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ATTRACTING FOREIGN DIRECT INVESTMENT IN AFGHANISTAN

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ABSTRACT
As coming Karzi presidential, after three decades civil war, The afghan's government tried to encourage foreign direct investment because by rising foreign direct investment, there will be many jobs offering for folk, promoting educational system, advance jobs tech, and building perfect infrastructures more over it has great benefit for government to like paying taxes, and so on which goes directly to the government treasury, moreover it closed governor's relationship and set great politic communications. In addition it is obvious that FDI is acting as the fundamental source of capital, economic boost and increase. As it is plain that Afghanistan is a developing country, which considered that FDI is one of the critical source of capital financing and growing up general economics. This research is trying to figure out the barriers factors, which are discouraging foreigner investor and give solution for obstacle factors. Simultaneously, this research will be a platform which will be good guidance for investor's regarding investment in Afghanistan. The principal purpose of this research is to determinate the factors which are declining and increasing FDI in Afghanistan

KEYWORDS:
Afghanistan, FDI, economic factors of FDI, institutional factor of FDI and financial factors of FDI, economic growth

INTRODUCTION

FDI is "an investment made to achieve a continuing fondness or control over a company operating outdoor the investor economy" (UN, 2007). FDI also is defined as an investment containing a long-term relationship that reverberates the sustaining interest and control by an entity residing in one economy (foreign direct investor or parent company) to an entity indwelling in another country (direct investment company) be defined external . FDI means the significant influence of the investor on the management of a firm residing in another economy (UNCTAD, quoted in Dean, 2009, p. 8). Foreign direct investment has been a key attribute of globalization since the 1980s, after decades of skepticism or even animosity about the role of multinational corporations in the socio-economic growth of host countries, chiefly developing countries (Perrin & Sachwald, 2004). The FDI definition which is uttered by the International Monetary Fund's balanced of Payment Manual; FDI is an investment which if for obtaining a ceaseless interest and profit in an economy activity by a firm operating. On the other hand, investor attempting is to have effect on management of the firm. The definition of FDI which is expressed by the United Nation 1999 World Investment Report (UNCTAD, 1999), is an investment that has entail long term correlation and returning a ceaseless profit, interest, and controlling of inhabitant (residentiary) gink in an economy (parent enterprise or foreign direct investor) in a firm gink in an economy other than whom of the foreign direct investor (FDI firm, associate firm or foreign associate).
From the time human created, the communications, transactions, and investment originated for the purpose of boosting their life, country's trade and developing investment. The role of foreign investments as an effective factor in promoting economic growth for countries which are lack of production capital, however this foreign direct investment have some positive and negative point but mostly it vital trend for developing economics countries, so now a day's every country trying to attract Foreign Direct Investment in their countries because the a crucial player role in economic boosting as it brings many opportunities for instance begets jobs, transfers technology, raises skills, patronizes contest, and chip in the financial consistency of the country (Investing across borders – WorldBank,2010). And also develops infrastructures, upgrade educational system, and enhance life welfare. As it is vivid which Afghanistan is a mountains and dry country that surrounded by dries and has no water transportation way for trades, so this country need great infrastructures', soft Politian position, perfect laws ,and anti-corruptions system in order to fascinate foreign investment but unfortunately because of civil war in four decades all infrastructures destroyed , great corruptions came , weak laws govern ,and specially terrorism (bad security condition) are pushing country in crisis, so all these factors are

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discouraging foreigner to invest in Afghanistan. Afghanistan is strongly affiliate economic assistance and international military, which it's GDP in 2016 has estimated 4 percent according World Bank reports, and among the world its living standards are in the lowest. Licit exports include table raisins and grapes, but the economy is still remains strongly affiliate on illicit opium cultivation. An ongoing revolt and drought have heavily hampered economic boosting.

This puts a crucial challenge for Afghanistan to entice FDI. Therefore, this research is going to try to uncloak the actual obstacles that are effecting investments in Afghanistan and identify effective policies for Afghanistan in order to entice FDI.

in 2013, After coming to its most reduced level in 10 years ($ 39.6 million), in 2015, the FDI inflows incremented substantially altogether to $ 163 million. It is still small to contrast the country's inflows from 2004 to 2007 (in 2005, with a top of $ 271 million) because a noteworthy share of FDI was related with NATO military mediation and related improvement ventures. Where inflows fell to $ 53 million Compared to 2017. In 2018, foreign direct investment inflows reached $ 139 million with a noteworthy increase (UNCTAD Global Investment Report 2019). Concurring to the most recent information given by UNCTAD. In 2018, foreign direct investment shares- at $ 1.5 billion - represent to 8.0% of the country's gross domestic product. In 2013, a railway project pointed at interfacing Afghanistan, Tajikistan, and Turkmenistan was marked. The Chinese government communicated its willingness to support the development of hydropower plants and the advancement of railroad infrastructure in 2015. In September 2016, the rail link from Hairatan to China, northern Afghanistan was set up, permitting products to be transported from East China to Afghanistan in two weeks in contrast to six months by street. Propelled in September 2019, the railroad is anticipated to boom Afghanistan's sends out and allow more venture than China, the biggest financier in Afghanistan since 2014. Afghanistan is working to coordinate a set of infrastructure projects through the CPEC (China-Pakistan Economic Corridor) to connect China, Pakistan and surrounding areas into the regional connectivity process. Afghan law guarntees investment opportunities similar to those of domestic companies for foreign companies, and formal bolster at no cost markets and private division interest within the Afghanistan National Development Strategy (ANDS) has been reiterated. Foreigners who invest are not required to have an Afghan accomplice, but because of limited land ownership, they nearly continuously choose to work with one. Private speculators have the proper to transfer their benefits and capital outside of Afghanistan, counting to pay off loans for foreign loans. Nonetheless, political savagery, weak property security controls, a deficiency of gifted labor, immature budgetary markets, and inadequate foundation constrain the country's ability to attract foreigner investment. In 2020, Afghanistan was positioned 173rd in 173 out of 190 economies within the World Bank's Doing Business report, down six areas from the previous year. This was to a great extent due to expanded charge bureaucracy.

OBJECTIVES

This research is trying to figure out the barriers factors of FDI in Afghansitan, which are discouraging foreigner investor and give solution for obstacle factors. Simultaneously, this research will be a platform which will be good guidance for investor's regarding investment in Afghanistan. The principal purpose of this research is to determinate the factors which are declining and increasing FDI in Afghanistan.

The following are specific purpose of this research:

- To verify the influence of the FDI on economic growth in Afghanistan and To analyze the current status of FDI and economics growth in Afghanistan
- To identify the stimulus's of FDI and multinationals industries to invest and the factors that efficacy FDI in Afghanistan.
- To investigate and study the barriers of FDI in Afghanistan.

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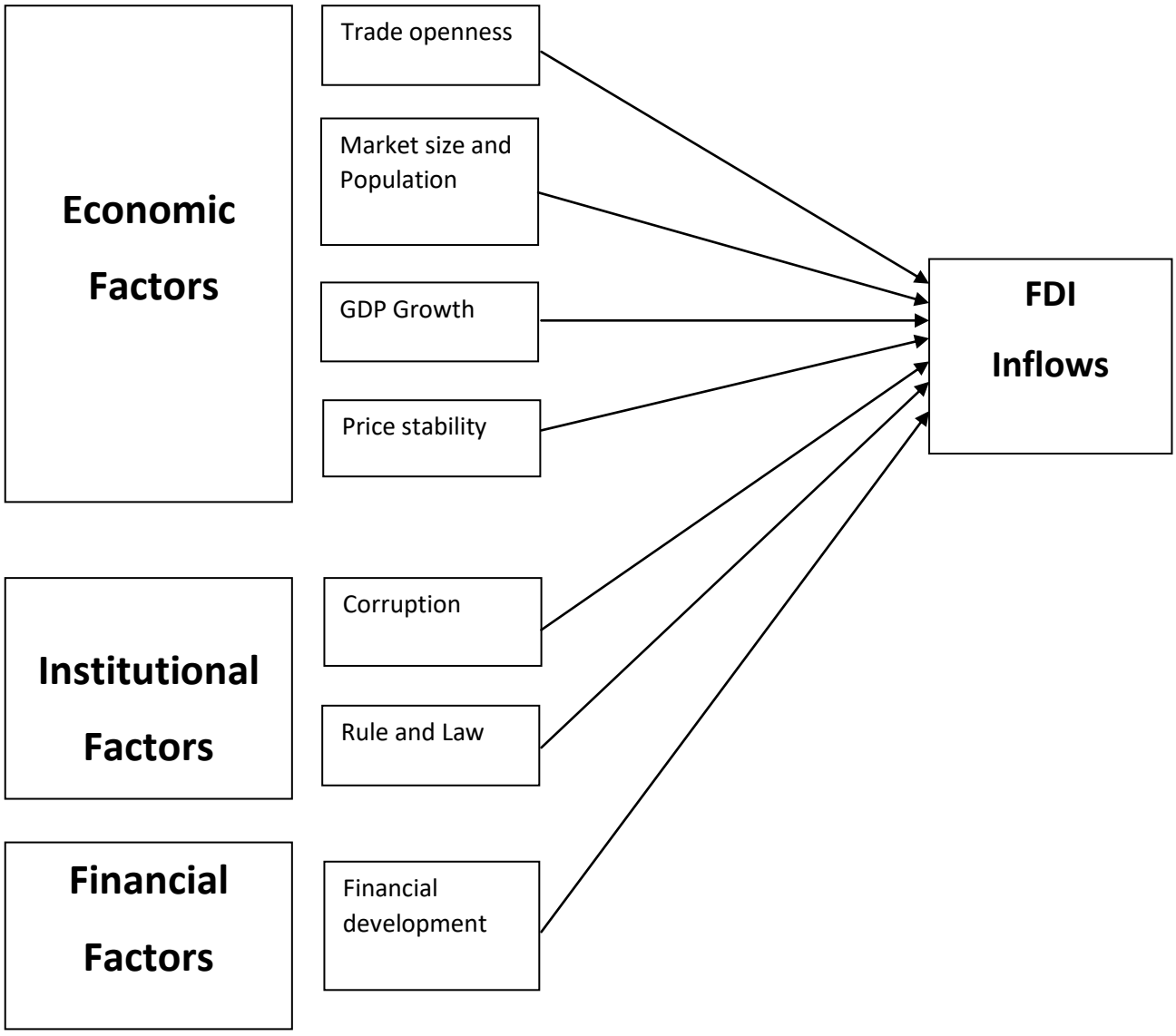
The conceptual framework which is directing the research to figure out solution for barrier of FDI in Afghanistan



Conceptual Framework model: factors influencing foreign investment
(Source: Hamad A. Kasabeh , Metri F. Mdanat , and Raed . khasawaneh 2018)

METHODOLOGY

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This research is the qualitative research with interpretivism, explanatory, Exploratory, and Observational from the documents, interviews, and other resources of the secondary data and the study is partly inferred subjectively through the researcher personal opinion, emotion and judgment according the observations and exploration which has done in the other side the researcher to cover relevant conditions since there are a few pertinent to the wonder beneath ponder. Due to the objective nature of the study the interpretivism research paradigm in this study was adopted, since credible data could be derived through the qualitative analysis of phenomena explored and observed and a bit some numerical observation belongs the quantitative research also used. As, the qualitative research paradigm is associated with the inductive reasoning approach intended at case study through explore and describe the objective and questions which are then r proved through the results the researchers obtained from the exploration and descriptive ; therefore, in this study a set of questions (objectives) were asked and explored and described through the qualitative research. Furthermore, the research work was entirely conducted through the use of secondary annual time series data. The time range chosen and employed for this research was from 2000 to 2020, which are 20 annual observations. This time range of the data was chosen due to the availability of the data, since prior to the year 2000 the data on the inflow of FDI and some of the Factors that are under investigation in this study were not available for some years and post 2020, the data for some of the Factors was not issued at the time this research work was conducted. In this study, the data were derived from the Global Competitiveness Index, Global Competitiveness report, United Nation and Trade Development, World Investment Report 2019, Global Investment Flows Flat in 2019, Da Afghanistan Bank, in addition, as the sample set, for the Afghanistan as a developing country are chosen FDI as a dependent factor, while the effects of institutions, GDP growth ,price stability, security, infrastructure, corruptions, health and primary education, macroeconomic environment, higher education and training, financial development , goods market efficiency, rule and law, financial development, labor market efficiency, technological readiness, population and market size, business distortion, trade openness, and improvisation capabilities were chosen as the impact factors. The scores for the impact factors are derived from the Global Competitiveness Index, world investment, UNCTAD, Da Afghanistan Bank, and so on

RESULTS AND DISCUSSION

a) Quality of life and social development

Afghanistan ranks 37th on the list of the world's highest populated Nations with an approximated UNCTAD population of 38.92 million, and Afghanistan's population is dominated by young people - with about 63% of the country's inhabitants (27.5 million Afghans) under the age of 25 , based on the National Statistics Office. And (NSIA) information, age and 46% (11.7 million children) under 15 years.

With the world's highest fertility rate and an annual population growth rate of almost 3% , the population will double over the next 25 years. By 2020, school-age children will grow to 5.5 million which exceeds what the education system can currently handle . High attenuation ratios weaken savings. 47.5% of the country's inhabitants are under 16 years and are dependent on the economy. Hence households consume more of their income and save less . Less savings limit Afghanistan's capacity for growth and fewer resources are available to secure investment. Afghanistan's GNI per capita according to PPP in 2019 is $ 2,190, as reported by the World Bank Development Index. Afghanistan is one of the most poor countries on the planet. About 42% of people live on less than $ 1 a day. Afghanistan has a less people with access to water and health services. Just 42 percent of Afghans have access to safe drinking water and just 27 percent of rural people can access sanitation, resulting in a diarrheal disease that claims that according to USAID in 2019, about 85,000 Afghan children are under Live five years, annually. Nevertheless, electricity is now a basic human need. A number industries have been shut down due to the lack of electricity Glasse (2013), Watson (2011). Adding to unemployment, poverty and instability. Afghanistan's energy consumption is the lowest in the world, with a per capita electricity consumption of about 100 kWh per year and about 30% of the population having access to the electricity grid. In 2014, peak demand was 750 megawatts (megawatts), although unbroken electricity demand was estimated at 2,500 megawatts. It imports about 80 percent of its electricity from neighboring countries. Reducing the practical load is very common and is used to make equalize supply and demand (ADB, 2015). Internet users in Afghanistan based on the percentage of population during the years 1990-2019 with an average value in Afghanistan in that period was 3.93% with a minimum of 0% in 1990 and a maximum of 13.5% in 2017 (World Bank). In addition, there is still widespread gender discrimination in Afghanistan, as women are still not allowed to work formally or informally abroad under local labor law. Poverty has remained basically unchanged since

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2007-2012 but has since been estimated to increase from 36.5% in 2011-2012 to 39.1% in 2013. 2014 has increased. In addition, inequalities are becoming increasingly acute Per capita consumption. The general population has declined, but the poorer sections of the population (the last two categories) have experienced a faster decline than the rich in the upper two categories. Other sides of inequality and poverty include food shortages and unequal access to basic services.

Almost one-third of the population suffers from food insecurity, while no access to safe water and proper sanitation, and finally the enrollment of students in schools, at the level of cities, villages and provinces are evident (ADB, 2017). In the field of health, significant achievements have been made, which can be specifically noted for the rapid progress in reduction the mortality rate of mothers, infants, and children under 5 years of age. In general, life expectancy, which was estimated to be 43 in 2001, has risen to 60 in 2015. However, Afghanistan is one of the countries with the highest rates of malnutrition

Children in the world are affected and about 55% of children suffer from chronic malnutrition.

The Gender Inequality Index for 2016 ranks Afghanistan 154th out of 159 countries. Participation of women in the labor force is 29 percent, women usually work in the informal sector, and almost two-thirds of employed women are employed in the agricultural sector. Past experience has shown that the poorer sections of society are more vulnerable in times of crisis than other segments of society.

According to the above information, among the vulnerable people are unemployed people, day laborers, and civilian and military employees whose salaries are lower. Of the 12,000 Afghanis, they are more vulnerable in these areas and need to be supported in times of crisis. According to the National Statistics Office (2016), the total number of unemployed people was about 2.02 million. The economic outlook for many Afghans appears to be deteriorating by 2020. In fact, according to a poll, the number of Afghans who say their household finances have deteriorated in the past 12 months is 70.9 percent. Only 12.4% of respondents stated that the household financial situation has improved in the last 12 months. The employment situation also appears to have deteriorated, with 4.7% of respondents reporting that by 2020, job opportunities for their families will have deteriorated. Only 11.0% of respondents reported that their home-based job opportunities have improved in the last 12 months, while 14.8% reported that the situation has remained stable.

Another sign of economic weakness, when questioned on the availability of basic products like wheat, rice and oil in the market, 66.8% of respondents reported that their availability had deteriorated in the past 12 months, while only 12.6% reported that it has improved and 19.3% said that it has remained stable. Respondents were also asked how the cost-effectiveness of product quality has been affected over the past 12 months. Nationally, 77.3% of Afghans reported that the situation had worsened, while only 9.1% said it had improved and 12.8% said it had remained stable. For Afghans, corruption remains a significant barrier, with 85.0% of respondents reporting that corruption is a major problem in their daily lives. When the same question was asked about Afghanistan as a whole, 95.0% of respondents cited corruption as a major problem highlighting the scale of the issue. Only 0.9% of polls say corruption is not a problem in Afghanistan.

When evaluating Afghanistan we notice that inspite of having a little bit unfavorable indicators among the economies of South Asia, quality of life and the social development levels in Afghanistan is still worsen condition.

b) Infrastructure:

Good infrastructure promotes both vertical and horizontal FDI but a poor infrastructure increases the transaction cost and limits market access and discourages FDI in developing countries (Rehman et al, 2011). Afghanistan in this regard is struggling. Afghanistan's though the road density of 0.03 km of road per square km and 0.88 km per 1,000 people is way lower in comparison most developing countries, the road network touches all the major population centers and reaches to a certain extent into remote areas. The total road which includes national highways, provincial roads, and district roads 7,893 km is asphalt, 10,359 km is gravel and 1,075 km is earthen (ministry of public work). The approximate capacity of Afghanistan's road network is about 4 kilometers per 1,000 square kilometers, and only 52 percent of homes are within 2 kilometers of roads. However, even in neighborhoods where there are roads, only 7% of them are in good condition and more than 70% of roads between provinces and districts are in poor condition. In agriculture, only 10 percent of agricultural land has formal irrigation systems, and the rest relies on informal and inefficient systems, which have challenged productivity, high incomes, and employment opportunities. Afghanistan's railway network is also very small and Head of Afghanistan Railway Authority Abdul Bari Sediqi said that Afghanistan Authority Railway plans to complete construction of 3000-3,500km rail line, which is the most prior lines for the country till

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2030. Turkmenistan-Afghanistan-Pakistan-India gas pipeline project (TAPI), Will continue within the framework of the Central Asian Economic Cooperation (CAREC) program, which exports 33 billion cubic meters of natural gas annually from Turkmenistan to Afghanistan, Pakistan, and India. Afghanistan will enter the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan (TUTAP) regional project and the proposed Turkmenistan-Afghanistan-Pakistan or TAP project as a corridor or crossroads. As of 2016, around 92% of the country's population can access communication services. Almost 18 million mobile phone users exist in the country. In 2017, the Afghanistan Wireless Communication Company launched 4G services. It is estimated that more than 50% of people with more than 114,192 landlines have access to the Internet. Mobile communication has improved due to the introduction of wireless telecommunications. All GSM companies cover approximately 95% of the country. Personal Internet user 51 5,097 per 100 people. Internet speeds in Afghanistan in the first quarter of 2017 increased to 1901.54 kbps from 1797.43 kbps in the fourth quarter of 2016(AKAMAI).
Afghanistan has one of the lowest electricity consumption in the world - approximately 100-kilowatt hours (kilowatt-hours) per year per capita consumption - with only 30% of its population connected to the grid. Demand peaked at 750 megawatts (MW) in 2014, although the unlimited appeal is estimated at 2,500 megawatts. The electricity situation is not helping Afghanistan either, Afghanistan is facing a shortage of manpower and is leading to power outages that are causing severe trade disruptions, especially in small and large scale manufacturing jobs. Afghanistan's total energy consumption is 5.53 billion kilowatt-hours of electricity per year. The average electricity Per capita is 145 kWh. Afghanistan can produce some of its own energy. The total production capacity of power generation facilities is 1 billion kWh. This is 22% of the country's consumption. The rest of the required energy is imported from foreign countries. In addition to net consumption, production, imports, and exports play an important role. Other energy sources such as crude oil or natural gas are also used. Afghanistan, in 2017, consumed 144,694,375,000 BTU (0.14 quadrillion BTU) of energy. This represents 0.02% of global energy. Afghanistan generated 59,958,915,000 BTU (0.06 quadrillion BTU) of energy, which accounts for 41% of its annual energy. In addition, non-renewable energy (fossil fuel) consumption is 83% (119,478,162,000 BTU) and renewable and nuclear energy is 17% (10,482,117,000 BTU).Afghanistan's hydropower potential is overestimated by more than 23,000 megawatts along with solar and wind potential (DABS, 2011). Electricity production in Afghanistan has increased from 978.70 GWh in 2018 to 1285.50 GWh in 2019 according records of Central Statistics Organization of Afghanistan. According to the comprehensive plan of Afghanistan's electricity sector, in 2032, the peak of Afghanistan's electricity demand will reach about 3500 MW (Fitchner, 2013). The use of renewable energy alone is more than enough to meet Afghanistan's electricity demand.
The Northeast Power System (NEPS), a key transmitter to the capital Kabul and the northern region in 2011, imported 70% of its electricity needs (Irving and Meier, 2012). Currently, about 80% of Afghanistan's electricity comes from imported sources (ADB, 2015). Demand in 2032 is estimated at about 3,500 MW. While the country has 23,000 megawatts of hydropower, 67,000 megawatts of wind power, and 222,000 megawatts of solar power generation capacity that can not only meet Afghanistan's electricity demand but also be exported to other countries. Afghanistan shares four major rivers with its neighbors with huge hydropower generation capacity (23,000 MW), but due to the lack of regional water cooperation frameworks for transboundary water management, this energy potential has not been widely used.
Afghanistan's strategic location gives it the potential to be an energy hub. It could fill South Asia with energy-needy regions of Central Asia, respectively. Major energy-rich countries Turkmenistan, Tajikistan, Uzbekistan, Kazakhstan, and Kyrgyzstan share some borders with Afghanistan to the west and north. An encouraging factor that is even more important is the desire of Central Asian countries to diversify their energy markets due to their strong dependence on Russia (Romanovsky, 2014).
This brings the potential costs of energy transit (economic growth), regional stability due to mutual interest, and meets Afghanistan's energy demand in the short term. The quality of port infrastructure is also much higher for Afghanistan. The above analysis of infrastructure provides us a solid bottleneck in infrastructure, overall infrastructure, Afghanistan is in an unfavorable investment position.

c) Skilled labor force scarcity:

A skilled and technically educated workforce is the backbone of any economy. In countries around the world today, highly skilled workers are selling themselves as the most sought-after talent option (BCG / WEF, 2011). Unfortunately Afghanistan stands nowhere, In Afghanistan, labor force participation was from 1990 to 2020. The average value for Afghanistan at that time was 47.99%, with a minimum of 47.43% in 2010 and a maximum of 48.94% in 2020 (World Bank, 2020) and the female labor force participation rate.

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From 1990 to 2020, the average value for Afghanistan at that time was 16.53%, with a minimum of 14.96% in 2000 and a maximum of 21.62% in 2020. On the other hand, the labor force participation rate from 1990 to 2020 with an average value for Afghanistan in that period was 77.73% with a minimum of 74.61% in 2020 and a maximum of 78.82% in 1990. Afghanistan's literacy rate from 1979 to 2018 with an average value for Afghanistan in that period was 30.88 percent with a minimum of 18.16 percent in 1979 and a maximum of 43.02 percent in 2018. Youth literacy rate in Afghanistan, between 15 and 24 years from 1979 to 2018, the average value for Afghanistan in that period was 47.49%, with a minimum of 30.07% in 1979 and a maximum of 65.42% in 2018. The literacy rate of women in Afghanistan, between 15 and 24 years, from 1979 to 2018 with an average value for Afghanistan in that period was 33.17 percent with a minimum of 11.14 percent in 1979 and a maximum of 56.25 percent in 2018. On the other hand, the literacy rate of men is between 15 and 24 years old, From 1979 to 2018 with the average value for Afghanistan in that period was 60.59% with a minimum of 45.8% in 1979 and a maximum of 74.08% in 2018 (UNESCO). School enrolls more than 9 million children (including more than 3.5 million girls), and universities both public and private enroll about 300,000 students, including about 100,000 women, based on the Afghan Ministry of Higher Education.
It is estimated that 3.7 million children in Afghanistan are out of school - 60% of them are girls.
Only 16 percent of Afghanistan's schools are for girls, and many do not have adequate sanitation, which prevents them from attending school. Some socio-cultural factors and traditional beliefs contribute to the undermining of girls' education. Very young girls continue to marry - 17% before the age of 15.

Only 48% of their teachers have the minimum educational requirements (equivalent to a university degree) (UNICEF, 2016). Afghanistan's percentage of GDP expenditure on education according to World Bank in 2014 was 14.47% a 0.36% increased from 2013, in 2015 the percentage was 12.51% a 1.96% declined from 2015, in 2016 the percentage was 16.21% which increased 3.7% from 2015, and in 2017 the percentage was 15.66% a 0.55% decline from 2016. In 2018, the Afghanistan literacy rate was 43.02%, an 11.57% increase from 2011. Afghanistan currently has no universities in the overall Times Higher Education global ranking.
Afghanistan ranks 162 in the overall ranking of the Prosperity Index. Since 2010, Afghanistan has been one step down in the rankings. Afghanistan has the strongest performance in terms of corporate and personal freedom, but the weakest in terms of social capital. The biggest improvement over a decade ago was in economic quality. To see how Afghanistan compares with other countries, refer to our ranking table.
The level of education and production capabilities is too low to expect a rapid expansion of production and services. The production outlook is deteriorating due to the heavy dependence on imported inputs and the cost of inhibiting returns. With the expansion of primary production, opportunities are created for construction, upstream and downstream industries, and possibly manufacturing. Agricultural development and extraction depend highly on private investment decisions. Achievement growth requires active private sector engagement and sufficient self-confidence in the private sector. The impact of agriculture and extractive materials on employment and wider growth depends on the capacity of firms to use new markets and consumer demand, including in the service and ancillary industries. The development of growth sectors and the assurance of maximizing profits depend on creating a conducive environment for new investment. Business surveys show that regulatory and administrative processes continue to involve investment. While some of the problems facing investors are entirely tied to broader issues of fragility, by eliminating legal loopholes and repaying other opportunities for corruption in administrative processes, especially business licenses and building permits, one can easily deal with others. Problems encountered. The workforce is projected to increase by 4 million by 2025. This means that between 48,000 and 600,000 newcomers are potentially looking for work each year - for more than the economy can afford. About 500,000 young men currently have no employment, most of whom live in rural areas (72%) or have no (43%) or only primary education (26%). 71% of you cite unemployment as their biggest problem. Most empirical research finds a positive correlation between youth bulge and higher risks. A number of researchers have suggested that large amounts of the workforce in the peer group can overwhelm existing opportunities, hencefrustrated expectations and loss of status among men - especially young people - leading to increased violence Or the emergence of riots. Youth bulges can be very dangerous if they grow and limited job opportunities, especially if migration channels are limited.

d) Corruption:

In the medium term, high levels of corruption are a vital barrier to growth and the destruction of investment. Corruption is rampant in Afghanistan. Afghanistan's legal system is distrusted not only because of slowness but also because of corrupt practices (such as political influence) and management tools. The bureaucracy is also disruptive due to bribery and harassment, and makes foreign trade officials regularly visit government offices.

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Corruption is increasingly understood as the biggest hindrance for trade in Afghanistan. Corruption has also hampered accountability and law enforcement in Afghanistan. In a recent report (2020), it is ranked by Afghanistan's trade economy. Corruption in Afghanistan has decreased from 173 in 2019 to 165 in 2020. The reason for such widespread corruption includes low salaries at the senior staff level and a culture of political communication and support. Low-ranking officials need to pay low fees called "paisa-chai" or "tea money" to process requests, while high-ranking officials and politicians are looking for big big payoffs. Because of such corrupt practices, many (but not all) foreign companies consider bribery inevitable. This deteriorating situation is a major challenge for Afghanistan in stopping corruption so as to attract foreign investment. Afghanistan remains at the lowest level in the Global Corruption Perceptions Index and is currently ranked in 165 out of 180 countries. Despite recent anti-corruption efforts, there are concerns that anti-corruption reforms have been affected by the presidential election counting process, Covid-19, and an outdated anti-corruption strategy. There are concerns that anti-corruption efforts may move forward. For Afghans, corruption remains an important obstacle and is reflected in the survey findings, where 85.0% of respondents reported that corruption is a huge obstacle in their daily lives. Men (86.2%) are more likely to report that corruption is a major problem in their daily lives than women (83.9%). When asked the same question about Afghanistan in general, 95.0% of respondents deceptively cited corruption as an important problem highlighting the scale of the issue. Only 0.9% of polls say corruption is not a problem in Afghanistan. Officials confirmed in 2021 that at least 321 police and customs officials in Afghanistan had been fired for corruption. According to the Interior Ministry, the cases of officials accused of corruption and extortion from highways have been referred to the Attorney General's Office for further investigation. Deputy Interior Minister Maj. Gen. Abdul Sabur Ghana said in a statement that corrupt officers will be replaced by trained and qualified officers. Corruption as the main contibuter in the failure of the government in various socio-economic and political fields ... In the current situation, although it is not new in Afghanistan, but it has not existed in the history of this country with such proportions. Perhaps a list of factors such as poverty, lack of awareness can be mentioned for this phenomenon to occur in the administration of the Government of Afghanistan; Party, ethnic and regional polarizations; Disbelief in the future, the continuation of the war, the non-implementation of the law, the lack of adherence to religious and moral values and several other factors. But according to many experts, one of the most important causes of corruption in the administration of the Afghan government has been the profiteering and amassing of wealth by community leaders. Acquisition and change in systems will inevitably lead to the weakening and deterioration of some values. Especially in Afghanistan, which was and is at war with Kabul, this city was looted, including the carpets of mosques. The law of food was no longer given importance because the law of the former system, like itself, was sent to waste history, and the new law and even the procedure that could reduce all this unrest did not exist at all and did not allow for it. So, for a long time, the society witnessed many troubles in the absence of law. People used guns to kill people and the country, and in addition to material existence, they also hunted down many spiritual values. Corruption did not reach Afghanistan naturally, and widespread corruption is not a native defect in the country's moral structure. Afghanistan is egalitarian having a powerful sense of cultural justice, immense respect for contracts and property rights, and a sense of entrepreneurship. Afghanistan's war on corruption might be based on the bequest of devout and logical considering almost the significance of great administration and the run the show of law. The sacrosanct religion of Islam is evident approximately the significance of gaining halal income from work and not through venality, burglary or blackmail. Afghan researchers like Khoshal Khatak, Faiz Mohammad Katib, Abdullah Ansari, and Mir Ali Shir Nawai have made pasuading contentions around the fundamental part of equity in political order and government. This long-standing regard for the law isn't fair a window covering. Global studies convincingly affirms that anti-corruption transmission is nearly linked to the overall advancement of the run the show of law than specialized arrangements outlined to annihilate corruption. Afghans' profound conviction in law and equity gives us a solid foundation for our hope of winning the war on corruption. The challenge of Afghanistan's corruption is consistent with the 40-year history of strife and the consequent disintegration of government agreement. Weapons and cash are wasted in a framework with poor control Straightforwardness, and rare establishments are able to monitor. After 2001, the direness of remaking anticipated the development of great arranging, administration and oversight. With the return of the radical, uncertainty and instability approximately the continuation of political solidness and security has remained Afghans in a constant state of "survival." Where long-run instability accounts for short-run potential picks up. This chronicle is great filed and reported and might not be examined in this methodology. In any case, four critical issues need to be addressed in the current dialogue To begin with, as members within the Modern Bargain talk about on transforming help to conflict-

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affected countries frequently point out, a sad patrimony of help dependence that governments are so anatomized. Afghanistan is the foremost subordinate nation within the gobal, appears efficient disintegration at each level of government and in general respectful benefit Competitive powers, broad and scattered imitations impersonations Obligations have made an environment in which no supervision or executive control can work viably. Second, the deficiency fully boomed political institutes amid the strife implied the continuation of one person's degenerate arrange, the settlement of another's elites. In Afghanistan's show of coordinate's free administration, arrangements, contracts, and budget assignments got to be the money for political pioneers to join the recently shaped government. Choosy approaches advance reinforced thedemonstrate of utilizing rents to compensate supporters. Third, change developments require reformers. There's currently little incentive for reformists. An honest bureaucrat could be a powerless bureaucrat. Work security is exceptionally moo and senior reformist are exceptionally defenseless to political obstructions and exact retribution. Preparing and overseeing respectful administrations does not create an IRGC among reformists. Fourth, over time, the utilize of debasement to interface control to the government got to be institutionalized and safe to change. Corruption was now not a matter of people fracturing the law, but of all sectors that operated under casual laws and prioritized revenue openings over benefits to the organization. Generally debasement was institutionalized in four areas of government. First, the security division got to be a field where capable individuals may make huge entireties of cash. Second, with get to defense conventions as the main source of revenue, debasement has led to high level rent seeking within the economy. Corruption in the security segment moreover empowered other degenerate activists to utilize savagery or dangers of countering to thrust back indeed in other divisions of the economy. Afghan youth who feel dissatisfied and helpless are afraid of violence if you do not join those around you, take revenge on yourself or your family. Third, without control, high-level debasement corrupted sectorial institutes, and institutional arrests spread within the government. Degenerate authorities can control get to positions, installments and contracts to benefit suppliers. Open obtainment got to be an implies of fulfilling bribe-takers rather than a government instrument for getting esteem for cash. Indeed responsibility components can lead to unused cash Plans requesting bribes from culprits to ensure against teach or arraignment. Fourth, political conquest was quickened, and leaders rewarded their devotees rather than advancing national interface. The need of political parties, vague campaign finance laws, and unintended inner responsibility frameworks assist harmed parliament within the confront of occupation and debasement, driving to far reaching open discontent. Political debasement has cleared out the discretionary and equitable machines free to seize private interface, especially those who can utilize expansive sums of illegal finances. This hindered the government's change endeavors. This permitted for advantaged get to and the utilize of political weight to overthrow changes.

e) Terrorism:

Crisis are in many countries in general and Afghanistan is mainly attracting internationally policy makers as world terrorism stays at critical point. Further, because of millitary operations in tribal areas and Taliban territories, the increasing amount of IDP (internally-displaced-people) population in Afghanistan is challenging restor from conflict, for the reason of movement people in to city place are becoming source of crime, social fear and community conflict. Taliban presence in Afghanistan has given black point and also commited suspicion in between the countries, even though of being nearby the war of terrorism, targeting to further demolishing image of the country. The terrorist main goal in Afghanistan are creating their own government, millitary forces, mosques, sport salons, population places, banks, and so on. morer the trade-and-energy path between south Asia and central Asia has been victim by the result of conflict and terrorist menace and many projects delayed their work. Afghanistan crime statistics for 2018 were 6.66, 0.34 percent lower than in 2017. According to institute for Economics and Peace, the Terrorism Index in Afghanistan dropped to 9.59 in 2019 from 9.60 in 2018. According to research, terrorism costs the global economy $ 34 billion annually.

f) Political stability:

Political Disturbance of now days, the world, instead of economic problems in a crisised country, affects investors' perspective of general political crisis. Today, political disturbance rise the details of government or bureaucratic challenge in prominent markets (MIGA, 2010). Unfortunately, Afghanistan, between a democracy and a half-war with tribal power after nearly 30 years of civil war, which has led to sudden changes in administrative and economic policies, has "prevented direct foreign flows" in Pakistan for fear of The fall of the government and related policy changes. Most government instability is recognized as suitable condition to do business in Afghanistan. Health full politics could create good environment and basic concern to attract foreign investment. With the spread of democracy and human rights and, by its very nature, the introduction of the rules

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of the democratic game, as well as the introduction of modernization and development after World War II, political stability was centralized in Third World countries and intellectual and political elites presented different theories. Some scholars have examined the roots and causes of political instability. Looking at political stability in Afghanistan is important because Afghanistan is a country that has experienced less political stability throughout history. Therefore, it is necessary to study it and how to provide it. The need to examine it arises from the fact that political stability is directly related to development and modernization, and also integration of democracy with human rights. after World War II, two issues became of fundamental importance to Third World countries. The first was the issue of gaining independence. Third world countries all tried to escape the clutches of Western countries. That is why he turned to different ideologies. Marxism was welcomed in various Third World countries due to its anti-colonial elements. But at the same time as gaining independence, the issue of modernization was also raised. Countries tried to achieve development through different models. Development in Afghanistan dates back to the time of the constitutionalists. The Marxists brought a new paradigm and failed. After that, the jihadists returned to tradition and tried to present a new model of modernization, and in the end, they found no other stimulus for modernization than violence. The Taliban, like the Mujahideen, used violence to its extreme in order to change the context of society, but in the end they all failed. Experiences the current period of modernization with a new pattern. But it is still unclear whether it can achieve development or not. In other countries, one of the causes of political instability is modernization. A number of new forces and groups are emerging in the modernization, and these new forces and groups want political participation. When there are institutions to attract political participation, new forces and groups do not cause political instability, but if the country faces a lack of political institutions, there is political instability. There are usually no political institutions in Third World countries that attract the political participation of the people, so modernization creates political instability by forming new forces and groups. Has there been a renewal of new forces and groups in Afghanistan that are causing political instability? As mentioned above, modernization in Afghanistan, although it has gone through different stages, but each of them has failed. That is, they failed before it led to transformation and the formation of new forces. That is why this issue has not caused political instability.

In Afghanistan, however, modernization has not caused political instability, but the lack of an institutionalized political institution has caused political instability. Because Afghanistan has multiple ethnic groups within it, and each group wants a share of power, it needs an institutional body that can share power between ethnic groups. But there was no political institution that could divide power according to the influence of ethnic groups, but rather the political institution monopolized power over a particular ethnic group. It goes without saying that in many cases political power was not only in the hands of a particular ethnic group, but in many cases political power had been in the hand few extremist dectator. However, other ethnic groups are fighting for political power. The lack of common rules of the game for political power has led to these violent struggles. Violent political struggles not only destroy political stability but also prolong the life of political instability. In countries where there is a democratic system, clear rules of the game have been defined to gain political power, but in third world countries such as Afghanistan, where the democratic system has not been established and common rules have not been defined, political actors undoubtedly resort to violence. It is used as the only tool to gain power. This issue also goes back to the lack of an institutionalized political institution. According to Max Weber, the government is the only organization that uses legitimate violence in a specific territory. Therefore, it is the government of the organization that collects violence from the society and monopolizes it. In Afghanistan, due to the lack of an institutionalized political institution, violence has remained widespread in the community and anyone can use it in any way they want. On the other hand, the lack of a political institution leads to personal power. The personalization of power is in fact the same as political corruption. This has also led to political instability in Afghan society. Violence must be intensified because everyone wants to gain political power through the tools of violence, and beside them, people are confronted to gain naked political power. Ultimately, every person who gains political power makes the most personal use of power. This issue undoubtedly spreads corruption in the society and ultimately political instability prevails in the society. Therefore, we need a strong political institution that can collect violence from the level of society and monopolize it. This political institution must also be able to define common rules by which actors seek to gain political power according to the same rules. This institution must have such power that it can punish political actors if they do not follow the rules of the game. The existence of a political institution also causes power to be taken out of its personal form and given to the institution. In the current situation, it is true that we have political institutions such as the executive, the legislature, the judiciary and various other institutions, but these

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institutions have not yet been able to establish themselves in the institutionalized society. Therefore, it does not have efficiency and function in society. The weakness of these institutions has made it impossible to collect violence from the community, so the rate of violence in our society is higher than other countries. Afghanistan is currently going through a very critical period. The country is not able to tolerate political instability in these difficult conditions. On the one hand, the coronavirus epidemic has spread to almost every corner of the country, and on the other hand, violence continues and no progress has been made in peace talks with the Taliban. In this dire political and economic situation, it is important that political leaders put aside their differences in the interests of the country and unite to resolve the pandemic, as well as prepare for dialogue within Afghanistan through national consensus.

g) Economic stability:

Investors have low interest to invest in low economic performance country and find it difficult to predict how the country government will adapt to external and domestic challenges of the economy. strong and sustainable economy country provides business opportunities because of government and private sector investment in projects as well as comfortable environment garanty purvhasing capability of people. Unfortunately, Afghanistan is facing several economic challenges. Price Inflation in Afghanistan in 2019 was 2.3%. Inflation in Afghanistan has been rising each year since 2009.

Some short-term price rise are always cause to wars, which are a major cause of annual price inflation in Afghanistan. By other means, wars generally increase GDP, mainly due to increased production and compensation. But this was not work in the case in Afghanistan. GDP, in particular GDP per capital, stayed comparatively low in 2013, despite a relatively low annual increase, and was listed as one of the 20 lowest per capital GDPs in 2013. GDP per capita uses the country's gross domestic product and shares it by the number of people in the country, measures the country's productivity and is mainly used to compare one country with other. Economically, Afghanistan imports far many product than it exports, taking to a trade shortage. The country has been throug a trade shortage each year for the last decade, especially in 2011.The reasons for the persistent shortage could potentially be the government's shortage of hold up for domestic production, and also strict marketing regulations. Additionally, production and transportation are damaged because of war. The trade shortage also means that a country, along with its citizens, taking loan fund from other countries to maintain and meet the fulfilment of its economy. Consumer price inflation in Afghanistan has fluctuated between 6.6 and 26.4 percent over the past 14 years. For 2019, the inflation rate was calculated at 2.3%.

While checking out period from 2005 to 2019, the medium price inflation rate was 6.6% per year. In general, the price rise was 135.97%. The case, which cost 100 Afghanis in 2005, was estimated at 235.97 Afghanis at the beginning of 2020.Services account for more than half of GDP, accounting for 23% in the agricultural sector and 21% in the industrial sector. Implementation related to the agricultural climate has a huge effect on the annual growth rate of the country, which in turn causes fluctuations. Afghanistan's economy has a minimized export base, which mainly includes carpets, kilims, agricultural and animal products, and domestic sales to non-residents (mostly foreigners). Export of Afghanistan Equivalent to 10% of imports. Similarly, Afghanistan has a huge not formal economy, including drug production. In addition, Afghanistan has relied heavily on donor assistance, mostly for reconstruction and economic growth after the demolish of the Taliban regime.

In 2016, donor grants accounted for about 63% of government spending Covered. More than half of government spending is devoted to security resulting in limited funding for Development remains.

Afghanistan's GDP growth averaged 8.7% eachyear from 2003 to 2013. However, growth in this area has decreased significantly since 2014 and during the years 2014-2016, the average annual was less than 1.4%. The main reason for this rapid decline in 2014-2016 is crucially due to the unfortunate consequences of the resignation of more foreign millitary from Afghanistan at the end of **2014,** as well as the political insecurity that started after the 2014 presidential election and led to the formation of a government. It is said that power has been shared with each other and as a result, the level of insecurity in the country has worsened. GDP in Afghanistan in 2019 increased by 4.03% compared to the previous year. The private sector in Afghanistan has not been as effective as foreign aid

The engine of economic growth to work. It is estimated that Afghanistan's private sector spends 10 to 12 percent of GDP it contains. All of this is due to an environment without trade incentives and dependence on foreign aid. Factors such as Weak framework of laws and regulations, violence, slow economic reform process, corruption, lack of infrastructure, limited access to Land and the initial growth of the financial sector have led to a weak business environment, which in turn has limited the growth of the private sector. Likewise, we can say that the private sector cannot provide the estimated 400,000 tons of workers in the labor market annually Provide

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employment. The government has made endeavors to progress the state of the private sector, including; Adoption of public participation law And Private in 2016, the establishment of an Executive Committee in the field of private segment improvement and the extension of participation between the government and the segment.

In Afghanistan, there was a huge capacity constraint. Governmental institutions in total of technical and financial capacity. They have limited capacity and reduce their ability to provide services and implement development projects. Process Organizational strengthening and capacity building of human resources in the energy, transport and agriculture sectors and natural resources and private sector development Emphasis will be placed on building the capacity of public-private partnership (PPP) mechanisms. Upgrade Capacity of institutions through sector-level reforms, improved governance, transparency and anti-corruption and development activities Skills, especially in areas such as infrastructure planning, project management and infrastructure finance management, improve efficiency and The effectiveness of the public sector will be it is estimated that Afghanistan's private sector spends 10 to 12 percent of GDP it contains. All of this is due to an environment without trade incentives and dependence on foreign aid. In 2016, foreign aid to Afghanistan was estimated at about 48 percent GDP (or $ 9 billion). The industry and manufacturing and services sectors suffered the most economic damage during the outbreak of COVID-19 virus, respectively. Has experienced shocks of 32% and 28%. According to the latest annual World Bank ranking, Afghanistan ranks 173rd out of 190 economies in terms of ease of doing business. Afghanistan's ranking deteriorated from 167 in 2018 to 173 in 2019. Afghanistan is one of the poorest and least developed countries in the world. However, security threats, lack of infrastructure and indigenous corruption have hampered economic activity. Agriculture (23% of GDP) is the most important sector of the economy, because most people are dependent on products. The industrial sector accounts for 21% of total GDP, mostly due to production (11%) and construction (9.2%). The revitalization of the public sector has led to the growth of services, which now account for about 52% of GDP. The main sectors are transport, storage and communications services (24%). Government services (12.5%) and wholesale and retail trade (6.3%).

According to the latest household survey data, nearly 15 million Afghans out of 2 million households are particularly vulnerable to economic hardship. These households earn at least half of their income through activities such as shop keeping, street or market sales, or daily chores in construction, agriculture, or personal services. Many families also trust remittances from neighboring Iran and Pakistan, which have similar economic turmoil. According to Household survey data which refers to information collected about household expenditure and income and economic characteristics of a sample of nationally represented households in the country. This information is the main source of achieving poverty and welfare indicators for the country. The results show that COVID-19 will lead to a significant increase in the current high poverty rate in Afghanistan. To calculate these effects, the World Bank created three different scenarios. In the first scenario, the projected decrease in GDP from services (7.5%) and production (3.3%) to a proportional decrease in household income from these sectors (on average 56 and 6% of household income) Becomes. In addition, remittances will be reduced by 50% at the height of the crisis (April-June) 2020. In the second and third scenarios, household income from all vulnerable activities decreases by 50% and 75% in April-June, respectively. In all three scenarios, less impact was expected for the rest of the year, reflecting the greater impact of crisis expectations in the first three months of the lock. Finally, the price shock of a 20% increase in food prices in April-June 2020 was added to the three simulated scenarios.

In the worst-case scenario, poverty increases from 46 to 69 percent for displaced households, while from 53 percent to 75 percent for returning households. The limited way Afghan families can mitigate the effects of unexpected income loss means that they must resort to potentially harmful coping strategies, such as reducing the cost of education and food or selling assets. It is estimated that, on average, only two months of basic consumption can be met through the sale of assets, previous income capacity and the accumulation of human capital. The lack of a social security network increases their risk of falling into poverty

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CONCLUSION

Looking at an analysis of Afghanistan as a potential investors niche, it provides a picture that corruption, poor infrastructure, political instability, and terrorism are the major reasons why potential foreign investors and local investors do not invest in Afghanistan. This is seeing as the four countries involved share common factors that have multiple and connected effects on the overall Afghan business environment. These major factors move any direct investment into the Afghan market away from the Global scene since the efficiency of foreign investors and resource for investment in the market is limited. In terms of security since terrorists target foreign companies and outstanding personalities, the Afghans need more efficient, innovative, intelligence and information-based screening methods. This will enable innovation and collaboration among key stakeholders utilizing information technology and encouraging multiple way communication. It is said that the un-delayed identification of threats and infrastructure vulnerabilities from terrorist requires the establishment of fluid information networks. Therefore, barriers to information stand as the biggest challenge in creating or cultivating such networks. This in turn implies that the government, private and the public sector all play major roles in identifying suspicious activity, and individuals. Thus, a need to share more information about security (Steinberg et al., 2003). In another hand, terrorism in Afghanistan could refer to the use of military force in containing militancy. This method has increased the support of non-aligned bodies in tribal areas who have experienced loss because of this sort of terrorism in action. In other words, the strategy put in place to combat terrorism must be reviewed by institutions and the government. This intervention by the military should be minimized. Peacebuilding should be implemented parallelly, alongside strong development projects within affected areas. It is also worth noting that Conflict resolution utilizing dialogue is key to controlling militancy. Militancy is peaking mainly due two other factors: poverty and a lack of education. Militancy provides more support to Pakistan's impoverished areas. To revise this situation, efforts should aim towards reducing poverty by starting vocational training schemes engaging youngsters in building their livelihood. institutions and governing body are to address the issue of religious radicalism within to teach individuals the true nature of Islam across all institutions (Sediqeh, 2011). In combating terrorism, law enforcement as a tool could help by enforcing the law. The military should be kept out of the picture during training, especially regarding forensic services, adequate equipment and full coordination with intelligence agencies must be done properly. In addition, the law enforcement should be excluded from promotion and politics. This should be done based on merit, and anyone found wanting should be punished (Abbas, 2011). Politically, Afghanistan as a country should promote political stability by ensuring its economic and administrative policies attract and retain foreign investors. In addition, military coups must be discouraged at all fronts, and the government be given an opportunity to complete their tenure, while encouraging the younger elites to enter the political arena. In addition, towards combating corruption Afghanistan ought to improve its salaries and incentives toward upgrading its civil service profession. Ensuring transparency in public expenditure through internal and external audits, with clear preparation and budget rules. Therefore, encouraging competition and transparent propaganda policies. These should be aimed towards bringing judicial independence while reducing the protection of judicial, executive figures and legislative (Todaro and Smith, 2002). Information technology should be utilized on all fronts strengthening the reporting process and monitoring the flow of information to reduce corruption. Budget wise, Afghanistan should schedule its spending to put in more on education, research and less on the military. The Government of Afghanistan can promote equality by improving the educational system providing equal services across all universities, infrastructural facilities, and increase the enrollment rate in secondary education, especially higher education. The education system should develop the skills required by industry by encouraging industry collaboration to match the demand and supply of theoretical/ practical skills. To further

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enhance investors, tax incentives for foreign and local businesses should be put in place. Brain drain ranking in Afghanistan is also a worrying situation, in addressing this situation the government could design policies creating security, job opportunities, financial incentives and promises of economic growth for educated and skilled Afghans. This enables innovation, and intercultural skills, but also encourages foreign investors and companies to access Afghanistan's talent pool (WEF / BCG, 2010 and 2011). To expand on the reduction of poverty and the improvement of social development and quality of life. This can be achieved through educating the rural populace, especially women, through childcare, family planning programs, and subsidy on women education in rural areas so that they can encourage and support their families. Restrictions should be removed to enable the participation of women in labor across all industries and allowing them to work on equal terms. Such measures not only encourage smaller families and reduce poverty, but also increase their purchasing power and women's share of productivity (Todaro and Smith, 2002; and Lewis and Lockheed, 2007). The government must work seriously on the basic needs of rural areas by providing good health services and using solar energy or household solar systems to generate electricity (Chakrabarty and Chakrabarty, 2002; and Paul, 2011). Implementation of the above procedures affects trade, productivity, commercial activities, and encourages foreign direct investment. In this light Afghanistan ought to improve on infrastructure to encourage foreign direct investment. Her government ought to make real efforts in this light ranging across road improvement, decongestion and network expansion while ensuring road quality and reliability amongst other things. Secondly, efforts should be made to expand rail networks minimizing and diverting road and traffic pressure on this infrastructure. Challenges of electricity distribution could easily be managed by investing in new transmission lines, transformers and minimizing theft on these amenities. Afghanistan should boost public-private partnerships as well as FDI in the power sector to minimize electricity shortages (WorldBank / ESMAP, 2010). In other words, Afghanistan's should make diversions from nuclear weapons and encourage resource allocation to more commercial and useful assets. Also, they should encourage investment in alternative source of power such as sand and wind power in coastal / hilly areas coal mining, and solar power generation, to properly exploit the high intensity of solar radiation in Afghanistan. Finally, if the country really desires to attract foreign direct investment, she must work on its economic management. The fiscal policy needs to be reviewed and improved immediately. The government should improve its revenue collection and include all parts of these classes in the net tax, while Afghanistan should implement the RGST as a long-term solution to increase revenue and gain the trust of the International Monetary Fund. The country should minimize its oil imports by producing alternative fuels including ethanol (biofuel) from sugarcane molasses since Afghanistan Is the fifth largest producer of sugarcane in the World (IIED, 2010). This can be achieved by following similar initiatives such as the Brazilian initiative on biofuels for which 80% of Brazilian cars can produce different mixtures of up to 25% ethanol with fuel i.e., stems / bagasse. (Hira and Oliveira, 2009) However, Afghans must also increase their sugarcane yields using efficient farming methods (IIED, 2010). To supplement that, increased diversify of its exports and to support inputs from other sectors, not just the textile sector should be put in place (Enderwick, 2007). Thus, the above policy reforms not only reduce inflationary pressures but leads to financial stability providing resources for investment in development projects such as encouraging the creation of clusters / export processing areas, reducing fluctuations in GDP growth, and increasing reserves. In summary, these steps not only minimize overall fluctuations in the Afghan economy but also encourage foreign direct investment (Enderwick, 2007; and Global Insight, 2011).

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