



# Ministry of Finance

Islamic Republic of Afghanistan


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## The State Owned Enterprises Department

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The key roles of the State Owned Enterprises department are to develop and implement Government SOE policy, strategy and regulations for divestment of approved SOEs, and control financial affairs of SOEs and develop proper procedures for effective and efficient financial management of all Public Enterprises.

The core objectives of the SOE Department are to practice good governance and effective financial and operational oversight over SOEs and to restructure, corporatize and privatize State Owned Enterprises and Properties as stipulated in the Law on State Owned Enterprises and the Procedures for the Liquidation and Corporatization of State Owned Enterprises, with the objective of enhancing private enterprise and creating economic growth, sustainable employment and income for the state.

According to the mandate given to the SOE Department, it has two main tasks:

1. Financial and operational oversight of public enterprise. The most significant SOEs will be divested last, thus adding to the requirements for the oversight task.

1. Improvement of the financial management oversight on those major SOEs that are scheduled to remain state owned for the time being, in particular public utilities and public transport enterprises and SOEs which will be divested during the transitional period

2. Concurrence of financial plans for SOEs at the beginning of each fiscal year and then gets regular and accurate quarterly reports. Improvement of accountability and transparency

3. Income and expenditure control of State Owned Enterprises.

4. Working closely with the Line Ministries and Office of Audit and Control in the improvement of the above mentioned tasks

2. Managing the process of restructuring and privatization of the SOEs;

1. Implementation of the privatization Policy of the Islamic Republic of Afghanistan

2. Determination of the priorities of the divestment program of the SOEs

3. Preparation of comprehensive proposals to the SOE Evaluation Commission and to the Cabinet of Ministers to facilitate the proper decision of the Cabinet of Ministers

It should be noted that the SOE Department ceases to have a direct financial management oversight role of State Owned Enterprises once these are corporatized and thus regulated by the Company Law.

The structure of the State Owned Enterprise Department accommodates the two key tasks financial oversight and privatization as well as coordination..

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### Privatization Policy



The Government of Afghanistan seeks to promote the private sector as the engine of economic growth and the key to Afghanistan's long-term development and poverty reduction. Furthermore the Government is committed to expanding the private sector through the efficient and rapid transfer of State-Owned assets into private ownership. Such transfers shall take place in an open, fair, and transparent manner with the objectives of maximizing sales revenues balanced against employment preservation and creation and encouragement of investments and technological development.

The Ministry of Finance has assumed the responsibilities for preparing proposal of the economic restructuring and divestiture of State-Owned assets. As part of this process an extensive review of the operations and assets of the State-Owned Enterprises, was completed in December 2004.

Enterprises have been classified into the following two categories:

1. Enterprises currently recommended remaining in State ownership. Enterprises in this group provide important services including public transportation, water distribution, electricity production and distribution, incarceration services, residential services, or Enterprises that must remain in Government ownership by law.
2. Enterprises recommended for divestiture. This group is composed of Enterprises, which would benefit from a transfer of ownership into the private sector, or Enterprises with limited or no economic viability and which will continue to be a drain on State resources. These Enterprises are proposed to be divested by the State.

Various divestiture options will be assessed for the transfer of State-Owned Enterprises into private ownership, including transfer of assets, sale of shares in corporative Enterprises, long-term leases or management contracts. The divestiture option ultimately selected for each Enterprise will depend on the specific characteristic of that Enterprise.



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