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FIFTH REGIONAL ECONOMIC COOPERATION
CONFERENCE ON AFGHANISTAN (RECCA V)
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ABBREVIATIONS AND ACRONYMS

ABIF	Afghanistan Business Innovative Fund
ACCI	Afghanistan's Chamber of Commerce and Industries
ACD	Afghanistan Customs Department
ADB	Asian Development Bank
AITF	Afghanistan Investment Trust Fund
ANDS	Afghanistan National Development Strategy
APTTA	Afghanistan Pakistan Transit Trade Agreement
ARD	Agriculture and Rural Development
ARIA	Agriculture Research Institute of Afghanistan
BCPs	Border Crossing Points
BDS	Business Development Services
BLO	Border Liaison Office
CAREC	Central Asia and Regional Economic Cooperation
CASA -1000	Central Asia-South Asia
CASAREM	Central-Asia South-Asia Regional Electricity Market
CBTA	Cross-Border Transport of Person, Vehicles, and Goods
ECO	Economic Cooperation Organization
EDI	Electronic Data Interchange
EIF	Enhanced Integrated Framework
ESC	Employment Service Center
FAO	Food and Agriculture Organization of the United Nations
GoA	Government of Afghanistan
IDB	Islamic Development Bank
LMIAU	Labor Market Information and Analysis Unit
MCC	Metallurgical Group Cooperation
MOCI	Ministry of Commerce and Industry
MoE	Ministry of Education
MoLSAMD	Ministry of Labor, Social Affairs, Martyr and Disabled
MoRR	Ministry of Refugees and Repatriations
MOU	Memorandum of Understanding
NEPS	National Employment Service Center
NFPP	Northern Fertilizer Processing Plant
NGO	Non-Governmental Organization
NRRCP	National Regional Resources Corridor Program
NSDP	National Skills Development Program
PDT	Peace Dividend Trust
PPP	Public Private Partnership
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asia Free Trade Agreement
SCO	The Shanghai Cooperation Organization
SME's	Small-Medium Enterprises
SOP	Standard Operating Procedure
TAFa	Trade and Accession Facilitation for Afghanistan
TOT	Training of Trainers
TRACECA	Transport Corridor Europe-Caucasus-Asia
UAE	United Arab Emirates
UN	United Nations
UNFPA	National Nations Population Fund Framework
UNODC	United Nation Office on Drugs and Crimes
UNSPECa	United Nation Special Program for the Economies of Central Asia
USAID	United States Agency for International Development
VTC	Vocational Training Center
WB	The World Bank
WCO	World Customs Organization
WFP	World Food Program
WTO	World Trade Organization

PROGRESS REPORT

SINCE THE FOURTH REGIONAL ECONOMIC COOPERATION CONFERENCE ON AFGHANISTAN NOVEMBER 2010 – MARCH 2012

EXECUTIVE SUMMARY

Afghanistan, its neighbors, and international partners stand at a crossroads today, just as Afghanistan itself stands at the crossroads of Central, South, and Southwest Asia. By further integrating economically within its region and leveraging its untapped human and natural resources, Afghanistan can become a financially sustainable trade and transit hub that benefits its citizens and the region by giving rise to new economic opportunities, the spread of ideas and culture, and durable peace.

The Fifth Regional Economic Cooperation Conference on Afghanistan (RECCA V – 26-27 March 2012 in Dushanbe), building on the progress achieved at previous RECCA Conferences (Kabul, Delhi, Islamabad and Istanbul) and other national and international policy conferences, provides an opportunity to translate the vision of *a more stable and prosperous region through a stable and prosperous Afghanistan* into a concrete action plan. The conference finds its roots in the “Kabul Process” and complementary regional initiatives, such as the Central Asia and Regional Economic Cooperation (CAREC) program, the South Asian Association for Regional Cooperation (SAARC), and the Economic Cooperation Organization (ECO).

Despite innumerable challenges, including procedural constraints and infrastructural deficiencies, this Progress Report for RECCA V demonstrates several key achievements towards commitments made at the Fourth Regional Economic Cooperation Conference on Afghanistan (RECCA IV – 2-3 November 2010 in Istanbul). In particular, through a series of consultations and a survey conducted with key Afghan Government line ministries in January and February 2012, marked progress was recorded in the following regional economic cooperation priority areas:

Achieving Economic Development through Building Infrastructure: RECCA IV commitments were made in connection with regional roads, railways, civil aviation, land ports, gas pipelines, hydropower, power lines within an emerging regional electric grid, fiber optic cables, and other measures to build the infrastructural foundations for Regional Economic Growth & Resource Corridors. Notable examples of progress in this category include: i) Regular technical working group meetings and new movement towards transit fees and gas sales purchase agreements between the Turkmenistan, Afghanistan, Pakistan, and India Natural Gas Pipeline participating countries; ii) Afghan Government discussions underway toward the establishment of National Rail and Roads Authorities, as well an Afghanistan-Regional Resource Corridors Secretariat; iii) Endorsement by the Afghan Government of the Sheberghan Gas Power Project and a demonstrated commitment of financial and technical support by donor and private sector partners to this initiative; iv) Significant financing secured from donor partners, and representatives of technical working groups from the CASA-1000 participating countries meet regularly; and v) Since RECCA IV, several tenders in the areas of minerals, oil, and natural gas tenders were announced through a transparent public bidding process by the Afghan Ministry of Mines.

Advancing Trade, Transit, Investment, and Border Management through Cooperation between National and International Authorities: RECCA IV commitments were made in this category on broad topics related to regional trade and transit agreements, trade facilitation, customs, border cooperation, and both agricultural and small-and-medium-sized enterprise development. Some notable areas of achievement include: i) Under the CAREC framework (and its Transport Corridor #5), Afghanistan, the Kyrgyz Republic, and Tajikistan entered into the Cross-Border Transport Agreement, which aims to ease the movement of people, goods, and vehicles across international borders; ii) Despite initial challenges in implementing the 2010 Afghanistan-Pakistan Trade & Transit Agreement (APTTA), interest is growing within both Afghanistan and Pakistan to extend arrangements similar to APTTA to other neighbors in the region, aligning transit regimes with some of the world’s most modern and best practices (e.g,

lowering the cost of insurance guarantees, truck dumping charges, and other requirements); iii) Further classroom and on-the-job training for more than 1700 customs officials assigned to fourteen official Border Crossing Points and three International Airports and Inland Customs Depots; iv) The commencement of training at a new Advanced Border Management Academy in Sheberghan, as well as increased coordination with Afghanistan's neighbors on border management; and v) In order to enhance the access of Afghan products to regional markets, the Afghanistan Chamber of Commerce and Industries has started issuing Certificates of Origin through the South Asia Free Trade Agreement. As a result, India, for example, has removed tariffs from 480 traded products.

Developing Human Resources through the Promotion of Vocational Education and Training: RECCA IV commitments were made in such areas of engagement as formal education and vocational training, as well as labor migration. Specifically, advances were recorded in: i) For the school year 2011/2012, more than 1500 Afghan students received scholarships to study abroad, including 553 students in India, 441 in Pakistan, and 172 in Kazakhstan; ii) The Technical and Vocational Education Training Program of the Ministry of Education has increased student enrollment to 42,040 (exceeding its target by more than 10%) and has increased the number of teachers to 1,847 (again, exceeding the intended target by more than 10%); iii) Afghanistan has signed bilateral agreements with a number of regional countries on different agricultural topics, including India, Tajikistan, Iran, and the UAE; iv) stakeholders from across Afghan society are now being consulted on a National Employment Policy and Strategy; and v) Based on a RECCA IV recommendation, the Ministry of Labor, Social Welfare, Martyrs, and the Disabled established a new directorate to improve services and protection for Afghan guest workers sent to foreign countries, and to date, fourteen private companies that send Afghan workers abroad have registered with the directorate. The Ministry also issued more than 7,000 new work permits to foreigners working in Afghanistan.

At the same time, Afghan Government line ministries identified several major challenges to regional economic project implementation and creating an “enabling environment” for greater private sector-led development. Besides continued concerns about the level and quality of technical and financial resources, chief impediments to progress include:

- *The need to foster greater coordination between regional organizations seeking to rationalize and improve coherence between the regional economic policies of Afghanistan and its neighbors;*
- *The need to modernize and streamline transportation and customs, particularly at border crossings;*
- *The need to further strengthen public sector capabilities in Afghanistan to enforce policies, laws, and regulations favorable to regional economic cooperation, private investment, and inclusive development;*
- *Continued insecurity and instability in Afghanistan, particularly in the south and south-eastern regions of the country; and*
- *The risk that major international donors will reduce drastically their development support to Afghanistan following the drawdown of ISAF forces.*

Given the vast size of the regional economic cooperation agenda for RECCA V and the diverse interests requiring representation, the Progress Report recommends that the Dushanbe Declaration at RECCA V should serve as the chief instrument for representing both the general conclusions and specific recommendations of conference participants. At the same time, and in an effort to aid the Afghan Government and its regional and international partners in both expanding the regional dimension and sequencing the implementation of *ANDS National Priority Programs* introduced at the July 2010 Kabul Conference on Afghanistan – and to be further considered at the July 2010 Tokyo Conference on Afghanistan – the Afghan Government intends to present and discuss at RECCA V 10-15 Regional Investment Projects and Policy Priorities.

Key criteria employed in the selection of these anchor projects – critical to unleashing the potential of other initiatives identified in the Dushanbe Declaration – include:

- *Ability to promote regional economic cooperation between Afghanistan and its regional neighbors.*

- *Ability to attract private sector investment.*
- *Ability to generate long-term and equitable economic growth.*
- *Ability to sustain and create new employment opportunities.*
- *Ability to mobilize new significant public revenue sources*

For presentation at the Fifth Regional Economic Cooperation Conference on Afghanistan, brief summaries of each Regional Investment Project and Policy Priority, including the initiative's current status and regional and international interests, linkages to ANDS National Priority Programs and the establishment of Regional Economic Growth & Resource Corridors, key economic performance indicators, and suggestions to tackle major implementation bottlenecks, will be presented. Relevant Afghan Ministers could also be invited to formally introduce a particular Regional Investment Project and Policy Priority in Dushanbe.

To overcome the abovementioned – as well as other – challenges in the implementation of the priority project, the design of both short-term (1-3 years) and medium-term (4-10 years) concrete, time-bound actions are recommended for each of the identified Regional Investment Projects and Policy Priorities. The process to overcome implementation bottlenecks must engage constructively key actors within the private sector and the civil society. Moreover, in line with “the Kabul Process” efforts facilitated by the Joint Coordination and Monitoring Board, appropriate indicators should accompany the identified short and medium-term actions in order to measure progress and to ensure mutual commitments between the Afghan Government and its regional and international partners.

PROGRESS REPORT
SINCE THE FOURTH REGIONAL ECONOMIC COOPERATION CONFERENCE ON AFGHANISTAN
NOVEMBER 2010 – MARCH 2012

I. RECCA, THE ANDS, AND THE KABUL AND ISTANBUL PROCESSES

Since 2005, the Regional Economic Cooperation Conference on Afghanistan (RECCA) has served as the primary international forum for advancing regional stability and prosperity by restoring Afghanistan's central role as a land bridge – between Central Asia, South Asia, the Middle East, Europe, and the Far East – for the exchange of commerce, culture, and ideas. This unifying vision is reflected in the Afghanistan National Development Strategy and the Kabul Declaration on Good Neighborly Relations (2002). Through careful analysis and informed policy discussions on overcoming the obstacles to regional cooperation in the areas of trade, transit, energy, labor migration, and private sector development, RECCA has sought to both define and advance tangible progress towards the realization of this vision.

The inaugural Regional Economic Cooperation Conference for Afghanistan, held from 4-5, December 2005 in Kabul, was co-initiated by the Afghan Government and the United Kingdom as G-8 Chair at the time. With the participation of eleven regional countries and donor partners, the RECCA I “Kabul Declaration” focused on regional economic cooperation in the areas of electricity, water, counter-narcotics, transport, trade, and the business climate. The Second Regional Economic Cooperation Conference for Afghanistan, held from 18-19 November 2006 in New Delhi, included the participation of nineteen regional countries and donor partners. It recommended advancing practical aspects of regional economic cooperation, including towards the establishment of regional public-private partnerships, removing obstacles to regional trade and transit, and standing-up near-term “win-win projects” in the areas of energy, transport, trade, agriculture and mining.

For the Third Regional Economic Cooperation Conference for Afghanistan, held from 13-14 May 2009 in Islamabad, conference participants centered discussions around three working groups: i) trade and transit led by the Ministry of Commerce; ii) energy led, the Ministry of Energy; and iii) migration led by the Ministry of Labor, Social Affairs, Martyrs, and the Disabled. RECCA III focused on the achievements, shortfalls, and challenges ahead, and it explored the most appropriate mechanisms for promoting regional economic cooperation *vis-à-vis* Afghanistan. Finally, RECCA IV, held from 2-3 November 2010 in Istanbul, gave ample attention to regional roads, railways, civil aviation, extractive industries, energy infrastructure, and the institutional, human, and other capacity requirements for advancing progress toward an integrated approach to regional economic cooperation at the heart of Asia.

In engaging business leaders, senior government officials, civil society representatives, artists, and scholars, the Fifth Regional Economic Cooperation Conference on Afghanistan, presents an opportunity to translate the vision of *a more stable and prosperous region through a stable and prosperous Afghanistan* into a concrete action plan, with roots in both the “Kabul Process” and complementary regional initiatives, such as CAREC, SAARC, and ECO. Situated between recent conferences on Afghanistan in Istanbul and Bonn, as well as future conferences in 2012 in Chicago, Kabul, and Tokyo, RECCA V can advance shared economic interests through new approaches and a new framework for regional economic cooperation. In particular, RECCA V aims to further the dialogue on establishing Afghanistan as a regional trade and transit hub. This will benefit its citizens and neighbors through a select number of targeted investments that unleash the talents of the business community and civil society.

The over-arching goal of regional cooperation in the Afghanistan National Development Strategy (ANDS) is to contribute to regional stability and prosperity by restoring Afghanistan's central role as a land bridge – between Central Asia, South Asia, the Middle East, Europe, and the Far East – for the exchange of commerce, culture, and ideas. Since 2005, Regional Economic Cooperation Conferences on Afghanistan, held in Kabul, New Delhi, Islamabad, and Istanbul, have sought to strengthen cooperation

between Afghanistan and its neighbors in specific economic areas through informed policy discussions accompanied by high-level commitments. RECCA V will deepen this regional cooperation agenda by focusing attention on: i) Achieving Economic Development through Building Infrastructure (Transport and Energy); ii) Advancing Trade, Transit, Investment, and Border Management through Cooperation between National and International Authorities; and iii) Developing Human Resources through the Promotion of Vocational Education and Training.

Launched during His Excellency President Hamid Karzai's second inauguration address, delivered on 19 November 2009, the Kabul Process seeks to facilitate Afghanistan's transition away from aid dependency and conflict to a fiscally sustainable future at peace with itself and its neighbors. Through consultations with Foreign Ministers and other senior-level officials from more than 70 countries and international organizations, RECCA V will bring a complementary regional economic focus to the Kabul Process, thereby extending the reach of ANDS National Priority Programs endorsed at the July 2012 Tokyo Conference.

Moreover, the Fifth Regional Economic Cooperation Conference for Afghanistan will help to further define, as well as propose concrete steps toward the implementation of, the 21 economic confidence-building measures contained in the 2 November 2010 (Istanbul) outcome document for the "Istanbul Process on Regional Security and Cooperation for a Secure and Stable Afghanistan". The regional economic development agenda agreed to in Dushanbe could reinforce the "Istanbul Process" agenda and June 2012 ministerial meeting in Kabul by providing economic incentives for the dialogue towards a durable peace in Afghanistan and its wider region.

II. KEY PROGRESS OF RECCA BY SECTOR AND RELEVANT ANDS NATIONAL PRIORITY

2.1. Achieving Economic Development through Building Infrastructure

Under the category of infrastructure for regional economic cooperation, RECCA IV participants recommended: i) the prioritization of major collaborative regional road investments with support from international and regional partners; and ii) the establishment of an integrated regional railway system that would strengthen market competitiveness across the entire region, by lowering import and export costs while also opening up new markets.

In 2011, the Afghan Government, in collaboration with neighbors and other development partners, made considerable progress in planning and developing the infrastructure required for facilitating trade and transit, as well as developing the country's mining resources. Progress was achieved in constructing new roads and railways; the rationalization and identification of top priority road, rail and civil aviation projects; and securing infrastructure funds, and institutional building so that the Afghan Government, private sector, and civil society can increasingly assume chief responsibility for the nation's development.

2.3.1. Resource Corridor Development Initiative

In 2011, the Afghan Government developed the National-Regional Resource Corridors Program (NRRCP). The NRRCP is built on the principle of Regional Economic Growth & Resource Corridors, a concept that aims to link landlocked countries' major mining areas to large infrastructure projects such as ports and hence to the world markets. The establishment of the NRRCP demonstrates the Afghan Government's recognition of the importance of transport, energy, and other types of infrastructure to support key growth engines of the economy, including mining, agriculture, and small and medium-sized enterprise development.

The objectives of NRRCP are, by 2013: (i) to institute an independent Rail Authority; (ii) construct 800 km of railways and 1400 km of roads; and (iii) establish or improve the functionality of twelve airports. Successful implementation of the Economic Growth & Resource Corridors concept requires a coordinated effort within the region, as well as between the different government ministries and agencies

at the national and sub-national levels, international funding agencies, and the private sector. In this regard, a Resource Corridor Technical Committee was also established, in 2011, with financial and technical support from the World Bank.

Additionally, to strengthen the institutional capacity for policy, planning and regulatory oversight for rail, roads and civil aviation sectors, the Afghan Government recently established the NRRCP Secretariat. Priority tasks for the NRRCP Secretariat involve developing a regional road transport master plan, economic impact studies, and integration benchmarks to support the Resource Corridor Initiative and regional cooperation.

Co-managed by the Asian Development Bank and Afghan Government, the establishment of the Afghanistan Infrastructure Trust Fund (AITF), in 2011, is yet another achievement which will support the NRRCP. It will serve as a key mechanism for infrastructure financing, complementing both private sector and bilateral donor investments. The UK and the Government of Japan were the first donors to contribute GBP 35 million and USD 20 million, respectively, to the AITF.

2.3.2. Regional Roads

The major achievements in the development of road infrastructure, since 2011, have been the construction of 140 km road in and around Balkh, Mada Shahr, Samangan and Badakhshan as well as the repair, rehabilitation, and reconstruction of 59 km of key roads in or near Herat, Maimana, and Kunduz. In addition, the design of the Kabul City Ring Road has been completed, and the design contract for the first leg of East West corridor, from Herat to Chaghcharan, has been awarded. Furthermore, the design of the Chaghcharan-Gardan Dwar road is now complete. Moreover, a road master plan, which includes information on the types of regional, provincial, and district roads needed to implement the NRRCP, was recently completed.

2.3.3. Regional Railways

Toward the establishment of an Afghan Rail System, the key achievements include the start, in October 2011, of Afghanistan's first commercial rail line from the Afghan-Uzbek border to Mazar-i-Sharif. This rail link is seen as a first major step toward the integration of Afghanistan into a regional rail network, an important source of growth and public revenue for Afghanistan.

Other achievements include a progress within a sub-committee of the Afghan Cabinet to establish an independent Rail Authority. The Afghan Rail Authority will manage the development of the national rail network and its connectivity to the region, as well as attract and regulate private investors. Additionally, a preliminary National Rail Plan was developed and presented by the Afghan Ministry of Public Works during the Central Asian Regional Economic Cooperation (CAREC) 10th Ministerial Meeting, held in November 2011 in Baku.

It is expected that by the beginning of 2013 another 60 km of rail between Shamtegh and Juno (in Herat) will start operations. The following feasibility studies are also currently under way: Khauf-Herat Railway (30% completed), Hiratan-Mazar (40% completed), and Mazar-Shibergan and Andkhoy-Aqina (30% completed).

In securing financing for the development of specific rail lines, China's Metallurgical Group Corporation (MCC) will perform by 2013 a pre-feasibility study for the line from Kabul to Mazar-i-Sharif, as part of its Aynak Copper Mine rights agreement. It is anticipated that future mining contracts, in particular the recently awarded Hajigak Iron Ore, will further contribute to the development of the Afghan Rail System.

2.3.4. Civil Aviation

Progress has also been recorded towards the completion of several key civil aviation projects. For example, stage two of the Kabul International Airport Maintenance Project was finished recently. While the runway extension of the Herat International Airport will soon be completed, the airport's overall upgrade will be completed by 2013. Major construction work for the following airports were also undertaken: Maimana (85% complete), Qala-e-Naw (99%), Faizabad (72%), and Chaghcharan (89%).

2.3.5. Energy

Working Groups for the Central Asia – South Asia Electricity Transmission and Trade Project, involving Pakistan, Afghanistan, Tajikistan and the Kyrgyz Republic, met, in February 2012, in Almaty, Kazakhstan to streamline procedures to implement the CASA-1000 megawatt project, which envisages the import of hydropower from Central Asian countries via Afghanistan. Afghanistan, the Kyrgyz Republic, Pakistan and Tajikistan have been pursuing the development of electricity trade through the establishment of a Central Asia-South Asia Regional Electricity Market (CASAREM). A cross-border transmission line project has been proposed for the construction of a dedicated link essentially aimed at supplying 1,300 MW of surplus hydropower available during the summer months from the Kyrgyz Republic and Tajikistan to Pakistan through Afghanistan.

The CASA-1000 project was recently revitalized when the governments of Afghanistan, the Kyrgyz Republic and Tajikistan signed a Memorandum of Understanding (MOU) at a meeting, held in 2011 in Bishkek, Kyrgyzstan. Under the Bishkek MOU, each country is required to establish a national Working Group dedicated to implement CASA-1000 project. During the preparatory phase, which is expected to last 12 to 18 months, the World Bank, Islamic Development Bank, and USAID are providing financial and technical assistance.

Sheberghan Gas Power Project: A joint decision was made to redesign the Sheberghan Gas Power Project. Until October 2011, the Government of Afghanistan advocated for a program design that included provision of power and gas to the Northern Fertilizer Processing Plant (the NFPP). This component would have required the construction of a gas processing plant (“sweetening plant”) to supply both the IPP and the NFPP. In addition, this approach also required rehabilitation of the 48 MW gas-fired power plants located at the NFPP. However, the total funding required for the development of project was not secured from the donor funding.

As per the recommendations of RECCA IV, anchor projects such as Aynak Copper in Logar province, Hajigak iron/ore in Bamiyan and Amu Darya Oil in Sar-i-Pol were successfully tendered. Furthermore, Afghan Ministry of Mines completed the tendering of the following projects through a transparent public bidding process: Afghan-Tajik Oil Basin; Zarkhshan Gold and Copper Mines in Ghazni; Badakhshan Gold; Balkhab Copper Balkh-Sar-i-Pol; Shaida Copper in Herat.

In terms of the supporting the local and national firms to take active participation in the development of the resource extractive, the GoA is in the process of developing a Public Private Partnership (PPP) policy framework and PPP related legislations and regulations. Additionally, the Government plans to develop the capacity of the responsible public institutions in areas including natural resources regulation and management - i.e. concession, negotiations, audit and monitoring of PPPs.

2.2. Advancing Trade, Transit, Investment, and Border Management

Afghanistan has made in significant progress in recent years toward regional and global integration and the creation of the enabling environment for becoming a regional trade and transit hub. Afghanistan signed and ratified the South Asian Free Trade Agreement (SAFTA), which has deepened economic integration with member countries of the South Asian Association for Regional Cooperation (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka). Through the Afghanistan-Pakistan Transit Trade Agreement, the two countries will bridge South Asia with Central Asia. In addition, Afghanistan signed a bilateral transit agreement with Tajikistan, as well as the Agreement on Cross-Border Transport of Persons, Vehicles, and Goods (CBTA) with the Kyrgyz Republic and Tajikistan within the Framework of the Central Asian Regional Economic Cooperation (CAREC). This agreement lays the foundation for greater regional economic cooperation.

At the same time, Afghanistan has continued to expand regional cooperation within the framework of the Economic Cooperation Organization (ECO) and to pursue efforts toward integration into the Transport Corridor Europe-Caucasus-Asia (TRACECA). Moreover, initial consultations have been launched toward negotiating bilateral transit-trade agreements with Turkmenistan and Uzbekistan, respectively. Afghanistan has also ratified, in February 2012, the International Road Transport Convention (The

Customs Convention on the International Transport of Goods under Cover of TIR Carnets). Significant progress has also been made over the last two years toward advancing World Trade Organization (WTO) accession and bringing Afghanistan's policy, legal, and institutional framework in line with the WTO agreements and principles.

Moreover, progress has been made toward the implementation of the Afghanistan Pakistan Transit Trade Agreement (APTTA), although some challenges remain in connection with bank guarantees for trucks and insurance guarantees for goods. APPTCA (the APTTA Coordinating Authority) has been established, and its operating procedures have been developed. APTTCA is currently the main mechanism for advancing transit issues within the framework of APTTA. USAID provides support in studying alternatives for APTTA implementation, including tracking devices and customs-to-customs information, and it has assisted in extensive capacity building and awareness raising vis-à-vis key, stakeholders, including customs officers, transport operators, traders, banks, and insurance companies. The implementation of tracking devices and Electronic Data Interchange (EDI), which is supported by Canadian-facilitated Dubai Process Initiative and USAID, is expected to further enhance the implementation of APTTA.

Significant progress has been made toward improving import and export procedures with help from donor partners. A "one-stop-shop" for exports was established, reducing the time required to obtain export documents. Export authorization at the Ministry of Commerce and Industry (MOCI) was also eliminated, and export authorizations by guilds are now voluntary. Customs procedures at Kabul Airport have been streamlined, whereby around 20 steps were eliminated. This effort is being replicated at other border crossings too. In the context of WTO accession, Afghanistan is developing new laws in line with WTO agreements. These are expected to dramatically streamline and make more transparent import and export processes.

The World Bank is currently undertaking a Trade Diagnostics Integration Study within the context of the Enhanced Integrated Framework (EIF). This process will provide additional guidance for further improvements to import and export procedures. Through the Second Customs and Trade Facilitation Project, the World Bank is providing USD 52 million worth of technical assistance and infrastructure investments. In particular, the project targets customs improvements, including collaborative border management between Afghanistan and Pakistan. The focus of the project includes the development and implementation of an information technology based "Customs to Customs Data Exchange" between Afghanistan and its neighbors, beginning with Pakistan.

Over the coming years, Afghanistan will continue to improve its import and export procedures, within the framework of its accession to the WTO. All unnecessary formalities and WTO-inconsistent requirements will be eliminated. Several dozen new draft laws have been prepared to bring the foreign trade regime in line with WTO agreements to cover areas such as customs, intellectual property, food safety, standards, veterinary, and sanitary measures.

SAFTA was ratified and came into force in August 2011. Afghanistan notified the SAARC Secretariat of its SAFTA Trade Liberalization Program. Progress has been made toward the reduction of sensitive lists by around 20%. Afghanistan also signed the SAARC Agreement on Trade in Services (SATIS), which is currently in the process of ratification.

At the 10th CAREC Ministerial in November 2011 in Baku, Afghanistan signed the Cross-Border Transport Agreement (CBTA) with Kyrgyzstan and Tajikistan in connection with Transport Corridor #5, which runs from Torkham to Irkeshtam (Kyrgyzstan/China border) through Sherkhan Bandar (Afghanistan/Tajikistan) and Karamik (Tajikistan/Kyrgyzstan). The CBTA will facilitate the movement of people, goods and services among the three countries. Pakistan and China are anticipated to join this agreement. Once implemented, the CBTA is expected to reduce the cost and time of trade and transit and will assist in removing many of the current barriers to trade and transit, such as excessive inspections and other bureaucratic requirements.

The CBTA provides an opportunity for the modernization of transport and border crossing rules across Central and South Asia. Trade facilitation measures implemented within the context of the CBTA with Tajikistan and the Kyrgyz Republic can then be replicated with other neighboring countries.

Afghanistan needs support in conducting needs assessments for CBTA implementation and the development of a prioritized action plan. Afghanistan also needs significant support in the CBTA-related areas of trade facilitation, anticorruption measures, and infrastructure development. It will be necessary to build the capacity and awareness of stakeholders, including the private sector (e.g. traders, transport operators, freight forwarders).

Building on the CBTA and bilateral transit-trade agreements, a regional transit-trade agreement will create a level playing field for all countries in the region. It will simultaneously provide the countries in the region an opportunity to harmonize and modernize their transit and trade regimes, in line with international agreements and conventions. For a regional transit-trade arrangement to be effective in spurring cross-border commerce, it should be backed by investments in infrastructures (including roads, railways, and dry ports), communication systems, and the establishment and improvement of regional transport corridors. International assistance is critical in this regard. Equally important is the need to improve the quality of trade and transport services, as well as coordination among border management agencies.

Given the current challenges in negotiating a region wide transit-trade agreement, Afghanistan has launched initial consultations with Uzbekistan and Turkmenistan toward bilateral transit-trade agreements (Afghanistan/Uzbekistan; and Afghanistan/Turkmenistan), patterned along the lines of the CBTA between Afghanistan, Kyrgyzstan, and Tajikistan. These agreements will facilitate trade between Afghanistan and both Uzbekistan and Turkmenistan, and they will reduce the cost and time for moving transit goods and vehicles through Afghanistan, Uzbekistan, and Turkmenistan. In addition, these agreements will provide an appropriate framework for eliminating existing cross-border problems between Afghanistan and its two northern neighbors.

Assistance is needed to assess and conduct a cost-benefit analysis of such agreements for Afghanistan, Turkmenistan, and Uzbekistan, in order to facilitate the process of negotiations and build support among relevant stakeholders. Extensive support is further required for developing implementation plans and in building capacity to implement the necessary measures for operationalizing these agreements. Support provided in implementing the CBTA with Tajikistan and Kyrgyzstan can be extended to these bilateral efforts, to maximize the utilization of resources in support of implementing these two agreements.

2.3.1. Customs and Transit Support Harmonization and Upgrade

Although work toward establishing the proper framework for facilitating access through reducing trade and transit time and cost has progressed considerably, Afghanistan and its neighbors continue to face implementation challenges in order to make these arrangements meaningful and commercially viable. The following key challenges continue to hamper achievement of the desired objectives: (i) tremendous infrastructure needs; (ii) lack of adequate mechanisms for custom-to-customs information and cooperation on both commercial and security matters; (iii) lack of adequate offices and logistics facilities at Border Crossing Points (BCPs); (iv) lack of adequate technology and modern equipment with capabilities of detecting narcotics; and (v) incompatible automated customs clearance systems with most neighboring countries.

The Afghan National Customs Academy with the aim to train the custom officers in areas such as custom law enforcing and tariff issues is operating since 2010 with the technical and financial support from the US and Canada. The Academy is training around 250 customs officers every year. The Afghan Customs Department plans to establish a permanent Afghan National Customs Academy by the end of 2012. The EU, US, and Canada is already supporting the Government of Afghanistan in this regard.

In addition, it is proposed that a regional trucking forum be underwritten by the International Federation of Freight Forwarders Associations (FIATA) and other venture capital funds. Multilateral agencies, such as the WB/IFC, IsDB, and ADB, can further support this effort.

2.3.2. Enhancement of Border Cooperation

Border crossing points have been a major bottleneck for both bilateral trade and transit across Central Asian. Despite some progress, further technical support is needed to enhance border cooperation. The

UN Office for Drug Control and Crime (UNODC) implemented the Border Liaison Office (BLO) pilot project at Torkham, which could serve as a model for relevant Afghan border crossing points. Measures were taken to operationalize the Torkham BLO, including acquiring land for building the BLO; constructing pre-fabricated buildings completed; completing staff recruitment; and agreeing on Internal Standard Operating Procedures (SOP) between Afghanistan and Pakistan. In addition, the UNODC offered short-term trainings courses to support capacity-building for Border Liaison Officers; sponsored participation in a Risk Management/Profiling training course in Kazakhstan; offered a Basic Border Liaison Officer's course; and it conducted a Pak-Afghan Joint training program on information gathering and analysis in Pakistan.

2.3.3. Small and Medium-Sized Enterprises

At RECCA IV, participants emphasized the support of skill learning programs, with the assistance of regional and international partners, relevant to industries in which Afghanistan has a comparative advantage in creating opportunities for marketing products abroad. Through National Priority Program on Skills Development, the Ministry of Labor Social Affairs, Migration, and Disabled has trained more than 1600 trainers in Business Development Services (BDS) in 20 different provinces of Afghanistan.

The capabilities of the private sector will not be fully engaged until private sector decision-makers perceive that the policy, legal, and regulatory climate offers a reward to risk ratio worthy of investment. The Government is pursuing initiatives to put clear mechanisms in place to spur such partnerships and expedite growth in various sectors, but it is slow to create a legislative and policy environment favorable to growing businesses. Opportunities to leapfrog old technologies and enhance returns abound in Afghanistan; many companies have reaped significant rewards already, notably in telecommunications and the media. Mining and infrastructure are examples where more persistent, supportive, and transparent engagement between the Government of Afghanistan and the private sector is required. Indeed, many large-scale projects, which will help Afghanistan reach financial self-sufficiency, rely in some part on the investments and mobilization of private sector actors.

Afghanistan's Chamber of Commerce and Industries (ACCI) conducted a survey of banks and other financial institutions that provide loans and credits to SMEs to identify procedures and requirements for receiving loans. The information collected from the survey was provided to SMEs to enhance their opportunities for growth through access to proper information. ACCI also facilitated training workshops for the Afghan business community in such areas as business plans; requests for loans and proposals in order to assist them in business expansion; and business start-ups.

Moreover, ACCI recently signed a memorandum of understanding with the Afghanistan Business Innovative Fund (ABIF) aimed at providing grants for potential business proposals in different sectors, including small-scale mining, agribusiness, the carpet sector, through ACCI's main office in Kabul as well as provincial offices.

In order to support capacity building for women's businesses, a total of 14 trainings were conducted with the support of the Peace dividend Trust (PDT) office. In these trainings, 320 participants, of whom 24% of them were female participants, were trained in various topics, such as international procurement procedure, project management, proposal writing, sales & marketing, and business accounting

Furthermore, capacity building training sessions were conducted with the support of USAID on international trade issues. 125 participants, mainly from industrial parks and exporters in Kabul and Regional Offices (Herat and Balkh Provinces) of the ACCI attended these trainings. And in order to enhance access to foreign markets for Afghan products, ACCI has started issuing Certificates of Origin to facilitate exports with participating countries for the South Asian Free Trade Agreement. As a result of this initiative, for example, India has removed tariffs from 480 products that Afghanistan could potentially export.

Finally, the Afghanistan Chamber of Commerce and Industries recently opened branch offices within the the Kabul Customs Department, Kabul International Airport, Nangarhar Province Customs Department, Farah Customs Department, and Shirkhan Bandar Customs Department. Through these branch offices, Afghan Exporters can process and prepare their Certificates of Origin and Invoices.

2.3.4. Agriculture

The Agriculture Research Institute of Afghanistan (ARIA) has been established under the mandate of the Ministry of Agriculture, Irrigation and Livestock with eleven research centers in Kabul and in seven Agro-ecological zones of Afghanistan. While some institutional links have been established with Agriculture research centers in Afghanistan, there has been little progress in linking up with regional and wider international research institutes. Nevertheless, there remains a strong need to identify research areas and create linkages in seed varieties, agronomy, pesticides, machinery, cash crops, livestock, and other research topics.

In ensuring food security and increasing the production of staple crops for food sustainability, the Ministry of Agriculture in Afghanistan has established the National Priority Program on Food Security to be implemented through 2013-2024. The aim of this program is to increase production and productivity in staple crops (i.e. wheat and rice), to enhance capacities in increasing livestock, and to address household food security issues. According to the UN Population Fund, Afghanistan is projected to reach a population of about 33 million in ten years. Through the National Priority Program for Food Security, the Ministry of Agriculture aims to ensure food security in 10 years with the current estimated population growth rate.

The National Agriculture Development Framework (NADF) was formulated in 2009 by the Government of Afghanistan under the overall framework of the Agriculture and Rural Development (ARD) Sector of the Afghanistan National Development Strategy. There has been no effort to develop a regional policy framework for agriculture that encompasses countries in the region. However, bilateral agreements have been signed by a number of regional countries on different agricultural topics (e.g. India, Tajikistan, Iran, and the UAE).

The process of sharing expert opinions on agricultural best practices occurred, in 2011, with donor countries and UN agencies, including the Food and Agricultural Organization and World Food Program (FAO). A Food Security Cluster has been established to facilitate responses between the Afghan Government, NGOs, and the donor community to emergency situations, including drought, floods and other natural disasters. The Government of Afghanistan, through the Ministry of Agriculture, will work to enhance this committee in order to coordinate all food security policy options and interventions throughout the country.

2.3. Developing Human Resources through the Promotion of Vocational Education, Training, and Labor Migration

At RECCA IV, participants recommended support of regional and international partners for the establishment of additional technical training schools and the expansion of capacity for existing schools. RECCA IV participants also underscored the importance of regional and international institutions by providing greater access to vocational training and higher education. These include the provision of scholarships, especially by neighboring countries and international partner countries, as well as student and teacher exchanges programs. In this regard, since RECCA IV, many Afghan students have gained valuable opportunities to study in countries such as India (553 students), Pakistan (441 students), Kazakhstan (213 students), Russia (119 students), Turkey (66), and Turkmenistan (20 students). Similarly, scholarship initiatives also exist for supporting the education of Afghan students in Iran and Tajikistan. Additionally, recognizable progress is made in linking Afghan universities to regional universities of India, Turkey, Pakistan and Iran.

2.3.1. Vocational Training

In terms of policy and planning for programs and projects, an annotated outline of the National Employment Policy and Strategy (NEPS) was prepared in 2011. In addition, a needs-assessment for strengthening the Labor Market Information and Analysis Unit (LMIAU) of the Ministry of Labor, Social Affairs, Martyr and Disabled (MoLSAMD) was completed. In the follow-up to the Kabul Conference, the MoLSAMD developed a three year plan for the implementation of a National Priority

Program on Skills Development and submitted it to donors for consideration. A chief component in support of vocational training is the construction of 34 vocational training centers in Afghanistan's 34 provinces, in support of market driven skills training for 160,000 unemployed and underemployed Afghans.

The budget for the National Priority Program on Skills Development was approved in 2011 and new staff have been recruited. With support from the World Bank, informal training of 2,000 unemployed and underemployed men and women in nine vocational training centers has been undertaken. As planned, 1,050 trainers have been trained in the Training of Trainers (TOT) for the Business Development Services (BDS) project. The formal education Technical and Vocational Education Training program of the Ministry of Education (MoE) has increased student enrollment to 42,040, exceeding its target by more than 10%, and increased the quantity of teachers to 1,847, again exceeding the intended target by more than 10 percent.

Afghanistan's Ministry of Education is also responsible for providing vocational training and managing more than 140 technical schools and institutes across Afghanistan. The MoE recently developed a 3-year, 5-year and 10-year strategy, which is focused on expanding technical school capacities. According to this strategy, the MoE plans to develop more than 400 technical schools and institutions over the next decade. These technical schools are strongly needed because there is a gap between 12th grade graduates and the absorption capacity of higher education institutions.

With support from Germany, the MoLSAMD constructed Vocational Training Centers (VTCs) in the three provinces of Balkh, Kunduz, and Badakhshan. Currently, there are 260 trainees receiving training for computer, business, and car repair skills. Another VTC was constructed with assistance from the United Arab Emirates in Helmand province. The trainees in the Helmand VTC are receiving training in the areas of electricity, computer, tailoring, and embroidery. And more than 1100 trainees are being trained in nine provinces across the country (Jawzjon Bamyan, Kandahar, Paktiya, Herat, Nangarhar, Balkh, Kunduz, and Kabul) with financial support from the government of Japan.

INTES, a private construction company from Turkey in collaboration with TIKA plans to establish two vocational training centers in Afghanistan. One of the VTC is planned in Kabul, and the other one will be established in a northern province. These VTCs will provide training in the construction sector. After the completion of the training course, INTES will employ the trained labor in Afghanistan, as well as other countries, on INTES projects.

2.3.2. Labor Migration

The labor market in Afghanistan remains fragile. More effort is needed urgently to solve the unemployment and underemployment problems of the Afghan labor market. RECCA IV participants underscored the establishment of a systematic Human Resource Policy within a regional context. This should help to improve market-friendly labor regulations, creating an environment for employment generation inside and outside Afghanistan. In general, labor migration can be an effective tool to reduce high unemployment rates in Afghanistan and in the region.

Based on the recommendation of RECCA IV participants, Ministry of Labor, Social Affairs, Martyr and Disabled (MoLSAMD) established a new Directorate responsible for the registration of private companies that sending Afghan labor to work abroad. Recently, 14 new private companies were established to facilitate the identification and placement of Afghanistan labor in foreign countries. An Employment Service Center (ESC), also run by the MoLSAMD, is now operating and helping job seekers and employers to fill local job vacancies. Beside the state run ESC, there are a number of privately run recruitment companies working in the local and international labor market. Furthermore, a union of three private labor-sending companies with the name JAKA was established.

Since RECCA IV, the Afghan Government has signed bilateral agreements with the State of Qatar and the Islamic Republic of Iran on the sending of Afghan labor to those countries. Recognizable progress has been made in the implementation of these agreements. Furthermore, the JAKA has established offices in Qatar and Iran. The JAKA has registered 5400 workers who are seeking jobs abroad.

Furthermore, the Ministry of Labor and Social Welfare is also undertaking negotiations with Kuwait, the UAE, and Saudi Arabia to achieve bilateral agreements on the employment of Afghan workers.

The MoLSAMD is still working on a National Employment Policy and developing a strategy for the implementation of that policy. The first draft has been completed and disseminated to all stakeholders to obtain their opinion and inputs. The aforementioned policy will include labor migration as a module. At the same time, the Ministry identified the need for a separate comprehensive policy, which regulates labor mobility both inside and outside Afghanistan. Such a policy reference a number of regional institutions and initiatives that deal with regional labor markets, such as the Abu Dhabi Dialogue. Policies that regulate labor mobility in the region will pave the road for properly managed contract workers migration and will generate “win-win-win outcomes” that benefit workers, employers, and their respective countries.

The Ministry of Labor, Social Affairs, Martyr and Disabled has provided standard work permits and contracts for foreigners working in Afghanistan. In 2011, the MoLSAMD issued 7075 new work permits to foreigners working in Afghanistan. In addition, 6085 work permits were renewed. In total, the MoLSAMD provided 13,160 work permits to foreigners. The majority of the foreign workers working in Afghanistan are from neighboring or regional countries. At the same time, MoLSAMD, in cooperation with the Ministry of Refugees and Repatriations (MoRR), developed Vocational Training Programs (VTPs) for 133,500 returning Afghan immigrants. These programs were developed with the support of UN programs for immigrants and refugees.

III. COMMON CHALLENGES TO EXPANDING GREATER REGIONAL CONNECTIVITY

Multiple risks and challenges affect the successful design and implementation of economic cooperation projects that can benefit Afghanistan and its wider region. The risk of failure due to *insufficient technical and financial resources* appears in many of the available program and project updates received from Afghan Government line ministries in preparation of this Progress Report. Not surprisingly then, where sufficient technical and financial resources are available, progress is often recorded that suggests growing leadership and absorption capacities in Afghanistan, as well as relevant partners in neighboring countries. At the same time, other major impediments to expanding regional economic cooperation cited by Afghan Government line ministries include:

- *The need to foster greater coordination between regional organizations seeking to rationalize and improve coherence between the regional economic policies of Afghanistan and its neighbors* (Steps to enhance coordination between regional organizations to which Afghanistan and its neighbors are members are needed to foster common, streamlined approaches in connection with regional economic cooperation policies and incentives [e.g., to encourage private investment and capital flows], international laws [e.g., to facilitate trade and the movement of people, such as guest workers], and regulatory procedures [e.g., on transport standardization, custom procedures and guideline harmonization, and border control procedures alignment].);
- *The need to modernize and streamline transportation and customs, particularly at border crossings* (According to the International Road Transport Union and UN Economic and Social Commission for the Asia-Pacific, “... 40% of road transport time along the routes of the Silk Road is lost at borders due to inappropriate border crossing procedures which impede trade growth along the entire Eurasian landmass. In addition, approximately 30% of the transport costs were due to unofficial payments, borne by the hauliers en route and at border crossing points.”);
- *The need to further strengthen public sector capabilities in Afghanistan to enforce policies, laws, and regulations favorable to regional economic cooperation, private investment, and inclusive development* (To establish an enabling environment that facilitates and leverages the benefits of large infrastructure and capacity-building programs and projects, improved and stable national policy, legal, and regulatory frameworks must be joined by adequately resourced national institutions and trained staff.);

- *The risk that major international donors will reduce drastically their development support to Afghanistan following the drawdown of ISAF forces in 2014* (For example, from 2010 to 2011, US development assistance declined by 69%, and after its troop drawdown in Kosovo, US aid to the country dropped 47%.);
- *Continued insecurity and instability in Afghanistan, particularly in the south and south-eastern regions of the country* (Also expressed frequently in national polling, insecurity is a key concern to most Afghans across the country, and it often precludes the large-scale, medium-term capital investments from donors and private sector investors alike in Afghanistan’s infrastructure requirements for enhanced regional economic cooperation.); and
- *Procedural and political challenges to fostering regional economic cooperation between Afghanistan and its neighboring countries* (As Central and South Asian countries defend their legitimate national interests, such as exporting their natural resources or promoting specific development outcomes, their interests can diverge at times with neighboring countries, causing political tensions that can hinder economic cooperation.).

Adopting and measuring short and medium-term actions to overcome implementation bottlenecks

To tackle the abovementioned – as well as other – obstacles to program and project implementation, further analysis is required to inform the design of short (1-3 years) and medium-term (4-10 years) concrete, time-bound actions. Without a “rolling action plan” that constantly re-assesses progress and pin-points the sources of friction and delay, leaders will be ill-informed to comprehend and respond in a timely fashion to multiple challenges and opportunities associated with regional economic cooperation. As further detailed in the next section, actions to overcome implementation bottlenecks must engage constructively key actors within the business community and civil society. Moreover, in line with “Kabul Process” efforts facilitated by the Joint Coordination and Monitoring Board, appropriate indicators should accompany the identified short and medium-term actions in order to measure progress and to ensure the mutual commitments between the Afghan Government and its international partners. Though sometimes more difficult to measure (as they depend on qualitative as much as quantitative indicators), this includes the need to gauge progress of major policy or institutional reforms required for project implementation.

IV. AN AGENDA FOR REGIONAL ACTION: RECOMMENDATIONS FOR RECCA V

Through the pre-conference deliberations of participating countries and organizations, as well as the contributions of sector-specific technical working groups, each Regional Economic Cooperation Conference for Afghanistan has produced a detailed and cross-cutting conference declaration. For RECCA V, this outcome document will represent a consensus among Afghan government, business, and civil society leaders and their regional and donor partners on key principles, policy objectives, and actions for regional economic cooperation.

Given the vast size of the conference’s regional economic cooperation agenda and diverse interests requiring representation, this key conference output should continue as the chief instrument for aggregating the final conclusions of participants attending an annual RECCA meeting. At the same time, and in an effort to aid the Afghan Government in both expanding the regional dimension and sequencing the implementation of *ANDS National Priority Programs* introduced at the July 2010 Kabul Conference on Afghanistan – and further considered at the July 2010 Tokyo Conference on Afghanistan – the Afghan Governments intends to underscore at RECCA V a select group of 10-15 “Regional Investment Projects and Policy Priorities.” By serving as anchor projects for in the *Afghanistan National Development Strategy*, past Regional Economic Cooperation Conferences for Afghanistan, and other regional forums, economic multiplier effects can arise as the adoption of a focused, integrated approach results in the establishment of a select number of Regional Economic Growth & Resource Corridors.

As a possible strategic, over-arching goal for RECCA V, a broad-based effort to development Regional Economic Growth & Resource Corridors can help connect – through Afghanistan – the people of Central, South, and South-West Asia and their key economic activities, including agriculture, light manufacturing, and mineral extraction, with essential trade, transit, and energy enablers. And in doing

so, the technical innovation and capital of the private sector will be unleashed, supplanting over time both foreign aid and public sector capital investments. By generating significant returns to growth, jobs, and revenue, Regional Economic Growth & Resource Corridors have the potential to serve as “game changers” and to create a new dynamic for peace and socioeconomic progress across the region.

Integral to this new framework for regional economic cooperation would be around 10-15 Regional Investment Projects and Policy Priorities. These anchor projects would both derive from and help to further focus major National Priority Programs of the Afghanistan National Development Strategy, such as the National-Regional Resource Corridor Program, the Integrated Trade and SME Support Facility, the National Energy Supply Program, the Facilitation of Sustainable Decent Work through Skills Development and Market-Friendly Labor Regulations Program, the National Water and Natural Resources Development Program, the E-Afghanistan Program, and the National Energy Supply Program.

Key criteria employed in the selection of the 10-15 Regional Investment Projects and Policy Priorities could include:

- *Ability to promote regional economic cooperation between Afghanistan and its neighbors* (in support of the over-arching aims of RECCA and complementary to other formal and informal regional groupings of states and international organizations, such as CAREC, SAARC, ECO, SCO, and UNSPECA).
- *Ability to attract private investment* (which will need to replace foreign aid and state-led development if Afghanistan is to create a self-sustaining economy).
- *Ability to generate long-term and equitable economic growth* (to ensure that the benefits of development are shared with all citizens).
- *Ability to sustain and create new employment opportunities* (to foster social stability and maximize the productivity of all citizens in contributing to the nation’s and wider regional development).
- *Ability to mobilize new and significant public revenue resources* (to reduce Afghanistan’s reliance on foreign aid and to set it on a course toward fiscal sustainability).

For their presentation at the Fifth Regional Economic Cooperation Conference for Afghanistan, brief summaries of each Regional Investment Project and Policy Priority could detail the initiative’s current status and international partners, linkages to ANDS National Priority Programs and the establishment of Regional Economic Growth & Resource Corridors, key economic performance indicators, and suggestions to tackle major implementation bottlenecks. Relevant Afghan Ministers could also be invited to formerly introduce a particular Regional Investment Project and Policy Priority in Dushanbe.

In addition attracting domestic and foreign direct investment from non-state actors, a new push should be undertaken at RECCA V in engage business and civil society representatives as full partners in the development of Afghanistan and its wider region. Fortunately, the organization of business and scholars forums, a trade exhibition, and business-to-business matchmaking event at the conference in Dushanbe will facilitate lively and substantive interaction with the participants from governments and international organizations.

Besides serving as the chief source of new jobs and economic growth in the economies of South and Central Asia, the business community and civil society organizations have much to offer in terms of technological know-how, problem-solving ingenuity, and initiative. In facilitating the transition in Afghanistan from “aid to trade”, the private sector (including corporations, foundations, and private capital) and other non-governmental organizations are poised to supplant, over time, the current role of donor country taxpayers in underwriting efforts to generate employment and help sustain the Afghan State.

Through innovative national, regional, and international public-private-partnerships, the private sector and civil society’s intellectual, social, and financial capital can be tapped in the design and implementation of a new framework for regional economic cooperation. Key elements of this

engagement strategy could include: i) Providing direct services to the Afghan and regional business community to encourage job creation and regional economic cooperation; ii) Convening business and civil society forums at forthcoming international meetings on Afghanistan, including in Tokyo (July 2012); and iii) Establishing an international business and civil society advisory group to support Afghanistan's economic transition and regional integration.

Finally, to ensure adequate follow-through on the RECCA V action agenda agreed to in Dushanbe – as well as to ensure close coordination with both the “Kabul Process”, “Istanbul Process”, and regional groupings such as CAREC, SAARC, and ECO – a new approach to facilitate monitoring and implementation will be introduced. Reinforcing existing Afghan Government institutions and coordination mechanisms with the region and wider international community, the new approach will be results-oriented and aim to steer public attention, technical support, financial resources, and other incentives toward high-performing projects and policy reforms. In support of this effort, for each of the 10-15 Regional Investment Projects and Policy Priorities presented in Dushanbe, the RECCA Secretariat within the Afghan Ministry of Foreign Affairs will develop a detailed and results-driven monitoring matrix, including, for example, recognition of the contributions of Afghan and international partners, data gathered for key economic performance indicators, and steps to overcome short and medium-term implementation bottlenecks.

ANNEX

AFGHANISTAN'S PARTICIPATION IN REGIONAL ORGANIZATIONS

CAREC (Central Asia Regional Economic Cooperation program): 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): 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 (with full implementation expected by 2016).

ECO (Economic Cooperation Organization): 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 (again, all Islamic countries): 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): Afghanistan is an observer for this regional “intergovernmental mutual security organization which was founded in 2001 in Shanghai by the leads of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. In November 2005, Afghanistan joined the “Contact Group” of SCO.

UNSPECA (Special Session of the Regional Advisory Committee of the United Nations Program for the Economies of Central Asia): 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, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Afghanistan joined UNSPECA in May 2005.

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

CSATTF (Central and South Asia Transport and Trade Forum): An initiative of the ADB, this regional forum has facilitated a number of transport and trade related agreements during the past decade.

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



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