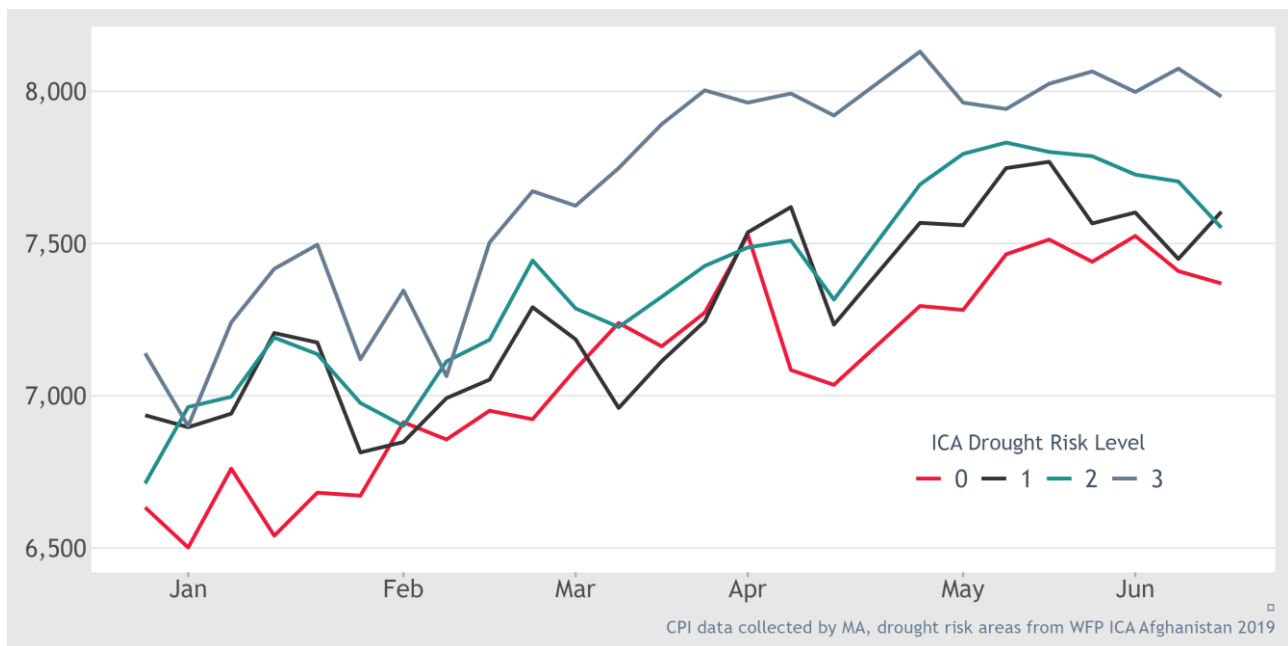


Figure 11: Non-food items with least price variability, by province



We also calculated the costs of the CPI basket for the different districts where we collected data and categorized those districts' values according to the four different drought risk categories identified by WFP in its Integrated Context Analysis (ICA) in 2019 (WFP, 2019). Figure 12 shows that the higher the risk of drought, the more expensive the CPI basket. This is not surprising since the extreme droughts in Afghanistan in 2018 and 2021 were disastrous for food production in the country and led to higher food prices and hunger.

Figure 12: CPI basket by ICA drought risk category



Unfortunately, based on current evidence and weather patterns, 2022 will be yet another year of drought in most parts of the country (Mayer, 2022). In this context, we expect that the difference between Categories 0 and 3 shown in Figure 12 is likely to increase in the future in the context of the increased frequency of droughts in Afghanistan. This can only be confirmed once a new ICA has been carried out for Afghanistan. We also ran price analyses against earthquakes and flooding events but did not find any clear relationship with food or non-food price changes.

2.2.2 Changes in the availability of food and non-food items

Although there were significant price increases, our findings indicate that essential food and non-food items were still sufficiently available in local markets, with exception of wheat flour. Figures 13-16 show that food and non-food availability did not change much over time in the first half of 2022. The difference between Figures 13-14 and 15-16 is that availability information in Figures 13 and 14 is based on reports from shop owners and vendors, while Figures 15 and 16 is based on availability information observed by our enumerators.

For all ten essential food and non-food items shown in Figures 13-16, observed availability was lower than reported availability. For example, Figure 13 shows that 90 percent of store owners reported that imported wheat flour was regularly available, and 70 percent that local wheat flour was regularly available. However,

Figure 15 shows that enumerators found imported wheat flour to be available in only two-thirds of the stores they visited, and local wheat flour was available in less than half of all the stores visited.

The difference between observed availability and reported availability is likely related to the fact that shopkeepers and other vendors have not yet fully factored in the ‘new normal’ in their answers, i.e. their answers may still be influenced by the availability of a certain item before the ITA came to power. In that context, observed availability probably gives a truer reflection of the reality.

Figure 14: Reported availability of food items from January to June 2022

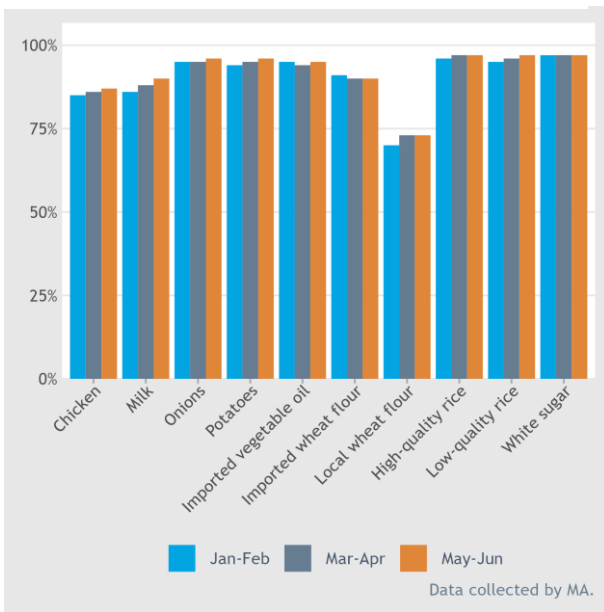


Figure 13: Reported availability of non-food items from January to June 2022

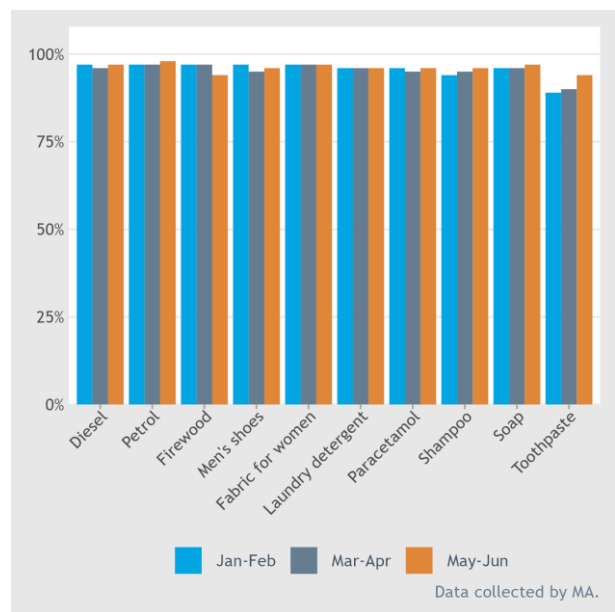


Figure 16: Observed availability of food items from January to June 2022

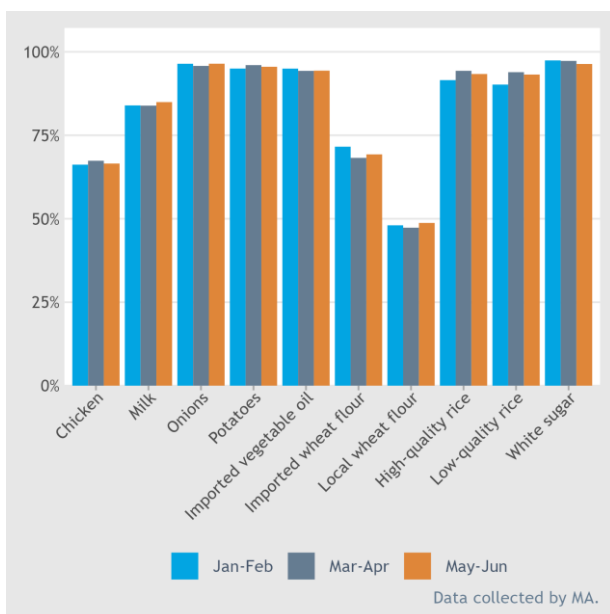
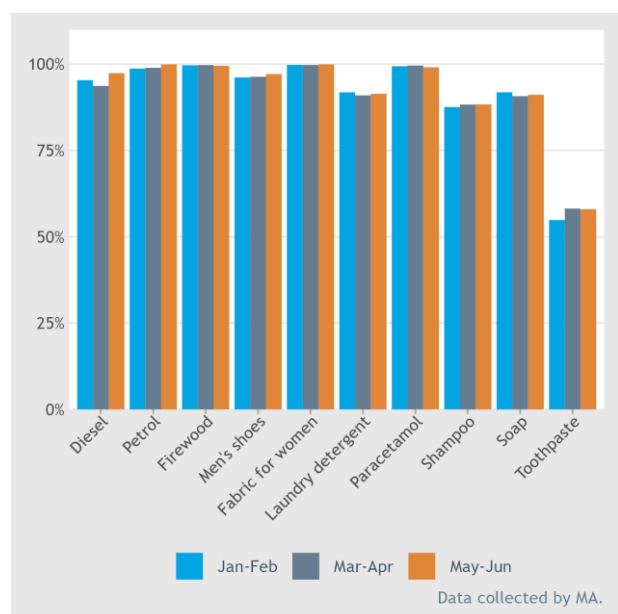


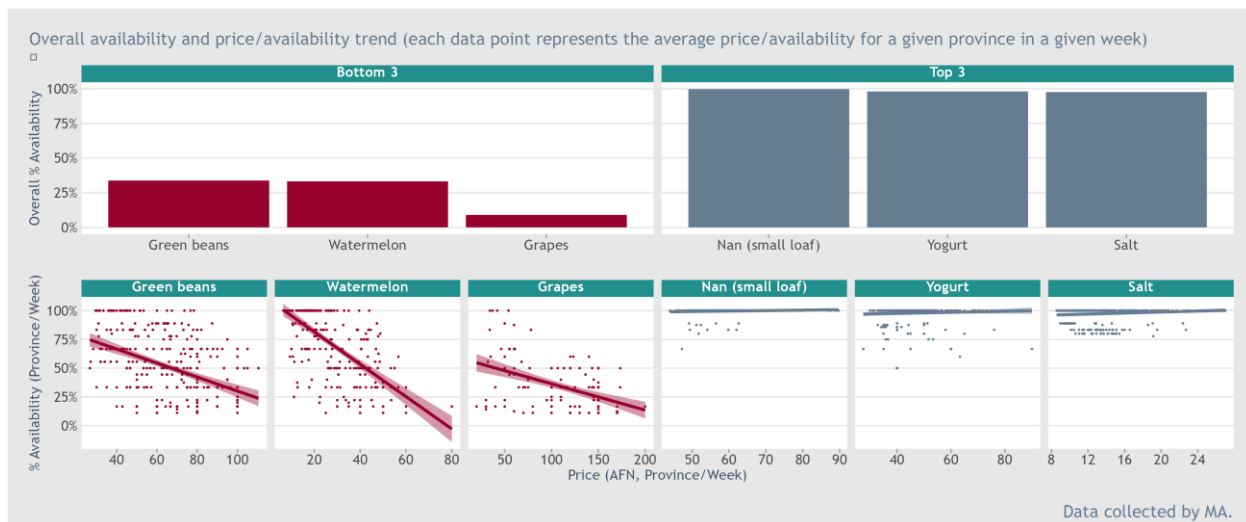
Figure 15: Observed availability of non-food items from January to June 2022



We also compared information about availability (based on enumerators’ observations) against food prices and found that the expected correlation between availability and prices (that is, the higher the availability the lower the price) only holds for the five food items that were least often available. These were (in descending order of average availability): okra, cauliflower, green beans, watermelon, and grapes. All these items had an average availability below 50 percent. The reason why we did not find this pattern confirmed for more items is possibly because there was not enough variability in the availability data.

Figure 17 visualizes this by showing the average percentage availability of the top and bottom three most available items over the whole period in all provinces in the upper panel. In the lower panel the plot for each of these commodities shows the correlation between price and availability, averaged at the level of province and by week. For the least available items (green beans, watermelon, and grapes), lower availability correlates with higher prices, whereas for the most available items (bread, yogurt, and salt), no meaningful correlation can be observed.

Figure 17: Price-availability correlation for the three commodities that are most available and least available

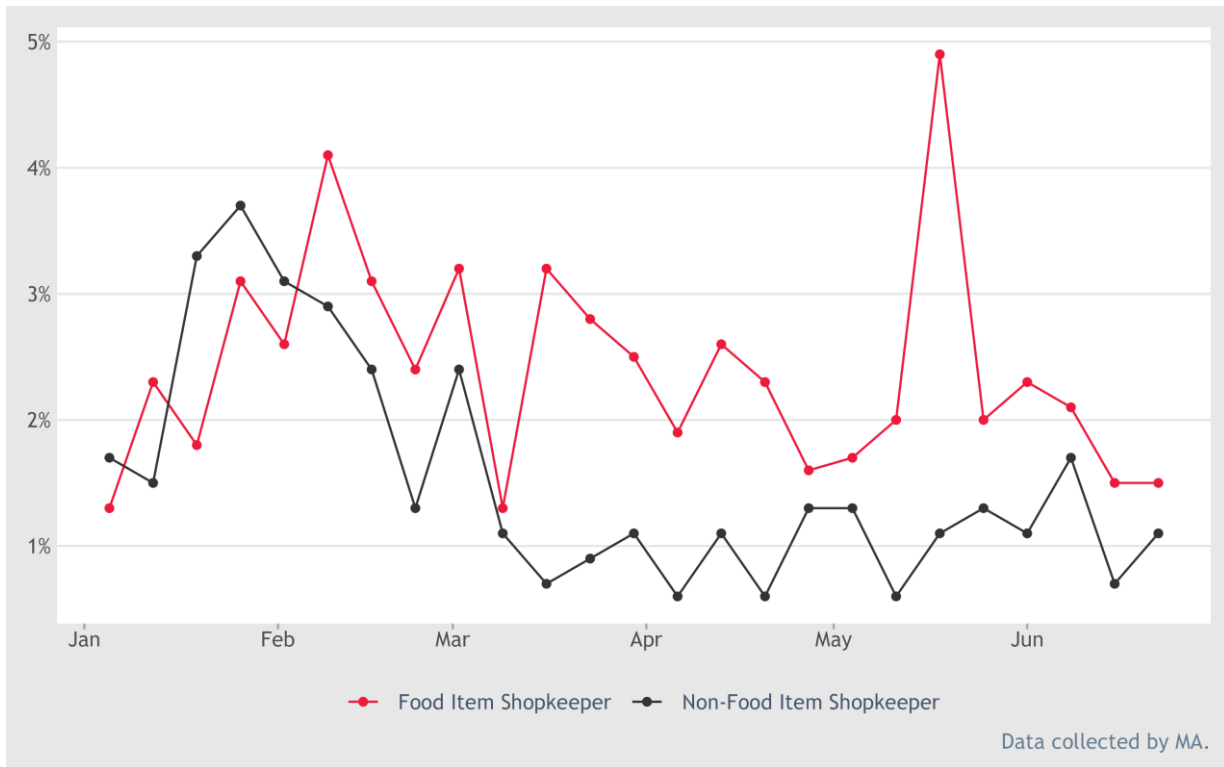


In the case of non-food items, we did not observe any correlation between price and availability, possibly due to all non-food items surveyed having an average availability of greater than 50 percent.

2.2.3 Barter economy

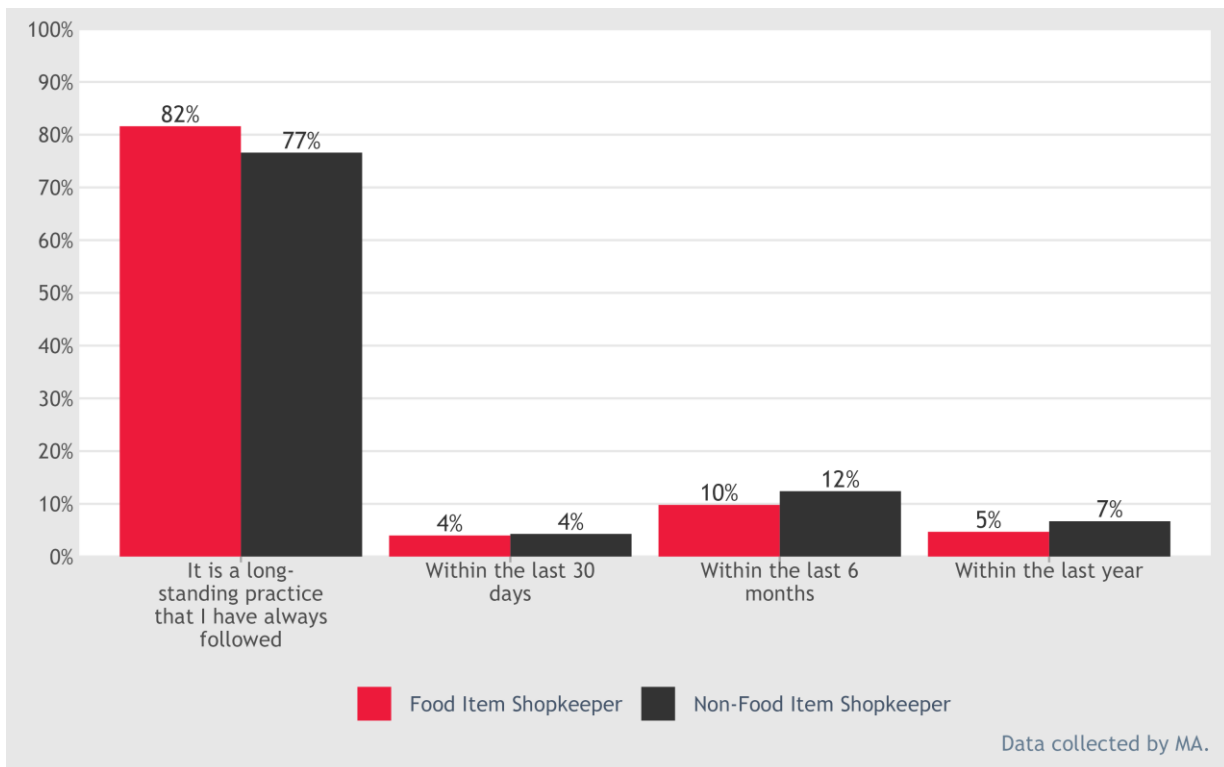
We asked shopkeepers and other vendors selling food and non-food items to what extent they accepted barter, that is, with other services and goods used as a means of payment. We found that only around two percent said they did so, with a slight increase at the beginning of the year, then falling back to similar levels for shopkeepers selling food items or to even lower levels for vendors selling non-food items.

Figure 18: Acceptance of barter by shopkeepers and vendors over time



Most of those shopkeepers and vendors who said they accepted barter noted that this was a long-standing practice and was not influenced by recent events.

Figure 19: Period when shopkeepers and vendors started accepting barter



2.3 Public expenditure and revenue

2.3.1 Changes in public expenditure

On May 14, 2022, the ITA announced a total budget of AFN 231.4 billion (\$2.6 billion) for the Fiscal Year (FY) 1401 (from March 21, 2022 to March 20, 2023). The budget comprises AFN 203 billion (\$2.27 billion) for the government's recurrent expenditure and AFN 27.9 billion (\$0.33 billion) for development programs. These figures represent a major reduction in government planned expenditure, with the operational budget cut by almost one-third and development program expenditure by 81 percent.

Table 3: Afghanistan national budget, by year⁵

	1399 (December 22, 2019 - December 21, 2020)	1400 (December 22, 2020 - December 21, 2021)	1401 (March 21, 2022 - March 20, 2023 ⁶)	Change 1401 - Average of 1399-1400
Total Budget (AFN)	428 billion	473.04 billion	231.4 billion	- 49%
Operational Budget/Recurrent Expenditure (AFN)	289 billion	311 billion	203 billion	- 32%
Development Program Expenditure (AFN)	139 billion	162 billion	27.9 billion	- 81%

One major expenditure category for the Afghan government up to August 2021 was civil servant salaries, accounting for eight percent of total formal employment (World Bank, April 2022). The ITA significantly reduced its civil servant salary expenditure by revising the civil servant salary scale in December 2021, reducing salaries for all grades (Jurist, 2021).

Table 4: Revised civil servant salary scale

Grade	Old Salary (AFN)	New Salary (AFN) Range		Change (Percent)
		From	To	
1	32,500	25,200	30,500	- 6%
2	22,400	16,600	20,600	- 8%
3	16,000	13,000	15,800	- 1%
4	11,900	9,900	11,900	0%
5	9,200	8,000	9,200	0%
6	7,500	6,000	7,500	0%
7	6,200	5,600	6,200	0%
8	5,600	5,000	5,400	- 4%
Average				- 2%

⁵ Information in this table was provided by a source from the Afghan Ministry of Finance in July 2022.

⁶ Please note that prior to the Taliban takeover, Afghanistan's fiscal year ran from December 22 to December 21. The ITA changed the fiscal year to the Hirji calendar year starting on March 21.

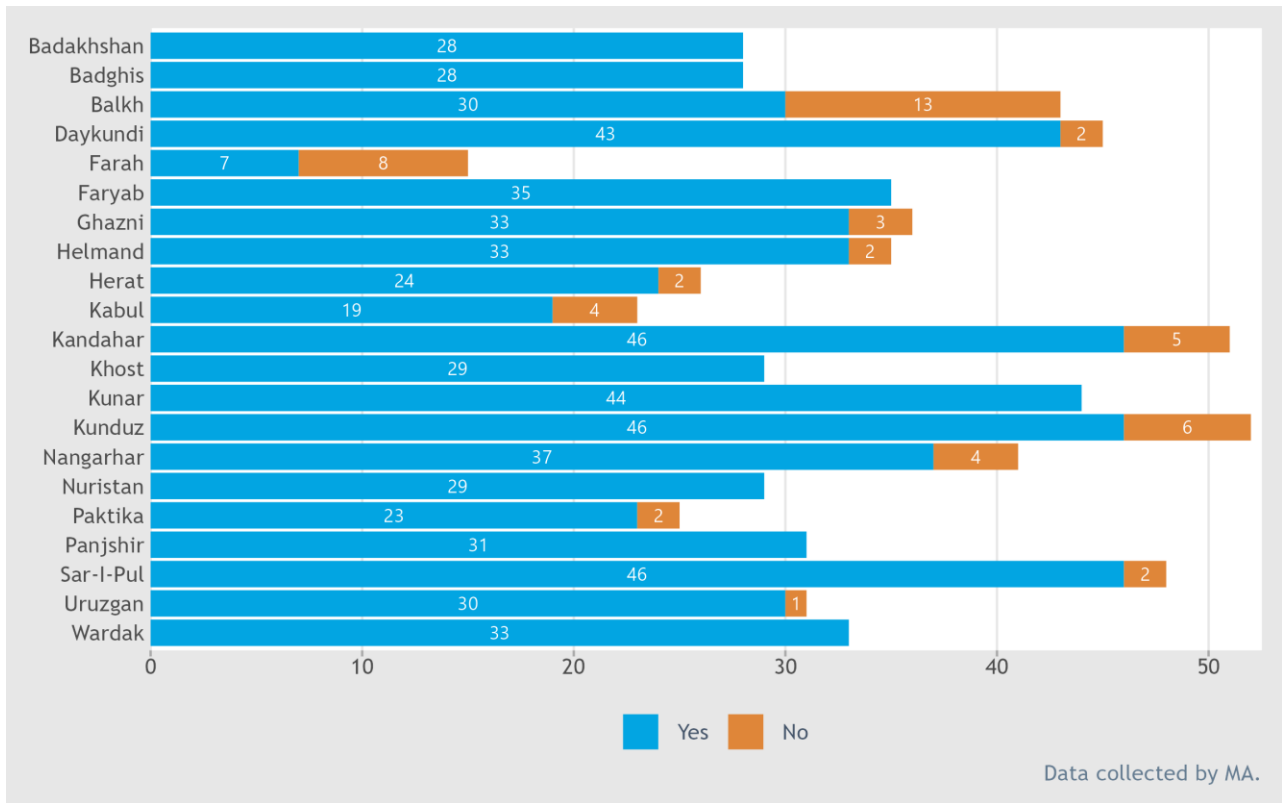
The ITA's revision of the salary scale of civil servants reduced salaries on average by two percent. In FY 1400 (2021) there were approximately 420,000 civil servants before the ITA came to power (World Bank, 2022) and in FY 1399 (2020), the Afghan government spent AFN 197.1 billion (\$2.57 billion) on civil servant salaries and AFN 21.5 billion (\$0.28 billion) on pensions (IMF, 2021). As a result, an average two percent reduction would lower the government's salary and wage expenditure by AFN 4.37 billion (\$57 million). Similar salary cuts were made in other state entities whose budgets are not included in the national budget, such as the Central Bank (DAB), Pashtany Bank, and Bank-e-Millie Afghan.

The ITA was also able to reduce its civil servant expenditure since it no longer paid salaries to members of the Afghan security forces, which comprised approximately 300,000 people before the ITA came to power (World Bank, 2022). This expenditure, together with expenditure from the three largest security sector ministries (Defense, Interior Affairs, and National Directorate of Security), all now reported by sources as only partially operational, accounted for almost 50 percent of the government's operational budget in recent years (World Bank, 2019).

Furthermore, the Afghan government also used a separate National Technical Assistance (NTA) pay scale to pay higher salaries to highly skilled technical staff. The maximum salary amount on the NTA scale was AFN 250,000, with an estimated 24,000 positions receiving salaries of between AFN 38,000 and AFN 250,000. The ITA reduced these salaries to a maximum amount of AFN 3,000 (Jurist, 2021).

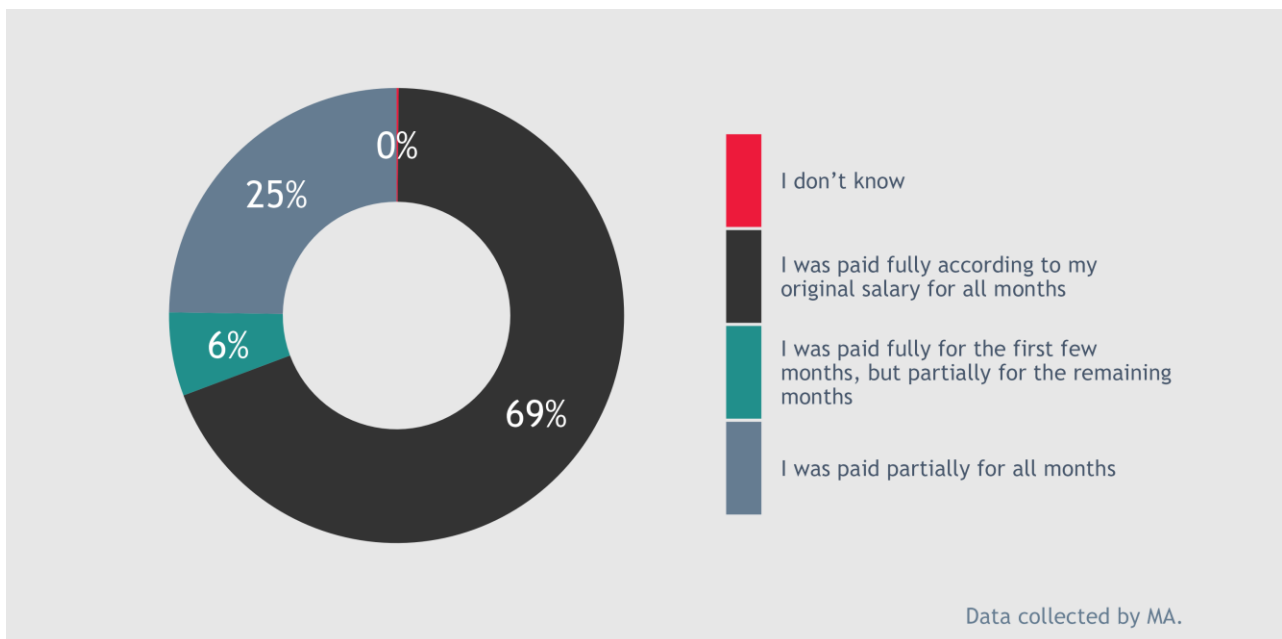
In the first half of 2022 we conducted 728 interviews with civil servants from eleven provinces. Most of those interviewed by our call center staff (accounting for 93 percent of interviews) said they had been paid within the last six months.

Figure 20: Extent to which civil servants said they were paid in the last six months



However, as per Figure 21, only just over two-thirds of those that said they had been paid in the last six months reported they had been paid according to their original salary.

Figure 21: Extent to which paid civil servants said the salary they received in the last six months was in line with their original salary

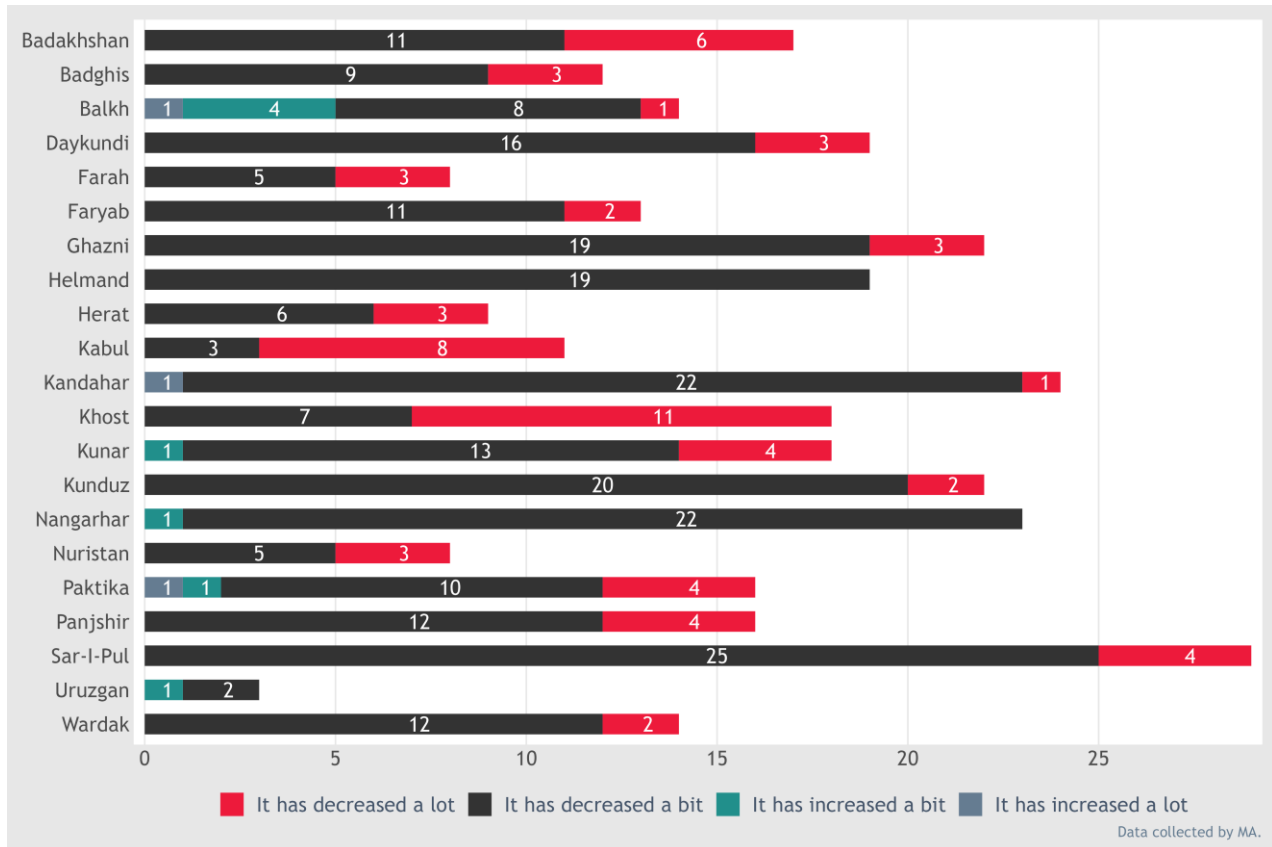


Almost two-thirds of the civil servants we interviewed (65 percent) were aware of the changes the ITA had made to the civil servant salary structure. In addition, more than two-thirds of respondents (71 percent)

that noted they were aware of the changes the ITA had made reported that their salary had changed as a result.

In line with Table 4, Figure 22 shows that in almost all the interviews where civil servants reported their salary had changed because of the changes the ITA made to the civil servant salary structure, interviewees reported their salary had decreased (324 out of 335 interviews).

Figure 22: Impact of ITA changes to the salary of interviewed civil servants



2.3.2 Changes in public revenue

The budget announced on May 21, 2022 is to be entirely funded with revenue collected by the government, except for a government deficit of AFN 44 billion (\$494 million). The ITA has not revealed plans for how they intend to deal with this deficit. The total annual revenue target for FY 1401 is AFN 186.7 billion (\$2.1 billion), roughly similar to that of previous years, as shown in Table 5. Almost half of the FY 1401 target, AFN 90.3 billion (48 percent), is to be collected by different ministries and Mustofiats⁷ under the overall coordination of the Afghan Revenue Department (ARD). The other half, AFN 96.4 billion (52 percent), is to be collected by the Afghan Customs Department (ACD).

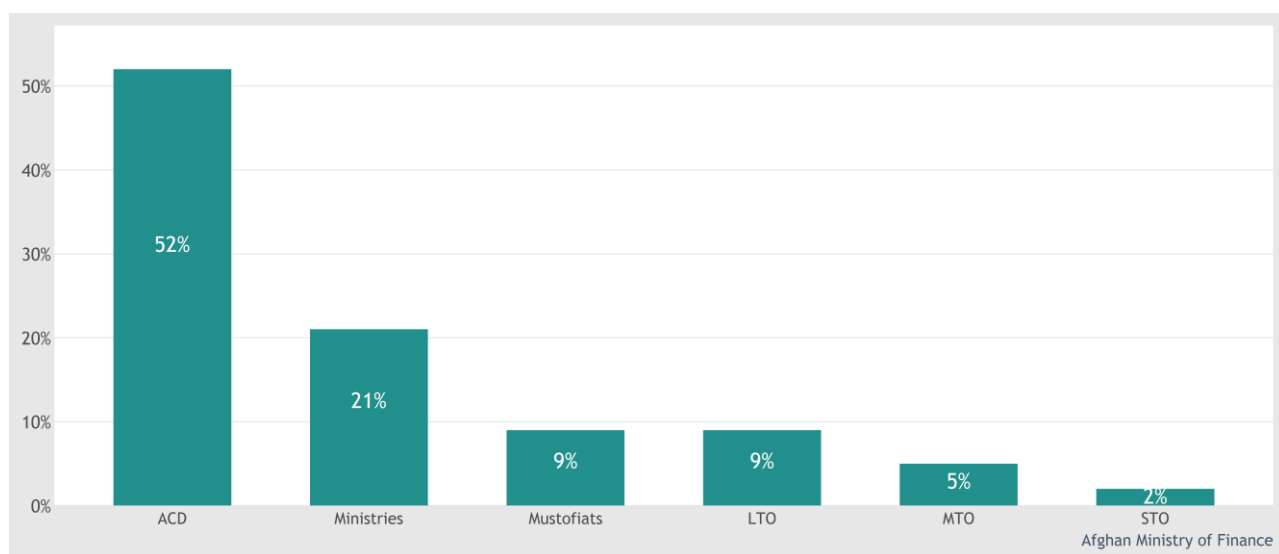
⁷ Mustofiats are liaison offices of the Ministry of Finance that are located in all 34 provinces. These offices are responsible for all activities of the Ministry of Finance in the provinces, including tax collection, budget management, and processing of all expenditure related to the respective provinces.

Table 5: Afghanistan national revenue, by year⁸

	1399 (December 22, 2019 - December 21, 2020)	1400 (December 22, 2020 - December 21, 2021)	1401 (March 21, 2022 - March 20, 2023)	Change 1401 - Average of 1399-1400
Annual Revenue Target (AFN)	177.8 billion	216.5 billion	186.7 billion	- 5%
Tax and non-tax revenues to be collected under overall coordination of ARD (AFN)	96.0 billion	115.1 billion	90.3 billion	-14%
Customs duties to be collected by ACD (AFN)	81.8 billion	101.4 billion	96.4 billion	5%
Actual amount collected (AFN)	173.9 billion	93.7 billion (as of July 27, 2021)	Collection is ongoing	Cannot be calculated yet

The ARD consists of the Large Taxpayers’ Office (LTO), the Medium Taxpayers’ Office (MTO), the Small Taxpayers’ Office (STO),⁹ and the Tax Audit Department. Figure 23 provides a more in-depth overview of how much each of these offices, and the Mustofiats, the ministries, and the ACD, are expected to contribute to the ITA’s revenue target.

Figure 23: Annual revenue FY 1401 target, by collecting entity



The ITA divided the total annual revenue target for FY 1401 into four quarters of 25 percent each. Table 6 shows to what extent first quarter targets have been met by the collecting entity.

⁸ All information in this table was provided by an anonymous source from the Afghan Ministry of Finance in July 2022.

⁹ LTO covers taxpayers with a turnover of more than 75 million AFN per year, MTO covers taxpayers with a turnover of 3 million to 75 million AFN per year, and STO covers taxpayers with a turnover of less than 3 million AFN per year. All are located in Kabul but LTO also has five regional offices.

Table 6: Actual revenue against the annual FY 1401 targets in billions (AFN)¹⁰

Collecting Entity		Fiscal Year 1401 (2022)				FY 1400 (2021)	FY 1399 (2020)
		Annual Target	Q1 Target	Q1 Actual Revenues	Completion Percentage	Q2 ¹¹ revenues	Q2 revenues
ACD	Customs	96,406	23,949	25,760	108%	20,036	11,867
ARD	Mustofiats	16,311	4,020	2,668	66%	3,214	2,274
	Ministries	39,972	9,399	10,486	112%	6,717	17,171
	LTO	16,933	4,512	3,523	78%	6,041	4,482
	MTO	9,837	2,621	1,814	69%	3,965	2,992
	STO	3,813	1,016	792	78%	912	374
	Audit Dept	3,427	913	101	11%	267	NA
	ARD Total	90,293	22,481	19,384	86%	21,117	27,292
Grand Total		186,699	46,430	45,144	97%	41,153	39,159

As per Table 6, total actual revenues collected in the first quarter of FY 1401 (2022) were AFN 45.1 billion (\$507 million), including AFN 19.3 billion from tax and non-tax sources by the ARD and AFN 25.7 billion from customs duties by the ACD. The actual total amount collected by both departments during the first quarter of the year was short by three percent against a combined quarterly target of AFN 46.4 billion. However, compared to the same period of last year, government revenue increased by ten percent, up from AFN 41.4 billion. Moreover, the ACD exceeded its quarterly target of AFN 23.9 billion by 8 percent. Similarly, ministry revenues exceeded their quarterly target of AFN 9.4 billion by 12 percent. Compared to the same quarter in FY 1400, ministry revenues increased by 56 percent, but are still lower compared to revenues during the same quarter in FY 1399. However, the ARD did not meet its first quarter revenue target of AFN 22.4 billion for the first quarter of FY 1401 and remained behind target by 14 percent, especially because of under-performance in tax collection by Mustofiats and the LTO and MTO.

An in-depth overview of ministry revenues is shown in Annex B. The third-highest¹² increase in revenue collection came from the Ministry of Mines and Petroleum, relating to the fact that the ITA sees the country's natural wealth as a main source of funding for its operations and has maximized efforts to open exploitation of Afghanistan's natural resources, with coal extraction and exports to Pakistan having increased significantly (Coal International, 2022). According to an ITA announcement on July 16, 2022, Afghanistan

¹⁰ All information in this table was provided by a source from the Afghan Ministry of Finance in July 2022.

¹¹ Reflecting the ITA's change to Afghanistan's fiscal year, the comparison here is based on the first quarter of FY 1401 compared with the second quarter of FYs 1400 and 1399.

¹² The highest increase in revenues came from the Prime Minister's Office and the second-highest increase from the Afghan National Disaster Management Agency (ANDMA). The increased revenues from the former are due to the fact that the Prime Minister's Office is the owner of many properties around the country such as palaces and other important buildings. Some of these properties are rented but revenue was not collected properly in the past. ANDMA does not have any regular source of revenue, so the amount included in Annex B likely represents one-time revenues received from selling off scrap metals and other items the ITA did not think were necessary to keep.

exported 10,000 MT of coal to Pakistan every day (Gul, 2022). At the same time, the ITA has raised customs duties and other royalty fees, leading to a massive increase in tax collection by the ACD.

On the other hand, the ARD’s failure to meet its first quarter revenue target can be traced back to some of the data collected: when shop owners selling food and non-food items are interviewed about the prices and availability of goods, we also enquire to what extent they are paying taxes now and were doing so before August 2021.

Figure 24 shows that almost two-thirds of shop owners reported the amount of taxes they needed to pay had stayed the same, and almost one-third reported it had increased. However, Figure 25 shows that despite an increase in the amount of taxes to be paid for a significant number of shopkeepers, the overall number of shopkeepers paying taxes decreased: almost three-quarters of all the interviewed shopkeepers reported they were paying taxes before August 2021. This dropped to half of all interviewed shopkeepers for the first half of 2022.

Figure 24: Changes in tax amount since August 2021, as reported by shopkeepers

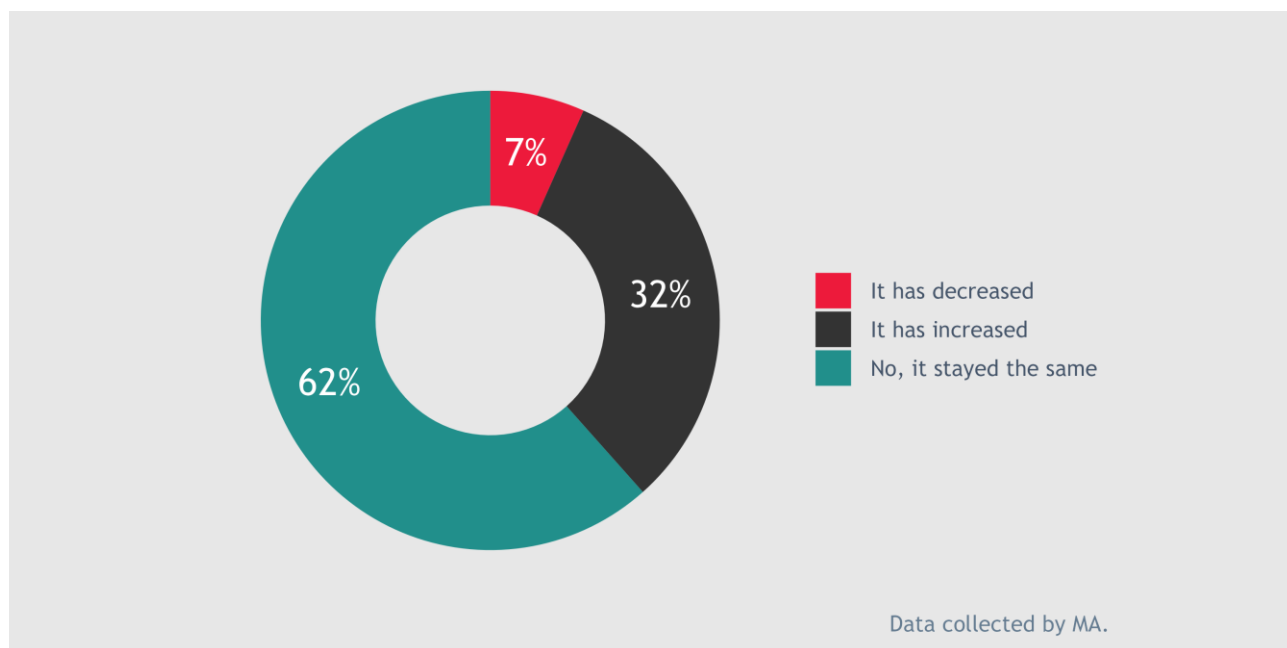
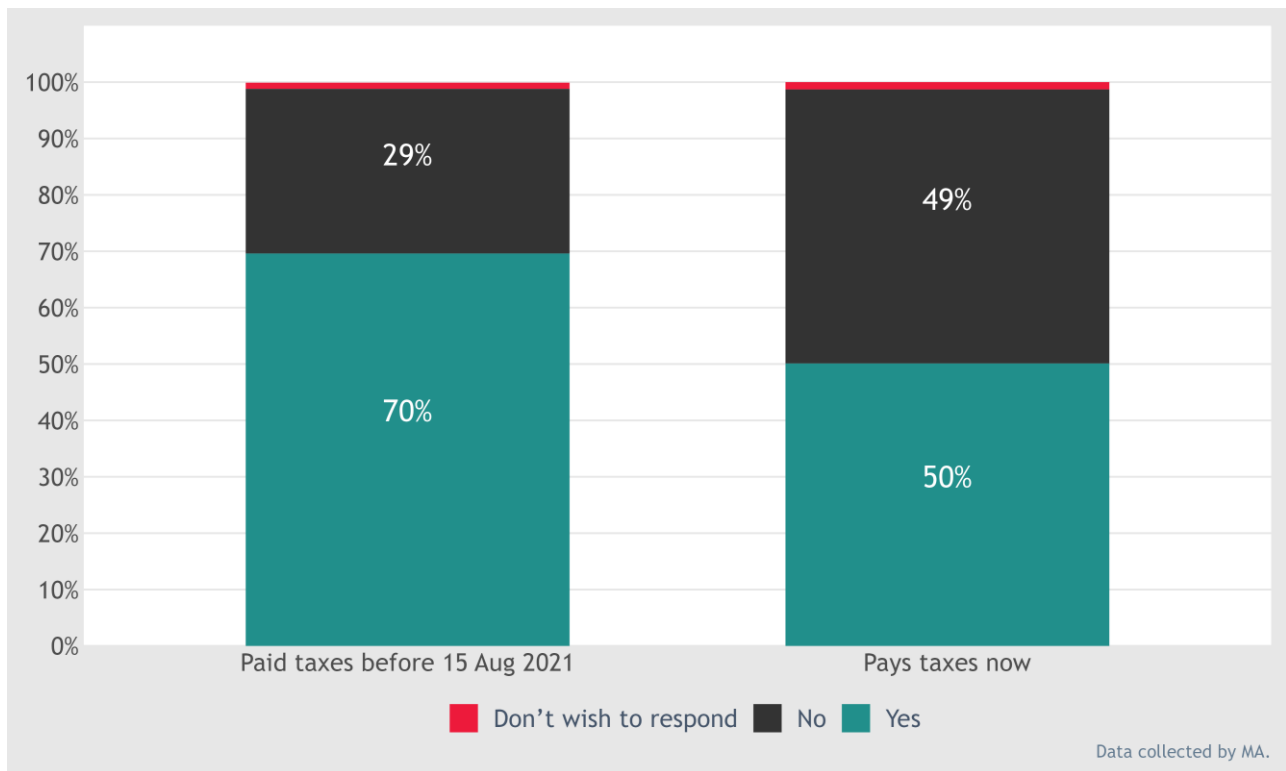


Figure 25: Changes in proportion of taxpayers, as reported by shopkeepers



Although there appears to have been a decrease in the number of commercial taxpayers, the ITA is expected to meet or exceed its annual revenue target based on current performance. Moreover, it should not be forgotten that the Taliban already collected between \$300 million and \$1.6 billion through their own informal taxation and revenue sources, including natural resources, prior to August 2021 (RFE/RL, 2020). These earnings could now be assumed to become a part of the ITA national revenues and may help offset the negative effects of other challenges the ITA may encounter in collecting taxes in 2022.

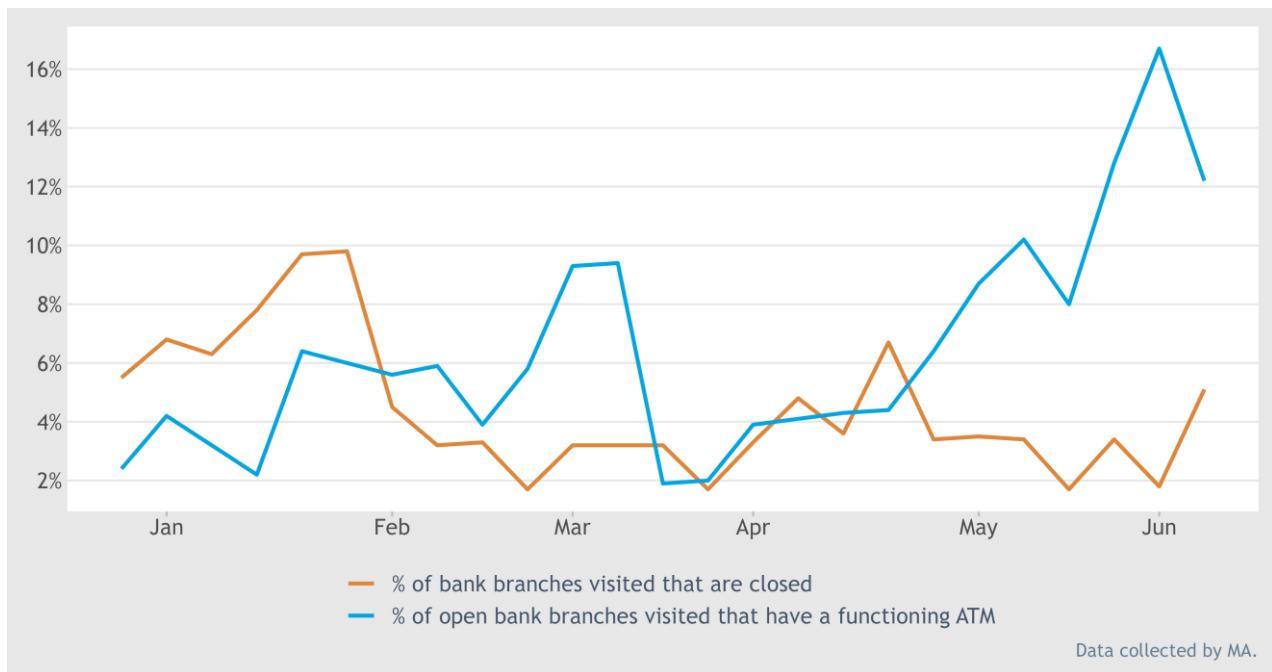
2.4 Banking sector

2.4.1 Banking operationality and activities

In the first half of 2022, we made 1,503 bank branch visits across the country to eleven banks.¹³ Most of the branches visited were open (96 percent, n=1,436), and the managers of 1,225 of the branches (85 percent) agreed to be interviewed. Of these branches, only six percent (n=78) were confirmed as having a functioning ATM. However, Figure 26 shows that since June the proportion of banks with functioning ATMs has been on the rise. Most of the banks with operational ATMs are in Herat and Kabul.

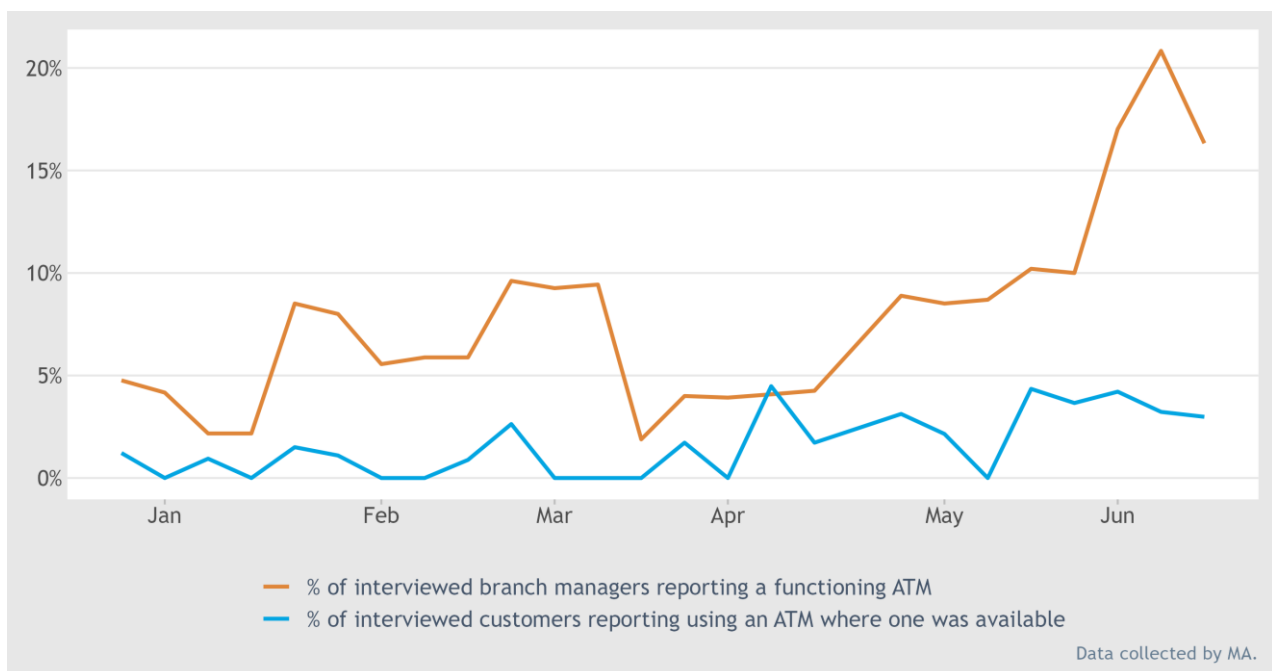
¹³ Islamic Bank of Afghanistan, Azizi Bank, Bank-e-Millie Afghan, Ghazanfar Bank, Afghan United Bank, Bank Alfalah, The First Micro Finance Bank, New Kabul Bank, Pashtany Bank, Afghanistan International Bank, and Maiwand Bank.

Figure 26: Banking operationality



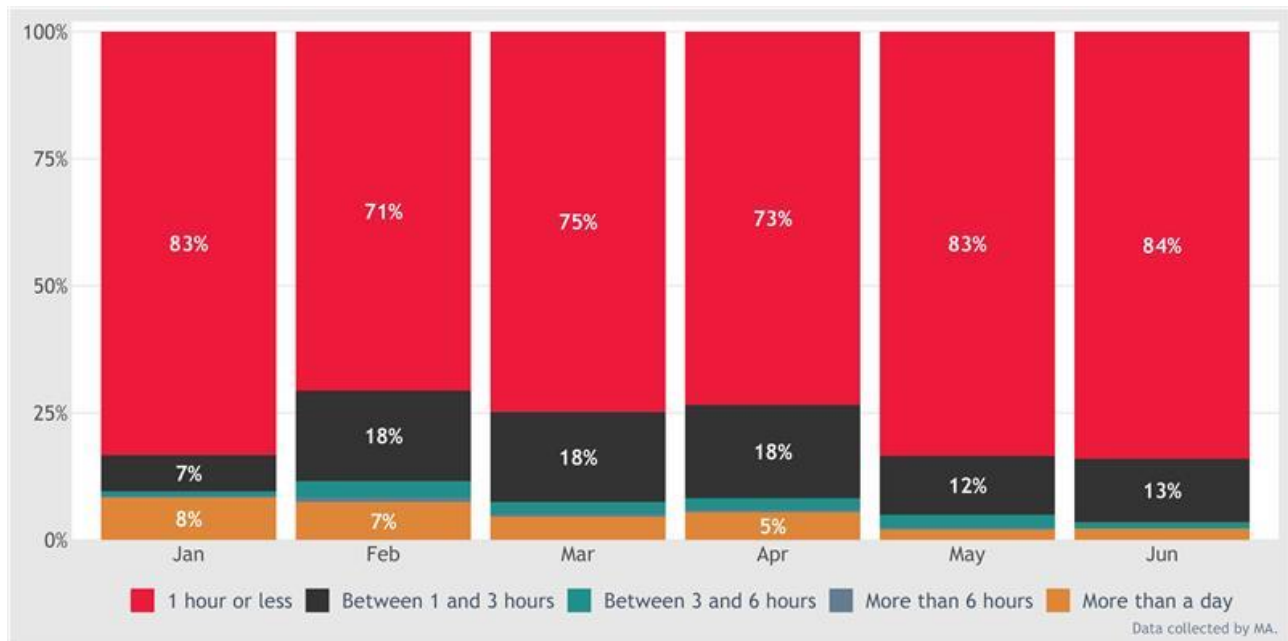
Nevertheless, Figure 27 shows that although there has been an increase in the number of available operational ATMs, the use of ATMs has not increased accordingly. This is likely related to the fact that only a very small proportion of Afghans have bank cards they can use in an ATM (Jahanmal, 2018).

Figure 27: Availability and use of ATMs in Afghanistan



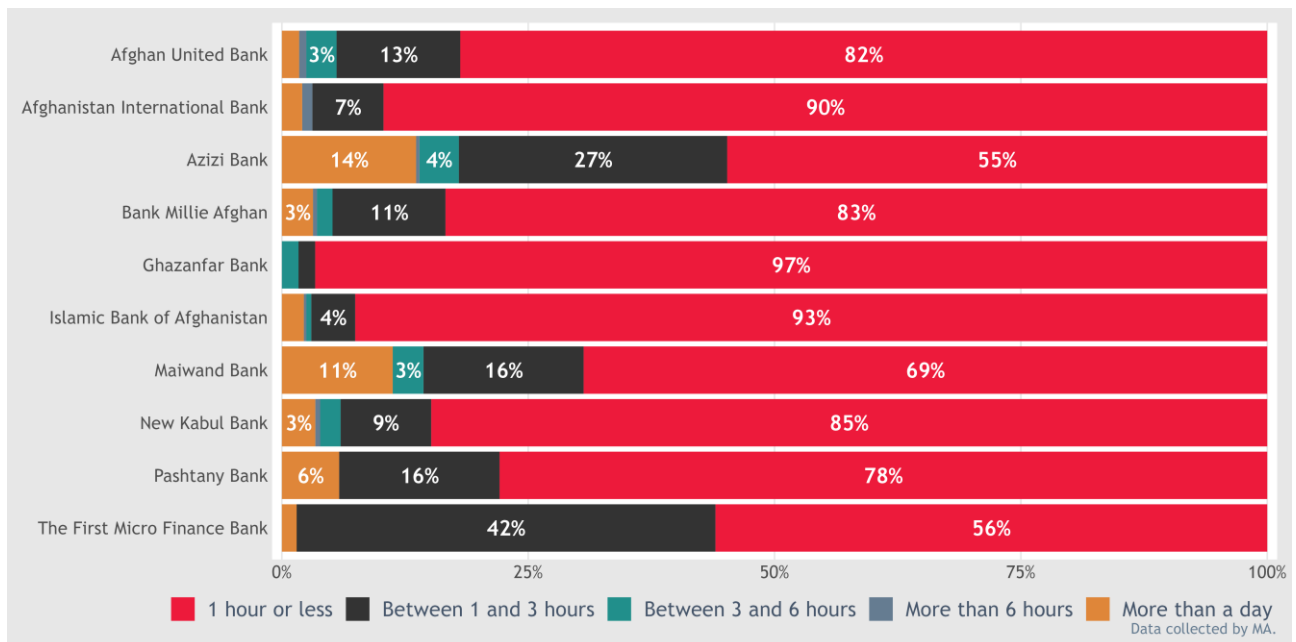
Despite most banks being open, more than 20 percent of bank customers in the first half of 2022 reported that they needed to wait more than one hour at the bank to withdraw their money, and five percent of customers interviewed reported that they needed to wait more than eight hours.

Figure 28: Waiting hours at the bank as reported by bank customers, by month



Maiwand and Azizi Banks were the banks with the longest average waiting times, and also the banks with the highest number of customers saying they needed to wait more than a day to carry out a transaction.

Figure 29: Waiting hours at the bank as reported by bank customers, by bank¹⁴



In interviews with bank branch managers, we asked if the number of withdrawals had increased compared to the previous week. Figure 30 shows that in January 2022, there was an increase in the number of bank branch managers reporting that the number of banking withdrawals had decreased compared to the previous

¹⁴ Only ten banks are shown in Figure 22 because we were not able to conduct interviews with customers of Bank Alfalah.

week, and a decrease in the number of bank branch managers reporting that the number of banking withdrawals had increased compared to the previous week. From February to April this figure stabilized, with close to 50 percent of all bank branch managers reporting that the number of withdrawals had stayed the same compared to the previous week, and a roughly equal percentage of bank branch managers saying withdrawals had either increased or decreased.

In May, more bank branch managers identified a decrease in the number of bank withdrawals compared with the previous week, and there was a decrease in those reporting that the number of withdrawals had increased compared to the previous week. In June this stabilized again, with an equal number of bank branch managers saying withdrawals had increased or decreased.

The fact that most bank branch managers interviewed did not report increases in bank withdrawals in the first half of 2022 could indicate some return of trust from Afghans in their banking system but it could also simply reflect difficulties in making a successful bank withdrawal. However, Figure 31 does show that from February onwards, there appears to be a slight increase in the number of those coming to the bank to do something other than withdrawing money. This could indicate that commercial activities are on the rise, although more data over a longer period would be needed to confirm this.

Figure 30: Banking withdrawal changes as reported by bank branch managers

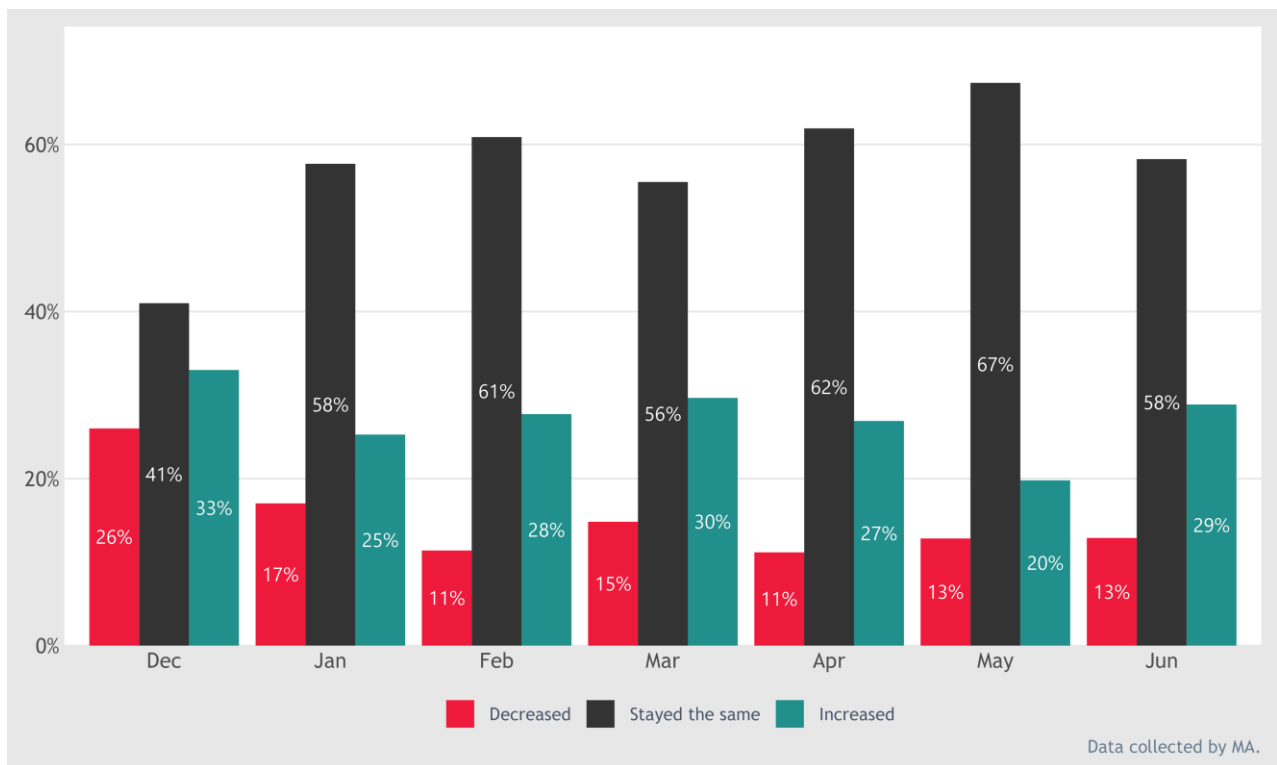
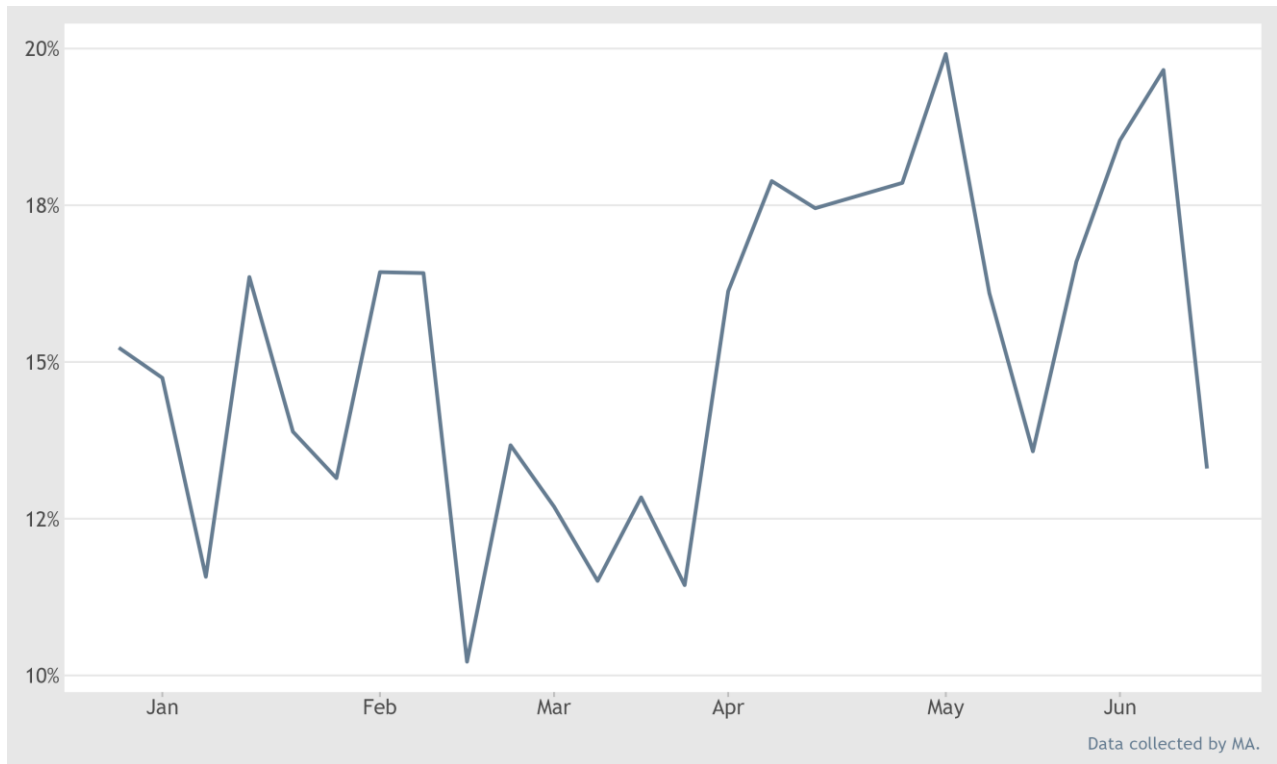
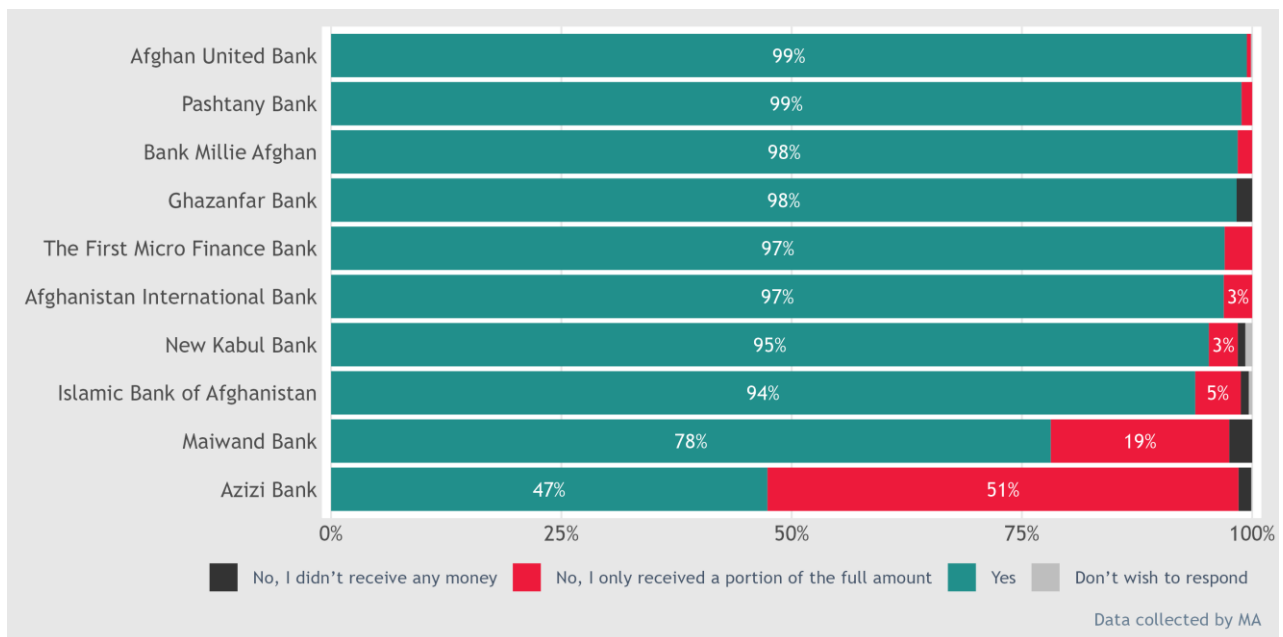


Figure 31: Customers visiting a bank for purposes other than withdrawing money



We asked bank customers making a withdrawal whether they had been able to withdraw the full amount to which they were entitled, based on DAB’s withdrawal limits. More than one-fifth of customers at Maiwand Bank reported they were not able to do so, as did more than half of customers interviewed at Azizi Bank.

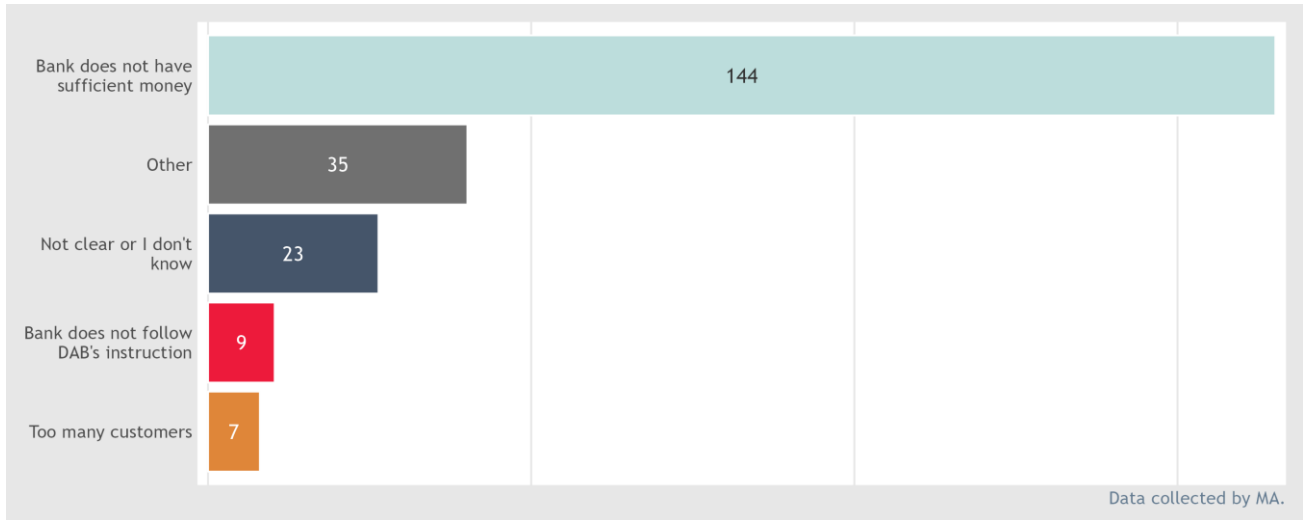
Figure 32: Customers’ ability to withdraw up to the DAB limit, by bank¹⁵



¹⁵ Only ten banks are shown in Figure 25 because we were not able to conduct interviews with customers of Bank Alfalah.

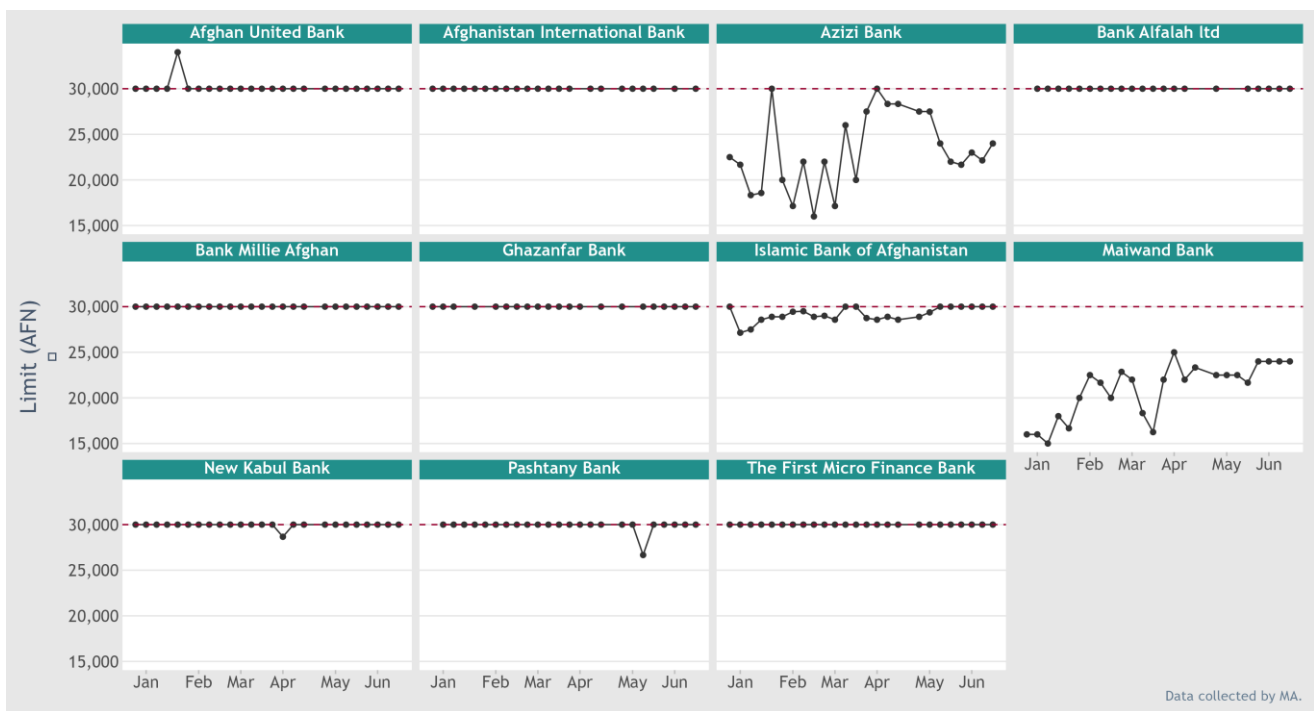
Customers that were not able to withdraw the full amount were asked why this was the case. Not everyone wanted to provide a response, but the majority of those that did, said it was because the bank did not have sufficient money.

Figure 33: Reasons given by bank customers for not being able to withdraw up to the DAB limit



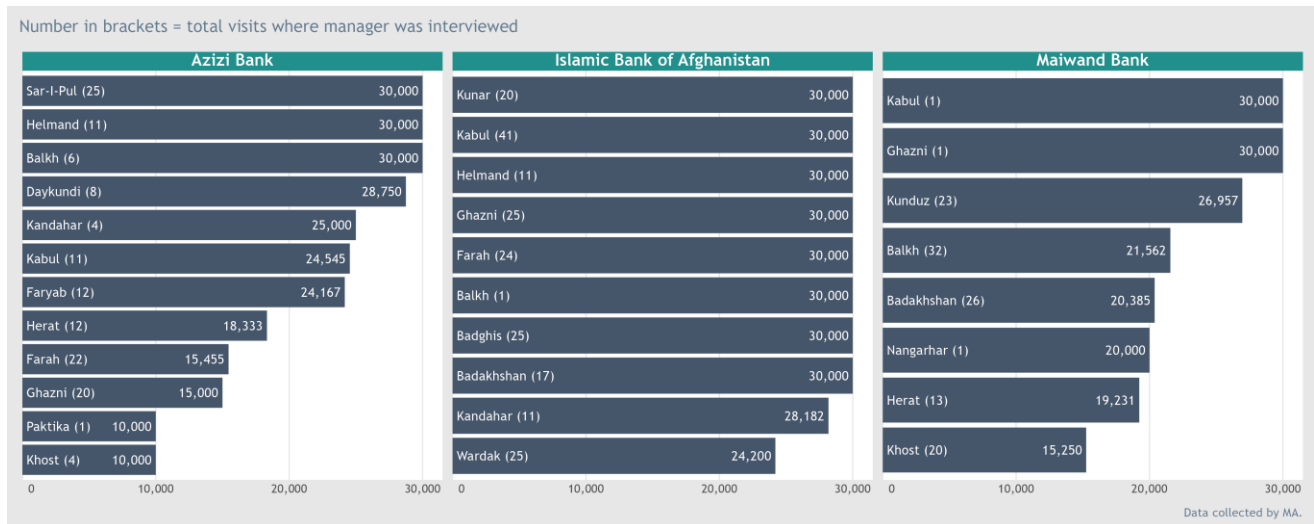
We asked bank branch managers about DAB’s withdrawal limits of AFN 30,000 per week. All confirmed they were able to do so except for Azizi and Maiwand Banks, and, to a more limited extent, the Islamic Bank of Afghanistan. These variations demonstrate that aggregating such information at the national level could result in wrongly concluding that all banks were unable to respect the DAB limit, whereas this only applies to two banks.

Figure 34: Bank branch withdrawal limits for individual customers



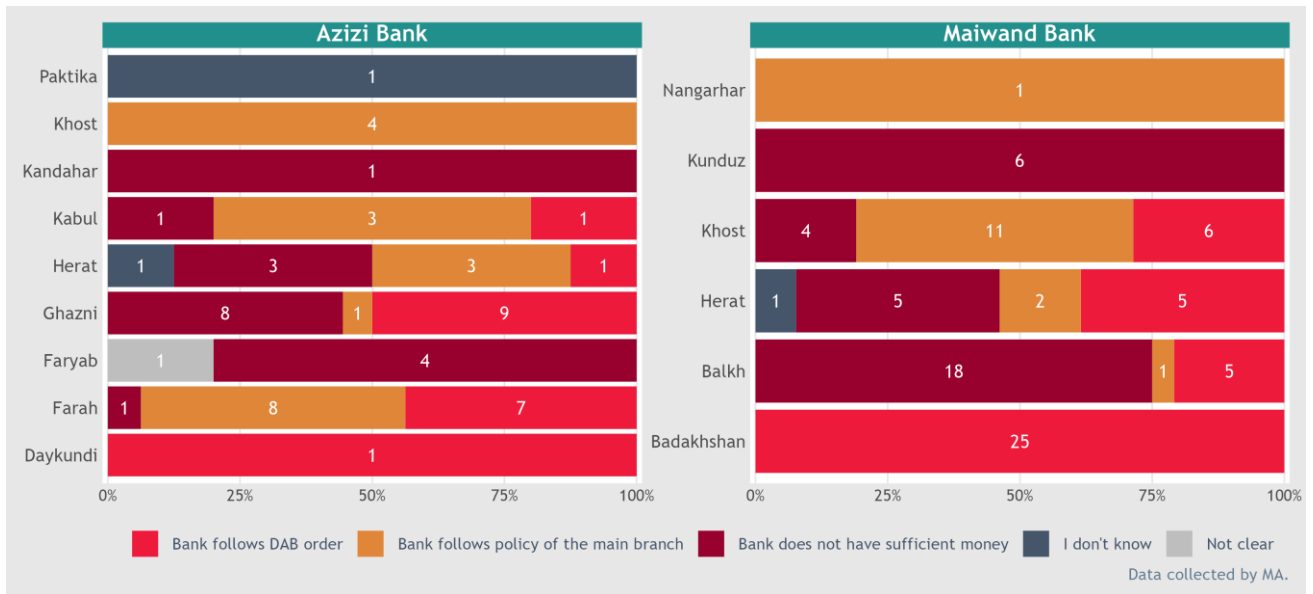
There were stark differences between withdrawal limits for individual customers by province for Azizi Bank, the Islamic Bank of Afghanistan, and Maiwand Bank. While in some provinces bank branches followed the AFN 30,000 weekly limit set by DAB, in Paktika and Khost Azizi Bank’s limit was one-third of the DAB figure, and half of the DAB figure for Maiwand Bank in Khost.

Figure 35: Bank branch withdrawal limits for individual customers, by province



When asked why the limit set by an individual bank manager was lower than that allowed for by DAB, not all bank branch managers were willing to provide an answer. Figure 36 shows the responses from bank branch managers we did receive at Azizi Bank and Maiwand Bank (We focused on these banks because they had the highest number of cases where bank branch managers reported a branch limit below that of DAB). Many bank branch managers said they were in fact following DAB orders, but it is unclear whether they meant that they had received guidance from DAB allowing them to apply a lower limit, or if they were simply denying they were not respecting the DAB limit. Some bank branch managers said they were following the policy of the principal branch, and others acknowledged they simply did not have enough money to respect the DAB withdrawal limits.

Figure 36: Reasons given by bank branch managers for not following the DAB limit for individual customers



We did not find any bank able to adhere to the DAB withdrawal limit for businesses of AFN 2.5 million per week, although Alfalah Bank came closest.

Figure 37: Bank branch withdrawal limits for business customers



2.4.2 Decreasing physical money supply

Only a limited number of people in Afghanistan have been issued with ATM cards, and only an estimated ten percent of citizens have a bank account (World Bank, 2018). As a result, the Afghan economy runs on cash. To support its cash-based economy DAB traditionally destroyed older, damaged banknotes. For example, in December 2021, DAB collected and incinerated old banknotes worth AFN 1.7 billion (\$16.19 million) (Azizi,

2021), and banknotes worth AFN 600 million in February 2022 (Azizi, 2022). Before the ITA came to power, these would be replaced by new banknotes printed abroad.

However, since August 2021, it has no longer been possible for DAB to import newly printed currency, limiting its ability to replace damaged banknotes (Ahmady, 2021), so that banknotes currently in circulation are becoming increasingly worn, depleting the physical money supply. To mitigate this, the ITA has postponed burning more currency, and DAB has been forced to make announcements on what conditions of banknotes can no longer be used, as shown in Figure 38 (DAB, 2022).

Figure 38: DAB directive on used currency



2.5 Hawala activities and exchange rates

2.5.1 Hawala operator activities

In the first half of 2022, we conducted 1,402 interviews with Hawala operators (who provide informal loans and can make domestic or international transfers on behalf of customers), as well as 2,075 interviews with informal currency exchangers, and 686 Hawala operators who said they were also informal currency exchangers.

We asked Hawala operators if they had experienced an increase or decrease in requests for their services compared to the previous week. Results varied significantly by province and by region.¹⁶

Figure 39: Reported changes in outgoing domestic transactions as reported by Hawala operators



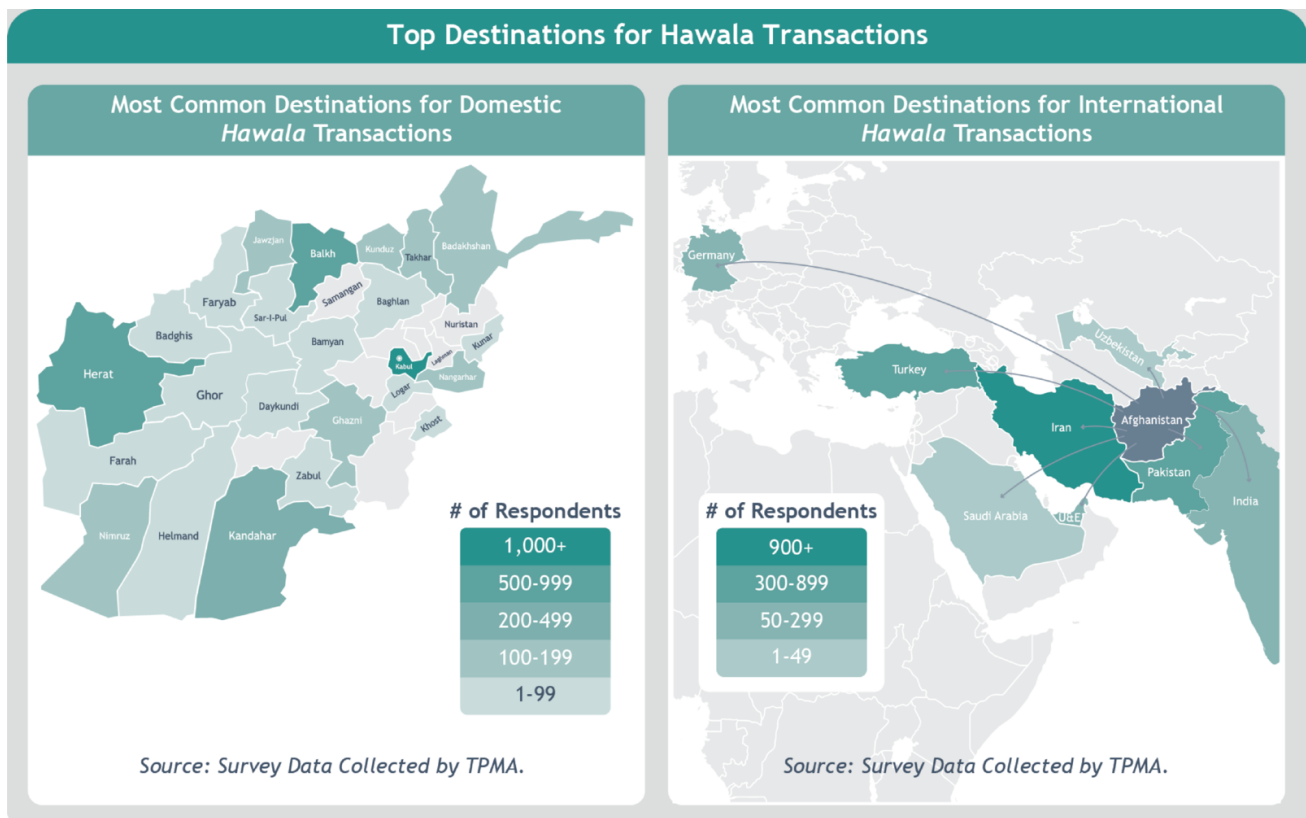
¹⁶ For this report, we refer to the regional categorization used by the NSIA. As a result, the 22 provinces in which we collected data are divided into eight regions as shown in Figure 32. These comprise the Center: Kabul, Panjshir, Wardak; East: Kunar, Nangarhar, Nuristan; North: Balkh, Faryab, Sar-I-Pul; North-East: Badakhshan, Kunduz; South: Ghazni, Khost, Paktika, Nimruz; South-West: Helmand, Kandahar, Uruzgan; West: Badghis, Farah, Herat; West-Central: Daykundi. In all these provinces we undertook the same type of data collection, except for Nimruz, where we only collected data for border crossings and did not conduct market visits.

Figure 39 shows that in the first half of 2022 there was a gradual decrease in the number of Hawala operators reporting that transactions had decreased, and a slight increase in those saying transactions had increased, in the East, North-East, and South-West of the country. These increases may be related to Hawala operators having taken over services previously provided by banks since the ITA came to power, especially in relation to transferring and receiving money from abroad (NRC, 2022).

In the North and South regions, no real trend can be detected, except that for all months the proportion of Hawala operators who said transactions had decreased was much greater than those reporting it had increased. In the Center, too, no real trend can be discerned, except that here, the number of Hawala operators reporting that transactions had decreased compared to the previous week was broadly the same as those saying that transactions had increased. In the West and West-Central, there appeared to be an increase in the number of Hawala operators saying that transactions had decreased, which may reflect an overall decrease in economic activity in the regions.

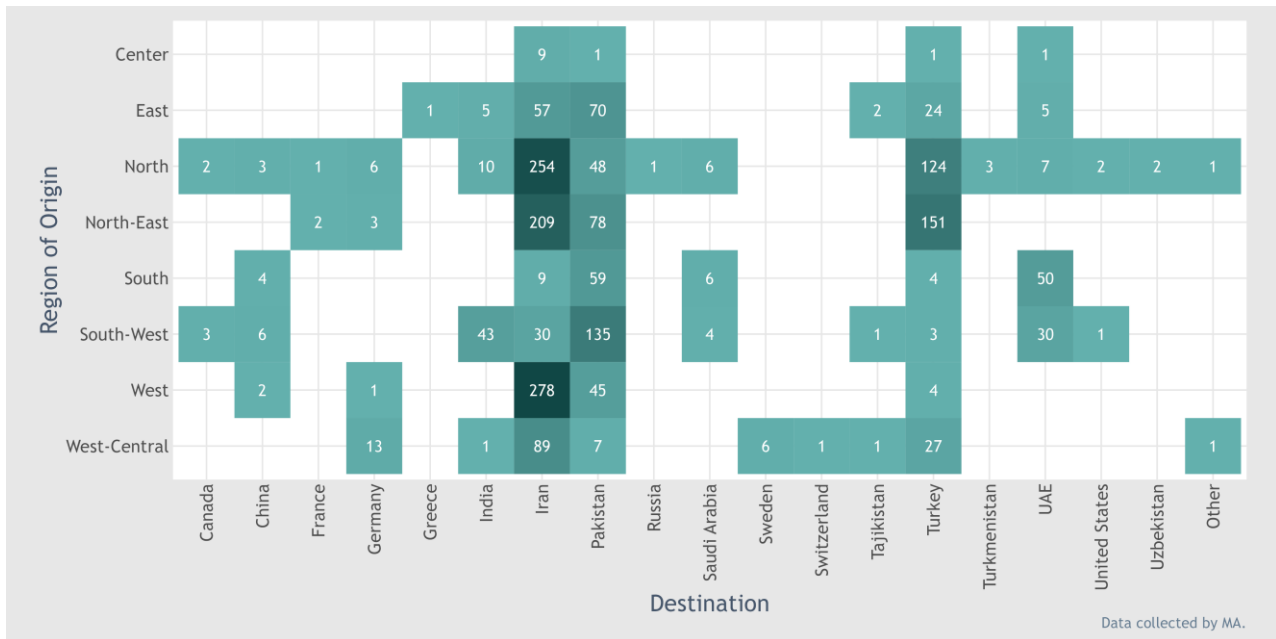
According to Hawala operators, the top three domestic destinations for sending money were Kabul (accounting for 29 percent of all domestic transactions), Herat (15 percent of all domestic transactions), and Balkh (13 percent of all domestic transactions). The top three international destinations for sending money were Iran (48 percent of all international transactions), Pakistan (23 percent of all international transactions), and Turkey (17 percent of all international transactions).

Figure 40: Most common destinations for Hawala operators



Importantly, the origin of the outgoing transactions is a major factor in terms of destination. For example, the heat plot in Figure 41 shows how most outgoing transactions to Iran came from the West, North, and North-East. Similarly, for transactions going to Pakistan, most transactions came from the South-West, East, and South.

Figure 41: International destinations for Hawala transactions listed by origin of transaction



We analyzed the fees charged by Hawala operators for transferring four different amounts, domestically and abroad. Some charged a fixed fee while others charge percentage fees (The former is shown in Figure 42). Our evidence is that Hawala fees for transferring up to AFN 10,000 internally did not really change during the first half of 2022, but for domestic transfers of AFN 50,000, AFN 100,000, and AFN 500,000, and all international transfers, fees dropped sharply between January and February, a change that appears to coincide with the sharp appreciation by the Afghani against various currencies, highlighted in Figure 44. After this change, Hawala fees continued to drop during the period for domestic transfers of AFN 50,000, AFN 100,000, and AFN 500,000, leveling off towards the end of the first half of 2022. On the other hand, fees for international transfers of AFN 50,000, AFN 100,000, and AFN 500,000 increased after February, with greater fluctuations compared to domestic transfers, likely reflecting the demand and supply for Hawala services, with most commercial banks still being able to provide domestic services but not international ones because of the financial sanctions faced by the ITA.

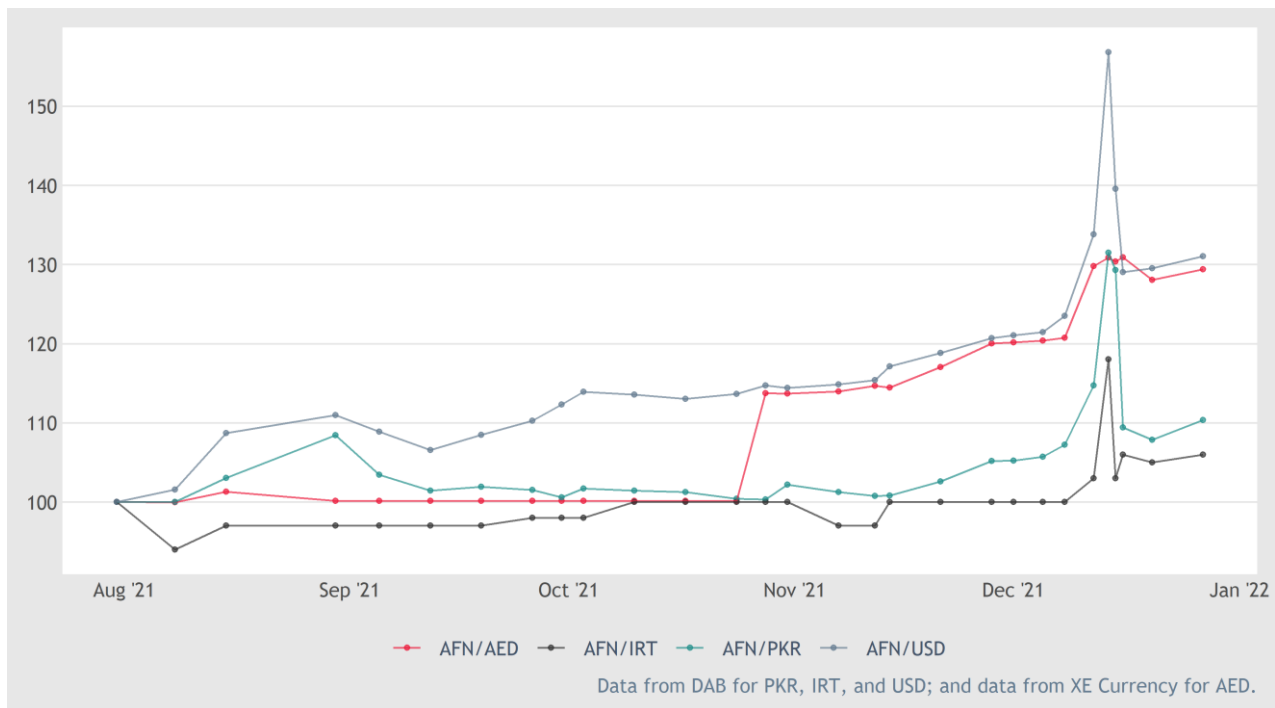
Figure 42: Hawala fee changes for Hawala operators charging a fixed fee



2.5.2 Exchange rates

Figure 43 highlights how the Afghani depreciated significantly against multiple currencies in the second half of 2021, especially in December, when market fears around the collapse of the country’s major banks were high due to the severe restrictions placed by DAB on bank withdrawals.

Figure 43: Exchange rate - Index July 2021 (higher = depreciation)



In 2022, we asked informal currency exchangers about Afghani buying and selling exchange rates for four currencies: the Iranian Toman (IRT), the Pakistani Rupee (PKR), the United Arab Emirates Dirham (AED), and the United States Dollar (USD). Results, in Figure 44, show that after the major depreciation in 2021, the Afghani recovered and appreciated against all four currencies in the second half of 2022. This appreciation was especially strong, against all currencies, in the first quarter of 2022. In the second quarter of 2022, exchange rates of the Afghani against the USD and the AED stayed relatively stable.

We think appreciation and stabilization of the Afghani against these four currencies arose from a combination of several factors:

1. The banking system did not collapse, as originally feared at the end of 2021.
2. The physical money supply of the Afghani was becoming increasingly scarce.
3. Afghanistan started to export more of its natural resources, especially coal, to neighboring countries (this is also why we think the Afghani continued to appreciate throughout the first half of this year against the PKR and IRT).
4. From the beginning of December 2021, the UN started to deliver USD banknotes to the Afghanistan International Bank. By early August 2022, the total of these transfers was \$1.33 billion (Eqbal, 2022).
5. There was an influx of 'black dollars' into Afghanistan from terrorist groups that have been returning to the country (Seldin, 2022), including Al-Qaeda, as demonstrated by the presence of its recently assassinated leader (Al-Zawahiri) in Kabul.

Figure 44: Informal exchange rates in Afghanistan 2022 (higher = depreciation)



We also looked at the volatility of the different exchange rates and found that they all peaked in January 2022 around the time the Afghan Afghani appreciated sharply against all currencies we monitored.

Figure 45: Informal exchange rate standard deviations in Afghanistan 2022



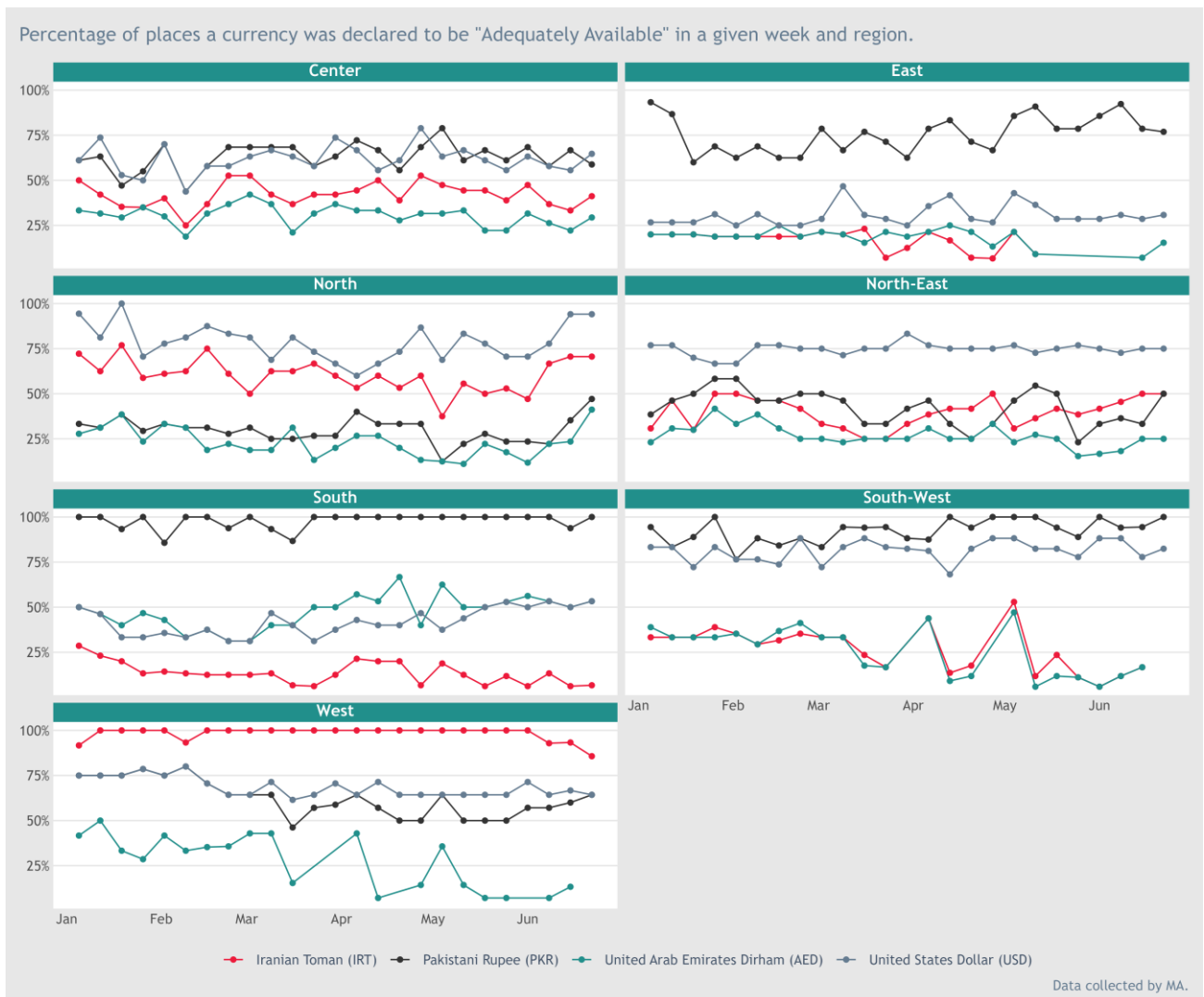
We also asked Hawala operators and informal money exchangers about the availability of foreign currency. Despite exchange rate changes, availability was not reported as having changed significantly over time, with

exception of the South-West, where there were significant decreases in availability of United Arab Emirates Dirhams and Iranian Tomans.

We did find that the availability of foreign currency differed greatly by region:

- United States Dollars were reported to be widely available in the North, Center, and South-West, but not in the South or East.
- United Arab Emirates Dirhams were not widely available in any regions.
- Pakistani Rupees were widely available in the South, South-West, Center, and East but not in the North and North-East.
- Iranian Tomans were widely available in the West, but not in the South, South-West, and East.

Figure 46: Availability of foreign currency in the first half of 2022, by currency



2.6 Wages and employment for daily laborers

2.6.1 Changes in wages for daily laborers

Daily laborers represent more than half of the Afghan workforce, and almost all Afghans who are part of the labor force and are living below or near the poverty line are daily laborers (NSIA, 2020). For this reason, we carried out weekly group interviews with both skilled and unskilled daily laborers across the country, asking them about available work and daily rates.

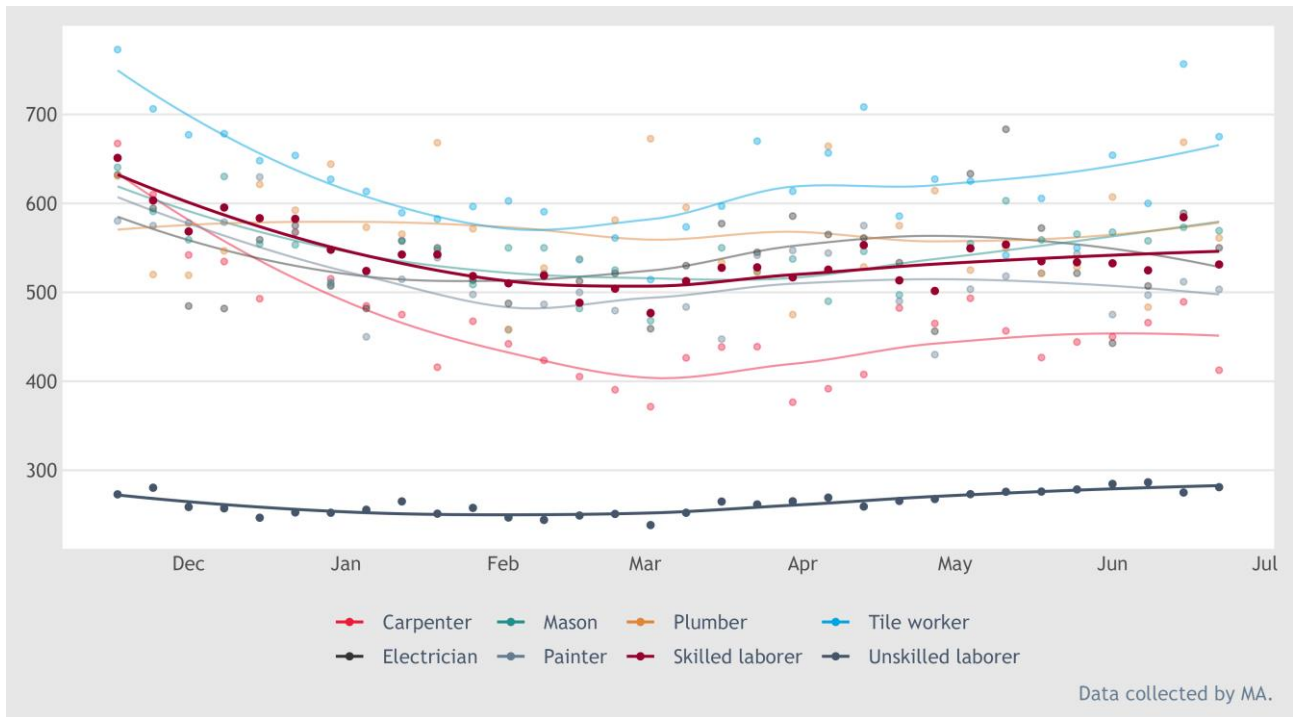
WFP also collects weekly information about daily laborers' rates. WFP data from 2021 shows that nominal wages declined significantly over the course of the year. Wages of skilled workers were in decline throughout the year, while those of unskilled workers declined only after April 2021. These declines were accompanied by a gradual decline in real wages as inflation rose.

Figure 47: Yearly change in nominal wages for daily laborers in 2021



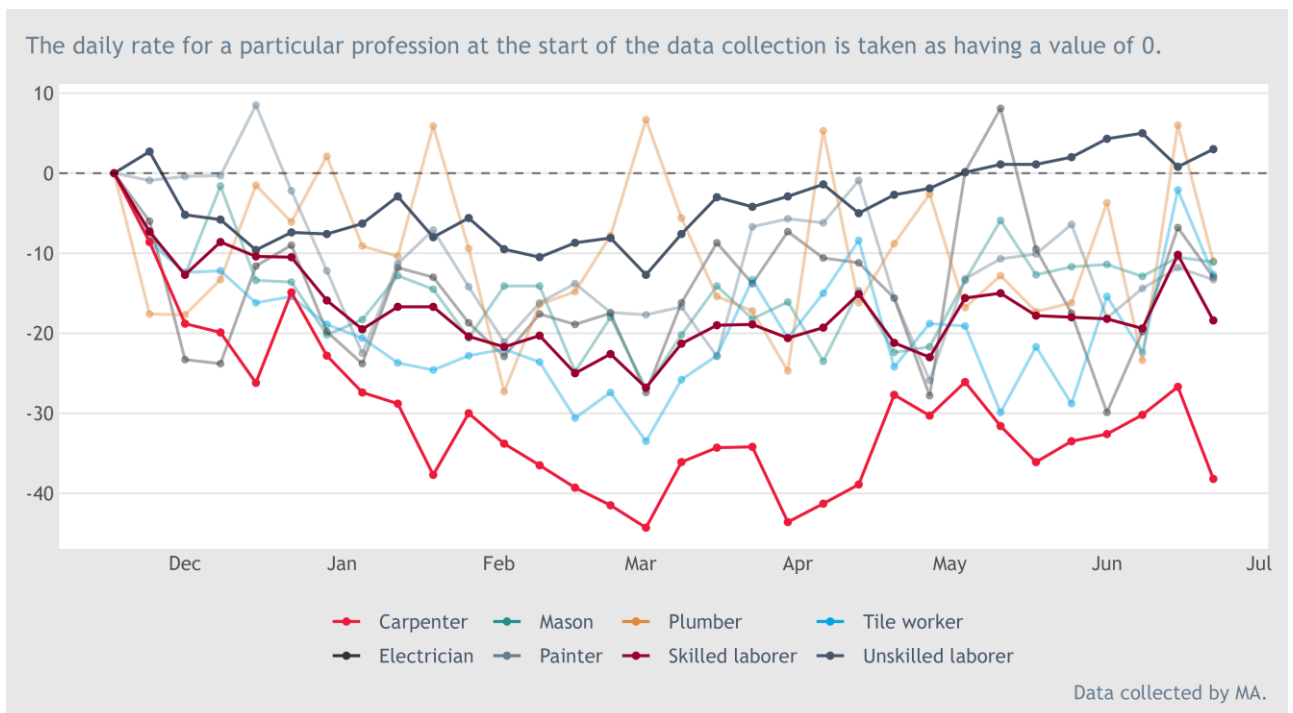
At a national level, Figure 48 shows that the average daily pay for all skilled workers surveyed continued to decrease in the first quarter of 2022 but stabilized or even increased in the second quarter. Rates for all skilled workers were still lower at the end of June 2022 when compared to late 2021. On the other hand, the salaries of unskilled laborers were stable throughout the first half of 2022.

Figure 48: Daily rate in the first half of 2022 for daily laborers, by profession



The largest decrease over time has been for carpenters, who have seen close to a 40 percent decrease in their daily rates.

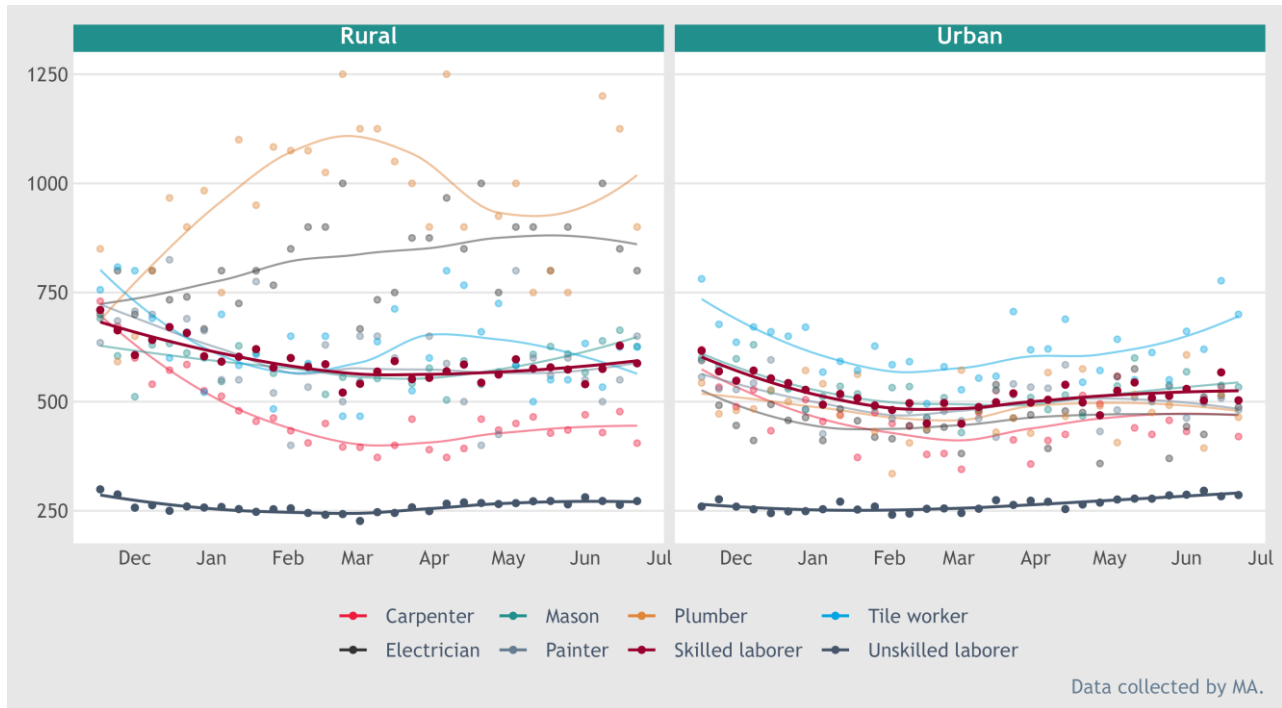
Figure 49: Percentage change in daily rate in the first half of 2022 for daily laborers, by profession



Broken down by type of location (rural vs urban), rates for electricians and plumbers deviated - trending

upwards - from other professions in rural areas, with average daily rates for some plumbers reaching around AFN 1,250 in some weeks.

Figure 50: Wage changes in the first half of 2022 for daily laborers, by profession and type of location



In terms of percentage change from the start of the data collection period, plumbers and electricians saw daily rates increase by 40 percent in some weeks in rural areas. However, this increase was highly variable, suggesting that some weeks saw much greater demand than others. Carpenters have seen more consistent decreases in their average daily rate.

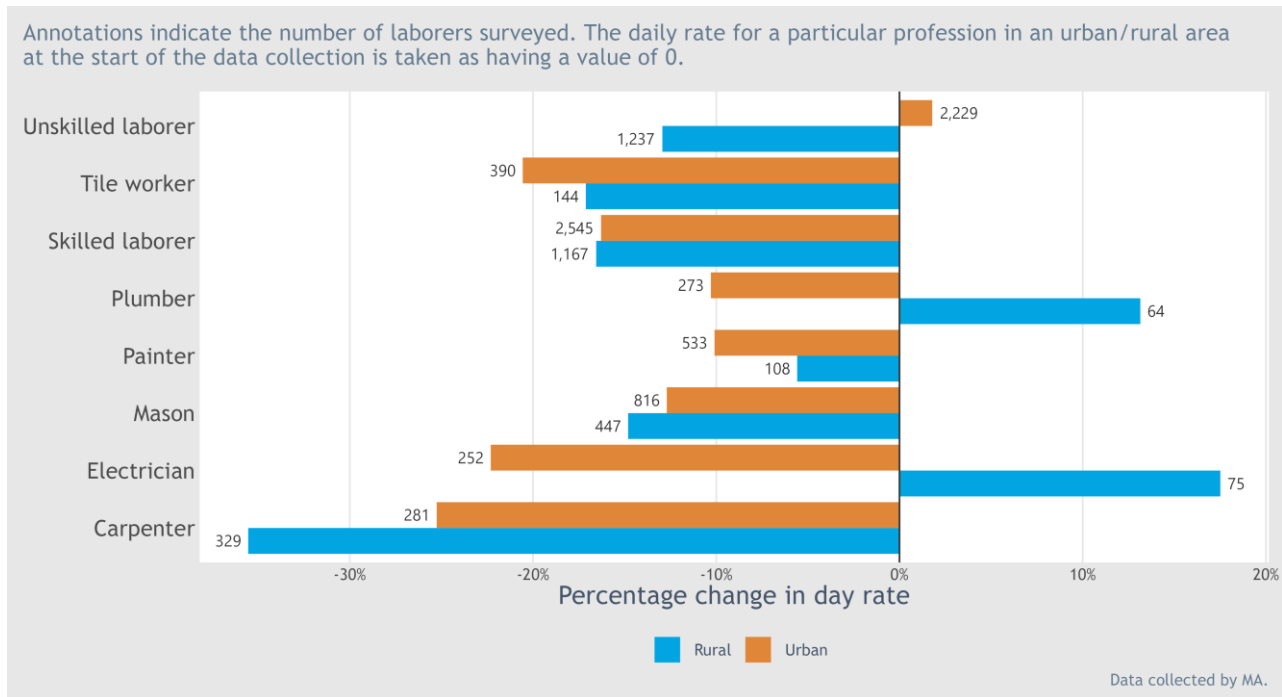
The increase in daily rates for plumbers and electricians and the decrease in rates for carpenters is likely due to seasonality. In the winter there is a larger demand for plumbers and electricians because of problems such as frozen and/or burst pipes and peak demand for electricity. On the other hand, there is less demand for carpenters in winter because only limited construction can continue at this time.

However, the much greater variability in the daily rates of rural versus urban laborers surveyed may suggest a difference in data availability, rather than any actual trend. There were twice as many laborers identified and surveyed in urban settings than in rural ones, and the overwhelming majority were unskilled laborers. There were only 58 plumbers surveyed in rural locations, which may explain the much greater variability in responses. This issue may also reflect the level of displacement within the country since the ITA came to power, with many people, especially those with higher levels of skills and/or education, choosing to move to cities away from rural areas.

Regarding the average percentage change for each type of laborer and type of location, as shown in Figure 51, there has been a greater fall in rates for urban laborers compared to their rural counterparts for tile

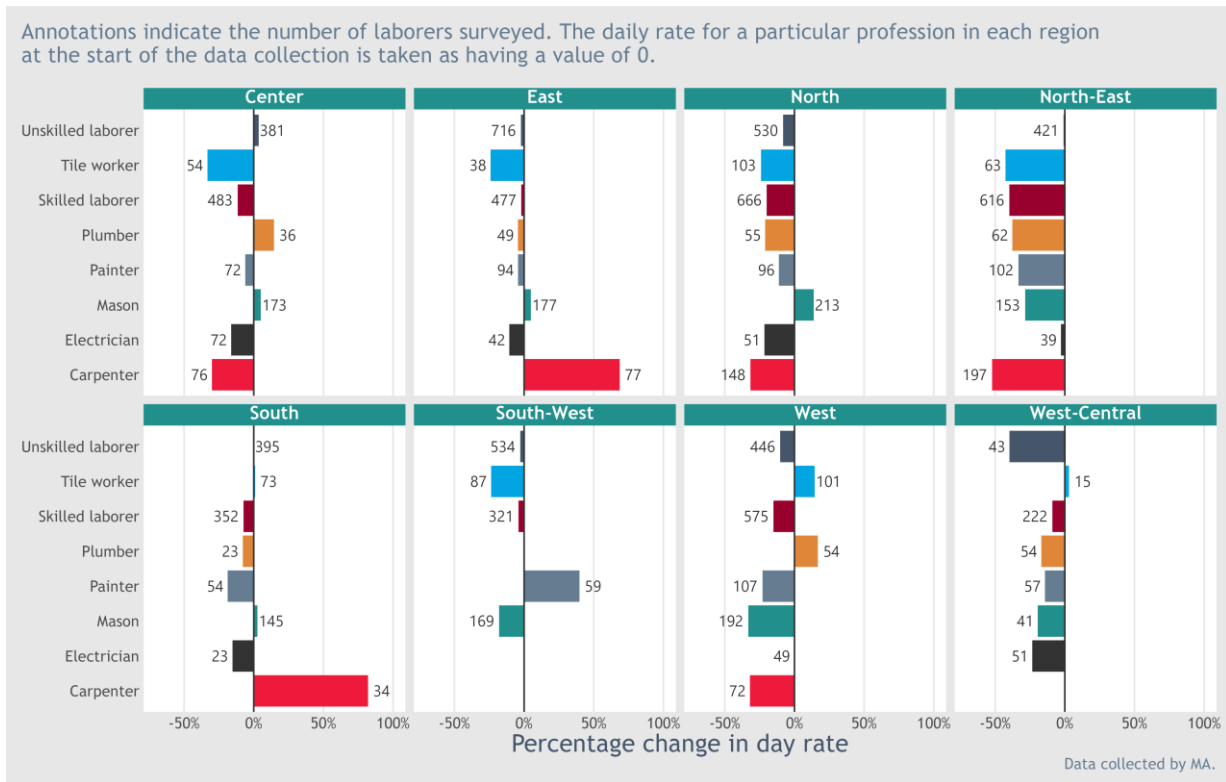
workers, plumbers, painters, and electricians (but noting the relatively small samples of rural plumbers and rural electricians). In contrast, for masons and carpenters there was a greater drop in rates for rural laborers compared to urban ones. The rates for rural unskilled laborers fell as well, but the main exception was in relation to their urban counterparts, whose rates stayed mostly unchanged.

Figure 51: Percentage wage changes in the first half of 2022 for daily laborers, by profession and type of location



For most locations and profession types, the general picture is one of decreasing pay. However, there was much variation by region, with a few increases in daily rates seen in the West, South and South-West. The increases in these areas may relate to insecurity being a relatively smaller problem in the South and West of the country compared to the North, Center and East, contributing to a more favorable working environment in these regions.

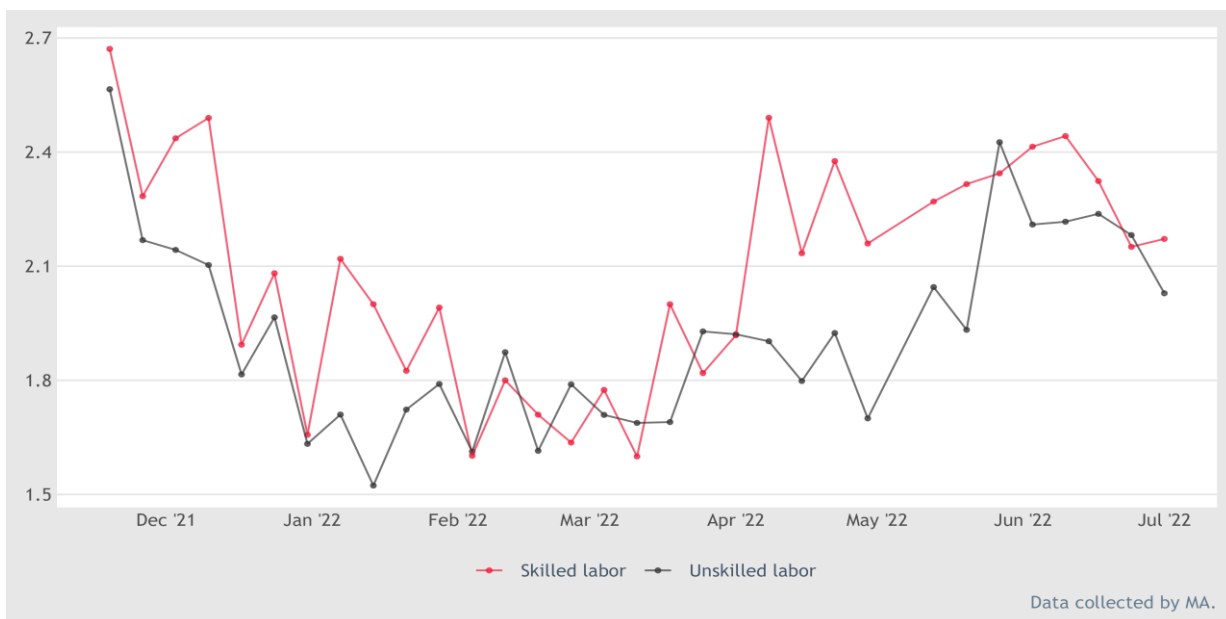
Figure 52: Percentage wage changes in the first half of 2022 for daily laborers, by profession and region



2.6.2 Changes in available work for daily laborers

Looking at available employment, we found that it had decreased significantly at the beginning of 2022 but increased in the second quarter. However, at the end of June, levels of available employment were still lower than what they were at the end of 2021 for both skilled and unskilled laborers.

Figure 53: Available employment days per week for daily laborers by skill type



When disaggregating figures for available employment by profession, we found that carpenters, who experienced the greatest decrease in pay, had relatively the greatest availability of work. All other types of laborers saw a decrease by approximately one day of work between November 2021 and May 2022.

Figure 54: Available work for daily laborers, by profession and type of location

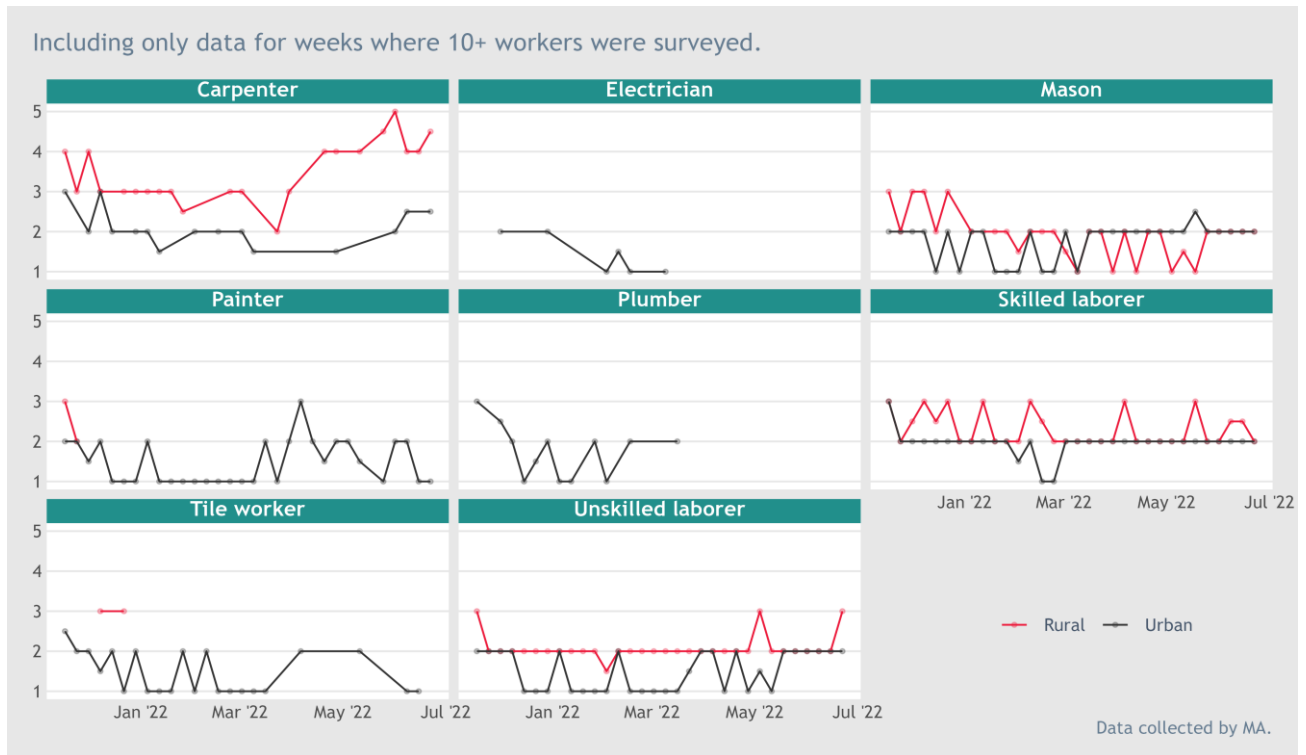
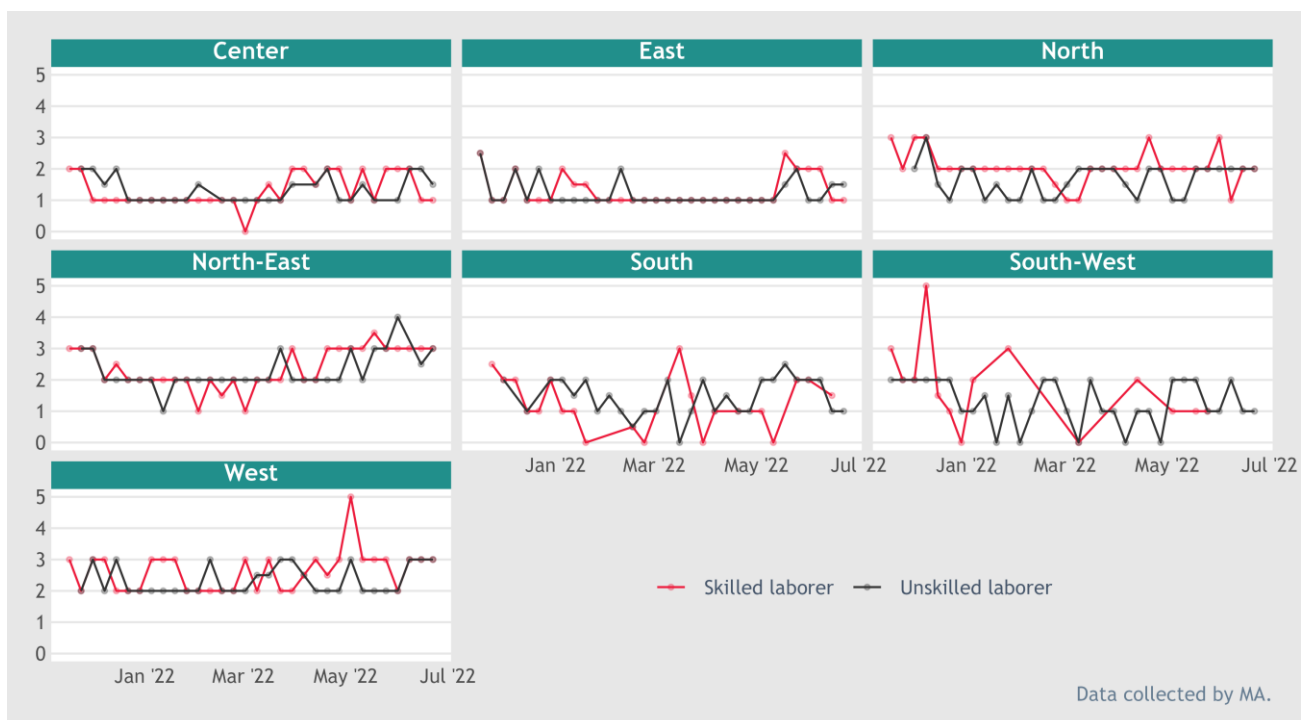


Figure 55: Available work for daily laborers, by skill type and region

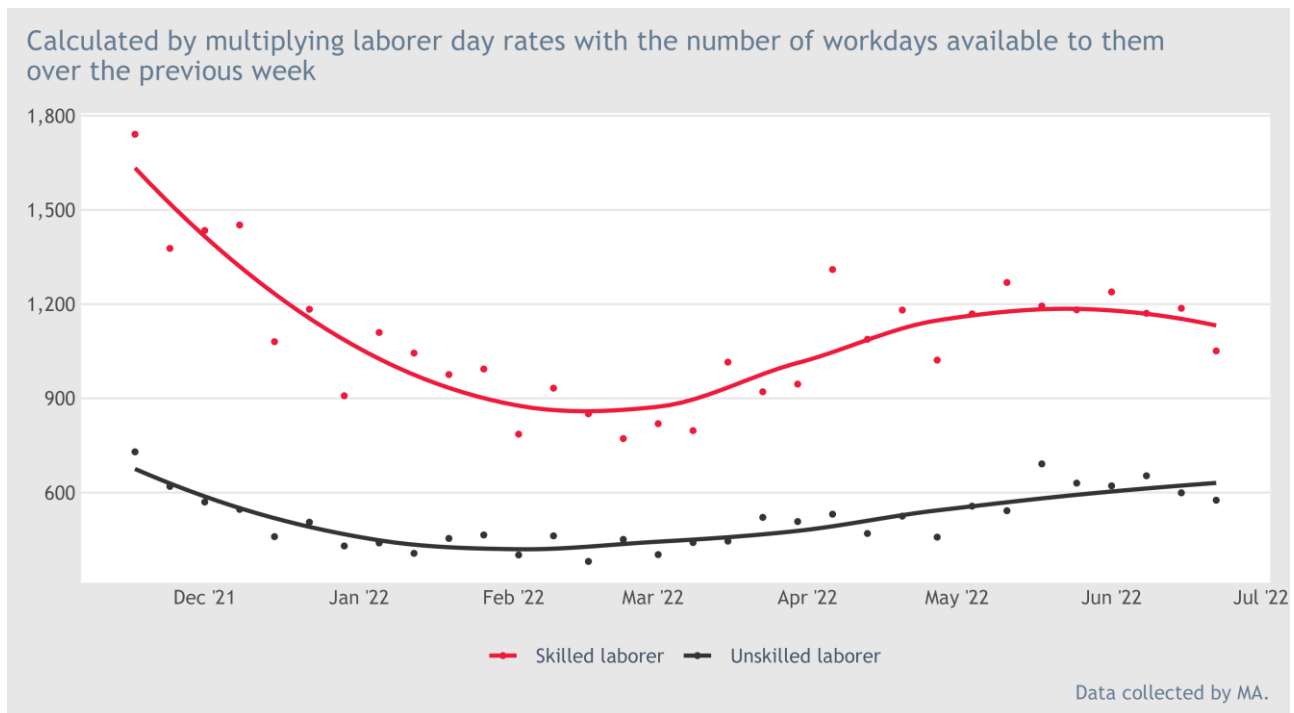


Finally, when analyzing available work by regions, Figure 55 shows that in the Center, East, and North the amount of workdays available stayed generally consistent but low (≤ 2). The North-East and West saw small average increases over the period, while the South and South-West saw much greater variability in the number of workdays available, with the greatest number of weeks where the median number reported was 0 days of work in the past week.

2.6.3 Changes in estimated earnings for daily laborers

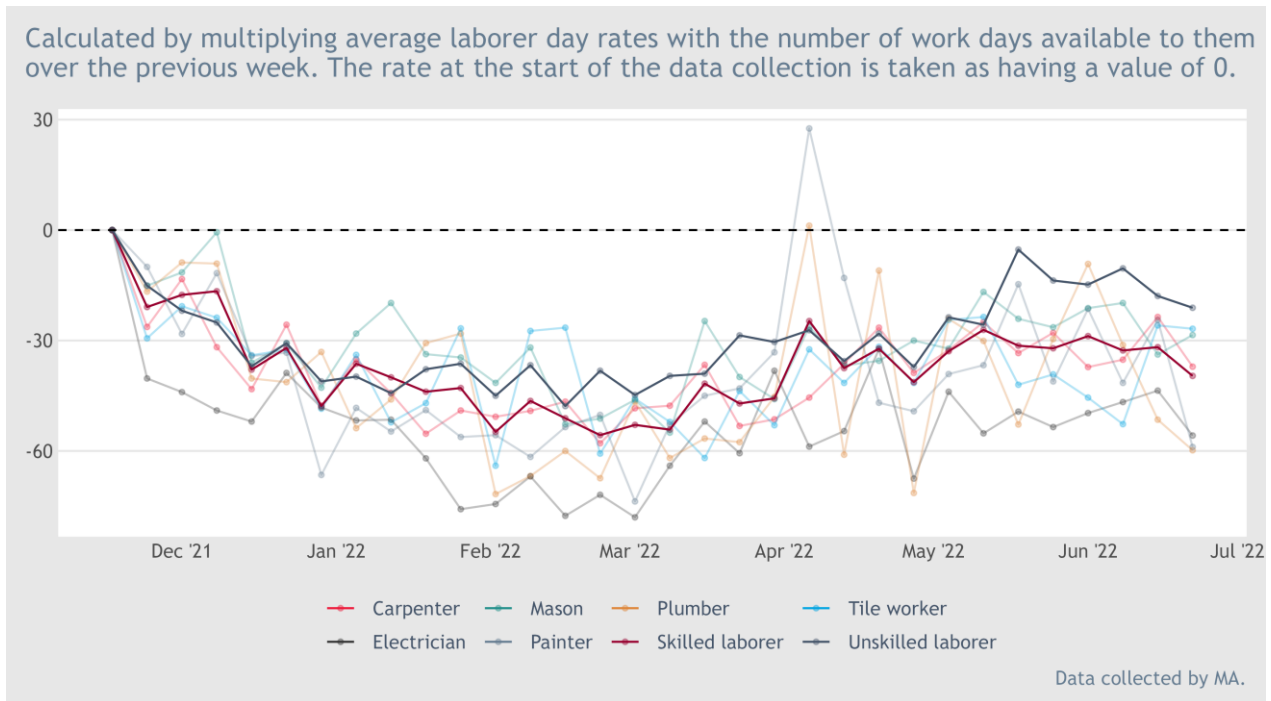
Estimating the weekly earnings of each worker by taking their stated daily rate and the number of days they worked in the previous week provides a more complete figure of earnings over time, taking into consideration work available and how much was charged for that work. Initially, the picture was consistently pessimistic, with a general decrease in estimated total earnings for all professions in both raw and percentage terms. However, this decrease seems to have bottomed out in March, after which earnings appeared to increase again, although whether this increase is likely to be sustained in the current economic climate is unknown.

Figure 56: Estimated earnings in the first half of 2022 for daily laborers, by skill type



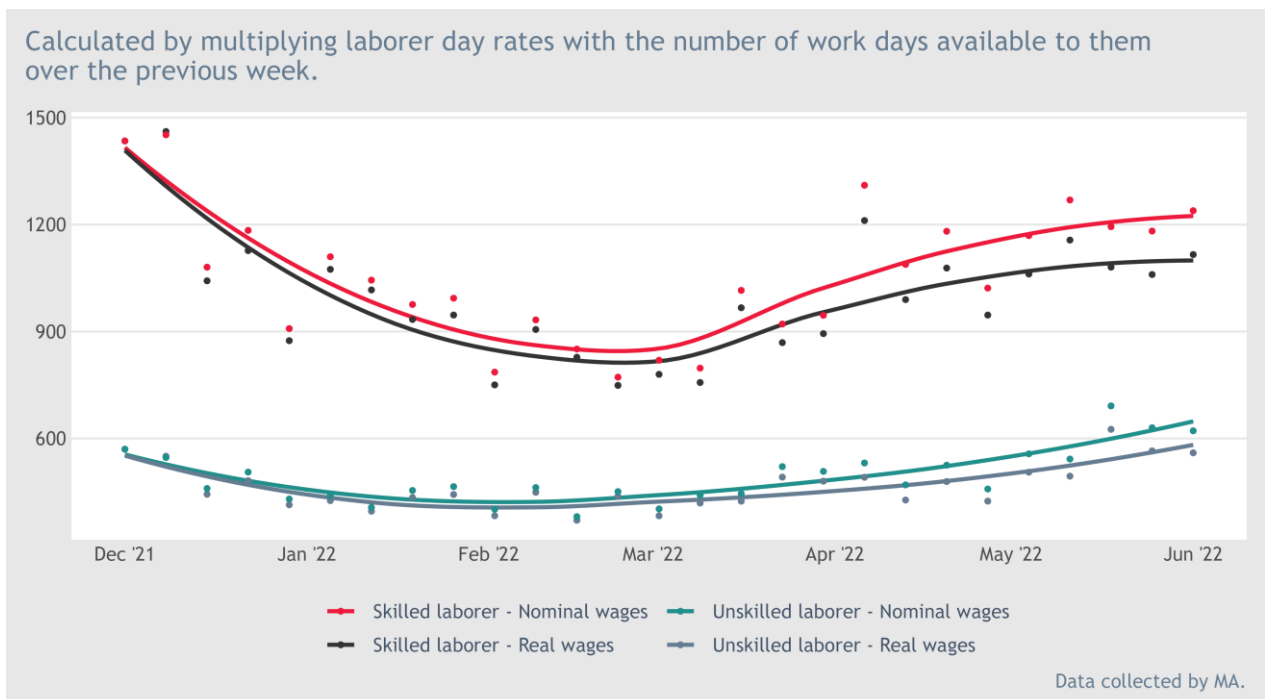
Generally, as shown in Figure 57, earnings by all types of skilled and unskilled laborers decreased over the period relative to their pay at the start of the period, with the sole exception of the first week of April, where plumbers and painters earned slightly more on average than they did at the start of data collection, likely driven by a few outliers in the data and not statistically significant.

Figure 57: Percentage change in estimated earnings in the first half of 2022 for daily laborers, by profession



When adjusting earnings estimates using monthly CPI values, earnings fell on average by 30 percent for skilled laborers and 18.3 percent for unskilled laborers. If food and non-food prices continue to increase as they have done over the last two years, this gap will become larger. Moreover, CPI-adjusted earnings for skilled laborers dropped from AFN 1,435 in December 2021 to AFN 1,116 in June 2022, despite increasing in the second quarter of the year. For unskilled laborers, this decrease was from AFN 570 to AFN 560.

Figure 58: CPI-adjusted estimated earnings in the first half of 2022 for daily laborers, by skill type



3. Conclusion

In its most recent development update of April 2022, the World Bank highlighted that development gains from the last 20 years are now at risk of being erased because of the major crisis Afghanistan is facing. The findings of this report underscore that continued risk. After initially stabilizing, food prices and non-food prices continued to increase in the first half of 2022. Moreover, liquidity concerns have remained: none of the Afghan banks we interviewed were able to adhere to the DAB withdrawal limits for corporate account holders because they did not have sufficient funds, and there was a decrease in the availability of Afghan currency because no new bills could be imported. Furthermore, available work for daily laborers decreased on average by one day per week for both unskilled laborers and all types of skilled laborers, except for carpenters. Finally, public expenditure has been cut in half with very limited funds left for development programs.

Nevertheless, our analysis did highlight a few positive trends:

- Almost all food and non-food items for which we monitored the prices were sufficiently available.
- Almost all banks were able to respect the DAB withdrawal limits for individual account holders, with the exception of Maiwand Bank, Azizi Bank, and the Islamic Bank of Afghanistan.
- After a collapse in the second half of 2021, the Afghani has appreciated and stabilized against all currencies monitored at informal exchange markets, including the United Arab Emirates Dirham, the Iranian Toman, the Pakistani Rupee, and the United States Dollar.
- Public revenues have remained stable, although there has been a major decrease in traditional tax collection revenues. This decrease is being compensated by increased revenues from natural resource extraction.
- After initially continuing to decrease, rates for daily laborers bottomed out in March and increased since. However, they are still lower than they were at the end of 2021.

Importantly, many of the positive trends in our data, such as the rise in rates for daily laborers, have only recently started. Our report for the end of 2022 will reflect on how sustainable or short-lived these changes have been.

Finally, regarding the second goal of this paper, it is clear that seasonality, province, and region, as well as the type of bank, all have a measurable effect on the findings. Because the economic challenges Afghanistan faces are not being felt equally across the country, aggregating and analyzing our data at the national level can severely misrepresent the reality on the ground.

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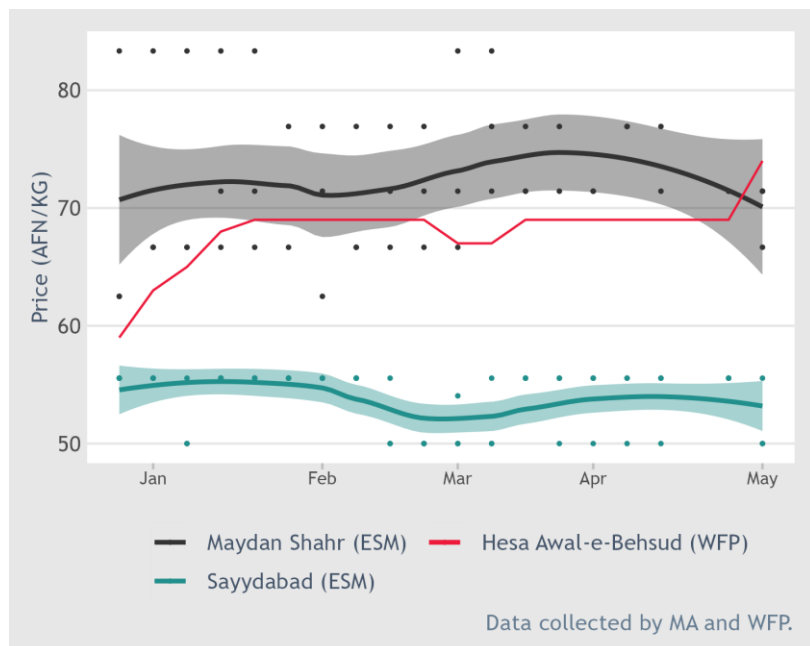
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Annex A: WFP data versus MA data

WFP food price estimates are based on an innovative prediction methodology which extrapolates from a small subset of available data from certain areas of a country to provide estimates for a wider geographic area of that country. As detailed in the World Bank Working Paper ‘*Estimating Food Price Inflation from Partial Surveys*’ that describes this prediction methodology (Andrée, 2021), the purpose is to provide a picture of the inflation trends in a country over longer periods of time. This means that the WFP dataset is working to a slightly different remit to our Economic Sector Monitoring (ESM) data collection, which is focused on closely monitoring precise food prices and fluctuations over a shorter period of time, using only observed data.

It is important to note the difference in remit and purpose of these two datasets when comparing them and to be aware that the data points within each are collected using a different sampling methodology - the WFP data contains a single price point per commodity, week and province, whereas the ESM data contains several observed price points for a given week and commodity as different districts, markets and vendors within each province are surveyed.

Figure 59: Bread Price Trend in Wardak Districts



In some cases, fairly substantial variation between prices in different districts of the same province can be observed, as illustrated by Figure 59, which shows the average prices of bread observed by our enumerators in Maydan Shahr and Sayydabad districts of Wardak province, and the prices estimated by WFP for Hesa Awal-e-Besud district of Wardak province. It is clear that WFP estimates for Hesa Awal-e-Besud in this case align much more closely with the observed ESM values from Maydan Shahr, and are around 15 percent higher than those from Sayydabad, but the amount of variation between the two ESM districts’ observed prices suggests that this kind of variation in prices from different districts is certainly possible.

around 15 percent higher than those from Sayydabad, but the amount of variation between the two ESM districts’ observed prices suggests that this kind of variation in prices from different districts is certainly possible.

In many provinces, WFP data estimates prices for a different district from that covered by ESM, and even in cases where the same district is covered by both, ESM data generally contains observations from another district or two as well, which affects the comparison of the two datasets when aggregating at province level.

Despite the differences in remit and methodology, however, it is possible to compare the overall trends indicated by the two datasets. Figure 60 shows the overall (country-wide) average prices observed by ESM enumerators for the eight food items covered by WFP in urban and in rural areas, as well as the average WFP estimate for each week from January to May 2022. For flour (imported and locally produced), oil, and sugar, the overall trends in average ESM observed prices and average WFP estimates are extremely close.

The ESM data trendlines show slightly more variation, particularly in urban areas, but this is to be expected given that they are averaged from data covering a more diverse range of locations (five provinces have two urban districts surveyed, and several vendors are surveyed during market visits). For high-quality rice and salt, there is a noticeable difference between the average prices in urban and rural areas, but when comparing the WFP estimates and ESM urban observations, the trend is similar. This may indicate that the WFP estimates for each province focus on urban prices rather than rural, which makes sense given that the WFP data focuses on only one central district market per province. The ‘unusual’ commodity in Figure 60 is low-quality rice, where the WFP estimates are lower than either the urban or rural ESM observations, but closer to the rural observations. It is difficult to say with any certainty why this might be, but one possibility is that ‘low-quality’ is interpreted differently by WFP and ESM enumerators, and/or ‘low-quality’ is interpreted differently across different areas of the country.

Figure 60: ESM and WFP average price trend comparison



Ultimately, it should not be expected that the WFP price estimates will match precisely with those observed by our enumerators, but we can reasonably expect that over time, the trends shown will be similar for urban areas, which we have found to be the case.

Annex B: Ministry revenue targets and actual revenue in FY 1401

Table 7: Ministry revenue targets and actual revenue for Q1 FY 1401

Ministry/Department ¹⁷	Financial Year 1401 (2022)				Year 1400	% Change FY 1400-1401
	Annual Target	Q1 Target	Q1 Revenues	Completion Percentage	Q2 Revenues	
Administrative Office of the President	30.90	7.26	10.24	141%	101.58	-90%
Afghan National Disaster Management Agency	0.82	0.19	5.52	2905%	0.05	10940%
Afghanistan Academy of Sciences	1.79	0.42	0.11	26%	0.72	-85%
Afghanistan Atomic Energy Commission	0.78	0.18	0.10	56%	0.02	400%
Afghanistan National Standards Authority	27.50	6.47	24.06	372%	1.60	1404%
Afghanistan Railway Authority	2,500.57	587.96	86.99	15%	672.56	-87%
Attorney General Office	60.16	14.14	1.23	9%	20.37	-94%
Capital Region Independent Development Authority	3.21	0.75	0.00	0%	0.36	-100%
Civil Aviation Authority	N/A	N/A	555.25	N/A	1,699.65	-67%
General Directorate of National Security	2.41	0.57	0.00	0%	0.63	-100%
General Directorate of Sports and Fitness	1.12	0.26	0.01	4%	0.28	-96%
Independent Administrative Reforms and Civil Service	2.13	0.50	0.00	0%	0.14	-100%
Independent Directorate of Local Governance	N/A	N/A	0.97	N/A	0.71	37%

¹⁷ All information in this table was provided by an anonymous source from the Afghan Ministry of Finance in July 2022.

Ministry for the Promotion of Virtue and Prevention of Vice	1.43	0.34	0.04	12%	N/A	N/A
Ministry of Agriculture, Irrigation & Livestock	400.00	94.05	9.96	11%	23.97	-58%
Ministry of Commerce and Industry	300.00	70.54	99.95	142%	54.86	82%
Ministry of Communications and Information Technology	6,657.00	1,565.27	1,853.77	118%	1,386.90	34%
Ministry of Defense	21.89	5.15	28.08	545%	71.23	-61%
Ministry of Economy	4.63	1.09	10.52	965%	0.83	1167%
Ministry of Education	47.47	11.16	14.71	132%	12.64	16%
Ministry of Finance	4,550.00	1,069.85	1,190.25	111%	366.49	225%
Ministry of Foreign Affairs	1,570.00	369.16	85.62	23%	889.91	-90%
Ministry of Frontiers and Tribal Affairs	3.05	0.72	0.58	81%	0.13	346%
Ministry of Haj & Religious Affairs	2.09	0.49	0.87	178%	1.47	-41%
Ministry of Higher Education	110.00	25.86	36.34	141%	41.67	-13%
Ministry of Information and Culture	15.30	3.60	5.31	148%	6.92	-23%
Ministry of Interior Affairs	7,441.00	1,749.61	846.59	48%	778.88	9%
Ministry of Justice	100.98	23.74	10.59	45%	17.43	-39%
Ministry of Labor and Social Affairs	112.00	26.33	15.11	57%	51.72	-71%
Ministry of Martyrs	0.52	0.12	0.12	100%	0.19	-37%
Ministry of Mines	11,900.19	2,798.11	4,275.70	153%	71.90	5847%
Ministry of Public Health	123.77	29.10	44.80	154%	25.95	73%
Ministry of Public Works	10.44	2.46	10.26	417%	8.86	16%
Ministry of Refugees & Returnees	2.06	0.48	0.18	38%	0.97	-81%
Ministry of Rural Rehabilitation and Development	30.32	7.13	1.22	17%	5.25	-77%
Ministry of Urban Development and Land	219.00	51.49	1.54	3%	135.49	-99%
Ministry of Transport	2,852.01	670.60	27.75	4%	14.21	95%



National Environmental Protection Agency	2.16	0.51	1.57	308%	0.92	71%
National Examination Authority	52.38	12.32	6.80	55%	6.28	8%
National Statistics and Information Authority	600.85	141.28	113.75	81%	93.58	22%
Prime Minister Office	4.09	0.96	1,091.94	113744%	2.67	40797%
Radio and Television of Afghanistan	42.00	9.88	14.65	148%	15.53	-6%
Supreme Audit office	3.11	0.73	0.02	3%	1.11	-98%
Supreme Court	150.00	35.27	1.55	4%	127.06	-99%
Technical and Vocational Education and Training Authority	5.64	1.33	0.84	63%	0.31	171%
Water Regulatory Authority	5.66	1.33	0.72	54%	3.25	-78%
TOTAL	39,972.43	9,398.76	10,486.18	112%	6,717.25	56%

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