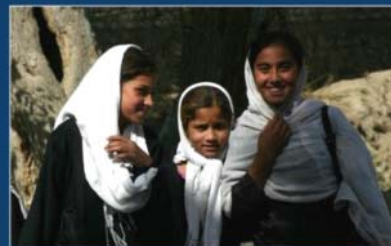




Islamic Republic of Afghanistan

AFGHANISTAN National Development Strategy



EXECUTIVE SUMMARY

1387 - 1391 (2008 - 2013)

A Strategy for Security, Governance,
Economic Growth and Poverty Reduction

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah, the Most Merciful, the Most Compassionate

Vision for Afghanistan

By the solar year 1400 (2020), Afghanistan will be:

- A stable Islamic constitutional democracy at peace with itself and its neighbors, standing with full dignity in the international family.
- A tolerant, united, and pluralist nation that honors its Islamic heritage and deep aspirations toward participation, justice, and equal rights for all.
- A society of hope and prosperity based on a strong, private sector-led market economy, social equity, and environmental sustainability.

ANDS Goals for 1387-1391 (2008-2013)

The Afghanistan National Development Strategy (ANDS) is a Millennium Development Goals (MDGs)-based plan that serves as Afghanistan's Poverty Reduction Strategy Paper (PRSP). It is underpinned by the principles, pillars and benchmarks of the Afghanistan Compact. The pillars and goals of the ANDS are:

1. Security: Achieve nationwide stabilization, strengthen law enforcement, and improve personal security for every Afghan.
2. Governance, Rule of Law and Human Rights: Strengthen democratic practice and institutions, human rights, the rule of law, delivery of public services and government accountability.
3. Economic and Social Development: Reduce poverty, ensure sustainable development through a private sector-led market economy, improve human development indicators, and make significant progress towards the Millennium Development Goals.



In the name of Allah, the most Merciful, the most Compassionate

Six and half Six and one-half years ago, the people of Afghanistan and the international community joined hands to liberate Afghanistan from the grip of international terrorism and to begin the journey of rebuilding a nation from a past of violence, destruction and terror. We have come a long way in this shared journey.

In a few short years, as a result of the partnership between Afghanistan and the international community, we were able to create a new, democratic Constitution, embracing the freedom of speech and equal rights for women. Afghans voted in their first-ever presidential elections and elected a new parliament. Today close to five million Afghan refugees have returned home, one of the largest movements of people to their homeland in history.

Thousands of schools have been built, welcoming over six million boys and girls, the highest level ever for Afghanistan. Hundreds of health clinics have been established boosting our basic health coverage from a depressing 9 percent six years ago to over 85 percent today. Access to diagnostic and curative services has increased from almost none in 2002 to more than forty percent. We have rehabilitated 12,200 km of roads, over the past six years. Our rapid economic growth, with double digit growth almost every year, has led to higher income and better living conditions for our people. With a developing road network and a state-of-the-art communications infrastructure, Afghanistan is better placed to serve as an economic land-bridge in our region.

These achievements would not have been possible without the unwavering support of the international community and the strong determination of the Afghan people. I hasten to point out that our achievements must not distract us from the enormity of the tasks that are still ahead. The threat of terrorism and the menace of narcotics are still affecting Afghanistan and the broader region and hampering our development. Our progress is still undermined by the betrayal of public trust by some functionaries of the state and uncoordinated and inefficient aid delivery mechanisms. Strengthening national and sub-national governance and rebuilding our judiciary are also among our most difficult tasks.

To meet these challenges, I am pleased to present Afghanistan's National Development Strategy (ANDS). This strategy has been completed after two years of hard work and extensive consultations around the country. As an Afghan-owned blueprint for the development of Afghanistan in all spheres of human endeavor, the ANDS will serve as our nation's Poverty Reduction Strategy Paper. I am confident that the ANDS will help us in achieving the Afghanistan Compact benchmarks and Millennium Development Goals. I also consider this document as our roadmap for the long-desired objective of Afghanization, as we transition towards less reliance on aid and an increase in self-sustaining economic growth.

I thank the international community for their invaluable support. With this Afghan-owned strategy, I ask all of our partners to fully support our national development efforts. I am strongly encouraged to see the participation of the Afghan people and appreciate the efforts of all those in the international community and Afghan society who have contributed to the development of this strategy. Finally, I thank the members of the Oversight Committee and the ANDS Secretariat for the preparation of this document.

Hamid Karzai
President of the Islamic Republic of Afghanistan



In the name of Allah, the most Merciful, the most Compassionate

We are pleased to present the Afghanistan National Development Strategy, which reflects the commitment of the Islamic Republic of Afghanistan to poverty reduction and private sector-led economic growth for a prosperous and stable Afghanistan. The ANDS Oversight Committee (OSC) was mandated by the Government to produce a Millennium Development Goals-based national strategy that is Afghan-owned and meets the requirements for a Poverty Reduction Strategy Paper. The OSC met on a regular basis to design, discuss and oversee the development of the strategy, including the identification of the needs and grievances of the people, and the prioritization of resource allocations and actions. To embrace 'Afghanization' and ownership, the OSC facilitated inclusive and extensive consultations both at national and sub-national levels.

Sustained fiscal support and continuous evaluation and monitoring are essential now to meet the challenges ahead related to ANDS implementation. The democratic aspirations of the Afghan people are high, yet financial resources remain limited. While much has been accomplished since 2001, more remains to be done as we move from "Compact to Impact". The Afghan Government with support from the international community must act decisively, strategically, and with an absolute commitment to the ANDS goals and vision.

We look forward to working with our government colleagues, civil society representatives, tribal elders and religious scholars, the private sector, the international community and, most importantly, fellow Afghans to implement the ANDS, to help realize the Afghanistan Compact benchmarks and Millennium Development Goals.

Prof. Ishaq Nadiri
Senior Economic Advisor to the
President
Chair, ANDS and JCMB

Ahmad Zia Masoud
First Vice-President

Dr. Rangin Dadfar Spanta
Minister of Foreign Affairs

Dr. Anwar-ul-Haq Ahady
Minister of Finance

Dr. Sarwar Danish
Minister of Justice

Dr. Amin Farhang
Minister of Commerce and
Industry

Dr. Jalil Shams
Minister of Economy

Dr. Zalmay Rassoul
National Security Advisor

Haneef Atmar
Minister of Education



In the name of Allah, the most Merciful, the most Compassionate

Acknowledgment

The Afghanistan National Development Strategy (ANDS) could not have been developed without the generous contribution of many individuals and organizations. The ANDS was finalized under the guidance of the Oversight Committee, appointed by HE President Hamid Karzai and chaired by H.E. Professor Ishaq Nadiri, Senior Economic Advisor to the President and Chair of the ANDS Oversight Committee. The committee included: H.E. Rangeen Dadfar Spanta, Minister of Foreign Affairs; Anwar-ul-Haq Ahady, Minister of Finance; H.E. Jalil Shams, Minister of Economy; H.E. Sarwar Danish, Minister of Justice; H.E. Haneef Atmar, Minister of Education; H.E. Amin Farhang, Minister of Commerce; and H.E. Zalmi Rassoul, National Security Advisor.

We would like to sincerely thank the First Vice-President and Chair of the Economic Council, H.E. Ahmad Zia Massoud. Special thanks are also due to H.E. Hedayat Amin Arsala, Senior Minister and H.E. Waheedulah Shahrani, Deputy Minister of Finance and the Ministry of Finance team. In addition, we would like to thank the Supreme Court, the National Assembly, Government Ministries and Agencies, Provincial Authorities, Afghan Embassies abroad, national Commissions, the Office of the President, Civil Society Organizations, and International Community.

All Ministers, deputy ministers and their focal points, religious leaders, tribal elders, civil society leaders, all Ambassadors and representatives of the international community in Afghanistan; and all Afghan citizens. National and international agencies participated actively in the ANDS consultations. Their contributions, comments and suggestions strengthened the sectoral strategies, ensuring their practical implementation. Thanks are also due to the Ministry of Rural Rehabilitation for their significant contributions to the subnational consultations. Special thanks are further due to the Presidents Advisors, Daud Saba and Noorullah Delawari for their contributions, as well as Mahmoud Saikal for his inputs. We are also indebted to the Provincial Governors and their staff for their contributions, support and hospitality to the ANDS preparations.

Special thanks to Wahidullah Waissi, ANDS/PRS Development Process Manager, for his invaluable contribution and for the efforts of his team of young Afghan professionals who dedicated themselves tirelessly to completing the I-ANDS, Afghanistan Compact and the full ANDS in consultation with both national and international partners. The Sector Coordinators included Rahatullah Naeem, Farzana Rashid Rahimi, Shakir Majeedi, Attaullah Asim, Mohammad Ismail Rahimi, Zalmi Allawdin, Hedayatullah Ashrafi, Shukria Kazemi, Saifur Rahman Ahmadzai, and; the Sub-National Consultations Team consisted of Mohammad Yousuf Ghaznavi, Mohammad Fahim Mehry, Shahenshah Sherzai, Hekmatullah Latifi, Sayed Rohani and Osman Fahim; and Prof. Malik Sharaf, Naim Hamdard, Saleem Alkozai, Mir Ahmad Tayeb Waizy, Sayed Shah Aminzai, Khwaga Kakar and Mohammad Kazim, and thanking Nematullah Bizhan from his special contribution from the JCMB Secretariat. We are also indebted to the many national and international advisers who supported this effort. In particular, we would like to thank Zlatko Hortic, Paul O'Brien, Jim Robertson, Barnett Rubin, and Ameerah Haq.

Finally, I would like to thank all who contributed towards this endeavor in preparation of the first Afghanistan National Development Strategy, a milestone in country's history and a national commitment towards economic growth and poverty reduction in Afghanistan.

Adib Farhadi,
Director, Afghanistan National Development Strategy, and
Joint Coordination and Monitoring Board Secretariat

Table of Contents

I.	Introduction.....	1
II.	Our Achievements since December 2001	1
III.	Current Conditions and Challenges	2
IV.	Preparing the Afghanistan National Development Strategy (ANDS).....	3
V.	Goals of the ANDS	4
	Pillar 1: Security.....	5
	Security: Achieve nationwide stabilization, strengthen law enforcement, and improve personal security for every Afghan.....	4
	Pillar 2: Governance, Rule of Law, and Human Rights	6
	ANDS Goal: Strengthen democratic practice and institutions, human rights, the rule of law, delivery of public services, and government accountability	6
	Pillar 3: Economic and Social Development.....	9
	Reduce poverty, ensure sustainable development through a private sector-led market economy, improve human development indicators, and make significant progress toward achieving the MDGs.....	9
	Cross Cutting Issues	15
	Counter-narcotics	15
	Anti-corruption	16
	Capacity Development.....	16
	Gender Equity	17
	Environment	17
	Regional Cooperation	17
VI.	Macroeconomic Framework	18
VII.	Partnerships for financing the ANDS	19
	Costing and prioritization of the ANDS sectors	20
	Expected assistance for ANDS implementation	204
VIII.	Aid effectiveness.....	20
IX.	Implementation Framework.....	21
X.	Monitoring, Evaluation and Reporting	22
XI.	Conclusion	22

Executive Summary

I. INTRODUCTION

Afghanistan emerged in late 2001 as a State and People that were devastated like few other in modern history. The extent of destruction of the country's physical, institutional, human and social capital left Afghanistan and its international partners with a monumental task: to build a pluralist Islamic State governed by the rule of law, in which all Afghans have the opportunity to live in peace with dignity, to reach their economic potential, to access basic public services and to participate fully as equal citizens.

Six and one-half years later, despite considerable progress and sacrifice, we have yet to achieve this vision. Along with our international partners, we underestimated the full extent and time required to overcome the obstacles to peace and prosperity. Insecurity, poverty, corruption and the expanding narcotics industry signify that while the challenges facing Afghanistan have changed in nature, they have not necessarily changed in magnitude. The Afghan people will remain handicapped in discovering their full human potential unless a better balance is struck between development, security and political strategies that are sensitive to both Afghan culture and resource constraints. When empowered with appropriate tools, skills, political support, and respect for human rights, the Afghan people—facilitated by their Government and international partners—remain the key to comprehensive recovery and a durable peace.

To meet the country's many challenges and realize the aspirations of the Afghan people, the five-year Afghanistan National Development Strategy has been prepared after two years of analysis and priority-setting, drawing on extensive national and sub-national consultations. As an Afghan-owned blueprint for progress in all spheres of national life, the ANDS is a Millennium Development Goals-based plan that will serve as the country's Poverty Reduction Strategy Paper. Fundamental to its successful implementation is the need to invest in critical national capacities, such as education, energy, irrigation, and agriculture, as well as to promote reconciliation, justice and alternative livelihoods. Besides providing a detailed, budgeted strategy for advancing the Government of Afghanistan and international community's Afghanistan Compact goals, the ANDS is a roadmap for the long-desired objective of 'Afghanization' and the transition towards stability, self-sustaining growth, and human development. Translating the Compact's over-arching goals of peace, inclusive and competent governance, and sustainable socio-economic development into a meaningful impact in the lives of ordinary Afghans requires overcoming the fear of failure; after decades of violence and untold suffering—which has, at times, threatened the outside world—there can be no alternative but to succeed.

II. OUR ACHIEVEMENTS SINCE DECEMBER 2001

Beginning in 1380 (December 5, 2001), the Bonn Agreement guided Afghanistan's transformation towards a new era of democratic self-governance. Shortly after the Bonn meeting, an Interim Authority convened an Emergency Loya Jirga (ELJ), the first genuinely representative Afghan national forum in decades, and it established a Transitional Administration. In 1383 (2004) Afghanistan adopted its first Constitution in three decades, laying the political and development foundations for the country. Three rounds of free and fair elections followed. Afghanistan now enjoys a democratically elected President, National Assembly and Provincial Councils. Women constitute 27 percent of the National Assembly, and 76 percent of eligible voters participated in the presidential elections.

Besides political progress, other significant achievements since 2001 include: enrolling 6.4 million children in primary and secondary education, 35 percent of whom are young girls; the basic package of health services now covers 85 percent of the country with 80 percent of the population immunized; the return of more than five million Afghan refugees; the rehabilitation of about 12,000 km of roads, including the ring road; the disarmament, demobilization and reintegration of over 63,000 former combatants; the national army and police forces are close to full strength; the core state economic and social welfare institutions have been fully re-established and are providing valuable basic services; a single unified currency and national accounts have been

established; macro-economic stability, fiscal discipline, prudent monetary policies, low levels of inflation, and public finance management systems have been established; commercial banking and telecommunication networks, led by the private sector, are fully operational; and Afghanistan is far less likely to serve as a safe haven for terrorist activities.

After the successful completion of the Bonn Agreement, Afghanistan and the international community adopted the Afghanistan Compact, agreed to at the London Conference of 1384 (2006). The Bonn Agreement re-established State institutions; the Afghanistan Compact aims to make them functional. To do so, the Compact sets out ambitious goals for comprehensive statebuilding with benchmarks for security, governance, and development, including the cross-cutting goals of counter-narcotics and regional cooperation. To implement its obligations under the Afghanistan Compact, the Government of Afghanistan presented its Interim-Afghanistan National Development Strategy, now developed into the full ANDS.

III. CURRENT CONDITIONS AND CHALLENGES

No other nation has faced, simultaneously, the range and scale of far-reaching challenges with which Afghanistan must now contend. Today, the country remains devastated with a large part of the human, physical and institutional infrastructure destroyed or severely damaged. Afghanistan faces widespread poverty; limited fiscal resources which impede service delivery; insecurity arising from the activities of extremists, terrorists and criminals; weak governance and corruption; a poor environment for private sector investment; the corrosive effects of a large and growing narcotics industry; and major human capacity limitations throughout both the public and private sectors. Meeting the challenges of recovery and rebuilding a country that can provide the basis for sustained economic development will take many years and require consistent international support.

Social and economic development will not be achieved unless the insecurity that prevails in some parts of the country is reduced markedly. Despite the efforts by Government and the international community to end terrorists and extremist activity, security has steadily deteriorated since late 1384 (2006). The stabilization of Afghanistan, especially in the south and south-east, remains a necessary but insufficient pre-condition for ANDS implementation. The success and sustainability of the ANDS depends on the ability of Afghanistan to assert the rule of law across the country. However, this requires the establishment of central and sub-national governance structures capable of delivering basic services to all citizens.

The difficulties in maintaining security contribute significantly to two closely related issues: increasing corruption in the public sector and the rapid growth of the narcotics industry. There is a consensus that corruption is widespread and growing public corruption represents a major disincentive for private investment, substantially increasing the costs and risks of doing business. The lack of security in some parts of the country has created conditions in which poppy cultivation has flourished, feeding a growing narcotics industry. The narcotics economy seriously undermines the potential for growth in the licit economy and generates large amounts of illicit money to fund terrorist activities and encourage corruption in the public sector. The country must also address serious shortcomings in the delivery of basic social services, particularly education and healthcare. Literacy rates remain low, particularly in rural areas and among women. The health standards of the Afghan people are also among the lowest in the world. Spending on healthcare per person is only about one-quarter of the amount spent elsewhere in the region.

The Afghan Government is firmly committed to build a strong, private sector-led market economy. This will provide the foundation for sustainable economic growth and for generating employment. However, several severe limitations in the economic environment must be addressed if these efforts are to succeed:

- i. The country's 'hard infrastructure', including roads, reliable supplies of water and power, and the entire value chain that links production to domestic and foreign markets, is inadequate to support high levels of economic growth and the poverty reduction benefits that such growth would bring.
- ii. The corresponding 'soft infrastructure', which includes the necessary human and institutional capacity necessary for an economy to function, is largely lacking. Considerable emphasis is being given to

developing capacity in both the public and private sectors and to institutional development, but meeting the growth targets of the ANDS will take time.

- iii. Economic governance is weak. The Government is pursuing comprehensive economic reform, but the establishment of the institutions and the regulatory framework needed for effective implementation and enforcement will take many years to develop.
- iv. Afghanistan's commercial connections to regional and global economies were severely disrupted during the period of political and economic isolation and must be re-established. The development of a competitive private sector will be necessary if Afghanistan is once more to become well integrated within the both the regional and global economies.
- v. Key markets for land and finance are largely undeveloped, limiting the ability of private investors to establish and operate businesses. Afghanistan has substantial commercial and natural resources that could be more productively employed and, in doing so, would greatly expand opportunities for employment and lead to substantially increased government revenues.

The current fragmented and uncoordinated approach to Afghanistan's reconstruction and development must turn into an integrated and prioritized approach, as outlined in the ANDS. Given that most aid continues to flow outside the Government's core budget, improving coordination and aid effectiveness are essential for successful ANDS implementation.

IV. PREPARING THE AFGHANISTAN NATIONAL DEVELOPMENT STRATEGY

To comprehensively address the security, governance, and development needs of Afghanistan, the Government has prepared the five-year Afghanistan National Development Strategy. The ANDS reflects the Government's vision, principles and goals for Afghanistan, building on and in support of commitments to reach the Afghanistan Compact benchmarks and the Afghanistan Millennium Development Goals. The Afghanistan Compact represents an international commitment to improve security, governance, and development conditions and opportunities for all Afghans.

The ANDS is the product of extensive national, provincial and local level consultations. National consultations involved all major governmental and civil society institutions, including non-governmental organizations (NGOs), cultural associations, religious communities, tribal elders, the private sector, development experts and the international community. Sub-national consultations involved discussions with provincial governors, provincial representative bodies, village councils, parliamentarians from each province, local civil society leaders, representatives of Provincial Reconstruction Teams (PRTs) and prominent individuals in all 34 provinces. More than 17,000 people, nearly 50 percent of who were women, directly participated in the consultations.

The sub-national consultations represented the first significant dialogue between the central Government and the provinces, designed to strengthen center-periphery relations. The outcome of the consultations included the formulation of around 18,500 village based development plans, leading to 290 district development plans, which were finally consolidated into 34 Provincial Development Plans (PDPs). These PDPs identified needs and key development priorities for each province.

In preparing the ANDS, the Government has adopted evidence based policy making—through detailed poverty diagnostic work—to better understand the causes and effects of poverty in all its forms. Based on this analysis, the ANDS serves as a pro-poor growth strategy. By pro-poor, the Government means making investments that have a preferential impact on bringing the poor out of extreme poverty through the adoption of growth enabling policies and targeted social protection investments. Afghanistan aims to achieve pro-poor growth, where the incomes and livelihoods of the poorest rise faster than the average growth of the economy. Key findings of the Government's 1386 (2007) National Risk and Vulnerability Assessment (NRVA) indicate that the poverty rate stands at 42 percent (or 12 million people), with per capita incomes of about US\$14 per month. Moreover, food

poverty was estimated to affect around 45 percent of Afghans; they are unable to purchase sufficient food to guarantee the world standard minimum food intake of 2,100 cal/day. Furthermore, 20 percent were situated slightly above the poverty line indicating a high level of vulnerability.

Both the national (top-down) and sub-national (bottom-up) consultations were integrated into the sector strategies, which contributed to the formulation of Sector Wide Approaches and Programmatic Budgeting. The ANDS presents the Government's development priorities to address the needs of the country within the limits of the Government's fiscal framework.

V. GOALS OF THE ANDS

Pillar 1: Security

Security: Achieve nationwide stabilization, strengthen law enforcement, and improve personal security for every Afghan.

Security in all parts of the country is essential for effective governance, private sector development, economic growth, poverty reduction and the safeguarding of individual liberty. The strategic objective under this pillar is to ensure the security of state, persons and property through the implementation of an integrated and sustainable defense, security and law and order policy. The Government has developed a National Security Policy to be implemented through the Security Sector Reform (SSR) program. This will strengthen and improve coordination among the Afghan National Security Forces (ANSF), ISAF/NATO and CSTC-A.

Challenges

Afghanistan still faces a number of serious challenges before it can assume full responsibility for its own security. Terrorism, foreign interference, instability and weak capacity in governance are preventing the Government from establishing effective control in some areas, particularly in the south and southeast. The large scale production of narcotics continues to provide funding for terrorist groups. Land mines and unexploded ordnance remains a significant threat, with some five thousand citizens either killed or wounded in mine explosions since 1380 (2001). Currently only two of the country's 34 provinces are completely clear of mines. The only practical solution for Afghanistan's long-term security needs is to enable Afghans to provide for their own security. The sustainability of the Afghan National Security Forces is, in the longer-term, the responsibility of Afghanistan. The Government will assume an increasing share of this burden commensurate with economic growth—the 'Afghanization' of the country's security activities. But until Afghanistan build the economic capacity to completely meet this obligation, the international community must help bridge the gap.

Targets

1. **The Afghan National Army (ANA):** The long-term objective for Afghanistan is to build an Afghan National Army capable of maintaining the stability of the country, defending its sovereignty, and contributing to regional security. The final figure for ANA troop strength to meet these requirements has not been determined by the Government and the international community. However, the 80,000 figure (plus 6,600 in training), which was approved at the February 2008 Joint Coordination and Monitoring Board (JCMB) meeting, is an important milestone and provides a target for the near future. By Jaddi 1389 (end-2010), the ANA will achieve and surpass this milestone, and it will ensure that 75 percent of the field battalions (kandaks) and brigades are capable of conducting independent operations (with the addition of some external enablers and air support). The ANA will maintain its regional and ethnic balance, and continue to develop its reputation as a respected, accountable and professional force, prepared to meet the security needs of the nation.

Afghanistan National Development Strategy (ANDS) Structure

SECURITY	GOVERNANCE	SOCIAL AND ECONOMIC DEVELOPMENT					
Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5	Pillar 6	Pillar 7	Pillar 8
1 - Security	2 - Good Governance	3 - Infrastructure & Natural Resources	4 - Education & Culture	5 - Health & Nutrition	6 - Agriculture & Rural Development	7 - Social Protection	8 - Economic Governance & Private Sector Development
Sectors							
Security	Justice	Energy	Education	Health and Nutrition	Agriculture and Rural Development	Social Protection	Private Sector Development and Trade
	Governance, Public Administrative Reform & Human Rights	Transportation	Culture, Media and Youth			Refugees, Returnees and Internal Displaced Persons	
	Religious Affairs	Water Resource Management					
		Information and Communications Technology					
		Urban Development					
		Mining					
Cross-Cutting Issues							
Capacity Building							
Gender Equity							
Counter Narcotics							
Regional Cooperation							
Anti-Corruption							
Environment							

2. **The Afghan National Police (ANP):** The long-term objective for the ANP is to build a professional police force that operates within internationally accepted legal standards, with respect for human rights, and is managed by a professional, adequately trained and paid staff able to effectively plan, manage, employ and sustain a national, merit-based police force. It should protect the local population from a terrorist and illegally armed anti-government threat and enforce the rule of law on a country-wide basis. It should be able to transition to traditional policing as conditions on the ground change. By Jaddi 1392 (end-2013) the Ministry of Interior will achieve a target strength of 82,180 professional policemen (including Afghan Border Police). This force will be capable of maintaining domestic order and enforcing the law, and serve under the direction and control of the Ministry of Interior, while remaining responsive to the needs of local communities.
3. **Disarmament of Illegal Armed Group (DIAG):** All illegal armed groups will be disbanded by 20 March 2011 in all provinces.
4. **Removing Unexploded Ordnance:** By Jaddi 1389 (end-2010), in line with Afghanistan's MDGs, the land area contaminated by mines and unexploded ordnance will be reduced by 70 percent. Ninety percent of all known mine/Explosive Remnants of War (ERW) contaminated areas will be cleared by 1391 (2012). All emplaced anti-personnel mines will be cleared by 1391 (2013) in accord with the provisions of the Ottawa Convention.
5. **Counter-Narcotics:** By 2013, the area under poppy cultivation will be reduced by half compared to 2007 levels.

Priorities

Afghanistan's security sector includes a number of institutions responsible for defending the country, maintaining security and enforcing laws. The first priority for this security pillar is to increase the capability of the security institutions.

The second priority is to ensure that our efforts in the security sector are comprehensive, complimentary and integrated. The Government is fully committed to successfully implementing an integrated and comprehensive national policy and strategy; a robust security sector reform program; strengthening synergies between civil and military operations; increasing the role of security forces in counter-narcotics activities; and strengthening and reforming the civilian components of security entities.

The third priority for this sector is the progressive transfer of responsibility for security from their international partners to Afghan forces and institutions. As NATO/ISAF forces step back from direct engagement in security operations, the ANA and ANP will take the lead on operations, and eventually provide the security needs of Afghanistan with partners assuming only support and oversight roles. Meanwhile, the ANA will depend upon ISAF for enablers and force multipliers. An increasingly capable ANA will enable the gradual reduction in international forces with a substantial reduction in the international community's sacrifices. The pace for standing up the Afghan Security Forces is linked directly to the level and speed by which the international community chooses to aid Afghanistan in overcoming current gaps in capability—but Afghanistan is ready to take the first steps.

Pillar 2: Good Governance, Rule of Law, and Human Rights:

ANDS Goal: Strengthen democratic practice and institutions, human rights, the rule of law, delivery of public services, and government accountability

Improved democratic governance, rule of law, justice and human rights remain vital to supporting our national vision, including poverty reduction and sustained high rates of economic growth. The ANDS strategic objective for this sector is the establishment of a stable Islamic constitutional democracy where the three branches of the State function effectively and inclusively, are held accountable, and uphold the rule of law and basic human rights. The Government aims to provide good governance and measurable improvements in the delivery of

services. To achieve these goals it will: (i) establish, reform and strengthen government institutions at the central and sub-national levels with an emphasis on transparency and competent, results-based management; and (ii) reform legislative processes, including the holding of free and fair elections. The Government will act as a policy maker, regulator, enabler and not a competitor, of the private sector.

Challenges

While much has been achieved in strengthening the formal and informal structures of governance and the rule of law, as well as extending human rights, considerable challenges still stand in the way of achieving the goals under this pillar. These include: (i) the existence of multiple, parallel structures of state and non-state governance entities; (ii) confusion over center/sub-national governance entities; (iii) weak public sector institutions and underdeveloped governance and administration capabilities; (iv) high levels of corruption; (v) fiscal uncertainty; (vi) weak legislative development and enforcement; (vii) weak parliamentary oversight; (viii) weak community and civil society institutions; (ix) ineffective and poorly defined justice system; (x) gender inequality; and (xi) underdeveloped human rights enforcement capacities. If significant improvements in governance are not rapidly achieved it will be difficult to make substantial progress with respect to security, human rights and economic development.

Priorities

To remedy these weaknesses, the Government will adopt the following measures:

Empower the National Assembly: The capacity of the National Assembly will be enhanced so as to improve legislative oversight, transparency and accountability functions.

Public Administration Reform (PAR): The objective of the PAR program is to encourage public institutions to perform effectively with a focus on results. The capacity of the civil service will be strengthened, for example through pay and grading restructuring, ensuring and expanding merit based appointments, rationalizing and restructuring government institutions to reflect core functions and responsibilities, and increasing training and capacity development.

Anti-corruption measures: The Government will focus on reducing administrative corruption at all levels of government and the judiciary, by increasing corruption monitoring, introducing additional programs to further limit potential corruption risks, and strengthening public complaints mechanisms.

Enhanced availability of information: The Government will increase the amount of information available to the public. The public will have greater access and rights to publicly held information.

Enhanced participation of women in government: The Government will fulfill its obligations in regard to the implementation of the National Action Plan for Women's Rights in Afghanistan.

Effective system of disaster preparedness and response: The Government is committed to increasing its capacity to effectively implement the National Disaster Management Plan.

Independent Election Commission (IEC): The capacities of the IEC will be strengthened so that a permanent voter's registry, electorates and electoral rolls will be established and constitutionally mandated elections at the national and sub-national levels successfully delivered.

National identity document: The Government will pursue the development of a single national identity document so as to enhance public accountability and transparency and reduce corruption.

Geodesic and cartographic information: The Government will review village and Gozar boundaries and will complete a national mapping exercise.

Census and statistical baseline: The Government will undertake the first national census in 2008 and will establish national and sub-national economic and poverty baselines and will publish results and analysis of data.

Land administration: The Government will establish a modern land registry and management system and a fair disputes settlement process.

Local governance: The Government will develop sub-national governance legislation; increase the people's participation in sub-national governance structures; empower Provincial Councils; establish legislation to define the roles of district councils, municipal councils and village councils; promote regular elections for Municipal, District and Village Councils, including mayoral elections; reform sub-national governance structures; build the capacity of the sub-national civil service; institutionalize provincial planning and budgeting; and enhance municipal planning and budgeting capacities. The sub-national activities will be facilitated by the Independent Directorate of Local Governance (IDLG).

Communication with and within the government: The Government will enhance the flow of information between all government entities related to national policy, strategy and national budget procedures.

Religious affairs: The Government acknowledges the significant role of Islamic religion in shaping society and in creating systems of social value.

Human rights: The Government will strengthen its capacity to protect the human rights of all Afghans through the development, ratification and enforcement of legislation that is consistent with Afghanistan's international obligations, such as: Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), and the Convention on the Rights of the Child (CRC). The Government remains committed to the Action Plan on Peace, Justice and Reconciliation and clarify the institutional responsibilities of all Government entities responsible for improving human rights.

The main priorities for the Justice Sector are:

Improved institutional capacity to deliver sustainable justice services: The Government will reform and restructure judicial institutions; strengthen legal education; develop a judicial records system; enhance administrative capacity; reduce corruption; promulgate codes of ethics; develop a public complaints system; expand judicial services through infrastructure development and procure necessary transportation and equipment.

Improved coordination and integration within the justice system and other state institutions: The Government will increase coordination and integration with other government institutions and civil society; improve legislation through enhancing capacities of the Taqin and the National Assembly; establish a National Legal Training Centre; increase opportunities for external stakeholders and civil society to contribute to legal policy development, analysis and legislative drafting; and improve the delivery of justice services in the provinces by strengthening the Provincial Justice Coordination Mechanism (PJCM). The PJCM will assist the Government to systematically expand rule of law beyond Kabul through coordinated and targeted donor programs for technical assistance, training, capacity building, infrastructure and provision of equipment and transportation.

Improved quality of justice: The justice sector's strategic objective is to create an Islamic society in which an impartial and independent judiciary protects the safety and security, religion, property, human rights and Islamic values of its citizens, while respecting liberty, equality before the law and access to justice for all. The Government will: (i) establish an investigation system to reduce delays in the criminal justice processes caused, in part, by the lack of representation and poor case management; (ii) develop sentencing policies; (iii) implement the Juvenile Justice Policy; (iv) develop specialized policy units to address cross-cutting and emerging criminal justice issues; (v) enhance and improve civil court case administration and jurisdiction structures in major litigation categories; (vi) improve links between the formal and informal justice sectors; and (vii) provide oversight to the informal justice sector.

Targets

1. The Public Administration Reform program will be completed by 2013;
2. A substantial reduction in corruption will be achieved by 2013;
3. By 2009, the new criminal procedure code will be enacted and published, and for its implementation training with written commentary will be provided to all legal professionals, as well as community legal education for citizens;
4. By 2010, all laws, regulations, and other legal instruments will be compiled, indexed, uploaded and maintained on government websites, will be published and distributed to state institutions at all levels, and will be made available to the people nationwide
5. By 2013, all government agencies and ministries will have improved technical capacity to draft and propose nondiscriminatory legislative and regulatory instruments.

Pillar 3: Economic and Social Development:**Reduce poverty, ensure sustainable development through a private sector-led market economy, improve human development indicators, and make significant progress toward achieving the MDGs.**

The Government is committed to policies conducive to a private sector-led market economy that delivers high, sustainable economic growth. Within the ANDS, the Government's key poverty reduction initiative will be to support the private sector as the most efficient vehicle for increasing employment and incomes. At the same time, the Government recognizes the need to target resources at the poorest and most vulnerable groups, to be achieved through fiscally sustainable and transparent income transfer policies. Since 2002, the Government has also placed a high priority on attempting to provide health and education services to all Afghans. These policies will continue to be strengthened, in order to improve human development indicators significantly across Afghanistan.

Challenges

Although the economy is experiencing high growth rates, Afghanistan faces a number of constraints that must be addressed to ensure long-term economic expansion and poverty reduction. Among the most severe are continuing instability, the poor state of infrastructure, low levels of human capital development and institutional capacity, and the lack of a proper enabling economic environment. At the same time, growth alone is not enough to reduce poverty and improve human development indicators. A major challenge in this pillar is to create an environment where the economy performs to its full potential, while at the same time ensuring that the most vulnerable members of society are not left behind.

Targets

1. The proportion of people living on less than \$1 a day will decrease by 3 percent per year;
2. The proportion of people who suffer from hunger will decrease by 5 percent per year;
3. The net enrolment in primary school for girls and boys will be at least 60 percent and 75 percent respectively by 2010;
4. Female teachers will be increased by 50 percent by 2010;
5. Seventy percent of Afghanistan's teachers will have passed a competency test by 2010;
6. The under-5 mortality rate will be reduced by 50 percent between 2003 and 2013;
7. The maternal mortality ratio will be reduced by 50 percent between 2002 and 2013;
8. The Basic Package of Health Services will be extended to cover at least 90 percent of the population by 2010;
9. The proportion of people without sustainable access to safe drinking water and sanitation will be halved by 2020: by 2013, 50 percent of households in Kabul and 30 percent of households in other urban areas will have access to piped water; 90 percent of villages will have access to drinking water and 50 percent of villages will have access to sanitation.

Priorities

Policies for enabling a private sector-led market economy

Three key Government priorities are: (i) to develop the legal framework for the private sector, including the passage and enactment of key commercial laws (Corporations, Partnership, Commercial Arbitration, Commercial Mediation, Contracts, Agency, Standards, Copyrights, Trademarks, and Patents); (ii) to create a regulatory framework to support their implementation; and (iii) to improve enforcement of the legal and regulatory frameworks. The Government will also ensure that the laws appropriately reflect the Afghan societal context and are implemented fairly and consistently to provide greater predictability to investors.

The Government will strengthen economic governance within the framework of the Policy for Private Sector Growth and Development¹, including: (i) clarifying institutional responsibilities and mechanisms for reforming the business environment; (ii) strengthening the Ministry of Commerce and Industry, the Afghanistan Investment Support Agency, and the legal system to effectively regulate and resolve disputes; and (iii) improving access to land, including measures to clarify property rights, to simplify procedures for the transfer of titles, and to ensure the availability of longer-term leases. Major procedures for business operations (registration, licensing, permissions, border operations, custom clearance and payments) will continue to be streamlined to reduce transaction costs.

The Government attaches a high priority to the privatization and corporatization of key state-owned enterprises. This will include the corporatization and increasing the efficiency of the national electricity authority Da Afghanistan Brishna Mowasesa (DABM). The Ministry of Finance has prepared a list of all state-owned enterprises that will be privatized or liquidated over the course of next three years. Fair access to markets for new private sector competitors will be encouraged by all relevant government bodies.

The Government is committed to pro-trade policies maintaining low trade barriers for imports and exports that take into account domestic revenues and the need to support increased domestic production by the private sector. It is important to strengthen certain competitive industries where Afghanistan possesses a comparative advantage. The Ministry of Finance will be responsible for setting the tariff regime, in consultation with relevant stakeholders. The Government's top priority will be to improve trade and commercial relations with regional countries, taking advantage of Afghanistan's strategic location in the region by adopting policies and procedures that facilitate and promote transit and trade. In the short-term, the Government will focus on ensuring that custom regulations are consistently applied and that the average time required for the import and export of goods continues to decline and eventually reaches the regional average. The Government remains committed to gaining accession to the World Trade Organization.

The financial system, including banking and microfinance, has been growing rapidly; however, financial intermediation remains low. Only a small segment of the population has access to formal financial services. Building a strong and responsive financial sector will remove one of the key bottlenecks to efforts within the private sector to increase productive capacity and enhance domestic production.

The Government's top priorities for the financial sector will be to strengthen the legal framework by passing and implementing four pending financial sector laws (Secured Transactions, Mortgages, Leasing, and Negotiable Instruments) and to strengthen the enforcement of prudent regulations in the banking sector. The next priority will be to increase the offering of financial services in rural areas and to small and medium enterprises (SMEs). The Government will implement the restructuring and eventual privatization strategies of Bank Millie and Pashtany Bank. Over the medium-term, the Government will seek to establish both a credit information bureau and a financial dispute resolution tribunal; it will further seek to implement an adequate insurance law to encourage the development of these key financial sector components.

¹ Presented by the Government at the Enabling Environment Conference, June 2007.

Infrastructure and Natural Resources

Despite the rapid development of this sector over the past few years, Afghanistan's infrastructure still lags substantially behind that of its neighbors. The poor state of the roads and lack of reliable power, in particular, are major bottlenecks preventing the growth of private industry and trade. The Government's public expenditure policy will target infrastructure investments as a key priority in order to stimulate private investment and domestic production, increase employment and incomes, and reduce poverty.

Energy

The development of the energy sector is a key precondition for reducing poverty and strengthening private sector and rural development. The ANDS strategic objective for the energy sector strategy is the provision of reliable, affordable energy based on market-based private sector investment and public sector oversight by investing in Afghanistan's own sources of energy. Core targets over the medium-term for national development include: (i) electricity will reach at least 65 percent of households and 90 percent of non-residential establishments in major urban areas and at least 25 percent of households in rural areas; (ii) at least 75 percent of the costs will be recovered from users connected to the national power grid; and (iii) a strategy for the development and use of renewable energies.

Currently, Afghanistan is severely deficient in electricity generating capacity; it relies on power purchase agreement with neighboring countries. Today it is estimated that less than 20 percent of the population have access to public power (grid-supplied), but only on certain days and for limited number hours. Successfully implementing major infrastructure projects, such as Kokcha, Kunar, Baghdara, Gulbahar, Sorubi II and Sherberghan gas and oil fields, are essential to securing Afghanistan's energy future. Other key elements of the strategy include: (i) expansion of the public power grid through the rehabilitation and upgrading of Kabul and other key infrastructure areas (i.e., distribution – lines, substations, meters); the development of the North East Power System (NEPS) to be followed by the South East Power System (SEPS), Western and Eastern Power Systems; (ii) increasing access to rural energy services through the promotion of micro-hydro, solar, waste and small diesel power and energy generating sources. Commercial operation of these services will be encouraged and technical standards will be established to ensure cost-recovery, sustainability and safety. (iii) Improving the efficiency and cost recovery of existing operations through the corporatization of DABM; and (iv) improve sector governance by consolidating planning and coordinating actions among all stake-holders through the Inter-ministerial Commission for Energy.

The expected outcome of the strategy is greater access and reliability in electricity supplies throughout the country, based on increased utilization of domestic energy resources and imports. The Government seeks to create a strong enabling environment for private sector investment in energy production and in the distribution and sale of electricity. Reducing poverty and expanding employment and entrepreneurial opportunities in rural areas hinge on the extension of electricity through both the private sector and public investment in various off-grid projects.

Agriculture and Rural Development

The ANDS strategic objective for agriculture and rural development strategy is to attract private sector investment to transform agriculture to a high-value commercial agriculture sector as a source of growth and expansive means of livelihood. The Government will implement a coordinated agricultural and rural development program targeting two broad goals: (i) poverty reduction and (ii) the provision of alternative livelihoods. The Comprehensive Agriculture and Rural Development (CARD) Sector Strategy articulates a road map for the way forward in which poverty reduction through economic regeneration is the central objective. The overall focus is to support the poorest and most vulnerable segments of rural society. Of great importance, with increasing efforts towards poppy eradication, the rapid expansion of largely agricultural based activities will be more essential than ever to limit the numbers of marginal small holders falling below the poverty line. Investments to generate alternative livelihoods will be key in this regard.

Most farmers are engaged in subsistence or near-subsistence agriculture, and many farming families remain food insecure and therefore face risky livelihoods often combined with chronic debt. As a result, the country's vulnerability to natural disasters and food shortages has increased. The Agriculture and Rural Development Strategy sets out a series of programs designed to achieve improved quality of life for rural citizens – one in which food security is assured, basic services are provided, incomes increase with households actively engaged in legal activities, employment opportunities expand and where people live in a safe and secure environment. Activities are usefully grouped into two main components: a Comprehensive Agriculture and Rural Development and the Agricultural and Rural Development Zone (ARDZ) initiatives.

The fifteen programs that will provide the vehicles for reaching the objectives of the CARD strategy are as follows: National Solidarity Program, National Food Security Program, National Area Based Development Program, CARD horticulture program, CARD livestock program, National Rural Access Program, Rural Water Supply and Sanitation Program, CARD Irrigation Program, CARD National Resource program, National Surveillance System, Rural Electrification program, rural Enterprise program, research and Extension System, the Card Emergency Response System, and the CARD Capacity Building program.

Transportation

The ANDS strategic goal for the transport sector strategy is to achieve a safe, integrated transportation network that ensures connectivity and that enables low-cost and reliable movement of people and goods within Afghanistan as well as to and from foreign destinations. With the upcoming completion of the Regional Highway System, high priority will be given to improving 5,334km of secondary (national and provincial) roads and improving or building 6,290km of rural access roads as a key to raising rural livelihoods and reducing poverty and vulnerability in rural areas. Municipal transportation management will be strengthened to improve urban road quality, road network maintenance, road network planning, and transportation facilities and services. The Government will implement a comprehensive Operations and Maintenance (O&M) system, ensuring sustainability of O&M costs.

In addition, other major transportation priority initiatives to be undertaken include: (i) the New Kabul Airport; (ii) the Rehabilitation of Kandahar, Mazar-i-Sharif and Herat Airports; (iii) the building of new regional airports; (iv) the development of the railroad project; and (v) the entering into of new Transit Agreements with neighboring countries: these agreements will help to reduce the transit time for moving goods across borders. By end-2010, Afghanistan and its neighbors will also achieve lower transit times by means of more cooperative border management. Programs are now underway to ensure that Afghanistan's international airport, its other principal airports and the civil aviation authorities conform to the requirements of the ICAO and IATA, including establishing a new Civil Aviation Authority to promote air transport in a competitive environment.

Mining

The extraction of natural resources is expected to make a major contribution to GDP and export growth, as well as to the government revenues. The ANDS strategic objectives for the mining sector are (i) to attract increased private investment; (ii) to promote and regulate sustainable development of mineral resources; and (iii) to ensure that the nation's geological resources are properly surveyed and documented. This will be done through the establishment of a legal and regulatory environment that will encourage and assist private sector development of mining resources. A notable early success in the mining sector is the recently signed agreement for the largest foreign direct investment in the country to date—the leasing of the Aynak copper mine, for an estimated \$2.8 billion investment.

As key priorities in the mining sector, the Government will: (i) work to maximize the fiscal returns and economic linkages of natural resource extraction; (ii) establish a transparent and capable management system for the sector; (iii) provide a supportive environment for investment in the sector by finalizing and implementing various laws and regulations; and (iv) determine the extent of mineral resources in the country, with the objective of developing a long-term sustainable and environmentally-sound strategy. Success in attracting investment in mining operations will give investors confidence in the country's legal and regulatory system, opening the door to investments in other sectors.

Water Resources Management

The Government will implement the integrated Water Resources Management and river basin management approaches to planning and developing water resources in the short and medium-term. The ANDS strategic goal is to manage and develop the water resources in the country, so as to reduce poverty, increase sustainable economic and social development, and improve the quality of life for all Afghans and ensure an adequate supply of water for future generations.

Agriculture accounts for 95 percent of water consumption. In the 1970s, some 3.6 million hectares were cultivated using various irrigation methods, at present only about 1.3 million hectares of land are being irrigated. Of this, only 10 percent is being irrigated using properly engineered systems with the remainder dependent on traditional irrigation methods, some of these based on run-offs from or use of aquifers that are being degraded by deep water wells and insufficient investment in recharge basins. Irrigated land has three times the productivity of rain-fed land. Out of 8.3 million hectares of arable land in Afghanistan, 5.8 million hectares is potentially irrigable. Irrigation water management is one of the highest priorities of the Government. Significant investment has gone into rehabilitating damaged or degraded irrigation systems, but little has been done in terms of making new investments needed to increase efficiency in water use and new water supply. One of the highest priorities of the Government is developing irrigations dams, such as the Kokcha, Gambiri, and Kama dams.

The rehabilitation of traditional and existing irrigation structures will remain an important priority and will deliver much-needed quick returns in terms of increasing agricultural production and reducing poverty rates among rural households. To address the large gap in access to drinking water and sanitation services, the Government will give high priority to the provision of rural water supply and sanitation projects. In the medium to longer-term, the Government will complete hydrological surveys and build new dams with the aim of reclaiming agricultural land.

Information and Communications Technology (ICT)

The ANDS strategic goal for this sector is to provide equitable access for 80 percent of the country and for most populated areas to be covered by 1389 (2010). The priorities of the ICT sector will be to finalize the Fiber Optic Cable and Copper Cable Network projects, expanding access to high-speed data services throughout the country, and extending mobile phone coverage. The implementation of national ICT legislation, to create an enabling environment for the development of the sector, will be necessary to stimulate further private-sector investment. The ICT Council, through the Ministry of Communication and Information Technology (MCIT), will work to expand government capacity, improve governance, and reduce corruption, by pursuing moves toward e-government. The private-sector is expected to make additional large investments in the telecommunication sector.

Urban Development

Effective management of the rapid urbanization process will make a significant contribution to the recovery of the country. Through the ANDS PDP process, eight major City Development Plans were developed. The ANDS strategic objective is to ensure increased access to improved services and affordable shelter, while promoting sustainable economic growth through the implementation of the National Urban Program, which includes the National Land Policy and the City Development Plans. Outcomes will include: (i) strengthened municipal capacity to manage urban development and deliver services; (ii) improved institutional coordination and monitoring of key urban indicators; (iii) increased access to basic services for urban households; (iv) phased regularization of tenure for 50 percent of households living in informal settlements; (v) upgrading public services and facilities, including new urban area development including the development of a new city on the Deh-Sabz north of the existing city of Kabul; (vi) increased availability of affordable shelter, including a 50 percent increase in numbers of housing units and 30 percent increase in area of serviced land on the market, coupled with access to affordable finance; and (vii) improved urban environment with green areas and open spaces.

A major challenge facing rapid urban development will be to adopt systems where urban taxes and cost recovery funds the provision of efficient government services. This will expand the scope for increased private sector provision of urban services, with funding still partially coming from the public sector to cover costs for those living in poverty. To alleviate urban sprawl, zoning and new city planning management capacities will be strengthened.

Education

The Government aims at having a well-educated nation. Since 2002, the Government has invested heavily in the education sector and has attained progress toward the ultimate goals of educating all of Afghanistan's children, reducing illiteracy, and creating a skilled labor force. The Government is committed to meeting the Millennium Development Goals, and the primary education objective for the ANDS is to keep Afghanistan on track for their timely attainment.

The Government aims to increase literacy, improve quality of education, expand the capacity of the education system to absorb more students, increase equal access to education for all, improve opportunities for and quality of higher education, and expand the capacity and improve the quality of vocational education and skills building.

The provision of basic education and reducing illiteracy rates will remain the top priority for the Government throughout the life of the ANDS. The Government is committed to implement the priority programs endorsed in the National Education Strategic Plan, including: (i) general education (targeting a 60 percent and 75 percent enrolment rate for girls and boys, respectively); (ii) improved teacher education and working conditions; (iii) education infrastructure rehabilitation and development; (iv) curriculum development and learning materials; (v) Islamic education; (vi) technical and vocational education and training; (vii) literacy and non-formal education; and (viii) reform and development of education administration.

The next priority is to improve the quality and management of education through devolving responsibility for the delivery of education services to local authorities while strengthening the monitoring and strategic planning capacity of the Ministry of Education, Ministry of Higher Education, and Ministry of Labor and Social Services. The key priority in the vocational training subsector is to align vocational training and skills development programs with the needs of the economy through improved coordination and implementation capacity at the National Vocational Education and Training Board (NVETB).

Culture and Media

The culture and media sector vision is (i) to foster the continued expansion of a free and lively media that is independent and accessible to women and men throughout the country; (ii) to preserve and protect the cultural heritage of Afghanistan; and (iii) to foster cultural creativity.

Major goals for this sector include the documentation of unregistered historical monuments and archaeological sites and the restoration and protection of vulnerable locations; the adoption of new media legislation to support independent and open media; the expansion of media throughout the country; and the continuation of efforts to recover stolen artifacts through international and bilateral relations.

Health and Nutrition

By all measures, the people of Afghanistan suffer from poor health. Afghanistan's health indicators are near the bottom of international indices, and far far worse, in terms of their health, than any other country in the region. Life expectancy is very low, infant, under-five and maternal mortality is very high, and there is an extremely high prevalence of chronic malnutrition and widespread occurrence of micronutrient deficiency diseases.

The overarching priority of the health sector is to address priority health issues through a universal coverage of a Basic Package of Health Services (BPHS). The Government will continue to implement the BPHS and will

strengthen the referral network that links patients into the hospitals that provide the Essential Package of Hospital Services (EPHS). Specifically, the Government will focus on strengthening reproductive health services, particularly in the areas of safe motherhood and family planning; improving the nutritional status of mothers and children; and controlling communicable diseases, recognizing their adverse impact on the health of all Afghans. To support these specific health interventions, the Government has developed a comprehensive program of institutional development for health services, designed to organize, manage and monitor the national health system to reduce inequity and improve efficiency, effectiveness, quality of care and accountability at all levels.

The ANDS strategic objectives include achieving the following Afghanistan Compact and the Millennium Development Goals: by end-1389 (2010), in line with Afghanistan's MDGs, (i) the Basic Package of Health Services (BPHS) will be extended to cover at least 90 percent of the population; (ii) maternal mortality will be reduced by 15 percent; and (iii) full immunization coverage for infants under-5 for vaccine-preventable diseases will be achieved and their mortality rates reduced by 20 percent; (iv) to reduce by 50 percent, between 1382 (2003) and 1394 (2015), the under-five mortality rate, and further reduce it to one third of the 1382 (2003) level by 1400 (2020); (v) to reduce the maternal mortality rate by 50 percent, between 1381 (2002) and 1394 (2015), and further reduce by an additional 25 percent of the 1381 (2002) level by 1400 (2020); (vi) and reverse the spread of HIV/AIDS by 1400 (2020); and (vii) to halt and begin to reverse the incidence of malaria and other major diseases by 1400 (2020).

Social Protection

The household survey data reflects Afghanistan's high rate of poverty and vulnerability to consumption shocks, particularly sudden food price increases. While strong economic growth is a necessary precondition for poverty reduction, it is not sufficient to ensure an improvement in the poverty profile. To ensure quality growth, the Government will pursue income and transfer policies that are fiscally sustainable and target assistance at the poorest and most vulnerable society groups, in line with Afghanistan's Islamic traditions and values.

Fiscally sound and well-targeted social protection interventions are of critical importance for improving poverty outcomes. The Government is committed to pursuing sustainable income and transfer policies through pension reform and programs focused on the extreme poor; allocating adequate resources to the poorest areas through nationwide programs and productive safety net programs; phasing out non-targeted subsidies, such as energy subsidies; and building the planning and administrative capacity of the Ministry of Labor and Social Affairs to deliver coordinated programs in employment generation and social protection.

The Government will provide humanitarian support for Afghans affected by natural disasters, insecurity, and the return from refugee status in neighboring countries. Up to 2.5 million additional Afghan refugees could return during the life of the ANDS. The capacity to absorb such an influx is uncertain and may require substantial international intervention in order to prevent the diversion of limited assets and resources. The Ministry for Refugees and Returnees will coordinate the provision of support programs for refugees and returnees implemented through other ministries. The Afghan National Disaster Management Authority will coordinate the Government's preparedness for natural disasters and humanitarian situations.

Cross Cutting Issues

The ANDS is underpinned by five vital cross-cutting issues where coordinated action is needed across pillars and sectors. They are inter-related and together pose a serious challenge to the successful implementation of the ANDS and the achievement of Afghanistan's MDGs. The Government is committed to decisive action in tackling these challenges, in cooperation with its international partners.

Counter-narcotics

One of the major objectives of the ANDS is to lay out a strategy for the elimination of the narcotics industry, which represents a formidable threat to the country, the region, and beyond. The Government is committed to

halving the total area under poppy cultivation by 2013, as measured against 2007. The Government's plan for 1387 (2008) includes the eradication of 50,000 hectares of poppy fields.

Those who are engaged in the narcotics industry are opposed to any gain in the Government's legitimacy or stability for the country. They provide funding for terrorist activities and fuel corruption. The National Drugs Control Strategy (NDCS) is the Government's main response to the fight against narcotics. It outlines eight interlinked pillars that lead efforts to reduce drug production, trafficking, and consumption. The eight pillars address: (i) alternative livelihoods, (ii) building institutions, (iii) information campaign, (iv) drug law enforcement, (v) criminal justice, (vi) eradication, (vii) drug demand reduction and treatment of drug addicts, and (viii) regional cooperation. The NDCS will continue to be reviewed and updated during the lifetime of the ANDS.

A key element of the NDCS is moving towards a provincial based approach to counter-narcotics activities. While the Ministry of Counter-Narcotics will assume the leadership role, the IDLG, MRRD, Provincial Development Council and Provincial Governors will be increasingly involved in both the planning and implementation of counter-narcotics activities. One of the main points of the provincial based approach is that the governors will be given the appropriate incentives to deliver on counter-narcotics and their performance will be judged by how well they succeed.

Other priorities include measures to increase the effectiveness of alternative livelihood programs by targeting their funding, administration, and delivery channels, as well as reform of the Counter-Narcotics Trust Fund (CNTF), with the aim of increasing Afghan management and improving its efficiency and effectiveness.

Anti-corruption

The perceived high level of corruption is a major roadblock to development and better governance. The ultimate objective of the Government's anti-corruption strategy is a public administration that operates with integrity and accountability to provide an enabling environment for economic and social development, based upon the rule of law, impartiality in political decision making, the proper management of public resources, the provision of efficient services and the active engagement of civil society and the private sector.

The Government's anti-corruption strategy and roadmap are focused on achieving clear progress in reforming public administration and judicial systems as well as implementing measures in the counter narcotics strategy. Specifically, the Government strives to: (i) amend and adapt legislation and procedures to prevent opportunities for corruption; (ii) reform complex organizational structures which lead to opportunities for corruption; (iii) simplify and streamline government functions and procedures; (iv) remove corrupt officials and implement merit based recruitments; (v) reform and strengthen audit procedures and increase control of financial and administrative transactions; and (vi) ensure adequate salaries and incentives for civil servants.

The Government recognizes that a balanced and sequenced approach to fighting corruption, making use of different instruments, strengthening their enforcement and evaluating their effectiveness is essential. Prevention, detection, prosecution, and sanctions, as well as awareness-raising are all components of this strategy. The Government will focus particularly on ensuring that the institutions, systems, and processes, including in public service delivery, are working well enough to minimize vulnerabilities to corruption. Measures to increase the transparency and accountability of government operations to external bodies such as the National Assembly, media and civil society will also be designed.

Capacity Development

Capacity – human and institutional - is a major constraint facing all aspects of the implementation of the ANDS. Low capacity leads to wastage, underutilization of resources, inefficient and ineffective interventions, and suboptimal outcomes. The Government will build the institutional mechanisms to support capacity development, mainly in the public sector, but where appropriate, supporting institutions and initiatives will also enable the private sector to participate and benefit from these mechanisms, such as National Vocational and Education Training Board (NVETB). The institutional responsibility will be with Inter-ministerial Commission

for Capacity Development (ICCD) that will serve as a single reporting point for both government and donors. The ICCD will provide a coordinated approach to support the effective management of funds and aid flows, cutting down on duplication and ensuring that capacity development needs are met in time and in an incremental but sustainable manner.

The Government is working on a comprehensive program to increase the capacity of public sector institutions and employees, in the context of the Public Administration Reform process. ANDS capacity development priorities include a comprehensive training and skills development scheme for civil servants; the establishment of the National Civil Service Training Centre; the management of international technical assistance to ensure accelerated and sustainable transfer of skills and expertise; the injection of short-term capacity through the Management Capacity Program (MCP).

Gender Equity

An important precondition for the success of Afghanistan's development goals is the reversal of women's historical disadvantage in Afghan society. The Government's vision is a peaceful and progressive nation where women and men enjoy security, equal rights, and opportunities in all spheres of life. The Government is committed to fulfilling its obligation to women's development as embodied in the Constitution, the MDGs, the Afghanistan Compact, and international treaties. The ANDS provides a framework for mainstreaming gender interventions across sectors so as to address women's position in the society, their socio-economic condition, and access to development opportunities. The implementation of the strategy for gender equity is a shared responsibility among government entities at the national and sub-national levels. The Ministry of Women's Affairs, as the lead agency for women's advancement, will be strengthened to enable it to take on the role of coordinating and monitoring the outcomes of Government interventions.

Environment

The environment is a cross-cutting issue that underpins the entire social and economic development framework for the country. The Government's chief goal regarding the environment is to improve the quality of life for the people of Afghanistan through conservation, protection, and improvement of the country's environment, as well as to ensure the sustainability of development efforts for future generations. As a top priority, the Government will strengthen the capacity of the National Environmental Protection Agency (NEPA) to perform its regulatory, coordination, and oversight functions, and the capacity of line ministries to actively address environmental considerations in their program designs. Another short-term priority is to make operational and fully deploy the Environmental Impact Assessment (EIA) system, jointly by NEPA and line ministries, which will allow for the adequate monitoring of the environmental impacts of development projects.

Regional Cooperation

Afghanistan occupies a key strategic location linking Central Asia with South Asia, providing China and the Far East with a direct trade route with the Middle East and Europe. At the moment, Afghanistan also faces a security threat that has region-wide implications and that can only be addressed effectively by region-wide cooperation.

Developing the opportunities arising from this strategic location as a 'land bridge' between Central and South Asia, and the Middle East and the Far East will contribute to regional stability and prosperity, as well as increased investment and trade. The Government's key priorities are: (i) to increase and deepen Afghanistan's participation and leadership in bilateral and region-wide initiatives and agreements that facilitate transit, transport, and investment in the region; (ii) to promote cross-border initiatives for the equitable exploitation of shared resources of hydro power; (iii) to facilitate the voluntary return of refugees; and (iv) extend regional cooperation on border management to better align efforts against organized cross-border crimes, such as trafficking in drugs and weapons. The Government recognizes that it cannot achieve its goals with regards to improving security without close cooperation from regional partners, particularly Pakistan.

VI. MACROECONOMIC FRAMEWORK

High, sustainable and quality economic growth is the major driving force for poverty reduction and employment creation. Recent high growth performance has been supported by the government's prudent fiscal and monetary policies and a stable exchange rate. However, Afghanistan's high growth rate has thus far not contributed sufficiently to poverty reduction and employment creation, and it has been driven to a large degree by the influx of foreign aid—a situation which carries its own macroeconomic risks.

The ANDS has been developed to articulate the Government's policies for reducing poverty and improving development outcomes—which will rely heavily on maintaining macroeconomic stability and cultivating sources of growth, particularly in the private sector. The ANDS will also contribute to fiscal sustainability through its importance in the successful completion of the HIPC debt relief process and raising domestic revenue. To support the successful implementation of the ANDS, the Government will rely on the Medium-Term Fiscal Framework to define a sustainable fiscal trajectory for Afghanistan. Da Afghanistan Bank (DAB) will continue to target low inflation and maintain the current stable exchange rate regime.

The Government is committed to the creation of a strong private sector-led economy, despite current constraints. Although this means that there is still substantial scope for public/donor investment in the short-term, in the medium to longer term, private investment is expected to contribute significantly to growth. In turn, increased economic growth will lead to higher government revenues that will benefit the poor by addressing inequality, enabling the Government to increase social services and creating jobs in the growing private sector. Given that this will take time, the Government will continue to engage in social protection programs for the most vulnerable segments of the population.

The Government is determined to assist the private sector to develop its competitiveness and to substantially increase the volume of domestic production. At present, Afghanistan's exports are very low by regional standards, dominated by dried fruit and carpets. However, in recent years a number of new manufacturing industries have begun to emerge, some with demonstrated export potential, such as production dairy products, honey, cement, sunflower products, glass, sugar beet, olive oil, cashmere, and flowers and floral essences. The Government will seek firm-level technical assistance to increase the ability of firms in these and other new industries to compete more effectively in potential export markets.

Anticipated large scale development of copper, natural gas, petroleum, and precious minerals will contribute substantially to export growth, which is projected to grow at 16-18 percent per year during the lifetime of the ANDS. Private sector growth will also support export expansion. The Government is committed to increasing export volumes and moving toward higher value-added exports. The improvement of the enabling environment for the business sector – a key government priority—will contribute to improving competitiveness and support export growth. Expansion in the mining sector and the resulting growth of mining-related exports are expected to be a significant source of economic growth, alongside increasingly high-value agricultural activities—both of which will increase employment.

Prudent fiscal policy will remain the central policy tool for macroeconomic stability and public resource allocation. The medium-term fiscal sustainability objective of the Government is to cover recurrent expenditure with domestic revenue sources. The operating budget balance (excluding grants) is projected to improve from a deficit of 4.0 percent of GDP in 1386 (2007/08) to a balanced budget in 1391 (2012/13). Prudent debt management will continue to be essential as Afghanistan moves towards fiscal sustainability. The Government will utilize limited amounts of concessional debt to finance specific project and program requirements.

In the short to medium-term, the top priority for public expenditure will be investments to improve national security and infrastructure necessary to stimulate private enterprise and greater productivity. Although improved national security is the highest priority of the ANDS, it is expected that the majority of expenditure in this sector will be financed by external assistance over the duration of the ANDS. Public expenditure policy will facilitate private sector growth, increase production capacity and enhance productivity, thereby contributing to poverty reduction. The Government plans to continue to improve its spending capacity at all levels.

Over the past five years, foreign aid has averaged approximately 60 percent of GDP. Roughly one third of foreign assistance is channeled through the core budget, with the rest spent outside the government budget. Aligning donors' expenditure that is spent outside the national budget with ANDS priorities will remain a major fiscal challenge. Of greater concern for the Government are the potentially negative effects of aid volatility. The Government will maintain financial reserves with DAB and over the medium-term will pursue policies to develop contingent financing arrangements.

Increasing revenues by improving revenue administration and enforcement, and broadening the tax base, is essential for fiscal sustainability and a reduction in aid dependency. The Government is committed to cover 100 percent of recurrent expenditures through domestic revenues by 2012. Progress has been made in mobilizing domestic revenue, with an increase from 12.8 billion Afghani in 1383 (2004/05) to 28.8 billion Afghani in 1385 (2006/07). The ratio of revenue-to-GDP is expected to improve to 10 to 11 percent of GDP in 1391 (2012/13), albeit even then one of the lowest ratios in the world. The immediate priority for revenue generation is to strengthen enforcement efforts and to persuade the National Assembly to enact the amendments to the income tax law that the Government has submitted. In the short-term, other important government policies for increasing revenue will include measures to broaden the tax base and improve tax administration. In the medium term, a broad-based consumption tax will play an important role in domestic revenue mobilization.

VII. PARTNERSHIPS FOR FINANCING THE ANDS

The Cabinet has approved a ceiling and budget prioritization for ANDS sectors, as shown in Table 1 below. These sectoral ceilings are based on moving to a budget that is based on delivering development needs, available financing information from previous years, and projections for domestic revenues.

These ceilings and the budget prioritization exercise have played a central role in the preparation of the Medium-Term Fiscal Framework (MTFF), and they are directly linked to the national budget. Starting in 1387 (2008/09), the MTFF will embody the prioritization established in the ANDS and will provide the mechanism for implementing the ANDS through the national budget process.

Table 1. Overall Financing Envelope for the ANDS 1387-1391 (2008-2013)

	1387 2008/09 US\$m	1388 2009/10 US\$m	1389 2010/11 US\$m	1390 2011/12 US\$m	1391 2012/13 US\$m	Total US\$m
Core + External Budget Funding						
Domestic Revenue	887	1,104	1,351	1,611	1,911	6,864
Total Assistance from Donors*	6,513	4,960	4,814	4,398	3,908	24,593
Total Funding*	7,400	6,064	6,165	6,009	5,819	31,457
Budgeted Core + External Expenditure						
Security	3219	2585	2679	2790	2906	14179
Infrastructure	1781	3093	3681	4180	4451	17185
Agriculture and Rural Development	829	921	916	909	912	4486
Education and Culture	742	893	980	1077	1181	4872
Good Governance and Rule of Law	374	558	640	685	728	2985
Health & Nutrition	325	465	530	563	595	2478
Economic Governance & PSD	237	215	230	244	260	1186
Social Protection	192	359	394	421	449	1815
Others (Sub Codes)	205	198	185	170	157	915
Total Expenditure	7,903	9,286	0,236	11,038	11,637	50,100²
<i>* Based on discussions with international community and the 1386 (2007) financial review</i>						

² The level of expenditure in table 1 is based on assumption regarding the amount of financing which will be made available at the forthcoming ANDS Conference in Paris. The Macroeconomic Framework which currently underpins the ANDS does not assume a similar scaling-up of donor assistance and is therefore not entirely consistent with table 1. Following the Conference, the Macroeconomic Framework and the ANDS expenditure ceilings will be updated to reflect the actual level of international assistance.

Security will remain the top priority sector for Afghanistan in terms of expenditure. Over the lifetime of the ANDS, security spending is expected to total \$14.2 billion. The funding for this sector is expected to come primarily through international assistance. The Government estimates that in the future, the need for security assistance will decrease as the threat declines. However, given the uncertain nature of the instability facing Afghanistan, the Government envisions the possibility of potentially significant revisions to the financing envelope for the security sector.

In the short-term, the Government will focus its public expenditure programs on investments in infrastructure and agriculture and rural development in recognition of the high importance of these sectors for the development of the private sector and for employment growth. Over the lifetime of the ANDS, the Government will focus progressively more resources on education, governance, health, and social protection. The Government is committed to allocating sufficient amount of resources to the key priorities of strengthening economic governance and improving the enabling environment for private sector development.

Costing and prioritization of the ANDS sectors

The full costing of the projects and programs included in the ANDS is not yet complete. In the process of preparation of the ANDS, it became clear that in many sectors neither cost information nor detailed investment plans were available. Further, full costing was not possible until the prioritized sectoral objectives were identified as a basis for costing of key sectoral outputs. Therefore, it was decided that three sectors with relatively higher institutional capacity would be costed in the initial phase. The sectors chosen for the pilot costing exercise were health, education, and roads—a sub-sector in the Transport sector. The Ministry of Finance is leading the costing process, working directly with line ministries and incorporating Provincial Development Plans. The work on costing of the next group of priority sectors—security, social protection and the remaining components of the infrastructure sectors—has already commenced. These sectors are expected to be fully costed by the summer of 2008.

Expected assistance for ANDS implementation

The total estimated cost of the ANDS over its five-year time span is approximately US\$50.1 billion. Of this amount, the Afghan government will contribute US\$6.8 billion and external assistance is expected to be US\$43.2 billion. The US\$50.1 assumes a significant incremental increase in funds being channeled through the Government Core Budget. However, if funds continue to be channeled externally this will result in much higher overhead costs, thereby increasing by a sizeable amount the total aid requirements for successful ANDS implementation over the next five years.

Over the lifetime of the ANDS Afghanistan will continue to rely on external financing. The Government's medium-term objective is to reduce aid dependency and improve sustainability by increasing domestic revenues. To that end, the Government is pursuing policies that will strengthen the performance of the economy and improve revenue collection. Meanwhile, the Government encourages its international partners to make multi-year commitments to support the goals and the priorities of the ANDS. This will improve the predictability of aid flows and permit the Government to better plan sustainable expenditures and manage priorities more effectively over the medium-term.

VIII. AID EFFECTIVENESS

Without significant improvements in the effectiveness of aid, Afghanistan will be unable to achieve the ambitious goals set out in the ANDS, even with large increases in aid. The Government is committed to ensuring that maximum benefit is gained from international development assistance. The ANDS, with its implementation, monitoring and evaluation framework, will facilitate greater aid effectiveness. The Government has developed an aid effectiveness strategy, in line with the Paris Declaration for Aid Effectiveness and Afghanistan's international obligations.

A key priority of the Government's aid effectiveness strategy is to encourage donors to channel a greater proportion of their contributions through the core budget. There is strong evidence that aid channeled through the national budget achieves greater impact at lower cost. In turn, the Government commits to further strengthen public financial management, procurement, and fiduciary responsibilities and improve the absorptive capacity of state institutions.

The Government's aid effectiveness strategy is based on the following principles and priority policies:

- *Afghan ownership*: Through the establishment of the ANDS itself, the Government is articulating the priorities necessary to achieve Afghanistan's development goals.
- *Alignment of international assistance with Afghan priorities as enunciated in the ANDS*: Afghanistan's international partners can contribute to improved aid effectiveness through increased discipline in respecting defined sector ceilings and priority programs, while improving coordination through more extensive information sharing and policy dialogue—both horizontally (across donors and government institutions) and vertically (with PRTs and local governments).
- *Harmonization*: Aid effectiveness will benefit from improved information on aid flows and greater predictability; reducing high transaction costs and parallel funding mechanisms; improving inter-governmental coordination; and strengthening the management of technical assistance.
- *Managing for results*: The Government is committed to pursuing policies aimed at: increasing the transparency and aid absorption capacity of the government; improving public financial management; reducing corruption; and ensuring sustainability of maintenance and operation costs.
- *Mutual accountability and partnership*: In achieving the shared vision and goals, the Government will continue to participate in the Paris Declaration Monitoring Survey and the Public Financial Management Performance Assessment as a means to ensuring mutual accountability towards progress in aid effectiveness.

IX. IMPLEMENTATION FRAMEWORK

The National Budget is the central tool for implementing the ANDS, and all line ministries will develop and align their programs and projects in accordance with the ANDS sector strategies. Sector programs and projects will then be costed, sequenced and re-prioritized to reflect the medium-term budget ceilings. The implementation framework for the ANDS is an integrated approach to national budgetary execution, the legislative agenda and program delivery. This approach will also require the international community to align their support with ANDS priorities. Based on this, the ANDS Public Investment Programs (PIPs) will be prepared to enable the full integration of the ANDS into the MTF and the budget.

The role of the Control and Audit Office (CAO) will be strengthened to provide oversight of the expenditure functions of core spending ministries. However, given CAO's current capacity, the Ministry of Finance will assume this responsibility in the short term. The Cabinet, through the ANDS Oversight Committee (OSC), will oversee and coordinate the overall ANDS implementation process. However, line ministries and other government agencies will be mainly responsible for implementation. The Ministry of Finance will have the responsibility to ensure that the programs and projects of the line ministries are costed, sequenced, and integrated into the Medium-Term Fiscal Framework and the National Budget. The Joint Coordination and Monitoring Board (JCMB) is the highest Government-international community mechanism in charge of coordinating and monitoring both the ANDS and the Afghanistan Compact. The joint Government and donor entities, such as the Consultative Groups (CGs) and Working Groups (WG), will continue to serve as forums for improving aid coordination, policy and implementation dialogue, ensuring the alignment of donor programs with the ANDS priorities.

X. MONITORING, EVALUATION AND REPORTING

The monitoring, evaluation and reporting process of the ANDS will be an integral part of the implementation framework. The ANDS has developed clearly defined goals, inputs, outputs, outcomes, and impact indicators. However, due to weak statistical capacity, the baselines for a number of key development and poverty indicators are yet to be established. It will be important to distinguish between two levels of monitoring and oversight: detailed input/output or program monitoring of the implementation of the ANDS; and wider results/outcomes and impact monitoring for the high level Government institutions (OSC, Cabinet) and JCMB to ensure that the strategic priorities of the ANDS are on track.

The JCMB secretariat will provide policy and strategy analysis and assessment, monitoring and evaluation reports to JCMB on the overall implementation of ANDS and Afghanistan Compact Benchmarks. The Annual ANDS Progress Report will be presented to the World Bank and IMF boards in the context of Afghanistan's work to reach the "completion point" under the Highly Indebted Poor Countries (HIPC) program. Based on annual progress and evaluation reports, every two years a full update of the ANDS/PRSP, developed with broad participation, will be constituted as an impact evaluation. This update will be publicly disseminated and will provide an opportunity for the government to adjust policies to achieve desired results. Public expenditure reviews will be carried out, and in line with the budget cycle, ad hoc and quarterly sectoral monitoring and reports will be conducted.

The Central Monitoring and Reporting System (CMRS) will be developed jointly by the Ministry of Economy and the JCMB secretariat. The CMRS and the Central Statistics Office (CSO) will be part of an integrated information collection and monitoring system. The CSO will collect data through various means including surveys. The CMRS will then collect the processed data produced by the CSO; undertake budget monitoring and line ministry reporting; facilitate various monitoring processes; and disseminate information. The CSO will remain the main provider of primary and secondary national statistics, as an input to the CMRS. Its capacity will be strengthened so that an effective statistical system is in place for capturing data on macro-level indicators as well as micro-level impacts. One of the most important tools for this framework is the NRVA household survey, from which the current poverty line estimates have been calculated. The role of the NRVA will be further expanded so that it can more fully capture the impact of ANDS implementation.

Line ministries will continue to collect sectoral information to monitor the outputs and outcomes of national spending through the ANDS. The line ministries will strengthen their provincial offices to collect disaggregated data on indicators to monitor progress at the sub-national level. The budget monitoring system, the Afghanistan Financial Management Information System (AFMIS), managed by the Ministry of Finance, will provide information on input and output expenditures in line with the MTF.

Independent monitoring will be a vital part of the overall monitoring and reporting system. Civil society, non-governmental organizations, and the media will play important roles in the external monitoring of the ANDS. ANDS implementation, monitoring, and evaluation will be carried out in consultation with these stakeholders, sub-national representatives, and the international community.

The role of the International Financial Institutions, the international community and UN agencies will continue to be vital for (i) developing analyses and assessments; (ii) coverage and timeliness of key data; (iii) documenting the current resource envelope; and (iv) providing information on the present levels of external assistance and prospects for aid levels over the medium-term.

XI. CONCLUSION

Although significant gains have been made over the past six years, Afghanistan and the international community underestimated the magnitude of devastation, and the time and costs required to redress it. Progress to date has struggled to keep pace with the rapid growth of new problems and the rising democratic aspirations of the Afghan people.

Sustaining the nascent Afghan democracy will require nothing less than a prosperous Afghanistan in which poverty reduction and growth occur simultaneously. Success depends on a vibrant private sector with public sector resources focused primarily on providing physical, commercial and legal infrastructure and distributing the benefits of growth to all citizens. At the same time, economic growth and poverty reduction will not be delivered without peace and security. Stabilizing the nation, provinces and communities across Afghanistan, coupled with rebuilding core government capacities, are prerequisites for realizing our national vision.

Through the Afghanistan National Development Strategy, the Government is firmly committed to achieve the ambitious targets specified in the Afghanistan Compact benchmarks and Afghanistan Millennium Development Goals. This includes: (i) the achievement of nationwide stabilization; (ii) the strengthening of the rule of law, democratic practice and human rights; and (iii) the improvement of public service delivery and government accountability. This also involves efforts to reduce poverty, to ensure sustainable development through private sector-led economic growth, and to improve human development indicators. In addition, to accelerate progress in all spheres of development, further investments are required in the key sectors of agriculture, energy, irrigation, and education.

Following extensive consultations involving thousands of Afghans and international partners, the ANDS is formulated to ensure that the scope and priorities identified in the strategy are commensurate with the enormity of the challenges facing the country. Our success in this endeavor will require the sustained, enhanced, and coherent support of Afghanistan's international partners. In this regard, increasing aid effectiveness is essential to effective Afghan-led implementation of the ANDS agenda, especially through the alignment of aid towards ANDS priorities and the channeling of resources through the core Government budget.

The ANDS, as a national strategy, has adopted an integrated approach to guarantee successful implementation towards realizing the shared goals of stabilization, prosperity, good governance and peace. As we move from 'Compact to Impact' to make a meaningful change in the lives of ordinary Afghans, a stronger and sustained financial and political commitment by the international community is needed. Most importantly, this integrated effort will require the full involvement and collaboration of Government, the private sector, civil society, the international community, and all Afghan citizens.

Together we will make our vision a reality for the people of Afghanistan.



Islamic Republic of Afghanistan
Afghanistan National Development
Strategy Secretariat
Gul Khana Palace, (Sedarat)
Kabul, Afghanistan
www.ands.gov.af