Bishkek, Kyrgyz Republic
10-12 May 2004

Conference Report
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We are pleased to introduce this report of the conference “Afghanistan's Regional Economic Cooperation: Central Asia, Iran and Pakistan,” held in Bishkek, Kyrgyz Republic in May 2004. We recommend to all readers the conference website (http://arec.undp.kg), where the full texts of all conference materials have been gathered for ease of access.

When the idea for this conference was first raised in Kabul and Bishkek, the organizers and facilitators hoped that, at the least, it would introduce Afghanistan to Central Asia and provide a venue for Iran and Pakistan to contribute to a new profile for the broad region. It proved able to do this and much more. In the course of three days in May, government delegates from eight countries were able to interact formally and informally, learn from one another and lay a foundation for future relationships.

Private-sector actors, many meeting each other for the first time, began the process of doing business across the region. All the conference participants had an opportunity to share their experiences and hopes for the region, and to look forward to greater interaction in the coming months and years.

During the conference, not only Afghans but also many regional actors noted that the reconstruction of Afghanistan could, and in some senses already has, become a catalyst for economic dynamism across south, central and west Asia. Such concord is a critical contribution to the security and prosperity of all the countries represented at the conference.

Even more, the interaction between the private and public sectors during the conference confirmed the hope of the conference organizers that policy reform within and among participating states can support trade and investment across the region. We can now see concretely how business can help to lead Afghanistan's recovery and, in so doing, spur economic growth among all of Afghanistan's neighbours. We hoped for these conclusions from the start, but it was heartening to see them articulated by so many conference participants in many imaginative ways.

Hard work lies ahead of us. As this report makes clear, the political will of ministerial delegates, combined with technical direction offered by policy makers and private-sector participants, now opens new avenues for cooperation across the region. UNDP and its partners in the World Bank and the Asian Development Bank stand ready to assist all participating countries to bring the opportunities identified in this conference to fruition.

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On the 10th of May 2004, at the invitation of Afghanistan's President Hamid Karzai and the President of the Kyrgyz Republic, Askar Akaev, delegations from Afghanistan, Iran, Kazakhstan, the Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan and Uzbekistan gathered in Bishkek to discuss their future economic cooperation. More than 200 people attended the three-day conference, including ministerial delegates from most participating states, regional representatives of key multilateral development and financial institutions, and private-sector actors from across the region. Keynote speeches by the President of the Kyrgyz Republic, the Administrator of the United Nations Development Programme and the Afghan Ministers of Finance and Commerce set the stage for discussions among national policy makers and businesses to establish an agenda of initiatives to strengthen economic ties across the region.

The conference was organized to introduce to Central Asia, Iran and Pakistan the government and private sector of Afghanistan, and to discuss the critical links between economic cooperation and regional peace and stability. The timing of this conference, more than two years after the Bonn Agreement that established Afghanistan's interim government, and just months before Afghanistan will hold its first presidential election, was propitious. Despite two years of investment in Afghanistan's reconstruction, many regional actors remain unaware of the country's reform and reconstruction agendas, and few regional actors have yet to take full advantage of the economic opportunities that reconstruction, and a renewed Afghanistan, offer to the region. Indeed, Afghanistan's reconstruction, still donor-driven, has thus far been pursued in a regional vacuum. The Bishkek conference represented a regional effort to bring together key actors whose mutual understanding is a prerequisite for Afghanistan's - and the region's - future development.

To this end, the Afghan delegation led discussions on the newly instituted procedures governing the national economy, presented its public investment programme and outlined ongoing reforms to the security sector.

The conference established a platform for policy transparency among regional actors by encouraging open exchanges of information, policies and experiences. Discussions were held at both broad-based as well as technical levels: technical preparatory papers helped expert working groups to produce detailed recommendations to a high-level ministerial meeting. Senior facilitators were provided by UNDP, the World Bank and the Asian Development Bank to lead these discussions.

The conference also heralded a new era in public-private dialogue for the region. Far from being the passive recipients of government directives, business people from all participating countries played a key role in discussions at the conference. Most countries at the conference have at some point publicly stated their commitment to private-sector development as the engine of growth, and some have adopted strategies to support
and encourage business. At the regional level, however, a different set of issues and policy concerns, involving cross-border interstate relations, present themselves. For this reason, it was particularly important and productive to hold discussions of trade and economic cooperation in a forum open to both the public as well as the private sector.

As President Askar Akaev indicated in his opening speech, the Bishkek conference was a logical development of the Bonn, Tokyo and Berlin conferences for Afghanistan. Bishkek contributed to previous resolutions the regional perspective, the consensus of Afghanistan's natural long-term partners, the pro-active engagement of the private sector and the focused attention of key international organisations.

In this regard, the conference also built on the momentum of the Kabul and Dubai declarations of 'good neighbourly relations'. In September 2003, Afghanistan and its direct neighbours had signed the Dubai declaration, which insisted on pursuing closer economic ties through the liberalisation of trade regimes in the region. Now, in Bishkek, the region's policy makers and politicians convened to explore this issue in greater detail with the technical support of international institutions and the framework of the
The conference was founded on the lessons learned from other parts of the world that those developing countries that increased their integration into the world economy over the past two decades have achieved higher income growths and longer life expectancies. Countries that pursue non-discriminatory openness to global trade are more likely to attract the benefits of private investment, both domestic and foreign. Although largely accepted by the countries that participated at the conference, this assumption has not ensured the adoption of strategies to establish transparent and predictable trade regimes and a secure investment climate. Policies of protection, distortionary pricing, foreign-exchange control, import licensing and export restrictions all have worked to reinforce the economic isolation of many of the countries. As a result, intra-regional trade has been weak, economic development slow and investment unforthcoming.

However, the region has the potential for huge returns if it can make a relatively small investment in economic cooperation first, and a broad consensus in support of this was made at the conference. Mr. Mark Malloch Brown, UNDP Administrator, outlined the prospects facing the region in his opening remarks:

*This is a region endowed with abundant natural resources, making it a treasure trove of natural and mineral wealth where reserves of oil and gas in Iran and proven reserves in Kazakhstan and Turkmenistan put these countries among world leaders in oil and gas production and exports. It is a region that could be bound by energy-related links, such as the proposed gas pipelines from Central to South Asia, as well as through possible power purchase agreements and power grids. Feasibility studies being undertaken reveal that the gas pipeline from Turkmenistan, across Afghanistan, to energy-deficit South Asian markets is expected to carry two billion cubic feet of gas per day, yielding large benefits to all participating countries. It*

"To achieve what is currently an ideal, we must look at each other from a different perspective."

Dr. Ashraf Ghani, Minister of Finance, Afghanistan
has been estimated that the pipeline would provide a transit income of USD 400-500 million per year for Afghanistan alone. A pipeline like this could also have substantive savings per year in energy costs for both Pakistan and India. Tajikistan and Kyrgyzstan are major exporters of aluminium and gold, and if the hydro-potential of these two countries can be exploited once the harmonized regulatory framework is in place within the region and power trade agreements have been signed, Tajikistan and Kyrgyzstan alone could fully satisfy the hydroelectricity power needs of the region and beyond.

Indeed, taken together, the 300 million people of the countries represented at this conference have the potential to be one of the major trading and economic power-houses of the world.

cooperation, investment, trade and transit among the neighboring countries of Central and Southern Asia, Iran and Pakistan. The Bishkek Declaration

Mr. Mark Malloch Brown, in his opening remarks, echoed this idea, saying Central Asia is a large and overlooked market because neighbours do not treat each other as partners. The conference confirmed that cooperation requires a different perspective, one that sees economic interdependence, risk-sharing and openness as opportunities rather than threats. This is the partnership mindset.

Dr Ashraf Ghani went on to note: Our collective presence here is an indication of the belief that the key to future prosperity in the region rests on our own decisions, while the Prime Minister of the Kyrgyz Republic defined the conference as a tribute for exchanging opinions and agreeing on mechanisms of multi-profile interaction between neighbouring countries…for the purposes of assuring peaceful co-existence and progress. This is the essential ingredient of this mindset: the will to take collective responsibility for the future of the region through participatory policy discussions.

The working groups and plenary sessions held over the three days demonstrated the real potential within the region to translate this idea into action. During the expert sessions, policy makers shared good and bad experiences from their countries with the group, covering issues such as welfare policy, refugee return, narcotics and microfinance. The private sector also proved itself a capable and constructive partner to government in policy discussions. During the high-level plenary sessions, a strong sense of regional solidarity amongst the ministers and a willingness to commit to policy recommendations was evident.

In this way, the fact of the conference itself was a powerful signal that this key
component of cooperation was already in place.

As many delegations pointed out, the region has already proven itself a very real partner to Afghanistan. After the crisis of 2001, many neighbours advanced towards economic cooperation through the facilitation of humanitarian assistance to Afghanistan. Bridges and roads from all three northern neighbours were reopened after the war to allow assistance through. The political will that opened up the borders and facilitated rapid movement of goods needed for humanitarian cooperation can now be geared towards economic cooperation, said Afghan Minister of Finance Dr. Ashraf Ghani. Turkmen Deputy Minister of Foreign Affairs Mr. Chary Niyazov echoed this sentiment, highlighting in his statement that Turkmenistan was moving from mere shared experience of a difficult history towards a “full-fledged partnership” with Afghanistan, a partnership that already consisted of deals to supply the Herat market with preferentially priced electricity and the training of healthcare officials.

Other delegates underlined the fact that partnership was in some instances unavoidable. Both the head of the Uzbek delegation as well as the President of the Kyrgyz Republic highlighted the risks of ignoring regional security concerns, a point also underscored by the UNDP Administrator who, in his opening speech, said: For all the countries represented at this conference, it’s clear that your destinies are tied both for good and for ill. The nature of many of the region’s development challenges - shared water, narco-trafficking and the spread of HIV/AIDS, amongst others - cannot be solved at the national level alone…regional cooperation is a necessity, not an option.

It is clear that the 'Afghanistan moment' has prompted a review of regional relations. Afghanistan embodies all the risks that regional partnership can help prevent and all the opportunities that regional partnership can promote.

**Dialogue**

Today, one of the most important objectives of this conference is to restart the dialogue on the critical political, economic and development issues affecting the region, involving government, the business community and civil society in a dialogue that can help develop the strategies required to strengthen co-operation and build the regional links that are vital for increasing trade, promoting economic growth and reducing poverty and inequality. Regional economic co-operation is critical to achieving this, and Afghanistan has a pivotal part to play in its success. Mr. Mark Malloch Brown, UNDP Administrator

Partnership and cooperation require dialogue. The issues tabled at the conference - trade, transit, investment, communication and infrastructure - are ones that require iterative review and action. Lines of communication among governments in the region should be kept open and national policy related to these matters should be transparent to regional partners.

Throughout the conference, the bilateral economic commission established between Afghanistan and Pakistan was held up as a model of such dialogue. The commission, it was noted, had established policy transparency and trust such that the sensitive trade issues between the two countries could be discussed and resolved systematically. Pakistan Minister of State and Chairman of the Export Promotion Bureau Mr. Tariq Ikram announced that Pakistan was now deliberating the
removal of the six remaining items from the negative list. This was a direct response to Afghanistan's simplification of its tariffs.

The commission has now extended its membership to Iran. During discussions, the extension of these commissions across the region was recommended.

Ms. Zhanar Aitzhanova, Kazakh Vice Minister of Industry and Trade, hailed the success of the recent visit of Hamid Karzai, President of Afghanistan, to Kazakhstan, during which agreements had been reached on commodities trade, including energy supplies, minerals and agricultural produce. Bilateral discussions were to continue on a ministerial level shortly.

The report of Working Group I highlighted the benefit of dialogue on a range of issues that the region had in common: In general, the Working Group proposed that the region undertake regular meetings on specific policy issues and, whenever possible, review the experience of participating states related to reconstruction and recovery. The issues mentioned include refugee return, capacity building of the private sector, teacher training and social policy.

Open dialogue often led directly to mutually beneficial decision-making or, at the least, it sowed the confidence and trust that could facilitate such decisions later.

**Conclusion**

Fostering a partnership mindset and opening dialogue do not require capital or infrastructure investment; they are free. Nevertheless, their impact on international relations and economic development can be substantial: without them, making policy decisions on issues such as trade would be impossible. The returns, therefore, are extremely attractive. Of course, implementation involves risk, both political and, in some cases, personal. It also requires confidence and vision. The actors who came together in Bishkek mitigated that risk through open participatory discussion and multi-sectoral relationship building, and therefore opened a new chapter in regional politics.
The aim of this conference was to introduce this new Afghanistan to a multilateral but regional forum, one whose participants are the natural long-term stakeholders in Afghanistan’s success. Up until now, conferences for Afghanistan had taken place in the donor ‘heartland’ - Bonn, Tokyo and Berlin - and reflected a predominantly donor-driven agenda of reconstruction. In Bishkek, Afghanistan was being discussed in a group that reflected the reality of Afghanistan’s geopolitical situation.

Afghanistan is at the centre of the region: its problems have always been the region’s problems. Now, however, Afghanistan represents a source of potential and growth for the region. The key to the success of the conference was timing. Not for many decades has there been such an opportunity for cooperation and trade amongst these countries. Now in Afghanistan, a central state exists whose capacity to negotiate, agree and enforce bilateral and multilateral agreements with its neighbours is increasing daily. In short: Afghanistan is open for business, as the Afghan Minister of Commerce Mr. Sayed Mustafa Kazemi said in his opening remarks.

Dr. Ashraf Ghani, Afghan Minister of Finance, outlined the key steps the Government of Afghanistan had taken to move the country towards its goal of being a regional player: the drawing up of a national development programme; the raising of the requisite funds from the international partners toward a government workplan; and financial reforms such as the replacement of the currency, central banking laws, commitment to a single treasury account and overhaul of the national system of
budgeting and expenditure. Minister Ghani also outlined a five-year plan including the reform of the customs service and the newly implemented simplification of the tariff regime.

These reforms were widely recognised as important achievements. The need for good governance and democratic elections according to the constitution were also raised as important factors of economic success.

However, the key to Afghanistan's new regional role lies in its re-exposure of long-lost trade and transit routes. Minister Ashraf Ghani summarised this aspect for the conference: For over two decades, the road network in Afghanistan was being destroyed, drastically increasing the distance between independent Central Asia, Iran and Pakistan. Today, we have embarked on an ambitious program of restoring and expanding our transport network. We have obtained the necessary funds to complete the arterial ring road as well as the spokes connecting it to our neighbours. Simultaneously, Pakistan and Iran both have initiated ambitious projects of new ports and roads that would considerably shorten the distance and time between Afghanistan and the Gulf. With the completion of the ring road, our three neighbouring Central Asian capitals would be a maximum of 32 hours from the Gulf. The Afghan Government and business community are keen to facilitate transactions between and among all our immediate and near neighbours.

The technical paper for Working Group III, entitled “Afghanistan's Transit and Transport Infrastructure”, presented a detailed account of the regional transit corridors emerging as a result of Afghanistan's infrastructure programmes. The paper concluded: Afghanistan, therefore, has the potential to become the hub centre of all trade and transport activities for the region and provide secure, efficient and economically viable transport corridors passing through the country. The international transport corridors will not only promote regional trade but also international trade, with the seaports in Iran and Pakistan providing the outlets and inlets for goods, minerals, freight, gas, oil and human resources. The corridors will also give an impetus to the much needed growth of the power sector, with routes of the supplies being better defined and along shorter distances.

Conclusion

What the conference clearly established was that it was in the interest of all participating countries to support the ongoing efforts to reconstitute a stable and prosperous Afghanistan. The World Bank supported this view in its technical paper “Trade and Regional Cooperation between Afghanistan and its Neighbours”; Its [Afghanistan's] neighbours share an obvious interest in Afghanistan's renewed prosperity, since a reconstruction that puts strong emphasis on rebuilding physical infrastructure has the potential to stimulate trade in the region and foster economic growth. This is true not simply because its neighbours will be able to use its highways for trade but also because Afghanistan’s reconstruction process itself, should...provide opportunities for neighbouring countries to supply construction materials and services needed to rebuild the country. Whichever way you look at it, Afghanistan is a new regional player that - with support - could act as a catalyst for regional economic recovery.
Trade and Transit

"Transit trade is a win-win proposition for all of us.”

H.E. Ashraf Ghani, Minister of Finance, Afghanistan

Trade and transit are the pillars of potential economic development for Afghanistan and the region. The conference therefore devoted much time and effort to the discussion of the issues surrounding these pillars. Working Group II was devoted to the issues surrounding trade policy, facilitation and promotion, while Working Group III was devoted to the issues of transit and transport infrastructure.

**Trade policy**

**ECO**: The Economic Cooperation Organisation (ECO) is an existing intergovernmental framework with the mandate to coordinate efforts to facilitate greater trade. It is clear that with the re-emergence of Afghanistan in the regional economy, ECO could become a very relevant and effective organisation in the region. ECO provides policy makers the benefit of an established framework, meaning commitments can be more than *pro forma* gestures. However, as Working Group II noted, relevance and respect are dependant on the *timely ratification and implementation of existing and planned ECO agreements*. To this end, all agreed to leverage the framework that ECO provided.

**Tariffs**: Many of the countries participating in the conference are landlocked, meaning that trade should be the lifeblood of their economies. And yet many pursue autarky through prohibitive tariffs. Although studies show that non-tariff barriers are more harmful to trade, governments in the region were encouraged to explore regimes that were more in line with economic realities. It was noted that multilateral and bilateral fora are effective mechanisms to coordinate policy step-changes. Bilateral agreements were seen as particularly effective in dealing with tax-related questions and trade negative lists such as that between Afghanistan and Pakistan, which have benefited from intense bilateral scrutiny.

**Private-sector monitoring of trade policy reform**

The implementation of the existing trade and investment agreements was seen as insufficient. The private sector has an interest in implementing trade and investment reform and should mobilise to secure results. Report of Working Group II

All three working groups benefited from the input of the private-sector participants at the conference. At all levels of the conference, the development of the private sector was seen as the key driver of regional economic development. Both international financial institutions underscored this theme in their statements, the ADB noting that the private sector’s participation is a *real value addition feature of this conference*. Dr. Ashraf Ghani, Minister of Finance of Afghanistan, also mentioned in his
opening remarks that the region's future progress and prosperity were contingent on its ability to attract the investments of the private sector.

A crucial role for the private sector was identified in Working Groups II and III. Both groups proposed that the private sector in the region collectively organise itself to monitor the implementation of public-sector agreements in the area of trade.

Such a role would leverage the incentives of the private sector to make the public sector more accountable and the implementation of its agreements more effective. The report of Working Group II states that the implementation of trade and investment agreements, both multilateral and bilateral, was slow and insufficient. Meanwhile, the impact of such agreements on, for example, time taken at border points, visa processing or A-to-B journey sections was scarcely monitored.

It was noted that the role of the Afghan private sector in monitoring such practical aspects of trade between Pakistan and Afghanistan had played a role in the liberalisation of trade between the countries. A regional approach may extend this method systematically across all participating countries.

It was proposed that such monitoring missions be carried out under the aegis of the ECO Chambers of Commerce, with technical or financial support from the international community. The missions would be launched regularly and would report both to the national governments as well as to ECO. The proposal had significant support: Mr. Alastair McKechnie of the World Bank said: I strongly endorse the proposal that the private sector monitor transport times and costs, while the head of the ADB delegation, Mr. Frank Polman, said this will help us ensure satisfactory advance in such projects and be a good example of constructive private-public partnership.

Mr. Tariq Ikram, Pakistan's head of delegation, welcomed the presence of such a strong private-sector delegation and noted the importance of enabling business leaders to become stakeholders in regional policy-making.

Both the World Bank and the Asian Development Bank noted in their official statements that the conference represented a landmark in public-private dialogue in the region. The Asian Development Bank encouraged delegates to foster this constructive dialogue, which as we know from the Asian experience is a necessary condition for rapid growth and poverty reduction.

**Trade facilitation**

**Visas for businesspeople:** Within the trade facilitation discussions, the question of visas for business people emerged as a result of the private sector's participation at the talks. Existing procedures were described as too cumbersome to serve the
needs of the private sector. The working groups launched a plea for liberalised visa regulations as well as faster and more streamlined procedures for visa issuance. The private sector outlined its target: the standardisation of multiple-entry, one-year visas, issued against information provided by national chambers of commerce. Once again, ECO was suggested as a potential policy advocate at its next ministerial meeting, while the ECO Chambers of Commerce might help to coordinate information gathering amongst national chambers. It was suggested that a working group of officials and private-sector actors be established to iron out remaining issues.

Transit corridors: It was noted that transit corridors are the potential driving force of regional trade, given their ability to lower the costs of trade between the central Asian republics and the warm water ports of Iran and Pakistan or the markets of south Asia. Such corridors, to the extent that they will use Afghanistan’s rehabilitated ring road, will also result in increased domestic revenue generation in Afghanistan and small- and medium-sized enterprise development along their routes. As considerable public investments are made on these ambitious projects, it is crucial that governments simultaneously act to harmonise regulatory environments and simplify border procedures. Localised successes can be used as best practices for the region, thereby accelerating the rate of information exchange.

Trade promotion: Trade promotion was also identified as an area that required regional cooperation. Mechanisms discussed include information exchange, trade corridors, international organisations and public-private partnerships. The grave lack of information available to the private sector was consistently noted as a key constraint to greater trade. In particular, the key aspects of countries’ regulatory regimes should be made available, including laws of investment, investment guarantee schemes, land titles and credit. In Afghanistan’s case, the Afghan Investment Support Agency should be promoted as the natural disseminator of this information, but should cooperate with counterpart institutions in the region to ensure that knowledge is actively shared. International efforts such as the International Trade Centre’s (ITC) information exchange project and Dab’s Trade Information Centres were highlighted. However, it was felt that the newly revived ECO Chambers of Commerce could play a sustainable role in the exchange of information on trade and investment opportunities.

Private-sector development: Iran’s Minister of Commerce, Mr. Mohammad Shariatmadari, mentioned specifically during plenary discussions the role of the private sector in investment. Together with trade, investment is a driver of economic growth, ensuring economic integration, technology transfer and the efficient use of capital. However, in countries like Afghanistan, political and commercial risk can dissuade investors, frustrating a potential source of foreign capital. Mr Shariatmadari therefore proposed a commercial risk guarantee fund for Afghanistan to parallel the World Bank’s MIGA fund, which guarantees investors against political risk. Iran, he said, would be ready to commit start-up capital for the fund and would help Afghanistan raise
further capital from the region and international donors.

Pakistan's Minister of State, and Chairman of the Export Promotion Bureau, Mr. Tariq Ikram, echoed this proposal in his statement, noting that: *the concern for security of capital and returns… undermines quicker exploitation of the potential that this region offers*. He proposed a taskforce of governmental actors from the region combined with international financial institutions and donors to look at mechanisms to minimise investor risk.

The Iranian Commerce Minister also highlighted the importance of building the private sector's capacity across the region. Businesses still lack basic skills such as business-plan writing, project finance and administration. He suggested that Iran support efforts in Afghanistan to strengthen these skills systematically, through training or workshops. Such activities, it was noted, may best be carried out within the framework of United Nations agencies.

**Conclusion**

The region has made considerable progress in the areas of trade and transit over the past years. The development of the warm water ports of Chabahar, Bandar Abbas and Gwadar in Iran and Pakistan, together with the expanding network of highways throughout the Central Asian republics, have set a course for sustainable economic growth. Afghanistan, together with its international partners, is working to complete its ring road and the regional connections that will facilitate both the internal movement of goods as well as regional transit. On the policy level there has also been evidence of a growing willingness to discuss regional trade and mechanisms for liberalisation.

In Bishkek, the presence of the business community encouraged a practical discussion of trade logistics, educating many in the public sector on the real issues facing the development of trade in the region. Its recommendations are likely to forge great inroads into the liberalisation of trade in the region. This conference also highlighted the impressive returns to the whole region that policy decisions can yield. However, these decisions can only be taken when the region cooperates to find mutual solutions.
Social policy, capacity building and communications are all central to the sustainability of economic development in the region. They are also areas in which the regional partners are well suited to collaborate and cooperate. The conference in Bishkek encouraged policy makers to take a broader view of sustainable economic development.

**Regional social policy**

Investment in people is a basic pillar of any country’s social policy. Delegates at this conference discussed the potential for a regional social policy. Such an initiative would need a statistical base that enables policy-makers to make comparisons, identify priority areas and draw on shared experiences or best practices. A useful framework for formulating goals already exists in the form of the United Nations Millennium Development Goals, and many of the participating countries have already undertaken, with UNDP’s support, to compile a MDG report. Likewise, human development indicators have been developed by the UNDP and formalised into reports. The only missing link is to formalise a regional approach to formulate and analyse the data. Such an approach was a key recommendation both to the participating governments as well as to the international community.

**Capacity building**

The group went on to explore the potential for investment in human-capacity development, in particular where the benefits could be realised regionally. Refugee repatriation affects almost all of the participating countries. The group was interested in exploring the positive externalities of refugees, noting their ability to add to economic output, diversify skill-sets and contribute to cross-border social understanding. However, such externalities are available to the state only once it invests in the proper treatment of this social group. The social dysfunction that can result from disinvestment is well understood in the region. It was therefore felt that a regional approach would avoid the duplication of mistakes while leveraging potentially positive social outcomes. Proposals
include vocational training programmes for refugees, pre-repatriation; a regional commission to promote the free migration of labour where there is an economic and social case; the inclusion of women in reconstruction efforts and linking training to all investments.

Cross-border training of professionals was also mentioned later during the plenary session by the head of Tajikistan’s delegation. Such training of Afghan agricultural, medical and technical higher-education students in Tajik institutions has a long history, and could be used to develop regular programmes to leverage the two countries’ shared language and cultural backgrounds.

More formally, a proposal was made to include Afghanistan in regional efforts to share resources for higher education. The Central Asian Association of Universities has harnessed information technology for the benefit of university students and professors, and the dean of the association proposed that Afghanistan also benefit from this network.

Resource sharing for regional development was one of the key imperatives of the conference. The Government of Afghanistan felt that donor assistance led to too much dependence on countries outside Afghanistan’s ordinary neighbourhood, a situation that may limit sustainability in the long term. It is now time to source human resources from the region, such as engineers, doctors, teachers, business professionals, labour force trainers and legal workers. Afghanistan needs to develop its own experts in all these fields and may be able to leverage training from the region. Iran and Pakistan have already provided some training for Afghan customs officials, for engineers and in healthcare. When linked to an investment, such initiatives have been found to both increase the returns for the investor as well as have positive externalities for the community in which the training occurs.

The Government of Afghanistan proposed at the conference that an evaluation be undertaken into the technical expertise in
the region. Coordinated through the UNDP offices in the region and supported by other partner organisations, the evaluation could facilitate increased local contracting, partnerships and sharing of resources. It would also serve to establish transparent quality controls by setting standards and benchmarks that could be used in tender processes across the region. Cross-border regional contracting has been frustrated largely by a lack of information, on both the supply as well as the demand sides. This has led to a situation where private-sector development has been held back as regional operators get overlooked in favour of contractors from Central and Western Europe or the United States. Working Group I recommended that UNDP take a pro-active approach in creating an open communications environment that would, among other things, disseminate procurement information throughout the region.

**Role of international organisations**

The socio-economic dimensions of regional cooperation may require a greater degree of intervention by international bodies such as UNDP, the Asian Development Bank and the World Bank, along with national non-governmental organisations. The reasons for this are that the returns to investment in people, though substantial in the long term, are often diffused and less quantifiable in the short term. Furthermore, although cooperation offers considerable returns to the region as a whole, these may be insufficient at the national level to prompt action.

Dr. Ashraf Ghani, Afghan Minister of Finance, in a memo written for Working Group I, set out the principles to guide international organisations toward effective regional activities:

- **Rethink institutional borders to eliminate old organizational thinking.**
- **Often, unrealistic bureaucratic divisions within the international institutions themselves - for example, between departments in charge of South Asia or Central Asia - will prevent effective cross-regional actions. Broader regional initiatives can help bridge these divides.**
- **Rethink alternative models for regional development and present options, not dictation.**
- **Regional policy must be owned by the region, not driven from outside.** Institutions can add value by consolidating options and best practices taken from their accumulated experience in other regions. The UNDP, the World Bank and the Asian Development Bank convened in Bishkek to provide exactly this service to regional policy makers.
- **Facilitate policy as honest brokers for**
realistic, result-oriented, sound economic policies that are mutually beneficial and non-threatening for the region.

→ Multilateral organisations can act to build confidence at national levels. They can, as at Bishkek, convene actors who may not otherwise have the chance to familiarise themselves with one another's policies, and they can create an atmosphere of accountability and transparency in which decisions can be facilitated.

→ Provide a broad, regional perspective to policy makers. This is the perspective that reflects the returns not felt at the national level, the positive externalities of cooperation that are overlooked when states act only on national agendas.

cooperative approach. But what is often neglected is the part that social policy has to play in achieving these ends. Access to education, healthcare, micro-finance and the means of communication are together the bedrock of economic development, ensuring both an educated and healthy supply of labour as well as the demand for goods and services. States that provide these public goods nationally can leverage the expertise and resources available internationally, from both neighbours as well as supporting institutions. Bishkek proved that it was not just in the areas of trade and transit that the region needs to cooperate in order to get things right. The agenda for regional cooperation requires a broader context if it is to work.

**Conclusion**

Private-sector development, economic growth and trade, consolidation of the security situation: all quite rightly hold the attention of policy makers in the region. All likewise require a regional,
An Agenda for Regional Cooperation

“UNDP, its partners in the World Bank and the Asian Development Bank and the Government of Afghanistan stand ready to help implement the proposals that have been generated by this conference, and, if requested, to facilitate future conferences, however regularly or frequently may be appropriate.”

Mr. Ercan Murat, Country Director UNDP Afghanistan
Regional cooperation and Afghanistan as a new regional player

- Strengthen regional institutions to accelerate economic cooperation;
- Expand opportunities for regional policy discussions, through conferences on energy, power, water sharing, riparian rights, etc;
- Extend multilateral discussions and harmonize bilateral discussions across the region;
- Create new joint economic commissions and broaden their reach across the region;
- Enhance communication in region, ensuring free flow of information.

Trade, transport and transit

- Create policy instruments to assist countries in their implementation of regional agreements and reinforce the implementation of ECO trade agreements;
- Enhance information exchange on trade and procurement opportunities and promote private-sector direct interaction in the region;
- Provide investment guarantees and risk insurances to attract private investment to the region;
- Promote private-public partnership to make the regional chambers of commerce regulating bodies of public-sector agreements;
- Continue efforts to harmonise customs;
- Streamline visa procedures for business people;
- Resolve regulatory issues around corridors and transit and focus on the two transit corridors as models in cross-border agreements;
- Improve border control and create joint border points;
- Facilitate the creation of regional transport companies and overall improvement of transport infrastructure.

Socio-economic cooperation

- Enhance regional cooperation in achieving MDGs: compile regional indicators and build capacity for regional social policy and human development analysis;
- Ensure regional problems, such as refugee return and drugs are addressed regionally;
- Evaluate technical skills available in the region, consolidate support for capacity building in Afghanistan and broaden the involvement of regional expertise and capacity for reconstruction in Afghanistan;
- Explore options for effective networking and resource sharing among educational institutes.
The Bishkek Declaration

We, the participants of the international conference "Afghanistan and Regional Economic Cooperation: Central Asia, Iran and Pakistan", representing governments and business groups of our countries,

*Giving high praise* to the emerging positive developments in the process of post-conflict revitalization of Afghanistan, including the adoption of the Constitution, revival of a functioning national government, strengthened domestic political stability, and steps undertaken to reconstruct the economy and infrastructure;

*Expressing the hope* that the universal presidential and parliamentary elections scheduled to take place in Autumn 2004 in Afghanistan will lay a solid foundation for institutional transformations, effective governance and democratic development;

*Noting in particular* that the rehabilitation of Afghanistan's livelihoods, the securing of peace and security on its territory, the development of a national economy and state governance institutions open new perspectives and opportunities for the entire region;

*Welcoming* the active and important contributions of the international community towards the reconstruction of Afghanistan and its regional and global integration, including the recent pledges of donor countries for USD 8.2 billion to Afghanistan, made on the basis of the results of the Berlin Conference (2004);

*Reconfirming continuity* of decisions of three previous conferences on Afghanistan - in Bonn (2001), Tokyo (2002) and Berlin (2004) - as well the Kabul Declaration of Good-Neighborly Relations (2002) and the Dubai Declaration on the promotion of closer cooperation in the spheres of trade, transit and investments (2003);

*Recognizing* the central and leading role of the United Nations and the Government of Afghanistan in organizing international assistance to the Afghan people and for the reconstruction of the country;

*Hereby note* that the progress achieved to stabilize the national political life in Afghanistan highlights the challenge for economic and social progress;

*Hereby note* that economic cooperation among Afghanistan's neighbors will accelerate Afghanistan's recovery, bring stability to the region and provide a basis for the pursuit of common economic interests of the whole region;

*Emphasize* that Afghanistan is our natural regional partner in the spheres of industrial cooperation, investment, trade and transit among the neighboring countries of Central and Southern Asia, Iran and Pakistan;
Highlight the importance of Afghanistan’s policies to ensure secure transit trade with all of its neighbors and the need to harmonize the legislation of Central Asian states, Iran, Pakistan and Afghanistan in that sphere;

Reconfirm our readiness to participate in programs for the reconstruction of Afghanistan, to provide humanitarian, technical and consultative assistance in various areas and to facilitate private-sector initiatives;

Hereby note in particular fruitful discussions on the background for sustainable economic development, including transit and transport infrastructure, trade and investment policies, communications and energy distribution;

Underlining the role of the private sector in expanding economic cooperation and the reconstruction of Afghanistan;

We call for support of this sector through the establishment of export and investment guarantee funds by donor countries to Afghanistan;

Urge donor states, international financial institutions and humanitarian organizations to increase their participation in the comprehensive revival of the Afghan state;

Express gratitude to the Government of the Kyrgyz Republic, the United Nations Development Program, the World Bank and the Asian Development Bank for holding that important conference, organized with the purpose of active promotion of regional development regarding proclaimed tasks and goals;

Deem it important to bring this Declaration to the notice of the United Nations.
## Agenda of the Conference

### Monday 10th May 2004

#### Experts’ Working Group, Day 1

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Details</th>
</tr>
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<tbody>
<tr>
<td>08:30 - 09:00</td>
<td>Registration</td>
<td>Venue: Hyatt Regency Hotel</td>
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<tr>
<td>09:00 - 09:30</td>
<td>Plenary opening session</td>
<td>Co-Chairs:</td>
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<tr>
<td></td>
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<td>Mr. Ercan Murat, Country Director, UNDP Afghanistan</td>
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<td></td>
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<td>Mr. Jerzy Skuratowicz, Resident Representative, UNDP Kyrgyz Republic</td>
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<tr>
<td>09:00 - 09:15</td>
<td></td>
<td>Introduction and welcome addressed by Mr. Jerzy Skuratowicz</td>
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<tr>
<td>09:15 - 09:30</td>
<td></td>
<td>Introduction and welcome addressed by Mr. Nikolay Tanaev, Prime Minister, Kyrgyz Republic</td>
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<tr>
<td>09:30 - 10:15</td>
<td>Plenary session</td>
<td>Short introductory presentations by heads of country delegations</td>
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<tr>
<td>10:15 - 10:45</td>
<td>Tea and coffee</td>
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<tr>
<td>10:45 - 12:00</td>
<td>Plenary session</td>
<td>Introductory presentations by Working Group Facilitators</td>
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<tr>
<td>12:15 - 14:00</td>
<td>Lunch</td>
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<tr>
<td>14:00 - 15:30</td>
<td>Working Groups (WG) Session I (parallel meetings)</td>
<td>WG1 - Afghanistan as a new regional player</td>
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<td>WG2 - Trade policy and trade facilitations</td>
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<td></td>
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<td>WG3 - Transit and transport infrastructure</td>
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<tr>
<td>15:30 - 16:00</td>
<td>Tea and coffee</td>
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<tr>
<td>16:00 - 17:00</td>
<td>Working Groups Session I continued</td>
<td>WG1 - Afghanistan as a new regional player</td>
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<td>WG2 - Trade policy and trade facilitations</td>
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<td></td>
<td>WG3 - Transit and transport infrastructure</td>
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<tr>
<td>17:30</td>
<td>Dinner</td>
<td>Hosted by UNDP</td>
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**Tuesday 11th May 2004**

**Experts’ Working Group, Day 2**

<table>
<thead>
<tr>
<th>Time</th>
<th>Activities</th>
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<tbody>
<tr>
<td>09:00 - 10:30</td>
<td>Working Groups Session II (parallel meetings)</td>
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<tr>
<td></td>
<td>WG1 - Afghanistan as a new regional player</td>
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<td>WG2 - Trade policy and trade facilitations</td>
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<td></td>
<td>WG3 - Transit and transport infrastructure</td>
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<tr>
<td>10:30 - 11:00</td>
<td>Tea and coffee</td>
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<tr>
<td>11:00 - 12:00</td>
<td>Working Groups (WG) Session II continued</td>
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<tr>
<td></td>
<td>WG1 - Afghanistan as a new regional player</td>
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<td>WG2 - Trade policy and trade facilitations</td>
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<td></td>
<td>WG3 - Transit and transport infrastructure</td>
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<tr>
<td>12:15 - 14:00</td>
<td>Lunch</td>
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<tr>
<td>14:00 - 16:00</td>
<td>Working Groups (WG) Session III (parallel meetings)</td>
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<tr>
<td></td>
<td>WG1 - Afghanistan as a new regional player</td>
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<td>WG2 - Trade policy and trade facilitations</td>
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<td></td>
<td>WG3 - Transit and transport infrastructure</td>
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<tr>
<td>16:00 - 17:00</td>
<td>Tea and coffee</td>
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<tr>
<td>17:00 - 17:30</td>
<td>Plenary session</td>
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<td>Reports by Working Group Rapporteurs.</td>
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<td></td>
<td>Mr. Joomart Otorbaev, Deputy Prime Minister, Kyrgyz Republic</td>
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<tr>
<td>18:00</td>
<td>Private-sector meeting followed by reception for private-participants, hosted by UNDP</td>
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Wednesday 12th May 2004

Ministerial Conference

09:00 - 09:45 Opening remarks
Chair:
H.E. Nikolay Tanaev,
Prime Minister, Kyrgyz Republic

09:00 - 09:15
H.E. Askar Akaev,
President of the Kyrgyz Republic

09:15 - 09:30
Mr. Mark Malloch Brown,
UNDP Administrator

09:30 - 09:45
H.E. Ashraf Ghani,
Minister of Finance, Afghanistan

09:45 - 10:00 Photo opportunity

10:00 - 10:30 Tea and coffee

10:30 - 12:00 Plenary discussion
Statements by heads of delegations
Consolidated report of the expert WG

12:15 - 14:00 Lunch

14:00 - 15:15 Plenary session
Delegation statements on the report of the expert Working Groups
Discussion in plenary

15:15 - 15:45 Tea and coffee

15:45 - 17:30 Plenary session
Presentation of the Bishkek Joint Ministerial Declaration
Adoption of the Bishkek Joint Ministerial Declaration

17:30 - 18:00 Closing remarks
Mr. Ercan Murat,
Country Director, UNDP Afghanistan

18:00 - 18:45 Press conference

19:30 Reception hosted by the Kyrgyz Republic
Statements from Afghanistan and Turkmenistan government delegations were not available at the time of printing.