

Quarterly Progress Report

REPORTING PERIOD: JULY TO SEPTEMBER 2022

November 2022

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Acronyms and abbreviations

AED	United Arab Emirates Dirham(s) (currency)
EFSP	Emergency Food Security Project (EFSP)
AFN	Afghani(s) (currency)
ARTF	Afghanistan Reconstruction Trust Fund
ASGRP	Afghanistan Strategic Grain-Reserve Project
CASA 1000	Central Asia - South Asia Electricity Transmission and Trade
CASA CSP	Central Asia - South Asia - 1000 Community Support Program
CCAP IDLG OpEx	Citizens' Charter Afghanistan Project Independent Directorate of Local Governance Operating Expenditure
CIP	Cities Investment Project
CDC	Community Development Council
CRLP	Afghanistan Community Resilience and Livelihoods Project
DAB	Da Afghanistan Bank
DABS-PCS	Da Afghanistan Breshna Sherkat Planning and Capacity Support Project
ESM	Economic sector monitoring
EATS	Emergency Agriculture and Food Supply
EQRA	Education Quality Reform in Afghanistan
EZ-Kar KM	Eshteghal Zaiee - Karmondena Kabul Municipality
EERA	Education Emergency Response in Afghanistan
FAO	Food and Agriculture Organization
HEF	Humanitarian Exchange Facility
HER	Health Emergency Response
IDA	International Development AssociatioN
IRT	Iranian Toman(s) (currency)
HEP	Herat Electrification Project
ICR	Implementation Completion and Results
KUTEI	Kabul Urban Transport Efficiency Improvement
MA	Monitoring Agent
NCCSP	Afghanistan NGO/CSO Capacity Support Project
NHRP	Naghlu Hydropower Rehabilitation Project
OMAID	Opportunity for Mobilizing Agribusiness Investments and Development



PAISA	Payments Automation and Integration of Salaries in Afghanistan
PKR	Pakistani Rupee(s) (currency)
PMU	Project Management Unit
SoE(s)	Statement(s) of Expenditure
SCRP(s)	Statement(s) of Cash Receipts and Payments
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
USD	United States Dollar(s) (currency)
WEE-NPP	Women's Economic Empowerment National Priority Program
WEE-RDP	Women's Economic Empowerment Rural Development Project

1 Overview of activities and key findings

This report presents activities undertaken and results of monitoring conducted between July and September 2022 (Q3 2022) in our capacity as Monitoring Agent (MA) for World Bank-funded investment projects in Afghanistan.

During this period, we completed our remaining Statement of Expenditure (SoE) reviews related to project closures and undertook a review of project Statements of Cash Receipts and Payments (SCRPs) as part of remote financial monitoring activities. In July, we changed from weekly to monthly monitoring of the economic sector indicators, by agreement with the World Bank, and completed analysis and reporting on a range of governance sector monitoring indicators for the period March to August 2022. We resumed work on the Rapid Health Quality Assessment (RHQA) project after authorization from the Ministry of Public Health, with data collection starting in September for completion by mid-October, and with results to be included in the Q4 Quarterly Progress Report.

In this period, we continued our engagement with various UN agencies to develop Terms of Reference and Monitoring Protocols for planned monitoring of World Bank-funded projects in Afghanistan.

The following summary section provides an overview of our approach to financial and physical monitoring activities. After this, we provide a more detailed overview of our financial monitoring activities, as well as findings from our economic sector monitoring (ESM). This quarter, we conducted site visits for ESM only. In total, we undertook 144 site visits in 21 out of 34 provinces.

1.1 Financial monitoring

Financial monitoring during the quarter focused on project closure activities to assist the World Bank in documenting the project expenditure through SoEs and SCRPs.

1.1.1 Statements of Expenditure

We assisted the World Bank in documenting project final expenditure up to August 15, 2021, by reviewing project SoEs to evaluate whether expenditure stated by projects in the SoEs and documented in Withdrawal Applications was reported in accordance with the Afghanistan Reconstruction Trust Fund (ARTF) Grant or International Development Association (IDA) Financing Agreements. This process was a supplemental control measure introduced by the World Bank uniquely in Afghanistan as one element of the ARTF Enhanced Fiduciary Control Framework.

For each SoE, we reviewed project procurement, payroll, and project implementation and management expenditure. We conducted sample-based substantive testing of transactions through multiple rounds of review, requests for documentation or follow-up clarifications, and identification and reporting of 'Questionable Transactions', - financial errors impacting the expenditure reported. After each review, we submitted SoE Cover Letters outlining findings and their impact on the amounts claimed for documentation.

It should be noted that Questionable Transactions primarily arise as a result of any of the following:

- missing supporting documentation
- non-compliance with applicable procurement regulations
- overdue advances claimed as expenditure
- non-compliance with financial policies
- accounting/casting errors
- overpayments to contractors and employees.

To minimize the risk of ineligible expenditure, payments identified as Questionable Transactions are normally withheld by the Bank until issues are resolved and missing documentation provided.

In Q3, we issued our last three remaining SoE Cover Letters relating to project closures. We reported expenditure of USD 6.5 million and proposed adjustments for Questionable Transactions (net of reversals) amounting to USD 1,287,808. We provide further details on our SoE reviews in Section 2.1.

1.1.2 Review of Statements of Cash Receipts and Payments

We conducted a review of project SCRPs for the Afghan Financial Year 1399. These SCRPs form part of a project's financial statements, and the aim of the review was to determine whether expenditure incurred by projects was for the intended purposes and eligible for financing in accordance with the relevant Financing and Grant Agreements. We were required to review the SCRPs and determine the eligibility, validity, and accuracy of financial transactions and information reflected therein.

We completed reviews and submitted reports to the World Bank for each of the following ten projects during September 2022:

- Afghanistan Strategic Grain-Reserve Project (ASGRP)
- Central Asia-South Asia Electricity Transmission and Trade (CASA 1000)
- Da Afghanistan Breshna Sherkat Planning and Capacity Support Project (DABS-PCS)
- Emergency Agriculture and Food Supply (EATS)
- Herat Electrification Project (HEP)
- Kabul Urban Transport Efficiency Improvement (KUTEI)
- Naghlu Hydropower Rehabilitation Project (NHRP)
- Opportunity for Mobilizing Agribusiness Investments and Development (OMAID)
- Payments Automation and Integration of Salaries in Afghanistan (PAISA)
- Women's Economic Empowerment National Priority Program (WEE-NPP).

1.2 Physical monitoring

Figure 1 presents the number of site visits conducted in Q3 2022 disaggregated by province. Figure 2 shows the number of interviews conducted. The reduction in site visits conducted in this period compared to Q2 reflects a change from weekly to monthly ESM.

Figure 1: Map of activities in Q3 2022

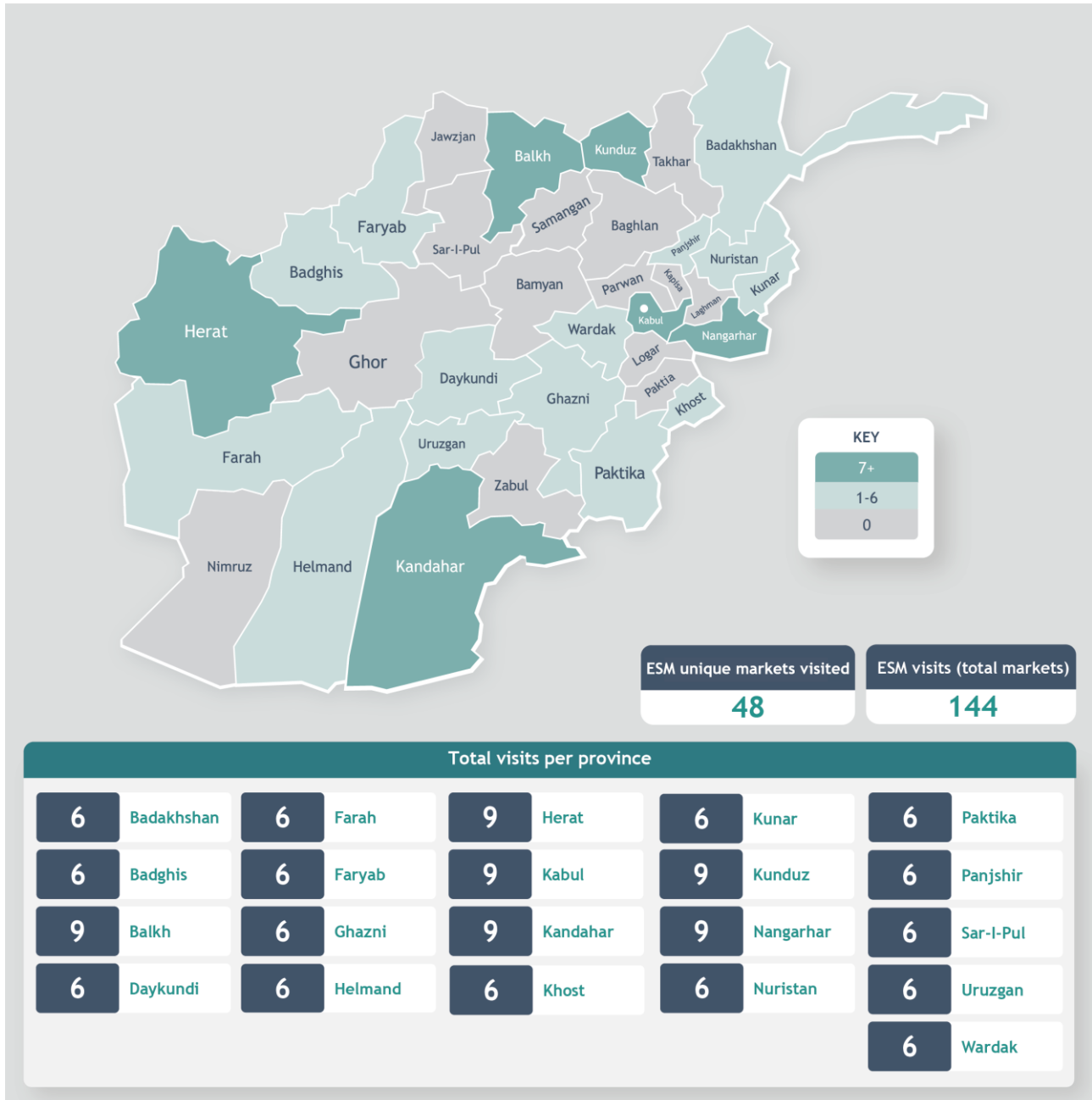
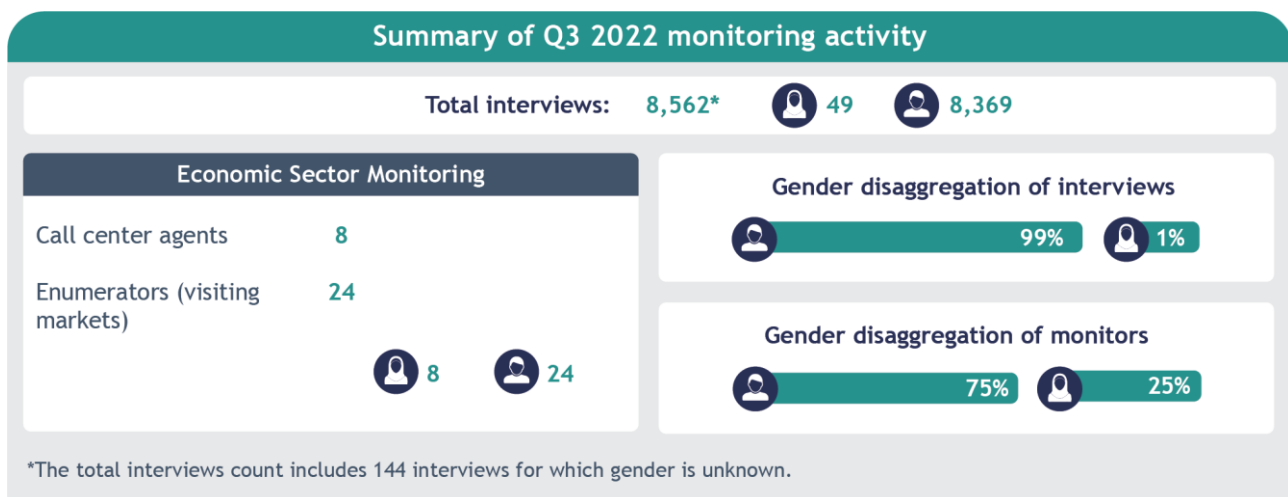


Figure 2: Interviews for economic sector monitoring in Q3 2022



1.3 Implementation Completion and Results Reporting

- This quarter, we completed analysis and reporting for the World Bank’s Implementation Completion and Results (ICR) process for five projects closed in the first half of 2022. In the case of the Fiscal Performance Improvement Support Project, the Financial Monitoring team was only required to undertake desk-based work. The products delivered are shown below, and our findings are incorporated into the World Bank’s published reports.

CASA CSP ICR

- Infrastructure and social monitoring datasets covering 100 site visits in 18 districts in seven provinces (Baghlan, Kabul, Kapisa, Kunduz, Laghman, Nangarhar, and Panjshir).

CIP ICR

- A dataset covering 23 site visits to 73 CDCs in five districts in five provinces (Balkh, Herat, Kandahar, Khost, and Nangarhar) on monitoring activities related to land acquisition issues, and the verification of physical progress GPS coordinates.

EQRA ICR

- A dataset and narrative report covering 40 site visits to 39 CDCs in 33 districts in 17 provinces (Badghis, Balkh, Faryab, Ghazni, Helmand, Herat, Kabul, Kandahar, Khost, Kunduz, Logar, Nangarhar, Nuristan, Paktika, Uruzgan, Wardak, and Zabul).

THRCP ICR

- A dataset and narrative report covering nine site visits to three districts in three provinces (Baghlan, Bamyán, and Parwan). Eight of the site visits involved four segments of the THRCP road and one involved assessing the Salang Tunnel.

1.4 Limitations

1.4.1 Access to female respondents

In conducting interviews for ESM, our ability to interact with women respondents was constrained by the nature of the professions of those interviewed, which are typically dominated by men. This affected the overall percentage of interviews conducted with women, particularly for women who were neither bank customers nor tailors for women and girls.

This affects our findings by limiting the percentage of women we can interview in any one community. While a random sample of women nationwide can, statistically, provide a broad basis for reporting, a much higher sample is required to provide evidence from a specific community or group of communities. The effect of not being able to directly engage with as many women as before makes our findings somewhat less representative in terms of comparing findings between men and women. However, it does not make our findings less representative in terms of reporting community voices overall.

1.4.2 Access to sites

During Q3 2022, we conducted site visits in 21 out of 34 provinces. We continued to monitor threats and planned our activities in response to emerging security issues, including in hard-to-reach areas.

1.4.3 Data collection challenges

For ESM, we were unable to collect data from banks in Helmand and Lashkar Gah due to ongoing issues with the banking systems in both districts. Similarly, we were unable to collect data from the Maiwand Bank in Helmand province after it temporarily ceased operations in September. We also experienced challenges collecting data on customer deposits and withdrawals. The Maiwand Bank branch in Kunduz lacked sufficient cash for customers to withdraw funds and the New Kabul Bank in Kandahar only allowed customers to make Afghani (AFN) cash withdrawals between 21 September and 4 October 2022. The bank did not have US Dollars (USD) available and therefore stopped customer transactions involving USD during this period. Hawala transactions were temporarily suspended in Jurm district for staff reasons.

Commencing work on data collection for RHQA was delayed throughout the period pending agreement from the Ministry of Public Health.

2 Results from financial monitoring

2.1 Statement of Expenditure reviews

During Q3 2022, we completed our last three remaining project SoE reviews for the period to August 15, 2021. In total, we have completed reviews of 239 project SoEs since beginning our work on 22 December 2019. The results of our reviews are summarized below.

Table 1: Results of Statement of Expenditure reviews conducted from 22 December 2019 to 30 September 2022 with closed project reporting to August 15, 2021 (USD)

	ARTF	IDA	TOTAL FOR Q1-Q3 2022	CUMULATIVE SINCE START OF MONITORING (22 DECEMBER 2019)
Expenditure reported on SoEs	33,592,321	27,358,824	60,951,145	577,267,457
Adjustment for Questionable Transactions (net of reversals)	(2,368,578)	(170,396)	(2,538,974)	(21,515,573)
Expenditure recommended for documentation on Withdrawal Applications	31,223,743	27,188,428	58,412,171	555,751,884

In Q3 we issued three SoE Cover Letters for projects that documented expenditure amounting to USD 7.79 million and recommended USD 6.5 million for documentation on the Withdrawal Applications as detailed in the table below.

Table 2: Statements of Expenditure issued in Q3 2022 (USD)

PROJECT ID	PROJECT	PERIOD	TOTAL EXPENDITURE PER SOE SUBMITTED BY PMU	ADJUSTMENTS FOR QUESTIONABLE TRANSACTIONS PROPOSED BY MA	EXPENDITURE RECOMMENDED FOR REPLENISHMENT BY MA (USD)
P128048	A2F	Q3 1400	3,337,649	-	3,337,649
P166127	Eshteghal Zaiee - Karmondena Kabul Municipal (EZ-Kar KM)	Q3 1400	383,443	-	383,443
P160615	Sehatmandi	Q3 1400	4,064,005	(1,287,808)	2,776,197
			7,785,097	(1,287,808)	6,497,289

2.1.1 Status of cumulative Questionable Transactions

Table 3: Status of unresolved Questionable Transactions at the end of Q3 2022

	USD
Cumulative adjustments for Questionable Transactions	21,515,573
Resolved	(12,819,043)
Unresolved Questionable Transactions	8,696,530

As shown in Table 3, between December 2019 and the end of Q3 2022, we identified USD 21.51 million in Questionable Transactions during regular SoE reviews. To minimize the risk of ineligible expenditure, payments identified as Questionable Transactions were withheld until issues are resolved and/or missing documentation was provided. Resolved Questionable Transactions amounted to USD 12.82 million at the end of Q3 2022 and unresolved ones for the period to August 15, 2021 are USD 8.7 million. In finalizing SoEs we reported these Questionable Transactions as unresolved since further documentation or clarification would be needed for us to report them as eligible expenditure.

The sum of the highest value of unresolved Questionable Transactions reported in submitted SoEs, shown in Table 4, accounts for approximately 78 percent (USD 6.82 million) of this total.

Table 4: Highest value unresolved Questionable Transactions at the end of Q3 2022

PROJECT ID	PROJECT	PERIOD	USD
P160615	Sehatmandi	Q3 1400	1,287,808
P160568	Citizens' Charter Afghanistan Project Independent Directorate of Local Governance Operating Expenditure (CCAP IDLG OpEx)	Q3 1400	1,234,313
P160567	CCAP Ministry of Rural Rehabilitation and Development OpEx	Q2 1399	1,153,659
P160568	CCAP IDLG OpEx	Q3 and Q4 1399	1,030,916
P160615	Sehatmandi	Q3 and Q4 1399	976,450
P160615	Sehatmandi	Q1 and Q2 1399	276,109
P160567	CCAP COVID-19 Relief Grants Lot 4	Q2 1400	266,466
P164443	Women's Economic Empowerment Rural Development Project (WEE-RDP)	Q3 1400	265,003
P132742	Afghanistan Social Development Project II	Q3 1400	172,969
P164443	WEE-RDP	Q4 1399	151,406
			6,815,099

2.2 Statement of Cash Receipts and Payments reviews

We issued ten SCRP Cover Letters in the quarter, monitoring an average of 98.81 percent of payments made. The results of our review are summarized in Table 5.

Table 5: Results of Statement of Cash Receipts and Payments reviews conducted in Q3 2022 (USD)

PROJECT	TOTAL PAYMENTS REPORTED IN THE SCRP	TOTAL PAYMENTS REVIEWED BY MA	FINANCIAL FINDINGS	FINANCIAL FINDINGS AS % OF BALANCE PER SCRP
ASGRP	277,896	277,896	-	-
CASA 1000	70,049,074	69,997,608	119,545	0.17%
DABS	1,986,928	1,986,928	-	-
EATS	130,309	130,309	-	-
HEP	6,966,004	6,608,209	-	-
KUTEI	6,066,943	5,702,370	-	-
NHRP	1,394,770	1,130,035	-	-
OMAID	92,201	90,510	-	-
PAISA	14,863	14,863	-	-
WEE-NPP	219,013	219,013	-	-
Total	87,198,001	86,157,741	119,545	0.14%

Documented payments amounted to USD 87.20 million. We reviewed 98.81 percent of payments. Our financial findings on cut-off errors, amounting to USD 119,545 (or 0.14 percent of payments), are detailed in Table 6.

Table 6: Findings from Statement of Cash Receipts and Payments reviews

PROJECT	AMOUNT (USD)	DESCRIPTION
Cut-off error		
CASA 1000	119,545	M16 No. 333 for USD 119,545 was reported in the FY1399 SCRP although, according to the Bank's client connection system, the transaction occurred on December 23, 2020.
Total	119,545	

Our financial findings exclude Questionable Transactions arising from our SoE reviews reported on in Section 2.1.

3 Results from Economic Sector Monitoring

Following the change of government in August 2021, the World Bank asked us to monitor economic indicators in several key areas:

- prices and availability of food and non-food items (combined in a Consumer Price Index basket as defined by the World Bank), and the extent to which shopkeepers selling these items paid taxes and/or accepted barter
- banking sector activities, including formal banking and the activities of informal currency exchange traders and Hawala operators
- labor market activities, including nominal wages and availability of casual laborers as well as the extent to which the Interim Taliban Administration (ITA) had made salary payments to civil servants.

We collected this information by conducting short surveys at markets and banks with shopkeepers, bank branch managers, bank customers, skilled and unskilled daily 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.

Between November 2021 and June 2022, we collected data on a weekly basis in 50 districts in 22 provinces, covering Afghanistan's six largest urban centers and 16 smaller ones. We shared the data with the World Bank on a weekly basis through our Digital Platform, where analysis is also visualized through a Power BI dashboard. In addition, during weekly meetings, we provided extensive updates related to topics such as exchange rate movements and new directives from Da Afghanistan Bank (DAB).

From July 2022 onward, by agreement with the World Bank, we changed to monthly data collection and stopped visiting border crossings. As a result, in Q3 2022 we conducted 144 market visits to 48 unique markets in 21 provinces (monitoring visits to bank branches being included in the market visits). We conducted 8,562 interviews,¹ 7,672 on-site and 890 by phone. Information about respondents' gender was unavailable for two percent (n=144) of interviews because these respondents took part in group interviews. Of the 8,418 interviews for which this information was available, only one percent (n=49) of interviews were with women. This was partly due to the nature of the respondents sampled and the additional difficulties of engaging with women in the current circumstances.

Figure 1 in Section 1.2 presents the number of site visits conducted, disaggregated by province. Figure 3 presents the number of interviews.

¹ For ESM, we report on the number of interviews conducted and not the number of respondents because many of the respondents were interviewed repeatedly over the reporting period.

Figure 3: Interviews conducted in Q3 2022²

Economic Sector Monitoring interviews in Q3 2022							
Survey type	Respondent type	Interviews conducted with men	Interviews conducted with women	Interviews conducted for which gender of interviewee is unknown	Interviews conducted by respondent type	Interviews conducted by survey type	Interviews conducted onsite or by phone?
Bank	Bank branch manager	155	-		155	694	On-site
	Bank Customer	533	6		539		
Bank operationality	Bank branch manager	29	-		29	265	On-site
	Bank customer	17	-		17		
	Bank security guard	108	-		108		
	Shopkeeper next to a bank	111	-		111		
Civil servants	Civil servants	795	23		818	818	Phone
Food	Bakery	389	1		390	2,330	On-site
	Butcher (shop with meat)	398	-		398		
	Dairy shop	294	-		294		
	General/grocery store	414	-		414		
	Shop/cart/stall with fruit	412	-		412		
	Shop/cart/stall with vegetables	422	-		422		
Hawala/foreign exchange survey	Hawala operator	142	-		142	481	On-site
	Informal currency exchanger	213	-		213		
	Informal currency exchanger and Hawala operator	126	-		126		
Market service	Barber	384	-		384	2,251	On-site
	Daily labourer	N/A	N/A	144	144		
	Private health facility staff	396	1		397		
	Real estate agent	233	-		233		
	Shared taxi/van/rickshaw driver	393	-		393		
	Tailor for men and boys	423	-		423		
	Tailor for women and girls	262	15		277		
Non-food item vendors	Firewood seller (commonly used)	239	-		239	1,651	On-site
	Petrol pump/gas station staff/shopkeeper	277	-		277		
	Shopkeeper (shoes)	287	-		287		
	Shopkeeper (stationery)	276	-		276		
	Shopkeeper (fabric) for men and boys	285	-		285		
	Shopkeeper (fabric) for women and girls	287	-		287		
Telecom	Telecom operator	69	3		72	72	Phone
TOTAL	TOTAL	8,369	49	144	8,562	8,562	

Enumerators	Male	Female	Total
Making market visits	24	0	24
Conducting phone interviews	0	8	8
Total	24	8	32

3.1 Prices and availability

After peaking at the end of Q2, food prices dropped in July and August, mainly driven by the harvest season occurring at this time. In September, food prices began to rise again, largely because flooding in Afghanistan and Pakistan caused massive crop failure in both countries. By the end of Q3, food prices were lower compared to the beginning of the quarter but still significantly higher than at the beginning of the year. Conversely, prices of non-food items continued to rise rapidly in the first month of the quarter, largely driven by increasing energy prices, then decreased for the remainder of the quarter. Despite this decrease, non-food item prices remained significantly higher at the end of the quarter than at the start of the year.

Figure 4: Consumer Price Index Afghanistan (base period = December 2021)³

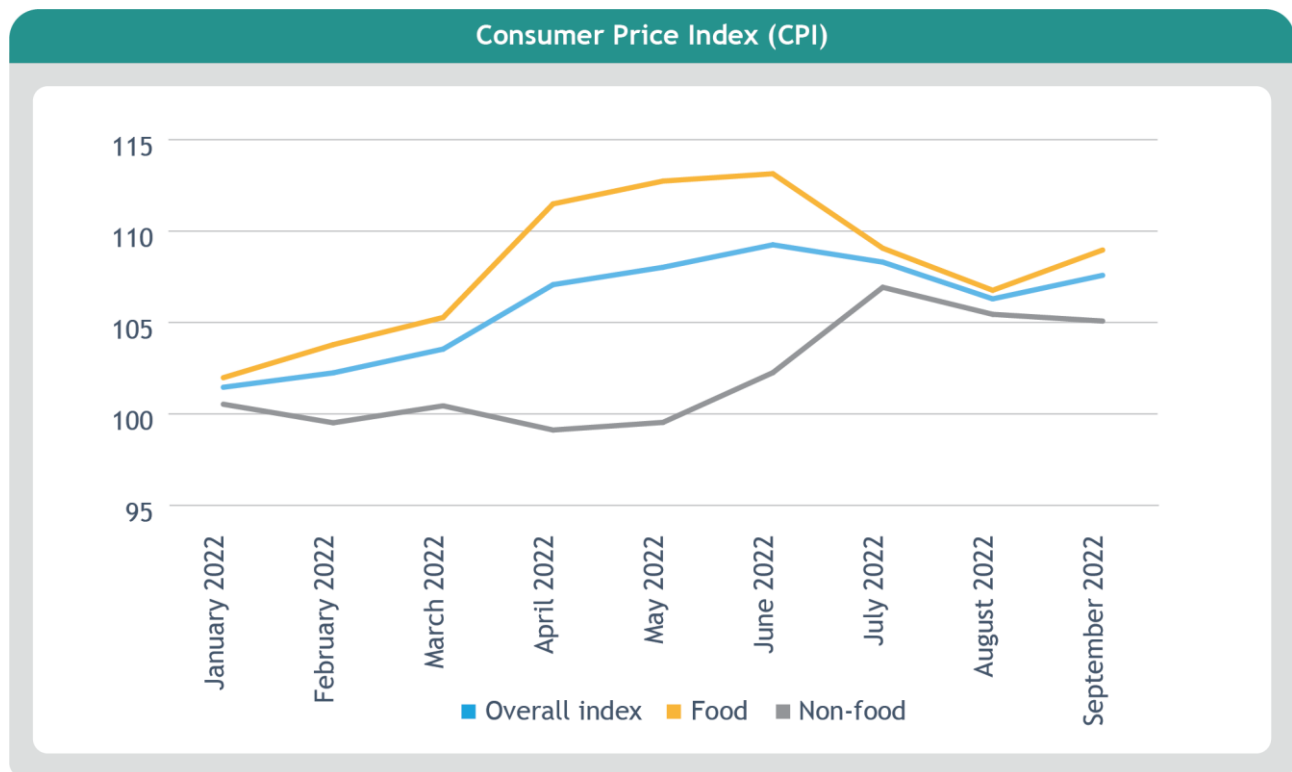


Figure 5 displays food and non-food items experiencing the largest price increases and decreases in the quarter. Apples decreased most across most provinces, most likely reflecting seasonal availability compared to tomatoes, which increased most in price. While tomatoes are typically cheaper in the summer and autumn, this price increase is likely driven by flooding in Afghanistan and Pakistan, impacting their availability.

There was significant variation among non-food commodities: the price of toothpaste, notebooks, and men’s shoes decreased most in Q3 in some provinces, while in other provinces they increased the most. Although our monitoring did not identify what caused the high variation in price changes among non-food commodities we believe that this finding - that price movements differ significantly between different provinces at the same time - points to a need to take additional care when seeking to draw conclusions on the basis of aggregate trends of food and non-food prices in Afghanistan.

³ The CPI levels shown for Q1 and Q2 differ compared to the Q1 and Q2 quarterly reports because we adjusted their calculations from weekly to monthly calculations. This was to enable data to be comparable following the adoption of the monthly methodology in Q3.

Figure 5: Food items and non-food items with the greatest price decreases and increases

Food and non-food items with greatest price increase and decrease by province in Q3				
Province	Food items with greatest price decrease in Q3	Food items with greatest price increase in Q3	Non-food items with greatest price decrease in Q3	Non-food items with greatest price increase in Q3
Badakshan	Onions	Tomatoes	Women's shoes	Notebooks
Badghis	Red lentils	Cucumbers	Diesel	Toothpaste
Balkh	Apples	Tomatoes	Diesel	Children's shoes
Daykundi	Green beans	Tomatoes	Children's shoes	Men's shoes
Farah	Apples	Tomatoes	Notebooks	Fabric for women
Faryab	Bananas	Tomatoes	Toothpaste	Notebooks
Ghazni	Apples	Cucumbers	Toothpaste	Women's shoes
Helmand	Nan	Tomatoes	Petrol	Men's shoes
Herat	Apples	Tomatoes	Pens	Toothpaste
Kabul	Apples	Tomatoes	Shampoo	Notebooks
Kandahar	Watermelons	Cucumbers	Shampoo	Men's shoes
Khost	Imported vegetable oil	Tomatoes	Men's shoes	Soap
Kunar	Tomato paste	Tomatoes	Notebooks	Men's shoes
Kunduz	Grapes	Tomatoes	Men's shoes	Firewood
Nangarhar	Cucumbers	Tomatoes	Notebooks	Shampoo
Nuristan	Wrapped sweets	Watermelons	Women's shoes	Toothpaste
Paktika	Apples	Tomatoes	Toothpaste	Shampoo
Pansjhir	Apples	Tomatoes	Fabric for girls	Notebooks
Sar-I-Pul	Salt	Tomatoes	Shampoo	Toothpaste
Uruzgan	Salt	Tomatoes	Men's shoes	Pens
Wardak	Apples	Tomatoes	Soap	Pens

Figure 6 shows that in Q3, many staple food items such as rice, fruit, and vegetables were available in sufficient quantities in local markets. However, protein-rich food items such as chicken and chickpeas were less available. On average, over two-thirds of shops had imported wheat flour available while less than half of shops had local wheat flour. Local wheat flour was also the food commodity with the lowest availability in Q2. With the exception of toothpaste, the availability of which had dropped significantly since Q2, most non-food items were still available in sufficient quantities in local markets.

Figure 6: Food items observed to be in stock

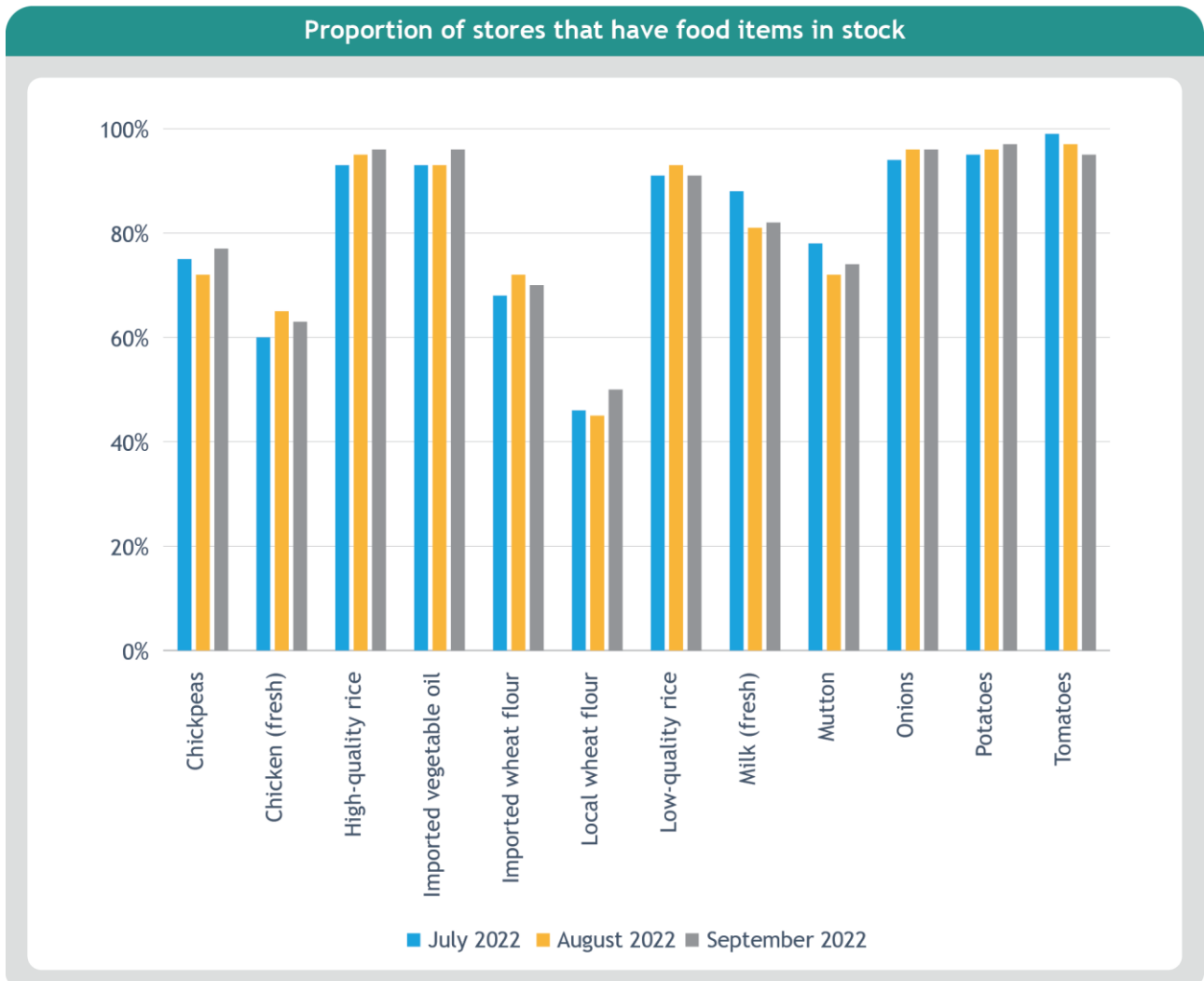
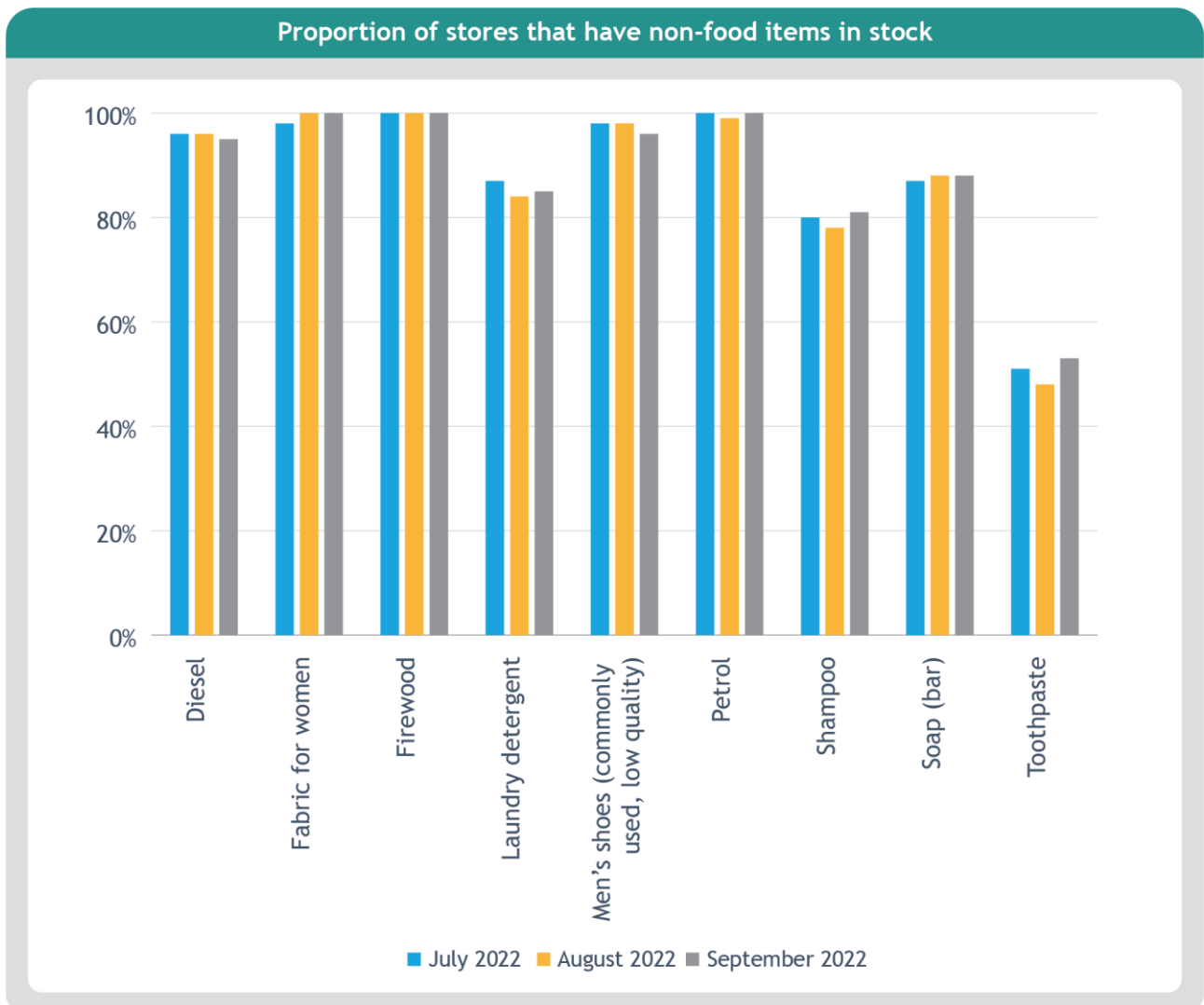


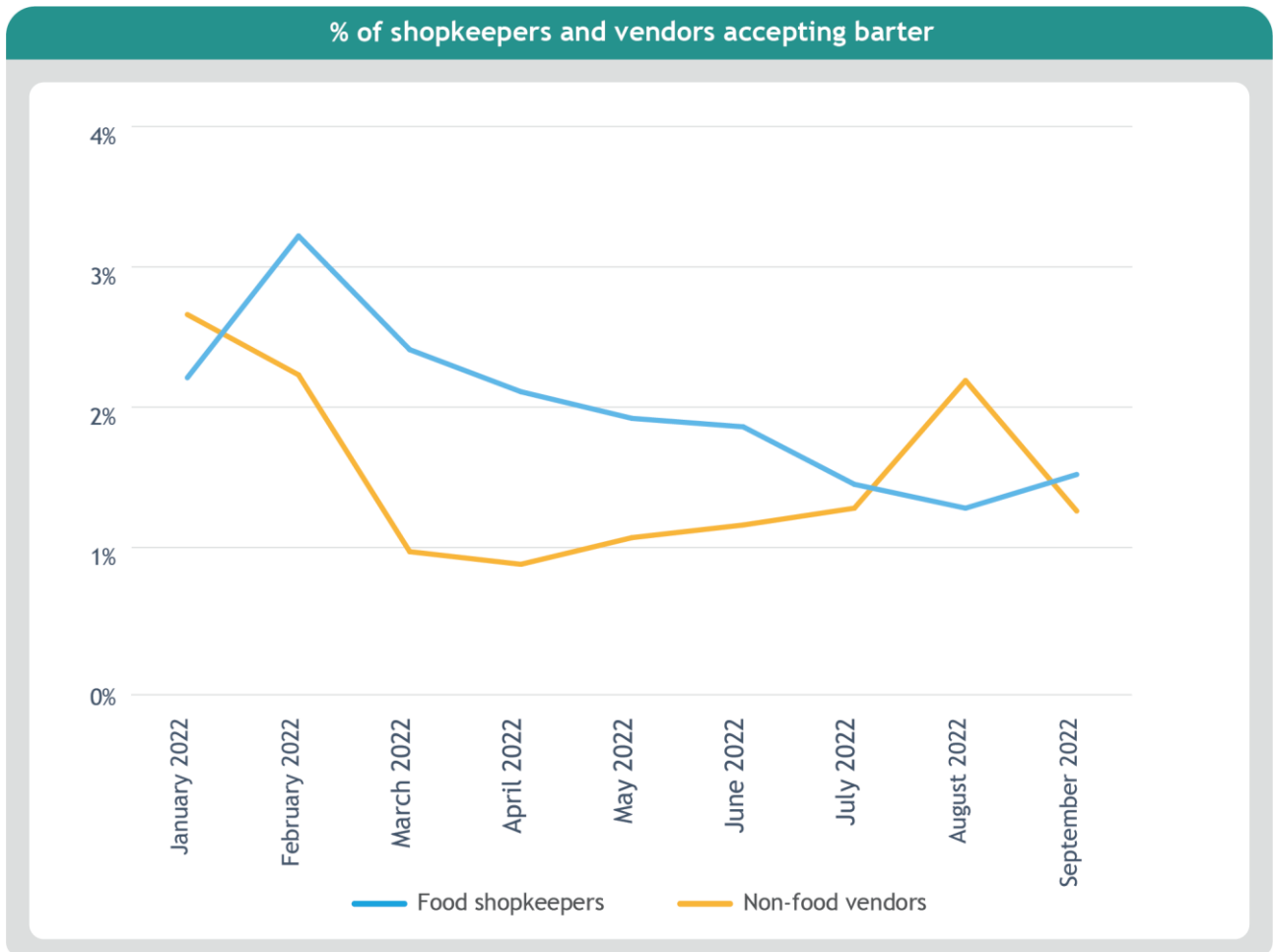
Figure 7: Non-food items observed to be in stock



3.2 Barter

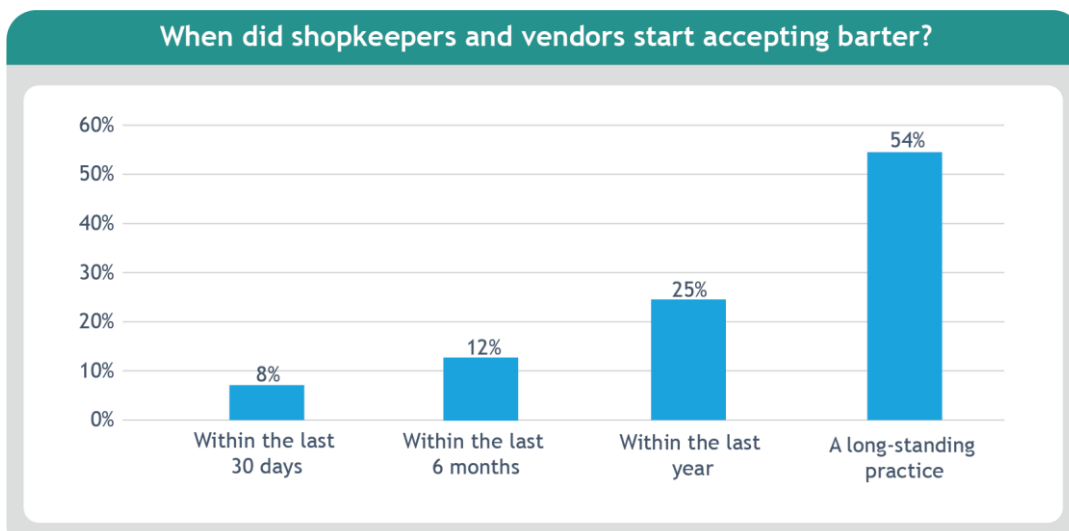
Figure 8 shows that compared to the beginning of 2022, fewer shopkeepers and vendors interviewed in Q3 reported that they accepted barter, one percent (n=33) of 2,330 food shopkeepers and two percent (n=26) of 1,651 non-food vendors.

Figure 8: Shopkeepers and vendors accepting barter



As shown in Figure 9, of the 59 shopkeepers and vendors who said they accepted barter, a small majority (54 percent, n=32) said this was a long-standing practice.

Figure 9: Shopkeepers and vendors accepting barter



3.3 Taxes

As shown in Figure 10, just over half of 2,272 shopkeepers and vendors interviewed reported that they were currently being taxed, compared to more than three-quarters of interviewees (n=3,063) reporting that they were taxed before August 2021.

Figure 10: Proportion of shopkeepers and vendors paying taxes

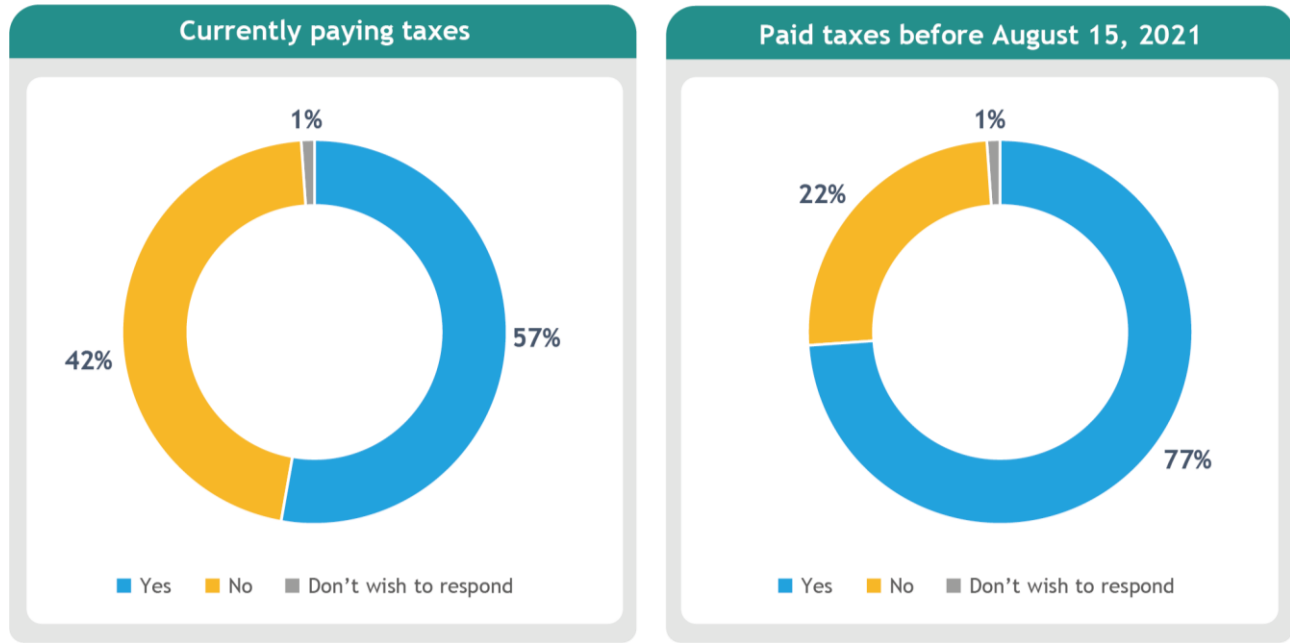
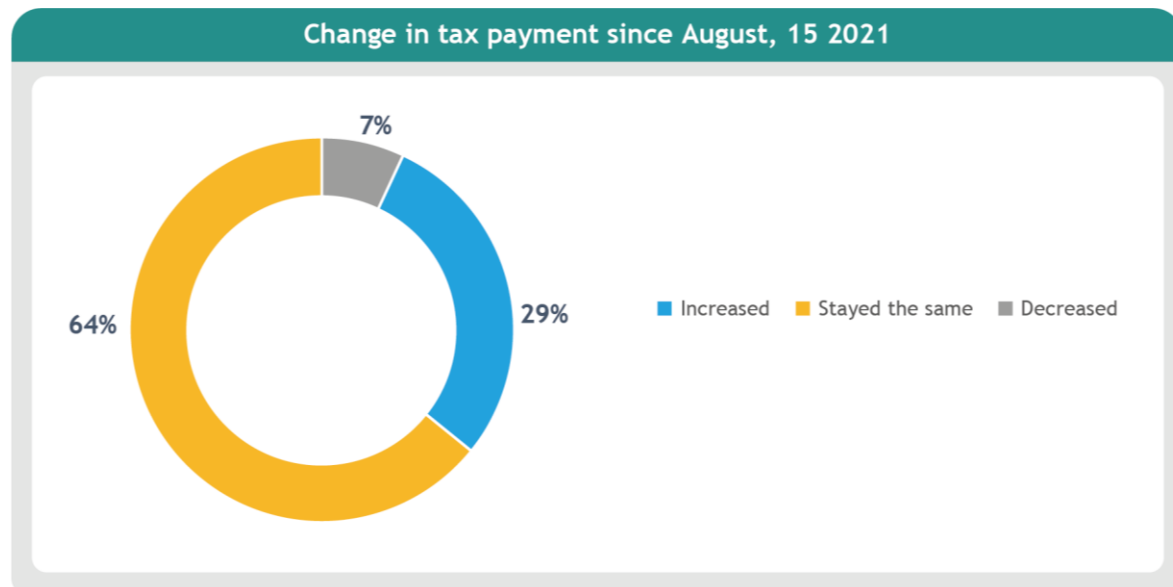


Figure 11 shows that of those shopkeepers and vendors who stated that they were being taxed, almost two-thirds reported that their taxes had stayed the same since August 2021.

Figure 11: Change in the amount of taxes paid since August 2021

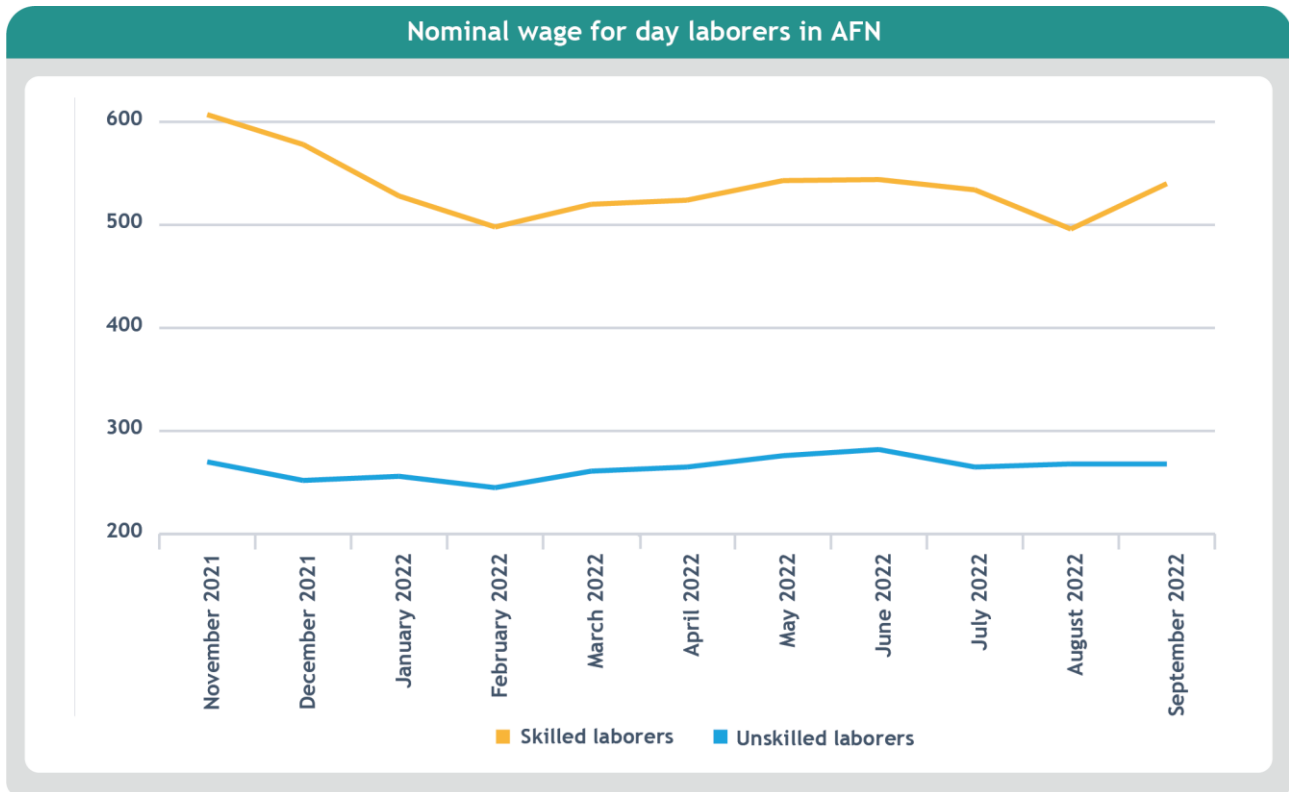


3.4 Labor market for day laborers

Our data, summarized in Figure 12, shows that nominal wages for unskilled laborers remained stable during the reporting period. For skilled laborers, there was a slight decrease in the daily rate in August before it

increased again in September. Overall, in contrast to unskilled laborers, salaries for skilled laborers are lower than at the end of 2021.

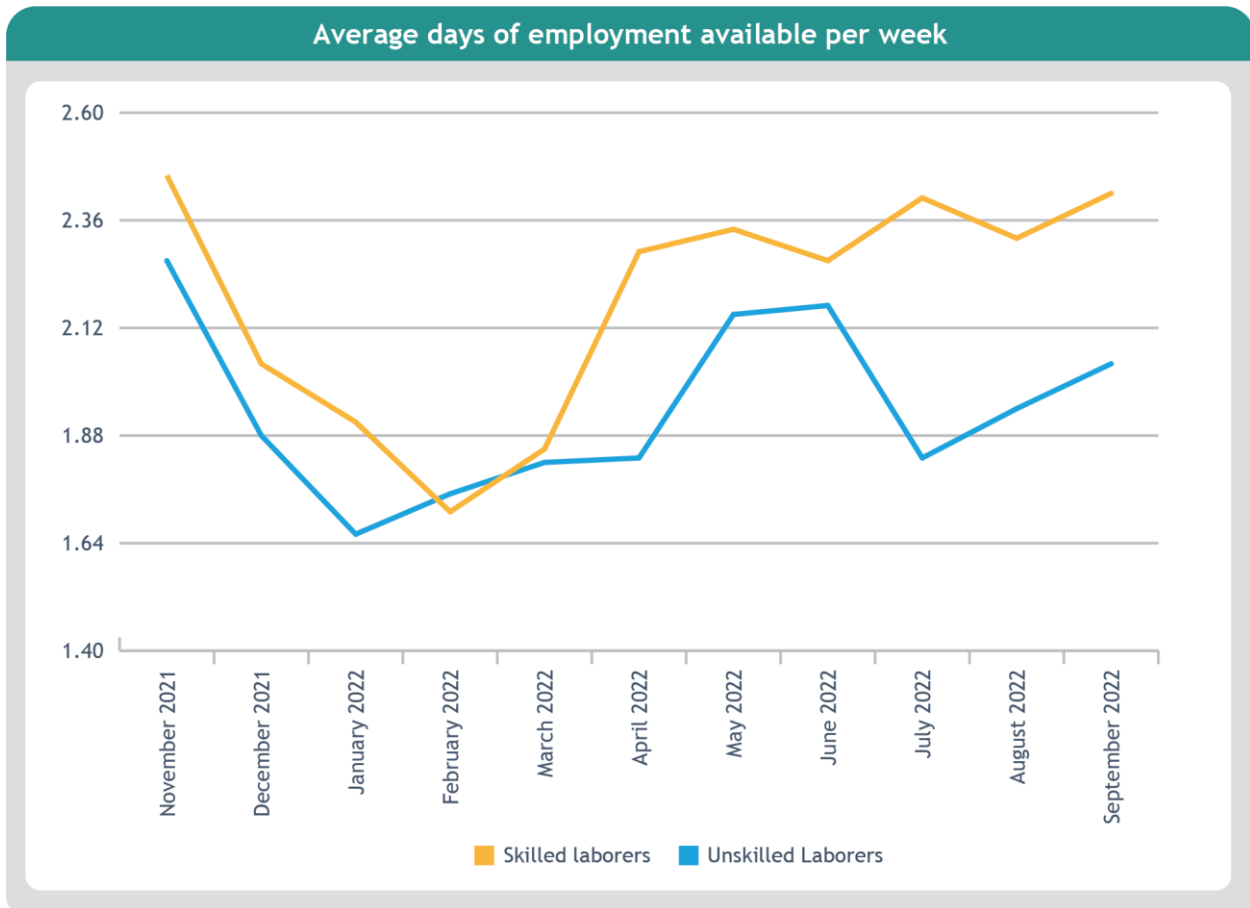
Figure 12: Nominal wages for day laborers (AFN)⁴



After decreasing rapidly between November 2021 and February 2022, available employment for skilled laborers rose to November 2021 levels by the end of Q3 2022, as shown in Figure 13. For unskilled laborers, we recorded a small decrease in employment levels in July 2022, followed by a return to late 2021 levels. The harvest period in Afghanistan, which falls during the Q3 period, typically signifies higher employment rates. However, the initial decrease in employment for unskilled day laborers was likely driven by an increase in the unskilled workforce and competition for employment.

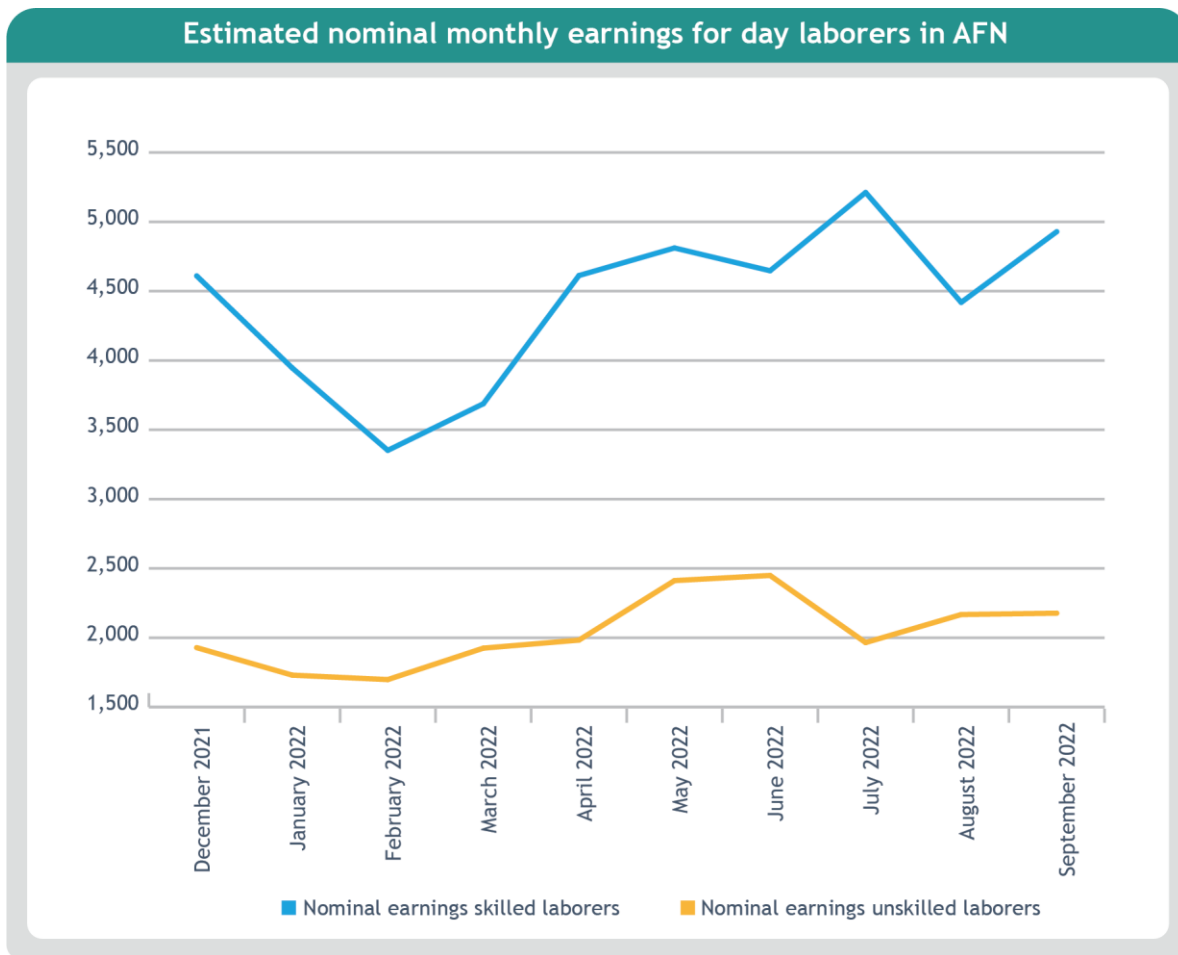
⁴ Although there was significant volatility in the AFN/USD exchange rate in late 2021, during this reporting period the average exchange rate approximated to 90 AFN = 1 USD, with minor fluctuations.

Figure 13: Demand for skilled and unskilled daily laborers



As shown in Figure 14, the estimated nominal monthly earnings of unskilled day laborers in Q3 were AFN 2,103, an eight percent decrease compared to Q2. The monthly earnings for skilled laborers in Q3 were AFN 4,853, a three percent increase compared to the previous quarter. We calculate nominal monthly earnings by multiplying their stated daily rate by the number of days they reported that work was available per week, then multiplying this figure by four.

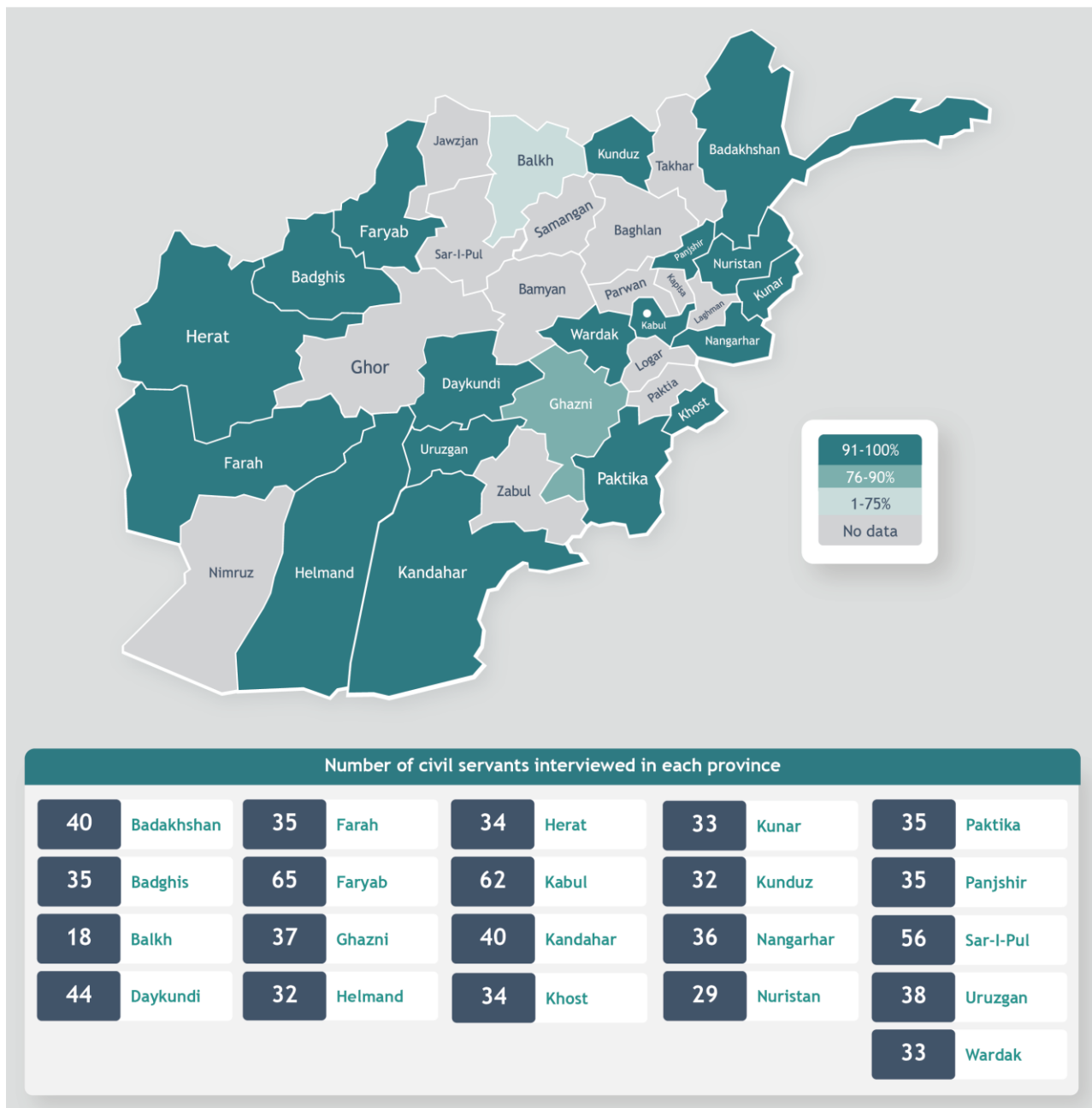
Figure 14: Estimated earnings for day laborers



3.5 Salary payments to civil servants

Almost all the 798 civil servants interviewed who provided a response on whether they had received their salary in the previous three months agreed that they had done so (97 percent, n=775). Of the 28 responding civil servants (three percent) reporting they had not received any salary in the past three months, nine reported they had not yet received any salary at all. This data is set out for each province in Figure 15.

Figure 15: Civil servant salary payments in the last three months

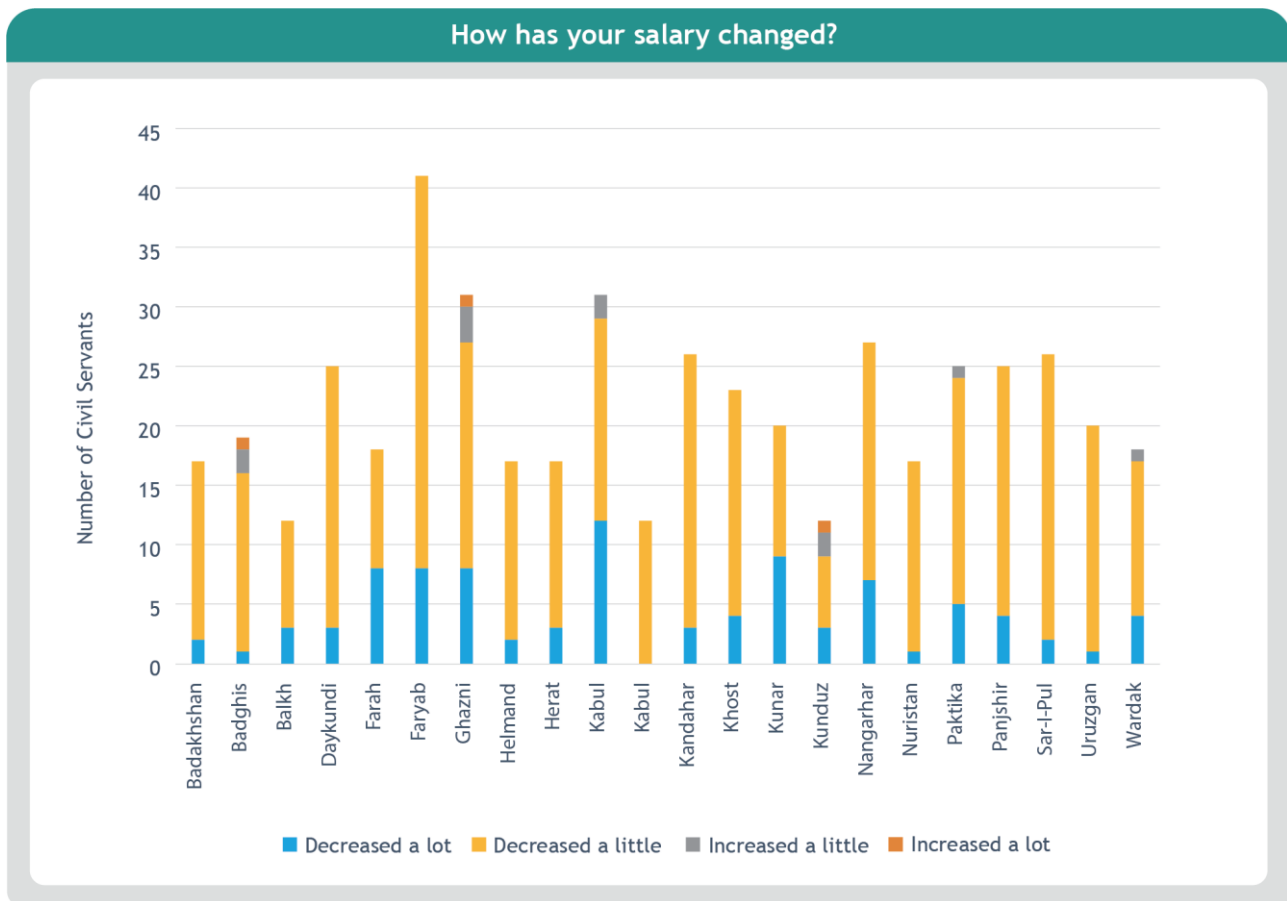


Of the 775 interviews in which civil servants responded, a large majority (89 percent, n=691) reported they had received their salary through their bank account, with much smaller numbers receiving salaries in cash (9 percent, n=73), or through a Hawala operator (one percent, n=11). Almost half of civil servants (46 percent, n=353) who reported that they had been paid in the previous three months also reported challenges when attempting to cash their salary checks at a bank, with long queues and overcrowding most commonly reported (60 percent, n=264).

Almost three-quarters of civil servants (73 percent, n=587) out of 803 interviews⁵ were aware of changes made by the ITA to the civil servant salary structure. Of these, 80 percent (n=467) stated that their salary had changed as a result, almost all of whom (97 percent, n=453) reported that their salary had decreased. These reported salary changes are summarized in Figure 16.

⁵ Although we conducted 818 interviews with civil servants in Q3, we did not ask this question in 15 of the interviews because respondents in these interviews either reported that they had recently resigned or that their position had been terminated.

Figure 16: Impact of interim Taliban administration changes on civil servant salaries



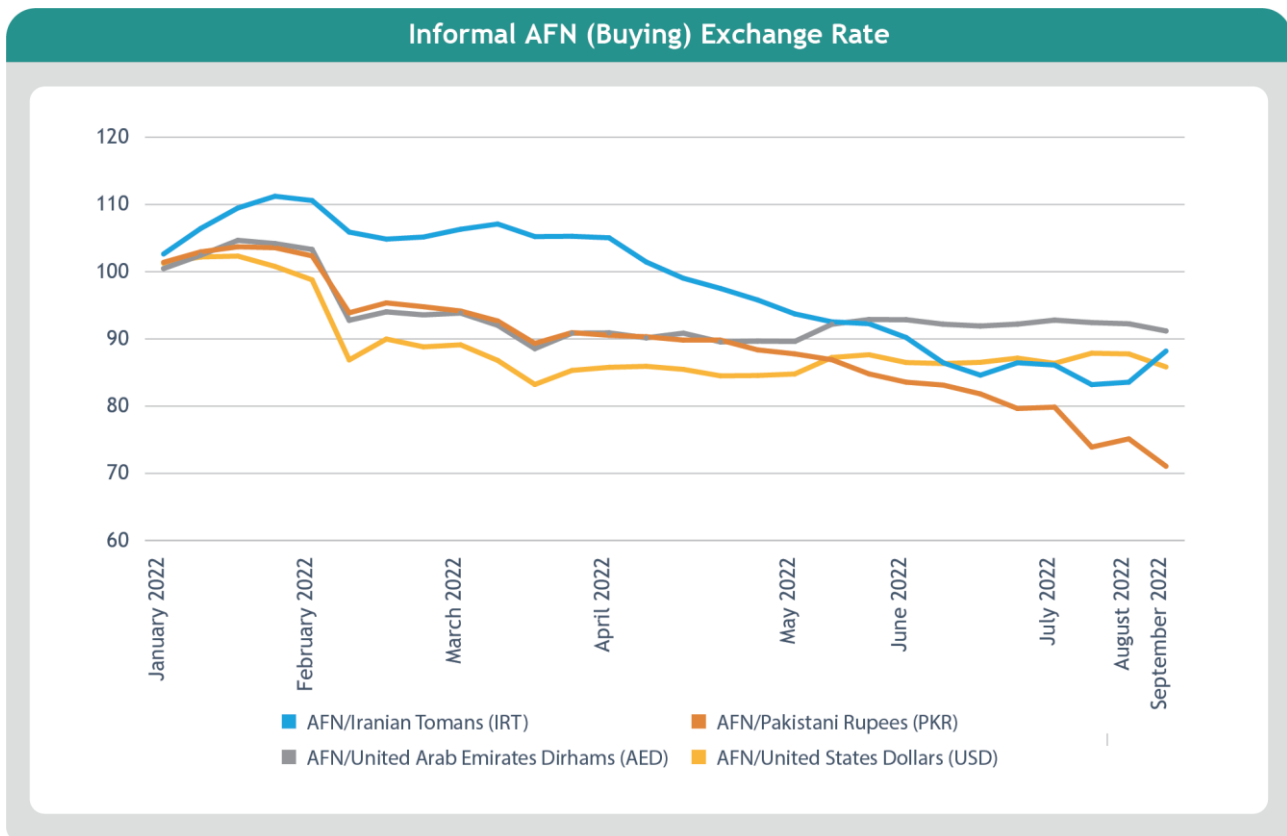
3.6 Exchange rates

While the exchange rate for the AFN against the United Arab Emirates Dirham (AED) remained relatively stable in the period, there was a mild appreciation against the USD, a more robust appreciation against the Pakistani Rupee (PKR), and a depreciation against the Iranian Toman (IRT). An increase in coal exports from Afghanistan to Pakistan is likely to have been a key contributing factor in the appreciation of the AFN against the PKR throughout Q2 and Q3. In contrast, the depreciation against the IRT is likely due to the significant amount of refined petroleum products that Afghanistan imports from Iran. The appreciation against the USD is probably related to the UN commencing delivery of USD banknotes to the Afghanistan International Bank. By early August 2022, the total value of these transfers was USD 1.33 billion.⁶

In Figure 17, indices are shown based on informal buying exchange rates. Exchange rates from week 52 in 2021 are used as the base period for the calculation of these indices. A higher index reflects a depreciation in the value of the currency being shown against the AFN.

⁶ Eqbal, S. (2022) *Amount of Cash Aid to Afghanistan Surpasses \$1 Billion 33 Million* [online]. Available at: [Amount of Cash Aid to Afghanistan Surpasses \\$1 Billion 33 Million - The Khaama Press News Agency](#) (Accessed: 5 August 2022).

Figure 17: Informal AFN Buying Exchange Rate⁷

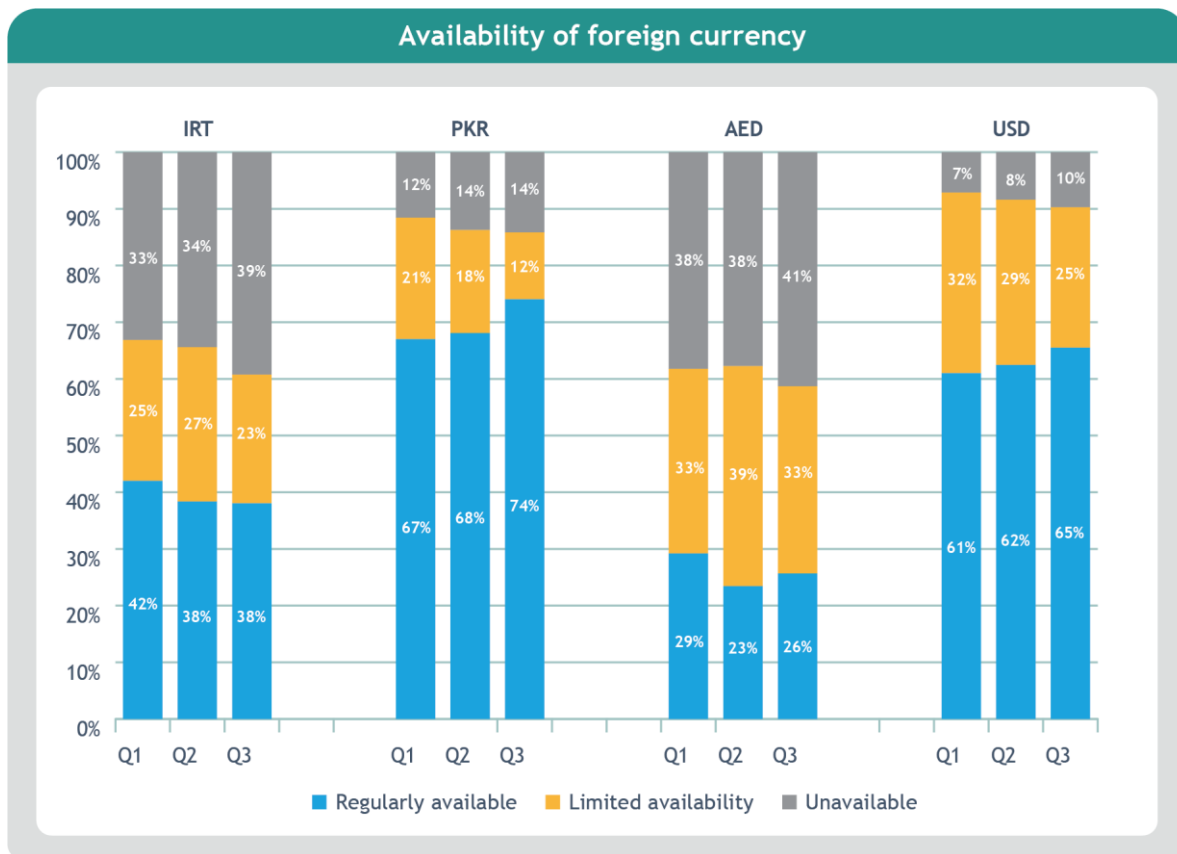


The availability of foreign currency also impacts currency fluctuations. Figure 18 indicates that more foreign currency traders reported regular availability of USD and PKR in Q3 than in the previous two quarters, but fewer reported regular availability of IRT. For AED, there was a slight increase in the proportion of traders reporting regular availability of the currency compared to Q2. However, this was still lower than the proportion of traders reporting regular availability in Q1.

In Q3, approximately three-quarters of informal currency traders in PKR (74 percent, n=251) and two-thirds of informal currency traders in USD (65 percent, n=222) reported that there was sufficient market availability of banknotes. These percentages were significantly lower for IRT (38 percent, n=129) and AED (26 percent, n=87).

⁷ Note there will be some variations with Q2 reporting. This is due to the Q2 base period for this figure being 4 January 2022 whereas this report's base period is 31 December 2021.

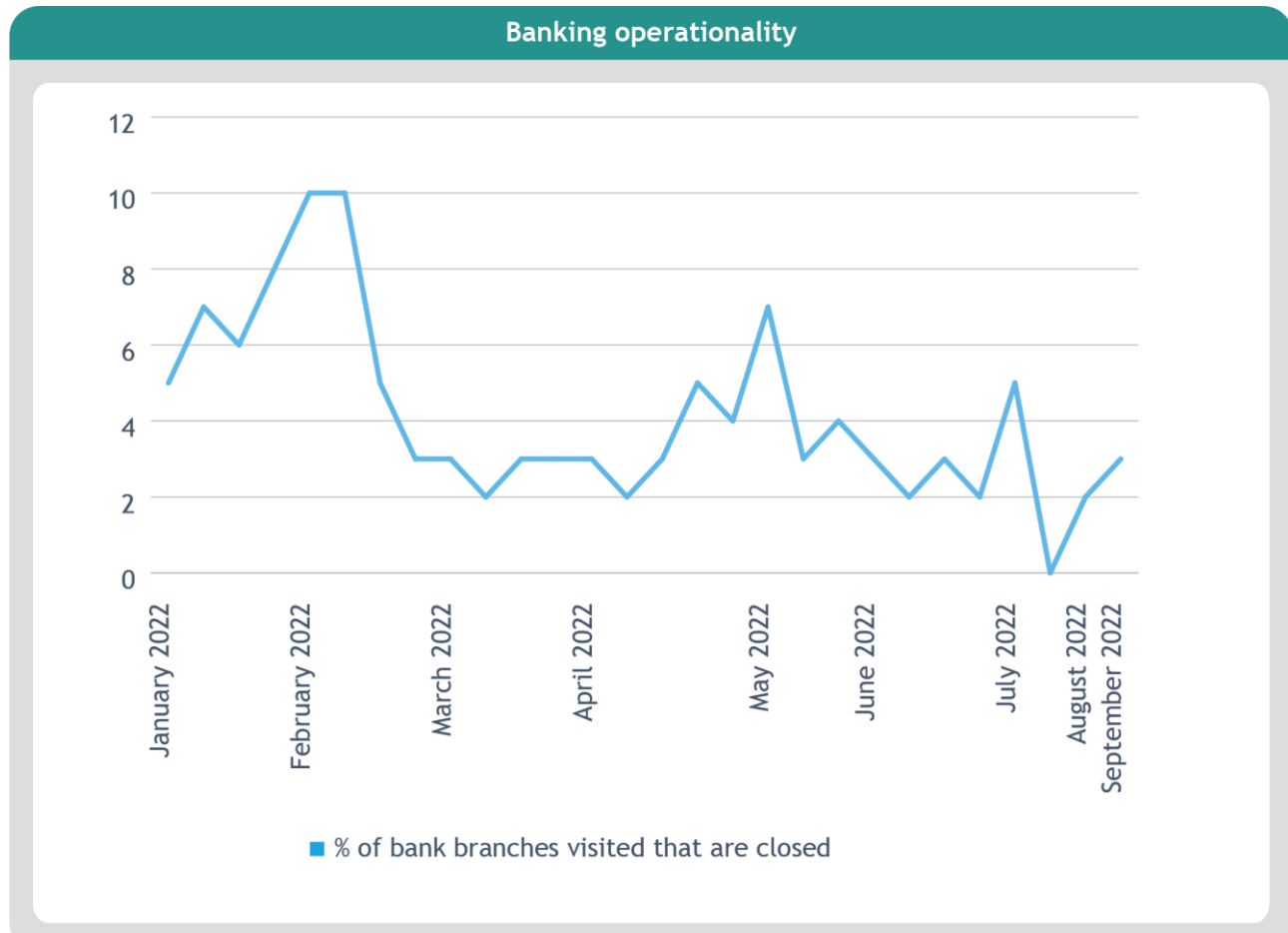
Figure 18: Foreign currency availability, by currency



3.7 Banking

In this reporting period, we visited 180 branches of eleven banks across the country.⁸ In Q3, almost all banks that we visited were open (98 percent, n=177). Figure 19 shows the percentage of bank branches visited that were closed, from January to September 2022.

Figure 19: Bank branch operability⁹

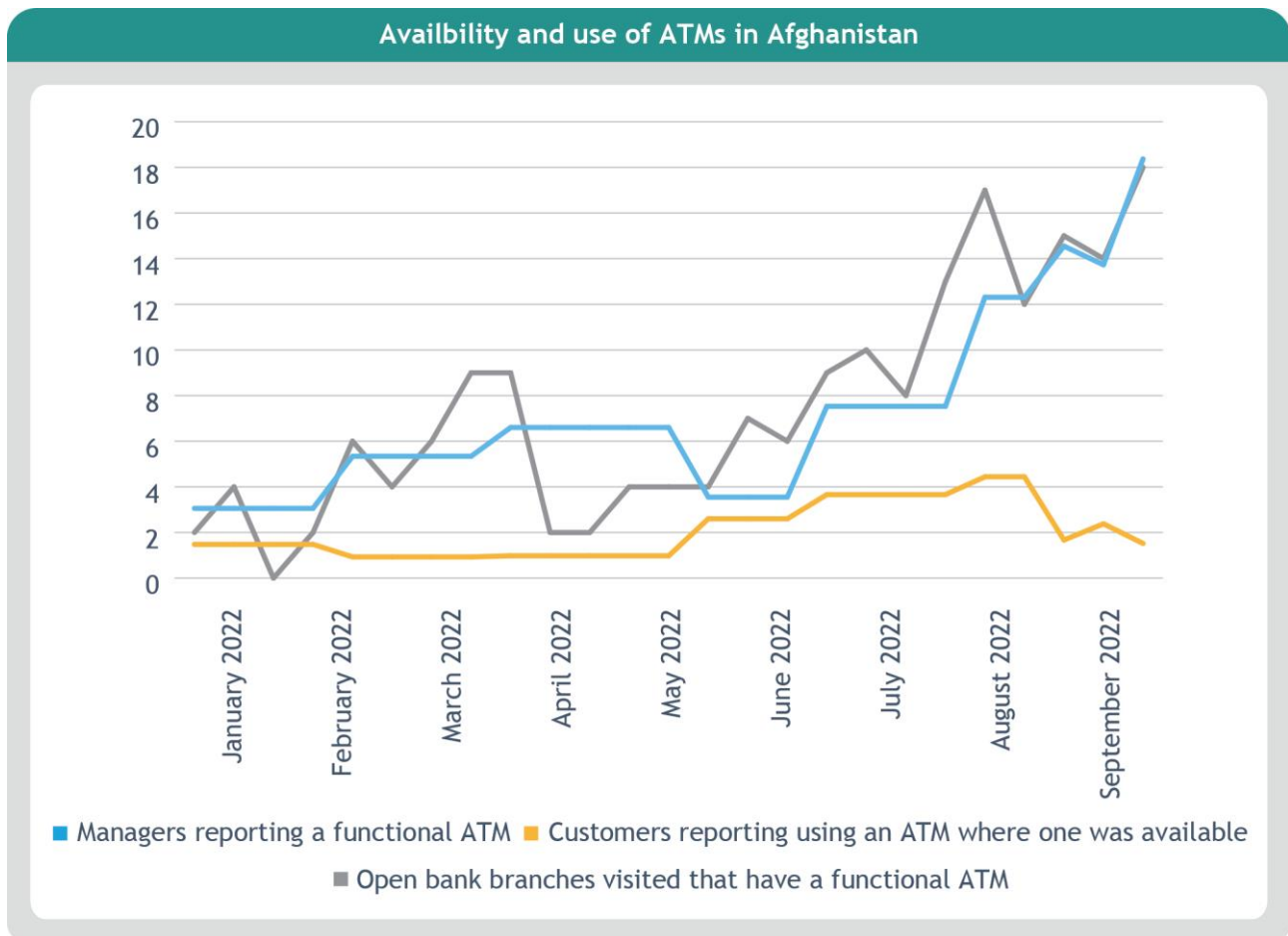


As shown in Figure 20, the proportion of banks with functioning ATMs has increased since the end of Q2. This increase is reported by both bank branch managers and enumerator’s observations. However, the use of ATMs has not increased accordingly, perhaps because only a small percentage of Afghans have bank cards that can be used at an ATM.

⁸ Afghan United Bank, Afghanistan International Bank, Azizi Bank, Bank Alfalah Ltd, Bank Millie Afghan, Ghazanfar Bank, Islamic Bank of Afghanistan, Maiwand Bank, New Kabul Bank, Pashtany Bank, and the First Micro Finance Bank.

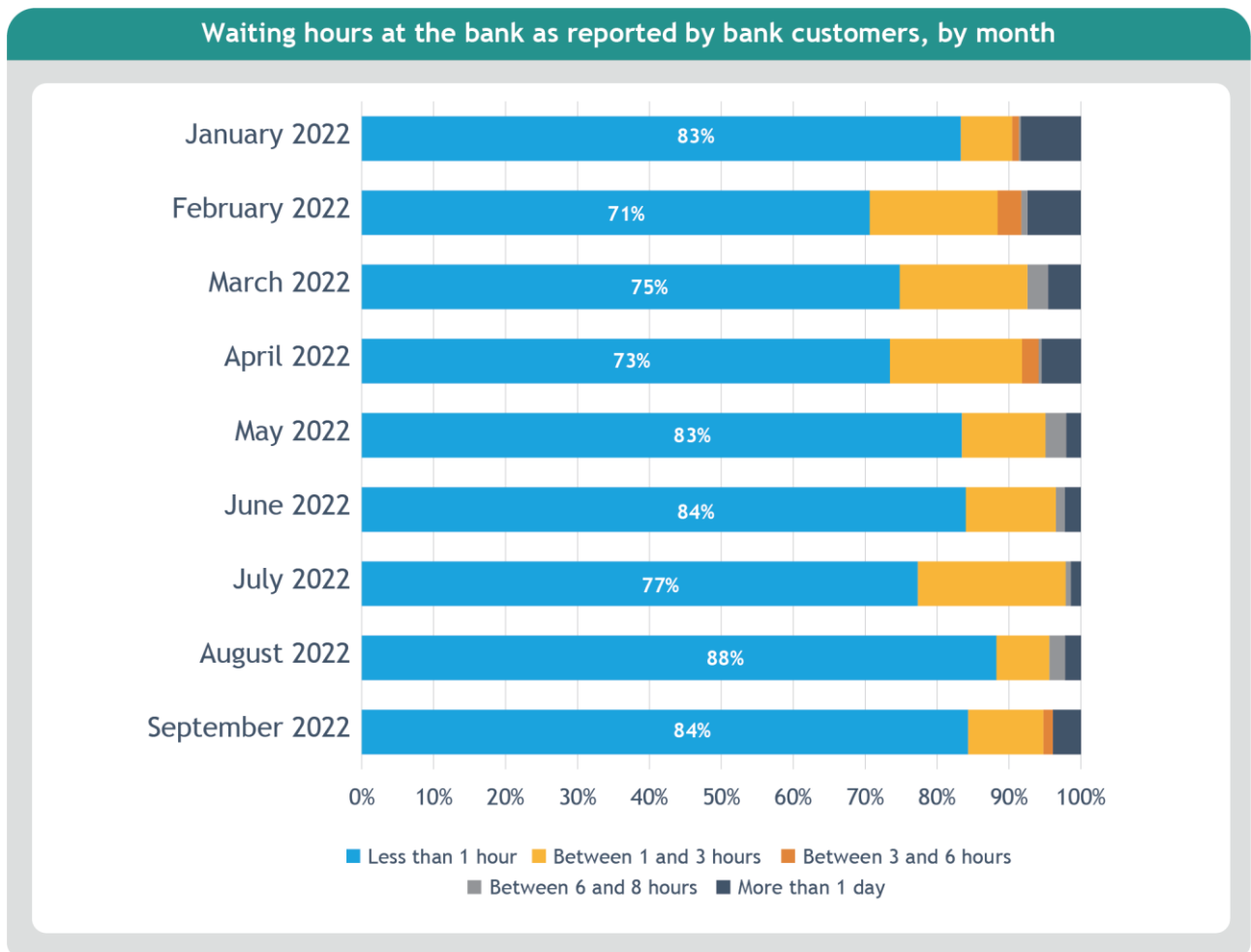
⁹ The spacing between the different month-labels on the x-axis is not equal for all months because we started to collect data only once a month from July onward instead of once a week.

Figure 20: Availability and use of ATMs



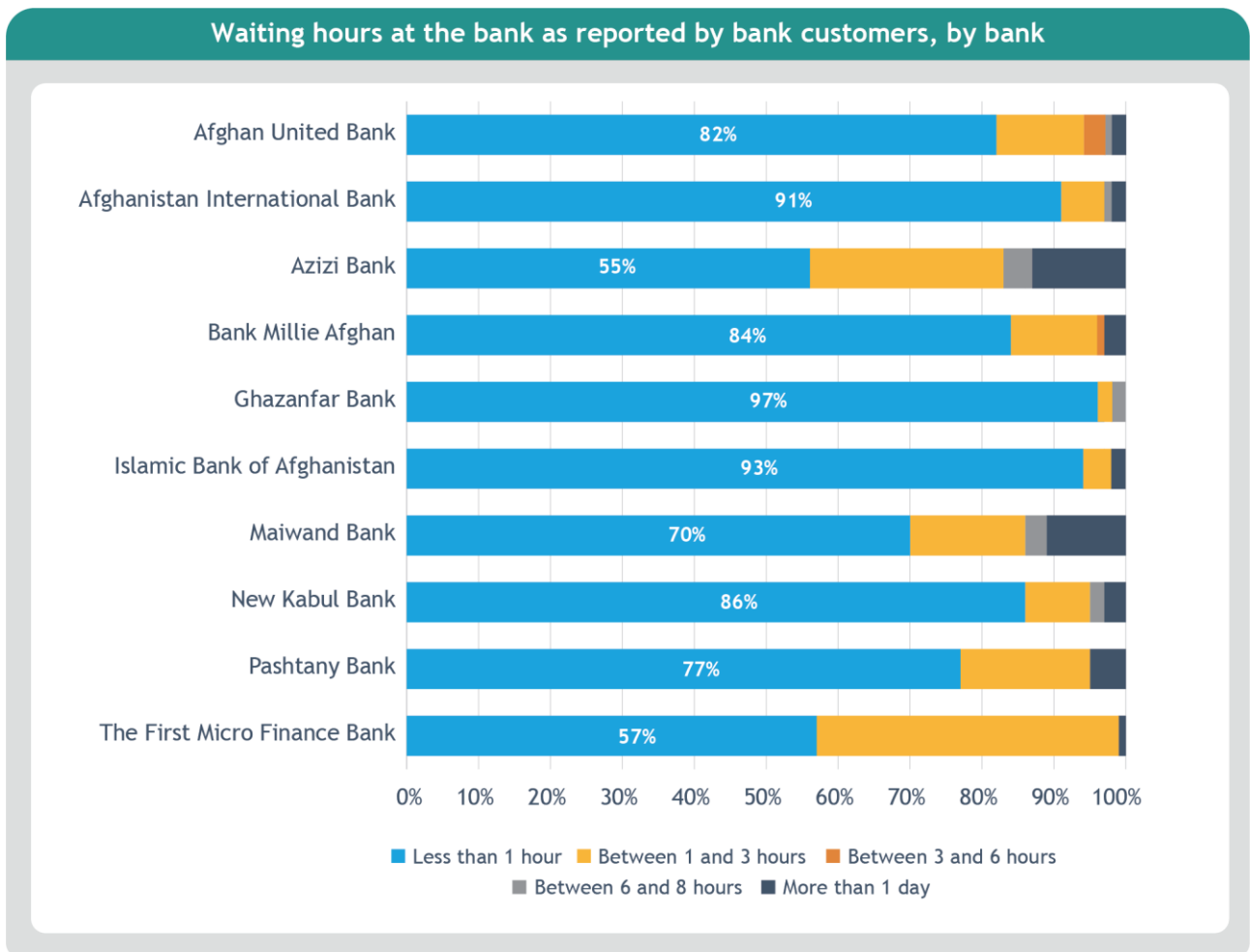
Although most banks were open this quarter, one in six bank customers (16 percent) reported waiting more than one hour to withdraw money, with a smaller number (four percent) waiting more than eight hours to do so. This does, however, represent a slight decrease in waiting times compared to Q1 and Q2. Figure 21 details the bank waiting hours reported by customers each month.

Figure 21: Bank waiting hours as reported by customers, by month



In Q3 2022, Maiwand Bank and Azizi Bank had the longest average waiting times and the highest number of customers reporting waiting more than a day to carry out a transaction. Figure 22 shows the waiting hours reported by customers for each bank.

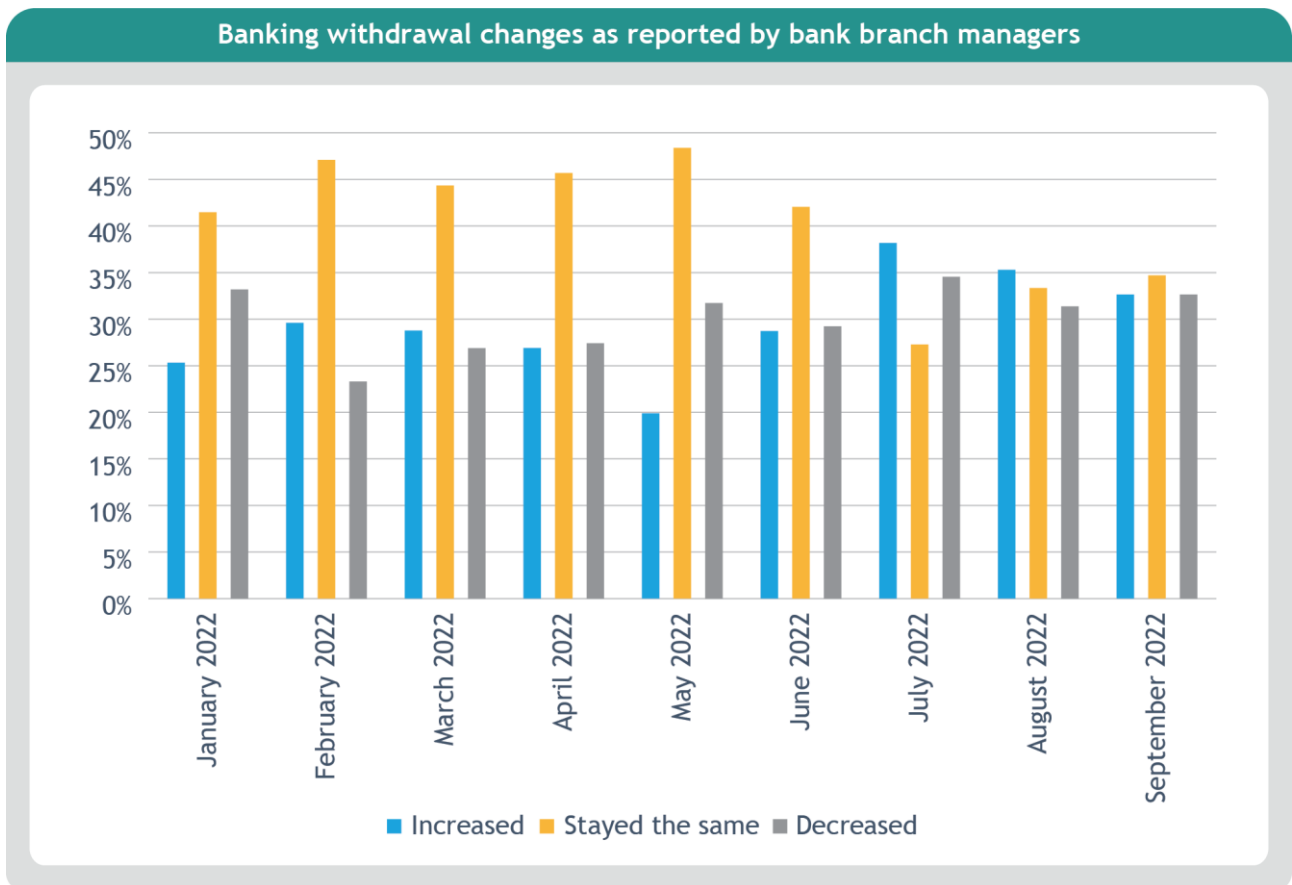
Figure 22: Bank waiting hours as reported by customers, by bank¹⁰



As seen in Figure 23, July demonstrated considerable variation in bank business. There was an upsurge in bank branch managers reporting that withdrawals had increased compared to previous periods, as well as in those reporting that it had decreased. Those reporting the number of withdrawals had stayed the same decreased considerably. By the end of Q3, the number of bank branch managers reporting that banking withdrawals had increased, decreased, or stayed the same was roughly equal.

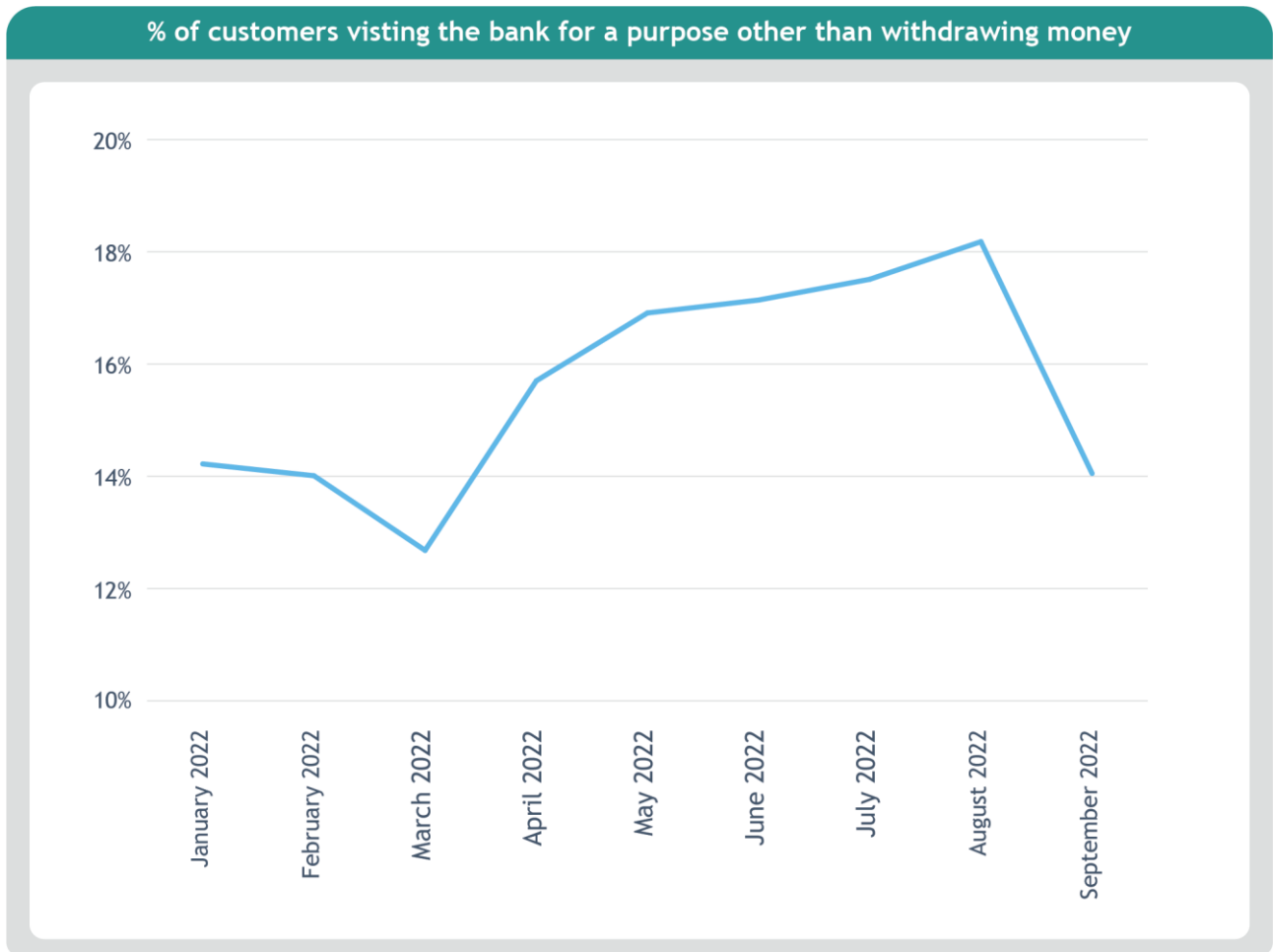
¹⁰ We were not able to conduct interviews with customers of Bank Alfalah during this reporting period.

Figure 23: Withdrawal changes reported by bank branch managers



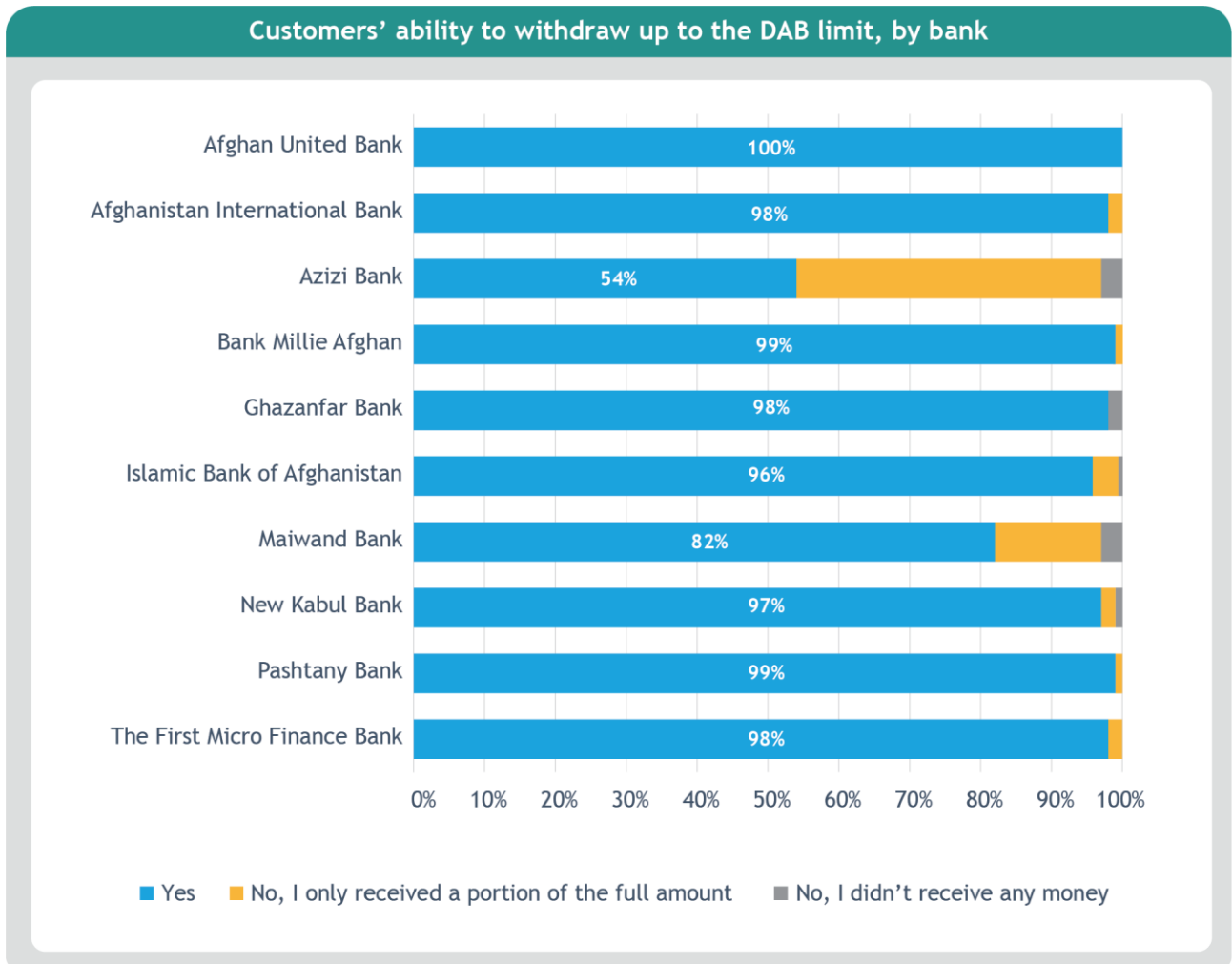
In Q2, we reported a slight increase in the number of people visiting a bank for a purpose other than withdrawing money. We noted that this trend might indicate that commercial activities were increasing. However, in September 2022 we recorded a significant decrease in the number of customers visiting banks for a purpose other than withdrawing money. Figure 24 summarizes these changes.

Figure 24: Customers visiting a bank for purposes other than withdrawing money



In almost all cases, customers reported that they were able to withdraw up to the DAB weekly limit of AFN 30,000. However, 15 percent of interviewees at Maiwand Bank reported they were unable to do this, as did almost half of customers (43 percent) who were interviewed at Azizi Bank (see Figure 25).

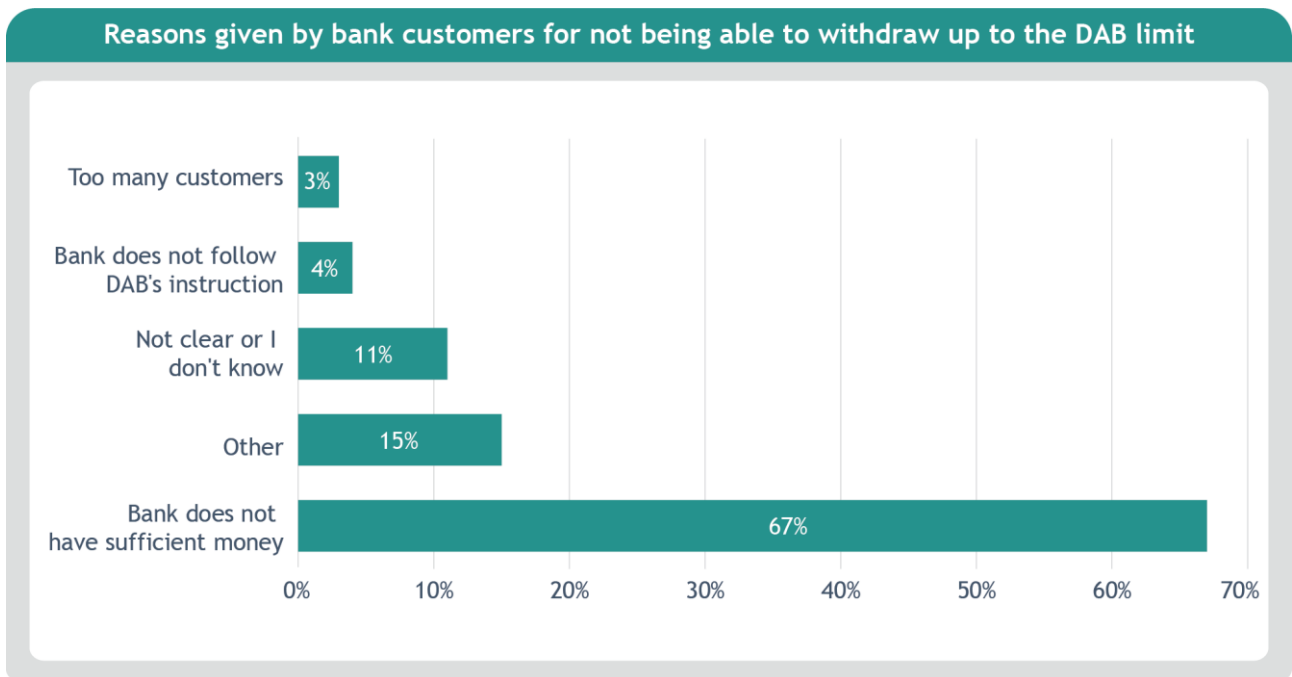
Figure 25: Customers’ ability to withdraw up to the Da Afghanistan Bank limit, by bank¹¹



As shown in Figure 26, throughout 2022, of the customers giving a reason why they were not able to withdraw the full amount, two-thirds stated this was because the bank did not have sufficient funds available.

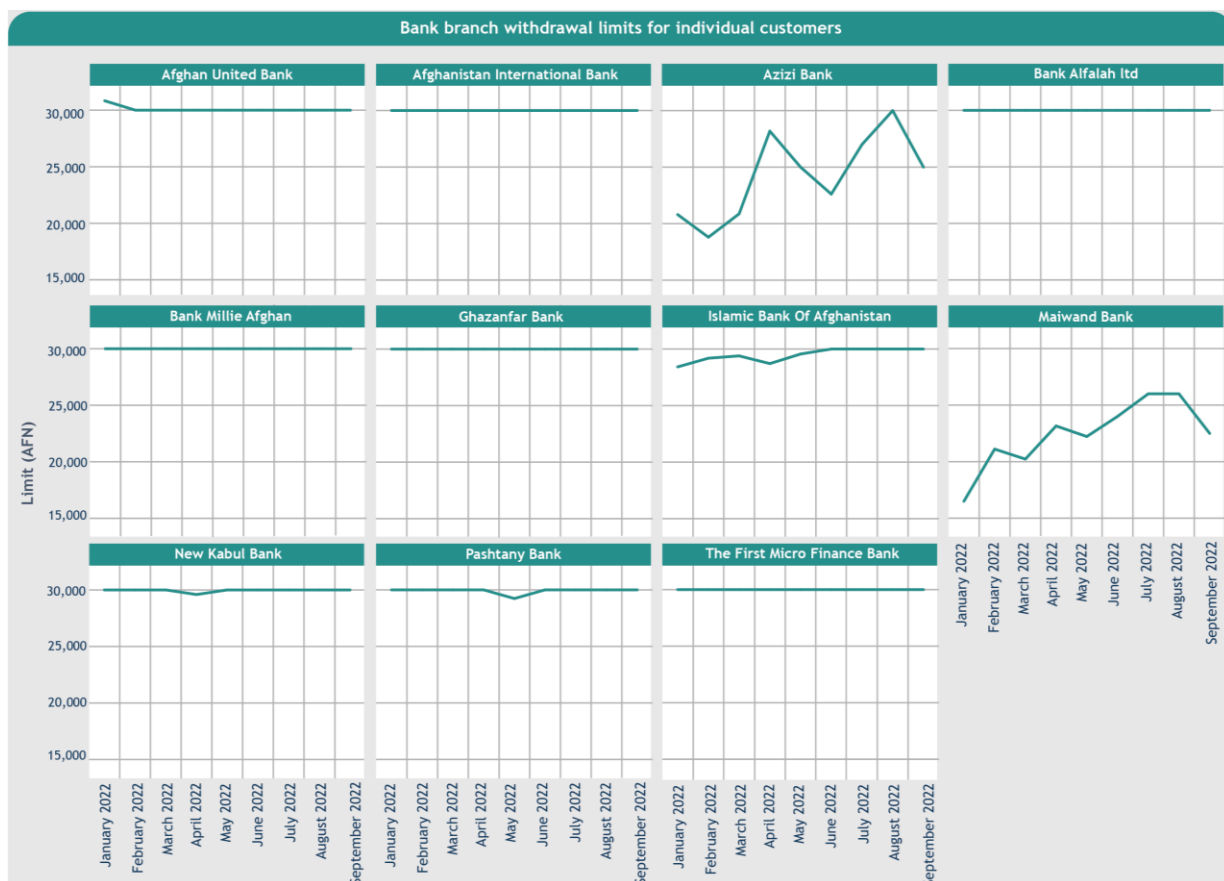
¹¹ We were not able to conduct interviews with customers of Bank Alfalah during this reporting period.

Figure 26: Customers' reasons for not being able to withdraw up to the Da Afghanistan Bank limit



As Figure 27 demonstrates, in most instances, the withdrawal limits for individual account holders reported by bank branch managers were the same as those set by DAB. Only Azizi and Maiwand Banks had to impose lower withdrawal limits, confirming the responses given by bank customers in Figure 25.

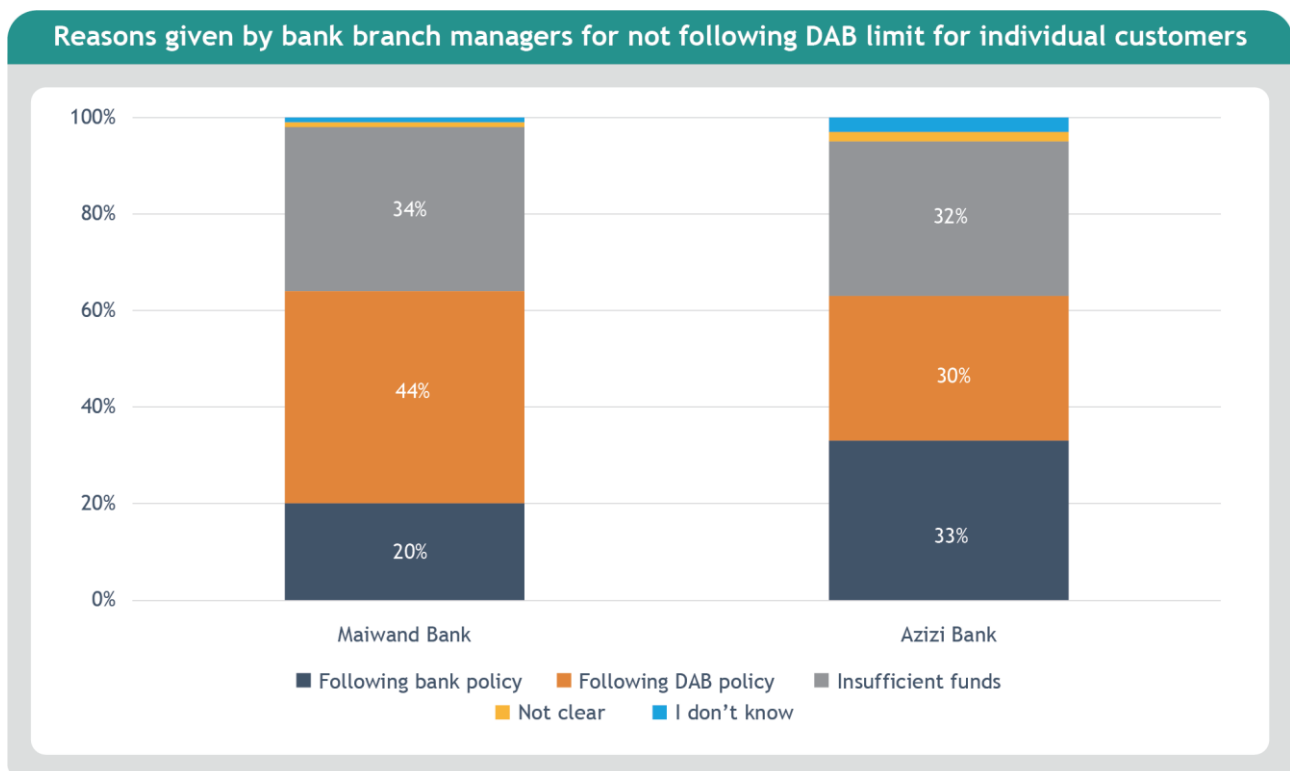
Figure 27: Withdrawal limits for individual account holders



When asked why the limit set by a bank branch manager for withdrawals by individual customers was lower than the DAB limit, not all managers were willing to respond. Figure 28 shows responses from bank branch managers at Azizi Bank and Maiwand Bank, those with the highest number of cases where managers had imposed lower withdrawal limits.

One-fifth of Maiwand Bank branch managers interviewed reported that they were following bank policy, as did one-third of Azizi Bank branch managers. However, it is not known whether DAB had allowed either Bank to apply a lower limit. Just under half of Maiwand Bank branch managers (44 percent) reported that they were following DAB policy, compared to 30 percent of Azizi Bank branch managers. A third of managers at both Maiwand Bank (34 percent) and Azizi Bank (32 percent) acknowledged there were insufficient funds available to apply the DAB withdrawal limits.

Figure 28: Bank branch managers’ reasons for not applying Da Afghanistan Bank withdrawal limits for individual account holders



Although most banks were able to adhere to the DAB weekly withdrawal limit for individuals, we did not identify any banks that were able to adhere to the DAB weekly withdrawal limit for businesses of AFN 2.5 million. As shown in Figure 29, on average, the Afghan International Bank, Islamic Bank of Afghanistan, and Bank Alfalah Ltd came closest to respecting the DAB weekly withdrawal limit for corporate account holders, while Maiwand Bank was furthest away from respecting the limit.

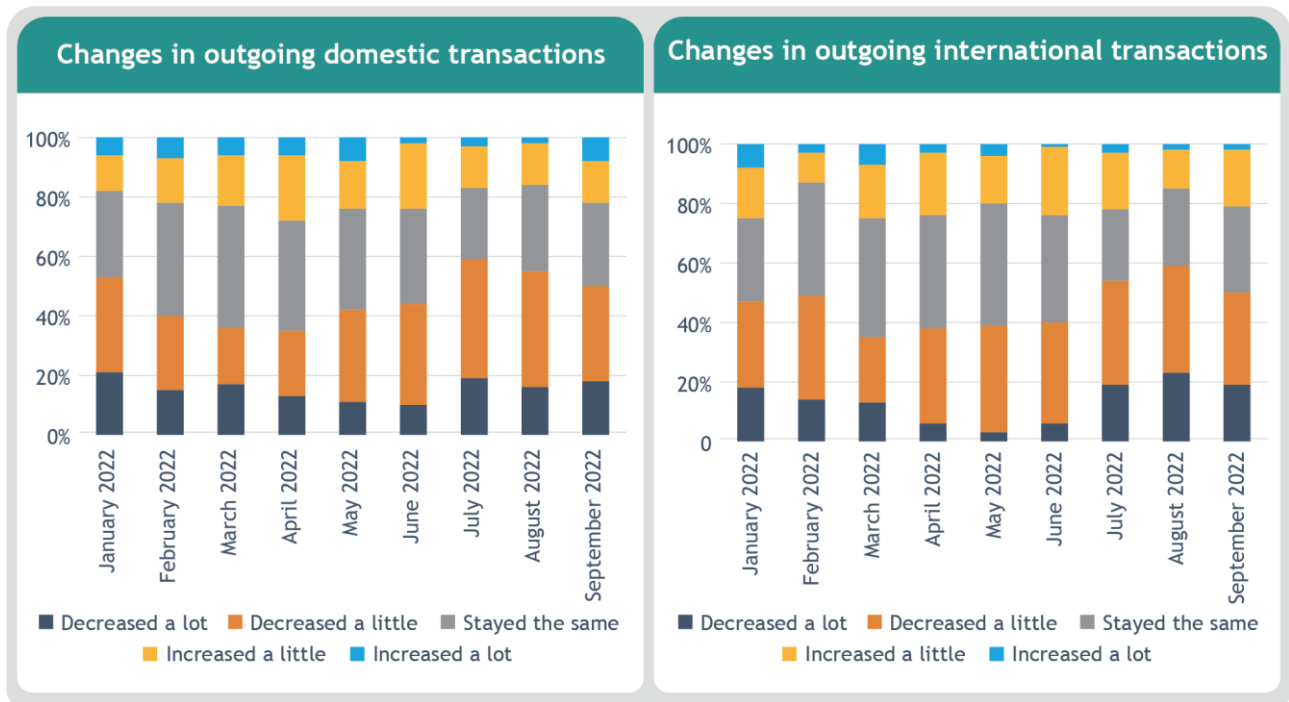
Figure 29: Withdrawal limits for corporate account holders



3.8 Hawala

Figure 30 shows that during this reporting period, the most common response from the Hawala operators we interviewed was that the number of outgoing transactions they carried out had ‘decreased a little’ compared to the previous week for both domestic (37 percent, n=187) and international transactions (34 percent, n=40). By comparison, in previous quarters, the most common response was that the number of transactions had stayed the same. Given that Hawala operators are delivering services previously provided by banks, it is not immediately clear what could have caused this decrease in Hawala activity. Data suggests that the decrease in Hawala activity may point to an overall decrease in economic activity.

Figure 30: Changes in outgoing domestic and international transactions, as reported by Hawala operators



As Figure 31 shows, according to Hawala operators, the top three domestic destinations for sending money were Kabul (28 percent of all domestic transactions), Herat (14 percent), and Balkh (13 percent). The top three international destinations for sending money were Iran (48 percent of all international transactions), Pakistan (23 percent), and Turkey (19 percent), which can be seen in Figure 32. These were also the top destinations in Q1 and Q2.

Figure 31: Common domestic destinations for Hawala operators

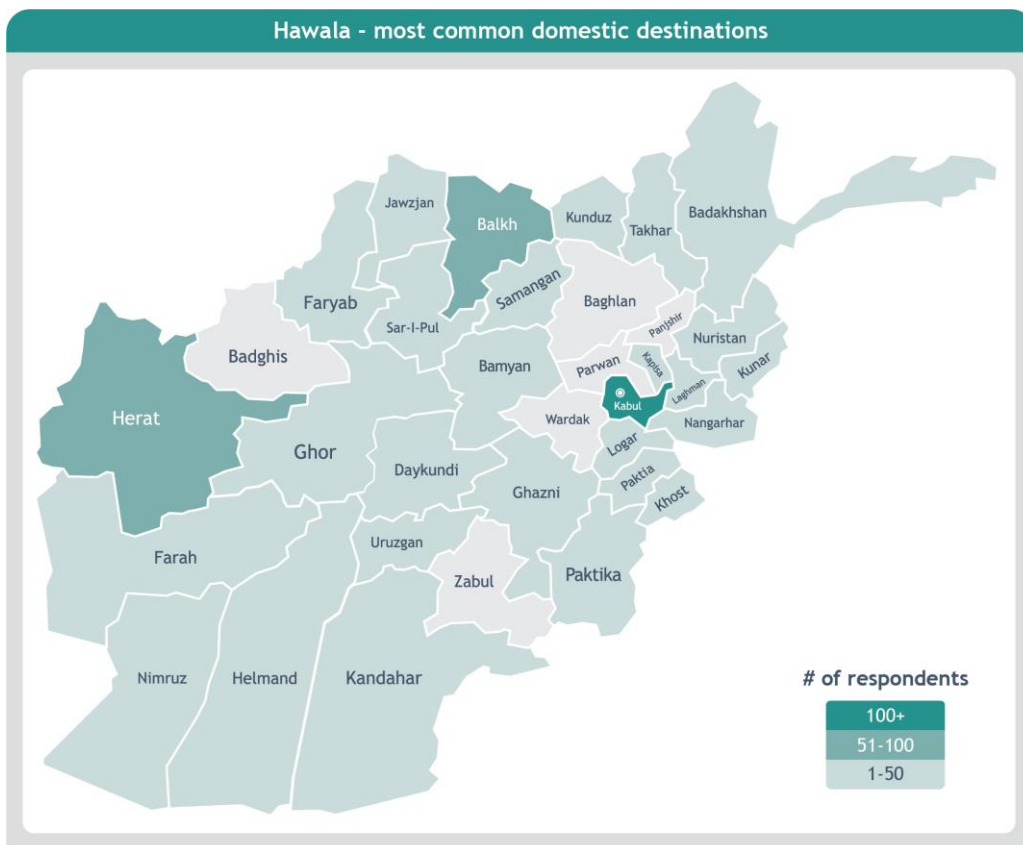
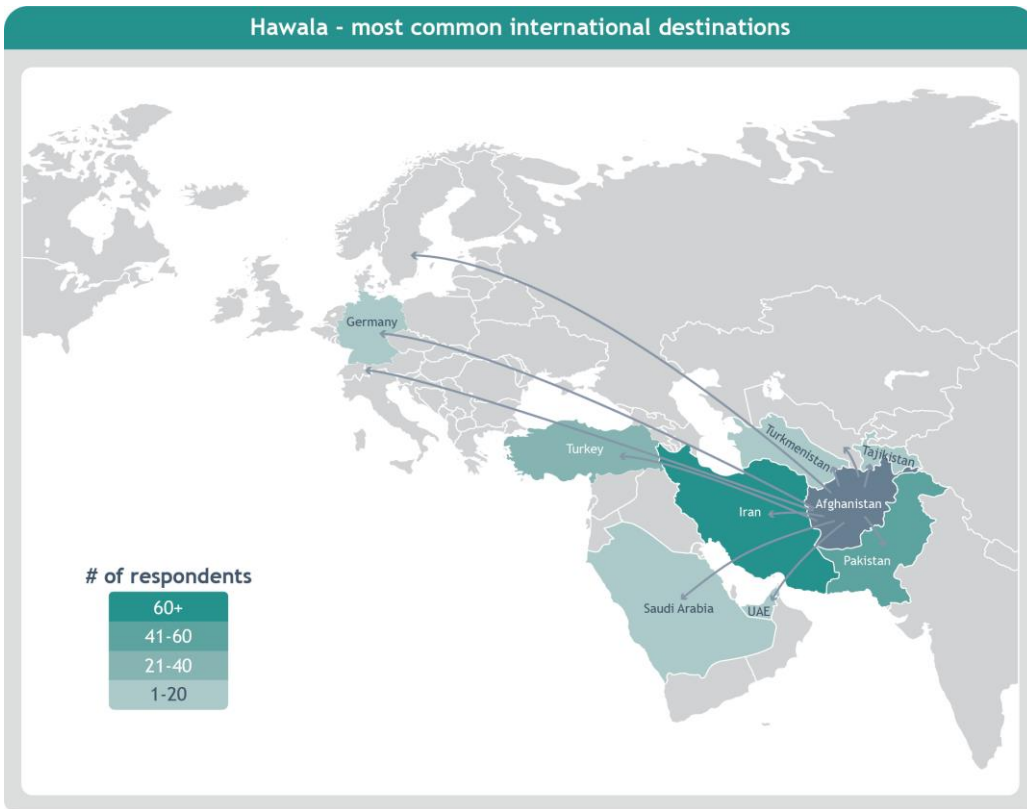


Figure 32: Common international destinations for Hawala operators





4 Refining our approach

Since August 2021, we have worked with World Bank contract managers, practice groups, and project task teams to identify and address critical information gaps, building on our continuing in-country presence and ability to continue conducting data collection.

4.1 Adapting our methodology and approach

We continued discussions with the World Bank to identify the Bank's principal information requirements in the absence of being able to obtain regular data through government channels. As a result, we continued sector monitoring of key economic indicators throughout the quarter. We will continue to engage with the World Bank over future monitoring needs throughout 2022.

4.2 Stakeholder engagement

In Q3 2022, we continued a standard quarterly report feedback process, which involves obtaining feedback from each World Bank task team on reports issued. We conducted sessions with task teams on previously issued reports, providing an opportunity to explore useful findings, identify information gaps, and review deviations found.

During this period, we also engaged online and in person with UN agencies over planned future World Bank-funded projects in Afghanistan, continuing the process of developing Terms of Reference and Monitoring Protocols to respond to the range of monitoring approaches being adopted by different agencies and seeking their support to enable monitoring to begin as projects start to be implemented. Initiation of monitoring is contingent on putting in place the appropriate access requirements.

4.3 Improvements to the Digital Platform

In Q3 2022, our Digital Platform Unit continued to respond to the World Bank's requests and provide World Bank teams with access to data held there.

As part of our continued efforts to provide an agile and user-centered design and delivery process, and in response to the Bank's request, we held a Digital Platform and mobile solution co-design workshop in September with World Bank staff. During the meeting, we gathered Bank user requirements that formed the early design version of a mobile application.

While we did not hold any formal training sessions, our staff provided overviews of the Digital Platform and demonstrated its capabilities to World Bank staff and UN agencies in preparation for new monitoring activities, including gathering requirements to inform the red flags reporting by project.

We also completed several new features in this quarter, including:

- rebranding the Digital Platform, including changing references from ministries to implementing agencies to align with the new UN-implemented monitoring activities

- improving user experience by enabling the Digital Platform to display information on active projects by default, while still providing access to information on closed projects
- delivering the first version of the mobile application designs for World Bank contract managers' feedback prior to development
- continuing to deliver Digital Platform technical fixes and enhancements such as providing the Health sector space for the RHQA, improving the SurvCTO-platform integration, and user interface enhancements to the Document Library.

Annex 1: New project monitoring

During this period, we undertook activities to prepare for work on projects being implemented by different UN agencies. The table below details the progress made. As discussed elsewhere, the commencement of monitoring will be contingent on a number of factors, including appropriate access to project locations.

PROJECT	Q3 PROGRESS UPDATE
Afghanistan Emergency Food Security Project (EFSP)	<p>The Food and Agriculture Organization (FAO) approved the Terms of Reference in Q2 on June 14, 2022, and the World Bank on June 16, 2022.</p> <p>In Q4, we plan to share an updated Monitoring Protocol with the World Bank and FAO based on the discussions that will take place during the EFSP Implementation Support Mission, to be held from October 11 to 14 in Istanbul. This will be followed by a one-day workshop to discuss the revised monitoring protocol in Kabul, the week of 7 November. We plan to complete Part 1 of the Monitoring Protocol by the end of November, and Part 2 after the procurement and contracting of the FAO Third-Party Monitoring and the development of their monitoring methodology.</p>
Afghanistan Community Resilience and Livelihoods Project (CRLP)	<p>The World Bank and the United Nations Office for Project Services (UNOPS) approved the Terms of Reference in Q2 on June 3, 2022.</p> <p>During the reporting period, we drafted the CRLP Monitoring Protocol and a set of data collection tools. We shared the first draft of CRLP Monitoring Protocol on September 6, 2022, and the draft data collection tools, including pre-distribution, distribution, infrastructure assessment, and post-distribution monitoring tools, with the World Bank and UNOPS on September 24, 2022. We expect to receive comments on the draft Protocol and tools in October 2022.</p>
Education Emergency Response in Afghanistan (EERA)	<p>We are drafting the Monitoring Protocol and plan to submit the revised Terms of Reference to the United Nations Children's Fund (UNICEF) and the World Bank in Q4.</p> <p>We also plan to meet with the World Bank and UNICEF next quarter to discuss the site visit counts for each component.</p>
Humanitarian Exchange Facility (HEF)	<p>This quarter, we are drafting the Terms of Reference before submitting it for the MA internal review. We plan to share the Terms of Reference with the World Bank and UNOPS in early November.</p>
Health Emergency Response (HER)	<p>The World Bank and UNICEF approved the Terms of Reference in Q2 on July 22, 2022.</p> <p>In Q4, we plan to finalize the Monitoring Protocol for the World Bank's approval and UNICEF's feedback. We plan to start drafting data collection tools once the Monitoring Protocol is finalized.</p>
Afghanistan NGO/CSO Capacity Support Project (NCCSP)	<p>The World Bank and United Nations Development Programme (UNDP) approved the Terms of Reference in Q2 on July 24, 2022.</p> <p>After receiving the World Bank's sign-off on the Monitoring Protocol, we submitted the Protocol to the UNDP for their review on September 26. In Q4, we will finalize the Protocol based on the UNDP's feedback.</p>

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