

On the **external front**, the Afghan economy continues facing a large external adjustment which has partially been absorbed through reduced imports. The latter have considerably contracted as result of both subdued domestic demand and disruptions in the financial sector. Exports have instead declined only moderately, thanks to improved security conditions and increased competitiveness due to local currency depreciation; yet, financial sector disruptions to receipt of overseas payments and supply chain failures partially offset these positive impacts. Service exports have suffered due to lesser needs for services to foreign security and diplomatic installations. After a moderate stabilisation in the first few months of 2022, the Afghani (AFN) continued to depreciate in May, although humanitarian USD inflows (in the range of USD 150 million monthly, equivalent to EUR 148 million monthly based on the exchange rate on 3 August 2022) partially helped to tone down this trend. The Central Bank's lack of control over foreign reserves and the domestic money supply make the exchange rate adjustment, let alone a broader macroeconomic policy response, very difficult. While no data are currently available, remittance inflows has likely dropped considerably.

Regarding the **fiscal sector**, available data shows sustained collection capacity with January-April 2022 revenue collection estimated at 8% higher than the same period in 2021. As occurred through the last quarter of 2021, taxes collected at the border and non-tax revenues constituted the majority of receipts, while domestic in-land collection continued lagging (consistently with historical trends). In May, DFA announced the annual budget for the solar year 1401 (running from March 2022 to February 2023). To date, DFA has not yet published the budget document and no international partners have been able to access it. However, according to information reported by the media, DFA foresees spending of AFN 231.4 billion and domestic revenue of AFN 186 billion, respectively equivalent to EUR 2.5 billion and EUR 201.4 billion based on the exchange rate on 3 August 2022. Overall, the few figures available, as a lack of accountability and transparency from the government, (if confirmed) point out to overly optimistic revenue projections and taking into the lack of financing options, considerable expenditure cuts – well below budgeted levels – should be expected. To note that Afghanistan's total external debt is currently estimated at around USD 1.7 billion (World Bank, 2022), equivalent to EUR 1.67 billion based on the exchange rate on 3 August 2022, with DFA accumulating considerable payment arrears due to multilateral creditors.

Health

A suspension of the Sehatmandi project implementation by the World Bank in August 2021 severely threatened the continuity of the basic and essential packages of health services: Basic Package of Health Services (BPHS) and Essential Package of Health Services (EPHS). Fortunately, sequential and temporary contributions from a combination of donors has permitted the continuation of services until June 2022. The new Health Emergency Response (HER) project from the World Bank ensures BPHS and EPHS funding until December 2023.

Nonetheless, the HER project will only cover 61% of the 3,800 health facilities across Afghanistan. Gaps in health services therefore persist, including in some groups and communities living in some of the most remote and vulnerable situations. These include the thirty-nine government-supported hospitals that currently have limited support. Communities in so-called “white areas” present rely on a combination of NGO- and government-run facilities and mobile clinics, for which financing is not assured. Trauma care and tertiary care for in particular non-communicable disease are not included in the BPHS and EPHS packages.

The focus upon ensuring delivery of essential packages of life saving interventions at a minimum quality of care will remain central. However, the reduction in levels of conflict throughout Afghanistan and the reestablishment of basic financing systems does offer the opportunity to increase the coverage of services and establish more sustainable systems to