

PARTNER COUNTRY QUESTIONNAIRE ON AID FOR TRADE

- We advise you to read the Explanatory Notes starting on page 10 before answering the questionnaire.
- When completed, this form should be returned by 20 February 2009 via e-mail to aft.monitoring@oecd.org and aft.monitoring@wto.org.
- The questionnaire can be downloaded from the OECD website at <http://www.oecd.org/dac/trade/aft> or from the WTO Members' website at <http://members.wto.org/members/>.
- All the boxes in this form are expandable.

1 IS YOUR TRADE STRATEGY MAINSTREAMED?

Q1.1 Does your country have a national development plan or strategy?

Yes

No

If YES, does this development plan include trade as a lever for growth and poverty reduction? (*please tick the most accurate description below*)

- Trade is a key priority and the plan includes well developed trade-related priorities and implementation actions (*please attach*).
- Trade is mentioned but the plan does not include operational objectives and action plans.
- No.
- Other, please describe:

If your Government does NOT have an articulated national development plan or strategy, or if trade is not strongly present in it, are there other separate strategies/plans addressing trade-related objectives? (*feel free to tick more than one box*)

- Government priority areas are not systematically subject to a documented strategy.
- In the annual government budget.
- In various sectoral strategies (e.g. one per relevant ministry, or per sector). Please describe and attach:

Description (please refer to annexes):

1. Ministry of Commerce and Industry Strategy
2. Private Sector Development Strategy
3. Economic Formalisation Policy (currently being drafted)
4. Export Promotion Policy (currently being drafted)
5. Trade and Tariff Policy (currently being drafted)
6. Industrial Policy (currently being drafted)

In one single trade development/competitiveness strategy document encompassing all trade-related priorities across different government departments (*please attach*).

Other, please describe:

For Least-Developed Countries participating in the Enhanced Integrated Framework (EIF), former Integrated Framework (IF):

Do the Diagnostic Trade Integration Study (DTIS) and Action Matrix reflect your Government trade strategy? (*please tick the most accurate description below*)

The DTIS and accompanying action matrix reflect well my country's trade-related needs and my Government's priorities.

The DTIS and accompanying action matrix partly reflect my Government's analysis of trade needs and priority areas.

The DTIS and accompanying action matrix are not (or are no longer) a good indication of my country's trade-related needs and priorities.

The DTIS and accompanying action matrix are not currently a good indication of my country's trade-related needs/priorities, but they are in the process of being updated.

Other, please describe:

Afghanistan was accepted as a beneficiary country to the EIF process in January 2008 by the EIF Board. The first EIF Awareness workshop was held in the Ministry of Commerce and Industry in May 2008. As an outcome of this workshop the National Steering Committee chaired by the Deputy Minister for Trade, National Focal Point and the Donor Facilitator were appointed by the Minister of Commerce and Industry. Afghanistan is still waiting for the EIF Board to assist with the establishment of the National Implementing Unit in order to start the process.

Q1.2 What are your Government's priority areas of intervention to improve your country's capacity to benefit from trade expansion and integration into the world economy?
(Below are listed the most common areas grouped according to broad aid category – please rank the top 3 priority areas among the 12 listed)

<i>Trade Policy and Regulations</i>	2 Trade Policy Analysis, Negotiation and Implementation	<i>Economic Infrastructure</i>	1 Network infrastructure (power, water, telecom)
	11 WTO Accession costs		10 Other transport
	3 Trade Facilitation		5 Cross-border Infrastructure
<i>Building Productive Capacity</i>	7 Competitiveness	<i>Other</i>	8 Adjustment costs
	9 Value Chains		4 Regional Integration
	6 Export Diversification		Other, please describe:

Q1.3 Does your Government have an operational strategy (with action plans, timelines and budgets) for its priority areas?

Priority 1: Network infrastructure Yes Being formulated No

[If Yes or Being formulated, please describe]

The strategy for the power sector (Network infrastructure) has been formulated based in part on the Afghan National Development Strategy. The government is in the process of formulating strategies and action plans for the other two priority areas. The Ministry of Commerce and Industry, which is responsible for trade policy and facilitation, is currently developing a work plan with the help of international donors to implement the identified priorities. The work plan will include benchmarks, timelines, prioritizations, costing, and additional requested donor assistance to achieve the priorities.

Priority 2: Trade policy analysis Yes Being formulated No

[If Yes or Being formulated, please describe:]

Please see above

Priority 3: Trade facilitation Yes Being formulated No

[If Yes or Being formulated, please describe:]

Please see above

Q1.4 Are the financing needs of these trade-related priorities included in your national dialogue with donors?

Yes No Not sure

If YES, which structures do you use to discuss the financing needs of your trade-related priorities with your donors? (feel free to tick more than one box)

- PRSP/CAS Bilateral dialogues Regional-wide dialogues Other, please describe: [.....]

Please describe the type of dialogue or alternative method, its level, its frequency, and its specificity to trade matters:

- Bilateral governmental consultations and negotiations are generally conducted on an annual basis . - Multilateral donor meetings, for example the Joint Coordination and Monitoring Board (JCMB), which is responsible for overall strategic coordination and implementation of the Afghanistan Compact and Afghanistan National Development Strategy (ANDS), meets at least four times a year. Trade and private sector development will be one of the major topics for the upcoming JCMB meetings. Consultations with multilateral donor organizations also include, among others, regular meetings with the World Bank, IMF and regional institutions on a range of issues, including trade-related topics.

- Multi-donor round tables: For example, the MoCI has convened a donor round table in January to discuss priorities, including trade policy and facilitation, and to outline needs for additional trade-related assistance.

If NO, do you have plans to include trade-related priorities in your dialogue with donors in the next two to three years?

- Yes No Not sure

- End of Section 1 -

Please feel free to provide additional information about your trade strategy

The ANDS Private Sector Development Strategy is attached as appendix 1.

2 HOW IS YOUR TRADE STRATEGY FINANCED?

Q2.1 Does the attached CRS¹ profile accurately quantify the Aid for Trade you received in 2006 and 2007?

Yes No Not sure/ NA

If NO, please provide details of the Aid for Trade you received in 2006 and 2007.

[Please describe with figures, and include any activities that may fall under 'other trade-related needs']

- End of Section 2 -

Please feel free to provide any additional information on aid-for-trade flows

¹ The CRS profile summarises the commitments and disbursements reported by donors to the OECD Creditor Reporting System on the aid categories most closely associated with Aid for Trade as defined by the WTO Task Force, specifically support for trade policy and regulations, trade development, trade-related infrastructure, building productive capacity and trade-related adjustment (available from 2008 only).

3 HOW DO YOU IMPLEMENT YOUR TRADE STRATEGY?

Ownership

Q3.1 Who is responsible for overseeing and coordinating the implementation of your trade strategies including activities funded by ODA?

- A national committee is responsible for coordination and implementation.
- The Trade Department has a coordinating role but implementation is overseen by each relevant department separately.
- The national aid agency has the main coordinating role but implementation is overseen by each relevant department separately.
- There is no central coordination department. Each relevant department is separately responsible for implementation.

Other, please describe:

The trade and tariff policy and strategy is being developed. The Ministry of Commerce and Industry has the overall responsibility for the formulation of trade strategies. The government has envisioned the establishment of a coordination, evaluation and monitoring committee for the implementation of the these strategies. However, currently the overall ANDS implementation is being coordinated by a high level Oversight Committee under the President.

If you have (or are in the process of establishing) a national committee, please describe its main functions, its membership (e.g. ministries, private sector), frequency of its meetings and to whom the committee reports. [Please describe and exemplify below.]

The national committee will be comprised of relevant stakeholders i.e. Ministry of Commerce and Industry, Ministry of Finance, Ministry of Economy, Ministry of Foreign Affairs, National Security Council, Ministry of Justice and other relevant ministries, and private sector representatives (Chamber of Commerce). The function will be the oversight of the implementation, monitoring and reporting. The national committee will meet on a regular basis.

Q3.2 Do you engage in dialogue with the private sector and other key domestic stakeholders about the formulation and implementation of your trade strategy?

- Nearly always Regularly Rarely Not sure/ NA

If you do, please describe your main stakeholders and the focus and frequency of your dialogue. [Please describe and exemplify below.]

The Government of Afghanistan tries to engage the private sector (for example chamber of commerce) in policy discussions on regular basis.

For Least-Developed Countries participating in the Enhanced Integrated Framework (EIF):

Q3.3 Is your EIF focal point and committee responsible for overseeing and coordinating all your trade agenda?

Yes No Not sure/ NA

If no, please describe the different arrangements:

The EIF focal point and the National Steering Committee are currently not overseeing and coordinating the trade agenda. For other arrangements please refer to the response provided under question 1.3.

Working with external partners: harmonisation and alignment

Q3.4 In your Aid for Trade programs, how often do donors co-ordinate and align through:

	Regularly	Sometimes	Rarely or Never	Not Sure
Joint needs assessments	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Co-financing	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sector-wide approaches	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Joint Implementation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joint Monitoring and Evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other, please describe:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Monitoring and evaluation

Q3.5 Do you monitor or evaluate your donor supported trade-related programmes?

Nearly always Regularly Rarely or Never Not Sure

If you monitor and evaluate your donor supported trade-related programmes, do you use:

	Regularly	Sometimes	Rarely or Never	Not Sure
Donors' monitoring and evaluation results	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Joint monitoring and evaluation arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Own monitoring and evaluation arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Own monitoring but joint/donor evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you use nearly always or frequently your own monitoring and/or evaluation arrangements, can you please provide examples of your methodology and results? [Please describe and exemplify below.]

A Joint Coordination and Monitoring Board, co-chaired by the Afghan government and the UN representing the international community, has been established , however Aid for Trade has not been on its agenda so far.

Mutual Accountability

Q3.6 Have you established mechanisms/procedures to discuss with the relevant donors the outcome and impact of your trade-related programmes?

Yes No Not sure/ NA

If yes, please can you describe and exemplify them?

However, the government is planning to establish a sub-committee on trade, as part of the Joint Coordination and Monitoring Board process.

Priorities for improvement

Q3.7 What are your government's priorities to improve the implementation and effectiveness of the aid for trade it receives? Please rank the top three in order of importance.

- | | |
|---|-------------------------------------|
| Greater say in the design of aid for trade interventions: | <input checked="" type="checkbox"/> |
| Stronger donor focus on capacity development: | <input type="checkbox"/> |
| Better predictability of aid for trade funding: | <input type="checkbox"/> |
| More extensive use of Budget Support
(or Trade Sectoral Wide Approaches) | <input checked="" type="checkbox"/> |
| More regular joint-donor implementation actions | <input type="checkbox"/> |
| More harmonised reporting requirements | <input type="checkbox"/> |
| More frequent joint donor-partner implementation efforts | <input type="checkbox"/> |
| More systematic use of joint donor-partner monitoring
and evaluation | <input checked="" type="checkbox"/> |
| Other, please describe: | <input type="checkbox"/> |

Please, describe in detail the improvements needed in your top priority area

1. More donor support should be directed through the government budget to allow the government to set priorities according to the country's needs. This will ensure that Afghanistan maintains full ownership of the activities and their goals.
 2. Greater emphasis should be given to ensure more systematic use of joint donor partner monitoring and evaluation of Aid for Trade activities to guarantee mutual accountability of partner and donor country.
 3. The Afghan government should be – from the beginning – actively involved in the detailed planning, implementation and monitoring of trade-related donor assistance and interventions
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Sharing Knowledge

Q3.8 Please identify and rank three areas of interventions (see Question 1.2 for a list of examples) where aid for trade has been most effective at raising trade capacity in your country.

(Please explain your choice)

Area 1: Network Infrastructure (telecom): Assistance to enable the establishment of a telecommunication network and regulatory framework has helped to establish a reliable mobile telephone system that contributes significantly to the trade capacity of the private sector. The enhanced road infrastructure has contributed to the improved access to markets.

Area 2 : Trade Facilitation: Technical assistance to streamline export and import procedures. This is an ongoing process but the removal of unnecessary licenses and other export and import requirements are effective interventions to reduce the costs for traders. Technical assistance for the lowering of import tariffs and the removal of export taxes is facilitating the growth in trade.

- The establishment of the Export Promotion Agency of Afghanistan has helped to highlight the importance of exports, and is assisting exporters with marketing abroad.

The signing of economic cooperation, transport and transit agreements between Afghanistan and the neighbouring and other countries helps facilitating trade. Afghanistan is participating in the International Road Transport Convention (TIR)

Area 3: Cross-border Infrastructure: Improving the physical infrastructure necessary for trade has helped increasing ex- and imports. Roads required for transportation, as well as introducing electronic customs procedures (ASYCUDA) in some locations have reduced the time for transportation of goods across the border and have expedited customs procedures, as well as reducing the threat of corruption. Programs for establishment, modernization and equipment of the Afghanistan border ports in accordance to the international standards are ongoing.

Q3.9 Are there any particular examples of your aid-for-trade processes, programmes or projects that have obtained good results that you think could contribute to the development of good practices?

[If so, please describe them below and attach any relevant documents.]

1. Draft of the commercial laws, including the investment law
 2. Establishment of the Central Registry Office for the registration of businesses.
 3. Establishment of the Export Promotion Agency of Afghanistan and Afghan Investment Support Agency.
-

4. Establishment of the ASYCUDA System in some important border ports.
5. Establishment of a telecommunication network and the accompanying regulatory framework.
- 6.. Establishment of the new banking system in Afghanistan and the opening of the private, national and foreign banks, which is vital for the financing of international trade.
7. Establishment the Afghan National Standard Agency (ANSA)

- End of Section 3 -

Please feel free to provide additional information on the implementation of your donor supported trade-related programmes and projects, *i.e.* aid for trade.

4 ADDRESSING TRADE CAPACITY CONSTRAINTS AT THE REGIONAL LEVEL

Q4.1 Do your trade strategies specifically address regional trade capacity challenges?

Yes No Not sure/ NA

If YES, please describe them:

Afghanistan's trade strategy is currently being developed. The strategy will address the existing challenges to trade in the region.

Q4.2 Do you participate in regional dialogues, programmes or activities aimed at promoting regional integration?

Yes No Not sure/ NA

If YES, can you tell us in how many of these you participate in and describe the most important ones to you? *[Please describe below.]*

Islamic Republic of Afghanistan has obtained the membership of South Asian Association for Regional Cooperation (SAARC), Economic Cooperation Organization (ECO), Central Asian Regional Economic Cooperation (CAREC), Organisation of Islamic Conference, and Regional Economic Cooperation Conference and has actively participated in the workshops and seminars organised by these organisations.

Q4.3 Do you know if these regional dialogues, programs, and/or institutions receive aid for trade?

Yes, they do No, they don't I don't know/ NA

If YES, are you an active participant in the regional dialogues, programs and/or institutions?

Yes No Not sure/ NA

Q4.4 Do you participate in or benefit from aid-for-trade programmes implemented at the regional level?

Yes No Not sure/ NA

If YES, please describe the main benefits. *[Please describe and quantify whenever possible.]*

1. ECO: A fund has been established for Afghanistan's reconstruction, where some members countries are contributing to the fund. SAAREC and CAREC support aid for trade activities, such as participation in technical committees, working groups, as well as conferences.

- End of Section 4 -

Please feel free to provide any additional information concerning the regional dimension of your trade strategies:

Comments: The Islamic Republic of Afghanistan can play an important role through its membership in ECO, SAARC, and CAREC, in connecting Central Asia with Southeast Asia and Western Asia. In the tradition of the ancient Silk Road, the building and extension of railways through Afghanistan will facilitate trade by cutting transport costs and streamlining cross-border procedures. All this can encourage employment opportunities for member countries and strengthen political and economical relations, resulting in more economic development and a reduction of poverty in the region.

In additions, extending Turkmenistan-India gas and petroleum pipelines via Afghanistan and Pakistan, as well as extending the lines for electricity exports from Kyrgyzstan-Tajikistan-Afghanistan-Pakistan-India are important and valuable economic projects that can play a major role in increase the level of economic cooperation and regional integration.

-- Thank you --



**ISLAMIC REPUBLIC OF AFGHANISTAN
MINISTRY OF COMMERCE & INDUSTRIES**

**MINISTRY OF COMMERCE & INDUSTRIES STRATEGY
FOR
AFGHANISTAN NATIONAL DEVELOPMENT STRATEGY
(WITH FOCUS ON PRIORITIZATION)**

(DRAFT)

MINISTRY OFFICIAL RESPONSIBLE AND DESIGNATION	H.E. DR. AMIN FARHANG, MINISTER OF COMMERCE AND INDUSTRIES
SIGNATURE	
PILLAR-SUB-PILLAR-SECTOR AND SUB-SECTOR	PILLAR III- ECONOMIC AND SOCIAL DEVELOPMENT, SECTOR- ECONOMIC GOVERNANCE & PRIVATE SECTOR DEVELOPMENT
DATE OF SUBMISSION	MARCH 17, 2007

SECTION ONE: OVERALL SECTOR GOALS AND RESULTS

The Ministry of Commerce and Industries (MoCI) aims to create an enabling environment for sustainable and equitable economic growth in a socially responsible market economy leading to an increase in employment and reduction in poverty.

1.1 Goals:

The Ministry of Commerce and Industries has set two goals for specific broad technical areas and two that run across all strategic objectives the Ministry is working to achieve. The goals for specific areas are:

- **Create the conditions for a flourishing private sector.**
through
 - *Investment policy*
 - *Market and business development*
 - *Advocacy for private sector development focused policy making across government*
- **Establish an international trade system that measurably benefits and accelerates the efficient/productive development of Afghanistan's economy**
focusing on:
 - *Elaborated national trade policy*
 - *Regional and global integration and cooperation*
 - *Transit and trade facilitation*

The goals that support all the Ministry is doing are the following:

- **Establish and implement a legal and regulatory framework necessary to ensure the efficient and equitable operation of a market economy.**
- **Enable the Ministry to execute its tasks efficiently and effectively**

1.2 Expected Results with a five year perspective:

The strategy and programming for the Ministry of Commerce and Industries will be planned and adopted for the achievement of the expected results outlined in this section.

A. Priority Expected Results:

The MoCI expects the following results addressing the Afghanistan Compact and I-ANDS benchmarks.

- **Conditions created for a flourishing private sector:** The result will be increased employment and income growth benefiting Afghans as employers, employees, and consumers. Both will be provided by a competitive private sector based on increased productive investment in functioning and functional markets.
- **An international trade system that supports the development of the Afghan economy**
focusing on:
 - *Elaborated national trade policy*
 - *Regional and global integration and cooperation*
 - *Transit and trade facilitation*

An effective trade system must benefit the Afghan economy and the Afghan people. Trade policy must be geared at the strengthening of the productive sector in Afghanistan first. Afghan producers need more outlets for Afghan goods and services nationally and

internationally leading to more employment opportunity and economic growth. Distortions in market-determined prices set by the trade mechanisms of regional countries should be offset. Trade talks aimed at the elimination of such mechanisms have to take place in a well prepared manner.

A further aim is the adequate supply of a variety of quality, affordable goods and services to the Afghan people.

Transit and trade facilitation are important to exploit the potential benefits for the Afghan population that lie in the jobs that a central transport hub function may create and the potential demand for Afghan products.

- **A legal and regulatory framework necessary to ensure the efficient and equitable operation of a market economy established and adopted:**

A legal framework effectively applied will result in a more easily expanded private sector, increased opportunity for internal and external investment, and the potential for improved trade relationships.

B. Other Expected Results

Additional expected results are critical for achieving the other outcome.

The capacity, effectiveness and efficiency of the Ministry of Commerce and Industries improved.

Improved capacity and effectiveness of the MoCI will allow it to be more capable of achieving its primary goals and better overall support the economic improvement in the country through private sector development and implemented trade policy. What is meant by improved capacity is a combination of a focused organization structure, improved staffing, effective personnel development, strong human resources management, efficient processes, and successful outreach.

SECTION TWO: CONTEXTUAL ANALYSIS

Since the last version of the MoCI strategy was created, there have been many changes in the economy and commerce. This section provides an updated picture of factors affecting the private sector and Afghanistan's posture in trade. It also explains how previous strategies performed and what is now required.

2.1 Analysis of the Current State of the Sector

OVERVIEW

This discussion provides an analysis based on qualitative and quantitative analysis of evaluation information available. There is a basic summary of progress (results achieved) and requirements (key gaps) still to be addressed.

Private Sector

The Afghan private sector is dominated by the agriculture sector (estimated to provide livelihoods for 80% of the population). Non-agricultural enterprises are typically informal, owner-managed, micro or small enterprises, there are very few medium sized or large enterprises. The telecommunications is the one sector where there has been measurable foreign direct investment. Processing and manufacturing are on a negligible scale. Reliable data on investment and business activity are unavailable, the World Bank estimates that "only a fraction" of the investment reported by AISA has actually occurred.

Some 70-80% of the economy is informal. Contracts are rare and effectively unenforceable, regulations governing consumer and employee rights are ineffective, and government revenue collection (as a percentage of GDP) is among the lowest in the world (JCMB III report). There are considerable bureaucratic and capacity related obstacles but very few incentives to formalization. The limited capacity of the private sector to comply with legislative and regulatory requirements is further compromised by lack of publicly available information on compliance procedures and widespread corruption in the public sector.

The business enabling environment is characterized by outdated legislation, confused and inconsistently applied regulation, and excessively complex licensing and regulated transaction procedures. In addition to company formation requirements (previously handled by the commercial courts, now passed to the yet to be created Central Registry), there are investment (AISA) and business (MoCI) licenses and more than 20 sectoral licenses issued by a number of line ministries. The lack of structural competitiveness in the Afghan business climate is reflected in the World Bank “Doing Business” indicators. When placed in a league table of 175 countries, Afghanistan’s overall “ease of doing business” position is 162nd (down from 159th in 2006).

In addition to legislative and regulatory barriers to investment and doing business in Afghanistan; security problems, lack of water and power, non-availability of land, inadequate infrastructure, lack of access to finance, and lack of management and vocational skills are cited by Afghan businessmen as obstacles (World Bank Investment Climate Assessment, 2006).

Education and skills levels in the Afghan workforce are a major impediment to competitiveness and growth (UNDP Private Sector Training Needs Analysis, 2004).

International Trade

Due to vital linkages with the rest of the economy, the Afghanistan external accounts are a reflection of the current weak state of the entire economy. The state of the economy is a heritage of the destruction and dislocations from the long period of social and military conflicts. Analysis of the trend in the trade balance shows that the trade deficit increased from US\$ 1,217.6 million in 2002-03 to US\$ 2,622.5 in 2005-06. The deficit currently represents the equivalent of 36.0% of nominal GDP. The source of this substantial deficit is the limited expansion of merchandise exports which grew by only 24.0% during the same period. Imports, however, rose at a robust 68.0% rate. The import expansion reflects the rapid pace of reconstruction and a nascent private sector unable to compete effectively with imports. The export weakness derives from the fact that the private sector is also unable to rapidly develop the level of competitiveness required to enter the export market. Because of the weakness of the Afghan private sector and the massive influx of foreign currency into the country the trade balance is negative. This situation is aggravated by a series of measures, especially by neighboring countries, to promote their exports and build obstacles for imports stemming from Afghanistan

Moreover, with an economy that has low-productivity and is non-diversified, it is extremely difficult to improve the trade balance in a short period of time. The import content of exports remains very high. Most of the inputs required to create export products are not produced domestically. That means that an increase in exports is inevitably accompanied by a more-than-proportional increase in imports.

In addition to the state of the private sector, Afghanistan’s geographical situation contributes to the slow growth in exports. Afghanistan is far removed from large developed countries with high per capita income and thus high demand for imports. Its main, primarily regional, trading partners have high rates of import tariffs. As a landlocked country, the competitiveness of Afghan exports is reduced by the costs involved in transit between their production points and nearby ports as well as impediments such as cumbersome customs clearance and transshipment procedures in neighbouring countries, particularly in Pakistan. Within the country, inadequate domestic transportation infrastructure is another major factor slowing down the development of Afghan export competitiveness.

Export-oriented firms and trade-related activities are dependent on the quality of their environment and the incentives it generates. For export to thrive, it is necessary to establish an institutional framework that fosters a private sector enabling environment. This environment must contribute to increasing productivity and to reducing operating costs as well as transaction costs. Fundamental ingredients that should be present in the economy are the respect of property rights, efficient mechanisms to enforce contractual obligations, as well as quality regulation, registration and licensing procedures. When present, they help promote private investment in general and export-oriented activities in particular. This enabling context is particularly important for foreign investors. At this point, Afghanistan is just beginning to create such an environment.

Although Afghanistan is a land-locked country, it is a potential regional hub. Afghanistan's foreign trade is dependent upon two main transit routes which cross Pakistan and Iran and offer the primary access to a sea ports. Like any other land-locked country, Afghanistan faces high transport costs and long delivery delays. At the same time, due to its strategic geographic position, Afghanistan has the potential to become a "land-linked" country (i) providing Iran and Pakistan with direct routes to the Central Asia Region (CAR); and, (ii) providing the CAR with its shortest access to the sea, in comparison with routes to the Black Sea, Europe and China.

Two major transit corridors have been identified:

1. A North-South Corridor connecting Tajikistan, Uzbekistan, and Turkmenistan with Pakistani ports Karachi, Port Qasim and Gawada and continuing via Wagah, Pakistan, in the direction of India and South Asia.
2. An East-West Corridor connecting Tajikistan, Uzbekistan and Turkmenistan with the Iranian ports of Cha Bahar and Bandar Abbas.

These corridors carry significant potential for an increase in trade between energy rich Central Asia and energy deficient South Asia but with high export capacities of manufactured goods. A recent study by the ADB suggests that the development of these two corridors could result in a major shift in trade transit routing from and to Central Asia, with the potential for a very positive impact on both employment and production in the region.

Iran and Pakistan are investing heavily in their transport systems to meet transit potential through Afghanistan. Afghanistan itself is in the process of completing the rehabilitation/reconstruction of the ring road, the circular road linking Kabul to Kandahar, Dilaram, Herat, Mazzar Sharif Polchumri (Kunduz), and Kabul. Similarly, the connections to neighboring countries from the ring road are also progressing well. However, even if Afghanistan's infrastructure is improved, the ability of investment to reduce operating costs is limited as long as the facilitation of transit and trade is deficient.

Elaborated national trade policy

For Afghanistan to reach its potential in trade as well as investment and private sector development, the country must remain committed to maintaining an outward orientation in elaborating and implementing national trade policies. There are the many trade preferences available to the country. To take maximum advantage of them, Afghanistan must undertake systematic trade analysis to identify and exploit the market opportunities provided for Afghanistan's exports.

In cooperation with related ministries and the private sector, the MoCI must continue to work to reduce the high trade logistic costs by enhancing policy and programs for trade facilitation in several areas. In particular, a high priority is being given to the streamlining of border crossing formalities, the provision of adequate physical infrastructure, and the high incidence of truck trans-shipment at the Afghan borders. More could also be accomplished by streamlining procedures related to regulations, licensing and registration procedures, all key aspects that contribute to reducing transaction costs and enhancing Afghanistan export competitiveness.

Regional and global integration and cooperation

To capitalize on its strategic location as a land-bridge in the Central and South Asia region, integrating Afghanistan's markets with the global and particularly regional economies is of critical importance to the achievement of the national economic goals. Linkages with global and regional

markets will not only promote the competitiveness of domestic industries but also add to the attractiveness of Afghanistan for investors.

To become a full member of the global economic community, Afghanistan must complete requirements for WTO accession and create trade agreements with large international markets. This will send strong signals to international investors and traders regarding the stability and parameters of the trade regime. Afghanistan has actively participated in regional economic initiatives including the Economic Cooperation Organization (ECO) as well as bilateral negotiations with neighboring countries including Iran, India, Pakistan, Tajikistan and Uzbekistan. Further opportunities for regional integration are participation in the South Asia Free Trade Area (SAFTA) and the Central Asian Regional Economic Cooperation (CAREC) program.

With the development of an effective system for international trade and transit, a large portion of future investments will capitalize on Afghanistan's location, using Afghanistan as a regional platform for export. The priorities for the immediate future will require a review of the existing regional trading arrangements with regard to their effectiveness and implementation – identifying areas in which these agreements can be strengthened.

Transit and Trade Facilitation

Afghanistan's trade in transit situation is characterized by three essential problems:

1. High logistics costs
2. Ineffective transit agreements
3. Inadequate financial infrastructure.

High logistics costs: Delays, cumbersome procedures, and lack of facilities at border posts substantially impact transport costs which seriously undermine the competitiveness of Afghan exports, increase the cost of imports, and discourage the development of transit traffic through Afghanistan. Costs of trade do not consist simply of transport charges, but of many further direct and indirect costs generally termed "trade logistics costs," and include factors such as delays, charges, and other challenges to reliable delivery.

In a well-functioning market economy with highly developed transport and distribution networks, measurable logistic costs are usually less than 10 percent of the sale price of goods. In Afghanistan, with inadequately developed trade logistic systems, costs are much higher. Indications are that for Afghanistan, trade logistics costs can be up to twenty five percent of the value of goods shipped, the costs even exceeding 50 percent of the sale price for raw materials or basic commodities such as grain or cement. Without efficient and effective trade logistics services on routes to and through Afghanistan, the costs these transactions will remain high.

Among the most serious bottlenecks to the movement of goods entering, leaving, or in transit through Afghanistan, the Ministry of Commerce and Industries has identified:

- a) poorly designed, poorly managed official border port stations
- b) long border waiting times only relieved with unofficial payments
- c) truck-to-truck border transshipment increasing handling costs, transit times, risk of cargo loss/damage
- d) no external transit role for afghan truckers (except Peshawar route) as trucking entirely by transit countries
- e) foreign truckers restricted from operating in Afghan
- f) high-rates charged by trucking cartel
- g) vehicle standards below international levels
- h) check-posts, arbitrary delays, and extensive unofficial and discriminatory charges.

Ineffective transit agreements: Afghanistan has signed a number of bilateral or multilateral transit agreements with countries of the region, Pakistan, Iran, Uzbekistan, Tajikistan, Turkey and India, to facilitate the movement of goods and commercial vehicles through neighboring countries. However, the transit system from/to Afghanistan is not operational due to:

- i) complex and uncoordinated cross border customs practices and documentation;

- j) no coordination between working days and working hours of the adjacent border ports;
- k) time consuming border controls;
- l) numerous and costly transit fees for crossing borders which do not reflect actual services;
- m) lack of standards for admittance of vehicles across borders (vehicle inspection, issuance of certificates);
- n) lack of third party insurance schemes;
- o) lack of bond/guarantee system to ensure the payment of customs duties;
- p) visa problems for drivers of another country;
- q) unofficial charges.

Inadequate financial infrastructure: Institutionalized or formal banking and insurance systems have been profoundly dislocated by conflicts. This resulted in disruption of domestic and international payments systems and virtual cessation of all lending activities in the country. Afghanistan still lacks of a fully functioning banking and insurance system to support international trade. Afghan traders have little possibility to finance their trade transactions or to get effective local insurance coverage for the transport of goods. Consequently, truckers increase their rates to cover potential loss/damage liabilities or goods are shipped at the owner's risk. This contributes to high trade transactions costs.

Similarly, there is no system providing bonds or guarantees to cover customs duties on goods in transit not cleared by the customs. Without transit bonds and customs guarantees, Afghanistan will be restricted to rudimentary transit systems such as convoys or duty deposits.

Legal and Regulatory

One area of the business enabling environment criticized by the World Bank 'Doing Business' Report is the legal support for business. The MoCI is committed to the modernization of basic business law and will create policy, legislation, regulation, and implementation mechanisms and procedures in the following areas:

- Standards
- Competition
- Consumer protection
- Mechanism for self-administration of the private sector

The MoCI intends to apply the principles of regulatory best practice to ensure that regulation is effective without imposing unnecessary compliance costs on the private sector. The MoCI will also ensure that there is adequate public education on rights and responsibilities in each area.

Ministry Capacity

The MoCI is currently implementing its plan to restructure, reform, and re-staff under the Civil Service Commission Priority Reform and Restructuring (PRR) program. It has created a new structure to address its mission and objectives and has begun building a stronger staff in more focused, collaborative directorates.

It must continue the restructuring, change processes, train and mentor staff, and set/meet objectives. In addition, it must submit and implement a PRR amendment to address the addition of the Industries function now that a Deputy Minister for the function has been named.

PROGRESS AND REQUIREMENTS

Private Sector

Economic growth in Afghanistan has been running at around 10% each year and "is expected to reach 12 percent in 2007/08 and 10 percent from 2008/09 onwards, assuming a rebound of agriculture and sustained activity in construction and services. Inflation is expected to subside further" (IMF, 2006). However, GDP/capita is still only approximately USD300 and the IMF warns that "improved conditions to facilitate private sector development (including the state disengaging from economic activity), and political resolve to tackle difficult issues are critical to continued success".

Progress in business enabling environment reform, key to increasing formalization, has been slow. The procedures for obtaining a MoCI business license have been streamlined, and the introduction of the AISA investment license has improved the company registration experience for qualifying businesses, but little has been done to address the impact of the dysfunctionality of the commercial legislative and regulatory environment. Renewal statistics for MoCI business licenses suggest that very few are obtained for genuine business reasons, the principal motivation appearing to be that a trader's license is a precondition to obtaining a business passport. Recently enacted commercial legislation was completed by the MoCI Legislative Working Group and the Ministry of Justice Taqin to meet the ANDS benchmark. It is primarily aimed at potential international investors. At this point, insufficient planning has been given to sequencing legislative and institutional reform. The capacity of existing state institutions to implement the laws or of the Afghan private sector to comply with the laws remains an obstacle to effective enforcement.

Progress on encouraging investment continues to be hampered by high levels of risk. Risk mitigation instruments (e.g. the MIGA created Afghanistan Investment Guarantee Facility) apply only to international investors and so have little or no impact on domestic investment. The first project signed by AIGF was for a French state owned company. Commercial insurance providers are virtually non-existent.

One of the "difficult issues" that the Government will address is the reform of sectoral licensing scope and procedures. Based on the findings in research at the MoCI including the Investor Roadmap, the MoCI will bring forward proposals for publishing information on procedures, streamlining the bureaucracy connected with registering and obtaining a license, and ultimately abolishing licenses that have no economic justification. The MoCI will also continue to lead efforts to modernize the commercial legislative framework, through the introduction of a raft of new legislation and plans for its implementation.

Some progress has been made on skills development through small scale training schemes and recently with the opening of an internationally recognized vocational qualifications training centre, but much remains to be done in terms of modernizing business education (particularly at university level). The lack of investment in modern processing and manufacturing techniques continues to undermine the ability of Afghan producers to compete on domestic or international markets.

The MoCI is committed to encouraging the formalization of the economy as a major contribution to overall economic development with a particular emphasis on micro and small and medium-sized enterprises (SMEs). The Ministry will work with all related areas of government to strengthen the institutions that impact private sector development within the formal economy to create a level playing field; improving enforcement, reducing bureaucracy, and eliminating corruption.

The MoCI has a central role as policy maker and facilitator for investment promotion. The overall objective is to attract foreign direct investment and encourage domestic investment by improving the investment climate and promoting Afghanistan as a competitive investment location. The establishment and support of AISA, a one-stop shop for investors, represents a major step in facilitating investment by streamlining the process faced by investors. In the future, AISA will increasingly move to investment promotion. The Ministry is also targeting the creation of physical infrastructure for private sector development and investment. The objective is to create industrial parks throughout the country to provide investors with land, energy, and water and road access in a timely manner.

International Trade

Competitiveness at an enterprise level is essential to increase exports for larger markets for Afghan goods and to reduce imports. Afghanistan has traditional economic areas which can be made more competitive. But, it is equally important to encourage innovation, both within existing business and by bringing new types of commerce to Afghanistan. The Ministry is developing several initiatives in this area. Following the AISA model of a semi-autonomous agency, the Export Promotion Agency of Afghanistan (EPAA) will be the central implementing agency for export promotion policies and

plans. The agency will serve as a source of market information and promote Afghan products internationally. It will work in close cooperation with private sector initiatives. The MoCI and EPCA will also encourage donor-funded and private sector initiatives to develop management skills that will increase competitiveness and innovation.

One traditional sector to pay special attention to is horticulture, especially to those products in the perennial category. This sector is a good candidate for recovering competitiveness and the lost export market share it once had. During the late 1970s nuts as well as fresh and dried fruits accounted for 41.0% of the country's total merchandise exports. In particular, dried fruits which require significant value-added through processing and packaging accounted for 18.0% of total exports. Because the production of semi-processed products such as this is labor-intensive, it could be a source of employment creation. Moreover, these products generate high income per hectare and could compete with the seasonal poppy crops. Due to the semi-processed requirement of many products in this category, horticulture could also be a base for building agro-industry. Development of this activity would require cooperation among MOCI, EPAA, and the Ministry of Agriculture.

Having received observer status, Afghanistan is following the WTO accession process. The process will require focus as well as coordination among ministries and with the private sector. Afghanistan Embassy in Geneva and UNCTAD comments on the completed Memorandum of Foreign Trade Regime (MoFTR) were incorporated then the MoFTR was distributed to relevant ministries before it is submitted to the Cabinet and President for approval. The MoCI will implement a strategy and timetable for accession as well as a plan to take advantage of the WTO capacity building resources and opportunities.

In addition, Afghanistan is currently eligible for preferential import duties under the European Union's (EU) "Everything but Arms" Initiative (EBA), the United States' Generalized System of Preferences (GSP) program as well as LDC preferences granted by Canada and Japan. Also, the Government of Afghanistan has recently concluded a "Trade and Investment Framework" (TIFA) agreement that could provide additional strengthening for trading relationships.

In capitalizing on Afghanistan's position as a land bridge between Central and South Asia, the facilitation of international trade via transit routes is of critical importance. Afghanistan has existing transit agreements or understandings with Pakistan, India, Iran and Uzbekistan and is a signatory of the TIR convention. The Ministry is also an active participant in the Central and South Asia Transport and Trade Forum's (CSATTF) Corridor Development Plan and is investigating possibilities for expanded participation through involvement in the wider CAREC initiative.

In moving forward, the priority for the Ministry is to strengthen and modernize these agreements by addressing the critical operational issues. In addition to securing access to important seaports in Pakistan and Iran, the MoCI is also working to establish and enhance land corridors to provide further access to important markets in Europe, Central Asia, Russia and South Asia.

2.2 Analysis of Key Strategic Elements and Processes in Past Programming that Contributed to Success

This analysis is based on lessons learned, international and national best practices, and case studies. It will provide the background for MoCI strategic programming.

Private Sector Development

As highlighted above, reforms for private sector development in Afghanistan have been slow and minimally effective. By any measure (foreign and domestic investment, job creation, ease of doing business, levels of formalization), past programming aimed at structural reform has been unsuccessful in creating economic growth based on private sector development.

Two examples of reform are business registration through the creation of investment licenses granted by AISA and streamlining procedures for obtaining traders' licenses granted by the MoCI. However, the overall impact of these reforms is minimized by the failure to address other needs and constraints.

To begin with, the economic justification for such licenses has not been adequately examined, the cost of such licenses remains excessive (when measured in absolute terms and as a percentage of GNI). Despite the reforms, there is still very significant informality in the economy.

Other programs that have had some impact on private sector development include:

- The industrial parks program which has overcome infrastructural constraints by providing facilities for a small number of Afghan businesses,
- Donor supported finance for bank credits and asset leasing, and
- Microfinance schemes designed to help individuals to generate personal incomes.

But again, structural business enabling environment problems undermine the impact of even these initiatives. General private sector growth is not in evidence and graduating from micro to small or medium sized business remains impossible for the vast majority of the Afghan private sector. This is evidenced, for example, by the private sector's inability to apply for and use the Counter Narcotics Trust Fund (CNTF). Donors were expecting a significant amount to be spent to set up private companies. Because of the difficulty of establishing businesses, the CNTF has managed to distribute only USD700,000 out of the USD17 million that it controls.

Institutional reform focused on the MoCI has led to the creation of a structure that is more suited to the creation and implementation of private sector development policy. The Ministry now has a Private Sector Development Directorate and a Legal and Regulatory Directorate which, with the support of intensive capacity building, together are in a position to start to address the business enabling environment constraints.

While progress has been slow in Afghanistan, there are lessons to be drawn from past programming in an international context. Programming based on these lessons will be designed to increase the competitiveness of Afghanistan.

Investment policy: Investment in a country is an accumulation of individual firm level investment decisions. Understanding the investment decision and developing policy instruments that have an impact on each element of the investment decision is the key to encouraging investment. Based on international experience, specific program initiatives identified by the MoCI include:

- Reducing regulatory compliance uncertainty, burden and costs;
- Introducing more effective investment risk mitigation instruments;
- Strengthening the human capital base; and
- Designing targeted market based incentives to create a level playing field for investment in Afghanistan.

Market and business development policy: Sustainable private sector growth aims to support the development of a competitive private sector able to compete in domestic and international markets. Achieving this goal requires the creation of functioning and functional markets, where transactions can take place easily and fairly for both buyer and seller.

The inability of the Afghan private sector to achieve its potential can be attributed to arbitrary and restrictive market rules and regulations, unfair competition in domestic and international contexts, inadequate market information, and fractured transaction networks. Creating the conditions for functioning and functional markets requires policy interventions to strengthen both the institutional market environment (the institutions, laws and regulations that govern markets) and the supporting functions (the skills, information and networks that allow markets to work). Again, based on international experience, specific program initiatives identified by the MoCI include:

- Broadening the impact of private sector development policy by understanding the specifics of provincial economies and tailoring policy initiatives to provincial needs;
- Removing institutional barriers to doing business;
- Creating incentives for the private sector provision of market support functions; and
- Creating the conditions for formalization of the economy.

Advocacy for private sector development focused policy making across government: While the above programs can be largely run out of the MoCI, international experience shows that the

actions of other government agencies has a significant impact on private sector development. While the government has consistently stated that private sector led development is a central strategic goal, there is little evidence that policy making and related programming across government has taken account of the needs of the private sector. The MoCI in its private sector development leadership role intends to promote a more coordinated and private sector focused policy making approach across government, paying particular attention to physical and knowledge infrastructure development needs.

International Trade

The MOCI and other Government agencies have been constructing a non-distorted economic base for private sector expansion. This environment will provide incentives for private investment, employment creation, and development of competitive export-oriented activities. Strategic decisions and policies implemented are geared at achieving the established international trade goals of the ANDS and the Compact. One example is the objective of a trade regime without excessive protection and with the absence of distortions. This contributes to maintaining low costs. Free access to foreign exchange and a low import tariff level (approximately 5.0%) are also good examples of the pursuit of an efficient trade regime. In fact, the range of import tariff rates for certain key inputs, such as machinery and equipment (2.5% to 10.0%) as well as plastic and rubber articles (5.0%) are quite low relative to those prevailing in Central Asia as well as in many developing countries.

In working to increase the level of foreign investment in Afghanistan, the Ministry will negotiate bilateral and multilateral investment agreements. Additionally, the facilitation of bilateral tax agreements in cooperation with the Ministry of Finance will enhance the attractiveness of Afghanistan as an investment location by addressing issues in regards to double taxation of foreign investment earnings.

Transit and Trade Facilitation

In the past few years, the Ministry of Commerce and Industries has pursued transit and trade facilitation initiatives including the following:

1. Recommendations for new physical border facilities design and coordinated border control procedures based on international best practices. A paper “*Facilitating Cross-border Trade*” defines the organization and coordination of agency activities to facilitate movement of legitimate people and goods, while maintaining secure borders;
2. Simplification and standardization of documents and procedures based on international best practices/standards. The MoCI has suppressed documents that it used to issue (Transit Form to Afghanistan, “*Ilm-ul- khabar*”, Transit Permit through Afghanistan “*Ejaza namah ye transety*”). These were replaced by the ASYCUDA T1 form issued and processed by the Customs offices at the borders.
3. Establishment of the “Afghan High Trade Facilitation Committee”, called AFPRO, with the objective to address trade facilitation issues by bringing together all stakeholders in the area of transport and transit including government, private finance and insurance, and the private sector. Presidential Decree (no 3565 dated 26/10/1384 (16/01/2006) sanctioned the creation of AFPRO.
4. Reactivation of the TIR (International Road Transport) Convention (1975) ratified by Afghanistan in 1980. Afghanistan, suspended in 1982 by the International Road Union (IRU), the organization which manages the TIR Convention, was reinstated in 2006. The Ministry of Commerce and Industry, designated as the National Competent Authority by Presidential Decision, is currently monitoring the process by which the Afghan Chamber of Commerce and Industry will be authorized to issue the TIR carnet on behalf of Afghanistan.

5. Draft of a new transit agreement with Pakistan, the Afghan Pakistan Transit Agreement (APTA), to replace the Afghan Transit Trade Agreement (ATTA) dating back to 1965, to take into account changes which occurred in the economic and transport environment surrounding the transit of goods to/from Afghanistan through Pakistan.

6. Development of a well-qualified national freight forwarders industry instrumental in promoting Afghan trade by (i) establishing an International Freight Forwarder licensing system issued once predetermined criteria are fulfilled (financial position, integrity, technical abilities, proven expertise), and (ii) producing the Afghan Basic Standards training in freight forwarding under FIATA (International Federation of Freight Forwarders Association).

7. Support of the Afghanistan Association of Freight Forwarding and Transit Companies (AFCO), recognised in 2005 as the National Association of Afghanistan within FIATA, by assisting in drafting a “Code of Conduct for Members of the Association” and of “Standards Trading conditions for freight forwarders”

8. Assessment of the role of the Ministry of Commerce and Industries at the borders. Presently operating border port facilities (Hayrathan, Torghundi, Sheer Kan Bandar), the MoCI is considering promoting a Border Ports Public Private Partnership scheme under which the Ministry will provide land and existing buildings while the private sector finances the other facilities and provides experienced management.

2.3 Analysis of Constraints, Restraints and Assumptions

A. Regulatory and Governance Environment:

Legislation, regulation and procedures guiding the sector: The current business enabling environment is dominated by outdated legislation and regulation implemented through inconsistent and non-transparent procedures. The institutional capacity to implement existing and new legislation and regulation is inadequate and compliance is low. The negative impact of the existing legislative, regulatory and procedural environment on private sector development is demonstrated by the two successful sectors in the Afghan economy:

- Narcotics which, because it is illegal, by definition operates outside of legislative and regulatory control;
- Mobile telecommunications which, as a non-traditional sector, had the opportunity to create its own legislative and regulatory environment.

Government policy: The government’s past private sector policy framework lacked coherence and has been shown to be ineffective to date. Decisions are taken on an ad hoc basis, driven by informal or semi-formal lobbying, without adequate regard for wider economic impact. Difficult issues remain unaddressed because of powerful pressure from groups that stand to lose from reform. Priorities are set largely by external pressure applied in specific areas, with a consequent lack of regard for broader national interests and sequencing. The negative impact of inappropriate sequencing of economic reform can be seen in the asymmetry between improvements in the trade and investment climate. Reforms have encouraged imports to meet domestic demand without addressing the need to encourage productive investment and export.

The effect of non-compliance: Low compliance with private sector legislation and regulation (by both the public and private sector) is a serious impediment to private sector development. Lack of certainty in the business environment creates confusion and doubt thereby discouraging investment. In turn, outdated legislation, regulation, and administrative procedures invite corruption and encourage informality.

Structural and policy reform process: As the lead private sector policy making agency, the MoCI is developing a coherent private sector development policy framework and will select the most appropriate policy instruments (e.g. legislative and regulatory reform, institutional strengthening and

procedural reform, financial incentives, public education) to achieve its strategic objectives. The core of a business enabling environment is a system of commercial legislation and regulation complying with international standards, implemented by institutions with the capacity to apply laws and regulations fairly and transparently and committed to minimizing compliance costs.

- **Legislative reform:** The MoCI serves as the focal point for the Commercial Law Working Group Project to develop an updated and sustainable Commercial Code for Afghanistan based on its existing Commercial Code of 1955. Under this project, the MoCI has drafted the following measures for submission to the Ministry of Justice: Private Investment Law, Arbitration Law, Mediation Law, Partnership Law, Corporation Law, Contract Law, Intellectual Property Rights Laws: Copyright, Trademark, and Patent Laws, Agency Law, Standards Law. The first five have become law and the remaining six have been submitted to the Ministry of Justice for review. The Ministry will continue to take a leading role in facilitating the adoption and implementation of these measures in compliance with its policy objectives. The MoCI will also continue to provide input on all legislative matters related to the business environment including customs, mortgage, insurance, leasing legislation and accounting standards. Additionally, as the lead Ministry for WTO accession, the Ministry will work to ensure that new commercial or trade legislation is compliant with WTO regulations.

Over the past three years, the commercial legislative process has faced serious challenges including a lack of capacity in the relevant Ministries such as the Ministry of Justice, a lack of cohesive government strategies and policies, and difficulties in coordination among donors and the international community in regards to legal reform. Thus, the initiatives currently being completed at the MoCI represent only the beginning of the Ministry's work in facilitating the adoption and implementation of commercial laws. Given the importance of the commercial legislative framework to the achievement of its mission, the Ministry must continue to work as an advocate to see that these laws are prioritized, passed and implemented. The MoCI has begun to build its capacity in this area to effectively fulfill its role.

- **Institutional strengthening and procedural reform:** The MoCI is committed to leading the government's efforts to strengthen the institutions that implement private sector related legislation and regulation and to simplify associated administrative procedures. The overall objective is to reduce the regulatory compliance costs imposed on the private sector, both in financial terms and the opportunity costs of time.

Regulatory, policy and governance gaps: As described above, significant gaps still exist in the regulatory, policy and governance environment:

- Experience from legislative reform to date suggests that more attention needs to be paid to the sequencing of policy development and law making so that laws can be designed to achieve defined policy objectives, and there should be greater regard for implementation/compliance capacity, so that laws once passed can be implemented;
- Policy has been incoherent and formulation has been frequently based on external interests or personal lobbying, there is little or no government ownership of policy making; and
- Institutions lack the capacity or will to implement laws and regulations.

Accountability mechanisms: The lack of reliable economic data and statistics means that accountability based on economic impact of inaction or reform is inadequate. Often, accountability based on meeting donor driven deadlines has taken precedence. While there are no effective mechanisms for reporting impact of reform in quantitative terms, a number of qualitative substitutes (that contain some, and international experience shows correlate broadly with, quantitative economic indicators) all point to the lack of systematic effectiveness of current policies, for example:

- World Bank Doing Business survey ranking
- World Bank Investment Climate Assessment
- World Bank Governance Indicators
- UNDP Human Development Report

International Trade Note: As mentioned previously, the Ministry of Commerce and Industries is establishing a sound legal basis to promote Afghan Freight Forwarders and to encourage the participation of the private sector in financing and operating border facilities. The Ministry of Commerce and Industries also intends to ensure a close cooperation with the Ministries of Finance, Interior, and Transport. It plans to reactivate the Inter-ministerial Committee on Cross Border Facilitation, established in 2004 as a joint initiative of the Ministry of Finance (Customs Department) and the MoCI. This committee with a focus on operational and management issues at the borders also meets with representatives from the Ministry of Transport and Transit and representatives of the private sector.

B. Capacity Analysis

The current capacity to deliver the results outlined in Section One involves not only Government Capacity, but the capacity of others e.g. donors, private sector. Capacity here is understood in the broad sense: human, financial and organizational resource constraints, capacity for effective consultation and participation as well as restrictions based on the legislative and/or the cultural environment.

MoCI Capacity

To build capacity, the institutions, the staff, and the practices offer a double challenge for the Ministry of Commerce and Industries:

- Building efficient and responsive institutions able to plan and to implement the mandates
- Building human capital, i.e., providing staff with technical skills required to perform according to best practices.

Institutions: The MoCI is implementing the Priority Restructuring and Reform (PRR) program. As part of this process, new directorates were created and some former directorates are being restructured into new directorates with structures approved by the Civil Service Commission (CSC) in April 2006. All directorates are currently under implementation. CSC processes do not allow for responsiveness to environmental change. However, there is a need to complete a more focused organizational structure before needed changes occur.

Staffing: The staffing of all directorates is in process. Directors have been selected by the Civil Service Commission and most come from within the Ministry which means they have experience in the old ways of operating and managing but no updated experience. The dilemma for completing the staff is to find a compromise between two contradictory requirements: on one side recruiting new staff more able to perform the new tasks and, on the other, the need to reserve some new positions for staff presently working in the Ministry. It would be detrimental to MoCI effectiveness if only staff from the Ministry were to be recruited. The MoCI needs, especially for heads of department, people with past professional experience and leadership making them more fit to carry out the new mandate. However, finding motivated staff with some basic knowledge but adaptable to their new conditions of work is a challenge.

Practice: The MoCI directorates face two practice “capacity” challenges:

- Capacity to carry out its mission and strategy. Issues include governance, leadership, administration, human resources, program development, and implementation
- Capacity of its staff to acquire workplace understanding, technical skills, and professional competencies.

To meet the second challenge, the Ministry is putting in place important programs of vocation al training in key areas such as Private Sector Development and Transit and Trade Facilitation and mentoring in other areas such as Legal and Regulatory to ensure that the staff recruited be quickly able to handle their positions.

Yet, the capacity of the Ministry ultimately will depend upon the extent to which it can attract or keep goods candidates. This raises the issue of *a professional Civil Service which can guarantee*

- merit-based recruitment and career growth
- merit-based compensation that ensures a decent standard of living
- Meaningful training and career development.

MoCI and Other Organizations

The MoCI is currently restructuring, re-staffing, and reforming processes to address Ministry capacity to achieve its objectives. Rapidly moving through this plan, including implementing enabling information technology, is critical to the MoCI role in delivering these results.

However, for many of the Ministry's objectives, other ministries and the private sector have to perform their parts well. For example, for improving trade, the Customs Department of the Ministry of Finance must be a constructive part of facilitation. At this point there is little on the ground cooperation between Customs and Transit. In addition, the domestic private sector has almost no capacity to participate in meaningful export. Investment leading to more private sector capacity will be needed to reach effective trade results that create jobs.

Outreach and communication

Evidence from developing countries and emerging economies worldwide shows that economic reforms are much more likely to succeed when they are understood and supported by the people most affected by them. The MoCI will need to interact with a wide variety of stakeholders, each of which has different needs and expectations. Getting the messages right with these audiences, and reaching them with the right communication tools are key features of effective communications.

Currently, the MOCI is neither consistent nor systematic in its communications with stakeholders. The tools it uses are limited – no forum for regular stakeholder dialogue exists, press conferences are irregular and inadequately prepared, there is no resource in place for updating the Ministry website, and except for the recently established Ministry newsletter, little if any written information is available that succinctly summarizes any portion of MOCI activities and plans. The result is a Ministry that is regarded as ineffective and irrelevant by the private sector and general public.

The MoCI recognizes the need to develop specific communications tools to reach women, who face particular disadvantages; higher rates of illiteracy and widespread exclusion from public debate.

Ongoing capacity building in the MoCI will allow it to use communications strategically to support the implementation of economic reform through active and effective stakeholder engagement.

C. Security Situation

Security or, more correctly the press reporting on it, is negatively affecting both international and domestic investment as well as trade/transit negotiations and implementation.

Transit: Even when the road infrastructure is completed by 2008, Afghanistan will have little transit potential until the security issue is resolved. Security remains a major problem on most Afghan routes. Until these routes are perceived to be secure, it is difficult to envisage the use of Afghan routes. Consequently, improving security for both persons and property throughout the country is a prerequisite for the revival of Afghanistan and the improvement of the transit system. Better security is needed to: (i) encourage foreign truckers to make direct deliveries and thus reduce transshipment; (ii) reduce costs on some routes where trucks operate under convoy conditions; and (iii) develop multimodal transport with shipping line containers transported up to inland container depots within Afghanistan with container deposits lower than presently.

It must be noted also that the level of confidence concerning Afghan traders and transport operators is very low due to historic perception that many shippers in Afghanistan are involved in smuggling or trafficking in illegal drugs. Hence reforms measures to improve the effectiveness and efficiency of procedures in detecting and deterring illegal trade should go hand in hand with the reconstruction of infrastructure and the expansion of security throughout the country.

SECTION THREE: STRATEGY

Overall Strategy for Achieving Expected Results

For achieving the MoCI goals, the Ministry has defined specific strategies which have been and will be addressed in Ministry programming. This section describes those strategies.

1. Strategies: Given the contextual analysis in Section Two, the MoCI plans to achieve the expected results through the strategies listed in this section.
2. Impact Analysis: The analyses of the strategies are included in the strategy discussions.

MoCI STRATEGIES FOR EACH GOAL

GOAL: Establish and implement a legal and regulatory framework necessary to ensure the efficient and equitable operation of a market economy

This goal is addressed in all strategic objectives of MoCI because it ensures the legal support for the other goals therefore it will be dealt with in context.

GOAL: Create conditions for a flourishing private sector.

focusing on:

- *Investment policy*
- *Market and business development*
- *Private sector development outreach*
- *Legal and regulatory*

To achieve this goal, the Ministry has adopted the following strategies to address the four sub-goals.

Overall Impact Analysis: These strategies promote increased employment which addresses poverty reduction, anti-corruption, and counter-narcotics. They also support economic growth. The private sector development strategy is sustainable with continued international support. Investment can also be targeted to gender assistance and regional cooperation. Outreach is required to implement policies that enable other private sector or trade strategies. It will speed improvements to more quickly build employment opportunities and economic growth.

Sub-goal: Investment Policy

Strategies:

- Creating the legal, regulatory, and procedural framework to enable investment
- Removing legal, regulatory, and procedural obstacles to investment
- Reforming commercial licensing
- Establishing constructive and effective industrial policy, e.g., industrial parks, risk mitigation
- Defining the role(s) of secondary units
- Promoting foreign and domestic investment effectively.

The overall objective is to attract foreign direct investment and encourage domestic investment by improving the investment climate and promoting Afghanistan as a competitive investment location.

Review and update the investment environment:

- *Create the legal, regulatory and procedural framework to enable investment*
- *Remove legal, regulatory and procedural obstacles to investment*
- *Reform the commercial licensing system*

Creating the conditions for productive private sector investment will require significant enabling environment reform. Building on the ongoing work of legislative reform, the MoCI will create new legislation and regulation where necessary and streamline and update existing regulation and procedures related to investment. Reform of existing commercial licensing (focused on sectoral licensing) will lead to strengthening necessary licenses, abolishing unnecessary licenses, and reducing compliance costs where this is compatible with the regulatory objective. As well as leading to a general improvement in the business enabling environment, such reforms will reduce opportunities for corruption.

Establish an effective industrial policy

An industrial policy will be developed to facilitate the growth of key industries or sectors in Afghanistan's economy. The development and implementation of this policy will include any government supported market led investment incentives, facilities, regulation or law that encourages the ongoing operation of, or investment in, a particular location or industry, or creates conditions that favor the development of particular types of enterprise (e.g. SMEs).

Promote foreign and domestic investment

Promoting Afghanistan as an investment location is the role of the Afghan Investment Support Agency (AISA). The MoCI, as the line ministry responsible for oversight of AISA, will ensure that AISA focuses on its core responsibilities:

- Investment promotion
- Investment facilitation
- Investment policy advocacy

Investment licensing will remain for the time being as one of AISA's activities, but the cost and accounting for license revenues will be re-examined as an interim measure. Ultimately, AISA will be funded by budget allocations, rather than by income from licenses.

Sub-goal: Market and Business Development

Strategies:

- Elaborating market and business development policy
- Promoting the development of the formal economy
- Elaborating transitional policy for the informal economy
- Promoting inclusive market and business development
- Establishing a legal framework for the self-administration of the private sector
- Encouraging innovation and competitiveness in the private sector in:
 - Institutional environment
 - Knowledge infrastructure
 - Physical infrastructure
- Establishing effective competition policy
- Integrate central and sub-national economies
- Supporting the efficient divestment of SOEs
- Define the role of secondary units

The overarching objective of market and business development policy will be to make Afghan markets work for business and income growth from which Afghan citizens – as consumers, producers or as employees – can all benefit.

Encourage the development of formal economy and elaborate transitional policy for the informal economy

Formalization will protect investors, consumers, and employees as well as produce long-term state building advantages. The long-term formalization objective will be primarily achieved by creating a pro-business regulatory environment that creates a competitive advantage for formal economic activity combined with strengthening the capacity and transparent operation of enforcement agencies. Current best practice in reducing regulatory and administrative barriers will be followed to avoid counter-productive shock.

Promote inclusive market and business development

The MoCI's objective is to develop policies that will have an impact on all Afghan citizens and avoid uneven growth favoring specific groups. Inclusive market and business development will be promoted through four core initiatives:

- Provincial economic development
- Value Chain Analysis
- Business services development
- Competition in markets

Encourage innovation and competitiveness in the private sector focused on:

- ***Institutional environment***
- ***Knowledge infrastructure***
- ***Physical infrastructure***

In an economy largely served by small scale local produce and imported processed goods, increasing incomes requires a healthy private sector. That sector must be capable of providing competitive goods and services to the domestic market and exporting to regional and international markets. Increased exports will lead to economies of scale necessary for productivity gains. Afghanistan will develop its national competitiveness through a combination of building a business enabling institutional environment, developing management and vocational skills, and improving the country's physical infrastructure.

Integrate central and sub-national economies

The first step towards integrating central and sub-national economies will be through profiling of the provincial economic capacity and political economy in a selected number of provinces, to assess opportunities and constraints to provincial economic development. Thereafter, the objective will be to tailor national economic development and private sector development policy to the particular needs of individual provinces to maximize the local impact.

Support the efficient divestment of SOEs and define the role of secondary units

The MoCI will seek to ensure that the divestment of SOEs contributes to wider private sector development objectives. Through a transparent process which is appropriately sequenced with other economic reforms, the MoCI will avoid the creation of inadequately regulated private monopolies or excessively concentrated ownership/control of scarce resources (e.g. commercially exploitable land). The role of the MoCI's secondary units will be examined and, where necessary, redefined to achieve alignment with the business enabling environment.

Sub-goal: Private sector development outreach and communications

- Fostering a shared stakeholder vision for private sector development
- Enabling the private sector to contribute to economic reform
- Advocating private sector development interests in national policies developed by other agencies, e.g. Energy, Infrastructure, Transport, Land, Tax and Customs, Macroeconomic issues, etc

The overarching objective of private sector development outreach and communications is to promote and undertake public private sector dialogue to support the formulation and effective implementation of policies.

Foster a shared stakeholder vision for private sector development

The shared vision refers to reaching broad consensus on the roles and responsibilities of both government and the private sector within a private sector-led market economy. Through effective communication and outreach, stakeholders will be given opportunity to engage in MOCI initiatives, and the economic reform process as a whole, to give it greater legitimacy and maximize its chances of success. The MoCI will establish and maintain effective policy dialogue forums to promote stakeholder interaction.

Enable the private sector to contribute to economic reform

The MoCI will co-operate with relevant stakeholders to develop the capacity of the private sector to effectively advocate for economic reform, including building analytical, communications, and

lobbying skills. The MOCI will establish clear expectations about the quality of input that the private sector should provide.

Advocate Private Sector interests in other national policies

The MOCI will provide regular input to PSD-related initiatives from other Government Ministries and agencies (and encourage Government input to its own initiatives). This input will be based on the principles of regulatory best practice and will be designed to ensure that the development needs of the private sector are adequately considered in related government policy making. The MoCI will reinvigorate the High Commission on Investment as the entry point.

Legal and Regulatory

Strategies:

- Devising and implementing a Standards framework
- Devising appropriate consumer protection mechanisms
- Establish a legal framework for the self-administration of the private sector
- Ensuring availability of domestic private sector statistics

Establish policy and effective mechanisms for:

- ***Standards***
- ***Competition***
- ***Consumer protection***

The MoCI intends to apply the principles of regulatory best practice in each area to ensure that regulation is effective without imposing unnecessary compliance costs on the private sector. The MoCI will also ensure that there is adequate public education on rights and responsibilities in each area.

Establish a legal framework for the self-administration of the private sector

A solid and widely understood legal foundation for the operation of Chambers of Commerce and business associations is needed as a starting point to enable the private sector to effectively contribute to economic reform as legitimate stakeholder.

GOAL: Establish a trade system that assists with the development of the Afghan economy focusing on:

- ***Transit and trade facilitation***
- ***Regional and global integration and cooperation***
- ***Elaborated national trade policy***

Overall Impact Analysis:

An effective trade system will benefit the Afghan economy and the Afghan people. Trade policy must be geared at the strengthening of the productive sector in Afghanistan first. Afghan producers need more outlets for Afghan goods and services nationally and internationally leading to more employment opportunity.

(Repeats earlier info so abbreviated to address template requirement succinctly)

Regional and global integration will provide additional markets for Afghan goods and a wider range of goods and services in the country. The former will lead to more employment that will reduce the level of poverty and the latter to opportunities for better living conditions.

Expanded exporting will ensure more opportunity for private sector growth. Reviving the “Afghanistan label” in key areas will attract additional investment and interest in the country. Both can expand employment and provide opportunities for gender empowerment. To ensure a cohesive plan for the implementation of trade strategies, a national strategy must be articulated and followed. This ensures trade strategies have the widest impact on national goals.

Sub-goal: Elaborating a National Trade Policy

Strategies:

- Elaborating a national trade policy

- Positioning import substitution
- Pursuing the development of a robust and diversified export base
- Analyzing the trade regimes of neighboring countries
- Improving the availability, quantity, and quality of trade statistics

There are a number of fundamental considerations for establishing a trade policy. The following are the main ingredients of such a strategy:

1. Development of a strong and diversified export base, robust enough to make a significant contribution to a strong and sustainable rate of economic growth.
2. Composition of exports geared at creating employment and contributing to reducing poverty.
3. Development of a strong, competitive private sector.
4. Creation of positive incentives to export-oriented and import-substituting activities to improve the country's trade balance position.
5. A legal and the regulatory structure geared at reducing transaction costs and production costs as well as reduction in corruption with the costs it generates. This is critical to the development of competitive export-oriented firms as well as those providing inputs and supportive services to them.
6. Available measurement data for determining policy and regulatory implementation options and gaging results.
7. A high degree of consistency among all other macroeconomic policy initiatives. This is an important necessary condition for an efficient trade policy to reach its goals.
8. Good knowledge of the regional countries' promotion and protection measures to be able to react properly and to discuss the issues on a professional basis with well-established trade contracts.

Developing a robust and diversified export base.

To efficiently foster the rapid increase in exports the country must pursue an outward-looking development strategy. Orienting development toward foreign markets is important in a low-income country because the very low purchasing power of the majority of the population limits the market size. Because the local market does not enable an efficient scale of production, the absence of international trade is an obstacle to reaching good rates of growth. As a policy-maker and facilitator, MOCI is committed to:

- Fostering export promotion schemes and the development of export-oriented firms.
- Providing a legal and regulatory framework conducive to reducing transaction costs of firms and facilitating their operation.
- Strengthening Afghanistan's position in trade negotiation, reaching out for preferential tariff agreements and lowering of obstacles to trade for afghan exports.
- Promoting policies that increase the degree of competition in markets, avoiding the abusive behavior of monopolies.
- Mitigating the negative effects of Afghanistan's landlocked geographical position by achieving agreements with neighboring countries on transit of exports and other trade facilitation issues.

Sub-goal: Regional and Global Integration

Strategies:

- Pursuing WTO accession
- Exploiting the potential of preferential market access agreements
- Exploiting the potential of multilateral/global and regional economic agreements
- Encouraging active participation of the private sector in multi-lateral/regional cooperation
- Accession to other International conventions and treaties
- Export Promotion

Sub-goal: Transit & Trade Facilitation:

Strategy category: Implementing trade/transport facilitation measures to boost exports and foreign exchange earnings

Strategies:

- Simplifying export and import procedures and regulations
 - *Standardization* and integration of information and requirements, and use of Information and Communication technologies (ICT) so as to exchange this information efficiently,
 - *Simplification* of administrative and commercial formalities, procedures and documents;
- Reducing the logistical cost of Afghanistan's international trade
 - *Harmonization* of applicable laws and regulations;
 - *Reduction* of transit fees and associated charges;
 - *Transparency*, which implies making information on border requirements and procedures available and easily accessible to all interested parties;
 - *Adoption of* the seven international conventions promoted by ESCAP which provide the framework for facilitating international transport
- Improving transport and border infrastructure

Strategy category: Establishing Afghanistan as the center of an efficient regional transit network

- Increasing the competitiveness of the transit routes through Afghanistan
- Implementing and updating transit agreements
- Encouraging a system of dry ports and logistics hubs throughout Afghanistan
 - Improving operations and efficiency of the international transit corridors crossing Afghanistan to increase their competitiveness;
 - Enhancing transit infrastructure (logistics facilities and inland container depots) particularly at border crossing points;
 - Fostering trade related value added activities and revenue generating transit services
 - Strengthening coordination with and between neighboring countries by updating and implementing transit agreements

GOAL: Enable the Ministry to execute its tasks efficiently and effectively

Improve:

- *Institutions / Establishment*
- *Staffing and human resource capabilities*
- *Work Procedures / Practices*
- *Coordination within ministry and between ministry and its stakeholders*

Impact Analysis: *These actions enable other strategies and lead to impacts described in analysis of previous strategies.*

SECTION FOUR: PROGRAMMING

This section describes programs, groupings of projects or activities; the MoCI is planning to address the strategies. Example: Legal and Regulatory Reform Program.

Instructions from template—Input required

1. *Analyze programming requirements to implement option(s) proposed in Section Three.*
2. *Identify major programs.*
3. *A clear explanation of how your major programs will achieve the expected result is critically important.*

State in brief how your programming will overcome constraints and integrate lessons learned, both positive and negative.

Make a clear case for the relevance and importance of proposed programming for results achievement. (It is critically important to ensure that in achieving results you are also meeting all

SECTION FIVE: ROLE ANALYSIS

Partners, suppliers of inputs for the MoCI, and clients receiving MoCI outputs are understood by the Ministry to be critical to achieving its goals.

The Ministry has identified the following key partners, suppliers, and clients:

- Private sector
 - Business associations and chambers of commerce
 - Private companies
 - Small, informal and rural businesses i.e. groups that are less organized or harder to reach
 - Investors
- Public sector
 - President
 - Cabinet
 - Parliament
 - Government Ministries, especially those involved with economic and international issues
 - Provincial and local authorities
 - Da Afghanistan Bank
 - AISA
 - EPAA
- Civil society and the general public
- Donors, donor-funded projects, and foreign governments
- Media

The above list recognizes that Ministry partners are multidimensional. To ensure participation of communities including poor and vulnerable groups, the Ministry will design messages and input mechanisms appropriate for each audience based on an understanding of what is of greatest interest to each group. It will then design and implement communication tools, including two-way tools, to be used as the bridge with each stakeholder group.

For example, of greatest relevance to the private sector is: (i) a legal and regulatory framework facilitating investment, jobs, and profits; (ii) government rules which impose the smallest possible compliance costs; (iii) stability and predictability in the business environment. The private sector needs to know not just what the Ministry is doing, but how those activities impact them. If it understands this, it will be more likely to behave in the ways desired by the Ministry and the Government, i.e., to formalize its operations, to follow the rules, to pay its share of taxes, and to invest in assets and people. To assist the private sector with policy and to provide useful information to it, the Ministry needs to hear from the private sector on a regular basis. The Ministry will ensure that the private sector is fully aware of its activities, and be treated as a key partner in the Ministry's reform agenda, which includes being given the opportunity to provide meaningful input to policy and legislative initiatives.

The Ministry's interaction with public sector audiences will be based on three activities:

- Regularly sharing information about programs and activities;
- Systematically providing input to policy and legislative initiatives across government;
- Strengthening the government's overall approach to policy making and implementation.

The extent of communication with other Ministries will depend on the relevance of private sector development or international trade to their respective mandates. With Ministries such as Finance, Economy and Labor, Mines, and Agriculture, interaction will be more extensive than others.

Civil society, represented in particular by organized business membership organizations, NGOs and the media, is a key partner and a link between the Ministry and poor and vulnerable groups. With a greater understanding of the principles of a free market economy, entrepreneurship, gains and risks from trade, and the rights of employees and consumers, vulnerable stakeholder groups will be more able to provide input to Ministry initiatives.

The combination of communication tools to be used by the Ministry - (i) direct interaction, including site visits to key stakeholders; (ii) media; (iii) IT; and (iv) written materials – will ensure feedback mechanisms are in place to build meaningful links with all key partners. Capacity building for senior Ministry leadership as well as staff is an immediate activity designed to ready the Ministry for this expanded and more intensive stakeholder interaction.

SECTION FIVE: PRIORITIZATION OF PROJECTS FOR 1386 BUDGET**Prioritization of Projects (For 1386 Budget)**

Priority 1 Group (list projects in order of priority)	Budget	Priority 2 Group (list projects in order of priority)	Budget	Priority 3 Group (list projects in order of priority)	Budget	Priority 4 Group (list projects in order of priority)	Budget
Programme/Project 1 –							
Programme/Project 2 –		Programme/Project 2 –		Programme/Project 2 –		Programme/Project 2 –	
Programme/Project 3 –		Programme/Project 3 –		Programme/Project 3 –		Programme/Project 3 –	
Programme/Project 4 –		Programme/Project 4 –		Programme/Project 4 –		Programme/Project 4 –	
Programme/Project 5 –		Programme/Project 5 –		Programme/Project 5 –		Programme/Project 5 –	

SECTION SEVEN : MONITORING AND EVALUATION

(To be elaborated later)

1. *Use of LOG Frame as attached- Objectives, Impact, Outcome and Outputs and Indicators*
2. *Use of Monitoring Matrices Input and Output Data*

Log Frame Annex**Ministry Sector Strategy LOG Framework Analysis (LFA)**

1. This results-based framework is intended to assist Ministries in clarifying their strategic goal and expected key impact and outcomes.
2. The impact of the Ministry strategy at the program level should be listed.
3. Key indicators reflecting achievement of the impact should be listed.
4. Programme/Projects should be prioritized on the basis of the contributions each makes to the achievement of the overall Program impact.
5. A brief listing of the risks with the program and projects is to be listed and a risk management strategy prepared as an attachment

Strategic Goal -			
Objectives	Expected Results	Indicators	Risk
Program -	Impact -		
Project 1 -	Outcome 1 -		
Project 2 -	Outcome 2 -		
Project 3 -	Outcome 3 -		
Project 4 -	Outcome 4 -		

Annex: Private Sector Development Directorate Strategy

The private sector development goals can be summarized against the Private Sector Development Directorate structure in the following way:

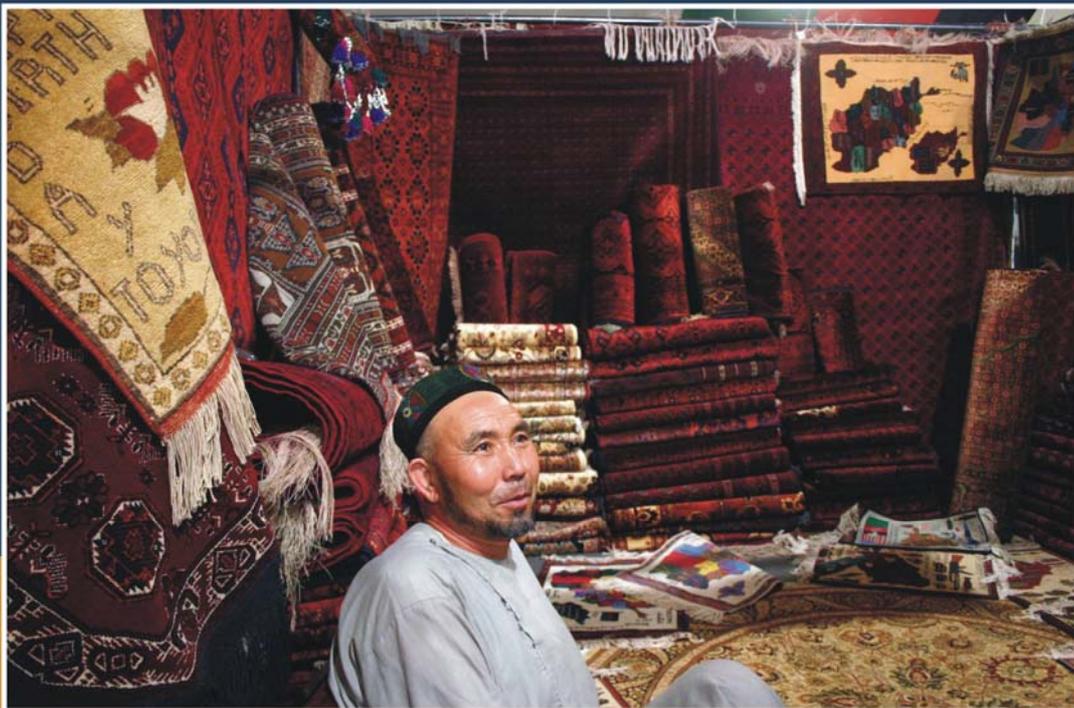
Create the conditions for a flourishing private sector		
<i>Investment policy</i>	<i>Market and business development policy</i>	<i>PSD outreach and communication</i>
Review and update the investment environment: <ul style="list-style-type: none"> • Create the legal, regulatory and procedural framework to enable investment • Remove legal, regulatory and procedural obstacles to investment • Reform the commercial licensing system Establish a constructive and effective industrial policy Promote foreign and domestic investment	Promote the development of formal economy and elaborate transitional policy for the informal economy Promote inclusive market and business development Encourage innovation and competitiveness in the private sector focused on: <ul style="list-style-type: none"> Institutional environment Knowledge infrastructure Physical infrastructure Integration of central and sub-national economies Support the efficient divestment of SOEs and define the role of secondary units	Foster a shared stakeholder vision for Private Sector Development Enable the private sector to contribute to economic reform Advocate Private Sector Development interests in other national policies
Regulatory		
Establish policy and effective mechanisms for: <ul style="list-style-type: none"> • Standards • Competition • Consumer protection Establish a legal framework for the self-administration of the private sector		



Islamic Republic of Afghanistan
Afghanistan National Development Strategy

Private Sector Development Sector Strategy

1387 - 1391 (2007/08 - 2012/13)



**Pillar VIII, Economic Governance &
Private Sector Development**

Private Sector Development & Trade Sector Strategy

Approved by
Sector Responsible Authorities

Ministry/Agency	Name of Minister/Director	Signature
Ministry of Commerce & Industry	H.E. Mir Mohammad Amin Farhang	
Ministry of Finance	H.E. Dr. Anwar-ul-Haq Ahady	
Ministry of Economy	H.E. Dr. Jalil Shams	
Da Afghanistan Bank	H.E. Abdul Qadir Fitrat	

Date of Submission
10 June 2008(21 Jawza 1387)

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.

Foreword

For the preparation of the Afghanistan National Development Strategy



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

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

In just a few years, as a result of the partnership between Afghanistan and the international community, we were able to draw up a new, Constitution, embracing the values of democracy, freedom of speech and equal rights for women. Afghans voted in their first ever presidential elections and elected a new parliament. Close to five million Afghan refugees have returned home, making it one of the largest movement of people to their homeland in history.

Thousands of schools have been built; over six million boys and girls have been enrolled, the highest level ever for Afghanistan. Hundreds of health clinics have been established boosting our basic health coverage from 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 now. We have rehabilitated 12,200 km of roads. 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 network of roads 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 should not make us complacent distracting to face 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

Message from the Oversight Committee

For the preparation of the Afghanistan National Development Strategy



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. Rangan Dadfar Spanta
Minister of Foreign Affairs

Dr. Anwar-ul-Haq Ahady
Minister of Finance

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Minister of Justice

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Minister of Economy

Dr. Zalmay Rassoul
National Security Advisor

Haneef Atmar
Minister of Education

Acknowledgments

For the preparation of the Afghanistan National Development Strategy



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

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. Zalmai 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 and Development for their significant contributions to the subnational consultations. Special thanks are further due to the President's 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 staff.

Special thanks go 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 Naem, Farzana Rashid Rahimi, Shakir Majeedi, Attaullah Asim, Mohammad Ismail Rahimi, Zalmai Allawdin, Hedayatullah Ashrafi, Shukria Kazemi, Saifurahman 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 Malik Sharaf, Naim Hamdard, Saleem Alkozai, Ahmadullah Kakar Mir Ahmad Tayeb Waizy, Sayed Shah Aminzai, Khwaga Kakar and Mohammad Kazim. Thanks to Nematullah Bizhan for 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 Hurtic, Paul O'Brien, Jim Robertson, Barnett Rubin, Peter Middlebrook, Richard Ponzio, Anita Nirody, Shakti Sinha, Ashok Nigam, Christopher Alexander 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 our 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

The complete list of contributors to this Sector Strategy is on the next page.

The Private Sector Development Strategy was developed as a result of the commitment and efforts of members of key Afghan ministries, donors, civil society and the private sector.

The invaluable contribution of H.E. Mir Mohammad Amin Farhang, Minister of Commerce & Industries, H.E. Dr. Anwar-ul-Haq Ahady Minister of Finance, H.E. Dr. M. Jalil Shams, Minister of Economy, and Mr. Abdul Qadier Fitrat, Governor of the Central Bank of Afghanistan has been invaluable in the development of this sector strategy.

Finally, we would like to thank everyone who assisted the ANDS Secretariat in working to develop the Private Sector Development Strategy. We look forward to the firm commitment of all our stakeholders throughout the implementation of this strategy.

Certainly, contributions of the Private Sector will remain key to the success of this strategy in particular, and of the ANDS in general.

Special thanks also go to the following for their valued help and support:

Mr. Sharif Sharifi, Mr. Ziauddin Zia, Mr. Hafizullah Wali Rahimi, Mr. Azim Hossainy, Mohammad Shah Hachemi, Abdul Wasi Haqiqi, Bashir Ahmad Sayet, Hedayatullah Watanyar, Mohammad Yousuf Rajabi, Shah Mohammad Jan, Mohammad Azim Wardak, Ahmad Shah Tahery, Yousuf Noristani, Haji Khalilurahman, Mohammad Asif Furozan, and Shakib Noori (MoCI), Suleman Fatimie (EPAA), Ghulam Mohammad Yaylaqi (Ex ACCI), Shirin Agha Sakhi and Khanjan Alokozai, (ACCI), Popalzai Popal (ANSA), Omer Zakhilwal (AISA), Eng. Rahman Habib (MAIL), Wahidullah Noshier (MoF), Ahmad Feroz Rasikh (DAB), Sayed Hassan (MoEcon), Safi Popalzai (MoM), Sardar Mohammad Nabard (MoLSAMD), Javed Zeerak (MRRD), Miguel Laric (DFID), Derrin Davis and Nick Poletti (ASI), Martin Kipping (German Embassy), Shafic Gawhari and Tarana Wafi (GTZ), Greg Olson (USAID), Trent Bertrand, James Corbishley and Kathy Walsh (Bearing Point), Philippe Cabanius and Michaela Eglin (UNCTAD), and Farzana Rashid Rahimi (ANDS).

Map of Afghanistan



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							

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Acronyms and Abbreviations

ANDS	Afghanistan National Development Strategy	ISO	International Organization for Standardization
ANSA	Afghanistan National Standards Authority	MAIL	Ministry of Agriculture, Irrigation and Livestock
ASYCUDA	Automated System for Custom Data	MFN	Most Favoured Nation
BMI	Border Management Initiative	MoCI	Ministry of Commerce and Industry
BPHS	Basic Package of Health Services	MoPH	Ministry of Public Health
DAB	Da Afghanistan Bank (Central Bank of Afghanistan)	MRRD	Ministry of Rural Rehabilitation and Development
DABM	Da Afghanistan Breshna Moassessa (Afghanistan National Electricity Distribution Department)	NGO	Non Government Organisation
EPAA	Export Promotion Agency of Afghanistan	NSDP	National Skills Development Program
EPHS	Essential Package of Hospital Services	NSP	National Solidarity Program
GDP	Gross Domestic Product	SAARC	South Asian Association for Regional Cooperation
HIPC	Heavily Indebted Poor Countries	SAFTA	South Asia Free Trade Area
ICT	Information, Communications and Technology	SMEs	Small and Medium Enterprises
ILO	International Labour Organisation	SOEs	State Owned Enterprises
IMF	International Monetary Fund	Value chain	Analysis of the stages of production which add value to a product
		WTO	World Trade Organisation



INTRODUCTION

VISION

The sectoral vision is to enable the private sector to lead Afghanistan's development and poverty reduction by building on a market-based system, driven by private sector growth,¹ in which Government is the policy maker and regulator of the economy, not its competitor.²

A. Achieving the Vision

To achieve the vision and Afghanistan's goal of significantly enhancing per capita GDP in the next five years it is essential to develop the foundations for private sector growth and encourage sustained high levels of foreign and domestic private investment.

The Government's economic vision has remained consistent since 1381 (2002) and remains the strategic objective for private sector development.

The market based economy is enshrined in the Constitution (article 10) which states:

The state encourages and protects private capital investments and enterprises based on the market economy and guarantees their protection in accordance with the provision of law.

As President Karzai and members of the Government have said:

We aim to enable the private sector to lead

Afghanistan's development.³ We will build a market-based system, driven by private sector growth,⁴ in which Government is the policy maker and regulator of the economy, not its competitor.⁵⁻⁶ If the Government is to achieve its aim of significantly enhancing per capita GDP in the next five years, it must complete the foundations for socially responsible private sector growth and encourage sustained high levels of foreign and domestic private investment.⁷

Private Sector Development and Trade is a critical element in the Government's poverty reduction strategy. Private sector growth, driven by increased investment and productivity growth, will have a major impact on employment and incomes, leading to significant and sustained poverty reduction.

The implementation of this strategy will contribute directly to the achievement of a number of objectives embodied in the **Afghanistan Compact** and the **Millennium Development Goals**:

Afghanistan Compact: Private Sector Development and Trade: "All legislation, regulations and procedures related to investment will be simplified and harmonized by end-2006 and implemented by end-2007. New business

¹ Minister of Finance Anwar Ahady, *The Budget as a Tool for Accelerating Economic Development and Poverty Reduction*, ADF, April 2005.

² Senior Economic Advisor to the President, Professor Ishaq Nadiri, *The National Development Strategy & Key Challenges*, Presentation at the Afghanistan Development Forum. April 2005.

³ President Karzai, *Opening Address*, ADF, April 2005, page 9.

⁴ Minister of Finance Anwar Ahady, *The Budget as a Tool for Accelerating Economic Development and Poverty Reduction*, ADF, April 2005.

⁵ Senior Economic Advisor to the President, Professor Ishaq Nadiri, *The National Development Strategy & Key Challenges*, Presentation at the Afghanistan Development Forum. April 2005.

⁶ However, the Government will continue to have a direct investment role in areas where the private sector cannot meet important needs. This will include government participation in public-private partnerships

⁷ Minister of Finance Anwar Ahady, *Statement*, ADF, April 2005.

organization laws will be tabled in the National Assembly by end-2006. The Government's strategy for divestment of state-owned enterprises will be implemented by end-2009."

Afghanistan Compact: Regional Cooperation: "By end-2010 Afghanistan and its neighbors will achieve lower transit times through Afghanistan by means of cooperative border management and other multilateral or bilateral trade and transit agreements; Afghanistan will increase the amount of electricity available through bilateral power purchases; and Afghanistan, its neighbors and countries in the region will reach agreements to enable Afghanistan to import skills labor, and to enable Afghans to seek work in the region and send remittances home."

Millennium Development Goals: Goal eight: "Further develop an open trading and financial system that is rule based, predictable and non-discriminatory, which includes a commitment to good governance, development and poverty reduction."

Millennium Development Goals: Goal eight: "In cooperation with the private sector, make available the benefits of new technologies – especially information and communication technologies."

This sector strategy grew from The Enabling Environment Conference held in June 2007. It also builds on the work of the Government's "Private Sector Development Policy Framework" and strategy documents prepared in the Ministry of Commerce and Industry (MoCI).

Several Ministries have a role to play in implementing the required policy reforms in order to encourage more rapid private sector development and the removal of barriers to investment. The MoCI, through its Private Sector Development Directorate (PSDD) and International Trade Directorate, will play the lead role in the implementation of this strategy and in coordinating the private sector development activities of other ministries. Key strategies in other ministries include:

- Information and Communication Technology (ICT) Development Strategy
- Energy Strategy
- Agriculture and Rural Development Strategy

- Transportation Sector Development Strategy
- Macroeconomic Framework
- Urban Development Strategy.

B. Poverty, Private Sector Development and Trade

An estimated 42 percent of the population of Afghanistan lives in poverty. Economic growth is the key to poverty reduction, and sustained levels of growth will be supported by further development of private sector activity.

The central premise underlying this strategy is that growth and development of the private sector is a crucial element for achieving social and economic development. Ultimately it is the private sector that is the key to job creation, which is essential to eliminating poverty. Development of the private sector will also contribute to the attainment of security, the establishment of sound governance and the rule of law, and the maintenance of human rights.

Increased levels of private investment will provide more and better job opportunities – as the economy grows and develops the demand for skilled labor will increase. Skills development and vocational training are necessary to sustain pro-poor growth in a situation of an expanding private sector. Private investment, supported by skills development, will increase productivity, thereby increasing incomes as employees and firms become more productive.

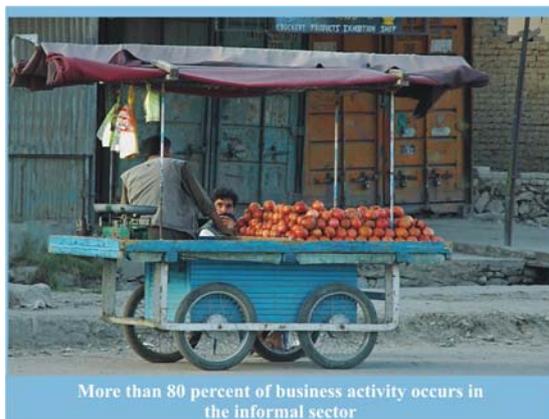
Economic growth will also contribute to poverty reduction through a broadening of the tax base as more and larger firms enter the formal sector of the economy.

An enlarged tax base can support increased provision of services for the poor. The provision of health, education and other public services is an important element in efforts to reduce poverty. Furthermore, the maintenance of infrastructure, which is needed to support both private sector activity and social development, will be facilitated by the emergence of a strong private sector, coupled with successful international trade.

C. The Private Sector in Afghanistan

The private sector in a market economy encompasses all licit economic activity in a situation where physical and financial capital is privately owned. An essential aspect of a private sector-led economy is that the government provides a facilitating environment within which the private sector can operate.

Key decisions associated with productive activities are made by private individuals, not the government, including what goods and services to produce, the method of production and the amount of investment. Prices for goods and services are determined within freely operating markets that reflect both demand and supply. There is a thriving private sector in Afghanistan, with private enterprise the source of livelihood for the majority of the population. The economy is, however, dominated by the informal sector, running across all areas of production, and typified by very small enterprises with little prospect of growth. It is estimated that more than 80 percent of business activity occurs in the informal sector.



The predominance of the informal economy and the significance of illicit economic activity seriously limits government revenues, creates market distortions, serves as a disincentive to legitimate foreign and domestic investment, and undermines the stability of the nation.

Many firms see advantages in continuing to operate as very small businesses in the

informal sector, thereby avoiding taxation and regulatory requirements. Firms in the informal sector have limited access to credit and capital, limiting their ability to invest and grow. They are also unlikely to improve productivity through staff development, or to ensure employees have appropriate working conditions. State-owned enterprises (SOEs) dominate certain sectors, while the government owns a significant number of assets that are either unutilized or significantly under-utilized. A privatization program is in place, providing the means for these assets to be redeployed and utilized more productively. The majority of assets in this category—as much as 70 percent—are land and, to a lesser extent, buildings.

D. Role of the Government in the market economy

Support for growth of the private sector requires that the government limits its operations to its core roles. These include:

- establishing and maintaining an enabling environment that supports private sector investment—including foreign direct investment—and commercial activity, and that encourages firms in the informal sector to move into the formal sector;
- developing and implementing strategies for human capital development, in particular educational and vocational training strategies;
- Investing in infrastructure, particularly in energy, transport and communications where private investment is not occurring, or which might be facilitated through such means as public-private partnerships;
- establishing an appropriate, stable regulatory environment and a sound macroeconomic environment;⁸

⁸ *The Macroeconomic Framework provides more information on the government's macroeconomic policy prescriptions. In general, these policies include a stable exchange rate coupled with low inflation and no funding of budget deficits through the printing of money.*

- ensuring that property rights are well-specified, with particular attention to land tenure and availability;
- providing social goods, such as education and health services, where the Government has a constitutional mandate to support these services;
- providing public goods such as national parks and other protected areas; and
- developing policies and undertaking strategic investments that are required to overcome market failure.

E. Regional integration

Integrating Afghanistan's markets with the global and regional economies is essential for

political stability and sustained economic growth. Linkages with these markets will not only ensure the competitiveness of domestic industries but also will greatly add to the attractiveness of Afghanistan for investors. International trade not only benefits Afghanistan but greatly benefits neighbouring countries.

In some cases, particularly with respect to development of rail transport, there may be opportunities to share costs with neighbouring countries anxious to link rail systems. One goal of this strategy is to capitalize on Afghanistan's strategic position as a land bridge, linking Central and South Asia and, with the redevelopment of the old 'silk road', linking China with the Middle East and Europe.

CHAPTER I

PRIVATE SECTOR DEVELOPMENT STRATEGY

GOALS AND OBJECTIVES

The goals for the private sector development strategy in Afghanistan are:

- establishment of a robust enabling environment for private sector growth and development;
- sustained, high rates of business investment, both domestic and foreign;
- efficient and productive use of the nation's resources;
- skills development in support of private sector activity; and
- improved livelihoods and reduced poverty.

The key objectives are to:

- strengthen the enabling environment for the private sector and mobilize private investment, both domestic and foreign;
- privatize state owned enterprises (SOEs);
- provide incentives to encourage firms to formalize their operations; and
- expand access to regional and international markets.



Linking with the regional and global markets will boost investments and economic development

CONSTRAINTS

Afghanistan faces a number of constraints that stand in the way of increased economic growth and development, constraints that particularly impact on development of the private sector.

A. Security

Afghanistan continues to face a difficult security situation that threatens both life and property, adds to the costs faced by businesses, and makes it difficult to attract large, long term private investments.

B. Access to land

Property and land rights are unclear and enforcement mechanisms weak. Rural and urban land tenure is subject to a vast and disaggregated regime of formal and informal mechanisms.⁹ The uncertainty of land titling and availability of serviced land is a serious constraint on the establishment of businesses. Unclear property rights also impact adversely on the private sector's ability to use land as collateral for credit.

C. Inefficient licensing systems

PSD and associated activities such as the move of enterprises from the informal to the formal sector of the economy are seriously constrained by highly inefficient systems for business licensing, the gaining of permits or certification, and related regulatory matters.

There are generally several steps in gaining such approvals, with a number of government agencies involved and substantial rent-seeking at each step. There is an urgent need to

⁹ See generally, AREU, *Land Rights in Crisis*, (March 2003). There are more than 5,000 land registries in Afghanistan today. Three ministries (Justice, Urban Development and Agriculture) signed a draft land policy in September 2007 to address this issue.

streamline licensing and other systems in support of PSD and economic development.

D. Limited availability of skilled labor and business development services

Only 28 percent of the Afghan adult population has basic literacy and numeracy skills.¹⁰ A considerably smaller proportion has had any form of training in technical or vocational skills. There is also very limited access to business development services (BDS).

E. Weak legal and regulatory systems

A functioning set of commercial laws that is understood and widely accepted is not yet in place. Weak legal and regulatory systems constrain private investment by both domestic and foreign investors. Furthermore, effective enforcement mechanisms are not yet in place or lack resources and capacity. A lack of adherence to international standards, particularly accountancy standards, creates additional hurdles and reduces the attractiveness of foreign direct investment in Afghanistan.

Weakness in the legal and judicial framework governing the enforceability of commercial contracts reduce creditor rights, reducing the willingness of borrowers to lend, and increasing interest rates to offset risks.

Consistent and reliable information on licensing requirements and regulations is often difficult to obtain, yet this is important to easing the regulatory burden and the establishment of an appropriate enabling environment.

Lack of physical infrastructure

Years of conflict that severely damaged or completely destroyed much of the country's physical infrastructure have resulted in high costs of doing business. This problem is particularly acute with respect to the cost and

availability of power and water supplies. Many firms rely on expensive generators and high fuel costs for electricity generation and must invest additional amounts for reliable water supplies. Poor roads and limited airport facilities also act as constraints on regional and international trade and investment. High transportation costs and high cross-border trade costs limit access to markets and again increase the cost of doing business.

F. Constraints on credit and financing

While the number of commercial banks operating in Afghanistan has increased substantially, their ability to provide credit to private businesses is limited due to the lack of laws and institutions necessary to guarantee collateral (i.e., secured transactions laws for fixed and moveable assets and a registry for assets pledged as collateral).

The banking sector itself currently faces a series of challenges, including:

- absence of an effective legal framework
- poor and outdated physical infrastructure
- lack of trained personnel
- inappropriate governance and ownership structures in the state banks
- inadequate collateral and bad debts
- low depositor confidence
- absence of clear accounting standards
- lack of an effective formal payments system.

The banking sector in Afghanistan faces the additional constraint of the restrictions on the lending of money for interest. Alternative methods of borrowing money that are compatible with Islam do exist. However, these need to be established in Afghanistan and better understood by potential borrowers.

G. Restrictive Trade Policies of Neighboring Countries

Its main, primarily regional, trading partners have high rates of import tariffs, very active and aggressive export promotion policies and

¹⁰ World Bank World Development Indicators 2007.

apply other protectionist measures which undermine the competitiveness of Afghan exports. These restrictive trade policies have an adverse effect on the productive sectors and impede industrial growth in the country.

H. Corruption

Corruption and harassment continue to be significant disincentives for investment, slowing transactions and increasing costs,

while raising the unpredictability of business processes such as licensing and the enforcement of property rights and contracts.

I. Information and data constraints

There is almost a complete lack of consistent and accurate data on the state of the economy, specific markets and type and level of economic activity in Afghanistan. This increases the risks and costs of establishing and undertaking business, reducing investment in the country.

STRATEGIES AND POLICIES

is sector strategy comprises three key elements to foster private sector development and increase domestic and foreign investment: (i) continuing efforts to build a strong and stable enabling environment that will encourage a competitive private sector; (ii) expanding the scope for private investment in developing national resources and infrastructure; and (iii) strengthening efforts to promote investment from domestic sources, the Afghan Diaspora and foreign investors.

STRENGTHENING THE ENABLING ENVIRONMENT

The first goal of this strategy is to establish an appropriate and robust enabling environment for the private sector. The strategies to achieve this goal are:

- Reform and strengthening of the legal and regulatory environment
- Improving access to land for commercial purposes
- Improving infrastructure and access to utilities
- Increasing access to finance
- Facilitating increased regional and international trade
- Increasing incomes and expanding employment opportunities for labor
- Improving the security environment in which to conduct business.

A. The legal and regulatory environment

An effective and reliable commercial legal and regulatory framework is needed in order to attract investment. The first thing a potential investor will usually ask is whether contracts can be effectively enforced. Four key laws have already been passed: the Partnership,

Corporation, Mediation and Arbitration Laws. A number of additional commercial laws are being reviewed and will be ready for implementation in 2008.

The government is taking steps to introduce new commercial laws that will better meet international standards, and is committed to ensuring that these laws will: (i) be clearly specified and transparent; (ii) be streamlined, involving the minimum necessary steps, bureaucratic processes and institutions; (iii) reduce discretionary decision-making; and (iv) be predictably, consistently, competently, and impartially applied.

Supporting regulations need to be put in place and the judicial system strengthened if the new commercial laws are to be effective. Regulations should impose minimum compliance costs on the private sector, while ensuring that firms that fail to observe the law are penalized. Currently, regulations require that businesses must register with a number of different ministries and agencies, which takes time and adds to their costs. These requirements can be streamlined to make it simpler and less expensive for businesses to comply, while still meeting legal requirements. In order to strengthen the legal and regulatory framework, the Government will:

1. Present to Parliament, in 2008, the pending key commercial laws, including laws relating to contracts, agency, intellectual property, standards, secured transactions, mortgages, negotiable instruments and commercial leasing of government land
2. Increase the capacity of relevant Ministries to develop effective regulations that take into consideration the principles of: (a) ensuring that policies are targeted on specific outcomes; (b) reducing regulatory

pressures; (c) increasing the ability to observe compliance and the burden of the laws; (d) demonstrating the regulatory reasons for the laws; and (e) adopting principles for better regulatory performance. Adhering to these principles requires the development of institutional capacity, particularly within provincial public sector institutions, to appropriately and consistently implement the regulatory environment in order to maximize the benefits of national policies.

3. Establish a single, low cost Central Registry within the MoCI to register partnerships and corporations.
4. Make information to the private sector on regulations being proposed and in force more readily available, and solicit comments from the private sector and the international community on draft legislation and regulations.
5. Establish the Financial Tribunal to address disputes in the banking and telecommunications sectors.
6. Develop and introduce laws to: (i) govern and simplify the process of the ownership and sale of land; (ii) provide a legal framework for bankruptcy; and (iii) regulate insurance providers.
7. With the support of the international community, make resources available to considerably strengthen the commercial courts in order to ensure transparent resolution of judicial matters.
8. In consultation with the private sector, establish a dedicated tribunal which will serve as a mechanism to quickly and definitively resolve disputes that arise between the private and public sectors with respect to the implementation of laws and regulations, including disputes that arise regarding public procurement of goods and services.
9. Reduce the entry and operating costs for businesses and encourage the formalization of businesses by removing unnecessary licenses, taxes and approval requirements, and by ensuring the process of obtaining a license to conduct business

is more efficient. Comprehensive information on licensing requirements, procedures and fees will be published.

10. Continue to eliminate inefficient and nuisance taxes and the reform of the tax system to make compliance simpler.
11. Streamline and minimize administrative, compliance and reporting requirements for businesses.
12. Develop the capacity of the public sector to increase the effectiveness and consistency of commercial and regulatory enforcement.
13. Make information freely available to private sector stakeholders (such as investors, employers, employees and consumers) to increase their awareness of their legal rights and responsibilities.
14. Develop the institutional framework to allow for secured transactions and mortgages for fixed and moveable assets.

B. Facilitating Access to Land

One of the greatest constraints on private investment is the difficulty of gaining access to land for commercial purposes. It is difficult to obtain clear title to private land or to negotiate enforceable leases. This process currently entails more than 30 steps, typically takes as much as six months, and often requires legal fees that amount to as much as 10 percent of the land price. The Government is committed to reducing the number of steps required to three or four and to substantially reducing the transfer tax. These changes have not yet been implemented. A recent decision of the Supreme Court to simplify the registration of immovable property has helped. A land policy document has also been agreed.

The Government, with the support of the international community, is currently implementing land titling programs, but completion of this process, including the resolution of land disputes, will take time. Increased donor support is required to support an objective of accelerating and extending the process of the land titling program. International experience in this area has highlighted the need for strong national

and sub-national coordination and close consultation with affected communities and stakeholders.

The Government is attempting to alleviate problems with investors' ability to access land through the rehabilitation of existing industrial parks and the establishment of new facilities. However, many of these industrial parks are not in areas where private business is likely to be commercially viable, while there are still too few parks in appropriate areas to meet the current demand.

An additional impediment is that zoning and land use regulations are not well established, are often subject to variable interpretation, and have very low levels of compliance. Related to this are the difficulties associated with obtaining building permits. If businesses are to invest in the construction and operation of commercial buildings, they must have some assurance that they will be able to effectively realize the returns on these investments.

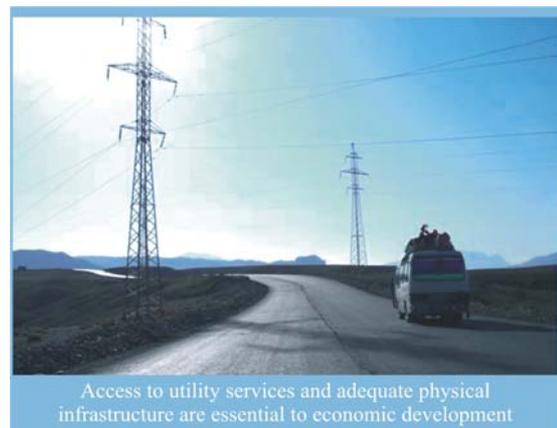
To address these constraints, the Government will:

- Fully implement measures to substantially simplify the transfer of land and the registration of titles, and reduce transfer taxes
- Introduce legislation that will make it possible for domestic and foreign private investors to lease government-owned land for up to 90 years
- Establish an independent authority to accelerate the development of industrial parks, and contract with the private sector to participate in the development and management of industrial parks with market-based pricing and leasing terms that are more flexible and consistent with commercial needs
- Introduce clear land use and zoning regulations, ensuring that there is compliance with these regulations and that they are applied consistently
- Seek substantially increased donor assistance to accelerate and expand land titling programs in order to complete this process more quickly

- Establish clear, simple measures required for obtaining building permits.

C. Improved infrastructure and access to utilities

Adequate physical infrastructure and efficient utility services are essential to economic development. Future infrastructure development should be prioritized to reduce production and transportation costs for the private sector. Specific details of the required steps in this process are set out in the Transportation, Energy and Infrastructure Sector Strategies.



D. Strengthening the financial, insurance and financial reporting sectors

Access to finance is critical to the growth of the private sector. Without reasonable access to credit and working capital, businesses usually cannot be established, grow or survive. There are two components to this: expanding the size and number of organizations that provide credit facilities, and improving the institutional arrangements to support lender and borrower rights and allow for easier access to credit.

Afghanistan's financial sector needs to be privately driven, with the DAB and the government providing appropriate oversight. At a policy level, a number of goals have been agreed:

- establishment of an independent central bank which is fully equipped to carry out its regulatory and supervisory responsibilities

- development of financial infrastructure that provides full access to modern information technology and telecommunications
- creation of financial institutions, instruments and services that meet the needs of government, NGOs, businesses and households in both rural and urban areas
- ensuring the country's financial institutions are sound, efficient and competitive.

In achieving these goals, the following reforms are required:

- In the short to medium term a strong legal framework is required to build a stable financial sector that is based on strong creditor rights. Specific measures required include:
 - augmenting the Central Bank and commercial banking laws with specific prudential regulations for monitoring bank performance with respect to capital adequacy, asset quality, liquidity and loan classification
 - finalizing the privatization of state owned banks
 - developing government capacity to evaluate, review and audit banking and financial institutions
 - establishing a framework in which microfinance institutions can exist and expand without being overly burdened with regulation.
- Improving corporate governance and the quality of financial sector infrastructure by:
 - significant investment in human resources in the central bank, especially in the areas of monetary policy and banking supervision
 - establishing basic rules for asset and liability recognition, provisioning, and depreciation, and then moving on to more complex standards such as consolidated accounting, thereby ensuring that information on DAB's financial position and the financial condition of state banks is reliable and

meets internationally accepted accounting standards

- strengthening the operational infrastructure for banks by installing physical and technological systems for interbank transactions, international payments and settlements, and day to day treasury operations
- enhancing basic payment mechanisms and systems; formal rural payments systems are virtually non-existent. DAB needs to improve its rural physical infrastructure and the capacity of some of its key branches to facilitate basic financial transactions between Kabul and the provinces.
- Improving access to financial services for small and medium enterprises and for rural communities:
 - the rural financial sector is currently constrained by several factors, including: (i) dispersed populations and poor transport and communications; (ii) significant risks associated with rain-fed agriculture; (iii) absence of physical collateral and land-tenure systems; and (iv) past history of state involvement in lending and subsidized lending, resulting in low recovery rates
 - the private sector is best able to provide cheap and efficient financial services. Bringing the commercial financial system closer to rural customers requires improvements to the business environment and regulatory framework to facilitate rural finance operations and increase the perceived creditworthiness of clients, the use of technology to lower transaction costs and improve transfer mechanisms, and the introduction of new and innovative products and risk reduction strategies
 - Continued support for microfinance schemes is particularly important.
- Broadening and deepening the financial sector by establishing a regulatory framework that encourages a range of traditional bank and non-bank organizations to flourish and compete, and to offer both lenders and depositors a

range of innovative and competitive products.

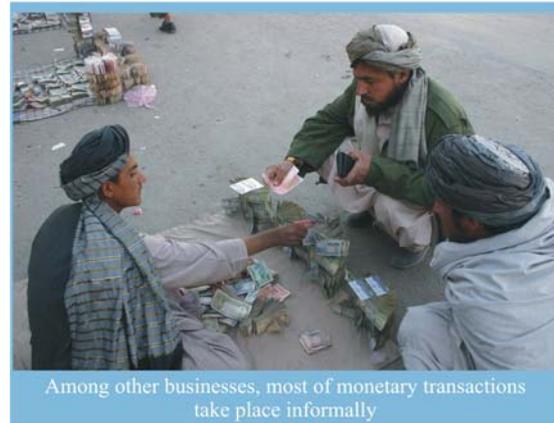
- The development of risk management tools for use by the private and insurance sectors. An Investment Guarantee Facility is being established with World Bank support, although further initiatives will be needed in this area.

In Afghanistan, the accountancy and auditing profession is in its infancy, with few qualified Afghan accountants, auditors or bookkeepers. At present there is essentially no accounting profession, no accountancy certification and no professional accountancy organization supporting industry development. Furthermore, the government lacks the capacity to guide, coordinate and implement industry development. The lack of consistent and internationally recognized accounting practices increases the complexity of investing in Afghanistan. Domestic and foreign investors are unable to clearly and consistently assess business activities.

Imposing strict financial reporting requirements places significant burdens and costs on firms and time will be required to develop sufficient human and institutional infrastructure to effectively adopt international standards for accounting and auditing. The international community can support the development of the accounting and auditing profession through appropriate capacity development programs.

E. Formalizing Private Sector Operations

It is estimated that more than 80 percent of businesses in Afghanistan operate as small scale, informal operations, which are often household-based. Firms in the formal sector are more accountable and likely to follow commercial laws and regulations, including environmental and labor laws and consumer safety provisions, they have greater potential to grow and, depending on their income, contribute to government revenue through tax payments. For these reasons the government accords high priority to formalization.



Tax rates are favorable in Afghanistan, with rates of zero percent (up to Afs150,000), 10 percent and 20 percent. The increasing use of self-assessment is also a positive move that will encourage some degree of increased formalization. Yet constraints remain, including costly and cumbersome compliance arrangements for business registration and licensing, and rent-seeking via corrupt practices in the compliance chain. Currently, there are few incentives for small and medium-sized enterprises to formalize, a matter that needs to be seriously addressed. The information available from provincial studies indicates that access to credit is one of the most crucial constraints faced by the private sector, especially small and medium-sized enterprises. Greater access to, and use of credit is likely to provide a key incentive for firms to move into the formal sector.

Current approaches to formalization emphasize reforms to the regulatory environment and the reduction of compliance costs. These are necessary but not sufficient activities in support of formalization: a strategic approach, focused on individual sectors or industries, will help to accelerate the process. This will be a key theme in the Formalization Strategy to be developed by the PSDD during 2008. Furthermore, it is a strategy that will be supported by a range of existing and foreshadowed programs and projects, such as the Rural Enterprise Development Program to be implemented by MRRD.

The Government is committed to strengthening Chambers of Commerce and business organizations that are able to support their members' interests. Formalization of business activities gives firms a greater voice

which can be used to provide feedback and lobby the Government for changes in commercial laws and regulations. Capacity building for business associations may assist an increased rate of formalization in certain industries and will also support strategic activities. Civil society, donors and NGOs can each make a contribution to formalization through improving the capacity of businesses by direct business and other training.

Another strategy that will enhance formalization is the provision of information about licensing and other regulations, along with information such as that on customs requirements. This information might be provided through business associations or similar channels, but must be provided in an accessible and easily understood manner. Information campaigns in which the benefits of formalization are highlighted will also support the process. This requires, however, that there are clear incentives for formalization such as, for example, access to training vouchers for workers, increased ability to bid on government contracts, and greater participation in the policy development framework through industry councils. A related strategy that should be examined, with donor support, is that of outsourcing government services and tasks such as printing, computer services, and so on. This might provide further incentives for formalization.

F. Expanding Domestic, Regional and World Wide Markets

An important factor limiting the prospects for many private sector firms is the limited markets available for their products. The Government will take steps to expand access to domestic, regional and international markets.

G. Domestic Markets

Most small and medium scale businesses aim to sell their products in local markets but face numerous obstacles in doing so. These impediments range from the high costs associated with transporting goods (contributed to by poor roads and the lack of

insurance), to harassment from officials who demand bribes, or illegal taxes on the movements of goods.

The Government aims to eliminate these barriers to the internal movement of goods. A national competition policy would also address the issue of corrupt officials or others who attempt to monopolize business opportunities in their local areas, although such a policy would be difficult to implement at the present time.

Opportunities to market products, especially to international contractors, are in some cases restricted by concerns about quality. The Government is introducing the law establishing the legal basis for the *Afghanistan National Standards Authority* (ANSA) and is encouraging the rapid development of this body. ANSA will certify the quality of products, thereby easing the concerns of potential buyers.

H. Tariff and Trade Policies

The Government is committed to maintaining a liberal trade regime with low barriers for imports and exports and a liberal foreign exchange system. Since 2001 the Government has progressively reduced tariff and non-tariff barriers, so that they are among the lowest in the region. MoCI is in the process of elaborating a detailed trade policy geared at strengthening the productive sector and promoting exports while striving to reach reciprocity especially with neighboring countries. In addition, the Government has signed 46 international, bilateral and regional trade agreements, protocols and international treaties that strengthen Afghanistan's trade regime. These agreements will be further strengthened by addressing the critical operational issues.

The Government recognizes that in a small number of cases it may be appropriate in the short term to provide limited tariff protection for an industry. However, this will be done only when it can be shown to be in the national interest, based on a comprehensive, economy-wide analysis of the benefits and costs (including the impact on consumers and other business sectors) of such actions.

(Assistance in conducting this type of analysis can be provided by the Afghanistan Productivity Commission that is proposed in the Governance and Public Administration Reform and Human Rights Sector Strategy.)

The Customs Department will be solely responsible for implementing customs regulations. Furthermore, Customs will work with the private sector to identify areas where regulations can be streamlined to speed up the process of cross border trade. This could include simplifying the movement of goods and simplification of custom and transit regulations, procedures, rules and forms. The introduction of the fully computerized and automated system for customs data (ASYCUDA), which is currently underway, will support more efficient customs services.

The Government remains committed to pursuing accession to the World Trade Organization (WTO) as a means of ensuring that the country's trade regime is both stable and consistent with international best practice. The Government recognizes that membership of the WTO is of particular benefit to small economies with relatively little negotiating power (e.g., Most Favored Nation (MFN) treatment will allow Afghan exporters access to benefits of trade agreements negotiated previously among other WTO Members).

The detailed examination of trade policies, commercial laws and regulations required as part of the WTO application process is by itself a valuable exercise from which the private sector will benefit. However, technical capacity in the public and private sectors must be developed to make these efforts successful.

Afghanistan has also joined the South Asian Association for Regional Cooperation (SAARC) and is expected to be part of the South Asia Free Trade Area (SAFTA) in the latter part of 2008. Afghan exporters may benefit from SAFTA because many neighboring trading partners impose high import duties on products with good export potential from Afghanistan, (e.g., nuts and dried fruits). The Government aims to use this and other regional trade agreements to reduce barriers and gain greater market access for Afghan exporters.

The strategy of expanding regional and international markets is aided by the Government's Export Promotion Agency of Afghanistan (EPAA). The EPAA is the central agency within the MoCI tasked with expanding exports. The agency is working to further streamline bureaucratic procedures and documentation requirements to aid the private sector in expanding exports. The agency is also providing the private sector with information on export opportunities and assistance in promoting products.

The Government is continuing to pursue negotiations concerning transit procedures with neighboring countries, including transit facilities intended to facilitate Central - South Asia trade. While Afghanistan will benefit economically if the country can become a hub for regional business, reducing these barriers will also benefit the Afghan private sector by expanding market access for local products.

With a sound economic environment there are excellent prospects for privately and socially productive private investment in Afghanistan. This includes not only investment in commercial agriculture and resource based industries, but also private investment in infrastructure development and provision of many educational and health services. A liberal trade regime greatly enhances these prospects.

I. Regional Cooperation

Priority is also being given to linking Afghanistan with regional markets. Afghanistan offers a relatively small market and future private sector growth will depend partly on the ability to access much larger regional and international markets. Ongoing policies and programs for trade facilitation are making progress towards streamlining border crossing formalities, reducing transit times and upgrading existing trans-shipment facilities at the border. The government is also committed to cooperating with neighbouring countries to reduce the tariff differential in the region in order to avoid any instances of re-export. To facilitate effective coordination, the Government has established the Afghan Trade and Transport Facilitation Committee that is bringing together all stakeholders in the area of transport and transit.

The Afghanistan Compact includes the commitment that, by end-2010, Afghanistan, its neighbors and countries in the region will reach agreements to enable Afghanistan to import skilled labor, and to enable Afghans to seek work in the region and send remittances home. In line with this benchmark, Afghanistan is now ready to conduct a labor migration program and has already issued one recruitment license to a private entity which plans to deploy 200 workers initially, with another 2,000 to follow.

J. Enabling NGO and Civil Society

The Private Sector Development Policy recognizes the vital contribution that NGOs and other organizations make to implementing the social and economic goals of the Government. An educated and healthy population increases the human capital of the Afghan workforce, which raises productivity and incomes and consequently reduces poverty. Additionally, an effective social dialogue is an important aspect of a well functioning private sector and, in this regard, building the capacity of representative workers' and employers' organizations is crucial.

NGO and civil society organizations have augmented the resources available for the development effort by helping to mobilize resources and assisting in the delivery of basic social services.

Consequently, and as previously noted, strategies to make more effective use of these resources, such as the outsourcing of service provision, should be made use of in appropriate cases. An example is the provision of health services to much of the population.

Faced with a task beyond their capabilities, the Ministry of Public Health (MoPH) established a series of time-bound contracts with both Afghan and international NGOs to deliver services specified in the Basic Package of Health Services (BPHS) and the essential

package of hospital services (EPHS). Such strategies might be more widely adopted.

MOBILIZING PRIVATE SECTOR INVESTMENT

A key element in this strategy entails actions by the Government to significantly increase the levels and effectiveness of efforts to promote private investment from both domestic and foreign sources.

The country requires enormous investment in infrastructure, including roads, power generation, water supply, and irrigation. A substantial part of these requirements could be undertaken profitably by private investors with an appropriate regulatory environment. Private investment in the development of natural resources, particularly minerals development will become viable when suitable regulations are in place.

- The Government will establish a multi-sector regulatory authority following an approach similar to that used to develop the telecommunications industry. This regulatory system will establish appropriate fees and royalties, public purchase agreements (e.g., for power), ensure transparent procedures and dispute resolution mechanisms. Its mandate will be to maximize private investment in these areas.
- Opportunities for entering into public private partnerships for investment in infrastructure projects, such as roads and bridges, will be developed based on international best practices.
- The Government will encourage private provision of public services wherever it will be feasible, including areas such as health, education, municipal services, for example.

Opportunities to expand private investment occur in sectors where multiple ministries have responsibilities. This will require improved coordination and strengthening the capacities of most ministries and agencies. To be successful, the development and promotion of private Economical and Social Development investment opportunities cannot be the responsibility of only one or two agencies or

ministries, but must entail a concerted effort by the entire Government. Efforts to encourage private sector investment also require the understanding and cooperation of the donor community.

This aspect of the private sector development strategy is reflected in many of the sector strategies set out below.

For example, it represents a major reform in the energy sector designed to attract private investment into the power sector and development of energy resources. It is the basic foundation for development of the mining sector. It plays an important role with respect to the efforts to make more efficient use of state owned land to stimulate commercial agriculture.

The Government will seek to attract medium and large scale agricultural producers and processors to invest in commercial agriculture in order to increase employment and market opportunities in rural areas and to develop export markets for higher value Afghan products. It is reflected in innovative efforts to try and use public funding to support and improve private provision of education and health services. There is scope for using donor funding to develop a vibrant and competitive domestic private construction industry in the projects being implemented by Government ministries.

A. Empowering the Afghanistan Investment Support Agency (AISA)

Since 2003 AISA has registered more than 6,200 companies, with an approved initial capital of \$2.4 billion. However, the approved capital far exceeds actual investments and more needs to be done to facilitate the realization of these investments. Steps are being taken to ensure that AISA develops into an institution that not only registers investments but makes certain that there are no hidden impediments to implementation through restrictions or approval requirements imposed by other agencies of government.

The legal basis of AISA's activities and its relationship with the High Commission on

Investment needs, however, to be assessed. International support for such an assessment will ensure its objectivity.

B. Developing public-private partnerships

Public private partnerships (PPPs) are a potentially useful means of addressing infrastructure and other constraints and drawing on the skills, resources and efficiency of the private sector. The use of PPPs in areas such as power generation and distribution, telecommunications, and transport could serve to accelerate infrastructure development. For PPPs to be a viable option, the regulatory framework must be sound. Investors and operators must be confident of their rights, contracts must be secure and both the government and investors able to verify and ensure that contractual obligations are being met. In addition to the need to establish an appropriate enabling environment, the Government must ensure it has sufficient capacity to implement and monitor PPP contracts, and that administration and monitoring processes are streamlined and able to address constraints and problems efficiently.

The potential of PPPs in Afghanistan needs to be investigated and the legal basis for such activities established. Support for the government to negotiate suitable contractual arrangements will also be put in place.

C. Facilitating private sector investment

It is clear that the sustained high rates of economic growth needed to successfully achieve the Government's goals will depend crucially on the ability to attract increased levels of productive private investment. (See the Chapter presenting the Macro Framework for more discussion of the levels of private investment that will be required.) The key to facilitating private investment is the establishment of a suitable enabling environment.

An example is provided by the telecommunications sector where donor-funded advisers and a fully committed Ministry worked together to rapidly develop

an enabling environment for the private sector, thereby encouraging private sector cellular companies (and one corporatized public sector company) to compete in providing cellular phone services. This was managed by the public sector under a user-friendly regulatory system designed to ensure competition but otherwise leaving the firms relatively free to operate.

This effort attracted more than \$700 million in private sector investment, and resulted in a rapidly expanded phone service from about 15,000 lines to close to 3 million phones; it also generated more than \$100 million in license fees and continues to generate about 20 percent of Government revenue.

Other areas that have been identified to have potential for private sector investment include mining, agriculture, energy, and the construction sector. Appropriating the potential in these and other sectors requires careful consideration of the enabling environment to facilitate the required investments. International experience, through donor support, should be accessed to support the development of such environments.



Private investments have emerged at small scales in certain industries

D. Privatize State Owned Enterprises (SOEs)

The Privatization Policy adopted by the Cabinet notes:

"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 efficient and rapid transfer of State-Owned assets to private sector ownership.

Such transfers shall take place in an open, fair and transparent manner with the objective of maximizing sales revenue balanced against employment preservation and creation, as well as encouragement of investment and technological development".

The privatization program presents an opportunity to stimulate the growth of the private sector, and is a useful strategy for attracting foreign direct investment. Privatization of SOEs is often used by the outside world as a measure of the seriousness of policy reforms. Privatization also reduces crowding out, a situation in which it is very difficult for private sector enterprises to compete with public sector enterprises, particularly when they may also have sectoral regulatory responsibilities.

The privatization of SOEs will improve general levels of efficiency in the economy, assist in eliminating corruption, and free up government resources for other uses such as the provision of public services. The guiding principles that determine whether SOEs should be retained in government ownership are: (i) market failure means that key services are not provided; or (ii) the services provided by the SOE are of key strategic importance.

The Government owns a substantial number of assets which are either unemployed or significantly under-employed. The privatization program provides the means whereby these assets can be redeployed and utilized more productively, contributing to increased economic growth. By and large the assets in this category are land and, in some cases, buildings. It has been estimated that as much as 70 percent of the total value of SOE assets are in these categories.

High priority will be given to the privatization of such state owned assets as Ariana Airlines and the state-owned Afghan Telecom Company. Priority will also be given to the corporatization of operational units where immediate privatization is considered impractical. A leading example is the corporatization of the Afghan electric company DABM (Da Afghanistan Breshna Moassessa). For those SOEs not privatized or waiting to be privatized, the Government will increase the level of financial and management

scrutiny. This will include undertaking financial audits and checks to ensure there are no financial irregularities in the accounts of the organizations.

E. Private sector investment promotion

The Government will undertake concerted efforts to promote investment from foreign and domestic sources, including from the Afghan Diaspora. After a long period of isolation, Afghanistan must rebuild commercial ties and demonstrate that there are considerable profitable opportunities for investors in the country. The Afghanistan Investment Support Agency will play a central role in this process and will be strengthened. But the responsibility for promoting increased investment will be a government-wide task and will be an integral part of all projects and programs undertaken as a part of the ANDS.

The objective is to make known to potential investors the opportunities available in Afghanistan, to ensure them that the Government recognizes the importance to the country of increased private investment and to work with potential investors to assure them that their investments will not fail due to unpredictable and unfavorable changes in the tax environment or policies towards private investors. This needs the full support of the international community. This can be done through focused efforts by donors to create conditions necessary for increased private investment in the country. It can also be done by bilateral donors using their relationships with firms in their own countries that are potential investors in Afghanistan to make known the great importance the Government is now placing on the need to expand private sector investment and operations within Afghanistan.

RISKS AND CHALLENGES

There is little doubt that substantial progress in reducing poverty must rely on rapid and broad-based private sector development. However, there are significant risks and many challenges to be overcome for this strategy to succeed.

An important risk is that the security situation will deteriorate to the point where the resulting disincentives to investment overwhelm the effect of all efforts to strengthen the enabling environment or to promote private investment. The international community is firmly committed to assisting the Afghan Government in establishing a stable and secure environment. This requires not only eliminating the threats from extremists and terrorists, but also overcoming the scourge of the narcotics industry and greatly reducing corruption. Continuing support from the international community is vital to these efforts for a range of reasons, including development of the private sector.

An additional risk is that there will be insufficient commitment to fully implement this strategy, by donors and the government. For example, a number of the economic activities with the greatest commercial potential, such as mining and energy development, are activities formerly carried out by the state. In some cases these agencies have obtained support from international donors. To succeed, this strategy will require that public agencies step back from these direct operational activities, focus on their core roles, and facilitate private sector activity.

The international donor community has been very supportive of the Government's strategy to rely on private sector-led growth so as not to be left with an aid dependent and stagnating economy. Nevertheless, there is some risk that some donors will give higher priority to implementing their aid programs than in remaining fully committed to a private sector led strategy aimed at reducing dependency on aid. With potential challenges from lack of commitment by government, any such lack of commitment by donors to private sector development would represent a very serious setback.

IMPLEMENTATION STRATEGY AND SEQUENCING

A number of ministries have a critical role in implementing this Sector Strategy. These include the Ministry of Commerce and Industry, Ministry of Finance, Ministry of

Economy, Ministry of Agriculture, Ministry of Mines, Ministry of Labor and Social Affairs, Martyrs & Disabled, Ministry of Transport, Ministry of Communications, DAB, AISA, EPAA and the Chambers of Commerce. An institutionalized and coordinated approach to private sector development policy-making will enhance the quality of policy decisions in this area by ensuring consistency with overall Government policy, relevance to the real needs of the private sector, and avoidance of duplication of efforts.

This sector strategy will be implemented and overseen by an inter-ministerial committee that will oversee the implementation of the actions identified in the Enabling Environment Conference. This high level committee will be jointly chaired by the private sector and the government and will include ministers and senior officials from the key economic ministries and agencies. The MoCI has established a Private Sector Development Policy Committee (PSDPC) to support the coordination, development and implementation of private sector development policy. In implementing this sector strategy, a number of indicators and risks are associated with achieving each objective.

A sound and stable macro-economic environment is a key element to growth of the private sector in Afghanistan. Further, high level coordination amongst relevant ministries will help ensure there is careful coordination amongst relevant parties to ensure the private sector fulfills its role as the key driver of employment growth.

In terms of the sequence of reform, the immediate focus of the Government will be on establishing the enabling environment and passing necessary legislation and regulation aimed at building investor confidence. Specifically, the focus will be on the legislative program set out in the 'Strengthening the Enabling Environment', discussed above. Creating the right environment for private sector investment will immediately allow the private sector to make investments and create jobs.

The advantage of deregulation and liberalization is that it encourages further

reform. To that end, the sequence in which any reform should be undertaken should take into consideration the costs associated with any delay. Any reform is better than no reform. However, for a place to start, the Government will focus attention on passing and implementing the Enabling Environment regulatory requirements.

M&E, OVERCOMING OBSTACLES AND MITIGATING RISKS

Many of the obstacles to successful implementation of the Private Sector Development Strategy are likely to be found in the lack of full commitment within relevant agencies. Consequently, there is a critical need for detailed monitoring and evaluation of the implementation of the various initiatives that support private sector development. The proposed strategies will also be carefully appraised for consistency with the Government's overall development strategy.

An approach to monitoring and evaluation, such as that presented in Table 1, is required to monitor progress of the strategy against the desired outcomes.

Amongst the many potential obstacles and risks to successful implementation of the Private Sector Development Strategy are the following:

- The political process is captured by special interest groups, resulting in *ad hoc* policy decisions
- Supporting regulations are not put in place
- Human capacity is not sufficiently developed in both the public and private sectors
- Compliance regulations and nuisance fees and taxes are not sufficiently addressed
- Property rights are unclear and open to dispute and the process for defining property rights continues to be overly complicated and open to disputes
- Funding of specific projects is too heavily influenced by political decisions

- Marginally profitable or unprofitable sectors are supported by subsidies and/or high levels of protection
- Inadequate government capacity to run an efficient privatization process
- The process of formalization is complicated, costly, lacks strategic focus, and is devoid of realistic incentives such as improved access to credit
- Formalization is used by the government to chase firms for back taxes, reducing the incentives of formalization
- Processes such as distributing training vouchers are corrupted
- Vested interest groups are able to lobby for and gain protection
- Regional cooperation agreements become bogged down in detail, absorbing resources to negotiate and maintain for limited economic benefit
- Domestic and regional infrastructure links are not established or maintained, raising costs of production and distribution
- Security remains weak, limiting the delivery of services and constraining investment
- Restrictions on female economic participation and education will reduce the ability of 50% of the population to participate in the economy.

CROSS CUTTING ISSUES

A. Poverty alleviation

Implementation of this Strategy is a pivotal and critical element in the Government's poverty reduction strategy. Private sector development will support economic growth which, in turn will alleviate poverty through positive impacts on employment, incomes, labor productivity, prices and training opportunities.

It will also result in increased government revenues that can be used to support programs and projects focused specifically on poverty alleviation.

B. Environmental Protection

A sound enabling environment should include an efficient system of incentives and regulations for protecting the environment. This system will be based on ensuring that the benefits of such regulatory actions or the costs of such incentives are justified by the resulting environmental benefits.

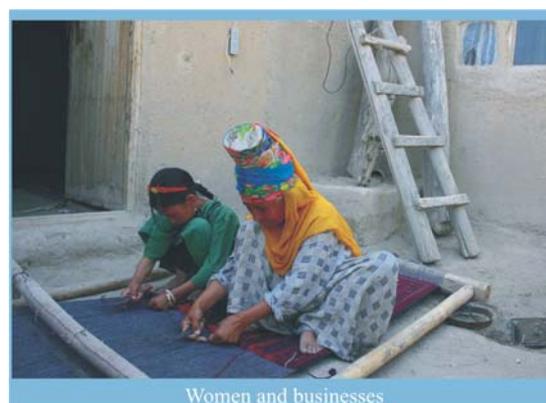
C. Counter-Narcotics Programs

Increased opportunities for earning living incomes and profits in legal private sector activity is important if people are to have an alternative to the incomes many now earn in the illicit economy in the narcotics trade, smuggling and extortion. The Private Sector strategy can make a significant contribution to addressing these issues.

D. Gender

Access to micro-credit will increase the opportunities for females in poor rural villages to establish micro industries and contribute to household incomes.

This will increase female participation in the economy, in turn leading to an increase in demand for female education and skills development in order to take advantage of commercial opportunities. Female participation in the economy can also be expanded by the provision of business skills and vocational training programs.



Women and businesses

E. Anti-Corruption Measures

Rent-seeking and corrupt practices comprise significant constraints on private sector development. These are major issues to be

addressed. Simplifying and streamlining compliance in relation to licenses, taxes and other requirements will contribute significantly to tackling the rent-seeking and corruption issues. Full commitment by high levels of Government and the Donor community will be necessary to help overcome these obstacles. The recent Volker report¹¹ provided a guideline for both the Government and the Donor community to demonstrate such commitment with respect to the various foreign assistance programs and projects.

F. Regional Cooperation

The efforts at developing closer regional cooperation with neighbouring countries will help expand markets for the private sector and contribute to the success of this Strategy. Furthermore, liberalized domestic markets

served by a strong private sector will increase integration as trade, transport, communication and other links are developed with neighbouring countries.

G. Conclusion

The strategy outlined above provides the framework for Afghanistan to achieve the necessary rates of economic growth and development to reduce poverty. This strategy is critical to achieving the Government's development goals and forms a key part of the Economic Governance and Private Sector Development pillar.

This strategy sets out the approach the Government will take to strengthen the environment within which the private sector operates, mobilizing private sector investment and the promotion of investment opportunities to be undertaken by the private sector.

¹¹ *The Volker Report. Independent Panel Review, Department of Institutional Integrity, Paul A. Volcker, Gustavo Gaviria, John Githongo, Ben W. Heineman, Jr., Prof. Walter Van Gerven, Sir John Vereker, Washington, D.C. September 13, 2007.*

ANNEX I: ACTION PLAN MATRIX

PILLAR : ECONOMIC GOVERNANCE AND PRIVATE SECTOR DEVELOPMENT
SECTOR : PRIVATE SECTOR DEVELOPMENT AND TRADE

Objectives or Outcomes	Policy Action or Activities	Category	Timeframe	Responsible Agency
The Private Sector and Trade sector strategy is implemented	Create a Council for the Private Sector, reporting on progress against this matrix to the President.	Institution Building	Immediate	Office of the President
	Develop a list of the private sector's most urgent priorities that would support an enabling environment, developed through a process of sub-national consultation and engagement with the private sector to be presented to the Government within three to six months.	Other Measures	Immediate	Business community
	Establish a system of stocktaking at six-month intervals to monitor implementation of the Conference Road Map, with public dissemination of results.	Institution Building	Mid-1387	Proposed Council for the Private Sector, Conference Steering Committee
The legal framework for the business sector is improved	Enact the required laws (Corporations, Partnerships, Commercial Arbitration, Commercial Mediation, Contracts, Agency, Standards, Copyrights, Trademarks, and Patents) to complete and update the basic legal and regulatory framework governing private sector activity in social and economic development. Government, business and the international community to make a stronger effort in lobbying National Assembly regarding the urgency of enacting laws.	Legislation	Mid-1389	Cabinet, DAB and National Assembly
	Invest in capacity building for National Assembly so that MPs are better informed and supported in their role and understanding of the rationale, use and content of proposed laws.	Institution Building	Mid-1388	National Assembly and donors
	Establish the principle and formalize and standardize processes to consult with the private sector (business and civil society) in a meaningful and timely manner during the process of drafting policies and laws.	Legislation	End-1386	Cabinet, DAB and National Assembly
	Establish the principle that no law can be implemented unless it has been gazetted, published in the newspapers, and made available electronically and in hard copies at no cost. Following enactment laws will be published immediately on the Ministry of Justice website. Explore the option of using the Afghanistan National Development Strategy (ANDS) website as an interim solution for publishing laws after their enactment. Publish the tariff structures on the Ministry of Finance website.	Legislation	End-1386	Ministry of Justice, Ministry of Finance, ANDS
	Amend the tariff legislation to facilitate ROZ (Reconstruction Opportunity Zone) trade along the border with Pakistan	legislation/ RC Cross Cutting Issues		MoCI, MoJ, MoFA, MoF
	Endorse the authority of mediation and arbitration tribunals to	Institution Building	Mid-1389	MoJ

PILLAR : ECONOMIC GOVERNANCE AND PRIVATE SECTOR DEVELOPMENT
SECTOR : PRIVATE SECTOR DEVELOPMENT AND TRADE

Objectives or Outcomes	Policy Action or Activities	Category	Timeframe	Responsible Agency
	resolve private-private and private-public disputes, including land issues.			
	Ensure the competency and transparency of tribunals by establishing standards and building the capacity of arbitrators, mediators and lawyers.	Institution Building	Mid-1389	MoJ
	Undertake financial audits of State Owned Enterprises	Other Measures	Mid-1388	MoCI, MoF
	Privatize and corporatize state owned assets	Other Measures	Mid-1389	MoCI, MoF
	Implement an adequate insurance law.	Legislation	Mid-1389	MoF, DAB, Fls
	Encourage the development of an appropriately regulated private insurance sector.	Other Measures	Mid-1388	MoF, DAB, Fls
	Work with donors to create risk management tools for domestic and foreign investors, appropriate to the specific risks of investing in Afghanistan.	Other Measures	End-1389	AISA/MIGA
Private sector access to finance is increased	Lay out a concrete strategy with time-bound actions to significantly expand the outreach and range of financial products and services, especially targeting small and medium enterprises.	Other Measures	Mid-1388	DAB, Afghanistan Bankers' Association, Microfinance Investment
	Enact an appropriate legal framework including passage of four financial laws: Secured Transactions, Mortgage, Leasing and Negotiable Instruments.	Legislation	End-1388	DAB, Ministry of Justice
	Build capacity in the financial sector by establishing an independent banking and business training institute as a joint commercial bank – DAB initiative.	Institution Building	Mid-1388	DAB together with Afghanistan Bankers' Association
	Establish a credit information bureau to facilitate commercial and consumer lending.	Institution Building	End-1388	DAB, Afghanistan Bankers' Association
	Establish a financial tribunal to provide swift legal decisions on financial disputes.	Institution Building	End-1388	DAB, Ministry of Justice
	Expand provision of donor and private sector micro and SME finance	Other Measures	End-1388	MoF, MoCI, DAB, Afghanistan Bankers' Association
	Establish an office in DAB in conjunction with Ministry of Interior to provide security for cash in transit between banks and bank branches in Kabul.	Institution Building	Mid-1389	DAB in cooperation with Ministry of Interior
	Increase the offering of financial services in rural areas through the further development of effective and sustainable delivery mechanisms with special consideration to women.	Other Measures	Mid-1389	Ministry of Agriculture, DAB, MISFA
	Implement the agreed upon privatization strategies in Bank-e-Milli and Pashtany Bank, including the placement of professional	Institution Building	Mid-1387	Ministry of Finance and DAB

PILLAR : ECONOMIC GOVERNANCE AND PRIVATE SECTOR DEVELOPMENT
SECTOR : PRIVATE SECTOR DEVELOPMENT AND TRADE

Objectives or Outcomes	Policy Action or Activities	Category	Timeframe	Responsible Agency
The government uses Public-Private Partnerships to expand infrastructure	management and board to restructure the banks free of government interference.			
	Ensure the evolving legal framework to permit and encourage power generation and distribution by the private sector, including through the establishment of Public-Private Partnerships (PPPs).	Legislation	Mid-1387	Ministry of Energy and Water
	Accelerate the execution of priority power generation initiatives: (a) Sheberghan natural gas generation project; (b) the high voltage transmission line from Tajikistan.	Other Measures	End-1386	Ministry of Energy and Water
	Improve distribution system, beginning with Kabul, including through outsourcing of billing and collections and by providing information to the private sector on opportunities to invest in electricity supply.	Other Measures	Mid-1387	Ministry of Energy and Water, DABM
	Corporatize DABM (national electricity company) with qualified management team selected through transparent process.	Institution Building	Mid-1387	Ministry of Energy and Water, DABM
	Launch pilot initiatives in non-grid small and medium-scale provision in smaller cities and in community-based rural power, including micro-hydro power.	Other Measures	Mid-1387	Ministry of Energy and Water
	Negotiate competitive terms for reliable power supply from Central Asia.	Other Measures	Mid-1387	Ministry of Energy and Water
	Establish a liaison mechanism for joint forums with Business/Trade/Employers' association.	Institution Building/ RC Cross Cutting Issues		MoCI, AISA
	Trade Facilitation Zones (TFZ) in key areas of Afghanistan that will connect district and provisional level production to regional and international markets by providing the basic infrastructure for processing, packaging and storage.	Other Measures/ RC Cross Cutting Issues		MoCI, others
	Surplus land is used by the private sector to increase economic activity	Draft legislation based on the recommendations of the land policy that comprises legal frameworks for land registration; land adjudication, including community-based systems; and the formalization of informal land holdings, including legislation for adverse possession.	Legislation	End-1387
Implement improved simplified procedures for transfer of privately owned land.		Other Measures	End-1387	Ministry of Justice, Office of the President
Clarify and simplify the procedures associated with the transfer of publicly-owned and privately-owned land.		Institution Building	Mid-1387	Ministry of Justice
Permit foreign investors to obtain access to land through 90-year leases.		Other Measures	Mid-1387	Ministry of Justice

PILLAR : ECONOMIC GOVERNANCE AND PRIVATE SECTOR DEVELOPMENT
SECTOR : PRIVATE SECTOR DEVELOPMENT AND TRADE

Objectives or Outcomes	Policy Action or Activities	Category	Timeframe	Responsible Agency
	Extend the duration of leases for government land and ensure that they are either wholly or partly transferable.	Other Measures	Mid-1387	Ministry of Justice
	Develop a strategy for industrial parks, including the creation of an industrial park development department as an independent authority.	Other Measures	End-1387	Ministry of Commerce and Industry, AISA
Regulations, taxes and licenses are streamlined and better enforced	Consolidate the registration of private sector entities and the issuance of tax identification numbers into a single platform, extending the service to smaller businesses.	Institution Building	End-1387	Ministry of Commerce and Industry
	Remove licensing requirements except for reasons of health, safety, environmental protection, land use and access to natural resources.	Other Measures	Mid-1387	Ministry of Commerce and Industry
	Make necessary business licenses more effective by re-engineering and streamlining them	Institution Building	End 1387	Ministry of Commerce and Industry
	Adopt the principles of regulatory best practice (RBP) to ensure that new regulations are appropriate and minimize compliance cost	Legislation	Mid 1388	Ministry of Commerce and Industry, Ministry of Justice
	Minimize compliance costs for SMEs by introducing appropriate administrative and reporting exemptions for SMEs	Other Measures	End 1387	Ministry of Finance
	Publish comprehensive information on licensing requirements and procedures	Other Measures	Mid 1388	Ministry of Commerce and Industry
	Educate private sector stakeholders' (investors, employers, employees and consumers) to increase awareness and understanding of their legal and regulatory rights and responsibilities.	Other Measures	Mid 1388	Ministry of Commerce and Industry
	Establish and enforce "one-stop collection points" for tax payment and other government revenue collection in every district centre.	Institution Building	Mid-1387	Ministry of Finance
	Continue to eliminate nuisance taxes and reform the tax system to make it simpler, fairer, more competitive and easier to comply with	Institution Building	End 1387	Ministry of Finance
	Reform and revitalize the High Commission on Investment (HCI). Ensure that AISA is an effective secretariat; ensure that it meets regularly (starting in the next 14 days); focus it on policy issues; introduce increased private sector representation; improve member selection process to focus on competence and experience; extend access to SMEs throughout the country. Report results of HCI reform to the private sector.	Institution Building	End-1387	High Commission on Investment; AISA

PILLAR : ECONOMIC GOVERNANCE AND PRIVATE SECTOR DEVELOPMENT
SECTOR : PRIVATE SECTOR DEVELOPMENT AND TRADE

Objectives or Outcomes	Policy Action or Activities	Category	Timeframe	Responsible Agency
	Apply customs regulations consistently across the country and commit to achieving an average time for importing and exporting goods in line with best practice in the region (reduced by at least half of current levels).	Institution Building	End-1387	Ministry of Finance
	Examine the merits of outsourcing custom services	Other Measures	Mid-1388	Ministry of Finance
Civil society groups are able to operate effectively to aid in the development process.	Revise, clarify and update the legal framework governing civil society organizations, including the NGO Law and Social Organizations Law, to cover civil society more comprehensively, easing the establishment / registration of CSOs and ensuring adequate (not burdensome) oversight.	Legislation	End-1387	Ministry of Economy, Ministry of Justice with Civil Society stakeholders
	Develop self-regulatory mechanisms with clearly defined quality standards or a “code of conduct” to ensure that civil society organizations are well managed, accountable and their activities are well conceived, effective and attuned to the needs of Afghans, with governance models drawn from international best practice.	Legislation	Mid-1387	Civil Society with the endorsement of the Ministry of Economy
	Establish independent certification bodies for civil society organizations that are recognized by Government, the private sector, donor agencies and civil society while introducing the associated capacity building services required to achieve certification.	Institution Building	End 1387	Civil Society with the endorsement of the Ministry of Economy
	Facilitate private sector involvement to offer short-cycle certificate-level education for school leavers to rapidly develop the skills of young people and adults that are crucial to economic development.	Other Measures	End-1387	Civil Society with Business
Economic activity increases in response to increased human capacity and skill sets and business services	Establish the modality for public-private partnerships in the provision of education from basic education through to tertiary levels, including provision of professional and vocational education.	Other Measures	Mid-1387	Ministry of Education
	Computerize all HRM and project activities in MoCI to strengthen Human Resource and Program Management	Institution Building/ AC Cross Cutting Issues		MoCI
	Establish a coherent national policy framework to guide professional and vocational education, linked to the overall higher education strategy that will ensure coordination, assign clear accountability and set world-class standards (including the process for licensing, certification and accreditation).	Other Measures	End-1387	MoEC, MoE, MoHE, MoLSA, Business Community, Civil Society
	Border Management Initiative to focus on the establishment of effective and efficient Border Crossing Points/Facilities at each	Other Measures/ RC Cross Cutting Issues	Ongoing	MoCI, Customs, EPAA

PILLAR : ECONOMIC GOVERNANCE AND PRIVATE SECTOR DEVELOPMENT
SECTOR : PRIVATE SECTOR DEVELOPMENT AND TRADE

Objectives or Outcomes	Policy Action or Activities	Category	Timeframe	Responsible Agency
	Border Control Zone of Afghanistan.			
	Consider quickly piloting specific market-based vocational and professional training initiatives through coalition of Government, industry groups and training institutions with special consideration to women.	Institution Building	Mid-1387	MoEC, MoE, MoHE, MoLSA, MoWA, Business Community, Civil Society
	Create incentives for private sector to invest in education specific to skills training, mentoring and on-the-job training.	Other Measures	End-1387	Ministry of Economy, Ministry of Finance
	Conceptualization of Private Sector Employment Strategy for Women that will yield pro-women employment strategies in the private sector	Other Measures/ Gender Cross Cutting Issues		MoCI, MoWA
	Invest urgently in vocational and professional education to meet current needs, while simultaneously making parallel investments in reform of basic and higher education systems that will yield longer term results.	Other Measures	Mid-1387	Ministry of Labor and Social Affairs, Ministry of Education, Ministry of Economy
	Strengthen chambers of commerce and business membership organizations	Institution Building	Immediate	Ministry of Commerce and Industry
	Co-ordinate public and private sector approaches to increasing access to essential business services	Other Measures	Mid-1388	Ministry of Commerce and Industry
	Increase access to information on current business development services	Other Measures	Mid 1387	Ministry of Commerce and Industry
	Support the establishment of accounting, auditing and other professional associations and the adoption of related professional standards	Institution Building	Mid-1388	Ministry of Commerce and Industry
Increased and more effective competition	Create the legal framework for and ensure the rapid development of the Afghanistan National Standards Authority (ANSA)	Legislation	Immediate	ANSA
	Establish a consumer protection agency to define, communicate and protect consumer rights	Institution Building	End-1389	ANSA
Public-Private Partnerships are used to aid social and economic development	Identify and implement three pilot projects to test new approaches in areas such as power, water supply, transportation infrastructure and social development.	Other Measures	Mid-1387	MoEW, MRRD, MoT, MOLSA
	Catalogue best practices drawn from across ministries (especially of Ministry of Health) of genuine partnerships between public and private sectors. Attention on increased women participation	Other Measures	Mid-1387	MoPH, MoE, MoLSA
	Develop programs of public-private partnership that would	Other Measures/ CN Cross	End-1387	MoPH, MoE, MoLSA, MCN

PILLAR : ECONOMIC GOVERNANCE AND PRIVATE SECTOR DEVELOPMENT
SECTOR : PRIVATE SECTOR DEVELOPMENT AND TRADE

Objectives or Outcomes	Policy Action or Activities	Category	Timeframe	Responsible Agency
	improve health, education, drug demand reduction	Cutting Issues		
Increased levels of formalization	Develop a formalization strategy grounded in an understanding of the incentives and disincentives facing business, which reduces entry costs to, and operating costs within, the formal sector and increases the benefits of formalization	Other Measures	End-1387	MoCI, MoF
	Effectively communicate the nature and benefits of operating in the formal economy	Other Measures	Mid-1388	Ministry of Labor, Ministry of Commerce and Industry
	The new Afghanistan Pakistan Transit Agreement (APTA), the revised version of Afghan Trade and Transit Agreement (ATTA) ratified	Other Measures/ RC Cross Cutting Issues		MoCI, MoFA, MoF
Increased provincial economic growth	Work with provincial public sector institutions to increase the consistency of application of commercial laws and regulations	Institution Building	End-1389	Ministry of Commerce and Industry
	Develop and implement economic growth strategies for provinces, based on private sector development	Other Measures	Mid 1388	Ministry of Commerce and Industry
Civil society helps drive economic and social development	Create the necessary legal and fiscal incentives that actively encourage individual and corporate support for social and economic development.	Legislation	Mid-1387	Ministry of Finance
	Improve the legal framework governing corporate social responsibility (CSR) and philanthropy including creating a Foundation law; revising NGO law to allow CSOs to generate (non-commercial) revenue to ensure self-sustainability; creating tax deductions for giving; and developing new mechanisms for private giving such as Zakat funds, a Diaspora fund and community foundations.	Legislation	End-1387	Ministry of Finance, Ministry of Justice, Ministry of Economy
	Form a business donor's group to share best practices in corporate social responsibility and philanthropy to create more flexibility, risk-taking and imaginative practices in approaches to corporate giving, including lending good business practices to civil society.	Institution Building	Mid-1387	Business community
	Increase trust and credibility of the civil society sector by establishing a system to vet CSOs through standards that the businesses would work with, publicizing CSO successes, and educating businesses to increase understanding of the concept of CSR.	Other Measures	End-1387	Ministry of Economy; Civil Society

ANNEX II: MONITORING MATRIX

PILLAR: ECONOMIC GOVERNANCE & PRIVATE SECTOR DEVELOPMENT SECTOR: PRIVATE SECTOR DEVELOPMENT AND TRADE			
Expected Outcomes	Indicators	Baselines	Targets
The Private Sector Development and Trade sector strategy is implemented	Doing Business Indicators prepared by the World Bank	2008 World Bank data in Doing Business data Indicators	Afghanistan improves its overall Doing Business ranking by a minimum of five places each year 60% of economic activity is in the informal sector by the end of 1390
The legal framework for the business sector is developed	Progress in putting in place the legal, regulatory and facilitating framework for the business sector; laws promulgated	10 draft commercial laws	4 laws passed by mid-1387 Additional 6 laws passed by end-1388
Private sector access to finance is increased	Progress of providing increased access of finance to private sector; number of providers.	TBD	Number of providers increases by 25% by end-1389
	% increase in private sector investment	TBD	TBD
	% of GDP increase as investment levels increases	TBD	TBD
Public-Private Partnerships	Progress in putting in place an enabling environment for Public-Private Partnerships. number of projects undertaken with PPP	PPPs underway at the end of 1386	Number of PPPs increases by 100% by end-1390
Surplus land is used by the private sector to increase economic activity	Index on the progress of creating enabling environment for use of surplus land by the private sector to increase economic activity.	Area of unused government land at the end of 1386	Area of additional government land used by the private sector increases by minimum 100ha per year
Regulations are streamlined and better enforced	Reduction in number of business licenses and steps in licensing processes	Number of business licenses and steps in licensing process at end-1386	Number of licenses reduced to at least one-third of current levels by end-1390; maximum number of processes for obtaining any license reduced to 5
	% increase in firms formalizing their operations	80% of economic activity is in the informal sector	60% of economic activity is in the informal sector by the end of 1390
	% increase in tax revenue from the increased number of formalized firms	% of tax revenue from businesses	TBD
Civil society groups are able to operate effectively to aid in the development process.	Progress in putting necessary legal, regulatory and facilitating frameworks; number of regulations implemented	Legislation and regulations in place at end-1386	TBD
	Number of NGOs and Civil Society organizations registered	Numbers registered at end-1386	TBD
Economic activity increases in response to increased human capacity and skill sets	Number of people employed in the private sector	Data for formal sector employment at the end of 1386	Increase in formal sector employment of 10% per annum in absolute numbers Increase in number of training courses by 50% by the end of 1389
Increased provincial economic growth	Increased provincial economic growth measured through national accounts.	Contribution of provinces to growth at end of 1387	TBD
Increased and more effective competition	Establishment of legal framework to facilitate increased and more effective competition; development and promulgation of National Competition Policy	TBD	National Competition Policy developed and promulgated by end-1391

ANNEX III: LIST OF PROGRAMS AND PROJECTS

S/ N	AFG Budget Ref	Programs / Project title	Project Duration		Breakdown of Requirements (US\$ Millions)						Total Requirement US\$ Million)	Total Fundin g US\$ Million)	Gap (US\$ Million)	Major Donors	Core/ External	Responsible Agency	
			Start	End	1387	1388	1389	1390	1391	1392+							
Private Sector Development																	
	AFG/ 0803501	Carpet weaving project in Andkhoy and Jalalabad	1387	New	3.400	3.40						6.800	0.0	6.800		Core	MoCI
	AFG/ 0803601	National standard project in Kabul, Nangarhar, Hirat and Balkh	1387	New	4.000							4.000	0.0	4.000		Core	MoCI / ANSA
	AFG/ 0801501	Custom Modernization Phase-II	1387	New	10.00 0							10.000	10.0	0.000	WB	Core	MoF
	AFG/ 0629401	verified Payroll Plan	1386	Carry Forw ard	0.641							0.641	0.6	0.000	AFG	Core	MoF
	AFG/ 0597902	Financial Management Consultants	1386	Carry Forw ard	3.800							3.800	3.8	0.000	WB	Core	MoF
	AFG/ 0572301	Construction, Repairing and reform of Mustofiats in provinces {(Construction: Kabul, Logar, Punjsbir, Nooristan, Dai Kundi, Parwan, Hirat, Ghor, Bayman, Kunar, Laghman, Helmand and Sari Pul), (Repairing: Samangan, Zabul, Urozgan, Nemroz, Faryab, Wardak and Kandahar)}	1386	Carry Forw ard	2.391							2.391	2.4	0.000	AFG	Core	MoF

S/ N	AFG Budget Ref	Programs / Project title	Project Duration		Breakdown of Requirements (US\$ Millions)						Total Requirement US\$ Million)	Total Funding US\$ Million)	Gap (US\$ Million)	Major Donors	Core/ External	Responsible Agency	
			Start	End	1387	1388	1389	1390	1391	1392+							
	AFG/ 0802601	Construction of custom buildings and equipments (Construction of Laboratory buildings, Construction of custom ware house in Aqina and construction of Hiratan custom and boundary wall for Hiratan Custom house)	1387	New	3.800	2.40						6.200	0.0	6.200		Core	MoF
	AFG/ 0802901	Work Permit for foreigners	1387	New	0.100							0.100	0.0	0.100		Core	MoF
	AFG/ 0802501	Establishment of task force for the improvement of privatization	1387	New	0.120							0.120	0.0	0.120		Core	MoF/MoCI
	AFG/ 0801201	Construction of Residential Building for Mastofies in 16 provinces	1387	New	0.800							0.800	0.0	0.800		Core	MoF
External Development Budget																	
	AFG/ 0741101	Small and Medium Enterprise Development	1386		13.30							13.300	13.3	0.000	USAID	External	MoCI
	AFG/ 0816601	Integrating Women into Markets	1386		0.99							0.990	1.2	-0.170	CAN	External	MoCI
	AFG/ 0826901	Regional Opportunity Zone	1387		5.00							5.000	5.0	0.000	USAID	External	MoCI
	AFG/ 0827201	New WTO Accession and Trade	1387		5.00							5.000	5.0	0.000	USAID	External	MoCI
	AFG/ 0827301	Nat's Program Support in	1387		3.84							3.840	3.8	0.000	USAID	External	MoCI

S/ N	AFG Budget Ref	Programs / Project title	Project Duration		Breakdown of Requirements (US\$ Millions)						Total Requirement US\$ Million)	Total Fundin g US\$ Million)	Gap (US\$ Million)	Major Donors	Core/ External	Responsible Agency
			Start	End	1387	1388	1389	1390	1391	1392+						
		Afg/NPSO/RTI														
	AFG/ 0831401	Technical Assistance to private Sector	1387		4.04	4.04	4.04				12.124	12.1	0.000	UK- DFID	External	MoCI
	AFG/ 0483501	Land Titling and Economic Restructuring in Afghanistan	1387		3.00						3.000	3.0	0.000	USAID	External	MoF
	AFG/ 0785001	Construction and Supervision of Torkham Customs Border Post phase ii and Sher Khan Bandar Border Post	1386		0.63						0.630	0.6	0.000	EC	External	MoF
	AFG/ 0822001	Kabul Procurement Marketplace	1386		0.29						0.290	0.3	0.000	CAN	External	MoF
	AFG/ 0764501	Construction of Sher Khan Bandar Customs Facilities	1386		2.21						2.207	2.1	0.157	CAN	External	MoF
	AFG/ 0764601	Supply of Energy for Sher Khan Bandar Customs Facilities	1386		0.67						0.672	0.6	0.042	CAN	External	MoF
	AFG/ 0139601	Afghanistan Information Management Services (AIMS) : Support to Capacity Building for Information Management In Afghanistan.	1386		2.50						2.500	2.5	0.000	USAID	External	CSO
	Total of the Sector				70.51	9.84	4.04				84.40	66.36	18.05			

ANNEX IV: LIST OF PROVINCIAL DEVELOPMENT PROJECT

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
1	Rehabilitation of Infrastructure and provision of industrial area in Mazar-i-Sharif city	Balkh	Government	1387		
2	Establishment of handicraft and carpet weaving industry centre in Charkonet district (500 beneficiaries).	Balkh	Private Sector	1387		
3	Establishment of carpet-weaving centre in Mazar-i-Sharif.	Balkh	Private Sector	1387		
4	Construction of business services department building in Mazar e Sharif city.	Balkh	Government	1387		
5	Establishment of cold storage for preservation of fruits and dairy in Dehdadi district. (20000m2).	Balkh	Private Sector	1387		
6	Establishment of livestock farm in Mazar e Sharif.	Balkh	Private Sector	1387		
7	Establishment of quality control system for goods.	Balkh	Private Sector/ ANSA	1387		
8	Establishment of micro finance banks and provision of long term loans for women.	Balkh	Government	1387		
9	Establishment of agro- processing products factory in industrial park (50% beneficiaries)	Baghlan	Private Sector	1387		
10	Establishment of new sugar factory in industrial park (30%).	Baghlan	Private Sector	1387		
11	Establishment of new cement factory(30%).	Baghlan	Private Sector	1387		
12	Creation of Ghee production factory in industrial park, provincial centre.	Baghlan	Private Sector	1387		
13	Creation and development of handicrafts, centre of the province (20% of provincial population as beneficiaries).	Baghlan	Private Sector	1387		
14	Creation of carton making factory, industrial parks (20% of provincial population as beneficiaries).	Baghlan	Private Sector	1387		
15	Creation of textile factory, industrial parks, (50% of provincial population as beneficiaries).	Baghlan	Private Sector	1387		
16	Creation of skills development centre in the centre of the province.	Baghlan	Private Sector/EDUCATION	1387		
17	Creation of markets and marketing for women's handicrafts, provincial centre.	Baghlan	Private Sector	1387		
18	Creation of Gach factory, industrial parks, provincial centre.	Baghlan	Private Sector	1387		
19	Creation of cold storage and warehouses in the provincial centre (beneficial for almost all central farmers).	Baghlan	Private Sector	1387		
20	Creation of industrial parks in the centre of the province (on 1000 jeribs of land).	Baghlan	Government	1387		
21	Establishment of a Tourism Centre in central Bamyan.	Bamyan	Private Sector	1387		
22	Creation of a centre for the exhibition & sale of handicrafts & gemstones.	Bamyan	Private Sector	1387		
23	Creation of carpet weaving centres in Shibar, Saighan, Yakawlang, Panjab and Waras districts.	Bamyan	Private Sector	1387		
24	Creation of fruit processing factory in Roi Sang village, Kahmard district (9000 beneficiaries)	Bamyan	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
25	Establish of cotton processing factory in Saighan, Yakawlang and Kahmard districts (8000 beneficiaries).	Bamyan	Private Sector	1387		
26	Creation of industrial park in the centre of Bamyan and Shahidan (20000 beneficiaries).	Bamyan	Government	1387		
27	Establish of vocational centres for hand-crafts in Foladi, Shahidan and Sadaat (2000 beneficiaries).	Bamyan	Private Sector	1387		
28	Establish of vocational centre for disabled in the centre of the province and Dasht Essa Khan (15000 beneficiaries)	Bamyan	Private Sector	1387		
29	Establish of vocational centres for improving handicrafts in Panjab district (7000 beneficiaries)	Bamyan	Private Sector	1387		
30	Establishment of vocational training centre in centre of Saighan district.	Bamyan	Private Sector	1387		
31	Establishment of storage for potatoes in Panjab, Shibar and Yakawlang districts.	Bamyan	Private Sector	1387		
32	Establishment of private and commercial banks in provincial centre.	Bamyan	Private Sector	1387		
33	Supporting and equipping of Department of Commerce in the centre of Bamyan.	Bamyan	Government	1387		
34	Establishment of Carpet weaving centre in Faizabad and all districts. 28 Carpet weaving Kit.	Badakhshan	Private Sector	1387		
35	Establishment of Micro credit for Shop keepers and Business mans. In Faizabad for 5000 beneficiaries.	Badakhshan	Government	1387		
36	Construction of new fruit market with cold storage,	Badakhshan	Private Sector	1387		
37	Establishment of industrial area In Faizabad.	Badakhshan	Government	1387		
38	Establishment of gemstone market in Jurm district.	Badakhshan	Private Sector	1387		
39	Construction of trade service office building	Badakhshan	Government	1387		
40	Construction of custom directorate in centre of province and related districts.	Badakhshan	Government	1387		
41	Construction of border statistic office in all districts.	Badakhshan	Government	1387		
42	Construction of border tradement directorate in Faizabad.	Badakhshan	Private Sector	1387		
43	Establishment of buildings of trade ports In Eshakamish district.	Badakhshan	Private Sector	1387		
44	Construction of commercial service department building in the provincial centre (10 rooms).	Daikundi	Private Sector	1387		
45	Construction of Economic Department building in centre of province (10 rooms and one auditorium).	Daikundi	Private Sector	1387		
46	Construction of cold storage in the provincial centre.	Daikundi	Private Sector	1387		
47	Establishment of Pashtani Bank and Millie Bank branches in the provincial centre (12 rooms).	Daikundi	Private Sector	1387		
48	Establishment of fruit process centre in Kiti district (one centre).	Daikundi	Private Sector	1387		
49	Establishment of fruit and vegetable processing factory in Bandar and Sangtakht district.	Daikundi	Private Sector	1387		
50	Establishment of handicraft production factory in centre of Shahrstan district (70000	Daikundi	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
	beneficiaries).					
51	Establishment of fruit processing factory in Gizab district (85000 beneficiaries).	Daikundi	Private Sector	1387		
52	Establishment of dairy processing factory in Khidir district. (75000 beneficiaries).	Daikundi	Private Sector	1387		
53	Establishment of fruit processing factory in centre of Kijran. (65000 beneficiaries)	Daikundi	Private Sector	1387		
54	Construction of dry fruits processing factory in Pashtonkot district.	Faryab	Private Sector	1387		
55	Construction skin factory in centre of Dawlat abad.	Faryab	Private Sector	1387		
56	Construction of vegetable oil factory in Khawja Sabzposh.	Faryab	Private Sector	1387		
57	Establishment of carpet weaving factory in Qaisar District.	Faryab	Private Sector	1387		
58	Establishment of dairy product factory in Shirin Tagab district.	Faryab	Private Sector	1387		
59	Establishment of short carpet weaving factory in Garziwan district.	Faryab	Private Sector	1387		
60	Establishment of wool weaving factory in Andkhoi district.	Faryab	Private Sector	1387		
61	Establishment of leather processing factory in Qarmqol district (One factory)	Faryab	Private Sector	1387		
62	Establishment of Trade service directorate in centre of Faryab province in Maimana city.	Faryab	Government	1387		
63	Establishment of Marble factory in Almar district.	Faryab	Private Sector	1387		
64	Establishment of handicraft industrial as, Carpet weaving	Faryab	Private Sector	1387		
65	Construction of Carpet weaving centre. In all centres of districts.	Jawozjan	Private Sector	1387		
66	Establishment of Carpet washing cutting and shaking factory with complete equipment. In centre of Shibirghan.	Jawozjan	Private Sector	1387		
67	Establishment of Carpet washing cutting and shaking factory in centre of Shibirghan 140000 beneficiaries	Jawozjan	Private Sector	1387		
68	Establishment of industrial area in Sheberghan (500 jiribs land 7000 beneficiaries).	Jawozjan	Government	1387		
69	Establishment of carpet weaving workshops in industrial area with investors on 5 jiribs of land 7000 beneficiaries).	Jawozjan	Private Sector	1387		
70	Establishment of soft drink & fruit juice factory in Sheberghan (10 jiribs of land 10000 beneficiaries/).	Jawozjan	Private Sector	1387		
71	Establishment of tomato process factory.	Jawozjan	Private Sector	1387		
72	Establishment of Skin & Karakul Process factory (20 jirib land Sheberghan 2100 beneficiaries)	Jawozjan	Private Sector	1387		
73	Establishment of vegetable, ghee oil, soap processing factory (10 jirib land beneficiaries 1400 Cheghche	Jawozjan	Private Sector	1387		
74	Establishment of wholesale store for food stuff (2 jiribs land 90000 beneficiaries Sheberghan).	Jawozjan	Private Sector	1387		
75	Rehabilitation of textile (Nasaji) factory in Jabul Seraj (3500 families as beneficiaries)	Parwan	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
76	Establishment of dairy factory from animal husbandry products.	Parwan	Private Sector	1387		
77	Rehabilitation of the raisons processing factory in Khwaja Saiaran Bala (10000 individuals as beneficiaries)	Parwan	Private Sector	1387		
78	Creation of a plastic sandals factory in industrial parks (20,000 beneficiaries).	Parwan	Private Sector	1387		
79	Creation of hand-craft projects, carpet weaving, tailoring centres in the centre of districts (5,000 beneficiaries).	Parwan	Private Sector	1387		
80	Identification of land for tradement centre. (industrial area)	Parwan	Private Sector	1387		
81	Construction fo Economic department directorate in centre of province.	Parwan	Government	1387		
82	Establishment of cold storage for protection of Vegetable and fruit products in all districts of Parwan province.	Parwan	Private Sector	1387		
83	Establishment of honey products factory in Sinjed Dara and Totom Dara area. 2 factories	Parwan	Private Sector	1387		
84	Establishment of Fishing farms in Jabulsaraj and Sayad area. Two farms.	Parwan	Private Sector	1387		
85	Construction of vocational training central building in centre of province.	Panjshir	Private Sector/Education	1387		
86	Establishment of large carpet weaving centre in Rukha District (about 60000 beneficiaries).	Panjshir	Private Sector	1387		
87	Establishment of industrial area in centre of province.	Panjshir	Government	1387		
88	Establishment of industrial and business centre in Khinj district.	Panjshir	Private Sector	1387		
89	Establishment of wool weaving factory in Parian village.	Panjshir	Private Sector	1387		
90	Establishment of fruit market in centre of province (one market)	Panjshir	Private Sector	1387		
91	Establishment of storage for fruit and vegetable in Dara district. (One store)	Panjshir	Private Sector	1387		
92	Establishment of industrial and weaving centre in Paryan district. (10 centres)	Panjshir	Private Sector	1387		
93	Establishment of export development Bank in center of province	Panjshir	Private Sector	1387		
94	Establishment of 4 carpet weaving workshops in Nawor District (20000 beneficiaries)	Ghazni	Private Sector	1387		
95	Dairy products factory (Ghazni centre, 50,000 beneficiaries)	Ghazni	Private Sector	1387		
96	Establishment of three cold storage for fruit and vegetable in centre of province 5000 beneficiaries	Ghazni	Private Sector	1387		
97	Distribution of land for industrial parks in centre of Ghazni province	Ghazni	Private Sector	1387		
98	Fruit processing factory provincial level 15000 beneficiaries	Ghazni	Private Sector	1387		
99	Wool processing, provincial level 25000 beneficiaries	Ghazni	Private Sector	1387		
100	Construction of leather factory provincial level 10000 beneficiaries.	Ghazni	Private Sector	1387		
101	Loans for Kuchi families (25000 as beneficiaries)	Ghazni	Private Sector	1387		
102	Construction of Cold Storage in Qara Bagh district (25000 beneficiaries).	Ghazni	Private Sector	1387		
103	Establish of wool processing factory Malistan district (20000 beneficiaries)	Ghazni	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
104	Establishment of saffron process project in Pashton Zarghon district.	Hirat	Private Sector	1387		
105	Establishment of carpet weaving project in centre and districts (400 units in 15 districts).	Hirat	Private Sector	1387		
106	Establishment of dairy product project in Adraskan district.	Hirat	Private Sector	1387		
107	Installation of laboratory centre for food analysis in Islam Qala and Torghondi borders (2 centres).	Hirat	Private Sector/ ANSA	1387		
108	Construction of silky cotton production factory in Zinda Jan district.	Hirat	Private Sector	1387		
109	Establishment of skin production factory in Shindand district.	Hirat	Private Sector	1387		
110	Construction of cold storage for agricultural production in Gozara district.	Hirat	Private Sector	1387		
111	Construction of agricultural production market in Kashik Rabat Sangee district.	Hirat	Private Sector	1387		
112	Establishment of depreciation cooperative in Oba district.	Hirat	Private Sector	1387		
113	Establishment of vocational complex in Injil district.	Hirat	Private Sector	1387		
114	Provision of loans program in the entire province (200000 beneficiaries)	Takhar	Private Sector	1387		
115	Fruit processing factories in all districts (100000 beneficiaries)	Takhar	Private Sector	1387		
116	Cotton processing factory and ghee production in all districts (1000000 beneficiaries)	Takhar	Private Sector	1387		
117	Establishment of carpet weaving and tailoring centres throughout the province (20,000 beneficiaries).	Takhar	Private Sector	1387		
118	Creation of an agro-processing factory in the centre of the province (10,000 beneficiaries).	Takhar	Private Sector	1387		
119	Vegetable processing factory in the centre of the province (70,000 beneficiaries).	Takhar	Private Sector	1387		
120	Establishment of animal husbandry farm at the provincial level (50,000 beneficiaries).	Takhar	Private Sector	1387		
121	Establishing of fruit processing factory and cold storage.	Takhar	Private Sector	1387		
122	Establishment of fish-farm in the centre of Takhar province (23,000 beneficiaries).	Takhar	Private Sector	1387		
123	Establishment of fruit processing factory and cold storage in the centre of the province (160,000 beneficiaries).	Takhar	Private Sector	1387		
124	Construction of the Commerce & Industry Committee in Medan Shar on (15 jiribs, 20 rooms with large hall)	Wardak	Government	1387		
125	Construction of a building for the export of fruit in Medan Shar & other districts on (5 jiribs, 17 rooms, with hall).	Wardak	MoCI	1387		
126	Construction of a juice, & jam processing factory.	Wardak	Private Sector	1387		
127	Creation of an industrial park at Dashte Toop, Said Abad district (40 jiribs land).	Wardak	Government	1387		
128	Creation of carpet weaving industry in central Behsood district -1 (5 jiribs land, one large hall).	Wardak	Private Sector	1387		
129	Establishment of a dry fruit processing factory in Daimerdad (15 jiribs land, 10 rooms).	Wardak	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
130	Creation & improvement of beehive farms in Narkh district (15 jiribs ,10 rooms).	Wardak	Private Sector	1387		
131	Creation & improvement of the fisheries business in Behsood district -1 (5 jiribs land).	Wardak	Private Sector	1387		
132	Construction of a cotton weaving factory in Behsood district 2.	Wardak	Private Sector	1387		
133	Creation of a market for fruit and construction of cold stores in Medan Shar (5 jiribs land).	Wardak	Private Sector	1387		
134	Creation of productive projects like husbandry & credit in the centre of Behsood , (800 beneficiaries).	Wardak	Private Sector	1387		
135	Establishment of an industrial park of carpet weaving, 12 km east of Jalalabad city (100 jiribs of land, 100,000 men and women).	Nangarhar	Private Sector	1387		
136	Establishment of an industrial park for the manufacturing of plastic, ghee soap etc (12 km east of Jalalabad city, 300 hectare land, for 40,000 men and women)	Nangarhar	Private Sector	1387		
137	Construction of cold storage for fruit & vegetables in all districts of the Nangahar, 22 cold stores needed.	Nangarhar	Private Sector	1387		
138	Reconstruction of the sugar factory of Jalalabad on 176 jiribs land, for all people of the province.	Nangarhar	Private Sector	1387		
139	Construction of a factory for marble & precious stones in the district of Achin & Sherzad (20 jiribs land for the 400,000).	Nangarhar	Private Sector	1387		
140	No interest credit for the disabled in the districts of Kama, Goshta, Achin, Speen Ghar & Ghanikhail.	Nangarhar	Private Sector	1387		
141	Establishment of a stone & wood (carpentry) factory in Pachir Wa Agam, & Chaparhar (20 jiribs land, 240,000 beneficiaries).	Nangarhar	Private Sector	1387		
142	Construction of a business market for the women of Jalalabad City (15 jiribs land (200,000 beneficiaries).	Nangarhar	Private Sector	1387		
143	Establishment of a vocational training centre in all districts of this province.	Nangarhar	Private Sector/ EDUCATION	1387		
144	Construction of a paper & matches factory in Jalalabad city (10 jiribs of land, 20,000 beneficiaries).	Nangarhar	Private Sector	1387		
145	Interest free short & long term credit / loans for investment (80,000beneficiaries) .	Paktika	Private Sector	1387		
146	Establishment of an ICT Centre (for computer training) in Sharana city.	Paktika	Private Sector	1387		
147	Establishment of a carpentry factory in Urgon City (5000 beneficiaries).	Paktika	Private Sector	1387		
148	Exploration & drilling for oil and mining (for precious stones) from Gomal district.	Paktika	Private Sector	1387		
149	Establishment of a handicrafts factory for women.	Paktika	Private Sector	1387		
150	Creation of an industrial park in Sharana city.	Paktika	Government	1387		
151	Construction of a marble factory in Sharana city.	Paktika	Private Sector	1387		
152	Mining of marble in Muta Khan district.	Paktika	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
153	Exploration & drilling for oil and mining in Jani Khil district.	Paktika	Private Sector	1387		
154	Mining of marble and other stone in Spin Sak area, Sharana district.	Paktika	Private Sector	1387		
155	Procurement of machine for processing dairy products and cold storage in Mir Bacha Kot districts	Kabul	Private Sector	1387		
156	Procurement of fruit and vegetable processing machines in Charasyab (Dasht Saqawa)	Kabul	Private Sector	1387		
157	Creation of market for animal products in Kabul.	Kabul	Private Sector	1387		
158	Construction of cold storage units in Khwaja Musafer, Baghman district.	Kabul	Private Sector	1387		
159	Construction of a pickle factory in the centre of Estalef district.	Kabul	Private Sector	1387		
160	Construction of a fruit market in Tangi Tara Khil, Tara Khil district.	Kabul	Private Sector	1387		
161	Creation of a fish farm for disabled people and returnees in Chahar Asyab district.	Kabul	Private Sector	1387		
162	Creation of a mineral water factory in Shakar Dara (135,000 beneficiaries).	Kabul	Private Sector	1387		
163	Establishment of a carpet weaving factory in Khaki Jabar district (720 beneficiaries).	Kabul	Private Sector	1387		
164	Establishment of a vocational training centre for women in centre of Bagrami district (1000 beneficiaries).	Kabul	Private Sector	1387		
165	Creation of carpet weaving factory in Char Dara district (6000 beneficiaries).	Kundoz	Private Sector	1387		
166	Creation of tomato-paste production factory, in the centre of the city (36000 beneficiaries).	Kundoz	Private Sector	1387		
167	Creation of chemical fertilizer production factory in Khan Aabad district (150000 beneficiaries).	Kundoz	Private Sector	1387		
168	Creation of cotton and skin processing factory, in the centre of the city (150000 as beneficiaries).	Kundoz	Private Sector	1387		
169	Creation of paper making factory, in Imam Sahib district.	Kundoz	Private Sector	1387		
170	Creation of rice processing factory in Qala-i-Zal district.	Kundoz	Private Sector	1387		
171	Creation of industrial parks, distribution of land from municipality of Samangan, (50,000 beneficiaries).	Samangan	Government	1387		
172	Creation of industries (e.g., pressure cooker) and handicraft and loans (50,000 beneficiaries).	Samangan	Private Sector	1387		
173	Creation of animal husbandry farm in order to provide meat and milk, in Dara-i-Suf Payen district (200,000 beneficiaries).	Samangan	Private Sector	1387		
174	Creation of dairy processing factory in the provincial centre (50,000 beneficiaries).	Samangan	Private Sector	1387		
175	Creation of packing factory for fruit and nuts and cold storage in the centre of the province,(500,000 beneficiaries).	Samangan	Private Sector	1387		
176	Creation of fish-farm in the centre of Khuram-o-Sarbagh district, (10,000 beneficiaries).	Samangan	Private Sector	1387		
177	Creation of jam, sauce and tomato paste making factory in centre of Hazrat-i-Sultan district (120,000 beneficiaries).	Samangan	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
178	Creation of market for processed animal skin and wool, in the provincial centre (20,000 beneficiaries).	Samangan	Private Sector	1387		
179	Conducting of vocational training courses of carpet weaving and making juice, jam and sauce, in the centre, all districts (20,000 beneficiaries).	Samangan	Private Sector	1387		
180	Creation of carpet weaving factory in the centre of Dara-i-Suf Bala, (60,000 beneficiaries)	Samangan	Private Sector	1387		
181	Establishment of a tailoring, weaving and handicraft industry centre for women in Mahmood Raqi.	Kapisa	Private Sector	1387		
182	Establishment of cold storage for vegetable and fruits in Mahmood Raqi.	Kapisa	Private Sector	1387		
183	Establishment of a vegetable oil factory in the centre of Kapisa.	Kapisa	Private Sector	1387		
184	Establishment of fruit and dairy process centre in Mahmoodraqi and Deahbali.(2 centres)	Kapisa	Private Sector	1387		
185	Construction of handicraft industries centre in districts (7 centres).	Kapisa	Private Sector	1387		
186	Construction of marble factory in Kohband district (one factory)	Kapisa	Private Sector	1387		
187	Establishment of beverage production centre (2 centres) in Nijrab and Kapisa).	Kapisa	Private Sector	1387		
188	Establishment of Bee keeping for honey processing farm in Nijrab and centre of Kapisa. .	Kapisa	Private Sector	1387		
189	Construction of business market in Mahmood Raqi district	Kapisa	Private Sector	1388		
190	Establishment of Business centre in the centre of province second part of Kohistan (5000m2).	Kapisa	Government			
191	Construction of town and business centres for 10000 families in centre of districts	Kapisa	Private Sector			
192	Establishment of handicraft industrial factories in Jawand district. (10 centres).	Badghis	Private Sector	1387		
193	Establishment of handicraft industrial factories in Qadis (10 centres).	Badghis	Private Sector	1387		
194	Protection of pistachio forest and other forest by government	Badghis	Private Sector	1387		
195	Opening of Tor Shikh border for joint trade	Badghis	Private Sector	1387		
196	Distribution of loan for development of live stock. In Morghab district for 5000 families.	Badghis	Private Sector	1387		
197	Distribution of loan for development of live stock for nomads (Kochies).	Badghis	Private Sector	1387		
198	Distribution of loan for development of live stock.(Maqar district for 3000 families).	Badghis	Private Sector	1387		
199	Establishment of new city (Shahrak) for immigrants and returnees in provincial centre	Badghis	Private Sector	1387		
200	Distribution of shelter for refugees and returnees in all districts	Badghis	Private Sector	1387		
201	Establishment of new city (Shahrak) for 1000 families of martyrs, disabled and widows	Badghis	Private Sector	1387		
202	Distribution of long term interest free loans for vulnerable people in the centre and districts	Badghis	Private Sector	1387		
203	Establishment of industrial handicraft centres in the provincial centre and districts.	Badghis	Private Sector	1387		
204	Distribution of 10000 tents for kuchis in the kuchi residential area	Badghis	Private Sector	1387		
205	Purchasing of land for construction of kindergarten	Badghis	MoLSAMD	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
206	Construction of Commercial Affairs Directorate in the provincial centre.	Sari pul	Private Sector	1387		
207	Establishment of animal skin processing factory in the centre of the province (20000 beneficiaries)	Sari pul	Private Sector	1387		
208	Construction of Dabaghi factory, centre of the province (10,000 beneficiaries).	Sari pul	Private Sector	1387		
209	Establishment of branches of the commercial and private banks in the centre of the province and districts	Sari pul	Private Sector	1387		
210	Construction of 2 cold stores in Arghandab & Panjwai districts (50000 beneficiaries).	Kandahar	Private Sector	1387		
211	Establishment of a fruit processing factory in Zairi district (1000 beneficiaries).	Kandahar	Private Sector	1387		
212	Arrangement of 5 agricultural awareness & training centres in Dand (4000 beneficiaries)	Kandahar	Private Sector	1387		
213	Construction the factory for the preparing of jam, ketchup, juice etc. in Kandahar province.(10,000 beneficiaries).	Kandahar	Private Sector	1387		
214	Construction of a factory for the drying of grapes & other fruits, in Dand (5000 beneficiaries).	Kandahar	Private Sector	1387		
215	Provision of credit for various machinery in the provincial centre (10000 beneficiaries).	Kandahar	Private Sector	1387		
216	Creation of a handicraft market (50000 beneficiaries).	Kandahar	Private Sector	1387		
217	Providing credit in Kandahar & Maiwand. (50000 beneficiaries).	Kandahar	Private Sector	1387		
218	Provision of credit without interest to disabled people in Kandahar (2000 families).	Kandahar	Private Sector	1387		
219	Provision of livestock to kuchis and other husbandry farmers in Shawali Kot & Registan (for 10000 families).	Kandahar	Private Sector	1387		
220	Establishment of a factory to process & improve milk products, Charkh district, (4 jiribs land, 10,000 families).	Logar	Private Sector	1387		
221	Construction of a fresh fruit market with cold storage in Pul Alam on 50 jiribs land , 1200 beneficiaries.	Logar	Private Sector	1387		
222	Creation of a business market in Kharwar district (5 jiribs 60,000 beneficiaries)	Logar	Private Sector	1387		
223	Construction of a cold store in Mohammad Agha district, (5 jiribs land 10,000 beneficiaries).	Logar	Private Sector	1387		
224	Construction of a business market in Khoshi district. (5 jiribs, 20,000 beneficiaries).	Logar	Private Sector	1387		
225	Construction of an administration section in the Directorate of Oil & Gas	Logar	Private Sector	1387		
226	Construction of a fruit market & a cold store for fruit & vegetables in Azra district, Baraki Barak and Charkh.	Logar	Private Sector	1387		
227	Establishment of a technical & vocational training centre for carpet making for kuchis and others in Pul-e-Alam city	Logar	Private Sector	1387		
228	Establishment of business and technical training centres in 17 districts of Mohammad Agha & Pul-e-Alam	Logar	Government	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
229	Construction of a carpentry & marble factory in Koza Chatra district, Azra. (3000 people).	Logar	Private Sector	1387		
230	Establishment of wool weaving factory (200 beneficiaries).	Laghman	Private Sector	1387		
231	Construction of trade centre for trading facilities	Laghman	Private Sector	1387		
232	Establishment of cold storage for ICE	Laghman	Private Sector	1387		
233	Establishment of a vegetable oil factory in the provincial centre	Laghman	Private Sector	1387		
234	Establishment of an animal skin processing factory in the provincial centre & 1 branch in each district	Laghman	Private Sector	1387		
235	Establishment of handicraft centres in centre & districts.	Laghman	Private Sector	1387		
236	Establishment of trading market on 1 jirib land (beneficiaries 30% of the people of Laghman).	Laghman	Private Sector	1387		
237	Establishment of carpentry factory on 10 jiribs land.	Laghman	Private Sector	1387		
238	Establishment of paper factory on 9 jiribs of land (beneficiaries 39% of the people of Laghman).	Laghman	Private Sector	1387		
239	Construction of cold storage in center of province	Laghman	Private Sector	1387		
240	Construction of an animal and fruit products market in the Chopan district centre, beneficiaries 80,000 person.	Zabul	Private Sector	1387		
241	Establishment of a vocational training centre in Roghani & Supidar districts Shenki, (4 centres).	Zabul	Private Sector	1387		
242	Establishment of a wool processing factory in Shajoi district (80,000).	Zabul	Private Sector	1387		
243	Establishment of a business market in Atghar district centre	Zabul	Private Sector	1387		
244	Establishment of a business market in central Khak Afghan district. (45,000).	Zabul	Private Sector	1387		
245	Coal mine in Shamalzai district centre (55 villages).	Zabul	Private Sector	1387		
246	Establishment of a business market in Loorgi, Ahmed Qala, Nobahar district centre (3 markets 20,000 beneficiaries).	Zabul	Private Sector	1387		
247	Establishment of a dry fruit/nut processing factory for almonds, pistachios, raisins, Qalat city (500 beneficiaries).	Zabul	Private Sector	1387		
248	Establishment of a vocational training centre (for tailoring, gardening) in the refugees town of Zabul province (10 centres, 1000 beneficiaries).	Zabul	Private Sector	1387		
249	Provision of credit for Kuchi people in the province	Zabul	Private Sector	1387		
250	Establishment of Dry Fruit Processing Factory in Chora District Beneficiaries 20000	Urozgan	Private Sector	1387		
251	Establishment of Wool weaving Factory in Khas Urozgan Beneficiaries 50000	Urozgan	Private Sector	1387		
252	Establishment of Cold Storage for Fruit in Dehrawood District beneficiaries 70000	Urozgan	Private Sector	1387		
253	Establishment of Carpet weaving Plant and Tailoring Centres for Women in Tarin Kot Beneficiaries 1400 Women	Urozgan	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
254	Construction of Treading Market in Tarin Kot Beneficiaries 300000	Urozgan	Private Sector	1387		
255	Establishment of Poultry Farm in Char Cheno District Beneficiaries 50000	Urozgan	Private Sector	1387		
256	Establishment of Dairy Process Factory in Tarin Kot Beneficiaries 80000	Urozgan	Private Sector	1387		
257	Establishment of Market For the Dairy Production Market in Gizab District Beneficiaries 30000	Urozgan	Private Sector	1387		
258	Establishment of Handy Craft Centres for Ladies in Centre of the Province	Urozgan	Private Sector	1387		
259	Establishment of Charity Box For Disables in Tarin Kot	Urozgan	Private Sector	1387		
260	Establishment of handicraft industries e.g. carpet weaving in provincial centre and Tolaksaghar, Sharakdolaina, Tewera Pasaband. 100000 beneficiaries.	Ghor	Private Sector	1387		
261	Establishment of dairy processing factory in centre of province. 40000 beneficiaries.	Ghor	Private Sector	1387		
262	Establishment of soap and washing powder production factory in centre of Lalsarjungal district. 80000 beneficiaries.	Ghor	Private Sector	1387		
263	Establishment of industrial area in Chighciran. 140000 beneficiaries.	Ghor	Private Sector	1387		
264	Establishment of business centre, provincial centre. 350000 beneficiaries.	Ghor	Government	1387		
265	Establishment of beverage factory in Lalsar Jangal. 80000 beneficiaries.	Ghor	Private Sector	1387		
266	Construction of fruit market in Chighchiran, centre of Ghor province.	Ghor	Private Sector	1387		
267	Construction of Department of Economy in Chighchiran..	Ghor	Government	1387		
268	Rehabilitation of fuel storage in Chighchiran (300000 litres of fuel).	Ghor	Private Sector	1387		
269	Establishment of textile factory in provincial centre (500 beneficiaries).	Farah	Private Sector	1387		
270	Small business loans for women for tailoring, carpet weaving and husbandry (beneficiaries 47256, USD 7200 per woman).	Farah	Private Sector	1387		
271	Small loans for men to start small businesses as shopkeepers, carpentry, mechanics, (USD 47256)	Farah	Private Sector	1387		
272	4. Construction of cold storage in each district (600 beneficiaries).Why this number?	Farah	Private Sector	1387		
273	Small loan for Kuchis (3000 beneficiaries).	Farah	Private Sector	1387		
274	Establishment of vocational courses in carpentry, metalwork etc (2,640 beneficiaries).	Farah	Private Sector	1387		
275	Establishment of vocational centres in tailoring and carpet weaving for women in the centre & districts.	Farah	Private Sector	1387		
276	Construction of business markets (1000 m (3000 beneficiaries) 1000m2 Where	Farah	Private Sector	1387		
277	Establishment of cold storage & slaughterhouse (150m, provincial centre).	Farah	Private Sector	1387		
278	Enhance the investment of and guarantee their investments, in Gang district.	Nimroz	Private Sector	1387		
279	. Enhance the investment in poultry farms, Agriculture and livestock.	Nimroz	Private Sector	1387		
280	Creation of an industrial park in the centre of the province.	Nimroz	Government	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
281	Rehabilitation of Zaranj trade boarder in the centre of the province.	Nimroz	Private Sector	1387		
282	Establishment of 5 female handicrafts markets in the in centre of districts (100000) beneficiaries	Nimroz	Private Sector	1387		
283	Establishing of an office for Private Sector in Khash district	Nimroz	Private Sector	1387		
284	Construction of a marble factory in Waigul district (10 rooms, 100 beneficiaries).	Noristan	Private Sector	1387		
285	Construction of a dry fruit processing factory, in Mandol district (10 rooms, 400 beneficiaries).	Noristan	Private Sector	1387		
286	Construction of a fruit market in Noorgram district centre (20 rooms, 200 beneficiaries).	Noristan	Private Sector	1387		
287	Construction of a wood & carpentry factory in Bargmatal district and Shegal (10 rooms each, 200 beneficiaries).	Noristan	Private Sector	1387		
288	Construction of a market for precious stones & minerals in Doawab district centre.	Noristan	Private Sector	1387		
289	Construction of a wood & carpentry factory in central Kamdish , (20 rooms, 1000 beneficiaries).	Noristan	Private Sector	1387		
290	Construction of a fruit market in Wama district.	Noristan	Private Sector	1387		
291	Construction of the revenue department in all districts of the province (4 rooms each).	Noristan	Government	1387		
292	Construction of the Directorate of the Economy in Paroon provincial centre (8 rooms).	Noristan	Government	1387		
293	Construction of the carpet & wool weaving factory in Paroon centre of Nooristan.	Noristan	Private Sector	1387		
294	Construction of road from Nawa District to Lashkarghah city to convey vegetable Production to the Market	Hilmand	Private Sector/ MAIL	1387		
295	Establishment of dairy product process factory in centre of province	Hilmand	Private Sector	1387		
296	Establishment of wool weaving factory (Beneficiaries 10% of province)	Hilmand	Private Sector	1387		
297	Construction of road from Cha-e-Anjer District to Lashkarghah then Joined to heart high way to convey vegetable Production to the Market	Hilmand	MRRD/MAIL	1387		
298	Establishment of cold storage for meat in centre & 14 districts (beneficiaries 20% of province)	Hilmand	Private Sector	1387		
299	Animals Skin process factory in centre of (Beneficiaries 10% of province).	Hilmand	Private Sector	1387		
300	Activate cooperative (beneficiaries 12% of province).	Hilmand	Private Sector	1387		
301	Activation of electricity in industrial Park in centre Beneficiaries 15% People of the Province	Hilmand	Private Sector	1387		
302	Establishment of wool processing factory in centre	Hilmand	Private Sector	1387		
303	Activation of electricity and creation of Factories in All Districts	Hilmand	Private Sector	1387		
304	Construction of cold storage for fruit and vegetables in centre of Khost province (50000 beneficiaries (10 cold stores).	Khost	Private Sector	1387		
305	Establishment of artificial limb workshops and courses (50 courses).	Khost	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
306	Provision of loans for Kuchis (10,000,000 AFA)	Khost	Private Sector	1387		
307	Construction of cold storage for Agriculture products in provincial centre (20 stores)	Khost	Private Sector	1387		
308	Establishment of industrial area in centre of province (100,000 beneficiaries).	Khost	Government	1387		
309	Establishment of carpet weaving factory in Mandozai district (10 factories).	Khost	Private Sector	1387		
310	Establishment of olive oil processing factory in Zazi Maidan district (60000 beneficiaries).	Khost	Private Sector	1387		
311	Construction of business market in Nadirshahkot (60000 beneficiaries).	Khost	Private Sector	1387		
312	Establishment of two livestock farms in Yaqobi. (200 sheep).	Khost	Private Sector	1387		
313	Establishment of dry fruit processing factory in centre of Khost province. Two factories (100000 beneficiaries).	Khost	Private Sector	1387		
314	Establishment of Vocational training Centres for youths Beneficiaries 5000	Kunar	Private Sector	1387		
315	Establishment of carpet weaving work shops in the centre of Kunar (1000 beneficiaries).	Kunar	Private Sector	1387		
316	Establishment of woodwork factory in centre (1000 beneficiaries).	Kunar	Private Sector	1387		
317	Establishment of marble factory (1000 beneficiaries).	Kunar	Private Sector	1387		
318	Vocational Programs for women at provincial level.	Kunar	Private Sector	1387		
319	Interest free loans for people of this province (3000 beneficiaries).	Kunar	Private Sector	1387		
320	Establishment of fruit processing factory (20000 beneficiaries).	Kunar	Private Sector	1387		
321	Establishment of plastic factory (centre, In centre beneficiaries unemployed people	Kunar	Private Sector	1387		
322	find out the Market for handicraft industries 10000 beneficiaries	Kunar	Private Sector	1387		
323	Establishment of paper factory (12000 beneficiaries).	Kunar	Private Sector	1387		
324	Establishment of a vocational training centre for carpet weaving in the of refugees town in Gardiz, Zurmat and Said Karam by Ministry of Commerce.	Paktia	Private Sector	1387		
325	Provide short & long term credit loans, Said Karam district, by Ministry of Commerce. (500 families as beneficiaries).	Paktia	Private Sector	1387		
326	Construction & maintenance of the vocational training centre in all districts by Ministry of Commerce.	Paktia	Private Sector	1387		
327	Construction and preparation of the technical training centre for the unemployed of Paktia province by Ministry of Commerce.	Paktia	Private Sector	1387		
328	Extraction of coal, chromate and other precious minerals from the mountains in various areas of the province.	Paktia	Private Sector	1387		
329	Creation of a committee of technical scholars to investigate the location & presence of oil in the province.	Paktia	Private Sector	1387		
330	Construction of a hydropower system in Darekhil Waza Zadran.	Paktia	Private Sector	1387		

S/No	Project Name	Province	Responsible Agency	Project Duration		Funding USD (Million)
				Start	End	
331	Coal mining in Zurmat district beneficiaries for all people of the province.	Paktia	Private Sector	1387		
332	Establishment of program to provide credit loans to invest for the people of Zurmat district	Paktia	Private Sector	1387		
333	Construction of a cotton & carpet weaving factory.	Paktia	Private Sector	1387		
334	Creation of handicraft center and will be beneficial for 100 families.	Kabul Urban	Private Sector	1387		
335	Creation of a center for selling of handicrafts in 3 rd district and it will be beneficial for 80 persons.	Kabul Urban	Private Sector	1387		
336	Creation of market for vegetables.	Kabul Urban	Private Sector	1387		
337	Establish of a factory for small industries.	Kabul Urban	Private Sector	1387		
338	Creation of cold storages in 14 th district.	Kabul Urban	Private Sector	1387		
339	Creation of a center for selling dairy and animal products.	Kabul Urban	Private Sector	1387		
340	Establish of a dairy processing factory in 18 th district of Kabul.	Kabul Urban	Private Sector	1387		
341	Creation of market for selling of Kuchies (nomad) products.	Kabul Urban	Private Sector	1387		
342	Construction of a Slater house in Pul-i-Charkhi.	Kabul Urban	Private Sector	1387		
343	Creation of carpet weaving factory.	Kabul Urban	Private Sector	1387		

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Appendix 3

List of Commercial Laws which are followed up by Ministry of Commerce and Industry (MoCI) base on London Compact and Afghanistan National Development Strategy (ANDS)

A. Enacted Laws (based on legislative decrees):

1. Corporation and Limited Liability Law
2. Partnership Law
3. Mediation Law
4. Arbitration Law
5. Patent Law
6. Transportation Law

B. Laws sent to Parliament for follow up:

1. Trade Marks Law
2. Chambers of Commerce Law

C. Laws at Ministry of Justice

1. Contract Law
2. Agency Law

D. Laws under consideration of Legislative Committee of Council of Ministers:

1. Antimonopoly and Competition Supporting Law
2. Anti Hoarding Law