



Remarks by
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at the Cooperation Agreement on Partnership and Development (CAPD)
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Welcoming Remarks

16 months ago, we met in Brussels to re-affirm our mutual commitment to a prosperous, stable and self-reliant Afghanistan. We also entered a new phase our partnership with the signing of the State Building Contract. In Brussels, we presented our plan – the Afghanistan National Peace and Development Framework (ANPDF) - to make our vision for a new Afghanistan a reality - an Afghanistan with strong institutions, a solid revenue base, a vibrant and growth driven private sector, and a system free of corruption. A new Afghanistan that is a catalyst for peace, stability, and economic growth in the region and beyond.

The ANPDF formed the basis of the State Building Contract. The positive assessment of progress on reforms by the EU and the approval of the first tranche of SBC is a manifestation that Afghanistan has made significant progress in implementing reforms in crucial areas such as public policy, macroeconomic stability, public financial management and budget transparency and oversight. As a result of our consistent efforts on budget reforms Afghanistan's budget was ranked as the second most transparent in the region this year.

Under the ANPDF, we also committed to develop a consolidated budget by 2019. We delivered on our commitment a year earlier by presenting a consolidated and credible budget based on our priorities set under ANPDF and NPPs. The objective of the national budget as a policy tool to deliver services and make development and reform possible is finally being realized.

When we met in Brussels in 2016, we mutually committed to implementing 24 short-term deliverables under the Self-reliance through Mutual Accountability Framework. The Government of Afghanistan has completed 10 out of 16 of its commitments and is

committed to fully achieve all its remaining commitments by end of the current reporting period. Despite our progress, development partners are falling short on their commitments. They only achieved one out of seven commitments made under the section on development partnership. We stand ready to work together with our development partners to identify areas that need joint efforts to fully achieve our joint commitments.

In the spirit of support to the development agenda of Afghanistan, I am pleased to announce that the United Nations will host the next Ministerial Conference that will take place in Geneva on the 27th and 28th of November this year. We expect to work with our partners on new priority areas of development cooperation while keeping momentum on delivering Afghan Government's reform commitments.

We made steady but significant progress on the economic front. Economic growth picked up from 1.3 percent in 2015 to 2.4 percent for 2016-2017 and is forecasted to rise steadily thereafter to 4.4 percent by 2020. The IMF is predicting that inflation will average around 6 percent. Our Afghanization policies are paying off as evidenced by a stable exchange rate.

We made significant progress on mobilization of domestic revenue, which is one of the key indicators for achieving self-reliance. Domestic revenue mobilization increased by around 70 percent in 2017 compared to 2014. Revenue as a proportion of GDP rose from 8.6 percent in 2014 to 11.9 percent last year. We surpassed the IMF target by more than 16 billion Afghanis in 2017. This increase in domestic revenue, which is the result of our reform efforts, allowed us to increase our share of operating budget finance. In 2017, with Afs 161 billion in revenue, we will be able to finance 61% of our Afs 266 billion operating budget from our own resources. This means we are completing milestones in achieving our self-reliance strategy.

We are also making steady but significant progress on reducing the gap in our trade balance. Afghanistan's exports have increased from US\$580 million in 2015 to US\$723 million in 2017. Whereas imports have decreased from US\$ 7.7 billion in 2015 to US\$ 7.0 billion by the end of 2017. This can largely be attributed to the creation of an air corridor with India and access to Gulf and Central Asian markets.

Support to private sector and mobilization of investment particularly in the energy sector continues to be a key priority for energy self-sufficiency. In this regard, we have approved the feasibility study for five Public Private Partnership projects: the

Kajaki Electric Dam, Mazar and Sheberghan Gas fire plant, Kandahar Solar Power Plant, Bayat and Kajaki IPPs. More than 100 PPP applications are in the pipeline.

We also simplified procedures for business visas, reduced the cost, extended the validity period up to 3 years, and are making provision for visas upon arrival for legitimate businessmen and investors. We are in the process of finalizing the details for a discretionary tax holiday of up to three years for new and inward investment.

Important progress has been achieved in consolidating our national development policy framework. Seven out of ten NPPs including Urban, National Infrastructure, and Agriculture have been developed. While other programs are being consolidated, several components are under implementation. The Mining Roadmap has been completed and approved by the High Economic Council in January. The EITI's requirements are streamlined within this roadmap. The Government also approved the National Strategy for Combatting Corruption and a Special Secretariat for the implementation of the strategy has been established.

Our efforts are being recognized. Afghanistan moved up four points in the 2016 Transparency International Corruption Perception Index; nearly double our 2013 score.

We are committed to hold the Parliamentary and District Elections in 2018. Assessment of polling centers and plan for voter registration has been completed. Government has contributed 10% of the total cost for the implementation of voter registration and total budget for assessment of polling centers.

Service delivery and poverty reduction are the corner stone of our development framework. The Citizens' Charter Program is now operational in 124 districts and four cities in 32 provinces. The program has already reached nearly 5000 communities both in rural and urban Afghanistan. The Charter is helping deliver clean drinking water, basic infrastructure, reduce poverty, empowering communities to work together to help the poorest, and strengthening the role of women in decision making.

The Women's Economic Empowerment Plan, which launched under one year ago, has already supported 67,000 women in agriculture activities and another 35,000 in the livestock sector; it is recruiting 3,000 female teachers and training 900 community midwives and nurses who will return to serve their own communities in 2018.

But we must remember that Afghanistan is at the frontline of the global war on terror. We are fighting 20 terrorist groups in the country. The past year has been a challenging year for Afghanistan. We have endured persistent violent assaults by terrorists, exacting a heavy toll on our people.

As we strive for self-reliance in Afghanistan, we need your continued support to achieve sustainable growth, eradicate poverty, support the move toward fiscal sustainability and foster confidence in the economy.

The State Building Contract is an example of how assistance with conditionality can give the government the flexibility and fiscal space to respond effectively to our country's evolving development priorities. It also gives us confidence that as Afghanistan is improving transparency and enhancing accountability, our partners are increasing channeling their resources through our national systems.

With this update, On behalf of the people of Afghanistan, I would like to thank the European Union for your extraordinary support and I am looking forward to this partnership to further strengthen and endure.

Session II

Budget Reform:

In the ANPDF we set a goal for ourselves to have a consolidated national budget by 2019. One year ahead of schedule, the Parliament has passed the consolidated 2018 budget which is being hailed as one of the most transparent and credible budgets in the region.

For the first time, the budget shows a complete and coherent picture of how our national resources are being invested. This will mean that this year, anyone, not just experts, will be able to track our delivery against the budget.

Economic Growth and Revenue Generation:

Economic growth picked up from 1.3 percent in 2015 to 2.4 percent for 2016-2017 and forecast to rise steadily thereafter to 4.4 percent by 2020. The IMF is predicting

that inflation will average around 6 percent. Our Afghanization policies are paying off as evidenced by a stable exchange rate.

Domestic revenue mobilization increased by around 70 percent compared to 2014. Revenue as a proportion of GDP rose from 8.6 percent in 2014 to 11.9 percent last year. We surpassed the IMF target by more than 16 billion Afghanis in 2017.

Afghanistan has successfully completed the second revision of the IMF extended credit facility program. All end-November and end-December indicative targets, performance criteria and structural benchmarks were achieved on time.

As important as a credible budget and a strong revenue base are, we know that they are not sufficient to bring about the real economic growth we need to help lift our people out of poverty. We are also working to get the conditions right for the private sector and improve the investment climate.

Enabling Private Sector:

Afghanistan's exports have increased from US\$580 million in 2015 to US\$723 million in 2017. Whereas, imports have decreased from US\$ 7.7 billion in 2015 to US\$ 7.0 billion by the end of 2017. This can largely be attributed to the creation of an air corridor with India and access to Gulf and Central Asian markets. The reduction in imports also indicates that domestic production has increased in line with GDP, substituting imports from other countries.

In June 2017, Afghanistan was removed from the list of countries perceived to be non-cooperative in the global fight against money laundering and terrorist financing. This means that we can join the world's banking system. This development is allowing us to bring our overseas revenues back to Afghanistan so that they can be used in the service of our people.

We have simplified procedures for business visas, reduced the cost, extended the validity period up to 3 years, and are making provision for visas upon arrival for legitimate businessmen and investors. What's more, we are in the process of finalizing the details for a discretionary tax holiday of up to three years for new and inward investment

Infrastructure:

We are developing our national infrastructure – building roads and power plants – not only to deliver valued services to our citizens but also to make sure our private sector, especially small and medium enterprises, have what they need to prosper and succeed. The East-West Corridor – connecting Central Afghanistan to the west of the country – is moving forward and work is underway to finish two sections of Qaisar Laman which are the missing links in our nationwide Ring Road.

The High Economic Council has approved the feasibility study for four Public Private Partnership projects including the Kajaki Electric Dam, Mazar and Sheberghan Gas – Electric, and Kandahar Solar Electric. More than 100 PPP applications are in the pipeline. For these projects to be realized, the Government of Afghanistan provided sovereign guarantees or partial risk guarantees that were backed by the World Bank. EU has similar instruments for facilitating private sector investment which we would like to see utilized in Afghanistan in support of current PPP pipeline investments.

Across the country we are building power stations to harness the sun and the wind to provide much needed electricity not only to thousands of households but also to hundreds of small and medium manufacturing plants. We are building cold storage facilities so that hard earned harvests don't go to waste before they reach the market.

Regional Cooperation

Regional Cooperation is one of the five pillars of the ANPDF. It will bring us closer, and provide financial, socio-economic, political and security benefits for the entire region. Regional cooperation can provide a platform for our interests to converge, build confidence and provide incentives for peace.

In addition, the infrastructure plan outlines a roadmap for regional connectivity with efficient infrastructure delivery that creates jobs, connects goods to markets in Afghanistan and the region.

Moving Energy: Afghanistan will serve as the utility corridor connecting the energy-rich Central Asian nations to energy-poor South Asia. There are three projects that are currently in the pipeline: i) TAP transmission line that would initially move 2000 MW from Turkmenistan to Pakistan via Western Afghanistan and could eventually carry up to 4000 MW; ii) the TAPI gas pipeline that will transport 33 bcm of natural gas from Turkmenistan to Pakistan and India via Afghanistan; and iii) the CASA 1000 transmission lines that will move over 1000 MW (Megawatts) of electricity from

Kyrgyzstan and Tajikistan to Pakistan via Afghanistan. These three projects are building on earlier work, and are the next stage for utilizing such bulk energy transfers regionally.

Moving goods and merchandise across Afghanistan to the region is a top priority. The National Infrastructure Plan transport sector priorities reflect the importance of the regional trade connectivity, and national priority of completing the ring road. Three of the six Central Asian Regional Economic Cooperation (CAREC) corridors have a major link in Afghanistan synchronous with the national highways. In addition, with the announcement of China's "Belt and Road" Afghanistan will be along the corridor connecting from Tajikistan via Sher Khan Bandar to Bandar Islam Qala connecting with Iran. Similarly, last year the Turkmen railroad reached the Afghanistan border of Aqina paving the way for Lapis Lazuli Corridor where it offers an alternate route for goods from China as well as imports and exports from Afghanistan to get to Europe via Turkmenistan and the Caspian Sea. Afghanistan's proposed railroad beltway will provide new opportunities.

The Khawaf- Herat railway which connects Afghanistan to Iran has been completed and will be inaugurated this spring. Completion of this line is a major step towards regional connectivity towards Chabahar Port.

A consortium has been formed between Afghanistan and Uzbekistan to construct the Afghanistan Northern Railway route from Mazar-i- Sharif to Herat of 657 km to connect CIS countries to the warm water seaports and South Asian countries to the Central Asian Countries and will ensure region's access to the European South Asian, Chinese and Russian markets. The project cost is estimated to be \$2b for which the consortium has reached out to international financial institutions and beneficiary countries for financial support. We are working to bring on board support from other bilateral donors and consider including a PPP component for fast track completion of this project. The implementation of this plan is to be completed by 2020 under the consortium modality.

Creating Jobs:

Our efforts to improve infrastructure, agriculture, and expand private sector activity are creating jobs to help our people lift themselves out of poverty and give our young people hope in the future here at home in Afghanistan.

Our Public Private partnerships such as the Barik Aab economic zone, which will house more than 1,000 industrial units, are already creating thousands of direct jobs and thousand more in in-direct employment opportunities.

The Emergency Economic Recovery Plan for the Capital will create income opportunities for women; build clinics, roads and schools; clean the Kabul River, build low cost housing and public transport – it will create more than 17 million days of work for Afghan men and women over a two-year period.

The Jobs for Peace program has provided over half a million families living in rural areas with livelihoods with more than 2.6 million labor days. In its second phase the program will cover the remaining provinces and introduce labor-based clean-up programs in Afghanistan's five largest cities.

Governance and Service Delivery:

The Citizens' Charter is now working in 124 districts and four cities in 32 provinces. The program has already reached nearly 5000 communities both in rural and urban Afghanistan. The Charter is helping deliver clean drinking water, basic infrastructure, reduce poverty, empowering communities to work together to help the poorest, and strengthening the role of women in decision making.

The Women's Economic Empowerment Plan, which launched under one year ago, has already supported 67,000 women in agriculture activities and another 35,000 in the livestock sector; it is recruiting 3,000 female teachers and training 900 community midwives and nurses who will return to serve their own communities in 2018.

Anti-Corruption:

The Anti-corruption Strategy has been approved by the High Council on Rule of Law and Anti-corruption. The Special Secretariat on Anti-corruption Strategy has been established which closely follows up on the implementation of the Strategy.

Over the last ten months alone, the Attorney General has tried some 1,515 cases of corruption; 302 people have received prison sentences, and repayments and fines totaling more than \$65 million have been ordered. As a result of prosecutions by the Anti-Corruption Justice Center, 238 individuals have been sentenced to jail including army and police generals, deputy ministers and elected officials.

The Afghanistan Extractive Industries Transparency Initiative has published its fifth reconciliation report and has prepared a roadmap for reporting beneficial ownerships.

M-Paisa will streamline the payment of salaries to civil servants and put an end to ghost workers. The Government is working to develop a financial inclusion policy for electronic payments.

Afghan citizens can now review details of government contracts on the National Procurement Authority website. To date, 80% of contracts have been published.

For the first time ever land-grabbing is a crime – 15,831 land usurpers have been identified, 64,000 hectares of illegally seized land have been reclaimed.