



Afghanistan's Economic Development

Issue No. 20 (1404 SH)
Consecutive Issue No. 34

(Newsletter)

Date: 21/8/2025

Each week, significant economic activities and developments occur across various sectors in Afghanistan. The Afghanistan's Economic Development Newsletter covers these important and latest economic activities and advancements.



In this issue:

1. Uzbekistan Invests \$243 Million in Afghanistan's Power Sector
2. Railway Network Plays a Key Role in Afghanistan's Trade and Regional Connectivity

UZBEKISTAN INVESTS \$243 MILLION IN AFGHANISTAN'S POWER SECTOR

On August 17, 2025, in the presence of the Deputy PM for Economic Affairs, Mullah Abdul Ghani Baradar Akhund, contracts for four power-related projects were signed in Kabul between Da Afghanistan Breshna Sherkat (DABS) and Uzbekistan.

These projects include construction of the 500 kV Surkhan–Dasht-e Alwan transmission line, expansion of the Arghandi substation, construction of the 220 kV Kabul–Sheikh Mesri transmission line, and establishment of the Sheikh Mesri substation in Nangarhar.

Uzbekistan will invest \$243 million in these projects, which are scheduled for completion within 18 months.

The purpose of implementing these projects is to organize and expand Afghanistan's electricity distribution networks. Fundamentally, the projects are designed to facilitate the transmission and distribution of approximately 1,000 megawatts of electricity imported from Uzbekistan.

Due to limited domestic electricity generation, Afghanistan has been compelled to rely heavily on neighboring countries for its power needs. The Emirate's institutions and officials are striving to generate the required electricity from domestic resources, and in this regard have initiated numerous projects across various provinces. However, at present, the import of electricity from abroad remains the only option, as there is no alternative to mitigating the impacts of electricity shortages within the country.

Uzbekistan's investment in expanding Afghanistan's grid, constructing new substations, and extending transmission lines is strategically important. In the long term, these measures will strengthen DABS's capacity for electricity distribution, system management, and overall energy security.



RAILWAY NETWORK PLAYS A KEY ROLE IN AFGHANISTAN'S TRADE AND REGIONAL CONNECTIVITY

According to government officials, Afghanistan currently has around 400 kilometers of primary and secondary railway lines. These networks connect the country with Uzbekistan, Turkmenistan, and Iran. The Islamic Emirate is working to further expand this network by attracting both domestic and foreign investment in the railway sector.

The Ministry of Public Works has announced that construction on the first phase of the fourth section of the Herat–Khaf railway and the rehabilitation of the Hairatan–Mazar-e-Sharif line are underway. Additionally, a \$500 million agreement with Kazakhstan has been signed for the construction of the Torghundi–Herat and Herat–Kandahar railways. Furthermore, a \$5 million agreement with Turkmenistan for the expansion of the Torghundi port has also been signed, with implementation set to begin soon.

For the Herat–Kandahar railway, which spans 737 kilometers, the detailed survey and design works are currently being carried out at a cost of 264 million Afghanis.

Railways are among the most important means of transport and

hold particular significance for a landlocked country like Afghanistan. The existing railway network has already played a vital role in strengthening Afghanistan's trade relations. Through these lines, Afghanistan engages in commerce with Iran, Central Asian countries, China, and several others—facilitating the annual export and import of thousands of tons of goods.

With the completion of additional railway projects, Afghanistan will gain access to South Asian markets. Moreover, regional countries will also benefit from enhanced commercial ties through Afghanistan's rail networks, thereby reinforcing regional connectivity.

By pursuing its economy-focused policy, the Islamic Emirate aims to strengthen regional connectivity as a means of achieving sustainable economic growth for Afghanistan.

