

RECCA 

DEEPENING CONNECTIVITY & EXPANDING TRADE THROUGH INVESTMENT IN INFRASTRUCTURE & IMPROVING SYNERGY

RECCA ANNUAL REVIEW

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CONTENTS

1	MESSAGE from the Minister of Foreign Affairs
2	ABBREVIATIONS
3	EXECUTIVE SUMMARY
7	RECCA ANNUAL REVIEW 2017 OVERVIEW
14	REGIONAL COOPERATION & INVESTMENT PROJECTS
	ENERGY 15
	TRANSPORT NETWORKS 18
	TRADE & TRANSIT FACILITATION 26
	COMMUNICATIONS 30
	B2B & LABOR SUPPORT 31
	RESEARCH, MONITORING, & EVALUATION 35
36	RECCA & MAJOR REGIONAL ORGANIZATIONS & INITIATIVES
37	RECCA 2.0: A platform for collective economic action and exchange, owned and operated by the people, businesses, and governments of Central, South, and Southwest Asia.
39	CONCLUSION: Deepening Connectivity & Expanding Trade through Investment in Infrastructure and Improving Synergy
40	ANNEX 1: RECCA National Focal Points
41	ANNEX 2: Afghan Government Ministries & Agencies Consulted for the <i>RECCA Annual Review 2017</i>
42	ANNEX 3: Afghanistan's Participation in Regional Organizations
43	ANNEX 4: Major Recommendations from the RECCA-VII Academic Forum

MESSAGE

FROM THE MINISTER OF FOREIGN AFFAIRS



In the name of Allah, the Most Merciful, the Most Compassionate,

When we met for the first time through the Regional Economic Cooperation Conference on Afghanistan, in December 2005 in Kabul, we embarked on a journey together towards a common vision for restoring Afghanistan's historical role as a land-bridge and a crossroad of convergence between Central Asia, South Asia, China, the Middle East, and Europe to achieve greater regional economic cooperation and integration.

Since then, our efforts have helped regional economic cooperation take root, building a solid foundation for cross-border economic cooperation in a wide range of areas, including energy, transport networks, trade and transit facilitation, communications, business-to-business partnerships, and labor support. The regional projects prioritized under RECCA, once completed, will transform the socio-economic situation of the entire region by unleashing the immense potential for trade complementarity and economic interactions at both regional and continental levels.

As presented in this *RECCA Annual Review 2017*, our region has witnessed inspiring achievements in recent years, as exemplified by an expanding network of pipelines, transmission lines and fiber optic cables; the finalization of important transport and transit agreements; and the operationalization of freight trains and cargo flights across the region. The signing of the Lapis Lazuli Route Agreement, now scheduled to occur on the sidelines of RECCA-VII in Ashgabat, marks another important milestone in our collective efforts towards greater connectivity and integration. Once implemented, this flagship agreement will not only enhance regional economic cooperation and connectivity among the contracting parties, but it will also contribute significantly to the Eurasian Continental trade and transport network, creating enormous economic opportunities for the citizens of our countries.

The theme for RECCA-VII, "Deepening Connectivity and Expanding Trade through Investment in Infrastructure and Improving Synergy", reflects our shared commitment to addressing common gaps and investment priorities in order to enhance regional cooperation and the prospects of our citizens.

It is my earnest conviction that with our new approach, as described in these pages under the heading of "RECCA 2.0"—and with the continued support from regional and international partners—our dynamic journey over the next two years will move us closer towards realizing our common vision for deepened connectivity and expanded trade across the region.

I wish to thank all the Focal Points from Afghan Ministries and RECCA regional countries, as well as our international partners, including the UN Development Program, for their invaluable contributions to the preparation of this year's Review.

Sincerely,

Salahuddin Rabbani
Minister of Foreign Affairs

ABBREVIATIONS

AAEDC	Afghanistan Airfield Economic Development Commission	MCI	Ministry of Commerce & Industries
ACCI	Afghanistan Chamber of Commerce & Industries	MMTLFs	Multimodal Transport and Logistics Facilities
AD	Alternative Development	MPW	Ministry of Public Works
ADB	Asian Development Bank	MSP	Memorandums of Strategic Partnership
AIIB	Asian Infrastructure Investment Bank	O&M	Operation & Maintenance
AKT	Afghanistan, Kyrgyz Republic, Tajikistan	OFC	Optical Fiber Cable
ANRP	Afghanistan National Railway Plan	OSCE	Organization for Security and Cooperation in Europe
ARA	Afghanistan Railway Authority	PMT	Project Management Team
ASYCUDA	Automated System for Customs Data	PPP	Public Private Partnership
ATAR	Afghanistan Trade and Revenue Project	RFPs	Request for Proposals
ATRA	Afghanistan Telecom Regulatory Authority	SAARC	South Asian Association for Regional Cooperation
B2B	Business-to-business	SCO	Shanghai Cooperation Organization
BOMNAF	Border Management Northern Afghanistan	SEZs	Special Economic Zones
BRI	Belt and Road Initiative	SMEs	Small and Medium-sized Enterprises
BRT	Business Receipts Tax	TAP	Turkmenistan-Afghanistan-Pakistan
CAR	Central Asian Republic	TAPI	Turkmenistan-Afghanistan-Pakistan-India
CAREC	Central Asia Regional Economic Cooperation	TEVT	Technical Education and Vocational Training
CASA	Central Asia–South Asia	TFA	Trade Facilitation Agreement
CBTA	Cross Border Trade Agreement	THRCP	Trans-Hindukush Road Connectivity Project
CRE	Center for Research & Evaluation	TIR	International Road Transports
ESIA	Environmental & Social Impact Assessment	TPCL	TAPI Pipeline Company Ltd.
EU	European Union	UNCTAD	United Nations Conference on Trade and Development
FOTNs	Fiber Optic Transmission Networks	UNDP	United Nations Development Programme
GAIL	Gas (India) Limited	UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
GDP	Gross Domestic Product	UNHCR	United Nations High Commissioner for Refugees
ICT	Information & Communication Technology	UNODC	United Nations Office on Drugs and Crime
ILO	International Labor Organization	UNOPS	United Nations Office for Project Services
ITC	International Trade Center	UNSPECA	United Nations Special Programme for the Economies of Central Asia
LDC	Least Developed Countries	USAID	United States Agency for International Development
LMIS	Labor Market Information System	WTO	World Trade Organization

EXECUTIVE SUMMARY

Now entering a new era of innovation and economic dynamism, the Regional Economic Cooperation Conference on Afghanistan (RECCA) has worked to forge and implement an ambitious vision of inter-regional and inter-continental connectivity and mutually beneficial trade through practical investment projects and policy changes for the direct benefit of the people and nations of Central, South, and Southwest Asia. Following its first decade of progress, RECCA encompasses a leading regional cooperation framework aimed at promoting cross-border trade and transit through prioritized economic exchange and investment projects capable of contributing to economic growth, job creation, public revenue, and confidence-building for the countries and people situated within the wider Heart of Asia region.

As detailed in this *RECCA Annual Review 2017*, progress in implementing multiple regional cooperation and investment projects—particularly in the energy sector and development of new transport and communications networks—has been promising. At the same time, in other key areas of regional economic cooperation, including the effective implementation of bilateral and regional trade and transit agreements, more focused political attention, improved security conditions, and better technical effort are required. Similarly, there are growing opportunities for expanded business-to-business (B2B) relations across the region, as well as increased support for the rights and working conditions of employees. Under

the banner of “Deepening Connectivity and Expanding Trade through Investment in Infrastructure and Improving Synergy”, the Seventh gathering of the Regional Economic Cooperation Conference on Afghanistan (RECCA-VII), from 14-15 November 2017 in Ashgabat, Turkmenistan, offers new opportunities for a shared diagnosis of successes and challenges, as well as renewing regional commitments for combined public and private collective action.

RECCA-VII will provide the opportunity to **take stock** of the progress made since RECCA VI, held from 3-4 September 2015 in Kabul, through a comprehensive review of the platform’s regional cooperation and investment projects; **discuss** the challenges and bottlenecks, as well as the financing and investment needs, with respect to both current and new priority investment projects in the key economic areas of energy, transport networks, trade and transit facilitation, communications, B2B and labor support, as well as research, monitoring, and evaluation; **build consensus** around concrete steps that need to be taken by governments, the private sector, and international organizations in the context of ongoing projects, and **present** new “bankable” investment project concepts or reform initiatives under the abovementioned economic categories.

The regional cooperation and investment projects reviewed in the following pages conform with and reinforce the Afghanistan National Peace and Development Framework, introduced at the Brussels Conference on Afghanistan (October 2016), and its National Priority Programs, including the National Infrastructure Plan, the Women’s Economic Empowerment Program, National Mineral & Resources Development Program, National Comprehensive Agriculture Development Priority Program, and the Private Sector Development Program. Many of these

projects also benefit from—and help to expand stronger linkages with—regional initiatives and organizations that share closely related objectives with the RECCA forum, including the Heart of Asia-Istanbul Process, the Belt-and-Road Initiative, Middle Corridor, Silk Wind, CAREC, SAARC, ECO, UNSPECA, SCO, and the OSCE.

Moving beyond limited transport toward more robust and multi-dimensional economic corridors, RECCA-VI in Kabul succeeded in building consensus around practical kinds of support for new “Regional Economic Growth & Resource Corridors” (first discussed at RECCA-V in March 2012 in Dushanbe). Besides focusing Afghanistan on the hardware and software requirements to attract substantial transit as a dynamic regional trade and transport hub, such a comprehensive approach to economic corridors aims to make mineral extraction a viable export-led growth and revenue option for the country and its neighbors. Regional Economic Growth & Resource Corridors also maintain the potential to generate multiplier effects and to increase returns on growth, jobs, and public revenue for the individual projects examined in *RECCA Annual Review 2017*.

A greater focus on robust and multi-dimensional economic corridors also strengthens the need to transform RECCA into a truly regionally-led and owned platform for regional economic cooperation at the crossroads of Central, South, and Southwest Asia. The time is ripe for “RECCA 2.0” and the development of a regional economic cooperation strategy that includes joint cross-border projects and reflects the priorities of governments, businesses, scholars and civil society leaders working to deepen mutually beneficial economic ties along major crossroads of Eurasia.

The following are brief highlights from the eighteen Regional Cooperation and Investment Projects reviewed and presented in this progress report:

ENERGY

1) TAPI Pipeline: TAPI Pipeline Company Limited and an engineering firm signed a contract, on 17 January 2017, to commence design and survey work in Afghanistan. Signing of the project's Pipeline System Rules Agreement, a Host Government Agreement, and a Transportation Agreement is urgently needed.

2) CASA-1000: A signing ceremony is planned in November 2017 to mark the start of work on the 563 km Afghanistan transmission line project component. Completion of the CASA-1000 environmental and social impact surveys is a high priority.

3) TAP-500: Following the signing of the TAP-500 project's MOU by Turkmenistan, Afghanistan, and Pakistan in December 2015, three technical level meetings were held in 2016 and 2017, and a Ministerial Statement is expected to be signed at RECCA-VII. Major priorities now include preparing a technical assessment and designing a plan for the TAP-500 project, as well as finalizing the project's coordination and monitoring mechanism.

TRANSPORT NETWORKS

4) Belt-and-Road initiative and Afghanistan: Several site visits and academic exchanges were undertaken in 2017 between Afghanistan and China to explore additional areas of collaboration, in accordance with the two country's 2016 Belt-and-Road Initiative MOU. A number of trilateral meetings between Afghanistan, China and Pakistan have been held with a view to further enhance cooperation among the three countries under the BRI and RECCA.

5) Lapis-Lazuli Transit, Trade & Transport Route: The agreement is planned for signature by the participating countries on the sidelines of RECCA-VII in Ashgabat. Once signed, the internal procedures of the contracting parties required for the entry into force of the Agreement need to be completed with a view to ensure expeditious implementation of the agreement.

6) Chabahar International Transport and Transit Corridor: The internal procedures required for entry into force of the Chabahar Agreement are being finalized and the additional protocols are planned to be discussed and developed soon. Chabahar Port infrastructure improvements as well as infrastructure development along the route including inside Afghanistan are now needed. On 29 October this year, the first shipment of wheat from India to Afghanistan was shipped through the Chabahar port in Iran.

7) Five Nations Railway Corridor: Five out of six feasibility studies are completed. Exploring public-private partnership financing for the project is a high priority.

8) Afghanistan Rail Network: The third segment of the rail line between Khaf and Herat is being completed. The Afghan Government is also prioritizing other railway segments connecting Afghanistan with neighboring countries.

9) Trans-Hindukush Road Connectivity Project: Initiated in January 2016, the project's preparation stage recently concluded and recently transitioned to its three-year implementation stage. For this next phase, adequate resources and trained construction management teams and local private contractors are needed for the design, building, and maintenance of the Baghlan-Bamiyan highway.

TRADE & TRANSIT FACILITATION

10) Cross Border Transit Agreement and TIR Convention: To facilitate regional transit, over the past twelve months sixteen TIR Carnets were distributed by the Afghan Chamber of Commerce and Industries. A priority is extending the CBTA between Afghanistan, Tajikistan, and the Kyrgyz Republic to include Kazakhstan.

11) Special Economic Zones/Multimodal Transport and Logistics Facilities: Facilities are being developed in Balkh, Kabul, Kandahar, Helmand, Herat, Jalalabad, Mazar-i-sharif, Nangarhar, Aqina, Toraghundi, and Zaranj. An omnibus feasibility study is urgently needed to build the business case for a combination of public and private investment in Multimodal Transport and Logistics Facilities across Afghanistan.

12) Regional Trade, Customs, and Border Management Cooperation: In 2016 and 2017, Afghanistan signed agreements on Customs Co-operation with Iran and China and Customs Information Exchange with Tajikistan. Finalizing similar agreements with India, Kazakhstan, Pakistan, Russia, Turkmenistan, and Uzbekistan is now a top priority.

COMMUNICATIONS

13) Digital Silk Road: 2017 saw the signing of two MOUs for expansion of the Optical Fiber Cable connecting Afghanistan, China, the Kyrgyz Republic, and Tajikistan, and a new MOU is expected to be signed at RECCA-VII by Turkmenistan, Afghanistan, and Pakistan. A top priority now is completion of the Afghan Fiber Optic Ring and its 480km connection with China.

B2B & LABOR SUPPORT

14) Enhancing Regional Business-to-Business Partnerships through a RECCA Chamber of Commerce & Industries: The RECCA Business Forum, held from 1-2 March 2017 in Istanbul, strengthened regional business-to-business cooperation and seeded ideas on economically empowering women and standing-up a RECCA Chamber of Commerce & Industries (which both merit support now from RECCA countries and businesses).

15) Women's Economic Empowerment through Regional Economic Cooperation: To further progress on this Women's Economic Empowerment component of RECCA, a policy paper will be produced (coming out of RECCA-VII) that highlights obstacles to progress for women entrepreneurs across the region and a set of operational recommendations for improving their prospects.

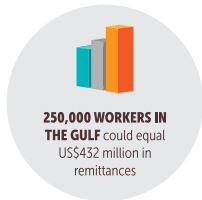
16) Regional Agro Food Industry Development: A comprehensive feasibility study for the development of an Afghanistan-Kyrgyz Republic-Tajikistan Agro Food Industry Development (AKT) project, financed by UNDP and the Government of Turkey, was initiated, and its findings were endorsed during a meeting of the Consortium, in February 2016, in Bishkek. In addition to exploring other regional opportunities, this AKT tripartite consortium should be re-convened to work toward project implementation.

17) Labor Exchange and Remittances: The Afghan Government, World Bank, and European Union are currently planning for the skills enhancement and employability of Afghan workers through Technical Education and Vocational Training (TEVT) programs and "Labor Dispatch" to near-by countries in the region. Another high priority is the preparation of a model bilateral agreement on labor support.

RESEARCH, MONITORING & EVALUATION

18) RECCA Center for Research and Evaluation: In support of RECCA Ministerial Meetings, Investment Road Shows, Business Forums, and other activities, the new Center would undertake (demand driven) economic impact assessments, economic and financial analysis, and feasibility studies in the form of Bankable Project Briefs, working papers, and policy papers.

- 1 **RECCA National Focal Points** pull together and support the various tracks of this new "RECCA 2.0" approach
- 2 **RECCA Center for Research & Evaluation** to prepare Bankable Project Briefs for Public and Private Investors, as well as undertake other activities like state-of-the-art research and analysis on priority regional matters
- 3 **RECCA Chamber of Commerce & Industries** to help mobilize governments and national chambers of commerce in support of Investment Road Shows, Business Forums, and wider B2B cooperation
- 4 **Prioritize Women's Economic Empowerment** through Regional Economic Cooperation
- 5 **Strategic Partnerships** between RECCA and other regional organizations and initiatives
- 6 **RECCA Interactive Web-Portal** for Regional Investment Promotion and Knowledge Sharing
- 7 **Synergies with the Afghan Government's** Infrastructure Development Council
- 8 **Moving towards a RECCA Economic Cooperation Strategy** for Central, South, and Southwest Asia



14-15 November 2017

Lapis-Lazuli Transit, Trade & Transport Route agreement is planned for signature by the participating countries on the sidelines of RECCA-VII in Ashgabat.

17 January 2017

TAPI Pipeline contract signed between TAPI Pipeline Company Limited and an engineering firm to commence design and survey work in Afghanistan.

14-15 November 2017

TAP-500 Ministerial Statement is expected to be signed at RECCA-VII.

November 2017

CASA-1000 signing ceremony planned to mark the start of work on the 563 km transmission line project component situated within Afghanistan.

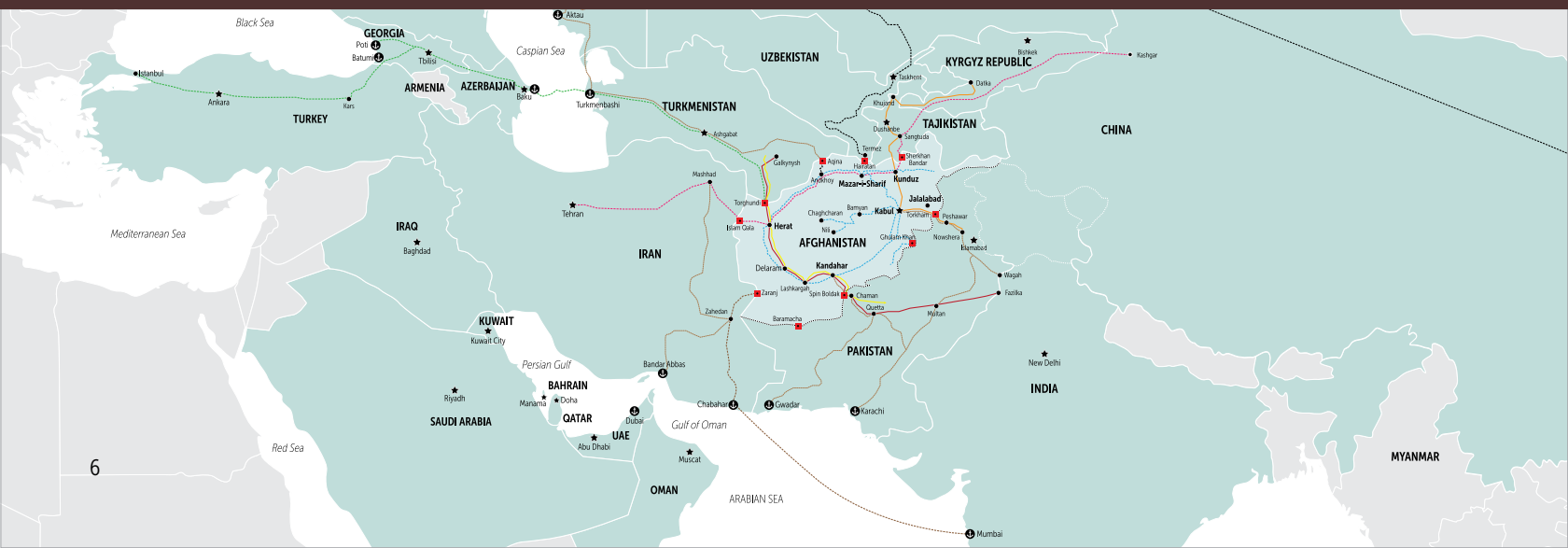
2017

Digital Silk Road saw the signing of two MOUs for expansion of the Optical Fiber Cable connecting Afghanistan, China, the Kyrgyz Republic, and Tajikistan, and an MoU is expected to be signed between Turkmenistan, Afghanistan, and Pakistan at RECCA-VII.

1-2 March 2017

RECCA Business Forum in Istanbul strengthens regional business-to-business cooperation and seeds ideas on economically empowering women and standing-up a RECCA Chamber of Commerce & Industries.

REGIONAL ECONOMIC GROWTH & RESOURCE CORRIDORS OPEN UP
NEW TRADE, TRANSIT & MINING OPPORTUNITIES



Building on its first Decade of Progress (2005-2015), the seventh gathering of the Regional Economic Cooperation Conference on Afghanistan will focus high-level political attention, resources, and entrepreneurial ingenuity on the theme of “Deepening Connectivity and Expanding Trade through Investment in Infrastructure and Improving Synergy.” Deepening connectivity refers especially to the public and private infrastructure links that bind the countries and people of Central, South, and Southwest Asia. Alongside an improved policy, regulatory, and security environment, the region’s infrastructural backbone helps to drive down costs, thereby improving conditions for expanded cross-border trade in goods and services. Finally, enhanced synergies through regional cooperation take at least three forms: (i) between the RECCA forum and other regional platforms and organizations; (ii) between and within transport corridors; and (iii) between and within robust economic corridors. In this Overview section of the RECCA Annual Review 2017, these three sub-themes of RECCA-VII are further defined and major regional trends scrutinized, and RECCA’s “Bankable” Investment Criteria for Regional Cooperation and Investment Projects are also revisited.

As proclaimed by H.E. Dr. Ashraf Ghani, President of the Islamic Republic of Afghanistan, in a speech this past September:

“... regional connectivity is our key goal. Afghanistan today enjoys the best of relationships with every single one of its northern neighbors and their neighbors. There is a historical transformation under way. Trains from China are reaching our border. Pipeline, railways, transmission lines—an enormous series of efforts is under way. And the key to this is harnessing both the natural wealth of Afghanistan and its immense human capital.”

Through its six earlier meetings, the Regional Economic Cooperation Conference on Afghanistan has aspired to deepen Eurasian regional connectivity at the crossroads of Central, South, and Southwest Asia, with a special focus on six thematic categories:

RECCA ANNUAL REVIEW 2017 **OVERVIEW**

Energy, Transport Networks, Trade and Transit Facilitation, Communications, B2B (Business-to-Business) and Labor Support, and Research, Monitoring, and Evaluation. Concerted and sustained action in each of these areas is helping to ensure that the re-emerging and dynamic Silk Roads between Europe, Asia, and the Middle East traverse rather than circumvent Afghanistan, as evidenced through multiple regional economic integration initiatives, including China’s Belt-and-Road Initiative, Turkey’s Middle Corridor project, Kazakhstan’s Silk Wind project, and the follow-on activities associated with the recent U.S.-led New Silk Road initiative. In doing so, Afghanistan’s neighbors also stand to benefit economically, socially, and politically—through enhanced regional prosperity and stability—from restoration of the country’s historical role as a regional lynchpin at the Heart of Asia.

As detailed in Annex 3 of this Review, Afghanistan participates actively in several formal regional organizations too. Recently, a new wave of regional cooperation efforts centered on Afghanistan, leading to the formation of two prominent Afghanistan-focused regional cooperation frameworks, namely the Regional Economic Cooperation Conference on Afghanistan and the Heart of Asia-Istanbul Process.

This trend is based on the recognition that regional economic cooperation is crucial for economic growth and sustainable development through enhancing connectivity and competitiveness, generating greater productivity, lowering transaction costs, and expanding markets.

Numerous studies over the past years have suggested that there is a positive correlation between regional economic cooperation and economic growth. Regional economic cooperation can facilitate trade, investment, and the transfer of knowledge, which are each critical for productivity and growth. These same studies further contend that specific factors, such as the potential for trade complementarity between countries and the level of basic infrastructure development within a country, are chief determinants of successful regional economic cooperation and integration efforts. They can also create new incentives towards achieving lasting peace and stability.

In this Overview section of the RECCA Annual Review 2017, the recent trends and practical ways that deepening connectivity, expanding trade, and improving synergies can improve outcomes from regional economic cooperation and integration that translate into meaningful progress for the countries and people of Central, South, and Southwest Asia are examined and elaborated. In doing so, the Review aims to:

- Focus on public-private partnership investment discussions at RECCA-VII and beyond.
- Inform the presentation at future Investment Road Shows across the region.
- Contribute to a truly regional economic strategy for Central, South, and Southwest Asia by continued consultations in regional capitals prior to RECCA-VIII and seeking direct linkages with other regional economic cooperation initiatives (e.g., the Heart of Asia - Istanbul Process, the Belt-and-Road Initiative, Middle Corridor, Silk Wind, CAREC, SAARC, and ECO).

The Review has been prepared in collaboration with key Afghan Ministries, the Afghan Chamber of Commerce & Industries, and regional partners (see *Annexes 1 & 2*).

DEEPENING CONNECTIVITY

The RECCA forum's focus on deepening connectivity emphasizes public and private infrastructure links that bind the countries and people of Central, South, and Southwest Asia. First and foremost, this involves transport links via road, rail, shipping, and air that are central to facilitating cross-border trade and the exchange of good, services, and people. Next is energy infrastructure—from a regional grid and natural gas pipelines to the transfer of new kinds of renewable energy—with the potential to bring the abundant energy resources of Central Asia to the far more populous and energy deficient countries of South Asia. Another key area for deepening connectivity is the communications infrastructure, including state-of-the-art fiber optic cables, that will enable the steady expansion of information technologies and play a key role in making Afghanistan both an internet exchange and broader regional trade and transit hub at the Heart of Asia.

While significant efforts have been made under current regional platforms towards boosting regional economic cooperation and connectivity, progress up until now has been nominal. Central, South, and Southwest Asia remain three of the least integrated regions in the world marked by low levels of intra-regional and (among each other) inter-regional trade. Certainly, an episodic lack of regional security, among other factors, has contributed to this outcome. However, there is immense potential for increasing trade, energy, and information connectivity across the wider region. Investment in infrastructure enhances economic growth, job creation, and standards of living through improved connectivity and production networks; bolsters environmental sustainability by reducing carbon emissions and building a more climate-resilient economy; and promotes social development through enhanced public services like education and health.

The question is how can governments move towards unleashing the full potential for inter-regional connectivity at a juncture when the need for economic growth and poverty reduction are as pronounced as ever across the wider region, and what role can the existing regional platforms their member states, and civil society and business play in this regard? Emphasizing and increasing inter-regional connectivity across Central, South, and Southwest Asia via RECCA and the Heart of Asia-Istanbul Process need to build on the following examples of increased inter-regional connectivity achieved in recent years.

Trade networks between Central, South, and Southwest Asia are the most crucial component of connectivity between these regions.

Afghanistan provides the shortest and most cost-effective routes for roads, railways, pipelines and transmission lines between Central, South, and Southwest Asia.

Promoting trade complementarity between them is highly dependent on their physical connectivity.

The potential for energy market expansion between Central Asia and South Asia is vast due to the high degree of energy trade complementarity, between an energy rich Central Asia and an energy poor South Asia.

The infrastructure required to achieve this involves constructing a regional electricity grid of integrated transmission lines, as well as a network of natural gas pipelines.

Progress in transport connectivity is taking different forms. Most prominently, the draft agreement for the Lapis Lazuli Route between Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey, linking Afghanistan to the Black Sea and the

Mediterranean, was finalized in November 2016 and is expected to be signed on the sidelines of RECCA-VII in Ashgabat. The Five Nations Corridor has the potential to connect China on one end and Iran on the other, over a total distance of 2,100 kilometers and traversing the countries of the Kyrgyz Republic, Tajikistan, and Afghanistan in the process. Planning of the Chabahar - Zaranj - Farah Railway is also underway. The third section of Khaf-Herat railway is being completed, and the Atta Morad-Aqina international railway line was inaugurated November 2016, linking Afghanistan to Turkmenistan and other Central Asian countries. Finally, the following rail lines connecting Afghanistan with neighboring countries are under different phases of feasibility studies or procurement for construction: Aqina - Andkhoy - Shiberghan (108 km); Torghundi-Herat (173 km); Chaman-Spinboldak (11.5 km) and Spinboldak to Kandahar (96km); Jalalabad - Torkham (75 km); and Lashkargah-Bahram Chah (258 km).

India, Iran, and Afghanistan signed an agreement in May 2016 to develop the Chabahar port, located in southeastern Iran. The Chabahar Corridor is forging a new trade and transit route for Afghanistan, with the potential to become one of the most critical and cost-efficient transit points for Afghan trade. Afghanistan's 135-mile long Zaranj-Delaram Highway is a key component, which helps creates a North-South transport corridor linking the Indian sub-continent and land-locked Central Asia.

ROADWAY CONNECTIVITY is also progressing in Afghanistan and the region. Completion of Afghanistan's national ring road remains a top priority for the government and is nearly accomplished, while the Islamic Development Bank has issued a USD \$74 million loan in support of Phase 1 of the construction of Kabul's ring road, a four-lane highway that will extend 95 kilometers connecting all of Kabul's neighboring provinces. In addition, completion of the

civil works for the construction of Baghlan-Bamiyan road remains a priority.

The Trans-Hindukush road connectivity project has been initiated in the form of design and technical studies now underway to improve the Salang highway that connects Kabul with north Afghanistan, allowing for increased transport of goods and people across the Hindu Kush mountains. Plans have also commenced to repair the Salang Tunnel and construct a second roadway. And construction of a 108 km road in northeast Badakhshan province near the Tajik border to connect Baharak and Ishkashim will be completed in 2021, at a cost of USD \$98 million.

Connectivity via the airways is also moving forward in the form of the new “Air Bridge” to India. Afghanistan recently exported 400 tons of fruit to India from Kabul and Kandahar. The Afghan grapes, apples, and pomegranates that were transported on the first air corridor with India will make a noteworthy contribution to an expected 60% increase in trade between the two countries.

ENERGY CONNECTIVITY is of crucial importance to Afghanistan and its neighbors. Two prominent examples of complementarity of regional energy networks between Central Asia and South Asia are the TAPI natural gas pipeline project and the CASA 1000 regional grid electricity transmission project. Each has experienced considerable progress toward the creation of an integrated Central Asia-South Asia energy market. The Turkmenistan-Afghanistan-Pakistan TAP 500 kv Transmission line is also moving forward with completion of its feasibility studies, and the Indian company Dynasty Oil & Gas is building a 10-megawatt solar power plant in Kandahar—the \$10 million project is the first of its kind in Afghanistan.

COMMUNICATIONS CONNECTIVITY is also progressing through progressive installation of the Afghan Fiber Optic Ring (also known as the Afghan National Civil Optical Fiber Cable-OFC ring network) within the broader regional “Digital Silk Road”, which aims to improve regional connectivity and expand the regional knowledge economy in Central, South, and Southwest Asia. In addition, Afghanistan and China have

signed MoUs to build a four-nation – China-Kyrgyzstan-Tajikistan-Afghanistan – Silk Road Fiber Optic Cable that will connect Central Asia to Europe. The strategic partnership between China Telecom and Afghan Telecom will expand Afghanistan’s informational connectivity with the region.

Along with hard infrastructure and physical connectivity, however, there is need for intensified efforts with respect to the soft infrastructure required for trade expansion and investment promotion in Central, South, and Southwest Asia. As the negotiation of new transit-trade agreements have yet to live up to their full potential, there remains an important role for efforts to expand existing transit-trade agreements. Policy coordination, customs harmonization, removal of non-tariff barriers, visa facilitation, and communications connectivity remain essential for further economic integration of the wider region.

EXPANDING TRADE

While the trade and transit sector holds considerable promise for Afghanistan, thus far trade has played only a nominal role in the country’s overall economic growth picture. Part of the reason for this rests with the intermittent challenge of security. While there is a great deal of emphasis placed on the traditional trade sector involving the export of goods and services, in fact, it is Afghanistan’s transit-trade sector that holds greater promise than trade exports at this juncture. According to the World Bank, fully USD \$5.2 billion in traded goods could be transited through Afghanistan on a yearly basis, including gains of up to 5% of the value of total transit trade or the equivalent of USD \$260 million (October, 2016). Gradually, the number of trade routes through Central Asia, South Asia, and Iran have been increasing and diversifying the movement of goods to and from Afghanistan.

Yet, as the Afghan economy has grown in recent years, import increases have not been matched by a corresponding growth in exports. Without a steady increase in Afghan exports, this sizable imbalance will require regular injections of foreign aid (or capital) in order to be sustained. One of the key strategies for increasing exports involves the imperative of reducing transaction costs in the Afghan export sector. For example, Afghanistan’s export times require on average 86 days, compared to only 33 days by other South Asian nations. By reducing export times to 25 days and diversifying products, Afghan exports would increase 20% (for example, USD \$48 million to India), resulting in USD \$152 million additional exports per year (but the time to export has actually increased over time: 74 days in 2010, 81 days in 2013, and 86 days in 2014).

For example, reducing the number of documents to export is part of the solution to reducing transaction costs in Afghan trade practices (10 in Afghanistan, 8 in China and in Pakistan, and 7 in Iran and India).

But Afghanistan also relies on its partners for improving trade flows and volumes. For example, USAID concluded that shorter dwell time in Pakistani ports would not only improve trade relations between Pakistan and Afghanistan, but would also incentivize traders in Central Asia to transit import and export goods through Pakistan (“USAID Trade Project: Dwell Time Study” August, 2014).

Areas of notable progress are also important to emphasize, such as how Afghanistan’s trade structure is now less concentrated in terms of the number of its trade partners than it was in the previous decade. For example, China and India each have trade volumes with Afghanistan under USD \$1 billion at present, but infrastructure improvements in the South Asian ports as well as in the Chabahar Port, are expected to contribute to increased trade flows between them.

EXPANDING TRADE

In 2016, Afghan trade volumes between Afghanistan and its top trade partners rank as follows: Iran at \$2 billion USD, Pakistan at \$1.3 billion USD, China at \$1 billion USD, Turkmenistan at \$700 million USD, and Kazakhstan at \$500 million USD. Trade with Pakistan decreased, while it increased with Afghanistan's top trading partner Iran. In another trade measure, some of the top export destinations of Afghanistan are India (USD \$220 million), Pakistan (USD \$199 million), and Iran (USD \$15.1 million).

Yet the need for Afghanistan to increase its regional and international trade is based in part on its inability to take full advantage of its highly tradable commodities. Afghanistan possesses what economists refer to as a "comparative advantage" in a limited range of commodities, that is goods that are either grown or extracted. In other words, it produces a range of products in its energy, mining, and agriculture sectors more efficiently than a range of other countries. In straight forward economic terms, this means that all things being equal, gains from trade are not difficult to achieve.

However, while excessive export times are a factor, in addition, Afghanistan faces a range of tariff and non-tariff barriers to trade with economies both within the region and beyond. Moreover, it lacks the infrastructure and regular stream of FDI that traditional trading nations have in place. Although extracting Afghanistan's mineral deposits would generate a USD \$2 billion yearly increase in the government's annual budget (reserves of oil and natural gas could be worth an additional USD \$220 billion), between transaction costs, tariff barriers, security challenges, and infrastructure deficiencies, Afghanistan is not as well placed to turn its vast mineral deposits to its advantage as easily as conventional wisdom would suggest.

Thus, in order to increase Afghanistan's private-sector led export-oriented growth and decrease its dependency on foreign aid, Afghanistan's most viable strategy is to "go

regional" in the form of negotiating bilateral and regional trade and transit agreements. This would increase not only the volume of its traded goods, but also the volume of goods transiting through Afghanistan. As a landlocked country, Afghanistan's trade has higher transaction costs than countries with maritime ports; thus, when combined with import tariffs, economic performance is affected. This implies greater net social benefits from tariff reducing agreements with its trade partners.

Afghanistan's immediate neighbors represent over 50% of Afghanistan's total trade volume (see Figure 1). At present Afghanistan has a trade agreement with Tajikistan, numerous bilateral agreements with Iran, and less than fully implemented transit trade agreement with Pakistan. However, it is currently negotiating trade agreements with Turkmenistan and Uzbekistan (and already has a transport agreement with the former and a budding transit agreement with the latter). New transit-trade agreements with Turkmenistan and Uzbekistan, combined with the Lapis Lazuli Route and Chabahar Corridor Agreements (as well as the 2011 Cross-Border Transport Agreement with the Kyrgyz Republic and Tajikistan) are expected to significantly reduce the average transit costs between these countries. Bi and multi-lateral trade agreements are expected to expand growth opportunities for production and employment as trade and transit prospects increase.

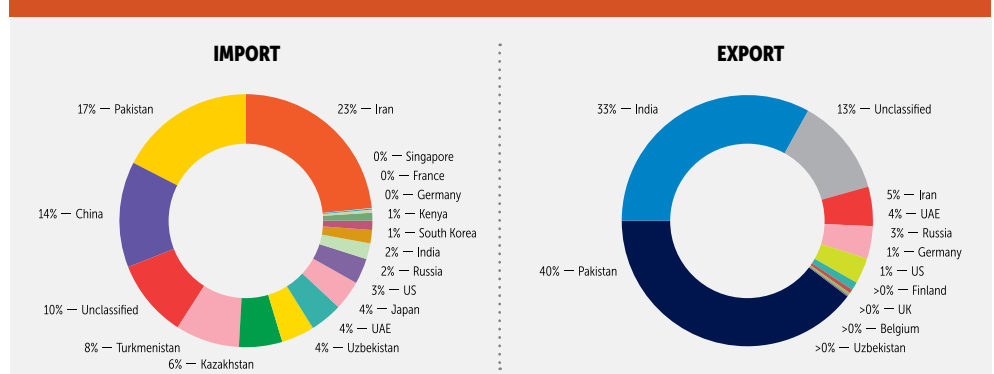
Afghanistan stands to gain from increasing the volumes and distribution of its trade. By increasing the exportability of its primary products, growing trade volumes are expected to benefit Afghan development in four primary ways: (i) increasing government revenue; (ii) increasing overall

GDP growth; (iii) increasing growth of the energy, mineral, and agricultural sectors; and (iv) increasing the growth of the service sector. With a trade-based economic strategy in place, Afghanistan has a not unreasonable prospect of diversifying its overall economy—with sizable anticipated growth in its services sector—as well as offering a much larger segment of its population sustainable employment not only in the aforementioned sectors, but also in the transport sector.

Supported by quantitative evidence from the "Afghan Trade Report," a viable economic strategy for Afghanistan involves making good on its accession to the WTO and negotiating new bilateral and multilateral trade and transit agreements (Task Force for Business and Stability Operations in Afghanistan, 2014). Increasing exports and trade volumes via three types of trade agreements—the primary means of reducing the tariffs faced by Afghan exports—is expected to increase growth, revenue, and production in key sectors of the Afghan economy. The bigger the reduction in tariffs, the larger the impact on the product, energy, mineral, and services sectors. WTO membership engenders the largest tariff reduction; regional trade deals with multiple parties to the agreements offer the next largest reduction; and bilateral trade deals offer relatively smaller yet not insignificant tariff reductions.

The modeling results demonstrate that if Afghan trade partner tariffs are reduced by 10%, changes in Afghanistan's economic sector activity will have nominal effects. However, the results for a 25% tariff decrease indicate broad gains in the product, resource, and energy sectors, as well as an unexpected but significant boost to the Afghan service sector. As lower cost imports

FIGURE 1: COUNTRY SHARE OF TOTAL TRADE FOR AFGHANISTAN (2016)



Source: Central Statistics Organization

and exports increase aggregate economic activity, this in turn will increase the demand for services (including banking and financial services, insurance, public administration, etc.). This projected outcome is underscored by an increase in urban and rural formal household sector income, which rise by over AFN 500 million.

Postal and telecommunication services exhibit substantial increases in activity, while in the production sectors agriculture is estimated to receive a 6% boost with textiles moving up 7%, and electrical and machinery activity showing comparable increases. The expected results for a 50% decrease in tariffs demonstrate cross-sector growth by another order of magnitude, thereby indicating substantial net economic benefits for Afghanistan from trade liberalization via preferential trade agreements.

Through trade liberalization and increased trade transit, Afghanistan is expected to leapfrog from being a primarily agrarian economy to having a mature services sector that would provide a substantial number of low-skilled labor job opportunities. Economic theory predicts merely that sizable benefits should accrue to Afghanistan (as a developing country) from trade liberalization, with the principal gains from trade flowing from specialization in textiles and agriculture production. However, contrary to academic theory, real world data-based simulations indicate that the benefits from trade are likely to be diversified across the Afghan economy, with prominent growth in the services sector. Thus, dynamic gains from trade can be expected to result in substantial increases in economic growth, job creation, public revenue, and the overall standard of living, all stemming from increasing Afghanistan's integration in its regional and the wider world economy.

The implications of trade expansion for the economies of neighboring and regional countries are considerable. All of Central Asia is slated to benefit similarly from the reductions of tariffs and non-tariff barriers. With Central Asian states landlocked akin to Afghanistan, as well as being similarly endowed with natural resources and human potential, exploiting their comparative advantages in traded goods and energy

necessarily involves gaining access to global trade markets as well as attracting foreign capital. CAREC is helping to spearhead the dismantling not only of tariffs but also policy/legal barriers to trade in the region, and CAREC members have been joining the WTO in recent years just as Afghanistan has – thus allowing them to reap similar multiplier effects and further diversification of their economics (as analyzed above with regard to Afghanistan). In addition to WTO accession, the biggest boost for RECCA and CAREC members would be to negotiate a region-wide comprehensive multilateral trade and transit agreement. Combined with joint RECCA-catalyzed infrastructure projects, the ultimate impact on economic growth gains and rising living standards from increased trade and infrastructure-related connectivity in the Central and South Asian region will be considerable.

Pacific (UNESCAP), and the Organization for Security and Cooperation in Europe (OSCE). To expand their reach and overall effectiveness, both RECCA and the Heart of Asia-Istanbul Process Platforms must enter into strategic, "win-win" alliances with each of these organizations, as well as the earlier noted and closely related initiatives, namely the: Belt-and-Road Initiative, Middle Corridor project, Silk Wind project, and follow-on activities previously associated with the U.S.-led New Silk Road initiative.

Further elaborated in the concluding sections of the RECCA Annual Review 2017 (*as part of a forward-leaning agenda known as "RECCA 2.0"*), key elements of RECCA and the Heart of Asia-Istanbul Process partnership strategy with other regional platforms could include:

SYNERGIES AT THREE LEVELS

Beyond the infrastructure and trade-facilitation requirements, regional economic cooperation and deepened integration can also benefit from synergies at three additional, strategic levels: i) Between RECCA and other Regional Platforms; ii) Between Transport and Transit Corridors; and iii) Between and Within Economic Corridors.

1. RECCA AND OTHER REGIONAL PLATFORMS

As detailed in Annex 3, Afghanistan has participated in multiple regional organizations, in many cases for well over a decade, that are committed to expanding Eurasian economic cooperation and integration, including the Asian Development Bank-facilitated Central Asia Regional Economic Cooperation (CAREC) program, the South Asia Association for

Regional Cooperation (SAARC), the Economic Cooperation Organization (ECO), the Shanghai Cooperation Organization (SCO), the Special Session of the Regional Advisory Committee of the United Nations Program for the Economies of Central Asia (UNSPECA), the United Nations Economic and Social Commission for Asia and the

- Analyzing the regional economic cooperation action programs, identifying areas of possible overlap, convergence, and concrete collaboration.

- Embark on two or three regional economic cooperation projects, over the next 12-18 months, where a joint approach (including pooling of technical and financial resources, as well as political support) can accelerate progress on a public-private investment opportunity in, for instance, the energy, transport, or communications sectors.

- Explore common ways to leverage robust resources and technical ingenuity from the private sector, governments, sovereign wealth funds, and regional development banks.

- Especially within the economic sector associated with the joint regional economic cooperation project, encourage collaboration in sectoral monitoring and evaluation.

SYNERGIES AT THREE LEVELS

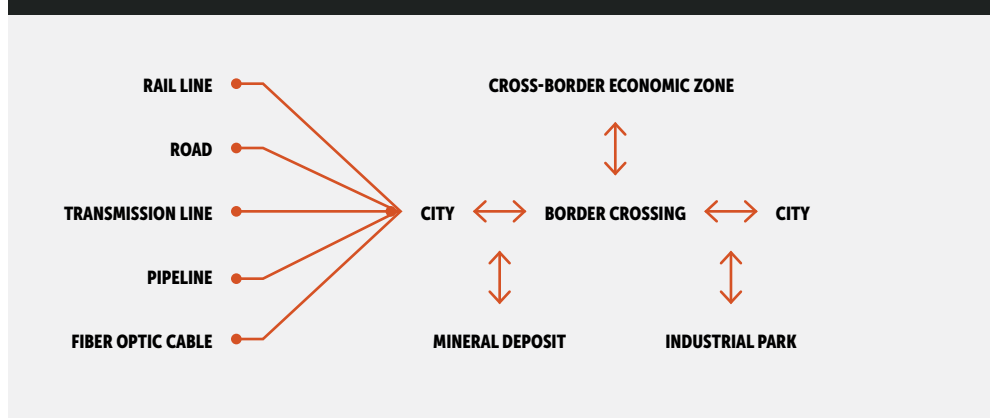
Additionally, a number of important trilateral cooperation frameworks including Afghanistan-India-US; Afghanistan-China-UK; Afghanistan-India-Iran; and Afghanistan-China-Pakistan have recently placed a special focus on infrastructure development and trade promotion, contributing to greater connectivity and expanded trade in the wider region. Therefore, increased synergy between RECCA and these trilateral cooperation frameworks will be essential.

2. TRANSPORT & TRANSIT CORRIDORS

Transport and transit corridors connecting Central Asia and South Asia, as well as China with these two regions and Europe too, have recently gained high momentum. The Belt-and-Road Initiative (and the emerging six priority transport corridors promoted by China), the Five Nations Railway Corridor, the Lapis Lazuli Route, and the Chabahar Corridor are among the most important initiatives, each contributing to the establishment of integrated transport and transit systems at both regional and continental levels.

One of the most advanced transport corridors to date are the Asian Development Bank-facilitated CAREC Corridors, with six major corridors under development that each aim to improve access between the 10 CAREC countries and at least two large Eurasian markets, as well as the warm-water ports of Karachi and Gwadar. Afghanistan currently falls along three of the six corridors (CAREC Corridors #3, #5, and #6), which were each selected based on assessment against five major criteria: i) current traffic volume; ii) prospect of economic and traffic growth; iii) capacity to increase connectivity between economic and population centers; iv) potential to mitigate delays and other hindrances; and v) economic and financial sustainability. A chief reason

FIGURE 2: REGIONAL ECONOMIC GROWTH & RESOURCE CORRIDORS



for the marked progress of the CAREC Corridors over the past decade is that their development has combined a focus on both hard (physical) and soft infrastructure investments, with the latter emphasizing the harmonization of transport and trade procedures to reduce border-crossing times and to facilitate the movement of goods and people. In short, they have improved and even transformed the conditions necessary for establishing more multi-faceted and dynamic economic corridors. Once stood up, the more recently announced China-initiated Belt-and-Road Initiative Corridors are expected to fulfill similar functions.

3. ECONOMIC CORRIDORS

A chief vehicle for advancing the goals of the RECCA platform, including priority regional cooperation and investment projects, has centered around rich, multi-dimensional economic corridors termed "Regional Economic Growth & Resource Corridors." Defined as regionally integrated development initiatives for bridging people and key economic activities with essential trade, transit, energy, and communications enablers, they have the potential to serve as regional economic game changers by generating significant returns to growth, jobs, and revenue. Traversing large tracts

of Asia and exploiting both Afghanistan's geographic location and abundant natural resources, they can also facilitate multiplier effects by integrating fully investments in Afghanistan's private sector-led growth engines—such as agri-business, mining, and small-and-medium-sized businesses—with the outward trade orientation, transportation and communications networks, and energy resources essential to a sustainable economy. These multi-dimensional economic corridors can be realized by utilizing the RECCA-VII Declaration and Annual Review 2017 as planning tools for aligning short and medium-term goals with longer-term economic development strategies.

Two identified Regional Economic Growth & Resource Corridors—with one stretching from the center of Afghanistan around Kabul and the Hajigak Iron-Ore Mine to Afghanistan's northern neighbors, and the other from Kabul and the Aynak Copper Mine to the south of Afghanistan into Pakistan and the warm water ports of the Arabian Sea—could consist of the following carefully aligned infrastructural components as depicted in Figure 2. By constructing the infrastructural components simultaneously alongside each other, significant cost savings and economies-of-scale can be

generated, benefiting both Afghanistan and its neighbors.

To fully leverage Regional Economic Growth & Resource Corridors, legal, policy incentives, and regulatory frameworks must undergo reform and continuous nurturing once in place, in order to ensure proper enforcement and implementation. These may take the form of new laws (e.g., to facilitate trade and the movement of people), new policy incentives (e.g., to encourage private investment and mitigate against excessive risk), and new regulations (e.g., harmonizing transport and customs procedures). Essential reforms may also include the introduction of independent authority structures—such as for roads and rail—to strengthen public and private roles in delivery and in investment prioritization and sequencing.

Unlocking the full potential of Afghanistan's main drivers for economic expansion, employment, and public revenue are fundamental to building a stable and financially sustainable country. For example, the Aynak and Hajigak mines require rail to efficiently move copper and iron-ore to rail links in Central Asia and the ports of South Asia. A more favorable and global trading regime could also unleash Afghanistan's world class marble, gemstones, grapes, raisins, almonds, saffron, and pomegranates. Moreover, small-and-medium-size enterprise owners—such as those involved in the production of rugs, wool, cashmere, and handicrafts—repeatedly stress the importance of reliable energy resources, alongside the rule of law, as essential to their competitiveness. And with adequate transportation and energy infrastructure, Afghanistan's central location at the crossroads of Asia means it is poised to serve as a regional trade and transport hub, providing considerable economic opportunities for the country and the wider region.

BANKABLE INVESTMENT CRITERIA

As detailed at the outset of this Overview, since the very first RECCA forum (2005 in Kabul) and subsequent meetings in New Delhi, Islamabad, Istanbul, Dushanbe, Kabul, and now Ashgabat, policy reform frameworks and regional cooperation & investment projects have fallen mainly within one of thematic categories: Energy, Transport Networks, Trade and Transit Facilitation, Communications, B2B (Business-to-Business) and Labor Support, and Research, Monitoring & Evaluation. Priority projects are found in the following pages in the form of detailed Regional Cooperation and Investment Project Overviews, and where data is available, each project's fundamental goals, projected rates of return, jobs, and public revenue generated, progress updates, identified risks and challenges, and recommended actions for sustaining progress are enunciated. In the form of "deliverables", these same recommended actions are also presented in the Declaration of the Seventh Regional Economic Cooperation Conference on Afghanistan, convened from 14-15 November 2017 in Ashgabat, Turkmenistan.

The term "bankable" typically refers to whether a development or business project opportunity is capable of being financed by the private sector, while governments and donors can offer incentives—including in the form of *Public-Private-Partnerships (PPPs)*—in encouraging investment models that can be replicated, scaled-up, and multiplied. In short, if a major transport, energy, or minerals extraction project is not bankable, then the private sector is highly unlikely to finance a project. The private sector calculates the risk of a particular investment in connection with carefully studies projected returns on investment over the short, medium, and even long-term, whereas the public sector—including multilateral and bilateral donor partners—may or may not fund given project because of its strategic or

political value, in addition to its economic value. With a full appreciation of this important distinction, and in recognizing and expecting the continued decline of traditional donor assistance continues in the coming years, the RECCA platform has inaugurated a different approach to funding critical regional cooperation and investment projects.

Adopting this private sector approach, the following project feasibility criteria have been applied to the featured RECCA projects:

- Must skillfully attract private sector investment (i.e. be "bankable").
- Must link (directly or indirectly) to the promotion of growth in trade, transit, or extractives.
- Must put in place proper project management and governance arrangements.
- Must encourage innovative Public-Private-Partnerships (PPP) in support of broader kinds of private equity participation / private sector development
- Must generate— above the opportunity cost of capital—sufficient cash flows and positive Net Present Value and Internal Rate of Return.
- Can be implemented in a reasonable timeframe of around 12-36 months (or significant returns on investment can be realistically expected shortly thereafter).
- Must place a premium on employment and public revenue in the region.
- Must put in place a clear risk management and mitigation plan.

REGIONAL COOPERATION & INVESTMENT PROJECTS



ENERGY

- 1** TAPI Gas Pipeline
- 2** CASA-1000
- 3** TAP-500



TRANSPORT NETWORKS

- 4** The Belt and Road Initiative and Afghanistan
- 5** Lapis-Lazuli Transit, Trade & Transport Route Agreement
- 6** Chabahar International Transport and Transit Corridor
- 7** Five Nations Railway Corridor
- 8** Afghanistan Rail Network
- 9** Trans-Hindukush Road Connectivity Project



TRADE & TRANSIT FACILITATION

- 10** CBTA and TIR Convention
- 11** Special Economic Zones/Multimodal Transport and Logistics Facilities
- 12** Regional, Trade, Customs & Border Management Cooperation



COMMUNICATIONS

- 13** Digital Silk Road



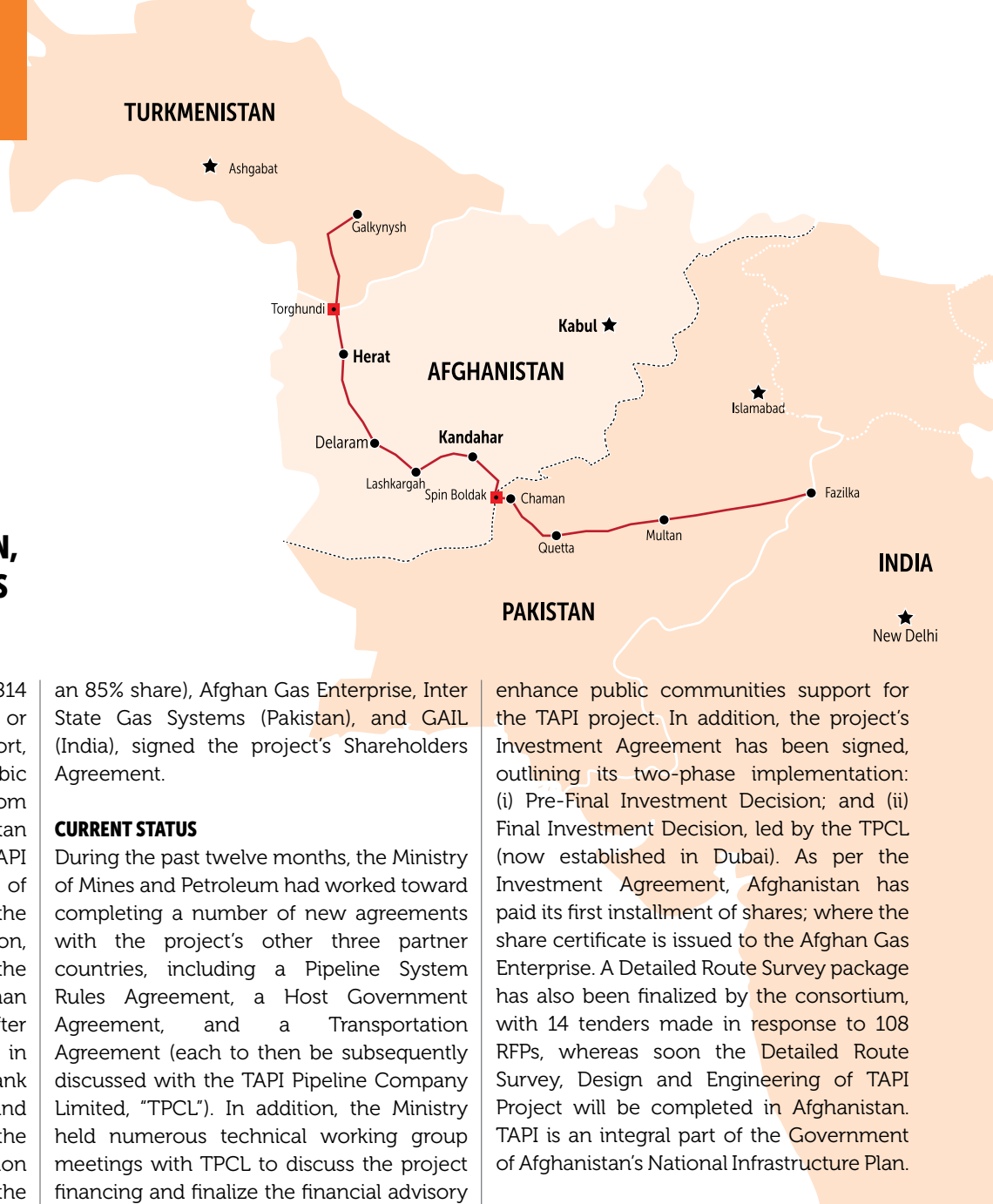
B2B & LABOR SUPPORT

- 14** Enhancing Regional Business-to-Business Partnerships through a RECCA Chamber of Commerce & Industries
- 15** Women's Economic Empowerment through Regional Economic Cooperation
- 16** Regional Agro Food Industry Development
- 17** Labor Exchange & Remittances



RESEARCH, MONITORING, & EVALUATION

- 18** RECCA Center for Research & Evaluation



TURKMENISTAN, AFGHANISTAN, PAKISTAN, INDIA NATURAL GAS PIPELINE (TAPI)

Once completed, the estimated 1,814 kilometers TAPI Natural Gas Pipeline, or “Peace Pipeline”, is expected to export, over three decades, up to 33 billion cubic meters of natural gas per year from Turkmenistan to Afghanistan, Pakistan and India. An independent study of TAPI calculated an Economic Internal Rate of Return of 16.8 percent for the project, the generation of thousands of construction, operation, and maintenance jobs, and the estimated annual revenue for the Afghan treasury is around USD \$400 million. After preliminary discussions beginning in the 1990s, the Asian Development Bank managed feasibility studies in 2005 and 2008 and, in 2013, it started serving as the TAPI project Secretariat and Transaction Advisor. On 13 December 2015, the President of Turkmenistan, H.E. Gurbanguly Berdimuhamedov, the President of Afghanistan, H.E. Ashraf Ghani, the Prime Minister of Pakistan, H.E. Nawaz Sharif, and the Vice-President of India, H.E. Hamid Ansari signed a Memorandum on Energy at a groundbreaking ceremony in Mary, Turkmenistan (near Galkynysh Gas Field) to commemorate the start of the pipeline’s construction, to be completed by 2020. In addition, State Concern TurkmenGaz (with

an 85% share), Afghan Gas Enterprise, Inter State Gas Systems (Pakistan), and GAIL (India), signed the project’s Shareholders Agreement.

CURRENT STATUS

During the past twelve months, the Ministry of Mines and Petroleum had worked toward completing a number of new agreements with the project’s other three partner countries, including a Pipeline System Rules Agreement, a Host Government Agreement, and a Transportation Agreement (each to then be subsequently discussed with the TAPI Pipeline Company Limited, “TPCL”). In addition, the Ministry held numerous technical working group meetings with TPCL to discuss the project financing and finalize the financial advisory service agreement between TPCL and the Asian Development Bank and discuss the project design, engineering and the project implementation phases. Furthermore, the Ministry hosted the Front End Engineering and Design works inauguration of the project and is currently facilitating design and survey work in Afghanistan (following the contract signing, on 17 January 2017, between TPCL and ILF Beratender Ingenieure GmbH and held numerous visits and conferences to

enhance public communities support for the TAPI project. In addition, the project’s Investment Agreement has been signed, outlining its two-phase implementation: (i) Pre-Final Investment Decision; and (ii) Final Investment Decision, led by the TPCL (now established in Dubai). As per the Investment Agreement, Afghanistan has paid its first installment of shares; where the share certificate is issued to the Afghan Gas Enterprise. A Detailed Route Survey package has also been finalized by the consortium, with 14 tenders made in response to 108 RFPs, whereas soon the Detailed Route Survey, Design and Engineering of TAPI Project will be completed in Afghanistan. TAPI is an integral part of the Government of Afghanistan’s National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Signing of the Pipeline System Rules Agreement, a Host Government Agreement, and a Transportation Agreement.
- Commencement of construction work on the TAPI pipeline (to be completed by 2020).
- Support the TPCL in convening more steering committee site visits to accelerate pipeline construction and more investment road shows around the world to raise additional funds.

Budget & Funding Status	USD \$7.5 billion for the pipeline and \$15 billion for the gas field
Institutional Partners	TAPI Pipeline Company, Ltd. (TurkmenGaz, Afghan Gas Enterprise, Inter State Gas Systems, and GAIL), Turkmenistan, Afghanistan, Pakistan, India, Japan, the Asian Development Bank, and a consortium of Japanese and Chinese companies



**CENTRAL ASIA–SOUTH ASIA
REGIONAL ENERGY MARKET
(CASA-1000)**

Over a projected 15-year project life-span, CASA-1000 will provide the hardware (physical infrastructure) and software (institutional and legal framework) to enable 1300 MW of surplus electricity to be traded each summer between the Kyrgyz Republic and Tajikistan in Central Asia and Afghanistan (receiving 300 MW of electricity) and, in South Asia, Pakistan (receiving the remaining lion's share of power of 1000 MW). If agreed by the four participating countries, the project could be extended for another 15-year period. With an estimated economic Internal Rate of Return of 15.6 percent, according to one independent study, CASA-1000 is projected to generate public Afghan revenues between USD \$88 and \$175 million per annum and catalytic (indirect) employment opportunities of over 100,000. The World Bank has helped to convene, for over a decade, a CASA 1000 participating countries technical working group to achieve progress towards the commercial negotiation of a sales and electricity transmissions operating agreement. In particular, the signing of a Memorandum of Understanding by the four participating countries, in 2011 in Bishkek, represented a critical breakthrough for the regional energy project. CASA-1000 is expected to begin providing energy by early 2022.



CURRENT STATUS

During the past twelve months (through CASA-1000 secretariat supported coordination meetings in various configurations, and following delays in 2016, especially due to convertor station disagreements), marked progress has been made in the following key areas:

- Afghanistan Transmission Line Procurement has been concluded, and by mid-November 2017, a contract signing ceremony is expected for this 563 km transmission line.
- The evaluation of bids for procurement contracts for other key components of the CASA-1000 project is underway (including Converter Stations in Pakistan and Tajikistan and Transmission Lines AC and DC in Pakistan, the Kyrgyz Republic, and Tajikistan).
- The Owners Engineer Bids Evaluation Report has been sent to the World Bank for approval.
- The Environmental and Social Impact Assessment (ESIA) report has commenced, and soon a resettlement plan for affected communities will be awarded to a consulting company.

Once the transmission line's construction is initiated in 2018, the 500kV line extension in Afghanistan will run an estimated length of 563 km from the crossing point of Sher Khan Bander in Tajikistan through the Afghan provinces of Kunduz, Baghlan, Panjsher, Kapisa, Kabul (Sorubi) Laghman, and Nangahar, reaching the Torkham Gate crossing point into Pakistan. The total estimated length, between Sangtuda, Tajikistan and Nawshehra, Pakistan is 765 km. CASA-1000 is a central part of the Afghan Government's National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Complete the CASA-1000 environmental and social impact surveys, as well as the additional project design work in Afghanistan.
- Finalize, by the first quarter of 2018, the selection and contracting of the project's engineering firm to minimize delays in completing the HVDC line in Afghanistan, Tajikistan, and Pakistan.
- Begin to lay groundwork now on foreseeable challenges related to security, topography, indemnity payments to private land holders along the transmission line route, and the timely administration of donor payments.

Budget & Funding Status	USD 1.2 billion
Institutional Partners	Afghanistan, the Kyrgyz Republic, Tajikistan, Pakistan, the World Bank, Islamic Development Bank, European Investment Bank, and USAID

ENERGY

Regional Cooperation & Investment Projects



TURKMENISTAN-AFGHANISTAN-PAKISTAN 500-KV LINE (TAP-500)

Through the proposed Turkmenistan-Afghanistan-Pakistan 500-kV Line (TAP-500) project, Turkmenistan seeks to export year round power to both Afghanistan and Pakistan (building on its power exports to Afghanistan since 2002). Turkmenistan to generate for available export, by 2020, some 3,500 MW of excess power. In connection with TAP-500, Turkmenistan has already commissioned (for completion by 2018) a 220-kV transmission line between Yolotan, Turkmenistan, and Serhetabat on the border with Afghanistan, and consequently, Afghanistan plans to synchronize its power grid with Turkmenistan; it further proposes the building of a larger 500-kV line through Afghanistan between Serhetabat and Spin Boldak on the border with Pakistan. Facing a significant energy crisis and deficit with significant daily load shedding, Pakistan is also open to the idea of interconnections with the proposed 500-kV line through its substation and transmission lines beginning in Chaman, just across the border from Spin Boldak, Afghanistan.



CURRENT STATUS

Following the signing of the TAP-500 project’s Memorandum of Understanding, in December 2015, by the President of Turkmenistan, H.E. Gurbanguly Berdimuhamedov, the President of Afghanistan, H.E. Ashraf Ghani, and the Prime Minister of Pakistan, H.E. Nawaz Sharif, the project coordination and a way forward was agreed upon by all three partner countries with technical support provided by ADB. A TAP-500 Ministerial Statement will be discussed and signed on the sidelines of RECCA-VII in Ashgabat. Three technical level meetings were also held between these countries, coordinated by the project secretariat, in 2016 and 2017. In addition, an “Interconnection Scoping Study” has recently been undertaken for the project, and the selection process is well

underway for identifying a consulting firm to undertake initial survey and design work, as well as to prepare the project’s scope of work and International Bidding Documents (IBD). To date, there continues to be no firm commitment made by prospective donors and international financial institutions—in the form of grants or loans—to the project. Similar to TAPI and CASA-1000, Afghanistan can perform the important role of transit country for TAP-500, paving the way for one-day achieving the creation of a Central-South Asia regional electric grid powered by these regional mega-energy projects. The project has the potential to serve as an important part of the Afghan Government’s National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Sign the TAP-500 Ministerial Statement on the sidelines of RECCA VII in Ashgabat.
- Prepare technical assessment and design plan for the TAP-500 project.
- Finalize the project’s coordination and monitoring mechanism.
- Approve financing from public and private sources (2018) and commence with project execution (2019), taking into account important social, environmental, and security factors.

Budget & Funding Status	The ADB is prepared to draw upon its USD \$1.2 billion Energy Supply Improvement Investment Program for Afghanistan
Institutional Partners	Turkmenistan, Afghanistan, Pakistan, and the Asian Development Bank.

TRANSPORT NETWORKS

Regional Cooperation & Investment Projects



THE BELT-&-ROAD INITIATIVE & AFGHANISTAN

The silk road through Afghanistan

During a state visit by H.E. the Chief Executive of Afghanistan, Dr. Abdullah Abdullah to China, in May 2016, the Afghan and Chinese Foreign Ministers signed a Memorandum of Understanding to boost various areas of cooperation between the two countries under the Belt-and-Road Initiative (BRI). First proposed by China in 2013, the initiative is a major regional economic trade and infrastructure platform, aimed at building connectivity between China and the rest of Eurasia, primarily by way of the ocean-based “Maritime Silk Road” and the land-based “Silk Road Economic Belt.” This initiative seeks to integrate the wider region into a cohesive economic area by broadening trade, constructing infrastructure, and promoting cultural exchanges. Given its location at the crossroads of Central, South, and Southwest Asia, Afghanistan is well placed to partner with China and connect to the wider region via BRI.

China has planned to build northern, central, and southern belts, with the northern belt going through Central Asia and Russia to Europe; the central belt traversing Central Asia and West Asia to the Persian Gulf and the Mediterranean; and the southern belt starting from China and proceeding to Southeast Asia, South Asia, and the Indian Ocean. Afghanistan is, therefore, positioned

to effectively contribute to the wider objectives of the Belt-and-Road Initiative.

CURRENT STATUS

In August 2016 the first Chinese train traveled from western China to Afghanistan, via a winding route through Kazakhstan and Uzbekistan, arriving at the land port of Hairatan in September. Commercial freight goods valued at USD \$4 million were transported 7300 kilometers in 14 days). Achieving this landmark connectivity milestone signaled the arrival of the new “Sino-Afghanistan Special Railway Transportation Project,” which is slated to reduce trading costs between both nations by 30%. Together both sides have made initial plans for a transit schedule of two trains per month. From China, they will transport textiles, electronic products, and construction materials inter alia; returning from Afghanistan, the trains will carry, marble, leather, wool, cashmere, saffron, dried fruit, and pine seed inter alia.

The MoU states “[t]he two sides shall jointly promote cooperation on the One-Belt-One Road Initiative in a bid to realize the goal of common development, and translate the advantages of solid political ties, economic complementarities, and people-to-people exchanges into pragmatic cooperation in

an effort to promote increasing economic growth.” Well-resourced in both financial and human capital, BRI is poised to serve as an integral element of the Afghan Government’s Infrastructure and Connectivity Development and Private Sector Development National Priority Programs.

A number of joint academic activities and site visits have been held both in China and Afghanistan under the BRI. A new trilateral cooperation framework has recently been initiated between Afghanistan, Pakistan, and China with a view to promote economic cooperation among the three countries within the Belt and Road Initiative and RECCA. Two meetings of this framework have so far been held in Beijing and Kabul respectively. In addition, in mid-2016 Kabul-Urumqi flights resumed. Additionally, Afghanistan became a permanent member of the Asian Infrastructure Investment Bank (AIIB) in October this year, which will further facilitate cooperation on infrastructure development between the two countries under the BRI and RECCA.

Recommended Actions by RECCA-VII and Beyond:

- Build on the successful launch of the new trans Asian railway project, identify and pursue other areas of BRI-related regional economic cooperation, including in the areas of energy development, natural resource extraction, and financial services.
- Further promote the trilateral economic cooperation framework within the Belt and Road Initiative.
- Intensify efforts to transform Afghanistan into a regional trade and transit hub by expanding current trade and transport agreements both northward and southward to connect with the rapidly growing Belt-and-Road Initiative corridors.

Budget & Funding Status	China has pledged investments totaling more than USD \$100 billion to the countries of Greater Central Asia to be sourced, in part, from a USD \$40 billion Silk Road Fund and the new Asian Infrastructure Investment Bank (AIIB)
Institutional Partners	Afghanistan, China, the Central Asian Republics, Pakistan, and a growing number of Eurasian countries are associated with the BRI

TRANSPORT NETWORKS

Regional Cooperation & Investment Projects



LAPIS-LAZULI TRANSIT, TRADE & TRANSPORT ROUTE (LAPIS LAZULI CORRIDOR)

Since its initiation in 2012 the Lapis Lazuli Transit, Trade & Transport Route Agreement has been developed with a view to enhancing regional economic integration and trade-based connectivity between the countries of Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey. Lapis-Lazuli makes a notable contribution to building an integrated transit and transport system among the contracting parties, and beyond by expanding economic and cultural links between Asia and Europe. The name “Lapis Lazuli” is derived from the historic route that Afghanistan’s lapis lazuli and other semiprecious stones were exported along, over 2,000 years ago to the Caucasus, Russia, the Balkans, Europe, and North Africa. The project will serve to reinforce the Afghan Government’s National Infrastructure Plan and the Private Sector Development National Priority Program. The Lapis Lazuli Corridor is also geared toward expanding the economic opportunities of citizens in the wide range of countries who will benefit from this new transport corridor. The provision of facilities for transit and simplification of customs procedures constitute two important pillars of cooperation under the agreement. The Lapis Lazuli Corridor encompasses part of

CAREC Transport Corridor #2, stretching from Aqina in northern Faryab province and Torghundi in western Herat (both in Afghanistan), and continuing to the port of Turkmenbashi in Turkmenistan (on the Caspian Sea); the route then continues on to Baku and further onward to Tbilisi, as well as the Georgian ports of Poti and Batumi; finally, the corridor connects to the cities of Kars and Istanbul, Turkey, at the entrance of Europe.

CURRENT STATUS

Three technical meetings on the Lapis Lazuli Route Agreement have been held, with the final one in November 2016 in Baku, where the participants finalized the text of the agreement. The official signing ceremony will take place on the sidelines of RECCA-VII in Ashgabat this year. Lapis Lazuli’s projected impact is considerable not only because most of the needed infrastructure is already in place, but also because most of the investment required will focus on improving policy and governance. The Economic Rate of Return and Net Present Value still need to be established, but with a discount rate applied at 12%, the overall returns are expected to be positive. The Lapis Lazuli Corridor will connect with Turkey’s Middle

Corridor Project (“East-West Trans-Caspian Trade and Transport Corridor”) and will also compliment other regional transport corridors such as the Five Nations Railway Corridor. The project has the potential to serve as an important part of the Afghan Government’s National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Following the signing of the Lapis Lazuli Corridor agreement which is expected to take place on the sidelines of RECCA VII in Ashgabat, the internal procedures of the contracting parties required for the entry into force of the Agreement need to be completed at the earliest possible with a view to ensure expeditious implementation of the agreement.
- Ensure financing needs for required feasibility studies and the project’s long-term infrastructure maintenance (O&M).
- Key priorities under the initiative in the medium to long term include: 1) improve road conditions and transit facilities along major highways; 2) expand rail links between Afghanistan and Turkey and beyond; 3) improve multi-modal land ports in priority places in each of the five Lapis Lazuli Route countries; and 4) undertake a Cost-Benefit Analysis on establishing Cross-Border Economic (Tax Free) Zones between the countries along the corridor.

Budget & Funding Status	Current project estimates exceed USD \$2 billion
Institutional Partners	Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey

TRANSPORT NETWORKS

Regional Cooperation & Investment Projects

CHABAHAH INTERNATIONAL TRANSPORT & TRANSIT CORRIDOR

The Chabahar Agreement, officially known as the International Transport and Transit Corridor, aims to create a new transport corridor for the uninhibited shipment of goods through Iran's Chabahar Port between Afghanistan, India, and Iran. The Chabahar Agreement comprises two principal aims: 1) facilitate access to international markets by using land, sea, and/or air transportation through Chabahar Port; and 2) simplify, harmonize, and standardize procedures governing the tri-country transport and transit of goods and passengers. India has invested significantly in Afghanistan's Zaranj-Delaram Highway, a 135 mile long highway that connects Zaranj near the Iranian border with Delaram and the Afghan-Iranian border with the Kandahar-Herat highway in Delaram. The highway connects the Chabahar port to the 1,300-mile Afghanistan Ring Road and 16 of Afghanistan's 34 provinces. Thus it creates North-South transport corridors linking the Indian sub-continent and land-locked Central Asia. The new infrastructure enables Afghanistan to access the Arabian Sea through Iran, and raises its potential to stimulate more investment from trade with advanced economies like India's. Representing a pillar of the Afghan Government's Infrastructure and Connectivity Development National Priority Program, the agreement follows on from the recent introduction of fifty Afghan companies to the Chabahar Free

Trade Industrial Zone. Projected benefits to the Agreement's signatories include the following: Chabahar's strategic location at the crossroads of the expanding "North-South Corridor," major investment from India in the port's facilities, importation of duty-free raw materials and machinery, and investment guarantees through the Iranian government and Iranian insurance companies. Afghanistan is expected to benefit substantially from what effectively will be the most efficient access to the sea for this land-locked country, while altogether the Chabahar Agreement's corridor is positioned as a pronounced pathway for Indian, Iranian, and Afghan trade throughout the region and beyond to Europe and China.

CURRENT STATUS

The International Transport and Transit Corridor Agreement (also known as the Chabahar Agreement) was signed in Tehran (May 2016) by India, Iran, and Afghanistan. Subsequently approved by the Cabinet and ratified by the Afghan Parliament, the Chabahar Agreement constitutes the arrival of a major new route for the transport and transit of goods and passengers through Afghanistan, India, and Iran as carried out by multiple modes of transport along the routes approved by the Coordination Council (in accordance with Article 9 of the Agreement). Delegates from the ministries of Transport visited Afghanistan-Iran Border

Crossing Points to analyze extant obstacles and challenges faced by drivers and traders. Subsequently an Implementation Plan was drafted by the Afghan Ministry of Transport and presented to the cabinet. Currently the

implementation plan is being reviewed by a committee consisting of delegates from the Ministry of Foreign Affairs, Ministry of Finance, and Ministry of Transport to improve the plan and specifically make progress on a Draft of Single Project Plan for a "model" dry port in Zaranj (with the full range of customs, banking, cold storage, and logistics services provided). On 29 October the first shipment of wheat from India to Afghanistan was shipped through the Chabahar port in Iran. The wheat shipment is a landmark achievement, for it will pave the way for operationalization of the Chabahar port as an important connectivity corridor for Afghanistan. The project has the potential to serve as an important part of the Afghan Government's National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Maintain support for key Chabahar Port infrastructure improvements
- Schedule a Coordination Council Meeting among the Chabahar contracting parties, in order to prepare the three protocols of Transit, Customs, and Consular issues.
- Proceed to finalize the general procedures of the Chabahar Agreement.

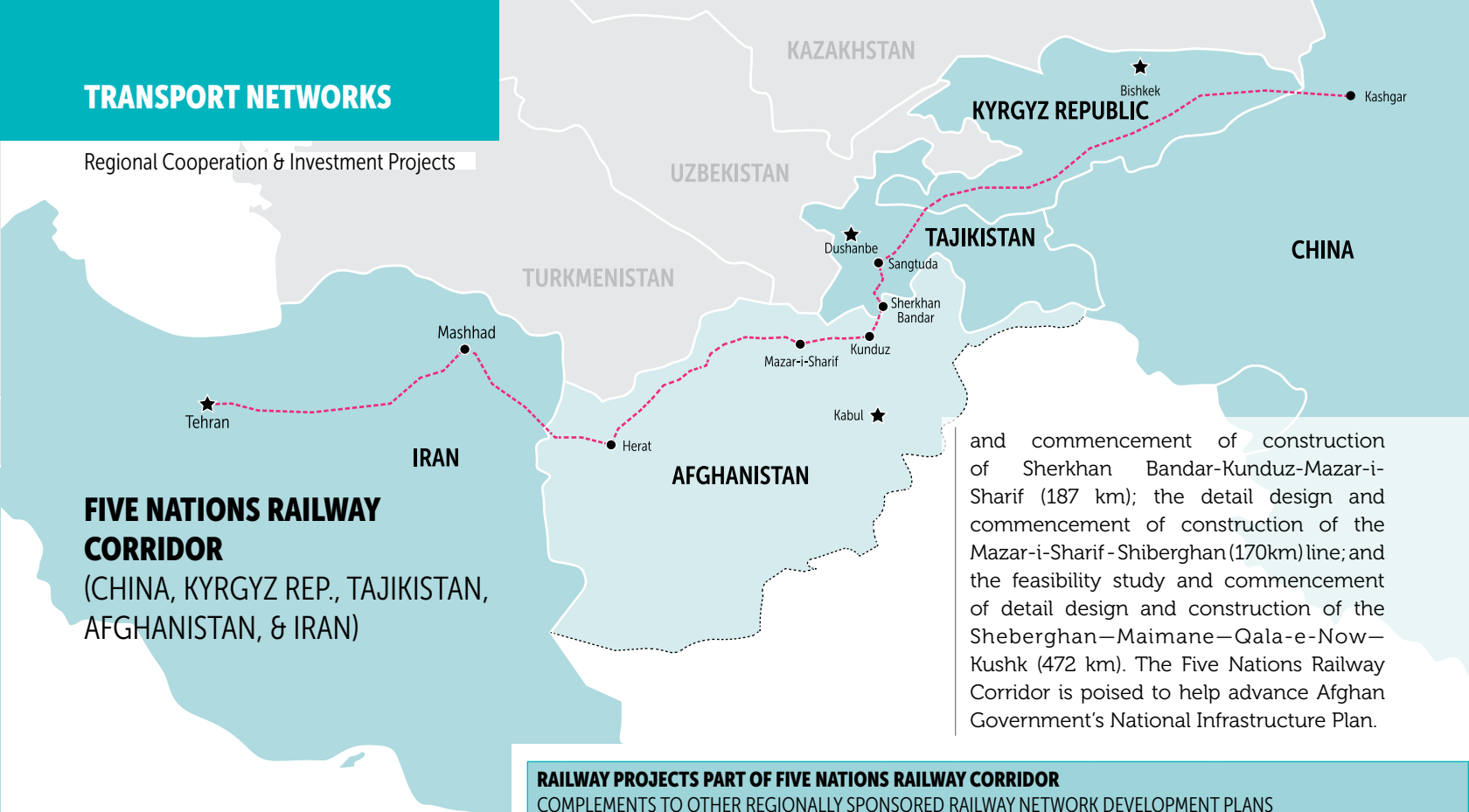
Budget & Funding Status	Feasibility studies currently ongoing
Institutional Partners	Afghanistan, India, Iran

TRANSPORT NETWORKS

Regional Cooperation & Investment Projects

FIVE NATIONS RAILWAY CORRIDOR

(CHINA, KYRGYZ REP., TAJIKISTAN, AFGHANISTAN, & IRAN)



and commencement of construction of Sherkhan Bandar-Kunduz-Mazar-i-Sharif (187 km); the detail design and commencement of construction of the Mazar-i-Sharif - Shibergan (170km) line; and the feasibility study and commencement of detail design and construction of the Sheberghan—Maimane—Qala-e-Now—Kushk (472 km). The Five Nations Railway Corridor is poised to help advance Afghan Government’s National Infrastructure Plan.

The Five Nations Railway Corridor aims to increase regional commerce and spur job creation along with larger trade volumes. This project connects China on one end and Iran on the other over a total distance of 2,100 kilometers, traversing the countries of the Kyrgyz Republic, Tajikistan, and Afghanistan in the process. Over one thousand kilometers of the rail corridor will stretch through the Afghan provinces of Herat, Badghis, Faryab, Jawozjan, Balkh and Kunduz. The wider economic impact on trade and transit will be sizable, including opportunities to invest in spurs and spinoff projects. The Afghan section of the rail line will be partially funded by the ADB and improve Afghanistan’s access to the Iranian ports of Chabahar and Bandar Abbas, providing ample opportunity for another order of magnitude of trade expansion. In addition, via Turkey and Iran the Five Nations Railway Corridor will connect the Common-wealth of Independent States countries to Europe. Afghanistan is well situated to amass sizable economic benefits at the heart of this critical Eurasian rail corridor as it comes on line.

RAILWAY PROJECTS PART OF FIVE NATIONS RAILWAY CORRIDOR

COMPLEMENTS TO OTHER REGIONALLY SPONSORED RAILWAY NETWORK DEVELOPMENT PLANS

#	RAILWAY PROJECT	LENGTH (KM)	PROJECT STATUS		
			Prefeasibility Study	Feasibility Study	Detail Design & Construction
1	Khaf – Herat, 4th Section, Phase-1	43	Completed	Completed	Plan
2	Sherkhan Bandar – Kunduz - Mazar-e-Sharif	187	Completed	Completed	Plan
3	Mazar-e-Sharif – Sheberghan – Andkhyo	220	Completed	Completed	Plan
4	Sheberghan – Maimana – Qala-e-Naw – Kushk	472	Completed	Ongoing	Plan
5	Khaf – Herat 3rd Section	62	Completed	Completed	Ongoing
6	Torghundi – Herat Airport	173	Completed	Completed	Plan

CURRENT STATUS

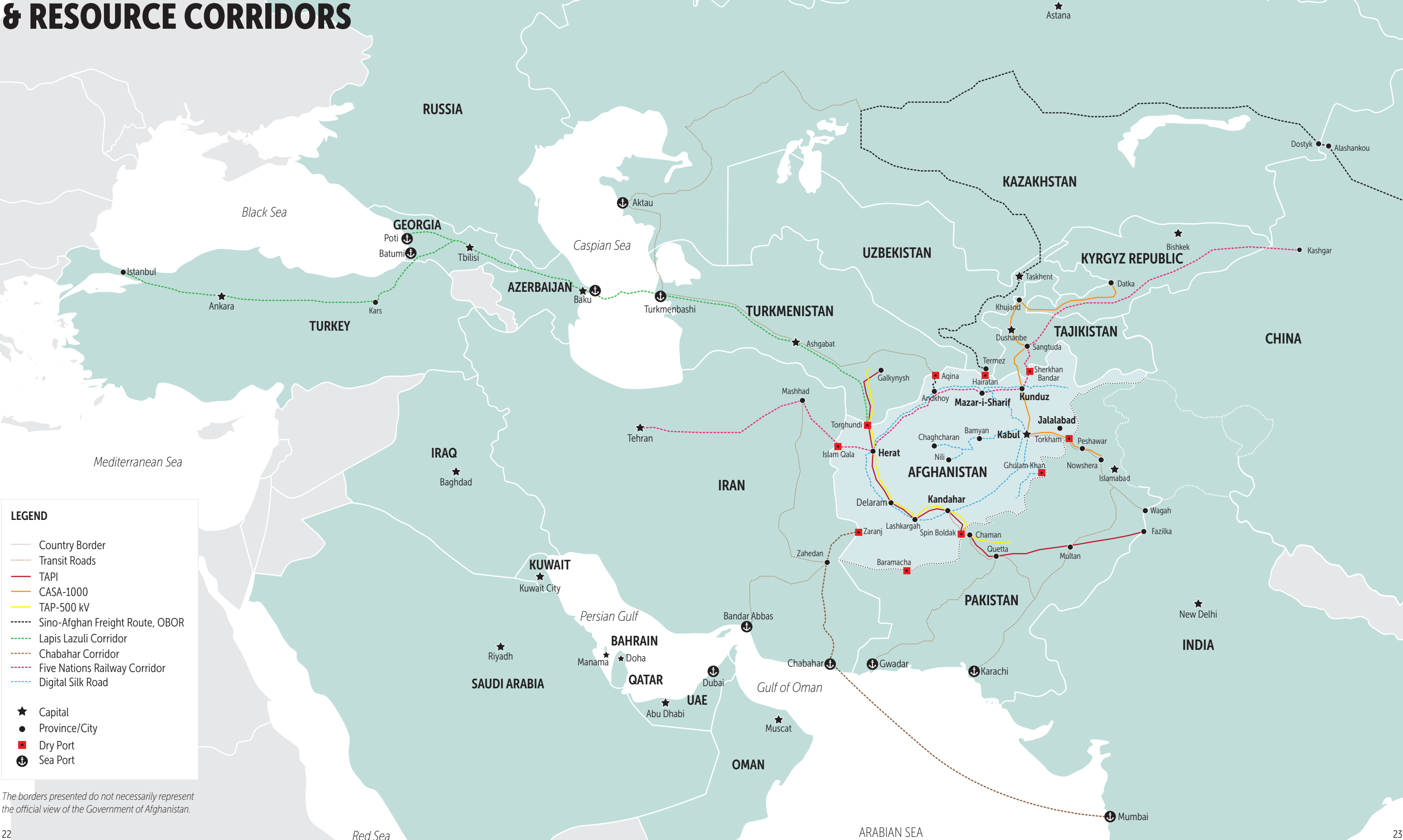
The Five Nations Railway Corridor has been discussed under the Economic Cooperation Organization (ECO). Overall progress is steady, as a range feasibility studies for the Afghan portion have been completed, including a preliminary design for an initial 654 kilometer segment passing through Afghanistan, and negotiations on financing are also moving forward. Five out of six feasibility studies are complete (see table below). Most significant, multiple construction elements of the corridor are to be completed, including the Fourth Section of Khaf—Herat (Ghorian—Robat Paryan) (43km); Kolkhozobod-Panji Poyen (Tajikistan, 50 km); the detail design

Recommended Actions by RECCA-VII and Beyond:

- It is critical for the five partner nations to maintain momentum by entering into discussions with potential financing partners (public and private) for the Afghanistan segment of the rail corridor.
- Over the near-term (6-12 months), the feasibility study and preliminary design need to be completed for the initial 654 kilometer segment of the total 1148 kilometers to traverse Afghanistan.
- Over the medium-term (1-3 years), construction should be completed of the full Afghanistan section (1148 kilometers) and other segments of the Five Nations Railway Corridor.

Budget & Funding Status	Current project estimates exceed USD \$2 billion
Institutional Partners	China (including the Bank of China), the Kyrgyz Republic, Tajikistan, Afghanistan, Iran, the ADB, World Bank, and United States

REGIONAL ECONOMIC GROWTH & RESOURCE CORRIDORS



LEGEND

- Country Border
- Transit Roads
- TAPI
- CASA-1000
- TAP-500 kV
- Sino-Afghan Freight Route, OBOR
- Lapis Lazuli Corridor
- Chabahar Corridor
- Five Nations Railway Corridor
- Digital Silk Road
- ★ Capital
- Province/City
- Dry Port
- ⚓ Sea Port

The borders presented do not necessarily represent the official view of the Government of Afghanistan.

TRANSPORT NETWORKS

Regional Cooperation & Investment Projects



AFGHANISTAN RAIL NETWORK

The Afghanistan Rail Network project aims to construct a trans-Asian rail network throughout the country. The Afghanistan National Railway Plan (ANRP) seeks to establish Afghanistan as a regional transportation hub and meet the transportation needs of the agriculture, manufacturing, mining, and other economic sectors. It provides corridor access to regional networks, including with Iran, Russia, and China. The Afghanistan Railway Authority (ARA), which is the independent agency responsible for legal and regulatory policies governing rail operations and development, is responsible for the ANRP. Conservative estimates stipulate that the Afghanistan Rail Network will generate more than 50,000 new direct jobs and over 200,000 indirect jobs. The rail network will act as a crucial connective element of future Multimodal Transport and Logistics Facilities. With the ability to carry 20 to 30 million tons of cargo annually through Afghanistan, the rail network will supply the Government with increased customs duties and transit fees. The first train in Afghanistan ran on the completed Hairatan to Mazar-i-Sharif rail line with in 2011.



CURRENT STATUS

The first train carrying freight containers from Nantong in eastern China and—after passing through Kazakhstan and Uzbekistan—reached the northern Afghan border town and port of Hairatan on September 7, 2016 (7300 kilometers in fourteen days). On the same day, the Afghan and Iranian Governments commenced with track laying for the remaining 62 km section (between the Afghan border town of Shamtigh and Rozanak) of the 225 km Khaf (Iran) to Herat rail line the third section of which is expected to be completed yet this year. In 2013, the Presidents of the Governments of Turkmenistan, Afghanistan, and Tajikistan signed a MOU to develop a rail corridor between the three countries, which is now part of related planning for the Lapis-Lazuli Transit, Trade, & Transport Route Agreement and the Five Nations Railway Corridor.

The ANRP classifies part of the Northern line as “high priority” that expands the existing 75 km line running between Hairatan and Mazar-e-Sharif, connecting the Central Asian Republic (CAR) countries and Iran via Afghanistan. This follows on from the ADB Railway Development Study, which led to the construction of the line between Hairatan and Mazar-i-Sharif. Phase II of that study

considers the Herat-Mazar-Sherkhan Bandar and Aqina branches. Recent assessments have concluded that while a “dual gauge” (Standard and Russian) is needed for trains traveling north from Afghanistan, Standard is deemed the preferred rail gauge system for the national rail network. The Afghanistan Rail Network serves as a pivotal part of the Afghan Government’s Infrastructure and Connectivity Development National Priority Program. The following railway segments connecting Afghanistan with the neighboring countries are under different phases of pre-feasibility or feasibility studies: Aqina – Andkhoy – Shibergan; Torghundi-Herat; Chaman-Spinboldak-Kandahar; Jalalabad – Torkham; Lashkargah-Bahram Chah; Chabahar – Zaranj – Farah. The project has the potential to serve as an important part of the Afghan Government’s National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Stemming from the Afghanistan National Railway Plan, prioritize the construction of the Afghanistan Rail Network in the Northern Zone (Sherkhan Bandar-Kunduz-Mazar-Shibergan-Herat), with the Southern Zone (Kandahar-Spin Boldak) expected to operate by 2020 and the Eastern and Western Zones in 2025 and Central and Northeastern Zones by 2030.
- Expand the existing 75 km line running between Hairatan and Mazar-e-Sharif, as well as the 225km line running between Khaf and Herat, with each as a “high priority,” connecting the Central Asian Republic (CAR) countries and Iran via Afghanistan.

Budget & Funding Status	Hairatan-Mazar-i-Sharif (USD \$165 million), Khaf-Herat (USD \$141.8 million), Five Nations Railway Corridor (est. USD \$2 billion), Turkmenistan-Afghanistan-Tajikistan Rail Corridor (est. USD \$810 million)
Institutional Partners	Afghanistan, China, Iran, Italy, Pakistan, Tajikistan, Turkmenistan, United States, Uzbekistan, ADB, and the EU

TRANSPORT NETWORKS

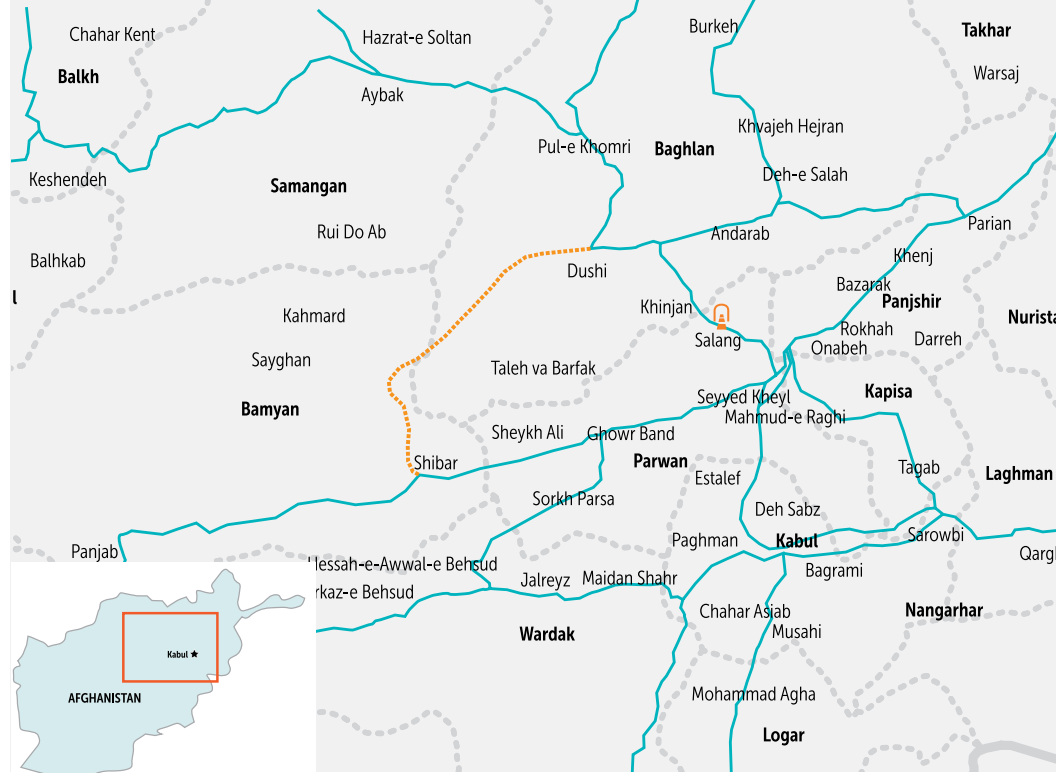
Regional Cooperation & Investment Projects

TRANS-HINDUKUSH ROAD CONNECTIVITY PROJECT

The Trans-Hindukush Road Connectivity Project (THRCP) aims to improve road transport connectivity throughout the Hindukush mountain range. The first of two components of this project comprises road construction and rehabilitation: civil works for the construction of the Baghlan to Bamian (B2B) road and rehabilitation of the Salang road and tunnel; consulting services, including for the supervision of civil works and for regular technical audits by an independent international auditor; and equipment. The second component involves requisite institutional support and project management component, which consists of the following: asset management for trans-Hindukush roads, road safety, community engagement, training, capacity building and institutional development, and project management support. Construction of the B2B road and rehabilitation of Salang tunnel and road will require the use of thousands of unskilled laborers and will generate millions of additional labor days.

CURRENT STATUS

In 2015 the THRCP was approved by the World Bank Board of Governors, and the project became effective in January 2016. The Project Management Team (PMT) of the Ministry of Public Works is procuring several types of contracts. The Government has approved the budget, which includes funding for land acquisition and resettlement. It is estimated that for the project about USD \$170 million will be spent on the B2B highway, USD \$55 million will be spent on the Salang road and tunnel, while the remainder of USD \$15 million will be spent on goods and services benefitting both roads, along with USD \$10 million for institutional support and project management. In addition, the Asian Development Bank has recently committed



USD \$31.37 for the related Salang Corridor Rehabilitation Project. The project represents a central element of the Afghan Government's National Infrastructure Plan and Connectivity Development National Priority Program.

Since 2016 the THRCP has completed its Preparation Stage and moved into its three-year Implementation Stage. UNOPS has been contracted as the Implementation Consultant, which will provide Fiduciary Management, Procurement, and development of the Operation and Maintenance (O&M) strategy to ensure future sustainability of this critical corridor. Construction contracts have been successfully procured for 2 of the 6 segments that comprise the new B2B highway, and the remaining 4 segments are being progressed in line with the current project program. Significant progress on design of one other segment is under way, and the remaining two segments are under survey.

An initial condition survey has been completed for critical elements of the Salang Pass. Procurement is under way to contract a capable expert international consultancy to undertake a desk review, investigation, and design and prepare tender documents

for the major maintenance rehabilitation scheme to address the historical challenges of the Salang Pass and assure its future sustainability. Finally, the feasibility and detailed design study of the new Salang pass has been awarded to an Australian company named SMEC international. The company is expected to carry out a feasibility study based broadly on three of the USAID-identified options.

Recommended Actions by RECCA-VII and Beyond:

- Ensure adequate resources and properly trained construction management teams and local private contractors are available for the design, building, and maintenance of the B2B road and Salang road and tunnel.
- Engage local communities affected by the THRCP, so that they are part of the solution and recognize the benefits that will accrue for them: this approach and sense of ownership by local communities will help to mitigate security concerns and delays to the project implementation.
- Note that the security of people, plant/equipment, and construction, which directly correlate to progress, is a significant risk at these remote locations in relation to the ongoing security situation in the country.

Budget & Funding Status	USD \$255 million (World Bank) and USD \$31.37 million (ADB)
Institutional Partners	Afghanistan (Ministry of Public Works), World Bank, UNOPS, Asian Development Bank



CROSS-BORDER TRANSPORT AGREEMENT & TIR CONVENTION

The Cross-Border Transport of Persons, Vehicles, and Goods Agreement (CBTA) between Afghanistan, Tajikistan and the Kyrgyz Republic is aimed at facilitating commercial activities between the three countries with a view to stimulating regional job creation, balance economic growth, and generate public revenue. The CBTA possesses considerable potential to improve the Central Asian sub-region's trade and transit policy/facilitation and investment environment, including by supporting improved customs collection efficiencies and establishing border liaison offices in these three countries. Designed around CAREC Transport Corridor #5, which connects Pakistan with China, CBTA has the potential to reduce the average transit costs between its signatories, lower import costs among them, and make exports more price competitive. As export prospects increase, measures to improve transport along this critical corridor are projected to lead to expanded growth opportunities

for production and employment. These aspects were conducive to Afghanistan's implementation of the International Road Transport TIR Convention (the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets), which it ratified in 2013. The TIR system will address most of the current problems created by the customs offices of neighboring countries for the transit of Afghanistan's commodities. The TIR will also facilitate the international transit and transport system as overseen by the International Transport & Road Organization, and govern transit and transport visas and licenses for sealed commercial commodities.

CURRENT STATUS

The Government of Afghanistan signed the CBTA's accession agreement on 10 December 2011, preceded by the Government of Tajikistan signing on 23 November 2011 and followed by the Kyrgyz Republic signing on 23 July 2013. However, the internal procedures of the contracting parties required the entry into force of the CBTA between the three countries have not yet been completed. Officials from these governments are interested in extending the current CBTA to Kazakhstan. Afghanistan has acceded to and implemented the TIR Convention, and

with India's accession it has become the 71st country to join the TIR convention. The TIR Convention allows Afghan trucks to travel more efficiently to distant markets by exempting customs guarantees during transit (until reaching their final destination). In order to streamline implementation of the TIR convention, a National Committee and Technical committee were formed and an implementation plan was prepared by the Ministry of Transport of Afghanistan and finalized by both committees. Finally, the TOR for line ministries are specified and last year 16 TIR Carnets were distributed by the Afghan Chamber of Commerce and Industries.

Recommended Actions by RECCA-VII and Beyond:

- Extend the CBTA to Kazakhstan in order to expand regional transport opportunities.
- Complete the internal procedures required for entry into force of the Agreement.
- Encourage other regional countries to complete their accession to the TIR Convention.
- International partners including the Asian Development Bank (ADB) are encouraged to provide additional technical assistance in order to facilitate further CBTA negotiations.

Budget & Funding Status	n/a
Institutional Partners	Afghanistan, Kazakhstan, The Kyrgyz Republic, Tajikistan, and the Asian Development Bank, USAID



SPECIAL ECONOMIC ZONES, MULTIMODAL TRANSPORT & LOGISTICS FACILITIES

The Special Economic Zones / Multimodal Transport and Logistics Facilities project aims to increase trade and transit along regional transport corridors that crisscross Afghanistan, by establishing specified land-based commerce areas and implementing inland cargo storage / distribution hubs pivotal to export-led growth. SEZs are located within a country’s national borders, and their aims include: increased trade, increased investment, job creation, and effective administration. To encourage businesses to set up in the zone, specialized policies and rules/laws are introduced. These typically involve investing, taxation, trading, quotas, customs, and labor regulations. Through SEZs, Afghanistan can aim to develop and diversify exports while maintaining protective barriers, to create jobs, and to pilot new policies and approaches (for example, in customs, legal, labor, and public-private partnership aspects).

Therefore, the Afghanistan Airfield Economic Development Commission (AAEDC) was established in mid-2015 to responsibly transfer strategic airfields status and convert them to SEZs/dry ports in terms of providing a proper business environment, attractive incentives regime, sufficient infrastructure, skilled labor, and security. A comprehensive feasibility study is still needed; however, based on an initial AAEDC-focused study it is

estimated that over a thirty-year period, SEZs will increase the current GDP, exports, jobs, and revenue by sizable increments.

Multimodal Transport and Logistics Facilities comprise inland cargo terminals from which railway and truck operators can take care of their transport needs in a process similar to that of a traditional waterside port. These so-called “dry ports” offer a range of logistical services, including: (i) cargo consolidation and distribution; (ii) temporary storage of containers/cold storage facilities; (iii) customs clearance; (iv) connectivity between formal transportation nodes; (v) issuance of bill of lading in advance of clearance; (vi) inventory management; and (vii) pre-customs clearance. Beyond spurring direct investment in key border regions around Afghanistan, this proposed initiative will help to reduce the average transit costs between countries in the region, lowering import costs and making exports more price competitive.

CURRENT STATUS

The Afghan Government is developing Special Economic Zones / Multimodal Transport and Logistics Facilities in Balkh, Kabul, Kandahar, Helmand, Herat, Jalalabad, Mazar-i-sharif, Nangarhar, Aqina, Toraghundi, and Zaranj, for which the Government is in the process of obtaining

land and/or possibly rehabilitating extant dry ports with under-developed infrastructure. A key timely analysis concluded that out of Afghanistan’s current twelve dry ports, only four are actively operating. Of these the most active is Hairatan, which is managed by the Strauss Company—along with Toraghundi and Aqina—while Dubai’s DP World has expressed interest in developing dry ports at Hairatan and Torkham. Multiple government ministries are supporting a coalition of Afghan business leaders to form a Public-Private-Partnership for development and operation of three facilities in Mazar-i-Sharif, Jalalabad, and Kabul as well as an air cargo hub at Kabul International Airport. These efforts have expanded to the airfields of Balkh, Kandahar, Helmand, Herat, Kabul and Nangarhar, which are being targeted by the AAEDC. The Bastion-Helmand (Shorabak Camp) and Shindand-Herat airfields have been fully transferred to the Government, and the Commission is working to transform these unused pieces of land into usable facilities. This multi-pronged project forms a central part of the Afghan Government’s Private Sector Development and National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Undertake an omnibus feasibility study required to build the business case for a combination of public and private investment in Multi-Modal Transport and Logistics Facilities across Afghanistan.
- Complete the feasibility studies for building Special Economic Zones / Multi Modal Transport and Logistics Facilities in Zaranj and Aqina.
- Complete feasibility studies at several other key SEZ/MMTLFs that are being examined from a PPP perspective and targeted by the AAEDC, namely the airfields in Kabul, Kandahar, Herat, Jalalabad, and Mazar-i-Sharif.

Budget & Funding Status	Feasibility study first required
Institutional Partners	Afghanistan (MCI, MPW, and the AAEDC), Pakistan, and the Strauss Company



REGIONAL TRADE, CUSTOMS, & BORDER MANAGEMENT COOPERATION

The Regional Trade, Customs, and Border Management Cooperation project aims to improve revenue collection and govern the trade of imports/exports by streamlining customs practices and updating border management procedures between Afghanistan and neighboring countries. Making progress on customs harmonization, border processing reform, and information sharing among cross border customs agencies is targeted to meet the following requisites: reducing revenue leakage, achieving comprehensive efficiency gains, reducing transaction costs, accurately valuating goods, and decreasing the waiting time at major border crossings. In addition to primary border crossing points and border management operations in Afghanistan, the Kabul Customs Yards and the Afghan Customs and Tax Academy in Kabul constitute major focal points of the policy reform agenda for customs harmonization and border management. Afghanistan joined the WTO on 29 July 2016 and is currently negotiating new trade-transit agreements with countries in the wider region.

CURRENT STATUS

Border management innovation efforts and harmonization of customs procedures are beginning to pay dividends in terms of raising the value of goods traded on one hand, and decreasing the customs clearance of goods in Afghanistan and neighboring countries on the other. While measurable progress has been achieved, there is ample room for improving a efficiency. In the context of efforts to negotiate new transit-trade agreements with neighboring countries, the Government of Afghanistan remains committed to reducing tariffs, standardizing customs procedures, and increasing border management cooperation. In 2016 and 2017 alone Afghanistan has signed or is in the process of signing the following trade and cooperation agreements: Customs Co-operation with Iran and Chinese Customs; electronic information exchange with the Tajikistan Customs Authority; and significant progress made toward the signing of agreements with India, Kazakhstan, Pakistan, Russia, Turkmenistan, and Uzbekistan.

Also in 2016 the Customs Law has been amended and thirteen new procedures implemented to improve facilitation of

trade and simplify Customs procedures. These include new procedures for the import and export of goods that reduces the number of steps and requirements for traders. In addition, progress has been made in terms of risk management and analysis that will reduce the number of goods subject to “red lane” examination. The TIR procedure has been finalized and implemented; the guide on Transfer of the Released Consignments was finalized; and the Mutual Assistance Agreement with Tajik Customs was signed, which covers the introduction of the TIR Green Corridors (when implemented fully it will reduce the clearance time for the goods exported from and transiting through Afghanistan). Finally, Trade Agreements have become available for inspection; amendments to the Customs Law have been promulgated and published in the Government Gazette; and revised procedures have been approved and are available for inspection.

One other tangible example of recent progress includes the automation of customs processes in the form of the new “Automated System for Customs Data” system. This project alone has had a measurable impact at the Afghan Customs



Department by markedly reducing revenue leakage from custom duties. In 2015, the total revenue collected by the Customs Department (customs duties, BRT levied at point of import, fixed taxes, and other levies) increased by Afs 10.1 billion from 2014, of which Afs 3.3 billion is attributable to the nominal growth of import value, Afs 4.0 billion to new tax measures, and the remaining Afs 2.8 billion to stronger revenue mobilization efforts. Hence, efforts to augment Regional Trade Customs and Border Management Cooperation serves directly to reinforce the activities and objectives contained in Private Sector Development and Infrastructure and Connectivity Development National Priority Programs.

Furthermore, Afghanistan has ratified the Trade Facilitation Agreement (TFA) of the WTO on July 29, 2016 becoming the 90th WTO member and the 9th LDC member of the WTO in doing so. The TFA contains provisions for expediting the movement, release, and clearance of goods including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area. The agreement entered into force on February 22, 2017 after two-thirds of WTO members completed their domestic ratification process. As part of its efforts under WTO membership, Afghanistan has amended a significant number of laws and regulations in order to be in line with WTO agreements and international standards. This represents major progress on domestic

reforms including the strengthening of legal frameworks, thus ensuring a more suitable environment for business and investment in Afghanistan.

As part of the business climate reforms, the Government of Afghanistan has recently amended the Travel and Residence Law for Foreign Nationals in Afghanistan, which now allows visas for businesses and investors upon arrival.

Recommended Actions by RECCA-VII and Beyond:

- In light of Afghanistan becoming the 164th member of the World Trade Organization, work toward implementation of the post-accession strategy, aimed at maximum utilization of WTO membership for realization of Afghanistan's economic and trading positions at the regional and global levels, implementation of reforms and modernization of Afghanistan's business environment, through implementation of WTO agreements and Afghanistan's commitment under WTO. Maintaining policy approaches and technical capacity-building to achieve WTO standards within Afghanistan (such as standardization and alignment of laws, procedures, and requirements for imports/exports as per WTO agreements), and continue to support neighboring countries in their efforts to achieve WTO standards in support of a more liberal and fairly managed trading system within Central, South, and Southwest Asia.

- Strengthen the Customs Department through Human Resource reforms and investment in facilities and equipment, and in other tangible ways: Developing the Gap report on the infrastructure and facilities at the Customs Points should be completed, followed by the 4 years Modernization Plan slated for presentation to donors; and international financial assistance for securing funds for the modernization should be secured.

- Work in the short term toward achieving prevention of smuggling (including illegitimate re-exporting), an exchange of risk intelligence between Customs and other Law Enforcement Agencies, and a reduction of clearance times, costs, and red tape for traders. In the Medium term achieve joint investigations between partner countries, the establishment of one-stop-shop in order to facilitate trade at all international airports and key border-crossings, and the accession to the Revised Kyoto Convention to ensure standardization and modernization of customs procedures. And in the long term establish an international single window for regional partners.

Budget & Funding Status	Support projects including ASYCUDA, BOMNAF, and ATAR inter alia
Institutional Partners	Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, Uzbekistan and ADB, UNDP, USAID, World Bank, EU, ITC and UNCTAD

COMMUNICATIONS

Regional Cooperation & Investment Projects



DIGITAL SILK ROAD

Afghanistan is fast developing into a major trade and transit hub for subsea and transcontinental communication. Once completed, the 4,600 Afghan Fiber Optic Ring (also known as the Afghan National Civil Optical Fiber Cable-OFC ring network) within the broader regional “Digital Silk Road” aims to improve regional connectivity and expand the regional knowledge economy in Central, South, and Southwest Asia. A short-term goal (toward further extending the Digital Silk Road) of the Government of Afghanistan is to connect Badakhshan and Bamyan Provinces with the national backbone / OFC ring network. A medium-Term goal is to connect another two provinces to the OFC ring network (Kapisa, and Kunar with onward connections to Pakistan). At present, Information and Communication Technologies-ICT generate USD \$167 million per annum in public revenue in Afghanistan. The continued inter-continental demand from commercial bandwidth providers is driving interest in new and diverse routes that will generate: i) lower-cost access; ii) increase revenue; and iii) expand domestic penetration.

CURRENT STATUS

An MOU will be signed on the sidelines of RECCA-VII in Ashgabat by Ministers from Turkmenistan, Afghanistan, and Pakistan in support of an important new “Digital TAP” component of the Digital Silk Road. In addition, during the past twelve months, two Memorandums of Understanding have been signed by the Government of Afghanistan in support of the Digital Silk Road and expansion of the Afghan Fiber Optic Ring. The first, known as the Silk Road Optical Fiber Cable System, was entered into between China, the Kyrgyz Republic, Tajikistan, and Afghanistan. The second, an MOU for Strategic Cooperation between China Telecom and Afghan Telecom, lends support to the realization of the 480km and (est.) USD \$50 million Optical Fiber Cable connecting Afghanistan to China. Though these recent initiatives receive the political support of the Afghan Government’s High Economic Council, a major obstacle facing the expansion of the Afghan Fiber Optic Ring is the lack of a clear Afghanistan Ministry of Public Works-led road alignment and construction plan for the next decade that is sensitive to current security problems and within the framework of a broader, Afghan Government-wide infrastructure

sharing or coordination policy. With the financial capital and technical know-how of the private sector, in particular, enhancing and sustaining Afghanistan’s contribution to the Digital Silk Road will require: i) increased network capacity, ii) improved service, iii) improved reliability, and iv) lower broadband costs. Furthermore, efforts have been underway recently to further accelerate the work on Digital CASA including the financing of regional and domestic connectivity fiber optic network infrastructure as well as the purchase and pre-purchase of international bandwidth from CASA project partner countries. In addition, in implementing the Open Access Policy, the licenses for nationwide Fiber Optic Transmission Networks (FOTNs) will be awarded by Afghanistan Telecom Regulatory Authority (ATRA) soon. And finally, a new MOU is also expected to be signed at RECCA-VII by Turkmenistan, Afghanistan, and Pakistan. The Digital Silk Road is an integral part of the Government of Afghanistan’s National Infrastructure Plan.

Recommended Actions by RECCA-VII and Beyond:

- Complete the Afghan Fiber Optic Ring and its 480km connection with China.
- Accelerate the work on Digital CASA and Digital TAP.
- Ensure that the duct requirements are met when laying optical fiber cables in all new roads through sharing the ten-year strategic plan for roads, as well as the establishment of an Optical Fiber Department within Da Afghanistan Breshna Shirkat.

Budget & Funding Status	USD \$50 million (over five years) to support new 480km OFC connecting Afghanistan to China
Institutional Partners	Afghanistan, Central Asian Republics, Pakistan, Iran, China, the United States, the World Bank (Digital CASA project)

ENHANCING REGIONAL BUSINESS-TO-BUSINESS PARTNERSHIPS THROUGH A RECCA CHAMBER OF COMMERCE & INDUSTRIES

New RECCA-VII Proposal for Deliberation



Afghanistan Energy Business Opportunities Conference, 18-19 September 2016, Dubai, UAE – CREDIT: MoEW

Since its inception RECCA has sought to improve regional economic cooperation by focusing on connecting businesses across the region. It has encouraged a range of business support, regional trade, and investment promotion activities to improve collaboration, lay the foundation for joint ventures and other kinds of business-to-business (B2B) partnerships, foster foreign direct investment in Afghanistan and its wider region, and engender regional technological transfer and information exchange. Building on the current twelve Memorandums of Understanding signed between the Afghanistan Chamber of Commerce & Industries (ACCI) and the Chambers of Commerce & Industries from neighboring and regional countries, the RECCA-VI calls for consideration of establishing a RECCA Chamber of Commerce & Industry, as a regional network represented voluntarily by the heads or representatives of chambers of commerce and industries from across the RECCA region—designed to further enhance regional business-to-business partnerships, trade, and investment expansion goals.

INITIATING THE RECCA CHAMBER OF COMMERCE & INDUSTRIES AT RECCA-VII IN ASHGABAT

To further RECCA’s commitment to enhancing business-to-business partnerships across Central, South, and Southwest Asia, a RECCA Chamber of Commerce & Industries is proposed as a regional network to facilitate dialogue and mutually beneficial cooperation among Chambers of Commerce & Industries across the region. With at least one focal point from each national Chamber of Commerce & Industry from across the region, the RECCA Chamber of Commerce & Industries will offer regular business sector advice and engagement on advancing the RECCA regional economic cooperation agenda determined at biennially. It will be supported by a small office at the Afghanistan Chamber of Commerce & Industry, which will promote daily coordination and follow-up with the RECCA Secretariat in Kabul. The RECCA Chamber of Commerce & Industries will gather the heads of chambers of commerce and industries in the region and their focal points on an annual basis in either Kabul and/or the host country to the biennial RECCA ministerial meetings to

discuss, update, and endorse an annual plan of activities in support of RECCA’s regional cooperation and investment projects. To further discuss and possibly endorse a Terms of Reference for the RECCA Chamber of Commerce and Industries, the First Meeting of the Heads of Chambers of Commerce and Industries from the Region will be convened on the sidelines of the RECCA VII Ministerial Meeting, on 14 November 2017, in Ashgabat, Turkmenistan. This initiative, once agreed upon by regional partners, will be supported, in part, by the Government of Afghanistan’s Private Sector Development Program.

Recommended Actions by RECCA-VII and Beyond:

- Enhance Regional Business-to-Business Partnerships, in particular by establishing a RECCA Chamber of Commerce and Industries as a regional network to connect businesses across the region and encourage direct foreign investment into the RECCA regional cooperation and investment projects, including through Investment Road Shows.
- Further strengthen B2B partnerships across the region including through simplifying customs measures, addressing information on regional markets, and addressing tariff and non-tariff barriers, promote business-to-business cooperation strategies tailored to the needs of Small-and-Medium-Sized Industries.

Budget & Funding Status	The required budget will be further discussed with all stakeholders
Institutional Partners	Afghanistan and all neighboring countries and their Chambers of Commerce & Industries across the region (including the Chambers of Commerce and Industries, Ministries of Commerce, Ministries of Finance, and investment and export support agencies in the participating countries), plus the International Chamber of Commerce as well as regional organizations and programs such as SAARC, ECO, SCO, CAREC, UNDP and UNSPECA

WOMEN'S ECONOMIC EMPOWERMENT THROUGH REGIONAL ECONOMIC COOPERATION

New RECCA-VII Proposal for Deliberation

In addition to introducing a new criteria to foster more “bankable projects” that are attractive to both private and public investors, the Regional Economic Cooperation Conference on Afghanistan’s new approach has sought to bring greater complementarity between the priority projects under RECCA and the National Priority Programs (NPPs) in areas such as infrastructure development, agriculture development, and private sector development. These efforts have also sought to integrate a women’s economic empowerment component into the RECCA agenda, which will contribute, among other objectives, to the implementation of the Government of Afghanistan’s Women’s Economic Empowerment Program. Major aspects of this program include a focus on promoting access to economic markets, targeted training in literacy and business management skills, and removing legal barriers to women’s economic participation.

This new initiative is underpinned by the recognition that women are poised to become even more influential economic drivers across the region by tackling the barriers to their participation, including through better connections between the women of Central, South, and Southwest Asia and other innovative empowerment tools that enable them to realize their full potential.

Building on these elements aimed at women’s empowerment as an integral part of national economic progress, the Afghan Ministry of Women’s Affairs calls for a regional cooperation strategy that engages women in all RECCA regional cooperation and investment projects, given that women have much to contribute to their implementation and stand to benefit from their success.

INITIATING THE WOMEN’S ECONOMIC EMPOWERMENT THROUGH REGIONAL ECONOMIC COOPERATION COMPONENT OF RECCA AT RECCA-VII IN ASHGABAT

The RECCA Secretariat is partnering with the Office of the First Lady of Afghanistan, H.E. Rula Ghani, the Afghan Women Chamber of Commerce and Industries, the United States Agency for International Development, and the Chamber of Commerce and Industry of Turkmenistan to convene a special event

on women’s entrepreneurship at RECCA VII. The event aims at assisting a select group of women-owned small and medium-sized enterprises (SMEs) in Afghanistan and the wider RECCA region with value chain development and access to regional and global markets by connecting them with each other and international enterprises further afield. It represents the first in a series of activities under RECCA aimed at the inclusion of local women-owned SMEs from Afghanistan and the region in the supply chains of multinational enterprises and seeks to raise their international competitiveness. A two-day exhibition of women’s products from Afghanistan and the region will also be convened as part of the broader RECCA VII exhibition. To further progress on this Women’s Economic Empowerment component of RECCA, a policy paper will be produced that highlights obstacles to progress for women entrepreneurs across the region and a set of operational recommendations for improving their prospects. This proposed initiative, once agreed upon by regional partners, will be supported, in part, by the Government of Afghanistan’s Women’s Economic Empowerment Program.

Recommended Actions by RECCA-VII and Beyond:

- Establish a new Women’s Economic Empowerment through Regional Economic Cooperation component of RECCA as an integral part of all activities to engage governments, businesses, scholars, and youth in the RECCA community.
- RECCA countries and organizations should undertake a joint work plan to ensure that gender diversity serves as a “plus point” for economic development in the full implementation of all RECCA regional cooperation and investment projects.

Budget & Funding Status	USD \$200 million (for the Government of Afghanistan’s Women’s Economic Empowerment Program)
Institutional Partners	Afghanistan and all neighboring countries and their Women Chambers of Commerce & Industries across the region (including the Ministries of Women’s Affairs, Ministries of Commerce, Ministries of Finance, and investment and export support agencies in the participating countries), as well as regional organizations and programs such as SAARC, ECO, SCO, CAREC, UNDP, UNSPECA, and the ITC

B2B & LABOR SUPPORT

Regional Cooperation & Investment Projects



REGIONAL AGRO FOOD INDUSTRY DEVELOPMENT

New RECCA-VII Proposal for Deliberation

Recent studies have shown that creating regional agricultural value chains that are inclusive, productive, and sustainable can contribute to the design of a scalable and replicable private sector-led development model across borders within a regional context. Such a model would help countries at the intersection of Central, South, and Southwest Asia: i) improve national trade balances and complementarities between Afghanistan and its neighbors; ii) create sustainable jobs; iii) ensure food security; and iv) increase regional economic integration, productivity and connectivity. Within Greater Central Asia, for instance, researchers identified the three agro food products of fruits, nuts, and vegetables for value chain development, increasing profitability, and expanding market access. Specifically, the countries of Afghanistan, the Kyrgyz Republic, and Tajikistan, for example, present the features of respective value chains from primary agricultural production to the final consumer, and their features ensure that the development of value chains is feasible in terms of realities, opportunities, and dynamics of each individual market compared to that of international markets beyond the three countries. In connection with Afghanistan's National Comprehensive

Agricultural Development Priority Program, presented to the October 2016 Brussels Conference on Afghanistan, support for Regional Agro Food Industry Development will support specific components of this National Priority Program, including components dealing with wheat and other cereals, horticulture, food and nutrition security, credit, private sector support and PPPs.

CURRENT STATUS

Following the signing of a Memorandum of Understanding by Afghanistan, the Kyrgyz Republic, and Tajikistan (AKT), in October 2015, in Dushanbe in support of the development of an Afghanistan-Kyrgyz Republic-Tajikistan Agro Food Industry Development project, a comprehensive feasibility study, financed by UNDP and the Government of Turkey, was subsequently initiated and its findings were endorsed during a meeting of the Consortium, in February 2016, in Bishkek. This analytical and diagnostic work provides the most detailed assessment of the agro-food industry in the three AKT countries to date, and it identifies a set of concrete investment areas at the micro, meso, and macro levels. This project, along with other efforts to promote

Regional Agro Food Industry Development, could serve to reinforce the Afghan Government's National Comprehensive Agricultural Development Priority Program. Together, they also have the potential to serve as a bulwark in providing Alternative Development (AD) opportunities to farmers in Afghanistan and across the region. AD and its close connection to regional economic cooperation will be explored further by the UNODC and regional countries and partners, on 16 and 17 November 2017 immediately following RECCA-VII in Ashgabat.

Recommended Actions by RECCA-VII and Beyond:

- Explore new avenues of regional cooperation on agro food industry development including in connection with alternative development
- Reconvene the tri-partite consortium for reviewing the Afghanistan-Kyrgyz Republic-Tajikistan Agro Food Industry Development project based on the findings of the feasibility study and undertake the next phase value-chain development, allowing for a more coordinated approach to regional agricultural product development in Central Asia.

Budget & Funding Status	n/a
Institutional Partners	Afghanistan and its neighbors (Ministries of Agriculture, other Ministries/Agencies dealing with alternative development and Chambers of Commerce and Industries), UNDP, UNODC



B2B & LABOR SUPPORT

Regional Cooperation & Investment Projects



LABOR EXCHANGE & REMITTANCES

With over 40,000 new labor market entrants every year in an Afghan market already characterized by high unemployment and high underemployment (22.4% and 16.4%, respectively), the inclusion of skills and job promotion targets in all National Priority Programs is needed urgently, with a special focus on addressing widespread job losses in rural areas. Through the National Labor Migration Strategy (2015-2018) and National Labor Policy (2016-2020), the Government of Afghanistan works to gain legal and regular access to foreign labor markets, including several that remain unexplored for Afghan workers. In particular, the Afghan Government seeks to place around 250,000 new recruits into short term itinerant employment in the Gulf States, Central, and South Asia to boost the economy, bolster livelihoods, shore up the macro economy, and foster skills development. To achieve progress on labor migration will, at a minimum, require: i) ensuring legal access through bilateral labor agreements; and ii) strengthening Afghan institutional

and technical capacities to increase the number of qualified Afghan workers who are also certified to work in destination countries under decent work conditions. A transparent and widely accepted regional strategy or coordination platform would also enable more clear and concrete cooperation on cross-border labor support at the regional level.

CURRENT STATUS

In support of regional labor exchange and increased remittances to Afghanistan, the Ministry of Labor, Social Affairs, Martyrs, and the Disabled, along with World Bank and European Union financial and technical cooperation, is currently planning for the skills enhancement and employability of Afghan workers through Technical Education and Vocational Training (TEVT) programs and “Labor Dispatch” to nearby countries in the region. Under the project, the World Bank aims to facilitate employment opportunities for some 2000 Afghan workers in the Kingdom of Saudi Arabia and other Gulf Cooperation Council countries. The Ministry is also organizing a National Labor Conference, in December 2017, to advance Afghanistan’s labor policy. Moreover, employment services centers

have been established in major Afghan cities, and the new “Asan Khedmat” project is expected to bring more transparency to foreign and local work permit processes. This project also aims to establish a Labor Market Information System (LMIS) to facilitate access to the updated labor market information and data. In 2018, along with the ILO, UNDP, and UNHCR, the Afghan Government will undertake an integrated, comprehensive national labor market assessment to identify the country’s skills needs within its regional economic context. These efforts will serve to reinforce—in addition to the National Labor Migration Strategy and National Labor Policy—the Afghan Government’s National Priority Programs on Human Capital Development—including national skills development—and Women’s Economic Empowerment.

Recommended Actions by RECCA-VII and Beyond:

- Finalize a model bilateral agreement on labor support.
- Within the regional platform of RECCA yet drawing on other regional consultations, develop a regional labor exchange and support strategy to incentivize greater cross-border labor market cooperation, including in the areas of skills development, labor dispatch, protection, and return, and common employment standards and conditions.

Budget & Funding Status	Regular budget support to the Afghan Ministry of Labor, Social Affairs, Martyrs, and Disabled
Institutional Partners	Afghanistan (Ministry of Labor, Social Affairs, Martyrs, and Disabled; Ministry of Education; and the Ministry of Public Works), Gulf States, Central Asian Republics, Pakistan, Iran, India, and the Afghanistan Chamber of Commerce and Industries

ENHANCING REGIONAL RESEARCH & ANALYSIS PARTNERSHIPS IN CENTRAL SOUTH ASIA THROUGH A RECCA CENTER FOR RESEARCH & EVALUATION



RECCA-VII Academic Forum, 13 October 2017, Ashgabat, Turkmenistan

New RECCA-VII Proposal for Deliberation

Since its inception RECCA has sought to improve regional economic cooperation by focusing on connecting economic activity across Central Asia, South Asia, and the wider region. A new Center for Research and Evaluation under RECCA would focus actively on providing scholarly reviews and analysis on regional economic cooperation in the RECCA region, in order to help promote cooperation in the form of a state-of-the-art information exchange and shared analysis by regional partners. The Center would plan to host, on a rotational basis, at least 2-4 scholars, focusing on potential research topics being identified by the RECCA academic forum in areas of regional economic cooperation and integration. Presented for consideration by partners at a juncture when momentum in

favor of greater integration and stability is again increasing—and with a backdrop of predictions by some analysts and experts that Central South Asia will become the epicenter of global economic dynamism in the next 20 years—this joint research center could be launched with a focus on spearheading specific research and analytical projects designed to deliver outcomes that spur further regional trade/investment progress in support of greater integration in the wider RECCA region.

TOWARDS THE RECCA CENTER FOR RESEARCH & EVALUATION AT RECCA-VII IN ASHGABAT:

To further RECCA’s commitment to enhancing research collaboration across Central, South, and Southwest Asia, a RECCA CRE is proposed as a regional initiative to facilitate dialogue and mutually beneficial cooperation in the critical area of research and analysis across the region. Key analysis of the following types of crucial queries could be regularly produced by the experts assembled at an innovative center of this caliber, such as: how many jobs would be created by a regional trade and transit agreement? how much would the average family’s standard of living improve by the combined impact of regional

energy initiatives e.g. TAPI and CASA-1000? What would the multi-level impact be of integrating regional transportation networks e.g. road and rail? For example, its analytical team could help regional foreign and finance ministries to prepare for traveling on investment road shows at sovereign wealth funds and governments outside the region.

The CRE could initially be launched in the form of a modest office within the RECCA Secretariat, in collaboration with the Center for Strategic Studies of the Ministry of Foreign Affairs in Kabul, with regular interactions with sister research centers throughout the region.

Recommended Actions by RECCA-VII and Beyond:

- Discuss and endorse the creation of the RECCA Center for Research and Evaluation at the RECCA-VII ministerial meeting, on 15 November 2017, in Ashgabat, Turkmenistan.
- Develop the ToR and structure of the CRE for the discussion at the Post-RECCA VII Ambassadorial Meeting as well as its adoption by the RECCA National Focal Points.

Budget & Funding Status	The required budget will be further discussed with the stakeholders
Institutional Partners	Afghanistan and all neighboring countries and their academic research centers, as well as the research divisions of regional organizations and programs such as SAARC, ECO, SCO, CAREC, UNDP, and UNSECAP



RECCA & MAJOR REGIONAL ORGANIZATIONS & INITIATIVES

Since 2010, the **Regional Economic Cooperation Conference on Afghanistan** has sought to actively engage, coordinate, and encourage a convergence in approaches on shared priorities with other regional organizations and initiatives, such as, for example, the South Asian Association for Regional Cooperation (SAARC), the Asian Development Bank-facilitated Central Asia Regional Economic Cooperation (CAREC) program, the Economic Cooperation Organization (ECO), the UN Economic and Social Commission for the Asia and the Pacific (UNESCAP), the Belt-and Road Initiative, and the Middle Corridor project, as well as the OSCE and SCO. Following an initial meeting of the heads of the secretariats of regional organizations to which Afghanistan is a member (for a more complete list, see Annex III in this *RECCA Annual Review 2017*) in 2010 in Kabul, a second such meeting was convened on the sidelines of RECCA-VI in September 2015 in Kabul. Presided over by H.E. Abdul Sattar Murad, the Afghan Ministry of Economy, key topics discussed included: 1) expanding



channels of communication to facilitate enhanced cooperation between the RECCA platform and other regional organizations and initiatives to which Afghanistan is a member; and 2) embarking on joint research related to the themes of, for instance, regional trade and transit. Under the leadership of H.E. Engineer Ali Ahmad Osmani, the Afghan Minister of Energy and Water, a separate regional coordination meeting focused specifically on energy issues was also convened on the sidelines of RECCA-VI.

MOVING THIS REGIONAL ECONOMIC COOPERATION AGENDA FORWARD IN ASHGABAT

As detailed further in the next section under the heading of “RECCA 2.0”, much work remains to deepen and expand the RECCA platform’s relations with similar regional organizations and initiatives across Eurasia. Through recommended instruments known as Memorandums for Strategic Partnership, new kinds of synergies have the potential to take hold. A good starting point may be the sharing of each platform’s respective Regional Cooperation & Investment Projects priority list, to begin to identify areas of possible overlap that may be suitable for practical kinds of collaboration in terms of, for example, pooling technical and financial resources, as well as mobilizing joint political support. At a more ambitious stage, as elaborated further in the Overview section of this Review, cooperation could be explored in the identification and possible shared cooperation on developing together common transport corridors and even more robust economic corridors. Since the 2010 Kabul Conference on Afghanistan and the 2012 RECCA-V meeting in Dushanbe, Afghanistan has sought to prioritize at least two economic corridors under the banner of “Regional Economic Growth & Resource Corridors”. In reaching markets further afield, including in East Asia, Europe, and the Greater Middle East, these robust economic corridors have the potential to benefit greatly Afghanistan’s neighbors in Central Asia, South Asia, and Southwest Asia too.

RECCA 2.0

A PLATFORM FOR COLLECTIVE ECONOMIC ACTION AND EXCHANGE,
OWNED AND OPERATED BY THE PEOPLE, BUSINESSES, AND
GOVERNMENTS OF CENTRAL, SOUTH, AND SOUTHWEST ASIA

The Regional Economic Cooperation Conference on Afghanistan, extending its arc of achievement at the outset of a second decade of progress, has succeeded in both persistently making the case for the mutual benefits from regional economic cooperation and the pivotal role of Afghanistan as a geographic lynchpin connecting the nations and peoples of Central, South, and Southwest Asia, with onward linkages to the massive markets of East Asia, Europe, and the Greater Middle East. At the same time, for this unique platform to thrive and grow in impact, RECCA's future success will be judged increasingly by how its commitments are implemented and translated into tangible forms of economic, social, and political progress for the region's peoples and governments—rather than the quality of its strategic plans or forums engaging government, academic, youth, and business leaders. Equally important will be the degree to which RECCA is embraced by leaders and the general population as a fully regionally-led platform, underpinned by a regionally-developed and owned economic cooperation strategy.

To inform discussions at RECCA-VII in Ashgabat, the following eight ideas and recommendations are offered toward transforming RECCA into a truly regionally-led and owned economic platform and strategy for Central, South, and Southwest Asia. They seek to mobilize action toward effective implementation of the regional cooperation and investment projects, related regional policy and regulatory reforms, and the wider agenda presented in this *RECCA Annual Review 2017*. Together representing the advent of "RECCA 2.0", they additionally signal the platform's purposeful extension beyond mainly Afghan-centric priorities to fill significant gaps and connect regional bodies and initiatives around Central, South, and Southwest Asia.

1 ENABLE THE RECCA NATIONAL FOCAL POINTS TO PULL TOGETHER AND SUPPORT THE VARIOUS "RECCA 2.0" APPROACH TRACKS

With a central consensus-building and facilitating support role, the RECCA National Focal Points appointed by all RECCA participating countries are chiefly responsible for ensuring that the main actors in their respective government and business community are properly informed and equipped with the tools to contribute to the RECCA vision and practical action agenda. Through regular communication with the RECCA support team in Kabul, the National Focal Points contribute to the programming and planning of RECCA annual activities, work to ensure that their countries' equities are represented, and encourage national capabilities to be tapped in support of the following seven elements that together comprise the new "RECCA 2.0" approach.

2 ESTABLISH A RECCA CENTER FOR RESEARCH AND EVALUATION

In fulfilling its proposed mandate of promoting information exchange and shared analysis by regional partners, the RECCA Center for Research & Evaluation—recommended and elaborated earlier—is well-situated to lead on the preparation of state-of-the-art Bankable Projects Briefs for the Investment Road Shows (see *next point*), as well as other activities like state-of-the-art research and analysis on regional matters, designed to leverage private and public capital investments and technical ingenuity. Given the timely need to promote the private sector, model bankable projects must be developed for replication across key economic sectors highlighted in this Review, including for example multi-modal inland ports, information and communication technologies, and power generation. With inputs and oversight provided by the RECCA National Focal Points, the RECCA Center for Research & Evaluation could support

cutting edge research and analysis projects as well as the development of model bankable projects, in close partnership with relevant partners in regional Finance and sector-specific Ministries, as well as the International Financial Institutions through, for example, the Private Infrastructure Development Group, the Public-Private Infrastructure Advisory Facility, and the World Bank Global Infrastructure Facility.

3 STAND-UP A RECCA CHAMBER OF COMMERCE & INDUSTRIES TO HELP MOBILIZE GOVERNMENTS AND NATIONAL CHAMBERS OF COMMERCE IN SUPPORT OF INVESTMENT ROAD SHOWS, BUSINESS FORUMS, AND WIDER B2B COOPERATION

A Regional Chamber of Commerce and Industries, in the form of a regional network of leaders from Chambers of Commerce and Industries in Central, South, and Southwest Asia with a light secretariat based in Kabul, has the potential to significantly further regional business-to-business partnerships, trade, and investment expansion goals. Representing RECCA's growing shift toward implementation and the central role of the private sector in fulfilling its regional economic cooperation agenda, this idea was previously received with great interest by private sector and government partners throughout the region. Specifically, a Regional Chamber of Commerce and Industries is well-poised to initiate a series of Investment Road Shows to showcase lucrative investment opportunities across the broader region, based on bankable projects that have been developed, in part, by the RECCA Center for Research & Evaluation. The road shows would be attended by private sector interests and sovereign wealth funds, providing an opportunity to diversify investment interests, and to overcome the deficit in infrastructure financing for critical anchor, ancillary, and spinoff projects. They would complement broader and more policy-oriented Business Forums and other forms of B2B cooperation.

4 PRIORITIZE WOMEN'S ECONOMIC EMPOWERMENT THROUGH REGIONAL ECONOMIC COOPERATION

In seeking to further integrate women's economic empowerment into the RECCA agenda, discussions will take place at RECCA-VII in Ashgabat on such practical issues as promoting access for female entrepreneurs to economic markets across the region, targeted training in business management skills for women, and removing legal barriers to women's economic participation. RECCA recognizes that women across Central, Southwest, and South Asia have much to contribute to the implementation of the platform's regional cooperation and investment projects, and they also stand to benefit from their success. It is, therefore, imperative that women across the entire region be engaged in the activities of the new RECCA Chamber of Commerce & Industries (including Investment Road Shows and Business Forums), the biennial Ministerial and Academic Forum meetings of the platform, and other more targeted support activities to improve economic and political conditions for women to both benefit from and actively contribute to regional economic cooperation. In its initial phase, this new component of the RECCA platform will build upon the regional outreach efforts of the Government of Afghanistan's new Women's Economic Empowerment Program.

5 BUILD STRATEGIC PARTNERSHIPS BETWEEN RECCA AND OTHER REGIONAL ORGANIZATIONS AND INITIATIVES

Establishing new Memorandums of Strategic Partnership (MSP) with, for example, CAREC, SAARC, and other regional platforms could help to ensure mutually reinforcing synergies with RECCA platform and help to minimize duplication of effort. In undertaking similar arrangements with regional bodies and initiatives across Eurasia, such as the Belt-and-Road Initiative, Middle Corridor project, ECO, Silk Wind, UNSPECA, OSCE, and SCO, RECCA can facilitate strategic coordination, knowledge-sharing,

and connectivity between Central Asia, South Asia, Southwest Asia, and even the Far East. In addition, meetings of the two Heart of Asia-Istanbul Process Regional Technical Groups on Trade, Commerce & Investment and Regional Infrastructure could double as preparatory meetings for the biennial RECCA Ministerial Meetings in regional capitals and actively engage the RECCA National Focal Points and periodic RECCA progress updates and Annual Reviews, to ensure effective coordination, monitoring, and the sharing of human, technical, and financial resources between RECCA and the Heart of Asia-Istanbul Process.

6 CONTINUE EFFORTS TO TRANSFORM THE RECCA WEBSITE INTO AN INTERACTIVE WEB-PORTAL FOR REGIONAL INVESTMENT PROMOTION & KNOWLEDGE SHARING

A transformed RECCA website could provide up-to-date details on regional cooperation projects, including status, performance, feasibility studies, economic impact assessments (for example, as produced by the new RECCA Center for Research & Evaluation), and contract details for both public and private sector investment partners. This upgraded RECCA portal will interact closely and build upon the new online business investment in Afghanistan web-portal under development through the Heart of Asia-Istanbul Process Trade, Commerce, and Investment Regional Technical Group. In addition, it would facilitate knowledge sharing on regional economic cooperation topics by establishing an online "community of practice", anchored by the RECCA National Focal Points and the representatives of Regional Chambers of Commerce and Industries and featuring periodic thematic dialogues and a monthly e-newsletter. This interactive web-portal could also host online consultations and an annual student essay contest with youth from across Central, South, and Southwest Asia.

7 SYNERGIES WITH THE AFGHAN GOVERNMENT'S INFRASTRUCTURE DEVELOPMENT COUNCIL

Among the six high-level councils established by the Afghan Government in advance of the 2016 Brussels Conference on Afghanistan is a new Infrastructure Development Council. In support of the National Infrastructure Plan of the Islamic Republic of Afghanistan, this new Council (comprised of high-level representation from major Afghan Ministries and Agencies) will prove critical to advancing the RECCA agenda by acting as a focal point for regional cooperation in Kabul—both generating and coordinating developmental projects that are regional in nature—while fostering a conducive climate to improve implementation.

8 TOWARDS FORGING A RECCA ECONOMIC COOPERATION STRATEGY FOR CENTRAL, SOUTH, AND SOUTHWEST ASIA

By transforming the decade-old RECCA platform into "RECCA 2.0" through the development of the first truly regional economic cooperation strategy for Central, South, and Southwest Asia in the long-term, regional government, civil society, and the business leaders will grow RECCA in new directions to achieve a maximum and unique regional socio-economic impact. Some suggested elements of this new instrument for encouraging greater regional coordination, complementarity, and monitoring are:

- **Vision and Goals:** The overarching principles and strategic commitment of Central, South, and Southwest Asia to regional economic cooperation, possibly anchored around a select number of priority Regional Economic Growth & Resource Corridors.

- **Challenges, Emerging Risks, and Opportunities:** A detailed quantitative and qualitative analysis of regional trade and other cross-border economic cooperation trends, including identified

new opportunities and emerging obstacles and risks.

- **Priority Regional Economic Growth & Resource Corridors:** Building consensus around a select number of combined priority transport, trade, energy, and communication corridors—building on, in many cases yet extending beyond current—CAREC and BRI corridors, from which major cities, multi-modal land ports, and secondary corridors will benefit from new and deeper interconnections.

- **Regional Economic Cooperation and Investment Project Priorities:** Between 20 and 25 major regional economic cooperation and investment project priorities, with prospects for innovative private and public investment partnerships, in the areas of energy, transport networks, trade & transit facilitation, communications, and business-to-business and labor cooperation.

- **A Comprehensive Monitoring and Evaluation Mechanism:** The RECCA Center for Research and Evaluation (*presented earlier on page 35*) will monitor and evaluate progress on the RECCA regional economic cooperation agenda between the biennial (every two years) high-level, ministerial RECCA meetings.

These ideas are intended to spur and inform discussion at the RECCA-VII forum in Ashgabat and contribute to a long-term program of dialogue and action across the region. Their consideration, adoption and effective implementation will require regional vision and leadership, combined with sustained capacity-building, network-building, and direct technical and financial support from the region's international development partners. Towards the hopeful enrichment and realization of this forward-looking vision and roadmap for practical action, the organizers of RECCA-VII welcome feedback and additional ideas from policy-makers, business leaders, civil society representatives, and scholars to further accelerate mutually beneficial economic cooperation between the countries, businesses, and peoples of Central, South, and Southwest Asia.

CONCLUSION

DEEPENING CONNECTIVITY AND EXPANDING TRADE THROUGH INVESTMENT IN INFRASTRUCTURE AND IMPROVING SYNERGY

Regional economic cooperation is beginning to take root and bear significant fruit at the Heart of Asia, in many ways restoring the ancient Silk Roads to their former glory. Through its new "RECCA 2.0 Approach", this unique regional platform is steadily demonstrating how deepened forms of connectivity—through a combination of hardware (physical infrastructure) and software (policy, legal, and regulatory reforms)—and expanded trade between Afghanistan and its neighbors is benefiting the people, business, and countries of Central, South, and Southwest Asia and beyond, economically, socially, and politically. In doing so, it is promoting the trade complementarities of its diverse members, as well as new kinds of synergies with other regional organizations and initiatives, thereby demonstrating that the sum can truly be greater than its individual parts. As Afghanistan continues to overcome obstacles to progress and grows in stability and prosperity, the wider region benefits equally from this critical process, particularly in light of Afghanistan's central location and historical role as a land-bridge in Eurasia.

Analysts have predicted that Central, South, and Southwest Asia will become a leading epicenter of global economic dynamism by 2030. As demonstrated in the *RECCA Annual Review 2017*, much discernible progress provides a solid foundation for overcoming current challenges and intensifying efforts to deepen infrastructure connectivity and expand trade for the direct benefit of the countries across the region. There is newfound momentum building in and around the wider region, as visions become less clouded and the realization of joint interests rise to the fore. However, to reach this fully developed destination, the countries of this emerging region will need to work closely together to forge lasting consensus on the series of intermediary steps that are required to reach this shared and mutually beneficial economic destination. Building modern day trade and transit thoroughfares across this diverse region and lifting the economic fortunes of its people contain the capacity to transform modern day pan Asia in manifestly profound and permanent ways. Much is at stake: *no less than peace, nor more than prosperity.*

ANNEX 1

RECCA NATIONAL FOCAL POINTS

Country names in alphabetical order

#	COUNTRY	NAME	POSITION
1	AFGHANISTAN	Mr. Hassan Soroosh	Acting Director General for Economic Cooperation, Ministry of Foreign Affairs
2	AZERBAIJAN	Mr. Ashraf Shikhaliyev	Director of the Azerbaijan International Development Agency (AIDA)
3	CHINA	Mr. Song Pengzhou	Chief of Political Section, Embassy of the Republic of China, Kabul
4	EGYPT	Mr. Sami Saad Murad	Deputy Minister for Western and Central Asia Affairs
5	GEORGIA	Mr. Gogita Gvenetadze	Deputy Director of the Transport Policy Department Ministry of the Economy and Sustainable Development of Georgia
6	INDIA	Mr. Vishwesh Negi	Director (PAI), Ministry of External Affairs
7	IRAN	Mr. Rasool Islami	General Manager for West Asian Countries, Ministry of Foreign Affairs
8	IRAQ	Mr. Basher Salih Ibrahim	First Secretary and Head of West and Central Asia
9	KAZAKHSTAN	Mr. Arman Yessentayev	First Secretary, Kazakhstan Embassy in Kabul
10	KUWAIT	Mr. Waleed Al-Bahar	Regional Manager for East, South Asia and Pacific of Kuwait Fund
11	KYRGYZ REPUBLIC		
12	PAKISTAN	Mr. Mansoor Ahmad Khan	Director General (Afghanistan & ATDC)
13	QATAR	Embassy of Qatar	Embassy of Qatar in Brussels
14	RUSSIA	Andrey Blinnikov	Advisor for Economic Affairs, Embassy of the Russian Federation, Kabul
15	SAUDI ARABIA	Mohammad Bin Suleiman Aldalilan	Member to the Saudi Development Fund
16	TAJIKISTAN	Mr. Mirzoev Khusrav	Second Secretary of External Economic Cooperation MFA, Tajikistan
17	TURKEY	Mr. Murat Yavuz Ateş	Ambassador, Deputy Undersecretary, Ministry of Foreign Affairs
18	TURKMENISTAN	Mr. Shalar Geldinazarov	Director of Middle East, West Asia and Afghanistan, MFA, Turkmenistan
19	UAE		
20	UZBEKISTAN	H.E . Akmal Jan, Quchqarove	Republic of Uzbekistan's Ambassador to Turkmenistan

Countries yet to introduce their national focal points: KYRGYZ REPUBLIC, and UNITED ARAB EMIRATES

ANNEX 2

AFGHAN GOVERNMENT MINISTRIES & AGENCIES CONSULTED FOR THE RECCA ANNUAL REVIEW 2017

ORGANIZATION	#	NAME	POSITION
OFFICE OF THE CHIEF ADVISOR TO THE PRESIDENT ON INFRASTRUCTURE	1	Dr. Mohammad Humayon Gayoumi	Chief Adviser to the President on Infrastructure
OFFICE OF THE SENIOR ADVISOR TO THE PRESIDENT	2	Ajmal Ahmady	Senior Advisor to the President
MINISTRY OF ECONOMY	3	Mohammad Ismail Rahimi	Deputy Minister
MINISTRY OF FINANCE	4	Najibullah Wardak	DM for Customs & Revenue
	5	Ahmad Reshad Popal	Director General of Customs
MINISTRY OF PUBLIC WORKS / AFGHANISTAN RAILWAY AUTHORITY	6	Nematullah Haidari	Deputy Minister, Ministry of Public Works
	7	Mohammad Yamma Shams	Director General, Afghanistan Railway Authority
MINISTRY OF ENERGY & WATER	8	Mohammad Gul Khulmi	Acting Deputy Minister for Energy
DA AFGHANISTAN BRESHNA SHERKAT	9	Amanullah Ghalib	CEO
MINISTRY OF LABOR, SOCIAL AFFAIRS, MARTYRS & DISABLED	10	Abdul Hameed Akbar	Director General for Planning & Policy
MINISTRY OF TRANSPORT	11	Sayed Wali Sultan	Deputy Minister, Transport
	12	Ahmad Yama Aimaq	Head of External Relations
MINISTRY OF COMMERCE & INDUSTRIES	13	Kamela Sidiqi	Deputy Minister for Commerce
	14	Mohammad Yahya Akhlaqi	Director, Trade & Transit Facilitation
MINISTRY OF MINES & PETROLEUM	15	Mir Ahmad Jawid Sadat	Deputy Minister for Plan & Policy
MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY	16	Mohammad Hadi Hedayati	Deputy Minister for Communication & IT (Technical)
AFGHANISTAN TELECOM REGULATORY AUTHORITY	17	Mohammad Najib Azizi	Board Chairman
AFGHANISTAN CHAMBER OF COMMERCE & INDUSTRIES	18	Atiqullah Nusrat	CEO
MINISTRY OF WOMEN'S AFFAIRS	19	Spozhmai Wardak	Deputy Minister for Admin & Finance
	20	Nafisa Kohistani	Head of External Relations Unit
AFGHANISTAN AIRFIELDS ECONOMIC DEVELOPMENT COMMISSION	21	Nasrullah Hassani Sahibazada	Executive Director

CAREC

Central Asia Regional Economic Cooperation program (CAREC): Established by the ADB in 2001. CAREC is a multi-country (including the Central Asian States, Pakistan, Afghanistan, China, Mongolia, and Azerbaijan), multi-institutional alliance that seeks to promote increased coordination in customs, energy, transport, trade facilitation, and trade policy. Afghanistan joined CAREC in 2005.

SAARC

South Asia Association for Regional Cooperation (SAARC): Founded in 1985, SAARC seeks to promote peace, social justice, and economic prosperity through sixteen "areas of cooperation" among its eight member states (Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka). Afghanistan became a full member of SAARC in April 2007, and it joined the South Asia Free Trade Agreement in February 2008.

ECO

Economic Cooperation Organization (ECO): ECO is a regional intergovernmental organization established in 1985 by Iran, Pakistan, and Turkey for the promotion of economic, technical, and cultural cooperation. In 1992, ECO was expanded to include: Afghanistan, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. In early 2005, the ECO Trade Agreement (a preferential trade agreement) was signed with the aim of reducing intra-ECO tariffs, non-tariff barriers, and other trade-related charges.

SCO

Shanghai Cooperation Organization (SCO): Afghanistan is an observer for this regional "intergovernmental mutual security organization" which was founded in 2001 in Shanghai by the leads of China, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan, and Uzbekistan. Other observers include Belarus, Iran, and Mongolia. Dialogue partners now includes Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka and Turkey.

UNSPEC

Special Session of the Regional Advisory Committee of the United Nations Program for the Economies of Central Asia (UNSPEC): The United Nations Special Program for the Economies of Central Asia was launched in 1998 to strengthen sub-regional cooperation in Central Asia and its integration into the world economy. The member countries of UNSPECA are Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. Afghanistan joined UNSPECA in May 2005.

UNESCAP

UN Economic and Social Commission for Asia and the Pacific (UNESCAP): As a UN Member State, Afghanistan also participates in activities of UNESCAP.

OSCE

Organization for Security and Cooperation in Europe (OSCE): In April 2003, Afghanistan became a Partner of the OSCE.

MAJOR RECOMMENDATIONS FROM THE RECCA-VII ACADEMIC FORUM

SESSION #1: ENHANCING REGIONAL COOPERATION IN THE FIELD OF ENERGY

- Building on the TAPI natural gas pipeline's progress, including the recent completion of the third stage of the Galkynysh Gas Field and expected completion, in 2018, of the Turkmenistan section of the pipeline, efforts should be redoubled to complete major regional economic cooperation project in the coming few years, especially as it has the potential to serve as a "game change" for economic development and cooperation between the countries of Central and South Asia.

- Despite the global drop in the price of the sale of natural gas—due to the discovery of new gas deposits in the U.S. and elsewhere utilizing new technologies—natural gas exploitation has the potential to significantly reduce poverty and to benefit economically the countries of Central, South, and Southwest Asia, representing the beginning of a "New Energy Era". Natural gas is also far cleaner than coal and oil production and use, thereby helping to reduce carbon emissions and the negative effects associated with dramatic climate change.

- Three important issues that must be addressed in connection with its participation in the TAPI project are: i) producer country pricing; ii) natural gas anchors in consumer countries; and iii) managing tight margins.

- For Afghanistan to fully develop its rich minerals sector, it will rely increasingly on a steady supply of reliable and relatively inexpensive sources of power.

- The CASA-1000 power transmission project is also demonstrating that high-levels of cooperation between the countries of Central and South Asia is possible, even on a geographically and technically complicated project.

- Together, TAPI, CASA-1000, and more recently TAP-500 can serve as the basis for a new, integrated regional energy market and electrical grid for the benefit of the countries of Central and South Asia.

SESSION #2: ASSESSMENT OF REGIONAL AND INTER-REGIONAL CONNECTIVITY

- One expert recommended that there be less of a focus among political leaders in the region on hard security issues and more on tangible forms of economic cooperation in the areas of, for example, transport, trade, and energy, where the countries of Central, South, and Southwest Asia stand to benefit through their close interactions.

- Six economic corridors are now being planned by China in connection with its massive Belt-and-Road Initiative, and it is important that Afghanistan and other countries in Central, South, and Southwest Asia position themselves to participate in and benefit from these expected areas of major economic dynamism and growth.

- The countries of the region are hopefully beginning to take notice of Afghanistan's marked progress in building new roads, rail lines, and dry ports, which (along with better trade facilitation, customs, and border management policies) will allow it to become

a regional trade and transit hub for the benefit of both Afghanistan and its neighbors. Afghanistan aspires to compliment, rather than overlap with, existing transport-related infrastructure investments in the region.

- One of the biggest challenges Afghanistan and its neighbors face is unemployment, and enhancing both regional connectivity and trade can contribute immensely to increasing new job opportunities in both urban and rural communities across the region.

- Participants acknowledged that national economic development and infrastructure projects stand to benefit immensely by being part of a larger regional project or network, in terms of attracting public and private capital and technical knowhow from countries and businesses both within and beyond the region.

- Another scholar stressed the importance of developing further the theoretical foundations of regional economic integration, so that theory can catch up with the practical strategies and progress associated with new initiatives, such as CAREC and the Belt-and-Road Initiative.

- The "empty train problem" for the new connection between Afghanistan and China merits high attention from political and business leaders, as this new example of Afghanistan participation in the Belt-and-Road Initiative has considerable potential in terms of generating economic benefits for the wider region.

SESSION #3: PROSPECTIVE AND POTENTIAL FOR REGIONAL TRADE & TRANSIT FACILITATION, B2B, P2P, COMMUNICATIONS, AND LABOR SUPPORT

- Maximize potential of business to business opportunities by highlighting business road shows, reaching out to international Chambers of Commerce, and soliciting support from extensive Afghan Diaspora to find companies willing to partner with

Afghanistan on specific bankable pilot programs that can help to prove Afghanistan is open for business while highlighting specific laws, rules and regulations that must be fixed.

- Improve Afghanistan's brand by getting out the message that Afghanistan is open for business. Counter arguments regarding financial and physical security concerns.
- Structure regional agreements as cost sharing enterprises to reduce risk to individual signatories and entice international funding from World Bank, Asian Development Bank, and others. Use Public-Private Partnerships whenever possible.
- Continue to attack corruption vigorously to build the confidence of the people. Make sure that governments and businesses understand the efforts.
- Continue to reform the customs, visa and cross border procedures.
- Continue to eliminate obstacles to regional energy, trade, and rail agreements. Many have been signed but not executed.
- When talking about security to businesses, focus on security from a district and village level. It is unfortunate when an entire country is viewed as insecure when, in fact, many places are either perfectly secure today or at least secure enough to take a risk with possibility of higher economic reward.
- Streamline national drivers licensing laws so the all provinces respect drivers' licenses from other provinces. This seemingly small step could dramatically improve the efficiency of transporting goods across Afghanistan.

SESSION #4: EXPLORING NEW AVENUES FOR ECONOMIC COOPERATION AND INTEGRATION IN THE REGION WITH A FOCUS ON THE ROLE OF AFGHANISTAN.

- RECCA should continue contribute to five main economic cooperation clusters in Central, South, and Southwest Asia, namely: i) energy; ii) transport networks; iii) trade and transit facilitation; iv) communications; and v) B2B partnership and labor support, and it should focus on both the challenges and impediments to project implementation, as well as the prospects for cooperation and opportunities in each major economic sector.
- Participants in this concluding session also highlighted the strong correlation between infrastructure development, in areas such as transport, energy and Information and Communications Technologies, and the overall economic growth and development in the wider region.
- The expert panelists further recommended the need for more integrated efforts across the region to improve the level and pace of implementation for the commitments made (and overcoming associated bottlenecks) or the actions and activities recommended at the RECCA meetings.
- Investment deficit need to be overcome with respect to infrastructure development, and the development of investment criteria for "bankable" regional cooperation and investment projects under RECCA would be helpful in this regard.
- Diversification of fund mobilization was also emphasized, highlighting the importance of attracting capital and investment from diverse private sector and public sources including the Sovereign Wealth Funds, new regional funds and investment banks, as well as innovative financing modalities such as PPP and power purchase agreements.

- The need for model bankable projects for their replication across a number of key economic sectors was also stressed, including, for example, in the areas of power generation and multi-modal inland ports.

- Simplification of the procedures for grants and loans was also emphasized during the concluding session.

- A lack of coordination and synergy at different levels was also mentioned as a major challenge, including among major regional economic cooperation platforms, between transport and transit corridors, and between a growing number of robust economic corridors.

- Some speakers were of the view that, along with hard infrastructure and physical connectivity which have witnessed considerable progress over the past few years, there is the need for intensified efforts with respect to the soft infrastructure required for trade expansion and investment promotion in our region. Customs harmonization, policy coordination, improved investment environment, greater B2B partnership, air connectivity and visa facilitation were highlighted in this context. In addition, concerns were raised about trade and transit-related barriers, especially a worrying number of non-tariff barriers in the region.

- Finally, the scholars assembled in Ashgabat on 13 October 2017 for the RECCA Academic Forum recommended improving research capacity and convening more capacity building programs for the priority economic sectors identified through the Ministerial Meetings of the Regional Economic Cooperation Conference on Afghanistan.





**With the launch of Lapis Lazuli Route,
we will begin to establish a new
trans-Eurasian railway and road
corridor. This new agreement will
enable people and goods to reach
Europe in five days. ... The TAPI gas
pipeline was recently viewed as a
pipe-dream but will soon reach
Afghanistan, then Pakistan and India.**

H.E. Dr. Ashraf Ghani

President of the Islamic Republic of Afghanistan
Speaking at the Vivekananda International Foundation
in New Delhi (25 October 2017)