

Documentation in Brief Conference on the Economy of Afghanistan Kabul, 8th October 2011



Reception Hall of the
Ministry of Foreign Affairs of the Islamic Republic of Afghanistan



DAN



Deutsch Afghanisches Netzwerk

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Recommendations for further discussion arising from the conference – the ten most important points

1. Economic and social policy must become – and remain – the priority issue

To date, insufficient attention has been paid to Afghanistan's economic and social development. As a matter of principle, the issue of »Afghanistan's economic development« must be among the most important topics of future policymaking. National, regional and international cooperation must be sought for this purpose.

2. Democracy needs prosperity across the board

Afghanistan has been struggling for ten years to establish democracy. The general public, to a considerable extent, measures success in this respect in terms of the development of its own prosperity. Given the continuing great poverty of the bulk of the population and the immense wealth of a few, trust and confidence in current politics and the country's democratic future have diminished significantly. This leaves the door wide open to the opponents of democracy.

3. Reduce dependency gradually

The current state of Afghanistan's economy is highly dependent on the international presence and international financial aid. This will remain the case for the foreseeable future. For that very reason a start must be made to leave this almost total dependence behind, step by step. To that end, the country's potentialities must be identified and promoted.

4. The role of the state in building up the economy

Not only are stable and generally recognised democratic structures lacking, but responsibilities with regard to building up the economy have yet to be defined. Besides the social partners, the state – in the current situation in particular – must take on a large measure of responsibility and develop the regulatory framework in such a way that as many people and economic domains as possible can benefit. Given the multitude of external influences the market alone will not be enough.

5. Developing problem areas into potentials

Afghanistan's potentials for economic development and expansion have so far not been brought to the fore sufficiently. The country's potentials are in fact frequently regarded as problems. However, the available potentials harbour substantial starting points for developing an Afghan economic model and must be exploited. The conference did deal with them to some extent.

6. Vocational training: prospects for young people and for the economy

Two-thirds of the population of Afghanistan are below 25 years of age and the population is growing rapidly. Demand for skilled jobs is already high and will continue to rise. Adequate initial training and further vocational training are guarantees of economic upturn. They are also guarantees for a whole generation that would like to play its part in the country's economic upturn. Practical and theoretical know-how are needed here in equal measure.

7. Afghanistan has wind, sun and water: decentralised energy supply

In particular in view of the country's high dependence in almost every area the given possibilities with regard to independent energy supply should be strategically developed and utilised. The current possibilities with regard to decentralised energy generation and supply should be a key focus in order to reduce the extreme town–country divide. The development possibilities of rural areas depend to a considerable degree on the country's ability to generate its own energy. A centralised energy supply for sparsely populated areas is prohibitively expensive.

8. Regional hub – strategies for a transit country

Afghanistan's transport infrastructure is currently not in a position to adequately ensure independent supply. The expansion in particular of the railways would therefore send an important message. Better transport connections can be used to restore Afghanistan's significance as a transit country in the region. For this purpose, however, besides expansion plans, trade policy strategies must also be developed to generate profits for the country by means of good capacity utilisation.

9. Prospects for the major part of the rural population

Due to the condition of its soil, the climate and previous experiences Afghanistan is well provided to be able, step by step, to regain an adequate degree of self-sufficiency. Even production for export is possible in some areas. At present, however, the country lacks sufficient resources to bring this about. A package of measures – from decentralised energy generation to training in order to enable more efficient agriculture – can lead to substantial improvements.

10. Overall economic policy model – integration of work areas

Of course, there are other areas that could be worked on besides those addressed at this conference, such as light industry. There are already a large number of approaches in many areas. There have been some very good and some less successful experiences. It would seem that a joint evaluation by a wide range of actors of particular work areas is a necessary condition of further progress. Overall, what is lacking is collation and an integrated view of the various approaches (interministerial cooperation). An overall medium- and long-term strategy is needed that includes all work areas – also with regard to their interdependence – hitherto regarded as separate, thus making it possible to plan the requisite integrated development steps concretely (for example, training and development in light industry or agriculture, infrastructure projects in relation to planned development of a regional economy).

Programme

Reception and welcome

08.30	DAN and FES Reception and welcome of guests
09.00	Koran recitation
09.20	Welcome speeches His Excellency Amirzai Sangein , Minister of Telecommunication and Information Technology, reading of the welcome speech of His Excellency Hamid Karzai , President of the Islamic Republic of Afghanistan Frank Hantke , Friedrich-Ebert-Stiftung (FES), head of the country office Dipl.- Pol. Sia Mahmud , head of the third political department of the Ministry for Foreign Affairs (MFA), DAN deputy chairman
09.40	Speeches His Excellency Dr Zalmay Rassoul , Minister of Foreign Affairs (MFA) His Excellency Rüdiger König , Ambassador of the Federal Republic of Germany Overall moderation: Dr Zangah Shinwari and Homira Hakimi (MA)

Prelude: A Vision

10.20	»Afghanistan's prospects of economic development« His Excellency Dr Anwar Ul-Haq Ahady , Minister of Trade and Industry (MTI) First commentary: His Excellency Mohammad Yousef Pashtun , Senior adviser to the President on water, public works, mining, urban development and rural development Moderation: Dr Alfred Kraft , adviser at the Ministry for the Economy (ME)
11.20	Break

Vocational Training

11.45	Introductory presentation: »Vocational qualifications as the basis of economic development« Dr Gustav Reier , Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) First commentary: His Excellency Asef Nang , Deputy Minister of Vocational Training Moderation: David Majed (MA) , adviser on education/training management, DAN general secretary
13.00	Lunch break

Energy

14.00	<p>Introductory presentation: »Renewable energies and their possible application in Afghanistan«</p> <p>Dipl. Ing. Gerd Schober, Project leader, Umwelt & Energie GmbH</p> <p>First commentary:</p> <p>Dipl.-Ing. Hamayoun Kohistani, head of the energy planning department of the Ministry of Energy and Water (MEW)</p> <p>Moderation: Dipl.-Ing. Alias Wardak, Technical adviser on integration, Umwelt & Energie GmbH, DAN executive board working group</p>
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Infrastructure – Railway network

15.15	<p>Introductory presentation: »Potential and objectives with regard to the regional integration of Afghanistan's rail network«</p> <p>His Excellency Abdul Qudus Hamidi, Minister of Public Works (MPW)</p> <p>First commentary:</p> <p>His Excellency Dr Hamidullah Faruqi, former Minister of Transport, Professor of economics at the University of Kabul</p> <p>Moderation: Dr. Q. Djallalzada, Senior adviser of the Independent Directorate of Local Governance (IDLG); chairman of DAN's executive board</p>
16.30	Break

Agriculture

16.45	<p>Introductory presentation: »State of agriculture in Afghanistan and its prospects«</p> <p>Dr Abdul Karim Wasiri, General-Director of the Baghlan sugar factory, member of DAN's executive board</p> <p>First commentary:</p> <p>Dipl.- Ing. Enayat Ishaqzay, GIZ</p> <p>Moderation: Lisa Akbari, Deutsche Welthungerhilfe</p>
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Conclusion

17.45	<p>Summary of conference and outlook</p> <p>Dr Q. Djallalzada, Senior adviser of the Independent Directorate of Local Governance (IDLG); chairman of DAN's executive board</p>
18.00	End of the conference on the economy of Afghanistan



Welcome Address of the President of the Islamic Republic of Afghanistan

In the name of God the Merciful,

It gives me great pleasure that DAN in cooperation with the FES has organised this »conference on the economy of Afghanistan« at the Ministry of Foreign Affairs.

It is my understanding that at this one-day conference – besides the keynote speeches of the ministers and persons responsible (officials) of the Islamic Republic of Afghanistan and the Federal Republic of Germany – German and Afghan academics and experts will present speeches and well researched theses on vocational training, energy, infrastructure and the state of agriculture in Afghanistan. These will then be discussed and commented on.

The selected topics which will be discussed at the conference are among the most important issues facing our country and closely concern the needs of our society. I congratulate the organisers of this conference.

I hope that the speeches, papers and discussions of the conference aimed at establishing work and project priorities for our institutions prove beneficial and lead to further support and assistance for our country.

I warmly congratulate DAN and FES for holding this economic conference in Kabul. God willing, the results of this conference will have a positive influence on the social and economic development of Afghanistan.

Hamid Karzai

President of the Islamic Republic of Afghanistan



Welcome address of the Minister of Foreign Affairs

In the name of God the Merciful,

Your excellencies members of the cabinet, his excellency Rüdiger König, ambassador to Afghanistan of the Federal Republic of Germany, distinguished head of the Friedrich-Ebert-Stiftung, distinguished members of the German-Afghan Network, dear guests, ladies and gentlemen, I have the honour of welcoming you to the Ministry of Foreign Affairs of the Islamic Republic of Afghanistan.

Today's conference is one step in an important direction, which will lead to the creation of jobs and economic growth and thus secure Afghanistan's future. As you know, the economy is crucial in paving the way for culture, education, politics and social solidarity, among other things. In the name of the Government of Afghanistan I would like to thank the Friedrich-Ebert-Stiftung in Kabul and the German-Afghan Network which have made possible such an exchange of views on the economy.

The Ministry of Foreign Affairs of the Islamic Republic of Afghanistan has supported the two institutions involved in this initiative with particular interest and hopes that it has contributed something to it. In the name of the Ministry of Foreign Affairs of the Islamic Republic of Afghanistan I would particularly like to thank the German embassy for its support. It pledged itself to ensure the success of this conference in every way possible.

Dear guests!

The Bonn conference will lay the foundations for international cooperation in the reconstruction of Afghanistan up to 2024. We hope that today's conference, with its ideas on Afghanistan's economic growth, will contribute to the Bonn conference and that we can present it there.

The Ministry of Foreign Affairs of the Islamic Republic of Afghanistan is the gateway by means of which Afghanistan and the world can be brought closer together.

Afghanistan and Germany are friendly states which despite the ups and downs of international and regional relations have always stood side by side and will continue to do so in future.

The German-Afghan Network consists of people of Afghanistan who live in Germany and have the same responsibility to Afghanistan and Germany. They are the best bridges for economic, political, cultural and social cooperation between the two countries and peoples, and their economic systems. In the name of the Ministry of Foreign Affairs of the Islamic Republic of Afghanistan I wish the conference every success.

Thank you for your attention

Dr Zalmay Rassoul
Minister of Foreign Affairs



Welcome Address of the Ambassador of the Federal Republic of Germany

Excellencies, members of the cabinet, distinguished members of the German-Afghan Network, distinguished head of the Friedrich-Ebert-Stiftung, dear guests, ladies and gentlemen,

The conference in Bonn on 5th December 2011 is certainly one of the most important upcoming events for Afghanistan. Afghanistan and the international community will there plan what comes after 2014 so that together we can achieve the best possible outcome for Afghanistan. Part of this process are not only the issues of the political security framework and cultural cooperation, but also and in particular the question of Afghanistan's long-term economic development. What role will the international community play in this? What opportunities are available and what are the prospects? Today's conference can make a substantial contribution to the whole process. The preparations for the Bonn conference also have an economic aspect.

This includes a meeting in Brussels on 26th October. Representatives of international companies will meet with representatives of the Government of Afghanistan to discuss the prospects for economic cooperation. Beyond the political framework ultimately it is Afghanistan's economic development that will make a substantial contribution to its independence and a secure future for the country. Afghanistan has much to offer. It is our common task to bring this to the fore. Afghanistan offers opportunities for all of us. However, we have to define and structure them even better. Development cooperation, which we have pursued intensively for the past 10 years and will continue to pursue in the coming years, basically amounts to laying the foundations for this independent economic development.

Ultimately, Afghanistan's economic development will also have a decisive influence over its political future. If we are able to offer the population prospects, create jobs, provide educational and training opportunities and develop potential, the economic outlook for Afghanistan will be positive. And we should not forget what we have already achieved over the past 10 years. We need to use the existing potential and develop it further.

There has been much talk of Afghanistan's mineral resources lately. This is important, but Afghanistan has much more to offer economically. Afghanistan has agricultural produce that can be processed for world markets. The European Union can play a vital role here. Afghanistan has traditionally been situated on an important trade route. Therefore the initiative of our American colleagues recently discussed in New York under the name »New Silk Road Initiative« is also important. Further development of Afghanistan's traditional role as a trade route and trade centre is a step on the way to an economically independent Afghanistan. That is why this conference is so important and so timely. As an event organised jointly by DAN and FES this conference follows a long series of joint projects between Germany and Afghanistan.

I wish us all a successful conference. Thank you very much.

Rüdiger König
Ambassador of the Federal Republic of Germany

Foreword by the Conference Organisers

Distinguished readers of this Documentation,

First of all, we would like to thank the President, His Excellency Hamid Karzai for his invaluable support. Our thanks go equally to the conference host in the Ministry of Foreign Affairs, His Excellency Dr Zalmai Rassoul. Like His Excellency the Ambassador of the Federal Republic of Germany Rüdiger König, they emphasised how important Afghanistan's economic development is for its democratic stabilisation. They thereby also marked out this conference and its outcomes as a milestone with regard to the coming international conferences.

We would also like to thank all speakers, commentators, moderators and participants in the conference: without them, we would not have the positive results that we wish to present briefly in this Documentation.

There are many future hurdles that will have to be overcome to help Afghanistan on its way to becoming a democratic, economically independent and socially oriented state. Much has been set in motion already, but much remains to be done.

The security of the people of Afghanistan is certainly a priority goal. However, many issues concerning construction cannot be considered or dealt with in isolation. We planned this conference in the conviction that economic development, which goes hand in hand with improving people's social circumstances, is an important, indeed crucial building block in the country's stabilisation. Skilled work and good products will bring – step by step – prosperity and thus well-being. This is the best asset a society can have when it needs every man and every woman to build democracy.

This conference has shown once again that it is an Afghan way that must be taken. The starting points for the development of economic goals must be the existing conditions and potentials of the country and its people. For this reason the conference focused on four key areas. All are related to existing potential or to crucial specific goals of Afghanistan.

Afghanistan's future lies in the hands of the younger generation. How can it be enabled to take the next steps successfully? With education and training, without a doubt – both in general and at the top level. Vocational training will be the key starting point for better production and administration. And thus guarantee that Afghanistan can hold its own in this globalised world.

Afghanistan's future also depends on the fact that it is a regional hub. For this reason issues of transport infrastructure were also addressed. The ambitious plan to lay thousands of kilometres of railway track must be linked to strategic regional trade goals.

Afghanistan's strong dependency on foreign energy constitutes a major hurdle for autonomous economic development. And without energy there can scarcely be progress and thus no improvement in living standards. Potential for autonomous energy generation is, proverbially, in the air. Wind, sun and water are available – but how can these sources of energy be harnessed for economic development?

And as long as Afghanistan's agriculture is considered a »problem« people's eyes will remain closed to its potential and its strategic development. There are many good ideas on the table for harnessing this potential, but many tasks have to be dealt with first.

This brings us full circle as regards the topics of this conference. Exploiting Afghanistan's agricultural potential, too, will be possible only by educating and training those who are involved in it. Water needs energy and it must be possible to transport products to both Afghan and international markets.

The outcomes of this economic conference will be of service to all future discussions. FES and DAN will continue their work in light of the new ideas that have emerged from it.

Frank Hantke, FES Resident Representative Dr. Qiam Djallalzada, Chairman of DAN

Vision

Presentation: His Excellency Dr Anwar Ul-Haq Ahady, Minister of Trade and Industry

Commentary: His Excellency Mohammad Yousef Pashtun, Senior Adviser of the President

Moderation: Dr Alfred Kraft, CIM consultant at the Ministry of the Economy

Presentation

Dr Anwar ul Haq Ahady, Minister of Trade and Industry of the Islamic Republic of Afghanistan and keynote speaker at the conference by way of introduction presented the factors that affect the development of the economy generally. Dr Ahady described the government's efforts and talked about future economic policy with cautious optimism.

Security is the key to economic development. More security is a precondition of investment. A difficult security situation unsettles investors, increases production costs and leads to more unemployment. For a few years after the fall of the Taliban security was relatively good and economic growth, accordingly, was also good, at 11 percent. GDP trebled within a short time. Over the past three years, however, the security situation has deteriorated and thus economic development has slowed down.

Over the past thirty years, the so-called Free Market Economy has prevailed throughout the world, leading to more growth and prosperity. Afghanistan has been implementing the Free Market Economy for ten years now and has largely liberalised its regulations. Provisions such as the laws on investment, banking, currency exchange, company establishment, leasing of building land, mining, customs, tax, the budget, procurement and trade are business-friendly and in line with international standards. Other laws, such as those on consumer protection, competition and bankruptcy are currently going through the legislative process. Despite this progress there are a number of shortcomings with regard to implementation, but the government is working on them.

Trade and the service sector have developed well over the past ten years. Afghanistan has a strongly import-oriented economy. Imports to Afghanistan amount to around USD 8–9 billion a year, while exports are modest. The security situation, the shortage of skilled workers and the use of outdated means of production increase production costs.

The development of the industrial sector is unsatisfactory, however. Until recently, Afghanistan did not have a mature industrial policy. As a first step, the Ministry of Trade and Industry has identified the industrial branches capable of competing in the export economy (for example, marble processing, carpet manufacturing, gemstone processing, food processing and wool and leather processing), advises investors and supports these branches for a limited time so that they can hold their own on regional and international markets.

With regard to infrastructure Afghanistan can boast of considerable positive developments. A total of 6,000 km of road have been asphalted. This not only connects all the country's provinces to one another but also provides Afghanistan and all its neighbours access to markets in Central and South Asia and also in the Gulf states. The railway network is under construction. All this will revolutionise passenger and goods transport and contribute to further economic development in Central and South Asia.

Afghanistan has a well developed telephone network. Almost every village is reachable by mobile telephone. The landline network is under construction. The Internet is spreading rapidly.

Progress can also be reported in the area of energy supply. At present, Afghanistan has 870 MW at its disposal. However, it needs a total of 5,000 MW in order to supply its population and industry with sufficient energy. In response to this, further energy generation projects are under way. At present, the government is examining the construction of large dams in Konar, Kokcha, Sarobi and Baghdara and Panshir. The completion of these projects will not only cover domestic energy needs, but also produce enough energy for export.



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8. Oktober 2011
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Chairman
Ministry of Commerce and
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Shahid Azam
Embassy of the Federal Republic
of Germany



جمهوری افغانستان
وزارت بهداشت
۱۶ مه ۱۳۹۰
کابل

MEDICAL
EQUIPMENT

Hossein Hossein

Dr. Jal Zangah Shirvani

The shortage of skilled workers and specialists is a major hindrance to economic development. The number of skilled workers and specialists has increased over the past ten years but the quality of training remains unsatisfactory. The return home of well trained and educated Afghans from abroad is a plus. The state must work on improving the quality of educational and training institutions and encourage more Afghans to return home. The abuse of democracy by interest groups also impedes the development of the economy.

Commentary:

Yousef Pashtun, in his analysis, substantially confirmed the position presented by Minister Ahady. His key points were as follows:

After security, the shortage of skilled workers and specialists in all sectors is the biggest challenge facing Afghanistan. Nationals from neighbouring and other states are temporarily posted in Afghanistan. That is costly and also holds the country back in developing its own human resources. First and foremost, however, decent work opportunities must be created for existing skilled workers and specialists.

Furthermore, migration from rural areas is endangering the urban–rural balance. The state must be proactive in creating job opportunities in agriculture for the population in the districts and in offering better vocational training, both quantitatively and qualitatively. The government, therefore, not only has to guide economic processes but in particular cases even operate as an entrepreneur.

Discussion

The data and statistics of the Afghan government are often inconsistent with those of non-governmental organisations. NGO data are frequently more reliable than official statistics. The government after ten years – in other words, much too late – wishes to get involved in the economy. Minister Ahady has disputed this since the state was never just an observer. However, the state prefers to invest in large infrastructure projects and leave small industrial projects to the private sector.

In the coming years the government will continue to be dependent on massive development aid.

Outlook – What Can Be Done?

International development aid has contributed substantially to funding government and civil society development projects. This should not be reduced after 2014, in other words, after the transfer of responsibility. A reduction in development aid would have dire consequences for the current economic situation.

Gradual development through the country's own efforts – gradual reduction of financial aid
Only in five years' time will Afghanistan reach the level of USD 1.5 billion annual tax revenues from resource extraction. Only then should development aid be gradually reduced. Furthermore, the Afghan government should be granted the right to handle development projects – on an equal footing with the donors – through the Afghan administration.

Improvement of the country's own security standards – corresponding reduction in foreign forces

The withdrawal of international security forces will deteriorate the security situation in Afghanistan. Withdrawal should therefore take place gradually and in proportion to the recruitment and training of Afghan security forces. Afghanistan has already entered into strategic partnerships and will continue to do so in order to enhance the security of the population and facilitate economic development.

Adapt the role of the state to the threats and conditions of the Afghan market

The role of the state in economic development should be in accordance with the multifarious problems facing the country. In almost every area of economic development structural aid must be provided, whether through the combination of training and expertise, the promotion of specific economic sectors or protection against foreign dumping.

Vocational Training

Presentation: Dr Gustav Reier, GIZ

Commentary: His Excellency Asef Nang, Deputy Minister of Vocational Training

Moderation: David Majed, CIM consultant on educational management

Presentation

As a basis for discussion Dr Gustav Reier presented some data on the Afghan labour market. According to research (2006), only 2.6 per cent of the 15 million workers have qualifications. In Afghanistan there are around 1.3 million young people of training age (15–19 years). There are around 44,000 training places for this group in around 130 vocational schools. The government's long-term plan is to create around 300,000 training places for young people in around 400 training schools by 2020 within the framework of a vocational school building programme.

The economy lacks qualified workers and society lacks training opportunities. The economy and the state should enter into a vocational training pact in order to solve the serious training problems and to offer young people training prospects. The benefits of this are manifest. The state and the economy would contribute significantly to the pacification of society by offering young people more and decent training and employment prospects. Furthermore, well trained workers would boost the competitiveness of enterprises and of the economy overall. General training and vocational training affect both the innovation capacity of individual enterprises and the innovation capacity of the whole economy. National economic growth could reach up to 25 per cent a year with a comprehensive training programme. Economies with high educational and training potential are more prosperous and achieve growth on the basis of knowledge-intensive products and services.

The training programmes within the framework of cooperative vocational training might last between three and twelve months, and the specifics of training could be determined together with the business sector/trade unions. Training would take place alternately in the workplace and in vocational schools. The final examination should be in front of an examination committee made up of representatives of the business sector and society.

Joint responsibility in vocational training means that at the national level joint committees will be created to design a cooperative – the state and business – vocational training system. At the local level, as a consequence, there could be cooperation between companies and vocational schools so that practical training can take place in the workplace in accordance with uniform standards.

Commentary

Mr Asef Nang reported that in the past 10 years Afghanistan has made considerable and demonstrable progress. The number of trainees and school-leavers has risen significantly. New training options, such as food processing, renewable energies, forestry, gastronomy and tourism have emerged. Quality of training has improved markedly, even though Afghanistan is not yet up to the standards of neighbouring Iran and Pakistan, for example. Of the around 8.5 million school-leavers, however, only about 3 million have received further training resulting – in various ways – in vocational qualifications.

The vocational training curriculums are modular and practically-oriented. Of the 142 different training profiles 74 are related to agricultural activity. The Education Ministry began work on a training system for vocational school teachers in April 2011 with the support of the GIZ.

At present, 300 future vocational school teachers are undergoing training at the Technical Teacher Training Academy in Kabul. Industrial and technical professions, including an exam system, are currently being developed with the assistance of the GIZ.

The Education Ministry is implementing a strategic five-year plan (2011–2015) in which vocational training assumes a key role. In accordance with this, for example, 72 new vocational schools will be built each year, especially in the districts.

Discussion

In the ensuing discussion first the quality of training was criticised. It was also proposed that 30–40 more vocational qualification options be created. Furthermore, trained workers must not be limited to the local market but be able to participate in regional and international business activities. Afghanistan in the coming years needs 400,000 to 500,000 young skilled workers trained in accordance with regional standards.

Another criticism was that in many areas the practically-oriented component is too small. Here the proposals of Dr Reier – which involve giving the practical orientation more prominence – should be taken up and incorporated in curriculums. In addition, school leavers must be encouraged more intensively to take up these very promising alternatives to a university education.

Also discussed was teachers' training and pay. Too many teachers have to engage in secondary employment – as taxi drivers, for example – because of the low pay which is not enough to make ends meet. This inevitably has an adverse impact on the quality of their work in school.

What is available to the regions in general and for the insecure areas in particular has long been inadequate. The training divide between urban areas and the regions will only serve to exacerbate the inequalities in Afghanistan with regard to economic development.

Outlook – What Can Be Done?

Afghanistan faces the challenge of setting up functional vocational training in order to sustainably to meet the needs of enterprises and to boost the competitiveness of the economy. Enterprises and the business sector/trade unions have a historic opportunity to participate in this.

Young people must be encouraged to take an interest in vocational training

To date, many school-leavers have taken the view that their future prospects depend on a university education. The state and the business sector must recruit them for other vocational paths and extend the range of options. This must be country-wide and not limited to certain areas.

The business sector/trade unions must participate ...

It is of the utmost importance for the business sector to employ suitable and qualified young people. Only in this way will it be possible to provide better products and services in the medium and long term and which also boost competitiveness in relation to foreign suppliers on the domestic market. The economy – employers' and employees' organisations – should therefore play a decisive role in the development of training plans and curriculums. Often they know best what is needed. Furthermore, young people should be made aware of individual opportunities if they opt for a particular training path.

... and conclude a training agreement with the state

It must be in the joint interest of the state and the economy to contribute to the country's economic development in a manner that can meet the many challenges. To that end the various approaches and responsibilities should be fruitfully brought together in order to develop an overall education and training strategy which combines school and vocational training measures and thus shapes them more effectively. A proactive strategy of this kind would make it possible to get young people on board.

Energy

Presentation: Dipl. Ing. Gerd Schober, Project Manager,
Integration- Umwelt und Energie GmbH

Commentary: Dipl. Ing. Hamayoun Kohistani, Ministry of Energy and Water

Moderation: Dipl. Ing. Alias Wardak, Technical Consultant - Integration,
Umwelt und Energie GmbH

In his presentation Gerd Schober concentrated on the question of whether and to what extent renewable energy generation is possible in Afghanistan. He made it clear that Afghanistan can scarcely rely on a network of power lines. First he showed that energy supply varies considerably in the various regions. Supply is generally much better in the west of the country than in the centre and in the east. Even the capital Kabul's electricity supply is not yet 100 per cent.

Although in comparison to 2007 the quantity of available energy has increased by over half, import dependency has more than doubled. Water power generation has not risen in absolute terms, domestic generation by means of diesel oil and fossil fuels has decreased in favour of higher imports and the proportion of renewable energies has remained constant at only 2 per cent. The growth in energy demand can be estimated at at least 50 per cent over the next four years and at a good 70 per cent for the five years after that. A comparison of energy costs – ranging from domestic water power: USD 0.023 to diesel: USD 0.295 – shows clearly that there are potential cost savings to be made.

In addition to water power, which accounts for around one-third of Afghanistan's domestically produced energy, there are basically two other forms of generation:

- Wind energy, which can be obtained particularly efficiently in the west (Herat, Farah, Nimroz). Other parts of the country have not yet been satisfactorily investigated.
- Solar energy, which could be generated successfully throughout the country, with around 300 sunny days a year. It was emphasised that large plants also require major technology transfer, while small plants in many areas are possible. Here the basic questions also arise of how extensive the network would have to be or to what extent decentralised energy generation must be provided.

Mr Schober regretted that there is still no comprehensive water power development programme, although this would give Afghanistan every opportunity to keep its energy supply in its own hands.

With regard to wind energy the speaker favoured rather decentralised utilisation since large plants require a network structure.

Commentary

Dipl. Ing. Kohistani confirmed Afghanistans' dependence on foreign energy supplies – Tajikistan, Turkmenistan and Uzbekistan – estimating the level of imports at around 600 megawatts. But, Mr. Kohistani does not believe that Afghanistan will be able to generate sufficient energy only by means of water power. Nevertheless, the water power potentials could deliver a huge contribution to an independent energy supply in Afghanistan.

To illustrate that he presented an overview of the planned measures for water power energy generation. In his opinion, Afghanistan is in a position to generate around 23,000 megawatts from this source in future: Kokcha 19,000 MW, Konar 1,100 MW, Panshir 120 MW, Nijrob 160 MW, Kinagi 140 MW and a second power station in Kajaki 100 MW. Further resources might add around 180 MW to this.

Mr Kohistani also pointed out that some water power energy generation projects must be agreed with neighbouring countries.

Discussion

The discussion centred on the question of energy generation by water power – both with existing plants and with the plants in the planning stage. The importance of treaties with neighbouring countries was also addressed. There was also some discussion of current projects. Responsibility for the development of strategies also came under consideration.

According to existing government plans, Dipl. Ing. Kohistani stated, it is intended that by 2020 around 65 per cent of towns and around 35 per cent of rural areas will be supplied with electricity.

Outlook – What Can Be Done?

The governments' perspective on energy supply is twofold: optimistic with regard to the enormous efforts that will have to be made in order to exploit the potential, but not very encouraging with regard to many areas of Afghanistan which are still waiting for the energy they need in order to drive their development. This applies to the rural areas in particular.

Not only expand water power...

It appears that the discussion on independent energy supply hitherto has concentrated too much on water power alone, while other promising potential energy sources have not been adequately addressed or even included in comprehensive energy strategies.

... but also make better use of the other natural resources for renewable energies

Wind and, in particular, solar energy represent a major opportunity for peripheral and remote areas. Small plants will make it possible to supply peripheral villages or village communities with electricity. This is necessary in order to significantly improve living but also working conditions there, and certainly in the short term.

Electricity networks are an essential objective

Given the planned expansion a network strategy is needed for Afghanistan which is coordinated both centrally and decentrally and harmonised with the energy generation plans. However, more consideration should be given to the options for decentralised energy supply, too.

Planning – central and coordinated with the regions

Consideration should be given to how the very different work areas pertaining to energy generation and supply can sensibly be brought closer together in order to develop an overall strategy for energy generation and supply, based on generating as much energy as possible in Afghanistan and making it available in as many regions as possible. For that purpose large projects – in particular with regard to water power – with the resulting network needs are as important as decentralised independent and small generation and supply establishments in rural areas.

Infrastructure – Railway Network

Presentation: His Excellency Abdul Qudus Hamidi, Minister of Public Works

Commentary: His Excellency Hamidullah Faruqi, former Minister of Transport,
Senior Adviser to the President

Moderation: Dr Qiam Djallalzada, Senior Adviser, IDGL

Presentation

To begin with, the moderator declared that Afghanistan is a landlocked country with many neighbours and thus needs to trade. However, it lags far behind in terms of technology and logistics. Although there are a number of railway links to neighbouring countries Afghanistan itself is still in its infancy in this respect.

Abdul Hamidi presented the government's extensive and very ambitious plans for railway construction. Three corridors are planned.

Corridor A begins in Herat on the border with Iran and goes through Ghor and Baghdis to Balkh. After that it goes through Kunduz to Shir Kahn Bandar, on the Afghan side of the Tajikistan border. There are also two connections to Turkmenistan and Uzbekistan. The total length of these planned lines is 1,278 km.

Corridor B goes from Logar (in cooperation with the Chinese MCC) through Kabul, Bamyan and Baghlan. It crosses Kunduz and terminates in Shir Kahn Bandar. From Logar the line goes in the opposite direction through Jalalabad and Turkham to the Pakistan border. Its total length is 930 km.

Corridor C is planned to run from Herat through Faroh, Helmand, Kandahar and Ghazni, terminating in Logar. From Kandahar, a connection to Pakistan is planned.

The speaker emphasised that these plans represent a major challenge, in particular because there is little domestic experience in this regard. At the moment, feasibility studies are being carried out and it is still not possible to say what the overall cost is likely to be.

Commentary

Dr Faruqi agreed with the Minister that railway connections are essential for Afghanistan's economic development. This concerns trade with neighbouring countries first of all, but also the integration of the transport system in the regional context (CAREC, OIC, SAARC, Shanghai and so on).

New outward rail connections would make Afghanistan less dependent on trade with Pakistan, which is constantly interrupted; allow the export of raw materials; reduce transport costs; and thus increase national competitiveness and give substantially new impetus to economic development. Better connections to Asia's growth centres and to Europe would make it possible to exploit the country's favourable strategic position as a bridge between South and Central Asia.

However, other major challenges remain. To some extent, the plans were developed many years ago. Questions concerning different track standards have not yet been solved. To date, according to the speaker, there has not been much of a commitment to the transport system by Afghanistan's decision-makers. Furthermore, the plan can be realised only with massive foreign assistance. Funding of the plan in three stages is not yet guaranteed.

A convincing strategy must also be developed to ensure that Afghanistan also benefits from these connections and that they are sustainable. This also includes plans for line maintenance and the organisation of services around the railway system. Likewise, thought must be given to linking up with other forms of transport, in particular the national road system, in order to transport goods efficiently to and from end users.

To be sure, the current security situation poses a special challenge – in terms of both the construction and the maintenance of the system.

Dr Faruqi suggested that the responsibilities that at present are somewhat dispersed should be brought together or divided on the basis of effective joint planning. He also considers the formation of a responsible ministry for such a major project to be a good idea.

Discussion

The discussion centred mainly on the technical demands of the planned railway. Since there are already connections to the neighbouring countries up to Afghanistan's border the question arises of what gauge of track should be selected for Afghanistan's railways. The minister made it clear that the most economically viable gauge will be chosen. Afghanistan will develop an independent solution in this regard.

Outlook – What Can Be Done?

The railways must be promoted – after the government has worked out an overall concept for construction, maintenance and optimal economic utilisation – as an important and invaluable infrastructural measure for the economy and the population. Positive adoption of the concept is an indispensable condition for sustainable implementation and a profitable investment for Afghanistan.

Foreign financial assistance is needed – but the focus must be on Afghanistan's interests

Given the high, even unforeseeable costs foreign financial assistance must be enlisted. However – and Afghan experts are unanimous on this – it would be a mistake to tie this assistance extensively to the particular interests of the donor. It must be ensured that the construction of the railway system first and foremost serves Afghan goals and interests.

Inclusion of important neighbourhood trading partners...

However, common interests with important trading partners – such as China or India – must be identified and firmly established in order to complement national development possibilities with bilateral trade opportunities with neighbouring countries.

... and integration in regional economic policy strategies

In addition, there should also be regional cooperation with the relevant regional organisations, such as SAARC, CAREC, OIC or Shanghai. In this way, based on a key regional transit function for Afghanistan's railways, a profitable and comprehensive business concept can be developed for the medium and long term.

Prerequisites for economic success: servicing, maintenance and security

Right at the beginning a comprehensive servicing and security system must be worked out in order to ensure that the railways will be permanently available as a reliable resource. This is also indispensable for potential business users, but also of course for the general public. For this purpose, skilled and constant maintenance work is as necessary as adequate security of the lines against external threats.

Agriculture

Presentation: Dr Abdul Karim Wasiri, General director of the Baghlan Sugar Factory

Commentary: Dipl. Ing. Enayat Ishaqzay, GIZ

Moderation: Lisa Akbary, Welthungerhilfe

Presentation

Dr Karim Wasiri first of all made it clear, as a starting point for the discussion, that Afghanistan traditionally is an agrarian country – and indeed must seize on this as an opportunity. According to official figures, more than 70 per cent of the population still lives in rural areas and earn their living directly or indirectly from farming. Even before the Soviet invasion in December 1979 and in subsequent years Afghanistan counted among the economically least developed countries in the world. At that time, however, the country possessed at least a reasonably functioning agriculture which represented its main source of revenue. Clear evidence of this is the fact that despite the massive destruction inflicted on the agricultural infrastructure by more than 25 years of war and civil war the population was provided with the most important staple foods from domestic production. This also illustrates the key importance of Afghan agriculture as one of the most robust and viable branches of the economy.

It has to be recognised, however, that the development and efficiency of this sector could have advanced a lot further if it had not been so wantonly neglected over the past 10 years. There can be no doubt concerning what development-policy path Afghanistan should pursue in the coming years. Forcing the development of the industrial sector alone, given the current state of affairs, does not appear very promising. For the foreseeable future, Afghanistan is unlikely to be able to compete successfully as an industrialised nation with much more developed and politically influential neighbouring countries such as Iran, Pakistan and China. This supposition is backed up by the vast range of imported industrial goods in Afghanistan's bazaars.

Far more promising, by contrast, is likely to be the tried and tested development-policy approach of gradually building up an efficient local agricultural industry by systematically fostering domestic farming. Afghanistan possesses all the relevant natural prerequisites and many resources for a highly efficient agriculture on the basis of which a competitive agricultural industry could be developed. Local refining of its high quality agricultural products offers, for a start, a means of substituting domestic production for costly foreign-currency imports of agricultural raw materials and processed products. This would also sustainably boost jobs which are so urgently needed in rural areas. Development of rural areas initiated in this way would also mean more security, stability and prosperity. For the many young people in particular this would offer economic and social prospects which at present in many respects they do not possess, the consequences of which are plain.

The speaker described developments in a large sugar factory in the province of Baghlan. His account covered the commencement of the project and the selection process; the involvement of experts in a consulting and supervisory role; and processing and distribution. He went on to describe future possibilities, touching on training, energy and systematic support, as well as existing problems which mean that only a fraction of the existing opportunities are being made use of.

Commentary

Dipl. Ing. Enayat Ishakzay agreed with all this and added that Afghanistan at present is not in a position to adapt the rate of agricultural production even to population growth. Only 2 per cent of the land area is cultivated. Many other areas could be utilised if there was regulated water management for that purpose. This must be a key issue for future discussion. Until there is – in all areas – properly functioning and integrated support for agriculture for food production there will be no choice but to stand by helplessly while for short-term and short-sighted reasons opium poppy cultivation continues to prosper.

Outlook – What Can Be Done?

The remarks of both experts show that agriculture need not remain a problem but can be an opportunity for Afghanistan's economic development. They emphasise that the water issue is crucial in developing an efficient agriculture and that more effective and wider ranging efforts are needed. Irrigation management of this kind would also make it possible to open up more areas for agricultural use.

Efficient use and fair distribution of the available water

General water management must be improved and if necessary stricter legislation must be enacted on water rights. However, it is also necessary to ensure the rapid and fair implementation of the law. The currently irrigable land is increasingly becoming a serious bottleneck for the future development of Afghanistan's agriculture. Increasing agricultural production is scarcely conceivable, therefore, unless new irrigable areas are opened up. In principle, Afghanistan has sufficient irrigation water; it just is not being used carefully enough. It is therefore important to build water retention basins along rivers and canals for the storage of water during the winter months.

Improving land management

Improving current tenancy systems and legal measures to prevent – continuing – fragmentation of the land available for cultivation. There should also be a halt on building on land which is definitely needed for agricultural use.

Education and training for better utilisation and cultivation/management

Agriculture measures should be taken, such as proper crop rotation and more sustainable and green manuring. In this way, soil fertility can be increased considerably and used more sustainably. Farmers must be advised and trained on a practical basis to introduce – gradually – all these production technology measures. However, for this purpose they need more support, such as high quality seeds from improved varieties of agricultural crops. Also necessary are modern laboratory expertise and evaluation, as well as advice centres throughout the country.

Promotion and improvement of marketing

Another topic is the more effective marketing of agricultural produce. This includes adequate warehouse and cold storage capacities. However, provision must also be made to protect domestic agricultural produce against cheap imports, without imposing exorbitant prices on consumers. Furthermore, efforts should be made to encourage agricultural diversification across the country; in other words, more and perhaps new arable crops should be established.

Note: For reasons of time – the conference was already running an hour late – there could be no more discussion about agriculture.

The Friedrich-Ebert-Stiftung (FES) is committed to fundamental social and democratic values and cooperates with partners from politics, civil society and academia. Since 2002 it has had an office in Kabul, besides another 14 offices in Asia.

With a global network of over 100 offices the FES is dedicated to supporting democracy and social and economic development. It uses its network to promote regional and international discussion and is committed to exchange, tolerance and understanding worldwide. In Afghanistan, the FES works with parties, trade unions and employers, civil society organisations and, in particular, with young people for a peaceful, socially just and economically successful future for the country.

The Deutsch-Afghanische Netzwerk (DAN) (German-Afghan Network) regards itself as a bridge between Germany and Afghanistan. The purpose of the Network is to reinforce the position of the German-Afghan community. DAN supports the political, economic and social development of Afghanistan. The Network also helps to improve the efficiency of German-Afghan development cooperation.

DAN is a non-profitmaking and non-political organisation. The Network's aims include identifying Afghanistan's core problems, researching their causes and coming up with proposals for solutions and relevant activities. Important topical areas include infrastructure, education and training, economic policy, politics and law, knowhow and technology transfer. In addition, DAN wishes to contribute to the intensification of cultural, social and economic relations between Germany and Afghanistan.

Kabul, October 2011

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Layout:	Tareq Eqtedary, FES Young Leaders Forum
Print-run:	1,000 (in English)

In the coming months FES and DAN will explore the topics of the conference in more depth. The results will provide input for an FES-DAN follow-up conference on economic development in the first half of 2012, as will results from international conferences on the promotion and further development of Afghanistan.



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