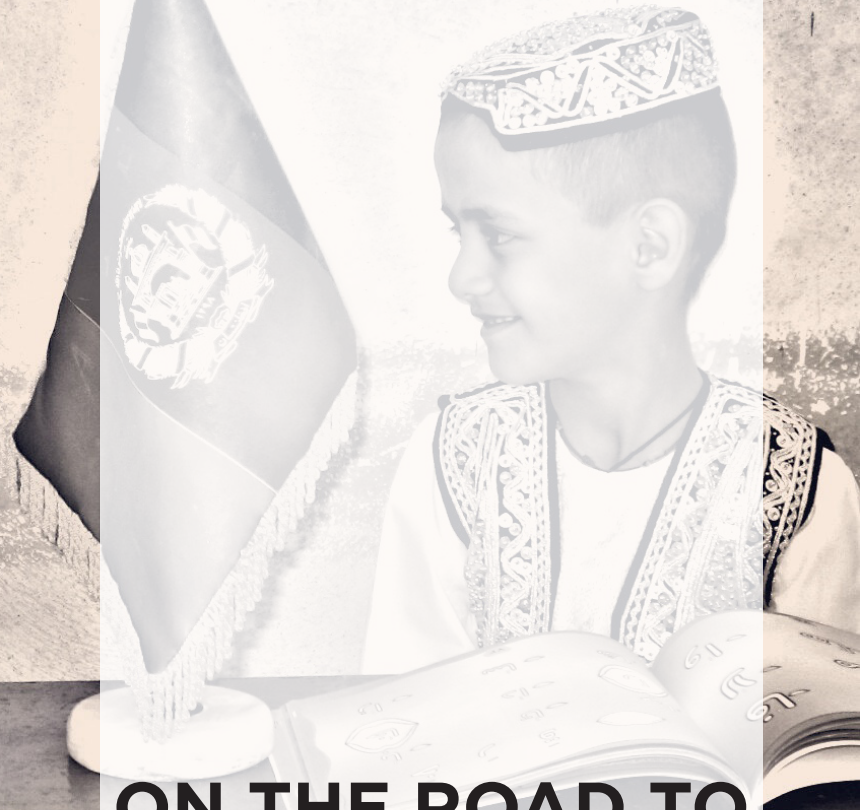




MINISTRY OF FINANCE
ISLAMIC REPUBLIC OF AFGHANISTAN



ON THE ROAD TO SELF-RELIANCE

Reform Highlights
2016-2018



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AFGHANISTAN ON THE ROAD TO SELF-RELIANCE

2016-2018

REFORM
HIGHLIGHTS OF THE
NATIONAL UNITY
GOVERNMENT

JULY 2018



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ECONOMIC AND FISCAL REFORMS

LAYING THE FOUNDATION FOR SELF-RELIANCE

- Afghanistan has met all of its fiscal benchmarks since 2016. The economy has continued to grow steadily since 2014, by 2.4% in 2016 and 2.7% in 2017. For the first time in the last decade, development expenditures have risen each year steadily, close to projected rates, with an increase in 23 percentage points from 2014 to 2017. Revenue collection has exceeded projections each year, growing by 20% in 2017, comprising 12% of GDP.
- The National Unity Government prepared a consolidated national budget for 2018 (1397) that was passed by the Parliament in March 2018, completing this target one year ahead of schedule.
- The Open Budget Index gave Afghanistan's 2017 national budget a score of 49 out of 100, higher than the global average score of 42. Afghanistan was ranked as the second most transparent budget in the region, following Nepal. That ranking is expected to vastly increase when the newly reformed 2018 budget is assessed.
- The Net International Reserve target was achieved in 2017, remaining at \$6,548.7 million. The inflation rate target for 2017 was met, remaining below 5%. Maintaining a cash balance

of 10 billion AFN in the Treasury Single Account was achieved, and exceeded in 2018 by 24.5 billion AFN. The current public debt is at 6 percent of the GDP, significantly lower than the debt level of similar countries.

ANTI-CORRUPTION REFORMS

CHANGING THE CULTURE OF GOVERNANCE

- The National Unity Government is implementing its National Strategy for Combatting Corruption, under the guidance of the High Council for Rule of Law and Anti-Corruption.
- Though Afghanistan rates low on Transparency International's index, its score has increased by seven points in the last six years, moving from a score of 8 in 2012 to a score 15 in 2016 and 2017.
- The National Procurement Authority requires all offices to use the Afghanistan Contract Progress Monitoring System (ACPMS). The NPA has processed 2,658 contracts, saved 34.8 billion AFN from corruption, and barred 137 corrupt companies.
- The Anti-Corruption Justice Center, established in 2016 to prosecute high-level corruption cases, has processed 475 cases, sentenced over 100 high-ranking former government officials, and recovered \$21 million of stolen assets.
- Asset disclosure forms were signed by all 34 senior government officials defined in Article 154 of the Constitution, and published online in Dari at anti-corruption.gov.af/en/page/test/14010.
- The new Penal Code, enacted on February 17, 2018, includes all mandatory, and many optional, provisions of the UN Convention Against Corruption, thus facilitating prosecution of corruption cases.
- Leadership at revenue generating and high-spending ministries has been overhauled, with new leadership installed, many under the age of 40, highly educated and reform-minded. Out of 164 key leadership positions in government, 95 (58%) are under 40.
- A culture of accountability is being established as reforms are rolled out in each ministry. Over 40 government organizations have sent their Anti-Corruption Action Plans to the Secretariat of the High Council for Rule of Law and Anti-Corruption.



Women and men in Kandahar sit for a recruitment exam administered by the IARCSC, which has undertaken sweeping reforms to cut patronage and corruption in public administration. Photo courtesy of IARCSC.

- The Independent Administrative Reforms and Civil Service Commission (IARSCS) is implementing merit-based, transparent mass recruitment across the country for all government bodies to cut patronage. Results include hiring 697 new procurement staff; introduction of merit-based recruitment at the Ministry of Education; 18,000 positions including 8,000 teachers are advertised with examinations on-going. 84% of recruits are between 19 and 40 years old, most holding a bachelors degree or higher.
- Attorney General Farid Hamidi, DAG for Anti-Corruption Alef Irfani, and DAG for EVAW Sina Sheena Mansoor are reforming the Attorney General's Office. 60 attorneys were dismissed, 127 retired early, and disciplinary action taken against 12. 221 attorneys & 105 administrative staff were hired through a merit-based process. The number of female staff increased from 3 to 17%, with EVAW courts in 33 provinces and prosecutors deployed to every district.
- The Supreme Court increased proficiency, with training on-going for 2,200 judges. 659 judges, 34 provincial judges, and 135 appellate court judges have been replaced.

PROFESSIONALIZING THE SECURITY SECTOR

OVERHAULING INSTITUTIONS FOR NATIONAL SECURITY

- In 2014, the NUG committed to major civilianization reforms in the Ministry of Interior Affairs and Ministry of Defense, to deconstruct corrupt networks and create a professional, citizen-focused security force with qualified and accountable leadership. Ten senior, 501 officer-level positions, and 1,881 sergeant and soldier positions were converted into civilian positions. 245 positions have been filled so far through the IARCSC.
- In November 2017, a committee was established to address ghost soldiers and police. Efforts to integrate all e-payment systems is on-going, as is a physical inventory of all security forces across the country. Using information from Afghan Personnel Pay System (APPS), the MoD investigated 48,924 army officials, referring 289 to the justice sector for perpetrating ghost soldier schemes. Over 80% of police are currently registered in the APPS, with 87% of police directly receiving salaries electronically.
- The Inherent Law of Officers was modified to lower the retirement age of security officers from 65 to 55 years, allowing for promotion of 5,000 younger, more qualified officers. MoD has replaced the previous corps commanders through merit-based appointments. To date 656 have been retired.
- All 34 deputy provincial police chiefs and 14 new provincial police chiefs have been appointed.
- Instituting reforms has increased the sufficiency of ANDSF supply chains by 85%. 1.7 billion AFN has been saved by cutting corruption from MoI procurement processes. After an evaluation of 262 corruption cases in the MoI, 112 officers were referred for investigation. An MoI general was sentenced to 14 years in jail for bribery, the first time a high-ranking MoI official had been prosecuted and sentenced on corruption charges.



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- The Afghan National Civil Order Police (ANCOP) and border guards were transferred from the MoI to the MoD to further clarify security mandates and allow ANCOP and border guards to receive better training to meet their mandate.
- The Ministry of Interior Affairs is over halfway towards its goal of recruiting 5,000 female police officers by 2020. As of March 2018, 3,169 women were in the Afghan police. The Ministry of Defense is aiming to elevate the total number of women in uniform by 800 per year for the next 4 years. Currently, there are 1,300 women in the ANA.

PRIVATE SECTOR DEVELOPMENT

INVESTMENTS FOR JOB CREATION

- Afghanistan became a member of the World Trade Organization in July 2016 and has since endorsed 17 legislative reforms to meet WTO requirements.
- The Public Private Partnership Law was passed, allowing for key partnerships in the energy sector, including the 52 MW Mazar gas to power project with Ghazanfar Company (\$75 million); the 50 MW Sheberghan gas-based power project with Bayat Energy; the 30 MW Kandahar solar power project with 77 Construction Company (\$47.3 million); and the 10 MW solar power project awarded to an Indian/Afghan company.
- The government reduced regulatory burdens, cutting the cost of obtaining a business license from \$440 to \$1 and opening a one-stop shop in Kabul and 16 other provinces where investors can obtain all permits. Investors can now also receive their visas on arrival.
- Forty-two water and hydropower projects are underway, and private investment worth \$1 billion was committed in the agricultural sector.
- New legislation that form the legal foundation of a market economy were passed, namely the Companies Law which improves the protection of investors' rights and the Insolvency Law which makes it easier to obtain capital for businesses and to enter into bankruptcy procedures. The mining law, which provides a transparent bidding process for the sector, is under review.
- 21 commercial attachés were recruited through a merit-based process and dispatched to embassies across the world to strengthen bilateral trade relations.
- Afghanistan's exports increased from \$580 million in 2015 to \$784 million in 2017, an increase of over 27%. NUG anticipates a significant increase of export volume in 2018, estimated to surpass \$1 billion. Imports decreased from \$7.7 billion in 2015 to \$7 billion by the end of 2017.
- Multiple new air corridors were launched with India, Turkey, Indonesia, Uzbekistan, Kazakhstan and Saudi Arabia to expand trade with new markets.



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The refurbishment of Darulaman Palace in Kabul is an Afghan-led and funded project, with half of engineers Afghan women.

- The National Export Strategy was endorsed by President Ashraf Ghani in April 2018, the result of a nationwide consultative process. The strategy maps the export of dried fruits and nuts, fresh fruits and vegetables, saffron, marble and granite, carpets, precious stones and jewelry, business and professional services.
- NUG supported the launch the Afghan Women’s Chamber of Commerce and Industry, helping provide access to markets for 850 women business owners.

DEVELOPMENT REFORMS

DELIVERING SERVICES & ADDRESSING POVERTY

- The Citizen's Charter is a whole-of-government effort that links rural communities, districts, provinces, and the central level. Impact of the Charter can be tracked online at www.ccnpp.org.
- As of July 2018, the Charter has reached 8,246 communities in 34 provinces, reaching over 6 million citizens, with 2,216 development projects financed, including 1,307 clean water points. Community development councils are 49% women, and majority of council members are under the age of 40, reflecting increased youth and women's participation across the country. This year, at least 8,000 new schools will be constructed via the Charter to reach out of school children.
- Community Grain Banks are being set up for the most vulnerable, with 1,377 currently established via the Charter.
- Labor-intensive work programs and social inclusion grants were implemented, including in 14 districts which have high numbers of returnees and IDPs. To date, 434 communities have been provided maintenance cash grants, which created 2.6 million labor days, benefiting more than 30,000 poor households, and more than 130,000 households benefited from the rehabilitation and construction of new infrastructure.
- The Women's Economic Empowerment National Priority Program launched in 2017 and has supported 70,000 women farmers in agricultural activities, and 35,000 women in the livestock sector. Over 3,000 female teachers have been recruited in all provinces and 900 community midwives trained, with further recruitment and training underway.
- Agricultural production grew 12.4% in 2016, compared to 2015. The agriculture and livestock sector created day, short and long term jobs for up to 2.25 million people between 2015 and 2017. In 2017, more than 22% of market demand was met through domestic products.



Nearly half of school-age children remain out of school in Afghanistan. To change that, President Ashraf Ghani declared 2018 the year of education reform. Photo of Kabul school girls by Zahra Sadat Mousawi.

- The Technical and Vocational Education and Training Board (TVET) became an independent organization. By 2020, the government will establish at least one TVET school in every province and by 2021, one TVET school in every district, eventually converting 70% of high schools in TVET institutions. The TVET program will adopt the German apprenticeship training model. The program is designed to instill technical and practical skill sets in Afghan youth, adequately matching their skill sets with the demands of the Afghan job market.

REGIONAL CONNECTIVITY

INTEGRATING THE REGION FOR GROWTH AND SECURITY

- Afghanistan is placed to serve as a utility corridor connecting energy-rich Central Asia to energy-poor South Asia. There are three major projects that are currently underway: 1) Turkmenistan Afghanistan Pakistan transmission line is underway; 2) TAPI gas pipeline was inaugurated in 2016 and construction reached the Afghan border at Herat in February 2018; 3) CASA 1000 project transmission line installation has commenced, after an Indian company was contracted in 2017.
- The Chabahar Port in Iran, developed via a tripartite agreement with India and Afghanistan, was inaugurated in December 2017. Afghanistan shifted 80% of its cargo traffic from Pakistan's Karachi seaport to Iran's Bandar Abbas and Chabahar ports.
- Regional development conferences such as the Heart of Asia and RECCA led to several major projects, including signing the Lapis Lazuli Corridor Agreement, six trade agreements between Afghanistan and Turkmenistan, and the inauguration of the Atamyrat-Aqina railway.
- Afghanistan officially joined China's One Belt, One Road initiative.
- The first cargo train arrived at the Hairatan port in Afghanistan after passing through Uzbekistan. Annual trade between the two countries reached \$350 million, and a joint chamber of commerce was opened in Kabul. The two countries signed cooperation agreements on countering drug trafficking, developed a joint security action plan and a joint security commission.

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MOVING FORWARD

TOWARD THE 2018 GENEVA CONFERENCE ON AFGHANISTAN

- **Strengthening development partnerships:**

Following a Steering Committee meeting on June 25, 2018, the Afghanistan Reconstruction Trust Fund (ARTF) will continue to support the government's poverty reduction, service delivery and inclusive growth efforts, contributing up to \$2.485 billion over the next three years to the national budget. The largest portion of funds (37%) will be devoted to poverty reduction, service delivery, and citizen engagement, including programs in health, education, and the Citizens' Charter.

- **Prioritizing development for 2018:** Priorities include continuing to implement National Priority Programs in the ANPDF, as well as sweeping reforms in the education sector to reach out-of-school children, and long-term assistance to drought-affected parts of the country.

- **Committing to free and fair elections:**

District council and parliamentary elections will be held on October 20, 2018. As of July 2018, nearly 9million Afghans, including 34% women, had registered to vote in every province. The Electronic National ID card registration was launched in May 2018 and

is on-going. An unprecedented number of young people have registered as parliamentary candidates.

- **Toward the 2018 Geneva Conference on Afghanistan:**

On November 27-28, 2018, the international community and the Afghan government will convene in Geneva to recommit to Afghanistan's journey to prosperity and security. The government will not only provide a thorough review of the progress and challenges in implementing reforms and national priority programs but will highlight their importance in preparing the country for sustainable peace.





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