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Taxing the Afghan Nation: What the Taliban's pursuit of domestic revenues means for citizens, the economy and the state

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COVER PHOTO:

Head of customs for the Hairatan border crossing in Balkh province, Abdul Sattar Rashid (second left), with other Taliban on the Afghanistan-Uzbekistan Friendship Bridge.

Photo: Wakil Kohsar/AFP, 27 October 2021.

EXECUTIVE SUMMARY

One week after the takeover, the Taliban started collecting tax, ushr and zakat. They collected 1,000 afghanis from the shopkeepers for their licences to trade. They also collected ushr [sic] on vehicles, tractors and trucks: 2,000 afghanis on cars, 5,000 afghanis on trucks and tractors, 20,000 afghanis per fuel shop and 1,000 afghanis per house. They charge 50 afghanis if someone drives his vehicle or motorcycle too fast. Since people are afraid of them they pay whatever they ask. I paid 1,000 afghanis for my home and 2,000 afghanis for my car about 15 days ago. They told me I didn't have to pay again until next year.

– Former local government official, Feroz Koh, Ghor province

THE TALEBAN came to power as seasoned tax collectors. For years, they had been taxing farmers, shopkeepers, businesses and NGOs in areas under their control, funnelling the money not into services, but the war effort. In the summer of 2021, as they took over the various districts and cities of Afghanistan, they swiftly organised to collect taxes, demanding income and business taxes, as the Republic had done, and also 'Islamic taxes' – *ushr*, which is a tithe on the harvest, and *zakat*, which is a wealth tax, usually taken on livestock. The Republic did not take these Islamic taxes and they represent a new transfer of resources from the rural economy to the Afghan state.

In other circumstances, the almost total cessation of fighting that followed the abrupt collapse of the old government on 15 August 2021 would have brought massive economic benefits and a rise in government revenues. However, the Taliban's seizure of power brought with it a rupture with the international community, and ensuing calamity for the Afghan economy. Foreign aid and military support vanished overnight, while United Nations and United States sanctions that had targeted the Taliban as an insurgent group now applied to the whole country, putting further strain on Afghanistan's shrinking economy, especially banking and trade.

When the Taliban woke on 16 August 2021, they found themselves not only in charge of a suddenly far poorer country but also in a situation almost unheard of for Afghan rulers: they had no foreign subsidies to rely on. The Emirate was not to be financially autonomous from the people. The Taliban's taxing habit, honed during the insurgency, is now critical for funding their state.

Of all the ways a government can raise domestic revenues, taxation has the widest and most direct impact on the people. It is fundamental to the state-citizen relationship and how state institutions and economies develop. In many countries, it has been a historical driver of democracy, pushing demands for representative government. For these reasons, this report focuses on how the Emirate is taxing the Afghan nation. It also explores, to a lesser extent, the collection of fees, customs duties and mining revenue and finds the Taliban are just as serious about collecting these sources of revenue.

THE VIEW FROM THE GROUND

At the core of the research are more than one hundred interviews with Afghans across the country who were asked about tax mostly as part of broader interviews about how life had changed since the Taliban captured their area or city, or about changes to their household economies in the wake of the country's economic collapse.

When asked about tax, most people spoke about all the payments they were making to the state without differentiation. These might variously be taxes on business income and salaries, fees for licenses to run a shop or a taxi, ushr and zakat (now the responsibility of the Ministry of Agriculture), municipalities' 'sanitation' tax, and even utility bills. Some people reported that tax collectors were open to negotiation, and others that they had paid no taxes because they were too poor or had made no profits from their businesses. Other interviewees, however, described tax collectors who were menacing and implacable, giving them no choice but to pay up even when the demands were unaffordable. We heard accounts of the Taliban shutting shops and businesses when their owners could not afford trading licenses, and Taliban tax assessors insisting on unpaid back payments owed from the days of the Republic.

Interviewees from some areas of Afghanistan, particularly remote districts of Hazarajat, described taxes that are outside both Ministry of Finance rules and Islamic practice – flat-rate taxes on all households, landlords or shopkeepers in an area, and/or ushr taken communally, which all but the very poorest contributed to, whether they have land – and a harvest – or not.

The common thread running through the interviews and various other research is that the Emirate's collection of taxes, fees, customs and revenues from mining is organised, systematic and comprehensive. Interviewees also reported fewer demands/opportunities for doing deals or paying bribes to reduce tax or customs bills and revenue collection appears to be far cleaner than under the Republic. However, this is just one opportunity in the cycle of a state collecting and spending revenues where corruption can manifest. If the Taliban are to maintain their better reputation on corruption, they will need to be more open about all aspects of revenue collection, and transparent about what they are spending people's money on.

THE BLACK HOLE IN GOVERNMENT FINANCIAL DATA

The Emirate's Ministry of Finance has so far provided only the barest detail on state finances – just the overall figures for anticipated revenue and expenditure, with a little more detail, especially on spending, in a mini budget covering the last three months of 1400 (21 January to 20 March 2022). This is in stark contrast to the Republic, which, although mired in corruption in many and various ways, had reformers in the Ministry of Finance for some of its later years who pushed for greater financial transparency. They published detailed budgets, disaggregated revenues so that financial flows could be tracked, and minutely detailed expenditure – in the belief that this would strengthen the tracking and rooting out of corruption and waste, and help citizens and donors push for cleaner, better government.

While the Taliban largely took over the Ministry of Finance system intact, they have not adopted its public financial reporting. Rather, all that transparency – and the multiple potential benefits it brings – is now gone, a huge loss for citizens and donors alike. Until now, donors have been notably quiescent about the Taliban's lack of fiscal transparency.

Without greater transparency, people do not know where their money is going, and donors cannot know the impact of their aid on the Taliban state.

This report fleshes out what can be discovered about Taliban revenue collection and raises questions about how they are spending that money. This applies, in the first instance, to the money collected by the Ministry of Finance, but also to all the revenue that appears not to be part of the published budget revenue figures – ushr and zakat, the strange flat-rate taxes already referred to, and the continued taxation of illegal activities such as people smuggling, the opium crop and cross-border opiate trade.

This black hole in financial data is allied with a complete absence of checks or balances on the Emirate's power, no division of power within the state, and no mechanisms that monitor spending which disclose information to the public. Without greater transparency, people do not know where their money is going, and donors cannot know the impact of their aid on the Taliban state. This is particularly relevant to donors as they gear up, once again, to provide large sums of development aid, especially via the Afghanistan Reconstruction Trust Fund, and take on some of the cost of basic government functions.

WHAT TALEBAN REVENUE COLLECTION TELLS US ABOUT THE AFGHAN ECONOMY

The World Bank estimated in April 2022 that economic activity in Afghanistan had shrunk by 20 to 30 per cent since August 2021. Domestic revenues, however, did not mirror this contraction, for two reasons. First, the Taliban have been single-minded in their collection

of revenues and second, the Republic-era three-way split in who received money from payments has ended. Previously, some money did go to the treasury, but corrupt officials, strongmen and politicians took massive cuts, and the insurgency took lesser amounts.

The Emirate anticipates generating levels of domestic revenues fairly similar to the Republic in the current Afghan year, 1401 (2022): 187 billion afghanis, compared to 170 billion afghanis for the Republic's last full year of government, 1399 (2020) and 201 billion afghanis for its last pre-pandemic year 1398 (2019), when the economy was reasonably healthy. The Republic's total income was always higher because of foreign grants.



A girl harvests cotton in Dawlatabad District, Balkh province.
Photo: Wakil Kohsar/AFP, 28 October 2021.

What little financial data the Emirate has published and agencies such as the World Bank have garnered show that the deep scarring of the Afghan economy has affected the various sources of revenue differently. Tax revenues have plummeted since August 2021. There is simply less economic activity to tax. Fewer Afghans are getting salaries and most businesses have struggled, if not folded. Sectors such as construction and services, where demand was previously fed by foreign funding, have been particularly hard hit by the bursting of the bubble economy.

At the same time, revenue from customs has held up, probably because Afghanistan imports so much that is essential: people must still buy goods such as fuel, electricity, medicine, wheat and rice, if they can possibly afford to. This is one reason retail and import/export companies appear to be doing better than other businesses. Sectors

producing goods that other countries want – minerals and agricultural produce – are also relatively buoyant, and export duties on minerals, particularly coal, have risen sharply.

The Emirate could be said to be ‘doing well’ when it comes to revenue collection. Yet, this is a slippery conclusion, particularly when it comes to taxation. If taxes pay for what people want – education, health, civil policing, national defence – they usually see tax, even if reluctantly, as a public good. If an unaccountable government spends people’s hard-earned money in unpopular or oppressive ways, taxation may feel like predation, the extraction of resources by rulers keen to entrench their power.

These are desperate times for most Afghans, with many people having trouble just feeding their families. In particular, the taxes on food production, ushr and zakat, represent a massive new transfer of resources from the rural economy to the state. Charity is embedded in the Afghan psyche and social fabric, with even the poorest seeking to help those in even worse need than themselves, yet how well can people carry on helping others if the state is taking their marginal income, either money or in kind?

TAX, FOREIGN FUNDING AND THE CITIZEN-STATE RELATIONSHIP

Unearned foreign funding (known by economists as ‘rent’) has pernicious effects on the state-citizen relationship if it is large enough to make a government financially autonomous from its people. It encourages authoritarian rule and corruption and hampers both the development of democracy and domestic production. After 2001, vast amounts of rent came to Afghanistan in the form of aid, military support and the money spent by the foreign armies. It went to multiple competing networks within the state, leaving no one to really take responsibility for the country. In many ways, as well, the Taliban’s was a rentier insurgency, funded ultimately also by the foreign funds coming into Afghanistan.

The sudden cut-off of rent in August 2021 has left the Emirate in a quite different position from its predecessors. It is financially dependent on the people. Whereas during the Republic, foreign funding ensured public services ran even if vast amounts were being syphoned off by politicians and officials, since August 2021, those services, if they are to run, need to be funded from domestic revenues.

If Afghans feel the government is spending their money on delivering public services, they may conclude that, to a certain extent, it has their interests at heart when it takes their money. If not, taxation could fuel discontent, especially against the backdrop of economic hardship, the Emirate’s authoritarian, interventionist instincts and the narrow basis on which it is drawn. It is difficult to see Afghans rebelling over taxation without representation given the decades of brutality, slights and violence they have suffered. However, in particular localities, if little comes back in terms of public services, people may view taxation as ‘outsiders’ taking their money, and that could create more fertile ground for discontent.

This year, donors have decided to again help pay for many basic services, which risks repeating the dynamic seen during the insurgency when the Taliban taxed people in areas under their control, while the foreigners continued to fund public services – education, healthcare, support to farmers, and so on. Now, the Taliban are in charge as the government, but donors, NGOs and the UN will be providing some services in a parallel system. Inevitably, even if donor funds do not go through Taliban ministries, that money will strengthen the regime by freeing up money the administration might otherwise have spent on education, health, support to farmers and other services. That greater fiscal room for manoeuvre might be used for clamping down on dissidents, strengthening intelligence and internal security, bolstering Taliban networks within the state or enriching officials. It will also affect the citizen-state relationship.

This is not an argument for giving less aid to this poor country, but the experience of the last twenty years should ring warning bells for donors to proceed with care. They already face an intractable dilemma. Providing much-needed funding will inevitably strengthen an authoritarian regime that came to power by military force and is unrecognised by the world, while less aid will have consequences for the life chances, indeed, the lives of millions of Afghans. Even so, the foreign rent question – the effect donor funding has on Afghanistan’s political economy and the clout of its rulers – should be part of their thinking. The need for transparency by the Taliban on revenues and expenditure is urgent.

AIMS AND OUTLINES OF THE REPORT

AAN research undertaken between August 2021 and February 2022 to find out how the change in regime had affected people’s lives and their household economies has revealed just how seriously the Emirate was taxing people. One of the aims of this report is to showcase Afghans’ experiences of taxation and to ensure that any analysis of the Emirate’s fiscal policy is made through this human lens.

Given how critical taxation is to the political economy and history of nations, the report also asks how the highly unusual financial dependence of an Afghan administration on its citizens will affect the relationship between rulers and people. In responding to this question, the report builds on previous research that explored the malign impact and outcomes of the vast foreign funds coming to Afghanistan after 2001, which rendered those in charge financially independent from the people (although not from donors). It also builds on more recent AAN research on the choices facing Afghanistan’s erstwhile donors, as well as AAN’s in-depth research on how the economic calamity has hit Afghan families.

The author hopes this report will be of practical use in detailing not only what we know or can find out about Taliban finances but also in highlighting the many gaps and absences in the data. Follow-up research hopes to focus on the other, equally important side of government finance – state expenditure – although here, information is even scarcer.

Chapter 1: A brief background on taxation and the rentier economy sets the context by discussing the role of taxes in the state/citizen relationship. It asks what repercussions the resumption of development aid might have for this relationship and the sustainability of the Emirate, and highlights the absence of fiscal transparency from the new administration in Kabul.

Chapter 2: Paying taxes in Afghanistan under the Republic describes revenue collection before August 2021. It looks at Ministry of Finance taxes (*maliat*) on salaries and business profits, now adopted by the Emirate, and at how Taliban insurgents taxed farmers, businesses and NGOs in areas under their control. It details how revenues were diverted from the treasury under the Republic and considers how, ultimately, it is citizens who pay for government corruption and a taxing insurgency.

In **Chapter 3: The view from the ground on taxation**, we hear from people across Afghanistan about their experiences of taxation since the takeover, including on salaries, businesses, harvests, livestock and licenses to trade, and in some areas of communal demands for ushr and flat-rate taxes levied on householders, landowners and shopkeepers. It also has accounts of demands for households or communities to feed victorious Taliban fighters. The chapter closes with an overview of how the Taliban swiftly moved to control and regularise the collection of customs duties on imports and export duties on minerals.

Chapter 4: What Taliban revenue collection tells us about the state of the Afghan economy details the limited financial data the Emirate has released and contrasts Taliban revenue collection with the last years of the Republic. It looks at how the varying strengths of different revenue streams reflect the pre-existing weaknesses and a few strengths in the Afghan economy, as well as the nature of the economic collapse. The chapter asks how the Taliban are spending the revenues, particularly those which do not appear to be going through the official books, including the Islamic taxes and taxes on illegal activities.

Chapter 5: Conclusion points out that although the Emirate is collecting revenues relatively cleanly, there is no financial transparency on what happens to revenues *after* collection. It raises questions as to what the black hole in government finances means for international donors who are looking to spend development funds in Afghanistan again. It also asks how well Afghans can carry on helping others if the state is so rigorously taking their marginal income, either money or in kind.

Note on currencies: In this report, the author has not given dollar equivalents for afghanis. The value of the afghani has changed so much since August 2021, varying between 80 and 109 afghanis to the dollar, that it seemed clearer to only give the original afghani figure.

CHAPTER 1

A BRIEF BACKGROUND ON TAXATION, DEMOCRACY AND THE RENTIER ECONOMY



Day labourers shovel coal at a yard on the outskirts of Kabul city.
Photo: Wakil Kohsar/AFP, 17 November 2021.

IN DIFFERENT circumstances, the Taliban's swift and complete victory on 15 August 2021 might have brought a major peace dividend to the Afghan economy and to government revenues. Traded goods, harvested crops and travellers no longer have to cross front lines, farmers can sow, irrigate and harvest in peace and businesses and others no longer have to fear airstrikes, nor in the main, suicide attacks or kidnapping, now that those who were waging war and kidnapping have either left the country, are sitting at home, or are in power. However, the Taliban's military conquest triggered economic collapse.

Overnight, foreign grants stopped. Civilian aid and military support had provided 45 per cent of Afghanistan's Gross Domestic Product (GDP) and 75 per cent of government expenditure.¹ The economy went into free fall, even as United Nations and United States sanctions that had targeted the insurgent group were now suddenly applied to the whole country. Afghanistan's banking sector and international financial transactions were left paralysed with repercussions for trade, aid and business within the country.² The Taliban found themselves in charge of a suddenly, much poorer state. By opting for military conquest rather than trying for a negotiated settlement, they had, in effect, killed the goose that had been laying the golden egg.³

The Emirate is in an extremely rare position. It is possibly the first administration since Amir Abdul Rahman Khan (reigned 1880–1902) established the modern state⁴ have scarcely any access to foreign funding. The Afghan state grew hand in hand with foreign subsidies, whether from British India, competitive Cold War-era aid from the US and USSR or the

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- 1 'Afghanistan', The World Bank website, April 2022, <https://www.worldbank.org/en/country/afghanistan>.
 - 2 The World Bank has summarised Afghanistan's economic woes: cessation of aid, leading to collapsed demand; major disruption to basic services; loss of hard-currency aid inflows, which had financed a very large trade deficit; loss of access to the central bank's overseas assets; cessation of international payments by correspondent banks, undermining international aid, trade and remittances; loss of central bank access to supplies of afghani and USD notes, creating a liquidity crisis; rapid decline in investment confidence; loss of human capital after mass emigration and due to restrictions on women's employment. 'The World Bank In Afghanistan: Overview', The World Bank website, undated, <https://www.worldbank.org/en/country/afghanistan/overview>.
 - 3 This was explored in Kate Clark, 'Killing the Goose that Laid the Golden Egg: Afghanistan's economic distress post-15 August', Afghanistan Analysts Network, 11 November 2021, <https://aan.af/2YyVXD8>.
 - 4 Abdul Rahman Khan also, famously, increased taxation of all kinds and systematically collected money.

billions of dollars of civilian and military support paid out between 2001 and 2021.⁵ The Taliban have no such income streams. They must generate revenue from within the country to survive in power.

The important question is therefore: Is the Emirate spending tax revenues on public services? If Afghans feel that they are, they may conclude this is a government that, to a certain extent, has their interests at heart when it takes their money. If not, taxation could become a factor contributing to discontent.

1.1 WHAT MORE AID MIGHT MEAN

Although the fall of the Republic meant an end to foreign grants coming directly to Afghan state coffers, it did not mean an end to aid. While no match for the sums received pre-August 2021, the aid arriving into Afghanistan since the change of regime has still been sizeable, with humanitarian aid, according to the World Bank, probably saving many from starvation.⁶ This year, the aid budget is set to increase, with donors once more spending large sums of money on basic services.⁷ They have decided to go beyond the purely humanitarian to also support healthcare, agriculture, basic utilities and, probably on condition the Taliban allow older girls to go to school again, education.⁸ The policy has inherent risks: as donors start to pay more for basic services, the relationship between taxation and what the government delivers will again weaken.

The last twenty years of foreign funding to Afghanistan has shown the pernicious outcomes stemming from foreigners enabling rulers to be financially autonomous from their people. In the twenty years of the Republic, billions of dollars arrived in Afghanistan in the form

5 Calculating Afghanistan's unearned foreign funding is difficult. One assessment for 2000-09 put it at USD 274.7 billion, of which 9.6 per cent was official development assistance, 5.6 per cent security-related aid and 88.6 per cent spending by foreign military operations. It represented 98.2 per cent of total major domestic and foreign resource flows into Afghanistan. Adam Pain, 'Livelihoods, Basic Services and Social Protection in Afghanistan', Afghanistan Research and Evaluation Unit, 2012, 7, <https://www.refworld.org/pdfid/523ad6124.pdf>. See also: Kate Clark, 'The Cost of Support to Afghanistan: Considering inequality, poverty and lack of democracy through the 'rentier state' lens', Afghanistan Analysts Network, May 2020, <https://www.afghanistan-analysts.org/en/wp-content/uploads/sites/2/2020/05/20200528-Rentier-2.pdf>.

6 World Bank, 'Afghanistan Welfare Monitoring Survey: Round 1', March 2022, <https://thedocs.worldbank.org/en/doc/138d0857c9a66e7e2a963a1a6137860e-0310062022/original/Afghanistan-Welfare-Monitoring-Survey.pdf>.

7 William Byrd has reported that UN cash shipments are amounting to between USD 1 billion and USD 1.5 billion per year, with "another perhaps roughly equal amount of non-cash humanitarian aid transfers." William Byrd, 'One Year Later, Taliban Unable to Reverse Afghanistan's Economic Decline', US Institute of Peace, 8 August 2022, <https://www.usip.org/publications/2022/08/one-year-later-taliban-unable-reverse-afghanistans-economic-decline>.

8 See World Bank press release about the decision to spend USD 793: 'World Bank and ARTF Approve Three Emergency Projects for Afghanistan', 3 June 2022, <https://www.worldbank.org/en/news/press-release/2022/06/03/afghanistan-reconstruction-trust-fund-approves-three-emergency-projects-for-afghanistan>. See Roxanna Shapour 'Donors' Dilemma: How to provide aid to a country whose government you do not recognise', Afghanistan Analysts Network, 5 July 2022, <https://aan.af/3AqtkJ1>.

of aid, military support and spending by foreign armies, funding known by economists as 'rent' because, like the money paid to landlords, it comes without need for work or effort. Large amounts of foreign rent have a proven track record of scuppering democracy because an untaxed, or weakly taxed, population is less likely to organise and demand representative government. Instead, 'rentier economies' nurture vertical client/patron networks, which are a more effective way for individual citizens to try to get ahead.⁹

The experience of the last twenty years should ring warning bells for donors to proceed with care.

Donors have again begun to provide large sums of development aid to Afghanistan, doing so in a way they hope helps the Taliban state as little as possible. The days of on-budget support are long gone. Rather, money is being funnelled through United Nations agencies and NGOs, with 'firewalls' in place to try to ensure funds do not go through government ministries and agencies. Even so, when

donors help to fund public services, that inevitably frees up the money the administration might have spent on education, or health or support to farmers to spend elsewhere. The saved money could instead go to clamping down on dissidents, strengthening intelligence and internal security, or bolstering Taliban networks within the state, or into officials' pockets.

This is a note of caution, although its aim is not to argue that less aid should be given to this poor country. Instead it highlights that the experience of the last twenty years should ring warning bells for donors to proceed with care. As AAN recently reported, donors already face an intractable dilemma.¹⁰ They want to help the Afghan people who are in dire need, but they also know that aid, however it is delivered, will inevitably help an authoritarian regime that came to power through military force and is unrecognised by the world. Furthermore, they also know that giving less aid will have consequences for the life chances, indeed, the lives of millions of Afghans. Yet, however donors choose to proceed, the foreign rent question should be part of their thinking.

Large amounts of foreign rent tend to stabilise and perpetuate the political system in place at the time. If there is a pre-existing ruling family or party, as in Saudi Arabia (in its case, the rent is in the form of oil revenues) or Afghanistan under Abdul Rahman Khan (who enjoyed British subsidies), the rent is likely to strengthen unitary, authoritarian power. The vast amounts of rent arriving in Afghanistan after 2001 went to many individuals, mostly with commander or factional backgrounds, and reinforced a multiplicity of competing networks. The democratic road map laid out by the Bonn Agreement of December 2001 had scarcely a chance of being carried out in anything more than in name only in such an environment. Instead, the large amounts of foreign rent drove inequality and corruption and hampered both democracy and the domestic production of goods.

9 Clark, 'Cost of Support', [see FN 5].

10 Shapour, 'Donors' Dilemma', [FN 8].

Today, Afghanistan is a one-party state. Its government is narrowly based in terms of ethnicity, gender and background, and makes no claims to be accountable to the people. The Taliban are a party made up of networks, but with strong, centralising instincts. Donors thus need to ask themselves: What might be the effect of their increased spending on the country's political economy – the relative power of citizens and state, the development of state institutions and the potential for powerful individuals to build up their power bases?

An additional complicating factor is that much of the aid is being channelled through non-state, foreign agencies (the World Bank, the UN and NGOs) that are also entirely unaccountable to Afghan citizens and the government alike. Apart from aid being 'wasted' – as money inevitably funds headquarter costs and the setting up of a system parallel to government – deciding not to work through government at all also means donors have little insight into government revenue or expenditure or money going astray, other than through inference.

1.2 THE FUNDAMENTAL IMPORTANCE OF FINANCIAL TRANSPARENCY

When the Emirate announced its budget for the current Afghan year, 1401 (2022), it only published the barest details, just the overall revenue and spending figures. This was in contrast to the Republic, which, although mired in corruption in many and various ways, had seen greater transparency in the Ministry of Finance in its last years. Reformers in the ministry hoped that by disclosing financial information – budgets published, revenues disaggregated so that financial flows could be tracked, and expenditure minutely detailed – they could start cleaning up government finances and its dealings with the public.

The first budget drawn up to international standards of transparency and with realistic projections for revenues and spending was in 2018. It marked, we reported, "a significant advance in presenting a fully consolidated picture of Afghanistan's public finances," one that was, in the words of the budget document itself, "cleaned up" and "more realistic and credible."¹¹ Although the ministry again fell back into corruption and controversy (more on this later), such financial reporting would have been an important tool for reducing corruption in the various government departments and ministries, for working towards fairness in spending, for example, between provinces and regions, and in ensuring more effective spending overall.

In August 2021, the Taliban largely took over the Ministry of Finance system intact, but not its public financial reporting. That transparency – and the multiple potential benefits it brings – is now gone, a huge loss for citizens and donors alike. The Taliban have provided only very basic information on Ministry of Finance controlled revenues and none at all on

11 Kate Clark and Bill Byrd, 'The 2018 Afghan National Budget: Confronting hard realities by accelerating reforms', Afghanistan Analysts Network, 5 December 2017, <http://aan.af/2km5oRU>.

ushr and zakat, which is collected by the Ministry of Agriculture and appears not even to be part of the published budget figures. They have also released almost no information on how they are spending revenues. What the Emirate has published has been partial, fragmentary and not subject to any rigorous interrogation – for example, the series of ‘accountability sessions’ which began on 31 July 2022, where senior officials presented an account of their ministry or government agency’s achievements since the Taliban took power.¹² Until now, donors have been notably quiescent about the Emirate’s lack of fiscal transparency, even though this is information they need. Without it, they do not know, for example, how much of the Taliban's revenues already cover the costs of basic services, many of which they intend to design programmes for.

Without greater transparency, the public does not know where its money is going, and donors cannot know the impact of their spending on the Taliban state.

12 These sessions have been held in the form of press conferences where journalists can ask questions. A few more facts and figures have emerged from them and they provide some insight into how the Emirate wants to be perceived. The initiative was actually pioneered by the second Ghani government with the first sessions of its Government Accountability to the Nation Programme held in 2020. All sessions can be viewed on the Government Media and Information (GMIC) YouTube channel: <https://www.youtube.com/user/gmicafghanistan/videos>. As this report was published, sessions from the Emirate were at the top of the page. Sessions from the Ghani government can also be viewed on the same page by scrolling down; the last is a closing speech by then head of GMIC, Latif Mahmoud, held on 8 March 2021.

CHAPTER 2

PAYING TAXES IN AFGHANISTAN UNDER THE REPUBLIC



An old man and a boy sort out scrap metal in Kabul city.
Photo: Daniel Leal/AFP, 26 July 2022.

2.1 OVERVIEW OF THE TAX SYSTEM

TAX (MALIAT) is due in various ways in Afghanistan in a system developed under the Republic and now adopted by the Emirate.¹³ Taxes are levied on, among other things, salaries, rent, mobile phone credit and the profits of small, medium and large organisations.

In this context, small organisations include most shopkeepers. Under the Republic, an official from the Small Taxpayers Office would come to their shop or other premises, assess their tax liability for that quarter and present them with a tax bill. Attempts to get the bill reduced could be made by negotiating with the assessor, presenting evidence at the Small Taxpayers Office, or offering bribes.

Medium taxpayers, which include most private sector companies and NGOs, were previously the solid base of domestic revenue collection. Under the Emirate, as under the Republic, representatives of the organisation must go to the tax office every quarter with their accounts and pay the tax owed. Given their modest resources and connections that are typically not good enough to evade tax payments, medium taxpayers have tended to pay on time lest they cause themselves problems: they face the threat of being fined, see their bank accounts frozen or their business premises locked if they are found not to be paying their taxes.

Large taxpayers include mobile phone providers, airlines, major agri-businesses, other large companies, and some state-owned enterprises. Taxes from this sector rose sharply after Eklil Hakimi became finance minister in 2016 when he pressured the big players to pay their taxes, including back payments, by issuing or threatening to issue fines, freeze bank accounts and close their businesses.

Other taxes include a local 'sanitation tax' (*safiat*) collected from households by the municipality in urban areas. This tax is collected and spent locally. The municipality also collects a tax on signage – above a shop or other business – calculated by the metre. Revenue figures released by the Ministry of Finance, whether from the Republic or Emirate, do not include revenues collected by municipalities, which are the only entities in Afghanistan apart from the Ministry of Finance that have the legal right to collect revenues directly. Nevertheless, for households, the sanitation tax is typically mentioned by interviewees in the same breath as 'taxes', as are fees for licenses (*jawaz*) that need to

13 The various tax laws and guides can still be found on the Ministry of Finance website, including this 'Tax Overview on Businesses, Investors and Individuals', Ministry of Finance website, undated, <https://mof.gov.af/sites/default/files/2019-03/Guide%2004%20-%20Tax%20Overview%20for%20Businesses%2C%20Investors%20%26%20Individuals-min.pdf>.

be obtained to run a shop or restaurant, a taxi or a private car. Fees for licenses do feature in Ministry of Finance data but are classed as ‘non-tax revenues’.

Two types of payments that the Republic did not collect but the Taleban do, are ushr, a tithe on the harvest, paid either in kind or cash, and, less commonly, zakat, a wealth tax that is currently mainly levied on livestock. Zakat (almsgiving) is considered one of the five pillars of Islam, a religious obligation: Muslims, who are not so poor as to be exempt, are required to pay 2.5 per cent annually on the value of their assets, such as gold and silver, cash, business property and livestock. Ushr is a sub-set of zakat. A Quranic verse forms the basis of Sunni Islamic jurisprudence’s understanding of who is entitled to receive payments from zakat:

Alms are for the poor and the needy, and those employed to administer (the funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom. (al-Tauba 9:60, translation by Yusuf Ali)¹⁴

In Afghanistan, such money or foodstuffs would be used at least partly to support the needy within the community as some sort of social safety net. Historically, those claiming to be fighting an armed jihad, as the Taleban were pre-August 2021, have also asserted their right to these taxes to support their cause. Whether a state can legitimately take these payments is a matter of debate among Muslim scholars. Only a few Muslim states collect zakat and ushr. In others, it is left to individuals to give to the poor and needy as they wish.

When the Taleban were still an insurgent movement, they collected ushr and, less often, zakat in areas under their control, as well as in some of the contested and government-controlled areas. Interviewees have reported that since the August 2021 takeover, the Taleban have taken ushr and zakat from people living in all rural areas and that it is not the provincial Departments of Finance (*mostofiat*) which are responsible for this, but the provincial Departments of Agriculture, something also reported, early on, by Hasht-e Subh.¹⁵

2.2 HOW THE REPUBLIC COLLECTED – OR DID NOT COLLECT – REVENUE

Tax collection under the Hamed Karzai administrations (2001–14) was weak. As Sarajuddin Isar wrote in a 2020 report for AREU on taxation, huge aid flows meant the government “did not bother or [need to] take taxation seriously.”¹⁶ The exception was customs duties, although much of what was collected never reached the state. Rather, money was kept by those controlling the borders, Isar wrote, and used to fund their regional patron-client

14 This and various other translations of this verse can be found on the website, Islamicity: https://www.islamicity.org/quransearch/?q=chapter:9#id_COMPARE-60.

15 ‘Ministry of Agriculture to Collect Tithe and Zakat’, Hasht-e Subh, 21 October 2021, <https://8am.af/eng/ministry-of-agriculture-to-collect-tithe-and-zakat/>.

16 Sarajuddin Isar, ‘Taxation, the prerequisite of state-building, an overview of tax system in Afghanistan’, Afghanistan Research and Evaluation Unit, <https://areu.org.af/publication/2001/>, 2.

networks.¹⁷ The need for greater self-reliance entered the donors' vocabulary in 2012 at the Tokyo Conference, with its message that tax collection and more effective spending were to be at the heart of reducing Afghanistan's dependency on foreign aid.¹⁸ Yet this came at the tail end of President Barak Obama's surge of troops and accompanying civilian aid, which had sloshed money and resources into Afghanistan and had managed to entrench corruption even in government ministries which had, until then, escaped it.¹⁹



A child moulds bricks to be fired at a kiln in Kandahar.
Photo: Javed Tanveer/AFP, 11 November 2021.

Matters only really changed under the first Ashraf Ghani government, prompted by the exit of ISAF and its spending, diminishing foreign aid and pressure from the International Monetary Fund and donors. In the years 2015 to 2018, under minister Eklil Hakimi, tax revenue grew strongly. In a study for USIP, William Byrd and Khalid Payenda (then senior adviser to the Minister of Finance, he would go on to become minister in 2021) attributed

17 Isar, 'Taxation', [see FN 16], 2.

18 'Tokyo Conference on Afghanistan Declaration Partnership for Self-Reliance in Afghanistan from Transition to Transformation', Government of Afghanistan, 8 July 2012, <https://reliefweb.int/report/afghanistan/tokyo-conference-afghanistan-tokyo-declaration-partnership-self-reliance>.

19 William A Byrd, 'Economic Management in Afghanistan: What Worked, What Didn't, and Why?', Afghanistan Analysts Network, January 2015, <https://www.afghanistan-analysts.org/wp-content/uploads/2015/09/20150806-Economic-Management-final-Sud2.pdf>, 12.

almost a quarter of revenue growth in 2016 to better collection rather than higher rates, new taxes, changes in the exchange rate, or inflation.²⁰

Despite low economic growth in 2018, it proved to be a record year for tax collection. Domestic revenues generally reached 14 per cent of GDP, “close to the average for low-income countries,” wrote Byrd in 2021. Even during this period, however, tax collection could be described as having become better, but still not very good. Much of the tax was squeezed out of a relatively small number of taxpayers.²¹ In 2016, the government described the taxpayer population as “largely noncompliant and unidentified.”²² In 2020, Isar wrote that taxes were:

*mainly resisted by strong power holders or by those with strong political ties such as parliamentary members, and those with close ties to government officials and tribal elders. Political affiliation has been a key challenge for tax officials in collecting taxes and customs revenue both at the capital and at the periphery.*²³

He quoted a former head of the Medium Taxpayer Office (MTO) at the Ministry of Finance who said that fewer than half of the medium taxpayers actually paid tax.

In 2019, revenue collection again stagnated; tax revenues dropped by four per cent, while customs, reported Byrd, “grew by only” three per cent; given the state of the economy and trade, this was an “underperformance.” Ghani had appointed a new minister of finance, Abdul Hadi Arghandiwal, who was accused of giving jobs en masse to his Hezb-e Islami comrades, packing them into the income-generating parts of the ministry. Arghandiwal rejected accusations both of nepotism and of syphoning off revenues. He counter-attacked, accusing a “corrupt ring” inside the Presidential Palace of being upset that he was not preventing them from stealing the nation’s resources. Whatever the truth of the matter, large amounts of revenue stopped reaching the treasury.²⁴ In the end, the head of human resources at the ministry was arrested, and in January 2021, Khaled Payenda was persuaded to return as acting minister. He spearheaded a campaign to clean up the

20 William K Byrd and Khalid A Payenda, ‘Revenue Growth in Afghanistan Continues Strong but Future Uncertain’, US Institute of Peace, February 2017, <https://www.usip.org/sites/default/files/2017-02/PB219-Revenue-Growth-in-Afghanistan-Continues-Strong-but-Future-Uncertain.pdf>

21 William Byrd, ‘Revitalizing Afghanistan’s Ministry of Finance’, US Institute of Peace, 24 March 2021, <https://www.usip.org/publications/2021/03/revitalizing-afghanistans-ministry-finance>.

22 ‘IMF Country Report No. 16/252: The Islamic Republic of Afghanistan Request for a Three-Year Arrangement Under The Extended Credit Facility – Press Release; Staff Report; and Statement by the Executive Director for the Islamic Republic of Afghanistan’, IMF website, July 2016, <https://www.imf.org/external/pubs/ft/scr/2016/cr16252.pdf>.

23 Isar, ‘Taxation’ [see FN 16], 3.

24 For media reporting, see for example ‘Abdul Hadi Arghandiwal: Dismissal of 59 Ministry of Finance Employees by the Presidency Is Against the Law!’ (Dari), Subh Kabul, 20 December 2020, <https://subhekabul.com/%D8%AE%D8%A8%D8%B1%D9%87%D8%A7/mof-afghanistan-arg/>; ‘Head of human resources of the Ministry of Finance has been arrested’, Jomhor News, 17 January 2021, <http://www.jomhornews.com/fa/news/135518/>; ‘Arghandiwal: Palace Circles Are Indirectly and Secretly Interfering in Finance Ministry Affairs’ (Dari), Arezo News, 25 January 2021, <https://bit.ly/3KF1Wd9>.

ministry, focusing first on customs. By the time the Republic fell, customs revenues had begun to grow again.²⁵

The scale of the losses to Afghanistan's treasury through corruption at the borders throughout the years was vast: one estimate made by Alcis, David Mansfield and Graeme Smith in a 2021 case study of Zaranj, the fourth-highest grossing border crossing in the country (located in Nimruz province on the Iranian border) put the losses at three-quarters; that is, only a quarter of the money paid out by traders was reaching the state.²⁶ The rest went primarily to corrupt officials and also as protection money to the Taliban. The ways customs duties could be diverted were various: officials took bribes and charged traders

“Industrial-scale mineral looting”... was carried out quite openly with “large trucks carrying minerals along major highways and across the Afghan border.

below-official rates, undervalued or under-measured their loads or nodded them through. Payenda has described to AAN how, when he took office, he found customs houses at the various crossings competing with each other to attract traders with lower rate ‘deals’.²⁷ The nepotism in appointments to these lucrative positions, he said, reached into parliament, ministries and the Palace, with governors, police, provincial council members and MPs taking a cut of the bribes.

The statistics show how major a source of revenue customs duties is for the Afghan state, providing between 32 and 37 billion afghanis in the years 2018–20, the equivalent of about 0.5 billion dollars for every one of those years except 2020, the first year of the Covid-19 pandemic, when they slipped to USD 0.4 billion. At the same time, it should be acknowledged that revenues should have been as much as four times higher.²⁸

25 According to a ToloNews report quoting Ministry of Finance figures, by June 2021, customs revenues had risen by more than 80 per cent nationally, and in one customs office, ten-fold. See Mir Haidar Shah Omit, ‘MoF: Average Daily Customs Revenue Increases to Over \$4M’, ToloNews, 11 June 2021, <https://tolonews.com/business-172746>.

26 Alcis, David Mansfield and Graeme Smith, ‘War gains: how the economic benefits of the conflict are distributed in Afghanistan and the implications for peace. A case study on Nimroz province’, Overseas Development Institute, August 2021, https://l4p.odi.org/assets/images/L4P-Nimroz-study_main-report-13.08.21.pdf.

27 Kate Clark and Roxanna Shapour, ‘The Khalid Payenda Interview (1): An insider’s view of politicking, graft and the fall of the Republic’, Afghanistan Analysts Network, 27 September 2021, <https://aan.af/3ucRSQm>.

28 The figures are from ‘World Bank Group Afghanistan Development Update: Setting Course to Recovery’, World Bank website, April 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35363/Afghanistan-Development-Update-Setting-Course-to-Recovery.pdf?sequence=2&isAllowed=y>, 35, 37. Customs revenues for 2021 had been projected to rise to 39 billion afghanis. For more detail on customs, see Clark, ‘Killing the Goose’ [see FN 3].

An even worse area for corruption under the Republic, but again critically important for generating domestic revenue, is mining. All underground mineral resources belong to the Afghan state (article 9 of the Republic's constitution), which gives contracts for mineral extraction in exchange for royalties and taxes. However, as Byrd and Noorani wrote in 2017, "hundreds of millions of dollars' worth of minerals are being extracted yearly, unaccompanied by payment of applicable royalties and taxes to the state."²⁹ The bulk of this "industrial-scale mineral looting," they said, was carried out quite openly with "large trucks carrying minerals along major highways and across the Afghan border at a few government-controlled points." Impunity was driven by "massive corruption of government agencies charged with overseeing the extractives sector, main highways, and borders." That corruption centred on contracts and concessions. Corrupt officials, politicians and strongmen, as well as the Taliban and Islamic State Khorasan Province (ISKP), were all involved in the struggle to control the highly lucrative mining sector.³⁰

A final, crucial sector is illegal opiates. In 2021, the United Nations Office on Drugs and Crime estimated that the total value of opiates, both for domestic consumption and export, stood at 9 to 14 per cent of Afghanistan's GDP.³¹ That exceeded the value of the country's officially recorded licit exports of goods and services. The agency has calculated that the gross annual value of the Afghan opiate economy as fluctuating between USD 1.8 and 2.7 billion, depending on harvest and price. The illegal drug economy has, variously, been a major driver of state-linked corruption and crime during the Republic, helped fund the Taliban insurgency, still provides revenue to the Emirate administration today, and underpins the wellbeing of the national economy and a multitude of individual households. While the Republic did not tax the poppy crop or its products, a web of politicians, MPs, police and other senior officials made vast profits from the industry directly (as landowners, traders, or exporters) or more commonly, from bribes, kickbacks and protection money that was funnelled up to them. As for the Taliban during the insurgency, as will be seen below, they took ushr on the poppy crop and protection money from traders.

2.3 TAXING BY THE INSURGENT TALEBAN

During the insurgency in areas under their control or influence, the Taliban collected both 'Islamic taxes' and maliat, as we reported in our 'Living with the Taliban' series,

29 William A Byrd and Javed Noorani, 'Industrial-Scale Looting of Afghanistan's Mineral Resources', US Institute of Peace, May 2017, <https://www.usip.org/sites/default/files/2017-05/sr404-industrial-scale-looting-of-afghanistan-s-mineral-resources.pdf>.

30 See for example, 'War in the Treasury of the People: Afghanistan, Lapis Lazuli, and the Battle for Mineral Wealth', Global Witness, 30 May 2016, <https://www.globalwitness.org/afghanistan-lapis/> and 'At Any Price We Will Take the Mines: the Islamic State, the Taliban and Afghanistan's White Talc Mountains', 2018 https://www.globalwitness.org/documents/19366/AfghanistanTalcInvestigation_May2018.pdf.

31 'Drug Situation in Afghanistan 2021: Latest findings and emerging threats', UNODC, November 2021, https://www.unodc.org/documents/data-and-analysis/Afghanistan/Afghanistan_brief_Nov_2021.pdf, 9.

which looked at a number of districts in detail.³² In Nad Ali district of Helmand, for example, interviewees speaking to AAN during the winter of 2020-21 reported the group systematically collecting ushr on the poppy harvest and less systematically on wheat, maize and cotton.³³ In Dasht-e Archi in Kunduz, the Taliban taxed the harvest, along with livestock, taking a sheep or goat from any flock of more than 40, and one cow in every 30, and selling them at the livestock market.³⁴

In both districts, private construction companies and implementing NGOs also paid 10 per cent of project costs to the insurgents before work could start. Interviewees in Nad Ali said the Taliban did not generally collect zakat. However, in Dasht-e Archi, shopkeepers paid a 2.5 per cent tax on assets held and investments made, and landlords paid 2.5 per cent on rental income. Although the payment was not called 'zakat', in terms of the rate, method of calculating and what was taxed, it resembles how zakat is usually organised.

All the evidence is that as an insurgent group, although there was some variation in what and who they taxed and by how much, the Taliban were dedicated tax collectors. In Nad Ali, for example, people reported that when areas were captured during the insurgency, tax collectors arrived swiftly and fully armed. Tax gathering, said interviewees, was done in a hurry, with the Taliban keen to leave the area again as they were worried about government counter-attacks.

The Taliban did not use the taxes they collected to provide services for the people living under their control. Rather, the money funded their war effort. Healthcare, education, road building, support to farmers and all the other public services that developed from 2001 onwards continued to be provided by the Afghan government with money ultimately coming from foreign donors or, in later years increasingly, taxpayers living in areas controlled by the state. In terms of its funding, the Taliban's was largely a rentier insurgency.³⁵

2.4 HOW LOSSES TO THE TREASURY HURT AFGHANS

Ultimately, the three-way split on revenue collection during the years of the Republic – between state, insurgency, and corrupt politicians and officials – meant less money for public goods and services, although this was compensated for by foreign countries giving so much on-budget support. Traders were forced to pay bribes and protection money to the Taliban. As a result, people faced higher prices for imported goods, many of which are

32 'AAN Dossier XXIX: Living with the Taliban', Afghanistan Analysts Network, 12 July 2021, <https://aan.af/3hvKKKc>. See also David Mansfield's extensive work on this, including: 'A Taxing Narrative: Miscalculating Revenues and Misunderstanding the Conflict in Afghanistan', Afghanistan Research and Evaluation Unit, October 2021, <https://bit.ly/3xL7yxi>.

33 Fairuz Khan Alikhel, 'Living with the Taliban (2): Local experiences in Nad Ali district, Helmand province' Afghanistan Analysts Network, 18 January 2021, <https://aan.af/3nQklkN>.

34 Bilal Sediqi, 'Living with the Taliban (3): Local experiences in Dasht-e Archi district, Kunduz province', Afghanistan Analysts Network, 25 January 2021, <https://aan.af/368hu6e>.

35 The Taliban took money out of the economy by taxing travellers, farmers, truck drivers, traders, companies and NGOs and running protection rackets targeting contractors supplying foreign military bases.

essential – rice, wheat, cooking oil, fuel and medicine. Money extorted from lorry drivers by Taleban and Afghan National Security Forces (ANSF), especially the police, at road checkpoints would also have pushed up prices in the shops. The only obvious financial harm directly felt by citizens was the money they were forced to pay out as bribes. Even so, the public’s perception of the probity of the Afghan Republic was poor in the extreme.

In Transparency Watch’s Corruption Perception Index, which ranks countries according to how their people perceive the public sector, Afghanistan has regularly been placed among the most corrupt states in the world.³⁶ In 2020, it was ranked 168 out of 178 and in 2021, 174.³⁷ This index only measures *perceptions* of corruption, but everything pointed to its truth, that corruption in revenue collection was just one part of the malaise tainting the Afghan state, manifested in bribe-taking and nepotism, crony contracting and racketeering.

Afghanistan’s patronage system, as one senior ISAF official described it to the author in 2010, was not typical. Usually, he said, “money flows down in exchange for loyalty,” but in Afghanistan, “officials on the periphery move money upwards, in exchange for licence [to commit crimes].”³⁸ Such corruption was at the heart of the Republic and the workings of the state. It was the glue holding the various patronage networks together. Yet, as long as donors provided on-budget support, the Karzai and Ghani governments could continue to provide services and salaries, while officials, politicians, generals and Taleban skimmed off the state’s money.

This corrosive relationship between foreign rent and an elite made financially autonomous from the people facilitated rampant corruption and ineffective government and, in turn, motivated reformers to try to clean up government. They hoped that increasing domestic revenues and financial self-reliance would kick-start accountability and begin to make government effective and competent. Reformers worked within the Republic’s administration despite pressure, including death threats to themselves and their families, to desist from efforts that endangered vested interests. The reformers were ultimately unsuccessful. It is difficult to see when the old Afghan elites might have woken up to the need to prepare for the inevitable decline in foreign funding, given that not even the imminent departure of foreign troops in 2021 disrupted their blithe ‘business as usual’ approach to making money out of the state.

36 ‘The ABCs of the CPI: How the Corruption Perceptions Index Is Calculated’, Transparency International website, 20 December 2021, <https://www.transparency.org/en/news/how-cpi-scores-are-calculated>.

37 ‘Corruption Perceptions Index 2020’, Transparency International website, <https://www.transparency.org/en/cpi/2020/index/afg>; ‘Corruption Perceptions Index 2021’, Transparency International website, <https://www.transparency.org/en/cpi/2021/index/afg>.

38 Quoted in Stephen Carter and Kate Clark, ‘No Shortcut to Stability. Justice, Politics and Insurgency in Afghanistan, 2010’, https://www.chathamhouse.org/sites/default/files/public/Research/Asia/1210pr_afghanjustice.pdf.

2.5 THE TALEBAN TAKEOVER

On 15 August 2021, everything changed. Most of the foreign funds that had flowed into Afghanistan stopped overnight and the state was suddenly in the hands of a group with little access to rent. The Taliban arrived in Kabul with a reputation for being less corrupt than the factions and individuals who had been given power by the US in 2001 or gained it in the years since. They also had experience of taxing people.

The seriousness with which the Taliban had taxed people during the insurgency was now suddenly being applied to the whole country.

During the insurgency, revenue collection had been the responsibility of the movement's Financial Commission. Once in power, its head, Gul Agha Eshakzai, was appointed acting Minister of Finance in the new administration and the Taliban swiftly adopted the Republic's taxation and customs systems. Some technocrats who had not fled the country remained at the Ministry of Finance and were able to swiftly get the computerised systems for organising taxation and

customs up and running again. The programme overseeing customs collection, ASYCUDA, for example, was again operational only 15 days after the takeover. The seriousness with which the Taliban had taxed people during the insurgency was now suddenly being applied to the whole country.

CHAPTER 3

THE VIEW FROM THE GROUND ON TAXATION NOW



Women carrying weeds to be fed to livestock, Kabul province.
Photo: Daniel Leal/AFP, 4 August 2022.

TAXATION IS the source of revenue that has the widest and most direct impact on Afghans. For this reason alone, it is an important subject. However, the significance of taxation to the Taliban as they took control of Afghanistan also became clear in interviews conducted by AAN with more than one hundred Afghans across the country. The first round of interviews (begun in August before the fall of Kabul and completed in October 2021) asked people how life had changed in their district or city after it was captured by the Taliban. Two more rounds (November-December 2021 and January-February 2022) concerned people's household economies. All had a question about taxes, with more explicit questions as the interviews developed. Finally, we carried out additional interviews with shopkeepers, farmers and householders across the country in July 2022 to clear up some areas we felt lacked clarity.³⁹

Sometimes, interviewees misapplied terms. For example, three interviewees in Feroz Koh, capital of Ghor, spoke about the Taliban taking 'ushr', referring not to a tithe on the harvest, but a tax on usage or possessions: an NGO worker said he had paid 5,000 afghanis 'ushr' on his private car, to be paid annually, while a doctor said he had paid 4,000 afghanis. The doctor also said his neighbour had paid 100 afghanis ushr on his bicycle and the Taliban were also collecting ushr on motorcycles and hens. In some instances, this

39 All the research involved semi-structured, in-depth interviews, apart from Round 4 which comprised more basic questions about tax. They comprised:

- Round 1: Life under the Taliban: 42 interviews with people in 26 provinces on how life changed after their district or city came under Taliban control, August-October 2021
- Round 2: Living in a Collapsed Economy, part 1: 37 interviews with people from 22 provinces on their household economies since the change of government, November-December, 2021
- Round 3: Living in a Collapsed Economy, part 2: follow-up interviews with 34 of the previous interviewees, plus four new interviewees, January-February 2022
- Round 4: Tax: Interviews with 26 people in 12 provinces, July 2022, with five follow-up interviews in August.

AAN publications based on this research so far:

- Martine van Bijlert and AAN team, 'Living in a Collapsed Economy (1): A cook, a labourer, a migrant worker, a small trader and a factory owner tell us what their lives look like now', Afghanistan Analysts Network, 7 December 2021, <https://aan.af/31wtxLc>.
- Martine van Bijlert and AAN team, 'Living in a Collapsed Economy (2): Even the people who still have money are struggling', Afghanistan Analysts Network, 23 December 2021, <https://aan.af/3qfO9QF>.
- Martine van Bijlert and AAN team, 'Living in a Collapsed Economy (3): Surviving poverty, food insecurity and the harsh winter', Afghanistan Analysts Network, 13 March 2022, <https://aan.af/3CB4iWC>.
- Martine van Bijlert and AAN team, 'Food Aid in a Collapsed Economy: Relief, tensions and allegations', Afghanistan Analysts Network, 23 May 2022, <https://aan.af/39J58Ga>.
- Martine van Bijlert and AAN team, 'Afghanistan's Conflict in 2021 (1): The Taliban's sweeping offensive as told by people on the ground', Afghanistan Analysts Network, 28 December 2021, <https://aan.af/3sHajxU>.

misapplication of terms may have been because the Taliban tax collectors had mistakenly used them.



Women walk pass a footwear stall at a market in Mazar-e Sharif.
Photo: Wakil Fohsar/AFP, 30 October 2021.

Some interviewees mentioned taxes that were not collected under the Republic – for example, in some places, especially remote districts of Hazarajat, interviewees reported that the Taliban had collected a flat-rate tax from every household in a village, or every shopkeeper, that *ushr* had been assessed per household, regardless of harvest or even landholding, and taken collectively from villages. This chapter begins, however, with another new form of ‘payment’, which had been familiar in some areas during the insurgency, the food or money that many communities and households gave, or had to give, to feed Taliban fighters who captured their districts and cities in 2021.

3.1 FEEDING THE FIGHTERS

In the immediate aftermath of the capture of their district, town or city, many interviewees reported that they or their neighbours had provided food for Taliban fighters. They were asked either individually or collectively and gave food or cooked meals either because they had to, or voluntarily because they supported the Taliban, or to court favour with the new authorities. In Aibak, the provincial centre of Samangan, a bank employee said the Taliban had presented each home in the town with a choice: “Either pay 100 afghanis or take

your turn to feed 30 Talebs.” In Baraki Barak district, a tribal elder said the Taliban in his province of Logar were collecting bread from households in all the districts. “They would say: ‘Bring the mujahedin their duty,’ or ‘Bring the Taliban their duty,’ meaning ‘Bring us food!’” A teacher from Paktia described what happened when the Taliban captured his district centre:

They gathered the people in the mosques in every village and asked them to give them bread. This was in the early days. They used the loudspeaker to call people to bring food and chanda [money] for the mujahedin. Some people did give them food as well as money, but mostly they gave them bread only.

A psychosocial councillor in Mazar-e Sharif, capital of Balkh, told us in October 2021 that shopkeepers in her neighbourhood had been asked to feed the fighters:

The shopkeepers were asked to give money ‘for the jihad’ (haq-e jihad), 100 afghanis a week, or sometimes 50 afghanis a day. In some areas of Mazar where my friends live, people have to take turns feeding 20 to 30 Taliban every night. Previously, they were also doing this in areas where people were poor, but when people said they couldn’t provide food for them, the Taliban exempted them. The people who are hosting them now are doing it to be safe and to build good relations. They’re usually people who were famous figures during the previous government.

In Kandahar city, a medical student said his family had chosen to provide lunch for 30 Taliban for two days, while a government employee in Herat, interviewed in October, said the Taliban were asking people for food and people were giving it. They “don’t dare question them.” She said:

At the moment, the Taliban are being fed by NGOs and private offices [of companies]. They get their lunch there and I think, in return, they allow these offices to operate. For example, [name of an NGO] provides lunch for Taliban fighters who guard the road near the governor’s office.

In some places, communities continue to feed Taliban fighters. In Kandahar city, an interviewee in August 2022 said that all the families in his street, including his own, cook for the Taliban. “Once a week,” he said, “There is a knock at the door ...”

3.2 FLAT-RATE TAXES

Another type of payment reported by some interviewees, which is outside both the Ministry of Finance tax system and Islamic practice, is a flat-rate tax taken from all households, landowners or shopkeepers in an area. The only provision in the Ministry of Finance’s legal framework that is somewhat akin to this is a fixed-rate tax for shopkeepers who have not kept records. There is no tax at all that a householder or landowner has to pay per se. Rather, tax should be levied on salaried or business income and then not at a flat rate but according to income – those who earn more should pay more tax. The Islamic

taxes are also proportionate: people above a certain threshold pay ushr according to the size of their harvest and zakat according to the size of their assets.

In Yakawlang in Bamyan province, for example, a teacher said the Taleban had charged land-owning households 10,000 afghanis, while according to a doctor from the same district, they had collected 50–100 afghanis from every non-landowning household. Health workers, the doctor said, were exempt because the Taleban knew they paid tax on their salaries. A local council member from Andkhoi (who was in Maimana, provincial capital of her province Faryab, at the time of the takeover) said this had also happened in her district: “I haven’t paid any taxes, but the people said the Taleban collected 100 afghanis per house at the beginning.”

In Eshkashem in Badakhshan, an unemployed woman reported paying double that amount: “After the takeover, the Taleban asked each home to pay 100 or 200 afghanis per month and those with land were asked to give seven or 14 kilogrammes of wheat.” In the Kiti district of Daikundi, a school principal said the Taleban tax committee had been coming with a list of the families in the village and telling the head of the village shura to gather the taxes, 100 afghanis per house, and hand over the total:

Many villages are notified when the tax collection group leaves the district centre and before it arrives, they collect the taxes. When the group reaches the village, they hand over the tax and are given a receipt.

Two homemakers, one in Behsud and one in Waras, two Hazara districts in Bamyan and Wardak provinces respectively, also said they had paid taxes.

The Taleban asked us to pay ushr and we paid 120 afghanis ushr to them. They’ve collected it once, in Mezan [21 September to 20 October 2021], and may collect it again soon. Also, when the Taleban came, they stayed in the mosque and we fed them twice. Since then, we haven’t fed them. – Homemaker in Behsud

The Taleban collected money from us two or three times. My husband paid it. I don’t know the amount. – Homemaker in Waras

A shopkeeper in Khedir in Daikundi also reported that the Taleban were taking 250 afghanis for his household and 150 afghanis for his shop every month, while a teacher from the same district said they had taken 500 afghanis from each family. In Bandar wa Sang Takht district in the same province, a government employee said they had paid 110 afghanis per family as a one-off payment, but the Taleban were taking money every month from the shopkeepers. In Ghor, a money changer had paid 850 afghanis three times to the Taleban tax collection committee since the takeover, and in Nawa district of Ghazni, a doctor said the “forces of the Islamic Emirate take 300 afghanis a month.”

Most of the interviewees reporting these flat-rate taxes were from different districts of the Hazarajat, especially remote rural districts. It seems the Taleban collected these taxes because they could and because people in these locations could do little to complain or seek redress. This appears to be a straightforward extraction or extortion of money from people without regard for systems or rules. When we later checked with people in other areas if they had paid such flat-rate taxes, the question puzzled them: on household taxes,

they fell back to speaking about tax on rental income or the municipality sanitation tax, whereas shopkeepers were largely keen to insist that the Taliban had levied business taxes, as per the law of the Republic, on their income. The one area with somewhat similar taxes was in the collection of ushr, again in some of the districts of Hazarajat (more on this below).

3.3 PAYMENTS TO THE STATE OF ALL TYPES: TAX, USHR AND ZAKAT, AND BUYING LICENSES

Apart from those reporting flat-rate taxes as discussed above, the taxes, fees and licences people said they had paid were according to the same law and system as under the Republic. The one exception is that interviewees in rural areas all spoke of farmers now paying ushr on their harvest, and a few spoke of paying zakat on livestock. AAN checked with farmers living in areas previously under the control of the Republic and all said they had not paid ushr or zakat or business tax on income deriving from either harvests or livestock before the fall of the Ghani government. As one farmer in Pusht-e Rod district of Farah said:

Under the Republic, it was so good. The previous government was not only not collecting tax or ushr but also helping us a lot by distributing what we needed for our harvests. Now the Taliban collect ushr from us.

People tended to bundle whatever they paid out to the state in one response. That might include the taxes administered by the Ministry of Finance on business profits and salaries, fees for licences, ushr and zakat in rural areas, the urban sanitation tax in cities and bazaars, and the signage tax paid by shopkeepers.

Many interviewees described the new rulers as moving swiftly to tax them or to make the necessary preparations, for example, by selling licenses to shopkeepers, which interviewees said the Taliban needed to organise and take business taxes. The tribal elder in Baraki Barak, interviewed in early August 2021 before the fall of Kabul, said the Taliban had moved to sell licenses to the shopkeepers soon after the takeover of his district centre.

Recently, they ... distributed licenses to shopkeepers in the district and villages. It is [used] for tax collection, so that the shopkeepers are known, and the tax is also known. The shopkeepers have to pay for the license. Previously, the municipality distributed licenses, but when the Taliban arrived, they distributed new licenses.

In Estalef in Kabul province, a teacher interviewed in early October said that by then the Taliban had also already collected several types of taxes:

The Taliban have collected not only ushr from the farmers and those who have vineyards and orchards but also taxes from shopkeepers. This started recently, after the municipal department of this district was activated. Those who'd already paid their taxes are exempt, while those who hadn't paid are now obliged to pay up.

Although for those living in formally Republic-held areas like Estalef, ushr is a new tax, for anyone living in a previously Taliban-controlled rural area, it is familiar, as this teacher from Laghman reported:

We don't have land, so the Taliban don't collect any tax or ushr from us. Those who have land were paying ushr, both before and after the takeover. Before the takeover, our area was under the previous government's control, but at night the Taliban came. The previous government was collecting taxes on our salaries and the Taliban government does the same.



Men and boys wait to carry food distributed by the World Food Programme on the outskirts of Kabul. Photo: Hector Retamal/AFP, 6 November 2021.

The tribal elder in Baraki Barak also reported continuity:

The Taliban were collecting ushr and zakat in the past and they're also collecting it now. They've appointed specific people who give a letter to the farmers and the people who have an orchard. They have a special place and the people bring the zakat there, or they go and collect it. In each season, they go from house to house collecting ushr.

A former government employee in the Yahyakhel district of Paktika, describing the Taliban taking a variety of taxes, was one of several interviewees who spoke of consequences for shopkeepers who could not afford a license to trade:

Ushr is collected in the summer when people harvest their crops. The Taliban came and collected it. We paid it in the summer too. Now, as it's winter, farmers are at home

and don't pay ushr, but shops, restaurants and private educational courses pay taxes. The Taliban ask shopkeepers to have licences to trade too. They've closed most of the pharmacies in the district bazaar because they didn't have licences. Some people did have them but needed to extend them. They pay taxes based on the goods they have in their shops.

Other interviewees also said that to stay open, along with getting licences to trade, shopkeepers and other businesses had to pay their taxes, which could include any back taxes owed from the days of the Republic. In Kabul, a taxi driver (currently with no car) said most of the shopkeepers in his area had not had to pay taxes or get licenses under the Republic but had now been asked to pay up. The municipality had sealed most of their premises as they had not been able to afford the payments. A farmer (who had paid ushr on his harvest), who had opened a small restaurant in Zurmat, described being under similar pressure:

They get taxes from shops, restaurants and private courses. They asked me to pay taxes and said I should get a licence for my restaurant. One licence costs 6,000 afghanis and that's too much. I haven't paid the tax yet. I told them we have only started our work recently and we haven't had that much income. They still insist I must have a licence.

If many outlets in an area close, this will have a knock-on effect for customers as well as the local economy. For those individuals currently unable to pay taxes or buy a license to trade or run a taxi, it means a denial of the possibility to earn a living, including earning enough to pay the owed tax in the future.

In Kabul, householders who had not paid their sanitation tax, including those who had in the past bribed officials to avoid paying, are now being forced to pay, including back taxes, or are threatened with having their homes sealed. In Mazar, a shopkeeper reported he had had to pay sanitation tax, including a backlog of 10,000 afghanis, before he could apply for a passport.

Various interviewees described Taliban tax assessors as assiduous. A shopkeeper in Ghazni said they had wanted proof that shopkeepers had paid all their old taxes to the Republic. He had satisfied the assessors with proof of his past tax returns and was now waiting for this year's tax demand. Two shopkeepers selling rugs and furniture in Kabul both described how Taliban officials would come unannounced to check on their trade. "They sit for a couple of hours, and I give them tea and they see I have no customers and go away," said one of the shopkeepers, adding, "The last time they came, they said: 'Why are you still in business? We're going to start looking at people not generating any income and we'll encourage you to close your shop.'"

A high-end restaurant owner in Kabul also described unannounced visits from the Taliban tax assessors. He also said he gives them tea, brings out the books, shows them the cash register and then they leave. He was not arguing about taxes, he said: "We don't want Taliban raids. We want to stay on the right side of the taxman. They don't want excuses." In Kabul, even street vendors are being taxed, a reported ten afghanis a day.

Some shopkeepers were not convinced the officials were acting fairly or knew their job as assessors. For example, a man with a shop selling curtains in Kabul said: “When you ask the Taleban, ‘What are the principles that you’re basing your assessment of the amount [of tax] you’re asking me to pay?’ they have no answer.” Another Kabuli shopkeeper selling children’s clothes said the tax assessors just demanded the same amount as the previous year: “We told them, ‘This year, we don’t have any sales. There is no trade. Taxes should be reduced this year,’ But they didn’t accept it.”

He was one of several interviewees who said rates had gone up, or new fees added. In his case, he said the price of his shop license had increased by 25 per cent, from 4,000 to 5,000 afghanis. Another shopkeeper in Kabul said he now had to pay business tax and extend his licence each year, and the Taleban had “added one more thing: they’ve asked shopkeepers to have identity cards for their shops. This card is given once, and a shopkeeper needs to pay 6,000 afghanis for it. During the Republic, we didn’t have such a card.” A taxi driver working the Sar-e Pul to Mazar-e Sharif route said the tax paid by each passenger had gone up from 70 to 100 afghanis each way.

In Kabul, the municipality built new stalls for street vendors, and then sold them for, AAN was told, 18,000 afghanis. Since then, it has been collecting a monthly fee of between 2,000 and 30,000 afghanis, depending on the location. It has also sold the right to charge parking fees on stretches of road. A shopkeeper who sells traditional medicine in Gardez said the new administration in his city had put the signage tax up from 150 to 200 afghanis per metre. He was one of quite a few shopkeepers interviewed to speak wistfully of the more corrupt officials under the Republic who were ready to do deals.

I was paying tax during the Republic, but only a very small amount because a Ministry of Finance employee used to come and I did a deal with him, giving him something and he’d write down a small amount to be paid as tax. They made deals with all the shopkeepers. They weren’t very serious. Not many people were even paying tax. But last year when the Taleban came, they said anyone not paying tax now had to pay it. In 1400 (2021), the old finance agents (from the ministry) had still come and written that I had to pay 3,000 afghanis. I didn’t want to, but the Taleban officials forced me to pay Nobody has come yet [this year]. As far as I know and have heard though, they’ve doubled the rate of tax and this year, the Taleban will come and check the shops and determine the goods and the tax. They don’t trust the people who worked for the old government.

One interviewee, in Yakawlang district in Bamyan, spoke of taxes going up *and* having to pay bribes:

The Taleban have increased the amount of tax [they are charging people compared to under the Republic] because it’s the only income the Taleban in many provinces have. They also take bribes even more than the former government. I know shopkeepers in this area that had goods worth only 6,000 afghanis, but the Taleban asked them to pay 4,000 in tax. There were other shopkeepers who had goods worth more than two million afghanis, but they paid only 2,000 afghanis for the year in tax because they made deals with the Taleban.

He also noted that last year, in his region, shopkeepers had paid tax twice, first to the Republic and then again to the Taliban. Elsewhere, interviewees said that if they had the paperwork to prove they had paid their tax under the Republic, they did not have to pay it again, but were liable for any unpaid back taxes.

3.4 NOT PAYING TAXES

Some interviewees said they had not paid any taxes because they could not afford to.

I have not paid taxes or ushr. The wakil kocha [head of the neighbourhood] knows about my situation. He collects 100 to 150 afghanis from other people but doesn't ask me because he knows I won't be able to pay it. – Homemaker in Jawzjan

I haven't been asked to pay taxes since I don't have anything the government might tax.
–Former mullah in Helmand

Some of the shopkeepers we interviewed had not yet paid any business tax as they were still waiting for their assessment. Two others, businessmen who had paid taxes in the past, said they were now making no profits, so they had no income for the government to tax.

After the fall of Kabul, we faced serious problems. In fact, even a few months before the fall, we had problems importing goods. We had to pay taxes both to the then government and also to the Taliban. We had to pay the government taxes at the ports (Torkham port and Islam Qala) and the Taliban taxes on the highway when our goods were on the way to Kabul. I haven't paid any taxes recently. I no longer invest in a big business because a large portion of my cash is stuck in the bank and because of the economic crisis, I can no longer import the amount of goods and clothes that I used to.
– Businessman in Kabul

We haven't paid any tax in the last two quarters because there was zero activity in our factory. – Factory owner in Kandahar

Other interviewees, however, said they had received tax demands regardless of profit or loss, such as this shopkeeper from Panjwayi district of Kandahar:

The Taliban distributed tax demands to the shopkeepers. The shopkeepers told them they weren't ready to pay tax because there'd been fighting all over the harvest season and their orchards and harvest had been destroyed, but the Taliban distributed the tax demands anyway and told the people to deposit the money in the bank. They've also increased the tax on the shopkeepers. For example, if you had to pay 800 afghanis to the former government, the Taliban are now asking for 1,800 afghanis. I myself didn't pay the tax and I reckon 90 per cent of the people didn't either.

3.5 TAXING FARMERS

Ushr and zakat were not taken by the Republic, although some interviewees said they had previously given alms as charity to the poor and needy. The Taliban are now taking both taxes, ushr universally and, reported by far fewer interviewees, zakat on livestock. A farmer in Dasht-e Archi district in Kunduz, for example, told AAN in October, which was the time of the sesame and pulses harvests, that two Taliban were going from village to village asking for ushr from every farmer regardless of the size of his harvest (there is a threshold below which ushr should not be collected). A former teacher in Laghman said he had paid ten per cent of his rice crop in kind, while a farmer in Sozma Qala in Sar-e Pul described a lower rate and relatively flexible tax collectors:

In our area, it's the season of raisins and walnuts now, so the Taliban are asking every farmer to pay them ushr. But honestly speaking, they don't hold everyone tightly to pay them. We pay five per cent ushr. It's the rule here.

Other interviewees, for example, this civil society activist from Feroz Koh in Ghor, reported people having to pay taxes they could ill afford:

The Taliban were collecting ushr and zakat in the villages and districts before they came to power and they're still doing it. They have certain people who come. This year (2021), because of the severe drought, there wasn't enough grass and fodder and many livestock owners in Feroz Koh had to sell their animals. They had to sell them very cheaply because there were almost no customers, and if there's no grass for their animals, it means people in Ghor don't know how to find food for themselves. The drought also led to low crop yields. So the farmers and herdsmen are now reluctant to pay ushr because they're really struggling. Still, the Taliban sent a letter to the villages asking them to pay ushr and zakat to the government.

A former jihadi commander from Khairkot district in Paktika said that in his district, the Taliban were now only taking ushr but not zakat as well as they had previously done. In Nuristan, however, a former teacher said the Taliban had become harsher about taxation since they captured power nationally:

In my village, the Taliban were already collecting ushr and they still do. They ask for ushr on the harvest and livestock. Mostly they ask for a part of the harvest or for a sheep, rather than money They've been collecting ushr for a long time, almost six years. In the past, they couldn't force people to pay, but now they can.

Some interviewees said negotiation was simply not possible. A landowner from Shahrestan district in Daikundi said:

The Taliban asked the people in our area to pay ushr on the almond harvest, but since people had made no profit because of the drought, they asked the Taliban not to take ushr from them. [In the end] every village was asked to pay 15,000 afghanis, 20,000 afghanis or even up to 25,000 afghanis ushr. I paid 2,000 afghanis as my contribution. They collect ushr on all the harvests, such as almonds, wheat, beans, et cetera.

This experience, of having to contribute to a communal ushr bill, was reported by several interviewees, all from Hazarajat. A labourer in Lal wa Sar Jangal in Ghor province, who at the end of 2021 described himself to AAN as without job or income and desperate as to how to feed his family and keep them warm through the winter. He had been exempted from the communal tax bill as he was destitute.⁴⁰ Since then, he has been given a job as caretaker of a mosque and is now being asked to contribute:

Our [village] shura had to pay 13,000 afghanis. I paid 500 afghanis. I didn't have this money, so I had to borrow money to pay it. I don't know why the Emirate collects this ushr from all the people here. I don't know about their rules. They might have collected this money as zakat or khums.⁴¹ They collect ushr on land and livestock and even if someone doesn't have any of that, they have to pay ushr for the working men in their families. We paid it because it was better not to have any problems. We don't want their soldiers to come and take it by force. Two tribal elders came and collected it from everyone and then paid it to the Taliban.⁴²



A man at a livestock market in Kabul.
Photo: Hector Retamal/AFP, 10 November 2021.

40 Van Bijlert, 'Living in a Collapsed Economy (1)' [see FN 39].

41 Khums is a Shia Muslim 20 per cent tax on profits.

42 Van Bijlert, 'Living in a Collapsed Economy (3)' [see FN 39].

These demands for payments look neither proportionate nor fair and well outside the rules for either Ministry of Finance or Islamic taxes.

‘Ushr’ is a tax on the harvest; ‘zakat’ is a wealth tax. Neither is a tax on working men in a household. These demands for payments look neither proportionate nor fair and well outside the rules for either Ministry of Finance or Islamic taxes – more similar, indeed, to the flat-rate taxes described earlier. We double-checked with farmers in other regions – the south, west, non-Hazara areas in the centre and the north – and all reported that the Taleban were collecting ushr, but only on crops, and proportionate to the harvest.

We asked the headman of one of the shuras whom the Taleban had asked to collect money on their behalf for more details of what had happened in his village. The Taleban, he said, had visited the village, asked for the number of households, and then calculated that 10,000 afghanis in total was owed. He said the shura had given the tax collectors a lower number of households than there really were: “If we had shared the actual number of households, the Taleban would have asked for even more money.” Even so, his shura had had to ask each household to contribute between 100 and 400 afghanis to make up the total tax demand for the village. The Taleban, he said, had “collected this money as ushr on the harvest, but the shura collected this money even from people who did not have any harvest or indeed any land.”

Such communal taxpaying is somewhat akin, possibly, to the splitting of any aid that arrives in a village, also reported from Hazarajat, a way for people to share burdens and benefits alike.⁴³ Even so, the money looks to have been paid because people feared worse from the Taleban if they refused, despite the consequences for their survival that winter. The people in this headman’s village had paid their tax bill in the autumn, as the lean season approached and the collapsed economy meant many people were in despair as to how they were to feed their families. This looks like extortion from poor, politically powerless people living in marginal areas who feel they have no way to complain or question their new rulers.

3.6 COLLECTING CUSTOMS AND REVENUES FROM MINING

As they captured power, the Taleban moved with the same swiftness to regularise and centralise the collection of customs duties through the Ministry of Finance as they had with taxes. In a recent publication on cross-border trade, David Mansfield and Alcis

43 Van Bijlert, ‘Food Aid in a Collapsed Economy’ [see FN 39].

report on how the Taliban swiftly replaced senior officials at border crossing points, adopted and rigorously enforced Republic-era regulatory frameworks and border management systems, and closed smuggling routes.⁴⁴ The new authorities have also removed roadside checkpoints where members of the ANSF, especially the police, and the Taliban themselves had previously extorted money from travellers and traders. The authors estimated that such roadside predation, pre-August 2021, netted “ministers, parliamentarians, provincial council members, governors and others in state institutions” about USD 650 million every year, and the Taliban, whose checkpoints included those strategically located to exploit the valuable cross-border trade, about USD 245 million.

In the collection of customs, as with taxes, it is now much more difficult to bargain down payments in return for bribes. The regulations which were, say Mansfield and Alcis, “routinely and extensively ignored by officials in the Republic who owed their positions to powerful patrons and were required to pay tribute to remain in post” and which the Emirate is now enforcing, include:

the accurate weighing of trucks at [border crossing points] and at in-land weighing stations as well as the checking of contents to ensure they match the description of the goods. Quality control checks now are being conducted on import commodities such as fuel, with material falling below standard being impounded and returned. The Automated System for Customs Data (ASYCUDA), a computerized system designed by the United Nations Conference on Trade and Development (UNCTAD), is being implemented without interference, unlike under the Republic. Likewise, transporters now have to wait their turn at [border crossing points], with little to no opportunity to make informal payments to fast-track their trucks through [border crossing points] Officials, transporters and traders interviewed for this research all noted systemic change in the management of cross-border trade following the Taliban takeover.⁴⁵

This matches responses to a Private Sector Rapid Survey carried out by the World Bank in October-November 2021, which also found a marked reduction in requests for “unofficial payments” in both tax and customs offices.⁴⁶ Of the 100 firms that responded to the survey, 76 reported that while such payments had been requested in the past, they had not been asked for since August 2021. Almost a quarter of the surveyed firms said such requests were still being made by officials.⁴⁷ As for customs, only two out of 48 respondents who had cleared goods through customs since August 2021 “reported having made unofficial

44 David Mansfield and Alcis ‘Changing the Rules of the Game: How the Taliban Regulated Cross-Border Trade and Upended Afghanistan’s Political Economy’, Alcis, July 2022, <https://www.alcis.org/reports>.

45 Mansfield and Alcis ‘Changing the Rules’ [see FN 44], 5.

46 ‘Afghanistan Private Sector Rapid Survey: A Snapshot of the Business Environment: Round 1’, World Bank, March 2022, <https://thedocs.worldbank.org/en/doc/ced9ff1a094dd92886271f532f3c9754-0310062022/original/AFG-Private-Sector-Rapid-Survey-Report-Apr-2022-Final.pdf>.

47 12 per cent of the firms in the World Bank survey said they were still being asked for such payments as in the past, and a further 12 per cent said requests for bribes were something new. In other words, almost a quarter of the firms surveyed were still being asked for bribes. World Bank ‘Private Sector Rapid Survey’ [see FN 46].

payments.” Demands for bribes have not disappeared, but they do appear to be less common than previously.

Mines have also been notoriously vulnerable to co-option by political heavyweights and conflict actors, whether they were government officials, MPs, former mujahedin, former communists, Taliban or ISKP commanders. Proximity to mines tended to make loyalties mutable; those formally with the Republic sometimes switched sides or fought each other, or indeed the Taliban or ISKP, to gain or retain control of mines. Access to armed men, whether insurgents, state forces or pro-government militias, were crucial in the struggle to physically control sites and profits. Now, the conflict is largely over, and a single group is in power nationally – one that has a stronger chain of command and ethos of obedience to superiors than its rivals did. The Emirate is proving better able to control mines and the transport of minerals, especially across borders.



Trucks wait to cross into Iran at the Zaranj border crossing in Nimruz province.
Photo: Sgt Mallory S VanderSchans (US Marine Corps), 10 May 2011.

Emirate policy on mining contracts has yet to come to light, but on 26 May 2022, Reuters reported that the Taliban authorities were planning to award mining contracts for precious minerals.⁴⁸ It will be important to monitor who wins deals and for how much, and what the process is for awarding them.

48 Mohammad Yunus Yawar, ‘Afghanistan’s Taliban step up coal exports to boost local budget’, Reuters, 26 May 2022, <https://www.reuters.com/markets/commodities/afghanistans-taliban-step-up-coal-exports-boost-local-budget-2022-05-26/>.

Also important are the duties and royalties on the extraction of and trade in minerals. Mansfield and Alcis report that these have been increased by the Taliban and that the increases are “largely commensurate with the amounts traders are saving with the removal of interior checkpoints and the illegal monies formerly collected. Where new rates imposed by the Taliban have been punitive, there has been some scope for negotiation and, in some cases, the Taliban reduced taxes.”⁴⁹

One example of revenue collection on minerals is coal. On 26 May, the Taliban raised export duties from 20 to 30 per cent and on 6 July, increased the price from USD 90 to USD 200, with these changes mainly being felt in trade with Afghan coal's main export market, Pakistan.⁵⁰ The price is still far less than Pakistan had been paying South Africa and less also than the price for coal on the Asian market, where it nears USD 400 a ton.⁵¹ The gains to the Afghan treasury are also greater on paper than in reality, as the Emirate agreed that Pakistani traders would pay for the coal in rupees, not dollars. State-run Pakistan radio reported that Pakistani Prime Minister Shehbaz Sharif “was informed that imports of coal from Afghanistan initially required only for the Sahiwal and Hub power plants, would save more than US\$2.2 billion annually in the import bill.”⁵² The saving to Pakistan in foreign reserves is, of course, a loss to Afghanistan. Disquiet about the losses by this deal was strengthened by suspicion by some that the Taliban were rewarding their main supporters during the insurgency, especially given that the Pakistan companies benefiting are, as reported by ToloNews, linked to the military.⁵³

Nevertheless, Afghan finance ministry spokesman Ahmad Wali Haqmal said in July that they had collected around three billion afghanis (USD 33.8 million) in customs revenue on more than 16 billion afghanis worth of coal exports in the previous six months.⁵⁴ That sum should rise further, bringing in, Haqmal said, enough revenues “to make a significant dent in the country's forecast 44 billion Afghani (\$502.11 million) budget deficit this year.”

Compared to how coal was traded under the Republic, the gains to the state are clear and absolute, as Mansfield and Alcis detail:

49 Mansfield and Alcis, ‘Changing the Rules’ [see FN 44], 5.

50 Charlotte Greenfield, ‘Afghanistan lifts coal prices as exports to neighbouring Pakistan boom’, Reuters, 6 July 2022, <https://www.reuters.com/article/afghanistan-conflict-coal-idUSL4N2YN2MF>.

51 The Trading Economics website reported on 12 July that “Newcastle coal futures, the benchmark for top consuming region Asia, rose to above \$400 per tonne and is not far from record levels as coal usage is set to gain pace, especially in Europe, where gas prices hover near record levels. The war in Eastern Europe has created a global energy crunch and exacerbated concerns over coal supplies in a market already in a tight balance. Global coal supply investment is forecasted to grow by 10% in 2022 as tight supply continues to attract investment in new projects.” Trading Economics (accessed July 2022), <https://tradingeconomics.com/commodity/coal>.

52 Quoted in Zia Ur Rehman, ‘Taliban throws wrench into Pakistan's plans for cheap coal power’, Nikkei Asia website, 12 July 2022, <https://asia.nikkei.com/Politics/International-relations/Taliban-throws-wrench-into-Pakistan-s-plans-for-cheap-coal-power>. It is not clear to what extent the savings for Pakistan is because Afghan coal is being sold more cheaply than the South African coal that Pakistan mainly imports, or because the payment is made in rupees.

53 Tamim Shahir, ‘Afghan Coal Sold to Companies Linked to Pakistan Army: Analyst’, ToloNews, 10 July 2022, <https://tolonews.com/business-178872>.

54 Quoted in Yawar, ‘Afghanistan's Taliban Step Up Coal Exports’, [see FN 48].

Official Afghan government statistics reported around 1 million metric tons of coal exported to Pakistan each year under the Republic. Using fieldwork, multi-dated satellite imagery and geospatial analysis we estimate that a more realistic volume would be 2.1 million metric tons per annum. Under the Taliban, exports have risen dramatically and could be as much as 4.1 million metric tons per year.⁵⁵

Duties on exports of 2.1 million metric tons of coal, at the new price, would bring in about 126 million afghanis. On exports of 4.1 million metric tons, the revenue could reach 240 million afghanis.

One note of caution: ‘cleaner’ revenue collection on customs and mining may not always feel like a gain to people living locally. As with taxes, if people do not see the returns on ‘their’ resources coming back from the state in terms of better services, it could feel like theft. Conflict over who gets the profits from coal mined in Balkhab district of Sar-e Pul appears to have been one factor driving the revolt in late June 2022 of local Taleban commander Mawlawi Mehdi, for example. Even the Taleban’s clean-up of instances of high-level corruption in the Republic may not feel so positive to people locally. For example, Mansfield and Alcis’ report that:

Trade through the official border crossing point at Aqina in Faryab, a remote outpost bordering Turkmenistan, has all but collapsed with the departure of Abdul Rasheed Dostum, the former Vice President and powerful ethnic leader. In previous years, because of Dostum’s influence, Ministry of Defence contracts required imported goods to be routed through this border crossing point, where tax exemptions and corruption generated significant informal revenues for Dostum and his patronage network. This circuitous route to Kabul and other main population centres no longer has a competitive advantage. The little movement of goods that does take place at Aqina requires the material to be manually transferred from one truck to another.

Even if Dostum skimmed off the bulk of resources at Aqina, many other people in Faryab would also have benefited from the funnelling of trade through their province. After August 2021, the shift of trade away from Faryab may look like a centralising, distant state has taken a valuable provincial source of revenue.

55 See footnote 9 in Mansfield and Alcis, ‘Changing the Rules’ [see FN 44], 8.

CHAPTER 4

WHAT TALEBAN REVENUE COLLECTION TELLS US ABOUT THE STATE OF THE AFGHAN ECONOMY



A money changer counts out afghanis in Sarai Shahzada money exchange market in the heart of Kabul.
Photo: Muhammad Rasfan/AFP, 20 December 2021.

4.1 A SCARCITY OF FINANCIAL DATA

OUR INTERVIEWS and various other research have shown how the Emirate is consistently pursuing the collection of taxes, fees, customs and mining revenues in an organised, systematic, comprehensive fashion, including sometimes taking money or goods which people cannot afford to pay. More of the money that is paid out is reaching state coffers, it seems, rather than being diverted into officials' pockets or the insurgent war effort. The absolute number of people paying taxes has also likely increased, given that more people are now paying ushr. So what impact has this had on revenues?

The Taleban have released extremely few financial statistics. Overall, their budget for the Afghan year 1401, announced on 14 May 2022, anticipated the collection of 187 billion afghanis in revenues,⁵⁶ which the government said would come from customs, taxes and mining. This figure appears to represent only the Ministry of Finance's revenues and to exclude the money collected by the Ministry of Agriculture from ushr and zakat, the taxes taken on illegal activities and presumably also the strange flat-rate and communal taxes detailed in the last chapter.

The Ministry of Finance provided no further details from its budget, apart from an overall figure for planned expenditure, 231 billion afghanis, broken down into 28 billion afghanis on development and the rest on recurring expenditure. It gave no detail on how it intended to cover the shortfall between expenditure and revenues.

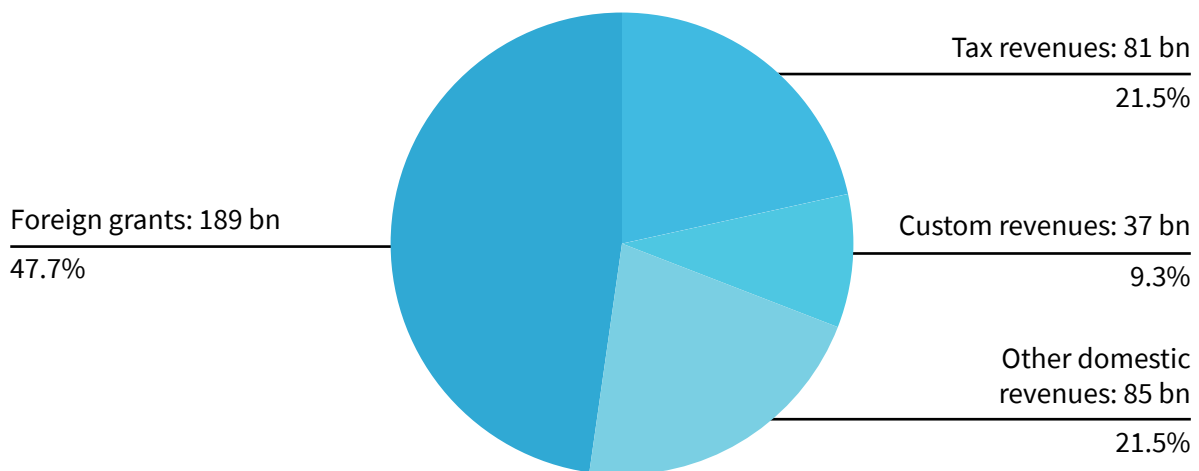
Earlier in the year, the Emirate did release a slightly more detailed three-month budget for the last months of the year 1400 (2021), which gave some breakdown when it came to spending.⁵⁷ The main sectors receiving money were defence (27 per cent), education, culture and religion (24 per cent); public order and safety, mainly policing (22 per cent), social and environmental protection (9 per cent); economic affairs and agriculture (7 per cent) and governance and general public service (6 per cent). The very small amount of money budgeted for health (3 per cent) gave the impression the Taleban were hoping foreigners would pick up the tab for this, as they had done under the Republic. Just as before the takeover, the bulk of the spending was to be on public sector salaries.

56 Mohammad Yunus Yawar, 'Taliban's first annual Afghan budget foresees \$501 million deficit', Reuters, 14 May 2022, <https://reut.rs/3q0oPyj>.

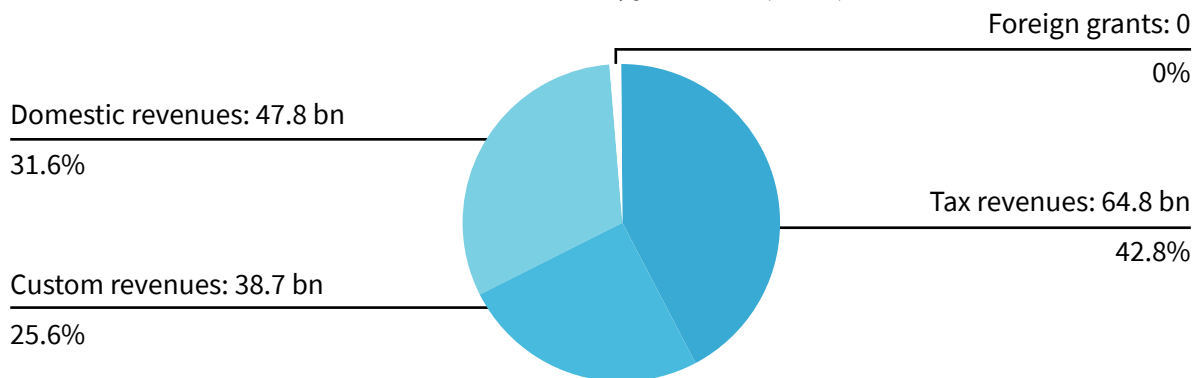
57 See the three month budget on the Ministry of Finance website: <https://mof.gov.af/sites/default/files/2022-02/Three%20Months%20%28Janddi%2CDalwa%2C%20Hout%29National%20Budget%201400.pdf>.

Government revenues, past and projected, bn of afghanis / year

Republic revenues, year 1398 (2019) Total: 396 billion Afs



Emirate revenues, year 1401 (2022)



Sources:

1398 domestic revenues: Ministry of Finance Revenue Department website.

1398 foreign grants: The World Bank Afghanistan Development Update April 2021; Setting Course To Recovery.

2022 revenues: Projected by World Bank, 'Afghanistan: Where does the economy stand one year after the transition?', p3.

Comparing the Emirate's forecasted revenues to the revenues raised by the Republic, the Republic's total income was certainly far larger. In its last 'normal' full year of government, 1398 (2019), before the pandemic had squeezed both economy and government revenue collection, and there were no additional foreign grants to cover Covid-19 costs, it had a total income of 396 billion afghanis.⁵⁸ However, of that, 189 billion was from grants and 207 billion (or just under 50 per cent) was from domestic revenues.⁵⁹

58 Total government expenditure was 419 billion afghanis for 2018 (1398) and 423 billion for 2019 (1399), according to the World Bank 'Setting Course to Recovery', [see FN 28].

59 The figures for expenditure and foreign grants can be found in the World Bank's 'Setting Course to Recovery', [see FN 28]. Domestic revenue figures for 1398 and 1399 can be found on the Afghan Revenue Department website, <https://ard.gov.af/category/?s=english&c=Previous-Years-Domestic-Revenue-Reports>. To see the 1398 figures, click on the Historical and Targets page of the downloadable Excel file, 'FY Revenue Report 1399' listed on the website.

With no foreign on-budget aid, the Emirate has to rely entirely on domestic revenues, and the sum it has predicted to collect is not that far off the Republic's despite the severely contracted economy. It projected that it would collect 187 billion afghanis in 1401 (2022). The World Bank provided a lower figure, 151 billion afghanis and also gave a breakdown into sources of revenue.⁶⁰ The figure above shows a comparison of Republic and Emirate revenues, using the World Bank figures for the Emirate.

However, this comparison is not as fair as it first seems. In 2019, wrote USIP's William Byrd, the figures for domestic revenues had been artificially boosted by one-off transfers to the treasury, mostly "paper profits based on the currency's drop in value" and "unsustainable one-time levies from public entities" (both classed as 'non-tax revenues'). Once these are subtracted, total domestic revenue, he wrote, fell to 175 billion afghanis.⁶¹ SIGAR made similar observations on the make-up of domestic revenues in 1399 (2020).⁶²

In this context, the Emirate's forecast revenues for this year – 187 billion afghanis, or even the World Bank's – 151 billion afghanis – look comparable to the Republic's. Still, given that Afghanistan's economy is now far smaller since the Taliban took power, the figures also show just how much money never reached the treasury under the Republic.⁶³

Afghan tax revenues tend to vary by month, while customs are usually steady, so the only really reliable way to compare the two administrations will be to look at yearly trends. Still, as the months go on, it can be more reliably said that the Emirate is collecting revenues equal to or greater than those collected by the Republic in 2021, although they are still less than in earlier years.

Another clear trend is emerging.⁶⁴ Under the Republic, taxes brought in more than double the amount raised in customs duties. That has now reversed: customs have held steady

60 See for example, figures for revenue collection in World Bank, 'Afghanistan: Where does the economy stand one year after the transition?' 25 July 2022, <https://thedocs.worldbank.org/en/doc/ba0c782d2cb3a62f1f41356e978eb2cf-0310062022/related/20220725-State-of-Economy-FINAL.pdf>.

61 William Byrd, 'An Essential for Afghan Peace: Funding the Government', US Institute of Peace, 2 March 2020, <https://www.usip.org/publications/2020/03/essential-afghan-peace-funding-government>.

62 Some of the substantial amounts of non-tax revenues raised were also not sustainable. In 2020, for example, multi-year arrears from state-owned enterprises were collected and there were "large one-off transfers of foreign exchange profits from the central bank" as reported by the Special Inspector General for Afghanistan Reconstruction (SIGAR). On average, between 2016 and 2020, 45 per cent of non-tax revenues came from fees charged for government services. 'Quarterly Report to the United States Congress', SIGAR, 30 April 2020, <https://www.sigar.mil/pdf/quarterlyreports/2020-04-30qr.pdf>.

63 See Footnotes 1 and 2 for detail on the initial shrinking of the economy after August 2021 and the World Bank's assessment one year on, that the economy had stopped its free-fall and reached an "equilibrium," but one that was far lower than previously, and rested upon "a fragile basis." See World Bank, 'Afghanistan: Where does the economy stand?', [see FN 60].

64 Figures since August 2021 can be found in the World Bank's monthly 'Afghanistan Economic Monitor' on this webpage: <https://www.worldbank.org/en/country/afghanistan/publication/afghanistan-economic-monitors>. For earlier years, see: World Bank's 'Afghanistan Development Update April 2021', <https://openknowledge.worldbank.org/bitstream/handle/10986/35363/Afghanistan-Development-Update-Setting-Course-to-Recovery.pdf?sequence=2&isAllowed=y>, 35.

compared to earlier years and are contributing more than half of overall revenues, while tax receipts have halved this year compared to last. Indeed, out of all inland revenue sources, in recent months, non-tax sources have been contributing more than tax receipts, with revenues from coal mining and exports both growing. Despite its determined collection of all types of revenue, the Emirate is raising far less through taxes than the Republic did, while customs and non-tax sources of domestic revenue have held up far better. These dynamics reflect the change in the political and military situation in the country, the nature of the economic crash and the pre-existing weaknesses and occasional strengths of Afghanistan's economy, as will be explored below.

4.2 HOW THE CHANGE OF REGIME AFFECTED REVENUE COLLECTION

The Taliban may be taxing assiduously and far more of the money paid out by individuals and businesses is reaching the treasury rather than being diverted to corrupt officials' pockets or the insurgency. Even so, revenues have fallen. Taxable income has been eaten into by the economic calamities that came with the change of government – the absolute reduction of national income stemming from the overnight loss of on-budget support and the spending by foreign armies in the country, and the multiple problems caused by UN and United States sanctions to liquidity, the banking sector and trade. Even though humanitarian aid increased markedly over the spring to USD 1.5 billion, it could not replicate the foreign funds already lost to the economy. Nor could the wide-ranging waivers introduced to both sanctions regimes resolve the crises in banking and trading because foreign banks still fear doing business in Afghanistan; banks see the gains to be made from what should now be legal transactions as not worth the risk of later being judged to have breached sanctions.

*The scarring of
Afghanistan's economy
is proving to be deep and
ongoing...*

The scarring of Afghanistan's economy is proving to be deep and ongoing, with the loss of salaried jobs, plummeting consumer spending, inflation that eats into purchasing power (that is, what 100 afghanis – if a person has them – can buy), difficulty accessing savings, difficulty getting credit, and a catastrophic loss of confidence among businesspeople

and potential investors. Imports have declined sharply since the Taliban takeover, but even so, customs revenues have held up relatively well. More of the money paid out in both

Reported in billions of afghanis they are:

2018, 84 (tax): 35 (customs)

2019, 86 (tax): 37 (customs)

2020, 81 (tax): 32 (customs).

taxes and customs is reaching the treasury than under the old government, but whereas tax revenue has halved, customs have held up. It seems there is a bedrock of essential goods – medicines, staple foods and fuel – which are imported and that still need to be purchased by households if at all possible. Demand for some of these goods may even rise during an economic crisis, for example, if households substitute bread for more expensive foodstuffs, demand for flour and bread will rise.

Exports in the first quarter of 2022 were double what they were in the same period of 2021, according to the World Bank's July Economic Monitor.⁶⁵ Mansfield and Alcis attribute this increase to better border controls and less smuggling. There is also strong foreign demand for certain goods, seen not only for coal, which this report has already touched on, but also precious gems, gold and other minerals, fresh and dried fruit and other agricultural produce. It is not that these sectors do not face problems. Various, drought, border closures and difficulties with banking all need to be contended with. However, other sectors – services and construction – were much more driven and funded by the rentier bubble Afghanistan enjoyed under the Republic and they appear to have collapsed.



Afghan women weave silk to make scarves and other products in a workshop in Zandajan district, Herat province.

Photo: Mohsen Karimi/AFP 31 July 2022.

Afghanistan's trade deficit persists but is reduced. In 2020, the country was importing goods 7.6 times the value of its exports and even now, after exports have increased and imports decreased, the ratio is still 1:4.⁶⁶ The trade deficit has eased, but that is partly because of the impoverishment of so many Afghans.

65 World Bank 'Afghanistan Economic Monitor: July 2022' [see FN 64].

66 World Bank, 'Afghanistan: Where does the economy stand' [see FN 63].

The already-mentioned World Bank Private Sector Survey⁶⁷ conducted in October-November 2021 gives a little more detail on which sectors are doing well. Agribusinesses and firms in the wholesale and retail trade sectors have proved to be “more resilient and in a better position to cope with the new environment.” Only a handful of the surveyed firms in these sectors had closed temporarily and job losses, at around 42 per cent, while massive, were still lower than the more than 60 per cent found in all other sectors. Four in ten agribusinesses and three in ten of those in wholesale and retail trade reported that consumer demand was relatively stable. Importers and exporters, the report found, were “generally better off, with one in four reporting increased demand.” Importers had “benefitted from Afghanistan’s continuing dependence on imports of essential food and medicines,” while fresh and dried fruit exporters reported demand holding up for their products and easy availability of produce. This sector was facing critical problems in making and receiving international payments because of sanctions, but was still doing relatively well.

On average, however, of the 100 firms surveyed, three-fifths had laid off staff and one in three reported “having temporarily ceased operations since August 2021, while the rest expressed the need to adjust their operations to cope with declining demand.” The actual number of business closures is probably much higher: as the report points out, the response rate to the survey was very low – approximately 30 per cent of the 350 or so firms to which the survey team reached out did not respond. That, said the report, pointed “to the possibility that many non-responding firms may already have closed.” Smaller businesses had generally been hit harder, with all of them reporting reduced demand for their goods or services and with most expecting revenue losses over the next six months. The responses also suggested, the Bank said, that “small firms are now even more likely to be pushed into informality or out of business,” which would reduce tax rates even further.⁶⁸

4.3 A BLACK HOLE IN GOVERNMENT FINANCES

In addition to the taxes that were in place under the Republic, the Taliban are collecting ushr and zakat throughout the country, but where this money is amassed, how it is administered and what it is being spent on is not known. The Ministry of Finance was reported to have finalised a plan to formalise the collection of ushr and zakat, using, said its spokesman on 16 January 2022, “a digital system” and spending it “via a regular system based on Sharia laws.”⁶⁹ However, no more details have emerged since, nor is it known whether plans have firmed up into action. Up to now, ushr and zakat do not appear to be going through the Ministry of Finance’s books (nor the flat-rate householder and landholder tax reported by some of our interviewees). Rather, it is the Ministry of Agriculture that is in charge of these taxes.

67 World Bank, ‘Private Sector Rapid Survey’ [see FN 46].

68 See also van Bijlert, ‘Collapsed Economy (2)’ [see FN 39].

69 Quoted in Ariana News, ‘MoF finalizes plan to collect Zakat and Usher’, 16 January 2022, <https://www.ariananews.af/mof-finalizes-plan-to-collect-zakat-and-usher/>.

There are questions about how the likely very large sums raised from ushr and zakat relate to the Emirate's general declared domestic revenues and whether they are part of the 187 billion afghanis of expected revenue announced in the budget for this year. It seems more likely, given that the Ministry of Finance is not involved in the collection, that this money is additional to the declared forecast revenues. That, in turn, raises the question of whether the figure for government expenditure in the budget includes spending from this pot of money or whether it is being spent elsewhere, and if so, on what, or whom?

Where is this money ending up and what is it paying for?

Similar questions surround the possible continued taxation of illicit activities and goods, such as opiates and people smuggling. The Taleban took ushr on the opium harvest in 2021, but since then, on 3 April 2022, they have announced a ban on the cultivation, sale and export of opium.⁷⁰

The ban has yet to be implemented, but if it is, the costs to individual households, the economy and (undeclared) state revenues would be devastating. As long as the ban is not implemented, this also represents an income stream that is apparently outside the purview of the Ministry of Finance and additional to what it has forecast in the budget.

As to people smuggling, BBC reporting from November 2021 suggested the Taleban were still taxing those smuggling people into Iran at least: it reported the authorities were taking ten dollars per truck loaded with would-be migrants.⁷¹ Again, as with ushr and zakat and taxes on opium, the question would be: Where is this money ending up and what is it paying for?

Another set of questions on revenue concerns mining: Who is getting the contracts for mines and the transport of minerals, what are the terms and what is the process for granting those contracts?

70 Voice of Jihad website, 'Decree of Amir al-Momenin regarding prohibition of poppy cultivation in the country', <https://alemarahenglish.af/?p=51207>. For analysis and background, see Jelena Bjelica and Kate Clark, 'The New Taleban's Opium Ban: The same political strategy 20 years on?', Afghanistan Analysts Network, 14 April 2022, <https://aan.af/37kQZ17>.

71 BBC online, 'Desperate Afghans turn to people smugglers for help fleeing the country', 9 November 2021, <https://www.bbc.com/news/av/world-asia-59213113>.

CHAPTER 5

CONCLUSION



A young man fixes alligator clips to wires in a factory making LEDs in Kandahar.
Photo: Lillian Suwanrumpha/AFP, 28 July 2022.

LAST AUTUMN and winter, a World Bank welfare survey found that most of the population – up to 70 per cent – could not afford food and other necessities. The Bank concluded that many would have starved without humanitarian support.⁷² That inflow of aid has also supported the wider economy, meaning that, as Byrd has written, “Businesses have now stopped further job losses and closures ... goods are generally available in markets and wages seem to have stopped declining” while high inflation is “now the result of rising global food and energy prices, not exchange rate depreciation or other domestic factors as was the case earlier.”⁷³ The World Bank describes the Afghan economy as having reached a “new low equilibrium.”⁷⁴ That seems unduly hopeful. ‘Equilibrium’ hardly conveys the fragility of an economy which, without aid, might still be in free fall. Moreover, the provision of aid is not a straightforward positive.

When the Taliban were still an insurgency, they did not use the taxes they took from people to provide services in the areas under their control. Rather, the money funded their war effort. Meanwhile, healthcare, education, roadbuilding, support to farmers and all other public services that developed from 2001 onwards, if available, continued to be provided by the Afghan government with money ultimately coming from foreign donors

Until now, donors have been notably quiet about the Taliban’s complete lack of fiscal transparency.

and increasingly also taxpayers in Republic-controlled areas. The Taliban’s was a rentier insurgency, funded ultimately by foreign funds coming into Afghanistan. With donors again preparing to provide development aid, there is a danger that this dynamic will be replicated, with the Taliban now in charge as a government, while donors, the World Bank, the UN and NGOs provide some services in a parallel system.

Until now, donors have been notably quiet about the Taliban’s complete lack of fiscal transparency. Yet providing more aid inevitably gives the Taliban greater financial room for manoeuvre, as it frees up money the administration might otherwise have spent on

72 World Bank ‘Welfare Monitoring Survey’, [see FN 6].

73 William Byrd, ‘One Year Later, Taliban Unable to Reverse Afghanistan’s Economic Decline’, USIP, 8 August 2022, <https://www.usip.org/publications/2022/08/one-year-later-taliban-unable-reverse-afghanistans-economic-decline>.

74 World Bank, ‘Afghanistan: Where does the economy stand’, [see FN 63].

education, health, support to farmers and other services. That money might instead be spent on Taliban intelligence, internal security, boosting particular Taliban networks or enriching officials. For citizens and donors alike, there is an urgent need to know what the Emirate is doing with the money it is collecting. This is not only for declared revenues but also the money that appears neither to be going through the Ministry of Finance nor included in the published figures – ushr and zakat and the taxes taken on illegal activities.

Because of the decrease in demands for bribes and other deal-making by tax assessors and in customs houses, the Emirate has given the impression of being a far cleaner administration. However, there is no financial transparency on what happens to revenues *after* collection. Despite the Taliban's clampdown on the media, a few reports are emerging that suggest instances of high-level corruption.⁷⁵ Without transparency over the entirety of the Emirate's revenues and spending, there is no way to judge the level of corruption or lack of it in the new administration. Also, if the Taliban sustain their current high rates of revenue collection – and it seems they are determined to do this, even introducing new taxes⁷⁶ – it seems inevitable that people will again begin probing the system for ways around paying out money, especially if the economy continues to contract and Taliban demands stay high. In other words, it is not a given that the current relative lack of corruption in the collection of revenues will last. As well as the absence of transparency over financial data, there are no checks and balances, no clarified division of power within the state, and no mechanisms to monitor spending that disclose information to the public. If the Taliban are to maintain their better reputation on corruption, they will need to be fully transparent over all aspects of revenue collection and expenditure.

The Taliban's tough approach to taxation also raises questions of its effect on households, given how poor, vulnerable and hungry so many Afghans are. Many of our interviewees reported that they could ill afford to pay taxes but were having to do so anyway. Others have seen their businesses, and potential to generate income to live on, close because they could not afford permits or pay back taxes. Ushr and zakat, that were not collected in areas previously under the Republic's control, are new outgoings for many rural households already hit by drought and the loss of paid work stemming from the country's economic collapse. This massive flow of resources from the rural economy to the state will surely bring with it consequences for the poorest if, at the margins, there is less money/food to be given in alms. In AAN's work on household economies, we have seen again and again how even the poorest seek to help those in even worse need than themselves.⁷⁷ Charity

75 For example, a report by Hasht-e Subh alleged that the acting public works minister, Abdul Manan Omari, had pocketed more than one million USD worth of Railway Department revenues, using the money, among other things, to pay Taliban fighters and commanders. 'Abdul Manan Omari Misuses One Million USD of the Railway Administration's Revenue', Hasht-e Subh, 19 July 2022, <https://8am.af/eng/abdul-manan-omari-misuses-one-million-usd-of-the-railway-administrations-revenue/>.

76 In June, Taliban announced new taxes on freight traffic, which they estimated would accrue 30 billion afghanis (time period unspecified). See Radio Free Liberty, 'One Certainty for Afghans: The Taliban and Taxes', 16 June 2022, <https://gandhara.rferl.org/a/afghanistan-taliban-taxes-revenue-services/31901313.html>.

77 See AAN 'Collapsed Economy' series, [FN 39].

is embedded in the Afghan psyche and social fabric, but how well can people carry on helping others if the state is taking their marginal income, either money or in kind?



A boy working in the fields in Kandahar province.
Photo: Javed Tanveer/AFP, 29 August 2022.

Rigorous taxation also poses dangers to the Emirate itself. It is both taxing its citizens hard in a time of severe economic hardship and intervening in people's personal lives – telling women what to wear, restricting their travel, stopping older girls from going to school, insisting in some places and some circumstances that close male relatives (*mahrams*) chaperone women and older girls when they leave the home and, in some places, banning music. It has come down hard on critical media reporting and public protest, while a steady stream of extra-judicial killings continues, including of people linked to the previous regime, as reported by UNAMA and others.⁷⁸ The Emirate's instincts are authoritarian and centralising and, significantly, it is far less representative of Afghanistan's great diversity than the Republic's administration was.

Historically, in many countries, taxation without representation has driven rebellion and encouraged democracy. It is difficult to imagine this happening in Afghanistan today. The repeated upheavals and experiences of brutality, slights and abuses and perennial exclusion from decision-making suffered by Afghans over decades have left them exhausted, with many focused solely on feeding their families or, if they can afford to,

⁷⁸ For detail, see UNAMA's first major human rights report since the takeover, 'Human Rights in Afghanistan 15 August 2021 – 15 June 2022', July 2022, <https://afghanistan.un.org/sites/default/files/2022-07/UNAMA%20Human%20rights%20in%20Afghanistan%20report%20-%20June%202022%20%28ENGLISH%29.pdf>.

seeking to emigrate. However, there may be a far greater potential for local discontent. If people see little coming back in terms of public services, they may view taxation as 'outsiders' taking their money. They may also feel that an unrepresentative, distant state is 'robbing' their area of its natural resources, as in the case of Balkhab, or if cleaning up corruption at customs posts means trade gets displaced, as in Aqina in Faryab, local people may resent the loss of the money that used to trickle down to the wider population.

A necessary starting point is transparency from the Taleban as to what revenues they are collecting and how they are spending them. It may be that they are spending tax and other revenues largely or entirely on public services, salaries to civil servants and former Taleban fighters now employed by the state in the security services. However, neither Afghanistan's taxpayers nor its donors have any way of telling if this is the case or not. As donors start to take on more of the cost of basic government functions, this question is already more urgent than ever.

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