

Quarterly

Progress Report

Q2 | 2023



WORLD BANK | **MONITORING**
AFGHANISTAN | **AGENT**

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assess - transform - reach

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IDEAS | PEOPLE | TRUST

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Acknowledgments

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Front cover: Children holding their books in the Chak district of Maidan Wardak province.

Page 14: A private school student adjusting his self-made robot in Kabul Afghanistan.

Page 25: Two laborers working on a community project.

Page 30: Two young farmers irrigating their fields in the Yekavalang district of Bamyan province.

Page 36: A shopkeeper sells produce at a market.

Back Cover: A young man taking a break by his bike.

Abbreviations

AGASP	Afghanistan Gas Project
ARTF	Afghanistan Resilience Trust Fund
CASA 1000	Central Asia-South Asia Electricity Transmission and Trade Project
CBE	Community-based education
CCAP	Citizens' Charter Afghanistan Project
CDC(s)	Community Development Council(s)
CRLP	Community Resilience and Livelihoods Project
CSO(s)	Civil society organization(s)
DAB	Da Afghanistan Bank
DABS	Da Afghanistan Breshna Sherkat
EATS	Emergency Agriculture and Food Supply
ECA(s)	Entry Criteria for Access
EERA	Education Emergency Response in Afghanistan
EFSP	Emergency Food Security Project
EQRA	Education Quality Reform in Afghanistan
ESS	Environmental and Social Standards
ESSF	Environmental and Social Screening Form
ESM	Economic Sector Monitoring
FAO	Food and Agricultural Organization
FY	Financial Year
HACT	Harmonized Approach to Cash Transfer
HER	Health Emergency Response
IDA	International Development Association
ILO	International Labour Organization
JACK	Just for Afghan Capacity and Knowledge
KPTL	Kalpatru Power Transmission Limited
MA	Monitoring Agent
MAIL	Ministry of Agriculture, Irrigation and Livestock
MASOB	Modernizing Afghan State-Owned Banks Project
MoE	Ministry of Education
MoF	Ministry of Finance
NCCSP	NGO and CSO Capacity Support Project
NGO(s)	Non-governmental organization(s)
NHLP	National Horticulture and Livestock Project
O&M	Operations and Maintenance
PPPIAP	Public-Private Partnerships and Public Investment Advisory Project

QT(s)	Questionable Transaction(s)
REACH	Covid-19 Relief Effort for Afghan Communities and Households
RHQA	Rapid Health Quality Assessment
SAFI	Strengthening Afghanistan's Financial Intermediation
SCRP(s)	Statement(s) of Cash Receipts and Payments
SoE(s)	Statement(s) of Expenditure
TPMA	Third Party Monitoring Agent
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services

Executive Summary

1 April to 30 June 2023

Quarterly Progress Report – Q2 | 2023

As Monitoring Agent (MA) for the Afghanistan Resilience Trust Fund (ARTF), we provide the World Bank and other stakeholders with greater assurance and visibility of project implementation through an array of flexible financial and physical monitoring activities. Our sector monitoring addresses information gaps in key sectors, supporting the World Bank with nuanced analysis and knowledge-sharing.

In Q2 2023, alongside our regular financial monitoring and monthly Economic Sector Monitoring (ESM), we conducted physical visits to monitor the implementation of 23 sub-projects under the Community Resilience and Livelihoods Project (CRLP) and launched in-person collection of ESS and physical data from health facilities under the Health Emergency Response (HER) project.



161

Location visits



17,212

(women 2,091, men 14,961)

Interviews*



7,754

(women 35, men 7,565)

In-person interviews



9,458

(women 2,056, men 7,396)

Phone interviews

*There were 160 group interviews (154 in-person and six by phone) for ESM for which the gender of interviewees is unknown.



In Focus

Afghan children and youth: Opportunities and challenges in service provision

With 63% of its population under the age of 25, Afghanistan is a youthful country. Although four decades of violent conflict have left their mark, several generations of Afghan children and young people have demonstrated resilience in the face of formidable economic and security challenges. By 2021, infant mortality rates had declined by 79%, and childhood vaccination rates increased to over 80% compared to 2001. By 2018, school enrolment had increased to 6.5 million compared to 0.75 million in 2000.

Since August 2021, despite the significant reduction in conflict, there are signs that progress made is falling back, the result of the severe economic shocks following the abrupt change in government, continued isolation from the global financial system, and subsequent increased rates of poverty and food insecurity. The ARTF and its donors remain committed to supporting Afghan children, young people, and their families through these challenges.



Financial monitoring

Sector monitoring (UN agencies)

We submitted one unmodified HACT audit report for expenditure incurred in the period 1 July 2022 to 31 December 2022 under HER. Our financial findings amounted to 0.1% (USD 11,252) of the reported expenditure.

Project closure activities for transactions pre-dating 15 August 2021

Statement of Cash Receipt and Payments

Reported: 7

Total reported payments: USD 131,468,615

Payments reviewed: USD 115,756,081 (88%)

Financial findings: USD 2,033,892 (1.55%)

Questionable Transactions (QTs)

In reviewing the status of QTs, we reported a reduction in QTs from **USD 7,583,814** as of 31 March 2023 to **USD 6,245,440** as of 30 June 2023.

We recommended **USD 1,338,374** previously identified as QTs for documentation, following their satisfactory resolution.

Bank balance verification

We verified the bank balances of 40 projects amounting to approximately **USD 275** million as of 31 June 2023.

Statements of Expenditure

We recommended **77% (USD 882,512)** of expenditure claimed (USD 1,146,936) for documentation under the Strengthening Afghanistan Financial Intermediation (SAFI) project.

CASA 1000 invoice review

We completed the review of invoices for four contractors under CASA 1000.

Q2 2023 Project monitoring



Community Resilience and Livelihoods Project (CRLP)

Physical monitoring



23 Location visits
23 Sub-project visits
8 Provinces

Physical monitoring: Key findings



Good
Overall sub-project quality



740
Observations made of sub-project elements



1
Significant finding relating to ESS (reported and promptly addressed by contractor)



8
Deviations recorded across five sub-projects (1% of observations made)



1 Critical
0 Major
7 Minor



28 of 29
Deviations reported during Q1 and Q2 have been rectified



5
Instances of Extra Work and Good Practice recorded across four sub-projects

Financial monitoring

Our Financial Monitoring Team launched a review of CRLP expenditure for Q4 2022, totaling USD 607,651. We plan to report the result in the next quarter.

Future planning

We have agreed steps forward for in-person verification of Community Development Councils (CDCs) meeting the Entry Criteria for Access (ECAs) and social monitoring of Cash for Work and Labor-Intensive Work in urban and rural locations in Q3 2023.



Health Emergency Response (HER)

ESS monitoring

We began collecting data at the health facility level in June and aim to complete our data collection for this in mid-July. We plan to visit a total of 337 health facilities across 34 provinces, providing a representative sample at the country level.

Additionally, we are in the process of finalizing our sampling methodology at the household and community level, for which we plan to begin data collection in July. We plan to report our findings in Q3.



Emergency Education Response in Afghanistan (EERA)

We drafted data collection tools for in-depth school visits and community-based education monitoring and developed a reporting plan. The MoE formally authorized us to conduct third-party monitoring on 17 May. Data collection will begin after the tools are reviewed and approved by UNICEF and the World Bank.



Central Asia-South Asia Electricity Transmission and Trade Project (CASA 1000)

The World Bank asked us to assess materials held in storage and to verify four categories of invoices. We proposed three monitoring approaches for confirmation by the World Bank in order to proceed with tool design and data collection.



NGO and CSO Capacity Support Project (NCCSP)

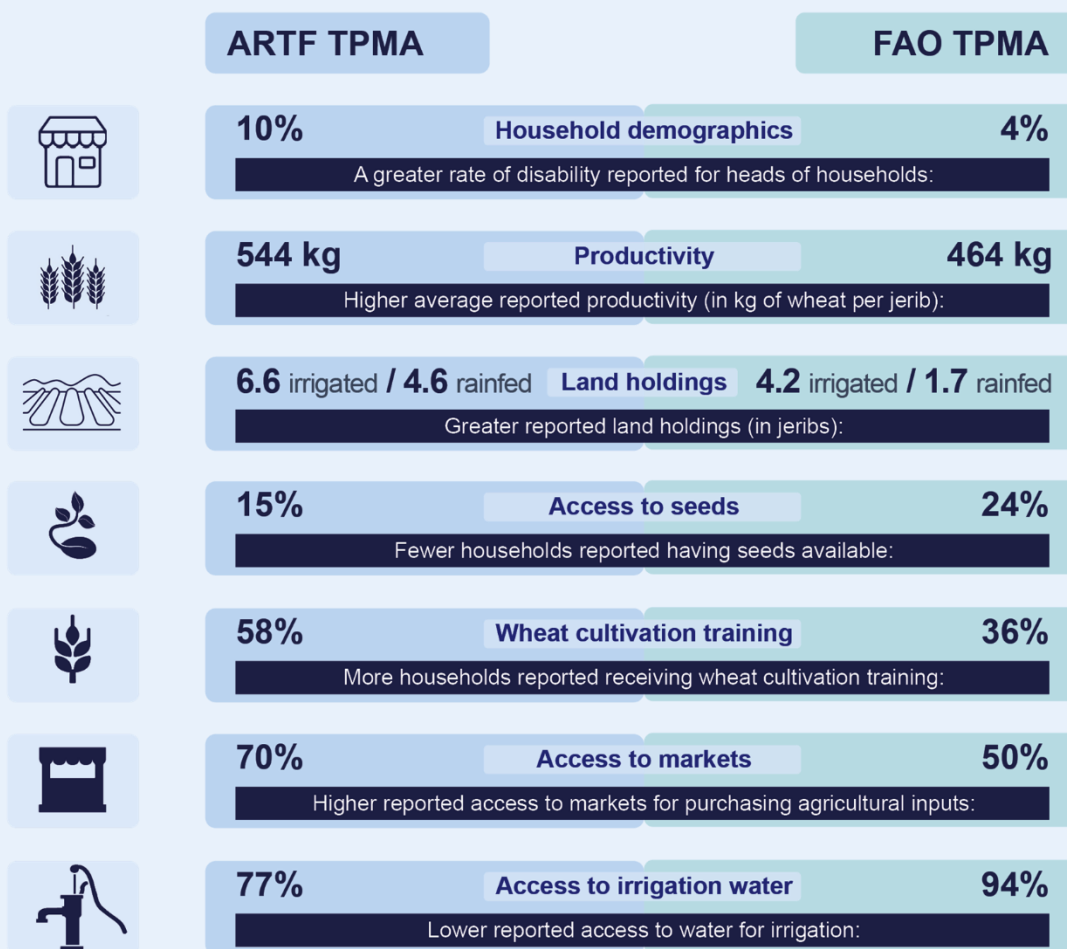
We are revising the Monitoring Protocol, following meetings with the World Bank and United Nations Development Programme (UNDP) in response to project restructuring.

 **Emergency Food Security Project (EFSP)**

We collected and analyzed data from 763 households in Q1 2023 to verify the 2022 wheat seed distribution's baseline and beneficiary data collected by the FAO's TPMA in November and December 2022. In Q2, we submitted our baseline verification report.

We found that only **15% of households** reported having seed available for the next planting season, high input prices remain a significant barrier to purchasing agricultural inputs at local markets, and Afghan farmers see a continued need for the type of production packages distributed by the FAO in 2022.

Baseline verification: Key differences between our findings and FAO TPMA findings

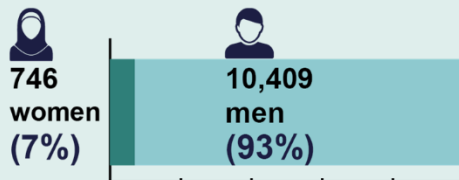


- Some differences in findings are attributable to timing. Mostly, we collected data in spring (March–April 2023) and the FAO TPMA in winter (November–December 2022).
- Additionally, the FAO TPMA interviewed people before or as households received production packages, while we interviewed them afterwards.
- Some differences may also arise from the fact that we collected data by phone, while the FAO TPMA collected data in person.
- These explanations cannot account for all differences found.

Q2 2023 Sector monitoring


Economic Sector Monitoring (ESM)

-  **46** Unique market visits
-  **138** Location visits
-  **11,315** Interviews (7,754 in-person, 3,561 by phone)



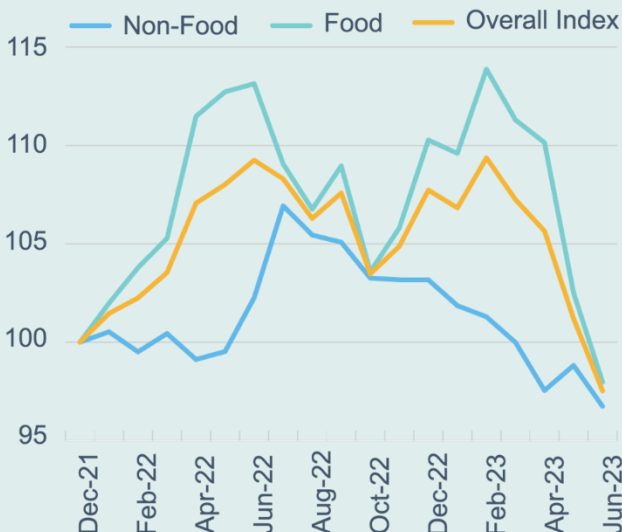
*There were 160 group interviews (154 in-person and six by phone) for ESM for which the gender of interviewees is unknown.

Food and non-food prices and availability

 Food prices fell in Q2 to levels below those found in December 2021 when we started monitoring prices, reflecting a combination of:



- Widespread unemployment, together with limited international aid and foreign investments leading to significantly reduced purchasing power and a decline in demand
- The authority's enactment of price controls, undercutting market equilibrium
- Increased operationalization of over 40 state-owned cooperatives to import fuel, wheat, cooking oil, and other basic commodities, and sell them at subsidized rates

CPI




Taxation


Data collected in this quarter suggest that the authorities are achieving significant revenue gains from tax and has expanded its base of taxpayers:


-  **86%** of shopkeepers reported paying taxes by the end of Q2 2023, compared to 58% at the end of Q2 2022
-  **69%** of shopkeepers reported paying more taxes by the end of Q2 2023, compared to 33% at the end of Q2 2022

Banking

While bank branches continue to provide a full range of domestic services, banks have yet to adjust to increased withdrawal limits introduced in Q2 2023:

-  **4 out of 11** banks are able to adhere to new individual account withdrawal limits; none are able to adhere to corporate withdrawal limits

-  **85%** of banking customers attempting to withdraw money deposited before August 2021 were able to withdraw the full intended amount, as were 93% of banking customers who attempted to withdraw money deposited after August 2021

-  **89%** of bank branches provide a full range of domestic services

- 17%** of bank branches offer international transfer services (for example, Western Union, MoneyGram)

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Introduction

Scope of our monitoring

As Monitoring Agent (MA) for the Afghanistan Resilience Trust Fund (ARTF), we provide the World Bank and other stakeholders with visibility of and assurance over project implementation through a mix of financial and physical monitoring activities. In 2023, we are monitoring ARTF-funded projects being implemented by different UN agencies covering community resilience, education, food security, health, and livelihoods.

Our purpose is to provide both financial assurance and to verify that anticipated outputs are being achieved and intended beneficiaries reached. In doing so, we provide evidence of the implementation of cross-project Environmental and Social Standards (ESS) and Entry Criteria for Access (ECAs), in support of the World Bank's monitoring framework. In addition, we have conducted sectoral monitoring of Afghanistan's economy, education, and health.

In Q2 2023, our financial monitoring focused on Harmonized Approach to Cash Transfer (HACT) audits and an expenditure review for the Community Resilience and Livelihoods Project (CRLP). We have also continued project closure activities to assist the World Bank in documenting past project expenditure through Statements of Expenditure (SoEs), Statements of Cash Receipts and Payments (SCRPs), and validation of contractor invoices under CASA 1000.

Our physical monitoring included physical visits to monitor the implementation of 23 sub-projects under CRLP and the launching of in-person collection of ESS and physical monitoring data from health facilities under the Health Emergency Response (HER) project.

In Focus

Afghan children and youth: Opportunities and challenges in service provision



With 63% of its population under the age of 25, Afghanistan is a youthful country. Although four decades of violent conflict have left their mark on the country, several generations of Afghan children and young people have demonstrated their resilience in the face of often formidable challenges. Despite the end of the conflict in 2021, there are signs that this progress is slipping due to a variety of factors including the severe economic shock that followed the abrupt change in government, continued isolation from the global financial system, and the resulting increased rates of poverty and food insecurity.

The World Bank's Afghanistan Resilience Trust Fund and its donors remains committed to supporting Afghan children, young people, and their families through these challenges. Their assistance strives to ensure the gains made in the preceding two decades are not lost and that Afghanistan's young population can thrive.

Health and nutrition

Health and nutrition remain a key priority for the supporting most vulnerable members of Afghan society. The past two decades had seen significant improvement in health and nutrition for children and their mothers in Afghanistan. By 2021, infant mortality rates had declined 79% compared, childhood vaccination rates had increased to over 80%, and more children had had their nutrition needs met compared to 2001.¹

However, existing systemic issues and the economic shocks following August 2021 have contributed to the continued fragility of the health sector. In the weeks after the change in government, health and nutrition services have been placed at risk of collapse due to a multitude of factors, with limited ability for continued intervention by the international community. Save the Children reported in October 2022 that its doctors were unable to meet demand for health and nutrition services, overwhelmed with malnourished children, particularly young girls. The organization's mobile health clinics had seen a 47% increase in dangerously malnourished children in that year.² In the first half of 2023, UNICEF and its partners' mobile and fixed health facilities reported admitting 350,000 children (56% girls) for treatment of severe wasting, a 31% compared to the first half of 2022.³

Despite this fragility, there are indicators that show the system's resilience to contextual shifts. As part of our Rapid Health Quality Assessment (RHQA), completed in the second half of 2022, we reported that health facility staffing levels had largely remained stable since August 2021, with noted shortages in some specialized positions and among female healthcare workers. We found that staff retention rates and overall job satisfaction remained generally high, primarily due to healthcare staff's commitment to serving the community. Other contributing factors include improved facilities, regular salary payments, and enhanced security. Evidence linked to continued service provision in various health facilities for mothers, infants, and children.

In contrast, a 2022 Johns Hopkins study reported a decrease in number of health workers offering infant and child medical care compared to 2021, largely because of poor working conditions. The study further found that

¹ UNICEF statistics.

² Save the Children, 2022, Child Malnutrition Cases Rise Nearly 50% in Afghanistan as Hunger Hits Record Levels.

³ UNICEF Afghanistan, 2023, Humanitarian Situation Report #6 (January – June 2023).

maternal and child mortality had increased in the country compared to the previous year and that there were shortages of resources and finances needed to maintain appropriate health services targeting children.⁴

While some of these findings conflict with the results of the RHQA, largely as a result of methodological differences⁵, both studies highlight the need for continued support for the healthcare system to maintain or improve service levels for children, particularly in the face of rising nutrition and health needs. Through projects such as the ARTF-funded, UNICEF-implemented HER, there is an opportunity for international involvement in ensuring public medical care continues to be available, allowing vulnerable individuals to access crucial complementary services, such as nutrition and social protection interventions for mothers and children.

Education

Recent decades had seen marked improvement in education indicators for children across Afghanistan. In 2018, UNESCO reported that “huge progress” had been made in increasing enrolment of children in schools at all education levels.⁶ By 2018, school enrolment increased to 10 million, compared to only 1 million students in 2001.⁷ By 2020, 11 million Afghan students were enrolled in tertiary education compared to 1 million in 2003.⁸

The change in government in 2021 has resulted in significant shifts in the country’s education landscape. Challenges are multi-faceted, impacting both supply of and demand for education. The economic crisis has forced some children and young people out of school to help support their families. The decision by the Ministry of Education in June 2023 to require international organizations to stop education programming as well as hand over CBE programming to Afghan organizations has disrupted learning for an estimated half a million learners, more than half of them girls.⁹

The challenges serve as a reminder of how crucial this sector is. What children learn and the quality of instruction helps prepare them for adulthood and for work, driving a stronger national economy and creating opportunities for the next generation to partake in better labor market opportunities. Currently, the international community is navigating what assistance it is able to provide under the current constraints and how it can best engage the Ministry of Education in providing quality education services.



We called people to ask about the challenges and difficulties their children faced in accessing education. Most of the people we spoke to expressed happiness and gratitude toward education programs in Afghanistan that looked after their children’s academic success and helped them overcome challenges and thrive.”

Call center enumerator

⁴ Johns Hopkins, 2022, The Maternal and Child Health Crisis in Afghanistan

⁵ The Johns Hopkins study relied mainly on respondent perceptions, with a smaller sample size compared to the RHQA. The RHQA utilized relatively more in-depth analysis of health facilities through in-person interviews, observations, and a household survey.

⁶ UNESCO, 2023, Protecting Education in Afghanistan.

⁷ World Bank, 2021, 'World Development Indicators Data Catalog', 2021.

⁸ World Bank Open Data.

⁹ UNICEF, 2023, Press Statement.

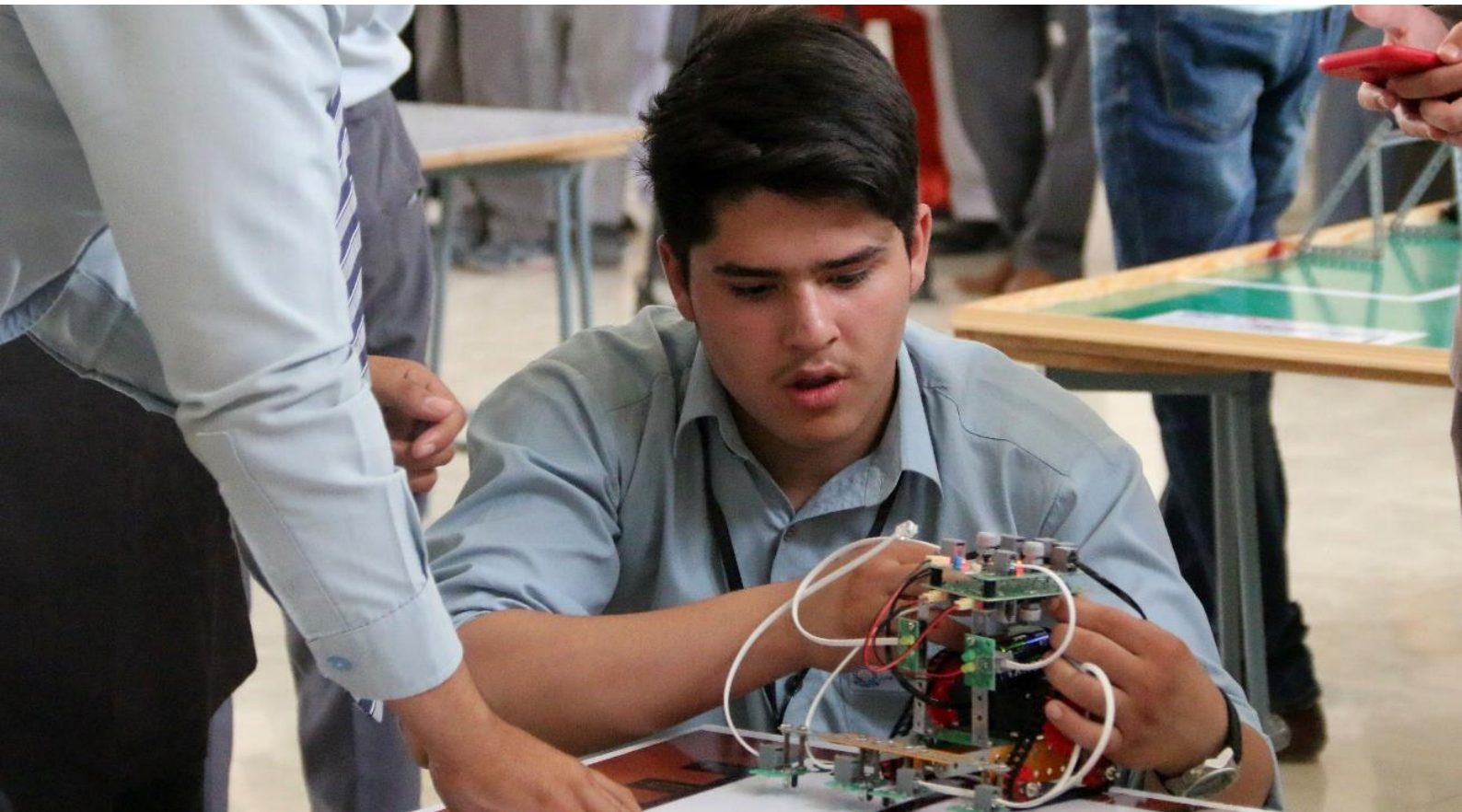
Livelihoods

With approximately 63% of Afghanistan's population under the age of 25¹⁰, young people make up a crucial part of the country's workforce. In many cases, they may be the primary breadwinners for their households, and their ability to find decent and safe income generation opportunities continues to be of critical importance to the financial wellbeing of households and communities, and to the country's economic wellbeing as a whole.

Livelihoods opportunities for young people saw a decline by the end of 2022. The International Labour Organization (ILO) reported that in Q4 2022, employment was down approximately 8% in comparison to the same quarter of 2021, with women's employment disproportionately affected. Young people aged 15-24 years experienced a disproportionate impact on their employment, which was estimated to have decreased 25% within the same timeline. These trends denote that young people in Afghanistan face an exacerbation of inequalities and an increase in barriers to accessing the labor market.¹¹

Livelihoods and economic opportunities for youth rely on complex labor market demand and supply systems. Short-term income generation opportunities for urban and rural youth and opportunities for rural households to create more sustainable income generation sources (e.g., through farming) can help to fill gaps in labor market demand for youth, improving their resilience to shocks that impact the labor market.

The ARTF plays a role in creating opportunities for young people. Projects like the United Nations Office for Project Services (UNOPS) implemented CRLP aim to provide short-term labor opportunities in urban and rural communities across the country and can create safe short-term income generation opportunities for youth. The Emergency Food Security Project (EFSP), implemented by the Food and Agriculture Organization (FAO), also



¹⁰ UNFPA, 2018, Young people make their voices heard through the Afghan Youth Parliament.

¹¹ ILO, 2022, Employment in Afghanistan in 2022: A Rapid Impact Assessment.

supports farmers with emergency seed distribution and other support, which supports rural livelihoods and can improve the resilience of households by improving self-reliance.

Financial monitoring

Our financial monitoring toolkit

Financial monitoring during this quarter focused on HACT audits, an expenditure review for CRLP, and project closure activities to assist the World Bank in providing alternative assurance arrangements through SCRPs reviews, monitoring of ARTF and International Development Association (IDA) project bank balances and Questionable Transactions (QTs), and validation of outstanding commitments under the CASA 1000 project.



HACT audits

At the end of the quarter, we were in the process of completing a pilot phase HACT audit for the service provider Agency for Assistance and Development of Afghanistan, for submission in July 2023. We submitted one completed HACT audit report for expenditure incurred between 1 July and 31 December 2022 under HER. This audit report is summarized in the table below.

Table 1: Summary of HACT audit results from 1 July to 31 December 2022 under HER

Service Provider	Audited Expenditure (USD)	Financial Findings (USD)	% of Audited Expenditure	Audit Opinion
Just for Afghan Capacity and Knowledge (JACK)	8,844,522	11,252	0.13%	Unmodified

We continued HACT audits for the remaining 13 implementing partners that incurred HER funded expenditure between 1 July and 31 December 2022, and were in various stages of reporting by the end of the quarter.

Statement of Cash Receipts and Payments

We issued one SCRPs Cover Letter for the Afghan Financial Year (FY) 1399 (22 December 2019 to 20 December 2020), and six SCRPs Cover Letters for FY 1400 (21 December 2020 to 21 December 2021).

Table 2: Summary of SCRP reviews for FYs 1399 and 1400, in USD

Project	Total Payments Reported in The SCRP	Total Payments Reviewed	% of Total Payments Reviewed	Financial Findings	Financial Findings as % of Total Payments
FY 1399					
Citizens' Charter Afghanistan Project (CCAP)	129,064,321	113,353,067	88%	2,033,892	1.58%
FY 1400					
Afghanistan Digital CASA Project	744,654	744,654	100%	0	0.00%
Afghanistan Gas Project (AGASP)	230,057	230,057	100%	0	0.00%
Afghanistan Land Administration System Project	592,398	591,531	100%	0	0.00%
Da Afghanistan Breshna Sherkat Planning and Capacity Support	67,542	67,542	100%	0	0.00%
Modernizing Afghan State-Owned Banks Project (MASOB)	586,304	585,891	100%	0	0.00%
Public-Private Partnerships and Public Investment Advisory Project (PPIAP)	183,339	183,339	100%	0	0.00%
TOTAL	131,468,615	115,756,081	88%	2,033,892	1.55%

Review of the status of Questionable Transactions

In accordance with our Terms of Reference with the World Bank, we conduct a quarterly follow-up of the status of QTs. Our methodology involves reviewing supporting documents that were either already in our possession or subsequently obtained from the Ministry of Finance (MoF), to assess their adequacy and impact. In Q2, we conducted a follow-up to determine the status of QTs as of 30 June 2023.

Table 3: Status of Questionable Transactions as of 30 June 2023

Summary of Outstanding QTs as of 30 June 2023	USD
Outstanding QTs as of 31 March 2023 (as reported in our Q1 2023 Status of QT report)	7,583,814
QTs resolved from TPMA's Q2 2023 Review, now recommended for Documentation	(1,338,375)
Outstanding QTs of 30 June 2023	6,245,439

Review of project bank accounts

The World Bank has requested that we conduct quarterly reviews of project bank accounts. The status of bank accounts up to 31 March 2023 was reported in our Q1 2023 Quarterly Progress Report. The bank accounts comprise the projects' Designated Accounts (denominated in USD), Clearing Accounts (denominated in AFN), and the National Horticulture and Livestock Project (NHLP) Farmers' Contribution Account (denominated in AFN). In Q2 2023, we reviewed and reported on the bank account status of 81 bank accounts as of 30 June 2023.

Table 4: Summary of results of bank account reviews as of 30 June 2023

	Designated Accounts (USD)	Clearing Accounts (USD)	NHLP Farmer's Contribution Account (USD)	Total (USD)
Bank Balances as of 31 March 2023	163,474,294	113,960,683	291,258	277,726,234
Banking Credits (Deposits) in Q2 2023	-	-	-	-
Unrealized Forex gains	-	2,135,182	5,457	2,140,639
Bank balances as of 30 June 2023	163,474,294	116,095,865	296,715	279,866,873

We converted AFN-denominated balances in the Clearing and NHLP Farmer's Contribution Accounts, amounting to over AFN 10 billion, as of 31 March 2023 and 30 June 2023 using the rates quoted by Da Afghanistan Bank (DAB) at the opening and closing of the quarter. We estimate that the bank balances at the end of Q2 2023 amounted to approximately USD 280 million. We estimate that there were unrealized Forex gains in the quarter, amounting to USD 2,140,639, as the AFN strengthened from AFN 87.7088/USD on 31 March 2023 to AFN 86.0957/USD on 30 June 2023.¹²

¹² A significant amount of funds were advances from clearing accounts to the CDC accounts, which were unspent as of 15 Aug 2021. The ARTF MA does not review the CDC bank accounts.

Community Resilience and Livelihoods Project review of expenditure

We commenced a review of expenditure amounting to USD 607,653 submitted in Q4 2022 by 13 private sector contractors. Our review was ongoing at the end of the quarter.

Ad hoc activities

SAFI Statement of Expenditure Review

During Q2, at the World Bank's request, we completed a review of SoEs submitted by the Afghanistan Credit Guarantee Fund and the MoF, under the Strengthening Afghanistan's Financial Intermediation (SAFI) project.

Table 5: Summary of SoE review for the SAFI project, in USD

Project	Expenditure Claimed for Documentation	Amount Recommended for Documentation	% Recommended for Documentation
SAFI - ASEAN Catalytic Green Finance Facility	820,713	820,713	100%
SAFI - MoF	326,223	61,799	19%
TOTAL	1,146,936	882,512	77%

Validation of private sector contractor Commitments

In March 2023, the World Bank asked us to review expenditure ("Commitments") outstanding as of 15 August 2021, and payable to private sector contractors under ARTF- and IDA-funded projects. The overall objective of the review was to determine whether the Commitments were for the intended purposes and eligible for financing in accordance with the Grant and Financing Agreements.

As summarized below, we reviewed the invoices submitted by Kalpataru Power Transmission Limited (KPTL, Lot 1), KEC International Ltd (Lots 2 and 3), and CESI / WAPCOS, contractors under CASA 1000, and issued cover letters accordingly. We recommended payment for USD 10.91 million and Euro 0.27 million against the invoice submitted against USD 54.5 million and Euro 0.804 million. The review of balancing amount of claimed of USD 43.59 million and Euro 0.534 was ongoing at the end of this quarter, and will be recommended for payment if further documentation is received.

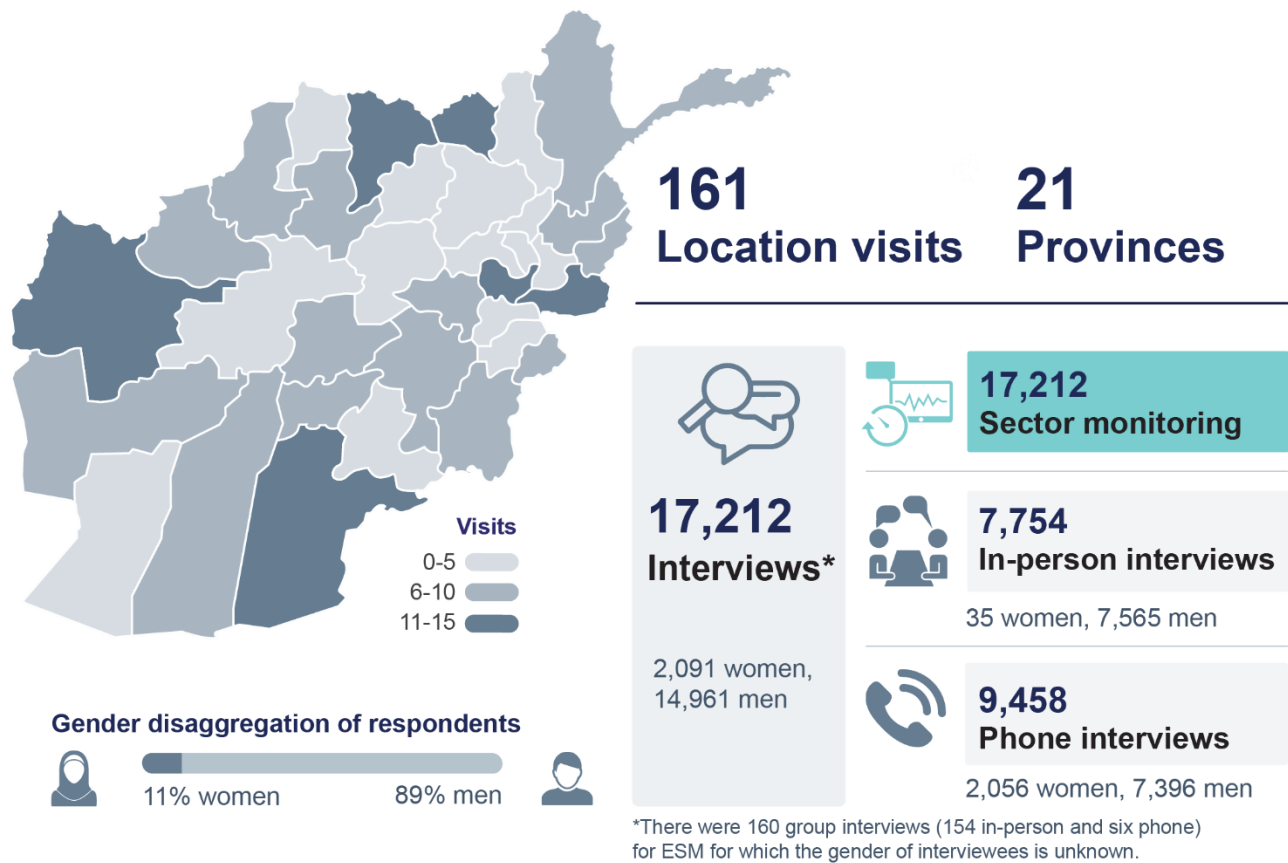
Physical monitoring overview

Our integrated monitoring toolkit

In Q2, we presented key findings from EFSP and completed additional physical visits for CRLP. We also launched ESS and physical monitoring data collection for HER, for completion in Q3.¹³ We continued to conduct regular in-person market visits, civil servant interviews, and banking sector and labor market monitoring as part of Economic Sector Monitoring (ESM).



Figure 1: Summary of physical monitoring activities completed in Q2 2023



¹³ HER activities will be reported as part of the Q3 2023 report.

Project monitoring

Community Resilience and Livelihoods Project (CRLP)

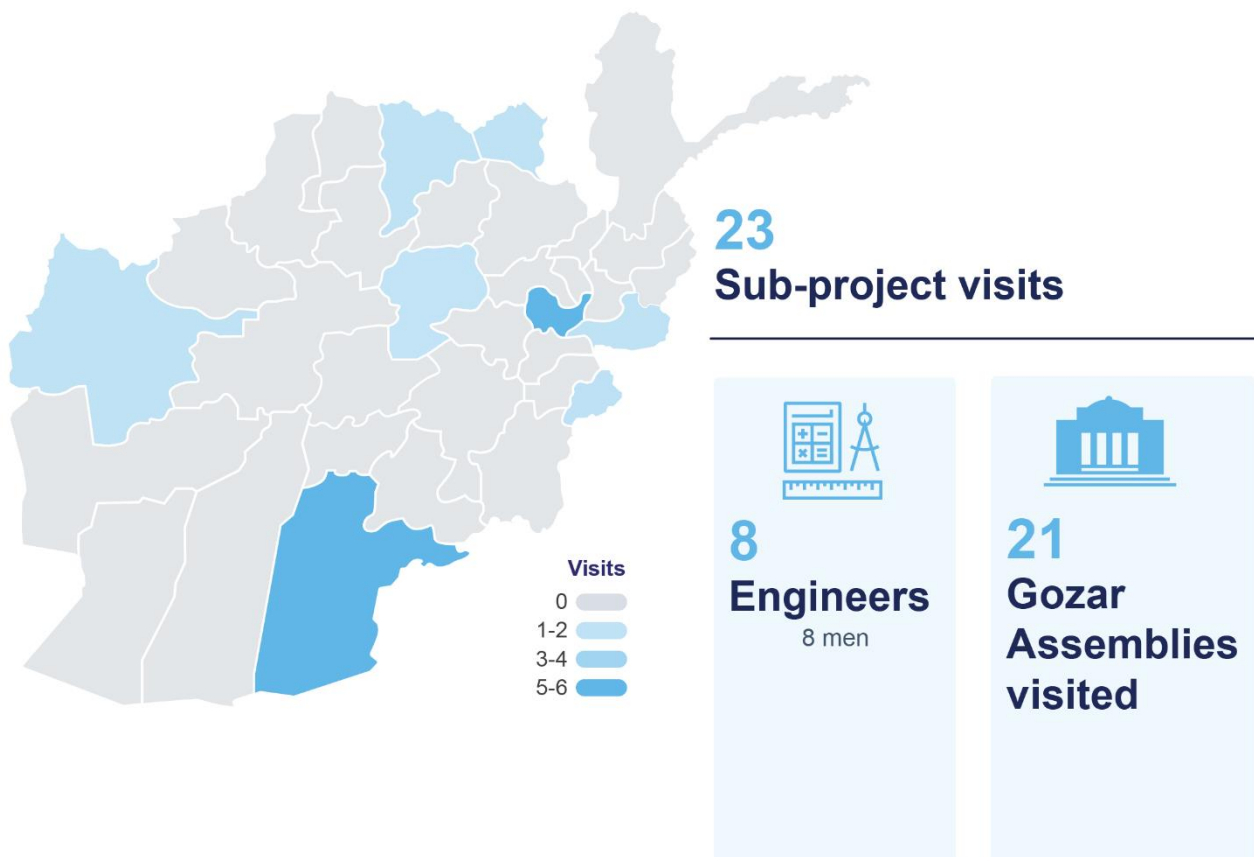


Physical and financial monitoring overview

In Q2 we began physical and financial monitoring based on agreed Terms of Reference and with the CRLP Monitoring Protocol still to be finalized. In Q2, our physical monitoring activities comprised monitoring and reporting on ECAs, assessing whether the conditions were in place to allow projects to proceed, and monitoring and reporting on sub-projects, including assessing physical progress, the quality of outputs, and monitoring ESS.

We made revisions to our monitoring tools to improve data collection, analysis, reporting, and quality control. We also undertook planning for monitoring community remobilization activities and assessing whether Cash For Work and Labor-Intensive Work payments are in line with project requirements, verifying the eligibility of laborers and beneficiaries, and monitoring post-distribution.

Figure 2: CRLP physical monitoring activities conducted in Q2 2023



In Q2, we continued our collaboration with the UNOPS in conducting physical monitoring and identifying and rectifying reported deviations. We noted that the monitoring reports proved useful to facilitating partners and contractors in rectifying deviations and ensuring ESS compliance. Our Digital Platform proved useful for logging and tracking rectifications.

We conducted visits to 23 sub-projects implemented by 21 contractors in 21 Gozar Assemblies across eight provinces. Our physical monitoring assessed and scored the quality of outputs. In terms of our approach for physical monitoring, data points captured by our engineers when assessing sub-project sites are called ‘observations.’ These data points are used to verify outputs, and to identify instances of Good Practice and Extra Work and where technical specifications have not been followed (recorded as ‘deviations’).

In Q2 our engineers made 740 observations.

This quarter, we also commenced the review of expenditure amounting to USD 607,653 submitted in Q4 2022 by 13 private-sector contractors.

We further made revisions to the CRLP monitoring tools during the quarter, to improve data collection, analysis, reporting, and quality control.

Rating of sub-projects

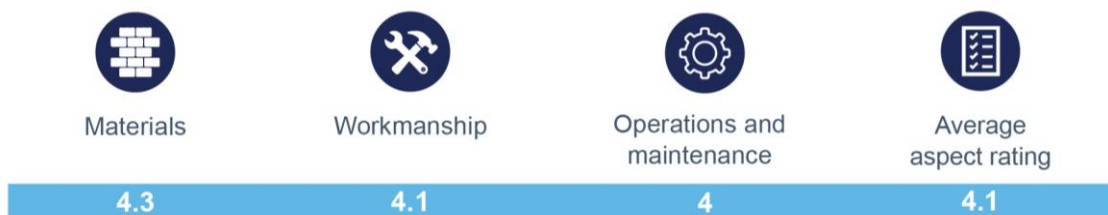
The overall quality of sub-projects monitored is **Good**. This means that the sub-project meets quality requirements and bill of quantities specifications. In detail:

- 1 sub-project (4%) was rated **Very Good**
- 21 sub-projects (92%) were rated **Good**
- 1 sub-project (4%) was rated **Below Average**.

Our engineers assigned scores for three aspects (Materials, Workmanship, and Operations and Maintenance (O&M), where applicable) to each sub-project. Although not a requirement for CRLP, we provided O&M scoring for UNOPS and World Bank teams’ reflections on the sustainability of sub-projects. To assign sub-project ratings, we applied a scale of 0 to 5; where 5.0 is **Very Good** and below 1.0 is **Very Poor**.

We applied scores to Materials and Workmanship for both ongoing and completed sub-projects, and to O&M for completed sub-projects only. We then adjusted the scores to account both for the number and severity of identified deviations and for evidence of Good Practice and Extra Work. This enabled us to provide a rating for each sub-project, which we aggregated to provide an overall rating for the CRLP for the reporting period. The figure below presents average aspect ratings across the 23 sub-projects visited in Q2.

Figure 3: Average aspect ratings



Good Practice and Extra Work

Our engineers sought to identify evidence of Good Practice, where work was done over and above technical specifications, or of Extra Work, where additional elements had been constructed at no cost to the sub-project. We found one example of Good Practice and four examples of Extra Work across four sub-projects, in the form of additional culverts constructed, slab extensions, and curb stones added to reduce falling hazards. These examples were found in Nangarhar (n=2) and in Kabul, Khost, and Kunduz (n=1, each).

Deviations

We define deviations as instances where technical drawings, specifications, or common engineering standards have not been followed, affecting any outputs created.

As shown below, out of 740 observations made, only eight (1%) identified deviations: one Critical and seven Minor. The Critical deviation and five of the Minor deviations were in Kabul, with the remaining two Minor deviations in Kandahar and Khost. These deviations affected five sub-projects (22%), with 18 sub-projects having no reported deviations.

As shown below, out of 13 attributed causes of deviations (one deviation may have several causes), our engineers most frequently reported poor supervision by the project or contractor team (n=6, 46%), followed by a lack of use of safety procedures, and poor workmanship (n=2, 15% each).

Additionally, we recorded one significant negative finding related to child labor practices in Bamyan, although this was not recorded as a deviation. Two young people, aged 16 and 17, were working on-site, reported as filling in for absent relatives. We informed the contractor, who immediately rectified the issue by sending the workers home.

Figure 4: CRLP observations and deviations

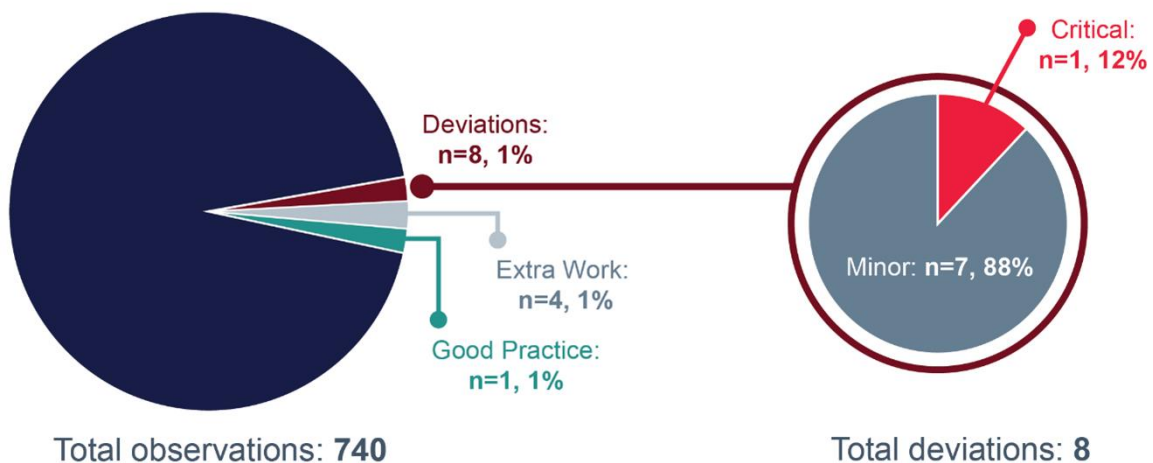


Figure 5: Sub-projects with reported deviations

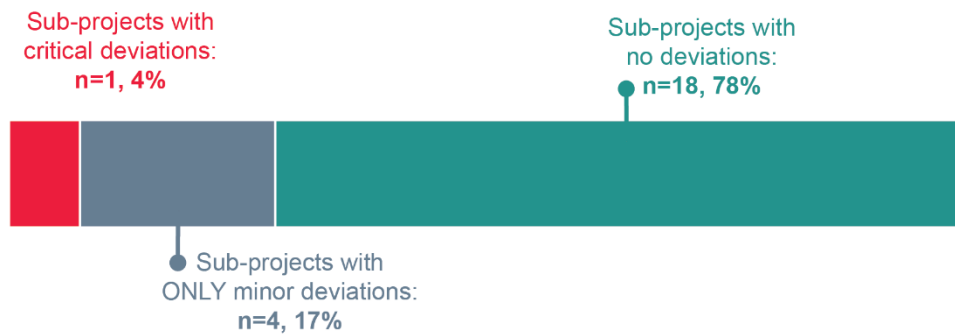
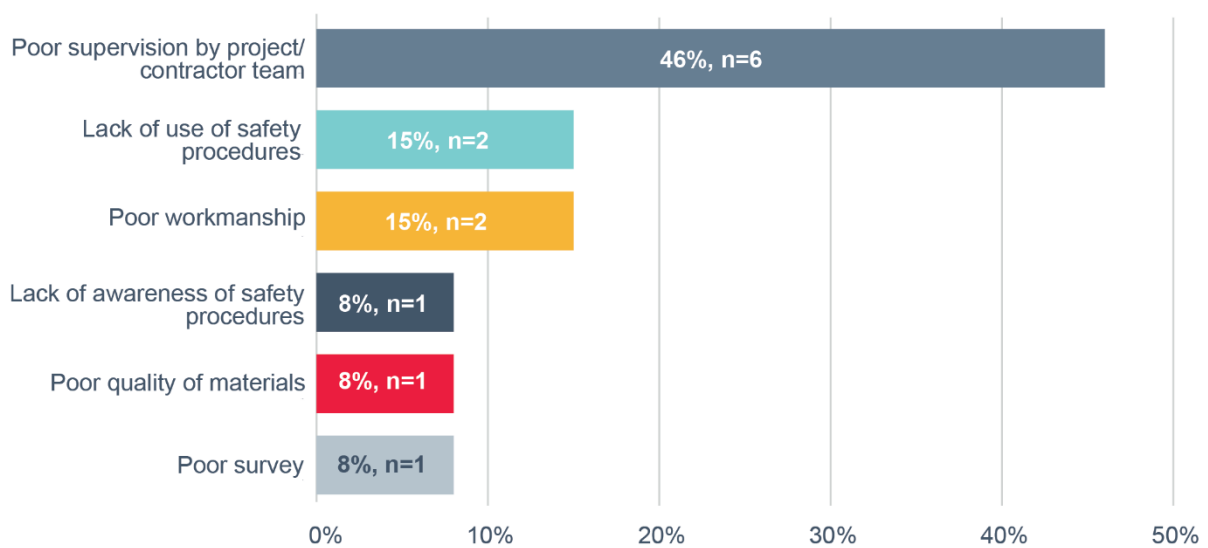


Figure 6: Probable causes* of eight deviations



*One deviation may have more than one probable cause

Rectifications and open deviations

All deviations reported in Q1 have been rectified. Of those reported in Q2, all but one had been rectified by the end of the reporting period, and within five days of being logged on the Digital Platform. One minor deviation was deemed to be non-rectifiable but did not pose a serious concern, where a contractor had not constructed a joint for a retaining wall. Here, the UNOPS team confirmed that the wall had been built on hard rock and thus posed no risk of current or future settlement.

Environmental Standards

In Q2, we did not find evidence of any negative environmental impacts caused by implementation of the sub-projects. All sub-projects had an Environmental and Social Screening Form (ESSF), and a Simplified Environmental and Social Management Plan based on the (ESSF), available on site. All sub-projects had a site-specific Environmental and Social Management Plan included in contractor bid documentation, with costs allocated for implementing it.

In one sub-project in Jalalabad, 70 non-fruit trees had been cut down (50 green and 20 dry trees). These belonged to the Nangarhar Governmental University, and the contractor needed to cut them down to implement the sub-project, with the university's prior agreement. The university auctioned and sold the cut trees, and 170 non-fruit trees were subsequently planted.

Sub-project procurement and bid documents included requirements for dust, waste management, water contamination, borrow pits, and other environmental issues. No sub-projects required a quarry area.

Social Standards

None of the sub-projects showed evidence of having caused security incidents affecting the sub-project or community members.

The contractors provided written labor management procedures for all 23 sub-projects. For all sub-projects, the contractors had held meetings with the Gozar Assemblies to ensure workers were hired in line with CRLP protocols.

Out of six sub-project sites at which work was ongoing, two (33%) lacked warning signs near the site, although all sites were appropriately barricaded or cordoned off where applicable.

Safety management

Procurement and bid documents for all sub-projects included the requirement for occupational and community health and safety measures, with costs allocated for their implementation in the bill of quantities. The contractors had assigned a safety, health, and environmental officer for each sub-project.

Sub-project staff and workers across all sub-projects, whether ongoing or complete, had received environmental health and safety and First Aid training. Only one contractor in Nangarhar province did not maintain training records.

A system for reporting incidents or physical injuries was in place at all 23 sub-project sites.

At the six ongoing sub-projects, our engineers observed that workers were wearing hard hats and reflective vests. However, at three sub-projects workers were not wearing safety boots and at one sub-project workers were not wearing safety gloves. All six ongoing sub-project sites had First Aid kits available on site.

There was one incident at one of the sub-project sites in which three laborers sustained minor injuries to legs and hands while transporting construction materials (stone, cement mortar, soil, and gravel). The contractor reported the workers' lack of experience and unfamiliarity with the use of personal protective equipment as the reason for these injuries. The laborers recovered quickly and were able to continue working on the sub-project. The incident was recorded in the incident-reporting system and the contractor has implemented mitigation measures on site to ensure that similar incidents do not recur.

Future planning

We have agreed steps forward for in-person verification of CDCs meeting ECA conditions. We have also agreed to conduct physical monitoring of social aspects in urban and rural areas, including monitoring and verification of Cash For Work and Labor-Intensive Work. We plan to conduct additional physical visits in rural locations once sub-project implementation has progressed.



Emergency Food Security Project (EFSP)



Physical and financial monitoring overview

The remit for our project monitoring of the EFSP implemented by the FAO is that of validating the findings of monitoring surveys conducted by the FAO's own third party monitoring agent (TPMA). As such, our monitoring commences once the FAO's TPMA has completed its monitoring surveys, sampling a subset of its sample and using data collection tools and analysis techniques that allow for a comparative analysis.

To date, we have conducted phone surveys to validate the findings of the FAO TPMA's baseline for the project's 2022 wheat seed distribution in Q1 2023. We plan to conduct additional phone surveys for the 2022 wheat seed distribution's baseline and to validate the findings of the FAO TPMA's post-distribution monitoring.

We also plan to collect in-person data to validate the findings of the baseline and beneficiary verification surveys for the Cash for Work and Kitchen Gardening interventions.

At the beginning of Q2, the FAO confirmed that its contract with a financial TPMA had been finalized. As a result, we launched our financial monitoring for EFSP, holding a series of meetings with the FAO to agree on sharing of documentation that will allow us to determine, on a sample basis, the validity and accuracy of the financial transactions reported in the SoE submitted.

Results of our first validation report

This quarter, we submitted a validation report for the baseline and beneficiary verification data for the 2022 wheat seed distribution, based on data collected in Q1 2023. We presented an overview of the physical monitoring activities conducted for this validation exercise in our Q1 2023 Quarterly Progress Report. The validation report was shared with the World Bank on 11 May and presented the following week to the project's Mid-Term Review.

The report compares findings from data collected by us for 763 households in Q1 2023 with findings from that collected by the FAO TPMA for the same households in November and December 2022. A summary of our comparative analysis is in the table below, with comparative data in Figures 7–10.

In terms of food security, we found that only 15% of the households we interviewed reported having seed available for the next planting season, and more than half of all households reported challenges in purchasing agricultural inputs at local markets as a result of high input prices. These findings underline a continued need among Afghan farmers for the type of production packages distributed by the FAO in 2022.

Table 6: Key findings from the validation of the 2022 wheat seed distribution baseline survey

Indicator	Findings
Household demographics	Our findings regarding demographic indicators for the head of household or household, such as gender, age, household size, and marital status, were largely consistent with FAO TPMA data. However, we found that the proportion of heads of household living with a disability (10%, n=80) was higher than the figure reported by the FAO TPMA (4%, n=30).
Main source of livelihood	We found a lower proportion of beneficiary households reporting agriculture as their main source of livelihood (87%, n=664) compared to the FAO TPMA (98%, n=750).
Productivity (Figure 7)	Beneficiary households' reported productivity was higher (544 kg of wheat per jerib from local seed varieties) than indicated by FAO TPMA data (464 kg).
Crop losses	More households reported suffering significant crop losses (55%, n=421), losing half or more of their crops last season, compared to the FAO TPMA (45%, n=341).
Land holdings (Figures 8 & 9)	Beneficiary households reported greater land holdings (6.6 jeribs of irrigated land and 4.6 jeribs of rainfed land on average) compared to FAO TPMA (4.2 jeribs of irrigated land and 1.7 jeribs of rainfed land on average).
Access to seeds	A smaller proportion of households (15%, n=113) reported having seeds available compared to FAO TPMA data (24%, n=180). Of those who had seeds available, fewer reported having enough to cover more than half or all of their land (35%, n=40) compared to the FAO TPMA (52%, n=93). We found only a marginal difference between households confirming access to certified wheat seeds (37%, n=283) compared to FAO TPMA findings (36%, n=276).
Access to fertilizer	More households (44%, n=339) reported access to fertilizer than indicated in the FAO TPMA data (38%, n=289), and more households reported that wheat seeds and fertilizer were available in local markets (62%, n=476) compared to the FAO TPMA findings (47%, n=362).
Training (Figure 10)	A larger proportion of households reported receiving wheat cultivation training (58%, n=443) compared to the FAO TPMA data (36%, n=275). The proportion reporting that a UN agency had provided this training (26%) was double that reported by the FAO TPMA (13%).
Access to markets	Reported market access for purchasing agricultural inputs (70%, n=536) was higher than FAO TPMA data (50%, n=379). The most common reported challenge faced by households when purchasing inputs at the market was high input prices (45% of respondents compared to 28% by the FAO TPMA).
Access to irrigation water	The proportion of households reporting access to irrigation water (77%, n=587) was lower than the FAO TPMA figure (94%, n=716).
Beneficiary selection	The proportion of households reporting satisfaction with the beneficiary selection process (97%, n=737) was in line with FAO TPMA data (99%, n=761).
Grievance mechanism	A lower proportion of households reported awareness of a grievance mechanism (27%, n=208) than in FAO TPMA data (34%, n=257). Both found that the government's complaints mechanism was the most commonly cited grievance mechanism.

Figure 7: Amount of wheat produced in kg/gerib from local seed varieties

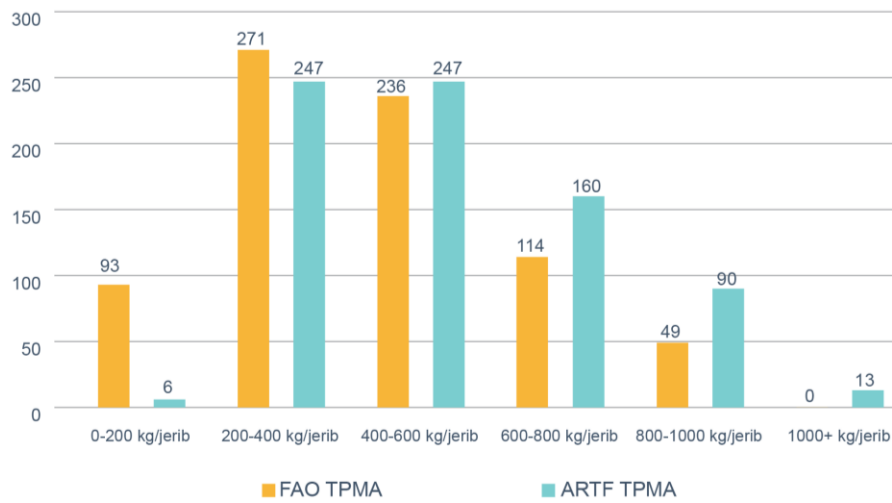


Figure 8: Area of households' irrigated land, in geribs

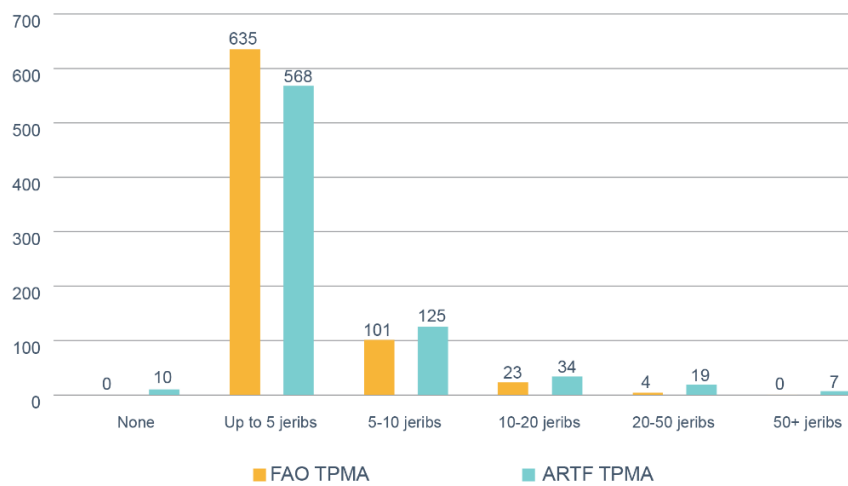


Figure 9: Area of households' rainfed land, in geribs

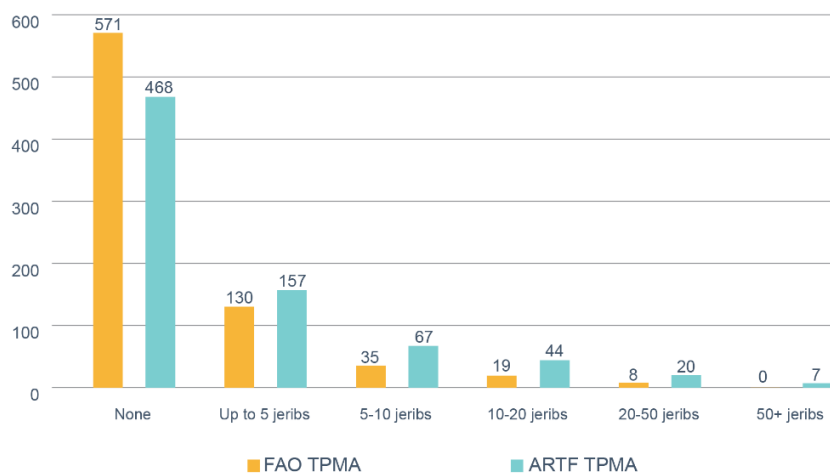
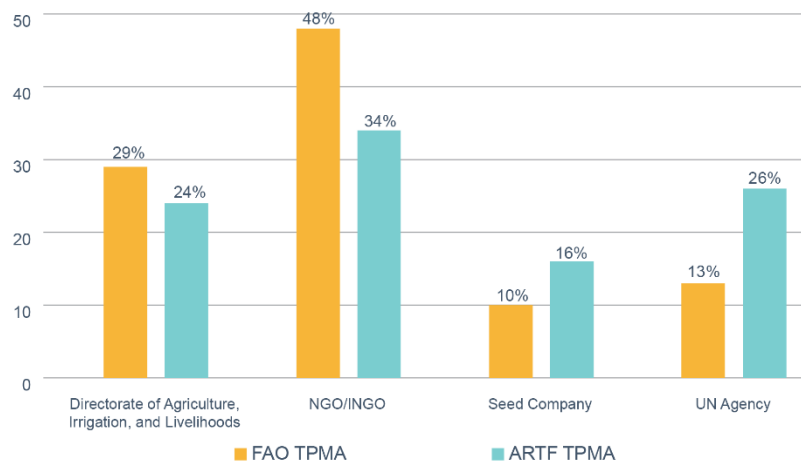


Figure 10: Providers of wheat cultivation training



Conclusions of baseline verification

Based on the differences between our findings and the FAO TPMA's findings, we concluded:

- Some differences in findings are attributable to timing. Mostly, we collected data in spring (March–April 2023) and the FAO TPMA in winter (November–December 2022). This may explain the difference in reported crop yields, as well as why we found more households who had received wheat cultivation training and improved access to fertilizer than the FAO TPMA did.
- Additionally, the FAO TPMA interviewed people before or as households received production packages, while we interviewed them afterwards. However, we did not find a significant difference in households reporting access to certified wheat seeds.
- Some differences may also arise from the fact that we collected data by phone, while the FAO TPMA collected data in person.

However, these explanations cannot account for all the differences found, including for relatively static indicators such as people's main source of livelihood and land holdings.

Challenges in obtaining access for in-person data collection

In-person data collection for EFSP monitoring has proven to be a challenge. We continued our efforts this quarter to obtain approval from the Ministry of Agriculture, Irrigation and Livelihoods (MAIL) for deploying teams to collect data in person. Although we have made progress, we experienced significant scrutiny and were subjected to a heavy bureaucratic process, requiring registration with MAIL. We have been asked to submit a large number of documents, including our monitoring contract with the World Bank. The registration process with MAIL was still ongoing at the end of this quarter.

To reduce the backlog of FAO TPMA surveys we need to validate, we agreed in June with the FAO and World Bank that we would collect the remaining data for the baseline survey and the post-distribution monitoring survey for the 2022 wheat seed distribution by phone. We worked to finalize data collection tools at the end of this quarter and expect to begin phone-based data collection for validation of both surveys in July.

As soon as we obtain approval from MAIL, we plan to collect the data in person, starting with validation of the baseline and beneficiary verification surveys used for the Cash for Work and Kitchen Gardening interventions.



Health Emergency Response (HER)



Physical monitoring overview

We were tasked by the World Bank to monitor two integral components of HER, implemented by the United Nations Children’s Fund (UNICEF): (1) adherence to ESS; and (2) verification of findings from UNICEF’s contracted TPMA on service volume and quality.

Monitoring of adherence to ESS

During Q2, we incorporated feedback from the World Bank and UNICEF on our ESS monitoring approach and data collection tools. In Q3, we plan to collect data at the health facility, household, and community levels, in addition to physical monitoring.

We began collecting data at the health facility level in June and aim to complete data collection for this in mid-July. We plan to visit a total of 337 health facilities across 34 provinces, providing a representative sample at the country level. Additionally, we are in the process of finalizing our sampling methodology at the household and community level, for which we plan to begin data collection in July. Findings will be shared in Q3. Our approach to monitoring of ESS adherence under HER is summarized in the table below.

Table 7: HER ESS monitoring approach

Monitoring Level	Summarized Approach
Health facilities	At the health facility level, we will conduct direct observations of facilities and semi-structured interviews with healthcare workers. We will conduct these interviews with the heads of health facilities and at least one female health worker per facility. We aim to capture a well-rounded view of each facility’s functions, operationality, and challenges.
Households and communities	We will interview both male and female household members, as well as community actors in the catchment area of health facilities. We aim to gauge how local populations interact with and perceive the healthcare services provided by health facilities.
Physical monitoring	We will assess the physical status of each health facility. This will involve visual inspections, engineering observations, document verification, and inquiries from accompanying persons from implementing partners, health facilities, and UNICEF.

Verification of UNICEF TPMA findings

In addition to ESS monitoring, we are also responsible for the verification of findings from UNICEF’s TPMA. To ensure alignment of our processes, we harmonized our data collection tools in consultation with UNICEF and their TPMA. The first round of monitoring by the UNICEF TPMA was completed in June, for which we plan to commence our verification process in July.

Challenges in launching data collection

In June, we faced a significant challenge in securing access agreement from the Ministry of Public Health and obtaining provincial-level access letters. This meant that we initially launched data collection in 28 out of 34 provinces at first, while awaiting permission to collect data in the remaining six provinces. However, we had secured permission to collect data across all provinces by the end of June.

Emergency Education Response in Afghanistan (EERA)



In Q2 2023, we continued engagement with the World Bank and UNICEF to commence monitoring activities for EERA. Decrees prohibiting implementation of education projects by international organizations during this quarter resulted in restructuring of the EERA project. As a result, our Monitoring Protocol required extensive revision. This resulted in delays to anticipated data collection timelines. We drafted data collection tools for in-depth school visits and community-based education (CBE) monitoring and shared them with UNICEF and World Bank focal points for their review.

Additionally, we developed data collection and reporting plans and aim to revise the Monitoring Protocol to reflect the recent changes to the scope of the project. On 17 May, we received an authorization letter from the Ministry of Education (MoE) for conducting monitoring. We aim to begin data collection when the tools are reviewed and approved by UNICEF and World Bank.

NGO and CSO Capacity Support Project (NCCSP)



In Q2 2023, we held a series of meetings with the World Bank and United Nations Development Programme (UNDP) to discuss monitoring approaches and methodologies for the project. UNDP shared project documents with us, and we are revising the Monitoring Protocol, data collection tools, and sampling accordingly.

Central Asia-South Asia Electricity Transmission and Trade Project (CASA 1000)



Before August 2021, we had conducted monitoring visits to different CASA 1000 sites and warehouses through a set of already developed data collection tools. We had also reviewed and verified invoices for the work done and goods supplied, resulting in payment of USD 11.76 million and Eur 0.67 million to contractors. In Q2 we modified our data collection tools following the World Bank's request for us to verify the following through review of invoices and physical monitoring:

- Invoices submitted for the work done by the contractors and verified by Da Afghanistan Breshna Sherkat (DABS), Afghanistan's central energy authority
- Invoices submitted for the work done by the contractors but not verified by DABS
- Materials supplied by the contractors and currently in the warehouses but not verified by DABS
- Invoices from the project consultants for the services delivered but not verified by DABS.

We reviewed the invoices submitted by Kalpataru Power Transmission Limited (KPTL, Lot 1), KEC International Ltd (Lots 2 and 3), and CESI / WAPCOS, contractors under CASA 1000, and issued cover letters accordingly.

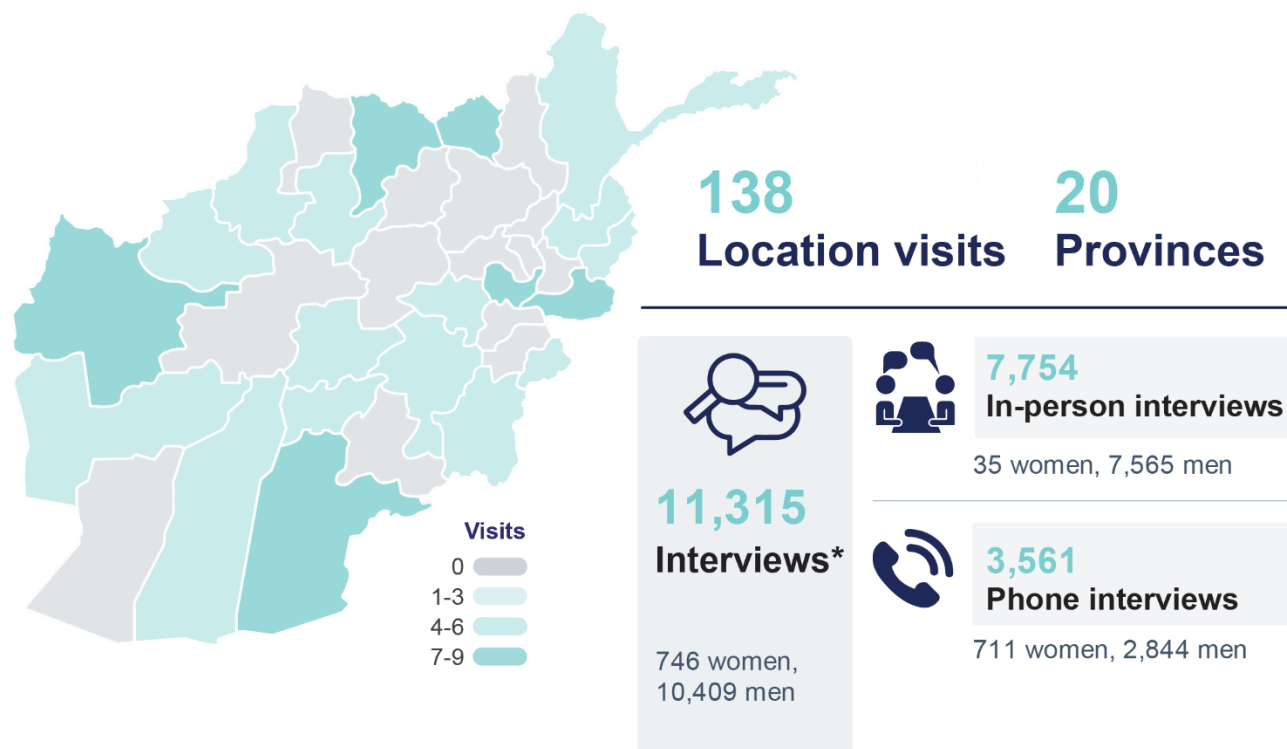
This review of invoices will be complemented with a physical assessment of materials held in the project's warehouses and of transmission towers. To launch the physical assessment, we held a series of meetings with DABS and have collected most of the project documents. We proposed three monitoring approaches to the World Bank. Based on agreement on a preferred approach, we plan to review existing data collection tools and begin collecting physical monitoring data to supplement the review of invoices.

Sector monitoring

Economic Sector Monitoring (ESM)



Figure 11: Economic Sector Monitoring overview for Q2 2023



Key physical monitoring highlights

*There were 160 group interviews (154 in-person and six phone) for ESM for which the gender of interviewees is unknown.



We collected data on a monthly basis and shared results with the World Bank through the ARTF MA Digital Platform, providing a cumulative data set that included all the data we collected, as well as visual analysis of the data through a Power BI dashboard.



We provided extensive updates on topics such as exchange rate fluctuations, border crossing movements, and new directives from the Afghanistan Central Bank and the DFA during bi-weekly updates and monthly meetings with World Bank teams.

In Q2, we continued 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 basket as defined by the World Bank, and the extent to which shopkeepers selling these items were paying taxes, relying on barter, or providing credit to customers
- **Banking sector activities**, including formal banking activities and the activities of informal currency exchange traders and *Hawala* operators
- **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 and their timeliness.

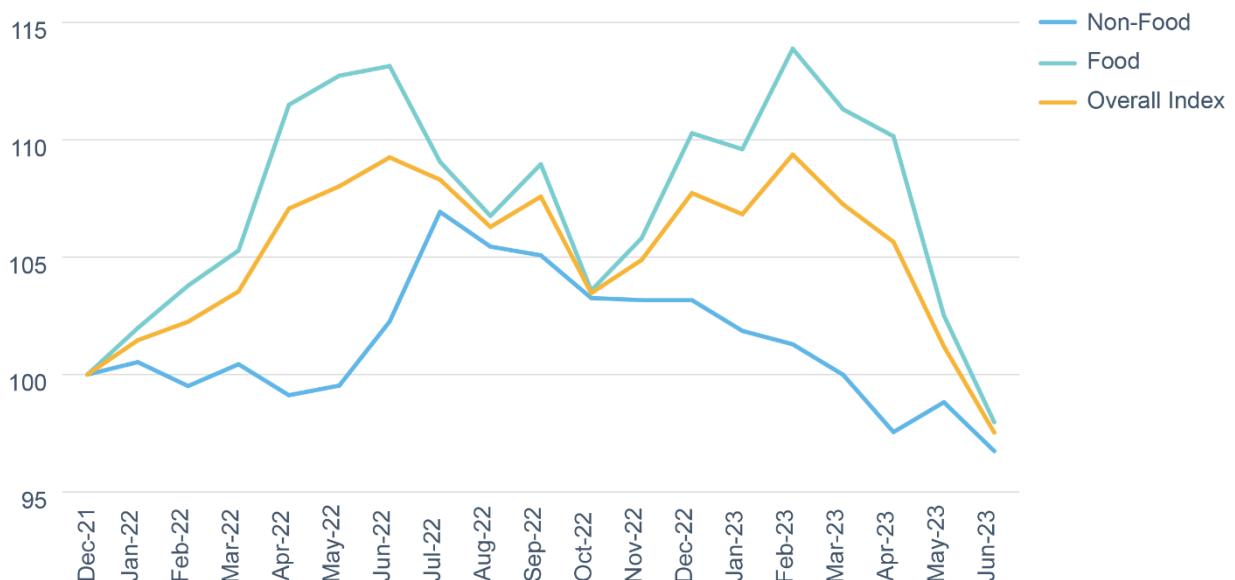
We collected information through in-person surveys at markets and banks with shopkeepers, bank branch managers, bank customers, skilled and unskilled laborers, and *Hawala* operators, as well as by phone interviews with telecom operators and civil servants. The World Bank uses our data in their economic monitoring reports, to provide a monthly summary of the latest economic developments and key economic indicators in Afghanistan. We plan to submit our next biannual report for ESM in Q3, covering the cumulative period from January 2022 to June 2023.

Food and non-food prices

After having reached a peak in February, prices dropped significantly during Q2 to levels below those when we started price monitoring in December 2021. There are three main reasons for this significant price decrease:

1. Widespread unemployment and limited international aid and foreign investments in the country have resulted in lower incomes, resulting in widespread poverty. This has significantly reduced people's purchasing power and has led to a decline in demand for supplies, goods, and services, putting downward pressure on overall prices (see Figure 12).
2. The authorities have enacted price controls throughout the country. Several government departments, especially municipalities across the country, interfere with the market. The police routinely patrol markets in major cities and hand over official price lists to shopkeepers. These prices are lower than they would be if resulting from market forces.
3. The authorities have operationalized nearly 40 state-owned cooperatives, including the Arzaaq State-Owned Company (which provides food subsidy for civil servants), Afghan Cart State-Owned Corporation (imports and exports), National Gas and Petroleum, Silo State-Owned Enterprise (flour supply), and others. These bodies play a critical role in the market by importing fuel, wheat, cooking oil, and other commodities for basic needs from countries such as Iran and Russia and sold at below market prices.

Figure 12: Consumer Price Index to the end of Q2 2023

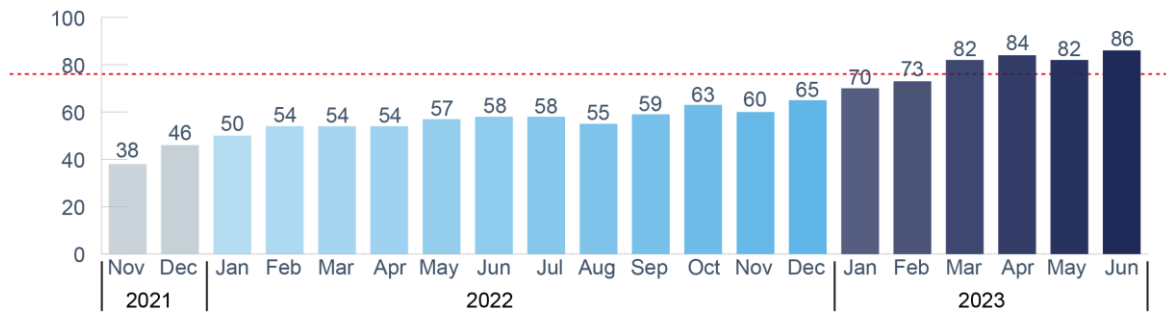


Taxes

By the end of Q2, the proportion of shopkeepers reporting paying taxes increased to 86% compared to 58% at the end of Q2 2022, as shown below.

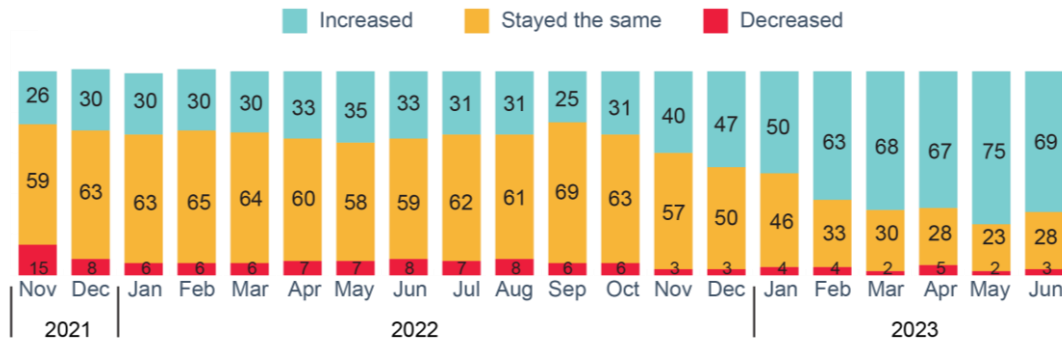
Figure 13: Proportion of shopkeepers paying taxes between November 2021 and June 2023

The red line highlights proportion of shopkeepers who reported paying taxes before August 2021



In addition, as shown below, there was a marked increase in the proportion of shopkeepers reporting paying higher taxes compared to those at the end of Q2 2022.

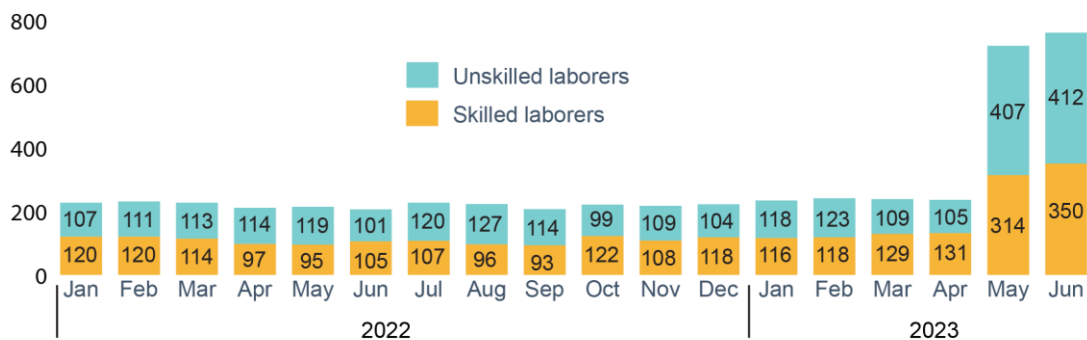
Figure 14: Shopkeepers and tax payments between November 2021 and June 2023



Day laborers

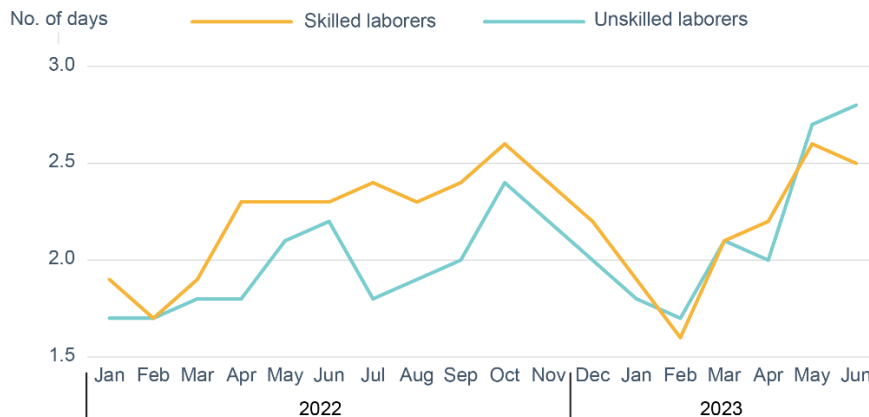
In May, in response to a World Bank request, we increased our sample of day laborers for interview.

Figure 15: Day laborers interviewed



In Q1, we reported that the availability of work for day laborers had fallen to what likely will be an annual low due to construction and agriculture work being halted during winter. In Q2, reported availability increased considerably to more than 2.5 days per week on average for both skilled and unskilled laborers.

Figure 16: Employment availability per week



In comparison with March 2023, daily rates for unskilled laborers increased by 10% in June 2023, while salaries for skilled laborers only increased marginally, by (0.5%).

Figure 17: Mean daily labor rate, in AFN



Banking

In May, DAB updated its withdrawal limits, which prompted us to redesign and add to our research tool. From data collected in May and June, we found that banks had yet to adjust to the new limits. In April, we found that ten out of eleven banks were able to adhere to the withdrawal limit for individual account holders (AFN 30,000), compared to only four in response to the higher withdrawal limit (AFN 50,000) in both May and June. For individual account holders, bank branch managers reported applying an average limit of AFN 32,000 in April, compared to AFN 46,000 in both May and June 2023.

None of the banks we visited were able to adhere to the new corporate withdrawal limit of AFN 4 million, although none in April had been able to meet the previous lower limit of AFN 2.5 million, similar to findings from previous months.

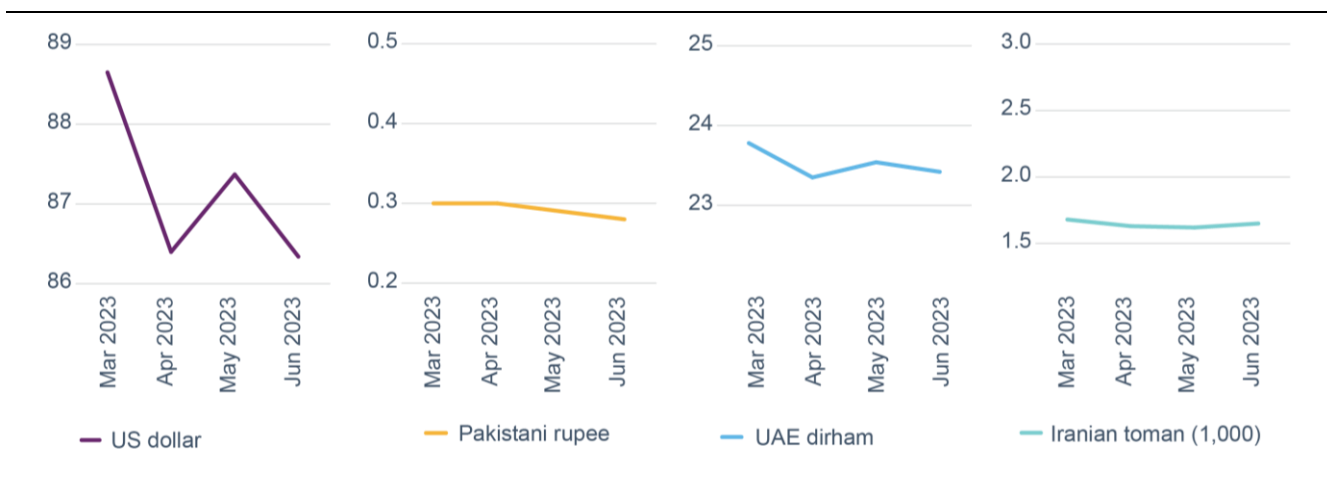
In theory, DAB withdrawal limits only apply to money deposited before August 2021 in a given bank account. In June, we updated our research tool to collect this information in interviews with bank customers. We found that most withdrawals (89%) related to money deposited after August 2021, and only 11% of interviewed banking customers withdrew money from an account in which money had been deposited before August 2021. Of these 11%, only a minority (15%) reported not being able to withdraw the full amount they were entitled to according to the DAB withdrawal limits. For bank customers that withdrew from accounts with money deposited after August 2021, only 7% reported they were not able to withdraw the full amount they wanted.

We further updated the banking tool to reflect the extent to which banks were able to offer international services (e.g., Western Union, MoneyGram, Ria Money Transfer, and Mastercard services), despite the financial sanctions that continue to apply to the Afghan financial sector. Bank branch managers in 12 (17%) bank branches visited said they were able to provide these services, in addition to full domestic services. An additional 52 bank branch managers said their branch was able to provide full domestic services, bringing the total proportion of bank branches that were providing full domestic services out of those visited to 89%.

Currency

We did not observe major changes in the availability of the four major foreign currencies that we monitor on informal currency markets (US dollar, Pakistani rupee, UAE dirham, and Iranian toman). However, the Afghan afghani depreciated against all currencies compared with March 2023: 1.9% against the Iranian toman, 6.6% against the Pakistani rupee, 1.5% against the United Arab Emirates dirham, and 2.6% against the US dollar.

Figure 18: Currency exchange rates of the Afghan afghani against the Iranian toman, Pakistani rupee, United Arab Emirates dirham, and United States dollar



ARTF MA Digital Platform

iOS mobile application and Digital Platform accreditation

We met with World Bank IT staff on 23 May to agree on the iOS mobile app's hosting, user access, and ownership. In preparation for this, and as agreed with the World Bank, we submitted the Digital Platform's documentation for clearance from the World Bank's Office for Information Security on 2 June. This included the up-to-date Product Specifications Document, the Service Delivery Lifecycle document, which contains the platform's design and technical documentation, and the iOS mobile app's Functional and Technical Documentation.

Expansion of Red Flag reporting

We have continued development of the Red Flag logging feature on the Digital Platform. This feature allows MA users to log and report individual Red Flags to specified platform users from the World Bank and implementing agencies. We will continue to refine this feature to reflect evolving user needs.

Customized dashboards

In response to the Health Task Team's recent request, we launched the design of a new feature that will allow us to customize dashboard views at the user level. This will allow us to create user-specific dashboard views (e.g., differentiating dashboard views between World Bank users and service provider users). We plan to roll out this feature within the HER dashboard development cycle.

Updates to the Digital Platform's branding

During this quarter, we launched work to rebrand the Digital Platform in alignment with updated reporting branding for the ARTF TPMA. We aim to roll out the rebranding in the next quarter.

Digital Platform sessions

We held a Digital Platform session with FAO focal points and staff on 16 May, after which we shared a recording of the session and user guidance documents. We will continue to work closely with the FAO team to identify and create new FAO user accounts and to hold further training sessions with FAO staff where needed.

User logins

The tables below set out the total and unique logins to the Digital Platform by World Bank, FAO, and UNOPS staff.

Table 8: Total user logins

Organization	Q1 2023	Q2 2023	% Change
World Bank	54	62	+15%
FAO	N/A	4	-
UNOPS	62	118	+90%

Table 9: Unique user logins

Organization	Q1 2023	Q2 2023	% Change
World Bank	18	12	-33%
FAO	N/A	2	-
UNOPS	10	18	+80%

Cross-cutting analysis

Contextual changes

There were some encouraging indicators for the Afghan economy in Q2 2023. Inflation continued to decline and dropped to -0.95% for the first time in June 2023, and tax revenue has been positive. However, Afghanistan's trade deficit widened. Developments in the official Afghan economy during the reporting period include discussions between the authorities and China on the Aynak copper mine, with Pakistan and Uzbekistan on extending railway connections within Afghanistan, and with Iran to resolve the long-running dispute over access to water from the Helmand River. The construction of the Qush Tepa canal continues, with the first section, over 100 km long, now reported to be 80–90% complete, but with payments for work done delayed by the MoF.

In the south, the ban on poppy cultivation is reportedly increasing local poverty levels and community dissatisfaction in the absence of viable alternative crops. In north and north-eastern provinces, a decision to resettle families of Tehrik-e Taliban Pakistan members from the Durand Line has the potential to result in further social fragmentation and ethnic division.

Within the administration, the Acting Chairman of the Council of Ministers (or Acting Prime Minister) was temporarily replaced by one of his deputies due to illness. Changes within the MoF, including at ministerial and deputy ministerial level, are likely intended to build on the success of the administration in increasing revenue from taxes and customs. The administration also appears to be making presentational changes in their appointments or changes in provincial positions (e.g., at deputy governor or police chief level), no longer referring to officials by their religious title of *mullah* or *maulvi*.

Lower-level diplomatic encounters continue, whether involving the return of an Indian technical team to its embassy in Kabul, Afghan civil servants being invited to attend discussions in Norway, or Japanese officials pledging continued support for activities to promote development and economic growth.



The Tashkeel Regulation and Salary Committee has approved the Ministry of High Education's request to increase university lecturers' top-up salaries (cadre bonus). The increase falls in the range of 36% to 54%, depending on the academic rank order or level of scholarship.

Regulatory environment

Over this reporting period, the Ministry of Justice published 65 edicts, decrees, and directives from the Supreme Leader issued in the last seven years, including after August 2021. The numerous decrees and edicts aimed to provide overarching guiding principles to the judiciary, civil service, state-owned corporations, and the security sector. The Supreme Leader also outlined the legislative process for laws and regulations in his Eid sermon in June 2023. He outlined a five-step process:

1. Laws and regulations will be reviewed within respective ministries to ensure Sharia compliance and, as a result, to propose amendments.
2. The laws and regulations in question will be referred to the Ministry of Justice, who may then draft the proposed amendments.

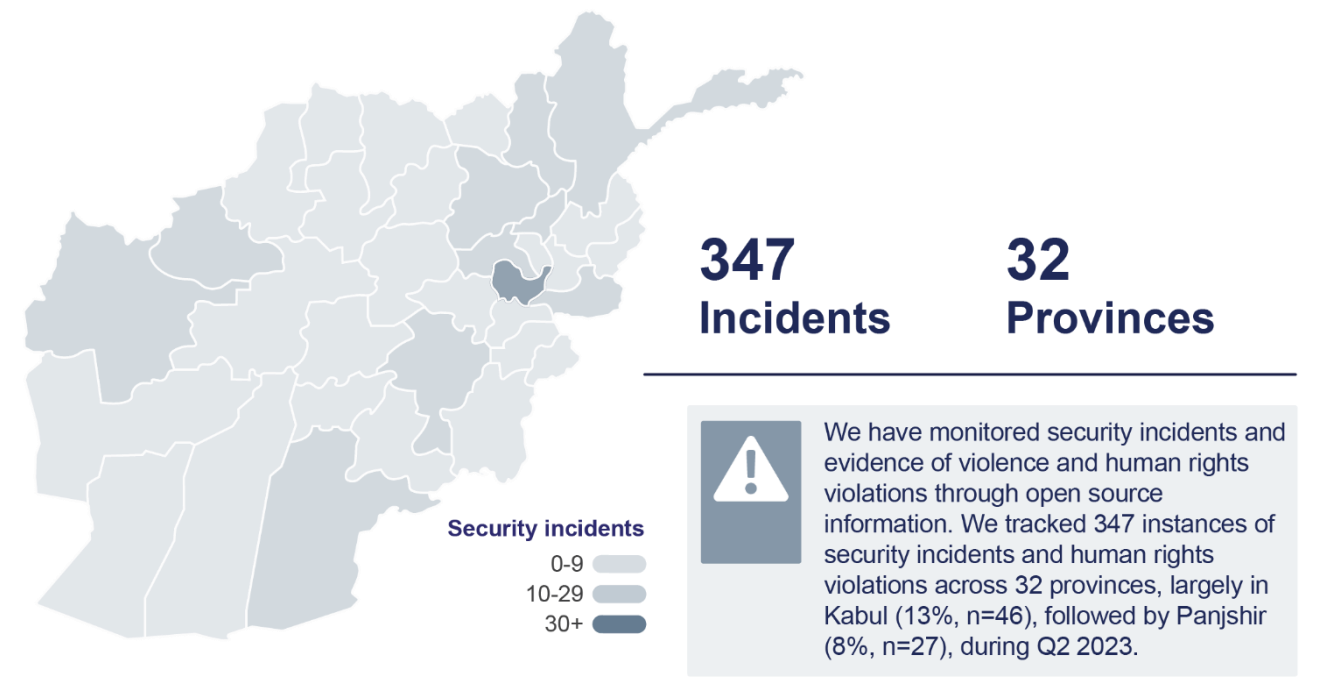
3. A commission under the Supreme Court is to review the amended laws and regulations to ensure their conformity with Sharia law, especially the Hanafi jurisprudence.
4. The commission will refer the amendments to a commission comprised of *Ulama* under the Supreme Leader, to review the texts and recommend a decision to the Supreme Leader.
5. The Supreme Leader may then enact new legislation.

In early June, the authorities drastically tightened the regulatory environment for international organizations operating in the education sector, particularly on CBE projects. The MoE informed Provincial Education Directorates that it would ban CBE projects implemented through international organizations. Instead, CBE classes supported or implemented by international organizations were expected to be handed over to national non-governmental organizations (NGOs), with UNICEF and the education cluster in Afghanistan continuing to discuss how to implement this handover with minimal disruption to the country’s education system. By late June, this had resulted in the closing down of 680 CBE centers funded by UNICEF and international NGOs in Helmand and Kandahar provinces.¹⁴

Security and human rights

During Q2, our staff tracked 347 general security incidents and potential human rights violations across 32 provinces, largely in Kabul (13%, n=46) and Panjshir (8%, n=27). This information comes from a mix of open-source reporting, comprising one or more of official statements from the authorities, media reports, or online media sources. These incidents represent a small proportion of the total security incidents reported but not confirmed by more than one source and are not directly linked to the delivery of ARTF-funded projects.

Figure 19: Q2 security and human rights incidents from open-source¹⁵ information, per province



¹⁴ Toronto Star, 2023, Taliban close education centers in southern Afghanistan

¹⁵ Additionally, 14 incident reports were not linked to a specific location.

Gender and social inclusion

Throughout this quarter, the authorities continued to extend control over the lives of ordinary Afghans, including new decrees which severely restrict women and girls' rights and their participation in public and daily life across the country. Women were prohibited from visiting restaurants in Herat,¹⁶ women's gatherings were banned during Eid-al-Fitr in Baghlan and Takhar provinces,¹⁷ and girls and women were prohibited from attending health centers and cemeteries, and young and unmarried women from visiting shrines, in Kandahar province.¹⁸ Moreover, the authorities verbally directed media outlets to cease the production of content about women's hygiene issues, and women were prohibited from participating in radio and TV shows with male presenters.¹⁹ Secondary schools and higher-education institutions remain closed to women. The authorities continue to forbid female medical students in their final year from completing their exit exams, severely limiting the number of new female doctors in the country.

The ban on female employees working for international NGOs and the UN is still in effect. While this has not led to the cessation of activities led by NGOs as was being threatened, evidence from bank transactions indicates that NGOs are continuing to function, although at a reduced level of operation. In Herat, the reported establishment of committees to screen NGO recruitment could be seen as intended to secure placements for government officials (possibly as a means of circumventing the Supreme Leader's decree banning the appointment of relations by senior minister officials). The decree requiring NGOs and civil society organizations (CSOs) to transfer education activities to the MoE is likely intended to ensure full compliance with the authorities' ban on girls' and young women's access to secondary and further education.

A similarly recent decision to ban music in the women's section at wedding halls, with activities being monitored by officials from the Ministry for the Propagation of Virtue and the Prevention of Vice, is evidence of a continuing clampdown on women's freedom of expression and social interaction. In Farah, Bamiyan, and Ghor, interference from officials is also reported as a reason for complaints from vulnerable communities over the right beneficiaries failing to benefit from aid distribution by (unnamed) international agencies.

The restrictions on women and girls' rights continue to impact the implementation and monitoring of ARTF projects, including women's participation in the projects. Monitoring data available for some of the projects show challenges in accessing female respondents for data collection, with significantly lower levels of female respondents compared to male respondents, both for in-person interviews and remote phone surveys. This may affect the availability of data in relation to gender inclusion indicators for the ARTF projects. The challenge of reaching female respondents may reflect the more limited public space that women and girls enjoy due to the authorities' various decrees and decisions.

¹⁶ United States Institute of Peace, 2023, Tracking the Taliban's (Mis)Treatment of Women: An Interactive Graphic Illustrating How the Taliban Are Attempting to Erase Afghan Women from Public Life.

¹⁷ UNAMA, 2023, Human Rights February–April 2023 Update: Human Rights Situation in Afghanistan.

¹⁸ United States Institute of Peace, 2023, Tracking the Taliban's (Mis)Treatment of Women: An Interactive Graphic Illustrating How the Taliban Are Attempting to Erase Afghan Women from Public Life.

¹⁹ United States Institute of Peace, 2023, Tracking the Taliban's (Mis)Treatment of Women: An Interactive Graphic Illustrating How the Taliban Are Attempting to Erase Afghan Women from Public Life.

Looking ahead

This section highlights activities planned for Q3 2023 (precise activities, timelines, and locations visited are subject to change).

Financial monitoring



SCRP Review:

We will continue with SCRPs reviews and plan to issue seven cover letters in Q3.

CRLP:

We will continue reviewing project expenditure incurred under Component 2 in Q3.



HACT Audits:

We plan to issue one HACT audit report, in line with the pilot phase review, and to continue work on the remaining 13 HACT audits under HER. We aim to report on these in Q3.



Contractor Invoice Validation:

We will continue invoice validation for contractors under CASA 1000 and for Kabul Municipality contracts under Eshteghal Zaiee-Karmondana (EZ-Kar) and the Kabul Municipality Development Program (KMDP).

Project and sector monitoring

Project monitoring



CASA 1000

We plan to finalize data collection tools to assess the quality and quantity of materials held in project warehouses and verify pending invoices, following which we will commence data collection and submit a report on our findings.



CRLP

We aim to conduct physical monitoring of CDCs in urban and rural areas to verify ECA compliance.

We will conduct physical monitoring of social aspects in urban and rural areas, including monitoring and verification of Cash for Work and Labor-Intensive Work.

We plan to conduct additional physical monitoring visits in rural locations once sub-project implementation has progressed.



EERA

We will conduct pilot data collection and finalize data collection tools based on the results of the pilot.

We plan to conduct in-depth school visits and monitor Community-Based Education (CBE) classes.

We will finalize our analysis approach for extracting data from the national census for the verification of teachers' qualifications.



EFSP

We will work to finalize data collection tools and to begin phone-based data collection for validation of both surveys in Q3.

Subject to approval on access from the Ministry of Agriculture, Irrigation and Livelihoods (MAIL), we plan to collect data in-person for validation of the baseline and beneficiary verification surveys for the Cash for Work and Kitchen Gardening interventions.



HER

We will complete our first round of ESS monitoring data collection and conduct a first round of verification of UNICEF TPMA findings.

We plan to report our findings in our HER Q3 2023 report.



NCCSP

We plan to finalize the Monitoring Protocol to reflect the recent changes to the project scope.

We will finalize data collection tools to monitor the training delivery for the selected NGOs/CSOs, and sub-grant implementation by the selected NGOs/CSOs.

We will conduct monitoring and verification visits, and we plan to report our findings in our NCCSP Q3 2023 report.

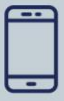
Sector monitoring



Economic Sector Monitoring

We will continue to conduct monthly sector monitoring and plan to produce a biannual report for the period January 2022 – June 2023.

Digital Platform



Accreditation of iOS mobile application and Digital Platform

- In liaison with the World Bank, we will complete the requirements for receipt of clearance.
- After receipt of clearance, we will confirm hosting of the iOS mobile app to commence development.



Creation of customized dashboards

- We will develop and roll out the user-level dashboard view feature.
- We will expand Red Flag reporting and continue working with the World Bank and UN agencies to confirm the Red Flag reporting process and user access to Red Flags based on evolving user needs.



Roll-out of the Platform's rebranding

- We will roll out a rebranded Digital Platform.



Further engagement of UN Agencies with the Platform

- For CRLP, EERA, EFSP, and HER, we will continue to work closely with the different UN Agencies to provide training sessions, ensuring that their teams have appropriate user access and are able to navigate and use the Platform.

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