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ECONOMIC AND SOCIAL DEVELOPMENT

KEY ISSUES & EVENTS

The UN World Food Programme projects that 18.9 million Afghans will face acute food insecurity between June and November 2022, including 4.7 million children and pregnant and lactating women. Some 19.7 million Afghans faced acute malnutrition between March and May 2022.

On May 7, the Taliban announced more rigid restrictions requiring women to cover themselves fully in public, including their faces. Violations will now result in jail time for male heads of household.

On May 14, the Taliban released their first annual budget since taking power, outlining 231.4 billion afghani (\$2.6 billion) in expenditures and forecasting 186.7 afghani (\$2.1 billion) in domestic revenues for 2022.

On May 24, the Taliban signed an agreement with a United Arab Emirates state-run aviation company to manage ground handling and security operations at international airports in Kabul, Kandahar, and Herat.

On June 22, a 5.9-magnitude earthquake struck eastern Afghanistan, killing at least 1,000 people and injuring 3,000. Taliban supreme leader Haibatullah Akhundzada made a rare plea for international help in response efforts.

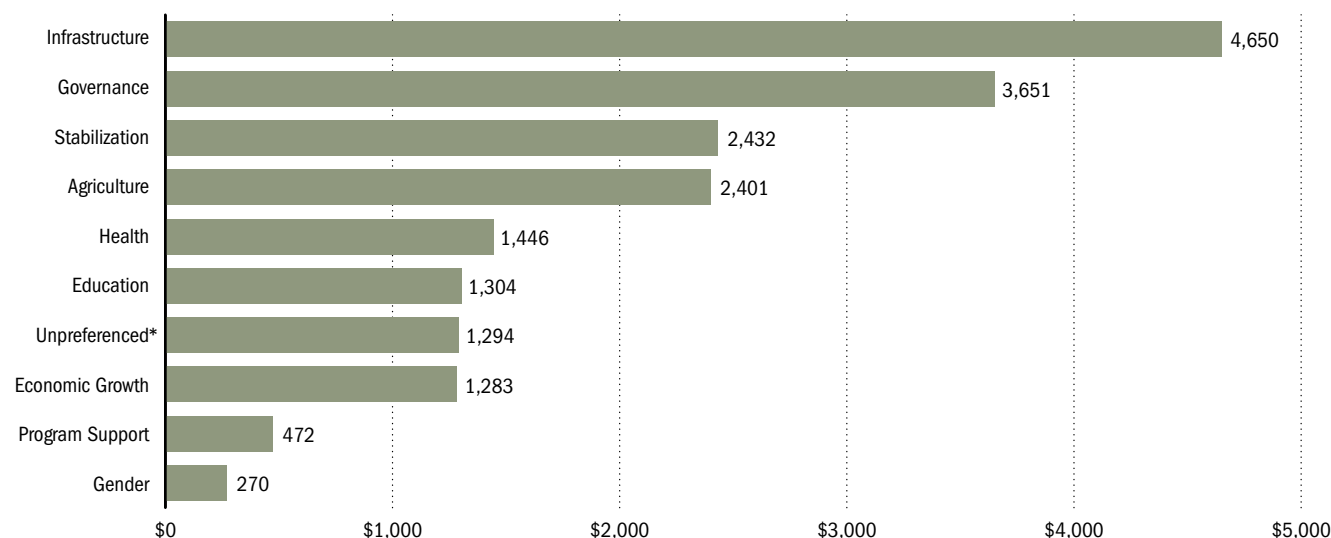
U.S. Support for Economic and Social Development

As of June 30, 2022, the United States had provided more than \$36.07 billion to support governance and economic development in Afghanistan. Most of this funding, nearly \$21.28 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department (State) and the U.S. Agency for International Development (USAID).¹

In August and September 2021, following the Taliban takeover, the U.S. government paused most assistance programs in Afghanistan and conducted an interagency review to assess the situation in the country, including implementing partners' safety and ability to operate there. Since then, more than a dozen State and USAID programs in Afghanistan have restarted with a focus on addressing critical needs of the Afghan people in several key sectors—health, education, agriculture, food security, and livelihoods—as well as supporting civil society, with a focus on women and girls,

FIGURE E.1

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JULY 6, 2022 (\$ MILLIONS)



*Unpreferred funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Note: USAID Mission-managed funds. Numbers are rounded. USAID gender programs managed by the agency's Office of Gender are presented as a separate category. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and programs that build health and education facilities. OFM activities (e.g. audits and pre-award assessments) included under Program Support funds.

Source: SIGAR analysis of USAID response to SIGAR data call, 7/9/2022; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status as of January 20, 2022, 4/18/2022.

Food insecurity: Food insecurity is defined as the disruption of food intake or eating patterns due to unavailability of food and/or lack of resources to obtain food.

Acute malnutrition: The insufficient intake of essential nutrients resulting from sudden reductions in food intake or diet quality; also known as "wasting." Acute malnutrition has serious physiological consequences and increases the risk of death.

Source: FAO, "Hunger and food insecurity," accessed 6/28/2022; <https://www.fao.org/hunger/en/> Office of Disease Prevention and Health Promotion, "Food Insecurity," accessed 6/28/2022. <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/food-insecurity> Lenters L., Wazny K., Bhutta Z.A. "Management of Severe and Moderate Acute Malnutrition in Children," in Black RE, Laxminarayan R, Temmerman M, et al., editors. Reproductive, Maternal, Newborn, and Child Health: Disease Control Priorities, Third Edition, vol.2, Washington DC, 2016: The International Bank for Reconstruction and Development/The World Bank; 2016 Apr 5, chapter 11.

and broad human rights protections. Efforts in these areas are being implemented through nongovernmental organizations (NGOs), international organizations, and other third parties, minimizing benefits to the Taliban to the extent possible.² Figure E.1 shows USAID cumulative assistance by sector.

HUMANITARIAN CRISIS UPDATE

The humanitarian crisis in Afghanistan remained dire this quarter, with the World Food Programme (WFP) estimating 92% of the population faces some level of **food insecurity** and three million children are at risk of **acute malnutrition**.³ The combination of declining incomes and increasing prices has severely deteriorated household living standards, with at least half the country's population living on less than \$1.90 a day. The UN projects that around half of Afghanistan's population will face acute food insecurity in 2022 as a deepening economic crisis compounds the impact of drought, conflict, and COVID-19.⁴

Adding to an already strained humanitarian environment, a 5.9 magnitude earthquake struck eastern Afghanistan on June 22, leveling entire villages.⁵ With at least 1,000 people dead, 3,000 injured, and 10,000 homes



House destroyed by June 22 earthquake in eastern Afghanistan. (UNDP Afghanistan photo)

destroyed, this was Afghanistan's deadliest earthquake in two decades.⁶ Homes made of stone and mud collapsed on sleeping families, leaving thousands homeless and without food or safe drinking water as the region weathers unseasonably cold temperatures. The UN has warned that such conditions could lead to a cholera outbreak. In mountainous Paktika Province, the epicenter of the earthquake, relief workers have only limited access to remote communities in need of food, medical aid, blankets, and shelter. Hospitals already struggling to address the hunger crisis have received a huge influx of patients injured in the earthquake.⁷

Taliban supreme leader Haibatullah Akhundzada has made a rare plea for international help in responding to this emergency. Taliban spokesperson Bilal Karimi said that "all aid agencies are urged to send their teams to the area immediately so that further catastrophe can be prevented." UN agencies have so far allocated \$15 million to support crisis response efforts. The UN High Commissioner for Refugees (UNHCR) has deployed staff to assist in search and rescue operations and UN Children's Fund (UNICEF) reports dispatching mobile health and nutrition teams to provide first aid and supplies to those in need. The World Health Organization (WHO) is also on the ground supporting health facilities and delivering surgical kits, medical supplies, and equipment.⁸

In a statement released on June 22, U.S. National Security Advisor Jake Sullivan said that "President Biden is monitoring developments and has directed USAID and other federal government partners to assess U.S. response options to help those most affected." On June 28, Secretary of State Antony Blinken announced that the United States would provide \$55 million in immediate disaster-relief assistance through USAID. This will include critical relief items such as shelter materials; pots for cooking; jerry cans to collect and store water; blankets; solar lamps; clothes and other



UN aid distribution center providing food and other supplies to communities affected by the June 22 earthquake. (UNDP Afghanistan photo)

household items; as well as assistance to provide for water, sanitation, and hygiene supplies to prevent waterborne diseases.⁹

New IPC Report Details Ongoing Hunger Crisis

The most recent Integrated Food Security Phase Classification (IPC) study found that nearly 19.7 million Afghans experienced high levels of acute food insecurity—food insecurity at the **Crisis**, **Emergency**, or **Catastrophe (famine)** levels—from March to May 2022, requiring urgent action to save their lives, reduce food gaps, and protect their livelihoods.¹⁰ Table E.1 on page 103 provides more details on how the IPC classifies levels of food insecurity.

This figure represents a nearly 14% decrease compared to the 22.8 million people projected to face acute food insecurity in the IPC's November 2021 report. The IPC study attributes this lower figure to the scale-up in humanitarian food assistance (HFA) in recent months, rather than to any improvements to the underlying drivers of food insecurity in Afghanistan. Moreover, the report notes that the large-scale increase in beneficiaries reached in recent months produced only nominal improvements in food security, indicating that food security conditions continued to deteriorate as relief agencies worked to scale up food assistance. Strong social networks and community support in Afghanistan also resulted in beneficiaries sharing food assistance, which may have further diluted the expected impact.¹¹

UN agencies have been at the forefront of providing humanitarian food assistance. WFP planned to reach 10 million people with food, nutrition, and resilience support in June, and a cumulative total of 23 million in 2022.¹² UNICEF and its implementing partners reported providing lifesaving nutrition treatment to over 45,000 children in May 2022 alone.¹³

Famine: An extreme deprivation of food. Starvation, death, destitution and extremely critical levels of acute malnutrition are or will likely be evident.

Source: Integrated Food Security Phase Classification, "Famine Facts," accessed 3/31/2022.

TABLE E.1

INTEGRATED FOOD SECURITY PHASE CLASSIFICATION (IPC) PHASE DESCRIPTION AND RESPONSE OBJECTIVES		
Food Insecurity Phase	Technical Description	Priority Response Objective
1 – None/Minimal	Households are able to meet essential food and non-food needs without engaging in atypical and unsustainable strategies to access food and income.	Resilience building and disaster risk reduction
2 – Stressed	Households have minimally adequate food consumption but are unable to afford some essential non-food expenditures without engaging in stress-coping strategies.	Disaster risk reduction and protection of livelihoods
3 – Crisis	Households either: · Have food consumption gaps that are reflected by high or above-usual acute malnutrition; OR · Are marginally able to meet minimum food needs, but only by depleting essential livelihood assets or through crisis-coping strategies.	URGENT ACTION REQUIRED to protect livelihoods and reduce food consumption gaps
4 – Emergency	Some households either: · Have large food consumption gaps which are reflected in very high acute malnutrition and excess mortality; OR · Are able to mitigate large food consumption gaps, but only by employing emergency livelihood strategies and asset liquidation.	URGENT ACTION REQUIRED to save lives and livelihoods
5 – Catastrophe/Famine*	Households have an extreme lack of food and/or other basic needs even after full employment of coping strategies. Starvation, death, destitution, and extremely critical acute malnutrition levels are evident. (For Famine classification, area needs to have extreme critical levels of acute malnutrition and mortality).	URGENT ACTION REQUIRED to revert/prevent widespread death and total collapse of livelihoods

* Some households can be in Catastrophe (IPC Phase 5) even if areas are not classified as Famine (IPC Phase 5). In order for an area to be classified Famine, at least 20% of households should be in IPC Phase 5.

Source: FAO and WFP, Hunger Hotspots FAO-WFP early warnings on acute food insecurity – June to September 2022 Outlook, 6/6/2022, p. 7.

However, the IPC report also describes catastrophe/famine conditions impacting 20,000 people in Ghor Province, due to limited humanitarian access from March to May. Arid and mountainous Ghor is one of the most remote, chronically food insecure, and vulnerable provinces in Afghanistan. Due to access challenges, no assistance reached its Charsada and Passaband Districts until the end of March. Households in such conditions face an “extreme lack of food even after the full employment of coping strategies” and “starvation, death, destitution and extremely critical acute malnutrition levels.” This is the first time the IPC has reported catastrophic conditions in Afghanistan since it began work there in 2011.¹⁴

“This is one of the worst humanitarian crises I have seen in Afghanistan in more than 30 years as a humanitarian aid worker,” said Dr. Mohammad Nabi Burhan, Secretary General of the Afghan Red Crescent Society. He added, “It is particularly worrying for Afghans in rural and remote areas, where some of the country’s poorest communities face widespread destitution and very high levels of malnutrition after their crops failed or livestock perished.”¹⁵

From June to November 2022, the IPC report projects that 18.9 million Afghans will continue to face potentially life-threatening levels of hunger—nearly six million of whom will face near-famine conditions. According to the FAO, this represents a nearly 60% increase in food insecurity compared to the same period in 2021.¹⁶ UNICEF further estimates that 1.1 million severely malnourished children will be at risk of death without emergency treatment this year.¹⁷

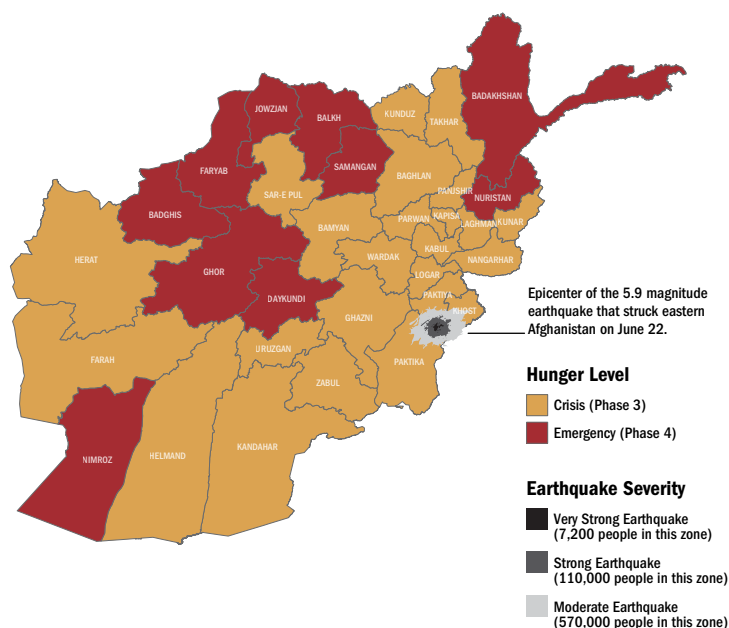
The spring season traditionally would have brought relief from food shortages. However, with Afghanistan in the grips of the worst drought in three decades, below-average rainfall in 2022 is expected to worsen drought conditions, and prevent the spring harvest from improving food security for vulnerable families.¹⁸ The situation is further exacerbated by continuing economic decline, spiraling levels of poverty, and mounting food prices.¹⁹ See Figure E.2 for a presentation of hunger levels in each Afghan province.

Even with the massive scale-up in humanitarian food assistance (reaching 38% of Afghanistan's population) during the first half of 2022, nearly 20 million people, representing half the country's population, were still experiencing high and critical levels of acute food insecurity.²⁰ As described in the IPC report:

The improvements observed when comparing results in the IPC timeline (22.8M, 19.7M, 18.9M food insecure in the last three analyses periods) are far from indicating a positive trend of food insecurity. Not only is the decrease of people in IPC Phase 3 (Crisis) or above are relatively low compared to the massive HFA scale up reminiscent of the underlying vulnerabilities experienced by Afghan families; such a decrease was only possible thanks to the prominent scale up of HFA in the current period—as the overall deteriorating conditions outrank these efforts.²¹

FIGURE E.2

HUNGER LEVELS IN AFGHANISTAN BY PROVINCE, AS OF JUNE 2022



Source: WFP, Afghanistan Emergency Dashboard - May 2022, 6/13/2022; BBC News, "Afghanistan quake: Many children feared dead in disaster," 6/23/2022.

From June to November 2022, humanitarian food assistance is expected to decrease from reaching 38% of the population to only 8% due to lack of funding.²² WFP reports a funding shortfall of \$1.2 billion for operations to distribute food to all 23 million Afghans in need this year.²³ Currently, \$2.4 billion of the UN's \$4.4 billion 2022 Humanitarian Response Plan for Afghanistan has been pledged by the international community, but only \$601 million is confirmed.²⁴ See SIGAR's April 2022 *Quarterly Report to the United States Congress* for more information about the UN's Humanitarian Response Plan.

INTERNATIONAL ASSISTANCE TO AFGHANISTAN

Aid Continues to Flow

The United States remains the single largest donor of aid in Afghanistan, having provided \$774 million in contributions since August 2021, including \$55 million provided in response to the June 22 earthquake.²⁵

Assistance from State and USAID has been flowing directly through independent aid organizations to help provide lifesaving protection and shelter, essential health care, winterization assistance, emergency food aid, water, sanitation, and hygiene services in response to the growing humanitarian needs exacerbated by COVID-19, health-care shortages, drought, malnutrition, and winter.²⁶ State told SIGAR,

the U.S. government is not providing support to or through Afghan ministries. All U.S. assistance is directed through UN agencies and implementing partners on the ground in Afghanistan. Our implementing partners are required to protect against diversion, fraud, waste, and abuse, including diversion to the Taliban and Haqqani Network. Through a network of private, licensed financial sector providers including banks, money service providers, and mobile money operators, our partners have taken steps to ensure funds reach beneficiaries and are not directed to the Taliban.²⁷

According to State, humanitarian organizations report that the Treasury Department's latest general license (GL20) has improved their ability to send money to Afghanistan and has allowed for international assistance that otherwise may not have been possible.²⁸ Issued on February 25, GL20 expanded authorizations for U.S. commercial and financial transactions in Afghanistan, including with its governing institutions such as the ministries, central bank, and power utilities. The new license aims to ensure that U.S. sanctions do not prevent or inhibit transactions and activities needed to provide aid and support the basic human needs of the people of Afghanistan, including payments to certain sanctioned individuals for the purpose of paying customs, duties, fees, and taxes, provided that such payments do not relate to luxury items or services.²⁹



U.S. Special Representative for Afghanistan, Thomas West (far right) meets with Dr. Abdullah Abdullah (far left) on May 25, 2022. (U.S. Spec. Rep. Thomas West photo)

USAID described several major obstacles that continue to impede the provision of aid in Afghanistan since the Taliban takeover. Hundreds of thousands of qualified Afghans—government officials, professionals, aid workers, intelligentsia, businesspeople, technocrats, and others—have fled the country. Some aid organizations have relocated all or most of their staff to other countries, and many organizations have left completely. Others are not yet sure how to work under the Taliban regime, since the group has not made clear how it will deal with aid groups helping Afghans with health care, education, agriculture, and poverty alleviation. USAID reports, “the world community pledged more than \$1 billion in humanitarian aid to Afghanistan but delivering assistance to the most vulnerable people will require negotiations with the Taliban-led government, which has still not been internationally recognized.”³⁰

According to State, humanitarian partners have also noted a recent increase in Taliban interference and restrictions, but still prefer to negotiate directly with the Taliban to maintain operational independence. Despite these challenges, relief actors continued to scale up emergency assistance in Afghanistan, reaching approximately 15 million people by the end of April 2022.³¹

On June 29 and 30, U.S. Special Representative for Afghanistan Thomas West met with Taliban officials in Doha, Qatar, to discuss issues including relief efforts in the wake of the June 22 earthquake and the status of \$3.5 billion of the \$7 billion in Da Afghanistan Bank (DAB; Afghanistan’s central bank) assets frozen in the United States by Executive Order.³²

The *Washington Post* reported that U.S. officials were working with Taliban leadership on a mechanism to allow Afghanistan to use its central bank reserves to deal with a severe hunger crisis without giving the former militant group free rein. One option reportedly discussed would involve a

TABLE E.2

USAID REMAINING ON-BUDGET PROGRAMS					
Project/Trust Fund Title	Afghan Government On-Budget Partner*	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Multilateral Trust Funds					
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple*	9/29/2020	12/31/2025	\$700,000,000	\$55,686,333

Note: USAID had previous awards to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements and in September 2020 and totaled \$2,555,686,333 in disbursements. Cumulative disbursements from all ARTF awards is currently \$4,127,677,528.

* The four ARTF USAID funded activities (CCAP, Sehatmandi, EQRA, IP-DPG) were paused after the evacuation in August 2021. Sehatmandi shifted to an off-budget UN-executed grant to continue supporting delivery of Basic Package of Health Services (BPHS) and Essential Package of Hospital Services (EPHS) nationally. On June 3, 2022, the World Bank issued announced it would redirect ARTF funding and programming to three UN-implemented activities.

Source: USAID, response to SIGAR data call, 7/9/2022.

third-party trust fund administering the reserves. As of June 15, State told SIGAR that “while the central bank assets are envisioned to be used for macroeconomic stabilization efforts that would undergird the international community’s expansive humanitarian response, no decisions have been made about specific sectors or activities that would benefit from these assets.”³³

Last quarter, President Joseph R. Biden acted to freeze the DAB assets in response to a writ of execution issued on September 13, 2021, by victims of the 9/11 attacks who had earlier won a judgment against the Taliban for more than \$7 billion. The writ of execution was issued in an attempt to seize the assets, most of which were on deposit with the Federal Reserve Bank of New York. The effect of Executive Order (E.O.) 14064 was to preserve the DAB assets until a number of complex legal issues could be resolved in court. In a Statement of Interest filed in court on the same day the President signed E.O. 14064, the United States stated that it intended to use \$3.5 billion of the \$7 billion to address the economic and humanitarian crisis in Afghanistan, and would leave it to the court to decide whether the remaining \$3.5 billion could be used to compensate 9/11 victims. However, the ultimate disposition of these assets remains subject to court decisions.³⁴

On May 23, Japan’s government announced it was providing a further \$64 million for United Nations Development Programme (UNDP) Afghanistan’s Area-Based Approach to Development Emergency Initiatives (ABADEI) program. This funding will enable UNDP Afghanistan to directly support 200,000 vulnerable individuals in Afghanistan, with an emphasis on displaced families, and provide:³⁵

- essential services and basic infrastructure rehabilitation for better access to water, energy, and primary health services through solar photovoltaic systems, cash for work, and mobile health services;
- reinforcement of local livelihoods, markets, and economies through vocational training and financial, technical, and equipment support; and
- strengthened skills and capacities of local institutions and communities for better social cohesion through supporting community platforms, psychosocial support, and counseling.

UNDP's ABADEI program is designed to promote linkages between local producers, markets, and financial institutions in order to help stabilize the local economy, scale up means of earning income, and complement assistance efforts in the country.³⁶

Afghanistan Reconstruction Trust Fund

(ARTF): A World Bank-administered multidonor trust fund that coordinated international assistance to support the former Afghan government's operating and development costs, which financed up to 30% of its civilian budget. Out of 34 total donors since 2002, the United States, the United Kingdom, and the European Union were the three leading contributors, with U.S. contributions comprising 50% of the \$718.6 million were paid into the ARTF during 2020. In 2021, U.S. contributions to the ARTF ceased and total international contributions to the fund fell to \$243.47 million.

Source: ARTF, "Who We Are," 2021; ARTF Administrator's Report on Financial Status, as of January 20, 2022, (end of 1st month of FY1401); SIGAR, Quarterly Report to the United States Congress, 7/30/2022, p. 50; SIGAR, Quarterly Report to the United States Congress, 7/30/2021, p. 42.

World Bank announces three new ARTF-funded projects

On June 3, the World Bank and **Afghanistan Reconstruction Trust Fund (ARTF)** approved three new projects totaling \$793 million to provide urgent and essential food, livelihood, and health services to the people of Afghanistan. All three projects will be implemented off-budget, out of the interim Taliban administration's control, through United Nations agencies and nongovernmental organizations and coordinated with other multilateral and bilateral funding pledges for Afghanistan. Each has features specifically designed to benefit women and girls.³⁷

The Afghanistan Emergency Food Security Project

This \$195 million program will help in the production of food crops for smallholder Afghan farmers and prevent the further deterioration of food security. This UN Food and Agriculture Organization (FAO)-implemented project aims to:³⁸

- focus on wheat production, supporting about 300,000 households in the November 2022 planting season and another 300,000 households in the March–November 2023 planting season;
- support the nutritional needs of children, people with disabilities or chronic illness, and households headed by women by providing seeds and basic tools for backyard kitchen gardening and technical training on improved nutrition and climate-smart production practices;
- train about 150,000 women in cultivation and nutrition;
- enhance linkages for both farmers and women involved in gardening with local markets to facilitate the sale of marketable surpluses of wheat, vegetables, and legumes; and
- increase access to irrigation water, improve soil and water conservation, and build climate resilience by supporting the rehabilitation and improvement of selected irrigation and watershed management systems over 137,000 hectares of land.

The Afghanistan Community Resilience and Livelihoods Project

This \$265 million program will help provide short-term livelihood opportunities and deliver urgent essential services in rural and urban areas, in coordination with UNDP's ABADEI program. This UN Office for Project Services-implemented project aims to:³⁹

- provide livelihood and income opportunities for one million households in 6,450 rural communities across Afghanistan and the cities of Bamyan, Herat, Jalalabad, Kabul, Kandahar, Khost, Kunduz, and Mazar-e Sharif;



UN delivers aid in direct response to the June 22 earthquake, Giyan District, Paktika Province. (UNAMA News photo)

- improve basic utilities and services, such as clean water, sanitation, and road rehabilitation, for an additional 9.3 million Afghans in the same areas;
- deliver special assistance to women and vulnerable groups, including persons with disabilities and internally displaced people;
- utilize a bottom-up approach through the Community Development Councils that have provided services to communities for over 18 years; and
- engage local private sector contractors to help preserve the local civil works implementation capacity that has been gradually developed over the past two decades.

The Afghanistan Health Emergency Response (HER) Project

This \$333 million program will increase the utilization and quality of essential health services in Afghanistan. The UNICEF-implemented project aims to:⁴⁰

- deliver basic health, nutrition, and COVID-19 services in partnership with national and international service providers, in more than 2,300 health facilities nationwide;
- help fully immunize two million children;
- ensure care is available for 1.2 million women giving birth at health facilities;
- further enhance nutrition services at both community and health facilities;
- help strengthen the capacity of the health system to prevent and respond to infectious disease outbreaks and to contribute to the Global Initiative Polio Eradication efforts in the country; and
- support women's and children's continued access to basic health services.

AFGHANISTAN'S ECONOMIC OUTLOOK

Economic Forecast Remains Bleak

Despite expansive international support following the abrupt cessation of aid inflows in August 2021, economic conditions in Afghanistan remain dire. The economy has collapsed, employment and imports—including food and energy—are estimated to have halved, and government spending has likely fallen by three-fourths since the Taliban takeover, according to the World Bank.⁴¹

The value of the afghani (AFN) currency has stabilized in recent weeks against main trading currencies, with the AFN trading as of June 15, 2022, at 88 afghanis to the U.S. dollar (approximately 0.2% below its end-of-April 2022 value). AFN valuation had previously been volatile, having depreciated 3.9% compared to the U.S. dollar in the first two weeks of May, after appreciating by 6.8% between February 28 and April 28.⁴²

This stabilization was driven by a \$12 million injection of cash by Da Afghanistan Bank (DAB), Afghanistan's central bank, into the local economy through U.S. dollar auctions.⁴³ DAB has been able to resume currency auctions due an increased supply of U.S. dollars from humanitarian channels, averaging around \$150 million per month during the last quarter.⁴⁴

However, according to State, Afghanistan's financial system remains largely unable to transact internationally, and financial institutions are reportedly still facing **liquidity** constraints despite the broad range of economic activity covered by Treasury license GL20.⁴⁵ Afghan businesses report that they continue to struggle to find banks willing to clear international transactions. Private commercial financial institutions remain hesitant to transact with Afghanistan, reportedly due to the limited benefits and considerable risks of doing so. Such transactions exist in low volumes and offer low profitability, while banks remain concerned that they may come under greater scrutiny in the future and face reputational damage for transacting in Taliban-controlled Afghanistan. These private financial institution decisions are separate from U.S. government instructions and guidance related to international assistance efforts.⁴⁶

The World Bank also reports that firms and households continue to face difficulties in accessing cash, since AFN liquidity within the banking sector appears to remain constrained. While the reports suggest less pressure on the banks regarding deposit withdrawals, households and firms still cannot access cash deposited, even within the statutory limit imposed by DAB.⁴⁷

DAB technocrats met with World Bank and UN officials last quarter to discuss the feasibility of a **humanitarian exchange facility**, but they reached no tangible arrangement. The International Monetary Fund stated its "engagement with Afghanistan has been suspended until there is clarity within the international community on the recognition of the government." State told SIGAR that it continues to advocate for DAB's independence

Liquidity: Liquidity refers to the efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price. The most liquid asset of all is cash itself.

Humanitarian exchange facility:

A humanitarian exchange facility would allow the UN and aid groups to swap millions of U.S. dollar-denominated aid for afghanis held in the country by private businesses, to act as a stopgap measure until the Afghan central bank is able to operate independently. In the exchange, the UN would use aid dollars to pay off the foreign creditors of Afghan businesses as a means of bolstering private-sector activity. The exchange would be structured so that the funds entirely bypass Taliban authorities, although requiring the approval of the Taliban-run central bank before it can operate..

Source: Investopedia, "Liquidity," 8/29/2021; Reuters, "EXCLUSIVE U.N. aims to launch new Afghanistan cash route in February: U.N. note," 2/11/2022.



Daily wage laborers wait for jobs at an assembly point in Kunduz City, Afghanistan. (UNAMA News photo)

from political influence, but is not in a position to speculate on DAB officials' competence.⁴⁸

Poor households in rural and urban areas continue to suffer from high unemployment, significant levels of debt, reduced incomes, and high food prices as a result of the ongoing economic crisis, limiting their purchasing power.⁴⁹ Recent World Bank surveys show that three-fourths of households report insufficient incomes to meet basic needs.⁵⁰ The 600,000 Afghans who reach working age (as early as 15 years of age) every year face diminishing economic opportunities and significantly higher rates of poverty.⁵¹

After remaining stable at around 32% in February and March 2022, year-on-year basic household goods inflation reached 41.6% in May 2022, as increasing global food and fuel prices pushed up Afghan domestic prices. In May 2022, prices increased by 6.4% for diesel, 8.2% for cooking oil, 3.8% for wheat flour, 3.8% for rice, and 2.8% for bread. The April 2022 data issued by Afghanistan's National Statistics and Information Authority (NSIA) shows that year-on-year headline inflation was recorded at 15.5%, driven mainly by 24% food inflation.⁵²

The war in Ukraine will likely further aggravate the situation, as Afghanistan relies heavily on imported food and fuel. The war also risks diverting donor attention and funding away from Afghanistan. While Afghanistan's overall security situation has continued to stabilize since the takeover by the Taliban, attacks by non-state armed groups and intragroup fighting are expected to increase this summer, causing new displacement and access constraints for aid workers.⁵³

THE TALIBAN'S NATIONAL BUDGET FOR 2022

On May 14, the Taliban-run Ministry of Finance released its first annual budget running through February 2023.⁵⁴ The budget outlines expenditures of 231.4 billion AFN (\$2.6 billion), while estimating domestic revenues of 186.7 billion AFN (\$2.1 billion). The budget allocates 203 billion AFN (\$2.3 billion) to the operating budget and 27.9 billion AFN (\$313 million) to the development budget.⁵⁵ Taliban deputy prime minister Abdul Salam Hanafi said, “the entire budget, including spending on education, health, development, defense or other sectors, will be funded by our national revenue sources without any foreign contributions.”⁵⁶

While Taliban representatives claimed that domestic revenue from customs duties, tax collection, and mining would fund the budget, they have not said how they plan to bridge the roughly 44.4 billion AFN (\$501 million) projected deficit.⁵⁷ The deficit might exceed that projection: The World Bank estimates the Taliban will collect only \$1.7 billion in revenues in 2022, rather than the \$2.1 billion forecast. The Taliban claims to have raised 75.6 billion AFN (\$840 million) between December 22, 2021, and June 21, 2022.⁵⁸

The former Afghan government consistently generated insufficient domestic revenues to cover government expenditures, covering the resulting deficits with international grants. In the years before the Taliban takeover, sustainable domestic revenues covered on average only 43% of Afghan government expenditures (which totaled \$5.5 billion USD in 2020).⁵⁹

According to the World Bank, the Taliban collected an estimated 63.7 billion AFN in revenue from December 2021 to May 2022. Of these receipts, 57% were collected by the Afghanistan Customs Department at border crossings. Of the inland customs revenue collected, non-tax sources, such as fees and fines, contributed the most.⁶⁰

While customs and tariffs remain the primary sources of revenue for the Taliban regime, they are seeking to reactivate tax collection, overflight fees, and other sources of revenue that have been zeroed out or anemic since August 2021.⁶¹ Notably, experts at the U.S. Institute of Peace and World Bank reported that collections by tax offices have remained weak. From May to June 2022, inland tax receipts are reported to have fallen by more than half compared to 2021, reflecting worsened economic conditions, diminished business activity, and hesitancy by international taxpayers to do business in Afghanistan.⁶²

The Taliban are taking a number of steps to increase revenue, including reactivating an e-filing system,

suspending fines for late tax payments to encourage citizens to pay back taxes, and imposing widespread tax hikes. In June, the Taliban announced new tariffs on freight traffic that media reporting indicates could triple the costs imposed on truck drivers. In Kabul, shopkeepers are now being charged a formerly ignored signage tax, reportedly 12,000 AFN per square meter of the signage they hang in front of their shops. Other Kabul residents report being charged a 10% tax on mobile-phone cards—a tax deemed illegal under the former Afghan government.⁶³

To further boost the budget, the Taliban reportedly increased their tax on coal exports from 20% to a 30% levy in May. Aiming to capitalize on record prices for coal in the wake of Russia’s war in Ukraine and Indonesia’s ban on coal exports, the Taliban have ramped up coal exports, collecting more than \$33 million in customs revenue in the last six months. This comes amid Taliban pledges to lower rising heating costs and provide more electricity to industries and large cities.⁶⁴

Radio Free Europe/Radio Liberty reports that these tax increases coincide with fewer and worsening essential government services: “Since the Taliban regained power, government employees have reported difficulties getting paid, food and fuel prices have soared, and the education and health-care systems are in shambles.”⁶⁵ *Foreign Policy* also reports that the Taliban’s efforts to centralize tax collection in Kabul have sparked infighting with a local Taliban commander in coal-rich Sare Pul Province. During the insurgency, local Taliban commanders directly taxed local resources.⁶⁶

The Taliban have not provided details on how the 203 billion AFN operating budget will be spent. The Taliban’s previously released interim budget, detailing 53.9 billion AFN (\$524 million) for the period of December 2021 to March 2022, devoted about 40% of expenditures to defense and security.⁶⁷

According to State, economic experts question the budget’s accuracy and utility due to the lack of transparency and detail. Some analysts noted Afghanistan’s mining sector would not be a major source of revenue because there was limited foreign appetite to invest, which would cause actual deficits to far exceed the budget’s projection. These experts have also expressed concern that the budget for development was inadequate and would exacerbate poverty.⁶⁸

International Trade

Afghanistan's imports declined significantly this quarter with the general slowdown in economic activity. Data from Pakistan show that Afghanistan's imports from Pakistan between July 2021 and May 2022 decreased by 38% versus the same year-ago period. On the other hand, Afghanistan's exports to Pakistan between July 2021 and May 2022 increased by around 34%. As a result, Afghanistan enjoys a trade surplus of \$112.5 million in absolute terms with Pakistan.⁶⁹

Part of this increase in exports can be attributed to increased coal exports to Pakistan as the Taliban aimed to generate more revenue from Afghanistan's mining sector and capitalize on record prices for coal. The Taliban have reportedly boosted coal exports to 1.8 million tons in the past year, a rise of 16%. Most of the coal is taken from artisanal mines that have traditionally been seen as a major source of corruption and infighting, and have drawn criticism for the use of child labor.⁷⁰

By World Bank estimates, overall border traffic into and out of Afghanistan has decreased 40–50% year-on-year since the Taliban took over the country in August 2021. According to State, political tensions, border security issues, criminal activity (including narcotics trade and human smuggling), and refugee flows contribute to limited transit and trade with Afghanistan's neighbors. Cross-border activity generally involves the provision of international aid including the occasionally reported transportation of food and supplies from Tajikistan and Uzbekistan to northern areas of Afghanistan, near Mazar-e Sharif. Trade at the Hairatan border crossing with Uzbekistan has dampened as Afghan nationals with Uzbek visas fear not being allowed to return to Uzbekistan after crossing into Afghanistan.⁷¹

Last quarter, as part of a special arrangement with Pakistan, India promised to send nearly 50,000 tons of wheat as humanitarian food assistance to Afghanistan. This development was noteworthy since the Afghanistan-Pakistan Transit Trade Agreement (APTTA), does not allow Indian goods to be delivered to Afghanistan via land routes (though it does allow Afghan overland exports to India).⁷² However, as of May 20, only around 10,000 metric tons of wheat provisions have been transported overland through Pakistan and delivered to Afghanistan at the Wagah border.⁷³ A World Food Programme representative told *Al Jazeera* that the UN would distribute this aid as it arrives.⁷⁴

Economic Growth Portfolio

USAID's Office of Economic Growth (OEG) reported that it adjusted its programming during the first and second quarter of FY 2022 to help restore livelihoods and provide assistance to vulnerable populations.⁷⁵

These vulnerable populations include internally displaced people (IDPs) and returnees living in settlements and other settings in and around urban centers; women and adolescent girls, including IDPs coming from rural



A long queue of trucks loaded with commercial goods proceeds to northern Afghanistan through Salang Pass in Parwan Province. (UNAMA News photo by Shamsuddin Hamed)

areas and those working in livelihoods support activities; high school and university graduates who are first-time job seekers; critical market actors, such as producers, suppliers, traders, or processors; apprentices; jewelry makers; carpet weavers; and the unemployed.⁷⁶

The overarching goals for USAID's assistance for economic growth are to (1) boost household incomes and business revenues in order to expand existing employment opportunities and create new ones, particularly for women and marginalized people; (2) increase liquidity in Afghanistan to provide businesses and individuals the financial stability needed to continue to do business; and (3) develop the Afghan workforce through building technical knowledge and skills needed for employment.⁷⁷ USAID's continuing economic-growth programs are shown in Table E.3.

TABLE E.3

USAID REMAINING ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA)	1/28/2020	1/27/2025	\$105,722,822	\$22,917,660
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	12,695,315
Livelihood Advancement for Marginalized Population (LAMP)	8/1/2018	7/31/2022	9,491,153	7,832,294
Afghanistan Investment Climate Reform Program (AICR)	3/27/2015	3/31/2023	13,300,000	7,825,276
Carpet and Jewelry Value Chains	1/31/2019	4/30/2023	9,941,606	6,818,678
Total			\$156,681,787	\$58,089,222

Source: USAID, response to SIGAR data call, 7/9/2022.

USAID OEG reports the following outcomes from their programs this quarter:⁷⁸

- 475 sustainable jobs created through varying interventions such as establishing greenhouses, and livestock and poultry distribution;
- provision of aid to 3,050 households in Kabul, Khost, Ghazni, and Balkh Provinces;
- technical assistance and marketing support to over 50 firms;
- substantial progress in supporting businesses in each of the targeted value chains (carpets, cashmere, and saffron), with 11 grants worth \$5.8 million;
- 2,387 individuals (1,597 women, 790 men) placed within value chain companies (carpets, cashmere, and goods and services) under the apprenticeship program;
- apprentice stipends expected to support 6,000 people including household members; and
- creation of 2,046 jobs in carpet and jewelry industries.

Agriculture

USAID's agriculture programs and activities are designed to mitigate the immediate hardships of vulnerable farm households and agri-businesses due to the continuing drought, political instability, and financial liquidity challenges, while also addressing longer term economic recovery to help ensure improvements in food security and the operational sustainability of key agricultural value chains. These efforts include (1) training, technical assistance, and agriculture extension services to smaller farmers; (2) supply of seeds, fertilizer, and other items to farmers to help increase production; (3) veterinary services and other support to the livestock and dairy sectors to improve animal health, maintain productive assets, and increase production and incomes; and (4) assistance focused on job creation and increasing incomes by improving domestic market linkages and creating additional value. Other activities include farm upgrades by providing a technical package of tools, supplies, and equipment such as saplings, trellising, greenhouses, development of vineyards and orchards, and the provision of seeds and fertilizer to develop new fruit and vegetable varieties.⁷⁹ USAID's continuing agriculture programs are shown in Table E.4.

TABLE E.4

USAID REMAINING AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Afghanistan Value Chains - Livestock	6/9/2018	6/8/2023	\$55,672,170	\$33,230,520
Afghanistan Value Chains - High Value Crops	8/2/2018	8/1/2023	54,958,860	31,499,846
Grain Research and Innovation (GRAIN)	11/8/2012	9/30/2022	19,500,000	14,471,563
Agricultural Marketing Program (AMP)	1/28/2020	1/27/2023	30,000,000	13,802,806
USDA PAPA	9/30/2016	9/29/2022	12,567,804	1,152,417
Total			\$172,698,834	\$94,157,153

Source: USAID, response to SIGAR data call, 7/9/2022.

USAID had two active agriculture programs operating in Afghanistan this quarter: Agriculture Marketing Program and Afghanistan Value Chains–Livestock. A third program, the Afghanistan Value Chains–High Value Crops, underwent contract modification without field implementation this quarter.⁸⁰ Afghanistan remains in the midst of the worst drought in years, making it difficult for farmers to grow crops and raise livestock.⁸¹

Agriculture Marketing Program

The \$30 million Agriculture Marketing Program focuses on strengthening domestic market linkages; identifying and helping resolve value chain

gaps; increasing the resilience of the agricultural sector to satisfy domestic market demand; and increasing farm gate prices for targeted farming communities. Other activities to increase cultivation and yield include orchard rehabilitation and greenhouse construction in response to current strong demand for vegetables. Activities include training, technical assistance, and extension services to improve farm and orchard management and provision of inputs such as seeds, fertilizer, saplings, trellising, and greenhouses to grow and harvest fruits and vegetables.⁸²



A farmer plows a field in rural Badakhshan Province. (UNAMA News photo by Shamsuddin Hamed)

The Afghanistan Value Chains–Livestock

The \$55.7 million Afghanistan Value Chains–Livestock program operates throughout the country, with regional offices in Kabul, Herat, Mazar-e Sharif, Jalalabad, and Kandahar. In the new operational environment, the activity is focused on (1) immediate “stabilization activities” designed to mitigate drought and instability impacts on vulnerable farm households and agribusinesses; and (2) continuing regular program activities with a greater focus on adding new actors and supporting current-partner anchor firms to expand sources of raw materials and supplies and grow employment with women-run agribusinesses, vulnerable communities, and farmers.⁸³

Infrastructure

USAID suspended all Afghanistan infrastructure and construction activities in August 2021 and is now winding them down. USAID is no longer tracking the status of U.S.-funded infrastructure in Afghanistan.⁸⁴

Two USAID implementing partners received disbursements this quarter but conducted no work in Afghanistan. The Engineering Support Program, implemented by Tetra Tech, provides engineering support remotely for the wind-down of terminated construction activities. Engineering Services for the SEPS (South East Power System) Completion and NEPS (North East Power System)–SEPS Connector Substations activity is provided by the U.S. Army Corps of Engineers remotely from Iraq, Kuwait, and Qatar for the wind-down of this activity.⁸⁵

One USAID-funded infrastructure program resumed operations last quarter: UNICEF’s \$35 million Rural Water Supply, Sanitation and Hygiene (Ru-WASH) program, funded through a five-year grant agreement awarded on June 24, 2020.⁸⁶

Ru-WASH projects address acute water and sanitation needs in underserved rural areas in Afghanistan, and promote efforts to improve basic drinking-water supply sources and expand access to sanitation facilities for children at schools. These activities are being conducted in Khost, Maydan Wardak, Paktika, Panjshir, Paktiya, Kabul, Laghman, Nangarhar, Nuristan,

Sar-e Pul, Samangan, and Jowzjan Provinces.⁸⁷ Ultimately, Ru-WASH aims to ensure that:⁸⁸

- 400,000 people (comprising approximately 57,000 households in 252 communities) gain access to basic drinking water services from an improved drinking water supply source;
- 40 model child-friendly schools and 40 health-care facilities integrate WASH and menstrual hygiene management practices and facilities; improve drinking water supply; and expand gender-separated toilet facilities, with attention to the specific needs of girls and students with disabilities;
- 700,000 people in approximately 1,660 communities live in open-defecation-free communities and practice and promote safe hygiene behaviors and interventions at schools and health centers in high-risk polio areas;
- existing WASH structures, including contracting technical WASH personnel as UNICEF extenders, are supported through the delivery of water and sanitation services from Community Development Councils, NGOs, and private sector companies to rural Afghans;
- 150 schools and their surrounding communities in high-risk COVID-19 areas receive critical WASH services to prevent and control the transmission of the virus.

USAID's remaining infrastructure programs are shown in Table E.5.

TABLE E.5

USAID REMAINING INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2023	\$332,767,161	\$272,477,914
Contribution to AITF (Afghanistan Infrastructure Trust Fund)	3/7/2013	3/6/2023	153,670,184	153,670,184
Design & Construction of SEPS Completion & NEPS-SEPS Connector Substations	7/3/2019	7/30/2023	175,527,284	123,609,994
Engineering Support Program	7/23/2016	1/22/2023	125,000,000	110,311,198
Rural Water Supply, Sanitation & Hygiene (Ru-WASH)	6/24/2020	6/23/2025	35,841,332	15,841,332
Afghan Urban Water and Sanitation Activity (AUWS)	3/10/2019	3/9/2024	41,387,402	14,598,336
Design and Acquisition of South East Power System (SEPS) Completion and North East Power System (NEPS) - SEPS	3/7/2018	3/31/2023	20,151,240	11,235,935
IT Support for DABS Existing Data, Disaster Recovery and Load Centers	8/31/2021	6/30/2022	437,752	437,752
USAID-CTP Promoting Excellence in Private Sector Engagement-PEPSE	8/28/2017	8/27/2023	114,252	114,252
25 MW Wind Farm in Herat Province	10/22/2019	11/27/2022	22,994,029	0
Total			\$907,890,636	\$702,296,898

Source: USAID, response to SIGAR data call, 7/9/2022.

Extractives

The State Department told SIGAR this quarter that it knows of no current cooperation between international businesses or foreign governments and the Taliban on developing mining operations, but did note previous media reports of visits from private Chinese entities to survey lithium deposits and potential mining projects in Afghanistan.⁸⁹

On March 24, China's Foreign Minister Wang Yi met with acting Deputy Prime Minister Mullah Baradar and acting Foreign Minister Amir Khan Muttaqi in Kabul. Minister Wang is the highest-ranking Chinese official to visit the country since the Taliban takeover. The ministers reportedly discussed Afghanistan's mining sector and its potential role in China's Belt and Road Initiative (a massive land and sea infrastructure project connecting China to Eurasia).⁹⁰

China has shown interest in minerals in Afghanistan since 2008, when the China Metallurgical Group Corporation (MCC) secured a 30-year lease on the Mes Aynak copper deposit after offering the Afghan government a 19% royalty on profits and promising to invest \$2.83 billion in infrastructure. State said there are no indications from media or sources within Afghanistan's mining sector that China has made progress on investments in the Mes Aynak site or any other extractive area since the Taliban takeover of Kabul.⁹¹

Western private investment in Afghanistan's mineral sector is unlikely due to risk factors and the lack of official foreign-government recognition of the Taliban as the government of Afghanistan. Furthermore, Afghanistan's **liquidity crisis** has forced some mining companies to lay off staff or suspend operations entirely. Increased shipping costs and high royalty payments appear to be further stifling activity.⁹²

The Taliban's Ministry of Mines and Petroleum (MOMP) and the Ministry of Finance approved measures to increase royalties on marble from 550 AFN/ton (\$5.50) to 2,000 AFN/ton (\$22.55). Experts agree that the hike in royalties would boost Taliban revenue in the short term, but that mining companies may have concerns about raising their prices to pay royalties that may, in turn, make their firms less competitive with foreign companies and result in reduced demand and loss of market share.⁹³

The Taliban also increased royalties on coal exports from 20% to 30% of sales in May, and raised the price of coal from \$90 per ton to \$280 per ton, between June and July 2022. Still, Afghan coal remains competitively priced at around 40% of the international market value. A Taliban finance ministry spokesperson claimed that they had collected three billion AFN (\$33.8 million) in customs revenue on over 16 billion AFN worth of coal exports in the past six months. Global coal prices have meanwhile approached record-high levels in the wake of an Indonesian ban on coal exports and Russia's invasion of Ukraine.⁹⁴

Liquidity crisis: A liquidity crisis is a financial situation characterized by a lack of cash or easily convertible-to-cash assets on hand across many businesses or financial institutions simultaneously. In a liquidity crisis, liquidity problems at individual institutions lead to an acute increase in demand and decrease in supply of liquidity, and the resulting lack of available liquidity can lead to widespread defaults and even bankruptcies. Entire countries—and their economies—can become engulfed in this situation. For the economy as a whole, a liquidity crisis means that the two main sources of liquidity in the economy—bank loans and the commercial paper market—become suddenly scarce. Banks reduce the number of loans they make or stop making loans altogether.

Source: Investopedia, "Liquidity Crisis," 12/6/2020.

State could not provide an estimate for the Taliban's mining income due to the lack of data and of transparency concerning Taliban sources of revenue. However, State said extractives sector revenues are minor and appear to have declined in the last six months despite Taliban claims of improved security and reduced corruption.

Licit output and revenue from Afghanistan's extractives sector were already low (around 1% of Afghanistan's sustainable domestic revenues in recent years) and have further declined since the Taliban's takeover due to lack of expertise among the Taliban and the current liquidity crisis. Although MOMP staff have remained at the ministry despite not being paid for months and shared concern that the Taliban will give postings to loyalists, the Taliban reportedly lack the expertise to finalize large, complex international deals.⁹⁵

State also said Afghanistan's political and security situation present challenges for mining operations. Security guarantees and the ability to honor mineral rights or land deals will be needed to develop any large-scale mining operation.⁹⁶

Civil Aviation

Taliban sign deal with UAE aviation company to manage ground handling and security operations at Afghan airports

On May 24, the Taliban signed an 18-month memorandum of understanding (MOU) with Abu Dhabi-based GAAC Solutions to manage ground-handling and security operations at international airports in Kabul, Kandahar, and Herat. GAAC had been the legacy contractor at Kabul Airport, reportedly signing a \$47 million service contract in 2020 to manage ground handling, information technology, and security. GAAC had been seeking to renew its contract since the collapse of the Afghan government in August 2021.⁹⁷

The Taliban had previously been in months-long negotiations with a Qatar-Turkey joint venture to manage airport operations throughout the country. According to press reports, talks stalled over the issue of each side wanting to provide their own security personnel for visibility over flight operations and crew safety. When Qatari engineers had previously worked at Kabul International Airport (KBL) to help with repairs after the August 2021 evacuations, they brought their own private security.⁹⁸

Humanitarian and commercial flights continue to use KBL at considerable cost and risk, with an average of approximately 10 commercial flights per day from KBL to domestic airports and international destinations including the UAE, Pakistan, Saudi Arabia, Iran, Turkey, Uzbekistan, Qatar, Kuwait, Georgia, and Russia. Since December, commercial flight trackers have registered regular services to/from Kabul by flag carrier Ariana Afghan Airlines, privately owned Kam Air, and Iranian carriers Mahan Air and Taban Airlines. There are occasional charter flights and frequent



The control tower at the Herat International Airport. (Taliban regime photo)



Inside the control tower at the Kabul International Airport. (Taliban regime photo)

operations from Islamabad by the UN Humanitarian Air Service/World Food Programme.⁹⁹

Commercial carriers in the region and elsewhere continue to express significant concerns about airport security, and insurance for operations into Kabul remains exorbitantly priced or effectively unavailable.¹⁰⁰

Further information on the status of civil aviation in Afghanistan appears in the Classified Supplement to this report.

EDUCATION

USAID's Office of Education (OED) had three active education-development programs in Afghanistan this quarter. Three OED implementers—the UK's Foreign, Commonwealth & Development Office (FCDO); The Asia Foundation; and the American University of Afghanistan (AUAF)—continued or resumed work and received disbursements during this quarter.¹⁰¹ USAID's continuing education programs are shown in Table E.6.

Under an agreement on delegated cooperation with FCDO, in May 2022, the Girls' Education Challenge program partners remobilized communities to resume 188 community-based, accelerated-learning classes, serving more than 5,100 adolescent girl learners.¹⁰²

TABLE E.6

USAID REMAINING EDUCATION PROGRAMS

Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Strengthening Education in Afghanistan (SEA II)	5/19/2014	12/31/2023	\$49,828,942	\$45,825,719
Let Girls Learn Initiative and Girls' Education Challenge Programme (GEC)	6/29/2016	9/30/2022	29,000,000	25,000,000
Technical Capacity Building for AUAF	2/1/2021	5/31/2022	18,947,149	11,601,581
Total			\$97,776,091	\$82,427,300

Source: USAID, response to SIGAR data call, 7/9/2022.

The Strengthening Education in Afghanistan (SEA II) program continued operations this quarter, focusing increasingly on providing oversight and management support to private schools and universities alongside scholarships to enroll/retain female students.¹⁰³

During the reporting period SEA II provided 1,197 full or partial scholarships to young Afghan women so they can remain enrolled in and complete a bachelor's or master's degree program. SEA II also selected 80 female-only secondary school partners to build their institutional capacity and provide full or partial scholarships to 50 students in each school. SEA II delivered training to selected school staff and personnel on a variety of topics, including strategies for increasing enrollment, improving quality of education, and financial management. Finally, SEA II developed and published online lessons in grades 10–12 math, biology, chemistry, geology, and physics to support students preparing for examinations.¹⁰⁴

Outside of Afghanistan, SEA II supported 152 scholars in 13 “A Grade” accredited universities in India to complete their master's degrees. Of these, 145 scholars have successfully completed their education and returned to Afghanistan. SEA II additionally contracted with Superb Enterprises Pvt. Ltd. in India to assist with helping Promote master's scholars get their certificates attested by various authorities in India.¹⁰⁵

The technical capacity-building program for the American University of Afghanistan (AUAF) continued this quarter, with AUAF having shifted to an online education model since the Taliban takeover.¹⁰⁶

AUAF continues to provide online instruction for students in Afghanistan and for those who have been relocated to the American University of Central Asia (AUCA) in Bishkek, Kyrgyzstan; the American University of Iraq-Sulaimani (AUIS) in Iraq; and other countries. AUAF has 600 male and female students living in Afghanistan and other countries receiving online education, 180 of whom continue to receive undergraduate scholarships from the State Department. Under current plans, about 100 AUAF undergraduate students—80% female and 20% male—will be relocated from Afghanistan or neighboring countries to continue their education and resume face-to-face classes with AUAF faculty.¹⁰⁷

With support from the Qatari government, Qatar Fund For Development (QFFD), and Qatar Foundation (QF), AUAF also began operations in Doha with a small branch campus at Education City and has planned to relocate more students from Afghanistan.¹⁰⁸

AUAF still has approximately 80 Afghan local staff, both faculty and administrative, who continue to work and operate remotely from their homes. This number continues to decrease as individuals relocate to other countries with their families.¹⁰⁹

AUAF activities conducted outside of Afghanistan include providing support for students, staff, and faculty to safely immigrate; monitoring, tracking, and communicating safety and security concerns with both

the national and international staff; assessing the political settings in Afghanistan and maintaining situational awareness about political and legal realities for the possibility of AUAF's return to Kabul; continuing enrollment activities, as well as a mentoring program for female students; and restoring the two critical operational and e-learning systems for AUAF.¹¹⁰

Education in Afghanistan continues to be hobbled by Taliban policies. On March 23, 2022, primary schools for both boys and girls opened across Afghanistan. However, the same day, the Taliban issued a national ban on girls' access to secondary education (grades 7–12). While the Taliban said this ban would stand until a new order was issued to open girls' secondary and upper secondary schools or to allow girls to enroll in or attend classes in mixed schools, none has been given. Despite these restrictions, USAID implementing partners have reported that some girls' secondary and upper secondary schools, both public and private, have been able to operate in six to nine provinces, primarily in the north of the country.¹¹¹

In response to the Taliban's March 23 decision to ban girls' access to secondary school, the State Department told SIGAR this quarter that:

Within hours, we were undertaking energetic and focused diplomacy with our allies, regional partners, and Muslim-majority countries and organizations, such as the OIC [Organization of Islamic Cooperation], to ensure that the world would stand united and vocal in its abject [sic] opposition to this indefensible decision. G7 Foreign Ministers, joined by counterparts from the United States, Canada, France, Germany, Italy, Japan, Norway, the United Kingdom, and the High Representative of the European Union, condemned this move against Afghan women and girls' rights. Qatar, Turkey, Indonesia, Pakistan, and the OIC also condemned the decision. Within days, ulema leaders (religious scholars) from across Afghanistan, as well as leaders in Pakistan, likewise called on the Taliban to reverse their decision. The United States cancelled a high-level session on economic stabilization with Taliban leaders that was to take place on the margins of the Doha Forum March 26–27.¹¹²

At the higher-education level, public and private universities remain open. However, female students and faculty continue to face restrictions, including separate days of participation, and strict uniform guidelines.¹¹³ A lack of female teachers and facilities has also reportedly complicated women's access to higher education, since the Taliban in September ordered that female students only be taught by female teachers.¹¹⁴

USAID had no school attendance data to compare to levels under the former government. However, USAID recognized that school participation has been negatively affected by compounding risks, notably 52 weeks of school closures due to the COVID-19 pandemic across the 2020 and 2021 school years, growing economic instability, growing food insecurity, and paused foreign assistance to the education sector in Afghanistan.¹¹⁵

USAID also expressed concern about the conversion of public school buildings, specifically technical and vocational education and training centers and teacher-training colleges, to madrassas. Hours of instruction allocated to religious studies have also reportedly been increased during the quarter.¹¹⁶

Teachers face months of salary uncertainty

Teachers have faced months of uncertainty as to when and from what source they would be paid. This quarter, USAID indicated that the Taliban paid teachers at least two months of salary arrears in December 2021; salary payments had been halted in August 2021. USAID also reports the Taliban paid at least one month of salary for April/May. The World Bank similarly reported that the Taliban have paid one month of salaries in 2022, but has no independent verification of these payments, including the scale and completeness of payments. USAID also reported that UNICEF paid formal primary and secondary school teachers a twice-monthly \$100 stipend for January, February, and part of March 2022, made possible through financial support from the European Union.¹¹⁷

USAID had no definitive information on any specific Taliban actions to address the shortage of teachers. But on June 7, 2022, Taliban deputy spokesperson Inamullah Samangani wrote on Twitter: “The MoE in coordination with the National Examination Authority and the ICSARC [Independent Civil Services and Administrative Reforms Commission] has offered 7,200 new teachers posts.” USAID believes more than 2,000 of these posts will be for madrassa teachers.¹¹⁸

PUBLIC HEALTH

USAID has resumed support to several public health initiatives in Afghanistan as a result of the Treasury Department’s latest general license (GL20) expanding sanctions exemptions. The following programs are off-budget and do not channel funds to any government institution:¹¹⁹

- providing an expanded package of technical support, through bilateral implementing partners, to public health facilities (including hospitals) that do not receive other donor support and are not managed by Sehatmandi NGO service providers;
- strengthening and expanding COVID and tuberculosis testing and diagnostic services in public laboratories that do not receive other donor support and are not managed by Sehatmandi NGO service providers;
- engaging with the Ministry of Public Health (MOPH) to streamline the taxation waiver process for pharmaceuticals and equipment donations, and the Afghanistan FDA for licensing, registration, and quality testing of imported supplies and commodities.



Acting UNAMA head in Afghanistan Ramiz Alakbarov during a visit to the Indira Gandhi Children’s Hospital in Kabul. (UNAMA News photo)

SIGAR AUDIT OF UHI AND AFIAT

An ongoing SIGAR audit is reviewing the extent to which the Urban Health Initiative (UHI) and the Assistance for Families and Indigent Afghans to Thrive (AFIAT) are achieving their goals, and is assessing USAID's oversight of these programs.

Three other USAID-supported public health programs continued activities this quarter. USAID's Assistance for Families and Indigent Afghans to Thrive (AFIAT) program continued focusing on providing life-saving pharmaceuticals and commodities, creating a female health-worker corps, strengthening community-based services, advocating for strengthened nutrition counseling for mothers and children, and strengthening COVID-19 prevention and response.

The Urban Health Initiative (UHI) continued expanding access to and quality of health services in NGO-supported and private facilities, strengthening COVID-19 prevention and response, strengthening community-based service delivery, and establishing "eMentoring" for healthcare providers.

SHOPS-Plus (Sustaining Health Outcomes through the Private Sector Plus) continued sales of socially marketed health products to third-party distributors and retail outlets. Additionally, the Disease Early Warning System (DEWS) initiative, working through the World Health Organization, continued to provide support for disease surveillance for both polio and COVID-19.¹²⁰ USAID's continuing health programs are shown in Table E.7.

Access to health-care services recovers in some areas

Approximately 168 public hospitals and 621 private hospitals operated in Afghanistan this quarter, as reported by USAID implementing partners. Ninety-six public hospitals—which were funded by the World Bank's Sehatmandi/Afghanistan Reconstruction Trust Fund prior to

TABLE E.7

USAID REMAINING HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
DEWS Plus	7/1/2014	6/30/2022	\$54,288,615	\$41,588,740
Assistance for Families and Indigent Afghans to Thrive (AFIAT)	7/10/2020	7/9/2025	117,000,000	20,413,201
Urban Health Initiative (UHI) Program	10/14/2020	10/13/2025	104,000,000	20,251,698
SHOPS Plus	10/1/2015	9/30/2022	13,886,000	13,162,480
Afghanistan Demographic and Health Survey (ADHS) Follow-On	10/9/2018	9/9/2023	10,500,000	5,548,814
Central Contraceptive Procurement (CCP)	4/20/2015	11/28/2023	3,599,998	3,122,674
Sustaining Technical and Analytic Resources (STAR)	5/1/2018	9/30/2023	2,186,357	1,274,223
TB Data, Impact Assessment and Communications Hub (TB DIAH)	9/24/2018	9/24/2023	600,000	600,000
Meeting Targets and Maintaining Epidemic Control	4/15/2019	4/14/2024	270,000	270,000
Global Health Supply Chain Management (GHSCM-PSM)	4/20/2015	11/28/2023	176,568	176,568
Modeling American Healthcare, Standards & Values in Afghanistan	10/1/2020	9/30/2022	1,092,601	0
Total			\$307,600,139	\$106,408,398

Source: USAID, response to SIGAR data call, 7/9/2022.

August 15—have continued to receive financial support (to offer the basic package of hospital services) from the UN's Central Emergency Response Fund (CERF) and the ongoing World Bank “transfer out” mechanism. Additionally, since November 2021, the International Committee of the Red Cross (ICRC) signed MOUs with the MOPH to finance staffing, operational, and commodity support for 33 of these hospitals, leading to improved service delivery.¹²¹

The pause of the World Bank-administered Sehatmandi project from August to October 2021 had a severe impact on Afghanistan's health sector, particularly with services in public hospitals that were directly supported by the MOPH under the Ghani Administration and did not receive outside donor support. The provision of bridge funding from USAID and other international donors to sustain Sehatmandi helped avert a complete collapse of the public health system.¹²²

On May 30, 2022, the World Health Organization (WHO) reported the following figures with regard to hospital functionality:¹²³

- outpatient department delivery of 2,489,016 services (58% female, 42% male) (February–April, 2022);
- inpatient department delivery of 157,547 services (64% female, 36% male) (February–April, 2022);
- 752,924 services provided to children under five (February–April, 2022);
- monthly monitoring visits (by WHO) to all 96 hospitals to track functionality and identify/respond to gaps and areas of concern;
- 100% of hospital staff receiving full salaries on time in March and April;
- hospital utilization steadily increasing from a low of 797,059 visits in October 2021 to 1,066,796 in April 2022.

The WHO reported some areas of concern regarding hospital functionality (despite continued funding), including: shortage of medical and non-medical supplies and equipment, limited infection prevention systems, staffing vacancies, and limited supportive supervision.¹²⁴ According to the *Wall Street Journal*, limited access to international bank transfers is contributing to shortages in medicines, like cancer and diabetes medications. One importer of medical supplies described having to ration the sale of antibiotics due to limited availability.¹²⁵

USAID also reports that the Taliban have issued instructions to reintroduce user fees in hospitals to generate domestic revenue, but the extent of implementation is uncertain as of mid-June.¹²⁶

According to USAID's implementing partner, the Urban Health Initiative (UHI), the biggest change observed at private hospitals supported by UHI is a loss of clients, and therefore income, as a result of the economic and liquidity crisis. Many private hospitals have reduced staffing and increased costs for services (such as surgeries, procedures, consultations) in response. The *Washington Post* reported that staff shortages at Kabul's

main children's hospital have resulted in family members being asked to operate delicate medical devices like feeding tubes. The malnutrition ward is also reported to be overflowing, with some babies sharing beds.¹²⁷

USAID reports that data collected through the national health information management system reveals that women's access to services has recovered following the Taliban takeover on August 15, with more women than men accessing patient services in hospitals. Additionally, UNICEF (which is providing oversight of 2,214 Sehatmandi health facilities) reported in May that 49.4% of beneficiaries are female and 50.6% are male, and that 93% of facilities have at least one female provider.¹²⁸

USAID does note some inconsistencies in women's access to health-care services between urban and rural areas. Access to health services is generally better in the cities due to the number of options and the presence of donor partners (ICRC, UHI, International Federation of the Red Cross/Afghan Red Crescent Society), the WHO and other UN agencies. UHI reports that in the majority of cases in urban settings, women are also able to access health services without a *mahram*—or male chaperone—and that women in the cities are not required to be accompanied by a mahram for distances of less than 48 miles. Meanwhile, AFIAT reports that women must be accompanied by a mahram if traveling more than 48 miles, and that women's access to health care differs across provinces. For example, in the Karz and Arghandab districts of Kandahar, women are forbidden from accessing health services without a mahram. In Nangarhar, women are allowed to access health services without a mahram in some districts, but not in others. And in Mazar-e Sharif, there appear to be no strictly enforced restrictions on women's access to health services.¹²⁹



An Afghan child receiving a polio vaccine.
(UNICEF Afghanistan photo)

Vaccination Programs

The United States has provided 4.3 million COVID-19 vaccine doses to the people of Afghanistan through COVAX, a WHO-supported initiative to provide access to vaccines for lower-income nations. At least one dose of vaccine has been given to 6,118,272 Afghans as of May 21, 2022.¹³⁰

UNICEF reports that measles outbreaks continued to affect most provinces across the country. Between January and the end of May 2022, there were 50,433 reported cases of measles and 309 deaths. While the incidence of new cases decreased following measles vaccination campaigns in 49 districts in March 2022, UNICEF and partners continued to advocate for a countrywide campaign.¹³¹

Measles spreads easily and can be serious and even fatal for small children. While death rates have been falling worldwide as more children receive the measles vaccine, the disease still kills more than 200,000 people a year, mostly children.¹³²

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