



Islamic Republic of Afghanistan
Afghanistan National Development Strategy

DRAFT
REGIONAL COOPERATION STRATEGY
FOR
AFGHANISTAN NATIONAL DEVELOPMENT STRATEGY
(WITH FOCUS ON PRIORITIZATION)

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(This is part of the Afghanistan National Development Strategy (ANDS), Chapter of ?? and has been developed within the Regional Cooperation Working Group).

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ABBREVIATIONS

AAPP	Association of Asian Parliaments for Peace
ADB	Asian Development Bank
ANDS	Afghanistan National Development Strategy
ASEAN	Association of South East Asian Nations
ASYCUDA	Automated System for Custom Data
BMI	Border Management Initiative
BMC	Border Management Commission
BMTF	Border Management Task Force
CAREC	Central Asian Regional Economic Cooperation
CARICC	Central Asian Regional Information Coordination Center
CCCG	Cross Cutting Consultative Group
CIS	Commonwealth of Independent States
CSATTF	Central and South Asia Transport and Trade Forum
ECO	Economic Cooperation Organization
ECOTA	Economic Cooperation Organization Trade Agreement
ECT	Energy Charter Treaty
EPAA	Export Promotion Agency of Afghanistan
ICD	Inland Customs Depots
ICT	Information Communication Technology
OSCE	Organization for Security and Cooperation in Europe
PAG	Policy Action Group
PBCP	Priority Border Crossing Points
PPA	Power Purchase Agreement
PRDP	Pro-active Regional Diplomacy Program
RECC	Regional Economic Cooperation Conference
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asia Free Trade Area
SCO	Shanghai Cooperation Organization
SPECA	Special Program for the Economies of Central Asia
TIR	International Road Transit
UNDP	United Nations Development Program
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development
WB	World Bank
WG	Working Group
WTO	World Trade Organization

I EXECUTIVE SUMMARY

II INTRODUCTION

Since late 2001, Afghanistan has been working on rebuilding a secure environment for its people and at the same time, endeavoring to restore stability in the region and to re-establish a “Modern Silk Road”. The hope for this new Silk Road is that it will enable—for the first time in hundreds of years—the potential for significant and sustained prosperity and stability for the entire region to be concretely attained.

Thus Afghanistan today embodies this very hope and is vitally central to its achievement. It connects Central Asia with South Asia, allows China and the Far East to further re-engage with the Middle-East and Europe, and finally, offers new optimism for India, Pakistan and Iran to ultimately pursue mutual interests and engender growth and stability via the emergence of new trade routes.

During 1978-2001 most of Afghanistan’s troubles originated from the then geopolitical dynamics of the surrounding regions. In late 2001, the international war on terrorism provided an opportunity for Afghanistan to seek assistance from countries beyond the region and international organizations.

After the initial stabilization period, it was clear that regional cooperation was needed to establish the long-term sustainability of what had been gained. It was important to ensure that all of Afghanistan’s neighbors have developed common stakes in the success of the process, with mutual confidence in each others’ commitment to it.

In order to leverage its geo-strategic location and express its readiness for meaningful regional cooperation based on the above ideals, in December 2002, Afghanistan hosted the Good Neighborly Relations Conference in Kabul. At the conclusion of the conference, Afghanistan and its six neighbors signed the historic “Kabul Declaration on Good Neighborly Relations”, in which they reaffirmed their commitment to constructive and supportive bilateral relationships based on the principles of territorial integrity, mutual respect, friendly relations, cooperation and non-interference in the internal affairs of one another (see Annex B). Later, Afghanistan hosted the first Regional Economic Cooperation Conference (RECC) on 4-5 December 2005. The Conference, attended by eleven regional countries, launched an Afghan-led regional cooperation process. Under the process, each year a Regional Economic Cooperation Conference on Afghanistan will take place in one of the capitals of the region (for RECC Kabul and Delhi Declarations see Annex B).

As an arid, landlocked country, Afghanistan cannot develop without access to regional and international markets. The stabilization and reconstruction of Afghanistan, the gradual opening of its borders, and better security in certain parts of the country have opened new opportunities for the country to become once again a land bridge connecting its surrounding regions. At the same time, it has provided an extraordinary opportunity for the region and the world at large. Afghanistan’s strategic and central location makes it the essential fulcrum for seeking closer cooperation and expanding trade throughout the region.

Promoting regional cooperation is a vital principle of the *Afghanistan Compact*. Also, as a cross-cutting theme, it is among the highest priorities set forth in the *Afghanistan National Development Strategy* (ANDS).

Reducing barriers to investment and trade, including impediments to the movement of goods and people throughout the region, is vital to promoting regional economic integration. Reflecting these goals, the specific benchmark focusing on increasing regional cooperation in the Compact states:

By end-2010: Afghanistan and its neighbors will achieve lower transit times through Afghanistan by means of cooperative border management and other multilateral or bilateral trade and transit agreements; Afghanistan will increase the amount of electricity available through bilateral power purchase agreements; and Afghanistan, its neighbors and countries in the region will reach agreements to enable Afghanistan to import skilled labor, and to enable Afghans to seek work in the region and send remittances home.

Regional cooperation in counter-narcotics is another important benchmark of the Compact, as it states:

By 20 March 2011, the Government and neighboring and regional governments will work together to increase coordination and mutual sharing of intelligence, with the goal of an increase in the seizure and destruction of drugs being smuggled across Afghanistan's borders and effective action against drug traffickers.

Political and economic progress has been made at the regional level, as marked by a series of regional cooperation conferences, declarations and agreements. Afghanistan has been transformed from a country under international sanctions and excluded from international political and economic affairs to one that now enjoys official relations with most countries of the world. Regional countries have recognized the need to reduce the logistical costs of trade and the fact that improvements in trade and transport facilitation, including coordination in customs and border management procedures, is essential to increased regional trade and transit and economic prosperity.¹ Most of the regional countries and international partners are also increasingly cooperating on security issues, including border management and anti-drug trafficking.

III CONTEXT: EXPLANATION OF THE CURRENT STATE OF REGIONAL COOPERATION

Challenges

Geopolitical dynamics. The confluence of the regions which Afghanistan lies at the nexus of has historically been a venue of rivalry among regional and non-regional powers. This is partly because of geography, partly due to the fact that the region is rich in natural resources and partly because of Afghanistan's deficiencies in proactive regional diplomacy. Although the dynamics of rivalry have changed, they still remain a potential source of instability. The breakup of the former Soviet Union and the emergence of new economic giants and power players in the surrounding regions (China and Japan in the Far East, India in South Asia, the Russian Federation and to some extent Kazakhstan in Central Asia, and Turkey, Iran and UAE in the Middle East) have created new challenges and opportunities for regional cooperation. The war on terrorism and the presence of international forces in Afghanistan has added a new dimension to the coordination of regional interests. [Explain

¹ For instance, the *Kabul Declaration of Good Neighborly Relations* of December 2002, and a declaration in Dubai in 1382 (September 2003) to encourage trade, transit and investment cooperation, the *Bishkek Declaration* of 1383 (2004), various agreements under the *Central and South Asia Transport and Trade Forum (CSATTF)* initiative of ADB. There also various existing transit-trade agreements under the umbrella of the Economic Cooperation Organization (ECO).

geopolitical importance of the region as viewed by the international community]. In its policy behavior, Afghanistan has to take the historical and new geopolitical dynamics into consideration, with a need to balance various interests and forces, and turn its location into an asset for all.

Drug trafficking, human trafficking, and money laundering exist in troubling proportions across the region and undermine confidence, governance and stability. According to Afghanistan Opium Survey 2007 of UNODC, by August 2007 Afghanistan produced 8,200 tons of opium (34% more than 2006), becoming practically the exclusive supplier of the world's deadliest drug (93% of the global opiates market). Increasing stockpiling and lucrative international markets continue to keep the flow of production and trafficking high. The influx of international mafia's huge sums of money into Afghanistan, together with imported precursor chemicals, encourages farmers to grow poppies and turn it into a highly profitable business. The bulk of drugs produced in Afghanistan have been trafficked by the regional and international mafia through the neighboring countries to the world markets. Among some of the neighboring countries there is a fear that opening borders, easing visa regulations, and improving transport corridors could facilitate illegal cross-border traffic and insecurity.

All neighbors of Afghanistan now have major drug problems as a result of large influxes of Afghan heroin, taxing their law enforcement capabilities. Further, the Afghan drug trade corrupts bordering countries' political systems with large amounts of narco-money. To combat this problem, most neighboring countries, with assistance from the donor community, have programs that help to interdict narcotics and improve their law enforcement and prosecution capabilities. The newly-formed Central Asian Regional Information Coordination Center (CARICC) also helps combat trafficking throughout Central Asia by acting as an information sharing venue for all intelligence and law enforcement agencies operating in the area.¹

Afghanistan should identify useful ways to engage resources, expertise, and assistance to counter the drug-related transit in and out of Afghanistan. The CARICC is a potential building block for enhancing law-enforcement cooperation beyond the sharing of information.

Informal migration

The scale of informal migration, particularly from Afghanistan to Pakistan and Iran, has presented its own set of political problems, and the current deportation policy of the Government of the Islamic Republic of Iran is testament to this. The problem is exacerbated by the size and length of stay of the Afghan Diasporas in Iran and Pakistan, with both governments keen to reduce their size. However, the dynamics of transnational households that are prevalent in this region means that a large proportion of the Afghan populations in this region conduct their family and economic lives across these borders, and proposed solutions targeting irregular migration should take this into account.

More generally, security constraints and especially perceived security issues are a hindrance to regional cooperation. The deterioration of security in south and south-east Afghanistan in 2006-2007 has had a negative impact on the construction progress of major highways, including the national ring road and potential regional energy projects. For example the work of Japanese funded 120km Kandahar-Hirat segment of the National Ring Road is currently on hold because of regular attacks on the workers.

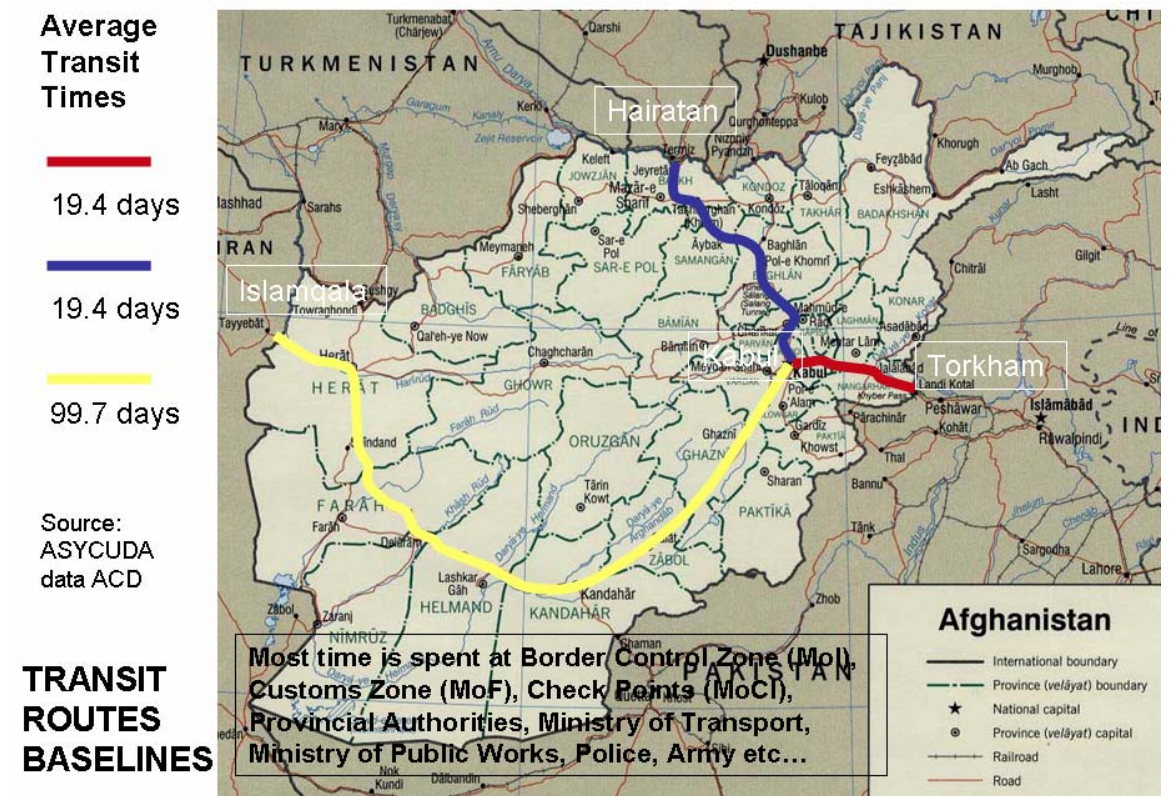
¹ *US Counter-narcotics Strategy for Afghanistan, August 2007, Compiled by the Coordinator for Counter narcotics and Justice Reform in Afghanistan Ambassador Thomas A. Schweich, U.S. Department of State*

Some of the neighboring countries have restrictive trade policies. While Afghanistan now has a liberal trade regime, some of its neighbors have more restrictive trade policies. Complicated visa procedures also impede trade.

Regional cooperation and confidence-building requires patience, continuity and persistent efforts. A perception exists that benefits from regional projects do not match the efforts required to prepare them and that rewards are unequally distributed. Also, quick impact is expected from large regional projects.

Trade and transit agreements are outdated and lack monitoring mechanisms. Many existing trade and transit agreements with key trading partners need to be modernized; some have not been fully enforced, in part due to inadequate monitoring mechanisms and a lack of high level policy commitment. The lack of commercially viable power trading agreements is a constraining factor for regional power trade. Pakistan has shown readiness to review the outdated Afghanistan Trade and Transit Agreement (ATTA).

The high cost and time consuming transit trade through Afghanistan is an impediment to the development of the region. Reducing these costs would require Afghanistan to improve physical



infrastructure, including road, economic infrastructure, particularly energy for transit trade in electricity and potential oil and gas, and social and physical infrastructure required at border posts that includes simplification of border crossing procedures, and harmonization of custom duties and procedures. As of September 2007, 54% of the national ring road and its links to the neighboring countries, has been completed. This has helped reduce the transit time. In July 2007 Afghanistan reached trade and transit agreements with Uzbekistan and Turkmenistan. A transit agreement is currently being drafted between Afghanistan and Tajikistan. These agreements will help reduce the

transit time. Afghanistan has successfully started the rollout of the automated customs and data systems (ASYCUDA). This will provide substantial efficiency gains on transit, trade, anti-narcotics, anti-smuggling, data-exchange, and a host of other things. Currently ASYCUDA transit module is operational at three axis i.e. Torkham-Jalalabad-Kabul, Islamqala-Herat-Kabul, and Hairatan-Mazar-Kabul. The preliminary data collection of ASYCUDA on transit time helps establish the baselines for future performance measurement and identification of the impediments¹.

The lack of institutional and human resources limits the government's ability to coordinate and initiate regional initiatives and to enter or encourage private-public partnerships. There is also limited leadership and capacity in the various government agencies to negotiate, implement and monitor Afghanistan's various treaty obligations. Many agreements have been signed but because of the lack of follow-up and implementation capacity most of them have remained on the shelves. This has caused frustration among the ordinary people and the regional partners. The achievement of regional cooperation benchmarks requires considerable coordination between relevant ministries. Roles and responsibilities need to be clarified and commitment to individual tasks demonstrated.

The private sector faces a lack of information about opportunities for trade and investment at the regional level. Businesses also do not have a regional platform to exploit cross-border trade and investment opportunities. This is compounded by weak trade support infrastructure at the national level and the absence of an effective regional trade support institution.

The ***lack of effective civil aviation links, and remaining gaps in road infrastructure***, and the high cost of travel result in difficulties for business travelers and transit traffic. Visa processes by both; Afghanistan and regional countries are lengthy and require urgent attention. New Delhi Declaration (18-19 Nov 2006) calls for aviation liberalization for greater regional connectivity.

Donor interest in regional cooperation has been increasing in the recent time. The First Regional Economic Cooperation Conference, held in Kabul on 4-5 December 2005, was co-chaired by the G8 presidency United Kingdom and enjoyed the strong support of the donor community. The World Bank, the ADB, USA and some of the regional countries have been actively involved in an increasing number of regional projects, in particular in the energy, transport and commerce sectors. The Joint Statement by the Foreign Ministers of the G8 and the Foreign Ministers of Afghanistan and Pakistan, issued on 30 May 2007, reiterated the G8 support to regional cooperation. Since early 2006, the ADB, through a number of Technical Assistance programs, has been supporting the capacity building efforts of the Afghan Government for regional cooperation. Donors have also made significant investments in human and institutional development in neighboring countries that share many of the geographical, cultural, historical and institutional characteristics of Afghanistan. The development experience and knowledge gained by Afghanistan's neighbors should be drawn upon by Afghanistan. Lately, some donors are seeking concrete ways to support Afghanistan's efforts to increase coordination and information sharing with neighboring and regional governments to increase the seizure and destruction of drugs being smuggled across Afghanistan's borders. Also, they assess opportunities to support follow up to the Pak-Afghan Peace Jirga, including through border management assistance. Despite this, compared to the enormous needs of regional projects, donor assistance has been very limited.

¹ A Transit Survey, conducted by ASYCUDA in 2006-2007, shows the average transit times for trucks as follows: 99.7 days from Islamqala to Kabul (with standard deviation of 195.2 days and coefficient of variation 195.7), 19.4 days from Hairatan to Kabul (with standard deviation of 30.4 days and coefficient of variation 157) and 19.4 days from Torkham to Kabul (with standard deviation of 42.2 days and coefficient of variation 217.6).

Regional cooperation is still a new subject in Afghanistan. Raising awareness about the scope of opportunities for regional cooperation is essential. Following the holding of the first RECC in December 2005, limited regional cooperation sections have been established within the administrative structures of some Afghan Ministries. In 2006, a Directorate for Regional Cooperation was established at the Ministry of Foreign Affairs. However, despite an ongoing successful ADB Technical Assistance program towards mainstreaming regional cooperation, human capacity of this Directorate continues to need serious attention. Ministries of Finance and Commerce have appointed Regional Economic Cooperation Advisors. Ministry of Economy's role in coordinating regional projects requires more exposure. The establishment of a Cross-cutting Consultative Group (CCCG) and a Working Group (WG) for regional cooperation, within the framework of the ANDS, has helped create platforms of dialogue and interaction between different stakeholders on regional cooperation. While the Working Group has been making steady progress, the CCCG needs strengthening. Afghan media cover occasional regional gatherings. There is very little discussion or lively debate on regional cooperation in the Afghan media. Hence, public awareness has remained very low on the subject. With some exceptions, progress in achieving visible and practical results on the ground in regional economic cooperation has been limited so far.



Afghanistan enjoys the membership and affiliation to most regional organizations

Overlap and duplication of efforts in regional cooperation is yet another problem for Afghanistan, which currently enjoys the membership of most major regional organizations. Kabul Declaration (Dec 2005) urged that stronger partnership should characterize the relationships between and among the regional organizations and programmes. It called on regional organizations to avoid overlap and duplication of effort through further coordination and rationalization. In addition to this, the regional cooperation activities of various Afghan Ministries have had many overlaps, which need improvement. Establishing parallel processes should be avoided.

Restrictions on movement of persons and mobility of labor continue to act as a barrier to regional development. There is a need to improve the people to people interactions, including through population and labor movements for a whole range of reasons, in the framework of bilateral and regional agreements between the relevant parties and emerging transnational networks so that peoples of the region can live peacefully and work towards their mutual economic betterment. This also has an important poverty alleviation dimension, as migrating for employment to neighboring countries is an important coping mechanism for poorer rural households in the face of many problems. In May 2007, the 5th JCMB meeting decided that “bilateral co-operation between the

Islamic Republics of Afghanistan and Pakistan, as well as the Islamic Republics of Afghanistan and Iran should be enhanced through both regional and bilateral frameworks to manage cross-border movements and facilitate dialogue on managing labor flows according to the Compact benchmark”

The negative impact of external tensions on regional cooperation initiatives creates obstacles to Afghanistan. For example, until recently tension in relations between Pakistan and India had blocked the land transit between Afghanistan and India. After lengthy bilateral and trilateral dialogue, Afghan goods can now reach India through land transit corridor in Pakistan. Land transit for trucks from India reaching Afghanistan is currently discussed between Pakistan and India in the realm of the Composite Dialogue. Another example is the recent agreement between Russian Federation and some of the Central Asian Republics contiguous to Afghanistan to purchase all surplus electricity and gas. Through meaningful dialogue and engagement, ways must be found to make progress in regional economic cooperation despite such geopolitical issues which are unlikely to get fully resolved soon.

In order to protect the environmental integrity of Afghanistan and the surrounding region, careful environmental analysis and studies are needed for all regional projects. Sustainability of natural resources developments to be taken into consideration. All imported goods to Afghanistan to be checked against technical and health standards. Import of low quality products to be avoided. Afghanistan being an important land bridging country needs the technical assistance of the regional countries for its environmental capacity building and public awareness campaign. Under the Afghanistan Compact, Afghanistan has already established its environmental regulatory frameworks and management services for the protection of air and water quality, waste management and pollution control. It has developed its natural resources policies. Implementation has already started at all levels of government, as well as at the community level. Now, Afghanistan needs to develop the standards for living environment, pollution and weather. It is in desperate need of specialists in these fields. Regional countries could certainly play a major role in overcoming this problem. Climate change is another environmental problem which needs the collective efforts of the regional countries. Given the proximity of Afghanistan to most countries of the region, any environmental disaster in Afghanistan will have its catastrophic impact on other countries.

Opportunities

The resources of the region can be used for the benefit of all considering that current conditions represent a unique opportunity to improve the welfare of the peoples of the region through enhanced trade, investment and joint promotion of infrastructure activities, especially in all forms of transport and energy development.

Regional power trade and energy development has significant economic potential. A recent study of the World Bank finds that “relatively smaller economies (Tajikistan, Kyrgyzstan, Nepal, Bhutan, Myanmar, Turkmenistan) and Iran have hydropower or hydrocarbon resources far in excess of their energy demand. The remaining countries (India, Pakistan, Bangladesh, Sri Lanka and Afghanistan) have energy demand growth far outstripping domestic supply and in foreseeable future the demand-supply gap would become wider unless the domestic supplies are supplemented by imports¹”. Pakistan considers electricity and piped gas imports from Central Asia as an important, cost effective, and timely component of its supply options to meet forecast demand. Afghanistan is the main route for energy trade and by consequence, the development of infrastructure in Afghanistan is the key factor in allowing the trade of energy. This is particularly important to the current energy crisis. Afghanistan is the most relevant conduit of energy trade from North to South and North East to West. In this sense, the regional partners have an interest in helping to develop Afghanistan’s infrastructure. The market development to meet Afghanistan’s energy needs is essential for the creation of secure infrastructure and a market with transit facilities through Afghanistan to

¹ World bank, *Potential and Prospect for Regional Energy Trade in the South Asia Region*, June 2007

allow development of Central Asia and South Asia energy trade. All stakeholders should continue to work on the development of north-south electricity trade which should materialize over the next decade. In doing so, all sides would benefit greatly.

Regional labor movements and remittances are an important contribution to Afghanistan's economy and development. Regional cooperation in this area can also substantially increase incomes in the region.¹ Promoting overseas employment for Afghan nationals is obviously a key challenge because it has to compete with neighboring countries that have been sending their workers abroad for employment for a long period. Much of the labor movements from Afghanistan has been, and may continue to be into neighboring countries such as Pakistan and Iran where there is limited competition from established players, and where there are already existing transnational networks of Afghan households. Thus the first priority should be for negotiating workable solutions for Afghan labor with Pakistan and Iran as envisaged in the Afghan Compact through diplomatic initiatives and in the context of border management initiatives. The continuing presence of large numbers of Afghan refugees in the two countries is a challenge in this context. Under a Consular Cooperation MOU, signed between Afghanistan and Iran in 2005 (Aqrab 1384), a joint committee was to be formed and work on reaching agreement on work force exchanges, including specialists and ordinary workers, between the two countries. Also, under a trilateral meeting between Afghanistan, Iran and UNHCR on 27 February 2006 (8/12/1385), Iran agreed to arrange the issue of possible work and residence permits for up to three years to one or two members of the returning Afghan families, that the process is going on a head. No discussion has taken place between Afghanistan and Pakistan on labor movement. Market diversification also should be attempted in the medium term reaching out to the Middle East. Efforts should be made to promote regional cooperation in this area in the form of bilateral or regional labor cooperation agreements or memoranda of understanding, which can serve the interests of employers and at the same time, provide protection to workers. Since early 2007, the Ministry of Labor, Social Affairs, Martyrs and Disabled has been planning to hold a regional conference on labor migration in Kabul. The process has been very slow and it's not clear when the conference will take place. Afghanistan certainly needs to build its capacity in this area. Regional cooperation among employers' and workers' organizations can also pave the way for ethical investment and recruitment practices

Since late 2001, the cost of hiring international consultants for the reconstruction of Afghanistan has been very high. The performance quality of some of these consultants has been low due to their unfamiliarity with Afghanistan and its surrounding regions. There is a need for greater induction of regional experts/advisors who would have greater understanding of the Afghan ground realities, as well as be more cost-effective. This requirement may best be responded to under South-South Cooperation. However, it's important that the cost need is looked at not only in absolute terms but

also in relation to the quality, value added, and results. Also, in doing so the general TA management issues need to be taken into consideration.

¹ A UNDP report, "Bringing Down Barriers: Regional Cooperation for Human Development and Human Security" estimated that there could be income increases of 50 to 100 % over the next ten years if substantial progress towards regional cooperation is made among Central Asian countries, UNDP December 2005.

A number of key regional consultative processes already exist to which Afghanistan and/or its neighbors are signatories, and it is imperative that Afghanistan engage in them, namely the *Colombo*, *Bali*, and *Athens processes*. These existing mechanisms will facilitate effective dialogue between Afghanistan, its neighbors and other receiving countries on developing labor migration mechanisms on the premise of countering irregular migration. The *Colombo Process* is facilitated by IOM and is otherwise known as the Regional Consultative Process on Overseas Employment and Contractual Labor for Countries of Origin in Asia, and brings together source countries such as Afghanistan and Pakistan with destination countries such as Italy and the UAE, all of whom are signatories.

Remittances are an invaluable source of foreign exchange and potentially an important addition to the gross domestic product at the macro-economic level. Estimates vary greatly, and may amount to several hundred million dollars. However, most remittances are made through unofficial transfer outside of the formal banking system and transferred physically in kind through the *hawala* system.

Incentivising and formalising an official cross border system of remittances will encourage remittance flows into Afghanistan from the Afghan Diaspora in the neighbouring countries. Regional economic cooperation should prioritise the removal of impediments that neighbouring countries present to the ownership of bank accounts, transfer costs and speed, and improve access to remittance and collection points abroad and domestically. Furthermore, an accessible system that encourages the transfer of funds across borders officially will make it easier to monitor and develop a strategy to curb money laundering.

An integrated approach to border management of the country's borders *allows many* of Afghanistan's domestic and regional challenges to be better addressed. Those challenges include:

- Security
- Immigration
- Trade & Transit facilitation
- Road infrastructure protection
- Public health
- Nomadic movements
- Customs revenue collection
- Counter narcotics
- Trafficking in persons
- Agricultural control
- Flow of currency

Many of these challenges are interrelated and need to be addressed holistically for maximum and efficient effect.

Donors (bi-lateral and multi-lateral) have largely been addressing these challenges on an individual, minimally-coordinated basis and focusing primarily on the security, counter narcotics, customs and trade/transit facilitation aspects. The Afghan-led Border Management Initiative (BMI) has provided a forum for the Afghan Government, donors, and implementing partner stakeholders to share information on border-related activities and achieve some degree of coordination.

To accelerate the implementation of the BMI's holistic approach, with the assistance of the USA, a Border Management Task Force (BMTF) has been put together. This provides a vehicle to use program management and subject matter expertise to focus on, enhance, and accelerate implementation of the border-related programs. It is designed to be an international team that continues to bring together all interested donors, through the Afghan led BMI Working Group, for coordination and visibility of their individual efforts. A proposal is currently before the Afghan President on the formation of a Border Management Commission (BMC) that would provide a single

point of contact for the President on border-related issues and would also establish a border-centric forum for the concerned ministries to identify and resolve cross-cutting issues.

While the BMTF helps provide the common forum for all border related activities, it is operationally focused on the Kabul customs headquarters, the 14 Priority Border Crossing Points (PBCP), 4 Inland Customs Depots (ICD) and 4 major airports. It concentrates on ensuring that the Afghans have the best opportunity to perform by addressing infrastructure, equipment and training needs, however, these three components are viewed as necessary but not sufficient. The most important component is on-the-job mentoring and supervision at all 22 sites to ensure performance actually improves.

The phenomenon of transnational households and irregular cross-border migration between Afghanistan, Pakistan and Iran is one that can be addressed by a coordinated regional migration framework which ensures the protection of regular migrants. Assisted voluntary return, where possible, is a preferred strategy. The existence of regional consultative frameworks to which Afghanistan is a signatory can facilitate discussion on joint border management strategies. Afghanistan and Iran are signatories to the *Bali Interministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime*, which promotes cooperation on border and visa systems in the Asia-Pacific region. Iran and Pakistan, but not Afghanistan, are signatories to the *Athens Process on Cooperation for Combating Illegal Migration*, and it may be useful for Afghanistan to enter this process.

Cooperation in transport sector (road, rail and air) may cut the transit time and increase trade volume and people movement between countries of the region. Diversity in natural resources and differences in economic structure among regional countries offers trade benefits. Trade linkages can be strengthened through exports to one another based on comparative advantage.¹ The completion of the national ring road of Afghanistan and its links to the neighboring countries, expected in 2009, will provide a trade and transit roundabout to all the surrounding regions. Since early 2006, Afghanistan has embarked on a railway project connecting Hirat city to the Iranian border at Sangan. 60% of the project is funded by the Iranian Government. Discussion is under way on lengthier railways in Afghanistan. These discussions require careful economic cost-benefit analysis to ascertain the priority investments.

Encouraging trade requires a strong commitment to regional cooperation. Since 1380 (2001), the importance of regional cooperation to Afghanistan's reconstruction, economic development, and improved security has increased. Without the confidence and cooperation of its neighbors, Afghanistan will not be able to enjoy the stability it needs to rebuild and to reduce the threat posed by drug trafficking networks and terrorism. Local trade between Afghanistan and neighbors is very important, even if long-distance trade transiting through Afghanistan and neighbors takes longer to develop.

Export Promotion will strengthen regional integration and cooperation. To capitalize on Afghanistan's strategic location as a land-bridge in the Central and South Asia region, integrating Afghanistan's markets with the regional economies is of critical importance to the achievement of the national economic goals. Linkages with regional markets will not only promote the competitiveness of domestic industries but will also make Afghanistan a trading hub for regional markets. Afghanistan is well placed to expand its exports especially to the region. Processed agriculture goods,

¹ World Bank, *Prospects for Regional Development and Economic Cooperation in the Wider Central Asia Region (discussion draft)*, (November 25, 2005), paper prepared for the Kabul Conference on Regional Economic Cooperation, December 4-5, 2005.

natural herbs, fresh and dry fruits, semi-precious and precious stones and marble have traditionally a good reputation in the regional markets. During the late 1970s fresh and dried fruits accounted for 41% of the country's total merchandise exports. Afghanistan's exports have increased significantly in the past few years to the region from a base of 100 million USD in 2003/2004 to 450 million USD in 2006.

With the development of an effective system for international trade and transit, a large portion of future trade will capitalize on Afghanistan's location, using Afghanistan as a regional platform for export. The priorities for the immediate future will require a review of the existing regional trading arrangements with regard to their effectiveness and implementation – identifying areas in which these agreements can be strengthened.

The Ministry of Commerce and Industries has established the Export Promotion Agency of Afghanistan (EPAA) to act as the central implementing agency for export promotion policies and plans of the Government. EPAA will serve as a source of information on regional markets and promote Afghan products in the region.

In many countries of the region, in particular the Central Asian countries, the legacies of the former state-run economies, continue to have dominance of primary commodities and low value-added manufactured products in the exports. In addition, the large economies of scale achieved due to massive reliance on rail transportation coupled with the high costs of road transportation, have led to a distorted export structure. In this sense, improved transportation links via the development of road corridors to the south and energy exports to the South Asia via Afghanistan would offer alternative means of trade flows. This in turn would have important consequences in terms of achieving economic diversification for the countries in question but also to the benefit of the entire region. Without this type of economic diversification, the challenges of landlocked countries will likely continue to weigh on achieving prosperity.

Cooperation in other areas:

1. ***Economic cooperation needs cultural exchanges.*** Joint cultural performances by artists of regional countries could help increase cultural understanding and awareness among people. In the past six years, the emergence of a number of private television stations in Afghanistan and the broadcasting of some of them in the regional countries have opened up cultural exchanges and have improved the people to people ties. During 2006-2007, television viewers in Afghanistan and its neighboring countries, after decades of isolation, have watched joint musical performances between Afghan, Tajik, Uzbek, Turkmen, Pakistani and Indian artists. While the coverage of state-run Radio-Television of Afghanistan is only confined to the Afghan territory, a couple of Afghan private television stations provide satellite services to the surrounding regions. One station is also viewed in Europe and USA¹. No free to air television stations of the neighboring countries is broadcasted in Afghanistan. In September 2007 the first-ever art exhibition of the South Asian Association for Regional Cooperation (SAARC) countries was inaugurated in Kabul. Twenty-five artists from eight member countries participated in the art show which was held at the Afghan National Gallery

¹ Private Television Tolo provides TV services to the entire region on Eutelsat SESAT2, with a footprint all over Central Asia, and parts of South Asia and the Middle-East. Ariana Television provides TV services to Europe and the USA via Hotbird satellite, with a footprint over roughly 60% of the planet's landmass. (sources: Tolo and Ariana websites)

2. ***Health, Avian Flue and HIV Aids:*** Region specific strains of diseases, common environmental threats and emerging research areas of mutual interest provide sufficient ground for regional cooperation. The transformation of networks of researchers, policy makers and institutions in individual countries into formal collaborations based on institutional commitments among the regional countries and sharing of research and knowledge will effectively shape the development of health systems. For example, cooperation in prevention and containment of avian influenza epidemic and related emerging diseases will improve surveillance and epidemic preparedness based on assessed risk, both for humans and poultry populations, with outbreaks of highly pathogenic avian influenza. It will also strengthen national capacities for early detection and verification, improve capacity for risk assessment and communication, and strengthen the level of national epidemic preparedness, including in laboratory diagnostics and reducing their impacts. Similarly cooperation in combating HIV Aids will have its own advantages.
3. ***Education:*** Cooperation in education and research plays key role in the overall economic, political and social development of countries. It will provide much needed access to reputed educational institutions of higher learning in the region to Afghans and also to specific areas of research among the countries at reasonable economic costs. Special attention to be given to vocational training. In doing so, the curriculum to consider the skills needed in the employment markets of the region. The capacity of Afghan institutions, in particular Ministry of Labor, Social Affairs and Martyrs, need to be increased.
4. ***Urban Development in border areas:*** Regional Cooperation in building urban infrastructure in cross border areas helps exploit shared resources available such as energy and water. It facilitates in harmonizing cross-border rules and regulation sand learning from good institutional practices and policies.
5. ***Agriculture:*** Regional Cooperation in research, diversification and export promotion of regional goods to the global market. The 2nd RECC in Delhi decided that regional countries will develop modalities for establishment of a regional technical committee to review impediments to agricultural trade in transit and to propose solutions.
6. ***Gender is a cross cutting theme in the ANDS.*** Cooperation between various Afghan and regional women organizations will help promote gender equality and women roles in regional affairs. Channels of communication to be established among the women of the region for exchanging views and discussing the impact of regional issues on gender. Technical exchanges will increase women capacity. The formation of a regional database for women development could help serve the above purposes. Afghanistan shares religion, language, culture and ethnic groups with the region. Afghan Government to explore educational opportunities for Afghan women and girls in the surrounding regions. Afghan women business organizations could play an effective role in regional economic cooperation.
7. ***Sport:*** Sport events help bring the people of the region together. In the past few years, Afghan teams in various sport activities, through performances at regional levels, have contributed a great deal in establishing special bonds between the Afghan people and other nations in the surrounding regions. Last August, the Afghanistan Women's Soccer Team made a semi-final victory in Pakistan National Women's Championship. Last year the Afghan Cricket Team became the runner-up in the Middle East Cup and the under-15 team emerged runner-up in the Asia Cup in Dubai in 2005.

Advocating the centrality of Afghanistan to the economic growth and prosperity of the surrounding regions

Afghanistan's central location allows it to act as a pivotal point for facilitating greater cooperation across the surrounding regions.

At one time this region, with the territory that is now Afghanistan as its focal point, stood at the very center of the world economy, epitomized by the *Silk Road* which served as one of the main trade links between East and West.

Starting in the late 19th century and cemented by the "Iron Curtain" after the formation of the Soviet Union, the north-south divide between Central Asia and South Asia hardened and became entrenched as one of the world's major geopolitical barriers. Later, during the 23 years of Afghan turmoil and insecurity (1978-2001), there was very little interaction between Central Asia and South Asia. Communication between the surrounding regions of the country suffered immensely. The tragic events of the past few decades also revealed how damaging can be the interaction of Afghanistan's instability with regional competition for political influence.

Currently, Afghanistan's centrality is a significant asset to most regional political, security and economic processes. The economic integration of the CIS countries with the emerging markets of South Asia is well ensured by creating transit routes through Afghanistan. But for the country to play its part effectively, Afghanistan needs the support of the key international players, namely the US, EU, and the big economies of South Asia and the Far East.

Under the New Delhi Declaration (18-19 November 2006), Afghanistan's development will remain a central factor in assuring the growth, stability, and prosperity of the region. Countries of the region will take practical steps in adopting the necessary policies in this direction.

Pro-active regional diplomacy vs. status quo and reactive diplomacy

Afghanistan's *inner* and *outer* regions are also highly diverse. The constituent states have often taken, for national and regional reasons or in reaction to wider international events, diverse stands at different times, to most of which Afghanistan has simply reacted. Given its limited resources and capacities, Afghanistan has generally been unable to present regional initiatives of its own. The December 2002 Kabul gathering on Good Neighborly Relations, the December 2005 Regional Economic Cooperation Conference, held in Kabul, and its subsequent follow up conferences, and the more recent Pak-Afghan Regional Peace Jirga, held in Kabul on 9-12 August 2007, are rare regional initiatives that Afghanistan has been able to institute in its modern history.

While diplomatic relations have advanced to some extent, data gathering, research, analysis, policy making and developing strategic visions have always remained poor. The limited policy and strategy that have been developed since Afghan independence in 1919 have been in a piecemeal fashion and lacked sustainability. Too often, a change of government or senior officials has created a new starting point for everything, including the foreign policy of the country.

Today, Afghanistan, with its complex regional and international relations, strives to have a multi-pronged Pro-active Regional Diplomacy Program (PRDP), underpinned by continuity and sustainability. The PRDP will be tasked with the promotion of regional confidence building, meaningful dialogue and engagement. It will encompass security, political, economic and social aspects. Under the PRDP, the Government, through relevant Ministries, will commit adequate human and technical resources towards the regional cooperation capacity building program,

including the mobilization of the Afghan Missions in the regional countries (see Program for Regional Cooperation Capacity Building)

Development- Main Axis of Regional Cooperation

For too long, regional economic cooperation and integration have been victims of political tensions and insecurity. There is no doubt that economic development is inexorably linked to a secure and stable political environment as essential to attracting investment and developing a country's human and natural resource potential. Afghanistan, with the assistance of the international community, has been working hard to address its security concerns. Its efforts have included reforming and restructuring the army and police forces, and setting up the *Policy Action Group* (PAG) – a temporary crisis management group for the four provinces in the south, involving actions in the fields of political engagement, diplomacy, security, development, communication and social issues.

Improving governance, justice and the rule of law continue to remain a central focus of Afghanistan's reform efforts. Genuine security, however, cannot be provided by military means alone. It can be achieved only when there is adequate and sustainable economic growth that responds to the specific needs of those most vulnerable to poverty. Regional economic cooperation will facilitate this. As the recent history has demonstrated, it is in the interest of the entire region to ensure that Afghanistan succeeds in its difficult task of political and economic transformation. The Declaration of the cross-border Pak-Afghan Regional Peace Jirga, 9-12 August 2007, recommends further expansion of economic, social, and cultural relations between the two countries. It identifies the implementation of infrastructure, economic and social sector projects in the affected areas (in south-east) as a key part of bringing security to the country. Specific priorities at the Peace Jirga were expediting the clearance of transit goods between the two countries, involving Afghanistan into Pakistan's energy and trading corridors, studying the feasibility for extending a railroad from Peshawar to Jalalabad, issuing visas for traders and businessmen, expediting the setting up of a joint chamber of commerce, and cooperating in identifying Reconstruction Opportunity Zones (for Peace Jirga Declaration see Annex B). [Explain follow up mechanisms]

While some tensions continue to strain regional relations, Afghanistan hopes that the potential benefits of greater regional economic cooperation and integration will provide further incentives to overcome these tensions. Afghanistan will give top priority to regional development projects as the best means to shape the political course of events in the region.

Working through regional and sub-regional organizations

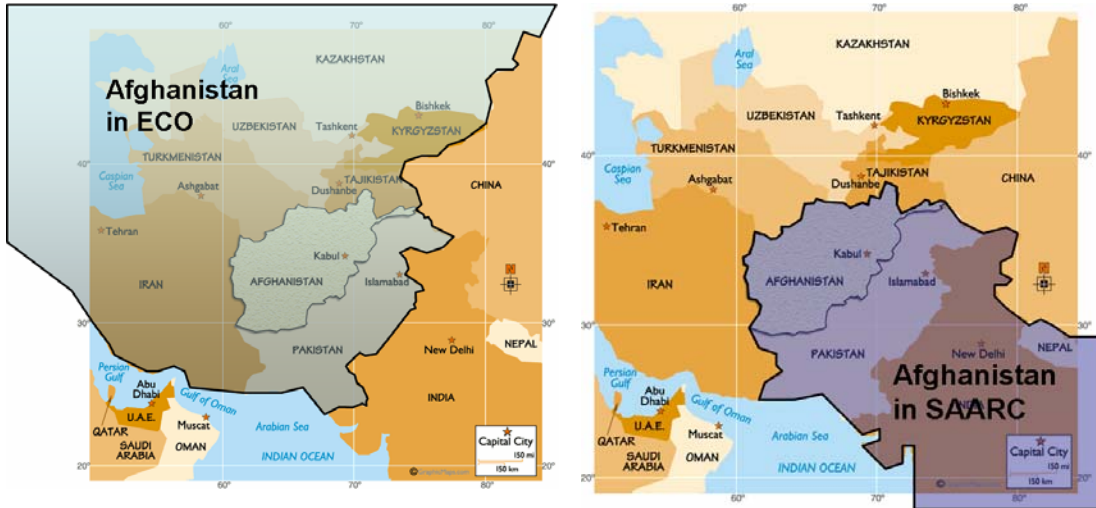
(Final draft to reflect detailed strategy for each regional organization)

From late 2001, Afghanistan has adopted a policy of joining as many effective regional groupings as possible. The country is now the only one enjoying the membership or affiliation of all the major regional economic groupings of the surrounding regions. At the same time, most regional groupings have found it necessary to have Afghanistan as a member, in order to become more functional.

In addition to Afghanistan's ongoing efforts to accede to the World Trade Organization (WTO), the Afghan Government is also actively pursuing the expansion of bilateral and regional trade agreements with the countries of the region.

Afghanistan is an active member of the *Economic Cooperation Organization* (ECO), which promotes regional trade liberalization and integration. In early 2005, a preferential trade agreement – the *ECO Trade Agreement* (ECOTA) – was signed with the aim of reducing intra-ECO tariffs, non-tariff barriers, and other trade-related charges. During the 9th ECO Summit in Baku (5 May 2006),

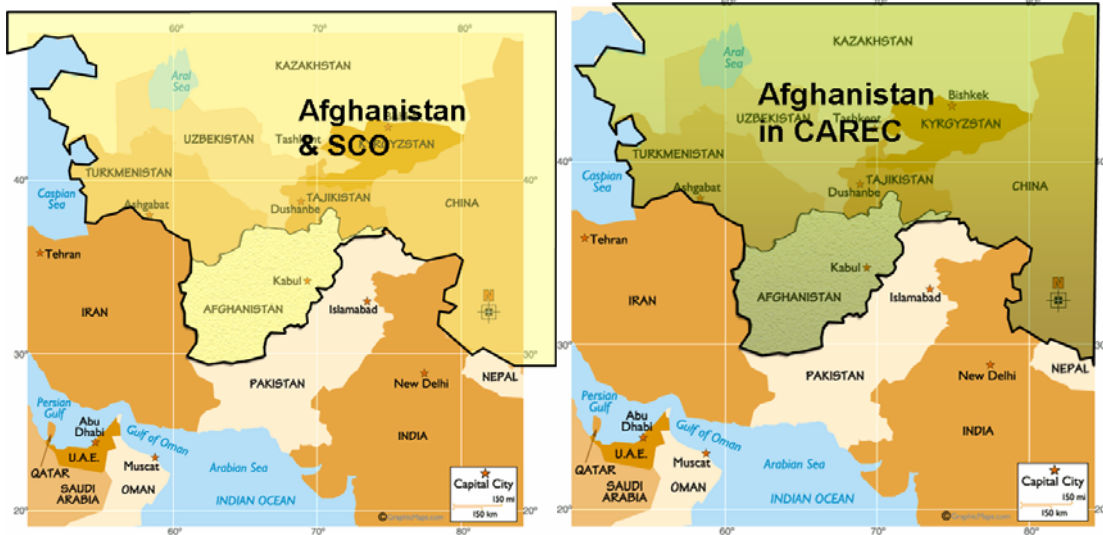
Afghanistan agreed to host the 17th Council of Ministers Meeting. The meeting is now envisaged to take place in October 2007 in the historic City of Hirat. ECO has established a Special Fund for the reconstruction of Afghanistan. Under this fund a Public Park, with a regional cooperation theme is currently being built in Kabul.



While Afghanistan already has in place bilateral trade agreements with India and Pakistan, the two largest members of the *South Asia Association for Regional Cooperation* (SAARC), there is considerable scope to increase trade with South Asia. Afghanistan became a full member of SAARC in April 2007. It is now looking to the economic benefits from participating in the *South Asia Free Trade Area's* (SAFTA) in terms of phased reduction and eventual elimination of intra-SAARC tariff rates for a substantial number of goods.

Afghanistan is also a full member of the *Central Asian Regional Economic Cooperation* (CAREC) program, which seeks to promote increased coordination in customs, energy, trade facilitation, and trade policy. In order to promote trade and transport facilitation, Afghanistan became one of the six founding members of Central and South Asia Transport and Trade Forum (CSATTF) in 2003. The Forum, established with assistance from the Asian Development Bank, endeavors to strengthen linkages to create opportunities for sustained economic growth, peace and prosperity.

Since November 2005, Afghanistan has been serving on the Contact Group of the *Shanghai Cooperation Organization* (SCO). In accordance with the protocol, the Contact Group between SCO and Afghanistan is established with the purpose of elaborating proposals and recommendations on realization of cooperation between the SCO and Afghanistan on issues of mutual interest. Afghanistan's engagement with SCO will help mutual economic growth and security. Bishkek Declaration of SCO 16 August 2007 Summit states that "the activity of the SCO-Afghanistan Contact Group will intensify".



In April 2003, Afghanistan became a Partner of the Organization for Security and Cooperation in Europe (OSCE). This is an important development as Afghanistan shares border with three Central Asian member-states of the OSCE. In September 2005, in response to the request of the Afghan Government, the OSCE sent an election support team to the National Assembly and Provincial Council elections in Afghanistan.

Afghanistan also attended the Special session of the Regional Advisory Committee of the United Nations Programme for the Economies of Central Asia (SPECA), held in Astana on 27 May 2005.

Afghanistan is also a signatory to a number of regional consultative processes that focus on developing frameworks to manage migration. The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime is an inter-ministerial process that began in 2002 and spans Turkey to New Zealand, has 36 member states as well as international organizations such as IOM and UNHCR. The Colombo Process was established in 2003 and is an IOM led process that aims to promote dialogue and cooperation at the ministerial level, between destination and source countries on issues related to labor migration.

Beyond these, Afghanistan profoundly believes in the invigoration of regional legal, social, cultural and scientific bodies. In November 2006, Afghanistan applied for the permanent membership of the Association of Asian Parliaments for Peace (AAPP). Currently, Afghanistan is an observer to this Association. The joint celebration of 800th anniversary of the birth of philosopher and poet Maulana Jalaluddin Balkhi, by Afghanistan, Iran and Turkey in 2007 is a good example of regional cooperation through cultural ties. The cross-border Pak-Afghan Peace Jirga, 9-12 August 2007, was the first historic event in its kind that opened a channel of people to people dialogue. It brought together some 700 members of the parliaments, political parties, religious scholars, tribal elders, provincial councils, civil society and business community of both countries.

Furthermore, Afghanistan has reached many bilateral and multilateral agreements with countries of the region. Afghanistan firmly believes that a large number of regional projects, issues and opportunities can be easily handled at bilateral discussion level. Unless and until there is a need, they shall remain at the level.

Afghanistan recognizes that most of the above mentioned regional organizations and programs are making a valuable contribution to improving the extent and scope of regional economic cooperation.

[Explain the actual impact on Afghan trade of the membership in all of these different groups and that of multilateral and bilateral agreements. How can that be quantified and improved?]

However, Afghanistan has entered some regional groupings without having a chance of conducting enough prior research and analysis on the full impact assessment of these grouping. Due to poor capacities, the Afghan membership of some of the above organizations has remained nominal only, especially with regard to membership of CAREC, Partnership in OSCE and contact with SCO. On the other hand the overlap and duplication efforts of various regional organizations have taken their tolls on Afghan Government. Afghanistan has been unable to cater for the needs of its increasing regional engagement. It will, therefore, continue to strengthen political cooperation and honor membership commitments in regional and international organizations, through increased capacity building and more meaningful engagement. In this endeavor, it will seek the understanding and cooperation of the regional organizations.

Parallel to the above, Afghanistan will work out the prioritization of its engagement with these organizations. Some of these organizations are very important and Afghanistan should focus on an active engagement with them, whereas others may be less important for Afghanistan directly and hence, given the limited capacity, major efforts need not to be devoted to them.

Migration and Refugees

Between 1978 and 2001, more than six million Afghans were forced to leave the country and seek refuge mainly in the neighboring countries. While large numbers of Afghans have now returned voluntarily to their homes, others remain in neighboring countries. The situation of those remaining in the host countries remains precarious, and some are being repatriated, which requires sensitive and delicate negotiations with the host countries in the spirit of regional cooperation. Their voluntary return will depend upon a range of factors, including the restoration of security in the parts of Afghanistan from which they originate, and the generation of economic opportunities to provide them with livelihoods upon their return. High unemployment rate in Afghanistan is another challenge to the returnees. In the past few years, a good number of returnees have gone back to the neighboring countries after failing to find employment inside Afghanistan. The enhanced economic integration of Afghanistan with its region can facilitate the development of new opportunities, of which returning refugees can be amongst the beneficiaries.

An Afghan inter-ministerial consultative committee, comprising of Ministries of Foreign Affairs, Refugees and Repatriation, Public Health, Labor and Social Affairs, Finance, Urban Development, Education and Agriculture, and Directorates of National Security and Disaster Preparation, has already been formed to handle the immediate, medium and long term needs of the Afghan refugees. The Committee shall work on the gradual and voluntary return agreements, based on the absorption capacities of Afghanistan. The Committee, with cooperation from relevant international organizations and donor community, will provide employment for the returnees.

Turning to the future, a shift will need to be made in mind-set and conceptual framework as well as concrete policies inside Afghanistan and in countries of the region from a refugee orientation toward economically-motivated flows of labor and the need for well-functioning regional labor markets. The exchange of skilled labor is a possibility that should be explored as a welcome step.¹

¹ The assessment of Afghan labor skills in Iran and Pakistan may facilitate future labor agreements. IOM's RQA programme also facilitates the return of skilled Afghans to Afghanistan.

REGIONAL COOPERATION - A CROSS-CUTTING THEME IN THE ANDS

The Government of Afghanistan is focused on ensuring that regional aspects are integrated into its relevant policies and programs, particularly in the areas of trade and transit, water and energy development, infrastructure investments, environmental protection, border management and security.

Build institutional and human capacities for regional cooperation.

Coordination among various Government agencies on regional cooperation issues will be strengthened through the establishment of effective coordinating mechanisms at policy (ministerial) and technical levels. Particular emphasis will be placed on: strengthening national focal points for regional economic cooperation; establishing clear channels of communication among government agencies and the business community; and capacity-building for negotiating, implementing, and monitoring the implementation of agreements.

Cooperation with regional and international partners and drawing on regional expertise, twinning arrangements, and information exchange and research networks will be important to the success of these areas.

The Government will also seek to strengthen the capacity of relevant ministries to coordinate, and jointly plan and implement projects and initiatives of regional significance and to mobilize the technical and financial resources necessary for the implementation of its initiatives.

Afghanistan will pursue the recommendation of the Second Regional Economic Cooperation Conference, held in Delhi on 18-19 November 2006, on the creation of a Center for Regional Cooperation based in Kabul. This Center is to be dedicated to an in-depth and rigorous pursuit of authoritative, constructive, practical and specific initiatives for regional development.

Plan of Action for Regional Cooperation

As a central objective of the ANDS and as part of the planned follow-up activities within the process of Regional Economic Cooperation Conferences, the Government will also develop annual plans of action, including sequencing and prioritization of regional cooperation initiatives within priority sectors. The plans of action will be prepared in the spirit of this Strategy and in consultation with neighboring countries, development partners, experts on regional development issues, and the private sector. Implementation solutions should be developed at political and technical levels, and be prioritized, which should be enforced through suitable mechanisms. These plans will be presented to the JCMB meetings with proposed actions and decisions.

3. ***Desired outcomes:*** provides desired short term (up to two years) and medium-term (five years) **overall outcomes** as result of implementation of the priority regional cooperation policies.
 1. ***Enhanced*** regional cooperation provides Afghanistan an opportunity to connect land locked energy rich Central Asia with warm water ports in Iran and energy deficient South Asia. As a result of this Afghanistan also benefits and would be able to meet part of its energy demand.

2. ***As a transit country*** Afghanistan will realize substantial revenue through transit fees, as well as enhanced economic activity [estimate potential volumes and goals] thereby enabling it to meet its main development challenges, including poverty reduction and achieving the Millennium Development Goals.
 3. ***It will facilitate liberalization of the Afghan economy***, remove impediments and lower trade barriers towards a freer and enhanced flow of goods, services, investment, and technology.....
 4. ***Regional cooperation facilitates harmonization*** of standards and regulations to enhance cross border initiatives like trade and investment for equitable exploitation of common resources of hydro power or hydrocarbons, infrastructure development, and social development.....[Explain what are the specific barriers that exist and what is the mechanism through which regional cooperation will reduce them (e.g., will there be commissions or meetings)?]
 5. ***Improving border management and customs*** cooperation at regional level increases security and helps to fight organized cross-border crime such as trafficking in arms and drugs.
 6. ***Improving women’s access*** to wider political and economical participation at national and regional levels
4. ***Inputs & Outputs***
- [***Programs***: list and explain the most important programs to support implementation of the regional cooperation vision, **policy priorities** and achievement of the desired outcomes. The programs need to be consist of most important (a) **policy actions/measures** (e.g. institutional building, regulation and legislative activities) and (b) **projects.**]

The Government priorities in regional cooperation are as follows:

- 1- Building the capacity of relevant Ministries and other agencies to cater the needs of the Regional Cooperation Strategy.
2. Meeting the targets of the Regional Cooperation benchmarks in the Afghanistan Compact. This will require special focus on Trade & Transit, Energy, Labor and Counter Narcotics sectors.
3. Other priority sectors include Transport, Mining, Communication, agriculture and Health.

For an inventory of key regional projects, issues and opportunities in each sector see Annex A. Also, for priority projects see the ANDS sector strategies.

Program for Regional Cooperation Capacity Building

The Afghan Government will develop its regional cooperation capacity with a comprehensive program to be implemented in the next five years. The Program will involve training relevant Afghan officials, establishing an Inter-ministerial Commission for the mainstreaming and coordination of regional cooperation, clearly defining the roles of Afghan Ministries, private sector and civil society in regional cooperation, introducing necessary administrative restructuring in some key sector

Ministries, developing a Proactive Regional Diplomacy Program (PRDP) and vigorously pursuing the RECC process and JCMB actions and decisions.

Training:

Under the program, relevant Afghan ministries, national private sector representative bodies and other relevant agencies will contribute to the formation of a potential regional cooperation focal point group. The group will be trained in different aspects of regional cooperation. After the training program, the group will form the executive backbone of the commission for the mainstreaming and coordination of regional cooperation.

- i. Phase One-a (selecting members of 1st group) to be completed by April 2007
- ii. Phase One-b (offshore training of 1st group) to be completed by June 2007
- iii. Phase Two-a (selecting members of 2nd group) to be completed by August 07
- iv. Phase Two-b (offshore training of 2nd group) to be completed by the end 07
- v. Phase Three (Kabul training) to be completed by June 2008
- vi. Phase Four and final (Kabul, possibly offshore, training) to be completed by the end of 2008

Commission for the mainstreaming and coordination of regional cooperation:

Parallel to the above training program, the Afghan Government will develop the framework for the creation of an Inter-ministerial Commission for the mainstreaming and coordination of regional cooperation. This may eventually lead to the establishment of Afghanistan Centre for Regional Cooperation (ACRC) as recommended by the Delhi RECC in November 2006. The Commission is to create the enabling environment for regional cooperation through: (a) harmonization of the laws and regulations; (b) simplification of procedures; and (c) standardization of technical means. These three tools shall work in support of both public and private sector led regional cooperation. The Commission is to be dedicated to in-depth and rigorous pursuit of authoritative, constructive, practical and specific initiatives for regional development. It shall be operational by mid 2008. This Commission will be responsible for the follow-up of RECCs declarations and recommendations, updating and implementation of the ANDS Regional Cooperation Strategy, JCMB actions and decisions, regional projects rationalization and coordination, launching public awareness campaign on regional cooperation etc...

Defining roles in Regional Cooperation

Roles of Afghan Ministries, private sector, civil society and other relevant stakeholders in regional cooperation will be defined and enforced by the end of 2008. Key sector Ministries of Energy & Water, Transport, Public Works and Commerce will further strengthen their capacities by appointing dedicated Regional Cooperation focal points and possibly Advisors. Ministry of Economy, in close interaction with other line ministries, will strengthen its coordination role in regional projects. The Directorate of Regional Cooperation of Ministry of Foreign Affairs will play its role as facilitator, image builder, promoter, marketer and mobilizer. It will assist the implementation of this Regional Cooperation Strategy and ensure that collaboration with regional countries and with economic cooperation organizations in the region and beyond is developed to the maximum, that regional support is obtained and used as fully as possible, and that, in conjunction with regional organizations, Afghanistan participates fully in all relevant regional programmes and initiatives. In order to assist the launch of the Pro-active Regional Diplomacy Program, Afghan Embassies and Consulates in all major regional countries will be fully mobilized in different fields. Merit-based and performance driven appointments will take place in these missions. The Government, through Ministries of

Foreign Affairs and Commerce, will commit adequate human resources to these missions. Afghan women, through the Ministry of Women Affairs and other key sector Ministries will be further involved in regional cooperation.

Technical assistance

In support of its capacity building program for regional cooperation, the Government will seek partnership and technical assistance from regional groupings and potential donors e.g. EU, ASEAN, WB, ADB, UNHCR, IOM etc...

RECC Process

The first RECC was held in Kabul in December 2005. New Delhi was the host of Second RECC in November 2006. Pakistan will host the Third RECC in early 2008. Under the process, each year a Regional Economic Cooperation Conference on Afghanistan will take place in one of the capitals of the region. The Government will pursue the Afghan-led RECC process as a vehicle of integrating Afghanistan in regional economic cooperation. It will identify potential future hosts for the next five years e.g.; Kazakhstan, Turkey, Iran, China, UAE..... and potential targeted sectors.

Program for Regional Cooperation Capacity Building

Projects/Activities	Timeline	Cost in Million \$	Implement Agency	Funding Agency
<i>Training of Sector Officials</i>				
Phase Ia (selection of 1 st group)	April 2007	Nil	MoFA	
Phase Ib (Offshore training of 1 st group)	June 2007	\$?	MoFA/ICRIER	ADB TA
Phase IIa (selection of 2 nd group)	Aug 2007	Nil	ANDS	
Phase IIb (Offshore training of 2 nd group)	End 2007	\$?	ANU/ANDS	AUSAID
Phase III (Kabul Training)	June 2008	\$?		
Phase IV (Kabul, possibly offshore training)	End 2008	\$?		
<i>Commission for RC mainstreaming and coordination</i>				
Framework/proposal Development	End 2007	\$?		
Authorities approval	Mar 2008			
Members appointment	April 2008			
Appointment of Secretariat Staff	May 2008	\$?		
Appointment of Ministry/Sector Focal Points	Mid 2008			
Design and launch of public awareness campaign on regional cooperation	Throughout 2009	\$?		
<i>Define Ministry Roles</i>				
Roles of Afghan Ministries, Private Sector, Civil Society & other stakeholders defined	March 2008 (ANDS completion)			
Roles enforced	Mid 2008			
Strengthening of Ministry capacities	End 2008			
<i>Proactive Regional Diplomacy Program (PRDP)</i>				
Mobilization of Regional Afghan	2008 -2009	\$?	MoFA & MoCI	

Embassies/Consulates				
Merit-based and performance driven appointments	2008 - 2009		MoFA & MoCI	
Specific achievements and deliverables			MoFA/ANDS/MoCI	
RC Technical Assistance				
Seek TA from other RC groupings and potential donors	Now – mid 08			
RECC Process				
3 rd RECC-Islamabad	Early 2008			
Identification of potential future hosts for RECCs				
Total Cost Estimate				

V REGIONAL COOPERATION SUB-SECTOR STRATEGIES

For detailed information on each sub-sector strategy and its regional projects, timelines and costings refer to the relevant sector strategy in the ANDS. Also, a brief Inventory of Regional Projects, Issues and Opportunities is available in Annex A of this document.

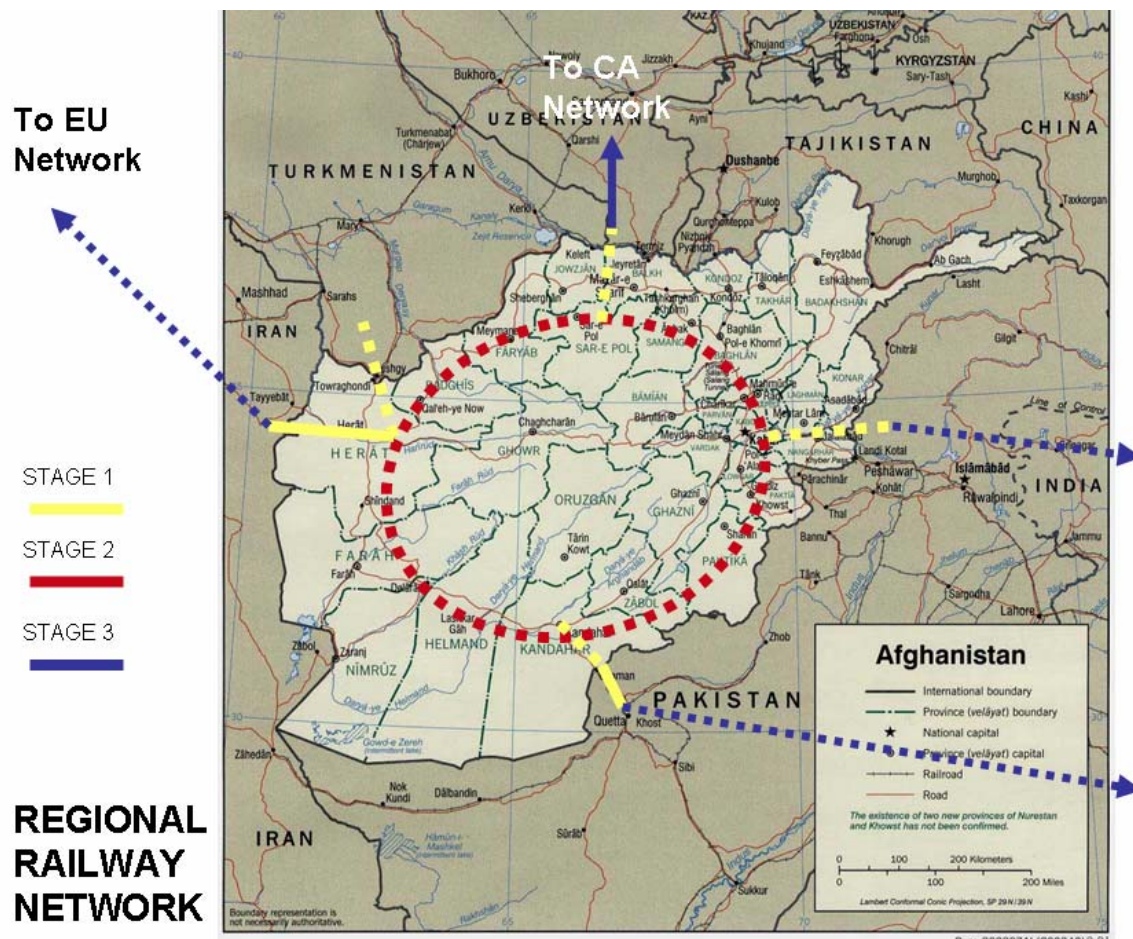
1. Trade & Transit

Pursue trade liberalization. The Government is committed to pursue trade liberalization and expansion, *with a view to joining the World Trade Organization (WTO)* in the long term. The Government is also committed to the strengthening, revision, and implementation of existing agreements and to negotiating new effective bilateral and regional transit agreements. In order to develop and implement effective regional transit arrangements as well as to examine the applicability of Transit Internationeaux Routiers (TIR) system (Afghanistan is signatory to the TIR convention) in the region, the public and private sectors of the transit country and of the landlocked country need to cooperate through appropriate national and regional coordination mechanisms. The Government will **develop effective policies and programs** for trade facilitation, streamline border crossing formalities, **reduce delays in transit time**, upgrade existing trans-shipment facilities at the border **points in order to reorganize** their management as a joint public-private venture. **To** facilitate effective coordination, the Government will establish the Afghan Trade and Transport Facilitation Committee that will bring together all stakeholders in the area of transport and transit. The Government of Afghanistan is committed to **modernizing its customs codes, procedures and infrastructure**. Customs cooperation will focus on simplification and harmonization of cross-border procedures, data sharing based on ICT, development of customs transit guarantees, and capacity building of local and national customs administrations.

Improve transport and border infrastructure. The Afghanistan Compact states that *by end-2010 Afghanistan and its neighbors will achieve lower transit times through Afghanistan by means of cooperative border management and other multilateral or bilateral trade and transit agreements*. In line with this benchmark and the Roads Programme, the Government is committed to improving the connectivity with its regional neighbors. This includes improvements to the Regional Highway, or ring road, connecting Kabul to major regional capitals **and** border crossing points, as well as ensuring that fiscally sustainable operation and maintenance mechanism, including transit fee as recovering cost of infrastructural development, are in place. All immediate neighbors of Afghanistan will gain by growth of transport sector and the income generated by higher vehicular movement. The Government will continue to reach transit agreements with all immediate neighbors of Afghanistan.

Based on ongoing economic cost benefit analysis and justification, the Government will continue its policy of railway construction in three phases: (1) linking major border provincial capitals to the neighboring countries, (2) linking major Afghan cities, with a focus on improving transit time and (3) facilitating the connection between European, Central Asian and South Asian railway networks. This policy is directly connected to development in mining and trade and transit volume, as well as people movement.

In cooperation with international donors, The Government will also accelerate **modernization of** border facilities. It will coordinate cross-border development with its neighbors in order to avoid duplication and inconsistencies of functions and facilities on either side of the border. The Government will look towards investing in additional control equipment. It will explore opportunities for regional and cross border cooperation in data sharing so that control equipment can benefit all parties optimally. **Further, the** Government believes in the adoption of an open sky policy to facilitate and promote growth of regional air transport and to enhance competition, safety, and efficiency in the aviation industry.



2. Power Purchase

Develop electricity trade, water and energy. The Afghanistan Compact states that by end-2010 Afghanistan will increase the amount of electricity available through bilateral power purchase agreements. In order to meet the target of this benchmark and given the need to urgently improve Afghanistan’s power supply, the Government will seek opportunities to formalize commercially viable power purchasing and trading agreements with its neighbours that correspond to international standards. In doing so, the Government will seek the cooperation of energy rich neighbouring

countries [Which ones? In what sequence? What are the current impediments to those relationships? What still needs to be achieved to solidify them (e.g., power purchase agreements, etc.) This seems too generic] in stepping up the supply of power to Afghanistan in the coming years. The Government will also endeavor to accelerate the construction of transmission infrastructure. In order to absorb more imported power, the Government will develop new transmission networks in different cities and will strengthen and expand existing networks. Currently Afghanistan is an observer to the Energy Charter Treaty (ECT). The Government will strive to become a full member of the Energy Charter Treaty. In the medium-term, the Government will also examine possibilities of regional energy markets. The Government will encourage the private sector to play an important role in the development of the power sector and create a legal and regulatory framework to that extent. The Government will seek maximum possible cooperation, assistance and funding from the regional countries and the wider international donor community towards the integrity of Afghanistan, as a key transit country, and the viability and operational stability of its energy systems.

3. Exchange of labor

The Afghanistan Compact states that by end-2010 Afghanistan, its neighbors and countries in the region will reach agreements to enable Afghanistan to import skilled labor, and to enable Afghans to seek work in the region and send remittances home. In line with this benchmark, Afghanistan is now ready to conduct a labor migration program and in fact had already issued one recruitment license to a private entity which plans to deploy 200 workers initially with another 2000 to follow. Based on the market conditions, it will start marketing its different components of labor migration program and seek prospective employers in the surrounding regions. The main focus of efforts will be smooth and relatively unencumbered flow of Afghan labor to and in Pakistan and Iran. Considering that Afghanistan is a late-comer in this highly competitive market, and will have to compete with other labor-sending countries who have developed networks and invested much resources over the years, high ranking Afghan leaders, senior Government officials and leading private sector personalities will be serving as marketing agents for Afghan workers. Afghanistan will develop a national employment policy and strategy, which, without preempting the outcome, may address issues such as economic integration of returnees through the Afghan Labor Market as well as labor movements across the borders with Iran and Pakistan and overseas employment.

4. Private Sector

Encourage the Active Participation of the Private Sector in Regional Cooperation.

Limited government and donor resources place significant constraints on the pace of regional economic cooperation. In this context, the role of the private sector, from both regional and external investors, is essential (e.g., as a source of project finance and direct investment) for expanding and deepening economic activities within the region. In effect, the success of regional economic cooperation may be measured to a large extent by increased private sector activity (including increased utilization of infrastructure and increased trade flows). The Government will actively encourage the private sector to participate in regional cooperation activities and facilitate linkages. This should include mobilizing private sector support for program implementation, promoting and facilitating private sector enterprises to take advantage of priority projects and exploring ways to accommodate the private sector within the framework of existing regional cooperation initiatives. The Government will also seek to improve the information flow to business communities on relevant regional cooperation activities and providing feedback to policymakers on the programs and projects.

5. Counter Narcotics

International and regional cooperation is one of the eight priorities of the Afghan National Drug Control Strategy, for eliminating the drug trade. The Afghanistan Compact states that *by 20 March 2011, the Government and neighboring and regional governments will work together to increase coordination and mutual sharing of intelligence, with the goal of an increase in the seizure and destruction of drugs being smuggled across Afghanistan's borders and effective action against drug traffickers.*

Given the trans-national nature of drug production, trafficking and consumption, coordination among countries bordering Afghanistan and consuming countries around the world needs to improve. International and regional partners should strive to foster improved regional cooperation on Afghan drug transit and enhanced Allied-Afghan border security efforts to stem the outflow of narcotics as well as the inflow of money and chemicals and other materials known to be used in the processing and purchase of heroin. They should intensify useful ways to engage resources, expertise and assistance to counter the drug-related transit in and out of Afghanistan, without undermining the larger goals of the country. The SCO Summit of Bishkek, 16 August 2007, expressed concern over the threat of narcotics coming from Afghanistan and its negative effect on Central Asia, and called for consistent strengthening of anti-narcotics cooperation in the framework of the organization, combining international efforts on the creation of anti-narcotics belts around Afghanistan.¹

Like regional cooperation, counter narcotics has been identified as a cross cutting theme in the ANDS. The Afghan Government will continue to seek regional and international assistance in creating alternative livelihood. Improvement in all other sectors, in particular agriculture and trade, will have a positive impact in counter narcotics.

6. Border Management

Strengthen cross-border cooperation focusing on interdiction and law enforcement.

The Government recognizes that border security is optimized where there is maximum cooperation with neighbors. Afghanistan has, to varying degrees, entered into discussions with neighboring countries in order to explore the possibilities for information exchange, joint training of staff, development of compatible systems, and similar measures. This cooperation should be done so as to respect the need for ease of movement of all legitimate economic activities. The drug trade, terrorism, and other illicit activities will not prevent border management from being handled in a positive way to facilitate and encourage legal trade and other economic interactions, including regional movement of labor. The Government will actively lead and participate in the Border Managements Initiative's (BMI's) Executive Steering Committee and Working Group to progress the objective of an integrated border management program. The Government will establish an inter-ministerial Border Management Commission to bring together the interdependent functions exercised along the border and at border crossing points. It will actively seek to expand the functions later on. It will also seek to start small and specific confidence building measures.

7. Gender

[Ministry of Women Affairs to draft]

¹ Bishkek Declaration, Council of Heads of SCO Member States, 16 August 2007

VI MAINSTREAMING OF REGIONAL COOPERATION

1. *Policy and Mechanism of mainstreaming*

- Provide regional cooperation mainstreaming policy
- Implementation Framework

VII MONITORING AND EVALUATION

- Explain in short the ANDS mechanism for implementation. This mechanism will be also used to implement policies and programs related to regional cooperation;
- List the most important indicators/benchmarks (up to 2013) to measure success in implementation of the regional cooperation policies.

[Consider gender]

[NOTE: please take note that regional cooperation is one of the ANDS cross-cutting issues. The regional cooperation policies and programs will be mainstreamed into the sector policies and programs. Thus, there is no need for drafting within this paper the specific regional cooperation needs assessment, action plan and investment program as they will be part of sector strategies' action plans and investment programs.]

ANNEX A: KEY REGIONAL COOPERATION PROJECTS, ISSUES & OPPORTUNITIES (SECOND DRAFT)

Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Energy	CASA1000	CASA-1000 is a proposed transmission system that is expected to transmit 1,000 MW of surplus electricity from Tajikistan and the Kyrgyz Republic to Pakistan, with power transit through and (eventually) energy deliveries within Afghanistan. The project will generate jobs and transit revenue for Afghanistan.	Pakistan Afghanistan, Tajikistan, Kyrgyzstan	Afg. Govt. MoEW, MoEcon, MoFA Donors: ADB, WB, IDB Private Sector: ????	Project is at the pre-feasibility study stage. The ADB and WB are financing the techno-economic and the financial/legal/institution/risk mitigation studies. The Phase I reports are due September 23, 2007. A multi-country working group has been formed to review the studies. A ministerial level conference in Kabul is planned for October/ November with the four countries and the financing agencies to determine the next steps.	Deterioration of security in Afghanistan is a cause of concern. The amount of dependable surplus electricity available for export is still under investigation as part of the prefeasibility study.	During the Kabul Conference, a decision will be taken by the four Governments on the next steps.
Energy	NEPS North East Power System	An Afghan Government initiative with multi-donor funding designed to benefit a significant percentage of the population with reliable, least-cost electricity. NEPS consists of generation, transmission and distribution which will combine imported power with domestically generated 44 MW thermal generations, and seasonally available hydro generation with an installed capacity of 188 MW.	Afghanistan Tajikistan, Uzbekistan, Turkmenistan	Afg. Gov. MoEW, MoFA, Donors: USAID, ADB, WB, KfW, IDB, Govt of Germany, Govt of India	This is an ongoing project. The 220 KV transmission lines that will transmit imported power from Uzbekistan, Turkmenistan and Tajikistan to major urban centers in North East, in particular Kabul are being completed. Tajikistan has just expressed its readiness to sign the PPA in the near future. Some progress is made with Uzbekistan on reaching PPA. However, concrete discussion on reaching agreements with Uzbekistan and Turkmenistan is very slow.	Negotiation over PPAs is too slow. There is an urgent need for the power-selling neighbors to step up the discussion. Afghanistan's urgent need for more sub-transmission and distribution networks in the urban areas.	Tajikistan, Uzbekistan and Turkmenistan to show special attention towards reaching commercially viable and speedy PPAs with Afghanistan and building the necessary transmission lines within their own territories. A joint technical working group to be formed between the

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
					Uzbekistan has recently committed to build the needed transmission with Uzbekistan for 150 MW by December 2008 and 300 MW by 2010. Turkmenistan has indicated it will proceed with a 500 kv line to supply Afghanistan. A technical working group from MoEW is to follow up in September. Three Protocol agreements were signed by the GoA with Tajikistan in July 2007 to begin to stimulate more effective cooperation, with two addressing in energy trade and the third addressing joint hydropower development.		four countries and discuss NEPS needs regularly. ALSO, the WG to coordinate future Central Asian power supply & needs. Donors to pay attention to the financial short falls of transmission lines and their accessories, and distribution networks in urban areas of Afghanistan.
Energy	TAPI Turkmenistan, Afghanistan, Pakistan & India	TAPI is a proposed natural gas pipeline which will transport Caspian Sea natural gas from Turkmenistan through Afghanistan into Pakistan and then to India. The 1600km pipeline will have a capacity of 33 billion cubic meters of natural gas annually. The total cost of this project is estimated at around US\$4 billion. The project has been a subject of discussion since early 1990s.	Turkmenistan Afghanistan, Pakistan, India	Afg. Gov. MoM, MoFA, ?? Donors: ADB, ??	The project is at proposal level. After several postponements, the 10 th joint meeting between the four countries (Turkmenistan, Afghanistan, Pakistan and India) is likely to take place in Islamabad in November 2007. A framework between the parties is yet to be finalized. The framework is to deal with contractual obligations of the parties in construction of the pipeline, security, gas tariff and uninterrupted gas flows over the 30-years life of the project. Afghanistan is pushing its bit to be able to take advantage of the availability of gas for its own energy needs.	The process of discussion is too slow and sometimes dominated by regional and international politics. Deterioration of security in Afghanistan is a cause of concern. However an ADB report has already surveyed this and has come up with a \$20M a year budget to take care of this. Other bottlenecks include non-confirmation of uncommitted gas volume by Turkmenistan regarding Daulatabad	Direct communication and dialogue to be established between Kabul and Ashqabad. ADB to speed up the process and avoid remaining indifferent. Turkmenistan to produce documents proving the availability of its gas reserve at Daulatabad to take care of Pakistan and India needs. Pakistan, India and Afghanistan to clearly determine their needs for gas, the price they are prepared to pay

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
						<p>gas field, and uncertainties or lack of clarity with regard to price of the gas to be demanded by Turkmenistan.</p> <p>Third party guarantees for the required gas allocation by Turkmenistan government and political stability in Turkmenistan are other causes of concern.</p>	<p>and the time they need it for.</p> <p>Consultation with Russian Federation and Turkey.</p>
Trade & Transit	ROZs (Reconstruction Opportunity Zones)	The Reconstruction Opportunity Zones (ROZs) have been a subject of discussion between the three countries since early 2006. Under the scheme, a number of ROZs will be established in Afghanistan and Pakistan (they are likely to be anywhere in Afghanistan, but along the NW border in Pakistan). Tax free production will take place in these zones. The products (yet to be determined) will have tax free access to the US markets. The main purpose behind this scheme is to reduce political and security tension between Afg and Pak through economic cooperation and integration. This project also has the potential to play a key role in counter narcotics and poverty reduction.	USA, Afghanistan, Pakistan	<p>Afg. Gov. MoCI, AISA, MoFA, EPAA</p> <p>Donors: USAID</p>	The project is at proposal level. Legislation authorizing the ROZ concept is expected to be introduced into the American Congress in autumn 2007. Many in Congress have informally indicated their support for the concept, and the bill will likely pass the American Congress relatively smoothly, though, at this moment, there is no timetable. In March 2007 MoCI submitted a preliminary report on the implementation of ROZs to the US Government. An Afghan team has already traveled to Jordan to see the Aqaba area as a Qualified Industrial Zone. The ROZ received approval from the Afghan Economic Committee of Ministerial Council on 4 September 2007. At this stage the first two areas identified for the ROZs are Jilalabad and Kamari of	<p>No major bottlenecks exist.</p> <p>Afghan tariff legislation has restrictions which may need to be revised.</p> <p>Afghanistan may have difficulty in transport and transit of end products.</p>	Until the American Congress completes its work, the Afghan Government could start preparations for implementing the ROZs by amending its own tariff legislation to facilitate ROZ trade along the border with Pakistan, and also working to improve further the professionalism of all Afghan Government employees at the border crossing posts with Pakistan to ensure that goods produced in the ROZs can be exported to the United States with the greatest speed and the lowest transportation cost.

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
					Kabul.		
Trade & Transit	Beyond the Afghanistan National Ring Road and its links to the neighboring countries	Afghanistan needs to think about the future promotion of its national ring road as a trade and transit roundabout of the surrounding regions. The neighboring countries need to plan for future use of the ring road.	Afghanistan, Pakistan, Iran, Uzbekistan, Tajikistan, Turkmenistan, China, Reg. Orgs. ECO, SAARC, CAREC, SCO	Afg. Gov. MoT, MoPW, MoC&I Donors: USAID, Govt of India, ADB	This project is still in the form of a concept. Under the Afghanistan Compact, the national ring road of Afghanistan and its connection to the neighboring countries will be complete by the end of 2008 (now it's likely to be end- 2009). The completion of the ring road will have a dramatic positive impact on the trade and transit of the surrounding regions of Afghanistan.	MoC&I is working on the definition of secure international road corridors with efficient cross border ports to be funded under a dedicated international investment fund. Not known what preparations are underway in the surrounding regions? Are the Afghan border posts ready for the efficient connection of the ring road to the neighboring countries? Is the Afghan national ring road wide enough to take the expected volume of regional transit? How would Afghanistan market the availability and functioning of the ring road? How about its safety?	Holding a regional car race (involving ECO, SAARC & CAREC) will be a good way of advertising the availability of this ring road as trade and transit roundabout of the surrounding regions. The project will also serve the Centrality of Afghanistan. Afghanistan and regional countries to prepare for full usage of the ring road for regional trade and transit.

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Transit	Border Management Initiative (BMI)	BMI focuses on the establishment of effective and efficient Border Crossing Points/Facilities at each Border Control Zone of Afghanistan.	Afghanistan, Pakistan, Iran, Turkmenistan, Uzbekistan, Tajikistan	<p>MoF, MoI, MoC&I, MoAG, MoD, MoPH, MoJ, MoRR</p> <p>Donor: USA, EC, ADB, WB</p>	<p>Ongoing Project</p> <p>MoC&I is in the process of establishing Border Transit Facilitation (BTF) bureaus at eleven border ports to monitor the cross border movements of commercial vehicles and cargoes and to document the difficulties faced at the borders by the traders and transporters. MoC&I has also started cross border time surveys at Thorkham, Islam Quala, Sheer Khan Bandar , Hairathan in order to establish a border crossing time baseline database used as a benchmark against future border crossing time.</p> <p>Since 2004, EC has constructed and fully equipped Torkham Customs Border Post (Import and Export Facilities) bordering Pakistan. EC is currently constructing and providing equipment for Sher Khan Bandar Customs Border Post bordering Tajikistan , including a Contribution of 3.8 MEURO to UNDP Tajikistan to construct and equip the three Border Crossing Points in Badakhshan Province in Northern-east Afghanistan. Further EC support still to be approved in 2007 includes construction of Heiratan and Aqena Customs Border Posts bordering Uzbekistan and Turkmenistan respectively. EC is also providing financial support to UNODC to equip and train personnel in the 25 border control posts along the border between Afghanistan and Iran. The total amount of investment made so far to support border</p>		

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Trade & Transit	ATTA Afghanistan Trade and Transit Agreement	Afghanistan Trade & Transit Agreement was first signed between Afghanistan and Pakistan in 1964. It needs updating.	Afghanistan Pakistan	Afg. Govt. MoC&I	<p>Proposed project Afghanistan and Pakistan have expressed readiness to review the Afghanistan Trade and Transit Agreement (ATTA), signed in 1965. MoC&I is working with other relevant ministries on an updated version of the agreement.</p> <p>The new Afghan Pakistan Transit Agreement (APTA, 2007) d will be presented to the next Joint Economic Commission (JEC) between Afghanistan and Pakistan.</p> <p>Following the last Pak-Afghan JEC meeting trucks are authorized to carry transit goods from Afghanistan up to Waga (Pak/Indian border) without transshipment at Peshawar</p> <p>Transit agreement under preparation with Tajikistan following the opening of the US funded bridge across the Pyanzh River connecting Dushanbe with Kunduz.</p>	The signing of the new APTA needs strong political well and urgent push by the the Governments and business communities of both countries.	MoC&I with the support of the World Bank will organize in November a Transit Issues seminar for private and public sector stakeholders in Afghanistan and in Pakistan. It needs the full support of all stakeholders.

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Investment	Investment Fund for Regional Infrastructure of Afghanistan	The initiative will help fund those infrastructure elements of Afghanistan which serve the regional cooperation needs. Eg, trade and transit connectivity etc...	Afghanistan and all the surrounding regions	Afg. Govt. AISA Donors Regional Countries	At concept level		
Transport	<u>Termez-Kabul-Torkham Railway</u>	This project in effect connects the railway networks of Central Asia and South Asia. The immediate beneficiaries are Afghanistan, Uzbekistan and Pakistan. Its wider implication, however, should be of interest to all Central Asian and South Asian countries.	Almost all Central Asian and South Asian countries	Afg. Gov. MoPW, MoT, MoM, MoFA, MoC&I, SEAP, Donors: ??	This is a proposed project. An inter-agency delegation from Kazakhstan, led by Kazakh Deputy Foreign Minister, visited Afghanistan last April and signed an Intentions Protocol on the Termez-Kabul-Torkham new railway, with the Afghan Government. Under the protocol, the parties will consider the conduct of the legal, financial and institutional structuring of the project.	This project is connected to the development of mining, trade & transit volume and people movement. The practicality of the project depends very much on the tendering of Afghan reserves of natural resources. Also, it requires an independent economic cost benefit analysis.	

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
	Regional Aviation Project	Delhi RECC (Nov 06) decided that regional countries will work towards aviation liberalization for greater regional connectivity. Studies for regional multi-modal transport system encourage us to link all our capitals through direct flights.	All Regional Countries	Afg. Gov. MoT	Concept ???		
Transport	Herat Sangan Railway	A bilateral project between the government of Afghanistan and Islamic Republic of Iran, 60% funded by Iran.	Afghanistan and Iran	Afg. Govt. MoPW, MoT, MoFA, MoM Donor: Iran	Ongoing Land acquisition and demining continues.	40 % funding source still unknown	
Transport	<u>The AKDN sub-regional project</u>	This project calls for studies on a network of regional roads in North-east Afghanistan for poverty reduction and economic development in the Central Asia Sub-Region. The centre-piece of the proposed road network is the link connecting Afghanistan to China through Tajikistan.	Afghanistan (lead), Tajikistan, Pakistan, China	Afg. Gov. MoT, MoPW, Other: AKDN	Proposed ??		

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Transport	<u>India-Afghanistan Transit through Pakistan territory</u>	Restrictions on movement of goods between India and Afghanistan via Pakistani territory has had its impact on trade and transit links of the three countries.	Pakistan Afghanistan, India	Afg. Gov. MoCI, MoFA	Proposed. As a result of fruitful engagement between the three countries, it was decided during the last Joint Economic Commission (JEC) between Afghanistan and Pakistan, that trucks are authorized to carry transit goods from Afghanistan to Wahga on the Pakistan-India border, without transshipment at Peshawar. As for goods from India, having road access to Afghanistan, this issue is currently discussed between Pakistan and India in the realm of the Composite Dialogue which is underway between the two countries	An outstanding matter tied up to the political tension between Pakistan and India. If fully resolved, this has the potential to assist SAARC & CAREC trade and transit connectivity.	
Communication	<u>Fiber Optic Cable Ring (Phase I National Fiber Optic Network (519 Km, Kabul Kandahar)</u>	This project will install a national, high-quality backbone network across the country, which will support all the other communication projects. It will allow a high volume of national and international traffic and will connect major provinces and to neighboring countries. It will bridge the region's missing links to become the region's digital silk road of the 21st century. It will improve the quality and traffic capability of national communications network and international connections to neighboring countries.	Afghanistan (lead) , Iran, Pakistan, China, Uzbekistan, Tajikistan, Turkmenistan	Afg. Gov. MoC	Ongoing. ???		

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Confidence Building	Afghanistan-Pakistan peace Jirga	The Pak-Afghan Peace Jirga, with the aim of improving regional peace and stability, was held in Kabul between 9-12 August 2007. The Jirga brought together some 700 representatives from both countries.	Afghanistan and Pakistan	Jirga Commissions in both countries	The Joint Peace Jirga resolved to constitute a smaller Jirga consisting of 25 prominent members from each side that is mandated to strive to achieve a number of objectives.	Follow up capacity of Afghanistan. needs strengthening.	
Mining	Heart-Sangan Iron reserves	Large amount of iron reserves lay on the border between Afghanistan and Iran, most of which is likely to be on Afghan territory. The construction of Herat-Sangan railway will make the extraction of this reserve viable.	Afghanistan & I.R. of Iran and possibly others	Afg. Govt. MoM	At concept level The reserve has not been surveyed yet. It has strategic importance as many countries connected to railway network could benefit from it.	Shortage of funds for survey and exploration and tendering in the open market.	Iran could assist in survey and exploration.
Mining	Development of Mineral Industry in Afghanistan	Afghanistan is one of the richest countries in its natural reserves of minerals. Copper, iron, oil, gas, precious stones, coal etc reserves are scattered throughout the country. The regional countries could be the immediate beneficiaries of these reserves.	All regional countries	Afg. Govt. MoM, MoCI, MoFA	At Concept Level. No major step has been taken so far. The 2 nd RECC (Nov 07) in Delhi recommended mining to be one of the main theme of the 3 rd RECC.		Regional countries could take part in survey and exploration.

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Skilled Labor	Skilled Labor Exchange	Under Afghanistan Compact by end-2010 Afghanistan, its neighbors and countries in the region are supposed reach agreements to enable Afghanistan to import skilled labor, and to enable Afghans to seek work in the region and send remittances home	All regional countries	Afg. Govt. MoL	In late 2006, Afghanistan opened formal dialogue with Iran on the possibility of recruiting educating Afghans, residing in Iran, to the public and private sectors of Afghanistan. While initial discussion was making progress, in mid 2007 the Iranian side lost interest in the initiative and since then the discussion has remained frozen. Iran insists other donors should contribute to the salary of the returnees. No other significant dialogue has taken place with the regional countries. Although early contacts indicate that some countries are happy to initiate the talks.		
Private Sector	Trade Facilitation Zones (TFZ)	Trade Facilitation Zones (TFZ) in key areas of Afghanistan will connect district and provisional level production to regional and international markets by providing the basic infrastructure for processing, packaging and storage. Opportunity.	All regional countries	Afg. Govt: MoCI, EPAA	A Project at Concept level. These TFZ's will provide opportunity for regional companies to invest in processing and manufacturing in Afghanistan geared for export. Regional players can benefit from Afghanistan's preferential trade agreements such as EBA with European Union, GSP treatment with USA, AIPTA with India etc. TFZ's will also encourage Joint Ventures between Afghan Private Sector and regional investors and traders.		

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Sector	Project Name	Project Description	Countries Involved	Main Agencies Involved	Current Status	Bottlenecks	Actions Required
Counter Narcotics							

ANNEX B: KABUL DECLARATION ON GOOD NEIGHBOURLY RELATIONS

22 DECEMBER 2002

The Transitional Administration of Afghanistan and the Governments of the People's Republic of China, Islamic Republic of Iran, Islamic Republic of Pakistan, Republic of Tajikistan, Republic of Turkmenistan and Republic of Uzbekistan, the States neighboring Afghanistan;

Determined that the people of Afghanistan should enjoy security, stability, prosperity, territorial integrity, democracy and human rights after so many years of conflict, suffering and deprivation;

United in their desire for peace and stability in the region;

Sharing a determination to defeat, terrorism, extremism, and narco-trafficking;

Celebrating the first anniversary of the formation of the new Afghan Administration as a result of the Bonn Talks and the progress made in implementing the Bonn Agreement, and recognizing that significant challenges lie ahead in creating prosperity and stability;

Solemnly reaffirm their commitment to constructive and supportive bilateral relationships based on the principles of territorial integrity, mutual respect, friendly relations, cooperation and non-interference in each other's internal affairs.

Welcome the combined efforts of the wider international community to provide the support required for rebuilding Afghanistan as it continues to take its rightful place in the community of nations, and express their commitment to participate in this process.

And, furthermore, decide to bring this declaration to the attention of the United Nations Security Council and gain the support of other states for it.

KABUL DECLARATION ON REGIONAL ECONOMIC COOPERATION

5 DECEMBER 2005

The respected delegations of eleven regional countries meeting together in Kabul, Islamic Republic of Afghanistan, on 4-5 December 2005, for the purpose of promoting regional economic cooperation among themselves:

expressing their satisfaction that Afghanistan has made substantial progress in its reconstruction and has embarked on a path of improved security and economic development

noting that a strategy of development for Afghanistan which is based on cooperation with regional countries creates significant possibilities for reducing poverty and for achieving the Millennium Development Goals in the whole region

welcoming the work on the Afghanistan National Development Strategy (ANDS) and the essential and integral role attached to regional economic cooperation in this work

recognising that the Kabul Conference on Regional Economic Cooperation builds on important steps in recent years, including *inter alia* the Good Neighbourly Relations Declaration of 2002, the Berlin Agreements of 2003, the Dubai Declaration of 2003, and the Bishkek Conference of 2004

recognising further that the various regional organizations and programmes, in particular the Economic Cooperation Organisation, the Shanghai Cooperation Organisation, the South Asian Association for Regional Cooperation, the Central Asia Regional Economic Cooperation Programme, and the Central and South Asia Transport and Trade Forum are making a valuable contribution to improving the extent and scope of regional economic cooperation

determined to work together to fight against the problems posed by narcotics, human trafficking, and other criminal activities which seriously undermine the security of the region and its prospects for economic development

resolved to improve the situation regarding people to people interactions, including the movement of populations for a whole range of reasons, in the context of agreements between the relevant parties so that peoples of the region can live peacefully and work towards their economic betterment

recognizing that the resources of the region, and in particular the water resources, can be used for the benefit of all

considering that current conditions represent a unique opportunity to improve the welfare of the peoples of the region through enhanced trade, investment and joint promotion of infrastructure activities, especially in all forms of transport and energy development

recognising that a good base for expanding cooperation exists in the multiple agreements, of international, regional and bilateral nature, to which the countries of the region have subscribed

recognising further that the numerous ongoing programmes in the fields of physical infrastructure, border management, regulatory systems and related activities, generously supported by the bilateral donors and through the technical expertise of the international financial agencies and the regional organisations, have already created a favourable and conducive environment for pursuing regional economic cooperation

noting nevertheless that these agreements and programmes do not yet achieve their potential due to problems in implementation, inadequate awareness within the region concerning their existence and operation, weaknesses in institutional capacities, and the need to increase numbers of adequately trained and experienced staff

welcoming the continued efforts of regional and international organizations to assist the countries of the region in overcoming these difficulties

urging these organisations to sustain and strengthen their endeavours

welcoming further the processes of meetings and development of cooperation frameworks

taking place in many areas of concern to the region, and through many channels *reaffirming* that regional economic cooperation is of central importance to the growth prospects of the region, and that such cooperation offers many possibilities for the creation of “win-win” situations

resolving that credibility and confidence in regional economic cooperation is best created through practical and peaceful cooperation directed at specific projects of immediate mutual benefit to countries of the region

NOTED

(1) **Electricity trade and power development:** the possibilities to trade power under international standard power purchase agreements and accelerating construction of transmission infrastructure have the potential for mutual benefit to several countries, and therefore merit detailed and urgent consideration through an appropriate framework. In this context, it is important to encourage and facilitate transportation of energy resources to all countries of the region. Priority will be given to provision of power and other services to communities located along transmission lines. All efforts shall be made to support and accelerate the implementation of various international transmission links, and joint steps shall be taken with consensus to promote and efficiently utilize the hydropower potential of the region. The World Bank will undertake a thorough examination of the likely evolution of regional energy markets so that the options for regional cooperation can be properly identified and fully utilized. Afghanistan will consider joining the Energy Charter Organisation.

(2) **Sharing the benefits of water:** there are many opportunities for improved cooperation and management of regional water resources, and that cooperation can provide benefits in multiple areas, including electricity and energy generation, agriculture, and drinking water.

(3) **Counter-Narcotics:** efforts must be made through national and regional mechanisms to develop alternative livelihoods, progressively to eliminate drugs cultivation and production, and to stop narcotics trafficking.

(4) **Transport:** countries should work together, and with international and regional organizations, to implement and, where necessary, revise and update existing international, regional and bilateral conventions and agreements; should adhere to international best practices; should examine in depth the ways to obtain maximum advantage from the creation, development and maintenance of inter-continental transit routes, with a view to selecting the few most promising routes and prioritizing investments accordingly; and pay careful attention to appropriate and progressive opening of regional markets for transport, focusing particularly on the development of the East-West and North-South Corridors.

(5) **Energy transport:** countries will encourage and facilitate transportation of energy resources within the region.

(6) **Trade facilitation:** countries will seek to bring together their systems and procedures so that the barriers to cross border movements of goods and services are progressively reduced, transaction costs are minimized, and bilateral border management is improved so as to strengthen security and encourage legitimate trade; and to interdict drugs and other illegal trade.

(7) **Business climate:** information sharing should be increased, an enterprise culture encouraged, border zones markets should be created, regional and bilateral trade, investment and transit agreements should be made operational, quality and standards systems should be harmonized, visa regimes should be simplified, and the informal sector should be transformed through incentives generated by liberalization and reform aimed at greater transparency

URGED

That stronger partnership should characterize the relationships between and among the regional organizations and programmes. They called on regional organizations to avoid

overlap and duplication of effort through further co-ordination and rationalization.

DECIDED

- (1) The short-term focus of regional economic co-operation should be on practical win-win projects, which benefit two or more countries and can subsequently fit into wider regional economic co-operation, notably in the fields of energy, transport and trade;
- (2) On the need for high-level political commitment for such projects;
- (3) On the need for better information sharing among the countries and regional organizations in order to avoid duplication of efforts;
- (4) Bilateral working groups will be established for the Kabul and Hari Rood/Helmand water systems and a multilateral working group for the Panj-Amu Darya systems.
- (5) That the regional countries will meet again at Ministerial level in nine months time to review progress in regional economic co-operation;
- (6) The Afghan Government should take the lead in following up the decisions and considerations of this Conference;
- (7) At the next meeting, there would be a particular focus on agriculture and agroindustry development;
- (8) In preparation for the next meeting:
 - National focal points should be created and strengthened to help participating countries identify, evaluate and implement regional initiatives. The Afghan Government will distribute the relevant papers from this Conference to the national focal points;
 - These focal points should consider and, as appropriate, take forward the outputs of the Technical Working Groups of this Conference.
- (9) To encourage regional countries to use the opportunity of the forthcoming Doha II Conference to prepare concrete proposals for improved border management with a view to reconcile security concerns and the facilitation of transport and trade.\
- (10) To pursue with regional organizations the scope to improve mechanisms to address the problem of drugs cultivation, production and trafficking as well as to look for further opportunities for bilateral co-operation including under the Good Neighbourly Relations Declaration initiative.

Kabul

5 December 2005

NEW DELHI DECLARATION

19 NOVEMBER 2006

The delegations participating in the Second Regional Economic Cooperation Conference on Afghanistan, having met in New Delhi on 18-19 November, 2006:

express satisfaction at the substantial progress made by Afghanistan in reconstruction and economic development

note that a strategy of development for Afghanistan which is based on cooperation with regional countries creates significant possibilities for reducing poverty and for achieving the Afghanistan Compact benchmarks and Millennium Development Goals in the whole region

welcome the progress in the implementation of the Afghanistan National Development Strategy (ANDS) and Joint Coordination and Monitoring Board (JCMB) and the integral role attached to regional economic cooperation in this work

recognise that the New Delhi Conference is a follow-up to, and builds on the success of the first Conference on Regional Economic Cooperation held in Kabul, December 4-5, 2005.

further recognise that the New Delhi Conference also draws upon the important work of other regional gatherings in recent years, including inter alia Bonn Agreement (2001), the Kabul Good Neighbourly Relations Declaration (2002), Tokyo Conference (2002), Dubai Declaration (2003), Bishkek Conference (2004), London Conference (2006), ECO Summit (2006), Shanghai Co-operation Organisation Summit (2006), CAREC Ministerial Meeting (2006) and SAARC Ministerial Meeting (2006).

acknowledge that the various regional organizations and programmes, in particular the Economic Cooperation Organisation, the South Asian Association for Regional Cooperation, the Central Asia Regional Economic Cooperation Programme, the Central and South Asia Transport and Trade Forum and Shanghai Cooperation Organisation are making a valuable contribution to improving the extent and scope of regional economic cooperation

recognise that the strategically important location and centrality of Afghanistan to the surrounding regions plays an eminently vital role in providing a focal point for facilitating greater economic cooperation and integration

consider that peace and economic stability in the region is dependent in large measure on the progress in stabilizing the security situation in southern and eastern Afghanistan

recognise that narcotics production, trafficking and consumption impede the economic development of the region

consider that current conditions, despite the above mentioned security and other constraints, still represent a good opportunity to improve the welfare of the peoples through co-ordinated policies on the trans-regional movement of manpower, enhanced trade and investment, as well as joint promotion of infrastructure activities, especially in all forms of transport and energy development

note that the current business climate is conducive to enhanced regional investment and business linkages, and needs to be given the requisite encouragement for the realization of the best potential

consider that the resources of the region, and in particular water, agricultural and energy resources, can be used for the benefit of all

recognise that a good base for expanding cooperation exists in the multiple agreements, of international, regional and bilateral nature, to which the countries of the region have subscribed

recognise further that the numerous ongoing programmes in the fields of physical infrastructure, border management, regulatory systems and related activities, generously supported by the bilateral donors and through the technical expertise of the international and regional organisations, have already created a favourable and conducive environment for pursuing regional economic cooperation

reaffirm that regional economic cooperation is of central importance to the growth prospects of the region, and that such cooperation offers many possibilities for the creation of “win-win” situations for all determine that capacity building, in particular in the case of Afghanistan, should be a key cross-cutting pillar, to be mainstreamed into all regional co-operation strategies, including South-South cooperation, for them to acquire a qualitative and sustainable edge

resolve that credibility and confidence in regional economic cooperation is best created through practical and meaningful cooperation directed at specific projects of immediate mutual benefit to countries of the region

further resolve that the regional governments should continue to work towards effective mechanisms for creating the favourable enabling environment in all fields for the multi-faceted, interactive regional economic co-operation and growth envisaged above

HAVE NOTED THAT:

- (1) **Electricity trade and energy development:** The possibilities to trade electricity under international standard power purchase agreements and accelerating construction of transmission infrastructure have the potential for mutual benefit to several countries, and therefore continue to merit detailed and urgent consideration through an appropriate framework. In this context, it is important to encourage and facilitate transportation of energy resources to all countries of the region. All efforts shall be made to support and accelerate the implementation of various regional and international transmission links. Priority will be given to provision of power and related services to communities located along the transmission lines. Joint steps will be taken to promote and efficiently utilize the hydropower potential of the region. The international financial institutions will continue to examine the likely evolution of regional energy markets so that options for regional cooperation can be properly identified and fully utilized. Afghanistan's potential gas, oil and coal natural reserves, which according to some estimates may be much larger than previously estimated will be considered for development with private sector participation, as a contributing measure to spurring investment, trade and stability in the region. Afghanistan will also maximise the opportunities resultant from its joining the Energy Charter Treaty.
- (2) **Renewable energy:** Access to clean, secure and affordable energy is likely to be a crucial input in all regional economic development, in cognizance of which opportunities for co-operation in the renewable sources need to be maximised, particularly in sources in which the region is richly endowed, i.e. hydel, solar, wind and biomass. Countries will work towards collaborative regional management of common resources, especially in border areas, evaluation and mapping of resources, sharing of data and know-how and particularly mature and mainstream technologies that are sound, well adapted to regional, environmental and cultural patterns and backed by spares and services that are readily available in the region.
- (3) **TAPI:** The proposed Turkmenistan-Afghanistan-Pakistan-India gas pipeline has the potential for new opportunities for regional energy cooperation, resulting in enhanced development, improvement in physical security and overall economic benefits.
- (4) **Trade facilitation:** Countries will seek to bring together their regulatory systems and procedures so that the barriers to cross border movements of goods and services are progressively reduced, transaction costs and times minimized, and bilateral border management and infrastructure including visas, trucking and customs regulations improved – which will strengthen security, encourage legitimate trade and interdict drugs and other illicit trade. To enhance regional trade, countries will work together to establish efficient and transparent trade practices. For better co-ordination, General Directorates of Transit and Trade Facilitation will be established, as appropriate. For management of border port facilities, public-private partnership will be encouraged.
- (5) **Transport:** Countries will continue to work together and with regional and international organizations to implement, and where necessary, revise and update existing bilateral, trilateral and multilateral trade and transit conventions and agreements; examine in depth the ways to obtain maximum advantage from the creation, development and maintenance of inter-regional transit routes with a view to selecting the few most promising routes and prioritizing investments accordingly; and pay careful attention to appropriate and progressive opening of regional markets for transport. Focus will particularly be on the development of the East-West and North-South corridors, which are at various stages of development. Countries will also encourage and facilitate transportation of energy resources within the region. Specific bilateral and trilateral land transit problems will be resolved in a fair and equitable manner, consistent with regional and international obligations and best practices to which they are parties.
- (6) **Investment and business climate:** To maximize opportunities, focus will be on increased information sharing; encouragement of enterprise culture; creation of well managed, mutually beneficial markets and industrial zones; operationalisation of regional and bilateral trade,

investment and transit agreements; preferential market access to selected products, harmonisation of quality and standards systems; simplification of visa regimes; and transformation of the informal sector through incentives generated by liberalization and reform.

- (7) **Agriculture:** It is one of the main pillars for growth and revitalisation of regional economy. Focus will be on integrated rural financial system, including regional cooperation in developing a system specifically for Afghanistan, production of high value commodities including perennial horticulture and livestock having commercial priorities, encouragement to growth of private sector for marketing and processing, reduction of tariffs, establishment of unified quality control mechanisms, access to and better knowledge of the regional markets, ease of cross-border movement of products, pooling of national capacities for agricultural research, physical and institutional infrastructure and training.
- (8) **Capacity building:** Countries will work towards development of skills, education and training of their work force which is crucial to providing comparative edge and sustainability to regional co-operation in all fields.
- (9) **Counter Narcotics:** All regional cooperation activities need to strengthen law enforcement mechanisms and prevent the movement of illicit goods, particularly narcotics and precursor chemicals across borders.

HAVE DECIDED THAT:

- (1) Regional countries will undertake stronger credibility and confidence building measures (CCBMs), vital for sustained and interactive regional co-operation.
- (2) The short-term focus of regional economic co-operation will be on practical win-win projects, which benefit two or more countries and can subsequently fit into wider regional economic co-operation paradigm, notably in the fields of energy, transport and trade, agriculture and mining.
- (3) A higher level political commitment will be accorded for such projects.
- (4) Afghanistan's development will continue to remain a central factor in assuring the growth, stability, and prosperity of the region. Countries of the region will take practical steps in adopting the necessary policies in this direction.
- (5) There will be better information sharing, via prioritisation of key issues, among the countries and regional organizations in order to avoid duplication of efforts.
- (6) Regional organizations will continue to pursue the scope for further strengthening mechanisms and opportunities for regional co-operation, including public-private partnership initiatives.
- (7) ADB will undertake a study on regional integration strategies and will share key findings at the next Conference.
- (8) Regional countries will intensify efforts, at all appropriate fora, to remove obstacles to overland trade and transit between countries and regions.
- (9) Regional countries will work towards aviation liberalisation for greater regional connectivity.
- (10) Countries and organisations will assist Afghanistan to become an energy bridge in the region and to develop regional trade through supporting initiatives in bilateral/multilateral cross-border energy projects. They will also work towards development of regional renewable energy projects. Work will be accelerated on Turkmenistan-Afghanistan-Pakistan-India gas pipeline to develop a technically and commercially viable project.
- (11) Countries will develop modalities for establishment of a regional technical committee to review impediments to agricultural trade in transit and to propose solutions.
- (12) Regional countries will work towards concluding/broadening the existing preferential trade agreements, including preferential tariffs for Afghanistan.
- (13) Regional countries will explore further specific project opportunities having regional relevance, in potential areas of investment i.e. energy, agriculture, transportation, mines, and financial services.
- (14) The regional countries will encourage forging of institutional linkages with training institutes in the respective countries with a view towards capacity building of their work force, with the

long-term objective of establishing regional training institutes in specialised areas of mutual benefit to all.

- (15) The Afghan Government will take the lead in following up the decisions and considerations of this Conference.
- (16) The regional countries will meet again at Ministerial level in a year's time to further review progress in regional economic co-operation.
- (17) In preparation for the next meeting:

- National focal points will be strengthened to help participating countries evaluate and implement regional initiatives. The Afghan Government will distribute the relevant papers from this Conference to the national focal points and lead necessary follow-up measures;
- These focal points, on their part, will take forward the outputs of the Technical Working Groups of this Conference appropriately and effectively.

New Delhi
19 November, 2006

TEXT OF PAK-AFGHAN PEACE JIRGA DECLARATION

12 AUGUST 2007

In the name of God Almighty, the most Merciful and the most Beneficent

AFGHAN-PAK JOINT PEACE JIRGA DECLARATION: To reaffirm and further strengthen the resolve of two brotherly countries to bring sustainable peace in the region, the Afghan-Pak Joint Peace Jirga was convened in Kabul, Afghanistan from August 9 to August 12, 2007 as a result of an initiative taken by the presidents of the Islamic Republic of Afghanistan and the Islamic Republic of Pakistan on September 27, 2006.

This was the first historic event of its kind that opened a channel of people-to-people dialogue in which around 700 people including members of the parliaments, political parties, religious scholars, tribal elders, provincial councils, civil society and business community of both countries participated.

The inaugural session was addressed by Hamid Karzai, President of the Islamic Republic of Afghanistan and Shauket Aziz, Prime Minister of the Islamic Republic of Pakistan. The concluding session of the Joint Peace Jirga was addressed by Hamid Karzai, President of the Islamic Republic of Afghanistan, and General Pervez Musharraf, President of the Islamic Republic of Pakistan.

The main recommendations made by the first Joint Peace Jirga are summarised as follows:

1. The Joint Peace Jirga strongly recognises the fact that terrorism is a common threat to both countries and the war on terror should continue to be an integral part of the national policies and security strategies of both countries. The participants of this jirga unanimously declare to an extended, tireless and persistent campaign against terrorism and further pledge that government and people of Afghanistan and Pakistan will not allow sanctuaries/training centres for terrorists in their respective countries.
2. The Joint Peace Jirga resolved to constitute a smaller Jirga consisting of 25 prominent members from each side that is mandated to strive to achieve the following objectives:
 - a. Expedite the ongoing process of dialogue for peace and reconciliation with opposition.
 - b. Holding of regular meetings in order to monitor and oversee the implementation of the decisions/recommendations of the Joint Peace Jirga.
 - c. Plan and facilitate convening of the next Joint Peace Jirgas.
 - d. Both countries will appoint 25 members each in the committee.
3. The Joint Peace Jirga once again emphasises the vital importance of brotherly relations in pursuance of policies of mutual respect, non-interference and peaceful coexistence and recommends further expansion of economic, social, and cultural relations between the two countries.
4. Members of the Joint Peace Jirga in taking cognisance of the nexus between narcotics and terrorism condemn the cultivation, processing and trafficking of poppy and other illicit substances and call upon the two governments to wage an all out war against this menace. The Jirga takes note of the responsibilities of the international community in enabling Afghanistan to provide alternative livelihood to the farmers.
5. The governments of the Islamic Republic of Afghanistan and Islamic Republic of Pakistan, with the support of the international community, should implement infrastructure, economic and social sector projects in the affected areas.

6. The comprehensive and important recommendations made by the five working committees of the Joint Peace Jirga for implementation are attached as annexure and form part and parcel of this joint declaration.