

Annexes

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Summaries of Discussions

Working Group I - 10 May 2004

Afghanistan: a new regional player

Rapporteur: Mr. Talantbek Kushchubekov
Deputy Minister of Foreign Affairs, Kyrgyz Republic

The Working Group met to discuss Afghanistan's role as a bridge between Central and South Asia; incentives for regional trade and investment in Afghanistan's reconstruction and recovery; and prospects for regional cooperation on a wide range of issues critical to the future growth of the entire region. The working group was chaired by the Chief Executive Officer of the Afghan Investment Support Agency, and was facilitated by a UNDP senior consultant.

The Working Group noted that Afghanistan has taken enormous strides in



its reconstruction and recovery during the past two years. Nonetheless, it took its guidance from the Afghan delegation, which suggested that the future for both Afghanistan in particular as well as the region as a whole lies in the “big picture”. The Working Group therefore discussed a number of broadly gauged subjects to provide a context for the specific



recommendations listed below. In particular, it considered: trade, transit and travel; security and regional trade; regional investment and communications; national economic reform; social and economic progress; entrepreneurship; border relationships; migration and labour; training and capacity building; information sharing across borders; parallel economies and narcotics; transparency and anti-corruption policies; the importance of civil society participation; enhancing the role of women in reconstruction and recovery; the role of regional organizations in promoting regional prosperity; and more generally, the evolving concept of regional relations across the previous divides of South, Central and West Asia. Delegates paid particular attention to the intersections among these policy arenas.

On the basis of these discussions, the Working Group proposes to the region's governments and participating multilateral institutions the following initiatives:

→ *Foster regional cooperation on poverty reduction, urgent social programs, good governance and post-conflict recovery:* the Working Group underscored the need to create regional capacity for comparative analysis of social policy, with particular



attention to economic and social vulnerability, family planning and integrating poverty indicators into regional economic planning. Capacity-building areas include statistical analysis, policy benchmarks, human development indices, and sponsored research on behalf of international institutions.

Regional cooperation in reaching Millennium Development Goals can be expedited through joint statistical and analytical activities, including cross-regional human development reporting.

→ *Develop regional institutions and strengthen existing cross-border organizations in order to accelerate regional economic cooperation:* the Working Group noted the existence of effective regional organizations, including new institutions created under the auspices of the international community, but emphasized nonetheless the need to encourage regional engagement in Afghanistan's social and economic recovery by harmonizing national regulations that can promote investment in Afghanistan.

Such initiatives include strengthening standard-setting activities of the Economic

Cooperation Organization; supporting Afghanistan's membership in the World Trade Organization; expanding institutional capacity to support microfinance and other forms of capital flow for the poor; strengthening and expanding the number of bilateral economic commissions; and exploring the creation of regional economic zones.

In addition, the group noted the special imperatives to rationalize public-private cooperation across the region and promote private-sector-led growth.

The Working Group noted that improved cross-departmental links within multilateral organizations would make it easier for those institutions to assist the region's development more effectively.

→ *Build human capacity and conduct training in Afghanistan and the region in order to sustain Afghanistan's recovery and promote economic growth across the region:* the Working Group noted the regional economic benefits of linking training to investment and including women in all aspects of recovery and training for their participation in reconstruction. The Working Group noted that labour migration, with appropriate employment protections, is a critical element of economic growth in the region, and therefore proposes a joint



commission, facilitated by the WTO and the ILO, to create mechanisms to promote such migration.

The group proposes the creation of a regional commission on education and vocational training, with representation from each participating government and relevant civil society organizations.

The group noted the recent success of the Central Asian Association of Universities as a coordinating body for higher education and its value as a model to coordinate the region's contribution to advanced training for Afghans.

The group noted the importance of undertaking innovative programs to train refugees prior to repatriation and urges the international donor community to respond to the region's interest in such capacity-building endeavours.

→ *Foster greater communications within the region:* the group noted the importance of cross-border communication, not only to increase mutual understanding but also to help create conditions for secure trade and investment. To take advantage of open communication environments, the group



encourages broad media coverage across the region. In pursuit of the free flow of information, the group calls upon the United Nations and other regional actors to help bridge the information gap on economic conditions, investment and trade, all of which could have an important impact on regional communication systems.

The flexibility and reliability of web-based procurement is one way to ensure transparency, accountability and uniform standards in reconstruction-related investment.

Connecting fibre-optic networks across



the region will enhance communication, knowledge sharing and investment.

In general, the group proposed that the region undertake regular meetings on specific policy issues, and, whenever possible, review the experience of participating states on issues related to reconstruction and recovery. The group also proposed that the international community, particularly UNDP, the World Bank and the Asian Development Bank, foster these activities on behalf of the region's governments and citizens.

Working Group II - 11 May 2004

Trade policy and trade facilitation

Rapporteur: Mr. Kabir Arghandiwal, Scimitar Capital Partners
Chairman: Ishik Orhan, ECO, Deputy Secretary General (Trade and Investment)
Facilitator: Alastair McKechnie, World Bank, Country Director for Afghanistan

Deepen and widen information exchange

Background:

A lack of information was seen as an obstacle for trade and investment opportunities in the region.

Recommendation:

Information about trade and investment regulations and opportunities should be provided by national and regional organisations. The internet should be used more actively in this regard. Private-sector organisations are vital for disseminating the information to investors and traders. For Afghanistan, AISA (Afghan



Investment Support Agency) should deliver this information. Governments and donors (e.g. in the Afghan reconstruction process) should announce their tenders more actively to regional players.

Information should be available in English and Russian.

Issues under discussion:

Information was deemed lacking for Afghanistan and other countries in the following fields:

- Investment laws
- Investment guarantee schemes

- Land availability and regulation
- Investment opportunities, particularly in the fields of agriculture and agro-processing
- Land Propriety
- Credit

ECO is starting a portal for business opportunities in June 2004, called ECO



Trade Net. The participating countries should assign focal points (trade promotion agencies) to feed the information.

The International Trade Centre (ITC) is also launching an information-exchange project, called Maraqand, for the Central Asian Region.

The Chamber of Commerce has a crucial



role to play in information dissemination. The revived ECO Chamber of Commerce should be active in this regard and integrate the diversity of business organisations for information dissemination.

It was also recommended that information exchange be increased among the Investment Promotion Agencies in the region.

ADB will support Trade Information Centres in the region. It was recommended to ADB to consider integrating all participating countries into this process, particularly Afghanistan.

Reinforcing the implementation of ECO agreements

Background

The already existing and upcoming ECO agreements are seen as the most important tools to strengthen the trade ties among the countries participating in the conference.

Recommendation:

Timely ratification and implementation of existing and planned ECO agreements by all participating countries was recommended to enhance regional cooperation and trade.

Issues under discussion:

ECO Trade Agreement: Signed by five members (Pakistan, Iran, Afghanistan, Turkey and Tajikistan). More countries

(e.g. Kyrgyzstan) showed firm interest in signing the agreement. The annexes on Rules of Origin, the Negative List and the Anti-Dumping rules will be finalised in 2004. After the finalisation of the annexes, the ratification process will start. The High-Level Expert Group adopted a fast-track approach for reducing the maximum tariffs down to 10%, covering 80% of the traded goods within five years; for Afghanistan the reduction must be met after 15 years. The next meeting is in June in Islamabad.

The ECO Trade Agreement was also seen as a step towards WTO membership so far only Kyrgyzstan, Pakistan, Turkey are members. With the exception of Afghanistan and Turkmenistan, all other ECO members have applied for WTO membership. There is scope for mutual cooperation in WTO application among the participating countries.

ECO Transit Trade Agreement: Signed by nine member countries; ratified by eight countries, agreement in force.

ECO Transit Transport Framework Agreement: Signed by eight member countries and ratified by five member countries. It will become effective after the ratification of one more country.

Bilateral trade treaties to complement, deepen and ensure implementation of multilateral/ regional trade agreements

Background:

Bilateral and regional trade agreements should be mutually supportive.

Recommendation:

Bilateral treaties and regional trade and investment agreements should be mutually supportive and should be developed coherently. It may be possible for faster

progress to be made through bilateral agreements, and these should be designed to be consistent with the emerging multilateral agendas.



Issues under discussion:

- Regional and multilateral trade and investment treatments are seen as the best solution to enhance trade and investment in the long term.
- Bilateral treaties are seen as critical, as they can often improve the framework for trade and investment faster and deeper than regional agreements.
- Bilateral treaties should contribute to solving trade-related tax questions.
- Bilateral treaties should address the following issues:
 - Elimination of negative lists and import bans.
 - Enhancement of cross-border trade.

Customs procedures

Background:

Despite ongoing efforts, the customs procedures in the region are still seen as the major obstacle to increasing intra-regional trade.

Recommendation:

Harmonization and simplification of customs procedures, development of border post facilities, data consolidation and use of IT for transit, development of

risk-management systems in customs clearance and the application of TIR procedures should be treated as priorities for trade facilitation. Customs reform should be given priority along the transport corridors.

Issues under discussion:

The usage of international tools for customs procedures in the regions was recommended. In particular:

- Harmonized systems for customs tariff lines.
- Application of ASYCUDA (Automated System for Customs Data)

Facilitating visa procedures

Background:

The existing visa procedures for businesses are seen as still too cumbersome to serve the needs of the private sector. In particular, the visa procedures of some Central Asian countries are seen as too slow and costly.

Recommendation:

Faster and streamlined visa procedures are needed to facilitate trade and investment in the region. Countries participating at the conference were urged to liberalise visa formalities for legitimate business people and transport personnel. A working group incorporating government officials and private-sector representatives should be formed to solve the remaining problems.



Issues under discussion:

As a standard, it was proposed that multiple-entry visas lasting one year should be issued for business people and transport personnel.

Chambers of Commerce should act as counterparts for the visa-issuing authorities to confirm the eligibility for business visas.

In some countries, visa procedures are slowing down business contacts. Several cases were reported in which business



opportunities couldn't be taken because of cumbersome visa procedures.

ECO should elevate this problem at its ministerial meeting. Information should be gathered from Chambers of Commerce. One-year multiple-entry visas should be issued as the norm.

Solving regulatory issues around corridors

Background:

High interest was shown in solving infrastructure and regulatory problems to make suggested transit corridors operational.

Recommendation:

Multilateral working groups should be formed to solve infrastructure and regulatory bottlenecks along the main transit corridors in the region.

Issues under discussion:

- All participating countries are willing to strengthen their cooperation to make main transit corridors more effective.
- Corridors are seen as one tool to promote trade facilitation among countries with a mutual interest in more-efficient transit arrangements. Agreements reached around corridors could be a model to facilitate trade in general.
- Corridors allow measuring the impact of trade facilitation easier by facilitating the assessment of transport times.

Promote trade pro-actively

Background:

Trade promotion activities in the region are seen as insufficient.

Recommendation:

The trade promotion activities of the participating countries should be strengthened and better aimed at the partners in the region.

Issues under discussion:

It was recommended to integrate the private sector more actively in such activities.

The activities should build upon ongoing activities of the private sector and implemented as public-private partnerships.



Donor agencies, in particular the World Bank and the International Trade Centre, were encouraged to assist with trade promotion.

Reinforcing regional investment promotion as to reinforce regional trade

Background:

Investment and trade are seen as two sides of the same coin. Promote moderate, simple, transparent taxes for all businesses, including joint ventures.

Recommendation:

Trade and investment promotion should be strengthened together.

Issues under discussion:

Trade and investment promotion activities are mutually reinforcing and should therefore be undertaken in a mutually beneficial way.

Investment guarantees and risk insurance

Background:

The lack of investment risk insurance is seen as a major obstacle to more investment, particularly in Afghanistan.

Recommendation:

Schemes for investment guarantees should become operational soon and their usage promoted, particularly for small and medium enterprises.

Issues under discussion:

The MIGA risk insurance schemes will become operational shortly in Afghanistan. AISA will work as the national contact point. A special system to facilitate the use of MIGA's instruments in Afghanistan is supported by the World Bank, MIGA, ADB, Germany and other donors.

OPIC, a US investment guarantee and equity capital agency, is operational and is expanding its activities after the signing of an Afghan-US bilateral agreement in April 2004.

Other bilateral schemes (e.g. with Germany) are available.

Monitoring of results by private sector

Background:

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.

Recommendation:

The private sector should take a lead role in monitoring the implementation and impact of the existing agreements and the resolutions of this conference. Benchmarks should be created to monitor the implementation of the existing regional agreements, in particular the ECO agreements. An ongoing dialogue between the private sector and the governments of the regions should be established to ensure the effective implementation of the agreements. This dialogue could be supported by the revived ECO Chamber of Commerce in collaboration with other interested business organisations in the region. Donor organisations are encouraged to support these activities.



Working Group III - 11 May 2004

Transport and Transit Infrastructure

Rapporteur: Mr. Hamid Qaderi
Chairman of Qaderi Transport

Considering the central and vital role of Afghanistan as a hub of trade, investment and transit, it was agreed by the participating delegates of the Working Group that Afghanistan's security is critical to the security of the region. Investment in Afghanistan shall be considered as a national investment in the countries of the region. It was agreed that matters related to transport and transit would be tackled on both the bilateral as well as the multilateral levels.

The group cited the following measures and recommendations as top priorities:

- Harmonization of procedures and simplification of trade and transit, which include:
- Visa facilitation
- Harmonized taxation and tariffs in order to increase competitiveness
- Safety of transit routes
- Non-discriminatory treatment for transit goods
- Joint border check-posts
- Border-post infrastructure to be improved through the national revenue and through international assistance, with active participation from the private sector of each country
- Creation of a regional transportation company involving the private sector from the countries of the region. The arrangements for setting up the company could be an issue for the next meeting.
- Possibility of establishing centers of

logistics in Termez/Khairaton and Kushka could be included in the agenda of the next meeting.

- Improved communication, information sharing and improved access to data were stressed as vital for regional trade.

Energy sector

Arrangements for power sharing in the region shall be discussed in future conferences.

Mode of transportation

Renovation of roadways is a priority for Afghanistan.

To enhance regional trade and transit involving the Central Asian countries, multimodal transportation means will be involved.

Air connectivity should be also be considered as a priority. Kabul could be a regional hub for air routes.

Routes

While the major directions run north-south, east-west routes are to be considered, as well, especially in terms of linking countries beyond the region (e.g. China).

Distance is not equivalent to costs. Time is the key component of costs.

Future trade and transit would depend on the diversification of industrial production and export in the countries of the region.

Coordination with regional institutions and agreements

It was stressed that ECO, as one of the major regional institutions, would also take the recommendations of the group into consideration.

Private sector

A permanent regional committee consisting of the private sectors of the respective countries shall be formed to monitor the follow-up of the decisions and recommendations of the Bishkek Conference. Representatives of the private sector should meet regularly. International organizations (UNDP, ADB, WB and other institutions) will be encouraged to consider the possibilities of technical assistance and support.



Capacity building and skills development

Capacity building for government institutions involved in trade and transit regulation is essential. Each country shall consider issues of capacity building of its private sector and view the private sector as a main vehicle for economic development.

Follow-up

While stressing the importance of the Bishkek Conference as a landmark for bringing together the governments and private sectors of the region, it was suggested that the next two venues for similar conferences should be Tashkent and Almaty.



FOR FURTHER INFORMATION:

Bishkek Conference website: <http://arec.undp.kg/en>

UNDP Afghanistan website: <http://www.undp.org.af>

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