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# **Economic Governance in Post-Conflict States: Afghanistan**

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# Background

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**USAID-funded Economic Governance Project began on November 2002**

**Main objectives are to establish:**

- **Sound Economic Policies**
- **Stable Fiscal and Monetary Systems**
- **Legal and Policy Environment to Promote Private Sector Development**
- **Trade Policies to Integrate Afghanistan to Global Markets**
- **Market-Oriented Legal and Regulatory Regime for Public Utilities and Natural Resources**
- **Develop Capacity of Afghan Institutions to Develop and Manage Economic Policies**

# Government Revenues - Customs

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## Comprehensive Customs Reform Program

- Policy
- Administration
- Human Resources and Training
- Infrastructure

## Implementation of Reforms in Kabul and in Major Regional Customs Posts

- Jalalabad, Herat, Kandahar, Mazar e Sharif, and Kunduz

# Government Revenues - Customs

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## Main Reform Components

- Streamline Customs Clearance Process
- Establish WTO-Compliant Customs Valuation System
- Develop New Customs Code/Law
- Establish Licensed Customs Broker System
- Implement Harmonized Tariff Coding System
- Simplify Tariff Policy
- Rationalize Personnel Deployment and Upgrade Staff Skills
- Upgrade Customs Facilities

# Budget Preparation and Execution

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## Established Capacity to Manage Budget Execution

Set up a Financial Management Information System (FMIS)

## Developed Systematic Budget Preparation Process

Require all spending units to submit and justify spending needs

## Established Capital Construction Programs

# Financial Management Information System (FMIS)

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Developed functional design for the Afghan treasury system, including new Chart of Accounts

Transitioned fully paper-based treasury operations to a computerized environment

Introduced concepts of Cash Management and of Treasury Single Account

Introduced a Grant Management Unit that manages 55 grants provided by international donors

Provided technical advice on treasury operations, budget execution, cash and financial management

# Monetary Stability

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Re-established authority of the Central Bank

Introduced a new currency

Established intervention mechanisms to maintain stable currency

# Other Central Bank Reforms

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Established Effective Payment System

Institutionalized Central Bank Operations

- Reserve asset management

- Accounting functions

Established Bank Supervision Function

- Licensing of new banks

- Re-licensing of existing banks

# Capacity Building

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Need to develop capacity in economic governance institutions:

- Recruitment of Qualified Afghan staff (Afghan “Expats”, repatriating Afghans, and local Afghans)
- On-the-Job Training
- Classroom Training