



H.E Finance Minister's Speech
for Mishrano Jirga Regarding
Submission of 1392 National Budget

6th November 2012

I am profoundly privileged to once again present the national budget to the honorable representatives of the Upper house of the Islamic Republic of Afghanistan.

Afghanistan is going through a fragile state of its history. In the month of Hammal (Aries) in the Chicago summit Afghanistan along with the International community agreed post 2014 the management of the Afghanistan's security by ISAF will conclude and this grand task will be assigned to the Afghan armed force. Similarly in the same year in month of Saratan (Cancer) International community and us had a historic conference in Tokyo Japan where the economic vision for Afghanistan till 2024 was recorded. During the past one decade most our affairs were related to the assistance of the international community, now Afghanistan's Government and Afghan nation has decided from now on to take our future in our own hands. For us this is an immense honor, and with these historic agreements come great obligations for both Afghanistan's Government and Afghan Nation to solemnly collaborate and fulfill these obligations.

In the transition period and the following transformation decade of change where we are responsible for our own affairs the proportion of our financial responsibilities are also going to be quite vast. In the Chicago summit the international community agreed to finance majority of our security forces expenditures for several more years, but as agreed we are also required to finance a vital part of our security sector from our own resources. More over Tokyo conference being the only acme where for the first time more than 80 nations gathered for sake one perception that is Afghanistan, and agreed to assist and thus fulfill the financial gaps for the coming decade of change. This is a major achievement and at the same time a great challenge for Afghanistan and we cannot afford let these achievements go in vain.

Recently some of the international media, local politicians and certain circles of taught tend to project a shivering image of the economy of Afghanistan post 2014. There are words of economic crisis and security uncertainty. It is said to believe that after the exit of the international community Afghanistan is going to fall back to turmoil and anarchy.

Using this opportunity I would like to give you and our valiant nation full assurance, I would not address extensively on the security subjects. I would like to say that Afghanistan has had its share of war it has paid in life in blood for its geo-strategic state and after the exit of international community falling back to state of 1380 is far from reality and biased. There will be challenges but we can work together to build our homeland. In the economic sector I would like to assure you that Afghanistan will not face any economic crisis post 2014. In Tokyo conference Afghanistan has obtained the commitments of the international community based on the proposed acute, precisely costed and prioritized national programs by us which will help Afghanistan into economic prosperity. Our economic priorities (renovating infrastructure, utilizing human capital, giving responsibilities to the private sector, serious over sighting

of agriculture and rural development, exploiting the intact natural resources in a effective and efficient manner, serving as a resource corridor for neighboring countries) will not only strengthen our economic infrastructure but also assist in the job creation and we will no more require the assistance of international community.

I reassure that we do not have any concern for the year 2014, but it does not indicate that we should put off the due challenges. Our economy which is 95% backed up by the billions of dollars of foreign aid in one stance cannot fulfill the gap of foreign aid and uphold on its own. We need to be vigilant, and as of now carry out the necessary step because as we may not have the capacity to afford the countless expenses.

Honorable Senators!

The document which Afghanistan proposed in the Tokyo conference was named “Towards self-reliance”. Self-reliance is not an easy task in Afghanistan. Focus on the implementation of the national priority programs will be our greatest achievement in this period. Good governance should be on the top of our priority list. We can only achieve economic sustainability when we attain the confidence of the people in the government and in economic institutions which will happen only if we serve them in best manner. We shall speed up Government administrative reforms and capacity development. The role of the local institutions in providing effective services are life and blood and national budget should facilitate them. Our first priority is increasing revenue and it requires us to create a system to counter corruption, prevent tax evasion and we need to seek out new tax measure in order to create an environment feasible for private sector.

The budget that I am presenting to you all honorable is based on this analysis.

Respected senators!

In the last decade the average growth rate of the country has been approximately 10%. Our per capita income for the year 1386 was mere 130 USD which has increased to 650 USD for 1391. The foreign exchange reserve is close to 7 billion USD. Although Afghanistan’s trade was facing great deal of transit predicaments the generated internal revenue did quiet astonish.

With the ease in the tax generation system we are noticing quiet the achievements in tax compliance by our fellow countrymen. We also tend to provide more on time information about the expenditure to the fellow countrymen. As per the Open Budget Index (OBI) under the Internal Budget Partnership (IBP) we hope to improve Afghanistan’s status by 40%. Two years back our status was 21% and in 1387 it was mere 8% under the mentioned index.

Respected senators

The real national economic growth for the year 1391 is projected 9%, and with the betterment of the agriculture output we look forward to increase the national economic growth for year 1392 to 9.9%.

1391 Budget Overview

With the amendments in the Financial Management & Expenditure Law and other corresponding laws the fiscal year for 1391 initiated 1st of Hammal (Aries) 1391 and carry on till 30th Qawos (Sagittarius). The fiscal year for 1392 will be from 1st Jaddi (Capricorn) till 30 Qawos (Sagittarius).

While comparing the figures between fiscal year 1391 and 1392 it should be taken into account that the 1391 fiscal year was only 9 months.

The total 1392 budget, both operating and development budget is 366.23 billion afs which is equivalent to 7.04 billion dollar with the total of 12.7 billion afs which is the equivalent of 243 million dollars is the deficit.

Internal Revenue & Operating Budget

- The internal revenue for 1392 is projected 122.7 billion Afs which is equivalent to 2.359 billion dollars. Considering the amount the projected revenue for 1392 is almost 33% comparing to 1391.
- It is worth mentioning that no matter how much achievement we obtain in the revenue collection, at the same rate in the upcoming years the rate of increase of revenue will decline which brings our attention to seek new tax measures and amend our laws to meet the requirements accordingly.
- For the year 1392 the operating budget is 196.2 billion Afs which is 46% more than the 1391's nine months fiscal year. In the operating budget 107 billion Afs (56%) is financed by the internal revenue and 78 billion Afs (44%) will be funded from external resources.
- 72 % of the operating budget is assigned to the salaries, 14% will be utilized to acquire the Goods & Services. The remaining 13 % are the contingency codes which are: the Salang and other roads operations & maintenance, the national staff & armed forces pensions, the martyrs and the disabled pensions, the past several years' unpaid pensioners' pensions, the PRR related expenses, the Central Bank's rectification the district delivery funds which is funded by the donors and the necessary funds for the Ariana Afghan Airlines.
- In order to fulfill other necessities there is a decrease of 1% in (code 25) which is comparatively 74% less than the previous fiscal year.
- Most of the stresses exerted on the current year budget are due to the security sectors expenses, the higher education sectors requirement and the last years pensioners' approved pensions. The 11000 new recruitments by the Ministry of Education, the expenses of the 12000 freshly recruited armed personnel by the security sector are added to this year's budget, more over the operation and maintenance expensis of the hospitals and the schools in the capital which are account in the 1392 budget has a major effect on the current year's budget. Similarly the 1300 personnel

increase in the Higher Education of which 700 are the professors / lecturers of the universities affect the operating budget.

- Ministry of Defense, Ministry of Interior Affairs and Ministry of Higher Education make up most of the 1392 operating budget.

Developmental Budget

In the 1392 developmental budget both new and carry forward budget is included, it is approximately 170 billion Afs which is equivalent to 3.270 billion dollars. It projects 47% increase comparing the 1392 (2.221 billion dollars) developmental budget.

Most of the increase (approx 79%) is in the new core budget. The increase in the new budget is in the new infrastructure projects, higher education and agriculture which facilitates in poverty reduction and economic stability.

Of the 79% new increase in budget 37% increase is in core budget, a major share (21%) is for maintenance of the roads, 11% for water and energy dams, 9% for agriculture, 8% for is dedicated to higher education for the human resource development, 6.6% is dedicated to the less developed provinces and 4.4% is dedicated to the health sector.

Similarly from the new external budget 28.5% for Ministry of Defense, 12% for Ministry of Agriculture and Rural Development, 13% for Ministry of Interior Affairs, and more than 11% is dedicated to Ministry of Education.

- The projects funded through the external budget are 119 billion Afs.
- The projects funded through the core budget rises up to approx 40 billion Afs, of which 27 billion Afs is obtained from the internal revenue sources (Agriculture resources & Ayenak Copper Mine)
- Analyzing the enormity of the expenditures, there is 12.7 billion Afs deficit in the core budget projects.

As stated before most of the developmental budget is dedicated to the infrastructure, agriculture and education sectors which in the intermediate and long term will lay the foundations of the infrastructure, assist in human resources development, help reduce poverty and similarly in the health services have a profound effect.

Keeping in mind the policies of the government and thus creating the necessary infrastructure which facilitates and encourage foreign investment opportunities and is one of the core reasons for the economic development and poverty reduction is taken into account and in the 1392 budget the expenditure of such programs and projects are prioritized and taken into account.

Brief planned activities for 1392

In access to (primary) general education the number has increased from 7.6 million students (pupil) in 1391 to 9.2 million students (pupils) in 1392, in the Islamic education the number of students has

increased from 218,000 for 240,000 students, the construction of 1,156 schools and 58 Islamic education centers.

Likewise higher education has also been a top priority of the developmental program of the government. In the 1391 the construction of several universities and higher education institute initiated which will carry on in the next year. For the improvement of the higher education the expenditure of 1300 new recruits, of which 700 are professors and lecturers, recruited for the universities and higher education institutions are included in the budget. Moreover for the human resources development 15 million dollars are dedicated to the external bachelor, master and doctorate scholarships.

For the continuance construction of the irrigation dams of Shah wa Aroos in Kabul, Machalghoor in Paktya, Salma in Heart, Kamal Khan in Nimroz, and Almar in Faryab, reconstruction of Kohsan wa Ghoryan canals, Samarqandian canal, Bangla and Lashkari canal, irrigation channels all over the country, permanence in the Zindajan and Joi-e-naw irrigation canals Herat which help irrigate a vast area and help in independence of the agriculture in the country. The reconstruction of electricity distribution channels of Kandahar and Badghis, electricity distribution in Heart, Parwan, Kundoz, Baghlan, Nengarhar and Laghman will help solve the electricity problems of our fellow countrymen.

In the expansion of the transport sector which is quiet vital for the development of the country we are witness to great achievements over the period of several years, approximately 7,000 km of highways and rural have been constructed and at the length of 12,000 km gravel roads have been completed. For the 1392, the construction of Armilk Laman, Laman to Qaisaar, Faizabad to Baharak roads, for the continuance of of Jab-ul-Saraj – Surobi , the second lane of Kabul – Jalalabad, and Bamyan Yakawlang a total of 500 km of road have been constructed.

For the construction of the Qala-e-Naw, Chighchiran, Maimana and Faizabad regional airports as well as the construction Nimroz, Khost airports, the expansion of Ghazni regional airport, Daikundi, Bamyan, Farah airports, the operation and maintenance of Kabul International airport, Kundoz and for the Qandahar airport terminals a total of (approx) 37 million dollars are dedicated to these task in the 1392 budget.

Foreign direct investments are improving in the mining sector which not only help creating job opportunities but also in the intermediate term serve as good source of revenue, in 1391 the agreement of Hajigak iron mine has been in progress, the agreement of the oil extraction of the Hamo oil reservoir which is measured as the biggest investment to date has been carried out, and the agreements of four large copper and gold mines in the Badakhshan, Ghazni and Herat province has been completed.

During the past several years the construction of health care centers, the training of 1580 health care personals and health care services have resulted in betterment of the health sector. The first mortality research conducted in the country illustrates that the mortality rate of the children under the age of 1 year

has decreased from 111 to 77 deaths (fatalities) per 1,000 births and the decrease in the mortality rate of children under the age of 5 years has decreased to 161 deaths (fatalities) to 98 per 1,000 births.

In the addition to the allotments for the health care development, basic health care packages for the provinces, three new provincial hospitals and the continuation of the construction of the provincial hospitals and clinics are a part of the 1392 budget.

The agriculture & rural development sector has been an important priority of the government, the direct investments over past several years in this sector has been the reason for the enhancements in the revenue and a source of income for the 80% of the population of the country. In the past several activities such as protection & development of the forestry including; the 2,332 hectares of pistachio forests, 120 hectares of pine nuts forests, the establishment of nursery crops in 34 provinces of the country, the spermatic seeds and the distribution of over one million fruitful saplings, the reconstruction of three botanic laboratories in the provinces, and the botanic disasters & disease prevention over the area of 198,000 hectares of land has been carried out.

In the 1392 plan for the continuation of the expenditures of the mentioned activities and the construction of veterinary (vet) clinics, equipping the export dry fruit laboratories, the rural agriculture development (Rural economic development) in all the provinces are a part of the budget. More over a total of 20 million dollars is assigned for the agriculture development bank.

For the reasonable development purpose 3 million dollars are assigned for the nomads and less developed provinces, thus hoping to improve the state of the less developed provinces.

For the sports promotion in the country the construction of sports gymnasiums and sport facilities are for capital and the provinces are taken into account.

Honorable senators!

The 1392 budget is in your hand, and is based on the facts of Afghanistan and it is worth your strong support. In this budget the national priorities have been projected and is formulated based the national needs. The budget is formulated based on the needs of the people and the long term requirements of the nation. The budget is not the solely related to Ministry of Finance; it is the outcome of the joint efforts of all the government institutes. Formulating the national budget is not an easy task, between different priorities the vital ones should be taken into consideration. The budget might have minor problems, but considering the precision of our colleagues and government authorities I firmly believe it will not prove to be a hurdle in the budget approval.

My colleagues and government authorities can provide in depth insight regarding your concerns about this document. I humbly request you to approve this document at your earliest so that we do not face hurdles in the development and progress.

I am much obliged for your attention.