

COMMENTARY

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'Open for Business'

By OMAR ZAKHILWAL and DON RITTER

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LONDON -- The gathering of donor nations for Afghanistan this week in London is all about securing the emerging nation's progress. However, yesterday's event, which brought together private businessmen and investors with the donor nations, might actually hold the real key to sustaining peace and stability in this country.

Although Afghanistan has come a long way since 9/11, a number of outstanding challenges still loom large. Most of these reflect the gap between political progress and progress in providing a better life for the people. Tangible peace dividends such as more jobs, housing, a decent diet, education and health care are not achievable over the longer term without an economy that produces its own wealth. And that wealth must be produced in a non-opium economy. Counter-narcotics efforts can only succeed if legitimate jobs and business opportunities can compete with poppy cultivation.

While economic policies are the final responsibility of the Afghan government, advice, capacity-building and technical assistance from the international community can help to establish favorable conditions for the development of a private-sector economy. Strong pro-market, pro-investment economic policies can be advanced by donors and Afghans alike. We do not have the luxury of time and need to get it right the first time.

With the creation of the Afghan Investment Support Agency, for instance, the government has taken a giant leap in the right direction. This "one-stop shop for investors" has eliminated the more than 30 separate bureaucratic steps that were previously necessary to get a company started. All this red tape of course contained a lot of potential for corruption and delay at every turn.

But much more needs to be done. Institutional transformation is still needed in key government bureaucracies to make them relevant to a modern economy. This would require new blood with needed skills and training and education for key employees. To attract and keep quality staff, some salaries will have to go up, while the government must trim excess personnel.

Afghanistan is a landlocked country but trade can make it a land bridge, or better yet, a hub for the vast Central Asian and South Asian markets. So far, the international community has performed well in investing in the transportation sector. But even to return to pre-conflict levels requires sustained financial commitment.

The unreliable supply of electricity is another problem for production and job creation in

Afghanistan. Yet it is also an area of opportunity for donor nation investments, both public and private. The economy cannot be modernized and a better life for the people achieved without electricity. How to sharply increase electric power production looms high on the priority lists here.

Beyond deficits in transportation and electricity, we believe that the media-driven perception of the situation inside Afghanistan is another major hurdle to economic progress in this country. The risk perception is overblown and desperately needs correction. The markedly different experiences of business people who invest and work every day in most of Afghanistan need to get out to the public to attract more investors.

There are plenty of opportunities. The government is developing industrial parks and, where there were none only a few years ago, one can now find more than a dozen banks in the country. Target sectors include construction materials and mining, agro-processing, carpets and textiles, logistics and transportation (including packaging) and energy and mining.

It is about time for the international community to consider financing private sector projects just as important as financing public sector projects. Donors should also help connect Afghanistan's economic and business interests with those in their own country. This means assisting in a kind of "matchmaking" where foreign business people and investors can meet up Afghans.

In the words of Afghan President Hamid Karzai: "if you are an entrepreneur with a vision for exploring untapped opportunities, Afghanistan is open for business."

Mr. Zakhilwal is president and CEO of the Afghanistan Investment Support Agency. Mr. Ritter is a former U.S. congressman, investor in Afghanistan and senior advisor to the Afghan International Chamber of Commerce.