

AFGHANISTAN

UZBEKISTAN

TAJIKISTAN

Regional Cooperation

Economic Development and Connectivity



Introduction

Historically, Afghanistan has been pivotal to the trade that took place between Europe and Asia. **Afghanistan was centrally placed on the ancient Silk Road**, with routes to the Central Asian (now Uzbek) cities of **Samarkand** and **Bukhara**, as well as to **China, India** and **Persia**.

As a conflict-affected country with declining donor aid prospects, Afghanistan has few realistic economic options but to become a regional player, **leveraging its viable potential as a regional trade and transit land-bridge to attract capital from a diverse array of private and public sources in support of Afghan-centered regional cooperation and infrastructure investment projects.**

Challenges



Afghanistan and some other countries in the region face some major challenges which negatively affect their economic growth and sustainable development within and beyond their borders.

These challenges include **energy deficiency, remoteness from international markets** (due, in part, to weak and sometimes **non-existent transport and energy infrastructure, lack of investment, shortage of human and institutional capacity** in various areas), and the landlocked nature of several of these states.



To promote regional trade there is a **need to invest in stronger connectivity which requires significant** funding which may not be available due to current economic challenges.



There is therefore a strong rationale for increased regional cooperation and economic integration among all neighbor countries with Afghanistan at the cross-road of international trade.



Without intensified joint economic cooperation - including within the existing regional cooperation platforms such as **Regional Economic Cooperation Conference on Afghanistan (RECCA)** and the **Heart of Asia/Istanbul Process (HoA/IP)** - it will be challenging for these countries at the crossroads of Eurasia to achieve the Sustainable Development Goals.

UNDP's analysis showed the economic potential of Regional Cooperation

UNDP has been supporting analysis of Afghanistan's economy within a regional and global context and assess the International implications focusing on economic and human development in various sectors. This will help Afghanistan identify optimal scenarios of regional and global economic integration taking into consideration the tradeoffs involved.

Based on the UNDP's Computable General Equilibrium Modelling Analysis, there is a potential GDP gain from enhanced regional cooperation. The **A-GTAP (Afghanistan Global Trade Analysis Project)** model simulated the effect on a reduction in trade costs on Afghanistan's and its neighbors' GDP. A reduction in costs can come from policies that would simplify custom's procedures, improve transport logistics, reduce political tensions and so on. The results suggest that, if regional cooperation increases through a 10 per cent reduction in trade costs, Afghanistan's GDP will increase by:

- **1.5 per cent in the case of trade with RECCA-VII countries,**
- **3.7 per cent in the case of trade Pakistan alone, and**
- **4.2 per cent in the case of SAARC countries.**

Trade can also have a desirable effect on several SDG targets. In addition to being part of SDG-17 ("global partnerships for sustainable development") a 10 per cent reduction in the cost of doing trade between Afghanistan and SAARC countries would advance progress towards SDG-2 (zero hunger) and SDG-1 (no poverty) by increasing the average income of farmers by 9.2 percent compared to its level in 2019 while poverty will be reduced by 15 percentage points and food insecurity will be reduced by 14 percentage points.

UNDP Business Case

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During the SDG Decade of Action (2020-2030) UNDP will support enhanced multi-stakeholder partnerships between Government of the Islamic Republic of Afghanistan and governments, civil society and the private sector in the region promoting RECCA as the regional platform to achieve the SDGs in Afghanistan and the region. In line with UNDP's role as SDG integrator, the focus will be on integrated solutions to support income generation, improved access to services and empowerment of women and youths through regional economic integration. UNDP will help Afghanistan to become key transit hub between Central and South East Asia both at the project level and diplomacy level starting with supporting the revival of Afghanistan – Pakistan transit trade agreement.

RECCA for example, will support economic multipliers such as investments in regional infrastructure, management of shared natural resources and climate change financing for sustainable energy, harmonization of regulations and standards, common approaches to macroeconomic policy and greater labour mobility. All the efforts will seek to help create the economic conditions that will contribute to sustainable peace in Afghanistan.