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SM/83/115  
Correction 2

CONTAINS CONFIDENTIAL  
INFORMATION

August 3, 1983

To: Members of the Executive Board  
From: The Secretary  
Subject: Afghanistan - Recent Economic Developments

The following corrections have been made in SM/83/115 (6/7/83):

Page iii, figures in millions of U.S.  
dollars, columns 1980/81 and 1981/82: revised

Page iv, figures in millions of Afghanis, line 4: for "(7,692)"  
read "(7,692) 2/"

figures in per cent, column 1979/80, line 3: for "43.8" read "-43.8"

column 1980/81, line 4: for "25.3" read "24.4"

column 1982/83, line 4: for "-0.3" read "0.4"

Page 10, line 2: for "accounts open for a complementary period of two to  
three months"  
read "accounts open on the receipts side for a complementary  
period of two to three weeks"

line 4: for "revenue and expenditure transactions"  
read "revenue transactions"

Page 21, para. 2, lines 2-3: for "that a significant percentage...be  
unrecorded"  
read "that a small percentage...be unrecorded  
in the customs records"

Page 22, figures in columns 1980/81 and 1981/82: revised

Page 23, figures in columns 1980/81 and 1981/82: revised

Page 24, para. 2, line 7: for "25 per cent" read "24 per cent"

line 9: for "US\$64 million" read "US\$70 million"

Page 27, last para., penultimate line: for "28 per cent" read "27 per cent"

footnote 1, lines 4 and 5: for "US\$298 million" and "US\$126 million"  
read "US\$292 million" and "US\$120  
million," respectively

Page 42, figures in columns 1980/81 and 1981/82: revised

Corrected pages are attached.

Att: (9)

Other Distribution:  
Department Heads

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Afghanistan - Basic Data

Population	16.36 million (estimate for mid-1981)				
Afghan year ended March 20	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>
Production					
Foodgrains (in thousand tons)	4,346	4,180	4,329	4,453	4,462 <sup>1/</sup>
Raw cotton (in thousand tons)	132	105	65	60	55 <sup>1/</sup>
Natural gas (million cubic meters)	2,461	2,327	2,790	2,675	2,545 <sup>2/</sup>
Cotton textiles (million square meters)	77	65	43	27	24 <sup>2/</sup>

(In millions of Afghania)

					Rev. Est.
Government finances					
Revenue, of which:	15,838	15,737	26,139	29,811	31,226
Sales proceeds from natural gas	(2,637)	(3,873)	(11,509) <sup>3/</sup>	(13,556)	(13,914)
Expenditure	19,085	21,894	31,040	33,518	35,214
Ordinary expenditure	(10,575)	(14,744)	(18,883)	(22,669)	(23,964)
Development expenditure	(8,510)	(7,150)	(12,157)	(10,849)	(11,250)
Overall deficit <sup>4/</sup>	-3,247	-6,157	-4,901	-3,707	-3,988
External financing	(553)	(741)	(6,037)	(3,046)	(4,621)
Domestic financing	(2,447)	(8,529)	(-2,034)	(1,736)	(-633)

(In millions of U.S. dollars)

Proj. <sup>5/</sup>

Balance of payments					
Trade balance	-293	-183	-113	-165	-209
Exports, f.o.b., of which:	(337)	(481)	(714)	(713)	(673)
Natural gas	[53]	[103]	[233]	[273]	[...]
Imports, c.i.f.	(-630)	(-664)	(-827)	(-878)	(-881)
Services (net)	45	52	84	56	47
Unrequited transfers (net)	23	-4	-3	-	11
Current account surplus or deficit (-)	-225	-135	-32	-110	-151
Multilateral	(-94)	(6)	(17)	(30)	(6)
Bilateral	(-131)	(-142)	(-49)	(-140)	(-157)
Nonmonetary capital (net)	192	260	300	164	99
Multilateral <sup>6/</sup>	(74)	(195)	(286)	(146)	(76)
Bilateral	(118)	(65)	(14)	(19)	(23)
Errors and omissions	131	-65	-73	-80	-48
Overall surplus or deficit (-)	98	59	195	-25	-99
Multilateral <sup>6/</sup>	(155)	(-2)	(-69)	(-54)	(-32)
Bilateral	(-57)	(61)	(264)	(29)	(-67)

<sup>1/</sup> Excludes relatively small amounts harvested in the winter months January-March.

<sup>2/</sup> Projection.

<sup>3/</sup> Not fully explained by the price and volume increases for gas exports during 1980/81.

<sup>4/</sup> Overall deficits differ from total financing due to data discrepancies and adjustment to cash basis.

<sup>5/</sup> Based on actual data for the first nine months.

<sup>6/</sup> Includes all transactions other than those channeled through bilateral payments accounts.

Afghanistan - Basic Data (concluded)

Afghan year ended March 20	1978/79	1979/80	1980/81	1981/82	1982/83
	<u>(In millions of Afghanis)</u>				
					<u>First 9 Months</u>
<b>Monetary changes</b>					
Money and quasi-money	4,382	7,489	8,073	8,581	10,301
Net foreign assets <u>1/</u>	3,556	2,196 <u>2/</u>	12,197	1,763	-4,307
Net domestic assets, of which:	826	5,293 <u>2/</u>	-4,124	6,818	14,608
Claims on public sector					
(net)	(2,731)	(7,692) <u>2/</u>	(-1,127)	(5,811)	(3,023)
Net unclassified assets	(-4,516)	(-2,015)	(-8,474)	(4,161)	(10,693)
	<u>(In millions of U.S. dollars)</u>				
<b>Gross official reserves</b>					
(end of period) <u>3/</u>					
Convertible assets	420	409	341	281	258 <u>4/</u>
Bilateral assets	—	17	281	310	225 <u>4/</u>
					<u>1982/83</u>
<b>External public debt</b>					
Amount disbursed (end of period)	1,367	1,627	1,927	2,091	2,190 <u>5/</u>
Debt service in per cent of exports of goods and services	14.4	14.4	6.5	14.9	20.8 <u>5/</u>
	<u>(In Afghanis per U.S. dollar)</u>				
<b>Exchange rate</b>					
Average midpoint of bazaar rate	38.84	42.93	46.13	56.62	74.15 <u>6/</u>
	<u>(In per cent)</u>				
<b>Changes in key economic indicators</b>					
Consumer prices	5.2	9.9	12.6	21.5	20.0 <u>7/</u>
Money and quasi-money	15.7	23.2	20.3	18.0	18.3 <u>8/</u>
Net domestic assets	7.3	-43.8	-60.7	255.1	153.9
Imports	20.3	5.5	24.4	6.2	0.4
Exports	3.1	42.9	48.3	-0.1	-5.7
Gas export prices	50.0	91.9	95.8	25.3	13.2 <u>8/</u>

1/ Differs from the data on net foreign reserve movements mainly because of the use in the banking statistics of a fixed exchange rate for the national currency valuation of gold holdings.

2/ Adjusted for gold revaluation profit of Af 10,579 million.

3/ Of Da Afghanistan Bank; excludes gold.

4/ As of December 20.

5/ Projection.

6/ First ten months; the rate was Af 93.79 per U.S. dollar on March 24, 1983.

7/ Staff estimate.

8/ First nine months.

Little information is available on the structure and trends in the level of wages and salaries in Afghanistan. Salaries in the public sector remained unchanged for several years following a 20 per cent raise (tapered from 36 per cent for the lowest ranks to 5 per cent for the highest) in 1976/77. The next general rise in public sector salaries was in 1981/82 when there was an average increase of nearly 27 per cent within a range of 3-50 per cent, with the higher end of the range benefiting workers in the lower-income categories. At the same time, the monthly allowance of subsidized wheat was doubled for low-income government employees to the level of 50 kilograms which applied earlier only to employees in higher income categories. There was also a rise in the lunch allowances for government employees.

## II. Financial Sector

### 1. Public finance

#### a. Background

The public sector in Afghanistan consists of the Central Government, the municipalities, a number of banks, and about 60 enterprises engaged in commercial, agricultural, and industrial activities. A few of the enterprises, viz., the Food Department and the Sugar, Petroleum, and certain other Monopolies, are closely controlled by the Central Government but have independent accounting outside the central government budget. As information on the financial operations of the municipalities and the public enterprises is not available, the discussion in this section is focused on the budgetary operations of the Central Government.

All central government transactions are included in one budget covering revenues as well as ordinary and development expenditures. Both expenditure categories have separate sub-budgets which are formulated and implemented by two different ministries. The Ministry of Finance administers the ordinary budget, which covers recurrent items of expenditures, and allocates, on a quarterly basis, financial resources to spending ministries and agencies or to local administrations according to the budget appropriations. Ordinary expenditure operations are indirectly controlled through the submission of quarterly reports on actual spending from operating ministries and agencies to the Ministry of Finance. The State Planning Committee administers the development budget and, with the consent of the Ministry of Finance, allocates and controls the use of financial resources in an approximately similar manner to that used for the ordinary budget. The General Audit Department in the Prime Minister's office is involved in auditing government expenditures.

In Afghanistan budgetary and monetary accounts are difficult to reconcile due in part to timing differences. Another reason for the difference between the two sets of data is that the budgetary accounts include changes in the currency holdings of local treasuries.

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The timing differences can be traced to the practice of keeping the budgetary accounts open on the receipts side for a complementary period of two to three weeks after the end of the fiscal year. <sup>1/</sup> During the complementary period, revenue transactions relating to the budget of the year just ended are recorded in a suspense account. However, as information on these transactions is not reported, it is not possible to adjust the fiscal accounts to a cash basis compatible with the monetary data. <sup>2/</sup>

b. Budgetary developments

(1) Overall budgetary results

The years immediately preceding 1977/78 were ones in which the rate of increase in total expenditures far outpaced the rate of increase in revenues so that the overall budgetary deficit rose from Af 700 million in 1974/75 to Af 7.6 billion in 1976/77, equal to more than one third of total expenditures. Whereas in the earlier years foreign financing (foreign aid less foreign debt amortization) more than financed the overall deficit, in 1976/77 this financing remained at the level of the previous year with a resultant reliance on central bank financing of the enlarged deficit to the extent of Af 4.6 billion, nearly 20 per cent of the money stock (money and quasi-money) at the beginning of the period. In 1977/78 expenditures stabilized, there was a large increase in project aid (from Af 2.9 billion to Af 7.3 billion), and budgetary reliance on the central bank fell to Af 510 million.

In the four years ended 1981/82 revenues increased at an average annual rate of 19 per cent, with the increase overwhelmingly due to higher proceeds from the export of gas (Tables 4 and 5). Total and ordinary expenditures rose at average annual rates of 11 per cent and 21 per cent, respectively. Development expenditures fell at the beginning of the period and recovered in 1980/81; for the period as a whole they fell slightly. The fall reflected mainly the cutback in foreign aid from Western sources and, in 1981/82, the completion of some projects financed over previous years. Presumably, the security situation also was a factor. The overall deficit declined from Af 6.8 billion (31 per cent of total expenditures) in 1977/78 to Af 3.7 billion (11 per cent of total expenditures) in 1981/82 but, with lower levels of foreign financing, in most years there was much heavier reliance on central bank financing of the deficit than was the case in 1977/78. In 1981/82 this reliance amounted to Af 1.7 billion (3.6 per cent of the money stock at the beginning of the period).

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<sup>1/</sup> The fiscal year ends on March 20.

<sup>2/</sup> It should be noted that the discrepancy between the accounting of the overall deficit in the budget and the accounting of its financing has widened markedly in recent years. For example, in 1981/82 Table 4 indicates bank financing of less than one half the level recorded in the monetary statistics. For 1982/83 the revised budget estimates show that the projected deficit is to be financed without reliance on the domestic banking system, while monetary statistics show an increase in net claims on Government of Af 2.1 billion for the first nine months of the year.

### III. The External Sector

#### 1. Balance of payments

##### a. Introduction

For many years Afghanistan's balance of payments statistics were based mainly on staff estimates and provided, at best, an overall indication of the changes in the external situation. During the last few years, the Research Department of Da Afghanistan Bank has compiled annual balance of payments statements of a more detailed nature, with separate data being compiled for multilateral and bilateral transactions. <sup>1/</sup>

When interpreting the balance of payments estimates, it should be kept in mind that a small percentage of foreign trade is believed to be unrecorded in the customs records. The data for private transfers and services to and from abroad shown in the accounts cover only those recorded by the banks and thus exclude the large volume of transactions that are financed through the money bazaar. Finally, the large and widely fluctuating "errors and omissions" item limits the usefulness of the balance of payments estimates.

##### b. Overall balance of payments developments

During the early and, in particular, the mid-1970s, Afghanistan recorded substantial overall balance of payments surpluses. Although there were large merchandise trade deficits, the inflows of remittances from Afghans working abroad, the revenue from an expanding tourist industry, and substantial nonmonetary capital inflows were more than sufficient to create sizable overall surpluses. In 1977/78 the surplus reached a record US\$155 million, more than twice that of the previous year (Table 9). The strong external position was entirely due to multilateral transactions, which recorded an overall surplus of US\$160 million, compared with the deficit on bilateral account of US\$5 million (Table 10 and Appendix Table 19).

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<sup>1/</sup> The term "multilateral transactions" is used to denote all transactions other than those channeled through the bilateral payments accounts.

Table 9. Afghanistan: Balance of Payments Estimates, 1977/78-1982/83

(In millions of U.S. dollars)

Year Ended March 20	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83 <sup>1/</sup>
Trade balance <sup>2/</sup>	-196.3	-292.9	-183.1	-113.2	-165.1	-208.8
Exports, f.o.b.	326.7	336.7	481.2	713.5	712.8	672.5
Imports, c.i.f.	-523.0	-629.6	-664.3	-826.7	-877.9	-881.3
Commercial imports <sup>3/</sup>	(-361.1)	(-453.2)	(-424.3)	(-535.2)	(-639.7)	(-653.0)
Project aid imports <sup>4/</sup>	(-141.6)	(-145.5)	(-187.4)	(-171.6)	(-155.4)	(-139.7)
Commodity aid imports	(-20.3)	(-30.9)	(-52.6)	(-119.9)	(-82.8)	(-88.6)
Services	47.1	44.5	52.0	83.5	55.8	47.3
Embassies' expenditure (net)	3.6	4.0	13.5	29.4	20.3	25.0
Travel (net)	38.0	28.0	7.0	--	1.5	2.0
Investment income (net) <sup>5/</sup>	-6.5	5.7	23.2	45.0	23.5	11.4
Other (net)	12.0	6.8	8.3	9.1	10.5	8.9
Unrequited transfers	20.4	23.3	-4.3	-2.7	-0.2	11.0
Credit	40.6	40.5	39.8	12.3	41.8	25.0
Debit	-20.2	-17.2	-44.1	-15.0	-42.0	-14.0
Current account balance	-128.8	-225.1	-135.4	-32.4	-109.5	-150.5
Nonmonetary capital	181.1	192.4	259.6	299.8	164.4	99.0
Credit	218.4	235.2	317.1	345.6	262.2	231.3
Loans and grants	(218.4)	(235.2)	(317.1)	(345.6)	(262.2)	(231.3)
Public loans	[177.6]	[144.8]	[176.9]	[156.5]	[166.1]	[106.9]
Commercial loans	[--]	[7.4]	[57.9]	[48.5]	[16.7]	[7.0]
Grants	[40.8]	[83.0]	[82.3]	[140.6]	[79.4]	[117.4]
Debit: repayment of external debt <sup>6/</sup>	-37.3	-42.8	-57.5	-45.8	-97.8	-132.3
Errors and omissions	103.1	130.9	-64.9	-72.9	-80.0	-47.5
Overall surplus or deficit (-)	155.4	98.2	59.3	194.5	-25.1	-99.0
Multilateral <sup>7/</sup>	160.3	155.0	-2.0	-69.4	-54.2	-32.4
Bilateral	-4.9	-56.8	61.3	263.9	29.1	-66.6

Sources: Da Afghanistan Bank. See Appendix Table 18 for detailed breakdown between bilateral and multilateral transactions.

<sup>1/</sup> Projected in February 1983.

<sup>2/</sup> Exports and commercial imports reflect customs data adjusted by Da Afghanistan Bank on the basis of exchange control records.

<sup>3/</sup> Includes imports financed by commercial loans.

<sup>4/</sup> Project aid imports are calculated as a ratio of project aid using a percentage which varies from year to year.

<sup>5/</sup> Includes interest on external debt.

<sup>6/</sup> Foreign debt principal repayments.

<sup>7/</sup> Includes all transactions other than those channeled through the four bilateral payments accounts.

Table 10. Afghanistan: Balance of Payments  
Summary, 1977/78-1982/83

(In millions of U.S. dollars)

Year Ended March 20	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83 <u>1/</u>
Trade balance	-196.3	-292.9	-183.1	-113.2	-165.1	-208.8
Bilateral	-63.6	-125.5	-135.0	-96.7	-140.2	-187.6
Multilateral <u>2/</u>	-132.7	-167.4	-48.1	-16.5	-24.9	-21.2
Services (net)	47.1	44.5	52.0	83.5	55.8	47.3
Bilateral	-6.5	-6.3	-2.6	34.9	19.3	15.7
Multilateral <u>2/</u>	53.6	50.8	54.6	48.6	36.5	31.6
Unrequited transfers	20.4	23.3	-4.3	-2.7	-0.2	11.0
Bilateral	-0.7	0.4	-4.1	12.3	-18.9	15.0
Multilateral <u>2/</u>	21.1	22.9	-0.2	-15.0	18.7	-4.0
Current account deficit (-)	-128.8	-225.1	-135.4	-32.4	-109.5	-150.5
Bilateral	-58.0	-131.4	-141.7	-49.5	-139.8	-156.9
Multilateral <u>2/</u>	-70.8	-93.7	6.3	17.1	30.3	6.4
Nonmonetary capital	181.1	192.4	259.6	299.8	164.4	99.0
Bilateral	66.7	74.3	195.0	286.1	145.8	75.9
Multilateral <u>2/</u>	114.4	118.1	64.6	13.7	18.6	23.1
Errors and omissions	103.1	130.9	-64.9	-72.9	-80.0	-47.5
Overall surplus or deficit (-)	155.4	98.2	59.3	194.5	-25.1	-99.0
Bilateral	-4.9	-56.8	61.3	263.9	29.1	-66.6
Multilateral <u>2/</u>	160.3	155.0	-2.0	-69.4	-54.2	-32.4

Sources: Da Afghanistan Bank; see Appendix Table 19 for detailed breakdown.

1/ Projected in May 1983.

2/ Include all transactions other than those channeled through the four bilateral payments agreements.

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In 1978/79 the overall surplus was reduced to US\$98 million due to an increase in the merchandise trade deficit of US\$97 million as exports increased by US\$10 million, while imports rose by US\$107 million. In 1979/80 the surplus fell to US\$59 million reflecting the impact of several major developments. An increase of 43 per cent in the value of exports, due to a near doubling of natural gas prices and buoyant exports of dried fruits, reduced the current account deficit by US\$90 million, and the net nonmonetary capital inflow rose by US\$67 million; but errors and omissions showed a move of US\$196 million from a positive to a negative item. Bilateral nonmonetary capital inflows of US\$242 million, a figure substantially greater than the cumulative inflows of the previous two years, more than offset the fall of US\$51 million in multilateral capital inflows. As a consequence of this inflow, the overall bilateral position in 1979/80 strengthened from a US\$57 million deficit in the previous year to a surplus of US\$61 million. This contrasted sharply with the 1979/80 multilateral deficit of US\$2 million following a surplus of US\$155 million in the previous year.

There was a substantial improvement in Afghanistan's external position in 1980/81 because of a reduction in the merchandise trade deficit and a higher inflow of capital from bilateral countries. Although the bilateral surplus of US\$264 million was partially offset by a multilateral deficit of US\$69 million, the resulting overall surplus of US\$195 million substantially exceeded the previous record surplus of 1977/78. The value of imports rose by 24 per cent, but another near doubling of the natural gas price and increased sales of rugs and carpets increased the value of exports by 48 per cent. Consequently, the trade deficit was reduced by US\$70 million to the smallest level in four years. Rising interest rates and increasing levels of foreign reserves over the previous three years combined to increase investment income to US\$52 million in 1980/81. At the same time, interest paid on foreign debt fell following a one-year relief with respect to interest payments on loans from the U.S.S.R., so that net investment income almost doubled from the level of the previous year.

In 1981/82 the overall balance of payments position weakened substantially and, following the record US\$195 million surplus of the previous year, there was a deficit of US\$25 million. Export receipts, which had expanded strongly in the previous year, remained unchanged in 1981/82 despite a US\$40 million increase in natural gas exports to the U.S.S.R. (prices were increased by 25 per cent). The volume of cotton exports fell in reflection of lower production, and the exports of carpets and karakul skins declined, apparently reflecting domestic supply constraints and a weakening of demand from industrial countries. Imports increased by a modest 6 per cent and the trade deficit increased by US\$52 million. There was also a reduction in net service receipts, partly reflecting the resumption of interest payments on debt to the U.S.S.R. However, the most significant factor for the turnaround in the balance of payments position was the large decrease in net capital inflow. This fell to the lowest level in more than four years as Soviet aid declined and debt service amortization payments rose sharply, the consequence of the expiration of debt relief granted by the U.S.S.R. in the mid-1970s.

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d. Imports

The value of commercial imports increased during the four years to 1981/82 at an average annual rate of 17 per cent (Appendix Table 21). 1/ This growth was shared by almost all import categories, with food, petroleum products, and machinery and transport equipment registering the greatest rises. In 1977/78 these three categories made up 37 per cent of total imports; four years later their share had increased to 56 per cent, reflecting increases in both prices and quantities. Manufactured goods, which accounted for more than 28 per cent of total imports in 1977/78, accounted for 16 per cent in 1981/82, with the value of these imports remaining more or less unchanged over the four-year period.

In 1978/79 commercial imports increased by 24 per cent, with the growth rate slowing down to 4 per cent the following year. In 1980/81 the rate reached 30 per cent in response to a doubling in the value of imports of petroleum, higher food imports (in particular sugar), and a surge in the purchase of imports by private traders following the change of Government in December 1979. The buildup in inventories which followed these increased purchases reduced the need for private sector imports in 1981/82. Additionally, there was a decline in government development expenditure from the level of the previous year which limited the increase in total commercial imports to US\$71 million or 13 per cent, despite sizable increases in the value of imports of wheat, sugar, edible oils, and machinery and transport equipment. Most of this increase was due to higher import volumes as export prices in U.S. dollar terms of Afghanistan's multilateral trading partners remained at levels of a year earlier (reportedly, trade with bilateral partners is generally effected at world market prices). 2/

The slowdown in the purchase of commercial imports that began in 1981/82 continued in the following year as private sector imports were increasingly subject to the impact of the rapid depreciation of the Afghani in the bazaar exchange market (Appendix Table 24). Preliminary statistics for the first nine months of 1982/83 show an increase of 12 per cent in the value of imports over the same period of the previous year, but difficulties in using the traditional transit routes are likely to reduce imports in the remaining three months so that the value of imports for 1982/83 as a whole is estimated to have been unchanged from the level of 1981/82.

As mentioned earlier, Afghanistan receives a substantial amount of aid-financed imports. Over the four years to 1981/82, these imports have risen at a slower rate than commercial imports. In 1981/82 project and commodity aid imports accounted for 27 per cent of total merchandise compared with 31 per cent in 1977/78.

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1/ The discussion in this subsection is confined to commercial (customs) imports as a comparable classification of aid-financed imports is not available. The value of these latter imports in 1980/81 totaled nearly US\$292 million, of which project aid imports amounted to US\$172 million and commodity aid imports (mainly foodstuffs) to US\$120 million.

2/ Given the substantial increases in the export unit value index, there appears to have been an improvement in Afghanistan's terms of trade during the four years ended 1981/82.

e. Direction of trade

During the last few years, there has been a significant change in the direction of Afghanistan's external trade (Table 12). The U.S.S.R., Czechoslovakia, Hungary, and the People's Republic of China conduct trade with Afghanistan under bilateral trade and payments agreements. <sup>1/</sup> In 1978/79 bilateral transactions with these countries accounted for 38 per cent of exports and 34 per cent of imports. However, following the revolution in April 1978, these percentages have increased to 62 per cent for exports and 68 per cent for imports in 1981/82 as Afghanistan has increasingly relied on bilateral trade. Sharply higher prices for natural gas, the exports of which are entirely to the U.S.S.R., and improved transit facilities to the north, as well as difficulties encountered on the traditional transit routes, are factors contributing to the increasing bilateral trade. In addition, increases in petroleum, food, and capital goods imports from the U.S.S.R. have contributed to the rise in the share of the bilateral area. Another important factor was the sharp decline in aid from multilateral sources and the rise in loans and grants from bilateral sources.

India and Pakistan continue to be important trading partners, supplying about 4 per cent of imports and purchasing 15 per cent of exports. Of the remaining multilateral trade countries, the United Kingdom, the Federal Republic of Germany, and Japan are the most important, with the latter providing about 10 per cent of total commercial imports.

f. Foreign aid and external public debt

During the 1970s Afghanistan received substantial external financing assistance from both multilateral and bilateral sources, usually on concessional terms. In March 1978 outstanding external public debt was US\$1.8 billion, of which US\$1.0 billion had been disbursed. By March 1982 outstanding debt had increased by 93 per cent to US\$3.5 billion, with US\$2.1 billion disbursed (Appendix Table 22); of the latter amount, 73 per cent was owed to the U.S.S.R. Until 1978/79 sizable aid was also provided by the United States and the Federal Republic of Germany; aid from Western sources declined sharply thereafter. Nevertheless, official aid increased through 1980/81 reflecting larger loans and grants from the U.S.S.R. In that year the inflow of US\$346 million was 58 per cent higher than the 1977/78 inflow (Table 13). However, inflows are estimated to have declined by 33 per cent over the following two years.

Although the mid-1970s debt rescheduling agreement with the U.S.S.R. limited the total 1978/79 debt service payments to levels only slightly higher than those of 1977/78, sizable increases occurred in 1979/80. Debt service payments fell the following year when the U.S.S.R. granted a one-year relief with respect to interest payments but more than doubled in 1981/82 to reach US\$118 million as the grace period negotiated in the debt rescheduling agreement ended.

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<sup>1/</sup> In the case of Hungary, only specified commodities are covered by the payments agreement.

Table 18. Afghanistan: Interest Rates on Bank Deposits and Loans, 1977/78-1982

(In per cent)

Year ended March 20	1978/79	1979/80	1980/81	1981/82	Dec. 1982
<b>Da Afghanistan Bank</b>					
Savings deposits	9	9	9	9	9
Loans to banks	2-9	5-12	8-9	9	2-12
Other loans	3-12	5-12	3-12	6-12	3-12
<b>Commercial banks</b>					
Savings deposits	9	9	9	9	9
Loans to customers	3-12	5-12	3-12	6-12	3-12
<b>Da Afghanistan Bank and commercial banks</b>					
Time deposits -					
3 months	4	4	4	4	4
6 months	9	9	9	9	9
12 months	10	10	10	10	10

Source: Da Afghanistan Bank.

Table 19. Afghanistan: Balance of Payments Estimates, 1977/78-1982/83 1/

(In millions of U.S. dollars)

Year Ended March 20	1977/78			1978/79			1979/80			1980/81			1981/82			1982/83		
	Bilateral	Multi-lateral	Total															
Trade 2/	-63.6	-132.7	-196.3	-125.5	-167.4	-292.9	-135.0	-48.1	-183.1	-96.7	-16.5	-113.2	-140.2	-24.9	-165.1	-187.6	-21.2	-208.8
Exports, f.o.b.	122.8	203.9	326.7	130.7	206.0	336.7	259.0	222.2	481.2	447.9	265.6	713.5	454.5	258.3	712.8	431.9	240.6	672.5
Imports, c.i.f.	-186.4	-336.6	-523.0	-256.2	-373.4	-629.6	-394.0	-270.3	-664.3	-544.6	-282.1	-826.7	-594.7	-283.2	-877.9	-619.5	-261.8	-881.3
Commercial imports 3/	(-91.9)	(-269.2)	(-361.1)	(-154.4)	(-298.8)	(-453.2)	(-210.3)	(-214.0)	(-424.3)	(-274.9)	(-260.3)	(-535.2)	(-384.7)	(-255.0)	(-639.7)	(-434.0)	(-219.0)	(-653.0)
Project aid imports 4/	(-85.0)	(-56.6)	(-141.6)	(-94.1)	(-51.4)	(-145.5)	(-142.6)	(-44.8)	(-187.4)	(-150.9)	(-20.7)	(-171.6)	(-128.3)	(-27.1)	(-155.4)	(-98.9)	(-40.8)	(-139.7)
Commodity aid imports	(-9.5)	(-10.8)	(-20.3)	(-7.7)	(-23.2)	(-30.9)	(-41.1)	(-11.5)	(-52.6)	(-118.8)	(-1.1)	(-119.9)	(-81.7)	(-1.1)	(-82.8)	(-86.6)	(-2.0)	(-88.6)
Services	-6.5	53.6	47.1	-6.3	50.8	44.5	-2.6	54.6	52.0	34.9	48.6	83.5	19.3	36.5	55.8	15.7	31.6	47.3
Credits	3.6	61.0	64.6	2.5	64.7	67.2	15.6	66.4	82.0	34.9	58.7	93.6	31.1	48.3	79.4	31.5	44.3	75.8
Embassies' expenditure in Afghanistan	(3.6)	(4.0)	(7.6)	(2.5)	(6.0)	(8.5)	(13.1)	(5.2)	(18.3)	(27.1)	(5.5)	(32.6)	(20.3)	(3.5)	(23.8)	(25.0)	(5.0)	(30.0)
Travel	(--)	(38.0)	(38.0)	(--)	(28.0)	(28.0)	(0.5)	(6.5)	(7.0)	(--)	(--)	(--)	(--)	(1.5)	(1.5)	(1.0)	(1.0)	(2.0)
Investment income	(--)	(7.0)	(7.0)	(--)	(20.9)	(20.9)	(--)	(46.7)	(46.7)	(1.9)	(50.0)	(51.9)	(4.7)	(38.9)	(43.6)	(2.9)	(32.0)	(34.9)
Other	(--)	(12.0)	(12.0)	(--)	(9.8)	(9.8)	(2.0)	(8.0)	(10.0)	(5.9)	(3.2)	(9.1)	(6.1)	(4.4)	(10.5)	(2.6)	(6.3)	(8.9)
Debits	-10.1	-7.4	-17.5	-8.8	-13.9	-22.7	-18.2	-11.8	-30.0	--	-10.1	-10.1	-11.8	-11.8	-23.6	-15.8	-12.7	-28.5
Embassies' expenditures abroad	(-1.0)	(-3.0)	(-4.0)	(-0.2)	(-4.3)	(-4.5)	(--)	(-4.8)	(-4.8)	(--)	(-3.2)	(-3.2)	(--)	(-3.5)	(-3.5)	(--)	(-5.0)	(-5.0)
Travel	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Investment income 5/	(-9.1)	(-4.4)	(-13.5)	(-8.6)	(-6.6)	(-15.2)	(-16.5)	(-7.0)	(-23.5)	(--)	(-6.9)	(-6.9)	(-11.8)	(-8.3)	(-20.1)	(-15.8)	(-7.7)	(-23.5)
Other	(--)	(--)	(--)	(--)	(-3.0)	(-3.0)	(-1.7)	(--)	(-1.7)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Unrequited transfers	-0.7	21.1	20.4	0.4	22.9	23.3	-4.1	-0.2	-4.3	12.3	-15.0	-2.7	-18.9	18.7	-0.2	15.0	-4.0	11.0
Credit	0.6	40.0	40.6	0.5	40.0	40.5	--	39.8	39.8	12.3	--	12.3	4.2	37.6	41.8	15.0	10.0	25.0
Debit	-1.3	-18.9	-20.2	-0.1	-17.1	-17.2	-4.1	-40.0	-44.1	--	-15.0	-15.0	-23.1	-18.9	-42.0	--	-14.0	-14.0
Current account balance	-70.8	-58.0	-128.8	-131.4	-93.7	-225.1	-141.7	6.3	-135.4	-49.5	17.1	-32.4	-139.8	30.3	-109.5	-156.9	6.4	-150.5
Nonmonetary capital	66.7	114.4	181.1	74.3	118.1	192.4	195.0	64.6	259.6	286.1	13.7	299.8	145.8	18.6	164.4	75.9	23.1	99.0
Credit	94.5	123.9	218.4	109.2	126.0	235.2	241.6	75.5	317.1	318.2	27.4	345.6	226.7	35.5	262.2	189.9	41.4	237.3
Loans and grants	(94.5)	(123.9)	(218.4)	(109.2)	(126.0)	(235.2)	(241.6)	(75.5)	(317.1)	(318.2)	(27.4)	(345.6)	(226.7)	(35.5)	(262.2)	(189.9)	(41.4)	(237.3)
Public loans	191.0	186.6	177.6	197.7	147.1	114.8	114.8	145.5	131.4	117.9	140.7	115.8	137.8	128.3	116.6	179.6	127.3	106.9
Commercial loans	(--)	(--)	(--)	17.4	(--)	17.4	(--)	17.4	(--)	17.9	(--)	(--)	148.5	116.7	116.7	17.0	(--)	17.0
Grants	13.5	137.3	140.8	14.1	178.9	183.0	138.2	144.1	162.3	129.0	111.6	140.6	172.2	17.2	179.4	110.3	114.1	117.4
Debit	-27.8	-9.5	-37.3	-34.9	-7.9	-42.8	-46.6	-10.9	-57.5	-32.1	-13.7	-45.8	-80.9	-16.9	-97.8	-114.0	-18.3	-132.3
Repayment of external debt 6/	(-27.8)	(-9.5)	(-37.3)	(-34.9)	(-7.9)	(-42.8)	(-46.6)	(-10.9)	(-57.5)	(-32.1)	(-13.7)	(-45.8)	(-80.9)	(-16.9)	(-97.8)	(-114.0)	(-18.3)	(-132.3)
Errors and omissions	-0.8	103.9	103.1	0.3	130.6	130.9	8.0	-72.9	-64.9	27.3	-100.2	-72.9	23.1	-103.1	-80.0	14.4	-61.9	-47.5
Overall surplus or deficit	-4.9	160.3	155.4	-56.8	155.0	98.2	61.3	-2.0	59.3	263.9	-69.4	194.5	29.1	-54.2	-25.1	-66.6	-32.4	-99.0
Monetary movements 7/																		
(Increase in assets-)	4.9	-160.3	-155.4	56.8	-155.0	-98.2	-61.3	2.0	-59.3	-263.9	69.4	-194.5	-29.1	54.2	25.1	66.6	32.4	99.0
De Afghanistan Bank	(4.9)	(-143.3)	(-138.4)	(56.8)	(-146.1)	(-89.3)	(-61.3)	(15.2)	(-46.1)	(-263.9)	(73.4)	(-190.5)	(-29.1)	(61.5)	(32.4)	(66.6)	(37.4)	(104.0)
Commercial banks	(--)	(-17.0)	(-17.0)	(--)	(-8.9)	(-8.9)	(--)	(-13.2)	(-13.2)	(--)	(-4.0)	(-4.0)	(--)	(-7.3)	(-7.3)	(--)	(-5.0)	(-5.0)

Source: De Afghanistan Bank.

1/ The 1982/83 data projected in February 1983.

2/ Exports and commercial imports reflect customs data adjusted by De Afghanistan on the basis of exchange control records.

3/ Includes imports financed by commercial loans.

4/ Project aid imports are calculated as a ratio of project aid using a percentage which varies from year to year.

5/ Includes interest on external debt.

6/ Principal foreign debt repayments.

7/ Includes all transactions other than those channeled through the four bilateral payments accounts.

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Corrected: 8/1/83  
APPENDIX