USAID | AFGHANISTAN

جمهوری اسلامی افغانستان
د افغانستان اسلامی جمهوریت

TRADE AND ACCESSION FACILITATION FOR AFGHANISTAN (TAFA)

ANNUAL REPORT
November 2010 – November 2011

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

TRADE AND ACCESSION FACILITATION FOR AFGHANISTAN (TAFA)

Contract Number: 306-C-00-09-00529-00

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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 (TAFA) 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 TAFA contract in November 2009 to a consortium of Chemonics International (prime), Economic Integration Forum (EIF), Overseas Strategic Consulting (OSC) and Management Systems International (MSI).

This report serves as the second annual report for TAFA, covering the period Nov. 18, 2010, through Nov. 17, 2011.

ACRONYMS

AAFFCO	Afghanistan Association of Freight Forwarding Companies
ABP	Afghan Border Police
ACCI	Afghanistan Chamber of Commerce and Industries
ACD	Afghanistan Customs Department
ADB	Asian Development Bank
AEO	Authorized economic operators
AIESEC	Association Internationale des Etudiants en Sciences Economiques et Commerciales
AIRP	Afghanistan Infrastructure and Rehabilitation Program
AISA	Afghan Investment Support Agency
ANSA	Afghanistan National Standards Authority
APTTA	Afghanistan Pakistan Transit Trade Agreement
APTTCA	Afghanistan Pakistan Transit Trade Coordinating Authority
ARDC	Agriculture and Rural Development Cluster
ARTF	Afghan Reconstruction Trust Fund
ASAP	Afghanistan Sustainable Agriculture Project (USAID/Afghanistan)
ASI	Adam Smith International
ASMED	Afghan Small and Medium Enterprise Development (USAID/Afghanistan)
ASYCUDA	Automated System for Customs Data
ATTA	Afghan Transit Trade Agreement
AWBF	Afghan Women's Business Federation
AWC	Afghan Women's Council
BCP	Border Crossing Point
BMTF	Border Management Task Force
BMM	Border Management Model
CAREC	Central Asian Regional Economic Cooperation
CCTV	Closed-circuit television
CMR	Carriage of Goods by Road Convention
CSO	Central Statistics Office
CVA	Customs Valuation Agreement
DAIL	Directorate of Agriculture, Irrigation and Livestock
DBI	Doing Business Indicators
DFID	Department for International Development
DSM	Dispute settlement mechanism
DTIS	Trade Diagnostic Integration Studies
ECO	Economic Cooperation Organization
ECOTA	Economic Cooperation Organization Trade Agreement
EGGI	Economic Growth and Governance Initiative (USAID/Afghanistan)
EPAA	Export Promotion Agency of Afghanistan
EU	European Union
FAO	Food and Agricultural Organization
FAIDA	Financial Access for Investing in the Development of Afghanistan (USAID/Afghanistan)
FIATA	International Federation of Freight Forwarders Associations
FLGE	Fuel and Liquid Gas Enterprise
GAP	Good Agricultural Practices
GIRoA	Government of the Islamic Republic of Afghanistan
GIZ	German International Cooperation

HACCP	Hazard Analysis and Critical Control Points
IAF	International Accreditation Forum
IARCSC	Independent Administrative Reform and Civil Service Commission
ICD	Inland Customs Depot
ILAC	International Laboratory Accreditation Cooperation
IMF	International Monetary Fund
IPDD	Industrial Park Development Department
IPO	Intellectual Property Office
IPPC	International Plant Protection Convention
IRU	International Road Transport Union
ISAF	International Security Assistance Force
ISO	International Organization for Standardization
JICA	Japan International Cooperation Agency
KIA	Kabul International Airport
MAIL	Ministry of Agriculture, Irrigation, and Livestock
MFTR	Memorandum on the Foreign Trade Regime
MoCI	Ministry of Commerce and Industries
MoCIT	Ministry of Communications and Information Technology
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoIC	Ministry of Information and Culture
MoPH	Ministry of Public Health
MoTCA	Ministry of Transport and Civil Aviation
MoWA	Ministry of Women's Affairs
MVT	Mobile verification teams
NADF	National Agricultural Development Framework
NCIS	National Customs Interception and Seizure
NCSL	National Conference of Standards Laboratories
NCU	National Control Unit
NTM-A	NATO Training Mission-Afghanistan
OIML	International Organization of Legal Metrology
OIE	World Organisation for Animal Health
OSS	One Stop Shop
PPP	Public-Private Partnership
PRT	Provincial Reconstruction Team
QICB	Quality Improvement Coordination Board
RCC	Regional Communications Coordinator
RCM	Regional Communications Manager
ROO	Rules of origin
ROZ	Reconstruction opportunity zone
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SARD	Sustainable Agricultural and Rural Development
SARSO	South Asia Regional Standards Organization
SATIS	South Asian Trade In Services Agreement
SOP	Standard Operating Procedures
SPECA	United Nations Special Program for Economies of Central Asia
SPS	Sanitary and Phytosanitary Standards
TAD	Temporary Admission Documents
TAFA	Trade and Accession Facilitation for Afghanistan

TAG	Technical Advisory Group
TAM	Training Assessment Matrix
TIR	International Road Transport Convention
TLP	Trade Liberalization Program (SAFTA)
TOR	Terms of reference
TOT	Training of Trainers
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRSU	Tariffs Research and Statistics Unit
TSC	Trade Service Center
TTR	Technical Training Review
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USAID	United States Agency for International Development
UT	Unauthorized trade
UTS	Unauthorized trade study
WCO	World Customs Organization
WTO	World Trade Organization

I. INTRODUCTION

a. Afghanistan: The Silk Road to Business Opportunities

The U.S. Agency for International Development (USAID) in cooperation with the Government of the Islamic Republic of Afghanistan (GIRoA) designed Trade and Accession Facilitation for Afghanistan (TAFA) to help Afghanistan harness the trade and investment potential of its strategic location so that increased investment, exports and market-based employment opportunities drive economic growth. TAFA is pleased to present this annual report for the project's second year of performance from November 2010 through November 2011.

Afghanistan is reasserting itself as a global trading nation by renewing its long-standing spirit in which trade was both life blood and a way of life. At present, trade remains lopsided, with imports surpassing exports by a factor of ten. However, the fundamental underpinnings of a strong trading nation are developing and allowing Afghanistan to take advantage of its prime position on the famed Silk Road.

Encouraging advances are developing on a national scale and on the project level:

- TAFA facilitated the ratification of the Afghanistan Pakistan Transit Trade Agreement (APTTA) in January 2011, and the agreement became operational on June 12, 2011. APTTA allows Afghan trucks to drive directly to the huge markets of India, China and the seaports at Karachi, Gwadar and Port Qasem in Pakistan.

- TAFA paved the way for the inauguration of an export One Stop Shop (OSS) in February 2011, bringing most processing of export documents under one roof for faster and more convenient exports. The OSS reduces the time needed for export processing from several days to one day.

- TAFA facilitated the ratification of the South Asian Free Trade Area (SAFTA) agreement in January 2011 and is supporting the implementation of the agreement. SAFTA guarantees zero to five percent tariffs to India, Pakistan and five other countries for all Afghan exports not on sensitive lists. This is an enormous advantage for Afghan exporters.

- TAFA's customs work resulted in the streamlining of customs procedures at locations in Kabul and at Hairatan, bordering Uzbekistan, resulting in the elimination of unnecessary import and export steps, yielding a savings of up to $120 per transaction and reducing opportunities for corruption. The savings equate to more than $5 million per year.

- With TAFA support, the World Trade Organization (WTO) Working Group held its first meeting on January 31, 2011. Participating countries warmly welcomed and encouraged Afghanistan's efforts to join the WTO. WTO accession will allow Afghanistan access to the global trading regime and enforceable rules of trade.

- TAFA delivered internationally recognized training modules for freight forwarders in Mazar-i Sharif, Herat and Kabul. Afghanistan's transport operators and freight

forwarders gained knowledge on how to handle cargo according to international best practices, allowing them to compete with international logistics providers.

- TAFA led the critical International Monetary Fund (IMF) benchmark of remuneration solutions by completing an organizational chart and living working wage survey for the Afghanistan Customs Department (ACD), paving the way for increased employee motivation and reduced corruption.

Afghanistan's pomegranates are famous across the region for their large size and sweetness. Saffron, lapis lazuli, cashmere and marble – to name a few of the country's high-quality products – also provide Afghanistan with vast opportunities in international markets.

- TAFA conducted three nationwide communication campaigns on APTTA, Afghan customs and the OSS to educate the Afghan public and enourage trade that will drive the country's economic growth.

- TAFA established Trade Service Centers (TSCs) in Jalalabad, Kabul and Kandahar to guide members of the Afghan trading community on new trade and transit agreements, like APTTA and SAFTA, so that they can take advantage of newly created trading opportunities.

- TAFA continued it aggressive push towards Afghanization, appointing an Afghan Deputy Chief of Party for Operations and a national Deputy Chief of Party for Programs. In addition, three of the four TAFA components have appointed Afghan deputy team leaders, and the fourth component is now in the selection process.

- TAFA witnessed a transfer of talents from the project to the GIRoA, cementing its capacity building efforts. At ACD, the newly appointed Director of Reform and Planning was a TAFA employee, and at the Ministry of Commerce and Industries (MoCI), the newly appointed Director General for Transit and Facilitation was a TAFA employee.

- TAFA adjusted to accommodate ever increasing security challenges by consolidating its office and residences in Kabul to the Baron location, which is intended to provide an enhanced security platform to support continuity of work during security events that might otherwise disrupt technical focus.

Afghanistan is ripe with opportunity. TAFA's goal is to reconfigure Afghanistan's economy and mindset to reap the enormous benefits of its geography. Two of the world's largest countries – China and India – are neighbors. These and other markets will open to Afghanistan's abundant goods, such as marble from Herati quarries, lapis lazuli from Badakshan, pomegranates from Kandahar, sour oranges and olive oil from Nangarhar, saffron from Faryab and cashmere from the central highlands. Farms and vineyards flourish, natural resources are abundant, potential manufacturing is being designed to be green and efficient, and its people, the true strength of this nation, are resilient, entrepreneurial and hardworking.

At the completion of its second year, TAFA is an engine in the reform process, fueling faith in Afghans and igniting economic forces that will propel trade across the region.

b. TAFA Description

TAFA is engaged in a number of activities in Kabul and around Afghanistan to facilitate Afghanistan's accession to the WTO, the development of bi-lateral and regional trade agreements, the streamlining of customs and export procedures and other activities to facilitate trade. To ensure the sustainability of these efforts, TAFA's strategy is to provide technical assistance that is embedded at counterparts' locations, working side-by-side with Afghans to build capacity and ensure a smooth transition. TAFA not only works with GIRoA and its counterparts, but with private sector entities as well. Another key strategy is the establishment, mentoring and training of trade-related units in Kabul and elsewhere in Afghanistan to continue to operate beyond TAFA's lifespan.

TAFA's annual report is designed according to the project's four primary technical components: trade policy liberalization, customs reforms, trade facilitation and public outreach.

Component 1: Trade Policy Liberalization

TAFA's trade policy liberalization component includes activities that will strengthen Afghanistan's capacity to negotiate and implement regional trade agreements and begin the fundamental overhaul of trade-related framework laws required to remove barriers to commerce and align with WTO accession. GIRoA and TAFA expect substantial progress in trade liberalization, through accession to and implementation of bilateral, regional and international trade and transit agreements, to improve economic opportunities for Afghan firms, create new jobs and facilitate trade. The WTO accession process is being leveraged to strengthen market systems and reduce constraints on commercial activity.

Component 2: Customs Reforms

TAFA's customs reforms component assists ACD in developing and implementing its comprehensive Strategic Five Year Plan and Revenue Action Plan. TAFA has identified key priority areas as having the most potential to increase revenue. TAFA is also working with management in provincial customs locations to implement uniform policies and procedures as developed in customs headquarters in Kabul. This year the customs work plan consisted mainly of three activities: 1) customs management; 2) customs procedures; and 3) border management.

Component 3: Trade Facilitation

TAFA's trade facilitation component supports development and implementation of public-private partnerships (PPPs), management of industrial parks and adoption of standards meeting WTO and other internationally recognized requirements. TAFA builds Afghanistan's capacity to develop and manage improved transport systems within Afghanistan and to improve trade links with international partners. Removing trade barriers for both exports and imports is a major objective, and TAFA has the lead in improving Afghanistan's ranking for the indicator, Trading Across Borders, part of the World Bank's Doing Business Indicators.

Component 4: Public Outreach

TAFA's public outreach component increases public awareness of the benefits of trade liberalization and facilitation. Working closely with other TAFA components, the public outreach team helps GIRoA counterparts expand their capacity to communicate 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 improve the Afghan public's awareness of the benefits of a market-oriented liberal trade regime.

c. TAFA Year Two Highlights

Component 1: Trade Policy Liberalization

- With TAFA support, APTTA was ratified and came into force on February 11, 2011;
- TAFA facilitated the establishment of the Afghanistan Pakistan Transit Trade Coordinating Authority (APTTCA) and assisted in the development of the coordinating body's business rules;

- TAFA developed options for APTTA operationalization, including bank and insurance guarantees, and prepared draft customs notification;
- TAFA completed the Unauthorized Trade Study (UTS) with 58 specific recommendations;
- TAFA developed proposals for tracking devices and customs-to-customs information and supported implementation;
- With TAFA support, Afghanistan notified the South Asian Association for Regional Cooperation (SAARC) of the SAFTA ratification instrument, bringing SAFTA into force on August 7, 2011;
- TAFA conducted analysis of Afghanistan's sensitive list, assisted in preparing requests and offers for SAFTA sensitive list reduction and provided support to the negotiations process;
- TAFA facilitated the first WTO Working Party meeting after a seven-year hiatus;
- TAFA positioned Afghanistan for its second WTO Working Party meeting;
- With TAFA support, an inter-ministerial working group under MoCI leadership prepared replies to questions raised following the first Working Party meeting, and the Ministry of Foreign Affairs (MoFA) submitted their responses to the WTO Secretariat;
- With TAFA support, the MoCI and MoFA prepared and submitted five legal conformity charts and input for eight import licensing questionnaires to the WTO Secretariat;
- TAFA built institutional, negotiations and commercial diplomacy capacity of Afghanistan to effectively undertake WTO Working Party negotiations;
- With TAFA assistance, Afghanistan completed an observational tour of the WTO;
- TAFA improved inter-ministerial cooperation and coordination regarding trade negotiations;
- TAFA facilitated the establishment of the Trade Policy Analysis Unit;
- TAFA developed job descriptions for the WTO Unit and Trade Policy Analysis Unit and supported the staffing of both units;
- TAFA built capacity of the WTO Unit through on-the-job training providing specialization in specific WTO areas;
- TAFA improved the capacity of the Trade Policy Analysis Unit through formal and on-the-job training and through development of an econometric model for assessing WTO impact;
- TAFA supported implementation of the WTO Accession Master Plan;
- Based on the WTO Accession Master Plan prepared by TAFA, MoCI prepared a WTO Legislative Action Plan and submitted the plan to the WTO through the MoFA;
- TAFA assisted legal drafting groups in the preparation of ten draft WTO-related laws and helped to shepherd them through the legislative process;
- TAFA assisted in establishing sectoral working groups and built capacity to prepare for bilateral market access negotiations on goods and services;
- TAFA supported the MoCI in preparing a draft order to eliminate a half dozen trade restrictions and import and export policies inconsistent with WTO;
- TAFA completed a needs assessment to establish intellectual property offices (IPOs) at MoCI and the Ministry of Information and Culture (MoIC);
- TAFA developed guidelines for agricultural support and a food security policy consistent with WTO;
- TAFA facilitated a memorandum of understanding between the Ministry of Agriculture, Irrigation and Livestock (MAIL) and Ministry of Public Health (MoPH), delineating authority as a matter of sound agricultural policy in line with WTO;
- TAFA guided the preparation of Afghanistan's application for membership in the International Plant Protection Convention (IPPC);
- TAFA developed a framework for establishing the Sanitary and Phytosanitary (SPS) Enquiry and Notification Point;
- TAFA provided support to MoCI to advance other regional and global integration initiatives;

- TAFA assisted ACD in improving methodology for combining and verifying customs trade statistics;
- TAFA revised the tariff book, which was published by the Ministry of Finance (MoF), to contribute to the uniform application of tariffs throughout Afghanistan's regional customs offices;
- TAFA improved coordination between ACD and the Central Statistics Office (CSO) on statistical issues;
- TAFA supported the publication of quarterly and annual bulletins called "Review on Revenue, Tariff and External Trade";
- TAFA developed capacity on several export promotion techniques in cooperation with the Export Promotion Agency of Afghanistan (EPAA);
- TAFA developed proposals to improve Afghanistan Chamber of Commerce and Industries (ACCI) services;
- TAFA supported greater involvement of academia and private sector in the WTO accession process;
- With the support of TAFA, Afghanistan implemented more than half a dozen recommendations of UTS;
- TAFA conducted more than 50 events to build capacity and awareness about the WTO accession process and related reforms;
- In support of Afghanization, TAFA local staff assumed more senior-level positions and greater roles in leading technical efforts.

Component 2: Customs Reform

- TAFA supported the Customs Director General in day-to-day administration, designing and implementing effective administrative systems and building the capacity of ACD personnel;
- TAFA identified costs to business and government of improper and unnecessary customs clearance procedures at Kabul Inland Customs Depot (ICD);
- A taskforce of TAFA, ACD and other stakeholders redesigned Kabul ICD clearance procedures to eliminate improper or unnecessary procedures, increase revenue, improve compliance with international standards, reduce opportunities for corruption and serve as a model for roll-out in other ICDs;
- TAFA assisted in the phased introduction of revised Kabul ICD procedures;
- With TAFA support, ACD's Tariff Research and Statistics Unit (TRSU) is operational and coordinating with the CSO and MoCI. The unit identified inconsistencies in trade and revenue data reported by customs houses, supported activities of the valuation and risk management sections through data analysis and identified reasons for trade-revenue increases and decreases;
- TAFA advisors who are embedded at Kabul ICD, Kabul International Airport (KIA), Mazar-i Sharif (Hairatan), Jalalabad and Herat completed assessments of customs clearance procedures; demonstrated to ICD directors the benefits of risk-based management controls; and, in collaboration with other stakeholders, developed reporting systems to replace "signature" based controls that increase processing times, costs and opportunities for corruption;
- TAFA teamed with ACD in support of the Revenue Action Plan, identified ways of improving ACD performance and built capacity, particularly in the areas of risk management, fuel imports, exemptions, senior management and enforcement;
- TAFA encouraged the development of cooperative border management strategies at high levels within MoF and responded to GIRoA inter-ministerial agreements on shared responsibilities;

- TAFA offered options on improved procedures at Border Crossing Points (BCPs), developing concepts on steps which will ultimately lead to “single window” operations at Afghanistan’s canalized entry points;
- TAFA recommended an alternative exemption strategy that would reduce the annual number of authorization processing forms from 80,000 to around 100 per year;
- TAFA outlined an effective risk management strategy to facilitate trade by reducing stops traders must make while increasing the probability of successful identification of non-compliant traders at these stops.

Component 3: Trade Facilitation

- TAFA assessed the main technical, legal, institutional and financing constraints to establishing a PPP program for trade-related infrastructure and proposed viable solutions and a methodology appropriate to the Afghan context;
- TAFA identified trade-related infrastructure projects for inclusion in the PPP program, including brief descriptions of the projects and technical requirements for procurement;
- From the identified projects, TAFA developed two for implementation in year three, including establishing project groups, contractor selection through tendering and contract structuring;
- TAFA built capacity of GIRoA to develop and manage industrial parks;
- TAFA provided technical assistance to the Ministry of Transport and Civil Aviation (MoTCA) in developing the capacity to join the Customs Convention on the International Transport of Goods Under Cover of Carnets (TIR Convention), one of the major international transport conventions, simplifying the movement of goods across borders;
- TAFA delivered two of 14 training modules developed by the International Federation of Freight Forwarders Associations (FIATA) for freight forwarders in Mazar-i Sharif, Herat and Kabul. Transport operators and freight forwarders gained knowledge on how to handle cargo according to international best practices, allowing them to compete with international logistics providers;
- TAFA continued to assist the Afghanistan National Standards Authority (ANSA) to develop its Five Year Strategic Plan for Adoption of Internationally Accepted Standards and Certification Procedures;
- TAFA assisted and supported ANSA to obtain membership in international organizations, participate in international conferences and develop networks within the international standards community;
- TAFA assisted EPAA in opening the country’s first pilot OSS for exporters in Kabul, and after a positive assessment, TAFA recommended a roll-out strategy;
- TAFA assisted in the formation of a task force of public and private sector stakeholders, adopted specific recommendations for improving Afghanistan’s ranking on the Doing Business Trading Across Borders indicator and is working with government and the private sector for removing identified obstacles;
- TAFA organized focus group discussions between exporters who ship by air, and the Customs Director at KIA and other organizations involved in moving and clearing goods for export to resolve problems encountered at the airport.

Component 4: Public Outreach

- TAFA increased Afghan public awareness and understanding of the power of regional trade agreements as a result of nationwide campaigns on APTTA and SAFTA. TAFA reached thousands of Afghans through workshops in 11 provinces on APTTA and SAFTA, as well as on communications skills, trade and economic reporting and marketing skills;

- TAFA increased capacity of MoCI and ACD to communicate on trade and customs issues to key target audiences. Officials conducted about 25 presentations and workshops on APTTA and SAFTA in Kabul and three regions;
- TAFA enhanced external and internal Afghan customs communications, supporting the launch of a new ACD website and production of an e-newsletter to improve communication, and holding two nationwide campaigns to improve public understanding of the benefits and rules of customs;
- TAFA's public outreach efforts were extended to the four key trading provinces of Herat, Mazar-i Sharif, Jalalabad and Kandahar with the hiring and training of four regional communications coordinators;
- TAFA transformed ACCI's capacity to communicate with its members through new and better information products. ACCI communications are now more information- and research-based;
- TAFA established TSCs in Kabul, Jalalabad and Kandahar, in partnership with ACCI; TAFA developed a TSC website to provide fast and accurate trade information and facilitate e-commerce of Afghan products;
- Afghan women entrepreneurs are familiar with SAFTA and APTTA and have a good understanding of the benefits and mechanics of trading after TAFA's training on APTTA, SAFTA and general marketing skills;
- TAFA improved trade and economic reporting across Afghanistan after 58 journalists from 14 provinces were trained in trade and economic reporting; TAFA piloted a 60-page Trade and Economic Resource Guide during the training;
- TAFA launched a Kabul-based Trade and Economic Press Club, holding ten Press Club events, including economic site visits. A Board of Directors was elected and is now managing the Press Club, with TAFA's financial assistance.

II. COMPONENT 1: TRADE POLICY LIBERALIZATION

TAFA's trade policy liberalization component will improve Afghanistan's capacity to negotiate and implement regional trade agreements and lead the fundamental overhaul of the legal and regulatory framework governing trade—identifying and removing barriers to commerce and making significant progress toward WTO accession. Through on-the-job training, improved institutional coordination, negotiation and implementation of bilateral, regional and international trade and transit agreements, GIRoA can improve economic opportunities for Afghan firms, create new jobs, and facilitate trade while laying the foundation for WTO accession. The following sections describe progress in TAFA's main technical work toward trade policy liberalization.

Afghanistan produces a variety of melons known for the size and sweetness. TAFA's work is laying the foundation for an increase in exports of high-quality produce like this to markets around the world.

a. Institutional Framework for Trade Negotiations

TAFA continued support in its second year to establish or strengthen institutions and build their capacity to effectively undertake trade negotiations. This support has included the WTO Unit and the Trade Policy Analysis Unit at the MoCI as well as the statistics unit at ACD. TAFA continued improving coordination and cooperation among members of the Inter-Ministerial Commission, which was established in May 2010 on the advice of TAFA. Moreover, TAFA

assisted in selecting and building the capacity of the negotiations team for the first WTO Working Party meeting, which was held in January 2011. Lastly, TAFA assisted in establishing and building the capacity of sectoral working groups to support the process of bilateral market access negotiations on goods and services. The following sub-sections elaborate on specific support provided by TAFA.

WTO Unit

TAFA continued building the capacity of the staff of MoCI's WTO Unit, which was established during TAFA's first year, by conducting formal and on-the-job training in implementing WTO reforms and preparing necessary documents for WTO Working Party meetings. TAFA assisted in the specialization of WTO Unit staff in key technical areas, including services, goods, intellectual property, trade policy and agriculture, and matched each of the staff with a TAFA local staff member. TAFA assigned each of the sub-teams specific tasks, including preparation of information for service negotiations and responses to questions raised by Working Party members, to be completed under TAFA expatriate guidance. TAFA continuously provided review, feedback and mentoring to the unit.

Trade Policy Analysis Unit

TAFA developed a proposal for establishing the Trade Policy Analysis Unit upon the request of the Director General of International Trade at MoCI. The Minister agreed with the TAFA proposal, and TAFA held a workshop on establishing the Trade Policy Analysis Unit at MoCI in October 2010. The Independent Administrative Reform and Civil Service Commission (IARCSC) accepted the proposal to establish the unit and officially incorporated this activity into MoCI's organizational structure. TAFA assisted MoCI in developing job descriptions and qualification requirements for filling the four positions of the unit, which was staffed in the summer of 2011. In September 2011, TAFA launched a series of formal trainings on a regular basis for the staff of the unit. In addition, TAFA provided on-the-job training through working with the staff on developing an econometric model to assess the impact of WTO accession on trade flow, trade diversion, fiscal revenue, consumer welfare, balance of payments, investment, employment, production and export. The model will be used to support the WTO negotiations process and facilitate the adoption of decisions for further trade liberalization.

Inter-Ministerial Coordination and Cooperation

TAFA continued efforts to improve inter-ministerial coordination and cooperation in all activities related to TAFA but particularly with respect to trade negotiations and implementation of trade and transit agreements. For example, TAFA facilitated more than a dozen roundtables involving all ministries and state bodies relevant to the implementation of APTTA to discuss issues related to the operationalization of APTTA, the structure and functions of APTTCA, APTTCA business rules and dispute settlement procedures. Similarly, TAFA facilitated the inter-governmental process of bringing SAFTA into force and notifying the SAARC Secretariat. More importantly, TAFA assisted MoCI's WTO Unit in effectively filling its role as the coordinator of the WTO accession process. TAFA staff assisted the WTO Unit in assigning questions raised by Working Party members to relevant ministries and assisted ministries in understanding the questions, researching the replies, and planning reforms accordingly.

TAFA supported several inter-ministerial coordination meetings, which resulted in the preparation of responses to the second round of WTO Working Party questions within six months versus eleven months for the first set of questions. The quality of responses provided by various ministries and state bodies to the second round of questions was significantly better

than the quality of responses provided to the first round of Working Party questions. By the end of year two, Afghan officials and private sector representatives were successfully engaged in bilateral discussions with neighboring countries in the context of APTTA, SAARC and the Economic Cooperation Organization (ECO) with minimal expatriate guidance. In fact, the Pakistan delegation to APTTA recognized the sharp negotiating skills of the Afghan team and its in-depth knowledge of APPTA-related technical issues. In all of the aforementioned activities, TAFA local staff played the key role and expatriates were in the background.

WTO Negotiations Team

TAFA assisted MoCI in selecting team members for the WTO negotiations team. TAFA developed materials describing Working Party procedures and formalities and delivered two roundtables to members of the negotiations team on formalities and procedures, including a simulation of a Working Party meeting.

TAFA met with various members of the team to provide clarification and guidance with respect to their specific role and functional areas before the Working Party meeting at the WTO Secretariat in Geneva. Further, TAFA facilitated observation on January 27, 2011, of the Bosnia-Herzegovina Working Party meeting for key members of Afghanistan's negotiations team to familiarize them with Working Party proceedings and build their confidence in undertaking the first Working Party meeting, held on January 31, 2011. Overall, the meeting was considered by WTO members, WTO Secretariat officials and observers as a successful launch for Afghanistan’s accession process.

Sectoral Working Groups

TAFA assisted in establishing 22 sectoral working groups (eight on services and 12 on goods). The eight sectoral working groups are as follows: 1) banking; 2) insurance; 3) audio-visual; 4) post/courier and telecommunication; 5) transport; 6) engineering and mining; 7) professional services, including legal, accounting, computer, architectural, medical and pharmaceutical services; and 8) tourism. The 12 sectoral working groups include: 1) fruits and vegetables; 2) processed food, excluding dairy; 3) dairy products; 4) meat, poultry and fish products; 5) live animals; 6) skins and leather products; 7) beverages; 8) textiles and carpets; 9) marble and construction materials; 10) furniture, handicrafts, pharmaceuticals and herbs; 11) precious stones, gems and jewelry; and 12) metals, agro-chemicals and machinery.

The objective of these groups is to engage all stakeholders, including the public sector, private sector, professional associations, syndicates, think tanks, academia and civil society organizations, and improve cooperation and coordination in: 1) preparing initial market access offers on goods and services; and 2) debating and formulating negotiations positions and strategies regarding sectors and subsectors. In addition, it is important for stakeholders at early stages in the market access process to identify sectoral challenges and adjust to become more competitive and benefit from potential opportunities and mitigate threats.

To build the capacity of sectoral working groups, TAFA delivered a series of seminars in October 2011 focusing on the following:

- Understanding the WTO General Agreement on Trade in Services;
- Negotiating market access on services, process and formalities, and offer format and terminology;
- Services in the world economy and benefits of services liberalization;

- International trends and WTO commitments of other relevant countries in the service sectors;
- Market access offer preparation and the negotiations process.

In addition, TAFA held several meetings with sectoral working groups to provide further guidance toward preparation of initial market access offers and improving coordination among members. With TAFA support, select members of the sectoral working groups are scheduled to attend the TAFA-organized WTO study tour in Nepal early November 2011.

b. World Trade Organization Accession Process

During its second year, TAFA continued to provide support to Afghanistan in advancing its WTO accession process. TAFA supported the first Working Party meeting and preparation for the second Working Party meeting. In addition, TAFA laid the groundwork for preparing market access offers on goods and services as well necessary documents for launching plurilateral negotiations on agricultural subsidies. Progress in each of these areas is elaborated below.

First Working Party Meeting

During the project's first year, TAFA assisted Afghanistan in submitting all documents to launch the first Working Party meeting, including responses to 168 questions raised by Working Party members. At the start of the project's second year in November 2010, WTO members agreed, based on the quality of documentation, to hold the first Working Party meeting for Afghanistan on January 31, 2011.

Afghanistan's delegation to the first Working Party meeting was headed by Dr. Anwar Ul-Haq Ahady, Minister of Commerce and Industries. The meeting included about a dozen officials from MoCI, MoFA, ACD, MAIL, MoPH and ANSA; the meeting also included one representative from the private sector. The chair of the meeting was Mr. Boudewijn J. van Eenennaam, Ambassador of Netherlands. The following WTO members participated in this meeting: Australia, Canada, China, Chinese Taipei, the European Union, Haiti, India, Japan, Jordan, Norway, Pakistan, Switzerland, Thailand, the United States and Ukraine. Over fifteen European Union member states attended, including representatives from Croatia, the Czech Republic, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Portugal, Romania, Slovakia, Spain and the United Kingdom. All of Afghanistan's neighbors (Iran, Tajikistan, and Uzbekistan) seeking accession, in addition to Ethiopia, Serbia and Yemen which are also seeking accession, attended this meeting as observers. Representatives from the United Nations Conference on Trade and Development (UNCTAD) and USAID attended as observers.

Overall, the meeting was considered by members, the WTO Secretariat officials and observers a successful launch for Afghanistan's accession process. All members commended Afghanistan for the high quality of its accession documents, including responses to questions. After systematic examination of Afghanistan's foreign trade regime in accordance with the format of the Memorandum on the Foreign Trade Regime (MFTR), the chairperson set February 25, 2011, as the deadline for submitting questions by Working Party members to Afghanistan. This early date is indicative of the desire to fast track accession and an acknowledgement of th high quality information in the documents submitted thus far by Afghanistan.

TAFA gave one of many presentations on WTO in January 2011 to educate Afghan officials on the accession process and the reforms needed to conform to WTO principles.

Second Working Party Meeting

TAFA has been assisting Afghanistan in preparing for its second Working Party meeting, which is expected to be conducted in early December 2011. Specifically, TAFA assisted the WTO Unit at MoCI in preparing responses to 153 questions raised by Working Party members, including assigning questions to various ministries; providing guidance; and reviewing, commenting on, and finalizing responses. In addition, TAFA facilitated two workshops involving technical focal points from WTO-relevant ministries and state bodies to review replies and agree on final text. The responses were finalized in late August 2011 and submitted to the WTO Secretariat in September 2011 for circulation to WTO members.

Bilateral Market Access Negotiations on Goods and Services

In addition to assisting in establishing and building the capacity of sectoral working groups, TAFA has prepared annotated skeleton market access offers on goods and services and presented them to members of sectoral working groups to facilitate the process of launching initial market access offers on goods and services. Sectoral working groups have started consultations and discussions toward preparing initial offers.

Plurilateral Negotiations on Agriculture Subsidies

TAFA has started the process of assisting in the preparation of ACC/4- Agricultural Domestic Support Tables – the main document for launching plurilateral agriculture subsidies negotiations. TAFA has delivered seminars to assist in preparation of ACC/4, developed

guidelines for WTO-consistent agricultural support and delivered training to relevant officials at MAIL and MoCI.

c. WTO Legal Reforms

Based on the WTO Accession Master Plan and legal analyses conducted during TAFA's first year, Afghanistan launched priority reforms to comply with WTO agreements and principles and assist in the establishment of a sound legal framework that would encourage trade and investment by reducing the cost of doing trade, increasing transparency and strengthening legal rights of traders and investors. A priority legislative action plan was agreed upon and provided to the WTO. Reforms were launched to comply with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Sanitary-Phytosanitary Agreement (SPS), Agreement on Technical Barriers to Trade (TBT), the Customs Valuation Agreement (CVA), the Agreement on Rules of Origin (ROO), and other agreements, including the General Agreement on Tariffs and Trade (GATT) and the Agreement on Import Licensing Procedures. Annex A provides the first and second legislative action plans for WTO compliance.

TRIPS-Related Reforms

TAFA built capacity through formal and on-the-job training to: (i) advance intellectual property reforms in conformity with WTO's TRIPS and (ii) assist in establishing sound implementation mechanisms for recently adopted intellectual property laws. TAFA delivered more than 30 seminars from September 2010 through October 2011 targeting individuals in IPOs at the MoCI and MoIC, parliament, academia, the legal community, the private sector, customs authorities, media, civil society organizations and local governments. Six draft intellectual property laws have been prepared and put through the legislative process, and a dozen implementing intellectual property regulations are being finalized.

TAFA provided extensive on-the-job training to legal drafting groups, established under MoCI and MoIC, to bring the intellectual property legal framework in line with the WTO TRIPS agreement. To improve legal infrastructure for effective enforcement of intellectual property laws, TAFA suggested introduction of all criminal procedures and penalties required under the TRIPS agreement, such as penalties to address and deter copyright piracy and trademark counterfeiting and other forms of infringement. The legal drafting groups, which involved representatives from MoCI and MoIC, the private sector and academia, decided it was best to incorporate such provisions in the specific substantive intellectual property laws. Annex B lists the draft laws prepared by the legal drafting groups.

To further improve the implementation of the new laws, TAFA has been assisting the IPO at the MoCI to develop regulations for implementing the trademarks law and the patents law.

To further TRIPS compliance and to support the implementation of the second legislative action plan, TAFA prepared the following model laws which will be considered as a basis by legal drafting groups in drafting Afghan laws in these areas in 2012:

1. Law on Trade Secrets (undisclosed information)
2. Law on Topography of Integrated Circuits
3. Law on Unfair Competition
4. Law on Optical Disks
5. Law on Plant Variety Protection
6. Legislation on Implementation of *Ex Officio* Intellectual Property Border Enforcement

Sanitary and Phytosanitary Reforms

Complying with the WTO SPS agreement requires the adoption of framework laws covering food safety, animal health and plant health. During its first year, TAFA conducted WTO conformity analyses of the draft law on plant quarantine and protection and the draft law on animal health and veterinary services. Although both drafts incorporated the main principles for animal health and plant health, they lacked almost all WTO SPS provisions. TAFA proposed amendments for addressing the gaps and discussed the amendments with the relevant parties; a revised draft on plant protection and quarantine was finalized.

Afghanistan has never had any law or regulations on food safety. TAFA proposed during the first year a model law on food safety and held a number of workshops during the second year regarding the need for such a law. With the assistance of TAFA, a legal drafting group was established involving the MoPH, MAIL, ANSA, MoCI, the private sector and academia. A draft was finalized after several meetings and is currently at the Ministry of Justice for review.

In the context of this work, it was necessary to resolve existing redundancies in the role of MAIL and MoPH and delineate their authorities with respect to food safety. With the assistance of TAFA, a memorandum of understanding was prepared and each ministry agreed upon specific roles.

Customs-Related Reforms (Valuation and Origin)

The WTO conformity analysis conducted by TAFA during its first year revealed a number of deficiencies and gaps in the current Customs Law of 2005 for which amendments were prepared. These amendments are needed to comply with the WTO CVA, ROO, and TRIPS. Amendments are required to:

- Reflect the general principles of technical customs valuation rules;
- Provide for a right to withdraw goods pending final valuation;
- Remove limitations for rights of judicial appeal based on amount in dispute;
- Disallow the use of price lists;
- Broaden the definition of confidential information;
- Provide for origin binding rulings.

During its first year, TAFA assisted ACD and the Ministry of Justice in introducing the aforementioned amendments for compliance with respective WTO agreements. Subsequent to the first Working Party meeting, TAFA prepared additional amendments based on specific requests made by WTO members. TAFA discussed these additional amendments with ACD and assisted in introducing them to the draft currently at the Ministry of Justice.

Per the request of ACD, TAFA conducted an assessment of the Customs Law for compliance with key aspects of the World Customs Organization (WCO) Kyoto convention. Recommendations were prepared to:

- Introduce provisions related to risk assessment, post-clearance audit, simplified declaration types, simplified procedures for Authorized Economic Operators (AEO) and electronic transmission and recording;

- Address inconsistencies in the law with regard to some of the key concepts. This includes the definition of a “declarant,” the concept of “customs debt”, the persons who may submit a goods declaration, and the persons responsible for payment of the customs debt;
- Revise the penalty system in accordance with Annex H1 of the Kyoto Convention which sets out standards and recommendations with regard to customs offenses.

To further compliance with WTO agreements and to support the implementation of the second legislative action plan, TAFA prepared the following model legislation which will be considered as a basis by legal drafting groups in drafting Afghan legislation in these areas in 2012:

- Regulations to determine customs value/interpretative notes;
- Regulations on software valuation;
- Regulations on valuation of interest charges;
- Regulations on advance origin rulings.

Reforms on Technical Barriers to Trade

When TAFA started, the draft Afghanistan Law on National Standards was at the Cabinet of Ministers. TAFA conducted a conformity analysis with the WTO agreement on TBT and identified several gaps and deficiencies which were then discussed with ANSA for introduction into the draft law. The President signed the draft when Parliament was not in session and, without taking into account any of the amendments.

The Afghanistan Law on National Standards needs to be confirmed by the Parliament, a process which was initiated in 2011. TAFA has been providing support to this process, primarily through ANSA in an effort to promote amendments relevant to the WTO accession process. A committee has been established to review this law and make the necessary amendments.

Other WTO Reforms

In an effort to support the implementation of the second legislative action plan, TAFA assisted in preparing a model law on foreign trade in goods, which will serve as the main legal framework governing foreign trade in goods and will provide criteria for ensuring that authorities adopt trade policy measures in line with the principles of GATT and WTO. In addition, the law will require that such measures be administered in accordance with transparent and simplified procedures with fees reflective of cost of services rendered. The law will also will reflect the provisions of the WTO agreement on import licensing procedures.

In addition, TAFA assisted in preparing an order for the Minister of Commerce and Industries to:

1. Eliminate export and import registration of certain plant and animal products at the Industrial Commercial Services Association for Animal and Plant Products under the MoCI. The registration of import and export products is considered inconsistent with WTO agricultural policy measures; and
2. Instruct ACD that all export authorizations by non-government agencies, including producers’ associations, should not be mandatory for exporting.

d. WTO Institutional Reforms and Capacity Building

TAFA assisted in advancing a number of institutional reforms to comply with WTO requirements and establishing a sound institutional framework that would improve the trade and investment environment. The main focus in the second year was on establishing an institutional framework for intellectual property protection and building related capacity. Other WTO-relevant institutional reforms included developing a framework for an SPS Enquiry and Notification Point and advancing the process of International Plant Protection Convention (IPPC) membership.

In addition, TAFA prepared recommendations and draft provisions for amending the customs law to improve the customs appeal process. These recommendations are being considered by ACD and the Ministry of Justice.

Intellectual Property

To facilitate the establishment of the IPO at MoCI and develop the administrative structure, TAFA developed a multi-year strategic paper and three-year action plan. In addition, TAFA developed the Afghanistan Patent and Trademark Office administrative framework that would be legally responsible for patents, trademarks, industrial designs, geographical indications and genetic resources. This framework includes qualification requirements and job descriptions for its staff and outlines the training needs for building the capacity of IPO staff related to protection of trademarks and patents.

TAFA conducted a needs assessment for the Copyright Office at MoIC to check the steps required to implement the copyrights law. This assessment included an organizational chart for the Copyright Office based on best international practices; a chain of command structure for the proposed office; brief descriptions of required standard regulations for enforcing the law; and training needs in the form of presentations to build the capacity of staff to effectively and properly administer and implement the law.

In conjunction with the development of institutional capabilities, TAFA delivered more than 30 seminars and workshops covering all intellectual property areas required for the MoCI, MoIC, MAIL, private sector, academia and members of the Afghan Supreme Court, Court of Appeals and Commercial Courts. These seminars covered topics including patents, trademarks, copyrights, geographical indications, industrial designs, plant variety protection, layout designs of integrated circuits, and undisclosed information including trade secrets and test data.

As the information continued to flow, MoCI developed with support from TAFA public education brochures about the importance and benefits of intellectual property protection and the recently adopted laws targeting businesses and general public. TAFA delivered seminars, including outreach to:

- Media about their role in promoting intellectual property enforcement;
- The Parliament Economic Commission on the significance of intellectual property protection for economic development;
- Kabul University's Faculty of Law, targeting students and academia to help them understand international rules for intellectual property protection and introduce them to TRIPS and the various conventions administered by the World Intellectual Property Organization (WIPO);

- Members of the Afghanistan Independent Bar Association and the Afghanistan Supreme Court to help them understand their roles in intellectual property protection and discuss best practices for enforcement through the judicial system.

TAFA also developed and presented a half-day seminar to the ACD on the benefits of WTO/TRIPs and the challenges in protecting the border from counterfeiting and piracy. The seminars and training programs offered a mix of classroom presentations with the opportunity for interaction throughout the broad spectrum of coursework and hands-on exercises. The following table lists all TRIPS-related seminars conducted by TAFA:

TRIPS SEMINARS CONDUCTED BY TAFA			
Title	**Date**	**Location**	**Audience**
1. Understanding TRIPS-Patents	October 2010	Kabul	MoCI, private sector, academia
2. Understanding TRIPS-Trademarks	October 2010	Kabul	MoCI, private sector, academia
3. Understanding TRIPS-Copyrights and Related Rights	October 2010	Kabul	MoCI, MoIC, private sector, academia
4. Understanding TRIPS - Geographical Indications	October 2010	Kabul	MoCI, private sector, academia
5. Understanding TRIPS - Industrial Designs	October 2010	Kabul	MoCI, private sector, academia
6. Understanding TRIPS - Plant Variety Protection	October 2010	Kabul	MoCI, MAIL, private sector, academia
7. Understanding TRIPS - Layout Designs of Integrated Circuits	October 2010	Kabul	MoCI, private sector, academia
8. Understanding TRIPS - Undisclosed Information	October 2010	Kabul	MoCI, private sector, academia
9. Role of Media in promoting Intellectual Property	November 2010	Kabul	Media
10. Significance of Intellectural Property Protection for Economic Development	November 2010	Kabul	Parliament Economic Commission
11. TRIPS and WIPO Conventions: Introduction	November 2010	Kabul	University professors and students
12. Role of the Judiciary in Intellectual Property Protection	November 2010	Kabul	Afghan Bar Association and judges from the Court of Appeals and Commercial Court
13. Benefits of WTO/TRIPS	December 2010	Mazar-i Sharif	Local government, private sector, customs officials,

TRIPS SEMINARS CONDUCTED BY TAFA			
Title	Date	Location	Audience
			lawyers, civil society organizations
14. Intellectual Property Protection	December 2010	Mazar-i Sharif	Local government, private sector, customs officials, lawyers, civil society organizations
15. Customs/Border Integrity under TRIPS	December 2010	Mazar-i Sharif	Local government, private sector, customs officials, lawyers, civil society organizations
16. WTO/TRIPS Obligatio ns	December 2010	Kabul	ACCI, private sector
17. Benefits of WTO/TRIPS	December 2010	Jalalabad	Local government, private sector, customs officials, lawyers, civil society organizations
18. IP Protection	December 2010	Jalalabad	Local government, private sector, customs officials, lawyers, civil society organizations
19. Customs/Border Integrity under TRIPS	December 2010	Jalalabad	Local government, private sector, customs officials, lawyers, civil society organizations
20. Customs/Border Integrity under TRIPS/WTO/TRIPs and WTO/Intellectual Property Benefits/Challenges	January 2011	Kabul	Local government, private sector, customs officials
21. Customs/Border Integrity under TRIPS	February 2011	Herat	Local government, private sector, customs officials, lawyers, civil society organizations
22. Benefits of WTO/TRIPS	February 2011	Herat	Local government, private sector, customs officials, lawyers, civil society organizations
23. Intellectual Property Protection	February 2011	Herat	Local government, private sector, customs officials, lawyers, civil society organizations
24. Customs/Border Integrity under TRIPS	April 2011	Parwan	Local government, private sector, customs officials, lawyers, civil society organizations
25. Benefits of WTO/TRIPS	April 2011	Parwan	Local government, private sector, customs officials,

TRIPS SEMINARS CONDUCTED BY TAFA			
Title	Date	Location	Audience
			lawyers, civil society organizations
26. Intelectual Property Protection	April 2011	Parwan	Local government, private sector, customs officials, lawyers, civil society organizations
27. Customs/Border Integrity under TRIPS	May 2011	Bamyan	Local government, private sector, customs officials, lawyers, civil society organizations
28. Benefits of WTO/TRIPS	May 2011	Bamyan	Local government, private sector, customs officials, lawyers, civil society organizations
29. Intellectual Property Protection	May 2011	Bamyan	Local government, private sector, customs officials, lawyers, civil society organizations
30. Patents, trademarks and copyrights - Implementation concepts	September 2011	Kabul	Staff of the IPO at MOCI
31. Implementation mechanisms for Patents Law	October 2011	Kabul	Staff of the IPO at MOCI
32. Implementation mechanisms for the Trademarks Law	October 2011	Kabul	Staff of the IPO at MOCI

Sanitary and Phytosanitary Standards Enquiry and Notification Point

TAFA developed an SPS Enquiry and Notification Point Guidance Document including procedures for: (i) establishing a WTO Information Center for receiving and processing enquiries and notifications; (ii) notifying WTO members of new Afghan SPS measures; (iii) coordinating with the MoPH on food safety measures; with the Animal Health and Production Directorate on animal health measures; with the Plant Protection and Quarantine Directorate on phytosanitary measures; and with the Afghan National Codex Coordinator; and (iv) engaging the private sector in commenting on draft SPS measures. TAFA conducted a roundtable discussion with the Directors for Animal Health and Production, Plant Protection and Quarantine, Private Sector Development, a food safety official from MoPH and a WTO accession expert from MoCI to review the critical aspects of establishing the official notification and enquiries functions. There was general agreement that the WTO Information Center should be located in MoCI, and TAFA was asked to arrange for translation of the guidance document into Dari as soon as possible to facilitate implementation of the recommended procedures. Afghanistan committed in the process to establish an SPS Enquiry and Notification Point in line with the WTO SPS Agreement.

International Plant Protection Convention Membership

TAFA developed a roadmap to assist Afghanistan in joining the International Plant Protection Convention (IPPC), including drafting a letter to be signed by the Minister of Agriculture, Irrigation and Livestock formally requesting that Afghanistan become a member. Mr. Mir Amanuddin Haidari, MAIL's Director of Plant Protection and Quarantine, was briefed on the process and presented with the roadmap, an explanation of the benefits of IPPC membership and a copy of the IPPC. Afghanistan committed in its WTO accession process to apply for IPPC membership by the end of 2011.

e. Afghanistan Pakistan Transit Trade Agreement

Afghanistan and Pakistan signed APTTA in October 2010, and the agreement was ratified in January 2011 and came into force on June 11, 2011. APTTA is expected to lower the cost of transit of Afghan goods through Pakistan to other countries and facilitate the crossing of Afghan trucks into Pakistan to the ports of entry and exit. This will create new jobs in the trucking sector in Afghanistan and will allow Pakistan's imports and exports from and to Central Asia to transit through Afghanistan, creating jobs in transport and related services that cater to the needs of Pakistani and Afghan truckers.

In its first year, TAFA assisted in resolving major policy issues that were hindering APTTA negotiations. During its second year, TAFA assisted in enabling the ratification of APTTA and the formation of APTTCA. TAFA assisted in the development of APTTCA's structure and its business rules as well as procedures and mechanisms for dispute settlements under APTTA. TAFA, in addition, researched and developed options for authorities and stakeholders to implement key provisions for making APTTA operational and improving cooperation between both countries. These included an insurance guarantee for cargo, a bank guarantee for trucks, tracking devices and customs-to-customs information. TAFA has also made major contributions toward the development of draft customs notifications and provided significant comments on the Pakistan customs notifications, most of which were accepted by both countries. These have led to changing the rules for reduction in documents for transit trade procedures and a reduction in the percentage of cargo inspections. TAFA also assisted in preparing the Temporary Admission Document (TAD) form and the new transit form for Afghanistan, and the team assisted in convincing the Ministry of Transport to delegate the issuance of TAD to ACD.

TAFA played a key role in facilitating two APTTCA meetings and meetings of subgroups regarding specific technical issues. TAFA facilitated dialogue between authorities and stakeholders in the private sector to discuss options and agree on the most cost-effective options for making APTTA operational. TAFA held over a dozen roundtables in this respect.

f. Afghanistan Pakistan Transit Trade Coordinating Authority

TAFA facilitated the establishment of APTTCA through the development of an APTTCA inception paper, which was discussed among stakeholders in Afghanistan over a series of roundtables. This discussion resulted in a proposal submitted by Afghanistan to Pakistan, leading to the establishment of APTTCA in February 2011.

Afghanistan finalized the draft rules and forwarded them to Pakistan in June 2011. APTTCA met in February 2011 and June 2011. TAFA supported these meetings and provided background materials for facilitating dialogue between both countries. TAFA also reported on the outcomes of both meetings.

g. Dispute Settlement under APTTA

TAFA drafted an “Inception Report” on APTTA, which served as an action plan for: 1) educating relevant Afghan professionals regarding the dispute settlement mechanism for APTTA; 2) drafting procedural rules that were designed to remedy most shortcomings; 3) coaching relevant local officials regarding negotiation techniques; 4) providing advice regarding the selection of an arbitrator; and 5) supplying relevant forms. TAFA also provided detailed recommendations and training regarding four key procedures that prove troubling in the context of any arbitration: 1) negotiations and consultations; 2) selection and nomination of an arbitrator; 3) implementation of an award; and 4) conduct of a hearing.

TAFA developed a draft memorandum of understanding to delineate the respective roles of the dispute settlement mechanism and APTTCA in the event of a dispute. TAFA, in addition, provided significant training to traders, truckers, bankers and government officials regarding international sale of goods, transit and related insurance arrangements.

Tracking Devices

TAFA conducted analysis of different alternatives for implementing tracking devices in the most cost-efficient manner for traders and the ACD and discussed the alternatives with ACD, MoCI and stakeholders in the private sector. ACD identified and evaluated three viable options and will issue a request for proposal.

Customs-to-Customs Information

TAFA completed a process mapping of transit to identify information flow and gaps within Pakistan and Afghanistan and between both countries. TAFA recommended a mechanism for customs-to-customs information and the exchange of 18 data elements. Pakistan and Afghanistan agreed upon this in the July 2011 customs-to-customs meeting, which was facilitated by TAFA. The countries agreed upon data exchange at three points in the transit process: departure of cargo from the port of entry of the transit country, exit of cargo from the port of exit of the transit country and entry of cargo into the country of destination.

Sealable Transport Units

Under APTTA, cargo may be transported under internationally acceptable and verifiable sealable trucks during the first three years. After three years, only containerized cargo will be allowed. Oversize and bulk cargo as well as perishable goods will always be allowed to be transported on open, or non-containerized, trucks. To facilitate transit during the first three years, TAFA prepared the following drafts:

- Regulations on technical requirements for load compartments - to be adopted by ACD;
- Regulations on certification procedures for compliance with requirements for sealable trucks – to be adopted by ACD;
- Protocol on approval of technical requirements for sealable trucks and a mutual recognition of certificate;
- Guidelines on sealing of non-containerized trucks.

TAFA delivered twelve seminars and held many roundtables to educate ACD officers, representatives of the Ministry of Transport, MoCI officials, freight forwarders, trucking companies and customs brokers on the topics.

Customs Security/Financial Insurance Guarantees

A sticking point in the operationalization of APTTA is the customs security required for cargo, which should be equal to the value of applicable customs duties and taxes. Pakistan and Afghanistan agreed during the second APTTCA meeting in June 2011 on a financial guarantee in the form of insurance guarantees to be obtained from reputable insurance companies. Some insurance companies in Pakistan are willing to provide an insurance policy against customs levies if all other risks are covered under another insurance policy from the same company. This has made the insurance guarantee expensive for those Afghan traders who do not want to have insurance against all risks. Insurance companies in Pakistan required that Afghan importers deposit a surety bond for each shipment that is equal to 20 percent of the value of duties and taxes in addition to a premium equal to two percent. This has made the scheme very expensive for Afghan traders.

TAFA facilitated more than a half dozen roundtables with stakeholders to discuss the merits of various schemes and to assist Afghanistan in developing an appropriate, low-cost solution for Afghan traders. TAFA played an important role in facilitating dialogue that has led to permanently exempting Afghan goods from insurance guarantees and lowering the premium to one percent or less with a maximum 10 percent deposit as security.

Bank Guarantees for Trucks

During the second APTTCA meeting, both countries agreed on a revolving bank guarantee for transport operators with four trucks or more. The amount needed for the revolving bank guarantee should equal 25 percent of the total amount of the custom levies for all trucks intended to operate under this guarantee. For operators with fewer than four trucks, a standard bank guarantee equal to the full amount of customs levies is required for each truck. Banks refused to issue revolving bank guarantees. A number of alternatives were explored including a co-guarantee with the Ministry of Transport, Da Afghanistan Bank, bilateral Carnet-De-Passage and establishment of funds to be administered by ACCI or the freight forwarders' association. TAFA and USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) developed a proposal that would initially support issuance of bank guarantees for 500 Afghan trucks under a grant mechanism. TAFA facilitated more than a half dozen roundtables with stakeholders to discuss the merits of various schemes and to assist Afghanistan in developing an appropriate and low-cost solution for Afghan truckers.

h. South Asian Free Trade Area

On January 7, 2011, the same day APTTA was ratified, President Karzai ratified SAFTA through decree. SAFTA is a regional free trade agreement signed by Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. These countries are among Afghanistan's most critical trading partners; Pakistan and India alone account for 52 percent of Afghanistan's exports. Afghan ratification provides Afghan producers greater and more consistent access to the SAFTA countries' markets. SAFTA will attract investment to Afghanistan and create employment opportunities in export-oriented sectors, which will lead to economic growth and wage increases. SAFTA will also provide greater access to affordable, imported products.

To support SAFTA ratification and implementation, TAFA carried out a variety of activities during its first year, including measuring the benefits of SAFTA, reaching out to Parliament and decision makers about SAFTA and introducing SAFTA to the general Afghan public. Analysis conducted by TAFA shows that under the agreement, Afghanistan's reduction of its tariffs would affect only 1.3 percent of its imports, whereas 40 percent of its exports would benefit from significantly decreased tariffs by Pakistan, India and Sri Lanka. More importantly, SAFTA would lead to an increase in domestic production and income for Afghan producers and exporters.

The increases in production and income would have a multiplier effect, creating more jobs and increasing consumer spending for more goods and services. TAFA's modeling suggested that for each $1 increase in exports, gross domestic product would increase by $5. As a result of SAFTA's required reductions in high import duties, Afghanistan gains the benefits of increased exports to SAFTA-country markets. Finally, 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.

Economic modeling presented by TAFA to Parliament and senior ministerial leadership showed 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 three scenarios for the SAFTA Trade Liberalization Program (TLP) under SAFTA to be considered by the Afghan government along with a report on the revenue implications.

The work conducted in the closing months of TAFA's first year proved to be influential. With SAFTA ratified by President Karzai, the instrument of ratification for SAFTA was processed by the MoFA for submission to the SAARC) Secretariat and sent to SAARC in May 2011. SAFTA came into effect on August 7, 2011, which was 90 days after SAARC informed the SAFTA countries that the instrument of ratification was received.

TAFA provided extensive SAFTA-related assistance in its second year, including preparation of a tariff reduction plan to implement the SAFTA TLP, support in the process of reduction of sensitive lists and notification of TLP to SAARC. In addition, TAFA:

- Provided guidance to ACCI for issuing a certificate of origin under SAFTA and discussed SAFTA rules of origin and appropriate forms;
- Discussed with ACD the steps that must be taken to facilitate the implementation of SAFTA including amendments to the tariff schedule for SAFTA preferential trade and a related upgrade to the ASYCUDA system;
- Assisted in reviewing the SAFTA South Asia Trade In Services Agreement (SATIS) and readying it for submission for ratification by Parliament;
- Assisted in developing a booklet on SAFTA to be disseminated to stakeholders.

Implementation of Trade Liberalization Program

TAFA assisted Afghanistan in modeling and assessing the impact on revenue of several alternative plans for tariff reduction in an effort to implement the TLP. TAFA also assisted Afghanistan in preparing for the Maldives meeting and in justifying the need for launching the TLP on August 7, 2011. SAARC countries agreed during the June 2011 meeting in Maldives on Afghanistan's proposal for implementing the TLP. Afghanistan, with the assistance of TAFA, prepared customs notification, including a schedule of reductions, and submitted the documents to the SAARC Secretariat late July 2011.

Reduction of Sensitive Lists

In an effort to deepen and broaden trade among SAFTA countries, SAARC launched the process of reducing sensitive lists among SAFTA signatories. TAFA assisted Afghanistan in preparing requests and responding to requests made by other SAFTA signatories. TAFA also assisted in assessing the impact of a reduction in sensitive lists for products to SAFTA countries.

TAFA assisted Afghanistan throughout 2011 in reducing its sensitive lists, which are lists of products exempted from low SAFTA tariffs.

i. Other Bilateral and Regional Integration Initiatives

In its second year, TAFA provided support for promoting and advancing other bilateral and regional initiatives, including the Central Asian Regional Economic Cooperation (CAREC), Economic Cooperation Organization Trade Agreement (ECOTA) and Aid-for-Trade.

CAREC

TAFA reviewed the Agreement on the Cross-Border Transport of Persons, Vehicles and Goods within the Framework of Central Asian Regional Economic Cooperation (CAREC) and developed a report for MoCI. TAFA examined the protocol for accession to this agreement and proposed amendments. TAFA advised MoCI to agree to a single document and simultaneous

signing. The agreement is expected to be signed between Afghanistan, Kyrgyzstan and Tajikistan during the CAREC Ministerial Conference in Baku, Azerbaijan. The agreement will provide access to CAREC Corridor 5, facilitate transport through Kyrgyzstan and Tajikistan for Afghan trucks and goods and improve access to China.

Trade and Economic Cooperation with the Russian Federation

TAFA reviewed the text of the Trade and Economic Cooperation Agreement with the Russian Federation and provided a report to MoCI. Afghanistan signed the agreement in January 2011.

Aid-for-Trade

TAFA provided background materials to familiarize MoCI with the Aid-for-Trade program and the United Nations Special Program for Economies of Central Asia (SPECA)[1] conference in Baku, Azerbaijan. TAFA assisted in preparing the Minister's speech for the conference.

ECOTA Commitments

TAFA finalized the analytical report on alternatives for fulfilling ECOTA commitments regarding positive, negative and sensitive lists, taking into account correspondence between the Economic Cooperation Organization (ECO) Secretariat and the MoCI. TAFA held a series of meetings with the Director General of the International Trade Department to discuss the fulfillment of ECOTA commitments in detail. On October 11, 2011, TAFA held a roundtable at MoCI about fulfilling ECOTA commitments. Participants included representatives from various departments of MoCI, MoFA, ACCI, Ministry of Public Works, Ministry of Public Health (MoPH), MAIL, MoCI, Da Afghanistan Bank, EPAA, Afghan Investment Support Agency (AISA) and ANSA.

Comparison of ECOTA and SAFTA Commitments

TAFA completed a comparative analysis of ECOTA and SAFTA commitments related to tariffs and sensitive lists and conducted a roundtable to discuss the differences between SAFTA and ECOTA.

Afghanistan Trade Policy Review Sessions

From February 28 to March 1, 2011, TAFA and MoCI organized Afghanistan trade policy review sessions and follow-up meetings of ECO experts. According to ECO mandates, each member state will host a trade policy review session. The activities have thus far been hosted by Iran and Turkey. Afghanistan was the third country to host this activity. The ECO-Pakistan Institute of Development Economics team held consultative sessions and meetings with relevant stakeholders, including the MoF, MoCI, Ministry of Economy, Central Bank of Afghanistan, AISA, ACCI and EPAA. Each organization delivered a presentation to brief the ECO experts on their activities.

At the end of the presentations, a consultation session took place with all ministries and agencies to provide possible recommendations to remove impediments to trade in the ECO region. This activity fulfilled the requirements of the decisions made during the 20th Ministerial

[1] SPECA member countries are Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Meeting and 18th Regional Planning Council and will further support Afghanistan's accession to the WTO. All remaining member states have been requested to hold these sessions in the future.

Fourth ECO Ministerial Meeting

The host role of ECO Ministerial meetings is rotated among ECO member countries. During the third ECO meeting in 2005, Afghanistan showed its readiness to host the fourth ECO meeting, which was held on July 13, 2011. TAFA contributed to preparations for the ECO Ministerial meeting, including confirmation of the delegations with the ECO Secretariat, finalizing the list of Afghan delegates and drafting the press release and incorporating GIRoA comments. TAFA organized a meeting with line ministries at the MoCI to ensure that everything was well coordinated. In addition, TAFA assisted in the preparation of the opening statement of Minister of Commerce and Industries Ahady and other speeches.

j. Unauthorized Trade Study

TAFA conducted the UTS with three main objectives:

1. Determine if incentives exist to divert certain Afghan-bound imports that move from the Pakistani ports of Karachi and Qasim to Afghanistan, or to informally re-export such goods to Pakistan after they reach Afghanistan; estimate the value and assess the impact, particularly on fiscal revenue, of such re-exports and diversions; and recommend measures to minimize or eliminate informal re-export and diversion;
2. Determine if incentives exist for informal export to Afghanistan of certain Pakistani-sourced goods; estimate the value of informal export; assess the impact; and provide recommendations;
3. Determine if incentives exist for informal export to Pakistan of certain Afghan-sourced goods.

The study concluded that incentives exist for all three types, and unauthorized trade occurs on a large scale in both directions. The study estimated the value of smuggling and assessed its impact. The study provided 58 recommendations and employed a number of methods to make the determinations and estimations. Analyses of incentives were conducted based on: 1) tariff and tax policy; and 2) trans-shipping costs, formal fees, informal fees[2] and tolls imposed by insurgents as well as opportunity costs resulting from bureaucratic procedures and delays at entry and exit points.

TAFA computed the per-unit transport cost, which served as an important factor in determining incentives. TAFA conducted statistical and economic analyses, based primarily on supply/demand and market share, to estimate the value of informal trade.
Because no data exists for domestic demand and consumption, the study estimated the value of domestic consumption in Afghanistan measured at cost, insurance and freight (CIF) prices.[3] The approach was to estimate Afghanistan demand using different techniques, including where appropriate, secondary surveys and the use of international statistics on consumer expenditures, adjusted for Afghanistan's extremely low income levels. Rather than using a single figure, TAFA established upper and lower bounds for consumption estimates for each item.

[2] Illegal and unauthorized fees collected by officials for their own benefit.
[3] CIF prices were used throughout this study, because statistics in both countries are CIF-based.

RECOMMENDATIONS TO ADDRESS UNAUTHORIZED TRADE (UT)

BY TYPE OF MEASURE AND COUNTRY

Type of Measure	No.	By Country	No.
Policy Reforms	8	Both	3
		Afghanistan	4
		Pakistan	1
Procedures	24	Both	17
		Afghanistan	5
		Pakistan	2
Institutional Reforms	10	Both	5
		Afghanistan	5
		Pakistan	0
Enforcement	4	Both	3
		Afghanistan	1
		Pakistan	0
Infrastructure	7	Both	3
		Afghanistan	2
		Pakistan	2
Adjustments	5	Both	5
		Afghanistan	0
		Pakistan	0

By Country	Number
Afghanistan	53
Pakistan	41
Common	36
Unique for Afghanistan	17
Unique for Pakistan	5
GRAND TOTAL	**58**

The most effective measures for reducing/eliminating UT are those policy measures that dramatically reduce the incentives.

The top 15 recommendations that will have the greatest impact in reducing UT are the following:

1. Policy: Full implementation of SAFTA by Afghanistan and Pakistan;
2. Policy: Reduction of import duties in Pakistan on goods from third countries;
3. Policy: Reforming the internal tax policy in Afghanistan;
4. Policy: Elimination of export restrictions in Afghanistan;
5. Procedures: Improving customs-to-customs information flow through improved handling of the Pakistan Transit Form (both countries);
6. Procedures: Implementation by both countries of tracking devices for containers;
7. Procedures: Implementation by both countries of a system of customs security (financial guarantee) as agreed under APTTA;
8. Procedures: Implementation by both countries of the World Customs Organization's Revised Arusha Declaration on Good Governance and Integrity in Customs;
9. Institutional: Establishment of APTTCA;
10. Institutional: Establishment of a system between both countries for sharing intelligence and enforcement techniques;
11. Institutional: Revision of compensation of customs officers and implementation of an incentive system;
12. Enforcement: Patrol/monitor UT routes;
13. Enforcement: Impose severe penalties on UT and publicize punitive measures taken against offenders;
14. Enforcement: Improving enforcement of anti-money laundering and anti-drug legislation;
15. Adjustments: Increase public investments in depressed areas between Afghanistan and Pakistan.

TAFA calculated the supply in Afghanistan of each good subject to this study, including formal import and domestic production. The demand included domestic consumption, export, formal re-export and normal stocks. The surplus in the difference between supply and demand represents the estimated unauthorized re-export amount from Afghanistan. The shortage, where demand exceeds supply, represents the estimated informal import to Afghanistan.

Undervaluation of goods to reduce the applicable customs duties is a well-known problem in Afghanistan. Estimates of undervaluation range from 30 percent to 70 percent. The study examined three scenarios to adjust the statistics due to undervaluation: 1) the difference between Pakistan statistics on its exports to Afghanistan, and Afghanistan statistics on its imports from Pakistan; 2) half of the difference under item number one, assuming that declared Pakistan exports do not always cross to Afghanistan; and 3) 50 percent undervaluation as an average of various estimates.

TAFA faced tremendous difficulties in securing Pakistan trade statistics in a timely fashion. Even after the receipt of statistics, significant effort was put to validate and clarify a large number of discrepancies. In addition, the lack of data on consumption in Afghanistan required huge effort including secondary surveys in order to estimate consumption and demand. Despite these difficulties, the initial analysis, per terms of reference and methodology was completed in December 2010, one month ahead of schedule.[4] TAFA presented preliminary results to USAID and discussed the results with MoF, ACD, MoCI and key private sector leaders who are knowledgeable about unauthorized trade. TAFA took their feedback into account in the study.

A new set of data acquired later in December revealed that most unauthorized re-export to Pakistan enters Afghanistan through Iran. The study was then expanded in late December to consider import routes through Iran, an activity not envisioned in the original TOR. Additionally, ACD requested the study be expanded to take into account an assumption that required development and implementation of a third methodology. ACD also requested that TAFA explore unauthorized trade through additional routes, which refocused the study on four provinces bordering Pakistan in lieu of two as envisioned in the original terms of reference.

TAFA produced another version of the report taking into account all aforementioned items in late January 2011. The study was then shared with USAID Pakistan. TAFA received comments from USAID Pakistan and Afghanistan in late March 2011 and early May 2011, and TAFA incorporated the comments as they were received. Since then the study has undergone two additional revisions primarily aimed at making the report easy to understand by a broader audience.

Senior USAID officials are currently examining the report before submission to the U.S. Department of State for further submission to the Government of Afghanistan and the Government of Pakistan.

Many of the recommendations of the UTS, which are specific to Afghanistan, are currently being implemented, particularly those that were stipulated in APTTA (tracking devices, customs-to-customs information and customs security), under TAFA's Component 2 - Customs Reform. In addition, TAFA launched efforts in its second year to work on implementing the following recommendations:

[4] The study was planned for six months; TAFA launched the study on August 6, 2010.

- Assist customs in developing an anti-corruption plan taking into account the WCO Arusha Declaration;
- Assist in developing alternatives to ICD revenue target plans;
- Develop a model for assessing the merits of a free trade area between Afghanistan and Pakistan.

k. Harmonization with Sanitary and Phytosanitary Standards

In its second year, TAFA took on a number of activities to advance the adoption and adherence to international standards including Hazard Analysis and Critical Control Points (HACCP), Codex Alimentarius, IPPC, OIE and Global Good Agricultural Practices (GAP).

Hazard Analysis and Critical Control Points

Legal reforms around food safety are required to join the WTO. Since several of Afghanistan's most marketable exports are food products, including dried fruit and pomegranates, TAFA launched work on establishing a framework for Hazard Analysis and Critical Control Points (HACCP). This began with drafting regulations for sanitation-related standard operating procedures, good manufacturing procedures and steps necessary for implementation of the HACCP system in Afghanistan. Currently, Afghan food processors are limited in both the volume of products they can export and the prices they receive for products. Afghanistan's anticipated membership in the WTO has transformed the context for its trade in agricultural and food products. The ability to demonstrate that effective food control systems are in place is essential for the country to take full advantage of the opportunity for increased export of food products. HACCP provides a mechanism to demonstrate that control.

As the initial step in this process, TAFA conducted an assessment of existing food policies and regulations in Afghanistan, government and industry infrastructure, and their respective abilities to meet current international standards and practices. This included:

- Meeting with representatives of the MAIL, MoPH, MoCI, ANSA, and ACCI to develop a full understanding of Afghanistan's HACCP needs and to identify information sources and key stakeholders;
- Reviewing laws, regulations and policy documents currently in place to assure the safety of food;
- Reviewing current government food safety inspection programs;
- Reviewing the Omaid Bahar juice processing facility, the Ehsan Osman raisin packing operation, the Chief Bakery and the MAIL's research farm at Badam Bagh Demonstration Farm in Kabul.

TAFA delivered three seminars in the fall of 2010, which explained the primary principles of HACCP and the issues surrounding its implementation and necessary institutional mechanisms. The HACCP Implementation Technical Advisory Group (TAG) was formed to assist in the development of recommendations for guiding the adoption of HACCP food safety systems by the Afghanistan food processing industry. The TAG is composed of representatives from MoPH, MAIL, MoCI, ANSA, ACCI and the Kabul University College of Agriculture. The TAG is not a decision-making group; its role is to identify actions and steps that need to be taken to implement HACCP in Afghanistan. Each participant was selected by their respective organization to serve as a representative on TAG. All of the TAG members received two days of

training on HACCP principles so that they would have a better understanding of what will be required to implement HACCP. TAFA chaired three additional meetings of the TAG in December which led to the drafting of a series of general recommendations for actions to be taken by government, industry, academia and foreign assistance organizations for adopting HACCP in Afghanistan.

TAFA held three seminars in 2010 to explain the principles surrounding Hazard Analysis and Critical Control Points (HAACP) and educate Afghan officials on the importance of food safety systems.

Three sample regulations were developed for: 1) good manufacturing practices; 2) sanitation-related standard operating procedures; and 3) HACCP. These documents are consistent with the requirements described in the Codex Alimentarius Commission's General Principles of Food Hygiene and are intended to facilitate discussions in support of adopting similar regulations by the Afghan government.

A general information pamphlet was developed to explain the importance and benefits of implementing HACCP. The pamphlet is being translated into Dari and Pashtu. One thousand copies in each language will be printed and distributed. A presentation on HACCP with notes was also developed. It is intended to support an awareness program about the benefits of HACCP.

TAFA compiled a comprehensive written guide to be used by management personnel in all food processing industries as an aid in implementing the seven principles of HACCP in their establishments. The guide provides examples of the practical application of HACCP as well as

examples of records. It can be used by all Afghan food companies once the new regulations are adopted.

With assistance from TAFA, a HACCP implementation plan was prepared. This document describes specific actions that need to be taken to successfully introduce HACCP in selected Afghanistan food processing establishments. The intent was to guide implementation of basic food sanitation practices necessary for the production of safe, wholesome food that will support efforts to increase food exports. This includes good manufacturing practices, sanitation-related standard operating procedures and HACCP systems. These recommendations were used by individuals in government, the food industry, academia and international aid agencies as they coordinated to achieve this goal. This guidance was developed through the joint efforts of representatives of TAFA, MoPH, MAIL, MoCI, ANSA, ACCI, and the Kabul University. In December, TAFA conducted a seminar to present these recommendations to representatives of the above groups and facilitated a roundtable discussion on how to move forward with their implementation.

TAFA has also built the capacity of the staff of the MAIL Private Sector Development Directorate on food safety by delivering four seminars covering the following areas:

- The WTO SPS agreement;
- International food safety standards with a primary focus on Codex Alimentarius;
- A food safety management system with a focus on HACCP;
- The process for determining the equivalence of food safety systems of exporting countries with GIRoA requirements.

Harmonization Plans with Sanitary and Phytosanitary Standards

TAFA assisted in 2011 in developing three prioritized harmonization plans with:

- Codex Alimentarius standards, guidelines and recommendations for food safety and quality involving MoPH, ANSA and MAIL;
- World Organization for Animal Health (OIE) for animal health standards and guidelines involving the MAIL Directorate on Animal Health;
- IPPC standards for phytosanitary measures involving the MAIL Directorate on Plant Protection.

TAFA presented the three plans and discussed them with relevant authorities. Afghanistan intends to provide a summary version of these plans in 2012 to the WTO Working Party members and launch intensive implementation.

TAFA hosted representatives of ANSA, MAIL and MoPH to prioritize the Codex Alimentarius standards and recommend codes of practices, maximum residue limits and guidelines which should be adopted by ANSA. Official adoption of these international standards by the Afghan government is an essential step in becoming a member of the WTO. During these meetings, the work group members identified 34 Codex documents which they recommended for formal adoption by ANSA. They also identified eight additional actions to facilitate implementation of the recommended standards. In 2011, ANSA adopted a half dozen Codex Alimenatrius standards.

l. Food Security

TAFA carried out a series of three workshops on food security-related issues within the context of WTO in December 2011. The participants in these workshops included staff from MAIL, the Ministry of Women's Affairs (MoWA), Ministry of Labor and Social Affairs, Faculty of Agriculture at Kabul University and the Ministry of Water and Energy. These workshops contributed to building national capacity on the analytical framework for food security dimensions and issues within the context of WTO and recent world market development. They provided an opportunity to receive direct feedback on contemporary issues and policy concerns on food security and sustainable agricultural development in the country.

Based on these discussions and dialogue with senior staff at other meetings, TAFA prepared two documents, the first of which was "A Policy Guideline for Food Security and Sustainable Agricultural Development in Afghanistan within the context of WTO." TAFA held a roundtable to discuss this first note and suggest actions for follow up. The roundtable was attended by senior staff who participated in the three food security workshops and additional senior staff from relevant ministries.

TAFA prepared a second document, "Towards a Framework for an Implementation Plan for Food Security-Related Aspects of the National Agriculture Development Framework (NADF)". The MAIL Director General requested more details on two issues of relevance to the implementation of NADF. Accordingly, TAFA prepared two concept notes on "Competitiveness and Policy Options for Agricultural Development" and "Support to the Stabilization and Development of Production through Market-based Agricultural Risk Management." TAFA held a roundtable and discussed the food security documents with senior staff from relevant ministries.

m. Statistics

In its second year, TAFA continued building capacity of ACD's TRSU, which was formally established with the assistance of TAFA during the project's first year. In addition, TAFA continued working toward improving the integrity of import statistics and developing mechanisms for collecting and analyzing export statistics as well as improving ministerial coordination and cooperation on statistical issues.

An Improved Methodology for Combining and Verifying Customs Trade Statistics

TAFA assisted in improving the methodology for combining data from all customs houses in one database program and checking the validity of entries for all mandatory fields. The methodology also checked for consistency in the application of tariff rates by different customs houses.

Tariff Book Revised and Published

TAFA assisted in revising and publishing a tariff book, previously published in 2006, to be used in all customs houses. TAFA worked with the Tariffs and Valuation Directorate of ACD to update the Afghanistan tariff book and submit the book to the ACD Tariff Department for final approval. The publication of an updated tariff book adds to transparency and uniform application of tariffs throughout Afghanistan's regional customs offices. The tariff book is available on the MoF website.

Coordination between ACD and CSO

TAFA improved coordination between CSO and ACD to publish official information on foreign trade. TAFA identified reasons for major differences in the reporting of trade statistics by CSO and ACD. TAFA prepared a note to be discussed during Parliament hearings in May 2011 regarding the discrepancy of trade statistics. TAFA coordinated meetings on a monthly basis to provide information to CSO to reduce gaps in reporting foreign trade figures. TAFA prepared a draft memorandum of understanding for cooperation between CSO and ACD, which is currently being reviewed by both parties. In addition, TAFA facilitated cooperation between ACD's TRSU and MoCI's Trade Policy Analysis Unit.

Publication of Annual and Quarterly Bulletins, "Review on Revenue, Tariff and External Trade"

TAFA participated in designing and publishing annual and quarterly reviews to evaluate revenue, tariff, and trade in the Afghan year 1389. The report was published as a bulletin to be distributed to ministries, embassies and donor organizations and was published on the MoF website. The review included an analysis of trade policy and methodologies to forecast trade and revenue by each customs house, including advanced methodology to estimate the impact of recently approved tariff changes on trade and revenue. The bulletins provide information on changes in tariff rates, reasons and impact of these changes on revenue collection and estimation of revenue by each customs house by each type of tax.

Methodology for Improving Export Statistics

ACD export statistics remain poor due to the current methodology of data collection and poor control of data recording. TAFA proposed a methodology to improve collection of data, which included the addition of transportation costs, classification of goods by possibility of valuation, and the estimation of exports. TAFA proposed to set separate codes in recording of exports of goods that did not originate in Afghanistan and goods that are re-exported from Afghanistan. TAFA proposed that ACD cooperate with CSO to implement a methodology to report exports statistics.

Capacity Building for the TRSU

TAFA continued capacity building of ACD's TRSU. TAFA delivered seven lectures and on-the-job training for five employees of the TRSU on descriptive statistics and statistical inference. This training enabled ACD's TRSU to understand the methods of prediction of revenue and tariff policies, to analyze trade policy in terms of increases and decreases to tariff rates and to determine the impact of tariff reductions on trade and revenue collection.

n. Additional Support

ACCI Services

Currently, the ACCI charges fees on services that hinder exports, including fees for issuing the mandatory certificate of origin and issuance of invoices for exporters. These fees will have to be eliminated to promote exports and to comply with the WTO. As a result, ACCI needs to identify other sources of revenue by providing services that should improve the competitiveness and efficiency of its members. TAFA developed recommendations to help ACCI identify new areas to develop ACCI's sustainability and to increase its revenues. TAFA gave the presentation on

recommendations for new services that could be provided by ACCI to its members and non-members in November 2011.

TAFA launched assistance to ACCI to improve its capacity and service delivery to its members. TAFA received briefings from staff on ACCI operations, charter and governing legislation, and prepared a staff questionnaire in English and Dari. TAFA also met with division directors of ACCI as a group and subsequently conducted lengthy, individual informational interviews with all division directors. TAFA conducted two roundtables on new services for ACCI directors and staff as well as interested member companies.

Export Promotion

TAFA provided practical guidelines on market research, international market strategy, promotion and positioning. TAFA provided operational guidance to EPAA on:

- Preparing export-marketing campaigns for Afghan companies, producers and associations. Guidance involved interaction between exporters, producers and senior officials of EPAA;
- Market research techniques and avenues to identify additional customers in specific sectors of Afghanistan's basket of products, placing first priority on foreign markets where Afghan products are already known and then focusing on secondary and tertiary markets where likelihood of penetrating new foreign markets exists;
- Qualifying prospects, matching buyers' needs to producers or exporters, understanding financial capabilities and insuring financial reliability;
- Participation in trade shows or exhibitions.

In addition, TAFA provided operational guidance in developing metrics for monitoring performance and in outreach strategies; product, producer and country-province-community positioning; communications; relationship building; promotional material; creating competition among buyers; winning investigative visits by buyer principals; organizing and managing buyer visits; and follow up to buyer investigations.

Border Streamlining

TAFA assisted in the development of an action plan for making productive use of port assets owned by MoCI at select border crossing points to facilitate trade. The role of the Transit Department is to provide services for transit cargo, including loading, unloading, storage and other services for transit traffic.

TAFA researched and detailed the operations and services provided by MoCI at two ports, Hairtan and Islam Qala, and assessed their commercial viability. TAFA developed two reports and presented them to MoCI; the reports included a cost-benefit analysis and recommendations to maximize economic utilization of assets and facilitate trade. TAFA provided recommendations to improve border management and control by putting MoCI storage facilities under customs surveillance and streamlining procedures regarding processing of international trade and transit handling. TAFA presented findings and action plans for these two ports at two roundtables in October 2011 at MoCI involving stakeholders including ACD and the private sector.

TAFA, in addition, provided MoCI with a model on the dry ports commercialization/privatization approach, taking into account international practices for dry ports management and

reform approaches. Further, TAFA reviewed current procedures and forms as well as systems for collecting and reporting the port statistical information and port-related data, with the view to standardization of port procedures and reporting systems in line with international practices.

Tariff Structure and Schedule

With support of TAFA, ACD revised its general tariff schedule to reflect the addition of seven tariff rate amendments from 2009 through 2011. The new schedule is standard across customs houses, allowing one official rate to maximize revenue. Hard copies of the schedule will be distributed to customs houses, interested government agencies and other organizations, and the tariff book will be published on the ACD website and be available for download.

Enhanced Integrated Framework

MoCI did not have any unit or department to launch Trade Diagnostic Integration Studies (DTIS) within the Enhanced Integrated Framework. TAFA promoted establishment of an institutional framework to facilitate access to DTIS within the Enhanced Integrated Framework. In September 2011, the National Implementing Unit was established at the MoCI and staffed with two people. Relevant ministries are currently working on nominating focal points to serve as members of the National Steering Committee, which will be established soon. TAFA will provide training to the recently established Enhanced Integrated Framework to facilitate DTIS.

Bandar Wali-Torkham

Per request of the Minister of Commerce and Industries, TAFA examined the commercial viability of Bandar Wali and advised the Minister on the critical need to transfer the assets at

TAFA's efforts provided the Afghanistan Customs Department (ACD) with adequate space for customs clearance to speed traffic at Torkham, which serves as a crossing point between Pakistan and Afghanistan.

Bandar Wali to ACD. Such actions will facilitate trade and will provide ACD with adequate space for customs clearance at Torkham to speed traffic. MoCI finally agreed to release Badar Wali assets to ACD after written confirmation that ACD will retain current staff at Bandar Wali.

Hairatan Memorandum of Understanding

TAFA reviewed, at the request of MoCI, the Hairatan memorandum of understanding between ACD and MoCI and found it to be useful in formalizing the current modus operandi at Hairatan and in streamlining the role of institutions with presence at the border. TAFA encouraged MoCI to sign the memorandum of understanding.

III. COMPONENT 2: CUSTOMS REFORMS

Customs revenue accounts for 56 percent of all government revenues in Afghanistan. The GIRoA identified key economic growth priority areas as those having the most potential to increase revenue, prevent revenue leakage through reduced corruption, and increase trade facilitation. TAFA's customs component assists the ACD in developing and implementing its comprehensive Strategic Five Year Plan and Revenue Action Plan. Increased sustainable revenue together with increased trade will reduce GIRoA's financial dependence on the international community. The objectives for the customs reform team, aimed at assisting ACD in efforts to improve standards of service and performance, are broken down into three main subcomponents: customs procedures; customs management; and the Border Management Model (BMM).

a. Customs Procedures

Streamlining customs procedures increases the speed of international trade, allows the private sector to get products to market faster and, in turn, sell them sooner and reinvest more quickly; this leads to more revenue for the government and creates more jobs for unemployed workers. Streamlining customs procedures is one of the main objectives of TAFA and is a key component of Afghanistan's economic growth.

TAFA has worked with its Afghan counterparts in ACD to streamline customs clearance procedures over the past two years. TAFA began the process with a diagnostic review of the import clearance process at the Kabul ICD. TAFA then secured an agreement from the Director General of Customs for TAFA to lead a working party of TAFA and ACD personnel to develop solutions for the issues identified by the review. This team studied the issues identified in the ICD review and developed solutions, a timeframe for incremental implementation and a presentation for senior managers. The solutions resulted in a blueprint for ICD import procedures, which has been authorized for national implementation. KIA Cargo and Kabul ICD were the first to undergo the change process, followed by Hairatan. The blueprint will be rolled out to the remaining ICDs incrementally over the course of the new project year.

Concurrently, ACD and TAFA identified procedures for transit declarations (T1 documentation) during the importation processes at BCPs and ICDs to ensure goods are properly declared, minimizing opportunities for goods to illegally enter the market. TAFA conducted process mapping of the current regime and developed comprehensive recommendations to streamline the procedures and bring them in line with international standards. Following ACD approval, this

process will be implemented at BCPs incrementally, in the same manner as the clearance blueprint.

Kabul Inland Customs Depot and Kabul International Airport Cargo

By the end of TAFA's first year, the project had conducted a diagnostic assessment of Kabul ICD to evaluate where the depot stood in comparison to ACD's strategic plan. TAFA then developed a plan for streamlining procedures to improve customs clearance times, prevent revenue leakage and facilitate trade. TAFA shared the plan with ICD directors from across the country at a Kabul-based conference and incorporated feedback from varying sources. The next step was to begin streamlining procedures at a pilot cargo clearance site, KIA.

TAFA implemented streamlined procedures, utilizing a mixed TAFA/ACD team, at KIA in December 2010. Throughout the process, TAFA staff briefed trade representatives and customs officers on site to ensure a thorough understanding of the benefits of the reforms. This initiative resulted in the removal of nine unnecessary steps from the import and export regime, including the removal of a redundant "helping" form.

Cargo is stored in a hangar at Kabul International Airport (KIA). TAFA is paving the way for private companies develop air freight facilities on location at KIA.

These initial reform measures equate to a 32 percent (import) and 28 percent (export) reduction in the overall clearance processes at KIA. TAFA monetized benefits for legitimate trade at import to be about $128 for every transaction. Non-voluntary “tips” (bribes) at KIA are thought to average $77 per transaction. These efficiency measures have resulted in goods being cleared at a 45 percent faster rate, saving both valuable time and money.

The reforms received support from traders and brokers. Initially, TAFA encountered resistance from the ACD director at KIA in implementing these changes. Through skillful and patient capacity building, the director now acknowledges the benefits of reform and is eager to engage with TAFA to introduce further streamlining measures. In 2010, there were in excess of 10,000 transactions cleared through KIA. If there are a similar number of transactions in 2011, the forecasted savings to trade will be about $1.3 million.

Previously, several ACD officers cited their job description as a reason to continue poor practices. As a result, TAFA prepared new job descriptions for all positions involved in the clearance process at KIA to ensure implemented reforms are sustainable. With buy-in from the director of KIA, TAFA and the director worked on both the content and format to address the requirements of the IARCSC. KIA now has appropriate job descriptions in the IARCSC format.

While streamlined procedures should energize exports from KIA, infrastructure is needed to ensure the private sector fully benefits from these reforms. With this in mind, TAFA facilitated the handover of additional land at KIA to the MoF and ACD to develop cargo handling facilities. This step provides private companies an opportunity to enter into arrangements with MoF to develop their own air freight facilities on location at KIA, thus speeding exportation and spurring the development of a new freight service industry around the airport.

Subsequent to the implementation at KIA, the TAFA/ACD team carried out the same procedure at Kabul ICD. To identify the benefits of this streamlining, TAFA carried out a monetization exer cise, which identified that costs to trade would be reduced by $103 per transaction, of which $33 were involuntary tips. Given that in the solar year 1389 there were a total of 33,627 import or export declarations, the streamlined procedures could result in $3,463,581 in savings to trade – money which can be reinvested in Afghanistan.

TAFA continues to monitor the streamlined processes to ensure there is no slippage and that the procedures become permanently embedded. TAFA is also continually reassessing opportunities for further administrative reductions.

Hairatan Inland Customs Depot

While streamlining took place at KIA, ACD operations in Balkh province transitioned from Mazar-i Sharif to the new Hairatan ICD funded by the European Union. With International Security Assistance Force (ISAF) imports expected to increase over 30 percent in the coming months, Hairatan ICD is of increasing importance. TAFA ensured that the ICD was set up in line with international best practices for customs clearance workflows.

Following the move to Hairatan and workflow set-up, UNOPS installed the Automated System for Customs Data (ASYCUDA) and trained ACD officers and customs brokers in its use. It is expected ASYCUDA will better collect customs data, speed clearance times and align procedures at Hairatan with those of other ICDs in Afghanistan. TAFA worked with the ASYCUDA/UNOPS team to facilitate the setup.

TAFA also examined the importation process for fuel, one of the more important imports at Hairatan. TAFA identified lengthy and poor clearance procedures with involvement from multiple agencies, lack of health and safety standards and unsatisfactory customs control. A memorandum of understanding between ACD and the Fuel and Liquid Gas Enterprise (FLGE), an Afghan Reconstruction Trust Fund (ARTF) requirement, did not appear to have been implemented in a meaningful manner. TAFA developed a road map for streamlined procedures, increased safety standards and proper implementation of the memorandum of understanding, in conjunction with the ACD in 2011. This will require further input from TAFA, along with a concerted effort from ACD to engage with FLGE counterparts.

In August 2011, TAFA assisted in eliminating 12 steps in the customs procedures at Hairatan. During these reforms, TAFA also assisted ACD in the introduction of the “closed office” procedure. It is a best practice for customs to deal with brokers and the general public through a reception area with a counter. This reform reduces official interactions with the public, ensures procedures are more rigidly followed and reduces opportunities for corruption.

Herat Border Crossing Point

With the success of streamlining procedures in Kabul, TAFA began to roll out staff to the provinces to lead streamlining at key locations. In the spring of 2011, a TAFA local advisor was relocated to Herat to begin this process. The move provided opportunities for mentorship and helped with outreach on APTTA and SAFTA.

In preparation for the introduction of streamlined procedures at Herat, TAFA informed key stakeholders in advance to allay concerns and allow time for discussion. ACD senior managers learned about the proposed streamlining through a presentation and were cautiously positive. For broader dissemination, TAFA delivered a presentation to local traders, which showed a clear difference between the current import clearance process and the one implemented at KIA. The presentation highlighted the eliminated steps and the reduction inthe number of required signatures. The traders were enthusiastic and suggested the changes be introduced as soon as possible.

ASYCUDA Proposal

TAFA conducted a review of the current exemptions regime utilized by ACD and developed an alternative way of dealing with all exemptions through enhanced use of the ASYCUDA system currently in place. The proposed process will reduce the annual number of authorization processing forms from 80,000 to around 100 per year. It will also significantly reduce the crossing time at BCPs. TAFA concluded that the current process was conceptually flawed and does very little to protect revenue or facilitate trade. Rather than proposing changes to the process, the team proposed an alternative process based on granting exemptions to “entities”. This eliminates the need to grant exemptions to each individual cargo unit and controls compliance through a new configuration in the ASYCUDA declaration module. The report was submitted to the ACD technical director who recommended an evaluation committee to ensure the proposal complements the World Bank/United Nations Conference on Trade and Development (UNCTAD) Exemption Module.

If this system is adopted, it will result in a significant reduction of forms and time spent at BCPs for both ACD staff and traders. Such a reduction would help ACD better utilize staff and lead to traders turning over products faster, further stimulating the Afghan economy.

TARVAL Database

TAFA introduced TARVAL, a new customs valuation database, to generate compatible information for the ASYCUDA system, with more security levels, transparent and auditable processes, and stored historical data. The previous system kept information in a descriptive list of commodities with prices. No tariff positions were related, data was unreadable from the ASYCUDA system, and the system could not ensure high security, full integrity, an audit trail, and historical data. TARVAL will be the primary source of information regarding the legitimacy of market values in force. The aim is to bring the ASYCUDA database to the same level as TARVAL. Any discrepancy between the two databases can be reported and must be rectified accordingly. The TARVAL database is now in the hands of the ACD and the ASYCUDA team for integration with the ASYCUDA clearance process. ACD is continuing to populate the database with products and values prior to synchronization with ASYCUDA.

b. Customs Management

ACD is looking to restructure its organization, in part, to reach critical IMF benchmarks. Other more immediate concerns revolve around the need to bring in revenue for the country, to eliminate the possibility for corruption and to align with international best practices for customs. TAFA has supported ACD through joint development plans designed to improve customs activities and increase revenue while facilitating trade. This is being done through close collaboration with ACD and a variety of donors.

At the request of the Director General of Customs, TAFA attended the MoF retreat held at the Inter-Continental Hotel in December 2010. The retreat was arranged to allow each MoF component to highlight its successes, discuss challenges and formulate potential solutions. The retreat also served as a springboard for ACD and TAFA to align goals for the coming year, with a focus on the remuneration scale, a training assessment and organizational restructuring at ACD headquarters.

Remuneration

A key initiative that carried over from the previous year was the reorganization of the remuneration structure for ACD. TAFA continued to lead the critical IMF benchmark of remuneration solutions by completing the organizational chart and the living working wage survey. Proper remuneration for customs professionals is important on multiple levels. Firstly, keeping employees motivated and engaged in their responsibilities increases the chances they will work quickly and at a high level, thus creating more revenue for the government. More importantly, customs professionals are in a unique position that allows for secondary income through bribes and smuggling. Removing a motivator for those behaviors is important for ACD and is viewed as an international best practice for customs organizations.

To determine wage needs for customs officers, TAFA developed a survey for distribution at multiple locations: ACD headquarters, Jalalabad ICD, Herat ICD, Hairatan ICD and Torkham Gate BCP. The response rate was strong, with about 80 percent of surveys returned. Survey tabulations indicated that customs officers' monthly expenditures on essential goods and services were four to five times their monthly wage. To date, TAFA is completing a proposal for the Minister of Finance to review, which includes salary increase recommendations. Once it has the Minister's support, it will be submitted to GIRoA via the IARCSC for an increase in ACD salaries and wages.

A customs official works at his computer in the customs office at Kabul International Airport (KIA).

Training Assessment

ACD and TAFA jointly conducted an assessment to determine where need shortfalls in experience and abilities existed and to determine the best possible plan for capacity building. In February 2011, TAFA held a workshop on the training needs assessment (TNA) and training assessment matrix (TAM) to survey the capacity of managers. Through the training, ACD directors learned how to produce annual TNAs and TAMs for their departments. Participants included directors from the exemptions and customs regimes, communications, legislation and policy, valuation, and transit branches of the General Directorate of Customs; the exportations, verification, and executive branches of the directorate of Kabul customs; the cargo and verification branches of KIA customs; the post and parcels branch from the Directorate of Postal Services; and the tariff, laboratory, ASYCUDA, and enforcement branches from the Directorate of ACD headquarters.

By March 2011, the survey was completed at ACD headquarters, Jalalabad ICD, Torkham BCP, Kabul ICD and KIA customs. TAM data was collected from ACD headquarters and Kabul-based operations. The data identified job responsibilities, difficulties in performing jobs efficiently and effectively, training that would be beneficial and how to prioritize trainings. The assessment illustrated several recurring challenges, including lack of capacity, insufficient staff, difficulties in basic administrative tasks such as record keeping and reporting, insufficient equipment, low salaries and lack of technical knowledge on tariff policy, valuation and bio-chemistry. Surveyed participants recommended a number of trainings to overcome these challenges.

TAFA has compiled a final report and presented the report to customs senior management. The document will be used to identify potential training providers, including the MoF training department, donor technical advisor training delivery and national and international training providers. The document will be shared with a wider donor audience through the Informal Customs Network, where ACD will use the detailed information contained in the report to leverage additional commitments from the international donor community.

Headquarters Restructuring

Along with remuneration and training assessments, a restructuring of ACD headquarters was a priority, as well as an IMF benchmark. The proposed restructuring reduces the number of managers reporting to the Director General of Customs from 23 to 6, providing him the opportunity to manage with a more strategic focus.

In May 2011, the ACD Restructuring Committee reached an agreement on the restructuring model and delivered a presentation to the Deputy Minister of Customs and Revenue at ACD headquarters. The presentation outlined a new structure and provided justifications for the expansion of the headquarters management team. The majority of ACD managers and the Deputy Minister were in agreement with the new structure and acknowledged the need to move from a model with two deputy directors to a model with four deputy directors. This will ease management responsibilities and allow for an increased focus on strategic objectives.

Following that discussion, TAFA presented the report titled the “Restructure of the Afghan Customs Department”, to the Minister of Finance, who signed off on the proposal immediately following the presentation. The report was compiled by TAFA but reflects the views of all international advisors working with ACD headquarters and almost all of the ACD senior management team. The MoF accepted the proposed structure and approved it for further process, allowing TAFA and ACD to move forward and engage with the IARCSC. The preparation of over 160 job descriptions was required, with TAFA taking on the coordination of this complex and often contentious task. Once compiled, TAFA assisted the Director of Planning and Reform to check the job descriptions, incorporating necessary amendments.

Closed-Circuit Television at Kabul Inland Clearance Depot

TAFA supported the launch of a pilot project at Kabul ICD and ACD headquarters, which enabled the Director General of Customs, ACD supervisors and the general public to view activities in a number of locations at the two facilities through nine closed-circuit television (CCTV) cameras installed at strategic points with images relayed to ACD headquarters in real time. This technology provides a vital deterrent to those considering illicit activity.

The cameras allow senior managers to observe the workflow and to encourage adherence to office rules regarding access of non-customs personnel. By placing a screen in the public foyer, ACD headquarters staff and the public can see that ACD management is making progress in its capacity to manage remote customs locations and revenue collection. TAFA will review the impact of these cameras, with the potential to roll out this strategy to other locations. Work is underway to identify other customs locations that would benefit from CCTV cameras.

Afghan Customs Department Intelligence Section

One of the keys to customs reform is the intelligent use of resources to empower administrations to facilitate trade while retaining appropriate levels of compliance. For managers to make the correct decisions on resource allocation, they must be fully informed of the risks. The previous intelligence team at ACD headquarters was unable to analyze risk information. As a result, TAFA is restructuring and reforming the Enforcement Directorate with the intelligence unit as the first priority. ACD, with support from the NATO Training Mission-Afghanistan (NTM-A) and the Ministry of Interior National Targeting and Exploitation Center created a modern facility at ACD headquarters. Through a close working partnership with NTM-A, TAFA assisted in securing in excess of $200,000 of computer equipment and software for use by the newly reformed intelligence unit at ACD. The NTM-A is currently working to reform the intelligence units within the Ministry of Interior. With the agreement of ACD, TAFA adopted a joint approach to customs intelligence reform with the NTM-A, which ensures consistency in staff training and intelligence software used by the units within both MoF and MoI. Data mining software and residential training courses on intelligence and data mining were included with the equipment. Job descriptions were prepared for the new roles of staff in the unit and an exercise to fill the posts took place.

Previously, ACD did not operate any kind of computerized system for recording interceptions, mis-declarations and seizures. Historically, these kinds of systems, if centralized, are a major resource for identifying and targeting risk. To fill this gap, TAFA, in partnership with ACD Enforcement Directorate and NTM-A, developed the National Customs Interception and Seizure (NCIS) database in Dari, Pashto and English. The database can be automatically data-mined by intelligence software to identify patterns, commonalities and links. The NCIS server will be centralized and housed in Kabul and will ensure all information is collated and stored at a central point. The database is designed to be web-based and can be accessed via any computer that has access to the internet. The system is currently being tested and will soon be ready for use at a pilot location. Once proof of concept has been established, it will be rolled out nationally. NCIS will be populated with the last two years of historical seizure and mis-declaration data. This will provide a solid database, which could be analyzed and exploited to identify and generate profiles for targeting customs offenders.

TAFA assisted with installation of wall monitors at the National Control Unit (NCU). These monitors will allow NCU officers to view the activities at the BCPs and ICDs in real time as well as track customs mobile verification teams and transit vehicles. NCU is designed to be able to inform the enforcement and compliance teams of transit traffic that deviates from approved routes and will identify the nearest mobile units to intercept.

c. Border Management Model

In February 2011, TAFA delivered a presentation at the presidential palace on the Border Management Model (BMM), an agreement between the two lead border control organizations

for Afghanistan, which resulted in President Karzai's approval through Presidential Decree. The BMM allows for information sharing between the ACD and ABP and establishes roles and responsibilities for both agencies in the customs and immigration processes. This is a key step for a country that hopes for economic growth and increased trade in a context of ongoing conflict and porous borders.

An Afghan man waves from his truck. TAFA is working toward more efficient border management in Afghanistan under the Border Management Model (BMM) to increase trade and attract investment.

To prepare for the presentation, TAFA developed a concept paper, process map and presentation with input from ACD, the World Bank and the Border Management Task Force (BMTF), which provides oversight and management of U.S. border initiatives and assists the GIRoA with border issues. Following the presentation in February 2011, TAFA supported an ACD presentation to ACCI to build further support for the BMM within the private sector. Concurrently, TAFA facilitated discussion between ACD and ABP at each organization's offices. The meetings aimed at establishing a memorandum of understanding between these two lead border agencies that their respective ministers would sign. The signing of the memorandum of understanding by Minister of Finance Zakhilwal and Minister of Interior Bismillah Khan on June 22, 2011, formally established the BMM, which met the IMF benchmark.

The BMM identifies Hairatan BCP as the pilot location. With that in mind, efforts were made to inform local stakeholders of the upcoming changes. Both the Director General of Customs and the Deputy Minister of Customs and Revenue visited Hairatan on separate occasions, along with senior ABP, TAFA, BMTF and ISAF representatives. During these visits, local dignitaries, including Governor Atta of Balkh province, were met to ensure local support for the BMM.

Governor Atta stated his support for the BMM and his hopes that it would improve trade across the Hairatan border.

Once the BMM is successfully piloted at Hairatan, it will be rolled out nationally. A review of the implementation is scheduled during November 2011. The piloting is an incremental process and both ACD and ABP have started with the development of standard operating procedures (SOPs). As the BMM continues and new technologies are implemented, SOPs will need to evolve. Another step forward is launching a 24-hour presence of customs at the BCP. Customs officers are authorized to supervise the cargo arriving out of operating hours, and TAFA is working with the MoF human resources department on the allowances package for those ACD officers. The ABP accepted the initiative as a positive change and agreed to share their work sites with ACD. In addition, ACD will also take the responsibility of collecting manifests from arriving traffic. According to the IMF benchmark expectations, two more BCPs will follow the BMM by the end of March 2012.

IV. COMPONENT 3: TRADE FACILITATION

TAFA's trade facilitation component is promoting exports through the development of a One Stop Shop (OSS) for exports in Kabul and the removal of trade impediments in cargo handling and in simplifying procedures and processes in clearing goods for export by relevant government authorities. TAFA works at the national level to support the development of product, manufacturing and processing standards and their implementation by business firms. The component also supports the development of PPPs and assists in the development and management of industrial parks. Finally, TAFA approved a grant to ACCI for the reintroduction of the TIR system for developing their capacity to issue carnets; provides technical support to the MoTCA; and provides training of freight forwarders using the training modules developed by FIATA.

a. One Stop Shop

According to the World Bank's 2010 Doing Business survey, Afghan traders experienced an average time to export of 74 days. Lengthy and complicated export processes raise costs and reduce the competitiveness of products. They also increase risks to products, particularly for perishable goods. The OSS immediately reduces transaction costs and time to export by consolidating under one roof most organizations whose permission is required to export.

The OSS building was completed and furnished in January 2011. In February 2011, all of the partners involved in pre-customs procedures for exporters participated in a meeting to formulate export procedures and responsibilities at the OSS. Some partners raised concerns that their work procedures could not be conducted at the OSS as there was no room for their labs or the physical inspection of goods. On February 8, EPAA, TAFA and OSS partners attended a "soft opening" of the OSS. The partners brought all the essential documents to start their work at the OSS. EPAA developed the plan for desks and chairs allocated to each partner and their location inside the OSS. The soft launch ensured that everything was in place for the OSS to operate effectively.

On March 13, 2011, Minister of Commerce and Industries Anwar-ul-Haq Ahadi, U.S. Ambassador Hans Klemm, and Susana Geipert, the head of German International Cooperation's (GIZ) sustainable economic development program, officially launched the OSS in

Kabul. TAFA and EPAA supported the event technically, financially, and with outreach materials which summarized the advantages of the OSS. GIZ supports EPPA, the main implementer at OSS.

Minister of Commerce and Industries Anwar-ul-Haq Ahadi (right) and U.S. Ambassador Hans Klemm (left) cut a ribbon to officially launch the One Stop Shop (OSS) in Kabul.

Thus far, nine organizations have confirmed their co-location, including: MoCI, Ministry of Mines, MAIL, EPPA, ACCI, Center for Development of Handicrafts, Afghan Carpet Exporters' Guild, Livestock and Trade and Industrial Services Association and the National Museum Directorate.

The official launch was widely broadcast with 30 journalists from 18 media outlets attending. The Afghan press asked questions about trade in general, including questions about the recent decrease in exports, APTTA and the operations of the OSS itself. The Afghanistan Times, for example, focused on the benefits of the OSS and its potential to raise exports and reduce corruption. TAFA is currently working with EPAA on a campaign to increase awareness of the OSS and the benefits of its new exporting procedures to key exporting audiences in Kabul.

b. Afghanistan's Rank on Trading Across Borders

TAFA participated in an event in December 2011 sponsored by the USAID-funded Economic Growth and Governance Initiative (EGGI) to raise awareness and support for the launch of an initiative to improve Afghanistan's ranking in Doing Business Indicators (DBI), a program sponsored by the International Finance Corporation/World Bank. With support from TAFA,

Aleksi Aleksishvili, the former Minister of Finance and Minister of Economic Development of the Republic of Georgia, spoke at the conference about DBI reforms undertaken in Georgia with USAID-assistance. Between 2006 and 2011, Georgia moved from 112th place to become the world's number one reformer and ranked 12th out of 183 countries surveyed by the World Bank for ease of doing business. The event was well received by Afghan counterparts, covered extensively by Afghan media, and served as a launching point for DBI-related initiatives in Afghanistan. TAFA was selected to form a working group to tackle one indicator, Trading Across Borders.

Following the December event, TAFA led its working group to review existing procedures and processes and identified ways to simplify and reduce the time and cost of exporting. Two of the proposed reforms recommended the elimination of export permits and quality certificates issued by guilds. In addition, it was recommended that two documents (invoices and certificates of origin) issued by ACCI be made voluntary rather than mandatory. The affected organizations opposed these changes, but private firms supported them. The outcome is not yet settled.

Greater success in reforming export procedures occurred at the customs area at KIA. Based on meetings organized by TAFA, private traders were able to hold focused discussions with the Director of Customs at KIA, his staff and other major government entities operating at KIA about the problems exporters encountered at the airport. Most of the reforms had to deal with how cargo is handled and cleared at the airport for export. Three meetings were held so far in 2011, and traders have asked TAFA for support in organizing additional meetings on a regular basis.

c. Afghan National Standards Authority

At the end of TAFA's first year, the Afghanistan National Standards Authority (ANSA) and TAFA hosted a celebration of World Standards Day to raise awareness among regulators, the private industry and consumers of the importance of standardization to international trade and economic growth. The October 21 event emphasized the role of ANSA in preparing and adopting international standards to facilitate trade, protect customers and promote exports.

Strategic Plan

The momentum generated by the World Standards Day carried over as TAFA held the first donor coordination meeting on standards with representatives from USAID, the World Bank, Department for International Development (DFID), the European Union, Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), U.S. Army Corps of Engineers, Indian Embassy, United Nations Development Program (UNDP), Canadian government, Agha Khan and GIZ. At the meeting, TAFA and ANSA presented the ANSA draft five-year strategic plan to donor agencies and stakeholders. The plan focuses on developing ANSA's technical infrastructure to facilitate regional and international trade, and, in the long term, WTO accession.

Standards Handbook

ANSA closed out 2010 with the publishing of the "Handbook on Standards, Metrology and Conformity Assessment", which was developed by TAFA. This was first handbook on standards in Afghanistan. It was published in both English and Dari to reach a wide audience. The handbook focuses on improving the standards of Afghan products to increase the volume of goods exported, which will lead to additional revenue for Afghan traders.

Launch Event

In the spring of 2011, ANSA held a large-scale outreach event at the Prime Minister's Palace to raise awareness of ANSA and the role it will play in building consumer confidence in product safety, quality and environmental compliance of Afghan exports. More than 150 people attended the launch event, including the speaker of the Upper House of Parliament, ministers, ambassadors, heads of independent trade associations and senior representatives from donor organizations.

The keynote speakers included Ustad Mohammed Karim Khalili, second vice president of Afghanistan, and Karl Eikenberry, U.S. ambassador to Afghanistan. Local and international media covered the event. During the event, Ambassador Eikenberry presented a calibrator, a multimeter, and other metrology equipment valued at over $90,000 to the Director General of ANSA. TAFA facilitated the donation from the Fluke Corporation of Seattle, Washington.

Minister of Commerce and Industries Ahady speaks as U.S. Ambassador Karl Eikenberry, Afghanistan National Standards Agency (ANSA) Director General Popalzai Popal and Afghanistan's Second Vice President Ustad Mohammad Karim Khalili watch at an event to raise awareness of ANSA.

Strategy Implementation

For the short-term, TAFA and ANSA developed a three-year work plan for implementation with a focus on capacity building for ANSA. With TAFA assistance, including the payment of membership fees, completion of application forms and submission of forms, ANSA became an

official member of the International Laboratory Accreditation Cooperation (ILAC) and the National Conference of Standards Laboratories (NCSL). With membership in these organizations, ANSA can participate in international conferences and develop networks within the international standards community. Membership in these organizations will help ANSA as it seeks accreditation for Afghan laboratories involved in the certification of products. Finally, these memberships will ensure ANSA has expanded and continued access to international best practices in standards — not only during TAFA, but after the project ends as well.

The finalized strategic plan, completed in March 2011, includes an implementation plan for the four primary sections of the strategic plan: standardization, metrology, conformity assessment and accreditation. The plan consists of the goals, objectives, programs, activities and resources needed for implementation of these programs, as well as a timeframe and expected results.

TAFA played a key role in the design and establishment of a Quality Improvement Coordination Board (QICB), which has the responsibilities include coordinating all the government organizations involved in establishing mandatory and voluntary standards, enforcing mandatory standards, and assisting associations to help their members adhere to and qualify for international certification of product and producing standards. ANSA, MAIL, MoPH, AISA, ACCI and MoCI are members of QICB, and representatives of associations and donor projects supporting firms in meeting standards will participate as observers. In addition, QICB also effectively helps ANSA in implementing their five year strategic plan.

TAFA financially assisted ANSA participate in international conferences and workshops to introduce ANSA to other international organizations and allow ANSA to benefit from the international, regional and national organizations' knowledge and experiences. Most recently, TAFA financially assisted two ANSA staff to attend the ISO General Assembly meeting in New Delhi India.

d. Industrial Park Development

As a part of its work plan for industrial parks, TAFA has surveyed the current situation at selected industrial parks in Kabul, Mazar-i Sharif and Herat. Findings from this survey have been included in a report presented to the Industrial Park Development Department (IPDD), a department under AISA. IPDD will use data included in the report for planning activities in development of new industrial parks as well as for providing services to industrial park tenants. TAFA will continue its support for IPDD and MoCI in developing industrial park management tools and technical training programs for industrial park management staff.

Bagrami Industrial Park, located approximately 30 kilometers outside Kabul, is considered a key industrial park for the development of the province of Kabul and Afghanistan as a whole. TAFA assisted the IPDD in preparing a presentation to USAID on IPDD's proposal for development of the Bagrami Industrial Park, Phase II. TAFA's assistance focused on the compilation of financial projections for the activity. Based on this event and the business plan, which was also developed with the assistance of TAFA, USAID will be able to decide whether to provide $5 million in grant funds for the park's development.

e. International Road Transport Convention

At the beginning of the project's second year, TAFA began working with ACCI to implement an action plan developed by the International Road Transport Unit (IRU) for Afghanistan's

participation in the Transport Internationale Routiers (TIR) system. The TIR system is recognized as the only truly global customs transit system and would provide simplified access for Afghan goods to several neighboring countries via road transport.

TIR was established in 1975 and Afghanistan joined in 1976, but Afghanistan has not been recently active in the system. TIR allows goods to transit from a country of origin to a country of destination in sealed-load compartments with customs control recognition along the supply chain. This minimizes administrative and financial burdens and customs duties and taxes that may become due, which are then covered by an international guarantee.

The TIR Convention provides a significant added value to Afghanistan, because Afghanistan is a landlocked country and four of its border countries are active under the TIR Convention: Iran, Turkmenistan, Uzbekistan and Tajikistan. Moreover, Pakistan, which recently signed APTTA with Afghanistan, is in the process of joining the TIR Convention as well.

For Afghanistan to be able to use TIR, there are some systems which must be in place. The action plan is designed to guide stakeholders through the TIR reactivation process within 12 months. With an agreed upon action plan, TAFA worked with ACCI to submit a completed copy of the mechanism for implementation for TIR reactivation in Afghanistan to the International Relations Director at the MoTCA.

TAFA completed the following tasks on TIR reactivation in coordination with other stakeholders:

- **Formation of TIR National Committee:** The National Committee on TIR Reactivation is formed on a decree of the President and is chaired by the Chief Economic Advisor to the President. On the committee are representatives from the MoF, MoCI, ACCI and MoTCA. The committee monitors progress on TIR reactivation and ensures interagency coordination.
- **Formation of TIR Technical Committee**: The TIR Technical Committee is chaired by MoTCA and has members from ACCI, ACD, MoCI and MoI. The Technical Committee focuses on implementation of IRU's action plan. The Technical Committee members are also on the National Authorization Committee, which is a requirement under TIR convention. The National Authorization Committee will ensure that every transport operator wishing to use TIR Carnets meets the minimum conditions and requirements.
- **Development of Working Procedures:** TAFA assisted in the development of working procedures, agreed upon by all stakeholders, so Afghanistan can meet the requirements of IRU. The working procedures outline the authorities and responsibilities of the TIR Technical Committee in reactivation of TIR. The working procedures were forwarded to the TIR National Committee for approval. These procedures will serve as the legal basis for the Technical Committee to operate and make decision in implementation of IRU's action plan.
- **Implementation of Proposed Action Plan:** TAFA developed and translated a mechanism for implementation of a proposed action plan by IRU for reactivation of TIR. TAFA prepared a summary of the 24 actions from the IRU's action plan and translated and distributed them to the committee members.
- **Signature of IRU's Standard Deed of Guarantee:** On Oct. 1, 2011, with the technical assistance of TAFA, ACCI signed IRU's standard Deed of Guarantee with ACD, which sets out, in clear terms, the liabilities, responsibilities and the procedures arising from the use of TIR Carnets on the territory of the country of Afghanistan.

TAFA plans to issue a grant to ACCI to cover their initial costs of establishing the TIR carnet program. ACCI expects the program to be sustainable in the second year of operation through fees assessed for acquiring a carnet. In addition to covering the costs of establishing the program, the grant will help ACCI provide awareness workshops on TIR implementation and help ACCI participate in a study tour to neighboring countries where TIR is already being implemented. TAFA expects the grant will be issued to ACCI by the end of 2011.

f. International Federation of Freight Forwarders Association

TAFA, in cooperation with AAFFCO, conducted FIATA freight forwarding and road transportation training courses in Mazar-i Sharif, Herat and Kabul. The courses covered two of 14 FIATA modules and gave logistics providers, transport operators and freight forwarders the knowledge to handle cargo according to international best practices, allowing them to compete with international logistics providers. As a result, they know how to use FIATA's documents to

A Kabul University professor shakes the hand of a graduate from the International Federation of Freight Forwarders Associations (FIATA) freight forwarding and road transportation training held in Kabul with TAFA support.

transport goods across international borders. The participants also learned about the TIR and the International Carriage of Goods by Road (CMR) convention. Sixty participants, including 42 men and 18 women, graduated in December 2010 from this training program in Mazar-i Sharif.

Due to the heightened interest, TAFA and AAFFCO carried out a second FIATA training in Herat in May 2011 for 50 participants and a third in Kabul for 88 participants in October 2011. TAFA is evaluating a grant proposal from the American University in Afghanistan for the

university to take over the program and offer all 14 modules of the FIATA training program in the five major cities of Afghanistan.

g. Public Private Partnerships

TAFA is conducting due diligence on a number of potential PPPs at various locations around Afghanistan.

Badam Bagh Fruit and Vegetable Pack House

TAFA has worked with USAID's ASAP and MAIL staff in developing a plan for a PPP-based project under which the MAIL, the owner of the pack house, will engage a private firm to continue to operate the pack house following ASAP's closure in October 2011. The Afghanistan Land Authority, also known as Arazi, which is under MAIL, is acting as the procurement office for this project. TAFA is assisting Arazi in developing the request for proposal and is assisting in the tendering process.

A truck passes through Hairatan, which is becoming a major trade hub of Afghanistan. TAFA is exploring a public-private partnership (PPP) for a parking facility at Hairatan, which is located at the border near Uzbekistan.

Truck Parking Facility on Hairatan Outskirts

Located on the banks of the Amu River, which separates Afghanistan from Uzbekistan, Hairatan is growing in importance as a major trade hub for Afghanistan. Hairatan is connected via rail to Uzbekistan and through this link to the entire rail system of the former Soviet Union. The town has grown in importance with increasing ISAF cargo, loaded in containers placed on rail wagons in Europe and coming to Afghanistan. Hairatan is also a key entry point for various refined petroleum fuel products coming in rail tankers from Uzbekistan. The increasing cargo through this small town has resulted in significant truck traffic. Most of the trucks entering Hairatan load import cargo for onward distribution. A smaller number of trucks bring export goods, including raisins, fruits and vegetables, from Afghanistan and some from

Pakistan destined for countries in Central Asia and Russia. Each day hundreds of trucks, including fuel trucks, are parked on sides of narrow roads creating serious safety hazards and slowing down the flow of goods.

TAFA conducted due diligence for a potential PPP under which the MoCI will contract a private firm to design, build and operate a parking facility for trucks outside of the town. The objective of the potential project is to lower congestion in the town, improve trade flow, and lower the risk of explosion and fire from gas or fuel related mishaps. The Governor of Balkh province has issued an order to transfer necessary land at no cost to this project. Following this, TAFA will conduct an evaluation of the project's technical and financial viability.

Cargo Village at Kabul International Airport

TAFA conducted due diligence on a PPP to develop a land parcel adjacent to KIA that is owned by the ACD. A study done by USAID's Afghanistan Small and Medium Enterprise Development (ASMED) had considered the feasibility of such a project and a transport advisory team at the U.S. Embassy had developed terms of reference for privatizing KIA operations, including the development and operation of a cargo village. TAFA visited the proposed site, discussed plans with customs staff at KIA and the head of ACD, and TAFA met with air cargo operators to evaluate the feasibility of private sector participation. TAFA's findings indicate a master plan for the development of various facilities at KIA is currently in progress. This work is taking place under the authority MoTCA with the support of Japan. No further steps will be taken until the development plans are ready for implementation.

Truck Parking at Islam Qala in Herat

In a meeting with TAFA staff on Aug. 3, 2011, the Director General of the Transit and Trade Facilitation department under MoCI requested assistance from TAFA in developing and implementing several PPPs to improve logistics services at several international border crossings in Afghanistan. The MoCI's intent is to engage private sector firms to compete for contracts to invest 100 percent of necessary capital and design, build and operate necessary logistics facilities to improve efficiencies and expand Afghanistan's export and import trade. As a part of this work TAFA is currently visiting selected border crossing areas, gathering information on what logistics services are lacking, availability of land for developing needed infrastructure, working with provincial authorities or MAIL for procuring land and evaluating investors' interest in participating in competition for contract.

Due diligence done by TAFA at Islam Qala and Herat city indicates that a truck parking facility at Islam Qala, where goods can be transferred from Iranian trucks on to Afghan trucks, will help improve trade flow. TAFA is continuing to gauge the daily demand and potential cost of developing a new facility.

Cold Storage Facility at Torghundi in Herat

As part of ongoing work on behalf of MoCI, TAFA assessed logistics service needs at various international border crossings. Staff visited the Torghundi BCP north of Herat on the Turkmen border. The MoCI staff stationed at the post identified the need for cold storage for meat and vegetable import preservation. This will allow importers to store their goods for some length of time before transfer to a final destination within Afghanistan. TAFA's work in evaluating the

potential demand for such services is continuing. If sufficient demand exists, TAFA will evaluate needed investment and financial viability of a PPP-based project.

Newly Built Cold Storage and Warehouse Facility in Nangarhar

TAFA visited a newly built cold storage and warehousing facility located on the Kabul – Jalalabad road near Jalalabad city. This facility was constructed by the Provincial Reconstruction Team (PRT) in Laghman on land owned by the Directorate of Agriculture, Irrigation and Livestock (DAIL) in Laghman. TAFA is continuing to evaluate the willingness of the Directorate to engage a private firm to operate this facility for public use and the viability of such a PPP-based project. A major impediment is the unit's reliance on costly electricity produced by diesel generators at its premises since it is not connected to public utility grid.

V. COMPONENT 4: PUBLIC OUTREACH

TAFA's public outreach component increases awareness of the benefits of customs reforms and trade liberalization and facilitation. Working closely with other TAFA components, the public outreach component helps GIRoA counterparts expand their capacity to understand and explain new trade and customs policies and agreements to key audiences such as other government ministries and the Afghan private sector. TAFA works to build the business community's understanding of new trade agreements and trade and customs policies and procedures. It also expands the ability of Afghan journalists to understand complicated trade and economic issues in order to produce accurate and compelling news reports for public consumption.

Since Afghanistan has a highly centralized "wheel and spoke" government system with the highest level of civil service capacity concentrated in the capital, TAFA sought to extend understanding of new trade agreements to the provincial level. Provincial-level government officials were trained on new trade agreements and their communications skills were built to ensure they could explain trade issues to the public and local media. Strengthening the provincial governments to understand and reach out on trade issues helps the Afghan government function more professionally, builds the trust of core trading constituencies and lays the foundation for meaningful public-private dialogue at the local level. TAFA enjoyed a robust regional presence with full time staff in all four regions offering a host of trainings, workshops and information-sessions on trade-related issues.

a. Trade Service Centers

Afghanistan's transit and trade liberalization agreements, WTO accession, trade facilitation measures and reactivation of TIR are designed to pave the way for the country to participate in global trade and increase exports. Joining the world markets requires adhering to a complicated set of technical rules and acquiring the market acumen to profit from increased access to big consumer markets. Clearly, these are new dimensions in the Afghan trading experience. The users and beneficiaries of new trade and transit agreements, namely the Afghan trading community, need guidance to understand, navigate and apply trade-related information to take advantage of the newly-created trading opportunities. TAFA established TSCs in Jalalabad, Kabul, and Kandahar to serve this need.

TSCs are a joint collaboration between TAFA, which serves as a trade knowledge provider, and ACCI, an institution with a service mission, global access and influence over the trading

community. The TSCs function as trade information developers and disseminators whose core content and service offerings target the trading community.

Housed in ACCI facilities, TSCs are staffed by TAFA employees back-stopped by the entire public outreach team. TSCs hold weekly workshops, trainings and trader events to explain complicated trade issues to different target audiences, such as traders, producers, farmers, businesswomen, youth entrepreneurs and journalists. A comprehensive website provides up-to-date information on pressing trade issues. Profiles of Afghan exporters are uploaded onto the website to encourage e-commerce internationally. Women in trade profiles are also uploaded to allow Afghan businesswomen to e-market their products to wider audiences. The TSC simplifies and re-purposes TAFA's trade materials and resources for wide distribution and uses information technology as a low cost platform to reach audiences quickly and efficiently.

Mr. Qurban Haqjo, the chief executive officer of the Afghanistan Chamber of Commerce and Industries (ACCI), addresses the crowd at the opening of the Trade Service Center (TSC) in Kabul.

Current activities primarily revolve around static or fact-based information. Moving forward, TAFA plans more analytical, interactive communication products at the TSCs. It is anticipated that TSCs' electronic marketing into international markets will increase. On the opposite side of the spectrum, the centers' localized presence and increased use by the local trading community means that they are well-positioned to develop into a channel for effective, grassroots-based advocacy. Increased partnerships with non-governmental organizations, provincial chambers and business associations will also achieve better reach and depth in information dissemination. There are also plans for an expanded focus on women traders through workshops, hands-on trade advice and aggressive e-marketing of their products. Finally, TAFA is exploring integration with ACCI's International Affairs Division to exploit its domestic and foreign contacts for trade.

b. Reinventing the Afghan Chamber of Commerce and Industries

Twelve months ago, the Chamber's voice lacked depth. ACCI communications efforts included unfocused messaging, the frequent use of anecdotal data, services that lacked a cutting communications edge and advocacy efforts devoid of substance. TAFA's goal for ACCI was to introduce an information-based, technologically-advanced communication strategy with related-products.

Twelve months on, through a combination of TAFA technical assistance and donors recognizing its strategic importance, the Chamber is successfully reinventing itself to be Afghanistan's pre-eminent private sector body. Its leaders always had a natural flair to engage the media. This media outreach is now complimented by a host of information-based tools and assets redefining ACCI's role as the premier body representing the interests of the Afghan private sector. These are some of the steps the Chamber is taking to be more information-driven:

- A research unit is being erected to conduct information-based advocacy whose impact is tracked by a business climate monitoring system that aggregates data to formulate business trends and forecasts;
- In conjunction with TAFA, three TSCs were established in Kandahar, Jalalabad and Kabul and a website was developed to disseminate trade and economic information quickly to the private sector;
- After a competitive solicitation, Peace Dividend Trust's Marketplace, a database containing thousands of registered companies, was handed over to ACCI. This database is used to facilitate the most active, comprehensive and transparent tendering services in Afghanistan;
- TAFA is supporting the implementation of a TIR carnet issuance center at ACCI. Using modern information and communications technology, ACCI will help facilitate transit of Afghan goods into the European corridor.

Five workshops to encourage and support information-based advocacy campaigns were conducted for the private sector in Mazar-i Sharif and Jalalabad.

TAFA taught ACCI to embrace technology to reach Afghanistan's private sector quickly and comprehensively. TAFA helped the Chamber to develop an electronic communications product (e-missive) called Perspective, to let the ACCI chief executive officer communicate quickly on a pressing theme. Nine Perspectives were produced, discussing such topics as using Turkey's quality premium to boost exports to higher education's link to private sector growth. TAFA is also building the Chamber's opinion leaders messaging capacity through facts and figures found in "Executive Briefs". Three "Executive Briefs" were prepared: "SAFTA: Basics, Facts, and Figures"; "TIR: Opportunities and Challenges"; and "Why the Private Sector Needs to Understand the Impact of Military Withdrawal and Reduction in Aid Spending". Other communications' products produced and distributed to the Afghan private sector include three brochures, two booklets, eleven speeches, 24 media or web releases and a variety of official communiqués, presentations and promotional material.

TAFA was also very successful in including trade, transit and investment articles in the regular and ad hoc ACCI publications. Trade-related articles were produced for the quarterly ACCI magazine "Market Economy" including "APTTA: Afghan Business Access the World", "Trade Statistics-1389", "Interview on Trade with EPAA Deputy Chief Executive" and "TIR". An article entitled "Cross Border Trading Opportunities" was published in the "ACCI Investment" booklet. "Investment Alert: State of the Afghan Economy" was published in the "6th US-Afghan Match-Making Conference" booklet.

TAFA wrote many speeches for the ACCI chief executive officer, allowing information-based messaging including important trade and investment facts to be channeled to important audiences. Among the most notable were speeches on economic regional integration made at the South Asia Forum in India, Business Matchmaking Conference in Washington D.C., and at the signing of a Bilateral Chamber Agreement with Turkey, in Kabul. TAFA wrote communiqués related to APTTA for Prime Minister Gilani of Pakistan and for the Chief Justice of the Supreme Court of Pakistan.

The reinvention of ACCI is well underway, and TAFA has been a key contributor to this endeavor.

c. Communicating Reform at Afghanistan Customs Department

At ACD, TAFA supported increased communication and information sharing, enhancing transparency and image change with the agency's first ever external and internal communications and outreach initiatives. Over its history, ACD has suffered from a perennial negative public image. Over the past year, TAFA supported ACD in improving its public image through two nationwide campaigns, increased communications links across the department and border regions with an e-newsletter, improved the transparency and efficiency of public services by developing a new website and built staff capacity through communications training and mentoring.

TAFA supported the implementation of two outreach campaigns, reaching citizens across Afghanistan with positive messages regarding ACD activities that benefit the country and its trade practices. The "Afghan Customs At Your Service" campaign focused on the benefits accrued by the people of Afghanistan from ACD's revenue raising activities. The campaign included a calendar, brochure, poster and billboards highlighting how customs revenue helps support various government programs, such as hospital and school construction, and financing for security and agriculture. The brochures and posters were distributed to various public and private sector entities around Afghanistan, and the billboards were posted on key trade transport routes in Kabul and the four regions.

TAFA executed a second outreach campaign focusing on ACD policies and procedures aimed to increase the agency's transparency while also fostering a more informed public, particularly traders who engage in import and export practices. TAFA produced and distributed signage stating key ACD rules and principles to ICDs and BCPs across the country. In coordination with ACD, TAFA also developed informational materials regarding streamlined processes and the Border Business model.

Expanding its use of technology as an effective outreach mechanism, ACD conducted a "soft launch" of its new website in September. The site includes important updates to customs rules and procedures like tariffs, processing, valuation, the ACD Five Year Plan, an overview of customs including fees and charges and details about new trade opportunities like OSS, SAFTA and APTTA. In its ongoing reform effort with TAFA support, ACD fashioned new streamlined procedures at the Kabul ICD, KIA and the Hairatan BCP. These measurably reduce the time required to process imports and exports. These new procedures were documented and posted to the new ACD website.

The ACD significantly expanded its internal communications efforts with the establishment of its first newsletter, the “Customs Mirror”. The newsletter, distributed to all ACD provincial and national offices, included messages from the Minister of Finance, the Deputy Minister of Finance for Customs and Revenue and the ACD Director General, details about new customs policies and projects, developments in international trade and ACD success stories. Four editions were crafted and distributed between May and November 1, 2011.

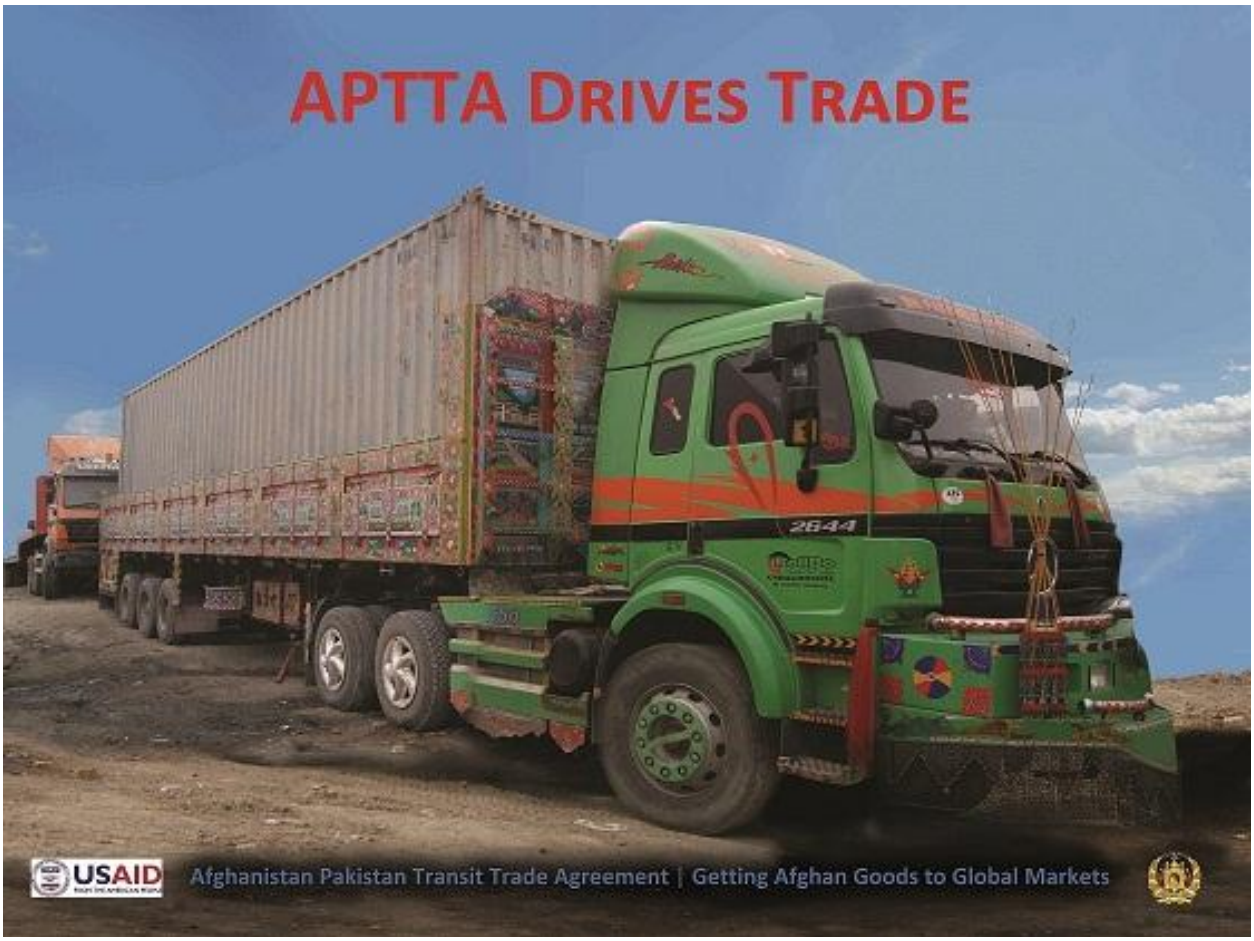
TAFA supported the implementation of an outreach campaign regarding Afghanistan Customs Department (ACD) activities. The “Afghan Customs At Your Service” campaign focused on benefits accrued by Afghanistan from ACD’s revenue raising activities.

d. Outreach on International Trade Agreements

After spending most of the first year of TAFA training MoCI officials to understand and explain SAFTA and APTTA to larger audiences, this second year was spent expanding critical MoCI and TAFA outreach to key audiences in the provinces and vulnerable groups such as women and youth. TAFA conducted 110 trainings or workshops, covering 3,856 people in 11 provinces. Most of these trainings covered APTTA and SAFTA, but workshops were also held on building communications skills, marketing and customer service. The principle goal was to “sell the dream”, helping people fathom the enormous business opportunities and profits to be made by producing and selling goods to the world’s two largest countries with nearly half the world’s population.

APTTA Drives Trade

APTTA has the potential to revolutionize the way Afghans do business. Once fully implemented, it will bring giant strides in Afghan economic growth as Afghan entrepreneurs, from ages 15 to 80, launch or re-purpose their businesses to take advantage of the giant consumer markets one door down. TAFA worked with the International Trade Department of MoCI to develop a Strategic Communications Plan, publish outreach materials and implement outreach programs including extensive nationwide workshops on APTTA's benefits for businesses. "APTTA Drives Trade" materials include: PowerPoint presentations, posters, hanging rearview mirror decorations for trucks, document folders, stickers, brochures, FAQs, national bill boards and radio public service announcements (PSAs). All materials are in three languages and contain information about how the agreement will work. These materials were used as part of ongoing training and to support the APTTA public outreach campaign which focuses on traders, truckers and freight forwarders.



TAFA designed materials, including billboards, presentations, posters, rearview mirror decorations, document folders, stickers, brochures, fact sheets and public service announcements, to promote APTTA.

The public outreach campaign also targeted relevant ministries of GIRoA, ACD, brokers, academia, non-governmental organizations and the private sector. TAFA held 74 workshops in Kabul, Kandahar, Jalalabad Herat, Mazari Sharif, Samangan, Badghis, Jawzjan, Khost and

Faryab. TAFA trained 2,290 people on APTTA, including 1,174 women and 384 youth. Participants learned about the potential benefits APTTA implementation would bring to Afghanistan and gained a solid understanding of APTTA terms, requirements, and regulations. Training also tracked specific areas of concern. These included fears that Afghan traders would have difficulty complying with the APTTA requirements for bank guarantees, tracking devices, TADs and financial guarantees. Workshops were very interactive and primary feedback revealed that Afghans feel that APTTA cannot be successfully implemented without real commitment from Pakistan.

Women entrepreneurs were prioritized as a key demographic to reach through training, with a large group session of over 150 women held in Herat, and smaller sessions across the country involving MoWA and the Afghan Women's Business Federation (AWBF). TAFA also focused particular attention on working at the border crossing points, including Hairatan, Torkham and Spin Boldak, to ensure that people whose daily work is impacted by regional trade agreements had access to adequate information and the opportunity to ask questions.

Finally, TAFA provided MoCI with a press release to promote APTTA, including public relations support for APTTA's signing in 2010, and the agreement coming into force on June 12, 2011.

Sell Your Goods on the SAFTA Market

Afghanistan's membership of SAFTA came into force in August 2011. In the lead up to full membership, TAFA worked with the MoCI to raise awareness of the requirements, benefits and impact of SAFTA for Afghan trade. The core message of this effort was that SAFTA opens up huge markets, lowers tariffs and paves the way for Afghan regional exports.

MoCI, supported by TAFA, produced and implemented a comprehensive strategic communications plan for SAFTA. This included production and distribution of posters, brochures, fact sheets, a technical booklet for traders and national billboards. Materials were supported by intensive training in Kabul and the provinces.

Throughout the year, 46 workshops, training sessions, and briefings were conducted on SAFTA. More than 1,889 participants attended training and of these 858 were women. Participants were from targeted audiences including GIRoA officials, business people, women's business groups, traders, truckers, brokers, freight forwarders, ACCI, professors and students, and the media. Training was tailored to meet the needs of specific audiences and presentations focused on providing relevant information and responding to questions. Trainings took place in the main regional centers: Herat, Kabul, Kandahar, Mazari Sharif and Jalalabad. A number of reports from workshops were broadcast on local and national television and radio. Responses to workshops varied but participants were generally optimistic about the potential for SAFTA to increase trade and improve the economy.

Standards Publicity

ANSA was supported by TAFA to raise awareness of the progress Afghanistan has made toward achieving international standards on both exports and imports in recent years. This support took a range of forms. TAFA supported two major events: World Standards Day and the Launch of the ANSA Strategic Plan and Standards Handbook. TAFA also produced materials with ANSA for use in educating and informing the Afghan public, in particular Afghan business,

about the essential role standards and quality infrastructure play in the economic development of Afghanistan.

Materials included one-pagers on standards, an A4 booklet, postcards, a 100-page five year strategic plan and a 150-page “Quality Infrastructure Handbook”. The booklet, in Dari, Pashto and English provides information about how standards are relevant for Afghanistan and Afghan traders and includes illustrations of how standards work. ANSA’s strategy document in Dari and English outlines its challenges and plans for the next five years. The “Quality Infrastructure Handbook” in Dari and English is a technical guide to “Standards, Metrology and Conformity Assessment”. The handbook includes a CD which provides hyperlinks which guide the reader to relevant material and organizations. As international standards are new to Afghanistan, all of these materials were designed to generate interest and make international standards and quality infrastructure more accessible to Afghans.

The One Stop Shop - Making Exporting Easy campaign

The OSS building was inaugurated on March 13, 2011, at Kabul Customs House. The OSS locates most of the procedures necessary to export goods under one roof, reducing the time and expense traders need to get their goods to foreign markets. The opening was followed by a Kabul-based campaign, launched on July 15, aimed at raising awareness about the role and benefits for exporting of the OSS among traders and exporters.

“The One Stop Shop – Making Exporting Easy” campaign was conducted in collaboration with EPAA. This ongoing campaign includes billboards, posters, a document folder, radio PSAs in

TAFA conducted the “The One Stop Shop – Making Exporting Easy” campaign in partnership with the Export Promotion Agency for Afghanistan (EPAA). The campaign included billboards, posters, folders, radio announcements and promotional mugs.

Dari and Pashto and promotional mugs. A one-pager was sent through the Peace Dividend Trust email network to more than 6,000 companies across Afghanistan. This generated a high degree of interest among traders who contacted both TAFA and the OSS directly with questions. The radio PSA was broadcast across two national radio stations (Arman and Ariana) for two months starting from Aug. 15, 2011. The campaign also assisted EPAA in encouraging guilds, which had been reluctant to situate themselves at the OSS. As a result of the campaign, three entities moved to the OSS, namely the Ministry of Mines, the Afghan raisin, fruit and vegetables promotion administration and the carpet exporter and producer department. In order to maximize the effect of the campaign, it was timed to coincide with the peak export season in Afghanistan.

The campaign will be followed by workshops for traders, entrepreneurs, small- and medium-sized enterprises and women's business groups in export procedures and an upcoming guide on how to export entitled "Trade Builds Afghanistan."

e. Media Training and Capacity Building for Government Counterparts

TAFA conducted a number of sessions on communications training for officials from ANSA, MoCI, EPAA and ACD in Kabul and regional offices such as Herat, Jalalabad, Mazari Sharif and Kandahar. This ongoing training focused on developing the skills needed to create communications campaigns and work effectively with the media. Subjects covered included communications basics such as audience identification, social marketing and effective press relations and combined contemporary media theory with practical exercises. Theoretical modules were followed by real life examples including writing press releases, press briefings, developing messages, interview techniques, holding public meetings and strategic communications planning. The training produced draft press releases for the implementation of both APTTA and SAFTA.

The MoCI received ongoing mentoring in trade and communications skills. With two major agreements coming into force, strong coherent messaging and extensive training provided a basis for successful Ministry communications. MoCI staff were trained in APTTA and SAFTA during TAFA's year one. During this second year, these GIRoA staffers conducted their own training sessions in the provinces and Kabul for a variety of stakeholders, including other ministry staff, the private sector, journalists, university students and professors, women's business, truckers, traders, Customs brokers and freight forwarders. MOCI staff were also trained in strategic communications planning and implementation, materials development and attended formal and informal communications training.

f. Capacity Building of Provincial Officials

In order to increase the provincial government's capacity to service and talk to the public; strengthen coordination among government offices; and build better lines of communications between the central government and the provinces on trade issues, TAFA extended its communications activities to the provinces. Under the overall guidance of a Regional Communications Manager (RCM), TAFA hired and trained four regional communication coordinators (RCCs) embedded in the four regions, Kandahar, Herat, Balkh and Nangahar. They developed training and media plans for each region including APTTA and SAFTA workshops and communications trainings. Media plans included site visits, press interviews, public meetings and round tables. The goal was to help provincial government machinery function more effectively by training government officials on important trade

agreements and issues and building their capacity to effectively communicate to the press and the public on trade and economic issues.

The RCM built the internal (talk to each other) and external (talk to constituencies) communications capacity of regional provincial officials. Strategies included workshops in Mazari Sharif and Herat and one-on-one mentoring. The workshops covered identifying audiences, developing core messages and media relations training. Provincial level officials are now more willing and able to discuss trade issues with the press and the media. For instance, the Director of ACCI in Mazar Sharif gave a press interview on trade issues on October 2, 2011, and customs officials in Herat held a public meeting on October 12, 2011. These events would have been inconceivable a year ago.

The RCM and RCCs also increased the knowledge and understanding of provincial officials on current trade policies and new trade agreements through a series of trainings and workshops. The workshops also covered the benefits, requirements and current status of APTTA and SAFTA. During 23 workshops in ten provinces across the country, including Samangan, Badghis and Khost, 535 government officials, including 131 women were trained. The APTTA and SAFTA training in Kandahar covered most members of the Provincial Development Council. It was opened by the Governor of Kandahar, and included the participation of the Deputy Governor who was killed a few days later.

TAFA targeted more than the "usual suspects" of economic ministries in its provincial-level workshops: it included ministries with a connection to trade such as health, culture and information, communications, transport, women and agriculture. Increased trade has a

The head of the Balkh division of the Afghanistan Chamber of Commerce and Industries (ACCI) addresses the press in an interview arranged by TAFA.

significant impact on a broad range of ministries who work to improve the lives and economic livelihood of Afghans. TAFA sought to bring cohesion and broad-based understanding on trade issues among the regional players so that they could in turn champion and explain the benefits of trade and new trade initiatives at the local level. This localized strategy is a step in the long process of acknowledging and improving central and provincial communications at the same time as providing local audiences with the information they need to trade.

g. Engaging the Private Sector and Key Stakeholders

Afghan business is worn out by war and in many cases defeated by government bureaucracy and corruption. An extensive program of trade-related trainings and workshops was rolled out across the country to help counter this fatigue and to provide some much needed optimism about the potential for trade in the re-building of Afghanistan. For experienced traders, the goal was to inform them about APTTA and SAFTA, two new trade agreements which would make their trading easier, faster and cheaper as a result of incoming lower tariffs.

For new or potential traders, the goal was to create a climate where trade was considered a viable, profitable and “not too hard” livelihood option. TAFA aimed to ignite a spark of hope about practical new ways of making an honest income. By providing market intelligence and tools for learning to trade, TAFA laid the foundations for the Afghan private sector to take risks, entertain new income-generating ideas, reconfigure their business models and build successful businesses, one letter of credit at a time.

TAFA approached this in a number of ways including workshops, trader meetings, updates, one-on-one information sharing, formal trainings, meetings, material dissemination and informal discussions. Venues included governors’ houses, PRTs, Chai Khans, government offices, universities, hotels, restaurants, truck stops, border posts, customs houses, ACCI, AAFFCO and TAFA offices. Stakeholders were given materials including fact sheets, one-pagers, brochures, posters and accessible web content that contained straightforward and accurate information that can be easily understood and passed on. These hard materials are especially important in Afghanistan where resources are scarce and tangible objects can be displayed, shared and used many times.

In total, 73 trainings and workshops were held in 10 provinces for the private sector, including women businesses and youth entrepreneurs; 2,866 businesspeople participated including 1,343 women and 270 youth and student entrepreneurs. Marketing and customer service training was held, specifically targeting women and youth across the country. Four marketing skills workshops conducted in Jalalabad, Kabul and Herat attracted 181 youth and 103 women. Topics covered included ways to enter foreign markets, how to conduct market research and analysis and strategic planning.

TAFA also tried to optimize local knowledge networks and reinforce local wisdom and opportunities. It hired communications coordinators from the local area, tapping into their local networks and knowledge base. It worked to ensure that strategic interventions were localized, not the same across the country. For instance, the RCC in Mazari Sharif met with hundreds of truckers for 90 minutes in the early morning hours at the border, when they had idle time while goods were being processed. The RCC in Kandahar conducted trainings in chai khanas, traditional tea houses targeting truckers, akin to western truck stops. The RCC in the East had a vast network of contacts and relationships along the Pakistani border that he called upon when organizing trainings.

TAFA also built strong relationships with provincial business associations including provincial Chambers of Commerce, women's business associations, traders and truckers associations and economic non-governmental organizations in order to foster local institutions growth and ensure solid dispersal of relevant trade information to businesspeople in the provinces.

h. Capacity Building of Afghan Journalists

The Afghan press is the primary vehicle to transmit key information on trade issues and agreements to a wider audience. Like most audiences Afghans are also more likely to believe new information if it comes from a trusted source. The Afghan media despite self-censoring and a legacy of communist-style reporting is developing slowly into a functional, free and independent press. Significantly, it is regarded by most Afghans as a legitimate source of information.

TAFA's goal was to create space where a discussion of trade and economics was normalized in the mainstream media. Its work with the media was designed to encourage a free and independent media that understood and could report on trade and economic issues in an accurate and compelling way.

During this second year, TAFA continued to build the capacity of Afghan journalists. Journalists are an important vehicle to transmit information to the general public and spark a public dialogue on trade issues. Because Afghan journalists have low capacity and no knowledge of trade issues, a number of steps were undertaken to strengthen their ability to work as free and independent journalists with an improved understanding of trade issues. Over the first two years of TAFA, 115 journalists from 28 provinces of Afghanistan were trained on trade and economic reporting. Post training, provincial journalists were supported by workshops, briefings on trade issues and seventeen visits to local, economically relevant sites – for example, industrial parks, beverage factories and border crossing points. A "Trade and Industry Resource Guide" was drafted and piloted through the final three trainings. And, a Trade and Economic Press Club, with an independently elected Board of Directors, was established in Kabul to brief and encourage journalists to report on trade-related topics.

During TAFA's second year, 58 journalists from 14 provinces were trained on trade and economic reporting in three week-long courses conducted by an ex-BBC journalist and presenter. Each training included an overview of basic journalism skills including how to do economic research, backgrounders from government officials on WTO, APTTA, SAFTA and TIR and an overview of tariff and customs procedures. Site visits were organized to put the new skills into practice and receive feedback on actual reports. The trainings resulted in reports that were published in newspapers and broadcast on television highlighting the importance of trade and transit and Afghanistan's economic potential. Journalists who attended the training provided clear feedback that they would benefit from additional support.

- The first training covered 19 journalists from four western provinces, Herat, Farah, Badghis and Ghor. They visited a dairy farm to see how agricultural produce gets to market.

- The second training comprised 23 journalists from four southern provinces, Kandahar, Helmand, Zabul and Uruzgan. The journalists attended an ACCI/TAFA press conference to sign a memorandum of understanding related to the new TSCs. They interviewed privately the chief executive officer of ACCI, Mr. Qurban Haqjo. They also had an hour-long interview with Anwar-Ul-Haq Ahady, the Minister of Commerce and Industries and a leading Pashtun politician.

- The third training covered 16 journalists from six provinces in the central region of Afghanistan, including Bamyan, Parwan, Ghazni, Daikundi, Kapisa and Pangshir. They visited Turquoise Mountain, a maker and exporter of fine, traditional Afghan jewelry and handicrafts. They also toured a juice factory that exported abroad.

TAFA piloted the "Trade and Economic Resource Guide" piloted during the three trainings. The 60-page guide covers the anatomy of a news story, understanding statistics, essentials on banking and micro-finance, agriculture, regional trade, customs, WTO, international transit and

A group of journalists visit an industrial park in Kandahar with the support of TAFA in an effort to increase the quality and quantity of economic and trade reporting in Afghanistan.

quality infrastructure (international standards) and trade. The guide, produced in Dari, Pashto and English, was viewed by the journalists as a valuable research tool and important resource for their news rooms. The guide will be finalized and distributed to every news room across the country during TAFA's third year.

i. Launch of Trade and Economic Press Club

A Kabul-based Trade and Economic Press Club was launched in December 2010 to spearhead efforts to create a cadre of qualified independent economic journalists and encourage more and better economic and trade reporting. The Press Club holds lunches with guest speakers, arranges background briefs on economic topics and organizes visits to factories, farms or other sites of commercial interest.

"We hope by running this program of TAFA, the professional skills of Afghan journalists will be raised to a higher standard and this will enable them to write in-depth on trade-related issues,"

Minister of Commerce and Industries Anwar-Ul-Haq Ahady addresses the Economic Press Club, established by TAFA to encourage more and better economic and trade reporting.

said Dr. Anwar-Ul-Haq Ahady, Minister of Commerce and Industries, during his opening remarks at the first Press Club.

Press Club events have included:

- Inaugural session hosted by the Minister of Commerce and Industries.
- "APTTA and SAFTA" by the Director General of International Trade and APTTA Chief Negotiator
- "Free Trade: Benefits and Challenges for Afghanistan" by TAFA officials
- "What is a Press Club" hosted by BBC and Internews
- "International Transit" by the head of AFFCCO

Press club events have raised economic issues in the local media for as long as a week. For instance, a trip to the Naghlo Dam, Afghanistan's largest hydro power plant, elevated power production and energy coverage in the media, sparking sustained and widespread coverage of these issues. The level of debate and economic sophistication is steadily improving. During the event on free trade, journalists asked why joining the WTO was a priority given Afghanistan's low institutional, legislative and technical capacity. Other Press Club events included site visits to Pul-e-Charkhi industrial park, the Kabul Dairy Union and the Barg Sabz Dry Fruit Exporting Co.

The Press Club fills an information gap on international and bilateral trade issues among journalists, in particular APTTA and SAFTA.

With a view for the Press Club to be entirely self-sustaining by the completion of TAFA, a Board of Directors was elected by the membership to carry out planning and coordination independently. The Board of Directors meets weekly to plan and organize upcoming Press Club events. TAFA assistance will gradually disappear as the Trade and Economic Press Club grows in sophistication, experience and know-how.

VI. CROSS-CUTTING ISSUES

Working with and through Afghan institutions and organizations, TAFA's cross-cutting issues team, together with the four primary components, put in place a program to train Afghan stakeholders, public and private, so they can utilize key trade reform initiatives. The team builds the capacity of Afghan government civil servants, private sector stakeholders, civil society organizations and other stakeholders, with a focus on youth and women.

a. Workshop for Women in Trade

TAFA conducted a two-day Training of Trainers (ToT) and workshop for Herat women involved in trade. Both the workshop and ToT aimed at raising women's awareness of APTTA, attracting women's interest in the agreement, broadening their understanding of APTTA and developing training skills of women in trade. Almost 250 women participated in both sessions, and most of them were students and new entrepreneurs.

The participants highlighted the problems they faced in trading and also provided recommendations to overcome the problems. The main concern was that they feel isolated and ignored by the government authorities. Jointly, the workshop participants identified the most critical issues for their business, which are as follows:

- Women business owners worry about the market for their handicrafts, because the public does not prefer to buy local products.
- The government should pay more attention to youth and women issues.
- Women are concerned about security.
- There is a lack of financial means to expand businesses.
- A lack of good machinery prevents production of quality products; government support is crucially important to solve this problem.
- Afghan government and non-governmental organizations should help traders find good markets for their products.
- Capacity building trainings in trade and marketing should be conducted from a young age.
- Investment is crucial to increase delivery capacity for local products.
- Imported products are often of a low quality and affect their market.

This ToT and workshop arranged by TAFA was much appreciated by the government officials and employees. The Directorate of the MoWA requested more ToTs. She mentioned that women are involved in trade activities, such as carpet weaving, handicrafts and saffron cultivation, which have strong exporting potential, but many do not know how to export.

b. Gender Assessment of Afghan Women in Business

In November and December 2010, TAFA conducted a series of meetings and workshops to consult women about difficulties they encounter in starting, maintaining or expanding their businesses. The goal of this activity was to gather information for an assessment of gender and trade. Similarly, TAFA wanted to generate recommendations from women business owners on how their role and participation in the country's growing economy can be promoted.

These workshops were conducted in Kabul, Nangarhar, Balkh and Herat provinces. In total 143 participants were consulted: 20 in Kabul (18 females, two males); 31 females in Nangarhar; 36 in Balkh (35 females, one male); and 56 in Herat (55 females, one male). In terms of tribal representation, the participants from Kabul, Nangarhar, Balkh and Herat were composed of 54 percent Tajiks, 26 percent Pashtuns, 6 percent Turkmen, 10 percent Hazaras, 3 percent Uzbeks and 1 percent Arabs.

Female workshops participants mentioned that Afghan businesswomen, who want to enter into trade, maintain or expand their businesses, are faced with a broad range of issues in every institution they deal with. While most of the issues mentioned by women during the workshops are similar to those of men who are starting a business, the degree of difficulty faced by women is compounded by their socio-cultural limitations and lower status in society. Workshop participants articulated the issues and difficulties they face as women in trade and business, which have been organized into five categories:

1. **Disadvantages at starting a business:** lack of education and literacy; cultural limitations; insecurity; poverty; lack of business knowledge and management and organizational skills; lack of knowledge on the nature of trade competition.
2. **Financial limitations:** lack of capital; limited access to credit; inability to make a decent profit; lack of accurate information on taxes and customs duties.
3. **Challenges in production:** inability to employ qualified workers; lack of access to quality raw materials; lack of production space; inadequate equipment and facilities; need for new design materials; lack of quality control.

4. **Difficulties in marketing and selling:** lack of market information; difficulty accessing markets; high cost of transporting the goods; non-competitive price of products; unattractive packaging; inability to join local and international exhibits.
5. **Lack of institutional support:** women are not consulted; lack of infrastructure; lack of day care facilities.

TAFA conducted a series of meetings and workshops to consult women about difficulties they encounter in starting, maintaining or expanding their businesses.

Given the range and varying degree of difficulty within these issues, short- and long-term interventions are needed to create a business and trade environment that will enable women to equally participate and similarly benefit from market reforms. TAFA provided significant interventions to counter these issues and support women's trade and business, including: information campaigns, capacity building, improving access to resources, increasing access to domestic and international markets, strengthening women's networks for trade, and continuing efforts to simplify and ease doing business.

While economic growth is the most significant driver behind all TAFA interventions, there are a series of positive by-products which come about through market reforms which benefit women business owners, including: increased self-confidence; greater mobility; better opportunity for education; improved ability to manage a business; improved social status of women; shared decision-making at home; shared responsibilities; and improved financial status.

c. Capacity Building for Youth Entrepreneurs

TAFA has significantly increased the knowledge of young entrepreneurs at the national and regional level regarding both APTTA and SAFTA through sessions aimed at educating populations which may normally not gain access to trade and professional education opportunities.

A participant in one of TAFA's workshops targeting young entrepreneurs kneels next to a pile of Afghanistan's saffron flowers, which yield the valuable spice.

TAFA held workshops in Kabul, Herat, Nangarhar and Balkh. TAFA educated 163 (44 female and 119 male) young entrepreneurs. The young entrepreneurs were interested in international and regional business and took a keen interest in the APTTA information. One participant added that she is importing raw materials from Pakistan and, after getting information on APTTA, she will export her products to other countries through Pakistan based on opportunities created by APTTA. She was excited to learn about this agreement and acknowledged its implementation will help her grow her business.

A significant number of the young entrepreneurs were interested in the SAFTA sessions. They saw potential in selling their products outside Afghanistan to the seven SAARC member countries, which share regional commonalities and have cultural ties to Afghanistan. Some of the participants had concerns about a reduction in Afghan tariffs and potential difficulties in

competing with foreign products. While their concerns were acknowledged, it was explained that the opportunities are seen as outweighing the risks. For example, they will have access to a much larger market through SAFTA. Afghan entrepreneurs could continue with the 30 million people who compose the market base in Afghanistan, or they could take advantage of SAFTA and gain access to a market of more than 1.5 billion people. Participants were also encouraged to hear that Afghanistan has a relaxed schedule for tariff reforms, which will allow their products to maintain a competitive edge over imported goods from other countries.

Additionally, TAFA played a vital role in training young entrepreneurs at a regional level, with marketing skills and customer service workshops in Mazar-i Sharif, Herat, and Nangarhar.

Approximately 94 (19 female and 65 male) young entrepreneurs participated in these workshops. The main focus was how Afghan traders can find markets for their products in India, where roughly 1.2 billion people live. This was of particular interest for young entrepreneurs who were enticed by the large market, which has comparable values to Afghanistan, and which, through SAFTA, would have reduced tariffs on Afghan products.

With regard to customer service, a participant mentioned that he was previously unsure of how to deal with customers and clients while selling goods. Moving forward, he said he knows the importance of customer service, including the benefits of excellent customer care, root causes of poor customer care and customer service skills such as physical attendance, listening, appearance, body language and facial expression. With this information, he felt better prepared for interactions with customers and the public in general.

d. National Partnership for Capacity Building

TAFA signed a memorandum of understanding with the Association Internationale des Etudiants en Sciences Economiques et Commerciales (AIESEC). The memorandum of understanding establishes a national partnership for capacity building and training of local interns under TAFA. AIESEC-Afghanistan, which was established in 2002, provides learning and development opportunities for local students through internships, conferences, workshops, and hands-on, practical learning experiences.

AIESEC interns will provide technical support while gaining valuable professional growth opportunities with TAFA. In return, TAFA supported AIESEC in its future business leader conference. More than 250 students and young entrepreneurs participated. These students were from Kabul and other universities in the provinces. Dr. Anwar-Ul-Haq Ahady, Minister of Commerce and Industries, was the chief guest, and he emphasized the importance of supporting the younger generation.

ANNEX A: LEGISLATIVE ACTION PLANS FOR WTO COMPLIANCE

FIRST LEGISLATIVE ACTION PLAN 2011-2012 FOR WTO COMPLIANCE		
Legislation	**WTO Agreement**	**Main Responsibility**
Law on Plant Protection and Quarantine (new law)	SPS	MAIL-Plant Quarantine Directorate
Law on Animal Health and Veterinary (new law)	SPS	MAIL-General Directorate of Animal Health
Law on Food Safety (new law)	SPS	MoPH and MAIL-General Directorate of Animal Health
Amendments to the 2005 Customs Law	CVA ROO	ACD
Amendments to the Law "On Supporting the Rights of Inventors and Discoverers" of April 31, 2009 (Patents Law)	TRIPS	MoCI
Amendments to the Law on Trademarks Law "On Trade Marks Registration" of September 1, 2009.	TRIPS	MoCI
Amendments to the Law "On Supporting the Rights of Authors, Composers, Artists, and Researchers" of July 26, 2008 (Copyrights Law)	TRIPS	MoIC
Law on Geographical Indications (new law)	TRIPS	MoCI
Law on Industrial Designs (new law)	TRIPS	MoCI
Amendments to the Civil Procedure Code of August 22, 1990	TRIPS	MoCI and MoIC
Amendments Afghanistan National Standard Law of September 16, 2010	TBT	ANSA
Amendments to the Law on Publication and Enforcement of Legislation of 1999	General Trans-parency	Ministry of Justice

SECOND LEGISLATIVE ACTION PLAN 2012-2013 FOR WTO COMPLIANCE		
Legislation	**WTO Agreement**	**Main Responsibility**
Law on Foreign Trade in Goods (new law)	GATT Import Licensing	MoCI
Law on Trade Secrets (undisclosed information)	TRIPS	MoCI
Law on Topography of Integrated Circuits	TRIPS	MoCI
Law on Unfair Competition	TRIPS	MoCI
Law on Optical Disks	TRIPS	MOIC
Law on Plant Variety Protection	TRIPS	MAIL

SECOND LEGISLATIVE ACTION PLAN 2012-2013 FOR WTO COMPLIANCE		
Legislation	**WTO Agreement**	**Main Responsibility**
Legislation on Implementation of *Ex Officio* Intellectual Property Border Enforcement	TRIPS	ACD
Legislation on CVA Interpretative Notes	CVA	ACD

ANNEX B: DRAFT LEGISLATION PREPARED WITH TAFA SUPPORT

DRAFT LEGISLATION PREPARED WITH TAFA SUPPORT	
Legislation	**WTO Conformity**
Amendments to the Law "On Supporting the Rights of Inventors and Discoverers" of April 31, 2009 (patents law)	The following are some of the key deficiencies which have been identified for which amendments were developed: • No criteria of patentability • No international priority provisions • Patent disclosure requirements do not comply with TRIPS • Exclusive patent rights do not comply with TRIPS • Compulsory licensing provisions are inadequate • No enforcement provision
Amendments to the Law on Trademarks Law "On Trade Marks Registration" of September 1, 2009	The following are some of the key deficiencies which have been identified for which amendments were developed: • Inadequate protection for well-known marks • Cancellation provisions • Insufficient compensatory and injunctive relief provisions • Exclusive rights do not comply with TRIPS • Inadequate provisions on cancellation for non-use • No provisions for registration and protection of collective marks • Extended protection provisions not in clear compliance with TRIPS
Amendments to the Law "On Supporting the Rights of Authors, Composers, Artists, and Researchers" of July 26, 2008 (copyrights law)	The following are some of the key deficiencies which have been identified for which amendments were developed: • Incorrect treatment of collective works and compilations • Lack of required limits on copyright ability • Economic property rights are incomplete • Inadequate provisions on authorship • Related rights do not comply with TRIPS • Terms of protection do not comply with TRIPS
Law on Geographical Indications (new law)	This new law covers, among other things, TRIPS substantive provisions on: • Establishment and functioning of a Registrar of Geographical Indications • Registration and related procedures • Criteria of eligibility for protection • Exclusive rights and protection of rights • Enhanced protections for indications for wines and spirits • Compensatory and injunctive measures for infringement
Law on Industrial Designs (new law)	This new law covers, among other things, TRIPS substantive provisions on: • Parameters of protectable subject matter • Establishment and functioning of a Registrar of Industrial Designs • Registration, termination and related procedures • International priority

	• Terms of protection • Exclusive rights and protection of rights • Compensatory and injunctive measures for infringement
Amendments to the Commercial Procedure Code of March 7, 1965 (intellectual property-related provisions)	Amendments are required for the Commercial Procedure Code to introduce the general procedural protections as well as evidentiary, provisional measures and final remedy provisions to the protection of intellectual property rights.

ANNEX C: PROGRESS AGAINST INDICATORS[5, 6]

PROJECT OBJECTIVES			
INDICATOR	**2011 TARGET**	**2011 RESULT**	**DETAILS ON PROGRESS AGAINST INDICATOR**
Percentage growth in trade volume	Tracking only	-[7]	The total value of trade in the Afghan year 1389[8] was $7.04 billion, a 76 percent increase compared to $4 billion in 1388. Trade in the first quarter of 1390 increased to $1.9 billion, showing an 8 percent increase compared to $1.74 billion in the the first quarter of 1389.
Value of imports	Tracking only	-[9]	The total value of imports during 1389 was $6.8 billion, an increase of 21 percent compared to $5.6 billion in 1388. Imports grew to $1.84 billion during the first quarter of 1390, an increase of 9 percent compared to $1.68 billion in the first quarter of 1389. In the first quarter of 1390, 21 percent of Afghanistan's imports were from Pakistan, followed by 13 percent and 10 percent from China and Japan, respectively. The major commodities imported were "vehicle parts" (21 percent), "mineral fuels" (14 percent) and "iron and steel, primary" (11 percent) in the quarter.
Value of exports	Tracking only	-[10]	Afghanistan's exports grew to $130 million during the first quarter of 1390, an increase of 110 percent compared to $62 million in the same quarter in 1389. Pakistan remained at the top of countries receiving exports with a share of 38.8 percent followed by India and China with 19 percent and 8 percent, respectively. The main commodities exported were "edible fruit and nuts" (15 percent) followed by gums and resins (13 percent) and wool (7 percent) during the first quarter of 1390.

[5] All official data on exports and imports come from ACD.
[6] TAFA data, in particular numbers on trainings and events, may be subject to change. To date, TAFA is still receiving documents from the field and is in the process of verifying the data for October and November 2011.
[7] This indicator is for tracking purposes only. TAFA is not accountable for achieving this target, but it is critical for monitoring and reporting in the trade context.
[8] Afghanistan operates on the solar calendar as opposed to the Western Gregorian calendar. The Afghan year 1388 corresponds to March 21, 2009, through March 20, 2010; the Afghan year 1389 corresponds to March 21, 2010, through March 20, 2011; and the Afghan year 1390 correspond to March 21, 2011, through March 20, 2012.
[9] This indicator is for tracking purposes only. TAFA is not accountable for achieving this target, but it is critical for monitoring and reporting in the trade context.
[10] This indicator is for tracking purposes only. TAFA is not accountable for achieving this target, but it is critical for monitoring and reporting in the trade context.

COMPONENT 1: TRADE POLICY LIBERALIZATION			
INDICATOR	**2011 TARGET**	**2011 RESULT**	**DETAILS ON PROGRESS AGAINST INDICATOR**
Number of tariff bands	10	12	The number of tariff bands is the number of tariff rates in the tariff schedule. During the project's second year, the number of tariff bands were 12 as follows: 1) essential food and non-food products, 2.5 percent; 2) raw materials, 1 percent; 3) fats and oils, 3.5 percent; 4) food, textiles and metals, 10 percent; 5) kerosene, oil products and articles from leather, 8 percent; 6) gasoline for vehicles and jet fuel, 12 percent; 7) machinery equipment, 0 percent; 8) petroleum products, 5 percent; 9) other import goods, 16 percent; 10) marble, 20 percent; 11) luxury and non-priority products, 25 percent; and 12) luxury cars, 40 percent.
Number of consultative processes with private sector as a result of USG assistance	15	16	TAFA's target for the second year was to conduct 15 consultative processes with the private sector. In year two, TAFA conducted 16 consultative processes. The project intends to conduct nine more consultative processes with the private sector by the end of 2012. A consultative process is defined as a formalized group process on a specific topic. TAFA will monitor and report both the number and type of processes with the private sector. For example, a legislative working group on a specific law is a process; the APTTA group work is a process with many meetings.
Percentage reduction in discrepancy between CSO and ACD on trade statistics	40%	0%	TAFA met its target of reducing the discrepancy from 60 percent in 2009 to 50 percent in 2010. TAFA collected the baseline data for this indicator in 2009 that shows a discrepancy of 60 percent for imports and 80 percent for exports between CSO and ACD. In 2011, based on a request of the ACD, Afghanistan's parliament approved that CSO should use ACD data on trade statistics. From this point onward, there will be no discrepancy between ACD and CSO on trade statistics.
Value of goods exported to the U.S. taking advantage of GSP	Tracking only	-[11]	TAFA collected the baseline for this indicator in 2009, which showed $1.5 million of goods exported to the U.S. In the project's first year, this value was increased to $2.2 million. During the first six months of 2011, the value of goods exported to the U.S. was $0.81 million. The Generalized System of Preferences (GSP) is a scheme whereby a wide range of industrial and agricultural products originating in certain developing countries are given preferential access to the markets of the U.S.

[11] This indicator is for tracking purposes only. TAFA is not accountable for achieving this target, but it is critical for monitoring and reporting in the trade context.

COMPONENT 2: CUSTOMS REFORM			
INDICATOR	**2011 TARGET**	**2011 RESULTS**	**DETAILS ON PROGRESS AGAINST INDICATOR**
Number of steps eliminated at KIA, ICDs and BCPs	7 at Kabul ICD 11 at KIA	10 at Kabul ICD 9 at KIA	TAFA collected baseline data in 2010 which showed 26 steps required for both import and export at Kabul ICD and 32 steps required for import and 33 steps for export at KIA. The project target for 2011 was to eliminate seven steps at Kabul ICD and 11 steps at KIA. During 2011, TAFA succeeded in eliminating 10 steps for import and export at Kabul ICD and nine steps for import and export at KIA. TAFA also eliminated 12 steps for import and export at Hairatan ICD earlier than planned.
Monetized value of reduced steps	Tracking only	$3.7 million at Kabul ICD $1.4 million at KIA	The total monetized value of all reduced steps at KIA and Kabul ICD for both import and export is $5.13 million in 2011. This includes the value of KIA export reduced steps ($138,000), value of KIA import reduced steps ($1.3 million) and value Kabul ICD import and export reduced steps ($3.7 million). TAFA is still determining the monetized value of reduced steps at Hairatan. Monetized value is a financial measurement of eliminated steps and procedures. Monetized values have been calculated based on the 2010 number of shipments for import and export at KIA and Kabul ICD.
Customs processing time, both overall and per border crossing	3 days	3 days	The project achieved its target by reducing the overall customs processing time from 4.5 days in 2010 to 3 days in 2011.The overall customs processing time in 2009 was 6 days, which was used as a baseline, while in 2010 this number was reduced to 4.5 days based on data collected from ACD. This data shows a 50 percent reduction in customs processing time in Afghanistan since 2009. The customs houses in different provinces showed noticeable reductions in customs processing time in 2011 compared to 2009. Jalalabad Customs House showed a three-day reduction in customs processing of goods compared to last year. Kandahar showed a two-day reduction, and Herat showed a one-day reduction.

COMPONENT 2: CUSTOMS REFORM – REDUCED STEPS AND MONETIZED VALUE OF REDUCED STEPS FOR 2011[12]

Kabul Inland Customs Depot

Kabul International Airport

Hairatan Inland Customs Depot

[12] TAFA estimates that if streamlined procedures were implemented throughout Afghanistan, the total monetized value of reduced steps could equal $85 million.

COMPONENT 3: TRADE FACILITATION			
INDICATOR	**2011 TARGET**	**2011 RESULT**	**DETAILS ON PROGRESS AGAINST INDICATOR**
Number of documents required for import/export	10	10	Based on World Bank's Doing Business Report 2012, released in October 2011, Afghanistan requires 10 documents for both import and export. This indicates a reduction of two documents for export and one document for import compared to World Bank's Doing Business Reports in 2010 and 2011, which indicated the number of documents required for import and export are 11 and 12, respectively, in Afghanistan.
Number of exporters who are using the services of the One Stop Shop	750	1,018	During 2010, TAFA set up a One Stop Shop (OSS) for import and export to bring all GIRoA agencies involved in processing import/export documents under one roof. The target for this indicator was 750 exporters who used the services of OSS in 2011; data collected from OSS shows that 1,018 exporters took advantage of OSS and exported their products through October 2011, exceeding the target by 36 percent. The target for 2012 is that 1,250 exporters will use the services of OSS.
Number of licensed freight forwarders that take part in transport capacity building	40	131	TAFA conducted two large capacity building trainings for freight forwarders from May 2 to June 1, 2011, in Herat city and from Sept. 17 to Oct. 26, 2011, in Kabul city. In total, both trainings included 131 participants (51 in Herat and 80 in Kabul). Additional trainings will continue in other major cities.
Percentage growth in custom revenue	Tracking only	-[13]	Afghanistan's customs revenue for 1388 was $754 million and in 1389 custom reveue grew to $946 million, an increase of 26 percent. During the first six months of 1390, Afghanistan customs revenue reached $535.2 million, showing growth of 6 percent compared to the first six months of 1389 and growth of 10 percent compared to the second half of 1389. The Herat Customs House earned the highest revenue both in 1389 and the first six months of 1390, 29 percent and 36 percent, respectively. Jalalabad and Mazar-i Sharif came next with 23 percent and 18 percent for 1389, and 20 percent and 16 percent for first six months of 1390, respectively.
Change in World Bank's "Trading across Borders"	179	179	The project achieved its 2011 target. Based on the World Bank's Doing Business Report 2011, Afghanistan is ranked 179. In the 2010 report, Afghanistan was ranked 183. TAFA uses this ranking as baseline data. TAFA intends to support the GIRoA to obtain a higher ranking in the next report. The target is to achieve a ranking of 175 by the end of 2012.

[13] This indicator is for tracking purposes only. TAFA is not accountable for achieving this target, but it is critical for monitoring and reporting in the trade context.

COMPONENT 4: PUBLIC OUTREACH			
INDICATOR	**2011 TARGET**	**2011 RESULT**	**DETAILS ON PROGRESS AGAINST INDICATOR**
Number of media articles published on trade	100	170	TAFA is tracking several media sources to identify the frequency and nature of trade-related articles. There were 170 articles published in 2010, while a total of 170 trade-related articles were published in local media in the first nine months of 2011. The data is collected through regular media monitoring by TAFA. The articles are shown by region. The public outreach component also monitored the published articles based on their nature, whether positive, negative or neutral. The majority of articles (72 percent) were positive, while 27 percent were negative. Only few (13 percent) published articles were neutral in 2011.
Number of trade and customs-related communication campaigns conducted with counterparts	4	3	In 2010, TAFA conducted APTTA and SAFTA campaigns with MoCI in varous provinces. During 2011, TAFA completed three major communication campaigns, “APTTA Drives Trade” with MoCI, “Afghan Customs at Your Service” with ACD and “Exports One Stop Shop - Making Exporting Easy” with EPAA.
Number of public Information printed materials distributed	11,000	10,355	TAFA distributed a total of 10,355 copies of various trade-related pulic information materials during the first nine months of 2011. This shows an increase of 57 percent compared to 2010, which totalled 6,605 copies. TAFA’s target for 2011 is 11,000 copies, which will be exceeded by the end of the year. The distibuted materials include trade-related posters, leaflets and brochures. TAFA’s public outreach component distributed public information materials in five different regions of Afghanistan. The project distibuted the majority (47 percent) of materials in the Kabul region, (14 percent) in the Jalalabad region, (22 percent) in the Herat, (11 percent) in Mazar-i Sharif and the remainder (6 percent) in the Kandahar region.

CROSS-COMPONENT INDICATORS			
INDICATOR	**2011 TARGET**	**2011 RESULT**	**DETAILS ON PROGRESS AGAINST INDICATOR**
Number of USG-supported training events held that relate to improving the trade environment	40	103	From November 2010 to October, 2011, TAFA conducted 103 training workshop, exceeding the target of 40 training workshop planned for the project's second year. The majority of trainings (35 trainings) were conducted in Kabul followed by Nangarhar (21 trainings), Balkh (20 trainings), Herat (19 trainings) and the remainder in the other provinces. The project trained 3,487 people during this period. Sixty-eight percent of the participants were male, and 32 percent were female. Sixty-five percent of all participants were non-government employees, while 35 percent were government employees.
Number of public events held to discuss trade and business policy matters with stakeholders and public	80	84	TAFA's target for the project's second year is to conduct 80 public events; TAFA was able to conduct 84 public event within this period. In total, 1,821 people from the public and private sectors participated in these pubic events, 78 percent of the participants were male and the remaining 22 percent were female. The majority (65 events) of the public events were conducted in Kabul, while the remainder was conducted in other provinces. A public event is defined as a major TAFA-led and/or supported trade-related activity such as: a conference, seminar, coordination meeting, working group meeting, trade-related fair, round table session, consultative process, trade forum, presentation to major gatherings of university students, PPP event or launch of trade campaign.
Number of person-days of training of key personnel in trade and customs regulation[14]	1,730	4,080	During the project's second year, TAFA generated 4,080 person-days of training of key personnel of government and private sector. While 2,830 of these person-days of trainings were for males, the remaining 1,082 was for females. With this, TAFA exceeded its second year target of 1,730 person-days of training. TAFA intends to generate 2,594 person-days of training during the project's third year.

[14] A person day is a seven-hour day of training received by one person.

ANNEX D: CAPACITY BUILDING EFFORTS

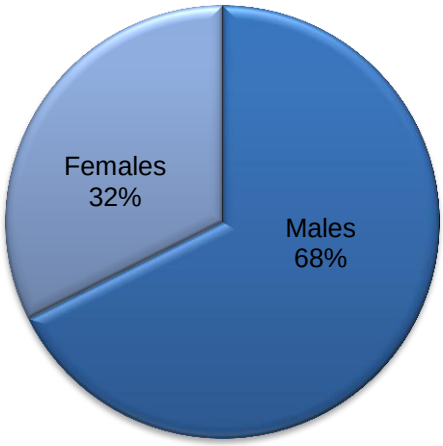
TAFA focuses on capacity building to increase knowledge of specific trade and economic topics, facilitate the Afghanization process and ensure that its activities are sustainable. TAFA does this through two major types of activities – training and public events.

Training

TAFA defines a training event as an activity that is intended for teaching or providing knowledge and information on specific topics. Training involves designated instructors or lead people, learning objectives and outcomes. TAFA-supported training includes, for example, short-term training, study tours and on-the-job training on specific topics.

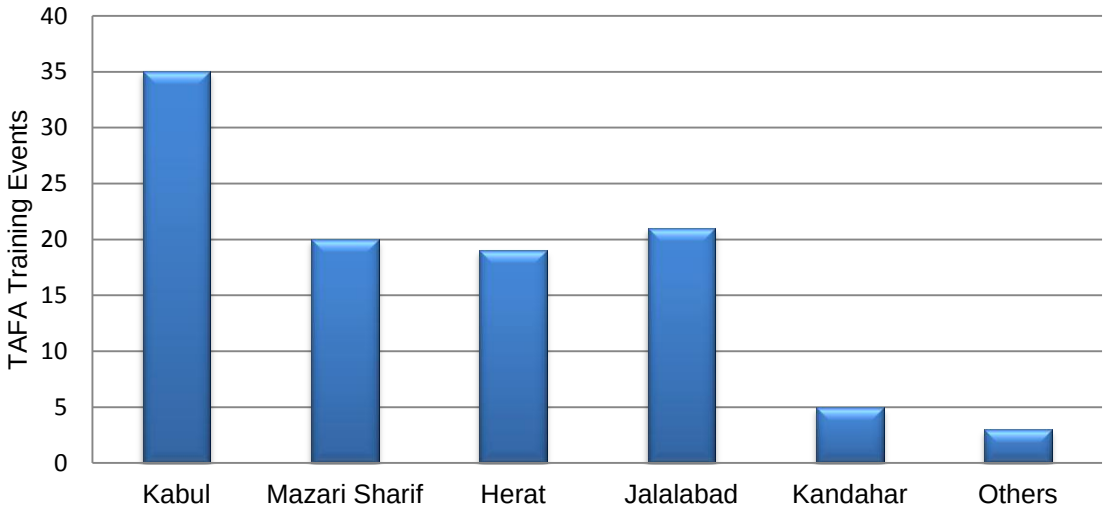
During its second year, TAFA conducted 103 training sessions for its government counterparts and the private sector both in Kabul and in provinces. The training sessions improved working capacity and enhanced Afghan awareness of major trade-related agreements such as APTTA, SAFTA and WTO. In total 3,488 Afghans participated in these trainings, 68 percent of whom were males and 32 percent of whom were females. The main targets of these trainings were GIRoA employees at 43 percent, the private sector at 38 percent and academia at 19 percent.

GENDER BREAKDOWN OF TAFA TRAINING EVENTS



In close coordination with its counterparts, TAFA conducted these training events in various provinces. The majority of these trainings were conducted in Kabul (34 percent), followed by Jalalabad (20 percent), Mazari Sharif (19 percent) and Herat (18 percent). The remaining three trainings were conducted in Badghis, Samangan and Parwan provinces.

TAFA TRAINING EVENTS BY PROVINCE

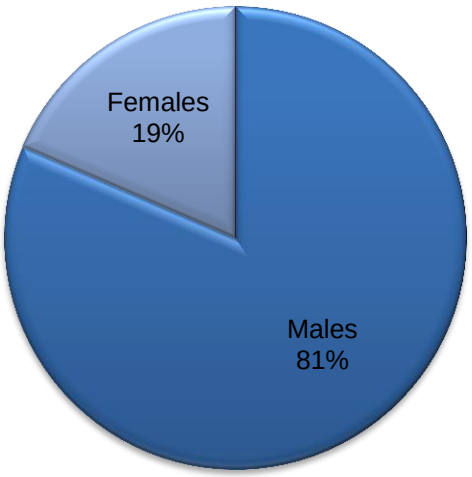


Public Events

TAFA also holds public events in order to build the capacity of Afghans. TAFA defines a public event as a conference, seminar, coordination meeting, Working Group meeting, trade-related fair, roundtable session, consultative process, trade forum, presentation to major gathering of university students, PPP event, launch of a trade campaign, presentation to Parliament members or ministries, or other key trade gathering

During the project's second year, TAFA, in close coordination with its counterparts, conducted 84 public events in various provinces and Kabul city. In total, 1,771 Afghans, 19 percent of whom were females and 81 percent of whom were males, attended the events from the public and private sector, academia and media.

GENDER BREAKDOWN OF TAFA PUBLIC EVENTS



TAFA conducted the majority, 68 percent, of these public events in Kabul and the remainder, 32 percent, in regions like Mazari Sharif, Herat, Jalalabad and Kandahar.

ANNEX E: SUCCESS STORIES

USAID | AFGHANISTAN
FROM THE AMERICAN PEOPLE

SUCCESS STORY
Customs Takes Off at Kabul Airport

Reforms at Airport Move Goods More Quickly

[Insert Photo Credit]

A trader at the Kabul International Airport Customs department loads his goods. Streamlining measures save time for traders and facilitates greater trade.

The U.S. Agency for International Development is working to help Afghanistan and its people to build a peaceful, prosperous, and democratic state. The Trade and Accession Facilitation for Afghanistan (TAFA) project, carried out by USAID, helps 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.

Economic development in Afghanistan depends on a steady supply of trade with other countries. Exports in particular provide a steady stream of revenue to Afghanistan. The Customs procedures at Kabul International Airport are a key contributor to trade in Afghanistan. In 2010, there were in excess of 10,000 goods declarations processed through the airport. USAID worked with the Afghan Customs Department (ACD) to reduce and eliminate the unnecessary steps which were slowing the process of trade through Customs. Thirty-two steps were identified as needed in order to move goods through KIA. USAID reviewed these steps and determined that many were unnecessary. USAID was able to remove 10 extra steps to bring the total to 22 steps.

The number of steps and amount of time for traders to move their goods through Customs was a hindrance to their success. Some items, such as perishable goods in particular lost value as they waited at Customs.

According to a trader, Said Haji Pardes, "I'm very impressed with this, before our commodities would remain for two days in (KIA) Customs, but since the unneeded steps were removed we can load and reload our commodities on the same day" He added, "Now we are able to finish our document procedure within two hours. I wish to have this system in all of Afghanistan Customs borders."

These initial reform measures equate to a 32% (import) and 28% (export) reduction in the overall import/export clearance processes at KIA. The monetized benefits for legitimate trade (at importation) are assessed to be in the region of Afs 5767 or $128 for every transaction. These efficiency measures have resulted in goods being cleared at a 45% faster rate, saving both Customs and trader's valuable time. The reforms have received support from traders and brokers, with positive feedback received on a regular basis.

The USAID/TAFA project is working on Hairatan border in Balkh province and with the Kabul ICD to remove the unneeded import and export steps in these facilities as well.

USAID | AFGHANISTAN
FROM THE AMERICAN PEOPLE

SUCCESS STORY

Trade Service Centers Support Global Trade

Afghanistan's Trade Service Centers (TSCs) provide valuable trade information.

Mohammad Qurban Haqjo, chief executive officer of the Afghanistan Chamber of Commerce and Industries (ACCI) (far right), helps to inaugurate the Kabul TSC on August 3, 2011.

The Trade Service Centers (TSCs) are helping Afghanistan's business community participate in international trade opportunities by offering easily accessibly information on trade agreements and requirements.

On August 3, 2011, a second Trade Service Center (TSC) was inaugurated at the Afghanistan Chamber of Commerce and Industries (ACCI). The TSCs are helping Afghanistan's business community to navigate unfamiliar dimensions in international trade. These centers are premised on the belief that understanding and applying trade-related information is fundamental to successfully participating in newly-created trading opportunities.

"The foreign traders don't know about our quality products such as fresh and dried fruits, handicrafts, and mining. This is the main reason for the weak growth of our exports," said Mr. Hajj Hassan, chairman of the Exporter Union. "The centers will be a major source of information about our quality products and for exporters to obtain information on international transportation."

Afghanistan's trading community has begun utilizing the centers for information and advice. Most recently, a manufacturer who owned a factory producing Kraft paper and had excess capacity, asked the Jalalabad TSC staff about the tariff rate for Kraft paper in Pakistan.

Another client wanted to know who issued insurance guarantees in Pakistan for goods in transit, and a third needed to know if demurrage charges were exempted for Afghan goods in transit in Pakistan.

"As the Trade Service Center grows and more people use its services, we will be able to gain visibility on what issues are trending on the ground," said Mohammad Qurban Haqjo, the chief executive officer of ACCI, during the opening of the TSC in Kabul.

"This is priceless information that we will be able to communicate to our partners and will allow us to address emerging problems sooner and not later," he added.

USAID's Trade and Accession Facilitation for Afghanistan (TAFA) project is supporting ACCI in establishing three TSCs in Kabul, Jalalabad and Kandahar. TAFA is partnering with ACCI to enable knowledge transfer to a local counterpart and to lay the foundation for sustainability.

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SUCCESS STORY
Afghan Women Eye Global Markets

USAID helps Afghan women reach international markets.

Nasima Mavlazada, a shopkeeper at the Baghee Zanana and a member of the Afghanistan Association of Woman Traders, shows off a jacket made by the Afghan Women's Resource Center.

"I've attended several workshops organized by MoWA, but TAFA's APTTA and SAFTA training was a special one. It gave me hope and a belief that with the implementation of these [international trade] agreements, I will be able to market my handicrafts abroad," said Nasima Mavlazada.

Kubra Rasuli has ambitious plans to reach an international market with her products. This goal brought her to the Ministry of Woman's Affairs (MoWA), where USAID's Trade and Accession Facilitation for Afghanistan (TAFA), in close cooperation with the Afghanistan Association of Woman Traders, conducted trainings on the Afghanistan Pakistan Transit Trade Agreement (APPTA), South Asian Free Trade Area (SAFTA), and marketing and customer service.

In 2004, Kubra was the only Afghan woman who opened a shop in Kabul outside Baghee Zanana, the women's garden. She started her business with only ten Afghan dresses and is now running two handicraft shops, a restaurant and a vegetable market. Her business provides jobs for more than 45 women.

"USAID's TAFA trainings on marketing and customer service seriously contributed to the rapid development of my business," said Kubra. "Being trained by TAFA, I started training my employees too and soon achieved significant results."

Kubra said that since the trainings, the number of customers to her shop doubled. "I needed to hire 12 more women tailors. Since my business grew successfully, I gained significant trust among partners and banks. They never refuse to give a loan or deliver raw materials on credit," Kubra said.

Encouraging Afghan women to do business is crucial to MoWA, and TAFA helps the ministry achieve this goal. In close cooperation with the Afghan Women's Business Federation, TAFA organized 22 workshops in Mazari Sharif, Herat and Kabul. Nearly 1,000 businesswomen participated in the workshops. At the newly established Trade Service Centers (TSC) in Kabul, Jalalabad and Kandahar, TAFA conducts workshops, roundtables and trainings on how to sell Afghan products abroad. A new TSC website allows Afghan businesswomen to upload their profiles and promote their products worldwide.

Leila Arab Shahi of Nilab Co. believes this is a powerful tool: "Before we had no chance to exhibit our products, now we learn how to do it online and sell our products to a wider market."

ANNEX F: YEAR TWO CHALLENGES

Component 1: Trade Policy Liberalization

- TAFA's budget was initially allocated to achieve WTO accession in 6 to 10 years rather than around 4 years. WTO members are also interested in expediting the WTO accession process of Afghanistan.
- TAFA lost one key long-term expatriate and one key local lawyer who have not been replaced as of yet.
- The protocol that all communications with the outside world must go through the MoFA has delayed activities and the process of integration in connection with SAFTA, APTTA, and ECO, particularly because the MoFA moves slowly.

Component 2: Customs Reforms

- The BMM required the expenditure of more time and resources than TAFA anticipated due to expansion far beyond its original scope.
- The ACD headquarters restructuring was not in TAFA's original work plan, but ACD requested assistance on the restructuring and this has become a major focus for TAFA.
- Bureaucratic procedures within both the MoF and ACD have slowed the rate of implementation of streamlined procedures and also the adoption of a 24-hour working day for customs at BCPs.
- A lack of donor funding for several initiatives has meant that they are unable to either be run as pilot exercises or be moved beyond the pilot stage.

Component 3: Trade Facilitation

- The QICB, a coordinating body for Afghan stakeholders to decide on standards for Afghanistan, has an insufficient number of skilled staff.
- Afghanistan's export facilitation procedures are inhibited by bureaucracy and uncooperative business organizations, which play vital roles in international transit.
- TAFA has experienced a lack of cooperation and information from officials at ACD, MoTCA, MoCI and BCPs, which limits assessments for logistics services and identification of suitable land for PPPs.
- The Minister of Commerce and Industries is reluctant to support recommendations to eliminate the role of guilds in issuing export permits and quality certificates.
- There is a lack of concern and commitment to address critical obstacles to greater private sector participation in the economy, as evidenced by the unwillingness of key ministries to eliminate constraints identified in the Doing Business Indicators report issued by the World Bank.
- Archaic institutions and organizations from the Soviet era continue to play a dominate role in what Afghanistan spokespersons call a "private sector, market led economy."
- Industrial park development is hindered by basic data on size, availability of electricity, number of active tenants, etc., forcing TAFA to spend a significant amount of time to try to obtain necessary information from industry participants.
- Developing PPP-based logistics services at border crossings requires TAFA to make multiple visits to areas of the country that are known to be dangerous. Various security restrictions have slowed the pace of work significantly.

- Donors have not provided the necessary resources to implement ANSA's five-year strategy, thereby preventing the establishment of standards in the country.
- No effective communication mechanism exists between provincial directorates and line ministries, delaying receipt of a Ministry's response to requests from provincial directorates.
- MoF does not have a large enough budget to install the ASYCUDA system at the Torkham gate for processing exports. The current server at Torkham gate is used only for transit purposes and does not have capacity to support further AYSCUDA systems.

Component 4: Public Outreach

- Deteriorating security has a negative impact on traveling and working across the country. For example, the TAFA RCC in Kandahar was threatened twice and attacked by unknown individuals, forcing him to resign.
- TAFA has faced bureaucratic obstacles in implementing activities in the provinces. For instance, governors and other officials demand an official letter from MoCI to approve trainings or workshops. In addition, public sector factories or mines have outright refused to permit journalists on economic site visits.
- TAFA faces a lack of credible candidates for positions in the south.
- ACD has been slow to establish a communications unit. Progress in implementing customs communication strategy and campaigns is difficult and ultimately not sustainable without a fully functioning communications unit. ACD is also recalcitrant in providing useful customs information for the ACD website and newsletter.
- Slowness to fully implement APTTA and SAFTA has undermined outreach efforts to publicize them. Until both agreements are fully operational, Afghans will remain sceptical about Pakistan's intentions and the agreements' potential for economic growth.