

# THE ENABLING ENVIRONMENT CONFERENCE

Effective Private Sector Contribution to Development in Afghanistan

## Summary of Discussions

**The Conference on the Enabling Environment for Effective Private Sector Contribution to Development in Afghanistan** took place in Kabul on June 4 and 5, 2007.

The Conference was guided by the Government's commitment to encourage and promote private sector activity, as expressed in the Constitution of the Islamic Republic of Afghanistan and the Afghanistan Compact. It focused on creating the conditions necessary to significantly increase the contribution of the private sector – defined as both for-profit business and not-for-profit civil society – to social, economic, and cultural development in Afghanistan.

### The Enabling Environment

An effective and functioning state apparatus is essential for Afghanistan to develop. But experience demonstrates that it is not sufficient to rely exclusively on any state to implement a complex development agenda. Afghanistan's growth, and some would argue survival, requires private initiative (both for-profit business and non-profit civil society) to make full and effective use of the country's human potential, generate material resources, and develop a vibrant and robust socio-economic base. Afghanistan can only secure its destiny as a modern Islamic state by basing development and growth on a solid foundation of ethics and values, respecting the country's rich pluralistic heritage, and promoting a diverse, sustainable, and engaged civil society.

In order for private initiative to play its role in development, it needs an enabling environment, characterised by: political stability; confidence in the future; mutual trust, understanding, dialogue and collaboration amongst stakeholders; rule of law; protection of the rights of citizens; a diversity of stable democratic institutions; and a streamlined legal, fiscal, regulatory and administrative framework governing all spheres of private initiative, which is predictably, consistently and impartially applied.

The Enabling Environment Conference brought together leaders and decision-makers from the Afghan Government and National Assembly, the international community, Afghan and international private for-profit businesses and non-profit civil society, development agencies and subject experts. With participation exceeding 300, it succeeded in

providing a forum for open discussion and creative problem-solving, drawing on Afghan and relevant regional and international experiences.

### Day One – June 4, 2007

The Conference was inaugurated on the morning of June 4, with keynote speeches by His Highness the Aga Khan, President Hamid Karzai and, via video link, Prime Minister Abdullah Ahmad Badawi of Malaysia.

**President Karzai** underlined the importance of enabling the private sector to improve livelihoods of the Afghan people today and to ensure their prosperity in the future. He focused on three specific areas of the enabling environment: *laws*, the protection afforded by law and facilities and regulations; *capacity building* (education, skills, with education oriented towards jobs, job creation and opportunity); and *physical infrastructure*, citing the notable improvements in road infrastructure and the need to attract international investment in the power sector. He laid forth a proposition for Afghanistan's future prosperity:

*“Afghanistan has made tremendous triumphs with the help of the international community. But Afghanistan recognises that it is not aid assistance, humanitarian assistance, which will take us into a more prosperous future. Definitely not. That will give us the foundations on which we build a better future, but Afghanistan's prosperous life today, and for the future, is entirely based on our ability to attract and support private business and investment.”*

**His Highness the Aga Khan** underscored two considerations with regard to the term *enabling environment*: (a) the conditions which enable progress can be extremely complex and an entire “environment” of interacting forces has to come together if development is truly to take root; and (b) even the right environment is still only an enabling condition – not a sufficient one. He underlined the importance of not only the State's political foundation, but also the roles of civil society and of the private sector:

*“To be sure, each of these three sectors - government, civil society, and the business sector - can accomplish important things on its own. But it is my conviction that one of the chief obstacles to development in our time is that the energies of all three sectors are too often scattered and*

*fragmented. Too often, the various actors go about their business without enough reference to one another. The result often reminds me of an orchestra made up of talented and dedicated artists - but playing from different scores. The result is not harmony but cacophony - and an unevenness of public impact which is inherently unfair.”*

He expressed the conviction that the development challenge demands not only the very best of government, business and civil society, but also requires new efforts to coordinate and harmonise their various energies.

**Prime Minister Badawi of Malaysia**, joining the Conference via video-link, offered the opportunity to draw lessons from the Malaysian experience in creating an enabling environment and the opportunity to expand cooperation between the two countries. He shared the secret to success in Malaysia, beginning with the establishment of national unity among the diverse population. On the economic front, a fortuitous decision was taken to progressively reduce the role of Government in the conduct of business. The private sector, not the Government, became the primary engine of growth, while the Government retained the responsibility for maintaining efficiency in the process of governance and remained responsive to the needs of the private sector. He laid out the formula for the success in Malaysia:

*“We have established a synergistic relationship between the public and private sectors in Malaysia, and we have called it “Malaysia Incorporated”. ... This required both parties to work closely together to pursue the common mission of the nation. ... We established several mechanisms and adopted specific methodologies. These included the deregulation of cumbersome bureaucratic rules and procedures; the institutionalisation of consultative mechanisms between the private and public sectors; the establishment of smart partnership programmes between the private and public sectors; the pursuit of privatisation as well as improvements of the delivery system. .... We created an environment which enabled smart partnerships to flourish between the Government and the private sector, both local and foreign.”*

The **June 4 afternoon plenary session** (“**Understanding the Challenges**”), co-chaired by Senior Minister Hedayat Amin Arsala and Ms. Ameerah Haq, Deputy Special Representative of the UN Secretary General, offered participants the opportunity to hear, via video presentations, the perspectives of three renowned international leaders from Government, business and civil society. Local leaders from Government, business and civil society responded with Afghan perspectives.

In his opening remarks, **Senior Minister Arsala** underlined Government commitment to the

development of the private sector: *“The private sector is the one that we count on to grow the economy and to provide employment opportunities for the people of Afghanistan and to meet the objectives of security, stability, increased standard of living and elimination of poverty.”* Introducing the subjects of the three videos, he pointed out the need to focus more attention on civil society: *“While we have concentrated on the role of the private sector within the past five years, unfortunately we haven’t paid enough attention to the role of civil society. ... My hope is that from now on we will go [forward] with a better sort of approach to civil society and respect its due role in the development of the country.”*

**Ms. Ameerah Haq** framed the question of the enabling environment in terms of the government’s ability to unleash entrepreneurship – both business entrepreneurship and social entrepreneurship. Referring to a Conference case study, she pointed out that *“any businessman in Afghanistan swims against a stronger current.”* She reflected upon President Karzai’s point that traditions can be revived, noting that there are opportunities for labour intensive production of low-volume, low-value products through partnerships with small and medium enterprises (SMEs).

The **three videos representing government, business and civil society** were interlaced with responses from Afghan counterparts.

- **Professor Le Dang Doanh**, Former President of the Central Institute for Economic Management highlighted a set of issues based on the experience of transition in the Vietnamese economy: the challenges of reconstruction and development require the entire country’s resources to be mobilised. The State alone cannot effectively accomplish the task; it must concentrate on the most urgent, most needed investments and liberalise, letting people invest and introducing transparency and openness. This requires strong political determination, limited regulation in order to reduce corruption, and a Government that is not in charge of everything. He encouraged the development of business associations. *“The experience of Vietnam [has been] to reach a national reconciliation, to look to the future.”*

In his response, **Minister Dr. Mir Mohammad Amin Farhang** reiterated the constitutional basis for private-sector-led economic development in Afghanistan. He called upon the country to use the potential of the educated Afghan youth as well as providing greater educational and vocational training opportunities for Afghans. He called for Afghanistan to stand on its own, but, in formulating policies to encourage the involvement of the private sector, to learn from the experiences of countries that have lived through war and destruction. He underlined the distinct roles of the public and

private sectors: *“The Government must leave most economic activities to the private sector; the role of the Government is to formulate laws for private sector activity.”* Referring to the Government policy on private sector development, he asked for feedback on this policy. Minister Farhang called for a continuing dialogue with the private sector: *“The Government of Afghanistan is at the stage of establishing an ongoing dialogue with the private sector, and we will exert every effort not to break off these contacts. I hope such cooperation will produce an effect.”*

- **Mo Ibrahim**, founder of the African telecommunications company Celtel, focused on the respect for laws as the primary ingredient of a conducive enabling environment. *“Investors look for ... a reasonable level of transparency and the rule of law. You enter into a contract with the government and you expect that contract to be respected by both sides... It’s also important to have an effective judiciary system. These are really basic requirements.”* He raised concerns about stability, consistency and clarity in the execution of laws. *“If there’s no clear law on land ownership, how do you expect people to start building things?”* He added that the right environment includes a simplification of bureaucratic processes. *“Why [do you] need 16 signatures to [get] a piece of equipment out of customs?”* He spoke of overcoming suspicion about the private sector. *“The private sector need not be bad. And it can be really good, a force for good, especially as we are improving corporate governance in our companies.”* He underlined the effect of civil society and therefore the importance of corporate engagement with the local community.

In his response, **Karim Khoja** of Roshan shared his perspectives on the success of the telecommunications sector in Afghanistan. Factors of this success include the implementation by the Ministry of Communications of a transparent tendering process, market-based pricing, and the establishment of a legal and regulatory framework through the Telecommunications Law (with the Ministry working in partnership with the operators). He endorsed key points of the Mo Ibrahim interview, notably the importance of: consistent application of laws, valid investment agreements, a predictable tax burden and streamlining procedures. He underlined also the need to have incentives for private enterprises to reinvest back into the community, taking some of the burden away from Government through the establishment of sustainable corporate social responsibility programmes.

- **Dr. Fazle Hasan Abed**, founder of BRAC in Bangladesh, framed the genesis and role of BRAC in the organisation of villagers, as development does not take place unless people take actions on their own behalf. In this sense, government

Government is not the primary organ to carry out development once large numbers of NGOs are active in organising people. He cited the experience of BRAC in microfinance where BRAC has reached vast numbers of clients in Bangladesh, first through the mobilisation of their own resources. This happened because NGOs were given the opportunity to experiment, become effective and then become increasingly efficient as they scaled up. These organisations do not replace government, but government should be open to encouraging civil society to be involved in the development of the country. He outlined BRAC’s business dimension, businesses that contribute to social development. In conclusion, he called for greater ambition: *“I think NGOs need to be much more ambitious in changing their societies. I find some governments are not ambitious enough for their own country, so what to speak of NGOs. So I’d really like government leaders to be really ambitious about their own country, about the changes they want to bring about in their own country.”*

In his response, **Deputy Minister of Rural Rehabilitation and Development Raz Mohammad** (MRRD) praised the functioning of civil society organisations: four years ago there was no certainty that civil society organisation would play a role in Afghanistan’s reconstruction and development; today, there are 16,000 such organisations carrying out development projects; no other country in the world has achieved such results. In this context, it is important to ease the difficulties experienced by NGOs: financing, registration, clarification as to the type of work in which they are allowed to engage, and encouragement and oversight by the Government. The final enactment of the law on NGOs will eliminate some of the obstacles. The Government is also working to determine where Government can step back and let experienced NGOs cope with development tasks. He concluded by underlining the potential for NGOs to work for the welfare of society.

Prior to the intervention of Mr. Mohammad, **Dr. Omar Zakhilwal** of AISA shared his perspectives on the role of civil society, noting the strong and direct link between sustainable pro-poor development and the role of civil society at the grassroots level, integrated into the bigger economic picture in the country through forward and backward linkages.

In the ensuing **discussion**, a business leader raised the question of tax incentives for business, expressing the view that there were “zero incentives” in terms of tax breaks. Dr. Zakhilwal of AISA defended the current tax regime as one of the most competitive ones in the world, with accelerated depreciation and low tax rates, noting that where business had found a good profitable

product, there was no problem. **Mr. Sultan Zoy**, Member of Parliament, spoke of a “generational disconnect” in Afghan society: *“The country and the population do not recognise the role of the private sector and the differentiating role of the private sector vis-à-vis the Government.”* He called for public education programmes in this regard, sponsored by government and the private sector.

Urban Development Minister **Mohammad Yusuf Pashtun** raised the issue of high costs in the construction industry, calling for the private sector to bring these costs to an affordable level. Dr. Zakhilwal suggested that one of the reasons for high costs is that many of the contracts are won by international firms; Afghan firms themselves could increase their capacity to win contracts through investment in more modern business administration systems, but at the same time the Ministry of Urban Development could provide more encouragement and the Afghan Builders Association could play a bigger role. The issue of the role of NGOs in construction work was raised and concern was expressed that the quality of their work was not good; with its greater capacity, the private sector should now be in a position to take on more of the construction work. Mr. Arsala underlined the point that *“... the main issue is to provide employment opportunities to the people of Afghanistan, whether through the private sector or through NGOs. Both are important: one is not against the other; one is supportive of the other.”*

The plenary session concluded with a presentation of the **synthesis of Conference issues** informed by an extensive, year-long consultation process drawing upon the research, expertise and perspectives of Government and the private sector in Afghanistan and abroad. Reflecting the analysis contained in the **Overview Paper** for the Conference, **Amyr Kassim-Lakha** of AKDN framed the issues and preliminary recommendations emerging from a year-long preparatory process in order to help the Conference focus on what could and should be done immediately. These framed the content of the breakout sessions:

The heart of the Conference methodology was the organisation of **nine breakout sessions**. Each of the nine groups worked through a proposed set of issues and draft recommendations and actions, revising and complementing the draft recommendations and action, which were then articulated in the Conference Road Map. Recommendations and actions coming from each group are reflected directly in the Road Map. The following are the highlights of each of the group discussions:

1. **Developing the legal framework for the private sector:** Participants urged the passage of priority legislation, accompanied by the development of a better understanding of the implications of legislation by all stakeholders. The participants urged the international community to support capacity building measures for line ministries as well as for parliamentarians around the complex technical aspects of the legislative process. There was a unanimous call upon the business community to organise as a group to become a proper negotiating partner of Government, taking the lead in establishing a consensus-building dialogue on key problems with government. Discussions around the establishment of systems of arbitration and mediation underlined that, while informal alternative dispute resolution mechanisms prove to be useful in local settings, there is still an urgent need for formal alternative dispute resolution mechanisms.
2. **Increasing access to finance:** Da Afghanistan Bank (DAB) Governor Noorullah Delawari reviewed developments in the banking sector over the past five years, underlining both the substantial progress made and the ongoing difficulties associated with access to credit. Participants underscored the need for capacity building, not just for bankers but also for borrowers. The banks were challenged by participants to do more in the area of SME finance. Access to insurance services was raised repeatedly as a major issue, with inadequacies in the current insurance legislation pointed out. The problem of corruption was cited frequently. In addition to the draft recommendations and actions proposed during the Conference, participants called for greater security measures for cash in transit between financial institutions, the rapid establishment of a credit information bureau (initiated by the DAB, but which would be ultimately a private sector entity) and the implementation of the planned privatisation of state-owned banks. Participants reiterated the concern of Group 1 to see enacted the necessary commercial and financial legislation.
3. **Developing economic infrastructure; exploring public-private partnership (PPP) approaches:** The discussion focused largely on power, exploring specific means to engage immediately greater private sector participation in the power sector in Afghanistan. To increase private sector investment, participants called for a better understanding of the regulatory regime, an energy strategy that gives the private sector a greater sense of predictability and an analysis of the supply chain to identify opportunities for outsourcing to the private sector. The group emphasised the need to ensure the evolving legal framework continues to permit and encourage power generation and distribution by the private sector, including through the establishment of PPPs. Other opportunities for private sector involvement in infrastructure identified were roads,

sanitation, land development, and infrastructure upgrading in both urban and rural areas. Exploration of opportunities will require greater information availability to enable long-term investment decisions on the part of the private sector.

4. **Improving access to land:** The group recognised the significant progress made on land reform in recent months, highlighting the further need to determine the rules and regulations governing implementation of land policy. Debate took place on the issues of foreign ownership and leasing and of the management of publicly owned land. There was significant discussion on the issue of industrial parks and the allocation of land to different uses. A resulting action point on this issue formulated during the session was the development of a strategy for industrial parks, including the creation of an industrial park development department as an independent authority.
5. **Streamlining regulations and government decision-making and improving efficiency in their enforcement.** Participants of this session further strengthened the recommendation on streamlining processes, and suggested measures to ensure greater consultation with the private sector in a meaningful and timely manner during the process of drafting policies and legislation. Considerable discussion took place around licensing requirements and around customs procedures. The group proposed the reform and revitalisation of the High Commission on Investment, focusing more on policy and introducing private sector representation; AISA's role as an effective secretariat would be reinforced. It proposed also a "bulldozer list" of private sector priorities to be presented to the Government, based on the results of a sub-national consultative process.
6. **Encouraging a diverse, sustainable and engaged civil society: legal and regulatory reforms and quality assurance.** Participants in this session identified the urgent need to increase awareness and understanding of the full range of organisations that comprise civil society, while clearly identifying and defining those "civil society organisations" that would most benefit from formalisation and regulation. In this context, there is still a need for greater clarity with regard to the activities of organisations engaged in not-for-profit commercial activity. The group agreed that while the enactment of too many laws governing the registration, certification and regulation of CSOs should be avoided, international models and mechanisms for regulation and quality assurance of CSOs should be explored. The group suggested a "one-stop-shop" registration process, with certification, regulation and monitoring processes under relevant Ministries in function of the sector or nature of activity.
7. **Addressing human capacity constraints.** Participants of this session highlighted the necessity of moving ahead rapidly to meet the immediate professional and vocational training demands – and observed that this would require greater involvement of the private sector. Legal issues have been resolved in terms of allowing private sector involvement in education and skills development, but the legal framework could be further developed to set forth standards and accreditation requirements and to ensure coordination across the different government entities involved in education and educational training. Incentives and the removal of disincentives for greater business participation in training were called for (e.g. tax incentives and permission to bring in skilled foreigners serving as on-the-job trainers). A modality for PPPs – especially in the provision of professional and vocational training – along with greater incentives is needed for the private sector to invest in education, specific skill training, mentoring and on-the-job training. Pilot initiatives could help create coalitions between the private and public sectors, for example whereby business associations, private sector training providers and Government could work together. To ensure results, new strategies will need to take into account the substantial investment already made in capacity development, consolidating existing efforts to create a national vision for education in Afghanistan.
8. **Accelerating social development; exploring public-private partnerships.** There was awareness among all sectors represented of the critical importance of private initiative in the provision of social services. The Minister of Health observed that the very high level of delivery of health services would not be in place today without the involvement of the private sector, and he called for the consultation of the experience of the Basic Package of Health Services into a longer-term institutional model. In this respect, the Ministry of Health serves as an important model for private sector/civil society sector involvement in the delivery of social services in the country. The group proposed the urgent development of a framework of best practices drawn from across the Ministries – especially from the Ministry of Health, whose experience is that of a genuine partnership between the private and public sectors in which each partner brings its expertise, human perspectives and human resources. Such partnerships should be characterised by an iterative, experimental and innovative process that informs the ongoing development of a particular social sector.
9. **Encouraging social responsibility: business and civil society working together.** This group made a series of recommendations designed to enhance trust and to promote consultation and coordination between business, civil society and the government– to address identified challenges of

encouraging business social responsibility in Afghanistan. One recommendation that received considerable support was to create an independent taskforce that would include key stakeholders to define processes and systems to effectively coordinate consultation, and define programmes and priorities for concrete action. This would develop strong corporate social responsibility among business leaders and reinforce a culture of giving through an effective communication and engagement strategy.

## Day Two – June 5, 2007

On **Day Two**, the morning plenary panel discussion “**Developing a Programme of Action**” examined the results of the breakout sessions of the previous days and recommendations and actions emanating from these group discussions. The session was introduced by the co-chairs of the session, Sayyed Mustafa Kazemi, Chairman of the Economic Commission of the Wolesi Jirga and Koos Richelle, Director General (AIDCO), European Commission.

**Sayyed Mustafa Kazemi**, Chairman of the Economic Commission of the Wolesi Jirga, called upon the Parliament to use its authority to create an enabling environment. Calling the economy a national priority, he underlined that it is time to draw a road map showing the future. He called for working together in constructive dialogue “in one room” to create laws and other supportive measures and to solve problems permanently, underlining the need for coordination among the judiciary, executive, civil society and business.

**Koos Richelle**, Director-General, AIDCO, European Commission, underlined in his introductory remarks the importance of good governance for the functioning of the economy, with government taking ownership. He noted that it is not just a question of the right policies, but of their proper implementation.

During the discussion led by BBC journalist **Alastair Leithead**, the six panellists first offered their overall perspectives and then responded to the moderator’s questions.

- **Alastair McKechnie**, Country Director, World Bank, focussed on two critical areas of the Road Map: (1) the Government’s commitment to enact laws and to fix problems in regulations; and (2) the commitment to sustain the momentum generated by the Conference into the future so that the work of the Conference would lead to results.
- **Minister of Commerce Farhang**, when questioned about the degree of government commitment, underlined the Government’s commitment to the principle laid out in the Constitution that all government agencies must encourage the private sector. He further noted that the Government has no alternative but to support the private sector in its contribution to a sustainable economic system. Since the London Conference (Afghanistan Compact), the Government has prepared the set of laws for the formalisation of the Afghan economy. He called for the creation of the relevant institutions required to reinforce the private sector.
- **Eng. Gholam Hassanzadah** of Siemens expressed his deep concern that the gap between Afghanistan and other countries is widening daily. He noted challenges in putting into place the necessary conditions to enable the private sector (infrastructure, skills, transparent frameworks, access to finance), citing the vast needs of the power sector: “The base is missing.” He highlighted the need to be realistic about getting the private sector involved in the power sector, where investors would require regulations on which they could rely and guarantees that the power produced would be purchased.
- **Ghulam Yailaqi**, Chairman of the Afghan Chamber of Commerce and Industry, described the situation in the country with regard to the private sector as very sensitive. He encouraged the opportunity of the Conference to be used constructively, noting that doing otherwise would be risky and dangerous for Afghanistan.
- **Dr. Zakhilwal** of AISA pointed out that neither the issues raised at the Conference nor the solutions were new; implementation was the real problem. “*Commitments have been made before; some have been delivered on; most probably not.*” Citing the High Commission on Investment as an example, he called for an increase in accountability and in empowerment of the bodies formed to deliver on certain proposals.
- **Alastair McKechnie** deplored the continual harassment from low-level officials throughout the Government, calling for deep reform, down to the lowest levels of Government. “*It means sweeping away large numbers of regulations and lots of fees that sometimes don’t even cover the cost of collection. Some are not even justified.*”
- Questioned on the issue of corruption, **Minister Farhang** referred to corruption and the taking of bribes as a “satanic circle”, a dangerous social disease that risks continuing in Afghanistan for a long time. He outlined two steps to reduce corruption: (1) promoting a national economy that leads to the emergence of a middle class, a class whose income is higher and sufficient to meet needs and to save; and (2) the creation of a new generation to manage the country, now in the process of learning, with a mindset to fight corruption.

- **Dr. Tom Kessinger**, General Manager of the Aga Khan Foundation and Vice-Chair of AKDN, framed the difficulties of putting into place public-private partnerships: a new and not well understood concept, which could take many forms. He proposed building on the successful Afghan examples of the work in the health field and the NSP, “an enormously successful programme”. By amplifying such programmes in other sectors, more people will be touched more quickly. Dr. Kessinger noted that “civil society” is also not a well understood term, all the more so in that “civil society” takes on many forms. *“In the process of making bold decisions, a great deal of creative energy can be released through the civil society sector.”*
- **Mr. Yailaqi** called for more support for the private sector so that it can take on its responsibilities. Noting that AISA and the Ministry of Commerce had taken such steps, he called upon other government institutions to do the same. He underscored the problems in the private sector: industries in decline, lack of access to loans (particularly for small businesses), onerous trade and transit requirements. He called for a council for the private sector to be created at the level of the Office of the President to address the problems of the private sector, with private sector participation.
- While the panel gave credit to all that had been done, there were repeated calls for immediate action. Eng. Hassanzadah called for building mutual trust and turning this into action: *“Problems and known solutions are there; it has to be done.”* Dr. Zakhilwal warned of “missed opportunities”. Alastair McKechnie spoke of the “enormous costs of failure”.

In his concluding remarks, Mr. Kazemi observed that the challenges were being discussed, the road map for the future was charted, the people of Afghanistan possessed the ability to move forward and the international community stood ready to help *“There is only one road ahead for us. There is no stop or return.”* He called for extraordinary moves to create a climate of hope.

Mr. Richelle concluded the panel session by evoking a sense of urgency and calling for a concrete action plan with firm deadlines, as well as creating the conditions in terms of enacting laws and also putting the necessary institutions into place. *“Don’t let it slip away.”*

At the **closing session** of the Conference, speakers laid out the results of the Conference and the Government Policy Statement, setting the stage for the post-Conference follow-up.

In the Conference’s final keynote speech, **Pakistan Prime Minister Shaukat Aziz** underscored the convergence between the strategic interests of

Afghanistan and Pakistan. He shared lessons from Pakistan’s own development experience: in the first place, the “essential prerequisites” of national security, visible representative institutions and the rule of law; secondly, social reforms to weld the people into a cohesive entity; and thirdly, economic reforms. In the case of Pakistan, the economic reforms led to a market-economy with the private sector leading the process of investment and growth, regulatory mechanisms aligned to global norms and practices and the institutional strengthening of the public sector. In implementing this reform, ministries became policymakers, independent regulatory authorities were created, and all commercial activity became the domain of the private sector. Prime Minister Aziz spoke convincingly of the “reform dividend” for Pakistan. Bringing in technologies, ideas and policies, as well as investment from the outside, including the diaspora, helps a country to leapfrog. *“Afghanistan is well poised to leapfrog so long as you jump the curve, and jumping the curve means support from everybody in the Government, civil society, Parliament, private sector, foreign and local investors, to seek out those opportunities which will then get you where you want to go.”* He concluded with the observation that the world community needed to help Afghanistan through greater market access, investment flows and transfer of technology, advocating specifically for creating Reconstruction Opportunity Zones in areas of Afghanistan and Pakistan where there is a high incidence of poverty.

**Dr. Mohammad Jalil Shams**, Minister of Economy, delivered the **Government Policy Statement**, committing to support private investors through focused investment, promotional activities, more effective incentives, increased trade promotion activities and an extension of opportunities for public-private partnerships. Calling the private sector the pillar on which the Afghan market economy is built, he underlined the fact that private sector encompasses both for-profit institutions and non-profit institutions. Noting that the content of the Government Strategy Paper reflected in major parts the results of the Conference deliberations, he outlined the key issues of access to land; access to finance; access to a skilled workforce; infrastructure; building domestic markets; greater access to regional and international markets; and an enabling regulatory and legal environment. Dr. Shams called for the private sector to abide by a code of conduct: a counterpart to Government’s having put into place the necessary conditions for private sector activity: *“It cannot be a one-way road, the private sector must also be forthcoming.”* He called for the strengthening of the High Commission on Investment in a way that it could effectively promote private investment in Afghanistan, separating the one-stop shop for registration job from the Commission in order for it to concentrate

on policy. Dr. Shams concluded by proposing the creation of a follow-up mechanism: *“I would suggest that a committee representing the government and the private sector, both foreign and domestic, should come out of this conference which would get together regularly and discuss matters, as well as report the results to the President and to the co-chairs.”*

**Praful Patel**, Vice President of the World Bank, presented the Conference Statement and Road Map, calling the Road Map a viable plan of action designed to meet the current needs of private sector growth. He called for a firm commitment to implementation: *“We need to hold ourselves accountable in our different roles as government, donors, civil society and organisations like my own. I look forward to reviewing our progress in six months.”* Mr. Patel underlined the urgency of the task, referring to the commitment in the Statement to *“bold and immediate action to move from a climate of uncertainty and short-term perspectives to one which inspires confidence in the long-term future of Afghanistan.”* He noted that experience has shown that reformist governments have to take action fast:

*“Windows of opportunity open – but they can also slam shut. Look around the room – there is no lack of expertise and authority. But if there is one message I want to leave you with it is that technical expertise cannot substitute for dedicated, high-level political commitment if we want to see concerted and swift action.”*

He outlined the key challenges to which the Road Map points: firstly, the completion of the basic set of laws in an open and consultative process; secondly, responses in areas where business is starved in a number of ways: land, power, skilled workers and credit; and finally, a clear framework to increase trust and credibility between government and civil society. He noted the powerful evidence of the productive energies of civil society in Afghanistan, whose actions should be our greatest aspiration. Citing the call of Dr. Abed to be more ambitious, Mr. Patel set forth the challenge of translating the energies of the two days of the Conference into a measurable difference:

*“Our private sector development plan needs to think ‘big infrastructure’ and ‘big plans’ but it also has to make those multiple small linkages that will bring the villages of Afghanistan to the main road and a better future.”*

**First Vice President Ahmad Zia Massoud** reiterated the importance of private sector development, where tangible achievements are already apparent, for example in job creation and its contribution to fiscal sustainability, notably in the services sector. He recognised that Afghanistan faces many challenges, most of which were

identified by the Conference and the Government Policy Paper. Referring to the strategic plans and actions in the Government Policy Paper, Vice President Massoud focussed on several issues: public-private sector partnerships and accountability, regional cooperation and trade, access to capital, human development, the rule of law and social responsibility and the Islamic tradition. In closing, Vice President Massoud called for further dialogue:

*“I would like to re-emphasise the importance of continuing the dialogue between the Afghan Government and the private sector to enhance public-private sector partnership. I know that the business people among many of you here face enormous problems on a daily basis and that you are not satisfied with the pace of implementation of reforms. I believe that this conference could be an important shift toward better cooperation in the future. As the first Vice President and Chairman of the Economic Committee Cabinet, I promise you that the Afghan Government will take the outcomes of this conference into serious consideration. I also want to promise you that my future efforts will be invested in implementing the private sector Road Map, which was developed here together with you.”*

In his closing remarks, **Professor Ishaq Nadiri** thanked all the participants, in particular His Highness the Aga Khan, Prime Minister Shaukat Aziz, Prince Ayn Aga Khan, Prime Minister Badawi and President Karzai. He called for the vision required for Afghanistan to emerge from its current situation, to leave *“an inheritance on which we will all be judged”*. He called for a commitment to a prosperous, stable and peaceful Afghanistan that contributes to the world. To achieve this goal, the Government, the private sector, the international community and neighbouring countries must work together to implement the Government’s strategic plan. Expressing gratitude for *“the best ideas we can get”*, he called on Afghans to first look at themselves: *“We have to take our responsibilities seriously. The issue of reform, the issue of capabilities must be addressed straightforwardly. And the international community must find new ways to help this country, because one fundamental thing which is not often taken into account is that the time cost of delays is extraordinarily expensive. We cannot wait.”* In closing, he underlined the importance of attracting investment:

*“We need to build the fundamentals of this country’s economy, because without that the private sector will not be able to flourish. Enabling doesn’t just mean simply passing a few laws. We need investment and the investment has to occur in the right places, with a sizeable amount and for a long period of time, so that this country can use the God-given talents of its population, for which many of you have expressed admiration.”*