

# AFGHANISTAN REGIONAL COLLECTIVE

**Policy Brief**

November 2022

## About RDDC

Founded in 1830, the Royal Danish Defence College is an independent educational institution under Defense Command Denmark. We educate and train Danish Defence forces to solve the unique tasks of the Danish Defence. We achieve this through contemporary, relevant, and flexible education and training. We contribute to the public debate through qualified research and development. We advise on Danish defence and security policy and on the practical challenges our society faces — today and in the future.

The Centre for Stabilisation at the Institute for Strategy and War Studies is a part of the Royal Danish Defence College and contributes to the Danish Defence on its international stabilisation efforts through implementation of projects, research, and education. We are currently working with projects in Afghanistan-Pakistan, Iraq, and the Gulf of Guinea.

## About Tabadlab and CRGC

Tabadlab is a think tank and advisory services firm that works at the intersection of robust data and evidence, strategic communication, and public engagement. We enable leaders, institutions, and firms to achieve better outcomes for all.

The Centre for Regional and Global Connectivity (CRGC) at Tabadlab seeks to explore the convergence between economics, security, finance, politics, energy, and demography. CRGC's research and advisory work strengthens a shared agenda for nations and regions to improve the lives of their citizens, bolster cross-border connectivity, enhance economic interdependence and secure regional stability.

## Authors and Acknowledgements

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The ARC Dialogue Policy Brief has been developed by the support of Jens Vesterlund Mathiesen and Zeeshan Salahuddin for their strategic and analytical guidance and insights; Noor ul Abrar, Bismah Azhar and Sara Khan for design and editorial contributions; and Moiz Naeem, Ayiza Rahman, Alina Khan, Abdulla Wasti, Ebraheem Alam and Moosa Warraich for assistance in recording and managing content from the Dialogue.

# Core Policy Recommendations

- Regional partners and states engaging with the interim Taliban government are well-placed to pursue dialogue and aim to negotiate a political settlement that is palatable to Afghans, the Taliban, and the international community. Regional and local consensus can drive an internal political settlement, which is a prerequisite for international recognition.
- Afghans must be understood as a heterogeneous group with specific local social, economic, and political systems. Negotiations for stability, governance, and business should consider these dynamics and the potential of local governments - especially with the priority of benefiting Afghans in the absence of a national level democratic process.
- Both multilateral and bilateral trade agreements in the region have positive payoffs for Afghanistan as the bridge that connects Central and South Asia. Regional partners should move rapidly towards trade connectivity through PTAs, FTAs, and improved road and rail infrastructure.
- Regional governments should work closely with the private sector for digital infrastructure investments, and to leverage its creativity, innovation, and efficiency to respond to the needs of, and build opportunities for, the Afghan workforce.

## Recommendations by Session

### SESSION 1

#### Infrastructure and Trade

1. Establish new and improve existing regional infrastructure
2. Continuous regional trade agreements, networks, and protocols
3. Streamline border regulations
4. Leverage low value trade to develop better ties

### SESSION 2

#### Services

(Health, Education, Employment, and Banking)

1. Political consensus-building
2. Investing in human resources
3. Direct enterprise and capacity development financing
4. Widespread low-value financing
5. Trust-building through tailored investments and local input

# Recommendations by Session

## SESSION 3

### Digital Connectivity and Technology

1. Invest in 'Simple' Technologies First
2. Digitising Trade and Digital Payments
3. Private Sector Empowerment
4. Regional Digital Cooperation
5. Inclusive Service Delivery
6. Virtual Technology Zones
7. Legislation for Data Protection

## SESSION 4

### Refugees, Transborder Communities, and Security

1. Revisit Understanding
2. Connected Border Management Systems
3. Refugee Policy with Friendlier Immigration
4. Regional Cooperation

# Background

The Afghanistan Regional Collective (ARC) Dialogue, jointly organised by Tabadlab and the Royal Danish Defence College, brought together 60 policymakers, private sector actors, academics, and civil society leaders<sup>1</sup> to discuss regional commitments for Afghanistan's growth and prosperity in four key themes:

1. infrastructure development and trade facilitation
2. services (health, education, employment, and banking)
3. digital connectivity and readiness
4. security and border management

The following policy brief will present key findings and recommendations from the ARC Dialogue. Tabadlab and the Royal Danish Defence College will endeavour to share this document with relevant actors engaging with Afghanistan in the realms of diplomacy, economics, services, trade, technology, and digitisation.

## Key Findings

### From Geopolitics to Geoeconomics

Security issues have long dominated the lens through which Afghanistan has been viewed. While ARC attendees agreed that these concerns cannot be eliminated, there was a wide-ranging consensus on an imminent need for a shift in mindset and framing from a security paradigm to one of economic prosperity and human development. After the US withdrawal there has been a move towards restructuring global policies on Afghanistan and tending to the human development needs of a country in a political, economic, and humanitarian crisis.

### Political Unsettlement and Trust Deficiency

The lack of formal recognition of the interim Taliban government poses the most significant challenge to regional and global collaboration. Despite claims about the improvement of the security landscape in Afghanistan in the last year, terror attacks conducted by the Islamic State in Khorasan (IS-K), and the presence of the Tehreek-e-Taliban Pakistan (TTP) and Al-Qaeda (AQ) in Afghanistan, continue to pose challenges that impede development in all sectors - both logistically and from a framing perspective.

Finally, a general lack of inter-state and intra-state trust exacerbates these challenges across all sectors. All policy recommendations are therefore cognisant that a security trade-off may be necessary in certain situations.

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<sup>1</sup> The Afghanistan Regional Collective (ARC) Dialogue was jointly organized by Tabadlab and the Royal Danish Defence College (RDDC). It was held in Islamabad on September 20 and 21, 2022. Bringing together 11 keynote speakers and more than 50 panellists from Afghanistan, Pakistan, China, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Denmark, and Australia, the dialogue sought pathways to prosperity and stability for Afghanistan and the Afghan population. The dialogue followed Chatham House rules and concluded with a presentation that summarised the key findings, challenges, opportunities, and suggestions and recommendations that emerged from each of the panel discussions.

## Inadequate Infrastructure

Regional infrastructure and connectivity solutions have been driven by great power interests, implying sub-optimal solutions for South Asia and Afghanistan. Rising regional powers are now beginning to analyse and optimise their connectivity needs. However, Central Asian-South Asian connectivity, such as the railway line between Uzbekistan and Pakistan and two major regional pipeline projects — CASA-1000<sup>2</sup> and TAPI<sup>3</sup> — have all been stalled due to security concerns in Afghanistan and inconsistent bilateral relations. The two other bottlenecks are obstructionist state bureaucracies, and insufficient energy production to boost development and growth.

## Low Business Confidence

The instability in Afghanistan after 15 August 2021 has impeded large- and small-scale investments in the country. Banks and private sector firms globally are increasingly apprehensive of engaging with Afghanistan and working with the Taliban, despite US Office of Foreign Assets Control (OFAC) licenses - resulting in an all-time low level of international economic engagement. Rebuilding business confidence necessitates conversations between security and trade experts, the public and private sector, and inter-state/intra-state actors. The ARC Dialogue was a small step towards this goal.

## Depleting Human Capital

Afghanistan suffers from substantial brain drain, especially after the interim Taliban takeover, with minimal investment in human capital development. Mass emigration has a significant gender and skills skew, with more men and skilled people exiting the country for either safety or economic opportunities, or both. The ARC Dialogue discussed and addressed how to approach this urgent need. Among other things, both private and public sector employers from land-bordering countries such as Pakistan can tailor their engagement to developing human capital along targeted monetary injections.

## Insecurity in Host Regions

Vulnerable regions neighbouring Afghanistan's international borders, especially Pakistan's Newly Merged Districts (NMDs) and Balochistan province, cater to most refugees but face their own internal security and socio-economic challenges. Pertinent issues include high informal economic activities and smuggling, low services provision, lack of state and institutional support, and internal threats from local extremist groups. There is great potential that can be realized through concerted efforts by businesses, civil society organisations, and governments to help build trust with civilians and initiate locally led rehabilitation, enterprise, skills development, culture, and engagement with local and provincial institutions.

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<sup>2</sup> The Central Asia-South Asia power project, commonly known by the acronym CASA-1000, is a \$1.16 billion project currently under construction that will allow for the export of surplus hydroelectricity from Kyrgyzstan and Tajikistan to Afghanistan and finally to Pakistan.

<sup>3</sup> The Turkmenistan-Afghanistan-Pakistan-India Pipeline, also known as Trans-Afghanistan Pipeline, is a natural gas pipeline being developed by the Galkynysh — TAPI Pipeline Company Limited with participation of the Asian Development Bank

# Policy Recommendations<sup>4</sup>

## Infrastructure and Trade

The opening panel discussion centred on the overarching objective of sustainable revenue generation and financing for the Afghan economy. It addressed the most achievable targets for immediate dividends in logistical connectivity (roads and railway), bilateral and transit trade under the interim Taliban government, and the utilisation of existing economic corridors to their full potential. Potential investments were also highlighted to foster economic interdependence.

1. **Establish new and improve existing regional infrastructure:** A pre-existing road network connects several Central Asian states to Afghanistan, some sections of which stand unfinished. Establishing road and rail connectivity in the Wakhan Corridor, for instance, can extend Afghanistan's connectivity to China connecting it to the Belt and Road Initiative (BRI). Stitching disjointed cross-border roads together and engaging multiple stakeholders in joint projects will reduce transport costs and distances. Optimising and expanding operations and efficiency at Pakistani ports, particularly Karachi (but also Bin Qasim and Gwadar), is the logical next step in providing sea access to both landlocked Afghanistan and the Central Asian Republics.
2. **Continue to develop regional trade agreements, networks, and protocols:** Afghanistan can benefit tremendously from its geographical positioning. Regional partners can start with the formal inclusion of Afghanistan into larger regional frameworks, bilateral trade agreements (such as regional Preferential Trade Agreements (PTAs)), and enacting regulations to facilitate ease of business with Afghanistan. The PTA signed between Pakistan and Uzbekistan earlier this year is a good test case. Additionally, the Pak-Afghan Transit Trade Agreement (APTTA) was being renegotiated, with the bulk of the work already done before the Taliban takeover of Kabul. This should be an urgent and immediate area of focus.

Finally, regional financing and development organisations such as the Asian Infrastructure Investment Bank (AIIB) should serve as investors instead of lenders. Trade should be financed through private investment and supported by the public sector, leading to sustainable revenue generation through shared stakes in local economies in the region.

3. **Revamp border regulations where necessary, reduce where possible:** The visa regime needs to be streamlined to facilitate trade for Afghan tradespersons and businesspersons. Free flow of goods and people is a primary pillar of a vibrant border economy. Of the 14 border crossings between Afghanistan and Pakistan, only five are operational.
4. **Leverage low value trade to develop better ties:** Low value transactions can be included in the value chain to develop stronger trade mechanisms and boost outputs. By providing vocational trainings to border communities, and thus adding value across the supply chain, local and border economies can be rejuvenated, snowballing for larger economic growth. More importantly, this approach is independent of other trade facilitation mechanisms.

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<sup>4</sup> The policy recommendations are presented in the order of the different sessions in the dialogue. Consequently, the order is not a token of a prioritisation of recommendations or any normative evaluation of their respective importance.

## Services (Health, Education, Employment, and Banking)

The political challenges discussed above have severely hampered global investment in the delivery of services and social protection to the Afghan people. At present small volumes of humanitarian aid is trickling into the country through the World Bank and UN channels. Afghanistan is predominantly a cash-based economy, with little digital payments infrastructure and a banking sector that is now near collapse. The services panel discussed an array of approaches to bridge human, technical, and financial gaps to facilitate growth for Afghans.

1. **Political consensus-building:** Domestic and international political consensus on the current Afghanistan governance structure (in the absence of the formal recognition) is necessary for sustainable service delivery, inflows of funds, and accountability.

Current bilateral and multilateral engagements with the interim government are well-placed to push for a political settlement that is palatable to Afghans, the Taliban, and the international community. This process, supported by key interlocutors will also lay the foundation for an internationally recognised Afghan government, which is critical to encourage private sector investment and foreign direct investment.

2. **Investing in human resources:** There is a dire need for investment in the quality and retention of human capital, given the brain drain since 15 August 2021. The training of Afghan medical personnel and doctors, through a synchronised effort among Pakistani and other regional institutes, is paramount.

Capacity building and vocational training in key sectors where Afghanistan has an advantage is crucial. This includes incorporating the private sector by training youth- and women-led SMEs, prioritising local economies, and addressing problems at the grassroots level. Aggregation and accreditation in online education is also needed, with a particular emphasis on girls' education.

3. **Direct enterprise and capacity development financing:** Existing international investment and aid should be prioritised towards women-led and youth organisations. There is a gendered skew in the exodus of Afghans since 15 August 2021, and significant barriers to women's opportunities under the current interim government. Regional investments should also be geared towards small businesses and nascent civilian-led organisations. Key high-performing sectors within local economies should be identified and leveraged for expanding business opportunities.
4. **Begin with widespread, low-value financing in the private sector and civil society:** The international private sector is best placed to take the lead on micro-financing mechanisms to help train Afghans in key sectors and help stalled civil society organisations become operational again. Bigger investments, such as physical and digital infrastructure, can begin once risk barriers have been brought down.
5. **Gain the Afghan population's trust through tailored investments and local input:** Irrespective of which of the recommendations are implemented, a lack of trust for external programming and foreign government intervention in Afghanistan is a major hurdle. Actors aiming to invest in service delivery (health, education, training, and finances) must consider the heterogeneity and diversity of the population, and operationalize localised, tailored investments with local buy-in.

## Digital Connectivity and Technology

This panel discussed multilateral IT investments, digital penetration and infrastructure, and the role of empowering Afghans through digitising businesses. Panellists shared insights on digital readiness, using tech for multisectoral collaboration, and the implications on people's security. The digital sphere is extremely important for ensuring prosperity in Afghanistan as it facilitates interconnectivity and new investment opportunities. However, it should be acknowledged that digital and technological answers to stability and prosperity in Afghanistan are only viable in a medium- and long-term perspective and do not constitute immediate solutions.

1. **Invest in 'Simple' Technologies First:** Domestic and international actors should focus on investing in 'simple' digital technologies (SMS and Interactive Voice Response Technology (IVR)) before disruptive technologies that require newer infrastructure, capital, and technical skill sets. Scaling these up immediately will address the digital divide across gender, geography (provincial; rural and urban), ethnicity, digital literacy, and language.
2. **Digitising Trade and Digital Payments:** This is a crucial step in enabling entrepreneurs/SMEs to access international markets, particularly if it applies to government supply chains and business activities. Digital infrastructure is less costly, especially for regional connectivity projects for Central Asia (such as fibre optic lines). Digital payments are an important tool to mitigate corruption and encourage trade, investment, and micro-financing. The interim setup purposely avoids digitising payments, instead opting for cash collection to evade accountability. Regional actors should push for payments digitisation. This will also require the support of, and strategic goal setting from, a central financial institution, regulators, and banks.
3. **Private Sector Empowerment:** Both public and private sectors should collaborate with the telecommunications sector. The private sector's creativity, innovation, and efficiency can better respond to the needs of the Afghan market with existing, scalable, and adaptable digital tools, especially where technical workforces exist. It should invest in building tech-enabled and Afghan-led "islands of independent communications". This should prioritise employment, knowledge exchange, and low and high-tech job-specific skills training for the Afghan diaspora, refugees, and migrants.
4. **Regional Digital Cooperation:** Informal regional cooperation to coordinate individual economic policies is necessary to formulate a regional digital policy mindset. Public and private sector actors are risk averse. A regional outlook on Afghan digital ecosystems must focus on human development and provide responsive risk management.
5. **Inclusive Service Delivery:** Large private sector enterprises and SMEs should incorporate digital and AI tools in building platforms for scalable services delivery across sectors like distance learning, e-healthcare and telemedicine, and transport. Such platforms should be complemented by private sector investments in cashless payment systems through targeted regulation, and policy-level strategies for financial inclusion aligned with the digital monetary ecosystem.
6. **Virtual Technology Zones:** A virtual 'technology zone' (a knowledge ecosystem that encourages development of businesses working in technological research, design, and manufacturing) can facilitate the exchange of information between Afghans in the region. This will require legislative cooperation across countries. It can enable Afghans to virtually connect and holds the potential to be linked to a central governing body for the provision of digital services. Countries with expertise within the realm of public digitalisation both in the region and beyond (e.g., Pakistan, Denmark, etc.) should provide human and technical resources to set up a prerequisite digital identification system.
7. **Legislation for Data Protection:** Data protection is pertinent for when domestic and international corporations connect to the Afghan market and seek access to consumer information. Data protection should be a key component for any digital legislation.

## Refugees, Transborder Communities, and Security

The final panel examined the scale and scope of refugee movement and displacement, and status of border communities, and neighbouring state responses. Panellists focused on the human development-security nexus, deliberating multilateral approaches to improving social protection, services, and socio-economic opportunities for refugees in host countries.

1. **Revisit Understanding:** Afghans must be understood as a diverse group with varying social, economic, and political systems. Negotiations for stability, governance, and business should consider local communities, governments, and systems while prioritising benefitting Afghans in the absence of national level democratic processes.
2. **Connected Border Management Systems:** Greater digitisation of border management and data driven systems can improve transparency and the mobility of people and goods. Related information and operations management must consider the brokerage between trans-border communities in the absence of a uniform administration managing shared national and subnational borders. Improved, recorded, efficient, and accessible border crossings must be developed at the regional level. This is the responsibility of multiple states' bureaucracies, and requires intensive trust-building.
3. **Refugee Policy with Friendlier Immigration:** Pakistan and other regional countries must move past insufficient models of repatriation, provide pathways for generational migrants and refugees, and adopt international refugees' conventions and favourable immigration laws. Immigration processes must become less costly and readily available with more options for long-term visas and passports for Afghans, with categories for economic migrants pursuing learning, medical tourism, and seeking asylum. Social protection and public service provision must be securitised and extended to migrants and refugees.
4. **Regional Cooperation:** Regional commitments must be formulated to mitigate instability and secure humanitarian support and facilitation to meet basic needs that truly ensure Afghanistan's sovereignty and people's benefit. Actors should have representation from states, businesses, and civil-society, and not from external donors. Multilateral platforms like the Shanghai Cooperation Organisation (SCO) and the Conference on Interaction and Confidence-Building Measures in Asia (CICA) can be crucial to spearhead and facilitate this process.

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