



Keynote Speech

**By H.E. Sattar Murad**

*Minister of Economy of the Islamic Republic of Afghanistan  
On the Occasion of the RECCA Working Group Forum*

Kabul, 3 September 2015  
MFA Hall

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Excellencies  
Colleagues,  
Ladies and Gentlemen,

At the outset, once again, please allow me to welcome you in Kabul.

Deputy Foreign Minister has spoken to you about Political Economy, while I will limit myself to speaking about economics and leave politics to my Foreign Ministry colleagues - I am not sure however, which of us has the more difficult job. Obviously in the real world, all economic areas have their own political dimensions too. But hereby, I am emphasizing on economic sides of our collaboration.

Let me start with Afghanistan. It is important for us to understand our economic indicators and potentials, otherwise we are liable to make mistakes in formulating solutions to our economic challenges. At this juncture, Afghanistan needs to diversify and grow its economy as the military presence of NATO and foreign assistance from donors begin to fade. Growth and diversification are crucial for both providing jobs and livelihoods to average Afghans, as well as to provide revenue for the government.

Our regional partners are also not experiencing substantially better economic times at this crucial juncture, but for somewhat different reasons. Our energy-rich friends to the north are experiencing a progressive drop in oil prices, and all of us are experiencing extreme volatility in our stock markets. Pressures on currencies are continuing, and competitive devaluations are our serious common concern. Overall commodities markets have actually been contracting for several years now.

The prognosis I have laid out thus far is only a short-term view, for in the medium and long-term the economic future of this country as well as for the regional as a whole look much brighter. The economic future of Afghanistan and our regional partners depends on trade, transit, and the expansion of energy sector and extraction of mineral deposits. With smart economic policies, our economies will begin to diversify, grow and livelihoods will be increased.

But the question is, what do we need to do, in order to achieve our economic prosperity? Speaking for Afghanistan, the only viable export-led growth and revenue generation option lies with the extractives industry, but assuming investment on a substantial scale this will still take 5-10 years to turn the economy around. In the meantime, with little to trade / export, and with

extractives not set for a rapid rise, it is advisable for Afghanistan to focus in the near term principally on transit-as well as attracting private capital to the economy. Our partners are in a slightly different boat, but they need a similar path to smoother economic waters. With oil and other commodities tanking, they have just as much to gain from increasing cross-border trade, transit, and investment as we do in Afghanistan.

Thus, the RECCA strategy targets this region with reality, as it is focused on releasing the talent potential of external capital in the private sector. Private sector actors are somewhat more agile than their public sector counterparts. With sufficient capital in hand, and viable bankable projects in need of capital on hand, market dynamics can do a lot of this work. Conventional wisdom holds that private capital will stay away from unstable environments, but many of the companies in world history have made substantial profits in fragile states.

Let us note what a couple members of our economic team refers to as the security-economic strategy nexus, that while military means may be necessary to deal with insecurity in the short term, in the medium and long term economic development is a viable security strategy. In addition, traditional donors will continue to have an important role to play, as public-private project partnerships are the wave of the future.

Let me give you an example. If the public sector provides a modest investment on a project, then it can become fully bankable as the risk recedes for the private sector investor. To be even more specific, we have an investor who is keen to fund construction of a specific Multi-Modal Inland Port but we need a public sector funder of a feasibility study to bring this deal to fruition, ideal if I may say for a development bank.

After all, it is one of the purposes of RECCA, to make deals happen on bankable projects. Another major purpose is to kick off specific regional initiatives, such as the proposed Regional Work Group on Transshipment. Transshipment is after all one of the most prolific and dogged non-tariff barriers to trade in our region. Such a working group could also take on customs harmonization.

Ladies and gentlemen, with our shared depressing short-term economic prospect all around Central and South Asia, these are viable deals that we can do here at RECCA - deals that will help us turn things around in each of our countries, the key to which is rolling up our sleeves and working on practical, viable ways to achieve greater regional integration in the near term.

For example, there must be positive rates of return above the opportunity cost of capital. A financier must be interested and project governance arrangements must be clear. It must be possible for projects to be implemented in 12-36 months in most cases, and a clear risk management and mitigation plan must be in place.

This year, instead of flagship projects, many of which have never been funded, we have identified a set of projects that meet the new strict feasibility criteria. I previously mentioned a couple of projects that have met the criteria, and here are a handful of others on the short-list of feasibility: feasibility studies for several different projects; several additional Multi-Modal Inland Ports, including one on the Chabar-Garland Corridor; a handful of energy public private partnerships; pieces of the Lapis Lazuli Route; and pieces of the Five Party Railway Corridor. If

you look in the Annex of the RECCA- VI Report, you will find numerous other projects, which are highlighted as bankable projects for this year.

Ladies and gentlemen, there is much that we can as a region that will directly and over the medium term help to improve our economic health i.e. GDP growth. From the evolving geo-economic context to the current set of negative economic trends around the region, there has rarely been a more ideal time for implementation of the RECCA strategy.

Thus, I pronounce myself pleased with all the excellent preparation work we have performed this year, in particular by the economic team of Ministry of Foreign Affairs, and I am pleased that RECCA will within a matter of days be instituting its new Implementation Phase. I invite regional partners to participate fully, here at the conference and continuing on with the implementation phase.

We have deals to do now, right here at the conference, and certainly we have other deals to do after its conclusion. What is clear here, according to the current regional economic data, is all we need to make progress. Furthermore, we all need to do some deals with our regional partners. So what do you think about it? How about we do it together?

This question will find its answer through today's three working group sessions.

Thank you very much indeed.