

RECCA V Regional Investment Projects and Policy Priorities for Promoting Regional Economic Cooperation

Informed by the major themes of Fifth Regional Economic Cooperation Conference for Afghanistan (March 26-27, 2012 in Dushanbe), the participants discussed specific actions towards the time-bound and measurable achievement of the goals contained in the Dushanbe Declaration and agreed, in particular, to take concrete and immediate actions towards the implementation of the following Regional Investment Projects and Policy Priorities:

Development through Building Infrastructure

Railway:

1. Afghan Rail System Components (near-term priorities):

- Kolkhozobod – Panji Poyen (Tajikistan, 50 km) and Shir Khan Bandar - Kunduz (Afghanistan, 61 km)
- “North-South Rail Line” between Mazar-i-Sharif to Kunduz to Hajigak to Kabul to Aynak to Jalalabad (Afghanistan, 800 km)
- Jalalabad – Torkham (Afghanistan, 75 km) – Torkham - Landi Kotal (Pakistan, 23 km)
- Gorian (Iran, km) - Herat (Afghanistan) (62 km)
- Completion of Atamyrat – Imomnazar (Turkmenistan, 90 km) and Aqina – Andkhoy – Sheberghan (Afghanistan, 108 km)

Critical for exporting minerals and other products, the Afghan Rail System will serve as a pillar of key Regional Economic Growth & Resource Corridors for Afghanistan and its neighbors. The project aims to establish rail governance capacity and a sustainable national rail system as an “economic enabler” (e.g., generating jobs, public revenue, and economic growth) and a “distribution enabler” (i.e., maximizing the transport of natural resources and flow of supplies into the country’s interior). It will facilitate the country’s further internal, inter-provincial economic integration, as well as wider regional integration with Central and South Asia, and beyond. As an initial first step, the National Rail Authority’s National Rail Plan (to be divided in three phases) is designed to systematically encourage private and public resources to develop, operate, and maintain rail lines, as well as create and maintain the required legal and regulatory environment needed for its safe and sustainable operation.

Roads:

2. Rehabilitation of the Salang Tunnel (2,86 km) and Construction of By-Pass (Pul-e-Matak – Shibar – Doshi, 275 km)

The Regional Investment Project includes the provision of technical, administrative, and financial support for upgrading the Salang Tunnel and constructing a new Salang Tunnel By-Pass (from Bamiyan to Dushi). Prior to full rehabilitation of the tunnel, the by-pass must be fully functional. When complete, the projects will support expanded national and regional trade, increased transit, and better management of natural disasters (flooding, blizzards, etc.). The Salang Tunnel is the only major north-south route to remain in operation year round, and its rehabilitation is crucial for land

transport within Afghanistan, as well as between Afghanistan and the surrounding region. It connects Kabul to eight provinces and Afghanistan to both Uzbekistan and Tajikistan.

3. East-West Road Corridor and Kabul-Jalalabad-Peshawar Expressway

The East-West Road Corridor project includes the provision of technical, administrative, and financial support for completing the remaining sections of the 665 km East-West Highway (from Herat to Chagcharan to Gardandewal to Kabul). The Kabul-Jalalabad-Peshawar (KJP) Expressway focuses on upgrading the 142 km Kabul-Jalalabad Highway from two to four lanes, and improving the Jalalabad to Torkham segment of the Jalalabad-Peshawar Expressway (74 km). These linked road projects fulfill a strategic national objective for linking Eastern-Central and Western parts of Afghanistan, and Afghanistan with neighboring countries by: 1) promoting private sector economic development through better access to markets; 2) improving the quality of life through better access to schools and medical facilities; 3) extending the reach of government services to undeserved and isolated communities; 4) shortening the travel distance from Herat-Kabul (750 km) compared to the Ring Road Herat-Kandahar-Kabul (1047 km); and 5) providing access to natural resources.

Energy:

4. Turkmenistan, Afghanistan, Pakistan, India Natural Gas Pipeline (TAPI)

The TAPI pipeline is projected to be about 1,775 kilometers long and deliver 33 billion cubic meters (bcm) of gas a year from the South Yolotan field in southeast of Turkmenistan through Afghanistan and Pakistan into India. About 775 km of the pipeline will pass through the Afghan territory. The TAPI natural gas pipeline will be built and operated by a consortium of national (and possibly international) oil and gas companies. The complexity of the project and the amount and nature of work involved will require extra-regional involvement in the pipeline. From Turkmenistan, the pipeline is expected to pass through Herat and Kandahar in Afghanistan, running along parts of Afghanistan's Ring Road. The pipeline will then extend to the cities of Quetta and Multan in Pakistan and finally connect to the Indian town of Fazilka at the Indo-Pakistani border.

5. Completion of the Central Asia-South Asia Regional Energy Market Project - CASA-1000

While continuing to plan for full project development, give immediate attention to:

- Construction of 500 kV AC Transmission Line from Datka (Kyrgyzstan) to Khojand (Tajikistan) - 450 km
- Construction of 500 kV DC Transmission Line from Sangtuda (Tajikistan, 117 km) – Kabul – Torkham (Afghanistan, 562 km) – Peshawar (Pakistan, 71km) with capacity of 1300 MW

With an estimated annual revenue for Afghanistan through transit fees of between USD \$88 to \$175 million, the full regional project seeks to create a regional electricity market by establishing a transmission line between Central Asia and South Asia. Physical infrastructure plans for CASA 1000, which is projected to enable a trade of 1000 to 1300 MW of summer surplus electricity between Central Asia (namely Kyrgyzstan and Tajikistan) and South Asia (namely Pakistan and Afghanistan), include:

- A 500 KV High Voltage Direct Current (HVDC) transmission system between Tajikistan and Pakistan through Afghanistan;
- An AC transmission link from Kyrgyzstan to Tajikistan to bring electricity south; and
- DC electricity sub-stations in Kabul, Peshawar, and Sangtuda (in Tajikistan).

6. Completion of the Afghanistan-Regional Electric Grid

While rehabilitating and expanding the North-Eastern Power System (NEPS) and South-Eastern Power System (SEPS), give immediate attention to:

- Construction of 500 kV Transmission Line from Mary to Atamyrat (Turkmenistan, 300 km) - Andkhoy (Afghanistan, 42 km)
- Construction of 220 kV Transmission Line from Andkhoy – Shiberghan - Mazar-i-Sharif (Afghanistan, 220 km)
- Sheberghan Natural Gas Project (new 200 MW Power Plant and rehabilitation of 48 MW Northern Fertilizer and Power Plant)

NEPS and SEPS seek to support the delivery of cost-effective energy to industries and communities through the completion of power generation and distributional systems in the Northern, Eastern, and Southern Regions of Afghanistan, within a broader emerging Regional Electric Grid. The Northeast Power System consists of eight components that will provide electrical transmission and distribution systems to deliver electrical power to 14 provinces in northern and eastern Afghanistan. As part of NEPS, the Sheberghan Natural Gas Project will support the delivery of cost-effective energy to industries and communities in Northern and Eastern Afghanistan through the construction of a 200 MW gas-fired Sheberghan power generation plant and the rehabilitation of the 48 MW power plant at the Northern Fertilizer and Power Plant facility a Mazar-e-Sharif. The Southeast Power System consists of seven components to provide up to 52 MW of additional power to the Kandahar City region once hydropower plants at Kajaki Dam are fully operational. This includes the Kandahar City Bridging Solution, which is providing power to the Kandahar City region for the next three years as an interim solution until the above project components are operational.

7. Construction of the Kokcha Irrigation and Hydro Power Plant

The Kokcha Irrigation and Hydropower Plant Project includes building a concrete gravity dam, 67m high and 240 m long, that will generate an estimated 450 MW through hydropower and provide irrigation for farming and grazing lands in northern Afghanistan along the Kokcha River. The project will result in the irrigation of approximately 140,000 Hectres of land and include a hydropower component in the provinces of Kunduz and Taloqan (in northern Afghanistan near the Afghan-Tajik border). The power plant will have a total installed capacity of 125 MW, of which 50 MW would be utilized for pumping stations and the remaining 75 MW available for domestic consumption. The lifespan of this project is estimated to be 30 years.

8. Construction of the Turkmenistan-Afghanistan-Tajikistan Natural Gas Pipeline (TAT)

The project's major objective is to supply natural gas from Turkmenistan and Afghanistan to northern Afghanistan and Tajikistan. Specifically, it seeks to build and operate a natural gas pipeline, approximately 350 kilometers in length (131 kilometers in Afghanistan's territory), from Turkmenistan and Afghanistan to Tajikistan. To be constructed in three stages, the TAT will provide a clean and reliable source of energy, as well as serve as an economic and social catalyst for the development of northern Afghanistan and Tajikistan. It will further help to promote regional economic cooperation and, over time, connect with the emerging regional electric grid.

Human Resource Development, Vocational Training, and Labor Market Facilitation

9. Establishment of a regional technical vocational training center

Based in both Dushanbe and Kabul, the proposed regional technical vocational training center will provide specialized and technical and vocational training in specialized areas of Afghans, Tajiks, and

the wider region, including mining, transport (including rail), construction, operation & maintenance of large-scale infrastructure, and preparing personnel for disaster management. Within the Afghan context, it will serve to advance the National Employment Policy and Strategy of Afghanistan, as well as complement the Afghan Ministry of Education's Technical and Vocational Education Training Program.

10. Improvement of regional labor market and facilitating skilled labor exchange at the regional level

The free movement of labor remains critical to regional economic cooperation in many key sectors, including construction work, light manufacturing, and mineral extraction. Activities and policy reforms seeking to strengthen the regional labor market and facilitate a skilled labor exchange at the regional level will provide services and protection for Afghan and other regional guest workers sent to foreign countries. It will also facilitate the issuing of working permits and monitoring of conditions of foreigners working in Afghanistan and other countries in the surrounding region.

Investment, Trade, Transit, and Border Management

11. Development of economic border zones for mutually beneficial investment between Afghanistan and neighboring countries.

The activities and policy reforms seeking to establish economic border zones for mutually beneficial investment will build institutional capacities and provide a range of tools and incentives to facilitate cross-border commerce and investment. For example, land ports will be established or strengthened with cold storage facilities for agricultural and other export-bound products. Small enterprise assistance funds could bring experienced management expertise to leverage other sources of capital (private and multilateral), stimulating small enterprise growth and the regional expansion of businesses within and around Afghanistan. And with the further assistance of the World Bank's Multilateral Investment Guarantee Agency (MIGA) and possible establishment of an Afghanistan-based Political Risk Insurance Agency, a consortium of international partners could establish a risk insurance pool for private businesses investing in Afghanistan and its surrounding region. In addition, economic border zones will promote capacity building and an awareness campaign targeting stakeholders, including customs officers, transport operators, traders, banks, and insurance companies.

12. Customs harmonization between Afghanistan and neighboring countries

Efforts to strengthen customs harmonization between Afghanistan and its neighbors will aim to introduce customs-to-customs information sharing (e.g., through tracking devices and Electronic Data Interchange) and other steps toward compatible customs procedures and practices, such as an efficient, streamlined "single window approach" to customs that seeks to improve the valuation of goods, reduce leakage of revenues, and decrease the waiting time at major border crossings. Activities and policy reforms related to customs harmonization will also seek to strengthen key border crossing points in Afghanistan, the Afghan National Customs Academy in Kabul, and the Kabul Customs Yards.

13. Establishment of joint chambers of commerce with neighboring and other regional countries.

Joint chambers of commerce involving the Afghan and regional private sector will work to provide local businesses and international investors with the support they need for successful operations across Central and South Asia, thereby generating employment and creating wealth for local and international businesses. Specific activities could include: i) Facilitating business-to-business communication, partnerships, and dispute settlement; ii) Promoting regional trade, investment, and quality standards for the private sector; iii) Helping to reactivate the International Road Transport (TIR) Convention in Afghanistan and across the region; iv) Undertaking sectoral market and regional transport research to inform prospective investors and exporters; and v) Fostering business community participation in intergovernmental forums.

14. Transit-Trade Agreements between Afghanistan and neighboring countries

Building on momentum generated through the 2010 Afghanistan-Pakistan Transit Trade Agreement and 2011 Cross-Border Transport of Persons, Vehicles, and Goods Agreement (involving Afghanistan, the Kyrgyz Republic, and Tajikistan), implementing current and introducing new transit-trade agreements will seek to facilitate commercial activities between Afghanistan and its neighbors in Central and South Asia in order to spur job creation, public revenue generation, and balanced economic growth. In this regard, initial consultations have been launched toward negotiating bilateral transit-trade agreements with Turkmenistan and Uzbekistan, respectively. Afghanistan also ratified, in February 2012, the International Road Transport TIR Convention. Among the major objectives associated with these flexible and innovative transit-trade instruments include: i) To improve Afghanistan and its surrounding region's transit and trade policy/facilitation and investment environment; ii) To support customs administration and establish border liaison offices in Afghanistan and its neighboring countries; iii) To support Afghanistan's progress towards meeting WTO requirements for accession and to bring Afghanistan's policy, legal, and institutional framework in line with the WTO agreements and principles; and iv) To help Afghanistan and its surrounding region to develop local private sectors and market economies conducive to doing business internationally.

Regional Disaster Management

15. Establishment and Operationalization of Central Asian Disaster Management Agency (CADMA)

Headquartered in Kazakhstan with National Representation, the ultimate goal of the project is to establish a state of arts of regional disaster management center to assist all countries of the region especially those with limited capacities and resources. The center will assist countries, such as Afghanistan, with low coping capacity in increasing their resilience to different natural hazards. Expected outcomes of the CADMA include: i) Promote disaster management efforts in the region; ii) Provide assistance to countries with low disaster management profile, including air assistance and the provision of food aid during an emergency event; iii) Exchange information, experiences, expertise and research products for effective disaster management; iv) Promote and strengthen regional early warning system; and v) Establish a regional disaster information management network.