



**Islamic Republic of Afghanistan**  
**Ministry of Finance**

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# **AFGHANISTAN NATIONAL PEACE AND DEVELOPMENT FRAMEWORK**

**(ANPDF II) 2021 to 2025**

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**Forging our Transformation**

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## Introduction

### *Forging the foundations for lasting peace*

Over the next five years, the government aims to realize the decades' long hopes of all Afghans for a peaceful and prosperous Afghanistan. Moving into the second half of the decade of transformation, we will continue our agenda to improve food security, eradicate poverty, develop Afghanistan into a self-reliant and productive economy connected to the region and the world, and invest in strong state institutions that are citizen-centered, while also continue to advance our agenda to address the risks imposed by COVID-19.

At the core of our vision lies the principle that the state responds to citizen demands – especially women and the most vulnerable – in a direct, accountable, and transparent manner. While there is a long way to go in fully achieving our self-reliance goals, our progress in the face of daunting challenges over the past five years has been noteworthy. As the economy recovers from the impact of COVID-19, Afghanistan will be able to expand investments in the health, education, humanitarian development and wellbeing of our people, but also solidify and strengthen the institutions and services required to secure and sustain a lasting peace.

A strong tenet of Afghan culture is a strong sense of self-reliance. It has provided the basis of our development agenda over the past five years and will continue to be the unifying goal as we move forward. We deeply appreciate the generous commitments of our international partners during the past 19 years, which has enabled us over the years to reach a point now where our ultimate goal is to assume full responsibility for our own transformation, and shift the nature, and widen the scope of our partnerships.

The road to self-reliance starts and ends in Afghanistan. Reaching the end of the road requires targeted investments in lower forms of capital to create revenue and the fiscal space for broader investments in our people, our knowledge and our culture. We must invest in what we naturally have, to see growth in areas we need to improve. We must look to our roots and draw from our history, culture, assets and capitals. We must build modern institutions on traditional values that provide a unifying and immutable foundation for progress.

Building on the achievements of the first document of Afghanistan National Peace and Development Framework (2017-2021), the ANPDF II is our plan to achieve self-reliance and increase the welfare of our people, enabling today's children to realize their dreams in a democratic, peaceful and prosperous Afghanistan.

ANPDF II is focused on three broad objectives: peace-building, state-building, and market-building. It outlines Afghanistan's vision for progressing self-reliance, economic growth, and peace as we move into the second half of Afghanistan's decade of transformation from 2021-2025. We begin by providing our vision for development over the next five years, with a focus on peace-building, state-building, and market-building. Second, we provide an overview of the current context and achievements from the past five years, which has included the first real possibility of peace in decades. Third, we discuss the economic, fiscal and security outlooks for our approach to peace and development. Fourth, we elaborate on our strategies and implementation plans, including our national priority programs, which are aligned with Afghanistan Sustainable Development Goals (henceforth A-SDGs). Fifth, we lay out the tools of partnership for development. Sixth, we provide an overview of the future fiscal scenarios, and



we conclude with a results framework that outlines our objectives, targets, and monitoring methods to track the progress.

In terms of peace-building, we are moving for the first time in decades toward a real possibility of achieving peace. We must strive for such peace, as this goal towers above the rest and – in fact, allows for the more rapid development of state-building and market-building priorities.

In terms of state-building, we will establish the rule of law and continue to combat corruption, criminality, and violence. Core state functions will be reformed systematically to ensure that the government's approaches can be fully implemented. As the rule of law is the glue that enables the state to function as the organ of collective social power, we will step up the fight against corruption, reform our courts, and make sure that ordinary citizens can exert their constitutional rights with confidence.

In terms of market-building, we will build a productive and broad-based economy that creates jobs. Overcoming the adverse effects of the COVID-19 pandemic, persistent poverty, and the adverse economic effects of continued war requires immediate, short-term responses and a long-term galvanization of all assets, capitals and capabilities. To still pursue our goals of self-reliance for Afghanistan amid a pandemic, insecurity, and uncertainty, the critical task for us will be to map our capitals and capabilities and galvanize them for securing the future of Afghanistan. We will do this by creating and implementing programs for economic development, poverty eradication and job creation through the lens of market-building, based on Afghanistan's eight sources of capital, as well as our comparative and competitive advantages. Import substitution, where the current import bill is seven times that of our exports, will automatically result in favorable changes of trade, as our products will compete both on quality and price with imported basic commodities.

## **1. Guiding Principles**

Our overall guiding principles are to articulate, integrate, lead, own, and take responsibility for the processes of peace-building, state-building, and market-building as instruments of nation-building. Our three guiding pillars are not mutually exclusive objectives, but rather mutually reinforcing imperatives which are directly linked to the globally recognized and accepted development and human rights framework – SDGs (sustainable development goals) and achievement of their objectives. This adherence to the global overarching development framework shows the GoIRA's strong commitment to implementing the Sustainable Development Goals and joining the world as a nation on a firm path to peace, development and prosperity. Our implementation path will focus on SDG's five pillars – people, planet, prosperity, peace, and partnerships – as critical elements to drive the realization of transformative peace, state, and market building agenda. This approach will serve as a rallying point for all partners from the government, civil society, and international community to serve the needs of the people of Afghanistan, leave no one behind, and provide a clear accountability and transparency framework to deliver results and demonstrate value for money.

## **PEACE-BUILDING**

1. The imperative of peace: We are shaping the peace process towards the end-state of a

sovereign, democratic, and united country, at peace within and with the world and dedicated to ensuring social justice, promoting respect for and protection of human rights, and enhancing and expanding the gains of the past two decades for all citizens, including women and minorities. Only such a peace will be a lasting peace.

2. Maintaining and strengthening national security capabilities: To preserve the stability of the country, we must maintain and enhance the capabilities of our national defense and security forces. This is critical to preserving the gains of the last 20 years and the sustainability of Afghanistan's future.
3. Inclusivity of Peace Process: Inclusion does not mean everyone having a seat at the negotiating table. However, it does mean creating opportunities so that all groups in the society are heard and their concerns are addressed. The government of the Islamic Republic of Afghanistan will make sure that the peace process is participatory and inclusive of all segments of Afghan society, particularly women, youth, minorities, differently-abled persons and families of Martyrs, Afghan diaspora, Kuchis, civil society, and the private sector, through convening the consultative Loya Jirgas at the national level and other such mechanisms at provincial, district and village levels.

## **STATE-BUILDING**

1. Fiscal constraints, prioritization, and selectivity: Fiscal resources were limited even prior to COVID-19. Now the fiscal outlook is severely constrained. Priorities need to be vetted for operational realism, sequenced, and implemented within this reality. This strategy articulates both our immediate response to COVID-19 and our longer-term growth and self-reliance vision, built around the utilization of our capitals and mobilization of our capabilities to develop and sustain an innovation ecosystem by establishing favorable conditions for sustainable growth of clusters.
2. Optimize programs and partnerships (A-SDG 17): Review of the governance of national programs and internationally-financed projects in terms of accountability, effectiveness, efficiency, equity, transparency, manageability, inclusivity and legitimacy to arrive at a double-compact between the state and citizens, and between the government and international partners.
3. Establish metrics for conditions-based aid: Reach an agreement on conditionality with developmental partners that are robust, measurable and manageable in the policy area, and outcome-oriented in terms of programs and projects. Over the past years, there has not been close alignment between the government's development expenditure and international donors' spending. The uncoordinated and independent aid expenditure via various sources has led to resource wastages, corruption, and project inefficiency. Therefore, there is an immense need to align the development expenditure to avoid leakages and target national priorities. The more effective way forward would be streamlining the aid expenditure through the core budget of the government to target national priorities and ensure effective resource utilization. The overwhelming evidence from Afghanistan and internationally shows that on-budget expenditures are more efficient and cost-effective than scattered off-budget spending. Also, we believe that supporting the Afghan budget process is a necessary step for

improving capacity and efficiency of the government systems, enhancing government's role as the flag bearer of development, and envisaging a successful donor exit strategy. To gain the confidence of donors and international partners, the government reaffirms its commitments to improve public financial management, enhance human and institutional capacity, combat corruption and advance institutional reforms.

4. Aligning service delivery with citizen needs: Align delivery of core state functions to the citizen-centric injunctions and values of the constitution, especially the equality of rights between men and women (A-SDG 5), relying on a digital strategy to enhance citizen access to information and services, thereby enhancing trust between the citizens and the state, and ensuring that Afghanistan citizens can enjoy prosperous and fulfilling lives.
5. Self-Reliance: Align the policies and programs of state-building, market-building and peace-building within the self-reliance vision, whereby generating wealth and the revenue to pay for poverty eradication.
6. Governance, the rule of law, and anti-corruption: Bolster the robustness of the state, the market, and society to overcome the challenges of the past and direct the national energy towards building a common future, putting anti-corruption front and center. Fighting corruption is more important than ever in the constrained fiscal environment. Building on the legislative and institutional reforms of recent years, the government will focus on implementation and operations, including asset management, audits, and prosecutions to deliver visible results and increase citizen's trust in public institutions – A-SDG 16.

## **MARKET-BUILDING**

1. Responding to COVID-19: COVID-19 relief and recovery is the government's most urgent priority. We will deal with the adverse effects of COVID-19 by refocusing existing programs on relief, with a special focus on the poor and ultra-poor communities and female-headed households – and implement a stimulus program to usher a sustained recovery.
2. Leverage Afghanistan's natural endowments: Galvanize and combine Afghanistan's national capital and capabilities to generate and sustain inclusive growth through a cluster-based strategy of competitive advantage to lift people out of poverty and provide a fiscal base for the performance of state functions at the service of our citizens – especially the poor, women, youth, and kuchi (pastoral and nomadic) population.
3. Poverty reduction and inclusive growth (A-SDGs 1, 8): While economic growth remains a major focus of this development plan, it is imperative that this growth is inclusive and ensures that poverty reduction and safeguards are maintained for the most vulnerable groups, including women, children, internally displaced persons, returnees, disabled persons, and kuchi population.
4. Regional Connectivity: Transform the emerging consensus on regional connectivity as the key to regional and global integration into focused programs of international cooperation through investments in infrastructure, systematic development of supply and value chains, and policies, regulations, systems, and processes that would transform Afghanistan into an Asian roundabout and a hub of trade, transit, and investment.



5. From Aid to Trade: Expand the tools of international partnership from aid to trade, transit, investment, guarantees, and digital networks of knowledge.
6. Towards gender parity (A-SDG 5): End the violence against women and children in all its forms and manifestations and create balanced progress with women's increasing role for socio-economic development and governance.

## **2. Stock-taking: Progress made from 2017-2021**

The security leadership and responsibility transition in 2014 from ISAF forces to Afghan forces had a substantial impact on Afghanistan's security, political, and economic dynamics. Despite security uncertainties and multiple challenges during its first years, the National Unity Government pursued a transformative reform agenda from day one in the office to accelerate our goal of self-reliance and improve the welfare of all Afghans. The 2014 Afghanistan Self-reliance Strategy (Realizing Self Reliance) and the 2017 Afghanistan National Peace and Development Framework (ANPDF) 2017-2021 outlined our development vision and partnership with the international community.

We also learned valuable lessons during the implementation process of our reform agenda. This five-year strategic plan builds on the successes and lessons learned from the ANPDF (2017-2021) implementation. The ANPDF framework was operationalized through 10 national priority programs that were fully developed with implementation plans and costings. We reformed our national budget to become a more effective planning and implementation tool for the government's vision. We have also worked with line ministries to streamline the national program development process and provided detailed guidance on upstream strategically fit, costing, results-orientation, implementation plans, procurement planning as well as sequencing of the investment pipelines both on and off-budget.

Our achievements in implementing reforms in a challenging operating environment have been substantial. We have continued to deliver on our mutual commitments since the 2014 Self-Reliance Mutual Accountability Framework 2014-2018 and the current Geneva Mutual Accountability Framework 2019-2020. These Mutual Accountability frameworks support inclusive economic growth, poverty reduction, job creation, combatting corruption, women's empowerment, strengthening governance, the rule of law, and human rights. In addition, the benchmarks in the frameworks are mutually accountable between the Government of Afghanistan and the International Community, supporting the continuation of international cooperation in the development of Afghanistan.

### *Committing to reforms*

Furthermore, we have proven to our partners the government's readiness and preference for incentivized reforms. For instance, under the World Bank and ARTF-funded Incentive 2018 and 2019 programs, the government achieved all 23 policy actions leading to a 100 percent program disbursement of US\$ 700 million for the period. Similarly, performance on the EU State and Resilience Building Contract has also been strong, leading to disbursement of EUR 100 million out of EUR 100 million for 2019 and EUR 97.5 million for the performance of 2018 benchmarks. Furthermore, the government successfully implemented the IMF Extended Credit Facility (2016-

2019), leading to the full disbursement of US\$ 44.7 million to support government reforms for the program period. With the fundamentals put in place during the past five years, this government is poised to expedite implementation.

### *Public finance*

We have made great strides in improving our fiscal and public financial management (PFM) systems. When the national unity government took office in 2014, the Treasury was facing a cash crisis due, and revenue and budget execution rates were low. A series of budget reforms aimed at the structure and credibility have resulted in a budget preparation and reporting process on par with international standards, improved allocations, and increased budget execution rates of above 90 percent. The budget is now better guided by national priorities and citizen's needs. Domestic revenue mobilization has also improved due to both tax policy and enforcement measures. Afghanistan's national revenues have rebounded to 15.7 percent of GDP (pre-COVID-19 figure). Most importantly, the government now finances more than 50 percent of its national budget through its domestic revenue mobilization efforts.

### *Rule of law*

Over 482 laws and regulations have been drafted, passed, or promoted during the past five years to provide the governance framework for state functions and the operations of the market and civil society. These laws fulfill the intent of the Constitution in the phrases "as regulated by law" or "as determined by law." Substantial reforms within the judicial branch and respect for the independence of the courts and the Attorney General's office have been constantly emphasized by the President and the Cabinet. The new legislation includes the newly-drafted Penal Code that covers the criminalization of corruption offenses, Law on Declaration and Registration of Assets of State Officials and Employees, which is a fresh start for asset disclosure and verification, Law on Access to Information that is considered one of the best globally, Law on Protection of Whistleblowers, Law on Combat Against Administrative Corruption that clarifies roles and responsibilities between key anti-corruption institutions, Law on Prohibition of Torture, Law on Protection of Child Rights, Law on Prohibition of Harassment Against Women and Children, and Regulation on Restitution of Unlawful Assets Emanating from Administrative Corruption Crimes. Other legislation – supreme audit, accounting and auditing, beneficial ownership, case management system, civil service laws, and constitutional law of security sector – are consolidating anti-corruption reform in selected areas. Moreover, the Office of Ombudsmen has been created with the authority to receive and investigate complaints of corruption or abuse of office by high ranking officials, including the President.

### *Women empowerment and gender equality*

Since 2001, consequent to the joint efforts of the government of Afghanistan, the international community, and civil society, there has been substantial progress towards women empowerment – girls' enrollment in primary, secondary and higher education and women's socio-economic inclusion and political participation. Women now constitute 29.6 percent of the civil service, with a significant presence in the cabinet, ambassadorships, deputy ministers, judges, prosecutors,

professors and teachers. In the leadership levels, currently, one woman serves as a member of the High Council of the Supreme Court, 4 women as ministers, one woman as governor, 12 women as deputy ministers, 2 as municipals, and 11 as deputy municipals. In addition, according to a recent presidential decree, one woman to be appointed as deputy governor on women and social issues in each province. In the legislative branch of the government, 28 percent of the sets in parliament and 26 percent of the set in senate house are reserved for women. In the judiciary, the women now play significant roles, with 257 judges and 510 prosecutors, and a woman heading the office of prevention of violence against women in every province. Overall, around 11 percent of the government's high level planning and leadership positions are held by women.

To prevent violence against women, the Government has taken important steps, including the establishment of special court units for prevention of violence against women in 28 provinces, special attorney general unites for prevention of violence against women in 34 provinces, supportive unites for women in 26 provinces, family consulting and human rights unites in 34 provinces, and the Primary Appeal Courts in 34 provinces to follow up on the crimes of violence against women. Furthermore, a gender department has been activated in the judicial sector for gender balance, structural and labor reforms have been carried out at the provincial and district court levels, and the Access to Information Office has been activated to provide an easily accessible facility for applicants.

Notwithstanding the significant improvements, there is still a long way for Afghanistan to reduce gender disparity and ensure the effective participation of women in Afghan polity, economy, and society. Many of the barriers women face have their roots in social norms and codes of behavior that are unfortunately prevalent and unsupportive of women's socio-economic and political participation. The government will continue to engage civil society organizations, particularly organizations representing women, to assess and respond to such challenges at all levels. Afghan women possess enormous potential to contribute to the economy. The government initiatives under NPPs are building the women's capacity and ensuring an enabling environment to allow them to improve their livelihood.

### *Human capital*

Investment in institutional reforms in the domain of human capital has been an area of attention and focus. Changes in Higher Education have been noticeable. Vocational education has been made into an autonomous agency and significantly reformed. A consensus on reform of the educational system has been built, but implementation has been slow. Fortunately, for the first time, a biometric and biographic data of nearly all the teachers and personal of the ministry of education has been created, paving the way for significant restructuring.

Girl's education has made significant progress over the past five years. Girl's enrollment in primary and secondary education increased to 3,179,667 (39 percent). The number of women teachers increased from 34 percent to 37 percent, and women's enrollment in adult literacy classes increased from 54 percent to 65 percent. The Government approved a Policy for Improving Girl's Education that provides required guidelines and mandates policy initiatives to enhance girls' access to education. As a result of the increased attention on the education sector – the establishment of new schools, improved educational quality and enhanced enrollment rates – access to education was provided for 10.2 million children, and a total of over a million

people graduated from educational centers over the past five years.

Despite the significant achievements, the education sector faces significant challenges, including the lack of budget, lack of female and professional teachers, and centralized decision making. Currently, the teacher to student ratio is over 45 student per teacher. The ministry of education lacks around 65000 teachers. 44 percent of schools do not have a building that directly impacts the school's enrollment rate and educational quality, and the centralized decision-making that has constrained local schools and education departments to provide quality and innovative services to students and address their day-to-day problems effectively and timely.

### *Security sector*

Improvements to the ANDSF were critical not only for securing our country against armed opposition groups but also for reducing criminality such as extortion, kidnapping, and illegal seizure, which have become huge disincentives to business investment. We have revamped our senior military leadership and professionalized training for officers. Civilian controls over principal support functions such as procurement, financial management, and audit have been introduced. These controls will ensure that our troops receive proper equipment, nutrition, and management. We have introduced tough measures to end the internal threat to force effectiveness caused by corruption.

The security forces have also undergone a comprehensive reform and reorganization. The Air Force has been increased three-fold and the Commando and Special Forces doubled. An amended basic law offered incentives for the voluntary retirement of generals and colonels based on age and years of service, resulting in the retirement of 10,134 officers in the army and 1,696 in the police. Generational change in the security forces is fully underway and for the first time in history, there are female deputy ministers in Defense and Interior. Over the past five years, there has happened a transformation in terms of age and gender in all branches of the government, including the ANSDF. Women are joining both the army and the police, with their presence in the police being more prominent. Currently, over 3,000 female police officers are serving the ANP, and over 2,000 women in the ANA.

### *Infrastructure*

In 2014, Afghanistan was nine islands of electricity distribution. Today, the national grid covers 25 provinces and will extend to all the provinces by 2021. In 2016, the Afghan-India Friendship Dam was completed in the village of Salma in Herat, and a series of large dams are under construction in the southern, northern and western provinces of the country while dams of various sizes are being constructed in each of the provinces. Investment in roads has been a priority, resulting in the construction of 3,222 km of regional highway, 4,121 km of national highway, 5,712 km of provincial roads and 78,000 km of rural roads. In regards to the development of a modern railway transport infrastructure, the Aqina railway station is constructed in the northern province of Faryab, and 80 km of the railway is built in Herat province, which connects Afghanistan to the Iranian railway network. In the civil aviation sector, the Bamyan and Khost airfields are built, and a number of air corridors are established with many countries for expanding the exports of Afghanistan's agricultural and non-agricultural commodities. Also, the government, in partnership with the private sector, established a gas

power plants in Mazar-e-sharif with a capacity to produce about 100 MW of electricity. The project is implemented through public-private partnerships, of which the ministry of finance has the sole guarantor role.

Budget execution for infrastructure development has substantially improved. Thanks to the formation of a national implementation company that works closely with small and medium construction companies. The model, inspired by Singapore's Housing Corporation, meets the criteria of accountability, effectiveness, efficiency, transparency, directness, and legitimacy. The company's restoration of the historic palace of Dar-ul-Aman, estimated to take 3 to 4 years and cost around US\$ 40 million, was completed in 18 months and under US\$ 10 million and was greeted as a symbol of national resolve when the centennial anniversary of Afghanistan's independence was celebrated there in 2019.

### *Land reform*

Property rights are being affirmed and extended to informal urban settlements. Thus far, 28,175 title deeds have been issued. Public assets are being inventoried, and the widespread land grabbing is being systematically reversed. The land bank currently covers 1.16 million hectares and is expected to cover 100,000 more by the end of the year. Also, 401,761 hectares of public land have been regained. Inventories and databases of our pastures, forests, rivers and mountains are being prepared to ensure the rights of future generations.

### *Climate change*

Besides development in other sectors, environmental conservation has also been one of our national priorities. The GoIRA has developed and implemented several environmental policies, such as Policy on Monitoring of Water Quality, Policy on Environmental and Social Impact Assessment (ESIA), Policy on Prohibition of Import and Export of Hydro Chlorofluorocarbons (HCFC) and introduction of their alternatives, and regulations such as Regulation on Monitoring and Safeguarding Water Quality, Regulation on Reduction and Prevention of Sound Pollution, Regulation on Management of Biomedical Wastes, Regulations on ESIA, and twenty different environmental guidelines. A five-year plan to reduce air pollution in major cities has been developed, finalized, and applied in relevant areas. Several presidential decrees regarding environmental matters, such as tree plantation, the prohibition of all kinds of wildlife hunting, and the prohibition of burning air-polluting substances, have been issued and implemented. Besides, a document elaborating on the Sustainable Development Goals (SDGs) relevant to the environmental sector has been finalized, comprising five goals and ten indicators. So far, from 2017 to 2020, eight indicators have been finalized based on existing data and their baseline and targets identified.

For conservation of natural ecosystem, several areas such as Nuristan National Park (Nuristan province), Shah Foladi Protected Area (Bamyan province), North Bamyan Plateau (Bamyan province), Dashte-Nawar Waterfall Sanctuary (Ghazni province), Darqad Wildlife Reserve (Takhar province), Imam Sahib Wildlife Reserve (Kunduz province) with a total area of 20742 km<sup>2</sup> have been proclaimed as protected areas comprising 3.2 percent of Afghanistan total area. Furthermore, the conservation status of different wildlife species has been assessed, which prompted the addition of 149 species – including plants, mammals, birds, insects, reptiles,

amphibians – to the protected species list. Afghanistan’s initiatives for environmental protection at the international level include developing the first Nationally Determined Contribution that pledges a reduction of 13.6 percent in GHG emissions upon the availability of an estimated US\$ 17.4 billion.

### *Socioeconomic development*

Rural citizens have received sustained attention. The National Solidarity Program, launched in 2002, was replaced by the Citizen Charter during the past five years, which now covers both rural and urban communities. Our 50 percent target of women’s participation has been met, with 49% of the councils in villages and 46 percent of councils among the Kuchi (pastoral and nomadic) communities composed of women.

### *Economic development*

We have sustained a dialogue with the private sector on market-building, the outcome of which has been exceeding US\$ 1 billion of exports in 2019, as well as a major investment in our industrial base, resulting in a reduction of the trade imbalance from 21 times exports in 2014 to 7 times in 2019. Our markets are now more integrated and diversified. This was evident during the COVID-19 economic shock, where food prices increased by 10 to 30 percent, but nowhere near the three times price rise that was seen during previous food price shocks.

In 2018, Afghanistan was ranked as the World Bank’s top-ranked reformer after a rigorous reform process across the board. First, the representation of the private sector on the High Economic Council provided an arena for discussion of issues and development of a problem-solving approach to resolve outstanding issues in a timely fashion. Second, the Ministry of Industry and Commerce (MoIC) was restructured, emerging as a strong partner of the private sector. Third, there was a systematic attempt to expand an enabling legal environment through the passage of laws and regulations. Fourth, as part of our overall export-led growth strategy, MoIC articulated clear industry, transit and trade policies and created the capabilities within the ministry to implement the policies. Fifth, the challenges of supply chains in a landlocked country have received serious attention, and detailed analysis of value chains has been carried out. Not only land corridors to and through neighboring countries have received attention, but air corridors have been launched, enabling our high value commodities to be exported reliably and the need for investment in processing facilities both for agriculture and mining identified as a top priority. Sixth, representation has been broadened through recognition of many chambers, including the Afghan Women’s Chamber of Commerce and Industry.

### *Private Sector development*

To foster a business environment that enables the private sector to flourish and fulfill its role as the main engine of economic growth, the government approved the Private Sector Development National Priority Program (PSD-NPP) (2018-2023) in 2018. The overarching objectives of the Private Sector Development program have been building efficient and competitive markets, encouraging the private sector and international investment through restoring confidence in Afghanistan’s public administration, enabling SMEs, particularly export-focused Afghan-owned



firms, and supporting trade. To materialize these objectives, the government implemented substantial reforms, established Air Corridors, enhanced Afghanistan's railway connectivity, facilitated trade integration through alternative transit routes, such as Lapiz Lazuli, Chabahar, the North-South Corridor, and simplified export procedures. We have also established a one-stop-shop for registering businesses (within an hour) and developed five industrial parks' infrastructure at the national level.

The private sector executive committee (PriSEC) was made responsible for reviewing the implementation plan of the PSD program on a 50 by 5 basis (i.e., achieving 50 reforms/activities in each 5-months period). Between March 2019 and July 2020, around 150 out of 250 activities/reforms have been achieved, including the approval of the National Financial Inclusion Strategy, development of the Tax e-filing Procedures and Practices, Expansion of Business License Insurance Centers to 22 provinces, and Tracking System for Electricity Connection and Complaints.

### *Citizen-centered policy making*

The direction of policy making and implementation has been toward citizen needs, consultation and participation. President Ghani led delegations of government officials on 89 provincial visits to engage with citizens from all walks of life around the country, as well as meeting with an average of 5,000 citizens per month at Arg. Empowerment of women, youth and the poor — the three numerical majorities of our country — has been a top priority. With the foundation in place, the government and the people are committed to accelerating the momentum of building citizen-centered public institutions and organizations. A major effort at digitization of governance is underway to connect the citizens more directly with the state and to eliminate uneven access to information on citizenship rights.

### *A shift in the public dialogue*

The greatest change in the past five years has been a re-framing of public debate and discourse to focus on topics within the framework of the Constitution. The preservation of the Republic, the responsibilities of the citizen, fundamental rights, equal rights of women and men, balanced spatial development, corruption-free governance, elections, and the rule of law — these are topics now actively debated in the public sphere and in media. This change in the national discourse both made possible and defined the boundaries of the possible zones of agreement between the Islamic Republic of Afghanistan and the Taliban movement and has guided our actions and discussions thus far in the peace process.

### *The possibility of peace*

Since President Ghani made an unconditional offer of peace to the Taliban in 2018, the possibility of peace emerged, as well as an international, regional and national consensus on a political solution to Afghanistan's decades-long conflict. For the first time in decades, an enduring peace might be within our reach and grasp. The process so far has encompassed the following elements. First, stakeholders from all walks of life were consulted to ensure the articulation of a national vision and understanding of peace as a process where every citizen is a stakeholder. Second, we invested in and reformed the security sector to improve our battlefield performance and solidify

the ANDSF as a state institution, which convinced the Taliban that they could not win the war. Third, we took the initiative and the risk by making an unconditional peace offer to the Taliban during the Kabul process in February 2018, followed by the June 2018 offer of an 'Eid ceasefire, which was reciprocated by the Taliban. Fourth, we welcomed large gatherings of stakeholders, ranging from the Ulama to the first national gathering of women from across all provinces, culminating in the elected Consultative Peace Loya Jirga of 2019. Fifth, we displayed a firm commitment to holding parliamentary and presidential elections of 2019 as directed by the Constitution, while building common ground with international and regional partners on the urgency of peace-making and peace-building. There is now a window of opportunity for ending the conflict politically.

### **3. Outlook: Moving forward from 2021-2025**

Transforming our country from a history of war and poverty to one of self-reliance and peace is a long journey that was set into motion with the first ANPDF five years ago. This follow-up Framework presents a renewed narrative for our long-term development, based on the progress made and lessons learned over the past five years, and provides high-level guidance to government and other stakeholders. It defines our immediate and long-term development priorities, highlights key reforms needed moving forward, and outlines priority investments needed to achieve our development goals. It sets the economic, political and security context for our approach to development, which is built around galvanizing our capitals and capabilities to turn our comparative advantage to competitive advantage. This context leads to a fiscal strategy that will guide budgetary allocations to support the policy goals laid out and ensure the sustainable management of the public investment. Finally, the ANPDF II provides a framework for our international partners to have confidence that more flexible support to the budget will continue to be matched by increased accountability and improved performance and asks them to expand the tools of partnership from aid to trade, transit and investment.

#### **3.1 Peace and Security Outlook**

Peace is the foremost demand of all Afghans. Nineteen years of conflict have imposed a huge toll on Afghan lives and livelihoods. With the February 29, 2020 joint declaration between the US and NATO, and the Islamic Republic of Afghanistan, and the signing of the US-Taliban agreement, the peace process moved from desirability to feasibility and credibility. The four parts of the US-Taliban agreement include: (1) guarantees to prevent the use of Afghan soil by any international terrorist groups or individuals against the security of the United States and its allies; (2) a timeline for the withdrawal of all US and NATO forces from Afghanistan; (3) a political settlement resulting from an intra-Afghan dialogue and negotiations between the Taliban and an inclusive negotiating team of the Islamic Republic of Afghanistan; and (4) a permanent and comprehensive ceasefire. These components are related by the premise of agreement on everything and condition-based on the fulfillment of promises by the Taliban.

As a demonstration of its commitment and political will, the Government of the Islamic Republic of Afghanistan has made bold, consistent, and courageous decisions. To ensure a reduction in violence, ANDSFs were placed on an active defense posture. An inclusive negotiation team was readied. As a sign of national unity, Dr. Abdullah Abdullah accepted the chairmanship of the

Peace Council. The announcement of the Eid ceasefire by the Taliban was not only reciprocated by the ANDSF, but President Ghani also ordered the release of 1,000 prisoners within two days. At the time of writing, over 6100 Taliban prisoners, including the 5000 prisoners from their list, have been released and verified. Emphasizing the threat of Covid-19, the Government has repeatedly proposed a humanitarian ceasefire to provide essential services to all Afghan citizens.

The assurances of the informal extension of the cease fire provided by third party representatives and the reduction of violence, however, has not proven accurate. Afghan and international observers agree that the level of violence in the first 10 months of 2020 has been higher or equal to the level in the first 10 months of 2019. Equally problematic, the United Nations monitoring group has reported to the UN Security Council that the Taliban have maintained their ties with Al Qaeda and other members of the transnational terrorist networks. They have also expanded their ties with transnational criminal organizations, especially on heroin and amphetamine.

The emerging national, regional and international consensus on ending the violence through a political agreement has created a rare window of opportunity for peace-making and peace-building. The window is narrow, however, as scaling up of violence, particularly the Taliban campaigns of assassination, extortion and intimidation, could soon break the consensus. The security outlook is, therefore, different from the previous years, where ongoing conflict was assumed. We hope that the Intra-Afghan talks, which began on 12 September 2020, result in a comprehensive ceasefire, thereby yielding a peace dividend for the people of Afghanistan and the world. International and regional consensus on the end-state of a sovereign, democratic, and united Afghanistan, at peace within and with the region and the world and able to preserve and expand on the gains of last 19 years provides hope for a peace agreement whereby the Taliban join the government and pursue their objectives through political means. Should this scenario take place, the collective energy of all Afghans will be directed towards the creation of a common future for all Afghans.

### **3.2 Poverty and Socioeconomic Outlook**

Despite economic growth over the past decade (3.9 percent in 2019), Afghanistan continues to experience staggering levels of poverty and food (and nutrition) insecurity. The 2017 Afghan Living Condition Survey found that 54.5 percent of the population are living below the poverty line (up from 34 percent in 2007) and 44.5 percent of the population is food insecure. We assume that these figures have increased significantly over the last few years due to heightened insecurity, increased unemployment, and the socioeconomic consequences of COVID-19 – food price hike, border closures, unemployment, and job loss.

The major reasons for the deteriorating poverty and food security include the economic and security transition in 2014, vulnerability to adverse climate conditions, high levels of insecurity, decreasing foreign aid, and low level of skills and literacy. Food insecurity remains closely linked with extreme poverty in Afghanistan, reflecting a range of risk factors, including water scarcity, declining livestock production, lack of employment opportunities, low household income, insufficient wheat and cereals production, climate change and enduring conflict. Creating jobs and eradicating hunger and poverty (enshrined in the A-SDGs 8, 2 and 1, respectively) have been at the center of the government's socio-economic agenda over the last years. The government recommits to reducing poverty, improving access to safe and nutritious food and increasing

employment opportunities, which are fundamental for building human capital, sustaining economic growth and making progress towards 'A-SDG 1 and 2 on 'No Poverty,' and Zero Hunger and improved nutrition.'

Covid-19 has exacerbated food insecurity, structural poverty and plunged a large number of people into situational poverty. Groups facing structural risk include the returnees, especially from Iran, internally displaced, the disabled, female-headed households and widows, malnourished children, women and the elderly, Kuchis, and the chronically unemployed and underemployed. Seasonal and spatial vulnerabilities are also areas of structural risk to individuals and communities suffering from food shortages. There are other groups disproportionately affected by COVID-19. Those include farmers, agricultural workers and those employed in agricultural supply and value chains; service-sector employees, guilds of artisans – providing employment to nearly 2 million people – day laborers, shopkeepers, construction workers, informal sector workers; teachers and students, particularly university students who simultaneously work, private sector schools, university staff and professors, high school and university graduates, especially those expecting graduation in 2020; female-headed firms and women employed in agriculture and horticultural processing; lower ranks of the civil service; networks of Ulama organized mosques and Islamic schools (madrassas); the security sector, especially police; and households with high ratios of consumers to wage earners.

The scale and scope of poverty, vulnerability and food insecurity require a continuation of bold actions. Responding to the urgent needs of the people and the demands of citizens for relief, the Government took the unprecedented step of a baked bread distribution program in the capital city of Kabul, where situational poverty resulting from the lockdown was particularly high, and 33 provincial centers, during the month of Ramadan and the Eid holiday. Existing national programs are being reconfigured to provide more direct forms of assistance to the poor, with particular attention to the ultra-poor. Close coordination between the government, the private sector, communities, the Ulama and civil society has been essential to the functioning of the supply chains of essential goods. The capacity of the private sector and civil society to ensure delivery of essential goods, particularly wheat flour, which is the staple of our diet, has been impressive. We will, therefore, continue to pay close attention to their inclusion in the restructuring of national programs and strategies of recovery and sustainable growth.

### **3.3 Economic and Fiscal Outlook**

The unprecedented negative impact of COVID-19 on the economy has reemphasized the need to reconfigure future growth policies to be more equitable and inclusive. Economic growth has stagnated over the past five years compared to an average of almost two-digit growth rates between 2002 to 2012. From 2015 to 2019, the economy went from a growth rate of 1.7 percent in 2015 to 3.9 percent in 2019. Lower growth rates during the last few years are partially due to the sharp decline in international military spending after the 2014 US and NATO security transition, and partly due to an uncertain environment, a migration crisis, mild drought, and intensification of the conflict over the recent years. These factors have also hampered government efforts to ensure growth has been inclusive for all Afghans. While the outlook in the short run is extremely challenging, we intend to build on our successes and set the foundations for a more inclusive economy.

Afghanistan's fiscal picture has been improving over the past few years. While we have narrowed the gap between where we are and where we want to be over the past five years, serious constraints remain. The COVID-19 shock on the economy, like the rest of the world, had substantial negative impacts Afghanistan's efforts to achieve accelerated self-reliance. In the short-run, COVID-19 relief and recovery is the government's most urgent priority. We are restructuring existing programs, closing non-performing projects, and using all available resources, both on and off-budget, to help meet the immediate needs of the Afghan people.

Moreover, Afghanistan's impressive progress in raising revenues to finance a greater portion of its costs over the past five years have been negatively impacted by reduced economic activity resulting from the pandemic. Given these challenges, in short to medium-term, Afghanistan will be unable to meet budget and financing needs solely from domestic revenue sources. In the medium-term, after Afghanistan will emerge successfully from the COVID-19 challenge, its domestic revenues will continue to grow, but aid will still be required. However, peace could potentially uplift the trajectory of the economic recovery and put Afghanistan on a higher growth path.

Afghanistan's expenditure pressures come from three sources. First, the base expenditures of security, basic service delivery and infrastructure will persist over the medium-term as we provide services to an increasing population and increased spatial coverage with peace. Second, substantial expenditure on public investment will be required to improve the prospects of growth. Third, while there will be a peace dividend in the medium-to-long-term in the form of reduced security expenditures and decreased cost of development without a security premium, Afghanistan will need additional financial resources to sustain peace once a political settlement is reached. However, for Afghanistan to achieve self-reliance, it will require accelerated growth levels of 6 to 7 percent.

## **4. Development Priorities for 2021-2025**

### **4.1 Development Planning and Policy Implementation**

#### **4.1.1 Methodology**

The method for planning and implementing development policies will continue as laid out in the first ANPDF. We have streamlined coordination by reducing unnecessary committees and fragmented forums over the past five years. The National Cabinet and High Councils will continue to be pivotal in setting strategic direction, approving policies, procedures, and multi-year plans. We will further strengthen the national budget formulation process as the primary tool for planning and implementing our development and security expenditures. The national budget process allocates resources to National Priority Programs (NPPs) and reviews their performance every six months. Ministries execute activities. Each minister is responsible for implementing policies, programs, and projects related to his/her ministry. When necessary, a minister will coordinate with other ministries and organizations to implement programs. Each minister periodically reviews progress on implementation and report to the relevant council and the Cabinet.

### 4.1.2 National Priority Programs

The objective of National Priority Programs (NPPs) is to ensure that the state performs its core functions for its citizens and the market and achievement of A-SDGs goals and targets. The NPPs are outcome focused thematic programs in accordance with A-SDGs that guide levels of government and function-based organizations towards collective problem solving on critical policy issues and development goals. NPP budgets are developed based on consideration of fiscal space with realistic forward cost estimates, in line with the ongoing budget reform process. National programs are not merely a grouping of projects but systematic tools of delivering citizenship rights through uniform and equitable provision of public services to the people.

NPPs are designed to mobilize and harness assets, have sound governance and management systems and enhance social and institutional capital. Investment proposals under an NPP umbrella, therefore, must:

- Provide a defined set of services for the citizens by directly or indirectly contributing to poverty reduction, job creation and sustainable growth.
- Boost productivity and improve the wellbeing of the people.
- Be national in scope, with careful attention to ensuring geospatial balance, the participation of women, youth, and the poor, and responsiveness to climate impact.
- Have a strong rationale and implement a coordinated and tailored approach to problem-solving through learning by doing by stakeholders.
- Be integrated into the ongoing public investment management and budget reforms and the alignment of functions and levels of government.
- Streamline and align off-budget funding.
- Be aligned and coordinated with other NPPs to maximize effect and provide a platform for inter-ministerial cooperation and coordination.
- Enhance the legitimacy of the constitutional order by linking citizens and states directly.
- Engage civil society organizations to ensure NPPs are delivered on the ground at the community level.

We are reprioritizing the existing national priority programs that have been developed and operationalized over the recent years to respond to emerging priorities in line with fiscal realities. Significant revisions will include the following:

**Table 4.1.2: Status of National Priority Programs 2020**

	Priority Program	Time Frame	Lead Council	Status / Actions required in 2020
Peace-Building				
1	Peace Program	2021-2025	Peace Council	New. Preparation for Peace
2	Security Sector	2014-2024	National Security Council	Active implementation. Continue reforms.



3	Justice for All	2021-2025	High Council for Justice	Costed implementation plans. Last year of the current strategy. Refresh and re-enforce implementation
4	Reintegration	2021-2025	Human Capital Council	New COVID-19 & long-term Response. Design and implement program
State-Building				
1	Effective Governance	2019-2024	Leadership Council	Programs being implemented. Re-enforce implementation
2	Human Capital Development (service delivery)	2019-2023	Human Capital Council	Reprioritize. Combine education and health delivery programs
3	Citizens' Charter (social protection)	2017-2027	Human Capital Council	Phase one closing. Phase two expansion. Expand to coverage
4	Implementation Support	2021-2025	Leadership Council	Design and implement program Reprioritize with cluster development.
5.	Infrastructure	2021-2025	Economic Council	Review implementation as part of construction development.
6.	National Healthcare	2020-2024	Human Capital Council	Reprogramming of Sehatmandi and other public health projects to deal with healthcare issues during and after COVID-19.
Market-Building				
1	Trade and Transit	2020-2025	High Economic Council	New. Support for trade and transit initiatives. Design and implement.
2	Primary Sector Development	2018-2025	High Economic Council	Refresh overall strategy and continue to develop the program. Includes both agriculture & mineral sector reforms

3	Industrial Development	2021-2025	High Economic Council	New. Support for industrial reforms. Design and implement program
4	Urban Development	2016-2025	High Urban Council	Costed investment pipeline. Reprioritize
5	Women's Economic Empowerment	2017-2027	High Economic Council	Costed implementation plan being developed. Re-focus implementation

#### 4.1.3 The National Budget

The national budget is the main implementation and planning tool for the government. As part of the budget reforms, we have moved away from an input-based budget to an outcome focused one. During the budget formulation, we extensively reviewed the existing portfolio to remove non-performing and low priority projects, align spending with NPP priorities, and create savings in the budget. We also screened new policies and projects for strategic fit to NPPs, economic rationale, and fiscal sustainability. Where the NPPs have fully developed implementation plans, the existing portfolio of ministries was reviewed to align with NPP objectives. We introduced and implemented new costing guidelines to get a better sense of the costs of government policies and separated the project preparation cycle from the budget cycle. This will strengthen the design and realism of plans before they can be implemented. With the introduction of rolling forward estimates, we have put in place a forward-looking budget where decisions are taken for the medium-term, not only for the budget year. Forward estimates represent a comprehensive estimate of the current cost of existing government policy within existing budget constraints. New policies, within the framework of NPPs, can only be funded either through savings in the existing portfolio or via available fiscal space given to government priorities with clear links to results to improve the welfare of Afghans. We will continue implementing these reforms and fully align on and off budget spending to the NPPs.

#### 4.1.4 Operationalizing our Development Plans with Transparency and Accountability

We have developed both short-term and long-term plans. In the short-term, we must focus on our COVID-19 response program to ensure that our citizens remain safe, that food is provided during the crisis, and that we lay the groundwork for longer-term growth. Second, we have reorganized our National Priority Programs to be more focused and have placed them within a more coherent framework of Peace Building, State Building, and Market Building. When all three activities are aligned and implemented well, they form the foundation of our Nation Building strategy.

To ensure that our program is implemented well, we will use the framework of legitimacy, policy, and action to ensure that our strategy achieves public impact. This framework, developed by the Center for Public Impact, provides a coherent strategy for policy implementation and will guide our strategic choices during policy implementation.

## **4.2 Overview of Development Priorities**

The goal for the country remains to have a self-reliant government that provides all essential services to its citizens. In the previous national framework – ANPDF (2017-2021) – we declared that “success lies in striking the right balance between advancing reforms and reducing development assistance.” This statement is still relevant today, though priorities have shifted in light of the COVID-19 pandemic. There will also be a focus on peace-building, state-building and market-building threaded throughout our development priorities moving into the next five years. A successful transition to self-reliance will undoubtedly be complex. Afghanistan and its donors must work together to manage both the speed and risks of the transition to self-reliance.

Prevailing circumstances mean fiscal resources are constrained and progress will be slowed. COVID-19 has imposed additional economic and health hardships on Afghans. Spending pressures to alleviate the effect of COVID-19 requires us to consider trade-offs of different alternatives carefully and be selective to ensure that scarce resources are allocated efficiently. As we manage the continued uncertainty and risk around security as well as the impact of the COVID-19, we are making bold revisions to our plans. We plan to free up fiscal resources and expedite critical projects while canceling those that are lower performing. We are also realigning our priorities to be able to address the needs and the expectation of Afghans.

In the near-term, the government plans to restructure existing resources into short-term programs for the COVID-19 response. To ensure government responsiveness and leadership, we are consulting continuously with societal groups and private sector associations and organizations. Moving forward, we are reprioritizing resource allocation and exploring new or revised mechanisms of implementation. We have invited our development partners to assist in mitigating the impacts of the pandemic and we are working with them to review the current portfolio and redirect programs and funds towards addressing this new challenge.

Over the medium term, the government will pursue a leaner, fast-tracked growth strategy. For the 2018 Geneva Conference, with the World Bank’s technical support, we developed a prioritized list of high impact projects from the existing national priority programs that highlighted Afghanistan’s substantial potential for growth – should sustainable peace materialize. The growth strategy was based on agriculture, banking and credit, clusters of growth, digitization, dynamic cities, extractives, infrastructure – particularly the water sector – regional connectivity, and human capital development to expedite Afghanistan’s journey to self-reliance. We will re-prioritize the investment pipeline of the growth strategy considering alignment with COVID-19 response, recovery objectives and fiscal realities.

## **4.3 Dealing with a pandemic**

The Government quickly recognized the seriousness of the COVID-19 pandemic and mapped the likely trajectory of the pandemic into five phases (acknowledgment, diffusion, adversity, relief, and recovery) and organized a whole-of-government response, delegating unprecedented authority to the Ministry of Health and the provincial governors. The President and Vice-presidents met regularly with the Cabinet and governors virtually participated in Cabinet meetings. Resorting to early lockdowns of major cities and Kabul paid off in the slow diffusion of COVID-19 from February to the end of May, when the phase of adversity began. Compared to

other countries, death levels have been low, but due to the underreporting of those dying at home, statistics are not authoritative. A survey based on the methodology of Johns Hopkins University, conducted by the Ministry of Public health, found that over 10 million Afghans (31 percent of the entire population) have contracted COVID-19. Another survey is underway to provide an accurate estimation of the mortality rate of coronavirus in Afghanistan.

The short to medium term priority for the government will be to continue to respond to the shocks faced by our most vulnerable citizens because of COVID-19. The government is establishing the National Meal Program to provide all Afghan households with income support for roughly two months. Because 90 percent of the population lives on two dollars a day or less, the program will be near universal in scope. Those in urban areas will receive direct cash payments and for citizens in rural areas, food distribution may be considered due to supply chain distributions. The package may include relief to private businesses, such as deferring payments and taxes.

The government will take measures to re-integrate internally displaced people and returnees from Iran, Pakistan, and elsewhere due to COVID-19. In the longer term, the government will support the Afghan people in becoming more shock-proof by building resilience among poorer households in rural areas. We also will ramp up investments in water management, seeds, and other livestock practices to raise agricultural productivity. The government also plans to harness lessons from the success of the Citizen's Charter program for directing rapid COVID-19 relief to those most in need.

Our national objectives of the provision of healthcare and human security during the prevalence of COVID-19 and the goals of relief and recovery through a package of incentives for the market and the private sector will be realized through reform and revitalization of existing NPPs. We will also revise the National Infrastructure plan to accelerate access to reliable electric power and internet, and meet the urgent needs of the private sector for investment and expansion and a program to enhance access through technology by distance learning.

A summary of COVID-19 response programs are as follows:

- A revised National Health program, composed of three components focusing on Covid-19, expanding the scope and scale of the Sihat program, and a hospital reform and expansion effort.
- A National Human Security Program, involving the expansion of the Citizen Charter program and restructuring of higher UN-run Humanitarian fund, to assist groups facing structural risk.
- A National Recovery Program to assist groups threatened by situational risk, engaging provincial, municipal, and district authorities, civic organizations and private sector associations.
- A National Stimulus Program, directed to balance social and spatial development.
- A National Human Capital Program to enhance access through technology to distance learning through reprogramming of existing projects into a program.
- A revised National Infrastructure Program to accelerate access to reliable electric power and the internet and meet the urgent needs of the private sector for investment and expansion.
- Bread distribution program to meet the needs of those facing food shortages during the lockdown.
- An Enhanced Regional Connectivity to accelerate existing projects and expand those railways

and transmission lines essential to relief and recovery.

#### **4.4 Economic growth and job creation**

Despite the recent progress, economic growth remains fragile, poverty is widespread, job opportunities have not kept pace with the growth of the labor force and the standards of living are still very low. Currently, 54.5 percent of the population lives below the national poverty line and the intensity of poverty measured by the poverty gap ratio has increased significantly. The national unemployment rate stands at 24 percent high and 42 percent of the youth (aged 15-24 years) are not in education, employment, or training (NEET). While the population growth rate is over 3 percent, based on the recent data, the current economic growth rate and the growth rate projections for the forthcoming years are way below the level required to create jobs for the growing labor force in the country. More than 400,000 people out of a birth cohort of 800,000 are entering the labor market every year, and a huge number of Afghan refugees are returning home yearly, posing further challenges to an already congested labor market.

The primary reasons for increased poverty and unemployment are the return of refugees, slower economic growth, fall in private investment, rising inequality and reduced foreign military and non-military expenditure after the 2014 economic and security transitions. The deteriorated macroeconomic environment affected the top income bracket slightly but pushed a significant portion of the middle-income population below the poverty line. Wealth inequality and income inequality have been rising over recent years – a phenomenon that thwart the inclusivity of economic growth. Consumption inequality measured in the Gini index has increased from 0.29 in 2007 to 0.32 in 2017. The quartile distribution indicates that while the top 10 percent of the population earns 33.61 percent of all income and the mid 40 percent, 44.87 percent of the income, the bottom 50 percent of the populace gets only 21.73 percent of all income.

To address the core economic challenges (e.g., absolute poverty, unemployment, inequality and exclusivity of economic development) and make significant progress towards A-SDGs, the government under ANPDF II considers export-led growth as the thrust of its growth strategy and adopts primary sector development (agriculture and mining), trade, transit, and small-scale labor-intensive industrial development as its top national priority programs. The successful implementation of these programs will foster economic growth, which is by far the most effective way for reducing poverty and unemployment.

Agriculture has traditionally driven the Afghan economy. It currently accounts for approximately 26 percent of GDP, employs 43 percent of the total work force, and more than half of Afghans living in rural communities contribute to and derive their livelihood from agriculture. In light of the great potential that the sector has for reducing poverty, creating sustained jobs, and improving livelihoods, the government considers accelerating the development of agriculture, irrigation and related infrastructures as its top national priority program. In the context of Afghanistan, investing in agriculture has a greater impact on reducing poverty and improving food security as the sector offers the most direct route for the citizens in rural communities to benefit from their main assets – land and labor. So far, significant investments in both agriculture and industry have taken place. Procurement has been the main instrument of support for domestic producers. The introduction of chicken into the menu of the Afghan National Army and the provision of local preference, for instance, led to an investment of approximately US\$1 billion

in the poultry sector. Another decision to provide scrap metal to steel mills led to investments that now supply nearly 60 percent of the domestic needs. The efforts to increase agricultural yield and productivity should be complemented with social safety nets – promoting coherence between agriculture and social protection, boosting social policies, improving the resilience of farmers against natural hazards, and enhancing the capacity of producer organizations – to ensure household’s sustainable income and food security.

The industrial and manufacturing sectors are still weak in Afghanistan. In the short-term, the establishment of labor-intensive small-scale industrial units and in the medium term, diversification away from agriculture to the manufacturing sector is essential for enabling higher economic growth, creating employment, and reducing poverty. Meanwhile, the lack of regulation of the labor market: the absence of a statutory minimum wage and huge wage/salary gaps remain the major regulatory concerns that the government is yet to tackle. A minimum wage law for the private sector and a comprehensive guideline for reducing the salary gap in public sector employment is the immediate need for better regulation of the labor market and addressing absolute poverty through controlled wages for unskilled and semi-skilled laborers.

In the trade and transit sector, the ministry of industry and commerce has signed more than 70 bilateral and trilateral agreements with neighboring countries and the world in recent years. These agreements have played an important role in expanding our trade and transit relations. Better access to overseas markets is crucial for the flow of Afghanistan’s exportable goods such as dried and fresh fruits, precious and semi-precious stones and other items. In 2014 our imports were 21 times our exports. That imbalance is now reduced to seven times.

Export-led growth will remain the main thrust of our strategy of growth. However, given widespread protectionism, dumping and smuggling and lack of adherence to World Trade Organization rules that Afghanistan joined in the hope of having a level playing field in trade and transit, import substitution will be a complementary thrust. Given the lessons of failed strategies of import substitution, the tools of market-building will be carefully reviewed and tested.

We have been traders for several millennia, yet growing purchasing power has not been translated into greater production and demand for home-grown goods and services. Instead, the transfer of the profits of trade to other countries has been the norm. Reducing poverty requires the provision of jobs, making our future dependent on our competitiveness. Hence, there is a need for a strategy of growth tailored to our context to galvanize our capitals and capabilities for inclusive and sustained growth through the development of clusters. Consistent with the Geneva Growth Strategy 2019-2024, our economic growth priorities continue to be:

- Accelerating the development of agriculture, irrigation, and livestock, which will generate higher incomes in rural areas (including those which have borne the brunt of conflict), substitute for imports, reduce poverty, and create jobs.
- Industrial, agribusiness and agro-processing development.
- Promoting export development and import substitution in targeted sectors and economic activities where Afghanistan has a potential comparative advantage.
- Accelerating targeted energy, mineral, and regional integration investments that can yield near-term benefits in terms of exports and revenues.
- Putting in place a program of managed international labor migration, including negotiating



bilateral and multilateral agreements with neighboring, regional and trans-regional countries to sending and employing Afghan laborers abroad, which will help lower unemployment and increase household revenue through remittances.

- Comprehensive planning and financing of job creation programs (the Eshiteghal Zaiee – Karmondena (EZ-Kar), PLACED, and technical and vocational programs to equip people with the high-demand skills and abilities): Such project would specifically target un-skilled, semi-skilled workers and the long-term settlement and economic reintegration of the returnees in their host communities. The projects would be designed in such a way to fit within the international context of integrating short term humanitarian approaches with longer term development perspectives and A-SDG 8.
- The Ministry of Rural Rehabilitation and Development has been implementing the “work for peace program” over the last years that has helped communities to secure short term livelihood opportunities. We will scale up the program to increase rural employment, reduce poverty and lower the gap between the state and the citizens, as we move into the second half of Afghanistan’s decade of transformation from 2021-2025.

The government will continue to invest in education, health care, food and nutrition security and the safety net in a way that increases gender equity and covers all vulnerable populations, including IDPs, Kuchis, people with disability and the heirs of martyrs and the poorest segments of the society. As the labor force expands and young people make up an increasing proportion of the population, it is crucial for the government to deliver on its goal of inclusive growth and prosperity. We will continue to expand access to reproductive and other health services, encourage more women to work in the education, health care, and other sectors where they are underrepresented, promote girls’ enrollment in education, and create systems to reduce gender-based violence. It will build on its improvements in maternal and child health, nutrition, health service delivery, primary care, and the pension system. Sustaining the gains already made in these areas will build the foundation for Afghans to move out of poverty after COVID-19, creating opportunities for upward mobility and long-term, sustainable growth. Afghanistan’s model for inclusive growth is reflected in the design of the NPPs. Each prioritized sector will produce an investment pipeline aligned to this goal and in line with available resources. We also invest on promoting the role and participation of women in our market building process. Currently, out of 538 businesswomen in the country, 47 percent are engaged in the international market, 40 percent in the domestic market and 13 percent in government.

Meanwhile, Afghanistan is facing the challenge of rapid population growth. The growth of population and limited economic prospects have put pressure on the labor market and exhaustible natural resources, which in turn has spurred illegal emigration of Afghans to the neighboring countries of Pakistan, Iran and beyond. Therefore, population management will be crucial for changing the economic and social conditions in the country. We will develop a national population strategy and devise necessary measures to address the challenge of rapid population growth. We will engage civil society, Uluma, and organizations involved in protecting and promoting the rights of women and children to create public awareness about the consequences of having too many children. The people need to be informed on how they will be unable to provide sufficient nutrition, education, and health facilities to their children if they are too many and how that will impact the economic well-being of the household. In Afghanistan, like many other developing countries, gender discrimination is also an important reason for population

growth. We will continue to invest in empowering women to have a decision making power in the household in matters concerning them like child birth. The line ministries are already advised to include the parameter of population growth in their relevant policies and priority programs in line with the National Population Policy in order to effectively address the challenges of food insecurity, poverty and unemployment.

#### **4.4.1 Economic Stabilization and Stimulus Package (2020-2022)**

This program aims to increase economic activity and employment by focusing on labor intensive projects that have quick returns but also long-term growth potential. The plan targets the same core sectors outlined in the Geneva Growth Strategy – Agriculture and agri-business, connectivity, and electrification. For the Agricultural Sector, the program targets the construction of zero-energy cold-storage, drying facilities, and value-added processing plants to both build potential export markets and extend the life of crops to aid food security. Projects aiding the management of Watershed and Waterways include the construction of 1,500 small scale check dams to increase agricultural productivity, mitigate flood and drought risk in upper catchments, and prevent sediment transport and soil erosion. This includes the construction of new irrigation canals from established water sources to expand the amount of arable land in the country. Connectivity initiatives involve both Cobble Stone programs to build skills in rural youth and improve access in remote communities, construction of critical rural roads and national highway maintenance programs. Finally, the stimulus plan aims to lay the foundations for future growth by expanding the electricity grid to increase coverage from 40 percent to 60 percent of the population. This should both increase industrial productivity and reduce energy costs for approximately 1 million Afghans.

#### **4.5 Climate change impact mitigation and adaption**

Climate change is a serious and present threat to Afghanistan's natural resources and the life of the people, animals, and biodiversity in general. Since 1950, Afghanistan's mean annual temperature has increased significantly (by 1.8°C). The analyses of the changes in precipitation levels show that the spring precipitation has decreased by up to a third while winter precipitation has slightly increased. The decrease in spring (March-May) precipitation is particularly relevant for agriculture and crop yield as our spring crops are mostly rain-fed.

Afghanistan is an agrarian country. Although the contribution of agriculture to GDP is only around 26 percent, this sector remains an important source of employment and livelihood for poor and vulnerable people – an absolute majority of the population – around 80 percent – relies directly or indirectly on agriculture and available natural resources for their livelihoods. However, the global climate change and the highly fragile ecosystem of Afghanistan – frequent natural hazards, depleting underground water resources and reducing agricultural productivity – pose extraordinary challenges to sustainable livelihoods of the rural communities who have no or minimum adaptation resources and capabilities.

Climate change impacts women and men differently. In rural communities, Afghan women are often responsible for baking, producing food, sourcing fuel for cooking and heating, and collecting water. With the increasing impacts of climate change, these tasks are becoming more

difficult. Also, extreme environmental events such as droughts and floods have a more significant impact on society's most vulnerable segments, i.e., the women. While the government of Afghanistan takes adequate measures to make societies anti-fragile, it also understands that women can be active agents of change and lead the way towards a more effective solution to climate change adaptation and mitigation. Improved access to financial resources, training, land right and decision-making power at the household would enable them to play a full role in tackling climate change and other environmental challenges.

Moreover, the enduring conflict, combined with population pressure and socio-economic challenges, has inflicted a huge burden on Afghanistan's irrigation and water resources. The potential climate-induced risks entangled with conflict and insecurity is the critical challenge that threatens the foundations of Afghanistan's stability, economy and food security – if not addressed adequately, could pose significant challenges to the sectoral gains of the last 19 years.

Despite the serious climate challenges, Afghanistan remains one of the world's lowest emission countries and have the potential to develop economically while remaining low emission if, under the Paris Climate Change Agreement, required finance, capacity building, technology and legal assistance are made available to assist Afghanistan to implement Highly Effective Adaptation and Development Strategies (HEADS) and Low Emission Development Strategies (LEDS).

The Government of the Islamic Republic of Afghanistan ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 2002 and submitted its Initial National Communication (INC) and Second National Communication (SNC) in 2012 and 2018, respectively. Afghanistan is finalizing its National Adaptation Plan (NAP) as well as the National Climate Change Strategy Action Plan (ACCSAP). Through these plans and the Nationally Determined Contribution (NDC) processes, our overall vision is to enhance the adaptive capacity and resilience of Afghanistan's agriculture, environment, and population to climate change, while developing and implementing Low Emission Development Strategies (LEDS).

Management of climate change in Afghanistan entails both mitigation actions to reduce greenhouse gas emission as well as adaptation actions to reduce the impacts of climate change on lives and livelihoods. Based on historical trends and future projections of temperature and precipitation levels, the sectors with the highest adaptation needs are water, agriculture, forests and rangelands, energy, ecosystem, biodiversity and health. In cooperation with the civil society organizations, the government takes the initiatives to promote climate-resilient livelihood strategies and agricultural practices, public awareness of the impacts of climate change, effective and timely responses to the vulnerabilities of critical sectors, adaptive and integrated land and water management as its top environmental and climate change priorities.

The sectors like mining, housing, industry and infrastructure have been negatively affecting the environment by causing environmental pollution, natural resource and biodiversity degradation, and waste generation. To enhance sustainable development in these sectors, the Government pledges to reduce the impacts of all sectors on the environment by developing and implementing required action plans.

Specifically, to address the environmental and climate change challenges, the GoIRA highlights the following policy priorities:

- The establishment of national environmental and climate change funds that can combine

public and private finance flows that would allow engagement across sectors to unlock high impact and paradigm-shifting environmental investment. This would comprise a range of financing tools, including loans, equity, guarantees and grants.

- Capacity development in the public and private sectors that would support the implementation of initiatives under the NEP priority areas. This would entail capacity development across fields of expertise, including financial management, legal frameworks, administration, technical, and environmental skills.
- The scaling up of research and development that would provide up-to-date, evidence-based solutions for Afghanistan's environmental challenges.
- The women can play a significant role in adopting, using, and promoting climate-friendly practices, including clean and renewable fuel sources, energy preservation, cutting out plastic backs, and recycling. The government will provide training and facilitate wider access to renewable sources of energy.
- Afghan women can make a vital contribution to the recycling industry as consumers, disposers, recyclers, and entrepreneurs. The government commits to offer capacity building training for professional development and supportive tools.

#### **4.6 Capacity Building Program for Conservation and Maintenance (2019-2023)**

A significant portion of Afghanistan's national resources in the last two decades has been spent on constructing and developing national infrastructure, including roads and highways, airfields, railways, electricity transmission and generation infrastructure, telecommunication facilities, etc. The economic growth of the country directly depends on the maintenance and further development of such infrastructure. Therefore, in order to ensure the continuous operation of the available infrastructures and prevent the loss of national resources, the government will design and implement a comprehensive program for improving the institutional capacity of various sectors in maintaining and preserving the country's infrastructures effectively.

#### **4.7 Peace-Building**

Our strategy is to ensure every Afghan has a stake in the peace discussions. We have made significant progress by first identifying the end state of peace for Afghanistan, and developed a strategy to reach the end state, identified the stakeholders that must be involved, and some key performance indicators to track progress. Achieving a sustainable peace will also require building consensus internationally — first, with our neighboring countries; second, within the region; and third, we must reach consensus with the international powers who have interests in the country. The negotiation process will require us to engage with the Taliban in different locations over a period of months and perhaps years. The High Council for Peace, the State Ministry for Peace, and other stakeholders will need to be involved throughout the process. Peace is our foremost priority and requires programs to coordinate talks, a strong security sector to push the other side to the peace table, and the provision of justice.

A peace agreement will have significant development and financial implications for resource mobilization and prioritization. At least six critical tasks will have to be dealt with to make peace sustainable. These include (1) integration of Taliban fighters and their families; (2) reintegration

of refugees from Iran and Pakistan; (3) resettlement of the internally displaced and conflict-related disabled; (4) a national dialogue from the village to the national level to focus on healing and owning a common vision of the future, reinforcing the commitment to resolve conflicts through legal and political means; (5) balanced development, with particular focus on districts that have suffered heavily from conflict; and (6) formalizing the informal economy, with special attention to resolving land disputes, creating firm property rights and providing meaningful legal alternatives to the illicit economy, particularly the production, processing and trafficking of narcotics.

The scale and scope of each of these critical tasks is massive, as hundreds of thousands to millions of people will require engagement, attention and a sense of the future. Awareness of the magnitude of the task confronting us and our international and regional partners is the first step of the process. The Afghan government has been carefully preparing to understand the issues and prepare possible solutions for dealing with them. When a Framework Agreement on peace is in place, we will be able to devote ourselves to dealing with these critical tasks through the development of an NPP and close cooperation with our neighbors.

#### **4.7.1 Peace Support Program (2020-2025)**

Peace requires a coherent framework for engagement. This will initially include laying the groundwork for building trust among the parties. It will also create capabilities to engage with the Taliban on a sustained basis. The Peace NPP is a two component NPP: a pre-peace agreement component and a post-peace agreement component. The pre-peace agreement peace NPP aims to promote the prospects for a negotiated settlement to Afghan war by fostering the Afghan peace process, continuing efforts to reintegrate lower-level fighters, enticing insurgents away from the battlefield, improving institutional and human capabilities to support the peace process and engage with the Taliban on a sustained basis, strengthening ANDSFs, and providing jobs, security and service to people. We will pursue these objectives while upholding the values of the Afghanistan constitution and democratic processes, preserving human rights, the right of women and minorities, and achievements of the last 19 years.

Peace is not just a matter of signing agreements to end the fighting. It is equally important that the negotiation that takes place will influence the quality and sustainability of the outcome. In principle, sustaining peace in Afghanistan requires – above all – the inclusivity of the peace process, effective post-peace re-integration measures, maintaining and strengthening ANDSFs, and promoting sustainable economic and political development. The government convened a National Consultative Peace Loya Jirga on 7-9 August 2020 to solicit national opinions on peace and assure that the voices of all sectors of the society are heard and their rights are respected. 3200 delegates, including 700 women from 34 provinces and 23 classes of society, including the civil society, traditional and religious groups, women, Mujahedeen leaders, victims of war, kuchis, and Afghan diaspora attended the Jirga. The Jirga's resolution gave a strong mandate to the government of Afghanistan to release 400 Taliban prisoners in order to remove obstacles to the start of the inter-Afghan peace talks. The government of Afghanistan will continue to approach the consultative Loya Jirga, elected representatives of the people, and the civil society organizations in order to link the grassroots with the national processes as we go ahead with the intra-Afghan peace negotiations. The second component of the peace NPP will be developed and

implemented once a framework agreement on peace is in place.

#### **4.7.2 Security Sector NPP (2020-2024)**

The sustainability and strength of the ANDSF are key to the maintenance of the Islamic Republic of Afghanistan and the strength of our state. Building peace requires us to maintain strong security forces to ensure the Taliban can be brought to the negotiating table. This requires sustained investment in our armed forces and, in particular, our special forces, air force, and intelligence capabilities. We will also invest in better training, logistics capabilities, and medical capabilities for our forces. We have been steadily increasing our financial contribution to ensure the ANDSF's strength, growth, and solidification is a part of our self-reliance strategy. We are committed to significantly improving efficiencies through preventing corruption, misuse of funds and strict spending monitoring mechanisms in the security sector. A comprehensive organizational and expenditure review of the Ministries of Defense and Interior is underway to ensure the affordability and sustainability of our forces. Senior officials, including Corp Commanders, have been prosecuted and sentenced to prison on corruption or abuse of power charges. Biometric and biographic information is nearly completed and linked to the payment system. Continued support from LOTFA for the police and C-STCA and other funds for the army will be essential to the success of these reforms.

#### **4.7.3 Justice for All: Rule of Law and Justice Sector Reform (2021-2025)**

Building the people's trust that their government can provide a better future for them and their families is central to our national development plan. Our people must have confidence in a state that is well-governed through laws and institutions, provides a voice for the people to hold their government accountable, delivers quality services and equitable arbitrates conflicts, delivering justice. The most immediate and visible "faces" of the state to citizens are service delivery and resolution of grievances and disputes, namely access to justice. The chain of justice entails discovery by the police, investigations and determination of crime by the Attorney General's office, submission of the case to the primary court, judgment and appeals to the Appeals Court and Supreme Court, judgment, directives to the police or Ministry of Justice for enforcement, case management by the Prison Authority (a newly constituted organization), the Attorney General's office and the court system. The Civil Code and the Criminal Code have detailed procedures for decision-making, but in practice, compliance has been the exception. During the last five years, the Criminal Code has been completely revised; the Supreme Court has implemented significant reforms both in compliance with procedures of the law and organizational capacity and capability. There have also been significant reforms in the Attorney General's office, especially regarding attention to the prevention of violence against women. However, the police and the Ministry of Justice still need accelerated reforms, as so does the prison system.

While the justice sector in Afghanistan has progressed significantly since the past years, access to justice and the legal awareness of citizens are still lagging behind. Promoting a viable, fair and transparent justice sector now and after a peace deal is a central feature of our peace building operation. To protect rights, punish perpetrators of human rights violations and facilitate wider

access to fair and viable justice, the government adopts the following measures.

- Ensuring the independence of the judiciary and extending the reach of the formal institutions of justice throughout the country by enhancing the quantity and quality of justice administrations. Particularly, we need to address barriers to justice – geographical, gender-specific and logistical, and ensure transparency and procedural fairness in judicial processes.
- Enhancing public knowledge of the justice system through legal awareness campaigns including legal aid centers, provision of information about the justice system through media, the civil society at the grassroots level, and trained employed people/volunteers to serve as advocates and providers of legal advice and primary and secondary-level educational curricula. These are crucial for reducing misunderstandings about the formal administrations of justice and enhancing people’s confidence in justice institutions.
- Afghanistan has a strong informal institutional base – rules, procedures and actors based on customary laws that derive their legitimacy from religion and/or tradition. These institutions having the typical benefits of being close to people and affordable, are widely approached mainly in the countryside where the reach of the formal justice administration is limited. Yet some of these customary justice models might have serious defects relating to forms of punishment, gender equality, and children’s rights that are disallowed under the national and international laws. Therefore, we need to analyze in consultation with the religious scholars, civil society, lawyers, and experts the compatibility of informal justice models with the national and international standards on human rights and, to the extent possible, integrate them within the formal justice sector. In areas that the religious and traditional mechanisms of justice provision are in contradiction with the human rights conventions, the attempt would be made to limit their application and/or develop religiously and culturally alternatives to such mechanisms. This, on the one hand, increases access to justice across the country, and on the other hand, reduces the contradictions and overlap between the formal and informal justice mechanisms.
- After the consolidation of a peace deal, the government of Afghanistan will also work toward establishing required mechanisms such as ‘truth and reconciliation commissions,’ ‘special tribunals,’ ‘reparations programs’ etc., to address alleged past war crimes, serious human rights violation and crimes against humanity. The peace negotiators of the government of the Islamic Republic of Afghanistan would advocate for the inclusion of the provisions for transitional justice in a peace deal with the Taliban and the government will stand by it after the peace is established.
- Better law enforcement requires developing efficient policing, promoting transparency, oversight, personal training, and encouraging the use of technology. The government is committed to the continuation of the initiated reforms in the ministry of interior affairs and other line organizations. In cooperation with TAAC–North, we work toward more professionalism in the police, ensure entrusting sufficient constitutional authority to judges, including the interim power to seize assets, etc., for effective law enforcement.
- Civilian protection has been a priority for the government of Afghanistan and ANDSF. In September 2017, the government approved a National Civilian Casualty Mitigation and Prevention Policy consists of specific guidelines for ANDSFs to prevent and mitigate civilian casualties and harm to public and private properties. The policy also prohibits any use of civilian facilities such as houses, schools, hospitals, and clinics for military purposes. The

government has been firm in its determination to make the behavior of Afghan forces in line with the international and humanitarian laws. Intensive training, specifically focusing on mitigating the damages to civilians, has been provided to the troops before their deployment to the battlefield, and the Afghan Civilian Mitigation Team is established which is responsible for tracking, analyzing, and mitigating civilian harms and investigating civilian casualties timely and transparently.

We renew our commitment to continue to strengthen the justice and judicial sector. Our current program, which has been impacted by limited grant financing over the past five years, will provide effective judicial services, ensures access to justice for citizens and the rule of law, guarantees competency, protects, and secures the fundamental rights and liberties of citizens and enhances people's trust in government. The Reform Plan is also intricately linked with the Anti-Corruption Strategy. The Justice for All NPP was ratified by Cabinet in December 2016, and we will renew a plan for the next five years covering 2021-2025.

#### **4.7.4 Reintegration Program (2021-2025)**

Peace requires that we reintegrate our citizens within society. This includes former Taliban fighters, but more broadly, the successful reintegration of our IDPs and returning citizens from neighboring countries of Pakistan and Iran. We will develop a reintegration plan for former fighters that does more than provide a cash stipend and food during the first phase. We must stay engaged with such former fighters to ensure they have an incentive to remain with civil society. Second, we must engage with our neighboring states to create a framework for the successful reintegration of our citizens.

Since 2016, over 3 million Afghans have returned to Afghanistan and around four million have been estimated to be internally displaced. All Afghan refugees and IDPs have the inalienable right to reintegrate into their society with full dignity. Welcoming large numbers of returnees, notably in the context of a nascent peace process and extremely challenging economic conditions, requires particular efforts to mobilize local and national resources and international humanitarian assistance in order to create an enabling environment for their reintegration into the Afghan society and economy. A recently signed Presidential decree 305 and the corresponding guidelines lay the foundations for the effective reintegration of returnees and IDPs. The decree provides the eligible IDPs and returnees the right to apply for land allocation, housing, and other supports from the state.

Conditioned on successful and dignified reintegration, the millions of young Afghan returnees from abroad with a mix of skills and abilities would offer a huge economic and social potential for strengthening local communities and fostering economic growth in Afghanistan. In Pakistan alone, 70 percent of the Afghan refugee population are children and youth (below 24 years) – a fact that points to the significant human capital that this young generation of Afghan returnees can offer for the future development and reconstruction of Afghanistan.

Besides, promoting orderly and safe migration is one of the government's priority policy areas enshrined in the (A-SDG 10.7). We promote sustainable economic growth, job creation, and poverty reduction in combination with support for skills enhancement and managed international labor migration as essential interventions for reducing large-scale irregular



migration. Moreover, as Afghanistan's migration is a regional phenomenon, it requires a regional approach involving the regional actors – Iran, Pakistan, Turkey, and international humanitarian organizations such as UNHCR and IOM. We need to negotiate the necessary legal and administrative arrangements in a regional setup together with additional economic incentives for reducing illegal migration and also finding effective solutions to the manifold challenges that the Afghan refugees are facing in Pakistan and Iran, including but not limited to humanitarian and security challenges.

## **4.8 State-Building**

Our success in market-building is directly linked to our success in state-building, as it requires the creation of an enabling environment by state firms to allow growth and overcome constraints created by atavistic state practices, absence of rules of the game, and corruption. Through state-building NPPs, our objects are to combat corruption, strengthen sub-national governance, improve infrastructures, build human capital and improve public financial management systems.

### **4.8.1 Combat Corruption**

Combatting corruption remains a cross-cutting priority. Afghanistan has made significant legal reforms to combat corruption over the last three years. New laws – a newly drafted Penal Code, Law on Access to information, Law on Protection of Whistleblowers, Law on Combat against Administrative Corruption, Law on Declaration and Registration of Assets of State Officials and Employees – cover the criminalization of corruption offenses, mandate asset disclosure and verification, and clarify roles and responsibilities between key anti-corruption institutions. Afghanistan has also established several new institutions to prevent corruption. The High Council on Rule of Law and Anti-Corruption is the main policy making forum. The Special Anti-Corruption Secretariat oversees the implementation of the National Anti-Corruption Secretariat and ensures coordination of efforts. The Asset Declaration Office and the Ombudsperson Office address corruption complaints regarding high level officials, and the Monitoring and Evaluation Committee (MEC) provides independent assessments of policies and programs. Key areas of progress include better management of assets and improved audit functions to create budget learning cycles, institutional reforms in the attorney general office and the Supreme Court, civil service appointments, and security sector human resource management.

Although a lot has been done to combat the endemic of corruption over the past years; nevertheless, it persists within the government institutions that undermines the government's ability to discharge its constitutional mandates, puts the public and donor money in danger of waste, undermines the confidence of the donors and private investors, and creates dissatisfaction among the people. The government of the Islamic Republic of Afghanistan considers corruption as an existential threat to Afghanistan peace and development and commits to:

- Reduce and remove the opportunities and incentives for corruption within government institutions.
- Create functional and accountable government institutions and ensure transparent and competitive processes in civil service recruitments, procurements, and budget execution.

- Ensure better management of assets and improved audit functions to create budget learning cycles.
- Encourage and mandate the use of advanced technologies to collect, analyze, and share data to detect and deter corrupt behavior.
- Restore and improve public confidence in justice institutions and civil service by advancing institutional reforms in the attorney general office and the Supreme Court, civil service appointments, and the security sector.
- Improve and ensure effective Public Financial Management through an anti-corruption lens.
- End Corruption in the security sector by developing strong anti-corruption security institutions.
- Continue reforms in the judicial sector and improve the judiciary's ability to investigate, prosecute, and punish the corrupt.
- Create stronger anti-corruption operational coordination by engaging civil society and independent monitoring institutions.
- Decentralize anti-corruption initiatives from Kabul to provincial centers by increasing oversight and coordination at the sub-national level.

To enhance momentum on our anti-corruption efforts until the Geneva Conference, the High Council on Rule of Law and Anti-Corruption will meet regularly to oversee the completion of the following critical tasks: completion of promised benchmarks; enforcement of decisions of the Attorney General's office by the police; finalization of an interim anti-corruption strategy; finalization of the anti-corruption plans of each of the NPPs; process mapping and of the judicial chain and organizational review of decision-rights and coordination by all the organs of the state on the rule of law, corruption and reform of the rules and practices.

#### **4.8.2 Strengthen Subnational Governance**

Our objective is to build a state that is responsive to the citizens' needs, not to add more layers of bureaucracy, but to make local administration more efficient and accountable. Subnational governance is the bedrock of state and peace-building as it is the embodiment of the relationship between citizens and state. There is a need to evaluate the strengths and weaknesses of current subnational structures, review, and revisit sub-national legal frameworks. A strong state presence with inclusive planning, budgeting, and spending, and the provision of services, including administrative, infrastructure, security, and legal protection, are essential. Changes needed will require both legal and structural reforms.

Strengthening of district administrations and aligning them with the village, municipality and province, which has been evidenced in the successful implementation of the National Solidarity Program followed by the Citizen's Charter, is among the top priorities of the government. Municipal governance has received significant attention during the last five years. A network of reformist mayors is in place who will play a critical role in the implementation of the Urban Development NPP. By making all NPPs truly national in coverage and by delegating authority and resources to each respective level of governance, we should be able to witness tremendous creativity and positive completion for performance-based funds.

The Cabinet approved the citizen-centered local governance roadmap in 2018 that provides a

fundamental mechanism for strengthening the local governance. The government commits to establishing 8 economic zones corresponding to the seven military and police corps plus the economic zone of the capital. The economic zones will be handled by Regional Development Authorities in cooperation and coordination with relevant municipalities. The purpose of such division is to improve regional economic development, transferring of implementation authority to local bodies, focus on potential opportunities across economic zones, and to manage over-concentration of the population in urban centers. Through this, the governors will have an important role in planning and implementing developmental projects. The regional development authorities (RDAs) will be established as State-Owned Corporation (SOC), each responsible for the designing, planning, implementation, and monitoring of development projects in their respective regions. Also, we will establish and improve Community Development Councils (CDCs) and clusters that will support local administrations to revamp timely service delivery in rural areas, and we will conduct the district and municipality councils' elections to improve local governance and enhance people's role in government and decision-making. In an unprecedented initiative towards decentralization, the government endorsed the digital inclusion of governors in cabinet sessions where each cabinet meeting gives a slot to a governor to speak on behalf of others.

#### **4.8.3 Improve Public Financial Management**

Budget and PFM systems are being improved to address the challenges faced by the country and ensure the efficient use of the financial resources at its disposal. The government will aim to create fiscal space and allocate it to top priorities. A comprehensive reform strategy will examine public finances through an anti-corruption lens with the aim of improving tax collection through shifts from informal to formal collections, targeting tax arrears and clearing backlogs, broadening the tax base through improved enforcement, and streamlining management of customs facilities and ports to ease trade and improve efficiency in revenue generation. The government will also seek to improve efficiency and savings in current expenditures by improving the public investment management process for project selection in the budget, conducting a portfolio review of the existing projects and programs in the budget, targeting anti-corruption measures to reduce misuse of public funds, and reviewing government institutions to improve operational and structural efficiency and address overlaps. Based on the evaluation standards of the IMF and the World Bank, the focus of the reforms will be on significant improvement in these rankings.

#### **4.8.4 A Reinforced Effective Governance Program (2019-2024)**

The significance of better governance and the rule of law for service delivery, transparency, accountability and economic growth is being increasingly recognized by the Afghanistan government, and extensive emphasis has been put forth towards efficient institutional building and strengthening of the rule of law. Successful delivery of all the government's plans is predicated on strong institutional and governance foundations. We will continue to be responsive to the demands of citizens and strengthen the accountability and transparency of the institutions, and implement further actions to address governance and the rule of law, in particular, towards curbing corruption and encouraging private investment by reducing the perceptions of high risk and low returns on capital. The Effective Governance Program, formally

launched in 2018, has six key pillars and is operationalized through various sub-programs: (1) Clarifying and redefining the core functions of the government; (2) professionalization of the civil service; (3) strengthening the Public Financial Management Systems; (4) improving subnational governance; (5) fighting corruption; and (6) improving the use and collection of data.

The pillars of the Effective Governance Program consist of time-bound, budgeted, and reform-oriented activities. Several of these are already underway. We have already created greater alignment between the center and provinces by including Governors at all Cabinet meetings. Over time, we will also seek to include district governors and mayors within this framework. Given the priority of transparency, we will expand reforms to areas that have not been covered sufficiently. Improvements in the management of the human resources both within the civil and security sectors, asset management, and audit functions will also be added to our priorities. To prosecute the corrupt, the Afghan government is committed to increasing the efficiency of the law enforcement institutions (Major Crimes Task Force, Asset Recovery Directorate and Attorney General Deputy for Anti-Corruption), including setting standards, adopting tools to speed up the process and enhance coordination, capacity appraisal, and building, regular public reporting, transparency in court decisions, etc. Further reforms of customs, budget, and treasury are a vital area of anti-corruption reform. We will continue to engage the private sector and civil society, including the media, to take part in fighting bribery and to bring transparency during the licensing period. Finally, we will progressively merge many of the existing preventive anti-corruption bodies into the independent Anti-Corruption Commission to be fully compliant with UNCAC. Completion of the biometric and biographical data of the civil service — already 90 percent completed — in the coming months will provide a reliable information base for comprehensive reform and significant savings in the recurrent budget.

#### **4.8.5 A Refreshed Human Capital Development Program (2019-2023)**

Educated, skilled, and healthy citizens are going to be the drivers of Afghanistan's transformation from conflict to peace and development. Given the immediate health and educational impact of COVID-19 on the Afghan population, we will revise our programs to not only mitigate the impact of COVID-19 but also continue to set strong foundations of human capital for the generations to come. To respond to COVID-19, we will revise education programs to also enhance access through technology to distance learning. We are also revising the national health program to increase health sector preparedness and capacity. Access to safe and nutritious food is crucial for building human capital. We reaffirm our commitment to improving food security and progressing towards A-SDG 2 on zero hunger. The overall human capital program will be reprioritized to strengthen further the quality and access to education, health, and social protection programs that build and sustain productive human capital in Afghanistan, with the aim of driving economic growth and alleviating poverty.

The Human Capital NPP was approved by the Human Capital Council in November 2018. The Human Capital-NPP consists of four components: (1) Universal and Quality Health Care and Nutrition Services Coverage; (2) Outcome-Based and Standardized Education Programs; (3) Market-driven higher education and training programs; and, (4) Efficient and Effective Social Protection Programs. The ministries of Public Health, Education, Higher education, Technical Vocational Training Authority, and Labor, social Affairs are directly involved in planning and

implementing the HC-NPP. The pillars of the HC-NPP are being operationalized through the National Health strategy, National education strategic Plan – which is now being updated to cover the entire period up to 2030, the Higher education development Project, and the National technical and vocational education and training (TVET) strategy 2020 -2024. The TVET strategy is developed for improving equitable access to technical and vocational education, strengthening quality assurance and relevancy of TVET and reforming the TVET management system. So far, 73 vocational institutes are established, 15 primary schools are upgraded to vocational institutes, competency assessment of 1031 of the TVET-A teachers and capacity assessment of the 4 Lead Institutes (NIMA, Nangarhar Agriculture and Veterinary Institute, Herat Technical Institute and Kabul Auto Mechanic Institute) are performed. Currently, 42 public and 350 private Non-formal TVET institutes are operating across 34 provinces and a total of 68,202 students are enrolled in a formal TVET institute in 160 districts across 34 provinces.

#### **4.8.6 An Expanded Citizen’s Charter Program (2017-2027)**

We will further expand the Citizen’s Charter program to support people who are vulnerable to structural risks and whose livelihoods are affected by the COVID-19 pandemic. The Citizen’s Charter contributes to poverty reduction and food security and deepens the relationship between citizens and the state by improving the delivery of core infrastructure and social services to all communities in Afghanistan. It is already active in all 34 provinces and will be expanded over the next ten years through Community Development Councils (CDCs). Under this program, all people of Afghanistan are entitled to a basic package of services, which includes universal access to clean drinking water, quality education in government schools, delivery of the Basic Package of Health Services, and small-scale rural and urban infrastructure. It has been of critical importance for us to ensure the effective participation of women in CDCs and the use of female’s skills and labor in the delivery of services to communities through the charters’ programs. Fortunately, so far, women's participation in the program has been satisfactory. Currently, women make up more than 49 percent of the 250,000 elected CDC members and 50 percent of office bearers. Further, 78 percent of eligible female voters have been participating in CDC elections, which is higher than the male participation rate.

#### **4.8.7 Implementation Support Program (2021-2025)**

An effective government must be able to implement its programs. With this new program, Afghanistan will increase capacity in many support areas, including auditing, finance, and procurement. We will create targeted training programs for certifications in critical areas (ensuring gender parity in terms of access to training programs), create regulations to set standards and create a framework for output indicators for each ministry. The focus of this program will be on the infrastructure and health sectors. This program will ensure that the proper conditions are in place for our infrastructure and health programs to succeed. For example, properly detailed designs, acquisition of land, and resettlement plans for road construction projects are required in advance of the implementation of infrastructure projects.

#### **4.8.8 Infrastructure Development Program (2021-2025)**

Afghanistan, as a developing country, is at a critical juncture in its history. At this important stage, there is a need for serious, universal and coordinated efforts to develop the country's infrastructure. The infrastructure development program with transport, energy and digital connectivity at its core is focused on investments to improve access to services, inputs and markets to Afghans at the local level, across the country, and regionally. Our vision is to make Afghanistan energy self-sufficient and one of the commercial and transit centers in the region. To this end, so far, billions of dollars have been invested in infrastructure. But still, Afghanistan is faced with the daunting challenge of infrastructure deficiency. One of the sub-sectors that needs serious attention is the field of land transport. The growing urbanization and the traditional structure of collective life in Afghanistan cities have made Afghanistan's need to modernize land transport even more seriously. The infrastructure development NPP outlines the core strategies to improve infrastructures by orchestrating comprehensive and effective short-term, medium-term and long-term projects for the development of transportation (roads, highways, and railways), energy and ICT infrastructures.

While there have been significant benefits, governance of infrastructure has been a challenge in Afghanistan and globally, particularly the performance of contractors who have often subcontracted multiple times. We are committed to adopting and implement the OECD's nine recommendations for getting infrastructure governance right. We will:

- Establish a national long-term strategic vision that addresses infrastructure service needs.
- Manage the integrity and corruption threats at all stages of the process, from project conception to delivery.
- Establish clear criteria to guide the choice of delivery mode (PPP vs. direct public provision, etc.).
- Ensure good regulatory design and maintain a predictable regulatory framework for investment.
- Encourage private sector's participation in infrastructure development.
- Integrate a consultation process early enough so that decisions benefit from real stakeholder engagement.
- Co-ordinate infrastructure policy across levels of government in such a way that investment decisions by central and subnational governments are coherent.
- Guard affordability and value for money by using and applying cost-benefit and other methods rigorously and consistently.
- Generate, analyze, and disclose useful data to increase transparency and ensure accountability.
- Integrate mechanisms to evaluate the performance of assets throughout their lifecycle.

#### **4.9 Market-Building**

Our market-building programs will bank on Afghanistan's natural, man-made, financial, institutional, knowledge, human, cultural, and political capitals. Focused attention on our comparative and competitive advantages, as well, can ensure relatively rapid momentum, given the challenges, towards our stated objective of self-reliance. Among our comparative advantages

are renewable energy, our geo-strategic location, our vast quantities of arable land, water sources, forests and pastures, and mineral and hydrocarbon resources, as well as our young labor force. But becoming a competitive nation requires understanding comparative advantages, as well, and then looking beyond them to design a competitive strategy with clear prioritization. Afghanistan can't be competitive in everything. The ultimate objective is to increase labor and capital productivity in key clusters in areas, which we have a competitive advantage, which presently include high-end dried fruits, nuts, marble, a route for transit of energy, gems, rare earth minerals and lithium, the dynamism of our urban centers, digitization of systems, and a relatively stable macroeconomic environment compared to other countries in the region.

A goal of our market building pillar is creating a vibrant private sector. The private sector is the engine of innovation, investment, growth and a major contributor to job creation and poverty reduction. GoIRA's vision for Afghanistan rests on a model of socially responsible market economy in which a capable and thriving private sector leads the economic growth process, creates job opportunities, contributes to poverty reduction and gradually reduces reliance on foreign aid.

As we move to a new period of reform and growth, we reaffirm our commitment to improving the business enabling environment (Doing Business reforms), establishing instruments for risk sharing, and jointly with the business community, identifying opportunities for improving security for the sector. We will ensure that existing businesses, especially SMEs, are better equipped to manage the risks and uncertainties presented by Afghanistan's country context. This will involve removing barriers to the participation of women in the economy and that all services are accessible to businesses led and organized by women. We will focus on increasing access to finance, promoting financial inclusion and improving, facilitating and streamlining the procedure to enhance access to production inputs, including access to land, labor, and electricity at reasonable prices.

We will present opportunities for public private partnerships (PPP) in order to develop infrastructure that facilitates a business-enabling environment, enhances connectivity, and scales investment. This will improve not only revenues but also the quality of services. We will engage in greater outreach and increase the capacity of line ministries and agencies to better serve and deliver essential services to the business community and resolve issues in a coordinated and structured fashion.

We will spur the migration of Afghan firms to more informed strategic choices. For our country to prosper, a higher percentage of our firms should have a more differentiated strategy, become more vertically integrated (more value-added operations), and pick market segments outside the country for which they create unique value and demand high and rising price points. Greater profit margins could be used to train and compensate employees. In the long-term, after a critical mass of these firms succeeds, there could be a virtuous cycle of higher economic growth with greater financial equity. This could stir the values necessary for a culture of innovation and entrepreneurship to grow. The most significant potential to achieve these high-productive strategies are in the core investment areas outlined below.

#### **4.9.1 Trade and Transit Program (2020-2025)**

The COVID-19 crisis reemphasized the importance of regional connectivity and cooperation to Afghan security and prosperity. Our focus on turning Afghanistan into a regional hub, as well as our efforts to diversify our supply chains, prevented a food crisis during the initial COVID-19 response. A safety regime was agreed with Pakistan, allowing for transit and trade to flow three days a week. The three rail terminals of Hairatan, with Uzbekistan, and Aqina and Tor Ghundi with Turkmenistan, proved invaluable in ensuring orderly transit and trade. Equally important, the port of Chabahar and Iran's cooperation on transit and trade was crucial to maintaining food security, as 75,000 tons of wheat assistance from India was delivered through this route. Afghanistan will continue to strengthen policy cooperation with the neighboring countries and invest in infrastructure to make trade flows with our neighbors faster and cheaper. This includes (1) continuing to pursue regional cooperative arrangements; (2) investing in eight key customs centers to expedite flows; (3) prioritizing the extension of railways from the customs points inland; and (4) forming of business/state partnerships to enter into medium-term contracts with countries in the region.

#### **4.9.2 Primary Sector Program (2018-2025)**

This program combines the agricultural sector and minerals sector NPP into a larger primary sector support program. Given that both areas affect primary rural areas, this NPP could also be seen as an economic rural-development NPP. Its two components are:

##### ***4.9.2.1 Greener Agricultural Development Program (2021-2025)***

The agriculture sector supply and value chains have been severely affected by the COVID-19 pandemic. Exports are likely to be constrained in the future because of local and global supply chain disruptions. To address the immediate impact of COVID-19 and set the foundations for longer-term growth in the agriculture sector, we will further increase agricultural productivity, household incomes in rural areas, improve food security, reduce poverty, enable agricultural import substitution, develop agro-industries, and improve exports. The Agriculture NPP was designed to meet these objectives and was approved by the Cabinet in 2016 and is currently being refreshed to meet pressing needs. The Agribusiness Charter, launched in 2018, was the first subprogram in the 2016 Agriculture NPP and is currently being operationalized. By 2023, the policy initiatives outlined in the charter are expected to create over 260,000 jobs, increase exports by at least US\$ 65 million, and increase revenue by over US\$ 200 million by improving the competitiveness of agribusiness in Afghanistan. The Charter addresses policy and regulation, access to finance, agro-industrial development, and institutional reform to boost job-rich growth, increase investments in agribusiness, expand exports and substitute imports. In addition, a Famine Action Mechanism to address water scarcity, food security, and famine risk in Afghanistan was established in 2019. Several other policies and laws have been amended or approved, including the Dryland Farming Policy, a flagship initiative that will support poverty reduction through climate-smart improvements in subsistence agriculture. These programs will remain pivotal as we expedite reforms and investments in the agriculture sector.



#### **4.9.2.2 Mining Reform Strategy (2018-2025)**

In the long term, exports and revenues from the mining sector will be the primary driver of growth for Afghanistan. The High Economic Council approved the Mining Roadmap in January 2017. A new mining sector law and comprehensive regulations were also approved by the Cabinet in 2018 and 2019, respectively. In the short term, the mining sector will continue to implement reforms to improve transparency and sustainable extraction. The current reform strategy aims to ensure Afghanistan's natural resources are sustainably developed, compliant with the Extractive Industries Transparency Initiative (EITI), and public revenues are fully collected. The program aims to ensure that the Ministry of Mines and Petroleum can fulfill its core duties and responsibilities and guide growth going forward, ensuring improved management in the sector. The Mining Sector NPP focuses on five key areas in order to improve the performance of Afghanistan's minerals and hydrocarbons sectors: (1) Institutional Reform and Development, (2) Geological Data Acquisition and Management, (3) Contract Management and Compliance, (4) Transparent and Accountable Governance, and (5) Growth and Enabling Environment.

#### **4.9.3 Industrial Support Program (2021-2025)**

Afghanistan has a strong history of trading at the Heart of Asia. We have worked hard during the past few years so that the building blocks for a strong trading nation are reestablished. This includes the establishment of Air Corridors to increase air freight exports, the creation of four rail links to increase rail exports, the establishment of the Lapis Lazuli route to increase road exports, and moving forward with the Chabahar Port to diversify our potential exports by sea.

But it is not enough to simply export. The government will also focus on small-scale labor intensive industrialization, improving and supporting rural enterprises, and creating domestic markets that will have a large capacity to localize certain products in which Afghanistan has competitive and productive advantage, thereby reducing the deficit in trade, creating employment, and ultimately reducing poverty. Based on this strategy, we are taking a three-phased framework approach: (1) primary goods development, (2) light industrial development, and (3) heavy industrial development

First, we will invest more in developing our primary goods — namely, agricultural and mineral resources — within the country before export. This first stage would also have the benefit of reducing imports of commodities, which comprise the majority of the country's import bill. The second stage of reforms would include the development of light industries, thus generating higher levels of employment and reducing poverty. The third stage of reforms would be the development of heavy industries. Afghanistan is already working on both light and heavy industrial development. However, the framework will assist in prioritizing interventions and the allocation of resources during each stage.

International support for the development of our industrial base could include support for policy development, as well as support for the development of physical infrastructures such as industrial parks, power generation and transmission for industries, skills development for manufacturing and industry, and simplification of the land allocation process.

#### **4.9.4 Urban Development Program (2016-2025)**

Cities are the loci of our growth and will continue to play a driving role in the years ahead. The current Urban Development Program aims to strengthen urban governance, improve urban economies, environment, housing, infrastructure and public transport (A-SDG, 1-2-11), strengthen urban-rural linkages, provide housing and reintegration facilities to returnees, facilitate kuchis' habitation in accordance with the provision of article 14 of the constitution, and ensure balanced growth and urban population decentralization. Afghanistan's long-term economic development heavily depends on cultivating the economic potential of urban areas, establishing regional connectivity between geographical zones, by creating an enabling environment for businesses and strengthening market linkages. At present, Afghanistan's rapidly expanding urban areas are suffering from high degrees of insecurity, deficient infrastructure and – above all – poor governance. The Urban NPP was approved by the Urban High Council in July 2016 with the aim of making cities and human settlements inclusive, safe, resilient, and sustainable. We will reprioritize urban development programs within the larger framework of regional development (geographical zones) for the years 2021-25. We have created a vision for rebuilding our cities for the 21st century. We engaged the world-class Boston-based firm Sasaki, and developed the blueprints for the development of our cities over the past five years. We must now move towards the implementation of our vision. Enjoyment of firm property rights by urban Afghans will also be an enduring legacy of this program.

#### **4.9.5 A Re-focused Women's Economic Empowerment Program (WEE-NPP) (2017-2027)**

Insecurity, COVID-19, and poverty are disproportionately affecting women. We will continue to insist on safeguarding the rights of women as peace talk's progress but will also advance the well-being of women, their access to economic resources, and their participation as active agents of change in peace building and state building processes. Progress over the last five years has been slower than expected or desired, given the major cross-cutting and inter-ministerial coordination required of the national priority program. We must bolster coordination, implementation, and results in a re-focused and re-invigorated WEE-NPP over the next five years. The Women's Economic Empowerment (WEE) National Priority Program (NPP) is one of the key NPPs that serves as a national umbrella program for improving the status of women in society and in the economy. The objective of WEE-NPP is to advance women's agency, autonomy, and wellbeing by expanding their access to economic resources. The components of the current WEE-NPP are: (1) Increasing the availability and analysis of gender statistics; (2) Removing legal barriers to women's participation in economic activities; (3) Training in literacy, business management, and labor skills; (4) Ensuring inclusive access to finance; (5) Improving access to agricultural inputs, extension services, and markets; (6) Promoting access to creative economy markets; and (7) assuring effective participation of women in public service and government leadership.

#### **4.9.6 Illicit Economy**

A substantial body of research shows a correlation between the volume of illicit economic activities (e.g., illegal exploitation of natural resources, production, processing and trafficking of opium, money laundering, etc.) and the incidence of intrastate conflict. In a post peace scenario,

in particular, peacekeeping would require effective actions for mitigating the potential risks associated with the production and trafficking of opium poppy and unlawful exploration, extraction and trading of natural resources. The narcotics industry in Afghanistan, coupled with illegal exploitation of natural resources, money laundering, rampant fraud and corruption, has become an integral part of Afghanistan's illicit economy and a significant source of illicit revenue – feeding mostly the insurgents and crime networks. The illicit networks in Afghanistan are involved in the smuggling of not only narcotics but of different goods, including exporting of non-tradable items such as forests, ancient artifacts, antique items, etc. and include individuals of varying motivations and capacities within and without Afghanistan. To ensure effective counternarcotic and anti-money laundering measures and legal, transparent and sustainable exploitation and management of mineral resources, the government plans the following:

- Adopting preventive measures such as the criminalization of the illicit exploitation of natural resources and ensuring the government's control of all mines and minerals across the country.
- Cooperating in a shared responsibility with our neighboring countries to combat and prevent illicit trade, trafficking and illegal exploitation of natural resources.
- Ensuring effective national security and improving custom structures – 'improving commodity monitoring and certification schemes.'
- Creating effective cross border communication and cooperation mechanisms at all important border crossing points – Torkham, Chaman, Gulam Khan and Nawa Pass (Pakistan); Islam Quala and Zaranj (Islamic Republic of Iran); Hayraton (Uzbekistan); Toraghundi and Aquina (Turkmenistan); and Shir Khan, Eshkeshem, Shegnan, Nusay, and Al Shanem (Tajikistan).
- Improving national legislations and regulations and building capacity for the effective national management of natural resources.
- Effective counternarcotic policies such as providing alternative livelihoods and focusing efforts on rebuilding the rural economy and creating off-farm opportunities.

#### **4.9.7 Digitization and Telecommunication Development**

Digitization is ushering in a global transition from an internet of information to an "internet of value, where individuals and businesses which have no reason to trust each other can reach consensus through direct peer-to-peer collaboration, cryptography and smart codes." In 2002, Afghanistan bypassed the fixed-line to launch the mobile system by creating a policy framework that has resulted in a US\$ 2.8 billion private sector investment, coverage of 34.6 million subscribers, and steady revenue for the government. To overcome the fragmented and uncoordinated use of technology – where hundreds of millions have been spent on GIS and other projects in parallel by different organizations and use of different software systems in the government – a holistic review of the entire ecosystem has been carried out and a plan for the rollout of digitization is being finalized. To coordinate the policies and implementation tools, the President has appointed a Chief Advisor on Digitization and Technology. Implementation of a mobile money payment system and issuance of electronic IDs and machine-readable passports to our citizens are among our top priorities for now. The accountability and transparency dividend of these measures, in combination with moving to electronic procurement, will be significant.

## 5. Forging mutually accountable partnerships for the future

Afghanistan and its development partners pursue a set of shared objectives for the country: to transition out of fragility, see an end to the ongoing conflict, move away from aid dependency, and ultimately achieve a self-reliant Afghanistan. This path to long-term peace and sustainable development requires long-term partnerships, moving away from aid modalities. As we consider the next five years, the Afghan government and Afghan people look forward to developing and delivering on a single, country-led framework, together with donors and international partners.

Afghanistan made strong progress on the objectives outlined in the 2016 Realizing Self-Reliance paper to reduce its dependence on aid by decreasing its reliance on contributions from the international community from the level of around 70 percent of government expenditure to below 50 percent by 2020. However, Afghanistan is still reliant on a significant amount of foreign aid to finance its budget and the objective to reduce Afghanistan's dependence on foreign aid remains a priority. The strategies presented above in this framework will allow job-creating growth and private sector investment to replace foreign aid gradually. As reforms and growth-enabling investments begin to produce results and peace efforts materialize, it is reasonable to expect Afghanistan's reliance on external aid to decrease further.

We believe in the globally agreed-upon principles for aid effectiveness — ownership, alignment, harmonization, managing for results, and mutual accountability. Donors play an important role in aligning aid to national priorities, reducing fragmentation and duplication of efforts, and using funding assistance, such as budget supports conditioned on delivery of benchmarks and targets to drive better performance and accountability. We will continue sectoral discussions launched in 2019 piloting in education, health, agriculture, justice, and subnational governance with donor partners to coordinate efforts.

Afghanistan's reform agenda will further build on the budget reforms carried out over the past years to ensure that the budget is the primary instrument for carrying out the policy. Channeling donor funds through the national budget is not only a more efficient, cost-effective use of money than off-budget programming, it also underscores that supporting the Afghan budget process is a necessary step towards a successful donor exit strategy. Using government systems not only reduces unit costs but is an essential pre-condition for the government to take full responsibility for performance. However, we have learned that merely shifting resources to the budget does not inherently ensure efficient spending. Predictability of aid financing, alignment of it to the government needs, the discretion of how funds are allocated across priority programs, shifts from project-based to policy and program-based harmonized management, reporting and audits are all crucial determinants of success. Predictability of aid is essential for Afghanistan to continue towards its self-reliance goal as sudden decreases in aid levels hamper the development process and long-term planning.

Both as watchdogs and as partners, civil society organizations (CSOs) and the media make significant contributions to Afghanistan's stability and development. We will continue to value and advance their role in our national development and support direct donor financing for human rights workers, press and media development, targeted programs for vulnerable groups, strategic private sector development initiatives and other activities critical for national development. But even where donors and the government agree on the value of off-budget support, financial

information should be recorded on the budget as early as possible using standard budget categories to show the real picture of how resources are allocated across sectors and geography.

State-building, market-building and peace-building are constitutive components of nation-building. The endpoint of all these efforts and programs is a sovereign, democratic and united Afghanistan. While our partners have contributed much and are contributing significantly to the first three processes, the privilege and responsibility of marshaling our shared imagination of binding ourselves as equal citizens of the Islamic Republic of Afghanistan is ours to own and implement.

## **5.1 Review of Aid Portfolios**

In 2019, we conducted detailed reviews with donor partners to improve the development impact of both on and off-budget aid. These reviews consisted of the first-ever review with the United Nations to strengthen engagement under the One-UN framework; review of the USAID portfolio to better align their grants to the government's top priorities; annual donor cooperation dialogues with bilateral partners to ensure effective delivery of the Brussels 2016 pledges; as well as the review of the World Bank and Asia Development Bank (ADB) portfolios to further prioritize essential service delivery and growth generating projects. We intend to continue this practice to align donor portfolios to government priorities, ensure value for money, and implement basic aid effectiveness principles. As the government continues to strengthen its Public Financial Management systems, we also expect our donor partners to make increased use of country systems to disburse aid.

## **5.2 Broadening the Tools of Partnership**

Our bilateral and multilateral partners have a range of tools to help developing countries. We request a dialogue on the conditions for access to tools in addition to financial and military assistance, the main form of our relationship to date. Guarantees can play a crucial function in enabling foreign direct investment, repatriation of Afghan capital from the region, assumption of risks by farmers, entrepreneurs, industrialists, and mining and oil and gas companies. Guarantees against different forms of risks can also be crucial in designing and implementing large-scale regional connectivity programs, ranging from gas pipelines to transmission lines and transport systems.

As a least developed country, Afghanistan is eligible for access to the OECD consumer market. Building the supply chains, standards, value chains, and networks of knowledge to take advantage of this immense opportunity, however, requires partnerships with associations of buyers, supermarket chains, and firms with social responsibility programs. Given the COVID-19 pandemic and security challenges, in-person support is difficult and expensive. Fortunately, we have a very successful example of virtual technical assistance in the urban sector. The Development Frameworks for Kabul and five provincial cities have been developed with the firm of Sasaki in Boston through online collaboration and some workshops in Istanbul.

Our partners have supported enterprise funds and revolving funds by the governments and facilitated carbon trading with large firms in their countries. As Afghanistan is the 17th most

vulnerable country in terms of environmental threats, we would like to be part of the 1 trillion trees initiative of the United States and environmental support programs of our other partners to announce and implement a program of 1 to 2 billion trees in the next four years. Large-scale resources are potentially available through global environmental funds. Access to the right virtual networks of knowledge could provide a very significant assistance in the realization of our natural resources sector and change the life experience of Afghans for generations to come. Similar access to knowledge networks could enable our women's networks to gain access to resources and markets for made in Afghanistan and made by Afghan women brands. The scale of our reservoirs in lithium and rare earth can make us a significant partner to players in disruptive technologies. With the right guarantees, investment in these areas could be highly reinforcing to our developmental and security partnerships.

Philanthropy networks have become a significant player in global development. We have benefitted from the Gates Foundation's support in eradicating polio and the Aga Khan Development Network's support in cultural heritage and other areas. Given the scale and scope of poverty and the needs of women and children, the facilitation of partnerships between Afghanistan and philanthropy networks could speed up the process of poverty reduction and women's empowerment significantly. Virtual networks and training to have access to crowd-sourcing, particularly access to online education and telemedicine, could transform our human capital rapidly.

### **5.3 Conditionality**

Governance has undergone a transformation in Afghanistan over the past five years, from a concept to a discipline. Multi-lateral organizations ranging from the EU and IMF to OECD and the World Bank and Asian Development Bank have developed detailed tools for assessment and reform of the governance of the public sector and the private sectors. The availability of these tools, in combination with global indexes, make an agreement on policy-based conditionality easier. We, therefore, propose that our partners work with us on a set of policy conditions in return for on-budget support to enable us to focus national energies on building systems and programs and cultivating leadership and management skills in the government and the private sector.

Relying on contractors for the delivery of infrastructure and other projects has been both expensive and inefficient. There is a consensus among our partners that, due to security and other constraints, we have not been able to attract quality contractors. Focus on NPPs as the preferred mechanism of delivery of state functions allows us to explore outcome base criteria for development projects. Agreement on quality standards and delivery timelines rather than project-by-project management could enhance efficiency and allow Afghanistan's competitive capacity in the construction sector, along the lines of Ethiopia and Rwanda, among others. Such an approach would allow us to deliver on our commitments more effectively and measurably.

### **5.4 Establishing Mutual Accountabilities**

The government recommits to mutual accountabilities as a core element of the aid architecture. Going forward, Afghanistan requests that our donor partners:

- Support Afghanistan's efforts in preparing for and achieving sustainable peace.
- Commit to predictable pooled aid to support the national budget.
- Improve dialogue and review procedures to ensure alignment of all financing with government priorities and quality of preparation.
- Enhance levels of conditional aid to strengthen reform implementation and provide discretionary funds to finance national budget priorities.
- Improve reporting on off-budget aid flows to provide the Ministry of Finance with a comprehensive overall picture of public resource flows.
- Work with the Ministry of Finance on regular aid portfolio reviews to ensure the alignment of off-budget aid flows with government policy priorities.
- Hold the government accountable to implement its part of the deal in providing services to Afghans.
- Incentivize mutual accountability reforms through the ARTF Incentive DPG and the EU SRBC.

To address the donor partners' concerns over the fiduciary integrity of our financial management systems, the following measures to build trust and credibility in government systems are proposed for 2020-21:

- Embark on a hard-hitting National Accountability Strategy that combines public finance reform with anti-corruption measures to achieve greater efficiency and accountability in public finance.
- Create and operationalize the Anti-Corruption Commission (ACC)
- Verify asset declarations starting with law enforcement, customs, and tax administration officials.
- Strengthen the Supreme Audit office by fast-tracking the SAO law to ensure greater operational independence and invest in its capacity to carry out its required duties in the oversight of the budget; and.
- Expand procurement reforms to line ministries to cover contract management.

These are illustrative examples, where assessment tools and certification programs exist. We look forward to productive suggestions from our development partners.

## **6. Fiscal Performance and Scenario Planning**

Before defining the future scenarios for the Afghanistan economy, it is essential to render a picture of the current state of the economy, the fiscal performance of the government over the past five years, and the prospects and challenges of economic growth in Afghanistan.

The hallmark of Afghanistan's economy is the influence of four exogenous factors: security situations, decreasing foreign aid, political uncertainty, and fluctuations in international prices, including global oil prices. These factors have significantly affected Afghanistan's macroeconomic indicators, such as private investment, FDI, trade, revenues, unemployment, and poverty. The spiked armed violence after the security transition in 2014 not only imposed enormous human cost and forced thousands to migration and displacement; but also absorbed the majority of national resources, dampened private sector confidence, and caused declining standards of living. Political tensions in the immediate aftermaths of the 2014 and 2019 presidential elections caused a wave of pessimism about the future among Afghans and disrupted the normal course

of economic activities for a much longer period than was expected. Due to the strong dependence of the government on international development assistance for budget financing, the decline in aid and foreign military expenditures since 2014 meant that the country's national economy was out of equilibrium and faced with daunting challenges – reduced development financing, budget deficit, and depreciation of Afghani against US dollar. Likewise, Afghanistan being a land-locked country and heavily dependent on imports, has been vulnerable to international commodity price fluctuations. This, coupled with frequent border closure by the neighboring countries, particularly Pakistan, has led to disruptions of Afghanistan's trade and negative spillover effects in the rest of the economy. Fortunately, the government's active regional integration policy for economic cooperation enhanced Afghanistan's reach to wider international markets through multiple new trading routes, including Chabhar Port, the historical Lapis Lazuli route, the Sino-Afghanistan Special Railway Transportation Project, and the Air corridors.

The rapid population growth, resource limitations, and infrastructure deficit – poor road networks, power shortages and lack of access to the cost-effective mediums of transportation – are the other critical constraints for growth in Afghanistan. Investments in infrastructures are crucial for reducing the cost of doing business, improving competitiveness, and developing the private sector economy. Luckily, infrastructure development features as a high priority program (NPP) in ANPDF II. Over the past six-year, the population growth rate has surpassed the economic growth rate. This, along with the mass return of Afghan refugees and declining foreign assistance, constrained the government's ability to tackle poverty and unemployment.

In the first half of 2020, the economy was beset by the COVID-19 crisis on top of escalating security challenges. Industry, trade, and service outputs have been disrupted by border closure and lockdowns. Private investment expenditures and household consumption are expected to have fallen significantly due to hampered retail activities and waned business confidence. As economic activities and trade declined, the domestic revenue as a percent of GDP is expected to fall to a low of 13.2 percent in 2020 (down from 15.7 percent in 2019), placing major pressure on government finances. Average inflation over the first six months of 2020 more than doubled from 2.51 percent a year earlier to 5.32 percent as food inflation spiked threefold, reaching 10 percent in the first half of 2020, mainly due to supply shortages. Since then, prices moderated as a result of the government's immediate policy responses, including baked bread distribution, wheat distribution, re-opening of borders, and fiscal re-adjustments. Due to the disruption of exports, supply chain, domestic economic activity, and remittance flows, the economy is now contracting rapidly and is expected to decline by over 5 percent in 2020.

Despite all challenges, on average, the GDP of Afghanistan has grown by 2.7 percent in real terms over the past five years (2015-2019). The government's policies have succeeded in maintaining a low inflation rate, a marginal improvement in the balance of trade, and limited fiscal deficit. The exchange rate growth was kept relatively stable to avoid undesirable effects on the people's purchasing power through high prices of imports. Afghanistan's exports increased from US\$ 571.5 million in 2015 to around US\$ 834 million in 2019. The imports in the same period decreased from US\$ 7.72 billion to US\$ 6.77 billion, leading to a marginal decline in the trade deficit. The flow of international grants to counteract COVID-19 shock and a marginal improvement in trade deficit drove a significant reduction in the current account deficit in the



first half of 2020.

During the past five years, budget execution and revenue collection surpassed the targets. The government's budget execution rate reached an unprecedented level of 93 percent in 2019, and its domestic revenue collections as a proportion of GDP increased from 8.7 percent in 2014 to 15.7 percent in 2019. Economic growth and inflation have been very low and therefore had fewer impacts on augmenting nominal domestic revenue in Afghanistan. Thanks to substantial reforms implemented by the government with the continued support of the international donor community, particularly in fiscal management, revenue mobilization, and public administration spheres. A wide range of reforms and restructuring has been implemented within the Afghanistan revenue department, including the segmentation of taxpayers into Large, Medium, and Small offices (LTO, MTO, STO) and the roll-out of these offices to regional provinces, the professionalization of the tax services – fast-track filing and e-forms – and implementation of Standard Integrated Government Tax Administration System (SIGTAS). The government has established five Large and Medium Taxpayers Offices in five regional locations, and two additional regional locations will be added soon. In addition, the Value Added Tax law, which replaces the Business Receipt Tax, has been approved and is slated to start implementation in December 2022, which is expected to yield an increased revenue of US\$ 0.61 billion between 2022-2025.

The economic future of Afghanistan depends on Agriculture, trade, transit, private sector development, extractives, energy export, and demographic dividend. Afghanistan is at the hub of a rapidly integrating and highly dynamic South and Central Asian subcontinents. The expansion of north-south trade and transit is the significant driver of growth not only for Afghanistan but also for the region as a whole conditioned to the enhanced regional cooperation and improved infrastructures. While there are important risks to be managed – insecurity, illegal mining, corruption, and governance risks – Afghanistan's mineral reserves have the immense potential to serve domestic needs for construction materials and meet demand on international markets, thus, provide sufficient exports and fiscal revenues. Afghanistan can also leverage economic benefits from its extensive water resources through electricity exports. World Bank's modeling shows that, by prioritizing investment in hydro generation and important transmission infrastructure, 'Afghanistan could generate in excess of 5 TWh of electricity for export beginning in 2026.' However, although technically feasible, producing energy for exports would involve considerable costs and time. Also, the unexploited business opportunities and the young working-age population of Afghanistan are the vital inputs for the future growth of the country's economy.

The goals of the government's fiscal strategy over the course of ANPDF II are: (1) Increasing domestic revenue mobilization through improving tax administration, ramping up the pace to reforms, expanding the tax base, and finding new sources of revenue; and (2) Ensuring fiscal sustainability and macroeconomic stability by improved management of fiscal expenditure, debt, and international grants. While we aspire and strive for self-reliance, in the short run, even under the full enforcement of tax and customs reforms, the revenue mobilization potential of government will be limited due to a small tax base and an already high income and corporate tax rates. Thus, International grants to Afghanistan will remain crucial for ensuring continued government activities, financing the national budget and national priority programs.

## 6.1 Scenario Projections

Considering the current state of the economy, uncertainties about Afghanistan's war and the peace process, the flow of international grants, and weather conditions, we define three fiscal scenarios for the future of Afghanistan's economy. In each of the scenarios outlined below, projections are based on the expected fiscal needs and assumptions outlined in ANPDF and then updated based on the actual performance of these assumptions since 2015. Forward-looking projections are also informed by our planned responses to shocks from the COVID-19 crisis. Across all scenarios, we have prepared projections under the following assumptions.

- Progress will continue on macroeconomic stabilization to minimize the risk of shocks.
- Domestic revenue collection (tax revenue, customs revenue, and non-tax revenue) will increase in line with nominal GDP.
- The government will increase civilian expenditures in line with national priorities and population growth.
- The current political institutions and economic and governance structures will be maintained and strengthened.
- The impact duration of the Covid-19 shock: Under the base case scenario, economic activities and revenue mobilization start recovering its pre-COVID-19 peak by spring 2021; under the upside scenario, economic activities rebound relatively quickly, regaining its pre-virus peak by the end of 2020 and under a downward scenario, we will be faced with the COVID-19 at least until the end of 2021.

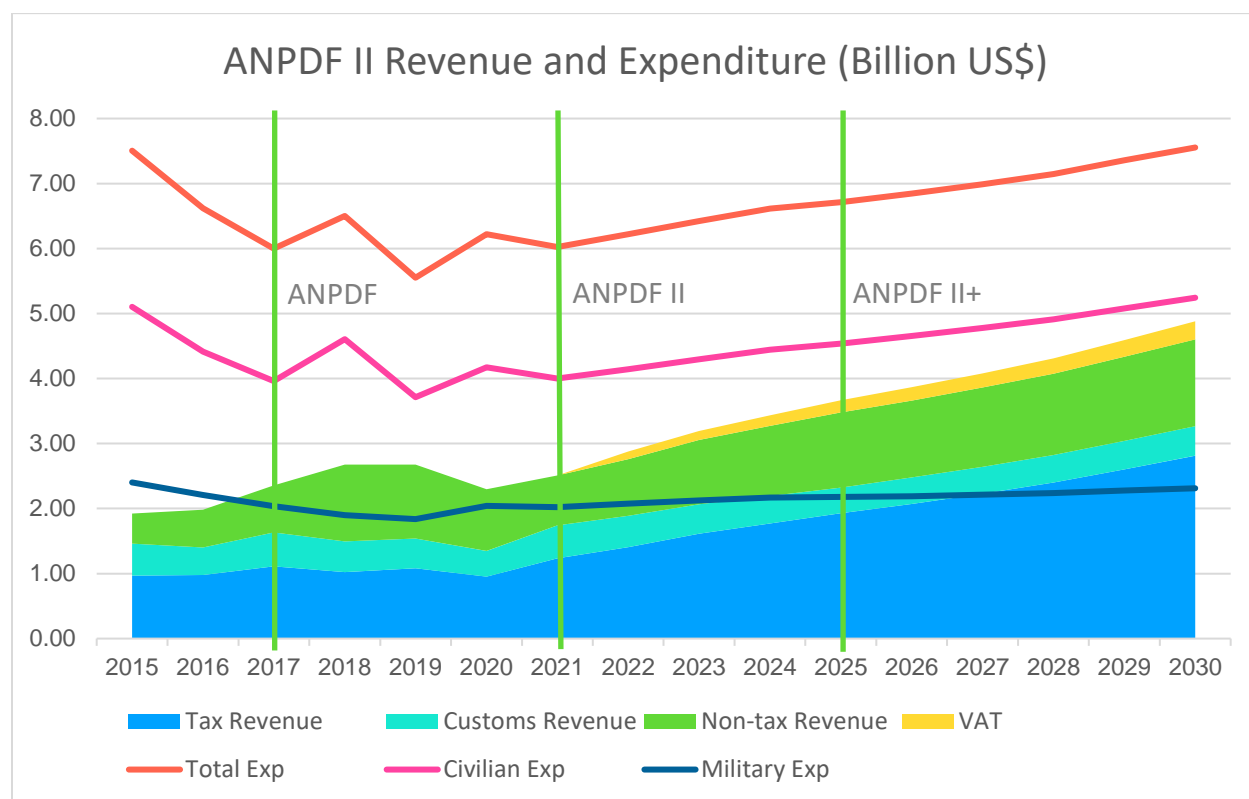
### 6.1.1 Base Case Scenario: Recovery and Gradual Transformation

The Base Case Projections in this document reflect an environment in which the fiscal status quo is maintained. Under this financing scenario, violence lessens marginally, leading to some gains in the economic growth of around 3.9 percent annually, increased domestic revenue collection (rising from US\$ 2.68 billion in 2019 to US\$ 3.67 billion in 2025), reduced security spending, and increased civilian expenditure. Insecurity continues to limit domestic investment, the flow of FDI, and rapid mining development. The effects of the COVID-19 lead to a temporary decrease in domestic revenue mobilization and a temporary increase in civilian expenditures, which then grows only in relation to population growth. Reduced foreign assistance and limited access to non-concessional lending restrict the fiscal space for capital and human investments that would drive expanded growth and consolidate peace gains. To offset the disruptions caused by Covid-19 and ensure sustained service delivery Afghanistan will need an average of US\$ 3.26 billion of external resources annually until 2025 under the base case scenario. Given the complexities in Intra-Afghans Peace Negotiation, this is the most likely future for the Afghanistan economy. Therefore, we plan, design, and sequence our National Priority Programs as per the assumptions outlined in our base case scenario. Table 6.1.1 and Figure 6.1.1 below illustrate the data.

Table 6.1.1: Revenue and Expenditure Projections: Base Case Scenario

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual						Projection									
In USD billion, unless stated otherwise																
Real GDP Growth (%)	1.30	2.40	2.90	2.7	3.9	-5.05	3.62	3.74	3.91	4.02	4.10	5.00	5.00	5.00	5.00	5.00
Nominal GDP	17.52	17.37	18.35	17.89	17.04	17.46	18.85	20.06	21.46	23.20	24.53	26.24	28.12	30.22	32.71	35.36
GDP Per Capita US\$	509.14	490.90	505.57	481.3	447.9	448.41	470.00	485.68	504.57	529.56	543.62	496.45	478.92	465.78	467.97	458.08
Domestic Revenues	1.92	1.98	2.36	2.68	2.68	2.30	2.51	2.88	3.20	3.43	3.67	3.87	4.08	4.31	4.59	4.88
Tax Revenue	0.97	0.98	1.11	1.0	1.1	0.95	1.23	1.41	1.61	1.77	1.93	2.07	2.23	2.40	2.60	2.81
Custom Revenue	0.49	0.43	0.52	0.47	0.46	0.40	0.51	0.48	0.45	0.42	0.39	0.40	0.41	0.43	0.44	0.46
Non-Tax Revenue	0.46	0.58	0.73	1.2	1.1	0.95	0.77	0.87	0.99	1.08	1.16	1.19	1.22	1.25	1.29	1.34
New Policy Measures (VAT)	-	-	-	-	-	-	-	0.12	0.14	0.16	0.19	0.20	0.22	0.24	0.26	0.28
Net Borrowing	-	0.02	0.13	0.3	0.1	0.37	0.16	0.15	0.17	0.19	0.19	0.18	0.19	0.16	0.16	0.17
Total Expenditure	7.50	6.62	6.00	6.50	5.55	6.22	6.02	6.22	6.42	6.61	6.71	6.84	6.99	7.15	7.36	7.55
Total Civilian Expenditure	5.10	4.41	3.96	4.6	3.7	4.17	4.00	4.14	4.30	4.44	4.54	4.66	4.78	4.91	5.08	5.24
Total Security Expenditure	2.40	2.21	2.04	1.90	1.84	2.04	2.02	2.08	2.13	2.17	2.18	2.19	2.21	2.24	2.28	2.31
Total On-Budget Expenditure	5.20	5.28	5.21	5.4	5.4	6.22	6.02	6.22	6.42	6.61	6.71	6.84	6.99	7.15	7.36	7.55
Civilian Expenditure	2.85	3.10	3.24	3.54	3.60	4.17	4.00	4.14	4.30	4.44	4.54	4.66	4.78	4.91	5.08	5.24
Security Expenditure	2.35	2.18	1.97	1.9	1.8	2.04	2.02	2.08	2.13	2.17	2.18	2.19	2.21	2.24	2.28	2.31
Total Off-budget Expenditure	2.30	1.34	0.79	1.07	0.13	-	-	-	-	-	-	-	-	-	-	-
Civilian Expenditure	2.25	1.31	0.72	1.1	0.1	0.00	-	-	-	-	-	-	-	-	-	-
Security Expenditure	0.05	0.03	0.06	0.01	0.01	-	-	-	-	-	-	-	-	-	-	-
Financing Gap (Total)	-3.28	-3.30	-2.85	-2.75	-2.75	-3.92	-3.51	-3.35	-3.23	-3.18	-3.05	-2.98	-2.91	-2.83	-2.76	-2.67
Financing Gap (Civilian)	-3.18	-2.43	-1.61	-1.93	-1.04	-1.88	-1.49	-1.27	-1.10	-1.01	-0.87	-0.79	-0.70	-0.60	-0.49	-0.36
as a % of GDP																
Domestic Revenues	11.0%	11.4%	12.8%	15.0%	15.7%	13.2%	13.3%	14.3%	14.9%	14.8%	14.9%	14.7%	14.5%	14.3%	14.0%	13.8%
Total Expenditure	42.8%	38.1%	32.7%	36.4%	32.6%	35.6%	32.0%	31.0%	29.9%	28.5%	27.4%	26.1%	24.9%	23.7%	22.5%	21.4%
Civilian Expenditure	29.1%	25.4%	21.6%	25.7%	21.8%	23.9%	21.2%	20.7%	20.0%	19.2%	18.5%	17.7%	17.0%	16.2%	15.5%	14.8%
Security Expenditure	13.7%	12.7%	11.1%	10.6%	10.8%	11.7%	10.7%	10.4%	9.9%	9.3%	8.9%	8.3%	7.9%	7.4%	7.0%	6.5%
Financing Gap (Total)	-31.9%	-26.7%	-19.8%	-21.4%	-16.9%	-22.5%	-18.6%	-16.7%	-15.0%	-13.7%	-12.4%	-11.3%	-10.3%	-9.4%	-8.4%	-7.6%
Financing Gap (Civilian)	-18.2%	-14.0%	-8.7%	-10.8%	-6.1%	-10.7%	-7.9%	-6.3%	-5.1%	-4.4%	-3.5%	-3.0%	-2.5%	-2.0%	-1.5%	-1.0%
Inflation (Period Average)	0.1%	5.6%	3.1%	0.8%	2.8%	5.1%	4.3%	4.1%	4.5%	5.7%	4.7%	4.4%	4.7%	4.8%	4.9%	5.0%
Exchange Rate (USD/Afs)	61	67	68	71	77	77	77	78	79	80	83	84	86	88	90	91
Population (million)	34.4	35.4	36.3	37.2	38.0	38.9	40.1	41.3	42.5	43.8	45.1	46.5	47.9	49.3	50.8	52.3
Debt Stock (USD Billion)	2.76	2.50	2.38	1.38	1.16	1.34	1.55	1.62	1.58	1.54	1.41	1.52	1.45	1.37	1.31	1.30
Real Average Growth (2021-2030)				4.44												
Development Financing Gap (US\$ billion)/year (2021-2030)																

Figure 6.1.1: Revenue and Expenditure Projections: Base Case Scenario

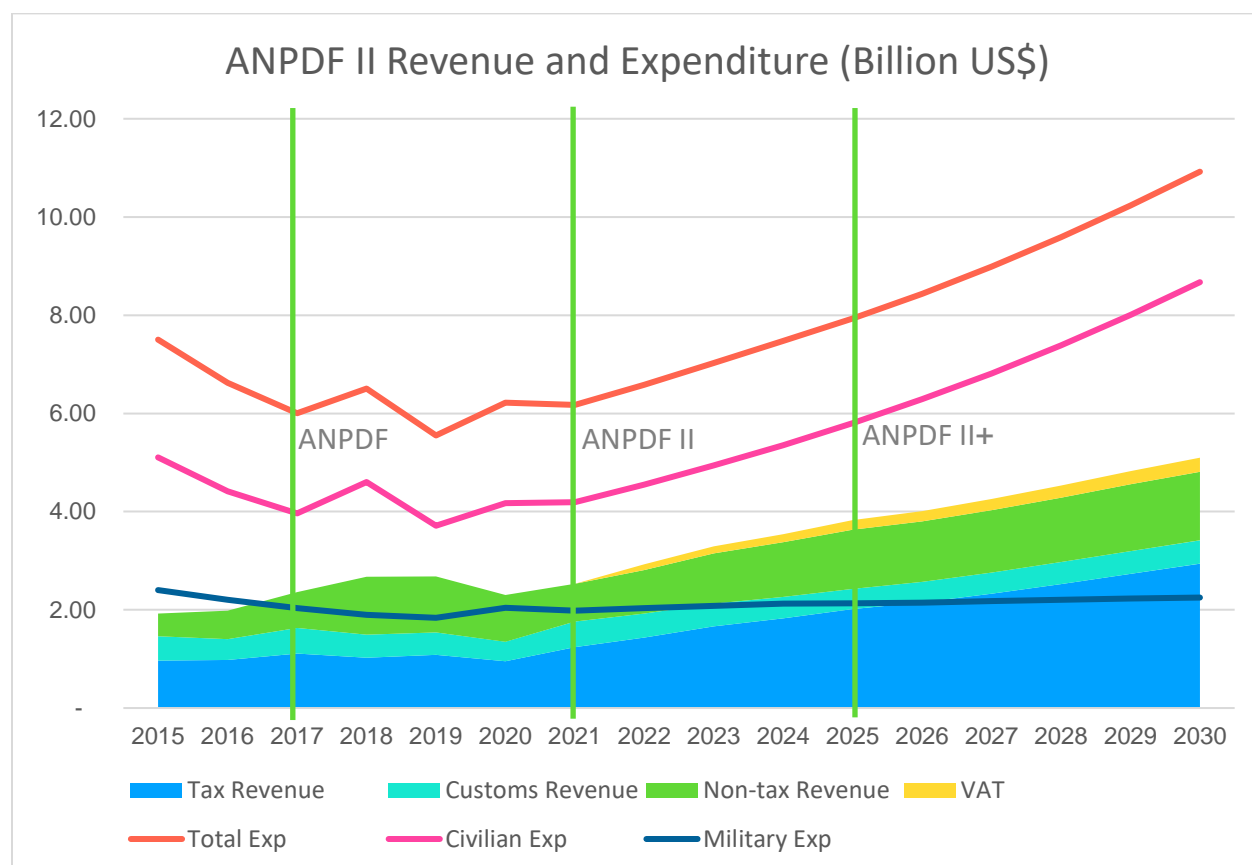


### 6.1.2 Upside Case Scenario: Rapid Economic Growth and Development

The Upside Case Projection (ANPDF II+) is the best and the most optimistic scenario for the economic future of Afghanistan. It reflects an environment in which a peace deal is reached with insurgent groups, a stronger commitment is received from development partners in their November 2020 pledging conference, and there is a resolution of the pandemic. As the economy suddenly faced a decline of over 5 percent due to the shock of COVID-19 in 2020, if this scenario is realized, we would see expansive economic growth, increased domestic investment, the flow of FDI, and prospects for sustained economic development. In a peaceful Afghanistan, the path to rapid growth over the medium-term and long-term will be driven by higher private investment, the return of Afghan physical and human capital from overseas, and the implementation of large-scale projects in the mining and infrastructure sectors. In the short-run, significant policy reforms and investments pay large dividends for tax and non-tax revenue mobilization. In the medium to long term, there will be a peace dividend in the form of a reduced cost of development without a security premium. However, a peace deal, which will lead to power sharing with the insurgents, thus politically-driven appointments will, in the short run, slow down the process of institutional reform and capacity building for efficient service delivery. Security expenditures decrease over time, but spending to consolidate peace (totaling US\$ 2 to 3 billion between 2021 and 2025) and further investments to facilitate growth (totaling US\$ 300 million annually between 2021 and 2025) increases the total spending envelope in the medium-term. However, with limited impacts

of the COVID-19 crisis and support from donors (at around US\$ 3.81 billion annually until 2025), civilian expenditures are tied to driving growth and improving livelihoods in the short-run. Figure 6.1.2 outlines the projections.

Figure 6.1.2: Revenue and Expenditure Projections: Upside Case Scenario

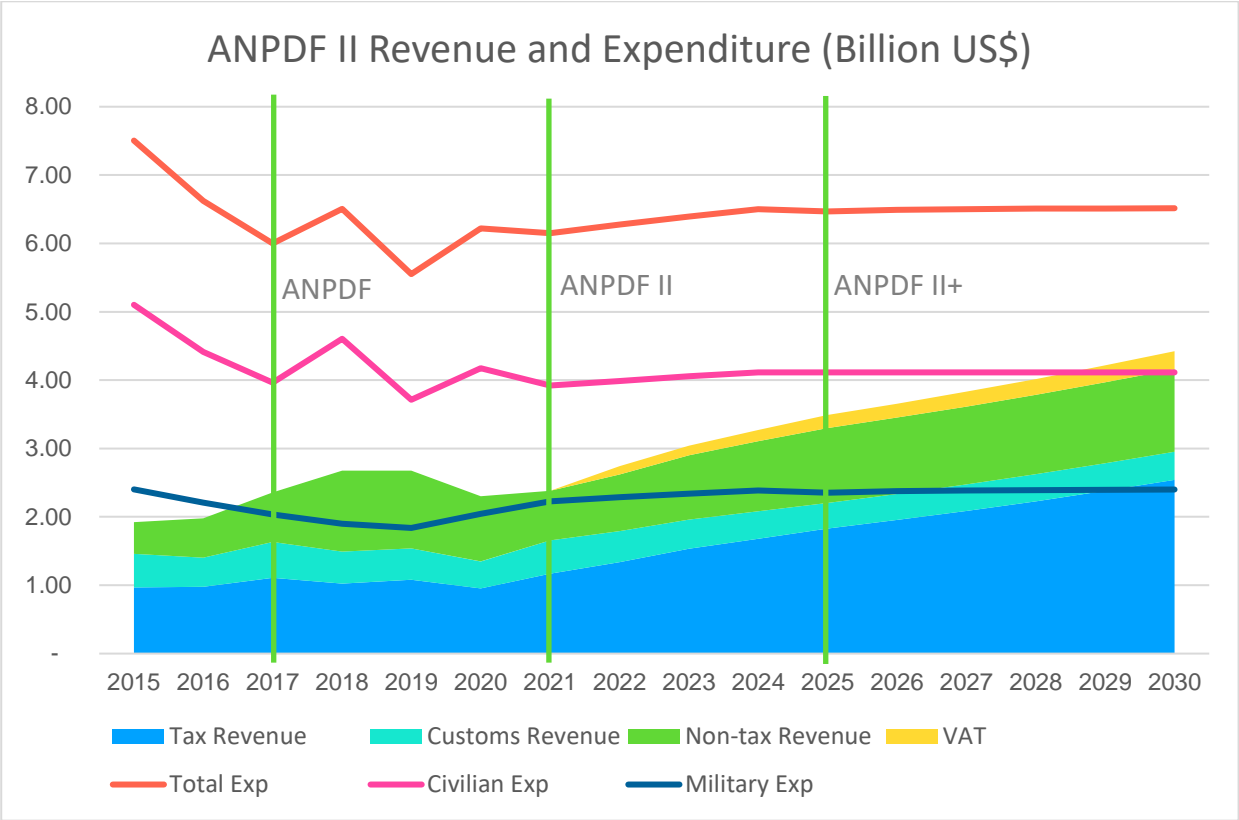


### 6.1.3 Downside Case Scenario: Economic Recession

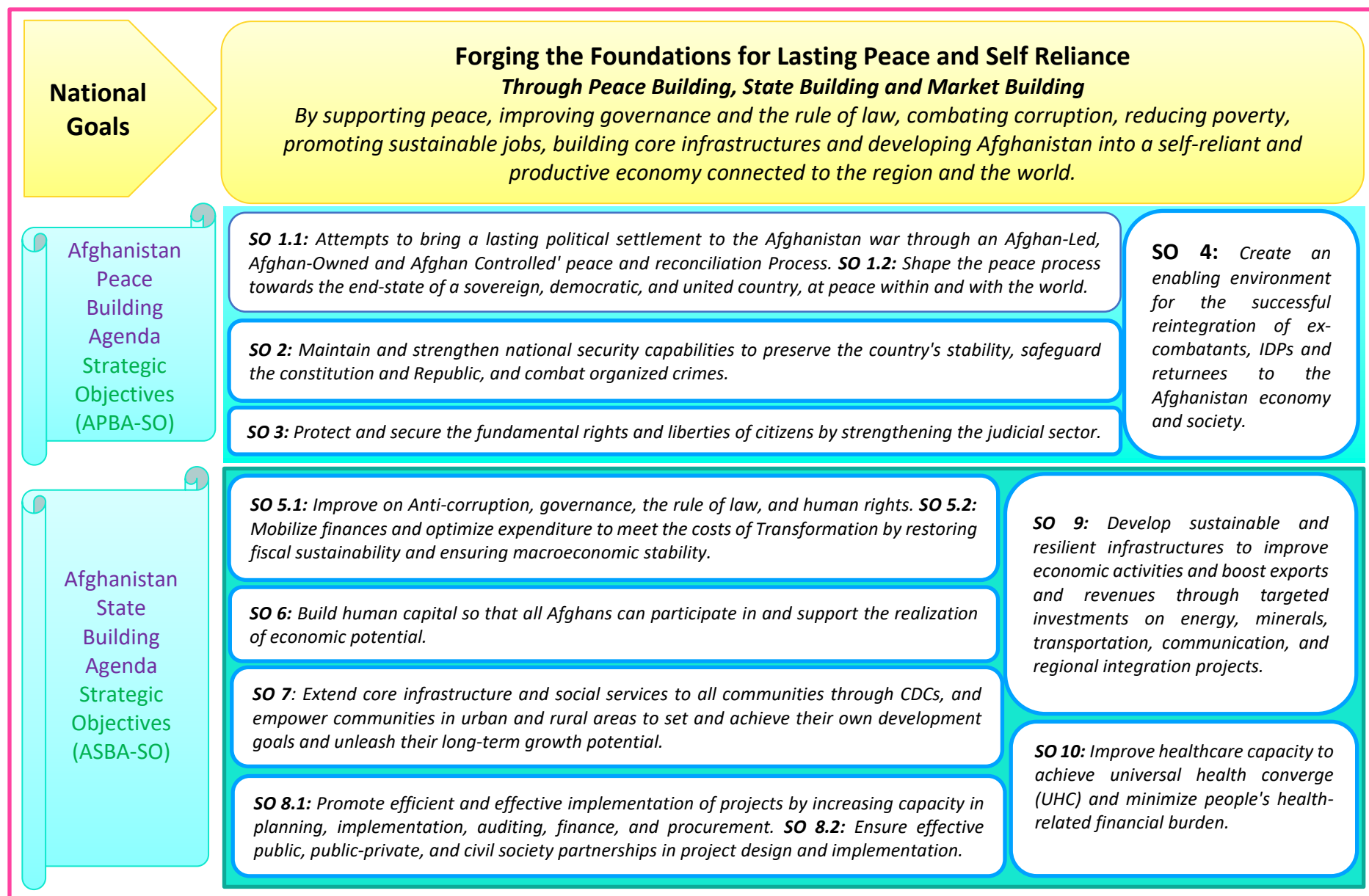
The Downside Scenario projection in this document reflects an environment in which the effects of COVID-19 persists, and increasing violence and reduced external support constrain the fiscal space. Under this financing scenario, premature reductions in aid flow and the deepening violence overtime lead to slower growth (of around 2 percent - 2.5 percent annually), a surge in illegal migration and brain drain, increased poverty with high population growth (wherein GDP per capita drops from US\$ 571 in 2019 to US\$ 467 by 2024), and limited revenue collection. The civilian expenditure envelope — constrained by consistently high-security spending, reduced donor support after 2021, and weak domestic revenue mobilization — will focus primarily on response and recovery to COVID-19 with limited space to provide basic public services and investment in future growth and revenues. Should this scenario materialize, we will be forced to re-prioritize our National Priority Programs and reduce them in number, scale, and scope. The amount of international grants that Afghanistan will require to finance its civilian and security

expenditures will be equal to US\$ 16.68 billion through 2025 under the downside case scenario. Figure 6.1.3 outlines the projections.

Figure 6.1.3: Revenue and Expenditure Projections: Downside Case Scenario



## 7. Development Impact and Result Measurement



**Afghanistan  
Market  
Building  
Agenda  
Strategic  
Objectives  
(AMBA-SO)**

**SO 11:** Expand the tools of international partnership from Aid to trade, transit, investment, guarantees, and digital networks of knowledge.

**SO 12.1:** Promote sustainable agriculture by developing new initiatives designed to stimulate the growth of existing and new agricultural products for domestic consumption and exports.

**SO 12.2:** Promote and strengthen effective management of agricultural production and productivity to ensure national food and nutrition security and increased household incomes.

**SO 12.3:** Develop a knowledge-based, sustainable, transparent, and efficient extractives sector that supports Afghanistan's broad-based and inclusive development.

**SO 15:** End violence against women, and create and implement balanced progress with the increasing role of women as active agents of change in Peace Building, State Building, and Market Building processes.

**SO 13:** Expedite inclusive and sustainable industrialization by promoting lasting peace and improving security and political stability.

**SO 14:** Make Afghanistan's cities the hubs of economic growth by increasing urban employment opportunities, especially for youth and women, and reducing urban, peri-urban, and rural poverty.

**Afghanistan  
Peace  
Building  
Agenda  
Intermediate  
Results  
(APBA-IR)**

**IR 1.1.1:** Offer an unconditional peace negotiation to Taliban and recognize the group as a political party.

**IR 1.1.2:** Emphasize on a comprehensive cease-fire and cessation of conflict.

**IR 1.2.1:** Continue attempts to build a national, regional and international consensus to bring peace in Afghanistan.

**IR 1.2.2:** Protect and promote the democratic processes and the gains of last 20 years.

**IR 1.2.3:** Mitigate the local level disputes by defining and ensuring effective implementation of property rights.

**IR 1.2.4:** Reduce the level of crimes and violence, by comprehensive planning and financing of job creation programs.

**IR 2.1:** Improve the ANDSF capabilities.

**IR 2.2:** Enhance the capacity of the security sector institutions to prevent violence, terrorism and crime.

**IR 3.1:** Promote and ensure implementation of law and justice for all equally.

**IR 3.2:** Ensure the independence of the judiciary.

**IR 3.3:** Extend the reach of the formal institutions of justice throughout the country.

**IR 3.4:** Enhance people's confidence on institutions of justice by reducing misunderstandings about the formal justice administration through legal awareness campaigns.

**IR 3.5:** Prevent usurpation and illegal use of public land.

**IR 4:**



Afghanistan  
State  
Building  
Agenda  
Intermediate Results  
(ASBA-IR)

**IR 5.1.1:** Enhance momentum on anti-corruption efforts.

**IR 5.1.2:** Improve governance in public sector management.

**IR 5.1.3:** Improve sub-national governance by establishing Regional Development Authorities responsible for designing, planning, implementing and monitoring of development projects.

**IR 5.1.4:** Establish a professional civil service through systematic training and capacity building programs and transparent recruitment procedures.

**IR 5.1.5:** Promote Afghanistan's participation in global governance.

**IR 5.1.6:** Eliminate or significantly reduce child labor and end exploitation, torture, sexual abuse and violence against children.

**IR 5.2.1:** Improve revenue collection and fiscal management.

**IR 5.2.2:** Adopt expenditure consolidation measures.

**IR 5.2.3:** Continue to implement a comprehensive reform strategy to examine government finances through an anti-corruption lens.

**IR 6.1:** Increase school enrollments and improve the professional skills of teachers.

**IR 6.2:** Provide quality and balanced pre-school education services for all girls and boys, especially in disadvantaged and remote areas.

**IR 6.3:** Improve school enrollment rate and adult literacy rate with increasing attention on improving girl's education.

**IR 6.4:** Ensure inclusion of children with special needs and the children of returnees and IDPs.

**IR 6.5:** Reorganize Islamic education schools to increase student enrollment in areas with low public education enrollment.

**IR 6.6:** Improve access to Higher Education and Technical and Vocational Education and Training (TVET).

**IR 6.7:** Improve faculty and staff's capacity by securing scholarship and higher education opportunities within the country for university teachers.

**IR 7.1:** Reduce poverty and deepen the relationship between citizens and the state, by improved services delivery through CDCs.

**IR 7.2:** Reduce unemployment by directing CCs focus on poverty alleviation initiatives such as social protection projects and other labor-intensive public works programs.

**IR 7.3:** Encourage the active participation of CDCs in the design, implementation and monitoring of social services, such as health, education, and support to the local agriculture sector.

**IR 8.1:**

**IR 9.1:** Improve sustainable access to water, electricity and sanitation for all citizens.

**IR 9.2:** Improve access to transportation, communication and internet for all citizens.

**IR 9.3:** Improve planning, implementation and delivery of the infrastructure pipeline, policy, and regulatory reforms.

**IR 9.4:** Ensure transparency and accountability in utilization of the fiscal resources allocated to infrastructure development.

**IR 9.5:** Increase public-private partnerships (PPPs) and encourage private sector investment in infrastructure development.

**IR 10.1:** Improve children's and women's nutrition status and increase utilization and coverage of family planning methods.

**IR 10.2:** Design and implement effective program aimed at eradicating polio and tuberculosis (TB).

**IR 10.3:** Reduce accessibility challenges to polio vaccination.

**IR 10.4:** Cover the chronically missed children in inaccessible areas.

**IR 10.5:** Increase women's access to reproductive health services.

Afghanistan  
Market  
Building  
Agenda  
Intermediate Results  
(AMBA-IR)

**IR 11.1:** Transform the emerging consensus on regional connectivity into focused programs of regional integration for economic cooperation.

**IR 11.2:** Accelerate targeted energy, mineral and regional integration investment to boost exports that will yield near-term benefits in terms of revenues.

**IR 11.3:** Proceed to expedited timelines with major planned projects, including TAPI, TAP, CASA-1000, and additional major transport infrastructure projects.

**IR 11.4:** Increase the impacts through improvements in logistics and regulatory constraints at border points.

**IR 11.5:** Create new economic opportunities by expanding internet connectivity, including regional fiber-optic cable connections.

**IR 12.1.1:** Increase labor and capital productivity in areas that Afghanistan has competitive advantage (e.g. dried fruits and nuts, marble, a route for energy transit, gems, rare earth minerals and lithium), by enhancing skills and facilitating access to wider markets.

**IR 12.1.2:** Ensure improved access of farmers to land, water, and reformed seeds.

**IR 12.1.3:** Eliminate hunger by improving agriculture productivity and increasing food production.

**IR 12.1.4:** Increase agriculture exports by supporting the development of Agri-processing capacity.

**IR 12.2.1:**

**IR 12.3.1:** Combat illicit exploitation of natural resources and the cultivation, production and trafficking of opium poppy.

**IR 13.1:** Increase industry's share of employment and gross domestic product.

**IR 13.2:** Raise the access of small-scale industrial units to affordable credit, and their integration into markets and value chains.

**IR 13.3:** Improve the regulatory environment for small sale enterprise development.

**IR 13.4:** Sustain reform progress to build confidence.

**IR 13.5:** Develop commercial laws that stimulate and support private sector growth.

**IR 13.6:** Increase revenue coming from the sector by reducing the number of businesses operating as informal.

**IR 13.7:** Ensure an enabling legal and political environment that encourages practical application of know-how in the creation of new economic enterprises.

**IR 14.1:** Ensuring Adequate Housing and Basic Urban Services for All.

**IR 14.1.1:** Promoting new affordable and social housing.

**IR 14.1.2:** Upgrading informal settlements to integrate into the city fabric.

**IR 14.1.3:** Undertake urban renewal in the five major cities to transform inner-city neighborhoods.

**IR 14.1.4:** Improve neighborhood-level public spaces and facilities.

**IR 14.1.5:** Strengthen local and national construction and building materials industry.

**IR 14.2:** Harnessing the Urban Economy and Infrastructure.

**IR 14.2.1:** Reduce urban poverty and strengthen the resilience of urban households.

**IR 15.1:** Enable women to join the local, regional, and national labor markets, and compete on an equal footing in various social, political and economic affairs in the country.

**IR 15.2:** Improve women's access to start-up technical and financial resources.

**IR 15.3:** Eliminate regulatory barriers to women's economic participation.

**IR 15.4:**

Afghanistan  
Peace  
Building  
Agenda  
Immediate  
outcome  
(APBA-IO)

**IO 1.2.3:** ## local-level dispute resolution mechanisms of property rights enforcement established.

**IO 1.2.4:** % reduction in deaths due to traffic accidents by 2025.

**IO 1.2.5:** Integrate ## combatants by 2025.

**IO 1.2.6:** 20% reduction in poverty (i.e., from 54.5% in 2019 to 34.5% in 2025), including in lagging areas.

Afghanistan  
State  
Building  
Agenda  
Immediate  
outcome  
(ASBA-IO)

**IO 5.2.1:** Progressed toward 5 percent growth rate by 2025.

**IO 5.2.2:** Progressed in revenues collection, reaching USD 302.6 billion by 2025.

**IO 5.2.3:** Government meets 54.62% of the total annual budget expenditure by 2025.

**IO 5.2.4:** progressed towards reduced inequality – Raise and sustain the income growth of the bottom 25% of the population at a rate higher than the national average.

**IO 5.2.5:** Established the High Council on Rule of Law and Anti-corruption that oversee the completion of benchmarks and enforcement of the decisions of the Attorney General's office.

**IO 5.2.6:** The interim anti-corruption strategy and the anti-corruption plans of each of the NPPs are about to finalize.

**IO 6.1:** Inclusion of 3.7 million children of out of school students (75% girls) by 2025.

**IO 6.2:** (1) X, X, and X% increase in primary, secondary and tertiary school enrollment rates respectively (from 2019 base year), (2) Increase in the percentage of enrollment in literacy courses from X% in 2019 to X% in 2025.

**IO 6.3:** Inclusion of # children with special needs and inclusion of all children of returnees and IDPs.

**IO 6.4:** Register all MADRASAs across the country with the Ministry of Education, and develop and distribute their curriculum.

Concluded # bilateral and multilateral agreements with neighboring, regional and trans-regional countries to procure employment opportunities to Afghan laborers abroad.

**IO 6.5:** Provide literacy-training opportunities accompanied by material incentives to # adult men and women across the country by 2025.

**IO 6.6:** 30% increase in the number of qualified teachers: upgrade 90,000 existing teachers with 14 years of education to undergraduate degrees and upgrade the educational degrees of 47000 of 12th class graduate teachers to 14th and bachelor levels, and 5% increase in the number of female teachers (from 37% in 2019 to 42%) by 2025.

**IO 1.7:** Finalize the teacher training policy, and recruit 65000 qualified teachers across the country equitably and transparently.

**IO 6.8:** (1) 3000 more schools by 2025 (Up from 18500 in 2019) and (2) Percentage increase of schools with buildings from 56% of all school in 2019 to 80% of schools by 2025, and (3) Finalize the policy of constructing and maintaining schools buildings.

**IO 6.9:** Update, publish and distribute ## school textbooks based on the new curriculum framework by 2025.

**IO 6.10:** (1) Approved the regulation of distance education, (2) Approved the regulation of granting the right to the private sector for publishing school's curriculum, (3) Amended the regulation of private schools activities, (4) Approved the policy for

**IO 7.1:** The outreach of the charter extended to ### communities by 2025 to build basic infrastructure and deliver minimum standard health and education services (up from 10000 in 2019).

**IO 7.2:** ### jobs created through citizen's charter initiatives by 2025.

**IO 8.1:**

**IO 9.1:**

**IO 10.1:** (1) High routine immunization coverage provided, (2) improved management quality to increase the quality campaigns, (3) enhanced effective communication to reduce large-scale vaccination refusal rates.

**IO 11.1:** Progressed toward expansion of exports to USD 1.5 billion by 2025.

**IO 11.2:** Substantially improved trade balance and budget deficit.

**IO 11.3:** Prioritized the extension of railways from custom points inland.

**IO 11.4:** Investing in eight key customs centers to expedite flows.

**IO 12.1:** 150,000 ha of land under cultivation increased/per year (aiming for 2.5 million ha by 2020).

**IO 12.2:** # tons of wheat production increased (aiming for 1 million T by 2025).

**IO 12.3:** # of agribusiness parks established.

**IO 12.4:** # of Women benefiting from participation in the employment growth in agriculture.

**IO 12.5:** % of value-added increased in Agri-processing as a result of new parks established (aiming around US\$330 million).

**IO 12.7:** 5% increase/per annum in agricultural exports through improvements to export procedures and certification.

**IO 12.8:** The number of farmer learning centers increased to 400.

**IO 12.9:** % increase in Agricultural growth of grains and horticulture, including grapes, almonds, pomegranates, and pine nuts.

**IO 12.2.1:** US\$400 million reached by 2025.

**IO 12.2.2:** Around US\$ 800 million by 2025.

**IO 12.2.3:** A total of # projects developed in the marble sector.

**IO 12.2.4:** % increase in annual employment in the extractive industry (where Y2015 used as a baseline).

**IO 12.3.1:** % increase in taxation of informal semi-precious stone mining

**IO 12.3.2:** # Projects developed in integrating the mining extractive development with a broader growth strategy.

Afghanistan  
Market  
Building  
Agenda  
Immediate  
outcome  
(AMBA-IO)

**IO 13.1:** commercial laws that support private sector growth promoted.

**IO 13.2:** licensing and registration requirements for private enterprises streamlined.

**IO 13.3:** Credit facilities to the private sector improved.

**IO 13.4:** progressed towards reduced inequality – Raise and sustain the income growth of the bottom 25% of the population at a rate higher than the national average.

**IO 14.1:** Reduced timeline for urban planning development approvals and increased % of approvals based on the application of urban/ municipal regulations (% TBD from baseline).

**IO 14.2:** (1) Ministry, city, and municipality staff efficiency/ performance improved (TBD %), (2) citizens perception that local service delivery improved by X% (over baseline), (3) # of municipalities with increased revenue collection (from baseline).

**IO 14.3:** (1) % increase in the use and effectiveness of community governance and public platforms, (2) % increase in the number of citizens accessing community-based websites and public platforms.

**IO 14.4:** % increase in participation of youth and women in local governance, municipality, and community institutions (from baseline).

**IO 14.2.1:** (1) % increase in number houses/apartments constructed under affordable and social housing programs, (2) % increase in the number of HHs accessing affordable/social housing.

**IO 14.2.2:** (1) % increase in integration of informal settlements in city plans, (2) % increase in informal settlements access to services.

**IO 14.2.3:** % increase in inner-city HHs perception of improvements in renewal, quality of life and access to services.

**IO 14.2.4:** (1) Increased % of citizens using public facilities, (2) increased number and % of HHs with an improved potable water supply and sanitation (from baseline).

**IO 14.2.5:** (1) Increase in % of buildings with improved standards, (2) % of industry workers with the perception of improved skills, (3) % of clients with improved construction quality (from baseline).

**IO 14.3.1:** (1) % increase in urban poor with land certificates, (2) % increase in employment opportunities, (3) % increase in urban economic growth

**IO 14.3.2:** (1) % increase in land registration, (2) % improvement in land registration and transfer efficiency.

**IO 14.3.3:** (1) % increase in access to transportation services, (2) % increase in quality of service, (3) % increase in HH and business access to water supply and sanitation services.

**IO 15.1:** % increase in women' access to credit (base year 2019).

**IO 15.2:** % increase in delivery of skills training programs to women in local communities by 2025 (from base year).

**IO 15.3:**

## 7.1 National Priority Programs (NPPs') Results Framework and Monitoring Methods

National Priority Programs (NPPs)	Strategic Objectives (SO)	Intermediate Results (IR)	Immediate Outcomes (IO)	Priority for Attention	Primary Monitoring Methods
				Low	
				Medium	
				High	
Peace Building					
Peace Program					
Security Sector					
Justice for All					
Reintegration					
State Building					
Effective Governance					
Human Capital Development					
Citizens' Charter					
Implementation Support					
Infrastructure					
National Healthcare					
Market Building					
Trade and Transit					
Primary Sector Development					
Industrial Development					
Urban Development					
Women's Economic Empowerment					