



# Infrastructure Connectivity in Afghanistan

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# Outline

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- **Business-to-Business Partnerships**
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## Infrastructure Connectivity development in Afghanistan as a LDC and LLDC

### A cross-cutting enabler



- ❑ Joining regional infrastructure networks
- ❑ Lowering trade costs
- ❑ Developing value chains and market access
- ❑ Increasing productivity
- ❑ Contributing to economic diversification
- ❑ Improving competitiveness
- ❑ Creating job opportunities

# Infrastructure Connectivity development in Afghanistan and its implications for regional and inter-regional connectivity and trade complementarity

- **Afghanistan** is located at the convergence point of four of the most populous and resource-rich regions in the world: South Asia, Central and North Asia, the Middle East and the Far East.
- **Afghanistan** stands between them as a central connecting hub and can therefore play an important role in the Eurasian continental trade network.



# Implications for Central Asia - South Asia Economic Integration (1)

- ❑ **Low level of intra-regional trade in Central and South Asia**
- **South Asia:** lack of strong complementarity in the bilateral trade structures of South Asian countries and specialization mainly in manufactured goods.
- **Central Asia:** Almost similar resource endowment and specialization mainly in production of primary commodities such as raw materials, minerals and energy resources in Central Asia.

# Implications for Central Asia - South Asia Economic Integration (2)

## ❑ **Trade complementarity:**

- Differences in resource endowment and dissimilarities in trade structure are indicative of a good potential of trade complementarity and economic integration between Central Asia and South Asia

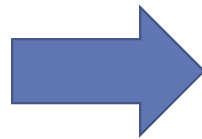
## ❑ **Example of energy trade:**

- Difference in the endowment of energy resources in South Asia and Central Asia,
- Growing energy needs in South Asia, and the existing energy surplus in Central Asia provides an excellent area of trade complementarity between the two regions.



## Unlocking the potential of trade complementarity between the two regions

- **Despite the potential of trade complementarity, there is little trade between the two regions.**

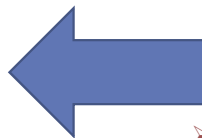


**Lack of overland connectivity**



**Afghanistan's centrality as regional land-bridge**

- **Infrastructure development in Afghanistan is therefore key to connectivity and trade complementarity between Central Asia and South Asia**



- As a regional land-bridge, Afghanistan is a key in unlocking the potential of trade complementarity between the two regions and thus creating new trade in the entire region.
- Compared to other alternative routes, Afghanistan can provide the shortest and most cost-effective routes for roads, railroads, pipelines and electricity transmission lines between Central Asia and South Asia.

# RECCA

Regional Economic  
Cooperation  
Conference on Afghanistan

- As a leading regional cooperation platform, RECCA aims to revive the historical role of Afghanistan along the ancient Silk Road, turn the country into a trade and transit hub and share the benefits of Afghanistan's centrality with the wider region.
- Six meetings of RECCA have so far been held in Kabul (2005), New Delhi (2006), Islamabad (2009), Istanbul (2010), Dushanbe (2012) and back again in Kabul (2015)
- RECCA VII will be held in Ashqabat (14-15 November 2017)
- **Areas of cooperation under RECCA include:**
  - Energy
  - Transport Networks
  - Trade and Transit Facilitation
  - Communications
  - B2B and Labor Support





# Investment criteria under RECCA's new approach

- Bankability
- The impact on growth in trade and transit
- Their role in private sector development
- The ability to generate sufficient cash flows and positive net present value and internal rate of return above the opportunity cost
- The ability to contribute significantly to employment and public revenue in the region
- The possibility of their implementation in 12-36 months
- Proper project management and governance arrangements



## Examples of Afghanistan-centered regional projects under RECCA and the associated investment opportunities



# TAPI Gas Pipeline Project

- The Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project is aimed at transferring up to 33 billion cubic meters (bcm) of natural gas per year through an approximately 1,800-kilometer (km) pipeline from Turkmenistan (144 km) to Pakistan (800 km) and India (90 km) through Afghanistan (735 km).
- **Budget and Funding:** USD 10 billion for the pipeline and 15 billion for the gas field. Investment road shows are being planned
- **Institutional Partners:** TAPI Pipeline Company Ltd, Turkmenistan, Afghanistan, Pakistan, India, Japan, ADB and a consortium of various companies.



# CASA 1000

- ❑ **The CASA 1000 project** is aimed at transferring 1000 MW of power from Tajikistan and the Kyrgyz Republic to Pakistan via Afghanistan and additional 300 MW to Afghanistan.
- Expected to begin providing energy by early 2019.
- **Budget and Funding:** USD 1.2 billion. Efforts are underway to transform CASA-1000 into a sustainable energy-based Public-Private Partnership Project.
- **Institutional Partners:** Afghanistan, the Kyrgyz Republic, Tajikistan, Pakistan, WB, IDB, the European Investment Bank and USAID



## Other energy-related projects

- ❑ **TAP 500-KV**
  - Turkmenistan-Afghanistan-Pakistan 500-kv Line Project seeks to export year round power to Afghanistan and Pakistan by 2020.
  - **Budget and Funding:** Feasibility work is still required
  - **Institutional Partners:** Turkmenistan, Afghanistan, Pakistan and ADB.
  - Expected to be financed from both public and private sources.
- ❑ **Afghanistan-Tajikistan Gas Pipeline**
  - The pipeline would traverse 92 km in Afghanistan and 138 km in Tajikistan.
  - Given the significant proven natural gas deposits in Afghanistan's Amudarya region, the potential exists to export to Tajikistan upwards of 1.2 billion cubic meters of gas annually.
  - The possible extension of this to China (from Turkmenistan)
  - **Institutional partners:** Afghanistan and Tajikistan and possibly Turkmenistan.
  - **Budget and Funding:** USD 110 million (further feasibility work required)
  - ❑ Formation of a possible regional public-private consortium of investors.
  - ❑ Efforts will be made to convene investment road shows to mobilize financial capital for the project.



# Transport Networks & Trade and Transit facilitation

## Hard and Soft Infrastructure



- The success of regional economic integration including between Central Asia and South Asia will be dependent, among others, on trade liberalization as well as trade and transit facilitation efforts in all countries involved including Afghanistan.
- Cross-border physical infrastructure development in the areas of transport and energy has to be accompanied by the development of soft infrastructure required for regional integration including improved regulatory regimes and border clearance procedures as well as policy integration and coordination which can further reduce the costs of trade.
- Improving transport and logistics facilities also remains important

# The Five Nations Railway Corridor

- **The Five Nations Railway Corridor** would traverse a total distance of 2100 kilometers, Connecting China to Iran through the Kyrgyz Republic, Tajikistan and Afghanistan (1148 km).
- **Budget & Funding:** Current project estimates exceed USD 2 billion.
- Discussions will be held with potential financing partners from both the public and private sectors for the Afghan segment.
- **Institutional Partners:** China, the Kyrgyz Republic, Tajikistan, Afghanistan, Iran, ADB, WB, US



# Lapis-Lazuli Corridor

- **The Lapis-Lazuli Transit, Trade & Transport Route** (also known as the Lapis-Lazuli Corridor) aims to enhance regional economic cooperation and connectivity between the countries of Afghanistan, Turkmenistan, Azerbaijan, Georgia and Turkey including through improving transport infrastructure and procedures (road, rail and sea), a new custom integration procedure and also multi-modal land ports.
- **The Lapis-Lazuli Agreement** has been finalized and will be soon signed in Kabul.
- **Budget and Funding:** Current project estimates exceed USD 2 billion.



# The International Transport and Transit Corridor

- ❑ **The International Transport and Transit Corridor** (also known as the Chabahar Agreement) aimed at creating a reliable transport corridor for the smooth transport and transit of goods and services through Chabahar Port between Afghanistan, Iran and India.
- The Chabahar Agreement was signed in May 2016 by relevant ministers of the three countries.
- The agreement is aiming to 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 transit of goods and passengers.
- A number of Afghan companies have already been introduced to the Chabahar Free Trade Industrial Zone.
- **Budget and Funding:** Feasibility studies are underway
- ❑ **Institutional Partners:** Afghanistan, Iran and India

# One belt One Road (OBOR) Initiative and Afghanistan

- OBOR is a proposed regional economic cooperation framework by China which focuses on connectivity between China and the rest of Eurasia.
- An MoU was signed between the Ministers of Foreign Affairs of China and Afghanistan in May 2016.
- In September 2016, the first cargo train arrived from china to Afghanistan after 14 days passing through Kazakhstan and Uzbekistan.
- In March 2017, Afghanistan's application to join the Asian Infrastructure Investment Bank was approved.





# Special Economic Zones, Multimodal Transport and Logistics Facilities

- ❑ **The Special Economic Zones/Multimodal Transport and Logistics Facilities** will facilitate increased trade and transit along regional corridors that pass through Afghanistan.
- ❑ Multimodal Transport and Logistics Facilities will address the fragmentation of supply chains, poor logistic services, and low levels of connectivity within the wider region.
- ❑ These facilities and services include inland cargo terminal, temporary storage of containers, customs clearance, cold storage etc.
- ❑ **Possible locations:** Kabul, Jalalabad, Mazar-e Sharif, Herat, Aqina, Torghundi and Zaranj.
- ❑ **Budget & Funding:** Feasibility study is required.
- ❑ Dubai's DP World has expressed an interest in developing some of the dry ports in Afghanistan.
- ❑ Efforts are underway to form a public-private partnership for development and operation of few dry ports.

## The Enhancing Regional Business-to-Business Partnerships Initiative

- The initiative aims to improve regional economic cooperation through:
  - Connecting businesses across the region and beyond,
  - Fostering a range of business support, regional trade and investment promotion activities,
  - Laying the foundation for joint ventures and other kinds of B2B partnerships,
  - Fostering foreign direct investment in Afghanistan and the wider region,
- MoUs between ACCI and many chambers of commerce in the region forms the basis for regional B2B coordination and support.
  - Bringing together commercial and industrial private sector partners from across the region to forge strategic partnerships
  - Efforts to convene investment road shows across the region to encourage innovative public-private-partnerships and direct foreign investment in the RECCA regional cooperation and investment projects.

# Conclusion

- Infrastructure development in Afghanistan as LLDC has implications for both economic development in the country and regional and inter-regional trade and connectivity.
- Afghanistan's centrality as a regional land bridge and as a connecting hub in the Eurasian continental trade networks offers many economic cooperation opportunities which can be exemplified by the ongoing and planned Afghanistan-centered regional projects in key areas of energy, transport, trade and transit. There are many investment opportunities associated with these regional projects with a high rate of return on investment.
- Prioritization and sequencing of Afghanistan-centered regional infrastructure projects remain essential. Model bankable projects must be developed for replication across a number of key sectors including for example, power generation and multi modal inland ports.
- There is need to further strengthen synergy and complementary between RECCA and other regional cooperation platforms in the wider region with a view to avoid or minimize duplication with respect to Afghanistan-centered regional infrastructure projects .