

Paying the Price of Change

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Moneychangers feel the pinch after new currency introduced.

The introduction of a new currency in Afghanistan has been hailed as one of the major successes of the new government, but it is bad news for Kabul's moneychangers.

The transitional government headed by President Hamed Karzai decided last autumn to lop three zeros off the afghani, so eroded it was trading at 46,000 to the dollar. Rival warlords were printing their own money, and counterfeiting by gangs in Pakistan and Russia was rife.

Having regained control of monetary policy by taking some 15 trillion old afghanis out of circulation, the central bank moved quickly to stabilise the new currency by buying up 120 million dollars worth using its foreign currency reserves.

For Kabul's independent moneychangers, who could once make a good living - or lose everything - trading on the wide and rapid fluctuations in the old afghani's value, depending on how many dubious versions of the currency were in circulation at any one time, the introduction of the new currency has signaled the end of the boom times. Several of the smaller ones are reported to have gone out of business.

"We are not making much money now because the value of the new afghani is fluctuating very little," Ajmal, a moneychanger in Kabul's Shahzada market, told IWPR.

Another street operator, Mohammad Kabir Roshan, said, "We could make big profits with the old afghani, but now only the big moneychangers with permanent shops are making a living."

Perhaps unsurprisingly, the president of the Independent Union of Moneychangers, Mohammad Amin Khosti, was unhappy that the central bank had intervened so heavily. "The government should find other ways of supporting the new currency, by raising more taxes, exploiting the country's mineral resources, and restoring peace and security in the country," he told IWPR.

He said that despite the bank's intervention people still did not fully trust the new currency, and many continued to use dollars or Pakistani rupees for big transactions.

Abdul Habib, another moneychanger in Shahzada market, said people were concerned that war with Iraq could affect the afghani. "They are worried that the international community and America will forget about Afghanistan, and the value of the new currency will drop. That is why people are still buying foreign money from us."

However, even the moneychangers agreed that the new currency had its benefits. Ajmal said he no longer had to worry about the possibility of making huge losses due to sudden plunges in value. "When we were making big deals with old afghanis we sometimes couldn't sleep at night for worry about the next day's rate. There used to be huge swings in its value. That's why some moneychangers became very rich, and some very poor," he said.

There were also other advantages, for the moneychangers and ordinary consumers who previously had to

carry sackfuls of notes for even the smallest transactions, since the largest denomination of the old afghani - 10,000 - was worth less than 20 cents by the time it disappeared.

"I often used to change money at Shahzada market," Ahmad Wali, a high school student whose family is supported by an uncle living in Europe, told IWPR. "When I used to change a 100 dollar bill note into old afghanis, it would take half an hour to count out five million of them."

Moneychangers and customers alike agree that the new notes - printed in Germany and Britain - had largely stopped the flood of counterfeit money that helped to destabilise and devalue the old afghani.

Some fake money did start circulating late last year, trying to take advantage of the changeover before people had familiarised themselves with the new notes, but the printing was of poor quality and they were easily spotted.

Some people complain that the new notes are difficult to tell apart. "I sometimes get confused between the ten and 50 afghani notes (23 cents and 1.20 dollars) because their colour is so similar," said one Kabul resident. "A few days ago I handed over a 50 instead of a ten which really upset me because 50 afghanis is a day's wage for me."

Others complain that the currency does not have any denomination smaller than one afghani - two and a half cents.

The head of the central bank, Anwarulhaq Ahadi, told IWPR, "We considered issuing smaller units of afghanis, but it was too expensive for us to print them outside the country. We are trying to produce coins of smaller denominations at a factory which is currently not working but should be back in production soon."

Some people have yet to be won over to the new currency. Mohammad Naeem Logari, who was changing his money at a shop in Shahzada market, said, "I am keeping a stock of foreign currency, because the afghani has always gone up and down in the past, and I'm not confident it won't do the same in the future."

Even more gloomy was moneychangers' union leader Khosti, who said, "Our neighbouring countries don't want us to have a strong currency. That's why they are supporting groups who are fighting against the central government."

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