

Afghanistan National Development Strategy

Strategy Outline Table for Ministries: 1385

Economic Governance and Private Sector Development

Implementing Agency: Ministry of Commerce

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 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.

Operational Benchmarks	Objectives	Strategies	Programs/Projects	Indicators/Outcomes
<ul style="list-style-type: none"> • Establish the new <i>Legal and Regulatory Affairs Directorate</i> within MoC with ongoing capacity building programs. • Formal process in place to assess the social and economic impact of new laws, including their impacts on business. • Ensure compliance of relevant laws with WTO commitments. • Submit outstanding draft commercial laws to the Taqin or Parliament. The number to be submitted in any given year dependant on the capacity of the Taqin or Parliament to process. Among the laws to be drafted are: Priorities during 1385 are expected 	<p>To establish legal and regulatory framework necessary for functioning of an efficient free market economy.</p>	<p><u>Legal Reform</u> Development and implementation of modern system of commercial legislation.</p>	<p>Ongoing Activities: Economic Governance & Private Sector Strengthening/USAID Standards, Testing and Certification/UNIDO Customs Modernization and Trade Facilitation/UNCTAD Technical Assistance and Capacity Building/DFID</p>	<p>Increasing share of economic activity taking place in the formal sector. Commercial laws submitted to Taqin or Parliament. Website operational on process of commercial law reform to provide background information to private sector and civil society.</p>

to include: Arbitration Law (or regulation); Standardization Law; Anti-Dumping Law; Corporation Law; and Foreign Entity Recognition Regulation.				
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Operational Benchmarks	Objectives	Strategies	Programs/Projects	Indicators/Outcomes
<ul style="list-style-type: none"> • Establish the new <i>Legal and Regulatory Affairs Directorate</i> and <i>Private Sector Development Directorate</i> within MoC with ongoing capacity building programs. • Implement assessment of the costs and benefits of existing commercial regulations and systemic reform process. Utilize same assessment methodology to evaluate any new proposed commercial regulations to insure that they maximize net benefits. • Implement requirements to ensure that all regulatory changes and their impacts on consumers and the private sector are adequately publicized. • Evaluate completed reforms and introduce measures to further streamline business licensing procedures and extend business licensing capacity to provinces. 	<p>To continue to minimize transaction costs of doing business due to regulatory impediments to domestic and foreign trade.</p> <p>To improve the investment climate and maximize the potential of Afghanistan as a key regional center for trade.</p>	<p><u>Regulatory Reform:</u> Establish a more open and transparent economic environment through comprehensive reform of regulatory barriers to domestic and foreign trade.</p>	<p>Ongoing Activities:</p> <p>Economic Governance & Private Sector Strengthening/USAID</p> <p>Technical Assistance and Capacity Building/DFID</p> <p>Customs Modernization and Trade Facilitation/UNCTAD</p>	<p>Reduced reliance on use of price controls.</p> <p>Increased use by the Government of cost-benefit analysis in evaluation of impact of commercial regulations.</p> <p>Website operational on process of regulatory review and reform to provide current information to private sector and civil society. Ensure that all relevant regulations are available on the website.</p>

Operational Benchmarks	Objectives	Strategies	Programs/Projects	Indicators/Outcomes
<ul style="list-style-type: none"> • Establish the new <i>Directorate for SOE Management</i> within MOC for implementing program for privatization of SOEs with ongoing capacity building programs. • The MoC will work with the Ministry of Finance in developing a program for privatisation of SOEs. 	<p>The Government is committed to a free market economy and will gradually divest its SOEs in an open and transparent manner. This will help to ensure that the country's resources are used more productively; contributing to higher sustained economic growth.</p>	<p><u>SOE Privatisation</u> The Government's strategy for divestment of state-owned enterprises will be completed by end-2009.</p>	<p>Ongoing Activities: All activities in this area to be conducted in accord with Government decisions.</p>	<p>Enterprises divested. Website operational on process of SOE reform and its importance to the country's economic growth and development.</p>

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<ul style="list-style-type: none"> • Establish the Consumer Protection unit as part of the new <i>Legal and Regulatory Affairs Directorate</i> in MoC with ongoing capacity building programs. • Establish standards technical committees. • Establish <i>Technical Regulations Inspectorate</i> within ANSA and develop metrology laboratories. • Complete assessment of existing consumer protection provisions and publish program for reforming existing and introducing new regulations. 	<p>Ensure consumer safety is adequately protected without imposing undue costs on domestic producers or creating excessive barriers to trade.</p>	<p><u>Consumer Protection and Standards</u> Development of effective system for consumer protection and norms and standards to ensure safety of goods on the domestic market and promote competitiveness of Afghan products.</p>	<p>Ongoing Activities: Standards, Testing and Certification/UNIDO Economic Governance & Private Sector Strengthening/USAID Technical Assistance and Capacity Building/DFID</p>	<p>Inspectorate established and fully functioning. Laboratories in place and fully functioning. Websites operational for ANSA and Consumer Protection unit to provide current information to Government, Parliament, the private sector and civil society.</p>

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<ul style="list-style-type: none"> • Establish the new <i>Private Sector Development Directorate</i>, including the Investment Policy Department, within MoC with ongoing capacity building programs. • Complete and publish updated <i>Investor Roadmap</i>. • Pursue bilateral investment agreements. • Introduce reforms to existing investment related procedures. • Introduce mechanisms to manage and reduce investment risk • To facilitate mobilization of private capital for public sector investment projects 	<p>To create an environment in which domestic and foreign investors have the confidence in the economic policies, legal and regulatory institutional framework to make productive investments.</p>	<p><u>Investment Policy</u> Develop and implement policies to create an enabling environment for domestic and foreign investment.</p>	<p>Ongoing Activities: Investment Promotion/GTZ Technical Assistance and Capacity Building/DFID World Bank</p>	<p>Investment policy component of “Strategy to policy” paper finalized.</p> <p>Investment policy approved by Council of Ministers.</p> <p>Increased domestic and foreign investment.</p> <p>Benchmark indicators of time and cost for investment are reduced.</p> <p>Website fully operational for investors.</p>

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<ul style="list-style-type: none"> • Expansion of AISA to five provinces. • Ensure understanding of existing procedures through wide dissemination of the <i>Investors Guide</i>. • Establish AISA-led Investors Task Force to identify needed investment-related reforms. 	<p>To promote Afghanistan as an investment location.</p> <p>To facilitate private sector investment.</p> <p>To advocate pro-investment reform to government.</p>	<p><u>Investment Promotion</u> Promotion and facilitation of domestic and foreign investment.</p>	<p>Ongoing Activities:</p> <p>Investment Promotion/GTZ</p> <p>Technical Assistance and Capacity Building/DFID</p> <p>USAID/OPIC</p> <p>Building Capacity of Ministry of Commerce for Trade and Transit Facilitation/ADB</p> <p>MIGA/World Bank</p> <p>AISA</p>	<p>Increased domestic and foreign investment.</p> <p>Benchmark indicators of time and cost for investment are reduced.</p> <p>Website fully operational for investors.</p>

Operational Benchmarks	Objectives	Strategies	Programs/Projects	Indicators/Outcomes
<ul style="list-style-type: none"> • Establishment of <i>Afghan Export Promotion Agency (AEPA)</i>. The AEPA's primary function will be to increase access of private enterprises to the support services needed to compete effectively in export markets. • Remodel and restructure the International Trade Directorate within MoC with ongoing capacity building programs. 	<p>Improve productive capacity within the domestic private sector to expand exports and compete more effectively with imports.</p>	<p><u>Export Promotion</u> Provide institutional support through increased market information, commercial training and enhanced promotion efforts abroad.</p>	<p>Ongoing Activities: Export Promotion/GTZ Economic Governance and Private Sector Strengthening/USAID Standards, Testing and Certification/UNIDO</p>	<p>Increased levels of exports. Increased diversity of goods exported. Increased numbers of destinations for exported goods. Website operational for export promotion activities to provide current information to the private sector.</p>

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<ul style="list-style-type: none"> • Establish the new <i>Private Sector Development Directorate</i>, including the Market and Business Development Department, within MoC with ongoing capacity building programs. • Develop a shared stakeholder vision for factor and goods markets in the new Afghan economy. • Establish a formalization task force responsible for developing and co-ordinating the implementation of the government's formalization strategy. 	<p>To define the roles of the state and the private sector in the development of a socially responsible market economy.</p> <p>To develop and implement policy that will contribute to the effective and efficient regulation and efficient functioning of markets (factor and goods).</p> <p>To develop and implement policies that create a competitive advantage for the private sector to operate in the formal economy.</p>	<p><u>Market development</u></p> <p>Facilitate the development of functional market systems to allow businesses to compete on a level playing field.</p> <p>Ensure appropriate regulatory balance of interests between various market participants (state, private sector, employees, consumers and others).</p>	<p>Ongoing Activities:</p> <p>SME Development Project/GTZ</p> <p>Technical Assistance and Capacity Building/DFID</p> <p>World Bank (forthcoming)</p> <p>UNDP</p>	<p>Market development component of “Strategy to policy” paper finalized.</p> <p>A position paper prepared following extensive stakeholder consultation setting out the respective roles of state, private sector and other stakeholders in the new Afghan economy adopted by the Council of Ministers.</p> <p>Formalisation task force established and functioning and formalisation strategy drafted.</p>

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<ul style="list-style-type: none"> • Establish the new <i>Private Sector Development Directorate</i>, including the Market and Business Development Department, within MoC with ongoing capacity building programs. • Establish program to regulate and facilitate the market for private sector provided business development services (particularly focused on SME development). • Establish knowledge networks among innovation stakeholders (government, private sector and academia). 	<p>To encourage innovation and competitiveness in the Afghan private sector in traditional and new sectors.</p>	<p><u>Encouraging innovation and competitiveness</u></p> <p>Encourage the development of innovative and competitive private sector enterprises.</p> <p>Strengthen environment for domestic suppliers of business development services, including commercial planning, financial management, marketing, human resource development and export promotion.</p>	<p>Ongoing Activities:</p> <p>SME Development Project/GTZ</p> <p>Technical Assistance and Capacity Building/DFID</p> <p>World Bank (forthcoming)</p> <p>UNDP</p> <p>OTF Competitiveness project</p>	<p>Innovation and competitiveness component of “Strategy to policy” paper finalized.</p> <p>Functioning knowledge networks established and operational (state, private sector, academia and other interested parties).</p> <p>National innovation and competitiveness strategy developed through stakeholder consultation and approved by Council of Ministers.</p> <p>Business Development Services accreditation system in place.</p> <p>Website operational that will provide information on expanding opportunities for suppliers of business development services and ways in which the Government is supporting the development of this sector.</p>

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<ul style="list-style-type: none"> A program to rehabilitate and expand existing industrial parks to be developed in conjunction with other responsible ministries. 	<p>Remove or reduce the critical infrastructure impediments limiting industrial growth.</p>	<p><u>Development of Industrial Parks</u> Existing industrial parks will be rehabilitated or expanded and new industrial parks will be established in order to help overcome the country's severe infrastructure constraints as well as to encourage more balanced regional development.</p>	<p>Ongoing Activities: Investment Promotion/GTZ AISA USAID World Bank (forthcoming)</p>	<p>Increased levels of employment, production, etc, being undertaken in estates.</p>

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<ul style="list-style-type: none"> • Remodel and restructure the <i>International Trade Directorate</i> within MoC with ongoing capacity building programs. • WTO accession: preparation of <i>Memorandum of Foreign Trade Regime</i>. • WTO capacity building in government, parliament, private sector and civil society through seminars and outreach programs. • Initiate process of trade policy reform that would entail, <i>inter alia</i>, adoption of simpler, lower and more uniform tariff rate structure; eliminate/reduce other taxes on trade. • Consultations with the US in the context of <i>Trade and Investment Framework Agreement</i> (TIFA). • SAFTA capacity building in government, parliament, private sector and civil society through 	<p>Increase integration of Afghanistan into the regional and global economy in order to increase economic growth.</p> <p>Maximize the benefits from preferential trade agreements, including, <i>inter alia</i>, US, EU, Japan, Canada, India and regional agreements such as Economic Cooperation Organization (ECO) and South Asian Association for Regional Cooperation (SAARC).</p>	<p><u>Trade Expansion</u> Expand international trade by accelerating accession to WTO and effectively pursuing multilateral trade liberalization.</p> <p>Increase opportunities for expanding regional trade by rationalizing existing bilateral and regional trade agreements; complete formalities for joining the South Asia Free Trade Agreement (SAFTA); and pursue additional trade related measures that will expand market access and remain consistent with broad trade strategy.</p>	<p>Ongoing Activities:</p> <p>Economic Governance & Private Sector Strengthening/USAID</p> <p>Customs Modernization and Trade Facilitation/UNCTAD</p> <p>Standards, Testing and Certification/UNIDO</p> <p>Export Promotion/GTZ</p>	<p>Increases in total exports and imports.</p> <p>Increase exports receiving preferential market access.</p> <p>Milestones reached on accession progress, including completion of Memorandum of Foreign Trade Regime.</p> <p>Milestones reached in process of joining SAFTA.</p> <p>Website operational providing information on progress in the WTO accession process and to provide the private sector and public at large with information on impacts of joining the WTO.</p>

<p>seminars and outreach programs, identifying opportunities available and how these can be accessed..</p> <ul style="list-style-type: none">• Presentation and initial discussions of Afghanistan's SAFTA proposal with SAARC partners.				
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<ul style="list-style-type: none"> • Establish the new <i>Transit and Trade Facilitation Directorate</i> within MoC with ongoing capacity building programs. • Implement <i>Corridor Development Plan of the Central and South Asia Transport and Trade Forum</i> initiative. • Build additional capacity for negotiating, implementing and monitoring compliance with transit agreements. • Renegotiate <i>Afghan Trade and Transit Agreement</i> with some countries by end 2006. • Implement border crossing point, Road Transport Agreement, transit and customs initiatives with Central Asia Regional Cooperation (CAREC) and Central and South Asia Transport and Trade Forum (CSATTF). • Present reports to the <i>UN Economic Commission for</i> 	<p>Reduce trade related transaction costs by facilitating increased access to least costly means of transportation of imports and exports.</p>	<p><u>Strengthen and Modernize Transit Agreements</u> Strengthen and modernize existing transit agreements to reduce the costs of trade within the region and globally.</p> <p>Integrate Afghanistan into regional and international transit organizations and conventions.</p> <p>Modernize border crossing point procedures and management.</p>	<p>Ongoing Activities: Customs Modernization and Trade Facilitation/UNCTAD</p>	<p>Reduced average costs of transporting goods to and from the country.</p> <p>Reduced border crossing delays.</p> <p>Increased utilization of transit agreements, measured by volumes of trade.</p> <p>Renegotiated <i>Afghan Trade and Transit Agreement</i>.</p> <p>TIR Reactivated Working Group.</p> <p>Updated Freight Forwarders Database.</p> <p>Website operational providing information on provisions under existing and proposed transit agreements.</p>

<p><i>Europe (UNECE), International Road Union (IRU) and Transport Internationaux Routiers (TIR).</i></p> <ul style="list-style-type: none">• Reactivate TIR: 1975 TIR Convention and TIR Carnet.• Establish program to strengthen <i>Afghan Freight Forwarding Association</i> and coordinating with <i>International Association of Freight Forwarders Associations (FIATA)</i>.				
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<ul style="list-style-type: none"> • Establish the new MoC <i>Transit and Trade Facilitation Directorate</i> with ongoing capacity building programs. • Establish <i>Afghan Trade and Transit Facilitation Committee</i>, to overcome barriers on transit, trade and customs: <i>AFPRO</i> to bring together all stakeholders; • Streamline border crossing formalities, simplifying and harmonizing procedures and documents; • Improve infrastructure at border crossing and reorganize management of border trans-shipment facilities as a public-private venture. • Develop feasibility proposal for <i>Integrated Border Management</i>. • Build new border crossing point buildings and install new equipment. • Establish trade facilitation 	<p>Reduce the costs of trade related transactions costs in order to make Afghan producers more competitive both at home and in foreign markets.</p>	<p><u>Trade Facilitation</u> Implementation of effective programs to monitor trade related transactions costs and introduce measures to improve trade facilitation.</p>	<p>Ongoing Activities: Customs Modernization and Trade Facilitation/UNCTAD</p>	<p>Reduce average import times.</p> <p>Reduce average export times.</p> <p>Trade facilitation benchmarking for dried fruit and nuts and carpets underway.</p> <p>Website operational providing information on provisions under existing and proposed trade facilitation initiatives and agreements.</p>

benchmarking and auditing programs.				
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<ul style="list-style-type: none"> Establish the new <i>Private Sector Development Directorate</i>, including the Private Sector Development Outreach Department, within MoC with ongoing capacity building programs. The Government will encourage greater private sector participation in the development of PSD related strategy and policy (particularly in respect to the development of the PSD section of the final ANDS). Support will be provided for private sector participation in domestic and regional forums. 	<p>To develop a widely shared stakeholder vision for private sector development in Afghanistan.</p> <p>To ensure that private sector stakeholders are informed and involved in the strategy and policy development process.</p> <p>To maximize opportunities for linkages and interaction between private sector organizations within Afghanistan and in the region.</p>	<p><u>Private Sector Development Outreach</u> Create and manage effective forums for interaction on PSD strategic and policy issues between the government and the private sector and within the private sector.</p>	<p>Ongoing Activities:</p> <p>Technical Assistance and Capacity Building/DFID</p> <p>Export Promotion Project/GTZ</p> <p>Economic Governance & Private Sector Strengthening/USAID</p> <p>Customs Modernization and Trade Facilitation/UNCTAD</p> <p>Standards, Testing and Certification/UNIDO</p> <p>Reform of chamber of commerce/GTZ</p> <p>Business Association project/CIPE</p>	<p>PSD outreach component of MoC “Strategy to policy” paper finalized.</p> <p>Creation and implementation of PSD stakeholder consultation strategy as part of final ANDS process.</p> <p>Provincial consultation mechanisms in place and operational.</p> <p>Website operational providing information and links between domestic and foreign private sector bodies.</p>