Public-Private Dialogue Mechanisms For Informing Trade Policy In Afghanistan
AN ASSESSMENT OF EXISTING MECHANISMS AND RECOMMENDATIONS FOR A FUTURE ONE
Public-Private Dialogue Mechanisms
For Informing Trade Policy in Afghanistan
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<tr>
<td>AABE</td>
<td>Afghanistan Advisory Board of Entrepreneurs</td>
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<td>ACCI</td>
<td>Afghanistan Chamber of Commerce &amp; Industry</td>
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<td>AIU</td>
<td>Afghanistan Industrial Union</td>
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<td>ANPDF</td>
<td>Afghanistan National Peace &amp; Development Framework</td>
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<td>AWBF</td>
<td>Afghanistan Women Business Federation</td>
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<td>EPAA</td>
<td>Export Promotion Agency of Afghanistan</td>
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<td>GIRoA</td>
<td>Government of Islamic Republic of Afghanistan</td>
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<td>Harakat-AICF</td>
<td>Harakat-Afghanistan Investment Climate Facility</td>
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<td>HEC</td>
<td>High Economic Council</td>
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<td>ICC-A</td>
<td>International Chamber of Commerce in Afghanistan</td>
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<td>IMCTF</td>
<td>Inter-Ministerial Commission for Trade Facilitation</td>
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<td>ITC</td>
<td>International Trade Centre</td>
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<td>LEAD</td>
<td>Leading Entrepreneurs of Afghanistan for Development</td>
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<td>MAIL</td>
<td>Ministry of Agriculture, Irrigation, &amp; Livestock</td>
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<td>MoCI</td>
<td>Ministry of Commerce &amp; Industry</td>
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<td>MoF</td>
<td>Ministry of Finance</td>
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<td>NES</td>
<td>National Export Strategy</td>
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<td>NPP</td>
<td>National Priority Program</td>
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<td>PPD</td>
<td>Public Private Dialogue</td>
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<td>RECCA</td>
<td>Regional Economic Cooperation Conference on Afghanistan</td>
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<td>SMAF</td>
<td>Self-Reliance through Mutual Accountability Framework</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>TFA</td>
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<td>ToR</td>
<td>Terms of Reference</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>WTO</td>
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SECTION I. INTRODUCTION

The EU – Advancing Afghan Trade Project aims to enhance trade and regional trade integration of the Islamic Republic of Afghanistan as a lever for confidence building, economic and human development and poverty reduction.

The purpose of this paper is to present options for a structured and effective public-private dialogue (PPD) in Afghanistan. The overall objective is to contribute to a proper participation of the private sector in the formulation of trade policy in a way that fosters exports, investment and ultimately, economic growth. For this reason, private investors and enterprises must be satisfied that Afghanistan’s trade policy and the trade agreements the Government of Afghanistan intends to negotiate will produce the expected benefits for them.

An adequate trade policy is supposed to contribute to the creation of a business environment, which entices enterprises to explore new markets, trade among themselves and increase production through additional investments. In this context, critical objectives for investors, which trade policy is expected to address, are the establishment of a stable and predictable legal environment for trade, secure access to most efficient input material and services, and improved market access rights in the territory of Afghanistan’s trading partners.

Hence, for a trade policy to be successful, not only must it be adequately engineered, but it must also be implemented in a way that economic operators understand is fair, predictable and effective. The implementation of trade policy thus requires that the economic operators have the capacity to be informed of its objectives and overall benefits for them, as well as to share their expectations accruing from the country’s trade agreements. They must also have the possibility to discuss with their governments the possible shortcomings, which they perceive result from the conclusion of trade agreements or their imperfect implementation.

A structured public-private dialogue is, therefore, part of the necessary institutional infrastructure that ought to be established in the context of an effective trade policy. The challenge is to make such a PPD effective.

This paper firstly begins by introducing the study and the methodology used (Section I). It presents the state of play of PPD in Afghanistan, along with an assessment of the main PPD mechanisms (section II). It will then present the scope of PPD in the context of Afghanistan’s trade policy, highlighting the public and the private sector’s views and main priority issues that ought to be discussed (section III). It will then detail broad areas of improvement across all PPD mechanisms observed and will also make recommendations (Section IV). Next the different options available regarding the format PPD could have at the national level are addressed (section V). Finally, it will draw recommendations on how a capacity-building project could contribute to addressing the identified challenges (Section VI), including the undertaking of a PPD to agree upon the appropriate option and mechanism to implement.

This paper is thus intended to positively contribute to the identification of the conceptual and practical framework of an effective PPD in Afghanistan and possible technical assistance activities to facilitate the establishment of such a PPD.

This paper follows desktop research and stakeholder interview carried out between February 01, 2017 and April 12, 2017. Options for an effective PPD mechanism are addressed and views obtained from chambers, private sector organizations and relevant government’s entities based on a questionnaire. This study is guided by ITC’s assessment, which is designed to diagnose the state of public-private dialogue in a country, identify areas for possible improvements in dialogue, and inform the development of new dialogue initiatives. The tool may also have applications in setting baselines, conducting simple benchmarking, or comparative study. With some adaptation, it could support monitoring and evaluation. M&E would require an evaluation framework spanning the length of the policy cycle, as well as more extensive data collection done in coordination with the administration of a PPD initiative.
SECTION II. STATE OF PLAY OF PPD IN AFGHANISTAN

Stakeholder consultations and dialogue among public sector institutions, private sector groups and individuals, and other key players such as donor community and civil society organizations, have proliferated in line with expanding open and multilateral trade regimes around the globe, deepening value chains, and rising trade in services. Afghanistan began such a journey by adopting an open trade regime and striving to foster regional connectivity for trade and transit in and through Afghanistan. These trends require a higher degree of coordination in policymaking, trade negotiations, progress monitoring, and policy information. Structured dialogue among stakeholders has the potential to strengthen policy and improve the legitimacy of trade systems. In developing countries, with the weaker flow of information between stakeholders, new institutions, and limited technical capacity; the benefits of dialogue can be substantial as consultation and dialogue can help generate more effective solutions to trade-related issues that otherwise would fail to emerge from fractured policymaking. In the case of Afghanistan, given the limited flow of information, new and inexperienced institutions, the absence of universal and defined trade regime, and limited technical capacity; the benefits of structured and standard dialogue can be very significant.

In Afghanistan, dialogue between the GIRoA and the private sector has remained ad hoc, spontaneous, and to some extent donor-driven, over the past 15 years. Typically, consultations with the private sector have been a necessity during preparations for and attendance at multilateral conferences as part of bigger economic development agendas of the government. During the Brussels Conference on Afghanistan\(^1\), for instance, a representative from Afghanistan Chamber of Commerce & Industries (ACCI) had participated as part of a panel on overall economic issues and not directly on trade. Even though ACCI had extensively participated in the pre-conference consultations, the dialogue process had not sustained after the conference had ended. The publications from the conference merely mention a sustainable dialogue mechanism between the public and private sectors. Engagement of the private sector in 2014 was in preparation for the London Conference on Afghanistan. ACCI and Harakat-AICF had held a Private Sector Priorities for Reform Conference before the London Conference to collect, analyse, and present views and recommendations of the private sector in the form of 11 private sector priorities. The conference had mostly private sector businesses in attendance with no representation of the government, indicating the consultation did not qualify as a dialogue between the private and the public sector, but rather, as an information collection platform.

In terms of mechanisms for engagement, whether they be ad-hoc or more formalised - the following are operating:

**National level**


The ANPDF structure for implementation provides that during development of a National Priority Program, once a concept note has been developed, comments from civil society, the private sector, and donor community will be sought. The Ministry of Finance (MoF) is determined as the secretariat for all development councils having the duty to engage with the private sector, donor community, civil society, and others. The GIRoA’s ANPDF as a strategy for 2017-2021 does not include establishment or improvement of a sustainable public-private dialogue that could inform policy formation in the area of economic development, broadly, and investment and trade policy more specifically. The MoF, as the secretariat for different councils, has been tasked to facilitate meetings with various stakeholders including the private sector for consultation, endorsement, or funding purposes. The work plan and fiscal strategy paper produced by ANDPDF is fed to the High Economic Council (HEC) for approval.

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\(^1\) Brussels Conference on Afghanistan was held on 4-5 October, 2016. For more information see here: http://policymof.gov.af/bca/

\(^2\) For more information see here: http://policymof.gov.af/afghanistan-national-development-framework/
2) The draft of Afghanistan National Trade Policy (ANTP) 2014:

The ANTP draft recognizes a private-sector-led process for facilitating trade and has listed numerous policies accordingly. The SME Working Groups of MoCI are mentioned as activities of MoCI that will support the implementation and effectiveness of the ANTP. Their involvement focuses on very technical and micro issues with limited contribution to macroeconomic and strategic trade positions of the government. The policy briefly discusses that the policy is based on some guiding principles used in other nations such as reliance on the private sector for growth in a liberalized trade environment, and the existence of public-private dialogue to ensure the views of all stakeholders are considered. The policy’s implementation roadmap, however, does not include any action items that plan establishment or enhancement of a public-private dialogue on trade issues. The policy briefly discusses the need for engagement of stakeholders, increased capacity for trade policy analysis, and awareness campaigns to inform stakeholders, but does not specifically include action items to establish a dialogue platform.

3) Inter-Ministerial Committee on World Trade Organization & Trade Facilitation Agreement:

Afghanistan has established an Inter-Ministerial Committee on World Trade Organization (WTO) and Trade Facilitation Agreement (IMCWT) which will go beyond facilitating the coordination and implementation of the TFA (as requested by article 23.2 of the Agreement) and include other WTO related topics as well in its mandate. The IMCWT is a three-level institutional mechanism. The IMCWT at high level and technical level and ad hoc working groups is supported by a permanent secretariat. The IMCWT is composed of 19 public sector representatives and 1 private sector representative. The IMCWT has only recently commenced and it remains to be seen as to its effectiveness.

In the following subsections, three of the currently active mechanisms are assessed in further details for the purpose of highlighting key characteristics of dialogue mechanisms on trade issues in Afghanistan.

Regional level

4) Regional Economic Cooperation Conference on Afghanistan (RECCA’s):³

RECCA’s is a forum that has been managed to promote stabilization in Afghanistan and South and Central Asian regional economic integration. RECCA has played a significant role in bringing greater attention to the importance of regional cooperation in socio-economic development. The Afghan Government commits to reforms and renewed partnership, presenting a reform strategy built around regional connectivity, good governance, and investments in productivity. Central to this strategy is economic cooperation between Afghanistan and the region through increased transit trade, energy and investments that will contribute directly to prosperity and stability into the region and beyond.

RECCA’s platform does not entail a public-private dialogue mechanism to ensure the agendas suggested on behalf of Afghanistan are participatory and representative of interests, abilities, and visions of the private sector. The platform also requires more frequent consultation with the private sector to become more effective. Only very recently RECCA secretariat organized a Business Forum in Istanbul, Turkey on March 01, 2017 to discuss matters of interest to over 150 participating businesses on issues such as energy, connectivity, and business-to-business cooperation.

5) Heart of Asia Process

³ For more information see here: http://recca.af/
The Heart of Asia-Istanbul Process (HoA), founded in 2011, Istanbul, provides a platform for results-oriented regional cooperation by placing Afghanistan at its centre, in recognition of the fact that a secure and stable Afghanistan is vital to the prosperity of the Heart of Asia region. This platform was established to address the shared challenges and interests of Afghanistan and its neighbours and regional partners. The Heart of Asia is comprised of 14 participating countries, 17 supporting countries, and 12 supporting regional and international organizations.

The HoA Process aims at strengthening trust and promoting confidence through sustained interactions in the region. The HoA Process brings Afghanistan’s immediate and extended neighbours as well as international supporters together to achieve three main focus areas - 1) Political consultation; 2) Cooperation with regional organizations and confidence building measures, and; 3) Confidence building measures. Within focus area “confidence building measures” there are different measures, including most importantly for the purposes here, one on Trade, Commerce and Investment Opportunities. As per the implementation plan this initiative has a range of broad priority activities to advance this CBM as well as more specific activities. The areas include, for example, enabling and conducive policies pertinent to foster trade and investment (advancing bilateral trade and investment agreement; extending market access for good and services within countries within the region and moving towards mutual liberalization of tariffs and non-tariff barriers to trade; liberalising VISA requirements for technical and managerial staff, etc.); promote great physical connectivity; harmonization of quality/safety standards between and among countries involved in the HoA process.

Since 2013, the focus area has held bi-annual regional technical group meetings as well as ad-hoc workshops/meetings on different issues. This focus area has a desk within the General Directorate for Regional Cooperation of the Afghan Ministry of Foreign Affairs and a designated person acting as a focal point to follow up with lead, participating and supporting countries and organizations.

2.1. ASSESSMENT OF PUBLIC PRIVATE DIALOGUE MECHANISMS

Public-private dialogue in Afghanistan over the years has remained ad-hoc, fragmented, and unsustainable. There are few public-private dialogue mechanisms in the trade sector that can be substantially studied using the ITC PPD Assessment Tool. This diagnosis is carried out through qualitative interviews with relevant stakeholders on select currently active consultation processes on trade issues. The following assesses key identified mechanisms for their performance based on key elements needed for a well-performing mechanism.

For each mechanism described below, four elements of Public Sector, Private Sector, Dialogue Process, and Dialogue Outputs are discussed and assessed in the following subsections.

2.1.1. Mechanism One: Inter-Ministerial Commission on Trade Facilitation (IMCTF)

A recently established initiative which displays the characteristics of PPD mechanisms is the Inter-Ministerial Commission on Trade Facilitation (IMCTF) at the Ministry of Commerce & Industries. The commission has been established with the objective to facilitate trade and support implementation of Afghanistan’s WTO Trade Facilitation Agreement (TFA) process. As such, the area of intervention of this PPD mechanism is limited to trade facilitation and related regulatory and procedural reforms. It should be added that as the initiative has only recently been established and as of May, 2017, had meet no more than on three occasions. Thus, difficulties were experienced in assessing its performance according to the ITC methodology many; nonetheless, best attempts have been made.

2.1.1.1. Public Sector

Leadership (3)
IMCTF is chaired by the Minister of MoCI and co-chaired by the Technical Deputy Minister of MoCI. The IMCTF primarily aims to facilitate implementation of the TFA with WTO and coordinate efforts of relevant government entities in facilitating trade. IMCTF was established through a presidential decree. The commission reports to the High Economic Council (HEC) and the Economic Committee of the Cabinet of Ministers. As such, in principle, high-level government endorsement exists for the PPD mechanism. However, the endorsement of the commission’s decision by the HEC is undermined by the irregularity of and competing demand for decision in HEC sessions.

Representation (4)

Regarding representation of government entities, IMCTF’s members set by the presidential decree include Ministry of Finance, Ministry of Economy, Ministry of Rural Rehabilitation & Development MRRD), Ministry of Agriculture, Irrigation, and Livestock (MAIL); Afghanistan Customs Department, etc. It appears that almost all trade-related public sector entities are represented. The structure of the IMCTF as stipulated by the presidential decree does not currently allow addition of more private or public members, but additional organizations can participate in the sessions as guests, but not as decision makers.

Coordination (3)

IMCTF itself is established as an inter-ministerial coordinating body with the purpose to bring coherent policy formation through interaction and coordination among relevant government entities. The mechanism by mandate is supposed to increase coordination among relevant ministries to form a coherent government position related to trade issues. In addition, depending on technical activities, working groups will be formed. The mechanism’s effectiveness is yet to be seen given the mechanism has newly been established.

Technical capacity (3)

Government capacity to formulate proposals supported by evidence is yet to be seen given IMCTF is recently established. The likely strong element in the commission is the representation of relevant government entities with a stake in the trade sector, ensuring endorsement of decisions and proposals by the participating entities.

Participation (2)

From the interviews with the members it was revealed that in the technical discussions, where deputy ministers of the represented entities must participate, attendance is likely to be minimal and not regular. The question as to whether the represented entities can effectively work together, participate regularly, and follow through decisions is yet to be seen. IMCTF is very new and as of May, 2017 had held only a few sessions. Despite the endorsement of the dialogue through the presidential decree, lack of regular participation by relevant government entities is a current issue.

2.1.1.2. Private Sector

Leadership (2)

Private sector in the IMCTF is primarily represented by ACCI & AIU. The leaders from these business organizations have reasonable popularity in the private sector and at the minimum have information from their member organizations to represent private sector interests. Whether these private sector leaders, as champions of the dialogue on behalf of the private sector, are able to mobilize their networks and other business associations is not very evident. These leaders have also not been able to bring other groups into the process yet.
Representation (2)

Representation of private sector in the IMCTF is limited to a small number of private sector associations. ACCI is by far the most prominent member on behalf of the private sector while a limited number of other private sector representatives such as the Afghanistan Industrial Union (AIU) also participate in the commission’s sessions. Women business organizations, such as Afghan Women's Business Federation (AWBF) and Leading Entrepreneurs of Afghanistan for Development (LEAD), are not members of the commission. Clearly, many other sectoral business organizations, such as Carpet Association, have no representation in the commission despite the fact that decisions of the dialogue will considerably affect them. In general, the IMCTF’s membership is almost entirely comprised of government entities with only two to three private sector representatives. The imbalance of public and private sector representatives requires consideration of the dialogue’s champions if the objective is for the IMCTF to become a formal and effective dialogue process.

Inclusiveness (2)

The IMCTF has a selective representation of private sector businesses limited to core leaders such as the ACCI and AIU. For instance, representative organizations of smaller business are not included in the membership. As a result it is likely that the views of larger businesses will overlook the needs and inputs of smaller enterprises. There is not such process that allows views and inputs of the smaller and medium enterprises to be incorporated into the agendas and proposals of the dialogue. In short, representation is not open to all private sector organizations and in cases where non-member private sector organizations are invited, they are considered as guests and thus their views are treated at a consultation level only.

Technical capacity (2)

It is not yet known whether private sector representatives have been able to contribute evidence-based agendas and proposals to the dialogue. Overall, the member business organizations have some existing process for collecting inputs from their constituents, but the process is ad hoc and lacks professional research base.

However, ACCI has been supported to improve its ways to collect views of its member organizations, e.g. ACCI has various sectorial committees in the form of roundtables that are convened when there’s the need to discuss specific issues. ACCI also has two surveys that enhance its ability to collect views of its members more effectively. On an annual basis, ACCI conducts a Business Bottleneck Survey, and on a quarterly basis, it produces a Business Monitor report. ACCI had also initiated National Business Agendas (NBAs) to collect challenges from main provincial centers, but currently, the NBAs are not considered a continuous process for collecting private sector issues. Both surveys, however, enable ACCI to provide relatively more evidence-based input to the IMCTF when compared to other representative business organizations.

Nevertheless its leadership believes that their research capabilities are very limited and technical support is much needed.

In the case of other business organizations, research capacity and the ability to provide evidence-based policy recommendations are very limited.

Participation (2)

It is difficult to ascertain since the commission is newly established and has met only on a few occasions. Certainly ACCI has been active in the formation of the initiative and meetings held, even though decision-making process has remained mainly at the domain of the represented government entities.

2.1.1.3. Dialogue Process
Mandate (3)
The IMCTF has an overall mandate set by the presidential decree that sets the objective of the dialogue process. The decree authorizes the dialogue to make decisions and recommend to the HEC, ensuring high-level endorsement of the dialogue as a key process in the trade sector.

The scope of the issues discussed goes beyond facilitating the coordination and implementation of the TFA (as requested by article 23.2 of the Agreement) and include other WTO related topics as well (which are trade facilitation related). The mandate is narrowly focused on trade facilitation related issues.

The reporting line from the dialogue to the HEC indicates that there’s a link between the dialogue process and high-level decision-making at the highest authority on economic matters in the country. The ability of the dialogue to utilize the reporting line in getting an endorsement for its policy recommendations is yet to be seen, but the effort is made to keep the access to HEC strong.

Procedural Rules and Mechanisms (1)
There’s limited documentation available that shows the dialogue has an effective process with clear procedures of setting agendas, organizing discussion, submitting feedback, and forwarding recommendations.

Participatory Decision-Making (NA)
A test of genuine dialogue is whether participant’s inputs are reflected upon in decision-making. Since this initiate is only new there it not a record of accomplishment of inputs on decision-making to assess.

Facilitation (2)
IMCTF’s activities are on paper coordinated by a secretariat, which has the overall responsibility of managing WTO process and activities in Afghanistan. The WTO Unit at MoCI is tasked with setting meeting dates, sending out invitations to the represented members from different ministries, and writing meeting summaries. The WTO unit at MoCI administers the dialogue and serves as the secretariat. At its current state, the secretariat has limited yet working capacity to facilitate dialogue. Engagement of the MoCI staff at the deputy ministry level, however, enhances the secretariat’s ability to facilitate dialogue more effectively.

Transparency (2)
The process, mandate, agendas, and discussed issues at the IMCTF are reasonably shared within the community of participants, while external parties to the mechanism are not included in the circulation of mechanism dialogues. The internal transparency is reasonably well managed, but no information is provided to external parties such as media, non-representing private sector organizations, civil society organizations, etc. The mechanism has significant room for improvement in increasing transparency to non-representing members.

2.1.1.4. Outputs of Dialogue

Recommendations (NA)
The dialogue has recently been established and has not produced tangible results in the form of trade-related policy recommendations yet.

Policies (NA)
The dialogue is newly established, and it’s too early to objectively evaluate its effectiveness in producing concrete, actionable recommendations and policies. Whether the dialogue has an impact on policy changes
or takes action to implement & monitor policies is yet to be seen as currently there's no evidence that suggests the dialogue has produced tangible results.

**Participant Support (3)**

Member organizations, especially in the private sector, have a reasonably good perception of the mechanism as a legitimate and sustainable platform to address trade-related issues. IMCTF is accepted and considered a legitimate process given the dialogue has endorsement at the highest level in the government; however, it is yet to be seen whether the endorsement translates into the effectiveness of IMCTF as a dialogue process on trade issues.

IMCTF has the potential to become an effective public-private dialogue mechanism on trade facilitation issues, but technical support is needed to build the capacity of the Secretariat, diversify membership to represent wider stakeholders, improve documentation, and develop operating procedures. Relevant technical support providers can consider IMCTF as a dialogue mechanism with good potential to become an effective public-private dialogue mechanism in the future.

### 2.1.2. Mechanism Two: SME Working Groups of MoCI

The SME Development Department of MoCI has established SME Working Groups under its structure to organize discussions through sectorial working groups. The SME Working Groups have remained functional over the years, and have provided a platform for representatives of different sectors to raise sector-specific issues and propose solutions. Through an SME Strategy drafted in 2009, six priority sectors were chosen to have dedicated sectorial working groups. These sectors include Agribusiness, Cashmere, Construction Materials, Carpet, Marble, & Gemstone. Each group was supposed to develop an action plan for its relevant sector and work toward implementation of the action plans. It’s important to note that the working groups are based on value chains as opposed to addressing specific trade policy issues. Four elements of Public Sector, Private Sector, Dialogue Process, & Dialogue Outputs of the SME Working Groups are discussed in the following subsections.

To ensure effective and efficient coordination and implementation of the SME Action Plans, MOCI has undertaken to establish Working Groups consisting of the private sector, inter-ministerial representatives, and development partners for each of the SME sectors.

The mechanism focuses on very technical and micro issues along the value chain with limited contribution to macroeconomic and strategic trade positions of the government. The mechanism’s primary focus is thus not on trade policy and regulatory issues.

#### 2.1.2.1. Public sector

**Leadership (2)**

The SME Working Groups is established under the structure of MoCI’s SME Development Department. Endorsement of the working groups by the leadership of MoCI is through the SME Development Department; even through the establishment of each sectorial working group is approved by the Economic Committee of the Cabinet. For instance, the committee approved Agribusiness & Cashmere working groups as sectorial working groups to recommend policy issues. The mechanism has government endorsement, but such endorsement is not at the high levels of the government. The mechanism remains at the sectorial level and does not have direct access to the highest decision making authorities in the country such as the HEC or EC of the Cabinet.

**Representation (3)**
Dictated by the nature of the mechanism, representation of government entities is based on the sector of each working group. Inter-ministerial representatives, who are at the technical and general directorate level at max, participate in the working groups, representing their respective ministries. The representatives are chosen by each government entity and introduced to the secretariat of the mechanism through official communication.

In general, there are two groups of representatives in the mechanism. There are permanent members who are mainly government entities and key private sector organizations. There are ad hoc members who mostly come from the donor community who might support proposed activities of the working groups financially or technically. Each working group’s present and active permanent members can add permanent members to the group through majority vote after a discussion of the need and importance of adding the new member.

Coordination (3)

The mechanism has not provided any documentation or narrative that shows the working groups can formulate coherent policy and interact effectively with international trading partners and domestic stakeholders. The mechanism focuses on very technical and micro issues with limited contribution to macroeconomic and strategic trade positions of the government. At the technical and sectorial level, the working groups have, to some extent, increased coordination among the representing ministries. It is not known whether the increased coordination has translated into any meaningful policy improvement at the macroeconomic level.

Technical capacity (1)

At the sectorial level, the representing members from various ministries and government entities seem to have good technical working capacity. The focus of discussions is also on technical matters. In general, however, technical research and evidence-based discussion are lacking.

Participation (3)

The mechanism’s Secretariat encourages participation by its members for each of the working groups through sharing of agendas and dialogue issues to the representing members. Issues raised by the private sector representatives are usually listened to by various government members in the working groups. However, it’s uncertain as to whether the issues have been resolved or translated into policy recommendations.

2.1.2.2. Private Sector

Leadership (3)

Individual private sector firms, with no known endorsement from the wider business community in each sector, participate in the sessions of the working groups. Credible and prominent business leaders with strong popularity in the private sector have limited participation and interest in the working groups. The participating firms, however, are chosen based on their knowledge of and experience in the relevant working group’s sector or value chain.

Representation (3)

Relevant small or medium enterprises and business membership organizations or associations from each sector are invited in the sectorial working groups. Over the years, the Secretariat of the mechanism has been able to provide an opportunity for interested private sector organizations in each sector to attend the sessions and have their voices heard.

Inclusiveness (3)
Each working group has its members from the target sector. The diversity of members from government, the private sector, and donor community is focused on sectorial representatives.

**Technical Capacity (1)**

Anecdotal information leads discussions, and the dialogue between the private sector & representing government entities in the working groups and the process lacks evidence-based advocacy & research. The private sector companies & organizations specifically lack research capability, even though a collection of information about each sector is done through limited consultation with the key representing companies in each sector.

**Participation (2)**

Private sector representatives have a reasonable understanding of sectorial issues, but there exists no strong ability to aggregate and prioritize private sector demands.

### 2.1.2.3. Dialogue Process

**Mandate (4)**

The mechanism has clear mandate set for each of the working groups. The set mandate is for each working group to prioritize, coordinate, and oversee implementation of the developed actions. The mandate extends to include:

- Identifying, securing, and coordinating the necessary resources to implement the sector plan.
- Identifying potential partners (investors, private sector associations, BSPs, government, development projects, etc.).
- Converting priorities into projects that can qualify for funding and/or attract private investment.
- Monitoring implementation progress and modifying the action plan through regular reviews.

Each of the SME Working Groups have their own distinct mandate set forth at the establishment phase of each group. Their mandates are not evidently aligned with objective and strategies of supporting institutions & MoCI Directorates. As such, the working groups remain ad hoc & stand alone dialogue mechanism with much limited potential to meaningfully contribute to trade policy changes and improvements. Also the working groups are not trade policy related but rather focus on very technical and micro issues with limited contribution to macro-economic and strategic trade positions of government.

**Procedural Rules and Mechanisms (4)**

The mechanism has clear procedural rules and mechanisms defined in its Terms of Reference & Operating Procedures for each of the sectorial working groups. The procedures set rules for setting agendas, managing meetings and discussions, recording and sharing meeting minutes, and other logistical procedures for making a decision.

**Participatory Decision-Making (4)**

The decision-making process has fairly allowed for voting by all permanent members of each sectorial working group, even though, chairing the meetings is reserved for the MoCI representative or his/her designee. Ad hoc members such as donors and civil society members are not included in the decision-making process.

**Facilitation (3)**

Based on the documentations provided by the Secretariat, activities of the sectorial working groups are coordinated and facilitated by the SME Development Directorate of MoCI well. The Secretariat seems to manage the dialogue process as per the standard procedures set forth for each working group.
Transparency (3)

There’s good transparency on the working groups’ purposes and procedures where certain public information are provided on the website of MoCI. The information helps media and civil society organizations have a general understanding of the working groups. However, there are limited public disclosure matters discussed in the sectorial working groups to the media or other interested bodies. Permanent and ad hoc members are kept in the loop of progress on matters discussed in each sectorial working group.

2.1.2.4. Outputs of Dialogue

Recommendations (1)

The mechanism has remained active for some years, and each sectorial working group’s action plan has contributed to policy recommendations at the MoCI level. In certain cases, the working groups have had the opportunity to raise issues at the level of the economic committee of the cabinet. But there’s no current evidence that recommendations from the working groups have reached higher levels of government such as the HEC.

Policies (1)

There are no available documents that show the mechanism has had any contribution to policy formation on trade matters at MoCI level or beyond.

Participant support (2)

SME Working Groups in general lack very high-level government endorsement, leading champions, and mandate to lead national reforms. At the sectorial level, however, there’s strong support for the activities of the working groups.

2.1.3. Mechanism Three: High Economic Council

High Economic Council (HEC) is currently the highest level of government decision-making authority, which is directly chaired by the President of Islamic Republic of Afghanistan, on economic issues of the country. The HEC has a very broad scope, and trade issues form only one small area in the discussions that take place at the HEC. The MoF serves as the secretariat to the HEC and manages the HEC’s entire activities.

2.1.3.1. Public Sector

Leadership (4)

The HEC has the strongest endorsement among the currently active public-private dialogue mechanisms in the country. The President of GIRoA himself chairs HEC meetings, and all economic ministries and entities of the government are represented at the HEC. As the champion of generating economic growth and supporting private sector development, the President of GIRoA’s chairmanship of the HEC makes the mechanism the highest authority with the ability to increase the likelihood of policies and reforms, whether specifically related to trade or not, implemented.

Representation (4)

At the very minimum, all economic ministries and entities of the government such as Ministry of Finance, Ministry of Commerce & Industry, Ministry of Economy; Ministry of Agriculture, Irrigation, & Livestock; Da Afghanistan Bank, etc. are mandated to participate in the HEC meetings. Regarding representation, the HEC enjoys the very strong presence of relevant economic institutions in Afghanistan.

Coordination (3)
The leadership of the HEC by the President of GiRoA and participation of all economic ministries and entities of the government in the meetings of HEC ensures the dialogue mechanism can formulate coherent policy and interact effectively with international partners and domestic stakeholders. The HEC has established a more unified economic strategy for the government, even though, it’s yet to be seen whether the HEC specifically sets a unified trade strategy for Afghanistan that articulates broad trade negotiating objectives and the framework for policy dialogue.

**Technical Capacity (3)**

The HEC has the highest level of technical capacity regarding economic and trade issues in the country. The HEC’s members represent key ministries and government institutions on economic matters, and the president’s ability to contribute to technical matters increases the likelihood of issues being technically evidence-based and verified. The representing entities perform the technical work and present to the HEC, but in general terms, the ministries still require increased the capacity of research and evidence-based policy formation.

**Participation (3)**

There’s limited documentation available to indicate the HEC and/or its secretariat ensure participation of its members through providing a flow of agenda items and policy proposals for discussion. Whether these are made available promptly to ensure informed dialogue is also not known, as no public document is available, however, the results of the decisions of the HEC are available for public use.

2.1.3.2. Private Sector

**Leadership (2)**

Key champions and business leaders from the private sector have the ability to attend the HEC meetings, even though, such presence is supposed to take place through the ACCI and AIU. Prominent members of the private sector with strong influence in the business community have the ability to reach the HEC and raise private sector issues. Whether the representing business leaders truly represent and advocate for needs of the private sector is not known and difficult to assess within the scope of this study.

**Representation (2)**

On behalf of the private sector, two key leading institutions are allowed to remain permanent members of the HEC. ACCI and Afghanistan Industrial Union (AIU) have a permanent membership at the HEC. Other representative members of the private sector are given the opportunity to attend the HEC and raise issues to the members of the HEC. These ad hoc private sector representatives are taken to the HEC in collaboration with ACCI on a rotating basis.

**Inclusiveness (2)**

The HEC does not directly outreach to invite the presence of private sector organizations beyond the core leaders, members of influential organizations, and their affiliates. For instance, smaller firms, women-owned businesses, and sectorial associations and business organizations are not represented in the HEC. The diversity of participation in the HEC is limited to core business leaders and the two business organizations, namely ACCI and the AIU.

**Technical Capacity (2)**

It is not yet known whether private sector representatives in the dialogue have been able to contribute evidence-based agendas and proposals to the dialogue. The capacity of the private sector representative organizations to gather members’ and constituents’ inputs for incorporation into the dialogue is generally weak. But as the prominent private sector representative, ACCI has some activities that support the collection of its constituents’ input for advocacy purposes. The AIU some existing process for collecting inputs from its constituents, but the process is ad hoc and lacks professional research base. In general, research capacity
and the ability to provide evidence-based policy recommendations are very limited. The most common process is a collection of inputs through organizing roundtables and consultation sessions with member businesses on issues as they may arise. A recurring example is consultation on development and/or revision of laws and regulations that relevant government entities circulate to business organizations.

**Participation (2)**

Participation of representing private sector organizations is strong at the HEC. Their ability to aggregate and prioritize private sector demands is, however, not strong given the private sector itself does not gather under a single umbrella, and many different business groups prioritize different issues. Over the years, ACCI has enjoyed a strong presence in key economic decision-making authorities, while newer and smaller business organizations, such as AWBF and Leading Entrepreneurs of Afghanistan for Development (LEAD), have had limited participation.

**2.1.3.3. Dialogue Process**

**Mandate (4)**

The HEC’s mandate is defined as leading the economic reforms and major investment decisions in the country with the objective to create jobs, harmonize government economic policies, and guide investment in infrastructure. The mechanism’s mandate is very broad and covers all economic matters of the country including trade and transit issues.

**Procedural Rules & Mechanisms (4)**

The HEC’s Secretariat, the MoF, has clear rules and procedures for managing the mechanism’s agenda, organizing discussions, forwarding recommendations, and following up on decisions. The secretariat has been staffed to ensure the large level of activities of the HEC is managed well.

**Participatory Decision Making (2)**

The HEC remains a government platform with some representation from the private sector. As such, decision-making process is government led and private sector representative merely share views and opinions as opposed to actively participating in the decision-making process. The President’s authority in making decisions is very strong, and key decisions are made by the President but consulted with the participating members. The secretariat of the HEC has a strong influence in filtering decisions and following up on select decisions.

**Facilitation (4)**

The President of GIRoA chairs the HEC meetings, but the MoF as the mechanism’s Secretariat leads the facilitation process. The secretariat handles outreach and scheduling, and leads technical assistance, research, and follow-up activities of the HEC. MoF being the mechanism’s Secretariat ensures sustainability of the dialogue and continuation of its processes and institutional memory.

**Transparency (2)**

The HEC’s legitimacy and transparency are reasonably taken into consideration through public sharing of major decisions & matters discussed. The participating members of the HEC receive official letters on major decisions and requests for input and consultation. The major missing piece, however, is transparency in terms of disclosing all matters discussed and whether the HEC Secretariat follows up on the decisions of the HEC.

**2.1.3.4. Outputs of Dialogue**
Recommendations (4)
The HEC itself makes decisions at the highest level in the government. Its recommendations are meant to
directly translate into action. However, progress on implementation of its recommendations has been limited.
The private sector, in general, has been unsatisfied of a limited implementation of HEC’s decisions. The
HEC’s recommendations are usually assigned to the line ministries for further action and follow-up. Its many
decisions have been communicated to the media and the public.

Policies (3)
Many of the key policy improvements in the economic sector, such as the dissolution of the AISA & ACBR,
have been the result of decisions made by the HEC as a strong decision making authority. The effectiveness
of such policies on the economy in general, and on issues related to trade, is yet to be seen.

Participant Support (2)
Participants of the mechanism consider the HEC as a legitimate and sustainable process for dialogue
between the government and the private sector. The legitimacy is increased due to the direct presence and
leadership of the President of the GIRoA in the mechanism.

Follow-Through (2)
The mechanism’s secretariat, MoF, is mandated and assigned to follow up on decisions made at the HEC.
The secretariat has been investing in its own capacity to implement and monitor the progress of
implementation of policies and decisions made by the HEC. The secretariat does not currently have an action
plan that sets activities to follow up on implementing recommendations and monitoring progress.
SECTION III – SCOPE OF PPD IN THE CONTEXT OF AFGHANISTAN

It is essential for a new dialogue to have a menu of important trade-related areas to work on. The importance, relevance, and ease-of-implementation of the initial trade issues will play an integral role in stimulating enthusiasm and support for the dialogue process. While determining these priority thematic areas requires extensive research and consultation beyond the scope of this diagnostic study, certain important trade-related issues were identified through in-person interviews with key informants in the government and the private sector. These recommended thematic priority areas are suggested as a starting point to identify priority trade issues for the dialogue, and further research should be carried out to increase understanding and importance of the issues. It should be noted that the priority areas could result in more tangible results when these issues are endorsed by high-level government leaders and included in important government strategies.

3.1. Private Sector Issues

Through qualitative interviews with some private sector traders and exporters, the study has found a few recurring issues that the respondents commonly cited as their issues in the trade sector. While these issues require further extensive study and research, the identified issues represent long lasting obstacles cited by the private sector in many previous studies. These issues include:

- Difficulty in trading through Pakistan has frustrated both importers and exporters. The private sector in Afghanistan complains that sole reliance on the Pakistan route for major export items, at least, has adversely affected the ability of exporters to send goods at competitive prices. Traders request from the government to increase its investment in alternative export and import routes, so trading becomes easier and more cost effective.

- Lack of progress on operationalization of Chabahar port and needed infrastructure also has concerned traders. They complain that the alternative routes, such as Chabahar or transporting goods to India by air, are not operational and the progress has only remained on paper.

- Corruption and rent-seeking in domestic transit routes and customs are also major obstacles cited by the traders.

- Visas for truck drivers and businessmen and road passes (vehicle entry permits)

- Fragmentation of the private sector and limited coordination of efforts to form unified positions on major trade issues have also remained weak, and private sector businesses believe the lack of coordination on common issues, at least, has hurt the private sector as a whole. There is the need for the private sector to harmonize their efforts and collaborate more. Examples are given of certain specific large business organizations that operate as gatekeepers to the platforms that the government has opened for the private sector to participate in major trade decisions.

- Lack of research capacity to aggregate views and needs of the private in reliable manners that can ensure the credibility of advocacy by the private sector organizations.

- Lack of access to key government platforms and dialogue mechanisms, such as the HEC, by the smaller and sectorial business membership organizations.

- In general, limited infrastructure that can support trade in general and export sector specifically. Land, industrial parks, processing facilities, etc. were all cited as resources and facilities lacking in the trade sector.

- Traders complain that the government does not facilitate access to new markets, especially for export, that can serve as alternative markets of Pakistan and India.
• Lack of implementation of government decisions to support the private sector and limited follow up on joint decisions were also some of the cited problems.

The issues of the traders and exporters, in general, relate to the government’s ability to provide facilities, policies, and infrastructure that support and ease trade and transit of goods from & to Afghanistan.

3.2. Public Sector Plans

Some of the major areas of investment by the government, especially in the area of trade and transit, as its priority to increase Afghanistan’s economic connectivity and increase trade include the following:

3.2.1. Finalize National Trade Policy:

Afghanistan does not currently have a set direction for its trade and, despite the need for a unified trade strategy; the GIRoA has not been able to maintain a consistent trade policy. Private sector organizations and certain government entities such as MoCI agree in principle that a well-developed trade policy will have significant positive impact on trade regime in Afghanistan. The scope of work for finalizing the trade policy should include the following:

• Assessment of the previously drafted National Trade Policy funded by Harakat-AICF and led by the MoCI. The assessment should evaluate the development process of the trade policy, its relevance to the current state of affairs, and reasons for the policy not being currently endorsed.
• Evaluation of private sector appetite for a unified trade policy through consultation with a diverse group of private sector representatives including exporters, import-related producers, traders, etc.
• Assessment of an effective trade policy development approach that is more likely to produce an inclusive trade policy and receive an endorsement from both the government and the private sector.

3.2.2. Develop National Export Strategy:

GIRoA’s focus on job creation and economic growth includes development of the export sector through various means including the development of a cohesive export strategy. Development of a National Export Strategy (NES) has already become an important priority of MoCI, and as such it’s essential to support the formulation, approval, and implementation processes of the NES. Initial activities to support the formulation of NES can include:

• Research on previous and current GIRoA initiatives that could support and/or complement development of the NES. It’s essential to review past attempts in the development of an export strategy and document reasons the attempts did not produce a national export strategy. Export Promotion Agency of Afghanistan (EPAA) is one of the key agencies that had previously sought support from donating agencies, such as Harakat-AICF, to develop an export strategy.
• Map key issues and bottlenecks that prohibit the export sector from reaching its potential growth levels. Specific areas of research can include administrative, legal, and procedural barriers at the relevant government department in the export process.

Advancing multilateral and bilateral trade agreements is one of the major objectives of GIRoA as emphasized in the ANPDF. As such, it’s worthwhile to anchor at least some of the activities related to trade issues to the objectives of the ANPDF so the intended outcomes can be achieved through political support from the government. At least two immediate agreements are currently in progress that can benefit from technical support.

3.2.3. Support Bilateral Trade Agreement with Uzbekistan:
Afghanistan and Uzbekistan have recently improved their trade and transit relations as evidenced by the rail line from Uzbekistan to Hairatan. While the rail line brings goods to Afghanistan, export goods are not allowed in the rail line on its way back to Uzbekistan. Bilateral negotiations with Uzbekistan are in progress, and the Transit & Trade Facilitation Department at MoCI has been leading discussions with relevant Uzbekistan authorities to revise the existing bilateral agreement to facilitate exports from Afghanistan to Uzbekistan, and beyond. Private sector organizations in Afghanistan see significant potential for export through Uzbekistan, and there’s strong need for support to the GIRoA to effectively manage the negotiations and have a desirable outcome for Afghan traders, especially exporters. Specific areas of research on the bilateral agreement with Uzbekistan include:

- Review of existing legal, administrative, and infrastructure barriers that prohibit Uzbekistan authorities from relaxing trade regulations on exports or transit from Afghanistan. Understanding the barriers will allow the GIRoA to plan to address the barriers and strategize its negotiations.
- Assess key trade items from Afghanistan that could potentially be exported to and through Uzbekistan on a pilot basis. The assessment should find out whether these select commodities require further investment to meet international quality standards.

Support for a renewed bilateral agreement between Afghanistan and Uzbekistan should also include building the institutional capacity of GIRoA authorities to manage the relationship and administer private sector exports through the rail line.

3.2.4. Support Lapis Lazuli Agreement:

Afghanistan’s attempts to diversify its trade route includes using transit routes through the Lapis Lazuli agreement with its five member countries in the Central Asia. Negotiations with the member countries have neared conclusion, and the GIRoA will need technical support in, first, concluding the negotiations, second, formalizing the agreements, and third, utilizing the agreement to benefit exporters and other traders of Afghanistan. Specific areas of intervention include:

- Assessment of ways for Afghanistan to utilize the facilities the Lapis Lazuli corridor can provide. A result of the assessment could contribute to the GIRoA’s plans for upcoming years in strategizing its access to new markets.
- Technical support to the Transit & Trade Facilitation Department at MoCI and other relevant government institutions to coordinate trade and transit matters with the members of the Lapis Lazuli agreement.

3.2.5 Others

There are many other trade and transit issues that could potentially benefit from technical support, but many of these issues require much detailed analysis and consultation before any investment can be suggested. The following provides a brief list of additional potential trade issues for consideration:

- Advancing customs-to-customs agreements with neighboring countries.
- Assisting in finalization, consultation, approval, and implementation of the new Investment Law, which could potentially help GIRoA achieve its target to develop a time-bound investment climate reform plan in partnership with the private sector, as stipulated in GIRoA’s SMAF action plan for 2017/2018.
- Supporting GIRoA in improving and enhancing engagement with regional trade organizations.
- Supporting GIRoA and relevant private sector organizations, such as ACCI, in taking advantage of the trade facilities provided by friendly countries. One issue is the inability of Afghan exporters to effectively utilize benefits provided for exporting products to India through air cargo. Another issue
is limited progress in the implementation of the tri-party agreement between India, Afghanistan, and Iran on the Chabahar Port.

- Reviewing trade barriers with Iran, Pakistan, Tajikistan, and other neighboring countries with the objective to tackle specific points of tension. Assessment of such trade barriers requires extensive further research and consultation with a wider group of public and private sector informants.

Further research and analysis are required on each of the identified thematic areas to identify the specifics of potential technical assistance. The list of thematic areas should be thought of as a menu of topics to look at in the future as priority issues.
SECTION IV: AREAS OF IMPROVEMENT & RECOMMENDATIONS

Based on the diagnosis of the public-private dialogue mechanisms on trade issues, some common areas of improvement emerge. These areas of improvement highlight the need for the provision of technical assistance, increase in government political will, enhancement of private sector representation, and increase in coordination. These areas of improvement and recommendations are focused on four key areas of a functional and effective public-private dialogue as below.

Overall, improving the areas limited above will expose Afghanistan to the benefits of informed consultation in policy reform and lead to an Afghan owned and led PPD process rather than donor driven initiatives.

4.1. Public sector

Leadership (3)

High-level endorsement for the studied dialogues indicates a positive prospect for success and credibility of PPDs on trade issues. The challenge is to ensure such endorsement translates into practical support for approval and implementation of policy recommendations resulting from the dialogues. Increased political will is required to enhance follow-up on decisions of the PPDs and implementation of policy recommendations. There are champions in the government that support the improvement of PPDs in various areas, but there’s limited evidence on practical support for outputs of the PPD discussions by the champions.

The recently established public-private dialogue mechanisms have the endorsement of the president through decrees and have access to the highest decision-making authorities such as the HEC. Older dialogue mechanisms, such as the SME Working Groups at MoCI, lack high-level government endorsement. The focus should be made to ensure mechanisms continue to have the direct support and endorsement of key government leaders and champions.

Representation (3)

Active participation of both public and private representing entities is limited to dialogues with direct engagement of the president and/or his empowered designees. Dialogues at the ministerial level face the difficulty of ensuring active participation from relevant government entities. In general, public sector representative entities have a much stronger presence and stake in the existing public-private dialogues with a focus on sectoral ministries compared to private sector organizations, which have limited representation, especially in the case of smaller business organizations. Active participation of public sector organizations in interdepartmental committees must also increase.

Coordination (3)

Coordination of efforts between government entities, such as MoCI & MoF, requires more attention to produce effective policies. While interdepartmental committees on trade issues exist, in practice coordination and political will is required to ensure dialogue processes produce tangible results.

Technical Capacity (2)

There is the need for technical assistance in building secretarial, administrative, research, and analytical capacity of PPDs. The public sector officials and the secretariat to PPDs must build research and analytical capacity to formulate effective policy recommendations.

Participation (2)

Participation of representatives from various public sector entities must increase through early engagement, sharing of agendas, and request of inputs on policy proposals.

4.2. Private Sector

Leadership (2)
Only a small number of private sector leaders from business organizations participate in the currently active dialogue processes. The leaders have some level of but insufficient popularity in the wider business community with limited ability to mobilize other business groups & networks. The leaders should ensure to represent interests of the wider private sector, negotiate on key trade matters effectively, and mobilize a wider network of private sector leaders.

**Representation (2)**

The currently participating business associations and groups are yet to demonstrate their ability to represent interests of all of their constituencies. These representatives should ensure to incorporate views and interests of their members and the wider private sector in the dialogue and negotiation processes. The business associations and groups should improve their capacity and resources to collect inputs and views of their members internally. Investment should be made on research and analysis capacity of these associations.

**Inclusiveness (2)**

Involvement of the private sector is more focused on a few core leaders, such as ACCI, while limited outreach is there to include small and medium enterprises in the dialogue processes. The diversity of sectors, trade roles (exporters, importers, and import-competing firms), regions, and gender is not strongly considered in the formation of dialogue processes.

Involvement of the private sector in the dialogue mechanisms should become more diverse to include small and medium enterprises, exporters, import-competing firms, women businesses, and sectorial representatives. Representation should extend beyond the few core leaders to include relevant civil society organizations as well.

**Technical Capacity (2)**

In the same manner, the private sector has limited research capacity to gather and analyze evidence on business activity and conditions, trade opportunities, and threats. Private sector organizations need technical support and resources in building strong research and analysis capacity to gather, analyze, and present inputs, needs, and interests of their constituents effectively.

**Participation (2)**

Further engagement of a more diverse group of private sector representatives beyond core leaders and usual advocates can potential increase participation. Early engagement and sharing of information can also provide to increase participation.

### 4.3. Dialogue Process

**Mandate (3)**

Dialogues have stated mandates with a legal basis through usually presidential decrees, which ensure high-level endorsement of the dialogues by the government. There is a good level of alignment of dialogue mechanisms with existing institutions, increasing the likelihood of sustainability of the dialogue mechanisms.

**Procedural Rules and Mechanisms (4)**

In general, the mechanisms have a legal basis with set procedural rules and mechanisms that are communicated to the participating members well. However, these rules and mechanisms should be implemented and enforced more strictly to ensure increase quality & number of desired outputs.
Participatory Decision-Making (2)

Participatory decision making in the dialogues seems to remain an ambition given the existing dialogues are relatively new and remain mainly government-led. Dialogue with the private sector is considered as a consultation rather than a mutual process for public and private sector representatives to make joint decisions. The public sector leaders and management teams of the PPDs should ensure views of the private sector members are taken into consideration and incorporated into the outputs as required by the dialogue’s procedures. Current PPD mechanisms should ensure the private sector inputs are not merely limited to consultation but rather these inputs become part of the decision-making process.

Facilitation (3)

At their current state, secretariats of the mechanism to facilitate dialogues remain at a minimum level. It’s mandatory to build the capacity of dialogues’ secretariats to administer and facilitate dialogues effectively.

Transparency (2)

Procedural rules and mechanisms of setting agendas, organizing discussions, and forwarding recommendations seem to exist, but regarding transparency, the majority of the studied dialogues lack sharing mechanisms for proceedings and outcomes to reach relevant stakeholders or the public. In the case of draft laws, regulations, and policies, the public sector has remained committed to sharing draft documents with relevant government and select private sector organizations for feedback. Private sector organizations, however, believe their views on shared documents are often not taken into consideration and that consultation remain a formality.

Supporters and secretariats of the dialogues must promote principles of transparency through sharing information and dialogue outcomes to the relevant stakeholders, the media, and the public where applicable. The credibility of dialogue processes must be taken seriously to ensure the private sector organizations regularly participate and support the implementation of resulting policy recommendations.

4.4. Outputs of Dialogue

Recommendations (2)

While some dialogues have produced tangible results such as policy recommendations, others are very new and have not yet produced any tangible results. There’s no document available that links policy changes to outputs of dialogue, but the current structure and progress of some of the dialogues, such as the HEC, suggests dialogue outputs will translate into policy changes as mandates are clearly stated, and high-level government endorsement is in place.

Dialogues must ensure discussions lead to tangible results such as policy recommendations and avoid the dialogue being merely a ritual for public and private representatives to discuss issues. Dialogue outcomes ensure participation is encouraged through increased credibility of dialogue as an effective process. Secretariat teams of the dialogues should build the capacity to capture results of the dialogues in the formulation, endorsement, and implementation of policy recommendations.

Policies (2)

A common issue among the studied dialogue mechanisms is a lack of technical capacity in the public sector to formulate coherent policy and interact effectively with international trading partners & domestic stakeholders. Effective research & analysis capacity should be built to capture effects of dialogue on policy changes. A follow-up and monitoring mechanism must exist in each dialogue to track implementation of resulting policy recommendations and report progress.
Participant Support (2)

The currently active mechanisms should try to win the support and trust of their participants through ensuring legitimacy of the dialogue processes. As much as hard outcomes of the dialogues increase the acceptance & legitimacy of trade policy & processes, soft outcomes should also be promoted & considered as achievements in the area of improving public-private dialogue. This will also help increase cooperation between the public and private sectors in the future.
SECTION V: FORMATS SUITABLE FOR PPD IN AFGHANISTAN:

In this section of the study, various options are briefly discussed as suitable formats for a public-private dialogue on trade issues in Afghanistan.

Since HEC is the highest decision making body in Afghanistan on trade issues, consultation between the public and private sectors for trade policy/regulatory reform can take place at three different levels.

1) Through MoCI being a member of HEC, consultation-taking place under its leadership. MoCI will in turn advocate for the recommendations to be endorsed by the HEC. This is reflected below as options 1 and 2.

2) Through MoCI, which puts forwards recommendations onwards to the Economic Committee of the Council of Ministers (highest technical policy formulation body for reviewing preparing and proposing solutions on all economic matters to the High Economic Council) which in turn puts them forward for endorsement by the HEC. This is reflected below as options 3 and 4.

3) Directly through the HEC. This is reflected below as option 5.

Option 1: Align with Enhanced Integrated Framework (EIF) Structure

A possible public-private dialogue could be supported by the structure of Aid for Trade (AfT) Coordination Team at the MoCI. The EIF specific purpose is to enable Afghanistan become fully integrated and active player in, and beneficiary of, the global trading system through mainstreaming trade. It envisages providing a PPD mechanism and tackling supply-side constraints to trade. To do this the initiative aims to establish sound structures for intergovernmental and public-private coordination. To date, although intended, the structures are yet to be in established.

In the area of trade policy, so as to provide senior level engagement political commitment, it is envisaged that a National Steering Committee (NSC) will provide the national consultative mechanism between the government and all relevant stakeholders involved in the mainstreaming of trade into the national development strategy and through other development plans of the government aimed at strengthening the country’s productive and trade capacities. The NSC will serve as a high-level decision making body and ensure coordination among government partners on trade, the private sector, civil society and the donor community and to monitor EIF outcomes are achieved. The recently constituted Inter-Ministerial Committee on Trade Facilitation has been proposed to play the role of the NSC.

It is proposed that MOCI under the leadership of the Deputy Minister of Trade will re-establish the NIU/AfT Coordination Team in its full scope within the General Directorate of International Trade. The Advisor to the Deputy Minister of Trade will serve as the EIF National FP on behalf of the MOCI and government of Afghanistan. The National FP will lead the overall EIF process.

Best practices and lessons learnt from countries will be sought and shared, through joint capacity building activities. Capacity building activities will be monitored indirectly by the Deputy Minister of Trade and directly by an EIF focal point. The EIF focal point will coordinate EIF monitoring activities with the Strategy, Policy and Planning Department (SPPD) of the MOCI, which is mandated to monitor ministry's programs and report to the Minister on a higher level.

The EIF FP will be responsible to manage and lead the formulation and implementation of the MOCI’s policies and programs aimed at mainstreaming trade into national development plans/PRSPs. The National EIF FP will report directly to the Deputy Minister of Trade and will oversee the functioning of the AfT Coordination Team and to advise the MOCI on the team’s staffing and operations. The advantages of this option include:

- The EIF structure is planned as a standard mechanism based on best practices.
- The EIF structure is within the structure of MoCI, and for trade issues, it's a suitable home.
- Investment and financial support from EIF in capacity building of the EIF structure can benefit the PPD mechanism as well.

The disadvantages of this option include:
- The EIF structure is not yet in place, and there’s some level of uncertainty as to whether the structure will eventuate.
- The legal structure and base of the EIF structure is not yet known

The following figure shows the currently planned institutional arrangement for the Aid for Trade Coordination Team at the MoCI:

*AFT Coordination Team, formerly known as NIU will function as a joint secretariat for EIF + ITC NES Project*
Option 2: Align with IMCTF

The scope of the IMCTF is to improve trade facilitation. Being a landlocked country most of the trade related issues include a trade facilitation aspect. As such the mechanism could be considered as a suitable format to house a formal public, private dialogue mechanism on trade issues under it.

The IMCTF is a three-level institutional mechanism: the IMCTF at high level, technical level, and ad hoc working groups supported by a permanent secretariat. The Minister of Commerce and Industries chairs the high level sessions and the Deputy Minister of Trade chairs the technical level sessions. At present it is composed of 19 public sector representatives and 1 private sector representative. The Secretariat for IMCTF is MoCI, which is responsible for management, information and logistics affairs of the committee.

The advantages of the mechanism include:

- IMCTF is already established through a presidential decree and enjoys high-level government endorsement.
- IMCTF is focused on trade facilitation, and its scope is very relevant to a formal PPD on trade issues.
- IMCTF is already institutionalized within the structure of the MoCI and thus the higher likelihood of the mechanism to continue to sustain and operation. This avoids establishment of another ad hoc mechanism.

The disadvantages of the mechanism include:

- IMCTF’s assigned members have limited representation from the private sector. For a formal PPD on trade issues, the balance of representation from the public and private sectors must be taken into consideration. Re-balancing the representation with a legal basis might prove difficult.
- IMCTF is founded as an inter-ministerial coordination body focused on government activities. Its procedures and mandate might not allow for a reasonably participatory decision-making process by both the public and private sectors.
- The scope of IMCTF’s activities might be too narrowly defined to allow inclusion of broader trade issues. This might prove as an obstacle for the formation of a formal PPD on trade under the IMCTF.
- Participation of the competing ministries, such as MOF, in the IMCTF’s activities, might be limited due to the structure having been housed at MoCI. This might jeopardize the effectiveness of a formal PPD mechanism on trade issues.

Option 3: Align with IMCTF – with inputs channeled through the Council of Ministers
This option is almost entirely the same in its operating modalities as outlined in Option 2 above. However, there is one important difference. That is rather than IMCFT providing its recommendations directly to the HEC, this option proposes that recommendations are firstly provided to the Economic Committee of the Council of Ministers, which would review and then approve recommendations for its onward submission to the HEC. In this regard, this option is akin to that outlined under Option 4 below.

IMCTF may be more effective if it reports to the Council of as opposed to HEC, given that HEC’s agenda is usually filled with many other top priority items and meetings are infrequent.

Similar to Option 4, the potential advantages of this channelling is:

- Through channeling input through the Economic Committee of the Council of Ministers this ensures high level reach and endorsement of the dialogue by the GIRoA and its key champions.
- IMCTF would be able to reach the High Economic Council led by H.E. the President of GIRoA through the Council of Ministers, which is the highest technical policy formulation body for reviewing, preparing, and proposing solutions to all economic matters.
- IMCTF will also benefit from the role of the Economic Committee of the Council of Ministers in monitoring, overseeing, and measuring progress on execution of reform initiatives including those relating to private sector development.

The potential disadvantages of the option include:

- It remains to be seen whether the operating modalities of the Economic Council of Ministers, would be broadened to address also trade facilitation related issues.

**Option 4: Align With Executive Committee on Priorities of the Private Sector (PRISEC):**

PRISEC is a recently established initiative, and the exact working modalities are being established. The aim of the of PRISEC is to advance the implementation of the 11 Private Sector Reform Priorities presented at London Conference in 2014 as well as the 10 Doing Business Indicators presented at the High Economic Council in December 2016. It was considered that due to the crosscutting nature of these priorities and indicators, an inter-ministerial effort is required to provide a high-level platform in order to bring together key
stakeholders (government, private sector and international partners) with the objective to increase timely coordination and implementation.

The Office of the Chief Executive of GIRoA has undertaken to coordinate the implementation of these reforms through the Council of Ministers and its committees. As such, the Economic Committee of the Council of Ministers has been assigned to lead this task.

H.E. Chief Executive chairs the Committee, with the co-chairs being the Ministry of Commerce and Industries, the World Bank, and the Office of the Chief Executive.

Below is the currently proposed structure for PriSEC:

WG2 is of particular relevance for the purpose of this study. It could potentially provide a mechanism to channel technical and stakeholder-driven trade policy and related recommendations. The co-chairs are MoCI
and ACCI. Further sub-working groups, consultations and technical research could inform the workings of this group.

The potential advantages of the option include:

- The PriSEC would inform the Economic Committee of the Council of Ministers. This ensures high level reach and endorsement of the dialogue by the GIRoA and its key champions.
- The PriSEC would be able to reach the High Economic Council led by H.E. the President of GIRoA through the Council of Ministers, which is the highest technical policy formulation body for reviewing, preparing, and proposing solutions to all economic matters.
- The PriSEC will also benefit from the role of the Economic Committee of the Council of Ministers in monitoring, overseeing, and measuring progress on execution of reform initiatives including those relating to private sector development.

The potential disadvantages of the option include:

- The exact working modalities of the PriSEC are not yet known and the procedures are not established yet.
- The level of focus of PriSEC on trade policy and related issues is not determined yet. A broader focus of PriSEC beyond trade policy issues might make the dialogue less conducive for trade policy formation & implementation.
- The PriSEC itself is a new and untested approach in the government. Whether PriSEC goes forward and receives the needed political support is yet to be known.

Option 5: Align with High Economic Council

Given the importance of dialogue on trade issues between the public and the private sector, it’s reasonable to argue that the best place for a formal PPD dialogue mechanism is the HEC.

The potential advantages of the option include:

- HEC has the highest level of government endorsement and recognition. A formal PPD on trade issues under the HEC can strongly benefit from the access to the decision-making authority in Afghanistan.
- The HEC has its own secretariat and needed resources to manage a dialogue effectively. It’s highly likely that a formal PPD on trade issues under the HEC will benefit from the capacity, facilities, and resources of HEC to become and remain sustainable and effective.

The potential disadvantages of the option include:

- The HEC has its own broad mandate and a decision-making process that’s government-led. Placing a formal PPD on trade issues might limit the ability of the PPD to serve as a standard dialogue
process with balanced and participatory decision-making structure where both public and private sector can actively make a decision.

- The enormous demand on the time of the HEC from various ministries and government entities for decisions, combined with less frequent sessions of the HEC, can reduce the efficiency of the PPD on trade issues to formulate, recommend, and decide on policy recommendations.

- The set structure and procedures of the HEC might not allow for a formal PPD on trade issues to emerge naturally and have its own procedures that meet best practices such as those set forth by ITC.
SECTION VI: WAYS A CAPACITY BUILDING PROJECT CAN ADDRESS THE IDENTIFIED CHALLENGES

A capacity-building project could play an instrumental role in the preparation of the prerequisites for a successful PPD in Afghanistan and hence the establishment of an essential institutional infrastructure for trade policy formulation and implementation. Capacity-building activities would include analytical support, diagnostic studies, strengthening of the action of the taskforce groups, assistance in the building of a Secretariat, the organization and facilitation of meetings, conferences, and decision-making. All these activities should prepare the ground for PPD in all relevant sectors of economic activity in Afghanistan.

A first step in the development of an effective and consistent technical assistance program would be to organize a conference of all relevant public and private stakeholders to address the scope and options of PPD in Afghanistan.

A second step will be to produce a document, in the form of a Chart, which will reflect the discussions of the first coordination conference. A draft Action Plan for the substantive work to be carried out under the auspices of the PPD should also be prepared. The draft Chart and Action Plan would be presented to all stakeholders for feedback and comments and should be finalized after that.

A third step would be the organization of a second stakeholders’ conference to sign the Chart and organize the first activities based on an Action Plan.

The fourth step would be the realization of the activities provided in the Action Plan.
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ANNEX I
1. Dialogue process

**Mandate**

**Procedural Rules and Mechanism**

**Participatory**

**Facilitation**

**Transparency**
2. Output by the Dialogue

Recommendations

Policies

Participant support
3. Public sector

Leadership

Representation

Coordination

Technical capacity

Participation
4. Private sector

Leadership

Representation

Inclusiveness

Technical capacity

Participation