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Afghanistan's WTO Membership: Paving Passage to Global Trade

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ABSTRACT

Purpose: This study examines the transformative impact of Afghanistan's membership in the World Trade Organization (WTO) and explores how the country can leverage this membership to enhance its economy.

Design/Methodology/Approach: The study is exploratory and descriptive in nature. The data for the study has been drawn from secondary sources such as government policy documents, published reports, and research studies and publications.

Findings: The findings highlight that WTO accession has the potential to significantly transform Afghanistan's access to global markets and create job opportunities. However, the country faces challenges such as the ban on women, governance issues, fiscal limitations, and energy sector challenges that could impede its progress. Afghanistan aims to use its WTO membership to foster economic growth by maintaining low trade barriers, promoting private-sector production, and leveraging strategic trade routes.

Research Limitations: The main limitation of the study is that the study is limited to an extensive review.

Managerial Implications: The study underscores the transformative potential of WTO membership for Afghanistan's economy while considering the challenges and opportunities ahead for Afghanistan's government.

Originality/Value: This study maintains its originality, making it valuable. It has not been published in any journals or book chapters.

Introduction

Since August 2021, the Afghan economy has stagnated due to reduced aid, frozen reserves, sanctions, and financial system issues. Taliban policies, particularly limiting women, have further hampered economic activity, resulting in contraction, lower incomes, and substantial effects on human development. Afghanistan's future challenges threaten human progress. Existing constraints worsen alongside new obstacles, including the ban on women, governance issues, fiscal limitations, disruptions in banking and global finance, and energy sector challenges. These factors will impede sustainable growth and a positive environment for human development.

In today's globalized world, trade pervades economic activities, influencing and being influenced by various strategies. Governments can wield trade policies to achieve economic goals and stimulate growth, ultimately boosting private sector competitiveness. Afghanistan prioritizes growth-oriented trade policies, aiming to maintain low trade barriers, enhance private sector production, and leverage its strategic location for direct trade routes. Regional trade enhancement is vital for both economic growth and strengthened collaboration.

In July 2016, Afghanistan joined the WTO after a long accession process starting in November 2004. This offers Afghanistan a major chance to strengthen economic ties and expand global trade. The government aims to leverage WTO membership for investment, job creation, and improved economic welfare. As part of the process, Afghanistan committed to capped import tariff rates (averaging 13.5%-33.6% for agricultural, 10.3% for non-agricultural goods). It seeks to boost trade in eleven service sectors like telecom, banking, and insurance, vital for sustainable growth.

WTO membership ensures consistent trade laws, aiding Afghan exporters ([Mobariz 2016](#)).

The Ministry of Industry and Commerce aligns commercial laws with international standards. Overcoming conflicts and institutional challenges, Afghanistan seeks to utilise its landlocked status for efficient goods movement, requiring streamlined Customs and cost-effective transport. Despite challenges, Afghanistan's trade balance is negative due to high imports. Efforts to diversify production

rely on imports, while limited transport hampers reaching export markets.

Afghanistan faces complex and uncertain global and regional conditions. [Mustafa Aryan \(2023\)](#) Worldwide, economic growth and trade have slowed, impacting Afghanistan's GDP growth. Efforts to diversify exports and attract investments, particularly in Central Asia, create competition among neighbouring countries. Bilateral agreements, like with Uzbekistan, can boost Afghan exports.

The Gulf, SAARC members, China, and India offer potential markets and challenges for Afghan exports. Some stable foreign markets, like the EU, the US, Japan, Canada, and China, have favourable entry conditions ([Kaur et al., 2020](#)). India's preferential arrangements for least developed countries, including Afghanistan, also hold promise. Transit trade is crucial outstanding to Afghanistan's landlocked status. Recent agreements and infrastructure initiatives, such as the Chabahar port, contribute to Afghan exports through effective implementation.

Rationale on the Membership of World Trade Organisation

The objectives of becoming a member of the WTO encompass the following aims:

The Primary Objective

To drive more extensive economic growth, increase employment opportunities, elevate income levels, and diminish poverty, ultimately resulting in an improved standard of living for the Afghan populace.

General Purpose

- i. To bolster Afghan exports and domestic production, enhancing the competitive standing of Afghan goods in the global export arena.
- ii. To foster domestic production and streamline trade activities within Afghanistan's borders.
- iii. Further emphasis is placed on enhancing the tariff policy to facilitate more efficient trade practices.
- iv. The endeavour also involves minimising the time and financial outlay associated with cross-border trade transactions.

- v. Enabling easier access to international markets for Afghan products and services constitutes another crucial aspiration.
- vi. Finally, there is a focus on optimising the effectiveness of institutions dedicated to promoting and facilitating trade activities.

Pathway to Sustainable Trade and Economic Growth for Afghanistan

Afghanistan can boost its export competitiveness by improving quality infrastructure. To streamline trade and attract FDI, there is a need for reliable security and stability, and Investors should be protected against any illegal loss. Special Economic Zones derive growth, while export promotion and trade facilitation empower business. Domestic production should be nurtured through Intellectual Property and Commercial law. Strategic tariff review optimises trade. Also, broader market access is pursued through agreements and WTO and WIPO memberships. Strengthening trade institutions propels growth. This pathway derives economic growth via trade expansion, production and market access. Strengthening trade institutions propels growth. These policies drive economic advancement via trade expansion, display, and market access. Afghanistan possesses significant untapped potential for economic growth through trade incentives and domestic production [The World Bank \(2023\)](#). By focusing on various policy areas and implementing targeted strategies, which is designed in the following Afghanistan foster trade, increase export and enhance its economic landscape.

Promote Export Competitiveness of Afghan Goods

The Afghan economy's growth hinges on bolstering export competitiveness, necessitating a multi-pronged approach ([Asian Development Bank 2020](#)). To achieve this, Afghanistan must first enhance product quality to meet global standards through modern production techniques and rigorous quality control. Strengthening trade infrastructure, including logistics and border crossings, is essential for streamlined trade. A conducive business environment will attract investments and simplify regulations, while the creation of export-focused zones with incentives will spur economic activity. Targeted support for industries, along with market research and assistance, will drive export

promotion. Adequate trade finance mechanisms are crucial, aiding exporters with necessary funds. Sector-specific aid, tech transfer, and training will further amplify growth. These strategies, requiring collaboration among government, private sector, and international partners, hold the key to Afghanistan's resilience and prosperity in the face of challenges. The Afghanistan National Trade Policy addresses these aspects, focusing on infrastructure, quality, business climate, investment, and export promotion, with special emphasis on special economic zones, sector-specific support, and trade finance improvement.

Promote Domestic Production and Trade

To strengthen Afghanistan's economy and promote self-sufficiency, a focused strategy is essential ([Asian Development Bank 2020](#)). Prioritizing key sectors such as agriculture, textiles, tech, and services will drive innovation and job creation. Empowering domestic businesses through training, financing, and mentorship will enhance competitiveness both locally and internationally. Strengthening intellectual property protection, enforcing fair competition regulations, and ensuring consumer protection will build a solid foundation of trust and reliability [The World Bank \(2023\)](#). Farmers' rights must be safeguarded for food security and rural development, providing necessary resources and fair market access. Collaboration among government, private sector, and international partners is vital to realize these strategies, cultivating economic resilience and a prosperous future. The Ministry of Industry and Commerce's strategic plan underscores these efforts, focusing on reviving industries, supporting domestic manufacturing, and fostering trade growth. It aims to harness sector potential, empower local enterprises, protect intellectual property, ensure fair competition, and safeguard domestic producers, contributing to Afghanistan's economic advancement.

Enhance Tariff

Efficient tariff management is crucial for Afghanistan's economic stability. [Alizamir et al., \(2016\)](#). Regularly monitoring and adjusting tariff rates in line with economic goals and market dynamics can optimize outcomes. Tariffs play a vital role in managing inflation, balancing revenue generation with consumer price stability.

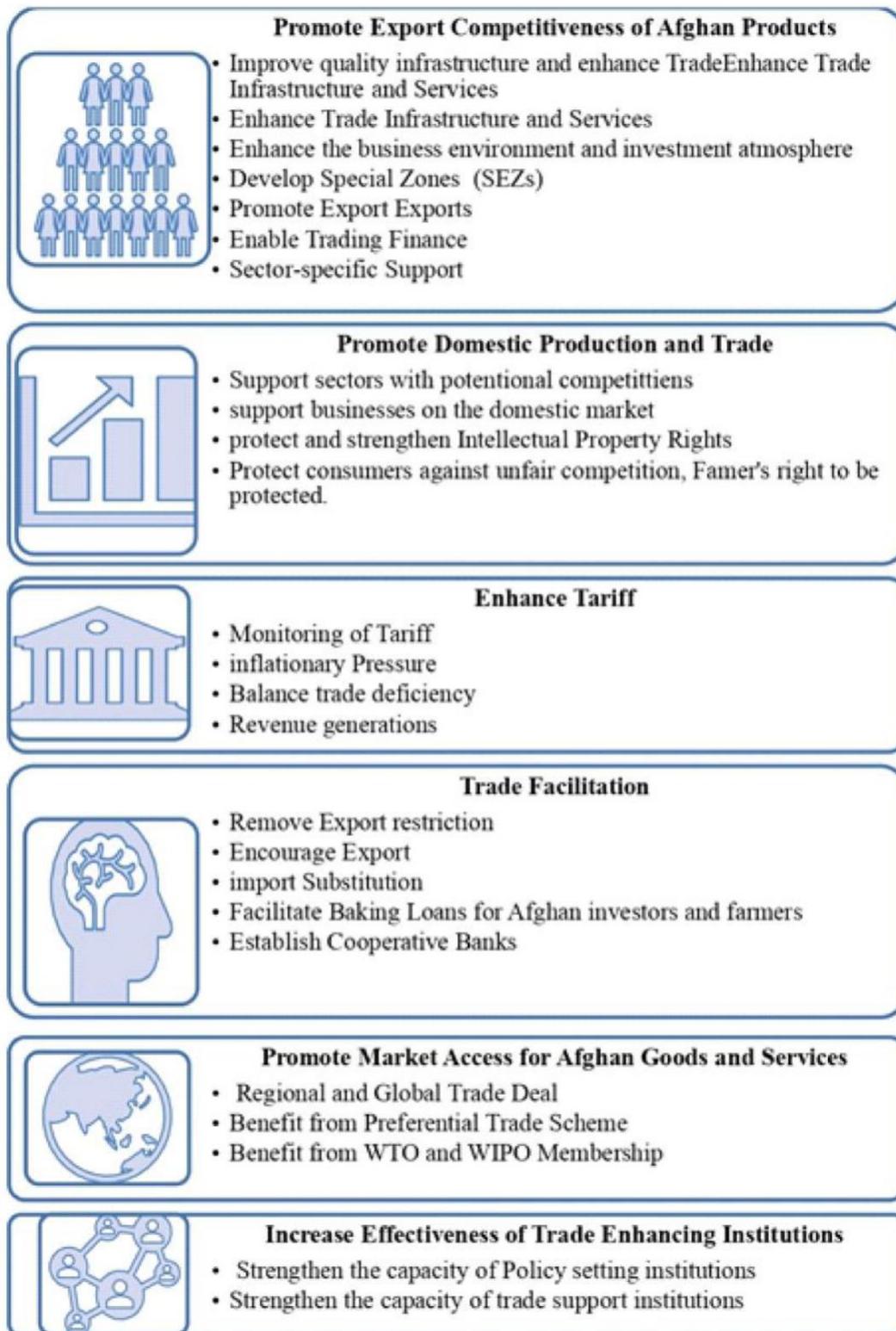


Figure 1

Source: Author's Crafted Analysis

By strategically imposing tariffs on imports, local industries can be protected, trade deficits narrowed, and reliance on foreign goods reduced. Moreover, tariffs significantly contribute to government revenue, which is vital for essential services and developmental projects. Achieving an optimal tariff system requires alignment of trade and revenue goals, vigilant monitoring, and calibrated adjustments. These measures ensure relevance, mitigate inflation, and foster domestic industries, forming a robust economic foundation for Afghanistan's growth. Under Policy Area 3 Afghan National Trade Policy (ANTP), efforts are directed toward refining the tariff system, evaluating mechanisms, and creating a transparent tariff-setting approach. Coordination among ministries, led by the Ministry of Industry and Commerce (MoIC), will streamline exemptions, enhance stakeholder involvement, and ensure conformity with international trade agreements like the World Trade Organization (WTO) and regional initiatives.

Trade Facilitation

Trade facilitation serves as a catalyst for economic growth by simplifying cross-border processes, lowering barriers, and promoting international trade [The World Bank \(2023\)](#). Key elements involve abolishing export restrictions, encouraging exports, fostering import substitution, facilitating banking access for investors and farmers, and establishing cooperative banks. Export limitations impede growth and should be minimized, while supporting export-oriented industries with incentives, infrastructure, and technology is essential. [\(Chad P. Bown 2023\)](#).

Promoting domestic industries to replace imports bolsters manufacturing, and tailored banking loans provide vital capital. Cooperative banks focused on local needs drive rural development. A comprehensive trade facilitation approach leads to increased employment, elevated living standards, and global competitiveness. By addressing export constraints, promoting exports, embracing import substitution, facilitating financial access, and establishing cooperative banks, Afghanistan can cultivate a resilient economy and sustainable development. Streamlining import and export processes, customs, and border control measures is pivotal to enhance Afghanistan's economic competitiveness. Reducing non-tariff barriers through trade facilitation can elevate the global

standing of Afghan goods and services, amplify exports, and foster economic development. Efficient customs service's bolster revenue collection, regulatory control, and trade accuracy, while improving border and transit infrastructure supports seamless goods transit, augmenting Afghanistan's role as a Central Asia transit hub. The Afghanistan National Trade Policy (ANTP) emphasizes trade facilitation and initiatives for efficient customs and border control align with this framework. The WTO Trade Facilitation Agreement, ratified by Afghanistan, underscores the significance of trade facilitation, providing opportunities for technical support and benefiting from provisions tailored for developing countries [WTO \(2016\)](#). The elimination of export restrictions and the streamlining of trade, imports, and transit, alongside improved customs procedures and border control, are crucial to enhancing trade efficiency, reducing costs, and promoting security. These measures, underpinned by effective collaboration among ministries, ensure Afghanistan's economic advancement.

Expanding Afghan Market Access

Afghanistan's economic progress hinges on market access expansion, achieved through trade deals, preferential schemes, and international memberships. Joining regional agreements like SAFTA and CAREC, accessing larger markets, and collaborating with neighboring economies will reduce trade barriers and attract investments [International Monetary Fund, \(2008\)](#).

Leveraging preferential trade schemes such as GSP and regional agreements can boost exports and foster win-win partnerships. Membership in the WTO and WIPO ensures fair global trade, intellectual property protection, and enhanced investor confidence. Investing in capacity building and infrastructure, promoting the Afghan brand's authenticity and quality, and focusing on global markets further enhance economic growth. In Policy Area 5 of the Afghan National Trade Policy (ANTP), strategies for market access enhancement are outlined. Regional trade agreements, simplified preferential trade processes, and efficient WTO membership utilization are pivotal for Afghanistan's economic development. Collaborative efforts among ministries and private sector involvement will unlock Afghanistan's potential, drive economic growth, and preserve its cultural heritage.

Strengthening Policy-Setting Institutions

Effective trade strategies are fundamental, empowering trade-related ministries to craft adaptable plans in line with economic goals. Equipping policy-setters with research and data analysis capabilities enhances negotiation outcomes. Public-private collaboration ensures responsive trade policies. Strengthening trade support institutions like customs agencies and trade boards streamlines cross-border transactions, and skill enhancement through training facilitates complex international trade processes. Promoting exports through trade support showcases Afghan products globally ([Times \(2022\)](#)).

Strong trade institutions are vital for economic growth, investments, and a resilient trade ecosystem, ultimately benefiting businesses and the nation's prosperity.

Enhancing the effectiveness of trade-facilitating institutions is essential for Afghanistan trade success ([WTO 2023](#)). Strengthening the MoIC and other relevant ministries enhances policy formulation and implementation. Collaboration and coordination between government bodies and the private sector are crucial. Strengthening institutions involves two main activities: enhancing capacities at the policy level and fortifying institutions at the implementation level. Bolstering MoIC's trade policy analysis and negotiation skills, harmonizing negotiations, and facilitating public-private dialogue are key actions. Strengthening trade support institutions, including export promotion, expands the role of the EPD, enhances market access, and empowers the Afghan National Standards Authority (ANSA). Collaboration and commitment from all stakeholders are essential for Afghan National Trade Policy (ANTP) implementation.

Implementation Framework

The ANTP's success hinges on national collaboration and resource allocation, involving committed government entities working towards defined objectives. Partnerships with relevant ministries are crucial for efficient implementation and monitoring. Harmonious public-private collaboration is essential; lack of cooperation hampers effectiveness. The MoIC leads by proposing amendments, issuing guidelines, and collaborating with

trade-related entities. Core principles include inter-ministry coordination, streamlined decision-making, transparent rule reform, public institution support, and private firm investment for export capabilities. Effective communication channels facilitate proactive problem-solving. MoIC's central role spans decision-making, trade oversight, information provision, governance, engagement with producers, law formulation, negotiation, and diplomacy. Focused efforts on impactful areas are vital for successful outcomes, prioritized based on expected impact, timing, and trade balance improvement.

The Current Economic Status of Afghanistan

Inflation Rate

In a surprising turn of events, the year-on-year inflation rate has taken an unexpected plunge, recording a negative 0.95 percent, marking a notable shift in economic dynamics. A key factor contributing to this deflationary trend is the striking negative 3.3 percent year-on-year food inflation, which has sent ripples through various sectors of the economy ([The World Bank \(2023\)](#)).

The sharp decline in food prices, reflective of a broader global trend, has been met with a mix of responses from economists and policymakers alike. While consumers may rejoice at the prospect of reduced grocery bills, the implications of sustained deflation warrant careful consideration. Several factors have converged to drive this pronounced decrease in food inflation. Abundant harvests, improved agricultural practices, and increased trade efficiencies have collectively contributed to a surplus in food production. Furthermore, the stabilization of fuel prices has positively impacted transportation and distribution costs, further alleviating price pressures on essential commodities.

The negative food inflation figure, however, raises concerns in certain quarters. A prolonged period of deflation can potentially disrupt the delicate balance of supply chains, leading to decreased production incentives for farmers and producers. Such a scenario might inadvertently lead to job losses in the agricultural sector and hinder future investment in the industry. Policymakers are now confronted

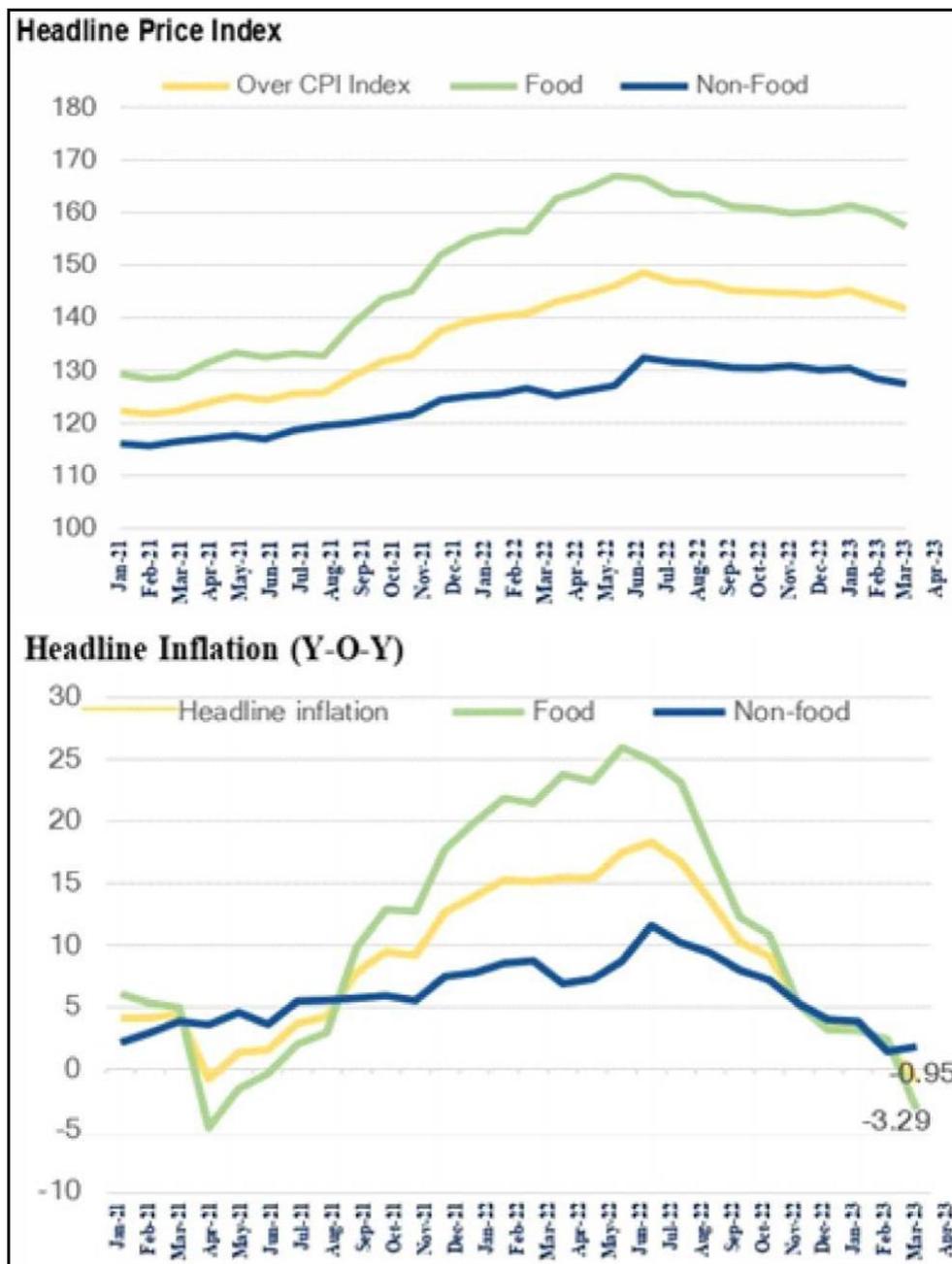


Figure 2

Source: National Statistics and Information Authority (NSIA).

with a delicate challenge. While moderate inflation is generally perceived as a sign of a healthy economy, deflationary trends can provoke a different set of complications. Central banks must carefully assess the need for intervention to ensure that the economy remains on a stable trajectory. As the global economic landscape continues to evolve, close monitoring

of this deflationary phase will be crucial. While consumers might currently relish the benefits of lower prices, the long-term consequences demand thoughtful analysis and swift, well-informed decision-making. Balancing short-term relief with the preservation of economic vitality remains a formidable task in these uncertain times.

Year on Year Inflation

Year-on-Year (Y-O-Y) inflation holds a pivotal role in assessing the affordability and economic stability of essential household items. In this analysis, we delve into the Y-O-Y inflation rates of critical commodities, providing valuable insights into how these rates influence both consumer purchasing power and the broader economic landscape.

The impact of inflation on fundamental necessities is substantial. The costs of basic goods are intricately linked to inflation, and fluctuations in prices exert a profound influence on living standards. Disruptions in supply chains, shifts in demand patterns, and larger macroeconomic transformations all contribute to the complex interplay between inflation and these essential items.

By closely examining the Y-O-Y inflation rates across key categories of household goods, we uncover the ever-evolving dynamics of the economy: Food Staples, such as grains, vegetables, and dairy products, form the bedrock of households' nutritional needs. The fluctuations in Y-O-Y inflation rates for these staples resonate deeply, affecting not only family budgets but also nutritional intake. Housing Essentials, encompassing rent, utilities, and home maintenance costs, are essential components of daily life. Tracking Y-O-Y inflation within this realm provides a clear lens through which to observe affordability challenges and trends within the housing market. Healthcare and Pharmaceuticals, areas vital to overall well-being, are significantly impacted by inflation in medical supplies and pharmaceutical products. This inflation can have direct repercussions on access to essential healthcare services. Cleaning and Personal Care Items, ranging from cleaning agents to personal hygiene products, showcase the influence of Y-O-Y inflation on shifting consumer preferences and the broader implications of production and distribution costs. Clothing and Footwear, integral to personal expression and comfort, reflect changes in fashion trends, manufacturing costs, and consumer spending habits through their Y-O-Y inflation rates.

Availability of food and non-Items in Afghanistan

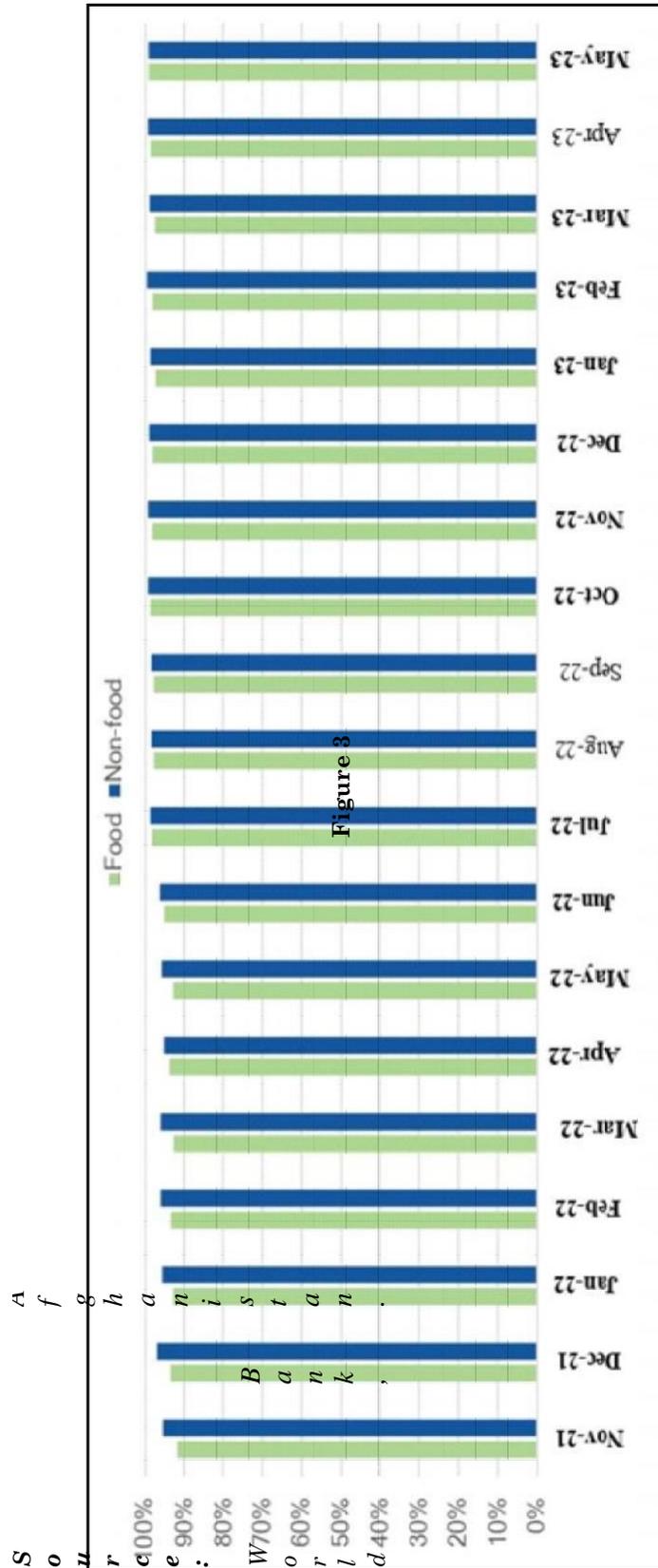
Amid the circumstances in Afghanistan, a majority of essential food and non-food items have managed to remain accessible. Despite the challenges faced, the availability of these fundamental goods plays a crucial role in sustaining the well-being of the Afghan population, ensuring that critical needs continue to be met during these times.

Skilled and Unskilled Wage Issues Amid Afghanistan's evolving socio-economic landscape, a glimmer of hope emerges as nominal and real wages show a modest uptick in May 2023. This signifies potential progress, shedding light on challenges and opportunities for both skilled and unskilled workers. May 2023 witnesses' notable growth in nominal wages across sectors, attributed to increased economic activity, infrastructure development, and workforce reintegration. This seemingly modest increase marks a stride toward improved living standards and economic stability for workers and families.

Positive trends in nominal wages prompt a focus on real wages for skilled and unskilled workers. Despite slight improvements, real wages reflect better purchasing power and living standards. Efforts to counter inflation show promise in enhancing worker well-being. Skilled workers experience more pronounced wage improvement, driven by demand in critical sectors like technology, infrastructure, and healthcare. Unskilled workers, though benefitting from nominal wage hikes, need tangible gains in purchasing power. Prioritizing their well-being remains crucial.

Incremental wage enhancement in May 2023 offers a glimpse into Afghanistan's economic recovery. Yet, sustained growth requires comprehensive strategies including skills development, inclusive policies, and sector investments. As Afghanistan rebuilds, wage trends reflect progress; the workforce's role remains central. Collective efforts can foster an environment where wage growth translates into improved livelihoods for all citizens.

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Bread	22.0	23.2	23.3	21.6	19.1	18.1	16.6	15.2	14.2	13.5	10.7	7.7
Fuel (diesel)	95.3	112.5	54.5	87.4	49.1	34.1	26.3	22.3	14.8	-5.4	-2.2	-11.1
Oil (cooking)	51.3	32.3	16.1	0.8	-13.3	-12.2	-14.4	-21.7	-17.0	-21.3	-26.3	-38.3
Pulses	23.7	23.3	17.7	16.1	11.6	10.6	10.6	-2.4	0.0	1.7	0.3	-2.3
Rice (high quality)	34.2	37.8	32.9	32.0	28.9	27.2	26.4	19.8	17.9	19.1	16.7	9.1
Rice (low quality)	14.6	13.1	10.9	14.1	12.5	18.5	21.9	18.9	28.3	27.9	26.3	24.7
Salt	22.9	19.0	18.0	16.0	17.8	10.8	20.0	2.5	-0.1	4.0	8.2	2.9
Sugar	33.9	37.0	30.9	20.5	8.7	3.9	1.2	-7.5	-3.5	0.1	2.3	16.6
Wheat	58.1	49.8	43.5	37.9	19.1	16.8	11.8	-2.7	5.3	0.0	-10.5	-19.5
Wheat flour (high quality)	65.1	49.4	41.7	31.9	12.3	12.1	5.8	-6.3	-0.6	-7.9	-18.7	-26.3
Wheat flour (low quality)	68.2	50.8	41.5	36.0	14.3	13.4	6.5	-6.6	-1.4	-6.3	-16.0	-25.0
Basic Household Goods	51.7	43.4	31.5	26.4	11.1	9.9	6.1	-3.3	0.7	-4.1	-9.8	-16.8
Price Inflation												



Source: World Bank, Afghanistan.

Afghanistan's Employment Trends May 2023 witnessed a remarkable surge in labour demand, embracing both skilled and unskilled sectors in Afghanistan. This synchronized upswing, coinciding with the harvesting season, paints a promising picture for the nation's workforce. Diverging from the previous month, May 2023 marked a notable escalation in labour demand, cutting across skill levels. This inclusive surge highlights the multifaceted nature of Afghanistan's economic revival. The fortuitous harmony between amplified labour demand and the harvesting season carries strategic implications. This seasonal surge underscores the interplay between economic activities and agricultural cycles. Skilled and unskilled workers converge during this period, bolstering a robust and diverse workforce.

Demand of Skilled and Skilled Employment

Understanding the employment landscape necessitates a longitudinal view. From November 2021 to May 2023, skilled and unskilled employment trajectories weave a dynamic narrative. Despite challenges, the recent up-tick in labour demand reflects Afghanistan's resilient pursuit of sustainable growth. Afghanistan's path to socio-economic transformation gains momentum with the May 2023 labour surge. A beacon of hope for inclusive progress, cautious optimism is essential. Strategic investments in skills and well-structured policies will sustain this momentum, ensuring thriving employment for all.

As Afghanistan rejuvenates its economy, the confluence of labour demand and the harvesting season embodies the workforce's resilience. In shaping its destiny, employment trends serve as a compass, encapsulating achieved progress and the promise of prosperity.

Distribution of ARD Collections During the initial quarter of fiscal year 2023, Afghanistan's revenue collection achieved a notable milestone, reaching a total of AFN 45.3 billion. This early success underscores the nation's commitment to fiscal stability and resource management. However, a closer look reveals a significant dependency on a specific

revenue source. The revenue collection landscape remains heavily skewed towards taxes collected at the border. While this approach has yielded substantial results, it also accentuates the need for diversification to ensure a resilient and sustainable revenue stream. As Afghanistan progresses through the fiscal year, strategic efforts to broaden its revenue base will be crucial. By reducing over-reliance on a single source, the nation can enhance its fiscal resilience and pave the way for a more balanced and prosperous economic future.

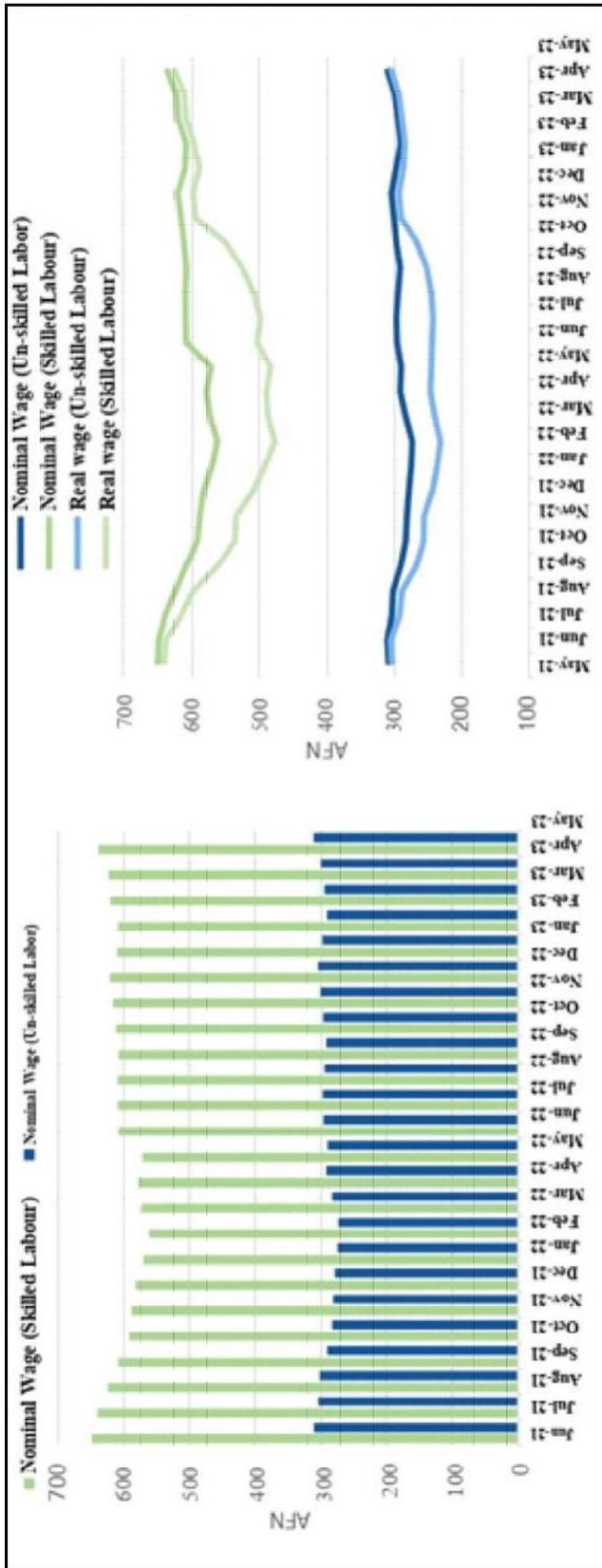
ARD Collections Source Distribution In the opening quarter of fiscal year 2023, Afghanistan's revenue collection showcased diversity, highlighting efforts to bolster its fiscal standing. Afghan Revenue Department (ARD) collections offer insights into contributing sources, reinforcing the country's financial robustness. A notable portion of the collected revenue originated from border taxes, underscoring its pivotal role. While pivotal, the focus on a single source necessitates diversification for sustained stability. Despite border taxes' prominence, contributions from other sources signal progress. Diversification mitigates dependency, presenting an evolving economic landscape.

Progress demands diversified revenue streams, shielding against fluctuations and fostering lasting stability. Afghanistan's economic foundation gains strength through varied revenue sources, paving the way for sustainable growth.

Strategic initiatives to augment multiple sectors' revenue, complemented by judicious fiscal policies, set Afghanistan on a course toward fiscal resilience. A fortified financial framework guarantees adaptability and long-term prosperity.

Border Crossing Collections Share

In the first quarter of fiscal year 2023, Afghanistan's revenue collection landscape was notably influenced by its border crossings ([Afghanistan Spatial Database 2019](#)). These pivotal entry points played a substantial role in contributing to the country's fiscal inflow. During this period, a significant portion of the total revenue collected was attributed to trans-



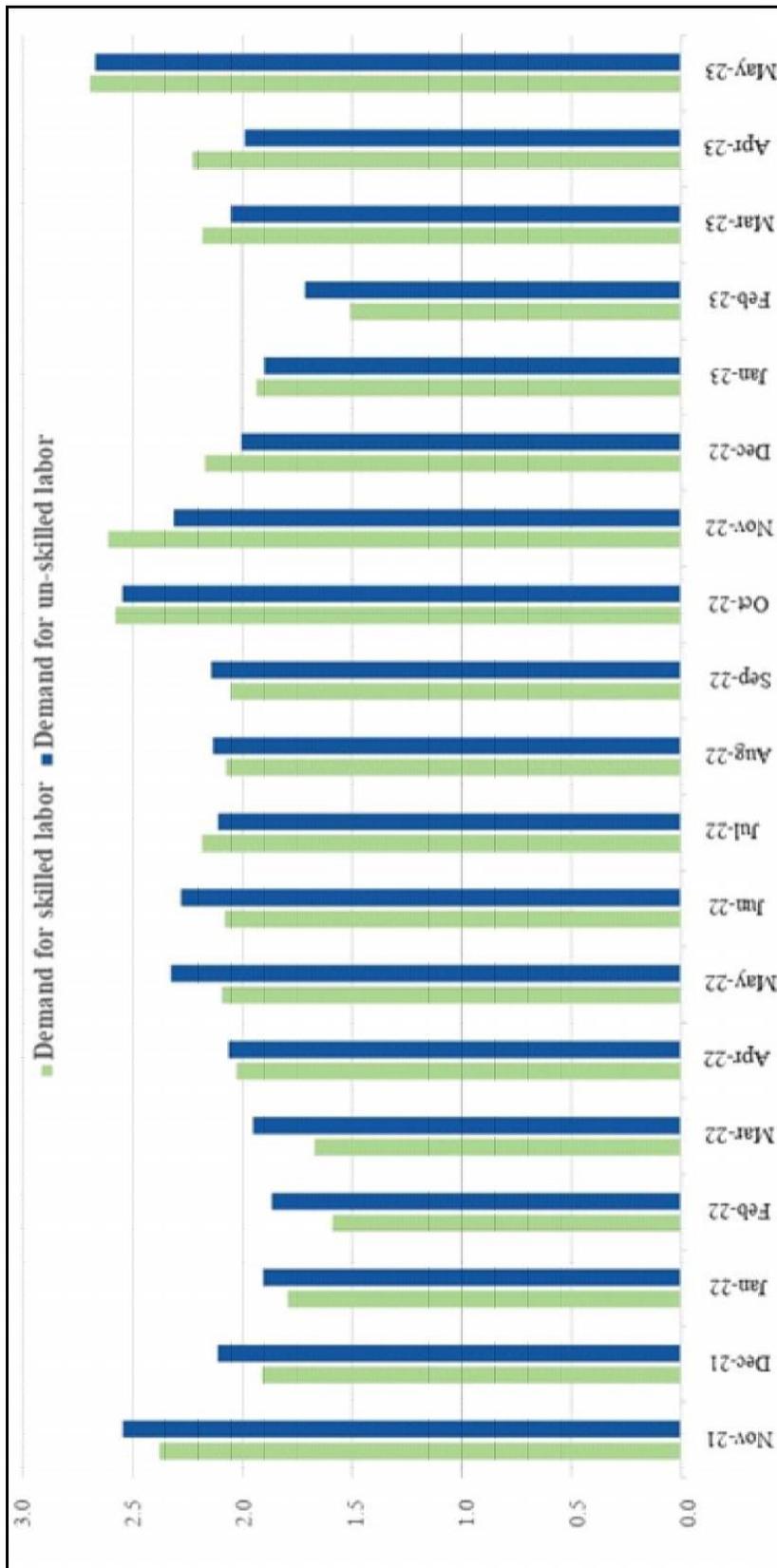


Figure 6

Source: World Bank, Afghanistan.

actions at border crossings. This dominance underscores the strategic importance of these checkpoints as revenue generators for Afghanistan's economic well-being. While the pre-eminence of border crossing collections is crucial, it also emphasizes the necessity for prudent diversification. Reducing reliance on a single source, even a dominant one, is essential for long-term fiscal resilience.

The high proportion of collections at border crossings signifies the interplay between trade activities and revenue generation. As Afghanistan progresses, striking a balance between this crucial revenue source and broader fiscal diversification becomes instrumental. As the fiscal year unfolds, Afghanistan's fiscal strategy must entail measured steps towards expanding revenue streams. Strategic initiatives, coupled with forward-thinking policies, will pave the way for a balanced financial framework, bolstering the nation's resilience and fostering a thriving economic landscape.

Foreign Exchange and Financial Developments

In foreign exchange and financial operations, impactful changes have emerged [Waxman \(1985\)](#). The Independent Treasury and Audit (ITA) enforcing tighter control over the Managed Stability Program (MSP) sector, coupled with managed money supply and continued UN cash inflow (totaling US\$ 880 million from Jan to Jun 2023), has bolstered the Afghani currency against major trade counterparts [\(Nichol 2022\)](#). The Exchange Rate Index in July 2021 provides insights into the Afghani's performance relative to key trading currencies. This metric serves as a gauge of the currency's global standing. During the assessed period, the Afghani's performance against major currencies follows a trajectory. This index, with higher values indicating depreciation, offers insight into the Afghani's strength amid dynamic exchange conditions. As Afghanistan navigates its economic landscape, exchange rate fluctuations shape fiscal policies and financial decisions. The evolving Exchange Rate Index informs the currency's value, influencing cross-border trade, investments, and broader economic strategies.

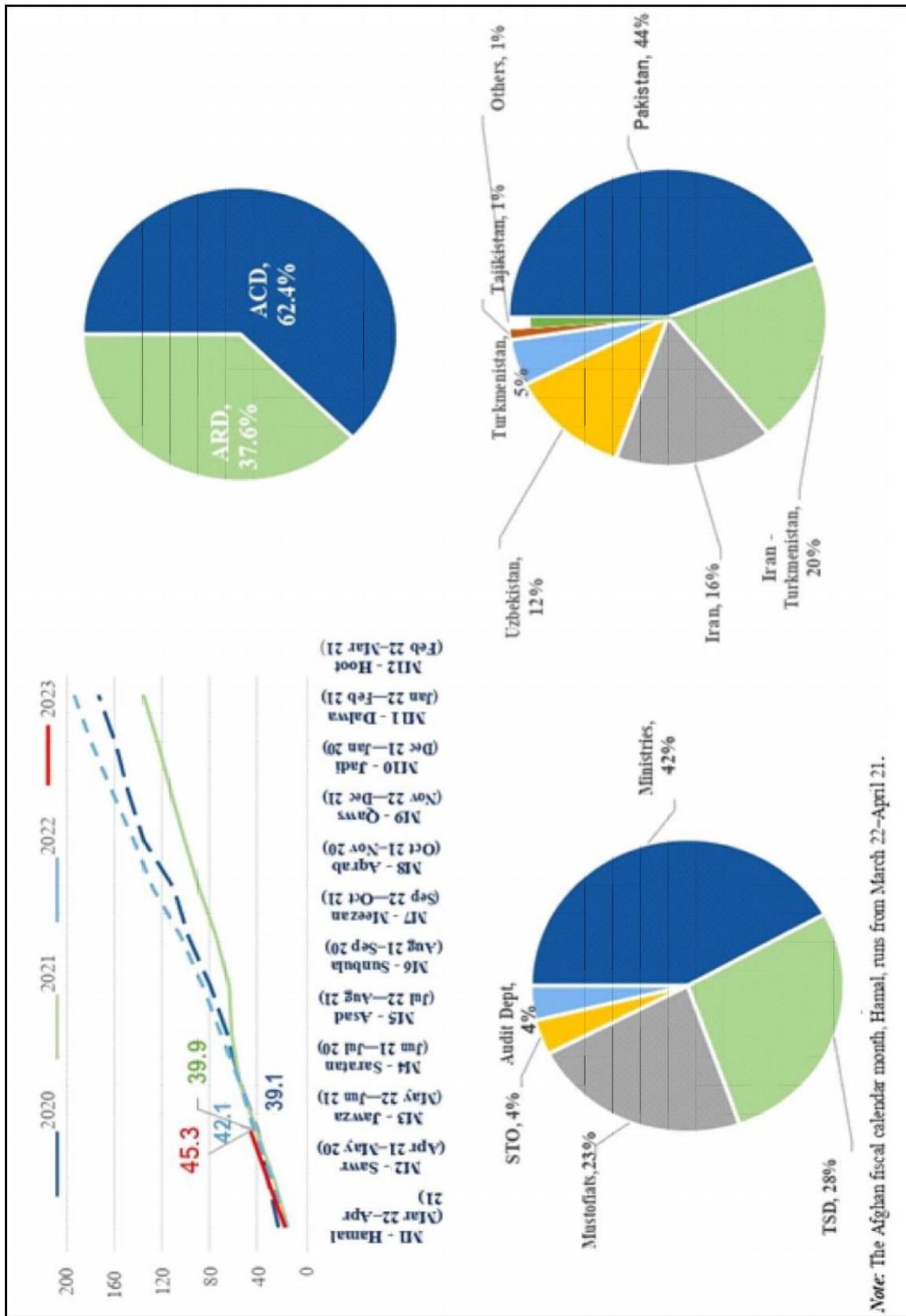
Guiding Afghanistan's fiscal direction, the Exchange Rate Index is a compass amid global shifts. Stakeholders interpreting these trends recognize the Afghani's value against major currencies as a pivotal aspect of the nation's financial growth and resilience.

Foreign Currency Availability in May 2023: A Modest Shift

Amidst the economic landscape of May 2023, a notable development emerges – an incremental improvement in the availability of various foreign currencies, with the exception of the US Dollar [\(Choudhury 2022\)](#). During this period, a subtle but significant change is observed. The accessibility of diverse foreign currencies has shown a slight uptick, indicating a nuanced shift in the foreign exchange environment. Interestingly, the US Dollar stands as an exception to this trend. While other foreign currencies experience a marginal improvement in their accessibility, the status of the US Dollar remains relatively stable. The improved availability of foreign currencies other than the US Dollar carries implications for cross-border trade and economic interactions. This nuanced alteration has the potential to influence trade dynamics and financial decisions in the coming months. While the improvement may seem modest, it reflects an evolving economic scenario, presenting opportunities and considerations for stakeholders [\(Storay Karimi 2018\)](#). As Afghanistan continues to navigate its economic course, the availability of foreign currencies – a crucial indicator of global economic interactions – remains an aspect to monitor closely.

Foreign Currency Landscape in May 2023: Selective Improvement

As May 2023 unfolds, a nuanced shift in the availability of various foreign currencies is discernible, with one notable exception – the US Dollar. During this period, a modest improvement in the accessibility of different foreign currencies has been noted. This incremental shift signifies a measured adjustment in the foreign exchange realm. Interestingly, the US Dollar remains relatively stable within this dynamic. While other foreign currencies experience a slight improvement in their



Note: The Afghan fiscal calendar month, Hamal, runs from March 22-April 21.

Figure 7

Source: Ministry of Finance, Afghanistan.

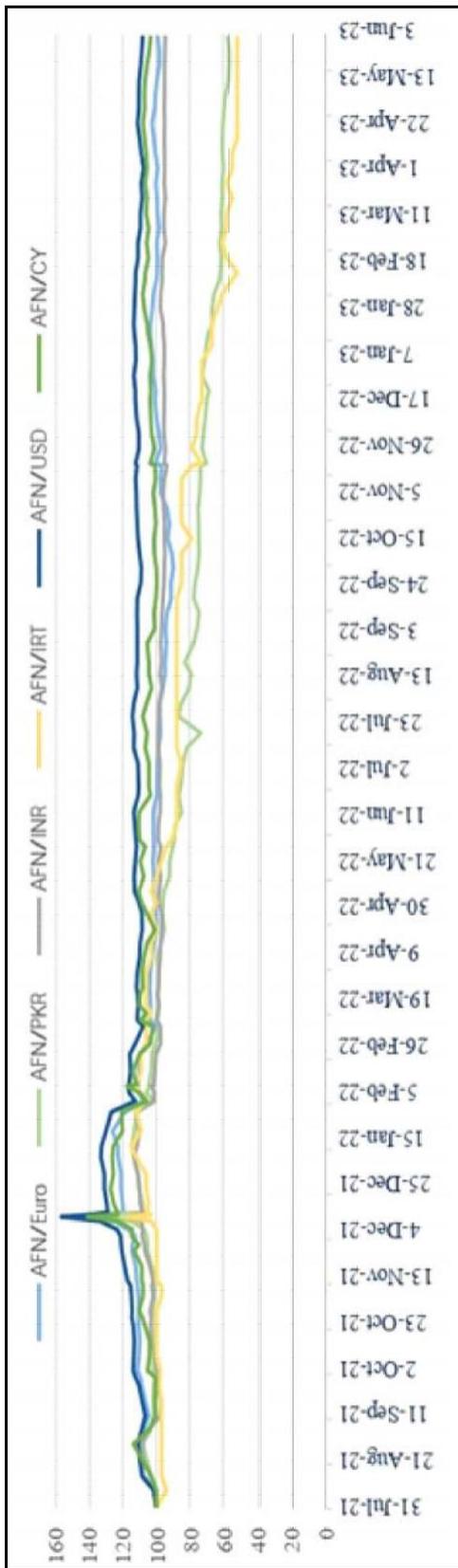


Figure 8

	28-Jul-22	30-Aug-22	29-Sep-22	27-Oct-22	30-Nov-22	31-Dec-22	31-Jan-23	28-Feb-23	28-Mar-23	25-Apr-23	29-May-23	26-Jun-23
AFN/Euro	6.65	9.62	14.13	11.61	7.22	2.95	0.28	4.28	4.56	3.30	4.20	4.99
AFN/USD	40.73	24.25	33.15	38.25	40.19	50.19	67.42	68.53	68.53	70.85	82.02	78.76
AFN/INR	9.05	11.23	12.50	13.26	15.18	13.41	11.73	13.04	13.04	13.62	13.59	14.01
AFN/IRT	10.34	10.34	10.34	23.08	23.08	33.33	45.45	88.24	68.42	77.78	88.24	88.24
AFN/USDD	-3.98	-2.35	-2.36	-2.03	-2.61	-3.37	-3.87	-3.14	-0.74	-0.22	-1.32	0.31
AFN/CY	-2.33	-1.22	2.80	1.65	2.40	-0.50	-1.90	-3.30	-2.86	-2.96	-3.48	-1.24

availability, the US Dollar maintains its established position ([Siripurapu & Noah Berman 2023](#)).

The improved accessibility of foreign currencies, with the exception of the US Dollar, holds implications for international transactions and trade activities. This nuanced development could influence business decisions and cross-border engagements in the near term.

Though subtle, this alteration in foreign currency availability reflects the fluid nature of economic interactions. As Afghanistan continues to navigate its financial path, the ebb and flow of foreign currency accessibility remains a key indicator of the nation's economic connectivity and potential opportunities.

DAB Eases Withdrawal Limit, Yet Firms Grapple with Cash Access

In a bid to enhance financial flexibility, the Afghan Central Bank (DAB) recently implemented a relaxation of the statutory withdrawal limit. However, a contrasting narrative unfolds as businesses persistently encounter challenges when attempting to withdraw cash from banking institutions ([Hanifie 2021](#)).

The DAB's decision to ease the statutory withdrawal limit signifies a proactive approach to cater to the liquidity needs of individuals and businesses. This move aims to facilitate smoother access to funds and alleviate financial constraints.

In the midst of this regulatory adjustment, a practical concern emerges. Many firms continue to grapple with impediments when endeavoring to withdraw cash from banks. This divergence between regulatory intent and operational reality underscores an issue that requires attention.

The ongoing challenge of cash withdrawal reverberates beyond the realm of financial transactions. Businesses' ability to access cash directly affects their operational continuity, impacting daily activities, payroll, and procurement, thus potentially affecting the broader economic landscape ([Human Rights Watch 2022](#)).

The scenario highlights the importance of not only regulatory adjustments but also their seamless execution. Close collaboration between regulatory bodies and banking institutions is pivotal to ensure that policy changes translate into tangible benefits for businesses on the ground.

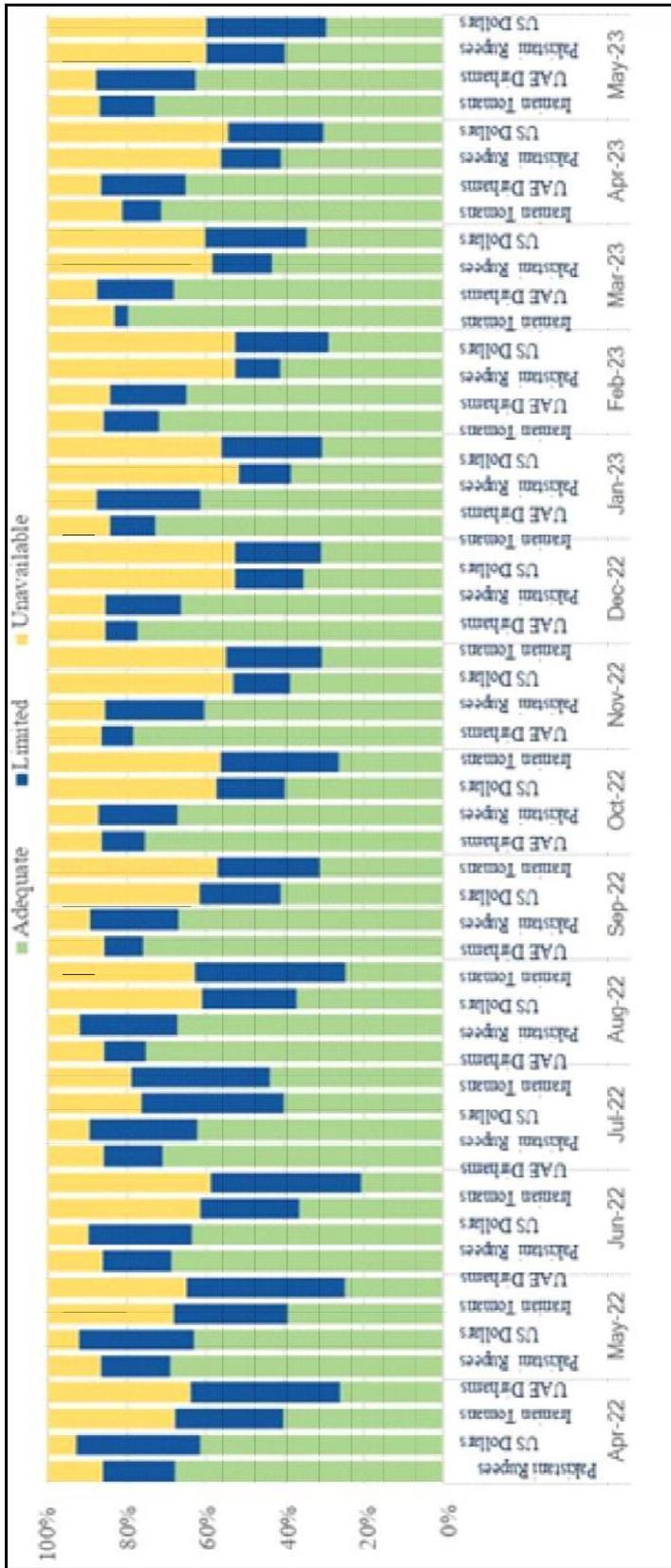
As Afghanistan navigates its financial journey, addressing the cash withdrawal predicament necessitates collective efforts. Streamlining banking processes, enhancing communication channels, and fostering a conducive environment for efficient cash transactions can contribute to a more resilient financial ecosystem, enabling businesses to function optimally and As Afghanistan navigates its financial journey, addressing the cash withdrawal predicament necessitates collective efforts. Streamlining banking processes, enhancing communication channels, and fostering a conducive environment for efficient cash transactions can contribute to a more resilient financial ecosystem, enabling businesses to function optimally and contribute to the nation's economic vibrancy.

Average Monthly Individual Withdrawals: Insights into Financial Behaviors

The measurement of average monthly individual withdrawals in Afghan Afghans (AFN) provides a valuable lens through which one can comprehend the spending patterns, financial habits, and economic dynamics of individuals within the nation. This metric offers a snapshot of the frequency and magnitude of cash withdrawals by individuals on a monthly basis. It reflects the extent to which people interact with financial institutions, access their funds, and engage in economic activities that require liquid capital ([Zia Khan 2021](#)).

Several factors contribute to shaping the average monthly withdrawal figures. Economic conditions, income levels, spending habits, and the availability of financial services all play a role in determining how much individuals withdraw from their accounts.

The average monthly individual withdrawals can serve as a proxy for economic activity at the individual level. Higher withdrawal amounts might indicate increased spending or investment, contributing to economic growth,



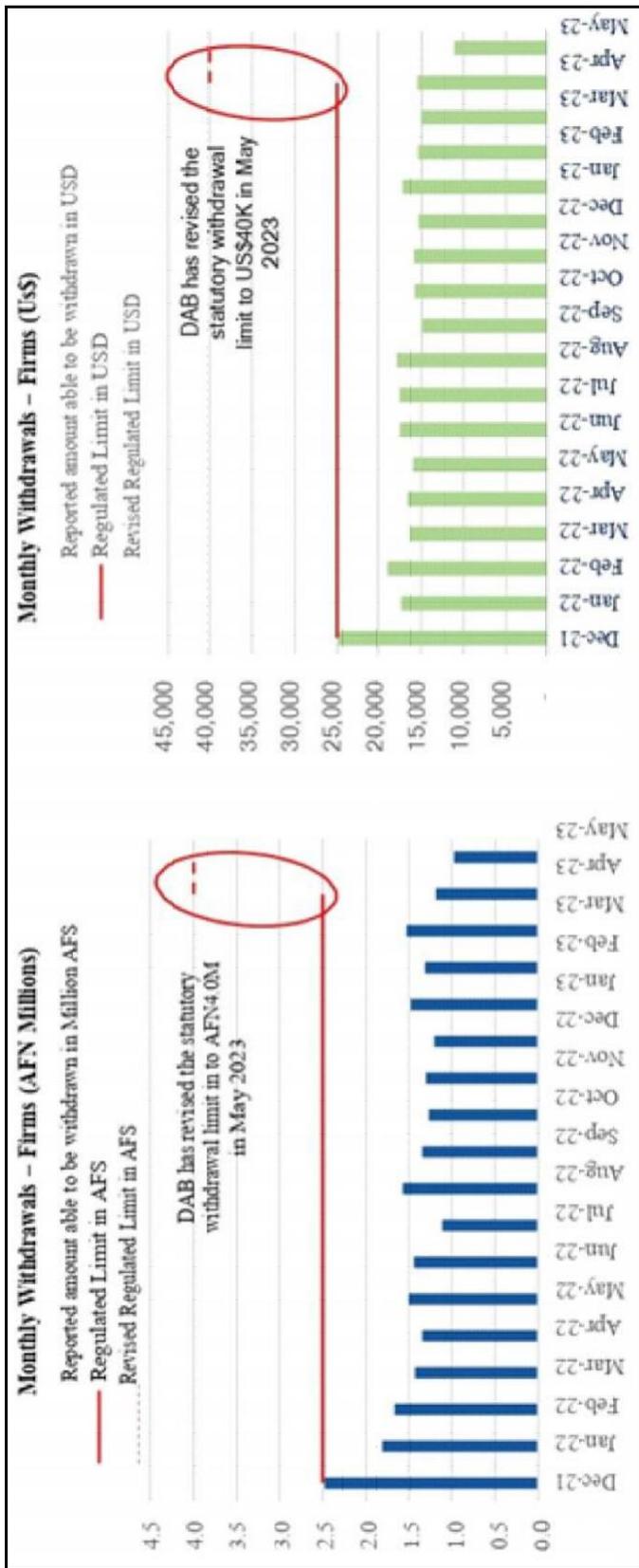


Figure 11

while lower withdrawals could suggest cautious spending or saving behaviour. Policy-makers and financial institutions monitor these withdrawal trends to gain insights into consumer behaviour and economic trends. This data can inform decisions related to interest rates, liquidity management, and financial education programs. In summary, the average monthly individual withdrawals provide a window into the financial behaviour of individuals, offering a glimpse into their economic interactions, decisions, and priorities. This metric contributes to a holistic understanding of Afghanistan's economic landscape and the dynamics that shape it.

Civil Servants' Salary Disbursements: Analysing Gender Disparities

An examination of civil servants' salary disbursements over the last three months reveals an interesting dynamic between male and female respondents who received salaries during this period. Within the realm of civil service, a comparative analysis of male and female respondents who received salaries sheds light on potential gender disparities.

A Dual Perspective: Male vs. Female Respondents

This exploration offers a dual perspective, delineating the experiences of both male and female civil servants. By distinguishing between the two genders, the analysis seeks to identify any discernible trends or imbalances in salary disbursements. The findings of this study could hold implications for workforce equality and gender inclusivity within the civil service sector. It aims to uncover whether salary receipt patterns align with gender proportions in the workforce or whether disparities persist.

Understanding the nuances of salary disbursements can inform the design of gender-sensitive policies. If disparities exist, this analysis can catalyse conversations and initiatives aimed at promoting equitable remuneration and opportunities for male and female civil servants.

By dissecting salary distributions between male and female respondents, this examination

contributes to a comprehensive understanding of civil service dynamics. It underscores the importance of data-driven insights to foster a more inclusive and balanced workforce environment. As Afghanistan strives for progress and gender equality, this analysis provides valuable insights into areas for improvement and potential interventions.

Challenges Faced by Civil Servants When Withdrawing Salaries Through Banks

Navigating the process of salary withdrawal through banks poses a set of persistent challenges for civil servants, ranging from overcrowded branches to the handling of damaged currency notes.

Modes of Salary Payment

In the realm of salary disbursement among those who have received incomes over the past three months, two predominant modes stand out: Cash and bank accounts.

Cash: A Tangible Tradition

Cash remains a prevalent method of salary payment, reflecting a longstanding tradition of physical currency exchange. This mode offers immediacy and tangible ownership, aligning with cultural norms and preferences.

Bank Accounts: Bridging the Digital Divide

Conversely, bank accounts have emerged as a robust contender for salary receipt. This digital mode offers convenience, security, and the potential for seamless financial management, bridging the gap between traditional practices and modern financial accessibility.

A Tale of Dual Choices

The prevalence of both cash and bank account modes underscores a dual landscape of financial preferences. While cash retains its cultural significance, bank accounts facilitate financial modernization and inclusivity, catering to diverse needs and preferences.

Navigating the Hybrid Future

As Afghanistan navigates its economic evolution, the coexistence of these modes of salary payment signifies a hybrid future. Striking a balance between traditional customs and technological advancement will be pivotal

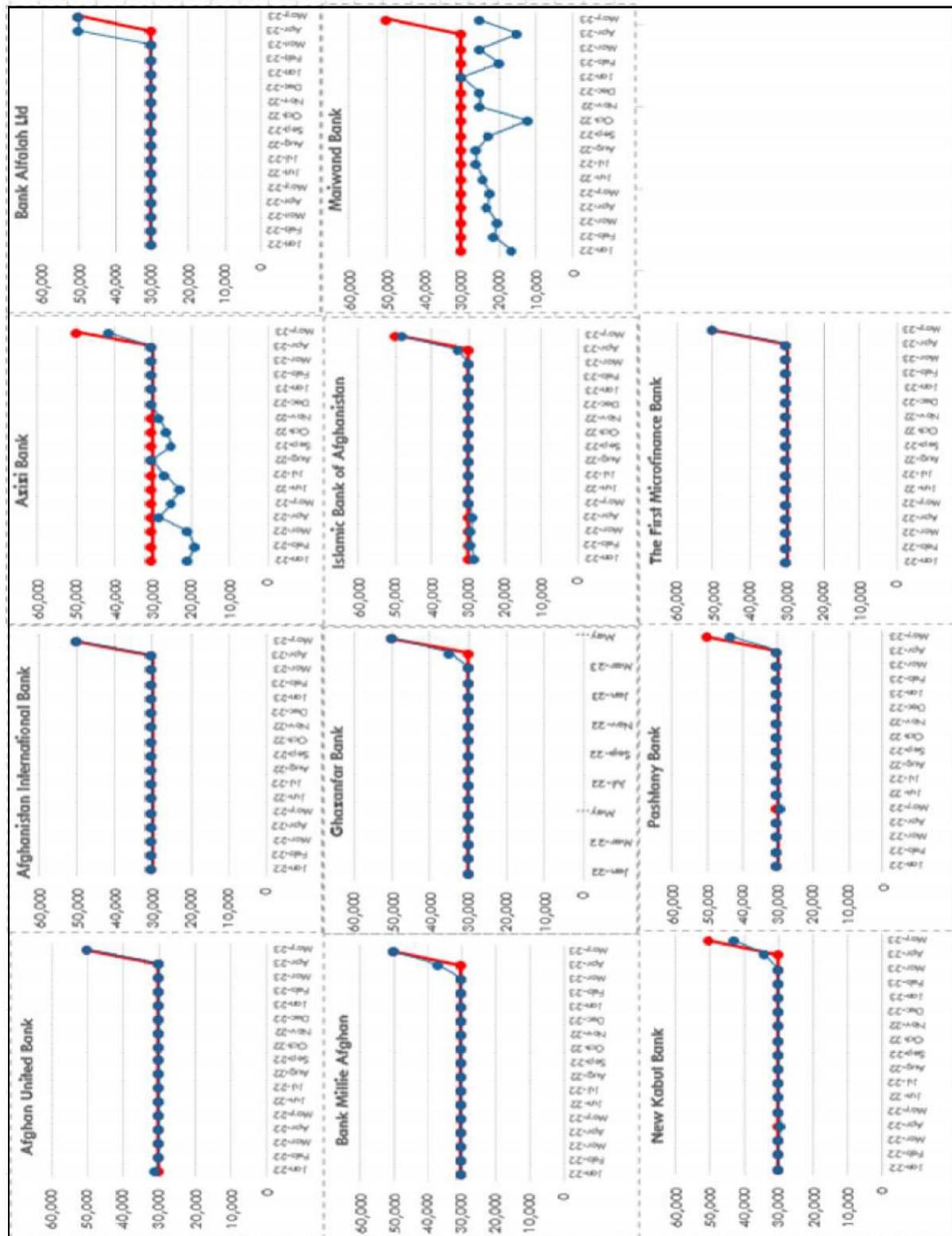


Figure 12

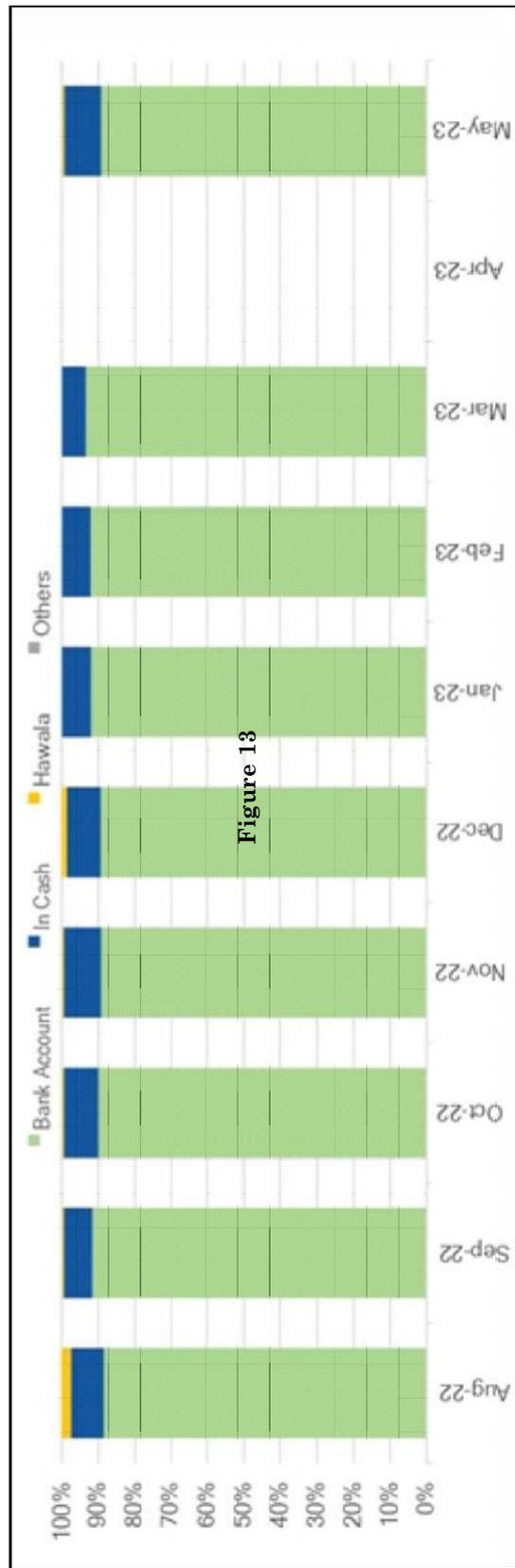
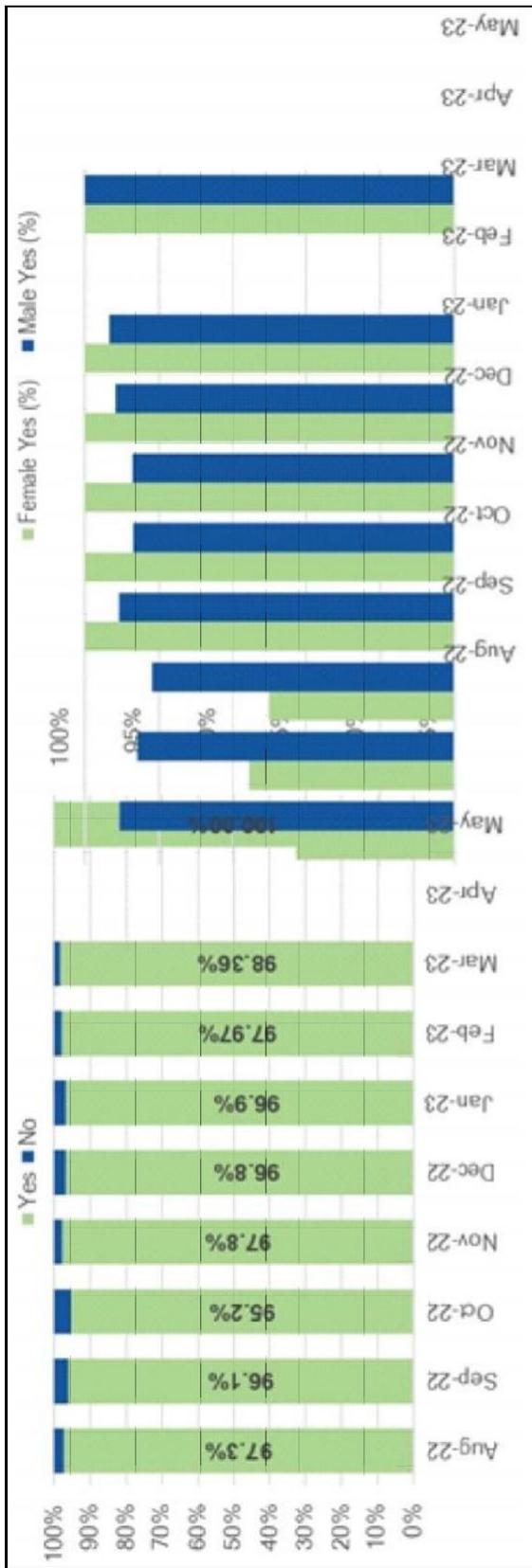


Figure 13

in crafting a financial ecosystem that caters to all segments of the population. This dual narrative of cash and banking reflects the diverse tapestry of Afghanistan's financial landscape.

Crowding Woes in Bank Branches

The issue of crowding within bank branches remains a prevalent concern for civil servants. The convergence of individuals seeking to access their salaries can lead to congestion, longer waiting times, and an overall inefficient experience.

Dilapidated Currency Notes: An Added Hurdle

Another hurdle encountered is the handling of damaged currency notes. The circulation of torn or mutilated bills can complicate transactions, leading to potential inconveniences and uncertainties during the withdrawal process.

Mitigating Challenges for Enhanced Efficiency

Addressing these challenges requires a multifaceted approach. Ensuring streamlined operations, efficient queuing systems, and improved branch infrastructure can help alleviate crowding issues. Additionally, maintaining the quality of currency notes in circulation is vital to facilitating seamless transactions.

Enhancing Banking Services for Civil Servants

As Afghanistan progresses, focusing on enhancing the banking experience for civil servants becomes imperative. By strategizing ways to mitigate overcrowding and safeguarding the integrity of currency notes, banking institutions can contribute to a more efficient and user-friendly environment, promoting greater financial accessibility and convenience for those seeking to withdraw their hard-earned salaries.

Imports Surge, Exports Show Gradual Growth

The trade landscape in Afghanistan for the initial five months of 2023 paints an intriguing picture. Notably, merchandise

imports have registered a substantial presence, indicating a robust demand for foreign goods. In contrast, exports have experienced a more moderate growth trajectory during this period, primarily bolstered by coal and textiles shipped to Pakistan. However, this pattern of trade has contributed to a widening trade deficit. This overview encapsulates the ebb and flow of Afghanistan's trade activities, showcasing the monetary values associated with imports and exports over the course of a year and a half.

As Afghanistan positions itself within global trade dynamics, understanding the interplay of imports, exports, and resultant trade deficits provides critical insights into the nation's economic connectivity and resilience. Amidst these fluctuations, the pursuit of balanced trade and strategic economic policies remains pivotal to safeguarding the country's financial stability and future growth prospects.

Afghanistan's Trade Dynamics: Exports and Imports in Food Group (Jan 2022 – May 2023)

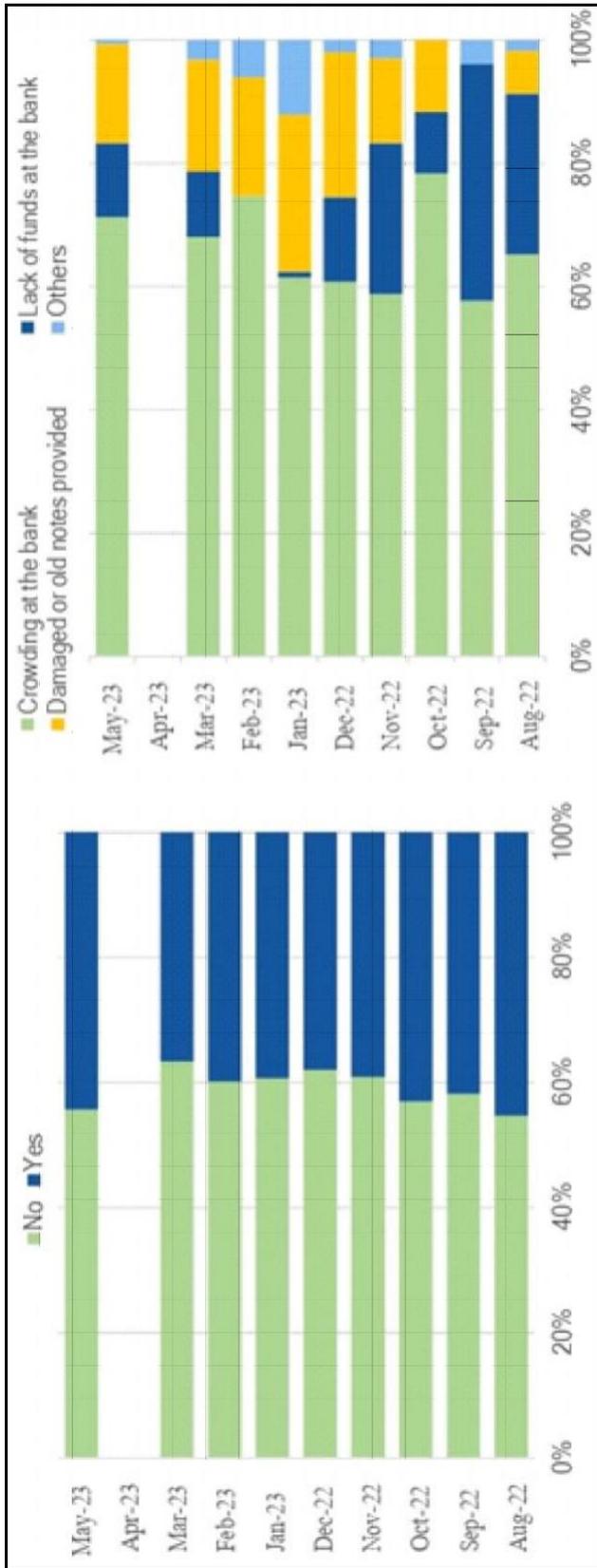
The trade flow of Afghanistan, specifically within the Food Group category, unveils a comprehensive view of the nation's import and export activities from January 2022 to May 2023.

Afghanistan Exports in Food Group

This segment illuminates the monetary value of Afghanistan's food exports during the specified period. It sheds light on the nation's capacity to contribute to the global food market, reflecting its agricultural prowess and trade potential.

Afghanistan Imports in Food Group

Conversely, this section delves into the monetary worth of Afghanistan's food imports, unravelling the nation's reliance on international markets to fulfil its culinary and nutritional needs. The Food Group category plays a pivotal role in Afghanistan's trade narrative, encapsulating the country's interactions with the world regarding essential sustenance. Understanding this export and import dynamics provides a deeper comprehension of Afghanistan's economic resilience, resource allocation, and contribution to global



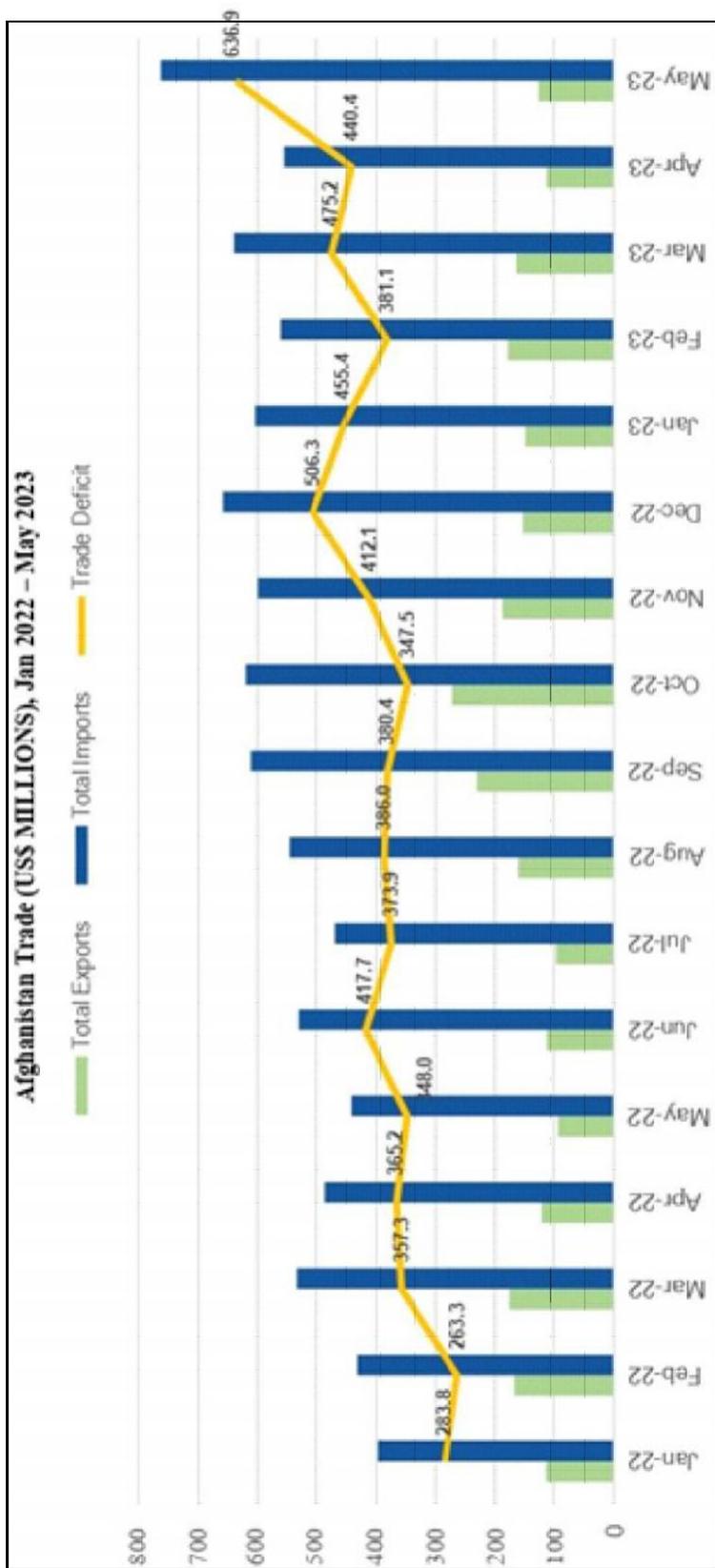
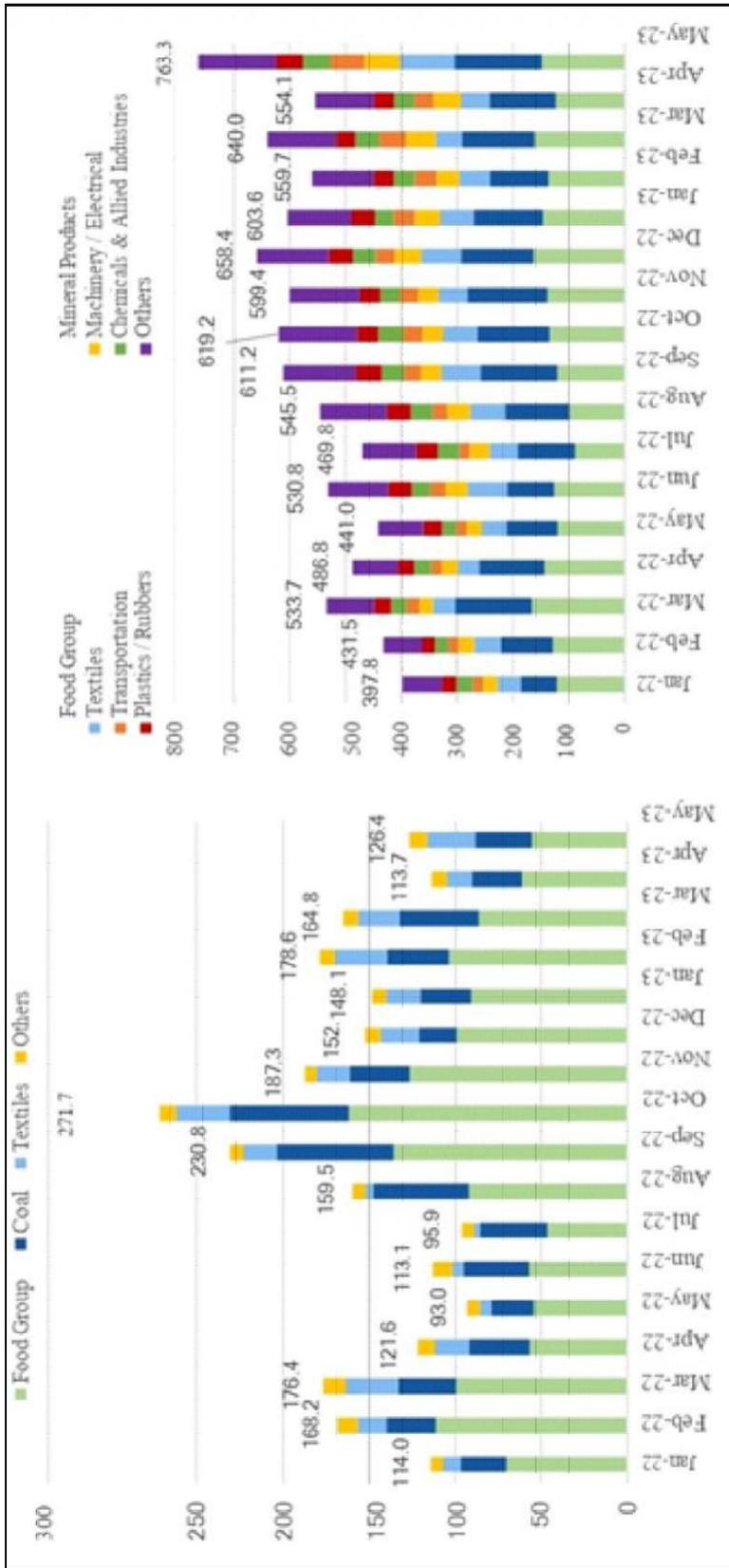


Figure 16

Source: World Bank, Afghanistan.



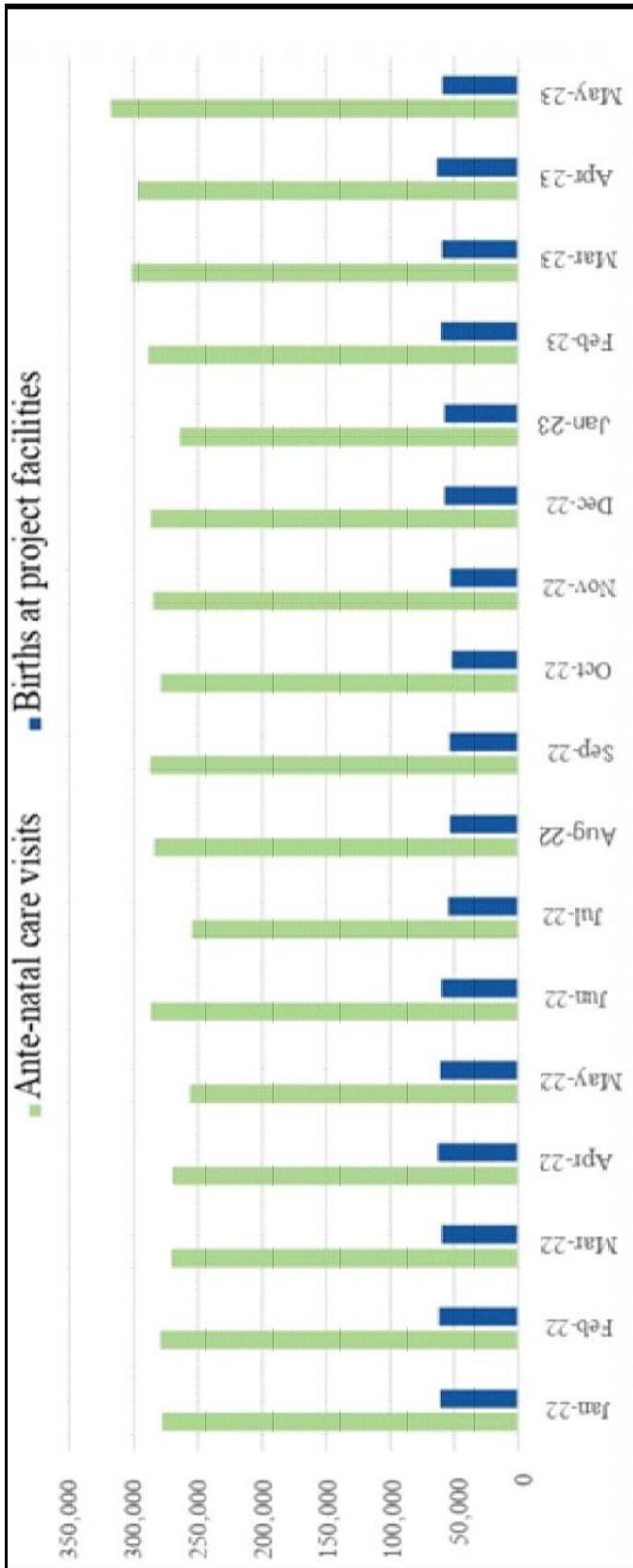


Figure 18

Source: Health Management Information System.

trade networks. As the nation progresses, managing this delicate balance between exports and imports in the Food Group remains central to ensuring food security, economic sustainability, and a well-rounded trade profile.

Health Emergency Response (HER) Project

Since February 2023, the Health Emergency Response (HER) Project has demonstrated a notable yet gradual improvement in the number of Antenatal Care (ANC) visits. This development underlines the positive impact of the HER Project on maternal healthcare engagement. The consistent rise in ANC visits signifies a step toward enhanced prenatal care and better health outcomes for expectant mothers.

As the HER Project continues to shape healthcare accessibility and response, the upward trend in ANC visits underscores its role in bolstering the health and well-being of pregnant women. This serves as a testament to the project's effectiveness in fostering a culture of proactive healthcare engagement and addressing maternal health needs.

Conclusion

Afghanistan's membership in the World Trade Organization (WTO) holds significant promise for its economy, with a focus on economic growth, improved trade, and better living standards. This study outlines a comprehensive strategy for achieving sustainable trade and economic progress. While Afghanistan faces challenges like governance issues, fiscal constraints, energy sector hurdles, and gender restrictions, the potential benefits of WTO membership such as enhanced global market access, job opportunities, and improved economic conditions provide a strong motivation to overcome these obstacles. The strategies presented here, including boosting export competitiveness, strengthening domestic production and trade, improving tariff management, facilitating trade, expanding market access, and enhancing policy institutions, offer a solid framework for Afghanistan's economic advancement. Collaboration among government, private sector, and international partners is crucial for successful implementation. Though Afghanistan's economic landscape is complex and uncertain, WTO membership offers a pathway to stability and growth. By enacting

the proposed strategies, Afghanistan can tap into untapped potential, leverage trade incentives, and bolster its domestic industries. This, along with streamlined trade procedures and access to broader markets, can create a resilient economy capable of overcoming challenges and achieving sustained growth. In essence, Afghanistan's participation in the WTO presents a transformative chance to enhance its economy, generate employment, and improve citizens' well-being. By addressing challenges, capitalizing on strengths, and executing targeted strategies, Afghanistan can embark on a journey towards enduring trade and economic prosperity.

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