



Islamic Republic of Afghanistan

# **Afghanistan's Road to Self-Reliance: The First Mile Progress Report**

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## Abbreviations

ACCI	Afghanistan Chamber of Commerce and Industries
AGO	Attorney General's Office
AHIRC	Afghanistan Independent Human Rights Commission
AISA	Afghanistan Investment Support Agency
ANSF	Afghanistan National Security Forces
ASYCUDA	Automated System for Customs Data
BRT	Business Receipt Tax
CAREC	Central Asia Regional Economic Cooperation
CBR	Capacity Building for Results
CEO	Chief Executive Officer
DAB	Da Afghanistan Bank (the Central Bank of Afghanistan)
DBI	Doing Business Indicators
EITI	Extractive Industries Transparency Initiative
EVAW	Elimination of Violence against Women
GDP	Gross Domestic Product
HOO	High Office of Oversight
ICC	International Coordination Committee for National Human Rights Institutions
LOTFA	Law and Order Trust Fund for Afghanistan
MEC	Monitoring and Evaluation Committee
MOU	Memorandum of Understanding
NPC	National Procurement Commission
NPPs	National Priority Programs
PFM	Public Financial Management
PFM	Public Financial Management
RECCA	Regional Economic Cooperation Conference on Afghanistan
SAARC	South Asian Association for Regional Cooperation
SMAF	Self-Reliance through Mutual Accountability Framework
SMP	Staff Monitored Program
SOM	Senior Officials Meeting
TAPI	Turkmenistan, Afghanistan, Pakistan and India
TMAF	Tokyo Mutual Accountability Framework
UNAMA	United Nations Assistance Mission for Afghanistan
UNSCR	United Nations Security Council Resolution
VAT	Value Added Tax



## I. Introduction and Background

Afghanistan's National Unity Government took office in October 2014. On December 4, 2014, the new government used the London Conference on Afghanistan to present an ambitious reform program to the international community. The "Realizing Self-Reliance" reform strategy promised to put in place the building blocks needed to promote security and support regional diplomacy; begin the process to make Afghanistan's public finances sustainable; improve governance; trigger growth and job creation; and ensure that the basic rights of the Afghan citizenry to participate in and benefit from development are realized.

For the Government, realizing self-reliance is much more than a strategy. It is a fundamental shift in the way we approach the challenges that lie ahead to peace and prosperity. The pressing need for reforms has been building on several years of dialogue with the international community that resulted in the Tokyo Mutual Accountability Framework (TMAF). Momentum for reform has also come from the lively democratic discussion within Afghanistan over the people's aspirations and priorities for reform, which had culminated in the election of the National Unity Government (NUG). In London, donors confirmed their support for the "Realizing Self Reliance" strategy, agreeing to review progress on both Realizing Self-Reliance and TMAF in September 2015 and coming up with a refreshed TMAF, which is now called the Self-Reliance through Mutual Accountability Framework (SMAF).

The new government took office at a challenging time in 2014. The period between 2002 and 2012 saw much progress in rebuilding the basic organs of the state and restoring the most basic of services, particularly in the first half of the decade when the conflict was less prevalent. Partnerships between the government and the international community began a steady process of improving the health, education, and economic prospects of individual Afghans. Table 1 provides a snapshot of that decade of progress.

By late 2012, the signs that progress had slowed and reforms had plateaued were already visible. Coalition forces had begun their withdrawal and by 2013 the drawdown of international troops was well advanced. By the London Conference, virtually all combat operations by the international forces had ceased. As was widely anticipated, the economy suffered a shock as international spending on Afghanistan was sharply reduced. Soon afterwards the Taliban launched their most aggressive assault in nearly fourteen years, putting additional pressure on the national budget through increased security costs.

Afghanistan's development context is every bit as challenging as the security environment. Relationships with the international community became difficult in the year before the 2014 election. With escalating conflicts destabilizing the region and over 85 percent of government expenditure in Afghanistan derived from international assistance, both donors and the government are to some extent locked into a partnership they cannot avoid. The conditions are not conducive to the kind of private sector investment that could drive a diversified and sustainable economy, and not expected to change for some years to come. Instead, employment is driven by security spending, aid projects, a large but not very productive informal sector, and a battery of illicit activities that include growing opium, cross-border smuggling, and small scale illegal mining.

The Afghan economy is shaped by the on-going conflict. Returning refugees and internally displaced people have flocked to the cities, leaving agriculture behind. This unplanned and disorderly rural to urban migration has meant most people are not primarily moving to find employment or to create livelihoods, but are simply fleeing conflict and poverty. With little or no formal employment, urban poverty is a growing problem, often leading to crime.

The difficult overall development environment in Afghanistan is matched by an equally problematic public administration. Corruption has been rampant across government. The Kabul Bank scandal was serious enough in its own right —the total losses amounted to nearly 50% of the entire country's national spending on education—but it also epitomized the extent to which key sectors such as finance, mining, and transport could be plundered. Remaking the public service into trusted institutions is a key challenge in building the legitimacy of the state in a country with little history of good government.

Deeply embedded patronage across government institutions has meant merit or competence based selection of civil servants is not the norm, which translates into very low capacity in many core areas of government policy making and service delivery. This was one of the reasons why donors were reluctant to use government systems and instead have kept much of their aid off-budget. Even following more recent agreements to put more aid on-budget, much of the increases have been in non-discretionary, project based aid. While this meets commitments made by donors, it in effect provides no added flexibility in the budget for the government and holds the government responsible for funds that government policy makers have little or no control over. Planning remains fragmented and unrealistic; capital investment is favored over operations and maintenance; and strategies to develop healthy government management systems are undermined from the outset.

This prevailing context for the civil service has seen qualified civil servants and educated Afghan specialists increasingly leave the government for better pay and working conditions with international agencies and contractors. Development agencies and their Afghan partners have in part tried to overcome the low capacity and poor performance of the civil service by using contracted staff embedded within ministries to execute urgently needed programs, creating what the President has called a “second civil service”. As aid levels have begun to drop and capacity building projects come to an end, it is becoming clear that the substitution of government capacity inherent in this approach is unsustainable. Ministries need to be weaned off technical assistance and the current culture within the civil service transformed into one based on performance, accountability and service.

The result is that, despite all of the progress of the previous decade, Afghanistan is still at the bottommost register of nearly every international indicator of effective development. Moreover, in some areas past positive trends have slowed down significantly or even reversed. Table 1 provides a snapshot of Afghanistan's position in a number of widely used development ranking indices.

**Table 1: Afghanistan in Global Perspective**

Index	Afghanistan	G7+ Average
Transparency International	172	145
Ease of Doing Business	183	133
Human Development Index	169	157
World Bank CPIA	2.7	3
Freedom House Index <sup>1</sup>	6	3.5

The current government took office with Afghanistan having some of the world's worst indicators on rural poverty, maternal mortality, domestic violence, and infant stunting. Trust in the government was low. The fiscal position was highly constrained with public finances heavily stretched as security costs remain high and investment remains low. Criminality was rampant and has in the past penetrated deep into the government itself, with pervasive corruption being the most visible but not the only symptom. Core institutions such as the justice sector have historically performed poorly. Constant uncertainty about the future—political, economic, and security—continues to undermine confidence and severely constrain private investment, leading to increasing flight from the country of both capital and people.

## The Senior Officials Meeting

The Government took office promising a comprehensive program for reform. This Senior Officials Meeting marks the tenth month of government action on the “Realizing Self-Reliance” agenda presented at the London Conference. A lot has happened since the London meeting. The objective of this report is to provide a candid assessment of how much progress has been made on the reform agenda and the TMAF commitments.

**Reform is underway:** After a challenging first few months in office, the government has put in place the building blocks needed to implement the “Realizing Self-Reliance” agenda. The National Unity Government is already a much more effective instrument for policy leadership and it is launching a revitalized electoral reform process to give momentum to these first steps towards better government. The politics of the Unity Government required compromise and negotiations to ensure a stable and legitimate outcome. The results have been positive despite the initial delays. The Cabinet is now in place and includes a large share of highly qualified ministers with clear mandates to drive reform. The revised Cabinet and Council of Ministers processes are bringing clarity, transparency and accountability to decision making. Whilst there have been some unavoidable compromises with political stakeholders, the new governors, who will be the

<sup>1</sup> 1=best, 7=worst. Freedom House<sup>1</sup>

face of the government in the provinces, were similarly chosen primarily on merit and are already helping to improve sub-national governance. A draft national policy on subnational government has been developed through consultation with provincial stakeholders.

Afghanistan's relationships with its neighbors have improved significantly. The commitments by the President and the CEO to security and economic cooperation are slowly bearing fruit. Trade agreements are being negotiated. Plans for cross-border investments are being developed. Afghanistan is playing a central role in promoting dialogue on peace and security at home and in the region, and discussions are beginning on opportunities for better economic integration in South, West, and Central Asian regional forums such as the Heart of Asia-Istanbul Process, SAARC, and the Lapis Lazuli trade corridor dialogue.

The economy remains fragile but there are signs of a modest recovery following the election. The uncertainty created by the political and security transitions in 2014 coincided with a slowdown in growth and business activity. Real GDP growth fell from 6.4 percent in 2013 to 2.1 percent in 2014, but is expected to recover to 1.9 percent in 2015. The fiscal position remains highly constrained, but again there are some signs of improvement. After a large drop in revenue in 2014 the government was forced to run down cash balances to meet recurrent costs, and reduce some operational expenditure on things like maintenance. As the economy recovers we are also seeing a recovery in revenue, with projected revenue about 10 percent higher in 2015 than in 2014; though this is still less than the 20% needed to balance the budget. The government is expediting the introduction of new taxes (telecom top up fee) and increases in fuel import fee as well as the Business Receipt Tax (BRT) to achieve the year's revenue target.

Banking sector reform is underway. Balance sheets are being cleaned up and stress tests to identify weaknesses are being carried out. The government has also made significant progress in establishing a sound legal framework for combatting money laundering and the financing of terrorism, with plans for intensified enforcement.

The government has launched an ambitious reform to improve public financial management that will use a reformed budget process to align government expenditure behind national priorities, provide incentives for better implementation, and link reporting back into the strategic planning process. The government is setting out a clear fiscal strategy with achievable goals. At the heart of this strategy are sustainable government finances through a single national budget and the introduction of multi-year fiscal frameworks for better budget management and predictability.

Government actions to improve performance on social development and human rights are underway. Afghanistan's press and social media are amongst the freest in the region. Civil society faces no significant institutional or regulatory restrictions although for both press and civil society there are still challenges posed by unauthorized individual abuses. Despite deep challenges and embedded opposition, the senior most parts of government have demonstrated a firm commitment to support women's civic rights and advance their role in the government and economy.

While the government has made a positive start on reforms, there are areas where implementation of the Self-Reliance agenda has not been as rapid as hoped. Some, though not all, of the reasons for slow progress are due to extraordinary factors that are beyond the government's control. The ferocity of the Taliban assault in the wake of the withdrawal of international forces has



shifted the focus of the government to a war footing that has tied up Afghan managerial resources and attention as well as put pressure on the national budget. In addition, the structural and legacy problems within government —endemic corruption, a lack of managerial capacity, a weak justice sector —were even more embedded and difficult to shift than initially anticipated. Controlling human rights abuses and changing attitudes towards women, many of which are not endemic to Afghanistan but have arisen over the war years, require vigilance and persistence. All of these issues will require sustained long-term reforms to fix.

Some factors for delay are also a result of deliberate choices made in the midst of difficult trade-offs. Overcoming the divisiveness of the election to build the unity government was a difficult and time-consuming process, but the important outcome that the senior leadership of the Unity Government can now present a shared vision for national development, was worth the investment in time that reaching this consensus required. Anti-corruption programs, when taken seriously, inherently involve slowdowns in implementation until new, transparent, and competitive systems are put in place. And while stakeholders rarely agree on everything in Afghanistan, there was a universal consensus that ending the debilitating corruption, collusion, and nepotism was a national priority.

Other challenges are under the government's control and, as this report acknowledges, will require concerted action to overcome. Sub-minister level appointments of qualified deputies, governors and others are prerequisites for effective implementation of reform programs. Justice sector reform is critical for building trust that government institutions execute the law fairly. Private sector development continues to be impeded by excess red tape and lower level rent-seeking. The government must put in place a fiscal strategy that will make the budget sustainable in the long term through increased revenue and more efficient investments in capital and services.

**Dialogue breeds the confidence to change:** Trust is being rebuilt and the government has a credible reform strategy in place. A productive dialogue over how Afghanistan's partners can best support the self-reliance agenda is timely. Based on recent discussions with our development partners, some of the development modalities built up over the past decade and a half are no longer appropriate for the country's changing environment and the lessons learned about sustainable development now need to be applied.

The goal of the government is self-reliance not perpetual aid-dependency. Development cooperation can now shift from implementing projects to building systems. From a development perspective, fundamental to Afghanistan's successful achievement of the self-reliance strategy will be reforms to the budget process that put the government fully in control of domestic policy implementation and therefore make it fully responsible for its outcomes. Rebuilding Afghanistan's human capital, including a civil service that can credibly perform core government functions, is equally important if self-reliance is to be achieved.

**Organization of the Paper:** This paper provides the Senior Officials Meeting with the government's assessment of the progress that has been made since December 2014 under the "Realizing Self-Reliance" reform strategy. We recapitulate the main commitments, assess what has been delivered, and summarize the next steps.

The Government is committed to candor not just in its interactions with donors, but also in its evaluations of its own performance. For that reason each section includes the government's self-assessment rating through an A-F scorecard. The scores put forward in this report are not intended to be precise measurements; an "A" means that we think that overall performance in 2015 is as good as could have been expected; a "C" would mean "average" but needing significant improvement; while an "F" would stand for deep discontent and approaching crisis. The government is preparing more carefully quantified, individual balanced scorecards for each ministry. However, an overall, comparative view of perceived strong and lagging areas will help guide a productive SOM discussion.

The paper presents summaries and highlights; it is not a comprehensive review of each commitment. However, annexes 1 & 2 provide tabular presentations of performance against the 25 Self-Reliance short-term priorities and the 2012 TMAF hard deliverables.

This paper was prepared in tandem with the national development planning paper. The two should be read together. While "Realizing Self-Reliance: The First Mile" provides a progress report on the aspirational goals for reforming Afghanistan's development machinery, the national development planning paper provides the first concrete illustration of how to put those priorities into action from within country systems.

Finally, this report is meant to review progress on the start of the "Realizing Self-Reliance" reform plan and is not a final evaluation or even a mid-term progress report. The government has been in power for less than one year and has only had a complete Cabinet since May 2015. Judgments should be primarily about whether the government has satisfactorily advanced to the starting gate, not to the finishing line.

## II. Progress on Realizing Self-Reliance:

### A. Improving Security and Political Stability

The two biggest challenges for the new government were to forge unity after the election and to prove that the Afghan armed forces could contain the heightened Taliban assault.

**What We Promised:** The unity government committed to reforming the electoral process and to introducing civilian controls over security sector management.

#### **What We Delivered:**

The most important action was the inauguration of the Special Commission on Electoral Reform, which was endorsed by the full government leadership. Recently, the Commission submitted the first phase of recommendations to the Chief Executive and President. But equally significant was the joint submission to parliament of a unified list of ministers who had been selected on the basis of their merit, experience and reputation for integrity. The result is a fresh, highly qualified cabinet that has the full support of the country's top leadership. The government will come up with a timeline for parliamentary and district elections as soon as the Electoral Reform Commission gives its recommendations. The appointment of governors is also largely complete. Again, merit and experience, not patronage, guided selection. While there have been some accommodations

with regional power-holders, for the most part the new governors have started off well and are supported by the population. Finally, the government re-confirmed its intention to hold mayoral elections within two years.

Progress on security sector reform has been uneven. Despite the lack of a confirmed defense minister until August 2015, reform of the defense ministry has moved forward as evidenced by the current high morale of security forces and the increasingly effective management of the defense strategy. The introduction of civilian oversight through the National Procurement Commission (NPC) has been particularly effective. It has already started to reduce previously high and damaging levels of corruption, producing not only significant savings to the government in what accounts for more than half of total government expenditure, but, more importantly, ensuring that soldiers in the field receive proper equipment and support.

Reform of the Ministry of the Interior has been more difficult. There has been high resistance internally to civilian systems for fiduciary controls, procurement, and human resource management. The joint work to reform the deeply problematic Law and Order Trust Fund for Afghanistan (LOTFA) highlighted how entrenched the problems are and how much more work the government still needs to do. Agreement was reached on a LOTFA handover action plan, but the Interior Ministry will require extensive additional reforms before it can credibly manage the funds directly.

Greater respect for human rights and the rule of law complement improved security. Other sections of this paper discuss the legal reform plan that must underpin progress on human rights. For the security sector, emphasis will go into heightened training for security personnel on human rights, improved monitoring and review, and reinforcing the government's ongoing commitment to support human rights defenders.

**Next Steps:** Follow-up actions on the political front will include supporting the work of the Electoral Reform Commission, holding parliamentary and district level elections, and continuing efforts towards effective functioning of the National Unity Government.

### **Government Scorecard:**

The government believes that high marks are deserved for the successful cooperation of the top leadership that has made the National Unity Government a success and for the actions to support the ANSF through better management. Reform of the Ministry of Interior has not progressed as quickly as needed, and, while the challenges of reform whilst fighting a war must be acknowledged, the new government will have to work harder to improve the security sector's management, reduce corruption, and promote respect for human rights throughout this ministry.

The government's overall scorecard rating in this area is **B**.

## B. Tackling the Underlying Drivers of Corruption

The President and the CEO are united in their commitment to root out corruption from the Government. While the leadership's commitment to ending corruption is unimpeachable, implementation of the anti-corruption program has highlighted how deeply embedded corruption has become.

**What We Promised:** The government's analysis promised action on five underlying drivers of corruption: (i) official tolerance of collusive practices; (ii) lack of oversight; (iii) un-enforced sanctions; (iv) arbitrary regulations that encourage rent-seeking; and (v) corruption in the legal system. A top "signaling" priority for both donors and the new government was decisive action on the Kabul Bank scandal. Even before the London Conference, the government had stated that prompt action on the Kabul Bank case would be the bellwether of its credibility on fighting corruption.

**What We Delivered:** The government has acted on all five reform areas. Immediate action on the Kabul Bank case broke the aura of impunity that had surrounded high level malfeasance. Not only were senior officials prosecuted, but over US\$ 228 million were recovered and returned to the national treasury, with further recovery efforts still underway. The government has gone ahead in streamlining the governance of anti-corruption efforts by removing duplication or overlapping of responsibilities amongst the anti-corruption agencies, mainly the Attorney General's Office (AGO) and High Office of Oversight (HOO). The HOO will be concentrating on registering assets of government officials while AGO will be pursuing and prosecuting corrupt officials. Assets of 23 out of the 25 Cabinet officials under article 154 of the Afghan Constitution have already been registered.

The customs and revenue departments, considered hotbeds of corruption, have undertaken a comprehensive reform and initial results are already visible. Leadership and administrative changes, human resource management reforms, streamlining of procedures to make them transparent and objective, and the automation of systems are some of the initiatives taken to fight corruption in these departments. In particular, the Ministry of Finance has taken control of the customs police, introduced tracking devices for transit vehicles, piloted E-payment at Hamid Karzai International Airport in Kabul, and constituted a review committee that has already visited nine provinces to review senior staff (grades 1 & 2). Customs revenue projections for 2016 are projected to rise significantly.

The lack of credible, competitive public sector procurement processes may well be the single biggest driver of corruption within government. "Realizing Self-Reliance" proposed setting up a new, temporary National Procurement Commission directly under the country's top leadership to oversee high value contracts. This approach was not supported by everyone, but the weekly engagement of both the President and the CEO with the National Procurement Commission (NPC) has sent unambiguous messages across the government that high level corruption will not be tolerated. Annex III summarizes NPC actions to date. Adding 35 trained staff has strengthened the Supreme Audit Office, which in 2015 carried out audits of four line ministries that together accounted for 60% of public expenditure. All four were found to be compliant with the World Bank's Incentive Program benchmarks.

Legal reform has also started. The new Chief Justice of the Supreme Court has an unblemished reputation for integrity. A presidential review of prosecutors found that a significant number of them did not have appropriate qualifications. However, the lack of a confirmed Attorney General has hampered progress on legal sector reform.

**Next Steps:** The fight against corruption is just one part of a broader struggle to bring under the rule of law a large criminal economy -in Afghanistan this is mostly but not solely referring to narcotics -that extends far beyond Afghanistan's national borders. Afghanistan's growing confidence in its security forces will allow for heightened actions against the narcotics-insurgency nexus. And Afghanistan's much improved relations with its neighbors will allow for stepped-up enforcement against transnational criminal networks.

In 2016, five areas will be particularly important and the main focus in reducing corruption within the bureaucracy. First, control of the customs police is being transferred to the Ministry of Finance. Improved management systems are now needed for successful integration. Second, individual ministry construction wings will be closed. Government construction will be consolidated under a professionally managed government services agency. Third, the government will work towards the declaration of 100% of senior officials' assets as per article 154 of the Constitution, with a specific commitment to complete at least 90% by the end of 2016. Fourth, at least five revenue based ministries (Ministry of Finance, Ministry of Mines and Petroleum, Ministry of Commerce and Industries, Ministry of Transport and Civil Aviation and Ministry of Communication and Information Technology) will adopt anti-corruption action plans. To help embed these plans, the government will be rolling out the purchasing module of AFMIS, the government's expenditure management system. Using this module across the finance system will allow for a shift to *e*-procurement, which will become compulsory for all public procurement. Lastly, the government is expanding its use of risk-based audits.

An over-riding and urgent challenge is to bring the fight against corruption down to the level of the common man and woman. High level actions against grand-scale corruption in banking, procurement, and natural resource licensing have not yet had tangible effects on lower level officials' rent-seeking. Bribery and extortion still plague the badly needed business sectors, which are being squeezed as other sources of corrupt income diminish. Over the coming year, the government will increase its use of surveys, monitoring, and direct dialogue with the private sector, citizen's groups, and civil society to build coalitions that will increase reporting and enforcement.

Finally, Afghanistan must stay the course with the reform strategy underpinning "Realizing Self-Reliance." Appointing a qualified Attorney General who can anchor prosecutorial reform is an urgent priority and is listed as a 2016 SMAF indicator. Improved public sector management, comprehensive reform of the legal sector, and reducing arbitrary regulations that promote rent-seeking will remain at the core of the anti-corruption action plan for 2016.

**Government Scorecard:** The right building blocks are in place and prompt action on the Kabul Bank case has sent the right signal that the era of impunity is over. However, the lack of an Attorney General to launch legal sector reform and the increase in lower level harassment justify a reduction in the government's score. The fight against corruption must improve the lives and views of ordinary Afghan citizens.

The government proposes a **B**-for this area.

### C. Building Good Governance

The public administration inherited by the National Unity Government was deeply dysfunctional. Introducing comprehensive reform to governance is central to the TMAF and “Realizing Self-Reliance” agendas. The Civil Service Commission has not provided the quality civil service system that the government needs and must be reformed. Ministries’ mandates overlap, causing conflicts rather than cooperation. Patronage is rife and too many ministries are stuffed with ghost or unqualified staff. The budget focuses too heavily on *ex-ante* expenditure controls, some of which are duplicated and achieve little, while a basic framework of producing budget statements that are then reported on at the end of each year in annual reports is missing. This means that expenditure controls make it difficult to get authority to spend money, but once approval is given, there is inadequate oversight of what happens to public investments. The lack of standardized national auditing rules has been identified as a barrier to effective fiduciary oversight. In practice, each ministry produces its own budget and accounting reports. These are manually reconciled, building in significant scope for error and malfeasance. For various historical reasons, the government’s core information systems cannot easily share information with each other.

**What We Promised:** The government committed to move public service from a system currently constructed around patronage and loyalty to one built on the basis of rules and merit. This section therefore focuses on progress to professionalize public administration.

The first and most important reform is only somewhat quantifiable, but it is critical. The government’s decision early on to not have any minister or governor from the previous administration continue in their position sent a clear signal to the Afghan population that there would be a fresh start, not just an electoral flurry and then more of the same.

**What We Delivered:** Three actions have put in place the building blocks for the “Realizing Self-Reliance” reform agenda. First, the new cabinet has indeed brought in younger, more professional leadership.

Second, the strategic overview of Public Financial Management Reform (PFMR) II roadmap, that will turn the budget into the government’s tool for policy execution and financial sustainability, has been drafted and circulated to relevant stakeholders for comments. Work on developing an implementation plan for PFMR II has also started. The Finance Ministry will consider creating a macro and fiscal policy unit reporting directly to the minister that oversees the roadmap, increases coordination between the policy, treasury, budget, and domestic revenue units of the ministry, and carries out quarterly budget reviews. Reforms are being presented in a rolling Fiscal Performance Improvement Plan (embedded within the roadmap) that focuses on performance and continuous improvement. Annual performance assessments will ensure that the government is adjusting plans and monitoring progress. Reforms are linked to international benchmarks through aspirational targets that will bring greater transparency and accountability to the process. Annual performance reports will be published. Work will also start on bringing the various management information systems into a single, user-friendly technology platform.

Third, the government and donors have also reached agreement on how a reformed public administration can best be supported. First, the umbrella mechanism to build civil service capacity is the revitalized “Capacity Building for Results” (CBR) program supported by the Afghanistan Reconstruction Trust Fund (ARTF). The restructuring decree was signed on July 29, 2015. Second, to avoid and hopefully reverse the bleeding of qualified civil servants into donor-supported programs, large donors, including the UN, will adopt invoicing scales for their contractors that are aligned with the CBR pay scale for qualified specialists. Third, reform ministers will work with professional help to improve workplace conditions so that public service becomes attractive to professionals, including strict implementation of “safe workplace” anti-harassment guidelines.

**Next Steps:** Now that the architecture of a revitalized public administration is in place, the focus will be on implementation. First, aided by CBR, ministries must prepare strategic human resource management plans that align their staffing against their ministry’s objectives. Ministries will complete their *tashkeel* and finish appointing qualified officials to senior positions, particularly deputy ministers and director generals. The government will also work with donors to adopt a phased approach for the transfer of off-budget technical assistance into government positions. Second, ministries must follow standardized accounting, classification and reporting procedures. And third, the President, CEO, and Minister of Finance will form a high level delivery unit that will monitor implementation and help ministers overcome bottlenecks.

A draft policy on sub-national governance has been prepared and will be introduced to Cabinet before the end of 2015. In 2016, the government will work to increase the fiscal authority of governors, increase the government’s permanent presence in districts, and begin work on economic master plans for Kabul and the four largest cities.

Good governance must also include respect for human rights and their enforcement through laws. In 2016, the government will prepare a comprehensive legal reform road map that will include proposals for expanding access to justice, implementation of the government’s Constitutional and international commitments on human rights, and improved mechanisms for legal review and appeal. If the security situation permits, UN Special Rapporteurs on violence against women, extrajudicial killings, and torture will be invited to meet with government and civil society to review progress and discuss action plans to build domestic constituencies for human rights.

**Government Scorecard:** Public sector reform is inherently a slow process. However, in the government’s view, the alignment between public debate over a national development strategy carried out through elected officials and parliament; the reduction of National Priority Programs (NPPs) to a manageable number; and the structural reforms to the budget process for the first time provide the basic building blocks of a qualified, accountable public administration.

The government’s proposed score is **B+**.

## D. Restoring Fiscal Sustainability

**What We Promised:** The new government inherited an economy in crisis. Growth had diminished, dropping to 1.9% in 2015. The gap between spending and revenue was so large that the government faced a fiscal crisis. Afghanistan’s already low rates of revenue collection were

dropping due to decreased trade and leakage. Tax evasion was so rampant that taxpayers were virtually considered to be aberrant.

The new government moved quickly to establish a short-term stopgap program and the framework for long-term reform. Key to the short-term program was agreement with the IMF on a Staff Monitored Program (SMP). This was achieved by June 2015, with a plan to roll it into a three year program for structural reform. The program covers reforms to macroeconomic governance; the banking sector; improvements to tax, tariff, cash, and budget management; and promoting private sector development through regulatory reform.

**What We Delivered:** The SMP is on track. Growth is projected to rise by 1.9% in 2015. Revenue collection has increased by some 10% since the government came in, albeit on a smaller scale overall. While this is less than the 20% target needed to balance the budget, the government does not consider that target to have been realistic, especially given the uncertainty brought about by the lengthy electoral transition. Last year's US\$260 million fiscal gap has been significantly reduced although the budget is still cash constrained. Banking sector reform is progressing with the four largest banks hoping to soon comply with international accounting and management standards. Pension reform has started (and the responsible ministry restructured).

The Ministry of Finance is operating a full court press to increase revenue collection. As noted previously, the customs police are now being transferred to the Ministry of Finance. The core modules of the Standard Integrated Government Tax Administration are now being fully implemented in the Kabul Large and Medium Taxpayer's Offices and partially implemented in the Kabul Small Taxpayers Office and in Balkh, Herat, Nangarhar, Kunduz, and Kandahar provinces. The Ministry of Finance has raised tariffs on fuel, phone cards, air transit and cigarettes. Customs reforms are being implemented including changes to human resource management and introduction of the ASCUDYA World system and e-payments.

**Next Steps:** The key action for 2016 will be completing the current SMP and reaching early agreement on the three year IMF program. ARTF's Incentive Program and USAID's incentivized New Development Partnership support ambitious but achievable reform programs. The following additional actions are envisaged: First, compliance with the Extractive Industries Transparency Initiative (EITI) will be important not only for accountability, but to ensure that the government captures its full share of royalties and taxes. Second, in order to capture more revenue, in 2016 the Ministry will begin to match the investments that have to be made in expenditure control with the missing investment in revenue collection. Third, ease of customs and border passage will be monitored closely and business visa applications streamlined. Fourth, government budget assumptions will be revised more carefully for their realism so that revenue targets become credible management tools for policy makers. Finally, the government will ensure that contracts are negotiated more carefully than they have been in the past in order to ensure proper levels of long-term government revenue streams.

**Government Scorecard:** Reforming fiscal policy and making public finances sustainable is difficult because changes inherently affect powerful interests. The scope for government action is also highly constrained due to compulsory commitments to high levels of security spending and protecting social spending.

The government's proposed score is **B+**.



## E. Reforming Development Planning and Management

“Realizing Self Reliance” identified three overarching problems with how development was being managed. First, for nearly all sectors, the government lacked strategic development plans that set clear objectives, introduced common standards, and ranked investment priorities using common criteria. Second, while annual execution rates were mostly good, overall disbursements were very slow (a sign of bad design planning). Third, unit delivery costs in Afghanistan are very high, even taking into account the terrain, conflict, and lack of local capacities.

**What We Promised:** The government has approached reform in an integrated way. First, moving the government to a four year budget framework allows for strategic planning. Second, the public financial management reform being launched in the Ministry of Finance provides, as a central feature, the ability for the ministry to annually re-allocate money away from poor-performers to good-performing sectors. This will remove the incentive for ministries to accumulate individual project “war chests” that they either lack the capacity for or interest in disbursing even when they perform poorly. Third, sectoral guidelines for the national priority programs are paying close attention to design features that raise unit costs, such as individually tailored projects that preclude realizing economies of scale for construction and maintenance.

**What We Delivered:** All ministries completed 100-day action plans, several of which received positive feedback. A first round of presidential-level portfolio reviews provided the strategic vision to develop the national priority programs. The key priorities and work plan of the Chief Executive Office, outlining priorities, initiatives and a range of short, medium and long term activities, were developed, shared with the councils of ministers and is currently being finalized. Concept notes for the Citizen’s Charter, Rural Development Program, Urban Development Program, National Women Economic Empowerment Plan, and National Infrastructure Plan have already been prepared for the Cabinet review, with four more to be launched post SOM. The government is in the process of introducing a coordination structure based on the development coordination councils to oversee development planning, spending, implementation and monitoring. The reprioritized national priority programs along with the new coordination structure will form the vehicle for achieving development results as envisaged in the Self-Reliance Paper.

Against this progress, the slowing down of disbursements in most ministries and the ongoing lack of concerted action to clean up existing portfolios is a demerit. The government completed diagnosis to identify causes of disbursement delays. Whilst some are attributable to disruption from transition or poor management, the majority are due to poorly designed programs and overly rigid fiscal systems that provide the wrong incentives to ministries. This problem will be addressed through the PFMR II roadmap and a strengthened delivery oversight structure.

**Next Steps:** The government will complete the appointment of technically qualified deputy ministers and directors. The government will then undertake systematic reviews jointly with its large donors to prepare action plans for poor performers, including partial and full project cancellations if necessary. Work on the critical national infrastructure plan is already launched with a planned delivery date in early 2016. Preliminary concept notes for the consolidated National Priority Programs will be discussed with stakeholders and then approved by the Cabinet.

**Government Scorecard:** This area was meant to put in place a framework that will let development planning move into sector wide approaches. The government’s frank assessment is that

the building blocks for better government planning and management are the right ones, but that the urgency of the security issues has somewhat detracted high level attention away from advancing this item as much as would otherwise have been possible. Furthermore, without increased budget flexibility, the government still cannot fully use the budget to manage development spending.

Therefore, the government proposes a ranking of C+.

## **F. Bolstering Private Sector Confidence, Promoting Growth, and Creating Jobs**

**What We Promised:** The government promised to concentrate on three areas that would lead to private sector growth. First, Afghanistan's overall investment climate would be improved through better and more predictable regulations. Finding ways to reduce land conflicts was to be an especially important step. Second, agricultural productivity, natural resource development (primarily mining and hydrocarbons), and expanded regional trade would become the economy's locomotives. And third, DAB would be capably managed to provide effective financial sector supervision and support.

**What We Delivered:** Several of the reform commitments in this area are covered by the IMF program. By the time of the SOM, the government will have issued a revised banking law.

Increasing private sector confidence has been the most challenging part of the reform agenda. Clearly, the overarching reason for these problems has been the spread of the insurgency and the insecurity that it creates everywhere. Without greater security and less risk of violence there is not much chance of a big leap in private investment, especially by overseas investors. But actions under government control can move faster than they have so far. More progress in the fight against corruption described in section B above is particularly important to create a stable and predictable investment climate. Petty harassment of Afghan businessmen is reported to have increased. Deregulation of excess red tape and clarification of regulatory responsibilities amongst agencies also did not move as quickly as it should have. Overlap of responsibilities between government entities continue to lead to approval and licensing delays. Political intervention in the private sector and inappropriate links between politicians and businesspeople remain endemic and have not been addressed sufficiently.

The government is taking steps to improve its ranking in the World Bank Doing Business Indicators (DBI). ADBI secretariat has been established in the Ministry of Commerce and Industries to better coordinate relevant activities and to monitor how reforms to reduce obstacles for business are being implemented on the ground. The initial phase of streamlining licensing in Kabul has been completed. The major achievements of this phase were developing a regulatory framework that streamlined and automated trade licensing and the Ministry of Commerce signing a contract to construct a building where all relevant departments will be shifted in order to move towards one-stop-shop clearances. The government will clarify overlapping roles and duplicated jurisdictions. The Ministry of Commerce and Industries and the Afghanistan Investment Support Agency (AISA), in close consultation with the private sector, have started work on the investment law, which will clarify the role of AISA.

The government's actions on the land agenda are promising. Authority over land dispute adjudication was successfully transferred from the Supreme Court to the revitalized Afghan Land Authority. The government has also advanced on plans to mobilize its landholdings as incentives for public-private investment partnerships. As for urban areas, the government is working with donor partners and UN Habitat to launch a nationwide program of survey and certification of all informal urban settlements, which will clarify ownership, encourage investment, and reduce people's fears over illicit land grabbing.

Job creation remains the most serious political challenge for the government. A ceasefire or peace agreement could bring as many as one million refugees back into the Afghan job market. Even if all of the economic and regulatory reforms are implemented in full, it will be years before private sector job creation can equal the demand for employment. This is a critical situation.

**Next Steps:** While peace remains essential to restoring large scale private investment and growth, more decisive action to help the private sector create jobs is also important. Far too many rules and offices exist simply to block entrepreneurial initiatives and to collect bribes. Simplification and real-time review of as what rules serve what purpose are urgent priorities. The government will engage more frequently with private sector opinion makers, who can provide the government with additional information on priorities and report back on progress. A business simplification roadmap will be approved by Cabinet that streamlines in measurable ways: business registration, construction permits, tax registration and payment, access to electricity, and adjudication of land disputes. The government will also work with donor partners and private industry leaders to build the means to systematically and continually monitor the implementation of reforms. The second phase of streamlined business licensing will complete licensing reform across the provinces.

Afghanistan's trade balance is unsustainable. We urgently need to begin building the enabling environment to promote foreign and domestic investment in the country. The government can also enable Afghan engagement with export markets to provide the price discipline and managerial learning that builds innovation and efficiency. The government will significantly simplify the visa process and will work with the Afghanistan Chamber of Commerce and Industries (ACCI) to identify ways for the government to expedite rather than impede exports.

In "Realizing Self-Reliance", the government proposed using security sector procurement to provide price signals to rural producers that they can count on rising demand for increased production. That is, if the army (and all the other sectors in the future) buys more food and other supplies from local farmers and suppliers, farmers and Afghan businesses will have more incentives to produce for sale. The architecture for this program is now in place and the first purchase orders should be issued in early 2016.

**Government Scorecard:** Fixing the financial sector, systematizing investment rules, and attracting investment while discouraging corruption remain the right priorities. However, this must be supported by increased communication with private sector investors on the real barriers they face. The government needs to do more and for that reason proposes to award itself a C+.

## G. Ensuring Citizens' Development Rights

Afghanistan's growth model is meant to be inclusive. Afghanistan began 2014 as the fourth poorest country in the world. At the same time, experience has shown that when they are given a fair opportunity, Afghans are innovative, entrepreneurial, and hard working. The challenge is how to bring large numbers of poor people up to a threshold where they can take advantage of market opportunities to build up their assets, skills, and aspirations.

**What We Promised:** A Citizen's Charter will provide communities across the country with a minimum guaranteed standard of economic infrastructure and development services. The Citizen's Charter will be built around local development plans prepared through broad-based participation and within annual envelopes that define what rate of progress is fiscally sustainable. Responsibility for monitoring their implementation will sit with provincial governors. The government's development strategy also includes aligning education with job market opportunities and easing barriers to labor mobility.

Afghanistan's leadership has also made unequivocal commitments to advancing the development rights of women. The strategy announced in the "Realizing Self Reliance" paper was built around three pillars: (i) consolidating women's human rights, in particular reductions in the levels of violence against women; (ii) increasing women's economic role in society by developing a national economic empowerment program for women; and (iii) increasing the number of women in public sector positions.

**What We Delivered:** The government has clearly made an unambiguous commitment to support gender rights in national development even in the face of opposition. Women have been named to an unprecedented number of high level positions in the government. Violence against women remains deplorably high, but it is no longer officially tolerated and prosecution of offenders is on the rise. In "Realizing Self-Reliance," the government committed to reviewing the cases of all Afghans including women and girls imprisoned for non-capital crimes. All cases were reviewed and of the 402 female detainees 255 have been released.

Both the Citizen's Charter and the National Economic Empowerment Plan for Women are advancing well. The President also signed the National Action Plan on UNSCR: Women, Peace, and Security. To date, despite the economic crisis, both primary health and education budgets are being protected. Dialogue on improving the treatment of Afghan refugees in neighboring countries is ongoing and has been raised to the highest levels of host governments.

Not all progress has been positive. The government has flagged concerns over corruption and performance in both government and donor programs for health and education. Reporting of such problems is already an improvement and actions are being taken to address them.

The government remains firmly committed to its human rights obligations. It has continued to protect the autonomy of the Human Rights Commission. There has been no censorship of the press or restrictions on civil society organizations. As a result, Afghanistan continues to be among the most open countries in the region for the press, media, and civil society despite the ongoing problems of conflict, corruption, and extremism.

Afghanistan's strategy for implementing its human rights obligations is built around three pillars. First, respect for human rights must become rooted in Afghan society through civic education, media awareness, and changing cultural norms. Civic advocacy will play a particularly important role in this. Second, public institutions must take on specific responsibilities for monitoring implementation and for developing the internal rules, procedures, and sanctions to regulate government behavior. Third, enforcing human rights norms is a subset of Afghanistan's need for legal sector reform and development. However, experience shows that while legal sector reform is a pre-condition for effective implementation of human rights commitments, the specific issues that surround human rights monitoring, training, and follow-up action require explicit programs within the overall justice sector roadmap.

**Next Steps:** Both the Citizen's Charter and the Women's Economic Empowerment Program will enter the 2017 budget. By the end of 2016, every government ministry will have at least one female deputy minister. The government will issue safe workplace guidelines for public sector employees. The memorandum of understanding between the government and civil society will be ready for SOM after which the Self-Reliance program to build a domestic enabling environment for civil society can proceed. In "Realizing Self-Reliance", the government committed to provide a budget line for the Human Rights Commission. This has been achieved. The Sub-Committee on Accreditation of the International Coordination Committee for National Human Rights Institutions (ICC) granted the AIHRC with "A" accreditation for another five years until 2019, which was officially announced during the 28th ICC Meeting in March 2015. Finally, donors, UN agencies, and the Afghan government will use 2016 to develop action plans for the possible return and reintegration of Afghan refugees and to improve follow-up to international monitoring of refugee camps hosting Afghans.

**Government Scorecard:** Despite the substantial progress, it is difficult to assign an overly high grade when so many Afghans are suffering the effects of unemployment and the failure of development to provide them with basic services. Therefore, the government proposes a score of **B-** with a caveat that improvements to this score lie at the heart of mutual accountability for both sides of our development partnership.

## H. Regional Economic Cooperation

The new government's regional diplomacy has been both a focus of its political and economic strategy and a highlight of the first year's achievements.

**What We Promised:** The new government committed to transforming Afghanistan's relationships with its neighbors from being primarily state-to-state diplomatic partnerships to becoming the fundamental underpinning for regional peace and security. For that purpose, most of the government's first few months in office were invested in building confidence, participating actively in regional dialogues, and advancing cooperation to promote regional integration through economic and political cooperation.

**What We Delivered:** Even our critics would find it difficult to argue that progress in these areas has not been a highlight of the administration's first year, but it is worth looking in some detail at the actual achievements. First, high level interest in regional cooperation and the use of regional

leadership forums to advance a common agenda has never been higher. Second, Afghanistan has become a focal country for building a united front across the region to stop the spread of extremism. Third, there are discussions about building a common area of economic cooperation similar to ASEAN or the Common Market. Fourth, Afghanistan has negotiated several large bilateral partnership agreements that will promote large scale and cross-border investment, trade, and customs cooperation. And fifth, Afghanistan has made significant progress on freeing up cross-border investments that had been stuck in bureaucratic foot-dragging, such as the Central and South Asia (CASA 1000) and Turkmenistan-Afghanistan-Pakistan-India (TAPI) energy programs.

**Next Steps:** The coming year must build on the first year's initiatives to advance regional integration. Afghanistan now needs to increase the number of crossings at its borders, develop dry ports to advance trade and transit agreements, increase customs cooperation, improve cross border connectivity (roads, railway, airspace, fiber optics, etc.), enhance regional energy cooperation, and implement and monitor foreign investment agreements. Multi-lateral trade and transit cooperation agreements will be explored. Bi-lateral banking cooperation, especially between Central Banks, will be established and advanced cultural and educational exchanges will be promoted. The government will also work closely with experienced partners to negotiate the strategic agreements on water resources and riparian rights that need to be negotiated before river-based irrigation and hydroelectric projects can be launched. Following the September 3-4 RECCA meeting, priority regional projects will be advanced for detailed feasibility assessments and design.

**Government Scorecard:** The government is very proud of achievements in regional diplomacy and feels confident in awarding itself an A.

## I. Reforming Development Partnerships

Towards the end of the previous government, relations with the international community had soured. "Mutual Accountability" had increasingly become conditionality born out of distrust on one side and resentful evasions on the other.

The new government set out to transform that relationship. Key elements of the transformation have been increasing dialogue, adhering to the principles of TMAF, and working with partners to identify the kinds of systems that Afghanistan will need to realize its Self-Reliance agenda.

**What We Promised:** The London Conference discussions were intended to provide the roadmap to rebuild confidence in that the government would implement a credible reform agenda. Our promise was that by the time of SOM we would have advanced far enough along that roadmap — our first mile — to allow for a mature discussion on how to align the modalities of development cooperation with the system-building approach of the self-reliance strategy.

**What We Delivered.** — The status of 25 short-term priorities is summarized in annex I. The status of progress on TMAF "hard deliverables" is given in annex II. The government conducted portfolio reviews and provided high level guidance to donors on the government's priority areas and our proposed approaches to achieve results. We also completed a review of the UNAMA mandate and negotiated a second phase of the ARTF's multi-sector incentive program for re-



forming core systems. Finally, the problematic but critically important LOTFA program was restructured.

**Next Steps:** The government has tabled an agenda under short-term priorities to be discussed and concluded at the 2016 ministerial meeting. Its essence is that self-reliance requires the bulk of foreign assistance, which should move to a system of flexible contributions that would allow the government to use the budget to reward and sanction performance. Donors should also help the government ensure that the culture of tax avoidance is changed. With such a large share of government expenditure coming from external financing, the government and its partners need to be consistent: all Afghans should pay taxes for the public services that they receive. Finally, the full implementation of commitments to report all aid expenditure is not only good practice but also a pre-condition for effective accountability.

## Conclusion

The goal of this paper has been to provide a first “temperature check” on progress on the Self-Reliance development strategy in the ten months since the London Conference. That strategy consists of building the economy through trade and productive investment; providing a government that operates on the basis of rules and service to the people; and rebuilding trust in a country that has suffered nearly 36 years of war, poverty, and conflict.

There is no gainsaying the fact that the first year has been difficult. Building a unified national government took time and effort. The massive attack by Taliban on our civilian population and the rise of the even more brutal ISIL has further eaten into the resources available for reform. The depth of corruption and its presence in the bureaucracy went even deeper than anticipated.

This self-assessment has argued that many of the most important reforms are on track and are heading in the right direction. Key for sustaining progress in 2016 will be maintaining fiscal discipline, having the focus that will be needed to build a productive economy, and increasingly delegating responsibilities to the restructured ministries and provincial governments.

Even if the building blocks for Self-Reliance are moving into place, there are still areas where much more work is needed. Two that top the list are investment climate reform and dialogue with the private sector on how to move off aid and into sustainable growth; and building a credible justice sector that can advance the rule of law. Neither can be achieved without continuing the work to root out corruption. And little will come of our long-term visions if in 2016 the economy does not start to create jobs and security does not improve.

While the responsibility for building a self-reliant Afghanistan lies fully with the government, making self-reliance a reality requires that we change aspects of our engagement with partners. For the decade following September 11, 2001, the priority for both government and our partners was to rebuild. Although much has been achieved, the systems that allowed donors to provide large volumes of assistance must now evolve into systems for sustainability and growth. Once again, the government is first and foremost responsible to make this happen. What we want from partners is the dialogue and flexibility for building effective, sustainable systems that the Afghan government and people can run by themselves.

Afghanistan's vision for self-reliance extends beyond our national borders. We have made clear commitments to becoming a member of the world community of peaceful, democratic countries that prosper from trade, respect human rights, and share prosperity with our citizens. These are not just abstract principles. They are guiding our dialogue with neighbors, our support for domestic freedoms, and our investments in human capital.

This report has described progress after our first mile, the slightly less than one year that has passed since our government took office. We are under no illusions that the future is going to be anything other than a long and challenging journey. But we believe that beneath all of the many problems that affect Afghanistan today, the building blocks of self-reliance are being put in place and the process of serious reform has started.





### Annex I: Status of 25 short-term priorities from Self-Reliance Paper.

#	RSR* Area	#	Short Term Deliverable From RSR	#	Indicator	Status Update	Responsible Agency
1	Tackling underlying drivers of corruption	1	Establishment of National Procurement Committee	1	National Procurement Committee established and operationalized.	<p>The National Procurement Commission (NPC) was established on 10 February, 2015 and has been regularly reviewing the contracts since then.</p> <p>The NPC, since its establishment, has consecutively convened 18 weekly sessions in which 294 contracts have been reviewed and out of which 219 contracts from various Procurement Entities worth 43.7 billion AFN have been approved. Throughout this process 8.3 billion AFN has been saved in approved contracts as compared to the prices of contracts of previous years and periods.</p>	President's Office
		2	Strengthening enforcement and fighting corruption in customs and revenue departments	2	Reform package for customs and revenue prepared and implementation started.	<p>The reform package for customs and revenue has been prepared and is in the process of approvals at different levels</p> <p>Number of initiatives from the reform package has been already initiated such as leadership and administrative changes, human resource manage-</p>	Ministry of Finance

					<p>ment reforms, streamlining of procedures to make them transparent and objective, automation of systems.</p> <p>In particular, Customs Department in the Ministry of finance is taking control of custom police, has introduced tracking devices for transit vehicles, and is piloting E-payment at the Hamid Karzai International Airport in Kabul.</p>	
				3	<p>Review of grades 1 &amp; 2 staff in Customs Department completed.</p> <p>A review committee has been established for general review of the Customs and Revenue Departments and in particular grades 1 and 2 staffs.</p> <p>The committee constitutes representatives from HR, Admin and Finance, Treasury, Customs and Revenue Departments. The committee has already visited ten provinces namely; Panjsher, Kandahar, Bamyan, Nangarhar, Kunduz, Kabul, Kapisa, Parwan, Laghman, and Kunar.</p>	Ministry of Finance
				4	<p>Evaluation of the three major customs houses where the ASYCUDA valuation model has been already implemented and extension to additional three major customs houses incorporating the</p> <p>ASYCUDA valuation model was implemented in three major custom houses namely, Nangarhar, Kabul and Kandahar on pilot bases.</p> <p>An evolution of the implementation in these three custom houses has been completed and lesson-learned has</p>	Ministry of Finance

					lessons learned.	been identified. The lessons- learned have been incorporated into the ASYCUDA valuation model which has been further implemented in three custom houses namely, Herat, Aqina and Hairatan.	
				5	To facilitate ultimate establishment of E-payments in customs, DAB system upgraded to be connected with customs system and commercial banks.	DAB system has been upgraded and connected with customs' system and commercial banks to facilitate E-payments in customs.  The E-payment system is established as a pilot project for three months in Kabul and Hamid Karzai International Airport customs. It will be expanded to other customs based on the lessons-learned.	Ministry of Finance
		3	Review roles, responsibilities and jurisdictions of anti-corruption institutions, namely High Office of Oversight (HOO) and Attorney General Office (AGO), to restrict them to focus on their core function of enforcement instead of oversight.	6	Anti-corruption institutions' roles, responsibilities and jurisdictions (High Office of Oversight and Attorney General's Office) reviewed and necessary actions taken to restrict them to focus on their core function of enforcement instead of oversight.	A cabinet review was undertaken to streamline the governance of anti-corruption efforts by removing duplication or overlapping of responsibilities amongst the anti-corruption agencies mainly Attorney General's Office (AGO) and High Office of Oversight (HOO). Accordingly, a presidential decree was issued.  The HOO will be concentrating on registration of assets of government officials while AGO will be probing into corruption cases.	Attorney General's Office, High Office of Oversight and President's Office

2	Building Better Governance	4	Code of conduct for government officials to prevent partnership between government officials and businessmen that reduces competition and creates monopolies.	7	Amendments made to existing Code of Conduct to prevent illegal and corrupt partnership between government officials and businessmen.	The Code of Conduct has been reviewed and the weaknesses and gaps were identified. Based on the identified gaps, the amendments to the Code of Conduct will be finalized by end of September 2015 to prevent illegal and corrupt partnership between government officials and businessmen.	Independent Administrative Reform and Civil Service Commission, Ministry of Justice, Ministry of Commerce and Industries and Legislative Committee of the Cabinet
		5	Measures to ensure public declaration of assets by all government officials	8	80% of new officials of the National Unity Government under Article 154 (President, VPs, ministers, Attorney General, members of Supreme Court) of the Constitution to declare their assets.	23 out of 25 Cabinet ministers have declared their assets. Overall, 24 out of 38 government official of the National Unity covered under article 154 of the constitution have declared their assets. In addition, Chief Executive Officer of the NUG declared his assets.	High Office of Oversight and Anti-Corruption
	Building Better Governance	6	Strengthening public financial management. New PFM roadmap prepared and implementation initiated	9	New PFM roadmap prepared and implementation initiated	The first draft of the PFMR II strategy has been prepared and has been circulated to donors and stakeholders for feedback and comments. Final comments have been received and will be incorporated and is expected that the final copy will be sent to the offices of the Deputy Minister for Finance and the Minister for Finance on the 1st September.	Ministry of Finance

		7	Constitution of Electoral Reforms Commission	10	Electoral Reforms Commission constituted	The Electoral Reforms Commission was established through a presidential decree on 22 <sup>nd</sup> July 2015. The Head of the Commission has been appointed. The commission has 15 members including the representatives from the United Nations and Ministry of Justice. The commission is working on the electoral reform package which will include measures in short, medium and long terms. The commission has started wider range consultation with various stakeholders such as political parties, civil society groups, youth unions, and others.	President's Office and Chief Executive Office
		8	Civil Service Reforms	11	Enactment and development of required regulations, procedures and guidelines for three laws: New Civil Servants Law, Basic Organizational Law, Administrative Procedural Law.	All three laws namely, New Civil Servants Law, Basic Organizational Law, Administrative Procedural Law have been drafted.  These laws have been reviewed by Department of Taqin and are presently with Minister of Justice for his final approval and submission to the Cabinet.	Ministry of Justice, Independent Administrative Reform and Civil Service Commission, President's Office and Legislative Committee of the Cabinet
				12	Designing of the Next Generation of Public Administration Reform Strategy.	The first draft of the Next Generation of Public Administration Reform Strategy has been prepared and shared with the relevant stakeholders for their feedback and comments.	Independent Administrative Reform and Civil Service Commission

				13	150-250 government staff recruited through CBR	A facilitating presidential decree (number 852 dated 27 July 2015) to streamline procedure and process under CBR has been issued. The process is now expected to move faster. So far, 92 positions have been announced, 20 positions are in the process recruitment and 5 contracted positions have been finalized.	Independent Administrative Reform and Civil Service Commission and Ministry of Finance
		9	Preparation of Justice Sector Reform Plan a. Including review of cases of Afghans illegally held in prisons	14	Justice Sector Reform Plan prepared and implementation started.	A working group has been established under the chairmanship of H.E the Chief Justice and has instructed all the relevant ministries/agencies to provide the first concept note of the plan. The first draft of the concept note is prepared and will be shared with H.E the president.	President's Office, Attorney General Office, Supreme Court, Ministry of Justice, Office of the Special Representative for Reforms and Good Governance
				15	Time bound plan for review of cases of Afghans illegally held in pre-trial detention, without charges or trials, prepared and at least 25% of cases reviewed.	The government has reviewed the cases of all women detainees. Out of 402 female detainees 255 have been released.	President's Office, Attorney General Office and Supreme Court
		10	Progress of important laws in need of review, amendments or implementation	16	The prioritization plan for legislative action on pending laws prepared and operationalized to ensure their timely drafting, amendments and approvals.	A prioritization plan for legislative action on pending laws was prepared and the following activities were completed;  1. The list of laws and regulations were prepared.	Ministry of Justice, Legislative Committee of the Cabinet, President's Office and Office of the 2nd Vice President

						<p>2. The list was submitted to the cabinet for further discussion.</p> <p>3. The laws and regulations listed were approved as priority.</p>	
3	Development partnership	11	Aid Management Policy(AMP) approved and implemented	17	Aid Management Policy approved by Cabinet	After consultation with selected number of donors and government agencies a draft of the policy is prepared and is currently under internal review. The draft will be finalized and submitted to the Cabinet for approval.	Ministry of Finance
				18	AMP prioritization plan finalized and implementation started	The indicator will be achieved as soon as the aid management policy is approved.	Ministry of Finance
		12	Donor portfolios reviewed and adjustment measures initiated.	19	Portfolios of major donors reviewed, adjustment measures identified and implementation started.	Portfolio review of major donors has been completed under the leadership of the President. Based on the review next steps were identified and implementation has started.	Ministry of Finance, President's Office
		13	Plan to remove obstacles in order to route more donor funds on-budget prepared and implementation started	20	In order to remove obstacles to route more donor funds on-budget, a public expenditure review completed, report produced and the implementation of recommendations started.	<p>Review of public expenditure was completed by a team of independent internal experts. The team has already prepared: a- Strategic overview- development and public financial management, b- Afghanistan: A fiduciary and development risk and cost-effectiveness assessment, and c- note on bottleneck to budget execution.</p> <p>A plan for implementing the recom-</p>	Ministry of Finance and President's Office



						mendation has also been prepared and incorporated in the PFMR II.	
		14	Review multi-donor funds to increase programming flexibility and alignment to national priorities	21	Review of multi-donor funds to increase programming flexibility and alignment to national priorities completed and implementation of recommendations started.	In order to increase programming flexibility and alignment to national priorities, the financial strategy for ARTF and nationalization of LOTFA are being reviewed. For the time being, financial strategy for the ARTF has been agreed subject to revision by the end of 2015. The reviews will continue to make multi-donor funding more flexible and align to national priorities.	Ministry of Finance
		15	Working group to improve the quality of information sharing, registration and management.	22	Working group constituted and recommendations made to ensure timely, accurate and complete aid information, with a focus on DAD.	The guidance note on aid information was finalized and shared with all the donors along with reporting templates. Data will be received by September 7th and updated to the DAD accordingly.	Ministry of Finance
4	Reforming development planning and management	16	Reprioritization of NPPs to reduce their numbers to 10-12.	23	Prioritization of NPPs completed.	<p>The National Priority Programs have been prioritized and their numbers have been reduced from 22 to 12. The prioritized NPP are :</p> <ol style="list-style-type: none"> <li>1. National Infrastructure and Connectivity Development Program (Big ticket projects, energy, road, fiber optic, airports, railway, transport and water)</li> <li>2. Citizen's Charter Program</li> <li>3. National Economic Empow-</li> </ol>	Ministry of Finance, President's Office and other relevant ministries

					<p>erment Program</p> <ol style="list-style-type: none"> <li>4. Rural Development Program</li> <li>5. Justice Sector Reform Program</li> <li>6. Effective Governance Program</li> <li>7. Private Sector Development Program (Banking reform, SMEs, investment climate, trade and informal sector).</li> <li>8. Human Capital Development Program</li> <li>9. Urban Development Program</li> <li>10. Public Financial Management and Revenue Enhancement Program (Tax and non-tax revenue)</li> <li>11. Comprehensive Agriculture Development Program</li> <li>12. National Mineral Sector Program</li> </ol> <p>The list of NPPs will be submitted to the Cabinet for approval.</p>	
		17	Reinvigoration of clusters/commissions mechanisms for better coordination and implementation of National Priority Programs (NPPs).	24	<p>Clusters/commissions system launched for coordination and implementation of NPPs.</p> <p>A development coordination mechanism within the government through 6 development council has been formulated and will soon be submitted to the Cabinet for approval. The proposed councils are:</p> <ol style="list-style-type: none"> <li>1. Human Capital Development and Employment Council</li> </ol>	Ministry of Finance, President's Office and other relevant ministries

						2. Construction and Infrastructure Development Council 3. Land and Water t Council 4. Finance and Economic Management Council 5. Connectivity and Regional Economic Cooperation Development Council 6. Governance and Justice Council	
5	Bolstering private sector confidence, promoting growth and creating jobs	18	Implement the remaining items on Afghanistan Financial Action Task Force (FATF)	25	Approval of preventative measure regulation by Supreme Council of DAB	The Supreme Council of DAB and the Cabinet have already approved the preventative measure regulation.	Central Bank of Afghanistan (DAB)
				26	Custom department to effectively implement cash courier regulation on airports as pilot project for declaration system in the country.	The Customs Department in coordination with the Central Bank has prepared the regulation for effective cash courier regulation. The regulation has already been issued through the official gazette. A pilot project will soon be taken up to implement the regulation in four airports (Kandahar, Mazar-e-Sharif, Herat and Hamid Karzai International Airport in Kabul).	Ministry of Finance

		19	<p>Improving investment climate by:</p> <p>a. Improving ranking of Doing Business Indicators</p> <p>b. Clarifying role of Afghanistan Investment Support Agency (AISA) and Ministry of Commerce and Industries (MoCI)</p>	27	<p>Improving Afghanistan's ranking in DBI by reforming licensing and registration processes, including establishing one-stop shop for private businesses.</p>	<p>A secretariat for DBI has been established at Ministry of Commerce and Industries to better coordinate relevant activities.</p> <p>Licensing reform has been started and significant progress has been made. The first phase of licensing streamlining in Kabul has been completed. Major achievements of this phase so far have been developing a regulatory framework for licensing, merging the business registration and licensing departments. As a result of these reforms, the number of steps for obtaining a license and the timing to receive a license has been considerably reduced.</p> <p>The second phase has started in provinces and by the completion of this phase the licensing reform will be completed.</p> <p>The Ministry of Commerce and Industries is in the process of constructing a building where all relevant departments will be shifted to move forward towards one stop shop clearances.</p>	Ministry of Commerce and Industries and AISA
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				28	Roles of AISA and MoCI clarified for investment promotion.	Ministry of Commerce and Industries and AISA, in close consultation with the private sector, are working on the investment law. The law will clarify the roles of AISA and MOCI for investment promotion.	Ministry of Commerce and Industries and AISA
		20	Infrastructure Development Plan prepared and implementation started	29	Infrastructure Development Plan prepared and approved by Cabinet for implementation.	The first draft of infrastructure plan titled “Regional and National Infrastructure Development Strategic Plan 2015-2020” has been prepared and is under discussion within the government and other stakeholders.	President's Office, Ministry of Urban Development, Ministry of Public Works, Ministry of Mines and Petroleum, Ministry of Finance and other relevant ministries.
6	Ensuring citizen's development rights	21	Empowering women through: a. Implementation of Elimination of Violence Against Women law b. Prepare a National Economic Empowerment Plan for women. c. National Action Plan for Women Peace and Security	30	A standardized format to collect information on EVAW law cases across various EVAW law institutions and an implementation plan for an online database prepared.	A standardized format to collect information on EVAW law cases across various EVAW law institutions has been prepared and approved by the High Council of the Elimination of Violence Against Women.	Ministry of Women Affairs, Ministry of Interior, Attorney General Office and Supreme Court
				31	Concept Note for National Economic Empowerment Plan for women prepared and approved by Cabinet.	The first draft of Concept Note for National Economic Empowerment Plan for women has been prepared and is in discussion within the government and other stakeholders.	Ministry of Labor, Ministry of Women and other relevant ministries

			finalized and implementation begun d. Safe working/anti-harassment guidelines.	32	Finalized National Action Plan for Women Peace and Security approved by President.	National Action Plan for Women Peace and Security has been approved by President of Islamic Republic of Afghanistan and launched on 30th June, 2015.	Ministry of Foreign Affairs and other relevant agencies
				33	Anti-harassment regulation prepared and issued by presidential decree for the government.	The first draft of Anti-harassment regulation has been prepared and consulted within the government. The regulation will soon be submitted to Ministry of Justice for further necessary action.	Ministry of Women, Ministry of Justice, Independent Administrative Reform and Civil Service Commission, Legislative Committee of the Cabinet and President's Office
7	Restoring fiscal sustainability	22	Developing natural resources through public-private partnerships that bring in rents, taxes and profits.	34	Regulations under procurement law for public-private partnerships finalized by Ministry of Justice, facilitating further investments including in natural resources development.	The first draft of Regulations under Procurement Law for public-private partnerships has been prepared and consulted within the government. Comments are being incorporated and the final regulation will soon be submitted to the Ministry of Finance for further necessary actions.	Ministry of Finance

8	Development partnership with Civil Society	23	Government plan for enhancing cooperation with civil society prepared and implementation started	35	Government action plan for enhancing cooperation with civil society prepared and implementation started.	The draft Memorandum of Understanding (MOU) between the government and civil society has been finalized in consultation with civil society. The MOU is submitted to the President of Islamic Republic of Afghanistan for approval.	President's Office and Civil Society
9	Miscellaneous	24	IMF staff monitored program in place	36	IMF staff monitored program finalized and implementation started	The IMF staff monitored program was approved by the IMF board and its implementation has started.	Ministry of Finance and other Agencies
		25	Refreshed TMAF	37	Refreshed TMAF prepared in consultation with international community.	The refreshed TMAF now called Self-Reliance through Mutual Accountability Framework (SMAF), has been prepared along with an annex containing short-term priorities.	Ministry of Finance and other stakeholders

## Annex II: Status of Progression Annex I Hard-deliverables under the Tokyo Mutual Accountability Framework.

#	Area Name	HD	Hard-deliverable Name	Responsible Agency	Status
1	Representational Democracy and Equitable Elections	1	Develop, by early 2013, a comprehensive election timeline through 2015 for electoral preparations and polling dates.	Independent Election Commission (IEC)	This HD required announcement of election timelines for the Presidential elections in 2014 and parliamentary elections in 2015. The presidential election timeline was announced in time and elections were held in 2014. The new government took power in September 2014. The announcement of timeline for parliamentary elections has been delayed due to need for further election reforms. An Electoral Reforms Commission has already been established by the new government and timeline for parliamentary elections will be announced after recommendations are implemented.
		2	The Government engages in a consultative and transparent process for all upcoming senior IEC appointments, which results in the selection of qualified and well respected IEC senior appointees, so they have broad support.	Independent Election Commission	IEC commissioners were appointed on July 29, 2013 following a process of consultation after the passing of the new Law on Structures, Duties and Authorities of the IEC.
		3	The Government actively supports the implementation of a legislative framework to be passed by the National Assembly by June 2013. The framework is to meet international standards and include an impartial, credible and independent electoral complaint resolution mechanism.	Independent Election Commission	Both laws namely, a) Law on the Structures, Duties and Authorities of the IEC and b) the Independent Election Commission Law, have been passed by Parliament on April 14, 2013 and July 15, 2013 respectively. The President signed and enacted the Law on Structures, Duties and Authorities of the IEC on July 17, 2013 and the Independent Election Commission Law on July 20, 2013. In pursuance of these laws an Independent Electoral Complaints Commission was established before the 2014 presidential elections.



					After the Presidential election a need for further electoral reform was felt and agreed to by the National Unity Government. An electoral reform election commission has been established for this purpose.
		4	Government Ministries coordinate and work closely with the IEC to help ensure timely and successful implementation of the IEC's: i) voter registration plan which complements e-tazkira; ii) Operations Plan which includes security planning, capacity building, fraud mitigation and inclusive voter outreach.	Independent Election Commission , Ministry of Interior, Ministry of Communication and Technology	This HD is mainly concerned with presidential elections which has already been held. All concerned ministries specially the security ministries have cooperated with the IEC for successful conduct of presidential election. In particular, voter registration was completed in provinces, districts and villages. The operations plan for the election which included security planning , capacity building, fraud mitigation and inclusive voter outreach was successfully implemented.
2	Governance Rule of Law and Human Rights	5	1. Collect the asset declarations forms from High Ranking Government officials (per Article 154 of the Constitution), and publish them on the High Office of Oversight (HOO) website to be available for the public and mass media. Declared assets will continue to be verified based on Afghan Law and HOO capacity.	High Office of Oversight	This HD required declaration of assets by senior officials under Article 154 of the Constitution in 2013. However, a new government came in power in September 2014 and the concerned senior officials have mostly changed. 23 out of 25 Cabinet ministers have declared their assets. Overall, 24 out of 38 government official of the National Unity covered under article 154 of the constitution have declared their assets.
		6	AIHRC Commissioners are appointed in accordance with Article 11 of the AIHRC Law and Paris principles,	Afghanistan Independent Human Right Commission, Office for the Pres-	The Afghan Government has always been committed to improve human rights situation in the country and has been supporting the

			and drawing on consultation with cross-section of civil society organizations. The appointment process will enable AIHRC to retain its 'A' accreditation by the International Coordination Committee of National Human Rights Institutions.	ident.	AIHRC to retain its "A" accreditation status. The President appointed new five Commissioners and extended the tenure of office of former 4 Commissioners on 15 June 2013. The gender ratio is 4/9 women out of 9 Commissioners. Consequently, the Sub-Committee on Accreditation of the International Coordination Committee for National Human Rights Institutions (ICC) granted the AIHRC with "A" accreditation for another five years till 2019, which was officially announced during the 28 <sup>th</sup> ICC Meeting in March 2015.
		7	MOWA, MOI and the AGO coordinate to produce a detailed report on the application of the EVAW law in each province. The report should include: the number of VAW cases brought to the police, disposition of each case (whether prosecuted or not) and the outcome of the prosecuted cases. The data collected should be made public and serve as a baseline for future analyses of EVAW law implementation.	Ministry of Women Affairs, Ministry of Interior and Attorney General Office	The Government has supported the implementation of the EVAW Law and has been able to publish two reports on implementation of the EVAW Law with number of cases reported, prosecutions and outcomes. The first report covered 32 out of 34 provinces while the second report covered all 34 provinces.
3	Integrity of Public Finance and Commercial Banking	8	Based on the March 2013 MOF letter in response to the Monitoring & Evaluation Committee (MEC) enquiry, action is taken to implement relevant recommendations by Da Af-	Kabul Bank Receivership Department, Da Afghanistan Bank, Ministry of Finance, Attorney General,	The Government will continue to make progress on resolving the Kabul Bank issues including asset recovery and the appeals case. An additional \$50 million have been collected after the President's directive to reopen the cases, taking the total of cash recoveries to

			ghanistan Bank and other affected institutions and all relevant initiatives. Government will take all possible steps to additionally recover Kabul Bank stolen assets.		\$228million.
		9	Implement and remain on track with the government program supported by the International Monetary Fund	Ministry of Finance and De Afghanistan Bank	The IMF Extended Credit Facility agreed in 2011 had one review successfully completed in 2012. Delays in the implementation of the key reforms meant that a second review could not be completed in 2013. While all the key reform areas under the program were delivered upon, some with considerable delays, the new government and the IMF agreed upon the Staff Monitored Program to replace the SMP.
		10	Implement Public Financial Management Action Plan and improve the management of public funds as measured by Public Expenditure and Financial Accountability (PEFA) assessment by 20 percent by June 2013.	Ministry of Finance	Afghanistan's performance with regard to PEFA assessments, when compared to the results of Fragile States (FS) and Low Income Countries (LIC) is strongly positive. In most of the PEFA dimensions, Afghanistan has scored higher than FS and LICs, and even surpassing Middle Income Countries in 2 dimensions. The Government will continue to integrate the recommendations of PEFA report of 2013 in the PFMR II and make improvements in PEFA.
		11	Raise the transparency of public funds measured by the Open Budget Index (OBI) to more than 40 percent by June 2013.	Ministry of Finance	Afghanistan's OBI score rose by 38 points to 59 in 2012 (from a score of 21 in 2010 and 8 in 2008). The score of 59 significantly surpasses the target of 40% agreed under TMAF – an

					indicator of government's transparency in budgeting. The next OBI report is expected to be released this year (2015). Further improvements are expected in the OBI score of Afghanistan.
		12	Implement the recommendations from the Financial Action Task Force Asia Pacific Group regarding anti-money laundering and combating terrorist financing as per the timeline recommended by IMF.	Ministry of Finance and De Afghanistan Bank	New Anti-money Laundering (AML) and Countering the Financing of Terrorism (CFT) laws were enacted in late June and early July 2014, respectively.
4	Government Revenues, Budget Execution and Sub-National Governance	13	Develop a provincial budgeting process for FY 1393 that includes provincial input into the relevant ministries' formulation of budget requests, linked to a provincial planning process in which Provincial Councils have their consultative roles.	Ministry of Finance, Ministry of Economy and Independent Directorate for Local Governance	The Ministry of Finance revised Provincial Budgeting Policy in accordance with commitments of National Unity Government and presented it to the cabinet and requested Line Ministries to provide their final comments within 15 days to MOF. The Cabinet approved the Policy in principle, and assigned MoF, MoEc and IDLG to review and submit it to minister's council for approval, the joint review process is accomplished and the revised version has been sent to minister's council for approval.
5	Inclusive and Sustained Growth and Development	14	Pre-prepare an analysis of 1392 budget that shows adequate resource allocations to achieve Afghanistan's Millennium Development Goals (MDG) targets for health, gender, education, environment and food security.	Ministry of Finance	The analysis for 1392 budget was completed.

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		15	Prepare a plan by June 2013 that shows Afghanistan will achieve accession to World Trade Organization (WTO) by the end of 2014.	Ministry of Commerce and Industry	Afghanistan started its accession process to WTO in 2004. The last four years have witnessed major progress on all aspects of the WTO accession process. An action plan was prepared by June 2014 and successfully implemented. To have a smooth and successful accession, with the new government in place and according to the 100 days plan of Ministry of Commerce and Industries, all previously completed processes of accession have been reviewed and a final accession package is ready to be reviewed by the President of the Islamic Republic of Afghanistan.
		16	Establish Road and Civil Aviation Institutions by June 2013.	Ministry of Public Works and Ministry of Transportation and Civil Aviation	The establishment of the Road Authority (RA), Road Fund( RF) and Transportation Institute(TI) have been authorized by the President and the cabinet . Technical assistance is being provided to design and assist with the implementation of the Afghanistan's road network.
		17	Encourage investment in the extractive industry by approving a mining law that meets international standards.	Ministry of Mines	The new Minerals Law was passed by the Parliament on 16 August 2014. To further improve the institutional and business environment for investors, the new Minerals Law is currently under review in consultative process with the civil society, private sector and other stakeholders.

### Status of progress on Annex II Hard-deliverables under the Tokyo Mutual Accountability Framework.

#	Area Name	ID	Hard-deliverable Name	Responsible	Status
1	International Commitment to Improving Aid Effectiveness	1	By June 2013, each Development Partner officially confirms its Tokyo commitments or projections from 2012 to end 2015.	International Community	All donors provided confirmation of their Tokyo commitments or projections from 2012 to the end of 2015 prior to the July 2013 SOM. For some donors, this commitment is subject to the approval and appropriation of funds from their respective legislative branches of government.
		2	Each Development Partner updates its aid information in the Donor Assistance Database (DAD) by June 2013 and annually thereafter.	International Community	Except 7 DPs, all DPs provided full or partial information for the DAD. In total the data provided by donors for the DAD represents around 98% of aid disbursed during 2012-14. The Government also provided ODA reporting guidance and data collection templates including the appropriate timeframe for data provision based on the Budget Calendar.

		3	By December 2013, each Development Partner finalizes its Development Framework Agreement (DFA) or equivalent (the format to be agreed by MoF) to reconcile donor assistance with government development priorities, make aid more predictable and to confirm mutual accountability.	International Community	12 DPs out of 32 have DFAs in place of which eight were concluded prior to the TokyoConference (July 2012) and four between the Tokyo Conference and SOM (July 2013). Three DPs are currently engaged in discussions with the Government.
		4	By June 2013, and annually thereafter, each Development Partner routes, 50% of its aid through the National Budget	International Community	<p>Donors and the Government have agreed on a definition for on-budget and associated guidelines subject to DPs providing information on humanitarian assistance, as outlined in the on-budget guidelines.</p> <p>Of all the bilateral and multilateral donor partners and funds, 12 managed to achieve or exceed the target of channeling 50% of ODA through the on-budget system by volume of commitment and only 9 achieved or exceeded the same target by volume of disbursement.</p> <p>Combined, those donors who meet the 50% on-budget target by volume of disbursement contributed USD 1.9 billion or 31% of the total on-budget assistance during 2012-14.</p>
		5	By June 2013, and annually thereafter, each Development Partner	International Community	Many donors have made progress in aligning their development aid with

			aligns 80% of its aid to the National Priority Programs at least.		<p>the NPPs. However, differences in the interpretation of the term alignment mean that it is not possible to confirm the precise degree of alignment with NPPs. Further work will be jointly undertaken by the Government and development partners to verify alignment data, based on an agreed definition.</p> <p>The Government is keen that donors move further towards use of country systems and institutions.</p>
		6	By June 2013, Joint Review of current and planned projects/programs conducted with each Development Partner to determine and agree on the level of alignment with NPPs.	International Community	There has been no progress on agreeing to a common definition of alignment and as a result joint review of current and planned projects have not been conducted.
		7	With effect from February 2013, Financing Agreements, or equivalent, (the format, scope and applicability will to be agreed by Development Partners, on a bilateral basis, with the MoF,) for new on and off -budget projects signed with Development Partners.	International Community	According to the MoF analysis, of the total ODA disbursed through off-budget (\$7 billion) during FY 2012-14 has signed Financing Agreements with MoF for projects with a total value of \$2.9 billion. This represents 41% of off-budget aid for which Financing Agreements have been signed with the Government.



		8	Joint Assessments, which meets donors and government standards, of fiduciary risks at major ministries for increased on-budget financing conducted by December 2013.	International Community	Development Partners commit to conduct joint assessments by December 2013. Following the release of the Guidance Note on Joint Assessments, the Government requested, on June 13, 2013, that DPs provide information on their on-going and planned assessments including joint assessments. Information provided by DPs for FY 2013-14 indicate that only 12.5% of assessments conducted were joint.
2	International Commitment to Improving Aid Effectiveness	9	Donors increase the share of their assistance provided via the Afghanistan Reconstruction Trust Fund (ARTF) incentive program, or other mechanisms as requested or agreed by the Afghan Government, to 10 percent by 2014, with a goal of 20 percent of funding through incentive mechanisms by the end of the Transformation Decade. Incentive programs should seek to provide the Afghan Government with more flexible, on-budget funding in conjunction with progress on specific economic development achievements.	International Community	

3	International Commitment to Improving Aid Effectiveness	10	The AMP implementation plan including mechanism for joint review agreed by government and donors by June 2013.	International Community	The Government has prepared and shared the AMP implementation plan, including its monitoring framework, with all DPs. DPs and Government will seek to prioritize key elements of the AMP implementation plan and ensure that process is complimentary and coordinated with TMAF discussions.
		11	By July 2013 each Development Partner prepares a plan, with the Ministry of Finance, to align 80% of its total aid to deliverables of NPPs.	International Community	As a definition on alignment has not yet been agreed, donors are currently not developing plans to align a higher level of aid to the NPPs, although most donors consider that the 80% target has already been met. The alignment data is yet to be assessed by both sides.
		8	Jointly identify funding modalities for National Priority Programs by September 2013.	International Community	The NPPs are being reprioritized and accordingly the government will identify funding modalities for the new programs.

### Annex III: National Procurement Commission Reviews (as of August 17, 2015)

The National Procurement Commission is established and has been regularly reviewing the contracts and made extremely good progress till date. The commission since its establishment has consecutively convened 18 weekly sessions.

Number	Description	Information
1	# of projects that NPA has received	>300 projects
2	# of projects that NPA has assessed	>300 projects
3	# of projects presented to NPC	294 projects
4	# of projects approved by NPC	219 Projects, worth AFN 43.7 billion
5	# of projects that NPC has returned for correction	41 Projects
6	# of projects rejected by NPC	28 Projects
7	Total value of evaluated projects (AFN)	AFN 58.4 billion
8	Amount saved (AFN)	AFN 8.3 billion
9	Average time it takes NPC to evaluate a project	One week
10	Usual time it takes NPC to process a project	45 days for the entire A-Z procurement process in normal circumstances. It starts from Identification of requirement by PE until the contract award is approved by NPC.
11	Reasons for sending projects back to procurement organizations	A. Failing to present sufficient documentation for project evaluation B. Failing to provide convincing explanations to the membership of National Procurement Commission C. Improper processing of projects on the part of the Procurement Organization D. Lack of a proper working plan E. Lack of a transition plan from non-governmental to government organization
12	Reasons that projects are not approved	Processing of projects without due consideration of the articles and procedure of the Public Procurement Law of Afghanistan.

Policy Department,  
Ministry of Finance,  
Kabul, Afghanistan