

- 1) Chairman
 - 2) distinguished delegates
 - 3) ladies & gentlemen
- Appreciation to UNCTAD

High-level Investment Forum

Investing in landlocked developing countries: Trends, experiences and the way forward

Talking Points

Economic outlook

Six years ago, Afghanistan's had a per capita income of about \$175/year. Today it is about \$370: an average yearly growth rate of over 15%. Both domestic and foreign investments have been a significant part of this.

FDI in total private investment over the past 6 and half years:

- An estimated \$6 bn has been privately invested in Afghanistan (real estate (\$3.5), telecom (\$1), manufacturing (\$700m), services (\$400).
- About 20% (or \$1.2 bn) of the total private investment is FDI: Telecom (\$700m), Services (construction, consulting, procurement, other: \$300-\$400m), Manufacturing, banking & other (less than \$100m)

trade,

Impact on Afghan Economy

- Creation of about 200,000 direct and indirect jobs
- Transfer of knowledge and expertise in the services and contribution to modern management.
- Telecom has been instrumental in the growth & development of other sectors.

well-paid

Telecom and Services not the only opportunities – others include:

- Natural Resources and Mining Sector: copper, iron ore, gas & oil, coal, precious semi-precious stones and metals.
- Energy and agriculture
- Manufacturing (Bulky imports substitution, high value export commodities)

- Transport and logistic – Afghanistan is strategically located as a land-bridge between Central Asia and South Asia, and China and the Middle East.
- Our strategic geographical location is an opportunity (reason: 1: neighbour to double LLCs; second Landbridge between energy rich Central Asia and Energy starving South Asia.
- Lately, strong interest has been expressed by foreign investors in Afghanistan’s mining sector. In fact, our Aynak Copper Mine, one of the biggest in the world has been awarded to a Chinese state-owned company – is expected to invest over \$5bn in the next five years: the biggest FDI in a single project in the history of Afghanistan.

However, still compared to the opportunities Afghanistan offers both for domestic and foreign investment, actual investment remains a lot lower. And the FDI to date continues to be heavily aid-driven.

FDI Challenges

1. Awareness about opportunities (our information base also limited);
2. Security perception – security is not good and the perception of it is even worse.
3. Infrastructure (transportation, telecom, etc)
4. institutional weaknesses of gov institutions + inherited outdated complex bureaucracy - corruption
5. lack of clear and consistent private sector policies
6. Energy
7. Skilled labour
8. Access to finance
9. Incompatible Afghan business capacity
10. Power, skilled labour and infrastructure, access to finance particular impediments to investment in manufacturing.

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What the government has done to attract FDI

1. Political commitment to the principle of free market economy
2. Ensuring macro-economic stability;
3. Investment Law: one of the most liberal in the region: allows 100% foreign ownership; puts no restriction on inward/outward capital flow; no restriction of profit or other cash repatriation; lowest tariff rates in the region; no export tax; no tax on machinery; flat 1% tax on raw materials; flat 20% corporate tax rate; international dispute resolution.
4. Creation of AISA – has make the initial stages of investing hassle free; Business registration is an area where Afghanistan is close to global best practices. In the World Bank Doing Business 2009 Report Afghanistan is ranked 22nd globally and 1st in the region. Whereas Afghanistan's overall ranking is 162 Globaly.
5. Privatization of state owned enterprises

What else? To Improve our investment climate:

6. Have developed an investment climate road map *with support from the Aso Khan Foundation*
7. Working on developing a policy framework for private sector support
8. Targeted investment promotion
9. Helping with the capacity of our business people: Encouraging joint ventures – partnerships with Afghans