



ENODO
GLOBAL



AFGHANISTAN: A POST-CONFLICT / PRIVATE
SECTOR ECONOMIC DEVELOPMENT MODEL

SPECIAL ECONOMIC ZONE (SEZ) ROAD MAP

SITUATION

The Brussels Conference on Afghanistan united 75 countries and 26 international organizations to endorse an agenda for peace, security, sustainable development, and prosperity. They collectively committed \$15.2 billion USD for continued international political and financial support for Afghanistan over the next four years.



“Afghanistan’s history, geography, and diverse ethnic, cultural, and tribal dynamics, combined with its current security environment present significant challenges for any economic development efforts.”

PROBLEM

International aid has merely buttressed the Afghan economy. Over a decade of foreign donor funding and development initiatives have failed to transform Afghanistan’s post-conflict environment into a self-sustaining economy. Moreover, it is not integrated into a coherent strategy that synchronizes investments to create demand-driven, domestic markets. Continued donor funding applied to existing development models will result in outcomes similar to those experienced over the past 15 years: a subsistence level service-based economy dependent on well-intentioned, top-down foreign-led development initiatives. Afghanistan’s unique conditions require a novel private-sector approach to facilitate an economic transformation to a sustainable domestic economy.

SOLUTION



Afghanistan needs investments that directly align with market demand and leverage its competitive advantages in agriculture, minerals, and Operation Resolute Support (RS) infrastructure to ensure development is both profitable and sustainable. Private sector initiatives reduce dependency on international donor funding, establish organic domestic market growth, diversify the existing service-based economy, create enduring stability, and accelerate the transition to a knowledge-based economy (KBE). While there is a role for the Government of the Islamic Republic of Afghanistan (GIROA), international donor funding, and development initiatives, efforts based upon private sector business models, grounded in profit and market demand, must lead the effort to transform the economy.



THEORY TO REALITY

“Afghanistan, unlike other ‘post-conflict’ nations, has an opportunity to transform its economy through Special Economic Zones.”

The creation of Special Economic Zones (SEZs) in Afghanistan delivers the most effective means to implement immediate, sustainable initiatives that accelerate economic, social, and political transformation. SEZs contribute significantly to growth in foreign direct investment (FDI), exports, and employment, as well as playing a catalytic role in integration into global trade and structural transformation.¹ They provide a viable alternative to existing development models that overcome market and coordination failures.² Moreover, SEZs grant investors corporate and other tax incentives that lower market entry costs and spur the capital investments required to accelerate Afghanistan’s transition to a self-sustaining economy. Figure 1 illustrates the proposed incentive structure for SEZs in Afghanistan.

PROPOSED INCENTIVE STRUCTURE FOR AFGHAN SEZs

- Complete foreign ownership of businesses in the SEZs (100% ownership)
- Flat fee of \$500 USD per year for Zone Employment Certifications
- Expedited licensing, permitting, official approvals, et cetera via the Special Economic Zone Authority
- No import or export duties
- No direct or indirect taxes

INITIAL INCENTIVE AGREEMENT IS FOR 50 YEARS

Figure 1. Proposed Incentive Structure for Afghan Airfield SEZs

Afghanistan’s customized SEZ model delivers demand-driven, economic development initiatives designed to increase Gross Domestic Product (GDP). The model simultaneously expands domestic production and labor supply chains through collaboration between SEZ investors, domestic businesses, the labor force, and GIROA. Sustainable growth is achieved through a phased approach: incremental investments by SEZ businesses result in an exponential increase in demand for domestic raw materials and skilled and unskilled labor. Investments begin in labor-intensive industries that provide basic needs for the population. It shifts to industries where the



Figure 2. Phased SEZs Economic Model

To view the full report, contact ENODO Global at info@enodoglobal.com



¹ Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience, Farole, Thomas. The International Bank for Reconstruction and Development / The World Bank. 2011

² Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience, Farole, Thomas. The International Bank for Reconstruction and Development / The World Bank. 2011

