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# TRADE AND ACCESSION FACILITATION FOR AFGHANISTAN (TAFA)

## ANNUAL REPORT

November 2009 – November 2010



Afghanistan Minister of Commerce, Dr. Anwarul Haq Ahadi, right, and Pakistan Commerce Minister Makhdoom Amin Fahim, left, exchange congratulations after signing the Afghanistan-Pakistan Transit Trade Agreement (APTTA) on October 28, 2010. TAFA provided technical and material assistance in helping the parties resolve difficult issues.



# TRADE AND ACCESSION FACILITATION FOR AFGHANISTAN (TAFA)

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## DISCLAIMER

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## Acronyms

AAFFCO	Afghanistan Association of Freight Forwarding Companies
ACCI	Afghanistan Chamber of Commerce and Industry
ACD	Afghanistan Customs Department
ADB	Asian Development Bank
AISA	Afghanistan Investment Support Agency
AMP	Accession Master Plan
ANCA	Afghanistan National Customs Academy
ANDS	Afghanistan National Development Strategy
ANSA	Afghanistan National Standards Agency
APTTA	Afghanistan Pakistan Transit Trade Agreement
APTTCA	Afghanistan Pakistan Transit Trade Coordinating Authority
ASAP	Afghanistan Sustainable Agriculture Project (USAID/Afghanistan)
ASYCUDA	Automated System for Customs Data
BMTF	Border Management Task Force
CCTV	Closed-circuit television
CSO	Central Statistics Office
CVA	Customs Valuation Agreement
DAB	Da Afghanistan Bank
DG	Director General
DM	Deputy Minister
EC	European Commission
ECOTA	Economic Cooperation Organization Trade Agreement
EGGI	Economic Growth and Governance Initiative (USAID/Afghanistan)
EIF	Economic Integration Forum
EPAA	Export Promotion Agency of Afghanistan
EU	European Union
FIATA	International Federation of Freight Forwarders Associations
GDP	Gross Domestic Product
GIRoA	Government of the Islamic Republic of Afghanistan
GSP	Generalized System of Preferences
HS	Harmonized System
ICD	Inland Customs Depot
IJC	International Joint Command
IMC	Inter-Ministerial Commission
IMF	International Monetary Fund
IP	Industrial Parks
IR	Intermediate Result
ISAF	International Security Assistance Force
ITC	International Trade Commission
ITD	International Trade Directorate
JICA	Japan International Cooperation Agency
KAP	Knowledge, Attitudes and Practices (survey)
KCH	Kabul Customs House
KIA	Kabul International Airport
M&E	Monitoring and Evaluation
MAIL	Ministry of Agriculture, Irrigation, and Livestock
MFTR	Memorandum on the Foreign Trade Regime
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoU	Memorandum of Understanding

MoPH	Ministry of Public Health
MoTCA	Ministry of Transportation and Civil Aviation
MSI	Management Systems International
MVT	Mobile Verification Team
NIST	National Institute of Standards and Technology
NTB	Non-tariff barrier
OSC	Overseas Strategic Consulting
OSS	One Stop Shop
PO	Project Objective
PPP	Public-private partnership
PTP	Pakistan Trade Project (USAID/Pakistan)
PSU	Policy Strategy Unit
RC	Regional Command
SAARC	South Asian Association for Regional Cooperation
SAFTA	Southern Asia Free Trade Agreement
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
TAFA	Trade and Accession Facilitation for Afghanistan
TBT	Technical Barriers to Trade
TIR	International Road Transport Convention
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
UTS	Unauthorized Trade Study
WCO	World Customs Organization
WTO	World Trade Organization

## Introduction

The U.S. Agency for International Development (USAID) in cooperation with the Government of the Islamic Republic of Afghanistan (GIRoA) designed the Trade and Accession Facilitation for Afghanistan (TAFE) project to help Afghanistan harness the trade and investment potential of its strategic location in the region so that increased investment, exports, and market-based employment opportunities drive economic growth. USAID awarded the TAFE contract in November 2009 to a consortium of Chemonics International (prime implementer), Economic Integration Forum (EIF), Overseas Strategic Consulting (OSC), and Management Systems International (MSI).

USAID's TAFE project is working to re-build Afghanistan's traditional role as a great trading nation. Goods once travelled along the ancient Silk Road and travelers rested in comfort in historic caravan serai. In the coming years, Afghans will increasingly return to trading activities, as the benefits and ease of trading across borders becomes more apparent. Over time, the Afghan economy will be driven by exports, trade, and transit. TAFE-generated activities will help Afghans re-claim their historic greatness as a center of trade and commerce.

**TAFE means jobs creation.** TAFE-promoted trade agreements such as the Afghanistan-Pakistan Transit Trade Agreement (APTFTA) and the South Asian Free Trade Agreement (SAFTA) will make Afghan products more competitive abroad, create jobs, and raise incomes in agriculture, manufacturing, handicrafts, and other sectors. Access to new markets in Pakistan, India, and beyond will create export opportunities for women in existing high value-added occupations such as design, and create new career paths for women in areas such as business administration and microfinance. Afghan businesses will have access to additional raw materials and new components for their products, creating new business opportunities and entirely new lines of goods that can be sold both inside and outside Afghanistan.

**TAFE means higher living standards.** TAFE-supported trade policy liberalization will make consumer goods more affordable, raising living standards for all Afghan families and making the products they need more accessible and easier to purchase. Increased customs revenue will allow the GIRoA to offer its citizens additional services, and improved customs procedures will protect consumers from dangerous or inferior products.

**TAFE means cheaper and easier trade.** TAFE will reduce wait times at customs houses and border crossings, enabling freight forwarders, traders, and truckers to do more business. Clearer rules and procedures will allow businesses to more accurately set prices, assess risks, and allocate resources, allowing them to make the most of new market opportunities created by regional trade agreements.

**TAFE means entering the global trade regime.** The economic growth generated by the World Trade Organization (WTO), SAFTA and APTFTA will create broad-based political support for Afghanistan's carefully managed entry into the global marketplace. The trade and customs reforms facilitated by TAFE will build the necessary momentum for the Government to reach the levels of transparency and efficiency required to join the WTO.

**TAFE means trust and respect for the GIRoA within the private sector and among Afghan citizens.** TAFE's public outreach work with other government institutions will encourage feedback from the public to GIRoA. TAFE's goal is to make government and private sector institutions the "go-to" sources for up-to-date, actionable information on where to trade, what to trade, and how to trade, enabling Afghan business people to reach their goals. A cadre of journalists, trained and nurtured in a Trade and Economic Press Club, will raise the level of public debate and understanding of trade-related issues.

Afghanistan was once a great trading nation. With TAFE's assistance, it will be once more.

## Building the Capacity of Afghan Staff and Counterparts

TAFAs success in achieving its mission is dependent on enhancing the considerable potential of its Afghan team members. Our accelerated work plan assumes professional growth in these colleagues, as we are investing in developing their skills. As a result of the capacity building measures described below, Afghan team members will assume significantly greater responsibility for project administration and delivery of technical assistance. By the end of the project, only three long-term expatriate advisors will remain.

The project is taking a number of steps to prepare TAFAs Afghan team members for success in exercising the increased responsibilities that they will shoulder in the years ahead, both for the remainder of the project and in the life of their country thereafter. These measures include initiatives to build the capacity of individual team members, as well as to structure the project to facilitate their emergence as leaders. Both types of measures increase the effectiveness of TAFAs support to our counterparts. Measures being taken include the following:

- With USAID’s concurrence, TAFAs has introduced six-day work weeks for our Afghan team members. This measure increases both the learning time with expatriate mentors and their availability to counterparts, who work six-day weeks.
- TAFAs is in the process of appointing two Deputy Chiefs of Party from within the TAFAs team, one responsible for technical oversight and one for administration and compliance.
- TAFAs Afghan WTO Accession Specialist (Goods) has just been named the new Director of Planning and Development at the Afghanistan Customs Department.
- TAFAs routinely pairs short-term experts both with an Afghan TAFAs team member and a GIRoA counterpart to build capacity, transfer knowledge, and provide the resources necessary to achieve the mission.
- TAFAs expatriate long-term and short-term advisors and our Afghan professionals are embedded with our counterparts at the Ministry of Commerce and Industry (MoCI), Ministry of Finance (MoF) Afghanistan Customs Department (ACD), and the Afghanistan Chamber of Commerce and Industry (ACCI). This day-to-day mentorship and on-the-job training builds the capacity of GIRoA and TAFAs team members in all aspects of their job, as well as fosters GIRoA ownership of TAFAs activities and results in a way that could not be achieved with advisors working externally.
- During the day-to-day course of the project, we provide Afghan team members with challenging opportunities to develop professional competence appropriate to their current, escalating levels of proficiency. We provide concrete tasks with high expectations, give clear feedback, and celebrate success.
- At no direct cost to the project, Chemonics International provides English lessons and professional training opportunities. The American University of Afghanistan is now providing English lessons at TAFAs office for Afghan team members based on their current proficiency in English. The English courses emphasize business speaking and writing.
- Chemonics also subsidizes training that will enhance Afghan team members’ professional qualifications, and provides trainings twice a year in ethics and development values.

TAFAs Team Capacity Building			
Indicator	Year 1	Year 2	Year 3
Number of Expats (End of Year)	20	16	3
Percentage of Afghan TAFAs Team Who Have Taken English Lessons	50	75	90
Percentage of Afghan TAFAs Team Who Have Had Professional Training	25	60	80

## Highlights of Year One Achievements

TAFa consists of four components: 1) Trade Policy Liberalization, 2) Customs Reform, 3) Trade Facilitation, and 4) Public Outreach. The highlights of year one activities are listed below by component.

**Component 1: Trade Policy Liberalization** supports the goals of the Afghan National Development Strategy (ANDS), and GIRoA's commitment to clarifying institutional responsibilities and mechanisms for reforming the business environment; and improving trade and commercial relations with regional countries by adopting policies and procedures that facilitate and promote transit and trade. TAFa's year one trade policy highlights include:

- APTTA signed with TAFa support and promotion
- SAFTA ratified with TAFa promotion and support
- Replies to WTO Working Party questions submitted to the WTO
- Afghanistan WTO negotiations team prepared for upcoming WTO negotiations
- ACD Statistics Unit established and first ACD-generated trade statistics in Afghanistan completed
- WTO Accession Master Plan finalized
- Legal diagnostics of WTO systemic laws completed
- Customs Valuation Database built with top 200 revenue generating imports
- Major barriers to exports identified
- Unauthorized Trade Study (UTS) methodology approved and study launched
- TAFa twins with USAID/Pakistan Trade Project to create joint programming

**Component 2: Customs Reform** supports GIRoA in introducing measures to streamline procedures to move goods across borders, improve controls, and increase revenues. TAFa's year one Customs reform highlights include:

- TAFa assisted ACD in complying with Asian Development Bank (ADB) procurement requirements for US\$4 Million in border equipment, now in final review of bids
- Memorandum of Understanding (MoU) on border management developed between MoF and Ministry of Interior (MoI)
- Diagnostic analysis of the Kabul Inland Customs Depot (ICD) completed, and ACD ICD directors agree to embark on first round streamlining procedures recommended by TAFa
- Recommendations developed for streamlining for customs export procedures at Kabul International Airport (KIA)
- Workshop on Trade and Customs Reform and Tariffs Procedures carried out
- World Customs Organization (WCO) Conference attended by GIRoA
- Trainings on the Customs Law and amendments, risk management and the exemption process, among other topics developed and delivered to customs officials at the Afghan National Customs Academy (ANCA)

**Component Three: Trade Facilitation** works in four primary areas: transit, industrial parks (IPs), Public-Private Partnerships (PPPs), and adoption of quality standards. Inefficient, costly transportation and lack of quality standards are two key constraints to trade and investment. IP development addresses constraints to investment such as security and consistent provision of water and electricity. PPPs will leverage public and private resources to attract and grow businesses in Afghanistan. TAFE's year one trade facilitation highlights include:

- Ground-breaking on construction of TAFE-financed one-stop-shop for exports, in coordination with the Export Promotion Agency of Afghanistan (EPA) and GTZ
- Afghanistan National Standards Agency (ANSA) Five-year Strategic Plan finalized and first donor coordination committee on standards established
- Standards as a tool to facilitate trade promoted through studies and presentations delivered
- ANSA's resource library significantly expanded
- Workshops presented across Afghanistan on transportation and transit issues
- Worked with both the Afghan Investment Support Agency (AISA) and the MoCI to identify and address issues with IPs—including expansion of parks and provision of technical assistance
- Relationship established with the Afghanistan Association of Freight Forwarding Companies (AAFFCO), International Road Transport Convention (TIR) training materials translated, and trainings in Afghan transportation law and transit launched across the country
- First steps taken to support Afghanistan's membership in the TIR Convention
- IP policy developed and submitted



**Afghanistan Minister of Commerce and Industry, Dr. Anwarul Haq Ahadi, places the cornerstone to begin the construction of the one stop shop for exports Photo by: USAID/TAFE**

**Component Four: Public Outreach** increases awareness and public knowledge of the benefits of regional trade agreements and WTO accession process, to promote ownership of the agreements. TAFE's year one public outreach highlights include:

- Knowledge, Attitudes and Practices (KAP) Survey Completed
- Public awareness campaigns on SAFTA launched throughout Afghanistan
- Public awareness campaigns on APTTA launched throughout Afghanistan
- Outreach activities targeting women and youth delivered
- Communications on the Law on the Transportation of Goods launched throughout Afghanistan
- Communications capacity building takes place with the MoCI on a daily basis with hands-on mentoring
- Communications assessments completed for the ACCI and ACD
- Communications plans developed for ACCI and ACD
- Journalist training on economic and trade reporting conducted in thirteen provinces

Afghanistan is a country with significant potential for economic development. It has substantial water, agricultural and mineral resources and is well positioned to become a trade and business hub linking the markets of Central Asia, the Middle East, South Asia and China. An open trade policy will facilitate a competitive environment for private sector development, avoid the high costs incurred with protectionist policies and facilitate Afghanistan becoming better integrated as a 'trading hub' in the region.

- Afghanistan National Development Strategy (2008-2013)





## Trade Liberalization

TAFa will improve Afghanistan's capacity to negotiate and implement regional trade agreements and begin the fundamental overhaul of the legal and regulatory framework governing trade—identifying and removing barriers to commerce and making significant progress towards WTO accession. Through on-the-job training, improved inter-institutional coordination, negotiation and implementation of bilateral, regional and international trade and transit agreements, GIRoA expects to improve economic opportunities for Afghan firms, create new jobs, and facilitate trade while laying the foundation for WTO accession.

### Afghanistan-Pakistan Transit Trade Agreement

Secure and stable transit and access to the sea are critical for trade and economic development for any land-locked country. For Afghanistan, Pakistan is the most important transit country through which it can get shortest access to sea ports and the huge markets of India and China.

APTTA replaces an outdated 1965 transit agreement, and updates and improves the joint transit system to reflect current economic conditions, infrastructure, technology, and transport practices. The final APTTA agreement was signed on October 28, 2010.

The increased freedom of transit provided by APTTA will link Pakistan to the Central Asian countries of Uzbekistan, Tajikistan, Turkmenistan, and beyond. Pakistan will also benefit from improved access to raw materials from Central Asia. Similarly, APTTA will link Afghanistan to the world via three Pakistani seaports: Karachi, Qasim, and Gwadar, where Afghan trucks can load goods, and return with imports from third countries or Pakistan.

APTTA will allow Afghan exports to India through Wagah and to China through Sost. Afghan and Pakistani trucks will be able to carry Afghan exports up to Wagah at the Indian border and offload goods back to back onto Indian trucks at Wagah. No Indian exports to Afghanistan will be permitted through Wagah. However, Afghan trucks will be allowed to carry back Pakistani exports and goods made in other countries from inside Pakistan to Afghanistan.

Both countries agreed to increase cooperation to control informal trade and implement measures to increase the modernity and security of the current transit system. For example, tracking devices will be installed on trucks to monitor their location. Authorized agents, such as shippers and brokers, will provide financial guarantees for payment of customs levies of transiting imports. These will be released once transit imports exit the transit country. Both countries will also provide each other with Customs-to-Customs information on clearance of cargo at their final destination point.

At the beginning on the TAFa project, the MoCI considered ratification of APTTA its most immediate priority. TAFa assisted the MoCI negotiating team during the fifth round of negotiations in Islamabad in December 2009. TAFa advised on resolving the remaining key issues for concluding the APTTA agreement, and developed a policy paper to support the negotiations in Islamabad. TAFa also assisted the chief negotiator of the Afghan delegation in preparing the opening speech for this round of negotiations and provided continuous support to the delegation remotely throughout the negotiations.

TAFa completed a qualitative assessment of the benefits that Afghanistan stands to gain from APTTA, particularly transit through Wagah to India, and the political and social implications of this agreement on furthering regional cooperation between the two countries. TAFa also conducted a needs assessment for APTTA implementation, focusing on institutional issues and dispute settlement provisions as well as anti-smuggling measures. In addition, TAFa assisted in preparing a briefing note on international best practices of implementing letters of credit and the benefits for the private sector.

TAFAs participated in two APTTA inter-ministerial working group meetings in March 2010 to finalize the legal text of agreed-upon provisions. TAFAs provided technical support during these meetings including clarifications on utilization of terms under the Kyoto Convention. TAFAs provided two explanatory memos on international best practices for some of the APTTA definitions. TAFAs translated the proposed methodology for the joint UTS between Afghanistan and Pakistan and distributed it to all members of the inter-ministerial working group on APTTA negotiations. (See section on UTS below).

TAFAs provided support to Afghanistan in the preparation of the sixth round of APTTA negotiations which took place in Kabul from May 17-20, 2010. This assistance included conducting extensive research and analysis on issues surrounding quotas for a variety of products, tariff harmonization, and technical issues in Customs protocols.

Subsequent to the May round of discussions, TAFAs assisted in merging protocols three and four; providing guidance to clarify legal text on access to Wagah; and provided a snapshot of benefits (other than access beyond Wagah) to build confidence for accepting the agreement.

On July 18, at the end of the seventh round of discussion, Afghanistan and Pakistan agreed to sign the APTTA agreement after the Afghan Council of Ministers reviewed APTTA and approved its text. The approval of the text of the APTTA agreement by the Council of Ministers enabled the government to officially sign the agreement once Pakistan completed necessary internal procedures. Both governments reviewed APTTA and it was officially signed on October 28, 2010.

A key result of this fruitful negotiation process is the formation of a joint Chamber of Commerce between the private sectors of both countries that will promote joint ventures and production by maximizing the comparative advantages of both nations to increase competitiveness regionally and globally.

A joint Secretariat, the Afghanistan Pakistan Transit Trade Coordinating Authority (APTTCA), will be established to administer and oversee implementation. Either country can address complaints regarding informal trade through APTTCA, which will develop a mechanism for dispute settlement. APTTCA will also provide monitoring, regulatory, and administrative oversight.

APTTA is largely silent on the coordinating authority's organizational structure and the steps it will take to accomplish the identified tasks and provides that the "the Coordinating Authority shall establish its own rules of business." TAFAs supported GIRoA in preparing the draft proposal for the establishment of APTTCA, and conducted discussions to achieve agreement on the final proposal.

TAFAs submitted initial observations regarding the structure and function of APPTCA as well as the proposed approach to carrying out the functions of APPTCA to the MoCI. Following this submission, three roundtable discussions were held with drafters, negotiators, government officials, policy makers and potential implementers of the Agreement to give all participants an opportunity to re-examine the language of the Agreement related to the APPTCA's structure and function, and to consider various approaches to the institution's work. All participants were given an opportunity to comment, make recommendations, and constructively criticize the initial recommendations. The results of these discussions are reflected in the final inception report.

Afghanistan will present the draft framework to the Pakistani authorities. TAFAs will coordinate with USAID/Pakistan and relevant USAID-funded programs in Pakistan to promote acceptance in Pakistan. Upon mutual agreement, the two sides will proceed to make APTTCA operational.

In addition to APTTCA, TAFAs met with the USAID-funded Pakistan Trade Project (PTP) project in Pakistan, as well as representatives from USAID/Afghanistan and USAID/Pakistan in Islamabad to further discuss APTTA implementation. As a result of these meetings, a plan for joint APTTA implementation-related activities was prepared.

TAFAs will focus on the following activities:

- Develop a best practice model, necessary legislation, trainings and a manual for a transit financial guarantee system
- Develop a proposal for implementation of a dispute settlement mechanism
- Develop functional design, implementation plan, pilot system and training for implementing vehicle trucking system
- Assist in launching Customs-to-Customs information exchange mechanism, including functional design and implementation plan
- Implement internationally accepted standards for sealed transport units

## Momentum Accelerates for World Trade Organization Accession

The WTO accession process is widely recognized as the engine for enabling broad-based reforms and improving national competitiveness. The WTO accession process – adoption and implementation of laws that facilitate business activity – is at least as important as accession itself. The process is essential to building trade capacity within various institutions and encouraging dialogue between the private and public sectors. It helps to shape and strengthen the policy framework and to build capacity to assess and capitalize on the comparative advantages and competitiveness of Afghanistan. The process also provides an impetus for the public sector to streamline business and trade processes.

Although the accession process has taken more than a decade in some countries, the activities required for aggressive pursuit of accession build governance capacity, grow the economy, and promote investment and job creation. In addition to the economic benefits for Afghanistan, the WTO system encourages good government.

The improvements in economic systems and improved government practices together can contribute to Afghanistan's greatest need: peace and increased security. For these reasons, WTO accession is a long-term goal, with immediate pay-offs for Afghanistan, which TAFE is supporting.

The immediate payoffs from the ultimate goal of WTO accession process improve Afghanistan in a number of ways. Collaboration among the numerous stakeholders who work together is in itself an achievement for Afghanistan. The



**Participants from a number of stakeholders meet to prepare responses to the WTO questions on April 12, 2010. Photo by: USAID/TAFE**

preparation of responses to the WTO questions alone involved a number of participants whose close collaboration was vital to achieving this important milestone. WTO Questions Review participants included AISA, ANSA, Central Statistics Office, Da Afghanistan Bank, EPAA, Ministry of Agriculture, Irrigation and Livestock (MAIL), MoCI, Ministry of Defense, Ministry of Education, MoF ACD, MoF Budget Department, MoF Tax Policy Department, Ministry of Justice, and Ministry of Public Health (MoPH).

Additionally, Afghanistan needs to bring a number of laws to international standards in order to join the WTO. WTO Working Party members expect full compliance, as well as enforcement infrastructure, prior to accession in major legal areas related to trade policy. These areas include Customs, Trade-Related Aspects of Intellectual Property Rights (TRIPS), Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT). Legislative reforms will establish a trade regulatory regime in Afghanistan that is in compliance with internationally accepted rules and principles and best practices. Fair rules, well balanced between legitimate public interests and greater trade liberalization will be established.

In December 2009, TAFE began collecting all laws and legal acts related to trade policy liberalization. The team created a database of all relevant legal acts and translated key pieces of legislation into English. TAFE completed legal analysis for WTO conformity and provided conceptual and legal recommendations to bring existing laws and draft laws into full conformity with WTO agreements.

In addition, TAFE developed model laws and legal provisions for consideration by relevant ministries to use as the basis for drafting new laws. TAFE translated all recommendations and tasked local lawyers to draft legal proposals. TAFE held meetings with all relevant state bodies who showed support for the proposed reforms and expressed interest in working with TAFE on preparing necessary drafts.

Many legal reforms were addressed by TAFE through the use of local lawyers who initiated work on converting TAFE's proposals to Afghan legal style and sending the analysis to the relevant ministry. Each law has been reviewed for how it compared to the reforms needed to meet the specifications of WTO membership. Specifically, TAFE has addressed the following legal reforms:

- Animal health
- Anti-hoarding
- Anti-monopoly
- Commercial Procedural Code
- Competition
- Copyrights
- Criminal code
- Customs aspects of intellectual property
- Customs Valuation Agreement (CVA) and Rules of Origin
- Customs valuation implementing regulations
- Food safety
- Foreign trade policy
- Geographical indications
- Government procurement
- Industrial design
- Intellectual property
- Investment
- Plant protection
- Plant quarantine
- Standards
- Trademarks



**Participants in the WTO awareness seminar for law and economics faculty students for Kabul University Economics Faculty students and professors on October 18, 2010. Photo by: USAID/TAFA**

The reform of each of these laws is beneficial not only as a step towards WTO accession, but as a means for improving Afghanistan's business and trading environment immediately. For example, by bringing laws on intellectual property to international standards, the law protects innovators in Afghanistan from infringements on original copyrights, patents, trademarks or industrial designs.

The WTO Agreement on the application of SPS measures sets out the basic rules for food safety and animal and plant health standards. As a result, Afghanistan must bring internal SPS legislation to a higher standard. This not only facilitates trade but ensures that food is safe for consumers. When improved, laws on plant protection and quarantine prevent the spread of pests or diseases among animals and plants.

Each legal reform was supported by the Afghan entity to which it is most critical. The animal health and plant protection law reform process was developed with input from fifteen GIRoA participants from various government entities such as MoJ, MAIL, MoPH, ANSA, MoCI, and representatives from universities and municipalities.

To begin support for WTO Accession, TAFA must build a sound institutional framework for WTO accession negotiations. This requires focusing on building the capacity of a key group of supporters who will drive the WTO process. To facilitate this process, TAFA developed a proposal which called for establishing a high level Inter-Ministerial Commission (IMC) including private sector representatives, a WTO Unit, (including a representative to Geneva), technical focal points, sectoral working groups, legal drafting groups, and a negotiations team.

The proposal also outlined the qualifications and job descriptions for the staff of the WTO Unit as well as the mechanisms for inter-agency coordination and for cooperation with the private sector.

The IMC was established by the Acting Minister of Economy within the authority provided under the action plan adopted by the government, and the Vice President issued a decree appointing a WTO Chief Negotiator. The IMC also opened the door for Afghanistan to begin to identify qualified persons to be members of the negotiations team for the first WTO Working Party meeting.

WTO accession requires the participation of numerous actors to ensure that WTO accession receives the necessary support and feedback needed. In particular, TAFE stressed the importance of private sector participation and involvement in the accession process.

In February, TAFE began to conduct roundtables to discuss the WTO accession process and requirements, and the potential impact on Afghanistan. These roundtables included heads of various committees at ACCI. Participants stated that the discussions helped to mitigate fears and clarified misunderstandings about WTO membership.

TAFE shared experiences of other countries and various models, and established sectoral working groups to provide intelligent input to the government policy reform and negotiations process. TAFE staff also conducted presentations on understanding international trade issues and WTO solutions at the TAFE-sponsored trainings held for Afghan journalists.

TAFE continues to hold roundtables at the MoCI attended by all members of WTO desk at the ministry, other MoCI staff, and representatives of the WTO Inter-Ministerial Working Group from ACD, MoF, MoPH, MoJ, the Central Statistics Office (CSO), and the President's Administrative Affairs Representative. The roundtables clarified project objectives for enabling WTO accession, facilitated inter-ministerial coordination and information-sharing on other countries' experiences in undertaking WTO reforms, clarified the accession process, and motivated participants to work toward advancing accession.

The first step in attaining WTO accession is to respond to the WTO's Memorandum on Foreign Trade Regime (MFTR) questions. TAFE and GIRA reached a critical milestone in April by successfully submitting these questions to the WTO. TAFE worked closely with more than a dozen ministries and state bodies to assist in replying to WTO questions.

In January, TAFE initiated support to these ministries and state bodies in preparing replies to questions raised by WTO Working Party members on MFTR. To develop these responses, TAFE conducted significant legal research and analysis and provided extensive on-the-job training to a variety of stakeholders to help them to understand the questions and related WTO provisions.

TAFE facilitated two rounds of reviews of replies by relevant ministries and state bodies, answering all 168 questions from the Working Party. Draft replies to all questions were prepared by April 2, 2010 and were circulated to all relevant ministries. The review of the draft replies was conducted over two days (April 12 and 17) at MoCI with the participation of approximately 20 ministries/state bodies. The process to review replies was used as simulation for what to expect during the Working Party meeting.

TAFE assisted in fine-tuning the replies based on the meeting results and securing bilateral confirmation with relevant ministries and agencies. The replies were finalized by the end of April 2010. With support from TAFE staff, the MoCI submitted WTO Working Party questions and answers, English translations of 22 laws and regulations, and a revised ACC/4 (the document required on agriculture and subsidies) on implementation of the CVA to the Ministry of Foreign Affairs (MFA) to forward to the WTO Secretariat in Geneva.

In early May, TAFE spent two days going over the finalized replies with the Chief Negotiator and made final changes. Replies were then sent to the MoFA, which forwarded them to the WTO Secretariat in Geneva in early June 2010.

WTO accession requires an accession master plan (AMP), a roadmap that lays out an organized, orderly, and coordinated process for accession. To develop a roadmap, TAFE met with the WTO Accession Division Secretariat and discussed Afghanistan's WTO accession process in order to gain a better understanding of the expectations of WTO members and the WTO Secretariat.



**Participants in the WTO awareness seminar for law and economics faculty students for Kabul University Economics Faculty students and professors on October 18, 2010. Photo by: USAID/TAFA**

The AMP roadmap that TAFE and GIRA counterparts produced lays out the methods of introducing significant reforms and developing the numerous accession documents to be prepared. The MoCI will present the draft AMP for review and comments to other GIRA counterparts. The AMP is the primary guiding document for the WTO accession negotiating team, MoCI, and other GIRA ministries and agencies.

The WTO process needs a team of Afghan experts who are ready to carry out the accession process. As part of capacity building efforts, TAFE held a number of events to build the capacity of stakeholders. For example, TAFE held two training seminars to build the capacity of International Trade Directorate (ITD) WTO Unit staff. These trainings provided an introduction to international trade issues and WTO solutions, and an overview of the WTO accession process. TAFE began the process of creating specialization of staff within the WTO unit to cover key WTO areas, such as agriculture, trade policy/non-tariff barriers (NTB), services, and intellectual property. TAFE is providing on-the-job training through mentoring and assisting staff in the preparation of key WTO negotiations support documents in the aforementioned areas.

While moving towards WTO accession, TAFE must bring many partners into the fold, both to reassure them and to collect their input into the process. Academic institutions play a key role in knowledge sharing about the WTO process. In April, TAFE staff conducted a roundtable discussion with Kabul University professors to discuss the WTO accession process. A dozen professors were in attendance from the Kabul University Faculties of Economics, Law, Journalism, Social Science and Agriculture. Representatives from the MoCI were also present, with the introduction provided by the Director General (DG) of International Trade at the MoCI.

The discussion covered the role that academia can play in the WTO accession process, and served as a forum for answering questions about the process.

Topics of concern to participants included (a) how the WTO would help solve the current trade and transit problems that Afghanistan faces, particularly with Pakistan; (b) how Afghan exports can become more competitive and be promoted; (c) what measures should be taken to facilitate growth of domestic industry and how the WTO accession process will help this process; (d) what is Afghanistan's current status in the WTO accession process, and (e) how will Afghanistan deal with regulations and laws inherited from former regimes.

While TAFE has worked to prepare the legal framework for WTO accession, the WTO negotiations team plays the critical role in carrying out the negotiations. To prepare this team for the upcoming WTO Working Party meetings, TAFE has provided the negotiations team with continuous training on the process of conducting Working Party meetings, including Working Party proceedings, topics, and expectations. The negotiating team is fully prepared for the first Working Party to be held in late 2010 or early 2011.

TAFE also launched preparation of a note on expectations of WTO members during the first working party meeting and assisted MoCI in identifying institutions and qualified persons to participate in the WTO accession negotiations team.

Training the negotiations team also requires that they have insight into how the early negotiating meetings will proceed. In September, TAFE organized a study tour at the WTO Secretariat in Geneva, to include meetings for a dozen select members of the Afghanistan WTO negotiations team with various WTO divisions, observation of the Working Party meeting of Laos, and meetings with other international organization including International Trade Commission (ITC) and United Nations Conference on Trade and Development (UNCTAD). The trip has been postponed due to difficulties in obtaining visas but will be carried out in the near future to give greater insight to Afghanistan's negotiating team.

## **South Asian Free Trade Agreement Ratification and Implementation**

SAFTA will help align Afghanistan with other South Asian Association for Regional Cooperation (SAARC) countries: India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and Maldives. These countries are among Afghanistan's most critical trading partners. Pakistan and India alone account for 52 percent of Afghanistan's exports.

Membership in SAFTA provides increased opportunities for access to the large markets of Pakistan, India, Sri Lanka and other SAFTA member countries. Analysis conducted by TAFE shows that under SAFTA, Afghanistan's reduction of its tariffs will affect only 1.3 percent of its imports, whereas 40 percent of its exports will benefit from significantly decreased tariffs by Pakistan, India and Sri Lanka.

More importantly, the SAFTA agreement will lead to an increase in domestic production and income for Afghan producers and exporters. The increases in production and income will have a multiplier effect, creating more jobs and increasing consumer spending for more goods and services. TAFE's modeling suggests that for each \$1 increase in exports, GDP will increase by \$5.

As a result of SAFTA's required reductions in high import duties, Afghanistan gains the benefits of increased exports to SAFTA-member markets. SAFTA requires other countries to reduce the current high import duties facing Afghan products to five percent, making Afghan products more competitive in SAFTA markets.

To support SAFTA ratification and implementation, TAFE has carried out a variety of activities, including measuring the benefits of SAFTA, reaching out to Parliament and decision-makers about SAFTA, and introducing SAFTA to the general Afghan public.

TAFE developed a paper highlighting the quantitative impact of SAFTA, and the benefits that will result from trade liberalization. To identify the quantitative impact of SAFTA, TAFE requested data from the ACD on tariff rates and imports and export for Afghanistan and Pakistan. As statistics from some sources, such as the CSO are not reliable, TAFE used available data, and in addition secured revenue data for the last three years broken down by type of taxes on a monthly, quarterly, and annual basis for comparison.

Tafa also prepared a note summarizing the main benefits that will be gained by Afghanistan, as well as the linkage between SAFTA and APTTA. Tafa designed a model to assess the quantitative impact of SAFTA on revenues and assisted in developing a five-year tariff reduction plan in accordance with SAFTA. Tafa also worked with the ACD to validate statistics collected for use in this model.



**On October 5, Tafa held a roundtable to discuss analysis and alternatives for fulfilling the SAFTA trade liberalization program aspects connected with tariff reductions. Photo by: USAID/Tafa**

Finally, Tafa collected monthly information on customs revenue for 1384-1388. In 1388 (or 2010) Customs revenue increased 84 percent compared to 1387 (2009).

Tafa prepared three scenarios for the Trade Liberalization Program under SAFTA to be considered by the Afghan government and a report on the revenue implications was prepared by Tafa.

This paper was provided to the upper house of Parliament to support ratification of SAFTA. Tafa then conducted a roundtable for the Upper House Economic Commission, discussing the impact of SAFTA on Afghanistan. Tafa also met with the Lower House Economic Commission in late January 2010 and discussed the importance of SAFTA and the need to speed up the ratification process. SAFTA was ratified by the Lower House on March 10, 2010.

According to Mr. Abdulwahab Erfan, the Chief of National Economy, Budget, and General Accounts Committee, "The presentation from USAID enriched our information and vision of the value and importance of SAFTA. As a result of Tafa's presentation, the Upper Parliament Economic Commission

Tafa prepared a revenue model with six different tariff reduction scenarios to estimate the potential impact of SAFTA on government revenue and trained MoCI staff to operate revenue models that predict how Afghanistan will be affected by participation in SAFTA and APTTA. Preliminary results show that even in worst case scenarios, Afghanistan will not experience an overall reduction in revenue because reduced tariffs are offset by increased trade levels and an increased tax base.

Tafa prepared a short summary on SAFTA's impact on revenue, both on exports and Afghanistan's gross domestic product (GDP). Tafa amended the analytical report on alternatives for fulfilling commitments to the Economic Cooperation Organization Trade Agreement (ECOTA) regarding positive, negative, and sensitive lists, taking into account correspondence between the Economic Cooperation Organization (ECO) Secretariat and the MoCI.

To validate these statistics, Tafa combined all tariff lines from a sensitive list of all SAFTA countries to be incorporated into the model, and incorporated a new tariff schedule for the year 1388 (starting March 22, 2010) into the tariff database to calculate simple and weighted tariff rates (total weighted average tariff was reduced from 7 percent to 6.2 percent; simple average tariff rate remained the same at 5.6 percent).

was encouraged to be proactive in lobbying the general meeting for its successful ratification. A part of this great success is absolutely related to the work with USAID.”

Following the presentation on the SAFTA agreement to the Upper House in the Afghanistan Parliament, the Acting Chairman of the Economic Commission in the Upper House requested a note which TAFE prepared on SAFTA which the Commission could utilize when the SAFTA Agreement was taken up for ratification. SAFTA was ratified in Parliament on April 6, 2010.

To support all SAFTA activities, TAFE developed a SAFTA communications campaign to introduce TAFE to key stakeholders and the Afghan public. (See the Public Outreach section for more details).

TAFE worked with the MoCI to develop requests for a reduction in the number of products on the sensitive lists of other SAFTA countries. TAFE met with the Director of the Agribusiness Brokerage Services Unit, representatives from the USAID-funded Afghanistan Sustainable Agriculture Project (ASAP) project, ACCI and other officials in order to obtain input on product export interests of Afghanistan.

Based on collected input and relevant statistics, TAFE prepared an analysis of products of export interest to SAFTA member states from Afghanistan to be submitted to the SAARC Secretariat and to the SAARC member states. This included work to verify, triangulate, and analyze Customs data.

TAFE assisted in developing a detailed export list for Afghanistan using the Harmonized System (HS) code in cooperation with ACD. More than 100 products were assigned HS codes. To address delays which resulted from obtaining data from private sector and government agencies, TAFE assisted the MoCI in preparing a letter to the SAARC Secretariat informing them on progress for submission of Afghanistan’s requests for reducing sensitive lists.

TAFE prepared an analytical note related to the sensitive list summarizing all current sensitive lists of other SAFTA members and Afghanistan’s export interests. The note is to be used as background material by the MoCI for making requests from other SAFTA members for reductions in the number of goods on the sensitive list. Other SAFTA supporting events include:

- TAFE delivered a presentation on SAFTA at a conference: Trade Reforms in Support of Businesses in Jalalabad, highlighting the importance of SAFTA in enabling investment.
- TAFE briefed officials of the ITD at MoCI and helped them understand the SAFTA Agreement and its likely impact.
- TAFE conducted a briefing on the issues of SAFTA sensitive list negotiations for MoCI, MoF, ACD, and ACCI representatives. This event provided current sensitive lists of all SAFTA members to review and to compile reduction requests from stakeholders.
- TAFE supported and facilitated the presentation on SAFTA by government officials trained in March and early part of April on the subject matter to Adam Smith International (ASI)/DFID and GTZ at MoCI.
- TAFE provided extensive support to assist in harmonizing Afghanistan’s key eight digit tariff codes with those of other SAFTA members.
- TAFE facilitated and participated at a roundtable on SAFTA at ACCI on May 13, 2010, presided by the DG of the MoCI ITD.

## **Unauthorized Trade Study**

Smuggling is endemic to the region. Smuggling between Afghanistan and Pakistan is also politically sensitive, and was one of the primary bottlenecks in the APTTA negotiations. During the APTTA negotiations in August 2009, representatives from both Afghanistan and Pakistan agreed to have an independent study to assess the extent of unauthorized trade, as well as an estimation of the volume of smuggling and methods used.

The UTS is expected to identify the scale of unauthorized trade in selected products and the effects of unauthorized trade on government revenues and on the economy in general. Once the study is completed, the methodology and the study will be presented to relevant authorities, including recommendations for measures to address the issues identified and ways that USAID can support the two countries in eliminating informal trade.



**Dried fruit and nuts, such as those for sale in this Kabul market stand, are a major export product for Afghanistan. Photo by: USAID/TAFA**

The UTS is well underway. TAFE met with many organizations to collect background information for developing the methodology to conduct the UTS. The draft methodology was prepared by the first week of January 2010 and circulated among stakeholders in Pakistan. Pakistan agreed without any comments to the methodology. Afghanistan provided considerable comments, most of which called for significant activities outside the initial scope of work. TAFE discussed these comments with the MoCI and MoF, and negotiated agreement to incorporate several items without significantly expanding the scope of the UTS. The methodology was then finalized.

The UTS is using a combination of methods including an analysis of policies, rules, practices, prices, and transport costs to determine whether or not economic incentives exist for informal re-export of goods to Pakistan, diversion of Afghan transit trade in Pakistan, or unauthorized trade of Pakistani goods to Afghanistan.

The UTS is using surveys to identify goods, routes, and methods of export and import between Afghanistan and Pakistan and collects secondary data from members of the trading community knowledgeable about unauthorized trade. TAFE and the USAID-funded PTP are now coordinating activities for the UTS, including sharing the necessary data.

For additional information, a third party consulting firm was subcontracted to conduct a trade survey in border regions and in a few major cities in Afghanistan. A survey questionnaire was developed, tested and revised. The initial surveys were completed in Balkh and Kunar provinces, and a presentation of preliminary findings was conducted. Initial key findings have identified smuggling routes, the role of police and Taliban in extracting payments from traders for passage through areas they control, and the role of tribal families. ACCI provided support to the UTS in their Kabul and regional offices.

In September, marketplace and field surveys were completed in border regions and principal cities in the Nangarhar, Kandahar, Kunar, and Khost provinces. The field survey scheduled for Paktia province was cancelled due to a deteriorating security situation which led to a concern for the safety of survey staff.

Concurrently with the field survey, TAFE held fourteen separate meetings with stakeholders from the public and private sector and international organizations to learn more about smuggling routes, methods, and volumes. The information received from these stakeholders will ensure that final recommendations incorporate a diverse range of views.

TAFa also dispatched a trade information specialist to Pakistan to collaborate with PTP to collect missing information on trade policy, statistics, and data on consumption, production, and transport costs. A TAFa economist is now analyzing collected trade statistics and policies of Pakistan and Afghanistan.

Based on the UTS findings, recommendations will be developed for dealing with informal trade in both Afghanistan and Pakistan. Recommendations will include an action plan for short-, medium-, and long-term solutions based on international best practices to address unauthorized trade. The UTS is scheduled to be completed in December 2010.

### **Building the Capacity of Ministry of Commerce and Industry Staff**

The MoCI is TAFa's key partner in WTO accession, APTTA and SAFTA implementation and a variety of other trade activities. MoCI has several goals: to integrate Afghanistan's markets with the global and particularly regional economies; to strengthen and modernize transit agreements; and to develop effective policies and programs for trade facilitation.

MoCI's capacity to formulate trade policies, negotiate international agreements, and implement policy decisions remains one of the main challenges for establishing sustainability beyond the life of the project. MoCI currently lacks the analytical capacity that is crucial for conducting various impact analysis before taking trade policy decisions or negotiating international agreements. TAFa is working on strengthening institutional capacities within the MoCI ITD through formal and on-the-job trainings for newly hired recent graduates, existing staff, as well as for the staff of the Trade Policy Analysis Unit being established as recommended by TAFa experts.

To support the MoCI to the greatest extent possible, TAFa staff are embedded at MoCI and interact on a daily basis with many senior officials. TAFa also provides on-the-job training to staff of the WTO Desk and a team of six recent graduates from Indian universities. TAFa has focused attention on specializing staff and building capacity to take the lead in specific areas, such as trade in goods, trade in services, agricultural, non-tariff barriers (NTB), and international agreements.

TAFa provided initial training for MoCI to operate the tariff database and statistics model developed by TAFa. The model calculates average and weighted average tariff rates based on CSO trade database and tariffs applied in 1387 and 1388. In this context, TAFa provided training on the Harmonized System (HS) for coding of goods. Participants included the MoCI DG, members of the WTO office, and the GTZ staff at MoCI. The team developed and demonstrated a tariff model to eliminate the number of tariff lines of sensitive goods.

TAFa is coordinating with ASI/DFID to implement MoCI's business plan, which calls for the formation of a Policy and Strategy Unit (PSU) at MoCI, as well as a Policy Analysis Unit. ASI is working on the PSU plan and will incorporate, once complete, TAFa's proposal regarding the Trade Policy Analysis Unit.

### **Afghan Customs Department Statistics Unit Strengthened**

Reliable trade-related data is crucial to track balances from Customs, and to help inform decision-makers. In Afghanistan, limited data is available. This deficiency is exacerbated by significant discrepancies between the statistics from ACD, and from the CSO. TAFa established a Statistics Unit at ACD to improve the ACD's data collection and analysis systems. The development of this unit was coordinated closely with the Valuation Unit and Tariff Classification Department. TAFa is also brokering cooperation and coordination between ACD and the CSO, which is the only body authorized to publish official statistics, to harmonize and improve the quality of the data available.

TAFa provided support to ACD in improving collection and analysis of statistics. The Statistics Unit was staffed with three Afghan Customs officials and equipped with three computers. TAFa provided training to ACD staff on building analytical tools to serve customs needs, including reports on goods, countries, transactions, exemptions, and duties. TAFa also provided on-the-job training and mentoring to ACD staff on collecting and processing data to be used in analysis of sensitive list of products, customs valuation, general statistics tracking and analysis, and improved methods support for customs in collecting and

validating trade data from seventeen customs houses. A significant milestone was achieved in April with all statistics on imports from seventeen customs houses integrated into the database, including new data from Mazar-e-Sharif, Herat, and other small customs houses.



**Trade liberalization policies will help pave the way for increased exports from Afghan traders, such as the trader pictured above in Kabul Photo by: USAID/TAF**

With TAF support, the Statistics Unit also initiated analysis on input and relevant statistics collected from interested parties, and developed a list of export products from Afghanistan of interest to SAFTA member states to be submitted to the SAARC Secretariat and to member states.

TAF analyzed the customs database and assisted in implementing improvements to its structure. TAF verified and triangulated this data in order to publish it on the Customs website and in the MoF statistics book. TAF then concentrated on working on the inclusion of statistics on exports into the database. This database is crucial in the development of the customs revenue model and estimating the impact of SAFTA on imports and exports. TAF also assisted in preparing the background for the World Bank indicators on trade, including baselines on import/export, total trade, tariff, and trade with the U.S. under the Generalized System of Preferences (GSP).

Working with the Automated System for Customs Data (ASYCUDA) and ACD teams, TAF continued collection of data and information on items from the sensitive items list. This assessment determined the role of the Statistics Unit, how they receive and enter information, their audience, and their method of data dissemination.

## Valuation

Accurate valuation of goods is a crucial part of the process to collect revenue for Afghanistan. When goods are given the correct value, instead of being undervalued, higher Customs revenues can be collected. As part of the valuation process, TAF assisted the ACD in identifying the top 200 revenue-generating imports in the ICDs. These 200 products represent 50 percent of total revenue collected by ACD countrywide in year 1388 (2009).

After identifying the top 200 revenue-generating imports, TAF conducted a workshop with the Valuation Unit at the ACD to discuss valuation processes, methods of verification, and weaknesses in current laws and regulations. TAF provided on-the-job training on valuation to staff of the Valuation Unit to further solidify their knowledge.

TAF also conducted a review of the current valuation database and methodology managed by the Kabul Customs House (KCH). TAF drafted procedures for regular updating and monitoring of the valuation database and for disseminating updated values to customs houses using manual declaration processing. TAF also delivered a training seminar to the staff of the customs laboratory on structure of tariff

classification. TAFE worked with the ACD to create a valuation database, which automatically recognizes the value of the top 200 goods, and has initiated the training of ACD staff with expertise in the management of the database and procedures for development, maintenance, dissemination and publication of the valuation reference prices. This database and the resulting information will serve as a valuable tool for customs officers to utilize as a quick reference to identify fraudulent valuation, and over time will assist Afghanistan to collect the correct levels of revenue through more precise valuation of goods.

With the valuation database reviewed, TAFE conducted an assessment of existing data and processes in order to develop the most efficient approach to incorporate the 200 top revenue generating imports into ASYCUDA and build capacity of the ACD Valuation Unit. In this regard, TAFE met with the head of Valuation Section at Kabul ICD who keeps and maintains a valuation database used at the national level. TAFE also met with ASYCUDA++ Server manager and UNCTAD ASYCUDA advisers at ACD headquarters. They provided TAFE with a file from the system which could store the data concerning values, and the tariff table in force. These parties agreed to provide TAFE direct access to the database to obtain historical data on Customs declarations in order to analyze the values actually applied on certain goods. This is a critical step, as the structure of commodity description must be consistent with the requirements of ASYCUDA. TAFE is working with UNOPS to incorporate the valuation database into ASYCUDA.

After structuring the database, TAFE worked closely with the ACD valuation unit to integrate their current information into the database. TAFE further developed the application through which the database will be managed, maintained, and updated, by adding other functionalities. TAFE staff addressed discrepancies between the database applications with additional features that will ensure the integrity of the tariff tables within ASYCUDA. TAFE began cooperation with the Tariff Classification Unit which has committed to make a quality assurance check of the information in the database.

Customs is recognized as a major source of revenue and the collection has grown over the last ten years, from AF 4.5 billion in 1382 (2004) to AF 9.2 billion in 1384 (2006) and AF 15.4 billion in 1385 (2007). The department is instrumental in collecting other duties/taxes as well and its net contribution to Government coffers is nearly 54.5 percent of all Government revenues. Bringing greater efficiency in the system is presently the most certain way for the Government to augment revenue.

-Afghan Customs Department





## Customs Reform

TAFAs Customs component assists the ACD in developing and implementing its comprehensive Strategic Five Year Plan and Revenue Action Plan. Key priority areas have been identified as having the most potential to increase revenue: establishing and developing Post Clearance Units, a Risk Management Unit, simplifying control procedures for imported fuel, exemptions, restructuring and strengthening the Enforcement Directorate, implementing the MoU between the Customs Police and Border Police to delineate responsibilities, and a needs analysis on cargo examination infrastructure and technology.



**Traders load goods at the Mazar Customs Depot Photo by: USAID/TAFAs**

Customs revenue accounts for 55 percent of all government revenues – developing and implementing in these key priority areas is essential for the economic growth of Afghanistan through increased revenue collection, the prevention of revenue leakage, reduced corruption, and increased trade facilitation. Increased sustainable revenue together with increased trade will reduce GIRA's financial dependence on the international community.

## Developing Plans for Customs Reform

The management team at ACD knows that Customs requires reform, and has the political will to carry out reforms, but lacks experience of international best practices. TAFAs supporting the ACD through the joint development of plans designed to improve Customs activities and increase revenue while facilitating trade. In close collaboration with a variety of donors, TAFAs developed a wide-ranging set of reform initiatives to reduce the time and cost of trading across Afghanistan's borders, and improve controls and revenues. Recommendations included:

- Following a diagnostic review of the import clearance process at Kabul ICD, an agreement was secured from the DG of Customs for TAFAs to lead a working party to develop solutions for the issues identified by the review. In consultation with the DG, it was agreed to select a four person team with one representative each from Kabul ICD, KIA air cargo, the legislation department, and the ASYCUDA team. This team studied the issues identified in the ICD review, developed solutions, a timeframe for incremental implementation, and a presentation for senior Customs managers. The solutions will result in a blueprint for ICD imports procedures, which will then be authorized for national implementation. It is envisaged that Kabul ICD and KIA will be the first organizations to undergo the change process, which will be carried out incrementally. The initial changes will consist of the easiest and least controversial changes to implement in order to build the implementation teams' confidence and to allow station staff to grow accustomed to the changes. The ASYCUDA system requires some changes in its' interface with the clearance procedures which will require coordination on a national basis, with outreach events to brokers and some training needed. Once the changes are initiated on the ASYCUDA server, they will apply to all ASYCUDA users.

- TFAFA's worked closely with UNOPS to implement the database of the top 200 revenue generating commodities in the ASYCUDA Risk Management module, allowing for the information to be linked with ASYCUDA.
- Enforcement is an area of Customs which requires strengthening. Despite good work by a previous project which ended in 2006, the Mobile Verification Teams (MVTs) and the intelligence section are operating at a low standard. TFAFA carried out an initial review on the MVTs which was presented to ACD. This review generated significant support and resulted in a request to develop a presentation to the Minister of Finance, explaining the concepts of intelligence-driven risk management and enforcement structures.

## **Strengthening capacity of ACD Throughout Afghanistan**

TFAFA is working with ACD management to strengthen the capacity of ICDs around Afghanistan through improved policies and systems, and key support from advisors in regional ICD locations. To begin the ICD review process, TFAFA completed a diagnostic analysis of the Kabul ICD to assess and evaluate procedures that impact the ACD's five year plan. The analysis and evaluation identified a number of systems and procedures that could be streamlined to achieve improved customs clearance times, prevent revenue leakage, and facilitate trade. ICD directors from across Afghanistan agreed to six of the seven streamlining recommendations produced by TFAFA at a national conference in Kabul. The streamlined procedures will be tested in a pilot ICD and then rolled out across the country.



**Goods prepare to be transported at the border crossing in Mazar-e-Sharif**  
**Photo by: USAID/TFAFA**

TFAFA advisors visited Hairatan a number of times in year one to assess the land requirements for ACD in relation to the proposed rail terminal. TFAFA facilitated a land exchange agreement between the U.S. military and ACD. The U.S. military agreed to vacate the new European Commission (EC) funded Customs facility for another Customs provided building. The agreement was signed by representatives from both parties, resulting in the U.S. military relocating during the first week of August. In return for the free accommodation, the U.S. military paid for upgrades to the local electrical supply, benefitting both the area around the Customs facility and the facility itself.

TFAFA placed a long-term advisor to support the ICD in Mazar-e-Sharif. TFAFA's Mazar staff examined the importation process for fuel at Hairatan and met with the ACD Oil Department at Hairatan. The importation process was described to the advisor who then walked through the system to produce a preliminary report and process map for enhancement by a TFAFA fuel expert.

The discussions with the EC advisors resulted in a decision by the EC to improve the interior facilities at the new Hairatan Customs office with the addition of screens to separate the public from Customs at

counters, and interior offices for section heads and ASYCUDA operators. There will also now be offices for Customs staff inside of the warehouses. The EC delegation also agreed to install a closed-circuit television (CCTV) system at the facility at Hairatan, which in the future could be linked to the CCTV system to be piloted at Kabul ICD, which will allow for viewing at ACD headquarters.

TAFAs advisors visited Jalalabad and Torkham Gate to inspect firsthand the processes and physical and geographical restraints faced by these Customs facilities. TAFAs met with the ACD Nangarhar management team to discuss a range of issues, including the belief that around 60 percent of goods imported through the Jalalabad ICD find their way back into the Pakistan market through unofficial means. The trip to Torkham was coordinated with the Border Management Task Force (BMTF) and the Regional Command (RC) East Customs Advisor where a walkthrough of the transit process was carried out. Although the truck scanner is not functioning, vehicles were directed to drive through it. Staff noted that the reason for the continued use of a scanner was as a deterrent to smuggling. Several traders expressed the desire to discuss their operational issues with TAFAs, and were invited to meet with TAFAs in Kabul for further discussion.

At the request of the Deputy Minister (DM) of Customs & Revenue, TAFAs staff conducted a review of activities in Kandahar to identify why the region is considered to be under-performing. A report was delivered to the DM and supplemented by anecdotal information regarding the Customs process in Kandahar. One particular area of concern was the lack of Customs control on imported goods at Kandahar International Airport, both on the civil and military side.

## **Defining Procedures for Border Management**

Easing the burden on trade at crossing points through collaborative border management practices will make doing business with Afghanistan less costly and therefore more appealing. In coordination with the World Bank and the BMTF, TAFAs advisors participated in the “Business Model for Border Management” meeting, an International Monetary Fund (IMF) benchmark. The border management model is a two-pronged approach to coordinate the two line ministries to agree a collaborative approach, and to reach out to other stakeholder ministries to identify if opportunities exist for Customs to take on tasks to streamline the import/export process.

TAFAs assisted in the clarification of the roles and responsibilities of the MoF and MoI at border crossings. Discussions on roles and responsibilities of the ministries were facilitated by the Office of the National Security Council. A separate working group was developed to address the conflicting issues of the Customs law and police law with line ministries, including the Ministry of Justice (MoJ). TAFAs served as a liaison between the MoF and MoI to help identify the roles and responsibilities of the Customs Police and the Border Police. TAFAs first delivered training on the MoU between the MoF and the MoI on the roles and responsibilities of the Customs Police and the Border Police at Aikhanum Border Custom House. Twelve participants, including the Border Customs Manager, the Deputy Commissioner of the Border Police, Customs Police and other Border Police were present. The training covered the roles of each government agency, the need for the MoU, and the relevant articles of law. As a result of the training, both the Customs Police and Border Police at the Aikhanum Border became fully aware of each body’s roles and responsibilities and the meaning of the MoU and cooperation of each department’s activities at the border. This training was also shared with the BMTF.

Following these trainings for the MoF and MoI, TAFAs worked with United Nations Office for Project Services (UNOPS) and the border working group to revise the existing MoU between the MoF and MoI on the roles and responsibilities of the customs police and border police. TAFAs, together with UNOPS and the MoF/ACD attended a working group border management meeting at the border police headquarters with General Sadat, head of border police, ISAF, and BMTF. The border police were unable to agree on certain key issues in the document, primarily whether the MoU should address managing the border crossing points (BCP) or the more broad issues of border management. It was stressed that the MoU should not just cover BCPs, but also the areas between the BCPs. Following the workshop, it was agreed that the border police will draft their version in Dari and English and compare and discuss their updates with the ACD to come to an agreement.

## Capacity Building

TAFa, the USAID-funded Economic Growth and Governance Initiative (EGGI), and the MoF delivered a Workshop on Trade and Customs Reform and Tariff Procedures in Jalalabad on August 3, 2010. The workshop shared information on trade and customs reforms with local business people and government officials to raise awareness about customs reforms. Participants took the opportunity to raise issues that are impacting their ability to import and export goods. Among the issues raised by about 60 participants from the Mustofiat (the MoF Treasury Directorate), MoCI, AISA, Nangarhar Chamber of Commerce and local entrepreneurs and business associations were:

- Lack of standard Customs procedures and bylaws throughout Afghanistan
- Non-transparent revenue collection;
- The need for more training in international best practices in trade and transit;
- Better coordination among stakeholders; and
- Lack of adequate trade infrastructure.

Participants learned about ASYCUDA, how the system establishes Customs declarations, manages transit procedures, has accounting procedures, and generates trade data that can be used for economic analysis. Participants also learned about the recently signed APTTA Agreement and the benefits it will provide to both Afghanistan and Pakistan.

On September 30, TAFa facilitated a workshop at the ACD headquarters on the proposed amendments to the Customs Code for senior Customs managers. The workshop explained the reasons for the proposed amendments and facilitated discussion to ensure the amendments were understood and agreed upon by senior managers. Customs managers must understand the proposed changes

to ensure a smooth transition when the amended laws are enacted. The ACD DG opened the workshop for the seventeen ACD department heads and managers in attendance. The discussion resulted in agreement from all the parties that the amendments are essential for a better functioning ACD. After the initial workshop, participants determined that an additional one-day workshop was needed to cover all the amendments. On October 13, TAFa delivered a second part of the workshop on legislative amendments. Through the use of a presentation and roundtable discussion, questions and concerns of the participants were addressed. The feedback received during the workshop will aid in the formulation of future drafts of amendments.



**A trader transports goods at the Kabul Inland Customs Depot  
Photo by: USAID/TAFa**

## Expediting Exports from Kabul International Airport

Following informal information exchanges between the TAFa and the USAID-funded ASAP project, it became clear that an opportunity existed to utilize both projects' expertise to identify problems in the area of fruit exports at KIA. TAFa Customs advisors carried out a diagnosis of the export process at KIA. The review identified 33 individual steps to the Customs export process and concluded that thirteen of these steps were redundant. To support the recommendations for change, and to demonstrate the benefits of

change, a monetization exercise was carried out to quantify the financial benefits to trade and GIRoA of streamlining processes. TAFE national advisors met with brokers and exporters to identify the time and costs associated with the extra steps, which were given a dollar amount. The exercise demonstrated that the amount saved to trade is calculated to be around US \$200 per transaction. This is the first exercise TAFE is carrying out to monetize the benefits to Customs reform. Additional monetization exercises will continue throughout the project.

TAFE staff chaired a meeting to identify the main constraints facing Afghan agriculture exporters at KIA. The meeting included private exporters, EPAA, EGGI, Da Afghanistan Bank (DAB), ASAP, and TAFE. Participants prepared a list of the main constraints with potential solutions. The first practical solution was a promise by DAB to extend its banking hours at the airport to mirror the hours of ACD. This would allow exporters to avoid wasting a day waiting to pay their customs fees if the bank at the airport closed by the time they had finished their export formalities.

### **Afghanistan Participation at World Customs Organization**

The ACD attended the 115th/116th Annual Sessions of the WCO Council from June 24-26, and the Risk Management Forum from June 28-29 in Brussels, Belgium, with technical support from TAFE advisors. The ACD developed direct relationships with the WCO Capacity Building Committee and other Customs administrations at this session, and made further plans to make use of WCO tools including diagnostics, action plans and technical assistance. The WCO Council provided an opportunity for GIRoA staff to interact with government Customs organizations throughout the world, and served as an introduction to further WCO staff-sponsored training events.

After attending the WCO Conference, Afghan Customs officers were invited to attend further WCO trainings, and have held discussions with other Customs administrations concerning future offers of assistance and donor funding. The DG of the ACD met with the WCO General Secretary to discuss future plans for capacity building, training and support offered from the WCO Capacity Building committee to the GIRoA.



**Director General of the Afghan Customs Department participates in the World Customs Organization Council from June 24-26 in Brussels**  
Photo by: USAID/TAFE

### **Procurement of Border Equipment for ACD**

There is a direct link between effective infrastructure, reduced processing times, and increased revenue collection. The ACD lacks appropriate equipment and trained personnel at ICDs and BCPs. As a result, a critical TAFE activity was to evaluate the equipment needs at the BCPs, and then assist in procuring equipment. TAFE assisted the ACD in obtaining US\$ 4 million from the ADB to purchase equipment for the Spin Boldak crossing point by assisting ACD in writing of a formal Procurement Action Plan. The Spin Boldak/ Weish crossing point, located on the border with Pakistan, handles 700 trucks per day. At the request of the MoF, TAFE helped prepare the necessary documents for the procurement, which ADB

approved. TAFE is now continuing to support this process by acting as technical advisors to the evaluation committee.

## **Exemptions**

The incidence of exempted goods is particularly high in Afghanistan due to the requirements of ISAF, the UN and other assistance and aid agencies. To balance compliance with facilitation, TAFE is working with the ACD to develop appropriate systems. TAFE met with ISAF logistic personnel to discuss ISAF problems with exemptions. The ISAF personnel agreed to demonstrate to the ACD their oversight/due diligence procedures relating to fuel importations, an area of particular concern to the ACD. At these meetings, it was also agreed to consider stopping the commercial importation through Bagram Air Force Base in consultation with the freight carriers. TAFE facilitated discussions between the ACD and ISAF on issues relating to exempted imports of water and foodstuffs. As a result of these discussions, both parties reached an agreement on consolidating containers onto one Mafinama document, a document which identifies exempted goods. This will greatly reduce the workload of the ACD exemptions unit by reducing the number of documents needed, and thus increased the speed of service.

## **Afghan National Customs Academy**

ACD has focused on giving the needed skills to its Customs officers to develop a modern Customs system. In January 2010, ANCA, a new national institution supported by the BMTF and Canada among other donors, was opened. At its inception, TAFE met with ANCA to discuss how TAFE might contribute to the Academy's success. Through ANCA, recruits will be trained over the course of 12 months on customs practices. Customs has future plans that only officials who have attended the ANCA will be allowed to work in Customs. TAFE and the BMTF are identifying opportunities to collaborate in developing ANCA teaching and materials. TAFE has collaborated with ANCA to develop training modules recent amendments to the Customs Code.

TAFE held a workshop on the Afghanistan Customs Law for 50 customs officers from across the country at ANCA on May 19 and 23, 2010. The workshop goal was to examine the purpose of the Customs Law, the role of customs in governance, and the roles and responsibilities of customs officers according to the Customs Law. Additional topics included Customs administration, resolving objections through arbitration, circumstances for granting favorable tariffs, Customs declaration, Customs violations and penalties, and proposed amendments to the Customs Law. In August, TAFE delivered training at ANCA on proposed amendments to the Customs legislation for approximately 65 Customs officers.

Exploiting Afghanistan's position as a land bridge between Central and South Asia and the other neighboring economies can be a significant source of regional economic growth. The Asian Development Bank (ADB) and other recent studies point to substantial economic benefits over the next five to ten years from the development of road corridors connecting Central Asia and South Asia. One study estimates that improved road corridors can increase export and import prices in Central Asia between 7 percent and 10 percent.

- Masood Aziz, The New Silk Roads





## Trade Facilitation

TAFAs Trade Facilitation Component is promoting exports through the development of an export one stop shop (OSS), and works at the national level to support development of product standards and implementation systems. Trade facilitation also supports the development and implementation of public-private partnerships; improved design, development and management of industrial parks; and enhanced capacity of public sector regulatory officials to develop and manage improved transport systems within Afghanistan and as part of international trade routes, and the competitiveness of private sector truckers and traders to enter and succeed in these new trade and transit markets.

### Preparing a One Stop Shop for Exports

Afghanistan currently requires more than a dozen documents and numerous permissions to export. This results, according to the World Bank's *Doing Business* survey, in an average time to export of 74 days. The lengthy and complicated export process raises costs and reduces the competitiveness of Afghan products. It also increases risks, particularly for perishable goods. To address these issues, TAFAs is working with EPAA to create an interim Export OSS. The OSS will immediately reduce transaction costs and time to export by consolidating those whose permission is required to export under one roof. Simultaneously, TAFAs is laying the ground work to begin eliminating altogether many of the documents and permissions.



Preparations are made for the groundbreaking of the one stop shop for exports on October 31, 2010  
Photo by: USAID/TAFAs

TAFAs identified all import and export procedures and conducted a preliminary analysis of export measures with recommendations to eliminate at least a dozen of the current eighteen measures. TAFAs then developed a white paper on eliminating export measures and agreed with EPAA to promote a timetable for the gradual elimination of unjustifiable export measures, starting with the date of establishment of the OSS. TAFAs broke ground on the construction of the OSS in October, 2010.

### Standards

Establishing standards for Afghan products is a key strategy needed to enable Afghan goods to be exported directly to end-user countries. Afghanistan loses revenue when Afghan goods are shipped to other countries, which make some modifications to bring the goods to international standards of packaging or quality, and then re-sell these goods at much higher prices.

TAFAs key partner in standards reform is the ANSA. In cooperation with GTZ, TAFAs is spearheading a national standards coordinating body. Afghanistan does not currently have a national donor coordinating committee on standards, and by Presidential decree, ANSA is the only body authorized to develop standards for the country. Both GTZ and TAFAs are currently working with ANSA and became aware of

duplication of activities and the need for improved efficiency and communications. With a national donor coordinating committee on standards, issues such as the provision of advisors, workshops, equipment, and travel can be more easily evaluated, the duplication of resources reduced, and a more efficient decision-making process introduced.

TAFA held the first donor coordination meeting on November 8, 2010. The committee includes representatives from USAID, the World Bank, DFID, European Union (EU), ADB, Japan International Cooperation Agency (JICA), U.S. Army Corps of Engineers, Indian Embassy, United Nations Development Program (UNDP), Canadian government, Agha Khan and GTZ. At the meeting, TAFA and ANSA presented the ANSA draft 5-year strategy plan to donor agencies and ANSA stakeholders. The goal of the plan is to develop ANSA's technical infrastructure, contributing to the country's economic and commercial integration and removal of technical barriers to trade, thus facilitating regional and international trade for Afghan goods and services, and in the long term, WTO accession. The plan was developed with the idea of creating ANSA's technical capabilities that will enable them to provide technical services that will support trade and be consistent with international standards and best practices. Feedback and commitments were requested from donors and stakeholders to assist ANSA's future development in supporting trade, and one-on-one follow up meetings with donors have been requested to continue the process.

TAFA has held a variety of workshops to advertise how improved standards will facilitate greater trade for Afghanistan. On August 22 and 23, ANSA, in collaboration with TAFA, hosted a two day workshop on "Standards, Certification, and Quality: Tools for Enhancing Trade Facilitation and Market Access." The workshop was opened by ANSA's DG. The workshop was covered by twelve media outlets including television, radio, Kabul daily newspapers, and national magazines. The 36 participants from the private sector represented organizations including the ACCI, Carpet Association, Gemstone Association, Marble Association and the Dry and Fresh Fruit Association. Also attending were government officers from the ACD, Ministry of Economy and MoCI. The workshop covered an introduction to Technical Barriers to TBT and SPS; the development and application of international standards; the Code of Good Practice for the Preparation, Adoption and Application of Standards; international technical regulations; conformity assessments; and recognition of testing and certification results.

TAFA is working to build ANSA's resources as well. During the August 22-23 workshop on standards and trade, the U.S.-based corporation, WorkPlace, donated training materials on standards which are worth a US \$21,000. This material is among the most advanced in the world on the subject of metrology and measurement, and is presented on an interactive CD-ROM. The material covers the accuracy of scales, certification laboratories, production machinery and equipment. These materials can be taken through self-learning from the CD itself, or online, where a certificate is given on completion.

TAFA delivered twenty-three documents to ANSA which described various methods of inspection certification and market surveillance from the U.S. National Institute of Standards and Technology (NIST). In the future, TAFA will supplement these information resources with physical equipment. NIST is looking into the possibility of donating scientific equipment and electronic instrumentation to ANSA. TAFA is also working with U.S. calibration and test equipment manufacturers to deliver additional resources. In



**Participants in the ANSA donor coordination meeting on November 8, 2010**

February 2011, TAFE will launch the five-year strategy plan for ANSA and Afghanistan's first interactive handbook on standards and metrology.

## Transit Improvements

Nine-five percent of Afghanistan's goods are transported by road. The Afghanistan Association of Freight Forwarding Companies (AAFFCO) was a key participant in the TAFE-sponsored Workshops on the Law on the Transportation of Goods. The AAFFCO has 800 members, and represents logistics companies that are responsible for moving the country's exports and imports. TAFE delivered a three-day workshop on the Afghan Law on the Transportation of Goods for participants from the public and private sectors in Kabul from April 5-7, 2010. The workshop informed stakeholders of the most recent transportation law that clarifies the rights, responsibilities, and liabilities of operators, consigners, and consignees for the transportation of goods in and outside of Afghanistan, as well as of the legal framework in which goods can be shipped. Participants also learned about a variety of international conventions which regulate the rights and responsibilities of operators and shippers.

In addition to the AAFFCO, participants included representatives from the Ministry of Transportation and Civil Aviation (MoTCA), MoCI, ACCI, and transport companies (road carriers). The workshop informed representatives from MoCI and MoTCA that ministries are authorized to draft a number of regulations in order to enhance and implement the new law. The DM of the MoTCA and legal advisor to the MoCI introduced the workshop, followed by training through participatory methods including the development of a working group, case study, brainstorming, lectures, and opportunities for questions and answers. Participants indicated that the information gained in the workshop will be helpful in carrying out their daily activities and that future workshops on this law would be beneficial. One participant from the ACCI noted that he would share the information with his colleagues, as the ACCI often receives cases on transport problems which require their adjudication and mediation.



**A truck advertizes the "Reopening of the Silk Road" on October 8, 2010 in Mazar. This campaign advertized the services of regional freight and logistics companies in the region Photo by: USAID/TAFE**

TAFE's workshop on the Law of

Transportation of Goods was delivered in Mazar-e-Sharif as a follow-on to the training session in Kabul from May 16-20. This was widely attended by participants from the private and public sectors. TAFE helped to build the capacity of the MoTCA on this law, as one of their employees who participated in the Kabul workshop delivered a number of training sessions in Mazar-e-Sharif.

Mr. Abas Ayen, Chief Executive Officer for AAFFCO, stated, "The three days awareness workshop on the law transportation of goods was outstanding; the transport companies as well as the relevant ministries' employees were happy for USAID to conduct such a seminar." He added that the AAFFCO is looking to forward to additional workshops on transport and transit issues through USAID.

TAFE began work with ACCI, which has been asked by the TIR Convention in Geneva to apply for TIR membership on behalf of the country. In September, TAFE, ACCI, and the AAFFCO began to coordinate

an approach on the TIR, and discuss how to address upgrading technology and tracking systems. TAFE developed and finalized a curriculum for short term training with AAFCCO, whose members will be the main beneficiaries of the TIR. The courses will be delivered in year two. This training program will involve members from AAFCCO, and the ACCI and will help Afghanistan move towards implementation of the TIR. TAFE also began to develop awareness workshops for public and private sector participants in advance of a visit planned to Geneva in October to begin to negotiate membership. TAFE is working with the new CEO of ACCI to put a trip to Geneva in place.

To build this capacity, TAFE planned short-term training courses for freight forwarders and logistics companies in a wide range of International Federation of Freight Forwarders Associations (FIATA) transport topics, based on international FIATA curriculum. Topics include logistics and scheduling, road and rail transport, International Commercial Terms (or Incoterms), Customs, safety and security, insurance, multimodal transport, and communications technology. TAFE translated more than 1,200 pages of course material from English to Dari, identified specialists and practitioners who can teach these courses, and identified participants for the courses. The first workshop was held in November 2010 for 80 freight forwarders in Mazar. This training will be expanded to Herat and Jalalabad. With the recent signature of APTTA, these freight forwarders will be required to introduce upgrades in technology, management, systems, and procedures.

## **Industrial Parks**

IPs supply manufacturers with a full range of services including security, electricity, water, and adjacent roads to move goods to markets. IPs are a key feature of AISA's strategic plan. AISA currently manages three USAID-funded IPs at Bagrami, Mazar and Kandahar, as well as a park in Jalalabad for the World Bank and an upcoming new park in Helmand funded by DFID. These industrial park require a renewed focus on capacity building by the GIRoA as well as technical assistance to the associations representing these parks. TAFE will provide training and capacity building at AISA's head office focused on operations and the demand for services as well as technical assistance to the various associations located within the parks. Improved park management will lead to greater investments, increased jobs, and a diversity in the types of firms located in industrial parks, as well as a multiplier effect in terms of the delivery of goods and services. IPs in Afghanistan currently have difficulties exporting goods due to a lack of technical assistance, high financial costs and inappropriate IP design. In the coming year, TAFE will conduct a needs assessment of all MoCI and AISA-run IPs.

TAFE carried out a number of activities that are key to developing USAID/Afghanistan's IP projects. TAFE coordinated with MoCI, AISA, AISA's IP department, and the Bagrami IP Association to develop the IP strategy and policy paper. The first steps in the IP analysis required TAFE to coordinate with the MoCI. TAFE and MoCI identified MoCI's position on IPs, and their IP portfolio, including enumerating the number of parks that are operating, numbers of firms in IPs, and their needs for technical assistance. TAFE also worked with the AISA Industrial Parks Development Department to review terms of reference for experts to ensure that the TAFE program conforms to AISA's needs. The strategy encompassed information from visits to the Bagrami IP Association to identify the specific needs of this region. AISA and TAFE are working to prepare a three-phase plan to develop all of the Bagrami land, and consolidate it under one roof. TAFE is assisting the Bagrami Association to acquire financing for expansion to available neighboring land, which is needed to consolidate and better manage the IP.

The Bagrami Industrial Park Association represents 36 firms ranging in size from large companies which employ 600 full time workers and 2,000 temporary workers to small firms in a variety of sectors- from textiles to pharmaceuticals. In virtually every case, companies wish to export, rather than only serve the local market, as is presently the case. To be able to export goods, many firms require business development services to upgrade the quality of their products, improve company management, reduce the cost of bank financing, provide vocational training for their staff, and locate new external markets. To further support AISA, TAFE is leading the donor coordinating committee to provide assistance to IPs in AISA.

When asked, “What are key advantages to trade for Afghanistan?” --32 percent of respondents referenced better job opportunities in trade, and 31 percent referenced better overall economic growth.  
Knowledge, Attitudes, and Practices Survey





## Public Outreach

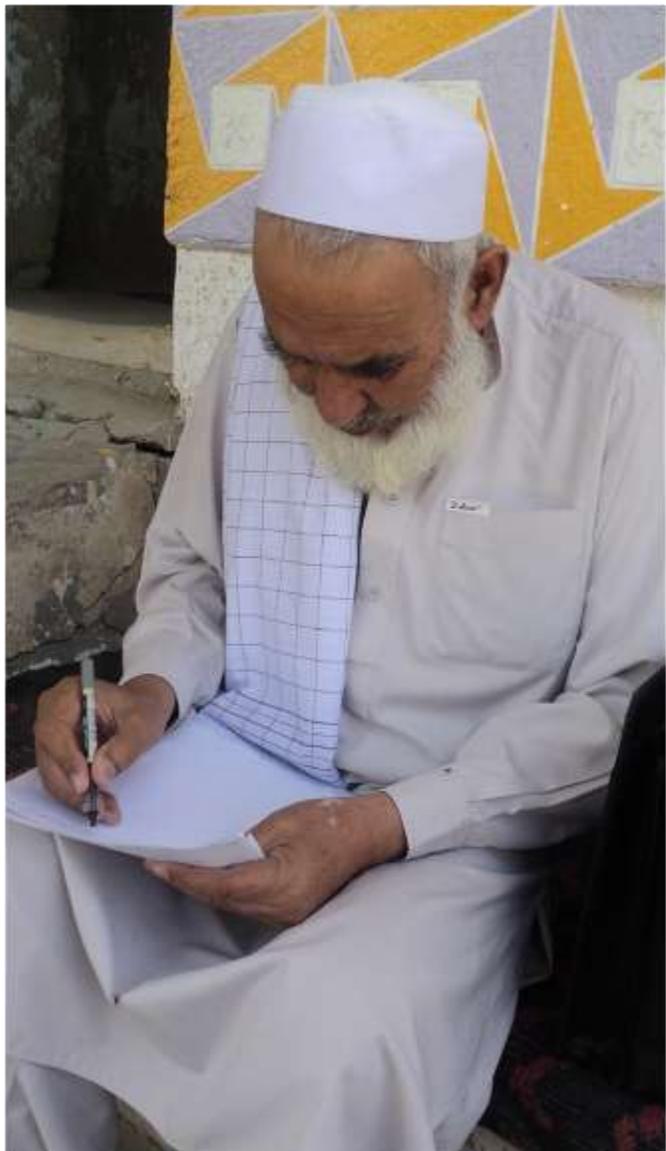
TAFAs public outreach component increases awareness of the benefits of trade liberalization and facilitation. Working closely with other TAFAs components, the public outreach component helps GIRoA counterparts expand their capacity to communicate internally and with the private sector. This component also works to build the business community's knowledge of trade policies and trade-related opportunities, as well as private sector involvement in trade policy development. In addition, the project works with Afghan media to cover trade and economic issues and thus improve the Afghan public's awareness of the benefits of a market-oriented liberal trade regime.

## Knowledge, Attitudes and Practices Survey

TAFAs carried out the first nation-wide survey on Afghan views of trade, transit and customs issues. The KAP survey, gauges the Afghan public's attitudes to trade reforms and helps TAFAs plan and develop communication campaigns based on these views. The survey identified a number of measures that GIRoA and TAFAs could undertake to improve public understanding of trade and promote and improve Afghan trade practices. These survey findings will help guide TAFAs work with the GIRoA and the Afghan private sector, and provide a baseline against which progress can be measured by follow-on surveys planned for the upcoming years of the project.

The results of this survey also have wider implications for the parts of the GIRoA not directly touched by TAFAs and the broader donor/business community. The data offer a clear snapshot of how Afghan traders and citizens perceive their economy and their government's role in improving their economic prospects. As such, the data can be used to assist GIRoA and NGOs such as the ACCI in setting priorities and developing policies that are responsive to the needs of their constituents.

The survey was carried out by AIR Consulting, which was chosen in a competitive tender. TAFAs collaborated with the selected firm to draft the survey instrument with input from USAID and GIRoA counterparts. In July, fieldwork for the KAP was completed. More than 1,300 individual interviews were conducted through random sampling in ten border and interior provinces. Individual interviews were conducted with 50 Kandahari traders passing through Kabul as it was deemed too dangerous to visit randomly assigned homes in Kandahar. The response rate outside of Kabul was almost 100 percent. Within Kabul, only four percent of



**A Kabul man takes place in the Knowledge, Attitudes, and Perceptions (KAP) survey Photo by: USAID/TAFAs**

respondents refused to participate. Ten in-depth quantitative interviews were held with Afghan captains of industry and senior policy makers for additional information.

In August, the data from the KAP survey was compiled and analyzed. The survey results were presented to TAFE staff and USAID on September 1 and to MoCI on September 2. Survey participants included Afghans categorized on a triple-tier system: the general public, Afghans who are engaged in trade, and experts who are knowledgeable in trade policy and business. The survey disaggregated respondents by region, gender, occupation, income, education, age, farm ownership, and marital status.

More than 91 percent of Afghans thought international trade contributed to jobs and economic growth. Afghans identified benefits to the country as a result of trade in Afghanistan, including overall economic growth, better job opportunities, better relations with other countries, more export of Afghan goods, access to more imported goods, and improvements to industry and infrastructure. Internal provinces viewed trade more positively than border provinces. Both traders and the Afghan public see insecurity, corruption, and decreasing product quality as negative consequences of increased trade.

The KAP survey had a number of interesting findings. Fewer Afghans than expected engage in trade. Only 25 percent of all respondents surveyed reported that they or a member of their family engaged in trade. This percentage is less than expected by policy-makers who thought that “most” Afghan families engaged in some sort of trading.



**Afghans take part in the Knowledge, Attitudes, and Practices (KAP) survey in Bamyān province Photo by: USAID/TAFE**

International trade is almost universally viewed as a source of economic growth. Ninety-one percent of survey respondents held a positive view of trade, and 92 percent of respondents believed that regional trade agreements were beneficial to Afghanistan. In addition, trade does not seem to be perceived as a significant threat to traditional values, religion, or culture. When asked to provide three disadvantages of increased trade for Afghanistan, only 3 percent of respondents suggested that increased trade would result in the introduction of foreign culture and behavior.

Transporters and manufacturers are also seen as prime beneficiaries of increased trade, but many Afghans appear concerned that increased imports will hurt farmers and small-scale producers. When asked who will bear the most cost from increased imports, 46 percent of respondents selected small farmers and 41 percent of respondents selected large farmers. More than one-third of respondents selected rug, textile, and handicraft makers. This finding presents GIRoA with an opportunity to make it clear that it will work to help ensure Afghan producers can compete with foreign producers as Afghanistan opens its markets.

Security is overwhelmingly considered the most significant impediment to trade in Afghanistan. When asked to rank Afghanistan's biggest obstacles to trade, 75 percent of respondents listed security, and an additional 5 percent listed crime on the roads, a related issue. When traders were asked to rank options for improving their ability to transport goods from farmers to foreign markets, 40 percent ranked improving security as most important, and another 6 percent ranked the elimination of roadside checkpoints first. Government corruption is perceived as a significant barrier to trade. Although only slightly more than 8 percent of respondents selected government corruption as Afghanistan's biggest obstacle to trade, corruption was the second most selected barrier overall.

Finally, the KAP survey demonstrated that regional trade agreements are viewed as an important way for GIRoA to increase trade. When asked to rank the most important things the government can do to promote trade, 42 percent of respondents ranked implementing trade agreements with other countries first. The next most frequently top ranked option, providing finance to exporters, was ranked first by only 11 percent of respondents.

### **Developing the Communications Capacity of Partners**

As demonstrated in the KAP survey, although the majority of Afghans support international trade, concerns exist as about what trade's disadvantages include. In addition to more crime and corruption, Afghans thought that increased trade could also lead to more low-quality and illegal goods, and decreases in wealth. Others are concerned that domestic producers will be hurt by imports and imported goods will become more expensive. To ensure that the most accurate trade information is given to the public, TAFE's public outreach component worked with a number of GIRoA and private sector organizations to support their communications skills and to counter the incorrect beliefs identified in the KAP survey.

In order for the Afghan public to better understand and appreciate the ACD's role in protecting society, collecting revenue for national development, and facilitating trade, TAFE supported the design and implementation of a public outreach campaign for ACD. The ACD communications campaign focuses on outreach to the Afghan public on the ACD's mandate, with follow-on regulatory and anti-corruption messages, and it places a key GIRoA agency in a leadership position on important national issues.

TAFE conducted a needs assessment of the communications capacity of the ACD, which demonstrated that the primary needs of the ACD were intensive training on public information skills and campaign development, an improved website, and a set of informational materials that can be used to effectively inform Afghan citizens and traders about customs procedures and requirements.

TAFE trained the communications team at ACD on essential communications skills such as drafting a press release, planning a public information campaign, responding to press inquiries, drafting news content for bulletins or the website, basic press/public relations, developing a communications strategy, and planning an emergency response to Customs-related crises or bad press. ACD also worked on public outreach campaign planning, implementation, and monitoring and evaluation (M&E).

TAFE also provided technical assistance to the ACD as they identified important website features and drafted new content for their website as part of the GIRoA On-line Presence Website Project. TAFE managed completion of initial requirements for ACD to participate in the project by building a new website. This required a coordinated agreement with MoF to support ACD's sub-domain website. TAFE continued training of ACD staffers on the utility and features of the Customs website and identifying, drafting, and editing website content.

TAFAs created a plan for the first ACD internal newsletter, a key communications mechanism to support and broadcast Customs reform. The ACD DG approved the plan and sent a letter to all Regional Directors requesting their participation and regular inputs into the newsletter. The ACD Statistics Unit was asked to provide revenue data for dissemination in the newsletter. The quarterly newsletter is the first step in building a culture at Customs that readily shares information across headquarters, regional offices and border posts.

In September, the first public outreach campaign plan for the ACD was approved by the ACD DG. The campaign will focus on the role of the Customs department and provide specific messages on operations, tariffs, procedures, and anti-corruption safeguards to help Customs clients and facilitate Afghan trade. The first segment of the campaign will center on the theme “What Afghan Customs Does for You.” TAFAs worked with Customs officials to develop key messages, media, target audiences, outreach activities and timeline. Original artwork was created to illustrate posters and billboards. Priority television and radio programs were identified to broadcast campaign messages or sponsored programming.

### **Helping MoCI Communicate**

TAFAs worked with the MoCI staff to identify gaps and develop critical technical and professional skills. Working with the DG of international trade, a comprehensive list of current gaps and needed trainings was prepared. Technical trainings that were identified as a priority include international trade negotiation skills, freedom of transit, APTTA, and Customs Law awareness. MoCI staff also received management training on skills such as planning and facilitating meetings, public speaking, writing official correspondence, developing websites and public outreach materials, and conducting research.

TAFAs provided assistance for presentations and research to aid in MoCI outreach. For example, TAFAs worked with the Minister’s Advisor to deliver a presentation at the Prague meeting of the OSCE Economic and Environmental Forum on transport and transit issues in Central Asia and Afghanistan.

To support the MoCI, TAFAs conducted three additional sets of trainings for government officials. The first was a series of eight sessions on SAFTA to six graduates of Indian universities who are now working in the ITD. The training gave the officials an understanding of basic trade principles under SAFTA. The sessions covered SAFTA’s trade liberalization program, special treatment for less developed countries, safeguards, rules of origin, the dispute settlement system, and legal exceptions for areas such as health and security. This was the first substantive training on trade issues received by these trade officials and allowed them to promptly assume more substantive trade-related duties at the Ministry.

The second training focused on basic communications and outreach skills, including managing the media. This three-day training was given to five employees in the ITD, three Customs officials, and two communications specialists at EPAA. A post training survey indicated that the participants significantly increased their knowledge of how to develop a message, identify audiences, substantiate messages, and reach and work with news agencies.

A final two-day training on “Communicating SAFTA” was given to the six graduates in the ITD and two communications specialists at the EPAA. Following the training, all eight government trade officials had the ability to explain SAFTA to other government ministries, the private sector and other stakeholders. A core group of officials at MoCI and EPAA now understand, and can explain and debate SAFTA with key audiences around the country.

### **SAFTA Communications Campaign Designed**

In the KAP survey, Afghans likely to have a more exposure to issues related to trade based on their occupation, such as government, academia, trade, and production, were asked about their knowledge of SAFTA and APTTA. Twenty seven percent of those questioned had heard of SAFTA, while 66 percent were not familiar with the term. This percentage is smaller than Afghan’s knowledge of the WTO and APTTA. To encourage greater information sharing about SAFTA, TAFAs worked with the ITD of MoCI to develop a SAFTA communications campaign plan to prepare for implementation following ratification after

SAFTA was passed by the Upper House of Parliament on April 6. The SAFTA campaign informed key stakeholders on how to take advantage of low tariffs under SAFTA. The campaign also developed new channels of communications and built the capacity of the ministry officials to reach out to the private sector and other stakeholders.

To build the MoCI's capacity to present SAFTA to a wider public audience, TAFE conducted a training for five MoCI officials and two EPAA officials on "How to Present SAFTA." During this training, MoCI and EPAA officials developed a presentation on SAFTA to present to their audiences, and brainstormed strategies and responses to questions on SAFTA.

Subsequently, MoCI officials gave around twenty presentations on SAFTA across Kabul to a wide variety of audiences. The DG delivered a presentation to ACCI leadership and junior staff gave presentations to the Ministry of Labor, MAIL, MoTCA, Ministry of Mines, Ministry of Women's Affairs, and the Ministry of Economy. Presentations were also given to trade associations, women's groups and international donors. The presentations informed traders of the importance of SAFTA and built awareness of its benefits to galvanize trade and ensure support for its implementation. For example, presentations made at two vendor outreach days at Camp Eggers elicited inquiries from Azizi Bank on how to assist traders to take advantage of SAFTA through specialized loan packages.

TAFE helped MoCI staff design, draft, translate and print written SAFTA promotional materials including a press release, a Q&A document, a brochure and a poster to distribute to the public. MoCI distributed materials to government ministries including EPAA, AISA, ACCI and its provincial offices, NGOs, banks, and international donors. A plan to transmit the materials to all Afghan commercial attaches is underway in order to promote Afghanistan's SAFTA membership to foreign investors.

TAFE staff also collaborated with MoCI staff to reach out to journalists on trade issues. In April, TAFE staff worked with MoCI staff to organize a background briefing for twenty-five Kabul based journalists on general trade policy and the primary elements and benefits of SAFTA. MoCI senior officials appeared on six television and radio programs to discuss SAFTA and trade issues, promoting SAFTA nation-wide.

In August, information materials such as a full-size poster, a brochure and handouts answering frequently asked questions were delivered to all embassies and universities in Kabul. The Minister of Commerce took SAFTA materials with him on an official trade trip to China. TAFE staff also supplied materials to meetings in Islamabad. SAFTA materials were posted at key government and private sector offices in Jalalabad, including AISA, EPAA, ACD, ACCI, and Peace Dividend Trust. AISA and EPAA were both given materials at all of their provincial offices. MoCI officials continue to give SAFTA presentations to local trade and civil society associations to explain the merits of the agreement for Afghanistan.



**A poster advertising SAFTA hangs outside the Afghanistan Investment Support Agency Photo by: USAID/TAFE**

## **APTTA Communications**

Thirty-seven percent of respondents to the KAP survey could identify what APTTA is (from the Afghans likely to have a more exposure to issues related to trade based on their occupation, such as government, academia, trade, and production). APTTA may be more familiar to Afghans than SAFTA because it is more controversial. APTTA has a significant number of detractors, particularly within Pakistan. To ensure that a correct message is reaching the public on APTTA, TAFE worked with MoCI staff to design and draft information materials for a communications campaign on APTTA. With MoCI staff, TAFE developed a brochure, frequently asked questions document, a poster, a PowerPoint presentation, and a number of one-pagers on APTTA. TAFE staff continued to train MoCI staff on the primary features of APTTA. With TAFE support, MoCI staff sent messages describing the benefits of SAFTA and APTTA to all Afghan trade attaches worldwide. TAFE also met with ISAF International Joint Command (IJC) to discuss collaboration on APTTA information dissemination. IJC offered its extensive distribution network in the provinces to share information on APTTA with key audiences at the provincial and district level. TAFE produced and translated one-pagers on APTTA and SAFTA for IJC to distribute to its provincial network.

In August, the MoCI focused on understanding and promoting APTTA. TAFE conducted ten training sessions on APTTA with Ministry officials and drafted a short-term APTTA communications plan to jump-start the lengthy APTTA implementation process. The first messages in the APTTA campaign will seek to gain public support for the significant reforms and new procedures necessary to implement APTTA.

### **Developing Communication Needs of Private Sector**

Private sector support is crucial to implementing trade reforms. To ensure that the private sector is also receiving accurate messages about trade-related issues in Afghanistan, TAFE partnered with the ACCI to develop their internal capacity to communicate. The collaboration will ensure that representatives from the private sector are aware of trade issues and the benefits of liberalized trade. To ascertain the communications needs of the private sector, TAFE conducted a needs assessment of the ACCI leadership to review and understand their communication patterns and needs in order to provide tailored technical assistance.

Results showed that ACCI leaders prioritized communicating with each other and the private sector in general, rather than their membership or their constituent bodies. ACCI primarily communicates by phone. Communications do not occur often, with almost 30 percent of communications taking place over a longer term period (quarterly or longer). Priority topics of communication include new laws and regulations and new government policy. These findings are inconsistent with what ACCI identified as its most important functions: advocacy, informing members of new laws, addressing problems, and providing business development services. Overall, the survey results reinforced that ACCI has few communications protocols in place and inefficient or non-existent ways to communicate with the Afghan business community.

The process to develop this plan was inclusive. Input was considered from provincial chambers, the business community, and government stakeholders. The merits of the plan's strategy and actions were debated by ACCI's governing body, culminating in its adoption in July. The plan identified operational shortcomings in line with TAFE's stated deliverables to strengthen ACCI's communications mechanisms, particularly in critical outreach and advocacy to the provinces. TAFE is continuing to assist the ACCI to develop better communications for service delivery, including carrying out a new membership drive, and improve ACCI's advocacy and media relation skills to be a conduit for trade information to the private sector.

## Training Afghan Journalists on Trade Issues

To encourage more and better coverage of trade-related issues, TAFE presented five trainings across the country for Afghan journalists on how to identify, investigate and produce stories on economic issues. TAFE considers these journalists its partners in educating Afghans about the merits of trade and economic reform. TAFE held a series of trainings throughout the year, beginning with a five-day workshop on reporting trade and industry for nine mid- to high-ranking Afghan journalists in Kabul. Journalists received briefings on regional trade and transit issues from the MoCI. TAFE technical staff discussed SAFTA and the WTO, trade and entrepreneurship, the dangers of protectionism and the value of trade to economic growth.

One participant, a TV journalist, was trained by TAFE's public outreach consultants on economic and trade reporting. Since this time, she has used her knowledge of trade liberalization issues, in particular SAFTA, to reach out to other women in her community about the benefits of trade. She noted that "I learned from TAFE how Afghanistan is affected by trade issues. Women in Afghanistan in particular are very poor and need opportunities to sell their goods at fair prices. I think that each home is a part of the SAFTA agreement. In the war, we lost our factories and many other sources of employment. Our group is mostly illiterate women. We do not have education, but we can make handicrafts. Women need good jobs. We need to be able to sell our goods for good prices."



**An artisan is interviewed at turquoise mountain by journalists participating in training held for women journalists**

**Photo by: USAID/TAFE**

To gain detailed insight into the trade process, journalists met with the head of Kabul Customs House and toured the Customs House's warehousing, laboratory, and data-inputting facilities to observe the import process from the customs gate to final clearance.

The second training in Mazar-e-Sharif from June 14-17 included radio, television, and print journalists from Mazar-e-Sharif, Jawzjan, Takhar, Kunduz, and Badakhshan. Two days of classroom training were followed by a visit to the Hairatan Customs House where journalists interviewed customs officials and traders to gain hands-on insight into the customs process. Journalists produced trade-related stories for radio, TV and print following the training.

In July, TAFE held a second training for radio, television and print journalists from thirteen provinces on how to identify and report on economic and trade stories. A four-day training was conducted for eastern region journalists in Jalalabad from July 6-9, covering the advantages of low tariffs, SAFTA, and an open trading system. The Afghan journalists visited Torkham Gate and the Jalalabad Customs House to witness trade in practice, and produced radio, television, and print reports that were evaluated against a set of "good journalism" criteria. The training was designed to help journalists identify, investigate, and produce lively economic stories. The journalists gained a greater appreciation of how trade and industry can bring future prosperity and development to Afghanistan.

From July 11-14, TAFE held another training on Trade and Industry Reporting for Kabul-based journalists. Ten journalists from television, radio, newspapers, and online media outlets learned about the advantages of low tariffs and an open trading system, and how trade contributes to the Afghan economy. Two officials from the MoCI who were previously trained by TAFE gave the journalists a presentation on Afghanistan's participation in SAFTA. To learn about trade issues first-hand, the journalists visited the Badam Bagh Farm and juice factory, which are supported by USAID's ASAP project. Managers of the farm and juice factory spoke to journalists about agricultural trade and export issues. As a follow-up to the training, journalists prepared stories about trade, some of which appeared in the national media.

To respond to the high demand for women-only training, coupled with a desire to be culturally sensitive, TAFE conducted another seminar on trade and industry reporting exclusively for women journalists. The women-only format allowed the women to talk freely and ask questions openly and followed the same rigorous format as the general training. Rather than visiting the KCH, these journalists visited Turquoise Mountain, an export-oriented crafts retailer.

To further support journalists, TAFE completed the first draft of a twelve chapter manual for Afghan journalists on Trade and Economic Reporting that will serve as a valuable trade and economic reference tool for writing economic stories in newsrooms across the country. The handbook covers topics such as exporting agricultural products and how standards promote international trade.

## **Public Outreach to Wide Audiences**

In addition to specific campaigns on trade issues and trade partners, TAFE has worked on communications campaigns which reach a wide audience, the Afghan public. TAFE communications advisors worked with ISAF to develop anti-corruption message billboards to be displayed at Customs BCPs and ICDs. These anti-corruption messages are featured in cartoon form, to reach out to a variety of audiences. Messages include information about the legal methods for paying fees at the borders, documentary requirements, and use of official designated crossing points.



**Participants in workshop on Trade and Employment at the National Youth Conference on August 7-9 in Kabul**  
**Photo by: USAID/TAFE**

To reach out to youth, TAFE conducted a workshop on Trade and Employment at the National Youth Conference. TAFE staff prepared and gave a presentation that explained the benefits of trade in an engaging and compelling way for Afghan youth. In September, TAFE met with several Afghan radio stations to discuss supporting a Youth and Trade weekly radio program or integrating youth and trade topics into an existing economic program on the radio, and worked with Youth FM radio station to produce a youth-targeted one minute ad on the benefits of trade and customs.

TAFE worked with the MoCI ITD staff to prepare trade publicity materials for the Kabul Conference on July 20. The Kabul Conference aimed to foster and leverage international development funding in Afghanistan and was attended by donor countries and organizations such as the United States, Germany, the United Nations, and the World Bank.

TAFa also worked with MoCI officials to host a “Trade Builds Afghanistan” booth at the Agriculture Fair (AgFair) from October 6-8. The booth included wall-sized murals of “How to Trade” and a map of the new trucking routes that will be opened up by APTTA. TAFa worked with MoCI officials to produce a twenty page trade booklet and a presentation on “How to Trade”. TAFa distributed 750 copies of the “Trade Builds Afghanistan” materials, and received more than 1,000 visitors over the three days. At the AgFair, MoCI officials explained trade issues including APTTA, SAFTA and WTO to visitors, including the Minister of Agriculture and the head of ACCI. They also conducted two interviews for local television. The AgFair is Afghanistan’s largest public exhibition, which attracted 34,000 visitors over three days.



**Representatives from MoCI speak with the public about trade issues and provide trade materials at the Kabul AgFair  
Photo by: USAID/TAFa**



## Progress: Measurable Year One Achievements

TAFAs supports USAID's Operational Plan objectives under Economic Growth, Program Area *Trade and Investment*, specifically Program Element 4.2.1 *Trade and Investment Enabling Environment*. TAFAs addresses USAID/Afghanistan's Strategic Objective (SO) number 1 from the 2005 – 2010 Strategic Plan: *A thriving licit economy led by the private sector*. The strategic plan envisions achieving the objective by enhancing Afghan participation in global trade and investment through improved policies in trade, transit, and export, the use of international standards and best practices, harmonization of tariffs, and improved cross-border transit.

To measure TAFAs's progress and success, TAFAs is monitoring progress based on project indicators designed for each the four program components. It is important to note, however that, based on the experience gained and lessons learned of Year 1 of the TAFAs project (November 2009-November 2010), a July 2010 progress review, and modifications to the strategy and implementation plan, the PMP is now being revised. This revision is expected to be completed and approved no later than mid-December 2010.

Progress against each indicator is provided below, based on the current PMP. Results-to-date are reported through the end of October, 2010. Final annual results will be measured after November, 2010.

Indicator	Progress to date
<b>Trade Liberalization</b>	
<b>Average tariff level</b>	This indicator measures the reduction in average tariff level over the life of project. The baseline data for this indicator collected in 2009 set 6.97% as the average tariff level. The TAFAs target was to keep the tariff level constant during the year 2010 and avert increases. In fact, tariffs were reduced from 6.97% to 6.79% by the end of year one.
<b>Number of tariff bands</b>	The number of tariff bands is the number of tariff rates in the tariff schedule. The indicator measures reduction over life of project. During 2009, the number of tariff bands was 11 in 2010, consistent with TAFAs's target for 2010 to keep the number of tariff bands constant and reduce it to 10 in 2011.
<b>Number of consultative processes with private sector as a result of USG assistance</b>	TAFAs's target for 2010 was to establish 4 formal consultative processes with the private sector. In year one, 7 formal consultative processes are underway. The project intends to conduct 15 more consultative processes with the private sector by the end of 2011 for a total of 22. A consultative process is defined as a formalized group process on a specific topic: both the number and type of processes with the private sector and the number of meetings will be monitored and reported on. For example: a legislative working group on a specific law is a process; the APTTA group work is a process with many meetings

<p><b>Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade.</b></p>	<p>The project target for year one was 10 actions taken to improve implementation or compliance with international trade. By the end of October 2010, 11 actions had been taken. These actions include: The project plans to increase the number of legal, regulatory actions from 11 to 26 by setting a target of 15 for year 2011.</p> <ol style="list-style-type: none"> <li>1. Standards Law adopted</li> <li>2. Patent Law finalized by the working group</li> <li>3. Trademark Law finalized by the working group</li> <li>4. Geographical Indications Law finalized by the working group</li> <li>5. Copyright Law finalized by the working group</li> <li>6. Customs Code amendments approved by the working group</li> <li>7. ACD new valuation database completed</li> <li>8. ACD Statistical Unit established</li> <li>9. WTO Unit at MOCI expanded</li> <li>10. MOCI eliminated export authorizations</li> <li>11. WTO Inter-Ministerial commission established</li> </ol> <p>This indicator refers to 1) the number of laws finalized and approved at various levels (example: working groups, Ministerial Cabinet, Parliaments, provincial councils etc.); 2) the number of regulations finalized and approved at the Ministerial level; 3) An institutional action refers to an action that is an institutional strengthening measure with an obvious and significant output that is essential for improving implementation or addressing compliance requirements, (for example: a new statistical unit; a new trade policy unit in the MoCI, etc.)</p>
<p><b>Percentage reduction in discrepancy between CSO and ACD on trade statistics</b></p>	<p>The target of reducing the discrepancy from 60% for import and 80% for export in 2009 to 50% for import and 60% for export in 2010 was met. TAFE collected the baseline data for this indicator in 2009 that shows a discrepancy of 60% for imports and 80% for export between the Central Statistics Office (CSO) and Afghanistan Customs Department (ACD). As of the end of year one, TAFE has put in place the systems to reduce these discrepancies, such as correcting data issues, including coding and format and timing of data.</p>
<p><b>Number of trade-related international agreements and/or memoranda of understanding signed</b></p>	<p>The project achieved its planned target for 2010. Afghanistan signed two international trade agreements during this period, APTTA and SAFTA. The project intends to support GIRA to sign 3 more trade-related international agreements or memoranda of understanding by end of 2011.</p>
<p><b>Customs Reform</b></p>	
<p><b>Customs processing time (from acceptance of declaration, technical control at Inland Customs Depots (ICDs) until clearance)</b></p>	<p>This indicator measures the number of days required for Customs to process goods both for import and export. The baseline data indicates that 7 days were required to process goods in Customs for import and 8 days were required for export.</p> <p>The project planned to reduce the number of days for import to 6 and for export to 7. It exceeded the target by reducing the number of days both for import and export to 5 days. The project intends to reduce these numbers to 4 days for both import and export by the end of 2011.</p>

<b>Customs processing time, both overall and per border crossing</b>	<p>The overall Customs processing time in 2009 was 6 days (as a baseline) while in the second quarter of 2010 this number was reduced to 4.5 days based on data collected by project Customs advisor from ACD. The data shows a 25% reduction in Customs processing time in Afghanistan. The custom houses in different provinces show noticeable reductions in Custom processing time in two quarters of 2010 compared to the year 2009. Kabul Customs House and Kabul Internaitonal Airport, the key Custom houses show a two day reduction in Customs processing of goods compared to last year. Herat and Jalalabad indicate a one day reduction.</p>
<b>Trade Facilitation</b>	
<b>Number of Documents required for import/export</b>	<p>Based on World Bank's doing business report in 2009, the number of documents required for import and export are 11 and 12, respectively in Afghanistan. During 2010, TAFE has taken some initial steps for setting up a One Stop Shop (OSS) for import and export to bring all GIRA agencies involved in processing the import/export document under one roof. With the OSS, TAFE plans to create greater efficiencies for traders and intends to reduce the number of import/export documents in 2011.</p>
<b>Number of licensed freight forwarders that take part in transport capacity building</b>	<p>TAFE undertook initial steps such as planning, assessment and selection of provinces and participants for conduction of capacity building training for licensed freight forwarders for two large training programs for freight forwarders from 2<sup>nd</sup> Nov to 10<sup>th</sup> of Dec 2010 in Mazar city and in May 2011 in Kabul. The first training carried out in November in Mazar included 80 participants. Additional trainings will continue in year 2 of the project, expanding from Mazar.</p>
<b>Number of standards related documents developed and distributed</b>	<p>During the reporting period, TAFE facilitated the donation of materials to ANSA on basic courses on metrology, standards and conformity assessment. The retail value of this material was over \$21,000. The project has assisted ANSA in developing ANSA's Five Year Strategy, interactive desktop reference handbook on metrology and standards, and the two-year ANSA operational plans. These documents will be finalized and distributed by end of 2010. In year two of the project, TAFE expects to work with ANSA to determine how these resources are distributed.</p>
<b>Public Outreach</b>	
<b>Number of media articles published on trade</b>	<p>TAFE is tracking several media sources to identify the frequency and nature of trade-related articles. The baseline data shows 26 articles published in 2009 while a total of 87 trade-related articles were published in local media during the reporting period. The data is collected through regular media monitoring by TAFE. The articles are shown by region.</p> <p>The public outreach component also monitored the published articles based on their nature, whether positive, negative, or neutral. The majority of articles (68%) were positive, while 29% were negative. Only few (3%) of published articles were neutral.</p>

<b>Number of Public Information printed materials distributed</b>	<p>TAFAs distributed a total of 6,605 copies of various trade-related public information material during the reporting period. This is an increase of 23% against the target of 5,000 for 2010. The distributed materials include trade-related posters, leaflets, and brochures.</p> <p>The project public outreach component distributed public information materials in five different regions of Afghanistan. The project distributed the majority (86%) of materials in the Kabul region, while the remaining (14%) were distributed in Jalalabad, Mazar, Herat, and Kandahar.</p>
<b>Change in people's perception toward trade</b>	<p>The KAP survey showed that ninety one percent (91%) of all survey respondents had a positive view of trade. The project will use the survey data as baseline for this indicator and will gauge the change against second KAP survey.</p>
<b>Change in public awareness of key trade agreements (WTO, APTTA, SAFTA)</b>	<p>The KAP survey provided baseline information on public awareness, for example, the KAP survey also measured awareness of regional agreements of those likely to have more exposure to trade-related issues, based on their occupation. From this group,</p> <ul style="list-style-type: none"> <li>• 47% of the respondents were familiar with the term WTO while almost the same percentage (46%) responded that they were unfamiliar with the term. 6% of respondents did not reply to this question.</li> <li>• Only 37% of respondents claimed that they know the term APTTA. 56% were unfamiliar with the term and 7% had no reply.</li> <li>• Only 27% of all respondents knew the term SAFTA while the majority (66%) were unfamiliar with this term.</li> </ul> <p>The project will use this data as baseline for this indicator and will track the changes in opinion in the next KAP survey.</p>
<b>Standard Indicators</b>	
<b>Percentage growth in trade volume</b>	<p><i>(TAFAs is not accountable for achieving target, however it is critical for monitoring and reporting on the trade context.)</i></p> <p>The total value of trade in 2009 was USD \$5.7 billion, a 43% increase compared to 2007 (USD 4 billion). The first quarter of 2010 increased by USD1.6 billion, showing a 15% increase compared to the first quarter of 2009. TAFAs is tracking this data.</p>
<b>Percentage growth in custom revenue</b>	<p><i>(TAFAs is not accountable for achieving target)</i></p> <p>Afghanistan Customs revenue for the year 2009 was USD 741 million, \$352 million for first six months and \$389 million for second six months. During the first six months of 2010, Custom revenue grew to USD \$ 430 million. That shows a growth of 18% compared to first six months of 2009, and 10% over the second six months of 2009. Herat Customs house earned the highest revenue both in 2009 and first quarter of 2010, 26% and 29% respectively. Jalalabad and Mazar came next respectively with 25% and 23% for 2009, and 22% and 21% for first quarter of 2010 respectively.</p>

<b>Value of Imports (Billion USD)</b>	<i>(TAFAs is not accountable for achieving target)</i>  The total value of imports during the year 2009 was USD \$ 5.63 billion. Imports grew by USD \$1.56 billion during the period.
<b>Value of exports (million USD)</b>	<i>(TAFAs is not accountable for achieving target)</i>  The total value of exports during the year 2009 was USD \$316 million. Exports increased by USD \$61.93 million during the first quarter of 2010, a 38% increase over the same quarter in the previous year.
<b>Number of USG-supported Training events held that relate to improving the trade environment</b>	As of the end of October 2010, TAFAs conducted 21 trade-related training events both in Kabul and in the provinces, exceeding the target of 20 trainings. The majority of trainings were conducted in Kabul. TAFAs conducted three trainings in the provinces: Mazar and Jalalabad. The project trained 436 people in 21 trainings within the reporting period. 85% of the participants were male and 15% were female. This shows a 118% increase against the target of 200 people.
<b>Number of Vehicles entering/exiting Key Borders</b>	<i>(TAFAs is responsible for tracking only)</i>  TAFAs is responsible for tracking data against this indicator, but is not responsible for results against this indicator. In 2009, the number of vehicles crossing the borders were 1500 vehicles per day. This baseline data was based on interviews with 21 Customs houses across the country. This data will be as of November 2010.
<b>Change in WB's Doing Business "Trade across Borders"</b>	Based on World Bank's Trade Across Border report 2010, Afghanistan is ranked 183. TAFAs will use this ranking as baseline data. The project intends to support the GIRoA to obtain a higher ranking in the next Doing Business Report. The target is to achieve a ranking of 179 by the end of 2011.
<b>Number of public events held to discuss trade and business policy matters with stakeholders and public</b>	The target for first year of the project was to conduct 50 public events. The project conducted 52 public events during the reporting period. Almost 2500 people from the public and private sector participated in these public events. Approximately 17% of participants were females. The project intends to conduct 100 public events during the second year of the project.