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Statement by the Hon. **AJMAL AHMADY**,
Governor of the Fund for the **ISLAMIC REPUBLIC OF AFGHANISTAN**

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It is a great honor for me to be part of 2020 IMF-WB annual meeting. I appreciate both IMF and World Bank entire management for their wonderful efforts and contribution to make the 2020 virtual annual meeting happen despite of COVID-19 pandemic and wish to have a very successful end.

Global Economy

The COVID -19 outbreak was the primary source of economic shock of enormous magnitude in 2020. Advance economies as well as emerging economies plunged into deep recession. The World Bank baseline forecast envision deepest recession since World War II. Economies with more severe outbreak experienced stark economic disruptions. Meanwhile, the spillover effects produced a devastating blow to the global value chain, global commodity and financial market and tourism. Emerging Markets and developing economies witnessed substantial downgrades largely resulting from stringent lockdown measures and partly due to size of their domestic market. Despite receiving generous support from supranational institutions and developing partners, per capita income in all emerging and developing economies has shrunk with millions to fall back into poverty.

Afghan Economy

Afghanistan reported its first confirmed COVID-19 case on February 24, 2020. As the infection spread in March, the government progressively tightened containment measures, including introducing screening at ports of entry, quarantine for infected people, and closure of public places for gathering. On March 28, it imposed countrywide lockdown, which was subsequently extended twice. Afghanistan imposed strict measure to contain outbreak and the country remain under stern lockdown for four months. The lock was eased in August with activities return to pre outbreak level in major sectors of the economy.

The COVID-19 outbreak took a significant toll on Afghan economy, the exiting political turmoil and security uncertainties amplified the negative economic effects of the Corona outbreak and restrictive measures taken to contain the outbreak. The outbreak had significantly negative impact on the livelihoods of the vulnerable and poor population of the country by increasing poverty rates from 54% to 61%, and unemployment increased in the country from 23% to 40% due to the lockdown and closure of international borders and neighboring countries.

Giving the aforementioned impacts from the outbreak of coronavirus, Afghanistan GDP is expected to shrink down by around -5 percent in 2020. Agriculture will bring positive pressures, while industries and services sectors are thought to have down playing role. Among others, profound impacts emanate from manufacturing and constructions in industries sector, while the services sector have weakened by wholesales, retails sales, hotels and restaurants, transport and storage, government services and other services.

Afghan Government Policy Measures During COVID-19 Pandemic:

Afghanistan as an import oriented country the COVID outbreak and subsequent restrictive measure rendered food inflation to reach double digit during the lockdown, reaching 12.88 percent in the beginning of spring. However, the non-food inflation remained low due lackluster demand. Meanwhile, Da Afghanistan was successful in maintained exchange rate stable during lock down, which helped in taming inflation to a certain degree.

There have been no liquidity pressures in part thanks to Da Afghanistan Bank (DAB)'s actions to maintain confidence in the Afghani and among depositors. The authorities increased the frequency of Financial Stability Committee meetings, enhanced the monitoring of early signs of liquidity stress, and reviewed banks' business continuity plans. DAB postponed the IFRS-9 implementation to June 2021 and froze loan classifications at the pre-pandemic cutoff of End-February. It also suspended administrative penalties and fees, with no retrospective applications for breaches/noncompliance.

Da Afghanistan Bank phased out emergency pandemic measures in July. It ended the freeze on loan classifications and recommenced the enforcement of all prudential requirements in August with flexible application of penalties and prudential triggers in recognition of persisting risks. The emergency measures for the nonbank sector were allowed to expire at End-July.

On the fiscal front Afghan government initially allocated Af 8 billion (0.5 percent of GDP) from contingency funds for emergency pandemic response, of which Af 1.9 billion (0.1 percent of GDP) for urgent health needs, such as establishing testing labs, including at border crossings; setting up special wards to boost hospitalization and care capacity; and procuring critical medical supplies. On April 29, the government started providing free bread to the poor in Kabul, later extended to other cities. The program was ended in late June. In May, the government waived electricity bills of less than Af 1,000 (US\$13) for a family residence in Kabul for two months and paid utility bills of the past two months for 50 percent of households in Kabul. The decision benefited more than 1.5 million Kabul residents. Recognizing the liquidity constraints of many taxpayers, the government extended the tax filing deadline for the first 45 days. No further extensions have been provided.

The Afghan Government and the Central Bank of Afghanistan appreciates the financial and technical support extended by the IMF and World Bank Group. Your continuous support has played a pivotal role in economic development of Afghanistan over the past two decades and will be committed to further strengthen the cooperation and coordination between Afghan Government, IMF and World Bank Group.

As conclusion the government of Afghanistan appreciate and congratulate International Monetary Fund and World Bank for making the meeting happen virtually despite of severe COVID-19 Pandemic.