

# WEEKLY ANALYSIS

Issue Number – 447  
(Sep 09-16, 2024)

## TAPI PROJECT AND ITS ROLE IN THE DEVELOPMENT OF AFGHANISTAN'S ECONOMY

---



Weekly Analysis is one of the CSRS publications analyzing significant weekly political, social, economic, and security events in Afghanistan and the region. The prime motive behind this is to provide strategic insights and policy solutions to decision-making institutions and individuals in order to help them design better policies. Weekly Analysis is published in Pashto, Dari, English and Arabic languages.



In this issue:

- TAPI Project and Its Role in the Development of Afghanistan's Economy ..... 3
- The Role of the TAPI Project in Afghanistan’s Economic Development ..... 4
- Challenges Facing the Implementation of the TAPI Project ..... 6
- Conclusion ..... 7
- Recommendations ..... 7
- References:..... 9

Center for Strategic and Regional Studies (CSRS)



## TAPI PROJECT AND ITS ROLE IN THE DEVELOPMENT OF AFGHANISTAN'S ECONOMY

### Introduction

After years of anticipation, the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project was officially inaugurated last week. The ceremony was attended by Mullah Mohammad Hassan Akhund, the Prime Minister of the Islamic Emirate of Afghanistan, and Gurbanguly Berdimukhamedov, the National Leader of Turkmenistan. The TAPI project is a gas pipeline initiative aimed at transporting natural gas from Turkmenistan through Afghanistan to Pakistan and India. The pipeline is expected to transfer billions of cubic meters of gas annually. It is planned to carry gas from the Dauletabad region of Turkmenistan, passing through Afghanistan's provinces of Herat, Farah, Nimroz, Helmand, and Kandahar, and into Quetta, Pakistan, before reaching Fazilka in India. Statistics show that once completed, the pipeline will annually transport 33 billion cubic meters of gas from Turkmenistan to Afghanistan, Pakistan, and India. The total length of the pipeline is 1,814 kilometers, of which 816 kilometers will pass through Afghan territory. It is estimated that Afghanistan will earn over \$400 million annually in transit fees, and within 30 years of the pipeline's inauguration, it will receive between 500 million to 1.5 billion cubic meters of gas. This project is expected to directly and indirectly create thousands of jobs. In addition to TAPI, other associated projects, such as electricity transmission from Turkmenistan to Pakistan, railway construction, and fiber optic transmission, are also expected to be implemented over time.

The idea of initiating this project dates back approximately 30 years, to the time following Afghanistan's successful jihad, when Central Asian countries, including Turkmenistan, gained independence from Soviet occupation and began to focus on economic development. The Asian Development Bank supported preliminary work on the project, which began in 2003. However, due to security, political, economic, and logistical challenges, the project was delayed multiple times and remained on paper for many years. In 2008, India joined the initiative, making the implementation of the project more likely.

According to reports from the Asian Development Bank, which acts as the project's technical partner, TAPI will be implemented in four phases. The first phase commenced in December 2010 with the signing of the Gas Pipeline Framework Agreement and the Inter-Governmental Agreement. The second phase began with the signing of the Gas Sales and Purchase Agreement (GSPA) in 2012, and the third phase was completed in 2015 with the establishment of the Special Purpose Consortium Company (SPCC). The final phase, involving the construction of the pipeline, was originally planned to begin in 2016 but was postponed due to political and security issues. After years of delays, the pipeline's construction finally began in Herat on September 11, 2024, following the concerted efforts of the project stakeholders.

The construction of the pipeline within Afghanistan will be completed in four phases. The first phase covers the segment from the Turkmenistan border to Herat, the second from Herat to Helmand, the third from Helmand to Kandahar, and the fourth from Kandahar to the Pakistan border.



At a time when Afghanistan's economy is grappling with numerous challenges such as reduced international aid, a lack of foreign investment, high unemployment, widespread poverty, and weak commercial, transit, and industrial infrastructure, the commencement of the TAPI project brings good news for both the government and the people of Afghanistan. It serves as a lifeline for the country's ailing economy, offering a much-needed boost to its economic arteries.

## **THE ROLE OF THE TAPI PROJECT IN AFGHANISTAN'S ECONOMIC DEVELOPMENT**

The TAPI project plays a critical role in the economic development of Afghanistan. Given the current state of the Afghan economy, it is evident that this project has the potential to yield several significant impacts on the country's economic landscape:

### **1. Increase in Government Revenue**

Afghanistan is expected to earn substantial revenues from gas transit fees through the TAPI project. Estimates suggest that the country will receive over \$400 million annually (equivalent to 28 billion Afghanis at current exchange rates) from transit fees. This revenue can strengthen the government's financial resources and support the development of infrastructure projects. This sum is equivalent to approximately 10% of Afghanistan's national budget for the fiscal year 2023-2024 (295 billion Afghanis). Additionally, since this income will be in US dollars, it holds particular importance for Afghanistan, as it could lead to an appreciation of the Afghani currency and contribute to long-term economic stability.

### **2. Access to Gas and Economic Opportunities**

Over the next 30 years, Afghanistan is expected to receive between 500 million to 1.5 billion cubic meters of natural gas. This supply can help meet the country's domestic energy needs, reducing reliance on imported energy and stemming the outflow of foreign currency used for gas imports. Natural gas, being a key source for electricity generation, heating, and cooking, can enhance Afghanistan's energy self-sufficiency and provide affordable energy access. This, in turn, can promote the growth of various industries and improve the overall standard of living. It is worth noting that in the second quarter of 2024 alone, Afghanistan imported \$97 million worth of liquefied gas from various countries.

### **3. Job Creation and Reduction of Unemployment**

The implementation of the TAPI project, along with related side projects, will create thousands of direct and indirect jobs. These jobs will encompass construction and maintenance work for the pipeline, associated infrastructure, and service-related roles for the goods and services required for the project. According to a spokesperson for the Islamic Emirate of Afghanistan, employment numbers will fluctuate throughout different stages of the project, potentially reaching up to 12,000 workers.

### **4. Attraction of Foreign Investment**



The successful implementation of large-scale infrastructure projects like TAPI can help attract further foreign investment into Afghanistan. International companies may become more inclined to invest, signaling an improvement in the business environment and greater economic stability. As the TAPI project progresses, additional initiatives—such as electricity transmission from Turkmenistan to Pakistan, railway construction, and fiber optic infrastructure—are expected to follow. Furthermore, investors and donors will be encouraged to complete unfinished projects that were initiated under the previous government, such as the CASA-1000 project, the TOTAP project, the construction of the new Salang Tunnel, and other national development programs. These developments could spur the formulation and implementation of new projects, driving further economic growth in the country.

By leveraging the benefits of the TAPI project, Afghanistan can address some of its most pressing economic challenges, including unemployment, poverty, and underdeveloped infrastructure, while simultaneously laying the foundation for long-term economic growth.

### **5. Infrastructure Development**

Given that the TAPI project involves a pipeline stretching over 800 kilometers within Afghan territory, there is a significant need for commercial and industrial infrastructure to support its operations. The development of these infrastructures could enhance the country's overall economic capacity and facilitate both domestic and international trade. Projections from the Asian Development Bank, which serves as the project's technical partner, estimated in 2008 that the cost of implementing the TAPI project would exceed 7.6 billion Afghanis. Since a significant portion of the pipeline traverses Afghan soil, it is expected that considerable investments will be made to build capacity and expand infrastructure to ensure the project's success.

### **6. Strengthening Regional Integration**

As a major regional initiative, the TAPI project strengthens Afghanistan's economic and political relations with neighboring countries, including Turkmenistan, Pakistan, and India. These enhanced relationships can lead to improved economic cooperation and create new opportunities for trade and investment. Afghan policymakers, both in the previous government and under the Islamic Emirate, have consistently advocated for a foreign policy focused on regional integration, emphasizing Afghanistan's role as a transit and trade hub for the region. The implementation of the TAPI project exemplifies the realization of this strategy, which once seemed out of reach.

### **7. Promoting Economic Stability**

In light of Afghanistan's ongoing economic challenges, the successful execution of the TAPI project has the potential to bolster economic stability. This initiative could serve as a crucial driver of economic growth and sustainable development in the country. The Islamic Emirate of Afghanistan may view the completion of the TAPI project as one of its most significant achievements, marking the beginning of a new era of economic growth and development for Afghanistan.



---

## CHALLENGES FACING THE IMPLEMENTATION OF THE TAPI PROJECT

### 1. Security Challenges

In the past, the long route of the pipeline passing through several provinces, coupled with fears of attacks by opposition groups and local unrest, were among the main factors delaying the project. These security concerns posed serious threats to the safety of both the project workers and the infrastructure. However, with the rise of the Islamic Emirate of Afghanistan, nationwide security has been restored, and assurances have been given by the government regarding the protection of all national projects, particularly this crucial one. The Islamic Emirate has even committed to establishing a special security unit to safeguard the project if necessary. Nevertheless, a review of the project's history indicates that internal and external factors could still potentially disrupt this vital national initiative. Certain countries and groups may perceive the success of this project as a threat to their political and economic standing and could attempt to hinder its progress.

### 2. Political Challenges

Changes in government and domestic policies can create uncertainty regarding the future of the project. Shifts in energy and investment policies may impact the execution of TAPI. While all four countries involved have significant needs for the project, political changes in any of them could temporarily or permanently halt progress. Major concerns include the lack of international recognition of the Islamic Emirate, Pakistan's political and security challenges, and India's inconsistent energy policies. These represent serious obstacles to the success of the TAPI project. Meanwhile, Turkmenistan is in urgent need of diversifying its revenue sources and generating foreign currency income, as it currently sells gas to Russia and China at below-market prices and uses the revenue to repay its debts to these nations, particularly China, and to import goods. Afghanistan, too, seeks new revenue streams and aims to demonstrate its capability to serve as a regional transit and trade hub between Central and South Asia. Additionally, Pakistan and India, with their growing populations and economies, along with the rising global gas prices, require abundant and affordable gas from Turkmenistan and Central Asia.

### 3. Economic and Logistical Challenges

Securing adequate financing and attracting necessary investments are among the key challenges, especially given Afghanistan's economic difficulties. Delays in securing funding and other economic issues have been significant factors in previous postponements of the project's implementation. This issue is not unique to Afghanistan but affects all the countries involved. Although the project's estimated cost is \$7.6 billion, considerable investment is still required. The state-owned company, Turkmengaz, which holds an 85% stake in the TAPI pipeline consortium, has struggled to secure sufficient funding. To date, only \$700 million has been obtained from the Islamic Development Bank, while the other three participating countries have pledged just 5% of the total project cost (or \$500 million). The remaining billions must be provided by Turkmenistan, casting doubt on its ability to allocate such a large budget.



The source and total amount of the budget allocated for the implementation of the Afghan segment of the project remains unclear. However, according to a spokesperson for the Islamic Emirate of Afghanistan, Turkmenistan has agreed to provide a loan of \$150 million to cover the costs of the first phase, which spans from the Turkmenistan border to Herat. This loan is expected to be repaid from Afghanistan's future transit revenues. Additionally, the lack of adequate infrastructure, including transportation, storage facilities, and support systems, could result in further delays and increased costs. Supply chain issues, particularly in sourcing materials and equipment for the project, also present significant challenges.

By addressing these critical challenges, the TAPI project can move forward as a vital economic driver for Afghanistan and the region.

## CONCLUSION

The TAPI project is a significant regional initiative, with its conceptual foundation dating back to the early 1990s. This project offers numerous advantages for the involved countries and will contribute to the development of trade and transit across the region. For Turkmenistan, TAPI will provide an opportunity to diversify and increase its revenue streams, reducing its reliance on China and Russia. Afghanistan stands to gain substantial revenues from transit fees, along with improvements in infrastructure and the creation of thousands of jobs. Additionally, Afghanistan will secure a large portion of its much-needed gas supply through this project, all of which will contribute to the country's economic development. India and Pakistan will benefit from access to Central Asia's abundant gas resources for decades.

Despite these benefits, several challenges lie ahead in completing and utilizing the project. Politically, the non-recognition of the Islamic Emirate, the political tensions between India and Pakistan, and India's fluctuating energy strategies present significant hurdles. On the security front, potential threats from countries and groups opposed to the project, whose interests may be harmed by its success, remain major concerns. Economically and logistically, the lack of clearly defined financial resources and inadequate infrastructure are among the most critical challenges to the project's implementation and completion.

In light of these challenges, specific recommendations have been made to ensure the successful execution and operationalization of the TAPI project.

## RECOMMENDATIONS

### 1. Strengthening Political and Economic Relations

Afghanistan needs to expand its political and economic relations with regional and global countries, persuading them to formally recognize the Islamic Emirate. This step is critical for ensuring the success of the TAPI project and other similar initiatives involving both domestic and international stakeholders. Stable diplomatic relations and active diplomatic channels would enable officials to swiftly respond to political, economic, and social developments that



may negatively affect the project, allowing them to seek practical solutions. Recognition of the government would also play a crucial role in attracting both domestic and foreign investment, especially given Afghanistan's inability to finance large-scale projects like TAPI from internal resources.

## 2. Formation of an Inter-Ministerial Committee

Although there is already a dedicated section within the Ministry of Industry and Commerce responsible for overseeing the TAPI project, to further ensure its successful implementation, an empowered inter-ministerial committee should be established. This committee, led by the Deputy Prime Minister for Economic Affairs, should include ministers from all relevant ministries. It should continuously monitor the project's progress and address any arising challenges as quickly as possible.

## 3. Security Arrangements

To avoid unnecessary recruitment and additional costs to the government, the Islamic Emirate, as promised, should form a special security unit from within the existing security forces. This unit, after receiving specialized training, should be tasked with ensuring the security of the TAPI project. Proactively establishing this unit would prevent potential security incidents from disrupting the project.

## 4. Securing Financial Resources for Future Phases

To avoid disruptions in the project's progress, the aforementioned inter-ministerial committee should prepare financing options for the subsequent phases of the TAPI project and present them to the Prime Minister's Office and the leadership of the Islamic Emirate for approval. These financing options could include a combination of public and private resources. The government could issue 5- to 10-year *Sukuk* bonds or longer-term bonds to raise the necessary funds from public and private sources in exchange for reasonable returns. Ensuring political, security, and economic stability, along with offering guarantees to investors, would be prerequisites for the issuance of *Sukuk* bonds. If investors are assured of these conditions, such bonds could play a vital role in financing and implementing the TAPI project as well as other national initiatives.

## 5. Integration of Complementary Projects

To maximize the benefits of the TAPI project and other national initiatives, serious attention must also be given to implementing related projects, such as the construction of railways, electricity transmission, and fiber optic cable installation. These projects should be integrated into sectorial development strategies and Afghanistan's broader national development strategies.





**REFERENCES:**

1. TOLONews. (n.d.). **General information about the TAPI project**. Retrieved from [TOLONews](#)
2. Asian Development Bank. (n.d.). **Technical assistance completion report: Afghanistan**. Retrieved from [ADB](#)
3. Chaturvedi, R. (2022, April 15). **India's plan to realize TAPI**. *The Diplomat*. Retrieved from [The Diplomat](#)
4. World Bank. (2021, May). **Afghanistan: Macro poverty outlook**. Retrieved from [World Bank](#)
5. Unknown author. (n.d.). **Afghanistan economic report**. Retrieved from [Google Drive](#)
6. Asian Development Bank. (n.d.). **Technical assistance completion report: Afghanistan**. Retrieved from [ADB](#)
7. Deputy Prime Minister's Office for Economic Affairs of Afghanistan. (n.d.). **Security assurance statement regarding the TAPI project and other national projects**. Retrieved from [DPMEA](#)
8. BBC Persian. (2018, February 21). **TAPI project: Turkmenistan to India gas pipeline through Afghanistan**. Retrieved from [BBC Persian](#)
9. Eurasian Research Institute. (n.d.). **Prospects and challenges in realizing the TAPI project**. Retrieved from [Eurasian Research Institute](#)
10. TOLONews. (2023, August 30). **Video: TAPI pipeline project - Overview and status**. *YouTube*. Retrieved from [YouTube](#)
11. BBC Persian. (2018, February 11). **TAPI project: Turkmenistan supplies gas, Pakistan and India buy**. Retrieved from [BBC Persian](#)

---

The Centre for Strategic and Regional Studies (CSRS) is an independent, non-profit, and non-governmental research organization established in July 2009 in Kabul. CSRS is committed to promoting policy-oriented research through conducting authentic and unbiased research concerning Afghanistan and the region.

**Contact Us:**

Email: [info@csrskabul.com](mailto:info@csrskabul.com) - [csrskabul@gmail.com](mailto:csrskabul@gmail.com)

Website: [www.csrskabul.com](http://www.csrskabul.com) - [www.csrskabul.net](http://www.csrskabul.net)

Phone & WhatsApp: +93780618000

