

# **RECCA VI Business Forum**

**Istanbul, 1-2 March 2017**

**Brief Report**



**Ministry of Foreign Affairs of Afghanistan  
Directorate General for Economic Cooperation  
March, 2017**

## Contents

<b>Subject</b>	<b>Page</b>
Introduction	2
Opening Session	3
Plenary Session I - Regional Connectivity	4
Plenary Session II - Regional Energy & Natural Resource Cooperation	6
Plenary Session III - Public Private Partnerships and Business-to-Business Cooperation	8
Closing Session	11
Business Matchmaking Session	12
Business Study Tour	13
Conclusions	14

## **Introduction**

The RECCA VI Business Forum was held on March 1-2, 2017 in Istanbul, Turkey in collaboration with the Ministry of Economy and the Foreign Economic Relations Board (DEiK) of the Republic of Turkey. Around 300 representatives from over 30 countries and 20 international and regional organizations participated in the conference. Key Speakers of the event included H.E. Minister of Commerce and Industries of the Islamic Republic of Afghanistan, Humayoon Rasaw, who delivered the keynote speech in the forum, H.E. Fatih Metin, Deputy Minister of Economy of the Republic of Turkey ,H.E. Mohammad Mustafa Mastoor, Deputy Minister of Finance & Special Representative and Senior Advisor to H.E Chief Executive of the Islamic Republic of Afghanistan and Mr. Ömer Cihad Vardan, President of DEiK.

The Regional Economic Cooperation Conference on Afghanistan (RECCA) series initiated in 2005 in Kabul and held every two years in New Delhi, Islamabad, Istanbul, Dushanbe, and again in Kabul for RECCA VI held on 3-4 September 2015. It has 4 dedicated forums: 1) Ministerial Forum, 2) Academic Forum, 3) Business Forum and 4) Youth Forum.

The Business Forum aims to facilitate partnerships among business leaders, investors, entrepreneurs and other private sector stakeholders in the region and beyond in support of regional and sub-regional projects and to strengthen public-private dialogue and partnerships in the RECCA region.

## Opening Session

The RECCA Business Forum began with the keynote speech by H.E. Humayoon Rasaw, Minister of Commerce and Industries, Islamic Republic of Afghanistan. Minister Rasaw cited the historic friendship between the two nations and thanked the Republic of Turkey for their continuous support to Afghanistan. Mr. Rasaw also stated that RECCA has become a leading regional economic cooperation framework facilitating large scale regional projects in various areas of energy, transport networks, trade and transit, communications as well as business to business partnerships centering not only on Afghanistan but the wider region. Furthermore, the Minister highlighted the progress made with respect to a number of important regional projects including the TAPI gas pipeline project; the CASA 1000 electricity transmission line, the signing of the Chabahar trilateral transport and transit agreement, the finalization of the text of the Labis Lazuli Agreement, the progress under the One-Belt-One-Road initiative and other numerous projects in the areas of infrastructure, energy and communications. Mr. Rasaw ended the speech by stating that the government of Afghanistan has taken steps to create a predictable, stable and cost-efficient business environment through adopting effective legislation, and strengthening Afghan business institutions. H.E. Fatih Metin, Deputy Minister of Economy of the Republic of Turkey also spoke about the historic relations and bilateral cooperation between the two countries and stressed the importance of RECCA in promoting regional economic cooperation and facilitating partnerships and exchange of experiences including among business leaders in the wider region.



## ***Plenary Session I - Regional Connectivity***



**Moderator: Mr. Cihan Candemir, Vice Chairman of Turkey-Afghanistan Business Council, DEiK**

**Speakers:**

**Mr. Yamma Shams, Director General of Afghanistan Railway Authority, Ministry of Public Works, Islamic Republic of Afghanistan:**

Stressed that with the development of Afghanistan's railway networks, the country will serve as a bridge linking neighboring countries which will facilitate the flow of goods and services in the region and beyond more efficiently with low cost. Afghanistan can become a roundabout in the region due to its geographic location. The role of regional connectivity in supporting economic growth is certainly high. It will also transfer knowledge throughout the region resulting not only in economic but also social development and regional integration. Afghanistan is the missing link in the region in railway connectivity, and once the railway network is established, investment opportunities will flourish in terms of infrastructure, management operations, capacity building which has the potential to attract nearly 2 billion USD by 2020.

**Mr. Kemal Amanov, Head of Exhibitions, Exhibitions and Fairs Department, Chamber of Commerce and Industry of Turkmenistan:**

He reiterated the point that the development of the railway network and trade between Afghanistan and Turkmenistan will ease economic cooperation between the two nations particularly in the fields of energy, transportation, infrastructure and agriculture. The national railway network has been a priority for Turkmenistan. The nation is currently taking further steps in this regard and is ready to share its experience with regional countries as part of their contribution to regional connectivity.

**Mr. Hossein Farjad Amin, Deputy Director of Afghanistan Bureau, Ministry of Foreign Affairs, Islamic Republic of Iran**

Began his speech by expressing that the Islamic Republic of Iran has proposed projects that provide incentives for Afghan businesses on transit related activities. He went on to say that Iran encourages trade and transit facilitation between the neighboring and regional countries including through the Milak- Chabahar route for shipping their goods to reach international markets. Furthermore, the agro-products and minerals of Afghanistan are reputable in the global market in terms of quality. This demand can be fulfilled by using the transit routes. Iran is also prepared to provide further incentives to businesses from Afghanistan such as customized tariff rates, cold-storage and packaging facilities. Other routes for transit are also underway such as the Khwaf - Herat Railway, Chabahar - Zahidan and Zahidan - Milak. Once they are open for trade, the products of Afghanistan will be able to reach international markets more efficiently.

**Mr. Samer Seif El Yazal, head of the Arab and Central and Eastern Europe, Central Asia and Caucasus Regional Desk, World Trade Organization (WTO):**

Congratulated the WTO accession of Afghanistan after 12 years of negotiations and stated that it sends a clear message that Afghanistan is open for business. He went on to say that neighboring countries which are not part of the WTO must be encouraged to apply or accelerate their membership process. With the accession of Afghanistan, support is generated in different areas and businesses will be able to participate more transparently. The Trade Facilitation Agreement under the WTO can be a major support for Land Locked Developing Countries (LLDC) as their cost for trade can be reduced up to 15%. The WTO, based on its mandate supports trade financing to encourage the trade among member nations worldwide. Furthermore, the theme for Aid for Trade new program under the WTO for the years 2016/2017 is “promoting connectivity” which indicates how the least developed member countries like Afghanistan are supported in various areas. Global economy has evolved and with the accession of Afghanistan in the WTO, it is very clear that Afghanistan wants to grow and prosper in this economy and revive its place in the new Silk Road.



**Mr. Anar Ismayil, Land Transport Expert, Transport Corridor of Europe- Caucasus-Asia (TRACECA):**

He stated that the more convenient route for businesses to expand is through Turkmenistan (the Caspian sea) - Baku, Tblisi, Kars (TRACECA). Hence, there has been continues efforts for Afghanistan’s accession to TRACECA. Mr. Ismayil also restated the importance of the railway station in Aqina Port in Northern Afghanistan and its necessity in helping standard ground handling and related services. Furthermore, he stressed the strategic importance of transit corridors in Afghanistan for traders and investors in the region. He added that the Islamic Republic of Afghanistan had sent the official request to become a member of TRACECA which would provide new investment opportunities for Afghanistan in the areas of trade, transit and transportation. TRACECA may dramatically change the traditional transit map of the Asian continent and increase the competitiveness of Asian countries in the world market. Mr. Ismayil also encouraged neighboring countries to support Afghanistan in receiving membership to TRACECA.

**Plenary Session II - Regional Energy & Natural Resource Cooperation:**



**Moderator:** Dr. Halil Yurdakul Yigitguden, Coordinator of OSCE Economic and Environmental Activities

## **Speakers:**

### **Mr. Mücahit Özdemir, Deputy Director and General Manager of Turkish Petroleum:**

He began his presentation by describing the work done by Turkish Petroleum domestically and abroad. He said that Turkish Petroleum sees much potential in Afghanistan. It has been estimated that Afghanistan has \$1.6 billion worth of oil and 444 BCM of gas. While there have been no explorations and production activities since 1985, based on the technical studies, Turkish Petroleum has initiated many projects in the country. 3 wells in Juma and Banikot area have been drilled, partnering with international and an Afghan company. Turkish Petroleum has begun running projects in the northern city of Mazar-e-Sharif costing nearly \$180 million dollars. In fact, Turkish Petroleum is willing to begin their next seismic project which will cost \$16 million. Afghanistan is a promising investment but to see its full potential more exploration must be conducted.

### **Mr. Kenan Yavuz Enerji Sunumu- Ex CEO of Socar Turkey and Petkim A.Ş**

The International Energy Agency (IEA) states that global energy demand will rise 37% by 2040 particularly in developing economies. Natural gas is the fastest growing fuel source with a consumption growth rate of 1.9% and is expected to reach 5.4 billion cubic meters by 2040. Additionally, by 2040, oil and natural gas will be the world's top two energy sources with a growth rate of 55%.

In 2013 \$1.6 trillion was invested in the energy sector with more than \$1 trillion being related to fossil fuels and \$250 billion for renewable energy. Annual investment will rise up to \$2 trillion by 2035. Global investment will be \$40 trillion for energy supply and \$8 trillion for energy efficiency in 2035. In 2040 Fossil fuels will dominate the sector. Demand for electricity will increase by 80% over the period by 2040. It is also expected that nuclear generation capacity will increase by 60% to 624 GW.

### **Marat Usupov, Head of UNIDO Operations in Kyrgyzstan:**

The United Nations Industrial Development Organization vision for the new Silk Road includes building resilient infrastructure; promote inclusive and sustainable industrialization while fostering innovation by 2030. UNIDO is prepared to provide tailor made solutions for each country taking into consideration the strategic demand, the country portfolio and the country relationship. UNIDO's approach consists of establishing regulatory aspects, resource mobilization, and capacity building and so on. UNIDO's country program for Afghanistan between 2017-2020 includes support to the Government of Afghanistan to implement the road



map on ISID as stated by Lima Declaration. It is also aligned with the Afghanistan National Peace and Development Framework (ANPDF) 2017-2021. .

**Mr. Wais Rahman Arya, Head of Technical Advisory Board of the Ministry of Energy and Water of Afghanistan:**

Mr. Arya delivered his presentation on how to facilitate investment in the energy sector in Afghanistan mainly by strengthening institutions so that functions such as generation, transmission, load dispatch, distribution and trading are conducted transparently. He also suggested the establishment of a single national grid where clear regulations are put in place and the establishment of a regulatory framework for electricity services. Moreover, the promotion of renewable energy must be a priority. A clear vision and tangible targets must be provided. In fact, solar power and renewable energy have great potential for investment in the future of Afghanistan and the region.

**Plenary Session III - Public Private Partnerships and Business-to-Business Cooperation across Eurasia through Afghanistan**



**Moderator:** Mr. Naseer Ahmad Faiq, Deputy Director General of Regional Cooperation ,Ministry of Foreign Affairs of the Islamic Republic of Afghanistan

## **Speakers:**

### **Ms. Sedef Yavuz Noyan, Head of the Public Private Partnership Department, Ministry of Development of the Republic of Turkey:**

She began her speech by explaining the experiences of the Republic of Turkey in the public private partnership (PPP). She added that Turkey has been a leading nation in the implementation of PPP for the past 30 years. It is the third leading nation in the developing world; thus it has gained enormous experience in this regard. The PPP projects begin with feasibility studies followed by an authorization stage and then the implementation. PPPs can be used for motorways, ports, energy, industrial facilities, railways and so forth. While PPP is not without risk the experience has also shown that the private sector strives to work in environments where there is security, the rule of law and microeconomic stability.

### **Mr. Atiquallah Nusrat, Head of Afghanistan Chamber of Commerce and Industry (ACCI):**

At the outset of his speech, he referred to the aligning of the goals of the Afghanistan Chamber of Commerce and Industry with those of the government of Afghanistan. He added that the private sector and the government have a responsibility to join forces in order to provide better infrastructure and services for the people. The best mechanism for this is through public private partnership (PPP). RECCA has been an important forum in developing cross border trade and investment in the region. He also highlighted the importance of Afghanistan's accession to WTO by Afghanistan. He added that regional integration has proved very beneficial for Afghanistan, however, a lot more has to be done in order to further promote trade and private investment. The PPP model can also be particularly valuable for Afghanistan, mainly in three specific areas; electricity, railways and fiber optics. Efforts should be focused on fewer but feasible projects.

### **Mr. Rajish Aggarwal, Chief, Trade Facilitation & Policy for Business, International Trade Centre:**

Explaining about the importance of the International Trade Centre (ITC), he highlighted the National Export Strategy design in combination with the private sector as part of the project of ITC in Afghanistan. ITC is implementing a three-year project in Afghanistan for building capacity on trade policy formulation and engaging the private sector. The Trade policy, design and implementation have to be worked on with the cooperation of the private sector. Afghanistan is importing far more than exporting, so an effort has to be made to boost Afghan exports. Some prioritization has to be done in Afghanistan with regards to which strategies they want to promote. With a prioritized strategy, better results can be achieved for the private sector. An effort is underway with Iran, Uzbekistan and India to facilitative better trade linkages and relations.

**Mr. Jawid Omar, Economic Advisor to the Deputy Minister of Finance of the Islamic Republic of Afghanistan:**

Stated that connectivity is essential among regional states and Afghanistan is at the center of regional connectivity in Central and South Asia. Furthermore, public private partnership (PPP) is essential for infrastructure development and service delivery in Afghanistan and is responsible for the design, implementation and operation of projects. Regulatory work in PPP is still in the initial stages in Afghanistan in partnership with the Ministry of Finance. The key objectives of PPP are to mobilize the private sector investment, ease financial pressure on the government, while promoting Afghanistan's market and finally to shift from an aid dependent economic system towards self-reliance. The transparency and accountability of PPP projects is essential. The government has to make the details of the projects available to the public. The Key PPP principles include good governance, value for money, allocation of risk, competition, technological progress and environmental as well as social responsibility.

**Mr. Cem Galip Özenen, Transport and PPP program coordinator, Islamic Development Bank (IDB):**

Mr. Özenen began his presentation by describing the background and work of the Islamic Development Bank. He stated that so far IDB had a total approvable amount of 137 billion USD for development projects in member countries. The vast majority of this has gone to the MENA region. IDB promotes both hard and soft infrastructure. Soft infrastructure includes education and other forms of capacity building. The financing is compliant with Sharia financing laws. The financing of IDB is usually long term, up until 20 years. Likewise, institutional capacity and political support are essential prerequisites for implementing public-private, partnership (PPP) in a country. PPP can only compliment conventional methods of financing projects. There should be a value for money for the private sector. Without profits there is no incentive for the private sector to participate. Recently, IDB formed a new program for Central Asia in order to get these member countries to agree on a common understanding about the needs of the countries in terms of regional connectivity.

## Concluding Session:

Moderated by Mr. Hassan Soroosh, Acting Director General for Economic Cooperation, Ministry of Foreign Affairs of Afghanistan, the concluding Session included the presentation of salient points by the moderators of the three thematic sessions followed by the closing address by Dr. Mohammad Mustafa Mastoor, Deputy Minister of Finance and Special Representative and Senior Advisor to H.E. Chief Executive of the Islamic Republic of Afghanistan.



He thanked the organizers, the panelists and the participants for a very successful RECCA Business Forum. Mr. Mastoor added that Afghanistan is ready for investment and its many opportunities lay ahead for potential investors, particularly in the areas of energy, natural resources, infrastructure, construction, mining, commercial agriculture and transportation. Mr. Mastoor stated that the Afghan government aims to substantially accelerate and sustain high private sector growth rates over the next decade. The principal role of the government will be to ensure that there is a supportive economic environment in which a wide array of competitive productive activities can grow and develop. The private sector program designed to enhance foreign investment, increase growth in SME's and production growth, institutionalize Public Private Partnership (PPP) and achieve financial sector privatization. Moreover, the National Unity Government of Afghanistan aims to invest more in banking, land administration and export promotion to achieve desired outcome under this program, in short to provide a business friendly environment in Afghanistan.

**Business Match Making Session:**



About 180 private companies and business associations from Afghanistan, Turkey and other regional countries attended the B2B Match Making Session on the sidelines of the RECCA Business Forum.

**Networking Dinner:**

Following the concluding and B2B sessions, a dinner was hosted by the Government of Turkey aiming to provide a networking opportunity for businesses and investors attending the RECCA Business Forum.





**Business Study Tour:**

On the second day of RECCA Business Forum, the participants visited KARMOD Construction Company and some food processing factories in Istanbul.





## **Conclusions:**

The Business Forum is one of the important segments under RECCA, aiming to create a platform for dialogue, exchange of views, and building partnerships between businesses, and investors from across the region and beyond.

The recent RECCA Business Forum in Istanbul provided an opportunity for not only the policy makers and experts but also for representatives of the private sector to share perspectives on regional economic cooperation including the implementation bottlenecks with respect to regional priority projects as well as ways to further promote private sector investment in regional projects.

One the most important points expressed in the statements and questions by some of the participants was the importance of awareness rising on investment opportunities in areas where the public-private partnership (PPP) mechanism can be used.

Some speakers stressed the significance of exchange of experiences in using the PPP mechanism as well as learning from the successful PPP models in other countries such as Turkey.

The establishment of a regional chamber of commerce under RECCA was one of the proposals made and discussed in the RECCA Business Forum in Istanbul. The development of partnerships among the chambers of commerce in the region is one of the priorities under RECCA. The "Enhancing Regional Business to Business Partnerships" is one of the 20 priority projects under RECCA which, among others, aims to enhance dialogue and partnerships among the chambers of commerce in the region.

The thematic panel discussions provided good opportunities to introduce different projects in various areas in and around Afghanistan, including energy and transport, as well as areas where the private sector from across the region can invest.

The views, perspectives and proposals shared in the thematic panels will be used as inputs into the work of RECCA including in preparations for RECCAVII and the associated activities. The RECCA Business Forum also provided a good opportunity through the B2B matchmaking and networking events to build partnerships among the businesses and investors from Afghanistan and other countries in the region

The next RECCA Business Forum will be convened during the RECCA VII, scheduled to be held on 14-15 November 2017 in Ashgabat, Turkmenistan.