BRIDGING THE GAP
Trade and Investment Capacity Building for Least Developed and Landlocked Developing Countries

Afghanistan
The secretariat of the Economic and Social Commission for Asia and the Pacific (ESCAP) is the regional development arm of the United Nations and serves as the main economic and social development centre for the United Nations in Asia and the Pacific. Its mandate is to foster cooperation between its 53 members and 9 associate members. ESCAP provides the strategic link between global and country-level programmes and issues. It supports Governments of the region in consolidating regional positions and advocates regional approaches to meeting the region’s unique socio-economic challenges in a globalizing world. The ESCAP office is located in Bangkok, Thailand. Please visit our website at www.unescap.org for further information.

The shaded areas of the map are ESCAP Members and Associate members.
INTRODUCTION TO THE CAPACITY BUILDING PROGRAMME IN TRADE AND INVESTMENT

Growing trade and investment in Asia and the Pacific has been a major driver of the regional economic dynamism that has lifted millions from poverty. Not all countries, however, have been able to benefit from increasing regional and global trade: least developed countries and landlocked developing countries often face the greatest obstacles to participation.

Considerably poorer than the regional average, least developed countries and landlocked developing countries account for only a small fraction of regional trade and investment flows. These countries still face substantial barriers to trade, whether in the form of geographic distance, infrastructure deficits, low human and institutional capacity, shortages of trade finance, or policies that impede trade and growth.

ESCAP therefore recognizes a pressing need to assist least developed countries and landlocked developing countries better integrate into global and regional trade and value chains. Increasing integration can bring numerous benefits starting with better employment opportunities and greater household purchasing power. Broader linkages with trading partners can also play a role in facilitating economic diversification, thereby enhancing resilience to shocks. Put simply, trade and investment policy is a crucial element in strategies for inclusive growth for a majority of, if not all, least developed countries and landlocked developing countries. In view of these needs, ESCAP has designed a special programme of
capacity building to assist least developed countries and landlocked developing countries. Three characteristics distinguish our approach.\textsuperscript{1}

Our activities are:

- **Demand driven** - Our actions are planned in response to specific requests for assistance from members.

- **Individually tailored** - Recognizing that no countries face exactly the same challenges, or face the same set of institutional, regulatory, economic and social circumstances, we tailor our advice, training and assistance to the unique needs of each country.

- **Broadly based** - ESCAP’s areas of assistance cover the full range of trade and investment policies including: development of analytical tools; trade negotiations; trade facilitation; SME development; and improving the business environment.

Capacity building is realized through several different modalities:

- **Training** - Our trainings for government officials, researchers and policymakers help develop the analytical capabilities to use evidence effectively in tailoring policies to country needs. Furthermore, we provide training on developing institutional and regulatory frameworks as well as on negotiation of international agreements and treaties. We also use our communities of knowledge and practice to provide

\textsuperscript{1} This note describes ESCAP technical assistance and capacity building work for least developed countries and landlocked developing countries in the area of trade and investment. ESCAP also provides assistance in range of other substantive areas. Further information can be obtained from the Countries with Special Needs Section: [http://www.unescap.org/pdd/about_csns.asp](http://www.unescap.org/pdd/about_csns.asp)
practical assistance with: trade facilitation issues, SME development, and trade defence measures.

- **Research and Analysis** - One challenge facing least developed countries and landlocked developing countries in the consideration of trade and investment policy is the difficulty of obtaining sufficient and high-quality information to make fully-informed choices. ESCAP’s analytical work helps provide the knowledge base for better decisions.

- **Co-operation and Dialogue** - As the most inclusive platform for regional co-operation, ESCAP is ideally placed to facilitate co-operation and dialogue among member states and with other stakeholders, thereby enhancing knowledge sharing and understanding. Recognizing that trade-policy has broad cross-cutting effects, we also work with SMEs, investors and regulators to spread better understanding of the impacts of policy change.

- **Partnership and integrated approach** - Working in partnership with many international and regional organizations including UNCTAD, WTO, ADB, other UN regional commissions, as well as national and regional think-tanks, academia and government entities, we are able to provide comprehensive assistance, whenever possible as part of integrated and joint approaches.

- **Monitoring and Implementation** - To ensure that the capacity building programme is effective and impact creating, ESCAP partners with members throughout programme design, implementation and monitoring. Ongoing dialogue throughout the reform process is a hallmark of our approach.
2013-2015 TRADE AND INVESTMENT CAPACITY BUILDING PROGRAMME FOR AFGHANISTAN
Background

Afghanistan, a landlocked and least developed country located in central Asia, has made notable progress in recent years despite ongoing political and security challenges. Foreign direct investment and expanding trade links have fostered rapid economic growth: GDP per capita increased from $186 in 2002 to $681 in 2012. However, economic growth in 2013 was estimated at 3.6% - down sharply from the strong growth of 14.4% in 2012. Poverty remains widespread, with limited access to public utilities: according to the World Bank’s Development Indicators, only 30% of the population had access to electricity in 2011. Afghanistan’s Human Development Index score remains one of the lowest in the region. Much needs to be done to help Afghanistan reach its development potential and capitalize on its rich natural resources and pivotal geographical location.

The agricultural sector remains the mainstay of the Afghan economy. Over 70% of the population works in the field. Excluding the production of opium, this sector accounted for around one quarter of GDP in 2012. Future growth prospects for agriculture will, however, be constrained by the lack of arable land. On the other hand, the mining sector is expected to be a driver of future expansion. Afghanistan has large reserves of copper, iron, gold, cobalt and lithium. To ensure that resource-driven growth is sustainable and inclusive, it is important for Afghanistan to invest revenues from resources in public services and facilitate the spillover of mining activities into other related industries and hence achieve greater economic diversification.
In line with the broad development goals set forth in Afghanistan’s National Development Strategy (ANDS), private sector growth and development is a key priority area, alongside strengthening economic governance. In this regard, Afghanistan is making progress improving its bilateral, regional and global level trade relationships. Afghanistan has implemented a bilateral trade agreement with India and a transit agreement with Pakistan has been agreed. Afghanistan is also ratifying membership of the South Asia Free Trade Agreement (SAFTA) and is a member of the Economic Cooperation Organization Trade Agreement (ECOTA). Integration into world markets is limited but improving. Afghanistan is currently at the final stage of its accession process to the World Trade Organization.

Nonetheless, the ESCAP-World Bank bilateral trade cost database suggests that Afghanistan’s trade costs with its neighbours remain very high. According to the World Bank Doing Business Report 2014, it takes around 83 days on average to export or import in Afghanistan, including preparation of documents. The cost per container is around $4640 for exports and $5180 for imports, making it one of the most expensive countries to trade with inside the region. Improvements in infrastructure as well as strengthened institutional capacity will be needed for Afghanistan to fully utilize the benefit of WTO membership.

Request for Assistance and Assessment of Needs

Afghanistan’s accession to the WTO is on track; membership will have substantial implications for trade policy. Recognizing the need for technical support, the Ministry of Commerce and Industry (MoCI), requested the assistance of ESCAP

2 Afghanistan’s National Development Strategy 2008-2013 is the blueprint for the nation’s long-term development.
in initiating and organizing training programs in trade and economic analysis for MoCI employees\(^3\) to cover trade policymaking, research and analysis.

MoCI\(^4\) followed up with a further request for broader ESCAP training and advice to: broaden understanding of WTO accession commitments implementation and other post-accession issues among MoCI’s technical staff; assist in the development of an effective national trade strategy; and provide training and information on tools relevant for ongoing trade policymaking and implementation. In particular assistance was sought in relation to:

1. Analysis of the opportunities and benefits from WTO accession;
2. Issues relating to trade negotiations in relevant sectors for example, SPS, TBT, NAMA, and trade remedies;
3. Tools for trade policy analysis, including statistical and economic models;
4. The conduct of a business survey in order to capture a comprehensive picture of the current business environment in Afghanistan; and
5. The establishment of an economic think tank institute.

ESCAP has responded positively to both these requests and will offer capacity building programmes conducted by ESCAP and national experts, subject to available resources. This conforms to ESCAP’s approach of providing demand-driven support, tailored to individual country circumstances. ESCAP followed up the above requests, giving initial priority to identifying specific needs (see below), in consultation with MoCI. MoCI’s internal review made very clear that across all these areas tailored training for staff to help them meet day-to-day analytical and functional requirements is a high priority.

\(^3\) Letter from Deputy Minister for Trade, MoCI, 4 November 2013

\(^4\) Letter from Deputy Minister for Trade, MoCI, 17 May 2014
### IDENTIFIED NEEDS

<table>
<thead>
<tr>
<th>Research</th>
<th>Policy Formulation</th>
<th>Business Development</th>
<th>Trade Facilitation</th>
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<tbody>
<tr>
<td>• Increased domestic capacity to conduct research and create forecasts on the impacts of trade policy decisions</td>
<td>• Training for government officials and policymakers on trade and investment negotiation skills</td>
<td>• Review of the business enabling environment including laws and bills pertinent to SMEs.</td>
<td>• Conduct of systematic business process analysis of import and export procedures for key products and along key corridors</td>
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<td>• Better awareness of the WTO multilateral system and opportunities from Afghanistan’s forthcoming membership</td>
<td>• Training on specificities of trade negotiations for multilateral and RTAs, including Rules of Origin, SPS and TBTs</td>
<td>• Mapping of key entrepreneurs, including female, youth and rural entrepreneurs.</td>
<td>• Development and implementation of transit agreements and procedures</td>
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<tr>
<td>• Greater ability to take advantage of market access under GSP and DFQF schemes</td>
<td>• Need for institutional support for national level policy ideas generation and analysis</td>
<td>• Review of the institutional framework for the promotion of entrepreneurship</td>
<td>• Human resource capacity building on WTO-related trade facilitation measures and paperless trade, including single window</td>
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<td>• Assessment needed of current trade promotion tools</td>
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<td>• Analysis of availability and adequacy of finance and related services for SMEs.</td>
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From Needs to Capacity

Following these needs assessments and initial activities (below), ESCAP has agreed to provide ongoing technical assistance through capacity building programmes conducted by ESCAP and other regional experts.

ESCAP’s initial training will target employees in the Ministry who will be in a position, subsequent to the training and supported by ESCAP Trade and Investment Division, to transfer knowledge to other working units in the Ministry.

To date, ESCAP has delivered the following:

- An advisory study on the potential benefits to Afghanistan available through preferential trade schemes such as the Generalized System of Preferences and Duty Free Quote Free schemes available for LDCs
- Guidance on international best practice in trade promotion as inputs into Afghanistan’s 2014 Trade Promotion Strategy
- Successful Fellowship placement with ESCAP – A nominated official from MoCI spent two weeks with ESCAP during which time he received bespoke training and worked closely with ESCAP experts to identify critical issues for Afghanistan around WTO accession.
- ESCAP’s sub-regional office for South and South-West Asia has delivered a series of Technical Capacity Building (TCB) workshops to support Afghanistan’s accession to the WTO, with the latest delivered in March 2014. In total, nearly 82 officials both from public and private sector have participated in this programme.

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5 This programme began in 2012 and is being delivered in partnership with the International Trade Centre, Geneva
ESCAP-SSWA prepared a study on ‘Doing Business with Afghanistan: Harnessing Afghanistan’s Economic Potential,’ which provides an overview of the business environment in Afghanistan. It was produced in collaboration with the Federation of Indian Chambers of Commerce (FICCI) in New Delhi.
Capacity Building through ESCAP Regional Activities

ESCAP runs a number of regional platforms to facilitate growth in trade and investment flows by helping build openness and transparency of trade. Thus, in addition to in-country activities, ESCAP also encourages and facilitates the participation of least developed countries and least developing countries participants in our regional capacity building workshops, seminars, conferences and other events. Key initiatives include:

- **Asia-Pacific Business Forum (APBF).** APBF provides a platform for region-wide public-private sector dialogue, and facilitates opportunities for cooperation and partnerships among stakeholders. The Forum brings together governments, business leaders, academia, civil society and other stakeholders to share good practices in the area of economic integration with a particular focus on realizing the ASEAN Economic Community in 2015.

- **Asia-Pacific Research and Training Network on Trade (ARTNeT).** ARTNeT is an open regional network of leading trade research institutions across the ESCAP region. ARTNeT works to increase the quality and amount of relevant trade research in the region by harnessing the research capacity already available and developing additional capabilities.

- **WTO/ESCAP Capacity Building Workshops.** In collaboration with the WTO, ESCAP runs a well-established series of regional capacity building events for trade policymakers and researchers focused on imparting critical tools and approaches for trade policy analysis.

- **Asia-Pacific Trade Facilitation Forum (APTFF).** APTFF has become the main annual open regional platform to exchange information, experiences and practices for trade facilitation in Asia-Pacific, identify priority areas for regional cooperation and integration, and learn about
new tools and services which can increase the efficiency of cross-border transactions.

- **United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UNNExT).** UNNExT is a community of knowledge and practice for experts from developing countries and transition economies from Asia and the Pacific involved in the implementation of electronic trade systems and trade facilitation.

ESCAP has an active programme of capacity building under these initiatives, in addition to other free-standing events. As well as directly imparting knowledge and skills, these events enable participants to meet and exchange experiences with other policymakers and stakeholders who face similar challenges.

ESCAP supported the participation of stakeholders from Afghanistan in the following events in 2013:

<table>
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<tr>
<th>Focus Area</th>
<th>2013 Activities with participation from Afghanistan</th>
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<tr>
<td><strong>Trade Facilitation</strong></td>
<td>• Global Trade Facilitation Conference, Bangkok, November</td>
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<td>• Asia Pacific Trade Facilitation Forum, Beijing, September</td>
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<td>• Regional Meeting on Development of Regional Arrangements for the Facilitation of Cross-border Paperless Trade, September</td>
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<tr>
<td><strong>Trade Policy and Research</strong></td>
<td>• Asia-Pacific Trade and Investment Week, November</td>
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The ESCAP programme will be delivered, depending on available resources, alongside partner institutions, including traditional partners the WTO, UNCTAD and ADB. Following the needs assessments and initial activities, work is progressing on:

- Identifying other development partners who have been providing financial support and designing an Aid for Trade package with ESCAP and MoCI as the implementing agencies.
- Selecting priority areas and scheduling for work on these for the remainder of 2014 and 2015

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<tr>
<th>PLANNED ACTIVITIES</th>
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<tr>
<td>Research</td>
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<td>Training sessions on:</td>
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<td>Trade statistics in policymaking including analysis of trade flows and tariff based protection; and The basics of empirical research on preferential trade including for bilateral and regional trade agreements.</td>
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<tr>
<td>Policy Formulation</td>
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<tr>
<td>Providing ongoing advice and resources to help Afghanistan take the final steps towards WTO accession and realize the advantages thereof.</td>
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<tr>
<td>Business Development</td>
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<tr>
<td>Conducting an initial study on the status of and institutional framework for the private sector in Afghanistan. Organizing training sessions on the private sector development in Afghanistan Develop a plan for the business survey in Afghanistan</td>
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<tr>
<td>Trade Facilitation</td>
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<td>Afghanistan to be invited to participate in the 2014 Asia-Pacific Trade Facilitation Forum to share regional experiences and best practice.</td>
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Bridging the Gap is a new publication series produced by the Trade and Investment Division of ESCAP that disseminates information about our capacity development activities in least developed and landlocked developing countries. The series showcases how we work, together with our Member States, towards establishing favorable conditions for inclusive and sustainable trade and investment. The series offers valuable information for governments of member states and regional and international development partners.

No 4. AFGHANISTAN

Chapter 1: Introduction to the capacity building programme
Chapter 2: 2013-2015 trade and investment capacity building programme for Afghanistan
Chapter 3: Next steps

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