



Trade Project



Pakistan Trade Project

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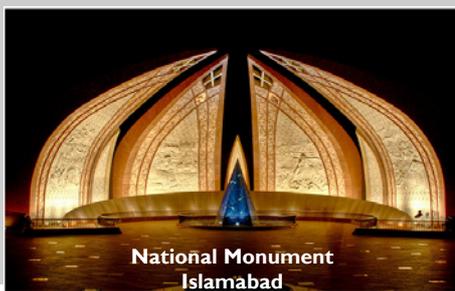
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Trade Project



Introduction

The goal of the Trade Project is to collaborate with the Government of Pakistan (GoP) and the private sector to resolve trade challenges and support 'second generation' trade reform through the provision of technical assistance. Specifically, the project aims to encourage improvements in customs and trade facilitation, eliminate anti-export bias in trade policy and enable increased bilateral and regional trade with Pakistan's neighbors through the facilitation of trade and transit agreements and border improvements.

The project is organized into four components as follows:

Component 1: Dedicated to improving Pakistan's trade environment

Component 2: Focused on increasing trade at Pakistani borders

Component 3: Aimed at supporting Reconstruction Opportunity Zones

Component 0: Established to provide project management, operational and life support services for the project

To meet project objectives, a team of expatriate and national staff support work alongside the GoP and private sector stakeholders. Some of the key stakeholders are:

Public Sector: The Ministry of Commerce, the Trade Development Authority of Pakistan, the Federal Board of Revenue / Customs, and the Board of Investment.

Private Sector: The Pakistan National Committee of the International Chambers of Commerce, the South Asian Association for Regional Cooperation, trade associations, and trade promotion organizations.

Some Notable Achievements During Year 3

The Trade Project worked directly with the Government of Pakistan and private sector stakeholders to improve the trade environment and cross-border trade. Some of the Trade Project's key achievements from **June 22, 2011 to June 21, 2012** include the:

- Launched the pilot "Women in Trade" Management Training & Mentorship Program for women seeking a profession in the trade sector of which all 17 women received job offers following the program's completion.
- Trained 121 individuals in "Enhancing Agricultural Exports" workshops in Islamabad, Karachi, Lahore, and Quetta at the request of USAID and in collaboration with the US Department of Agriculture.
- Introduced a new form of financial guarantee (i.e., Customs' Insurance Guarantees) for transit goods per the requirements of the 2010 Afghanistan-Pakistan Transit Trade Agreement.
- Facilitated a public-private sector agreement between the Federal Board of Revenue and the landowner of the site at Torkham where import and export weighbridges will be installed.
- Established file-sharing capabilities at the Board of Investment through the installation of Information and Communications Technology equipment, software and capacity building training for staff.
- Conducted on-site assessments of the Customs' border infrastructure, processes, and current capabilities at the Pakistan-India border stations of Khokhrapar-Munabao, Sindh and Wagah-Attari, Punjab.
- Finalized a study on Pakistan-India trade relations entitled, "A Primer: Pakistan-India Trade Relations (1947-2012)" in collaboration with the Beaconhouse National University's Institute of Public Policy.
- Presented a needs assessment study for the Federal Board of Revenue/Customs information technology infrastructure and connectivity needs to support the implementation of Electronic Data Interchange capabilities between Afghan and Pakistan Customs.

Component I: Improved Trade Environment

Trade Project

Component I Year in Review

The objective of Component I is to assist Government of Pakistan (GoP) and private sector stakeholders with the implementation of policy, regulatory, procedural and other reform efforts that affect the movement of goods across Pakistan's borders. In doing so, activities implemented within the component seek to strengthen the overall trade environment in Pakistan by reducing the complexity, cost and time required to export and import goods.

Component I counterparts within the GoP and private sector stakeholders include the Ministry of Commerce, the Trade Development Authority of Pakistan (TDAP), the Board of Investment (BoI), the Pakistan National Committee of the International Chamber of Commerce (PNC-ICC), and the Federal Board of Revenue / Customs.

Year 3 Outcomes as a Result of Trade Project Assistance:

• “Women in Trade” Management Training & Mentorship

Program: This program provides opportunities for recent women graduates to explore a career in international trade and sourcing, marketing, product development, supply chain management, and other fields. The Trade Project completed the first round of the WIT Program and developed partnerships with four well-respected companies. Under the auspices of the program, 17 women graduates were selected out of a pool of 140 candidates with all receiving job offers in the trade sector. The second round of the WIT Program was launched in March 2012 and is expected to grow to 55 women.

• **Trade Liberalization with India:** The Trade Project initiated efforts to support the liberalization of regional trade by commissioning the development of a comprehensive set of studies on Pakistan-India trade relations with a team of researchers at the Beaconhouse National University's Institute of Public Policy (IPP). The purpose of the studies is to support informed decision making by GoP policy makers and to provide fact-based research to raise the public's awareness of Pakistan-India trade issues.

• **Enhanced Agricultural Practices:** In collaboration with the US Department of Agriculture, the Trade Project delivered public-private sector workshops on 'Enhanced Agricultural Exports' in Islamabad, Karachi, Lahore, and Quetta in March 2012. 121 participants were trained on export opportunities, internationally acceptable food processing best practices, and international market standards. Participants included farmers, potential agricultural exporters and representatives from government agencies tasked with implementing regulations and quality standards in Pakistan.

• **ATA Carnet and TIR Convention:** The Trade Project signed a Letter of Cooperation with PNC-ICC to collaborate on the development and delivery of capacity building workshops for public and

private sector stakeholders on aspects of ATA Carnet and TIR Convention implementation. The GoP has acceded to the ATA Carnet and is considering accession to the TIR Convention. Both conventions simplify the processes associated with the movement of goods and transport across Pakistan's borders, facilitating regional trade.

• **Trade Portal:** The objective of the Trade Portal, a web-based trade facilitation tool, is to promote trade between Pakistan private sector entities and potential trading partners abroad. The Trade Project continued developing the Trade Portal software in Year 3, initiating User Acceptance Testing of the Portal software in June 2012. Discussions regarding institutional arrangements for the sustainability of the Trade Portal subsequent to the Trade Project end-date are ongoing with TDAP.

• **Trade, Regulatory & Procedural Reforms:** At the request of the FBR, the Trade Project initiated a gap analysis of the policy, legal and procedural reforms with respect to transit and international trade obligations under existing conventions/agreements. The purpose of the analysis is to identify gaps between the current Pakistani customs regime and the provisions of the Revised Kyoto Convention to which Pakistan acceded in 2004. The analysis will contribute to the development of a reform roadmap which will specify the reform efforts required to close the gaps.

• **“Women in Trade” Portal:** The Trade Project initiated the development of a web-based trade facilitation tool to provide women entrepreneurs with visibility to international trade opportunities. During this project year, the Trade Project developed and tested the WIT Portal software and identified a potential private sector partner to sustain the operation of the tool beyond the project's current end date of June 2013.

• **Board of Investment:** The Trade Project provided the Board of Investment (BoI) with Information and Communications Technology (ICT) support at their headquarters in Islamabad. Basic networking and file-sharing capabilities were provided through the installation of network hardware and software, and the training of BoI ICT staff in its maintenance and use. This support established an ICT foundation which the BoI can augment to support future automation of their office practices and business processes.

• **Quarterly Trade Bulletin:** The Trade Project prepared quarterly monitoring reports that capture economic and international trade trends and figures for distribution to USAID and the offices of other US Government agencies in Pakistan.

Timeline of Key Events under Trade Component I:



“Women in Trade” Management Training & Mentoring Program

Background

In March 2011, the Trade Project initiated the “Women in Trade” (WIT) Management Training and Mentorship Program as a one year pilot to increase the participation of women professionals in Pakistan’s trade sector. This initiative was implemented in partnership with multi-national and national private sector firms engaged in sourcing, merchandizing, quality control and supply chain management. Because of its success, the Trade Project launched a second round of the program in the summer of 2012.

Under the WIT initiative, the Trade Project conducted an assessment of the human resource needs of its private sector partners. Based on the results, the project customized the recruitment strategy to select and place qualified women graduates against the private sector partners’ hiring needs, thereby increasing the chances of WIT Program alumni receiving a full-time job upon completion of the program.

Year 3 Results

Pilot Program/Round 1: Seventeen women participated in the pilot program. The women hailed from Karachi, Lahore, Islamabad, Gujranwala and Gilgit-Baltistan. To mark the launch of the program, the Trade Project held a ceremony in Islamabad. Dr. Marilyn Wyatt, wife of the US Ambassador to Pakistan, inaugurated the event.



“This initiative is part of the United States’ commitment to the people of Pakistan in support of women’s empowerment”
- Dr. Marilyn Wyatt

Some of the Pilot Program’s results include the following:

- 75% of participants received a full-time job with the partner company following the program. 100% received offers within the sector.
- 67% of participants continued working within the international trade sector. Those who chose not to pursue a career in trade cited a desire to continue educational pursuits.
- Although the trade sector has not been a traditional choice for women graduates, 93% of participants noted that they would like to pursue a career within the trade sector after completing the program.
- Participants noted the development of skills via the program including time management, team work, and communications.
- Prior to the Program 53% assessed their computer skills as good/excellent. This increased to 86% after the program.

Round 2: The number of participants in the second round of the WIT program was increased due to the pilot’s success. The objectives of Round 2 of the program are as follows:

- The number of participants in the second round of WIT will be increased to 55 women university graduates, an increase of 38 women from the Pilot.
- At least 25% of women are hired by partner companies.
- At least 50% of women are engaged in trade related activities following the program’s end.
- At least 70% of trainees are fully employed as a result of the program.

Round 1 Partners
Target Sourcing Services
Texlynx
Nishat Mills
Li & Fung

Round 2 Partners	
Target Sourcing Services	MK Sons
Texlynx	Lucky Cement
Nishat Apparels	Masood Textile Mills
Li & Fung	Interloop
Sapphire Finishing Mills	Herbion Pakistan
Lev Strauss & Company	Engro ExImp
Walmart Global Sourcing	Euro Centra Company
Bestway Cement	

The WIT program is beginning to benefit from “brand recognition” among the program’s partner companies and their competitors, vendors and suppliers. A total of 15 partner companies participated in Round 2. In addition, several non-partner organizations hired WIT trainees based on the experience they acquired through the WIT program.

Challenges/Lessons Learned

Following are lessons learned from the implementation of the program:

- **Relationships:** Developing and maintaining relationships with the partner companies and universities is critical to success.
- **Awareness:** The use of traditional (print) and non-traditional (multi-media) communications increases the reach to the target audience of potential trainees, ensuring an adequate number of applicants. Placement offices at universities cannot be relied upon as the only source of communication with graduates.
- **Altering Perceptions:** Introductory sessions at each partner university are important to not only attract candidates, but also to dispel the myths about the types of opportunities for women in the trade sector.
- **Paper to Electronic:** Converting the paper-based selection test to an online tool enabled the team to process over 500 applicants in Round 2.
- **Timing:** To successfully target textile graduates, the timing of the program may need to be shifted from summer/fall to spring due to the unique structure of their programs.

A Year Later: Madiha Altaf

Madiha Altaf is a graduate from Textile Institute of Pakistan who was selected for the WIT Program’s pilot round. She was assigned to Target Sourcing Pakistan and was mentored by a WIT team member throughout the internship. Although she was not successful in getting a job at Target at the end of her training, Madiha did not lose sight of her eventual goal of building a successful career in the international trade sector.



Today she is working as an Assistant Merchandiser at an equally prominent company, Li & Fung Sourcing Ltd. Madiha recalls her struggle: “I wouldn’t have landed this job if it weren’t for the WIT experience on my resume. My boss already knew about this program as Li & Fung was also a WIT partner. WIT opened this door for me.”

Trade Liberalization with India



Background

According to the World Bank, South Asia is one of the least integrated regions in the world. While India and Pakistan account for 90% of the Gross Domestic Product (GDP) of South Asia, bilateral trade between the two countries is less than 4% of their total GDP. This can be attributed to political tensions, restrictive trade policies, and narrow views on regional integration.

During the past decade, the Government of Pakistan has shown a commitment to liberalize its trade through reform initiatives, resulting in moderate increases in international trade volumes. The Government of Pakistan has agreed to implement the following policy initiatives by December 2012:

- Grant Most Favored Nation status to India
- Phase out of the Negative List
- Reduce tariffs under the South Asia Free Trade Agreement

These actions will effectively create a customs union with the potential to impact the level and pattern of trade within the region. It is estimated that the value of bilateral trade between India and Pakistan could reach to as much as USD \$10 billion annually from the current level of around USD \$2 billion annually.

In 2012, the Trade Project contracted the services of Beaconhouse National University's Institute of Public Policy (IPP) to develop a series of research studies analyzing the dynamics of existing and potential trade relations between Pakistan and India. The studies will provide fact-based research to support informed decision making by Government of Pakistan policy makers and raise awareness among the general public of the impact of Pakistan-India trade liberalization.

A total of five studies will be developed that cover the gamut of Pak-India trade issues. The timeline below provides a summary of the delivery dates of the studies and an overview of additional activities undertaken in support of the initiative, as follows:

- Stakeholder Awareness and Attitudes Survey: Conducted in advance of and subsequent to the dissemination of reports to gauge the level of awareness before and after the dissemination of the studies.
- Roadshows, Seminars and Workshops: Conducted in support of disseminating the findings of the studies and to continue awareness/outreach efforts.

Year 3 Results

The Trade Project completed Report I, "A Primer: Trade Relations between Pakistan and India (1947-2012)" in May 2012. This first report presents an overview of the economies and trade structures of both Pakistan and India. In addition, it highlights key risks and potential outcomes with respect to Pak-India trade normalization.

Additional topics covered in Report I include the following:

- Pak-India trade in the context of regional trade agreements to support regional economic cooperation among South Asian countries.
- Trends of and restrictions on Pak-India bilateral trade.
- Chronological outline of key developments with respect to trade relations between Pakistan and India leading to recently granting Most Favored Nation status to India.

Challenges/Lessons Learned

- **Quality Assurance:** The Trade Project has found a need to dedicate resources to verify that information contained within the studies is accurate and current. This review process is lengthy at times, and could delay the release dates of studies as reflected in the timeline below.
- **Logistics Arrangements:** Large scale surveys require significant investments in time and resources to coordinate responses from survey participants.

Activity	Start	End	Status
Report 1: Historical Perspective of Trade between India & Pakistan	Apr 2012	May 2012	Completed
Report 2: India's Non-Tariff Barriers in the Context of Pakistan	May 2012	Aug 2012	In Progress
Stakeholder Awareness & Attitudes Survey: Pre-Dissemination	Jul 2012	Aug 2012	In Progress
Report 3: Impact of Liberalized Trade with India in Specific Sectors	Jul 2012	Oct 2012	In Progress
Report 4: Managing Trade with India through Tariff Rationalization	Sep 2012	Dec 2012	Not Yet Initiated
Report 5: Macroeconomic Impact of Liberalized Trade with India	Nov 2012	Dec 2012	Not Yet Initiated
Roadshows, Seminars & Workshops	Dec 2012	Feb 2013	Not Yet Initiated
Stakeholder Awareness & Attitudes Survey: Post-Dissemination	Dec 2012	Jan 2013	Not Yet Initiated

Institute of Public Policy



The Institute of Public Policy is an independent center for applied economic, social and strategic research within the School of Sciences of the Beaconhouse National University. Established in 2006, the Institute of Public Policy focuses on areas of economic, social and political development, as well as foreign policy.

Enhancing Agricultural Exports

Background

21.2% of Pakistan's Gross Domestic Product is attributable to the agriculture sector. Although Pakistan is ranked seventh in the world by value of agriculture outputs, the sector is declining. Issues the sector confronts include:

- Difficulty meeting international food quality requirements
- Lack of knowledge about international market requirements
- Lack of coordination among public and private sector entities
- Lack of resources/infrastructure

Period	% Growth	% of GDP
1960s	5.1	40.74
1970s	2.4	33.69
1980s	5.4	28.55
1990s	4.4	26.06
2000s	3.2	22.33

In collaboration with the US Department of Agriculture (USDA), the Trade Project conducted workshops to raise awareness among stakeholders of these issues, provide opportunities for networking and the exchange of ideas, and outline the needs of the sector for future interventions across Pakistan. The two-day workshops were delivered in four cities.

Year 3 Results

In February and March 2012, the Trade Project partnered with the USDA to hold a series of workshops in Karachi, Lahore, Islamabad and Quetta. The workshops were supported by Dr. Gleynd Bledsoe, an international expert on best practices in modern food processing technology. The Trade Project provided the following support:

- Raised awareness of the event
- Prepared training materials
- Designed, conducted and analyzed pre- and post-assessments

Information regarding workshop is summarized in the table below, and a summary of workshop results follows:

- 85% of participants rated the workshops as highly beneficial.
- Comparison of pre- and post-knowledge assessments indicated an aggregate average increase of 18% in awareness on the subject.
- Karachi and Lahore showed a higher level of pre-existing knowledge on the subject.
- Quetta showed the highest percentage increase in knowledge after the workshop (30% difference between pre- and post).

Category	Islamabad	Lahore	Quetta	Karachi
Exporters	5	13	3	7
Potential Exporters	10	7	10	16
Public Sector	5	5	2	3
Private Sector in Value Chain	6	6	16	5
Certification & Auditing Co	0	0	0	2
Total Participants	26	31	31	33
Total Applications Received	91	151	40	152

Challenges/Lessons Learned

The workshops were well received among the private and public sector. As a result of this workshop, one of the participants from Quetta, the President of the Kohesar Foundation in Balochistan, replicated the USAID Trade Project's workshop in two remote villages of Balochistan for about 40 villagers involved in agricultural businesses.



Support to PNC-ICC

Background

The Pakistan National Committee of the International Chamber of Commerce (PNC-ICC) is a private-sector consultative body to senior Government of Pakistan policy makers. PNC-ICC facilitates the development of a legislative environment which supports direct investments in and international trade with Pakistan.

ATA Carnet and the Transit International Routier (TIR) are two internationally recognized agreements that outline best practices in customs' administration. As of June 2012, Pakistan was a signatory of ATA Carnet, but has yet to accede to the TIR Convention. The Ministry of Commerce has designated PNC-ICC as the national guarantor for ATA Carnet and the organization has been named as the designated guarantor of TIR upon Pakistan's accession to the Convention.

The Trade Project, in collaboration with the FBR, supports PNC-ICC in its efforts to provide capacity building workshops for both private and public sector stakeholders on aspects of ATA Carnet and the TIR Convention.

Year 3 Results

Year 3 efforts focused on initiating a relationship with PNC-ICC and identifying the appropriate stakeholders to assist with defining the scope of capacity building efforts. In February 2012, the Trade Project signed a Letter of Agreement with PNC-ICC to supporting capacity building workshops on ATA Carnet and the TIR Convention.

In consultation with the PNC-ICC, the Trade Project identified areas of support including the following:

- Capacity building of the Federal Board of Revenue / Customs, freight forwarders, customs agents, members of local Chambers of Commerce, manufacturers, trading houses and other stakeholders on the implementation of the TIR Convention and ATA Carnet.
- Awareness raising seminars in order to improve general perception about the benefits of TIR Convention and ATA Carnet.
- Capacity building of Pakistani truckers and logistics service providers on international best practices.
- Support PNC-ICC to maintain their relationship with the International Road Transport Union (IRU) in the event that Pakistan accedes to the TIR Convention.

These activities will be initiated in Project Year 4.

Conclusion

The Trade Project's efforts in this area will support the Government of Pakistan and private sector stakeholders in the following ways:

- Improve the level of awareness among private and public sector stakeholders regarding benefits that they can accrue through ATA Carnet and accession to the TIR Convention.
- Enhance capacity of Pakistan customs to implement these agreements effectively through capacity building efforts. This should result in a reduction of dwell times at ports and land border stations.
- Reduce transaction costs for the business community, improving Pakistan's global competitiveness.
- Enhance market access of Pakistan to Central Asian Republics through accession to the TIR Convention.

Trade Portal

Background

The Trade Development Authority of Pakistan (TDAP) was established in 2006, replacing the GoP's Export Promotion Bureau. The core objectives of TDAP are to promote cross-border, regional and international trade. Currently, TDAP does not have an adequate mechanism for the dissemination of trade-related information to stakeholders or for the facilitation of communication between potential exporters and international importers. The result is that local and foreign stakeholders are unable to effectively capitalize on potential trade opportunities.

In 2009, the Trade Project collaborated with TDAP to develop a baseline organizational assessment, the "TDAP Organizational Capacity Self-Assessment." This activity helped determine how TDAP management, communication and dissemination of trade-related information could be improved. The assessment revealed a gap in TDAP's marketing and outreach capabilities, and the Trade Project recommended the development of online tools to address the gap. Specifically, the recommendations included the need for a searchable database for exporters and their products and a knowledge portal for exporters and importers to assist them locate trade-related information on a country-by-country basis.

In December of 2010, the Trade Project initiated the development of a web-based Trade Portal in collaboration with TDAP. Business requirements were developed on the basis of which software design and development efforts were begun.

Year 3 Results

Activities undertaken by the Trade Project in Year 3 focused on a continuation of software development and data capture activities. The "Trade Portal Milestones" table below provides an overview of the milestones achieved in Year 3 and a preview of activities planned for Year 4.

In addition to software development and testing activities, the Trade Project collected information for over 6,154 businesses in Pakistan and identified over 118 broad categories of goods, manufactured in/exported from Pakistan for inclusion in the Trade Portal's exporters' database. This will enable foreign buyers to reach manufacturers/exporters in a particular categories through the collaborative mechanisms provided in the portal.

Challenges/Lessons Learned

- **Relationship Management:** To ensure the sustainability of this type of trade facilitation tool, the investment commitments that GoP stakeholders will be required to make should be ascertained and communicated early in the implementation cycle.
- **Stakeholder Involvement:** Obtaining continuous feedback from stakeholders and users at specific points in the software development lifecycle will better ensure that the final product meets counterpart needs.

Trade Portal Milestones	Start	End	Status
Trade Portal Requirements Definition & Functional Specifications (Phase I)	Dec 2010	Sep 2011	Completed
Trade Portal Software Development (Phases II-A & II-B)	Dec 2011	Jul 2012	In Progress
Trade Portal User Acceptance Testing (Functional Testing for Phases II-A & II-B)	Apr 2012	Dec 2012	In Progress
Institutional Framework Governance Body TDAP Organizational Structure Partnership Agreements	Jun 2012	Jan 2013	In Progress
TDAP Capacity Development Data Collection & Content Management Portal Administration	Aug 2012	Feb 2013	Not Yet Initiated
Trade Portal Ownership Transfer (Trade Project to TDAP) Documentation, Software & Property	Mar 2013	Jun 2013	Not Yet Initiated

Strengthening National Tariff Commission

Background

The National Tariff Commission (NTC) is a knowledge-based organization specializing in facilitating international trade through research and training to further the development of a balanced foreign trade account and improved national economy. With recent developments in trade liberalization and normalization efforts with India, the Secretary of Commerce committed to strengthening the NTC to ensure that mechanisms are in place to protect Pakistan's indigenous industries, and solicited USAID's assistance in this area.

Specifically, NTC advises the government on:

- Tariff measures or other forms of assistance for protecting indigenous industries, improving the competitiveness of indigenous industries and promoting exports from Pakistan.
- Anti-dumping duties on foreign exporters found to be dumping their products into Pakistan.
- Countervailing duties on subsidized goods being exported to Pakistan after it is established that a subsidy exists and that the subsidized imports have or may threaten material injury to Pakistan's domestic industry.

Year 3 Results

Year 3 efforts focused on identifying the needs of the Government of Pakistan towards strengthening the National Tariff Commission. Next steps include conducting a needs assessment regarding capacity development issues to determine areas of potential Trade Project assistance. Next steps include conducting an assessment of capacity development needs to determine areas of potential Trade Project assistance.

Conclusion

Due to changes in leadership within the Ministry of Commerce at the close of the project year, the Trade Project will re-engage with the newly appointed Secretary of Commerce to define the areas of support that the project can provide to the NTC in Year 4.

Trade, Regulatory & Procedural Reforms

Background

The International Convention on the Simplification and Harmonization of Customs Procedures, generally known as the Revised Kyoto Convention (RKC) of the World Customs Organization (WCO), is an international agreement that provides a comprehensive set of standards for customs operations to facilitate legitimate international trade while ensuring effective customs controls. It addresses the key principles of simplified and harmonized customs procedures, such as predictability, transparency, due process, maximum use of technology, and modern customs techniques (e.g., risk management, the availability of pre-arrival information and post-clearance audit). The WCO council adopted the RKC in 1999, and Pakistan acceded to the Convention on 2004. As of February 2012, the RKC included a total of 82 Contracting Parties, or countries, which cover approximately 85% of globally traded goods.

Year 3 Results

To assist the Federal Board of Revenue (FBR) in bringing its laws into conformance with the RKC and to introduce international best practices governing customs regulations and procedures to the FBR, the Trade Project conducted an exploratory gap analysis between the General Annex and Annex E of the RKC and Pakistan's customs regime in November 2011. Particular attention was paid to identifying the gaps resulting in the greatest "Burden of Customs Procedures," as outlined in the World Economic Forum's Global Competitiveness Report. In collaboration with the FBR, the Trade Project identified the need for further analysis of Pakistan's compliance with the RKC. This analysis will be utilized to inform the development of a reform roadmap to bring Pakistan into full compliance with the RKC. A comprehensive analysis of the Pakistani customs regime vis-à-vis the RKC and a reform roadmap will be developed in Project Year 4.

Challenges/Lessons Learned

- **Stakeholder Involvement:** The continuous participation of stakeholders with the development both the gap analysis and implementation roadmap will be essential to promoting the FBR's ownership of the results and recommendations of the analysis.

“Women in Trade” Portal

Background

In 2009, the Trade Project conducted a study to identify barriers that women entrepreneurs face in Pakistan. The study identified the following:

- Women are not comfortable using the internet for business development.
- Women are uncomfortable with using marketing to promote their trade/business.

The WIT Portal is a simple, web-based trade facilitation tool with the objective of providing a user-friendly platform for introducing women entrepreneurs to web-based technology and for promoting their interaction with exporters, importers, manufacturers, and service providers. The WIT Portal will facilitate the development of business networks between women entrepreneurs in South Asia.

Year 3 Results

In Year 3, the Trade Project focused on software development for the WIT Portal and identification of a potential private sector partner in advance of the WIT Portal's launch. In September 2011, the Trade Project initiated requirements specification and software development activities. By April 2012, the beta version of the WIT Portal was available for User Acceptance Testing. In support of the anticipated roll-out of the software, a Communications and Outreach Plan was completed in August 2012.

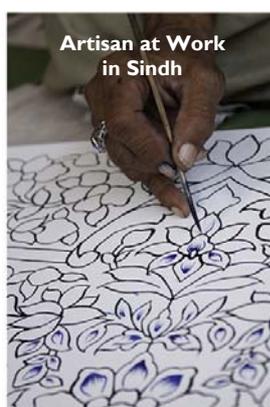
During this project year, the Trade Project initiated discussions with a potential private sector partner for the ongoing operation of the WIT Portal beyond the project's current end date of June 2013. A business case was completed, outlining the Trade Project's strategy, activities and expected outcomes for the WIT Portal implementation. Upon completion of the business case, the Trade Project began the process of identifying potential private sector partners. Some of the factors considered in the selection of a partner were:

- Ownership structure
- Number of years as a going concern
- Geographic location
- Experience in portal management and operations
- Number of existing trade portal users

Utilizing these factors, the Trade Project approached TradeKey Ltd., the world's leading and fastest growing online business-to-business marketplace that connects small and medium sized businesses across the globe. An agreement between the Trade Project and TradeKey Ltd. is expected for signature in Project Year 4.

Challenge/Lessons Learned

- **Stakeholder Involvement:** Engaging stakeholders early in the process ensures that the final product meets the needs of users.
- **Monitoring of Software Development:** Periodic testing of software functionality during the development cycle is critical to the early detection of defects and errors.



Board of Investment

Background

The Board of Investment (BoI) is an investment promotion agency within the Government of Pakistan which assists companies planning to invest in or to expand their operations within Pakistan.

Year 3 Results

In December 2010, the Trade Project conducted an Information and Communications Technology (ICT) needs assessment at the BoI's headquarters in Islamabad. The BoI and the Trade Project discussed these needs, and agreed in September 2011 that the Trade Project would provide BoI procurement and installation assistance of ICT hardware, software and cabling for a communications network which would provide users with file sharing capabilities. More specifically, the assistance enhanced BoI's ICT infrastructure capabilities as follows:

- Centralized file access across the enterprise.
- Optimum utilization of bandwidth using network management policies.
- User management via directory service to ease the process of implementing policies across the organization. Directory service makes it easier for the BoI to define and implement a blanket policy for each user group rather than defining separate policies for each individual user.
- Implementation of standard and protected network security.
- Provisioning of seamless access to network resources to the users per their defined roles and rights.

Additionally, the Trade project provided training to the BoI's ICT staff with regard to the use and maintenance of the new hardware and software. At the conclusion of Year 3 the Trade Project was awaiting official sign-off on the hardware acquisition and capacity building training. This was received at the beginning of Year 4.

Conclusion/Lessons Learned

For assistance involving the provision of ICT hardware and software, it is critical that business owners fully understand the scope and limitations of the assistance being provided, and that counterpart ICT staff are fully involved in communicating the aspects of the assistance to their leadership.



SUCCESS STORY

Professional Opportunities for Women in Trade

Trade supports an increase in opportunities for women interested in a profession in trade.



“Because of the ‘Women in Trade’ program, I got a job within the international trade sector. There were approximately 20 candidates for the position and most were more experienced than myself. These last three months added value to my credentials, for which gave me the qualifications for this job.” - Ms. Maria Tarteel



In 2011, USAID funded a study in Pakistan showing that women comprise less than 10% of management and less than 20% of junior staff positions in the trade and export sector. In this context, the Trade Project launched the “Women in Trade” (WIT) Management Training and Mentorship Program in July 2011 to encourage young women graduates to consider positions in the international trade sector.

To increase interest in careers in international trade among young women graduates, the Trade Project collaborated with leading national and multi-national firms to provide a three month internship program. Under this initiative, effective linkages were established between Pakistani academic organizations and trade and export companies. The partner companies that participated in the program included:

- **Target Pakistan:** A sourcing arm of the second largest US retail chain.
- **Texlynx:** One of the largest trading entities in Asia providing sourcing, product development, quality compliance and auditing services to clients.
- **Li & Fung:** An export trading and logistics firm.
- **Nishat Dyeing & Finishing:** A subsidiary of Nishat Group and one of the largest dyeing plants in South East Asia with a global customer base among the largest retailers of the world.

Once relationships with the partner companies were established, the Trade Project conducted a human resource needs assessment of each company. Informed by the findings, the Trade Project developed selection criteria for shortlisting both academic institutions and applicants. Written tests and interview guidelines were developed to facilitate the selection of interns. Using these tools, candidates’ skills and qualifications were matched with the partner companies’ resource requirements and pay scales. A total of 140 applicants took the GMAT/GRE-patterned written test, out of which 17 applicants from Lahore, Karachi, Islamabad, Gilgit-Baltistan and Gujranwala were selected for participation in the program.

The opportunities provided to the 17 women at the partner companies covered job functions such as product sourcing, development and design, market and product diversification techniques and supply chain management, among others. Each trainee completed a mid- and post-program assessment. Additionally, Trade Project advisors maintained contact with the women interns and partner companies throughout the program to identify and address issues as they arose.

Upon completion of the three month internship, participants completed a survey with the following findings:

- Interns believe they are better-equipped in pursuing a trade-related career as a result of the Women in Trade program.
- 87% noted an interest in joining the companies where they had been placed if offered a permanent job.
- Teamwork, vendor management and better work planning are some of the skills the trainees list they developed during program.

The positive feedback from both the women interns and partner companies paved the way for the continuation of the program. The Trade Project plans to expand the program to 55 women beginning July 2012.

Component 2: Cross Border Trade

Trade Project

Component 2 Year in Review

Component 2 addresses constraints at Pakistan's borders that affect trade and transit traffic with neighboring countries. Activities in this component seek to apply and extend Component 1 trade facilitation activities to reduce transaction costs associated with trade along Pakistan's borders.

Key stakeholders within Component 2 include the Federal Board of Revenue / Customs (FBR), the Ministry of Commerce and private sector stakeholders, such as the landowner in Torkham where import and export weighbridges will be installed in Project Year 4.

Year 3 Outcomes as a Result of Trade Project Assistance:

- Electronic Data Interchange:** At the request of the FBR, the Trade Project initiated activities to support the FBR's efforts to implement Electronic Data Interchange (EDI) capabilities between Pakistan and Afghan Customs, a requirement of the 2010 Afghanistan Pakistan Transit Trade Agreement (APTTA). To this end, the Trade Project conducted an EDI needs assessment which served as the baseline for discussions with the FBR regarding the scope of assistance that the Trade Project might provide. During the course of these discussions, the FBR and the Trade Project agreed that the Trade Project would provide technical assistance to the FBR's EDI working group to facilitate their negotiations with Afghan Customs on EDI issues, and would also support the FBR with the provision of basic Information and Communications Technology infrastructure and connectivity needs at customs stations along the Karachi-Torkham and Karachi-Chaman transit corridors. EDI will enable Pakistan Customs to perform real-time reconciliation of consignments after their arrival/clearance at Afghan customs stations, supporting efforts towards the reduction of illegitimate trade. The supporting ICT infrastructure will be deployed in Project Year 4.
- Financial Guarantees:** At the request of the FBR, the Trade Project facilitated negotiations between the Government of Pakistan and Pakistani insurance companies to develop a mechanism for the issuance of insurance guarantees. Per the terms of APTTA, importers or brokers of Afghanistan-bound goods are required to extend financial guarantees equivalent to the amount of Pakistani duties on the import of such goods as a surety to discourage the diversion of transit goods to Pakistan. The guarantees are returned to the exporter or broker upon confirmation that the goods crossed into Afghanistan and were not diverted to a Pakistani market. Consensus between Afghanistan and Pakistan regarding insurance guarantees was formalized by the Afghanistan-Pakistan Transit Trade Coordination Authority (APTCCA) in May 2011. Subsequently the Trade

Project engaged insurance companies to promote the issuance of guarantees, a process which began in June and July of 2011. There are currently nine insurance companies in Pakistan issuing insurance guarantees for transit trade to Afghanistan.

- Infrastructure Improvements at Torkham:** The installation of import and export weighbridges supports APPTA requirements to improve the transparency of transit trade volumes. After almost a year of negotiations, the FBR and the land owner of the proposed site for the installation of weighbridges at Torkham came to an agreement regarding land-use and fee-sharing arrangements. The successful execution of the agreement between the FBR and the landowner at Torkham may pave the way, legally and procedurally, for future public-private partnership based investments in border infrastructure projects. At the request of the FBR, installation of the weighbridges at Torkham will occur in Project Year 4.
- India-Pakistan Border Assessments:** At the request of the FBR, the Trade Project conducted initial assessments of the customs stations at Wagah-Attari in Punjab and of the prospective customs stations at Khokhrapar-Munabao and Sialkot Ganda in Sindh. The purpose of the assessments was to identify process and infrastructure bottlenecks hampering the flow of trade across the border with India in these locations. The Wagah-Attari assessment has been used by the Ministry of Commerce to garner support from Government of Pakistan policy makers and the international donor community for infrastructure improvements at this customs station.
- Risk Management System:** At the Request of the FBR, the Trade Project initiated exploratory activities to support the FBR's initiative to establish a Customs Directorate of Risk Management and to implement a Risk Management System. A Risk Management System is one of the mechanisms Customs can use to limit intrusive cargo examinations, ultimately curtailing system inefficiencies and abuses. Work in this area will begin in Project Year 4.
- Single Business Window:** At the request of the FBR, the Trade Project began to identify the inputs required for the development of a Single Business Window (SBW) implementation roadmap. Implementation of SBW simplifies customs clearance and processing formalities for traders, negating the need for manual dealings with multiple government authorities when obtaining relevant clearances and permits for the movement of cargo across national or economic borders. The implementation roadmap will be developed in Year 4.

Timeline of Key Events Under Component 2:



Assistance for Electronic Data Interchange

Background

Unauthorized trade between Pakistan and Afghanistan has been a long standing concern of both governments. It is estimated that in 2010, approximately USD \$1.5 billion worth of unauthorized trade occurred between the two countries. In addition to harming local industries, it is estimated that the exchequer of the Government of Pakistan loses over USD \$300 million of revenue each year as a result of unauthorized trade

The 2010 Afghanistan-Pakistan Transit Trade Agreement (APTTA) requires the introduction of various mechanisms to control unauthorized trade, one of which is the introduction of Electronic Data Interchange (EDI) capabilities between the customs administrations of Pakistan and Afghanistan.

From an Information and Communications Technology (ICT) systems perspective, the Federal Board of Revenue (FBR) is implementing its EDI capabilities with the support of Pakistan Revenue Automation Limited (PRAL), a government-owned agency which developed, hosts and maintains the FBR's revenue accounting and custom's operations tracking system, OneCustoms/WebOC. PRAL will develop the FBR's EDI systems capabilities as a fully integrated functional module of OneCustoms/WebOC. Pending completion of the EDI modules, Afghanistan and Pakistan Customs have agreed on an interim email-based approach to exchanging EDI messages on Afghan transit cargo. Once it is fully in place, EDI will provide real-time data exchange on transit trade shipments between the two countries. The timely availability of this information will significantly contribute to a reduction of revenue leakage associated with unauthorized trade.

Year 3 Results

The Trade Project advised the FBR's technical working group, which represents the FBR in technical discussions organized through the Afghanistan Pakistan Cooperation Process (APCP). Advice was provided in advance of and during the APCP meetings which occurred in September 2011 and January 2012. The APCP events are supported by the Government of Canada with the objective of bringing the customs administrations of the two governments together to discuss APTTA implementation issues, one of which is the implementation of EDI. In addition to the provision of this technical advice, the Trade Project conducted two studies regarding the implementation of EDI in Pakistan and developed a business case to better inform the FBR's decision making regarding the development of EDI capabilities.

In October 2011, the Trade Project developed a study entitled "National Requirements to Determine Messages for EDI." This study provided the FBR with guidance on the following topics:

- Outlined steps to simplify national requirements for customs data exchange with Afghanistan.
- Identified EDI messages for air / land transit with regional countries.
- Developed an "ideal" cross border model in coordination with Afghan Customs.
- Defined EDI message transmission protocols and software security requirements.

In November 2011, the Trade Project developed a further study entitled "Implementation of EDI under APTTA: Information Technology Infrastructure Needs Assessment." The study provided an assessment focused on Information and Communications Technology (ICT) infrastructure and human resource requirements for the support of EDI exchange at customs stations along the Karachi-Torkham and Karachi-Chaman transit corridors. Seven customs stations were assessed, including the East and West wharves of Karachi, Port of Qasim, and the intermediate customs stations at Balleli, Khairabad, Chaman and Torkham. The assessment revealed that these posts do not currently have adequate ICT infrastructure in place to support connectivity with the FBR's EDI system, which is hosted at PRAL's facilities in Ka-

rachi. The needs vary by customs station, with some requiring minimal upgrades and others having more substantive needs.

Technology-related obstacles to the implementation of EDI identified through the study include:

- **Lack of continuous power generation:** In order to have an effective and efficient EDI, uninterrupted power supply is required.
- **Limited Internet connectivity:** Remote customs stations lack a reliable Internet connection. In order to have a real time exchange of information between the two countries' customs administrations, uninterrupted internet connectivity with adequate bandwidth is required.
- **Lack of computer equipment and peripherals:** Equipment such as desktop computers, printers, and fax machines, among others, is needed for personnel at customs stations to operate the EDI software.
- **Human resources capabilities:** Operators at customs stations will require training in the use of the FBR's OneCustoms/WebOC EDI module.

Utilizing information gathered by conducting these studies, the Trade Project developed a business case for the FBR outlining the activities and levels of investment needed to close the ICT infrastructure gaps at the seven border stations and to sustain EDI capabilities at these stations for a five-year period. Discussions between the Trade Project, FBR and PRAL are underway to finalize the assistance that the Trade Project will provide in Year 4 to support the FBR's EDI implementation.

Challenges/Lessons Learned

- **Slow Coordination with Afghan Customs:** The Afghan-Pakistan Cooperation Process (APCP) brings together the Customs Administrations of the two governments to discuss and resolve issues related to APTTA implementation. During Year 3, there was a six month gap between APCP meetings.
- **Government of Pakistan Technical Resources:** Individuals working at Pakistan's border stations have low-level skills. Training will be required in advance of EDI's implementation to ensure that business processes are not significantly disrupted.



Land route near the Torkham Border Crossing

Financial Guarantees

Background

In order to track and ensure that revenue is collected on transit trade, customs administrations often require financial guarantees be obtained on the duties of goods destined for another country. These guarantees are usually in the form of a surety or bond to the government that covers the customs duties and taxes that would have been payable had the goods entered the local market for consumption.

The 2010 Afghanistan-Pakistan Transit Trade Agreement (APTTA) requires that importers located in Afghanistan obtain such guarantees to ensure their goods cross the border into Afghanistan and are not diverted to a Pakistani market. Upon customs clearance, the guarantee is annulled. In addition to curtailing unauthorized trade, the financial guarantee system increases the transparency and credibility of transit trade across Afghan and Pakistani borders.

Year 3 Results

The Trade Project facilitated discussions between Afghan trade representatives, the Federal Board of Revenue/Customs and the insurance sector to ease the costs, terms and conditions of financial guarantees to levels acceptable by all parties. In Year 3, discussions between the parties resulted in reductions of both the fees associated with the guarantee and the cash collateral requirements.

Additional efforts in reforming the financial guarantee system between Afghanistan and Pakistan included:

- The introduction to stakeholders of cost effective and acceptable alternatives in insurance guarantees.
- The attraction of insurance companies to this market opportunity through continuous confidence building between the stakeholders. The Trade Project provided insurance companies with risk data from customs administrations around the world to alleviate their concerns regarding the issuance of guarantees.
- The facilitation of communication between representatives of Afghan importers, Pakistan Customs and Pakistani insurance companies.

Challenges/Lessons Learned

- Release of Insurance Guarantees by Afghan Customs: In order for insurance guarantees to be released, or annulled, goods must be cleared by Afghan Customs. Currently, the documentation provided by Afghan Customs does not meet Pakistan Customs' requirement in certifying that goods have not been diverted to a Pakistani market. Consequently, not a single guarantee has been released since October 2011. It is estimated that in October 2012 insurance companies will discontinue issuing these instruments upon reaching their risk thresholds from the outstanding guarantees. Without the resolution of this issue through the Afghan-Pakistan Transit Trade Cooperation Authority (APTTCA), Afghan transit trade will come to a stop. The most recent APTTCA meeting occurred in May 2011 and another meeting is tentatively scheduled for August 2012.

Afghan Border Infrastructure Improvements

Background

Torkham is a border post between Pakistan and Afghanistan in Khyber Pakhtunkhwa, Pakistan. Although it is the busiest port of entry between the two countries and serves as a major transporting, shipping, and receiving site, there is limited infrastructure at Torkham to support the movement of transit goods. Improvements to the infrastructure which supports customs processing at Torkham would contribute significantly to a reduction in transit trade bottlenecks at this important border station.

The 2010 Afghanistan-Pakistan Transit Trade Agreement (APTTA) includes among its provisions requirements for infrastructure improvements at border posts. At the request of the Federal Board of Revenue / Customs (FBR), Trade Project advisors visited Torkham in 2010 and 2011 to assess the existing infrastructure and recommend improvements to alleviate transit trade bottlenecks. One of improvements identified by the Trade Project team was a need for the installation of weighbridges which could provide Peshawar Customs officials with accurate cargo weights. In order to accommodate the installation of weighbridges near the Torkham border in an area with limited land availability, and after the FBR's failed attempts to purchase land from a local land owner in this area, the FBR began negotiations with the land owner for the use of land for the installation of weighbridges on the basis of a fee-sharing arrangement.

Year 3 Results

In January and April 2012, FBR/Peshawar Customs and the land owner of the Torkham weighbridges site signed agreements to allow for the installation of import and export weighbridges. The agreements contain provisions for revenue sharing whereby revenues generated from fees charged to importers and exporters for the use of the weighbridges will be shared equally between FBR/Peshawar Customs and the land owner in exchange for FBR/Peshawar Customs' use of the land. Once these agreements were concluded, the Trade Project completed the following activities:

- Confirmed site preparation needs in consultation with FBR/Peshawar Customs and the land owner of the weighbridge site.
- Submitted and obtained approval from USAID on the Environmental Documentation Form and Environmental Mitigation and Monitoring Plan.
- Facilitated an agreement on the roles and responsibilities of the Trade Project, FBR, and the land owner regarding site preparation needs.
- Activated the purchase order for the purchase, transport and installation of the weighbridges at Torkham.
- Confirmed transportation and security arrangements for the installation of the weighbridges with Peshawar Customs.

The import and export weighbridges at Torkham are scheduled for installation in Project Year 4.

Challenges/Lessons Learned

- Facilitation between Public-Private Sector Partners: Facilitation between the FBR and the local land owner was lengthy. The resolution of this process required continuous communication and facilitation between the two parties by Trade Project advisors who traveled on-site.
- Visibility of US Government Involvement: Trade Project advisors' travel to Torkham was conducted in a low-profile manner to minimize the visibility of USAID supported activities in this highly sensitive area. While USAID's support of this activity is known to the FBR/Peshawar Customs and the land owner, Peshawar Customs requested that visits by Trade Project advisors to Torkham be kept to a minimum.

Tunnel system at Torkham



Pakistan-India Border Assessments

Background

The Government of Pakistan (GoP) has committed to granting Most Favored Nation (MFN) status to India by December 2012, a significant move towards trade normalization between the two countries. Currently, only 137 tariff line items are allowed for importation from India by land via a single border crossing at Wagah-Attari. Once MFN status has been granted to India, cross-border trade volumes have the potential to increase exponentially in a brief period of time. However, the expansion of trade volumes by land routes will be constrained by the infrastructure and process limitations of the small number of functioning customs border stations. Pakistan has committed to opening additional land routes at the border stations of Khokhrapar-Munabao and Sialkot Ganda Singh. Currently the Khokhrapar-Munabao land route is used only to accommodate rail passengers and their accompanied baggage, and the Sialkot Ganda Singh border crossing is completely closed for all movements except those of the UN monitoring mission.

Year 3 Results

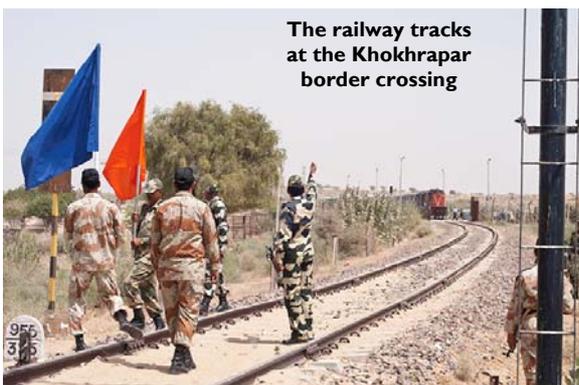
In December 2011, the Federal Board of Revenue / Customs (FBR) requested that the Trade Project provide an assessment of the Wagah-Attari border crossing. In May 2012, the Trade Project completed a study analyzing the physical infrastructure and customs administration processes at the Wagah-Attari border crossing. The study was conducted by gathering information from traders regarding the process and infrastructure related challenges they face.

In March 2012, the Trade Project conducted an initial assessment of Khokhrapar-Munabao as a prospective border crossing for trade with India. The purpose of the assessment was to determine the current state of facilities and process capabilities at the Khokhrapar-Munabao border crossing, and to provide this information to the FBR and Ministry of Commerce (MoC) with a view to informing their discussions with GoP policy makers and prospective donors regarding infrastructure needs. The findings of the initial assessment were shared with the FBR and the MoC in May 2012.

In May 2012, the MoC held several consultations with GoP policy makers to develop a roadmap of initiatives required to enable trade liberalization with India and to expand trade volumes between the two countries. The assessment reports developed by the Trade Project were used in these consultations.

Conclusions/Lessons Learned

The land border assessments at Wagah-Attari and Khokhrapar-Munabao have assisted the GoP with identifying gaps between the available and required infrastructure at key border stations. During Project Year 4, the Trade Project will continue to provide advice to the GoP on trade facilitation measures required to enhance Pakistan's trade competitiveness.



Customs Risk Management

Background

A customs Risk Management System (RMS) involves the collection and assessment of information to manage resources in segregating high risk from low risk cargo. This enables customs officials to expedite the clearance of goods without conducting checks on 100% of items crossing national or economic borders. Compliance verification, such as real time examination of goods at the border, can be done in situ or through "after goods clearance." In order for an RMS to work effectively, there must be an efficient commercial and criminal intelligence gathering and assessment capability, and a legislative, administrative and criminal penalty for non-compliance.

The World Customs Organization and Revised Kyoto Convention identify RMS as a crucial component to cross-border trade facilitation. In addition, the 2010 Afghan-Pakistan Transit Trade Agreement (APTTA) calls for such a system to be implemented. To limit intrusive examinations and modernize Pakistan's customs system, the Federal Board of Revenue (FBR) needs to effectively monitor goods declarations at all stages of the customs chain, using electronic data exchange (EDI) and risk analysis.

Year 3 Results

During Project Year 3, the FBR requested that the Trade Project provide assistance with the establishment of a Customs Directorate of Risk Management and a Risk Management System. Due to the FBR's lack of funding in Fiscal Year 2011 for the establishment of the Directorate, the Trade Project's activities in this area were postponed to Project Year 4. In anticipation of these activities, the Trade Project undertook exploratory research and gathered documentation to facilitate the development of an implementation roadmap for RMS.

Conclusions

The Trade Project identified areas of revenue assurance and control that the FBR/Pakistan Customs should address via an RMS. These include the incorrect declaration of goods, under- and over- invoicing of goods, and the transparency of Customs processes.

Single Business Window

Background

Single Business Window (SBW) is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export and transit trade-related regulatory requirements. The benefit of SBW is to simplify clearance and processing formalities for traders, negating the need for manual dealings with multiple government authorities in obtaining clearances and permit(s) authorizing movement of cargoes across national or economic borders.

Year 3 Results

In Project Year 3, the Trade Project initiated research to inform the development of an implementation roadmap for SBW. The study highlights the structure and operation of a SBW and identifies the core group of government departments to seek collaboration with. The induction of additional national and international stakeholders, within both the public and private sectors, will depend on the Government of Pakistan / Federal Board of Revenue's objectives, which will be ascertained during Project Year 4.

Conclusion

The activities conducted by the Trade Project were preparatory for Year 4 efforts, which include developing a feasibility report and needs assessment, identifying relevant GoP stakeholders, providing an implementation roadmap, and supporting efforts in document harmonization.



USAID
FROM THE AMERICAN PEOPLE

SUCCESS STORY

Pakistan Insurance Companies Issue Insurance Bonds—Afghan Pakistan Transit Trade



Trade supports transit trade between Afghanistan & Pakistan



Table 1

Terms	Insurance Guarantees	Bank Guarantees
Fee (gross)	0.8-1.25% Of duties & taxes guaranteed Depending on the nature of goods in transit	4% Of the value of duties & taxes guaranteed
Cash Collateral	10% Of duties & taxes guaranteed	110% Of the duties & taxes guaranteed

In order to track and ensure that revenue is collected on transit trade, customs administrations often require that financial guarantees be obtained on the duties of goods destined for another country. These guarantees are usually in the form of a surety or bond to the government that covers the customs duties and taxes that would have been payable had the goods entered the local market for consumption.

The 2010 Afghanistan-Pakistan Transit Trade Agreement (APTTA) requires that importers located in Afghanistan obtain such guarantees to ensure their goods cross the border into Afghanistan and are not diverted to a Pakistani market. Upon customs clearance, the guarantee is annulled. In addition to curtailing unauthorized trade, the financial guarantee system increases the transparency and credibility of transit trade across Afghan and Pakistani borders.

In the context of implementing the provisions of APTTA, Pakistan's Federal Board of Revenue (FBR) initially proposed accepting only bank guarantees from Afghan importers of transit goods. Due to the high cost of bank guarantees and the cash-flow burden they would place on importers located in Afghanistan, the FBR requested that the Trade Project facilitate efforts towards developing an economically feasible mechanism for the implementation of financial guarantees that would enable, rather than deter trade. Table 1 illustrates the cost savings between bank and insurance guarantees to Afghan importers.

In May 2011, the Afghan-Pakistan Transit Trade and Coordination Authority (APTTCA) facilitated the formalization of a consensus between the FBR, Afghan trade representatives and the insurance sector regarding financial guarantees. The consensus resulted in a reduction of both the insurance guarantee fees and the cash collateral required to secure the instrument.

The first insurance guarantee was issued on July 18, 2011. Although a significant milestone towards streamlining the movement of transit goods destined for the Afghan market, it was not until October 2011 that insurance companies were formally accepted by Afghan and Pakistan Customs as issuers of these guarantees. The four month implementation lag between the first issuance of an insurance guarantee and the formal acceptance by Afghan and Pakistan Customs of this type of financial guarantee was a result of implementation challenges within the customs administrations and insurance sector. During this time, the Trade Project provided implementation assistance to the FBR, the insurance sector in Pakistan and Afghan importers. Assistance to promote and support the formal acceptance of insurance guarantees amongst the various stakeholders included the following:

- Met with the FBR, insurance companies and Afghan importers on an individual basis to build confidence towards the implementation. The Trade Project provided insurance companies with risk data from customs administrations around the world to alleviate their concerns regarding the issuance of guarantees.
- Worked with the FBR to reduce the eligibility requirements of companies able to issue guarantees. A wider set of insurance companies qualified to issue guarantees increases competition among insurance companies, eventually leading to lower costs faced by Afghan traders. In September 2011, a total of nine insurance companies in Pakistan agreed to and were eligible to issue financial guarantees.
- Facilitated communication between representatives of Afghan importers, Pakistan Customs, and Pakistani insurance companies.

Using guarantees to prevent the diversion of goods in transit is an accepted international best practice. The insurance guarantee is a cost effective alternative to bank guarantees. Their successful adoption protects not only customs revenue against unauthorized trade, but will also ensure a smoother transition from the Afghan Transit Trade Agreement of 1965 to the Afghan-Pakistan Transit Trade Agreement of 2010.

Year 4 Outlook

Project Year 4 in Review

This section of the Annual Report is forward looking, and is based on a number of assumptions regarding the economic and working environment, cooperation of key counterparts, direct oversight and management by the Government of Pakistan (GoP), and USAID's own priorities and directives. Some of the critical assumptions include:

- The GoP continues to focus on economic growth and expanding trade as a development priority;
- The GoP, private sector and other critical stakeholders remain actively engaged in, and contribute as required to, project activities;
- Changes in leadership within key GoP ministries or other counterpart institutions do not disrupt the focus of the project;
- Security within Pakistan and the region does not significantly deteriorate, and tension between Pakistan and India does not escalate;
- Component 3, Supporting Reconstruction Opportunity Zones (ROZs), activities are on hold until the passage of legislation in the US and Pakistan. Factors for the legislation to pass in the respective countries' political bodies are beyond the project's control.

Component 1: Improved Trade Environment

- Facilitate the development of a robust web portal in collaboration with the Ministry of Commerce and the Trade Development Authority of Pakistan to facilitate exporter access to wider world markets and to promote exports.
- Provide technical expertise to the FBR in identifying gaps between the Pakistani Customs Regime and the terms of the Revised Kyoto Convention. Assist the FBR with the development of a reform roadmap to address those gaps.
- Support the Pakistan National Committee of the International Chamber of Commerce (PNC-ICC) in their efforts to promote the institutionalization of ATA Carnet and the Transit International Routier (TIR) Conventions through institutional capacity building and training.
- Assist efforts to strengthen the organizational capacity of the National Tariff Commission to administer World Trade Organization-compliant Trade Defense Laws.
- Engage the Institute of Public Policy to conduct and disseminate research regarding the economic, social, political and foreign relations issues associated with trade liberalization with India.
- Conduct a second round of the Women in Trade (WIT) Management Training & Mentorship Program to promote the placement of women graduates with international sourcing companies in Pakistan.
- Develop and promote a sustainable Women in Trade Portal to facilitate communication between women entrepreneurs and traders in the region.
- Provide Quarterly Pakistan Trade Performance Reports to increase awareness among key stakeholders regarding Pakistan's trade trends.
- Provide assistance to the Ministry of Commerce to develop their capacity to conduct trade negotiations.

Component 2: Increased Trade at Pakistani Borders

- Organize and facilitate bi-lateral technical working group meetings on Electronic Data Interchange (EDI) to support of the development of an agreement between Afghanistan and Pakistan on EDI methods and processes.
- Provide advisory support to the FBR regarding their efforts to reach consensus with Afghan Customs on transit trade rules and financial guarantees.
- Install export and import weighbridges at Torkham to improve customs processes and enhance the quality of data associated with Pakistan-Afghanistan transit trade.
- Assist the FBR with their efforts to implement a Customs Risk Management System. Review the current status of the FBR's establishment of a Customs Directorate of Risk Management. Develop an implementation roadmap for a customs Risk Management System.
- Assist the FBR with their efforts to implement Single Business Window through the development of an implementation roadmap. Conduct a feasibility study on Single Stop Inspection.
- Update the 2010 Dwell Time study for the transit trade routes from Karachi to Torkham and Karachi to Chaman.

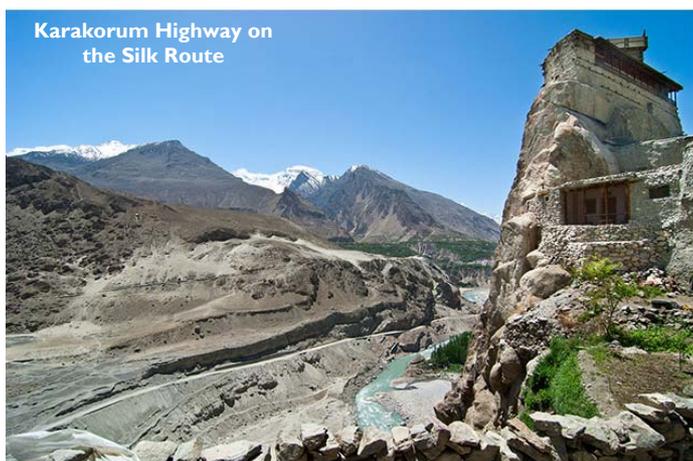
Component 3: Support to Reconstruction Opportunity Zones

The creation of Reconstruction Opportunity Zones (ROZs) is dependent on legislation within the United States Congress. As of June 2012, the Congressional legislation associated with these zones (H.R.1318/H.R. 2886/H.R. 2410 and S. 496), has yet to be passed and is not currently on the legislative agenda. Accordingly, the Trade Project is not planning to initiate any activities in Year 4 within this Component.

Component 0: Program Management, Operations & Life Support

Component 0 is comprised of on-going level of effort activities associated with the establishment, management, administration and successful delivery of the project. This includes activities undertaken in support of the technical delivery of tasks. Management ensures that project activities operate within its scope, time and funding constraints while ensuring the quality of project deliverables. Additionally, management ensures that contract reporting requirements are met and monitoring and evaluation activities are planned and executed.

This Component includes the core field and home office teams, security, human capital management, and economic research, in addition to the project's operating expenses and life support costs. The latter includes costs associated with rent, utilities, maintenance, vehicles, security, communications, support staff, and other direct costs within this Component.



Acronyms

Acronym	Description
APCP	Afghan-Pakistan Cooperation Process
APTTA	2010 Afghan-Pakistan Transit Trade Agreement
APTTCA	Afghan-Pakistan Transit Trade and Coordination Authority
Bol	Board of Investment
EDI	Electronic Data Interchange
FBR	Federal Board of Revenue / Customs
GDP	Gross Domestic Product
GoP	Government of Pakistan
ICT	Information and Communications Technology
IPP	Institute of Public Policy
IRU	International Road Transport Union
IT	Information Technology
LoA	Letter of Agreement
LoC	Letter of Cooperation
PNC-ICC	Pakistan National Committee of the International Chamber of Commerce
MFN	Most Favored Nation
MoC	Ministry of Commerce
NTC	National Tariff Commission
PRAL	Pakistan Revenue Automation Limited
RKC	Revised Kyoto Convention
RMS	Risk Management System
ROZs	Reconstruction Opportunity Zones
SAARC	South Asian Association for Regional Cooperation
SBW	Single Business Window
TDAP	Trade Development Authority of Pakistan
TIR Convention	Transit International Routier Convention
USAID	US Agency for International Development
USD	US Dollar
WCO	World Customs Organization
WIT	“Women in Trade”

Annex I: Project Deliverables

Below is a record of Trade Project assessments, reports, business cases, concept notes, and other documents created during the quarter.

Title	Date	Portal Link
Letter of Cooperation: Pakistan National Committee –International Chamber of Commerce and Trade agreement for support in implementing capacity building training to stakeholders on ATA Carnet and TIR Convention	Feb 2012	Click to access the Letter of Cooperation between the Trade Project and PNC-ICC
Report: “Harmonization of Pakistan Customs Law in line with World Customs Organization’s Revised Kyoto Convention and other relevant International Laws”	Mar 2012	Click to access the Report on the Harmonization of Pakistan Customs Law in line with the RKC
Concept Note: “Enhancing Agricultural Exports: Trade Opportunities, Market Requirements and Good Agricultural Practices”	Oct 2011	Click to access Concept Note on the “Enhancing Agricultural Exports” Workshops
Presentation: Enhancing Agricultural Exports: “Trade Opportunities, Market Requirements and Good Agricultural Practices”	Apr 2012	Click to access the Presentation on “Enhancing Agricultural Exports” Workshops
Final Report: “Enhancing Agricultural Exports: Trade Opportunities, Market Requirements and Good Agricultural Practices”	May 2012	Click to access Final Report: on the “Enhancing Agricultural Exports” Workshops
Concept Note: Round 2 of “Women-in-Trade: An Internship and Mentorship Program”	Dec 2011	Click to access the Concept Note on the Second Round of the WIT Program
“Women-in-Trade” Portal Outreach Strategy	Aug 2011	Click to access the WIT Portal Outreach Strategy
Report: “Estimating the Potential of Trade between India and Pakistan: The Gravity Model Approach”	Aug 2011	Click to access the Report on Estimating the Potential of Trade between India and Pakistan
Pakistan-India Trade Relations Report: Deliverable 1 of IPP study entitled, “A Primer: Pakistan-India Trade Relations (1947-2012)”	May 2012	Click to access Deliverable 1 of the IPP Study, “A Primer: Pakistan-India Trade Relations (1947-2012)”
Communications Plan for dissemination of Institute of Public Policy studies on Pakistan India trade relations	Apr 2012	Click to access the Communications Plan for the IPP Studies on Pak-India Trade Relations
Questionnaire: Identification of Non-Tariff Barriers to Trade between India and Pakistan for Deliverable 2 of Institute of Public Policy Report	Apr 2012	Click to access the Questionnaire on Non-Tariff Barriers to Trade between India and Pakistan administered to businesses across Pakistan
One Pager: Deliverable 1, “A Primer: Trade Relations between Pakistan & India (1947-2012)”	June 2012	Click to access the One Pager on Deliverable 1 of the Pak-India Trade Relations Study
One Pager Overview on the Institute of Public Policy	June 2012	Click to access the One Pager on the Institute of Public Policy
Concept Note: Trade’s assistance to the Ministry of Commerce to improve its trade negotiating capabilities through staff augmentation	Apr 2012	Click to access the Concept Note on Improving the Ministry of Commerce’s Trade Negotiations Capabilities
Initial Assessment for Khokharapar-Munabao at the Pakistan-India border	Apr 2012	Iterative Document - will be finalized in Year 4
Initial Assessment on Wagah-Attari border station infrastructure	May 2012	Click to access the Wagah-Attari Border Assessment
Technical Design Specifications Document for the Trade Portal	Sep 2011	Click to access the Trade Portal’s Technical Design Specifications Document
User Acceptance Plan for the Trade Portal	May 2012	Click to access the Trade Portal’s User Acceptance Plan
Concept Note: Trade Portal’s Institutional Mechanism for Data Collection	May-2012	Click to access the Concept Note on the Trade Portal’s Institutional Mechanism for on Data Collection
Functional Specifications Document for the Trade Portal	June 2012	Click to access the Trade Portal’s Functional Specifications Document
Letter of Agreement between Trade and Pakistan Board of Investment to enhance the Information Communications Technology based capabilities of the Board of Investment	Mar 2012	Click to access the Letter of Agreement between the Trade Project and BoI
System Design and Planning Document Developed for Board of Investment	Dec 2011	Click to access the System Design and Planning Document for BoI
3 Quarterly Trade Bulletins	May 2012	Click to access Quarterly Trade Bulletin FY11 Q4 Click to access Quarterly Trade Bulletin FY12 Q1 Click to access Quarterly Trade Bulletin FY12 Q2 Click to access Quarterly Trade Bulletin FY12 Q3

Project Deliverables

Below is a record of Trade Project assessments, reports, business cases, concept notes, and other documents created during the quarter.

Component 2: Increased Trade at Pakistani Borders

Title	Date	Portal Link
Report: "National Requirements to Determine Messages for Electronic Data Interchange" for customs data exchange	Oct 2011	Click to access the Report on National Requirements to Determine Messages for EDI
IT Infrastructure Needs Assessment: Implementation of the Electronic Data Interchange under 2010 Afghan Pakistan Transit Trade Agreement	Mar 2012	Click to access the IT Infrastructure Needs Assessment Report for EDI under APTTA
Report: Implementation of a Financial Guarantee System in Pakistan for Afghan Transit Goods under the Afghan Pakistan Transit Trade Agreement	Sep 2011	Click to access the Report on Financial Guarantee System Implementation under APTTA
Report: Pakistan's Status on the Ratification of Bilateral/Regional /Multilateral Agreements and International Conventions on Trade, Transit, Transport and Investment	Apr 2012	Click to access the Report on Pakistan's Status on Ratification of International Agreements and International Conventions on Trade, Transit, Transport and Investment
Business Case: Infrastructure Improvements at Torkham	July 2011	Click to access the Business Case on Infrastructure Improvements in Torkham
Business Case: Infrastructure Improvements at Chaman	July 2011	Click to access the Business Case on Infrastructure Improvements in Chaman
Conceptual Plan: Border Terminal at Torkham for Infrastructure Improvement at Pakistani borders	Dec 2011	Click to access the Conceptual Plan of the Border Terminal at Torkham
Conceptual Plan: Border Terminal at Chaman for Infrastructure Improvement at Pakistani borders	Dec 2011	Click to access the Conceptual Plan of the Chaman Border Terminal at Chaman
Environmental Study: Installation of Import and Export Weighbridges in Torkham	May 2012	Click to access the Environmental Study for the Installation of Import and Export Weighbridges in Torkham

Component 0: Program Management, Operations & Life Support

Title	Date	Portal Link
4 Quarterly Performance Reports	Apr 2012	Click to access the Quarterly Performance Report FY11 Q4 Click to access the Quarterly Performance Report FY12 Q1 Click to access the Quarterly Performance Report FY12 Q2 Click to access the Quarterly Performance Report FY12 Q3
Trade Project Branding Implementation and Marketing Plan	May 2012	Click to access the Branding Implementation and Marketing Plan
Trade Project Indicators	June 2012	Click to access the Trade Project Indicators
11 Weekly Reports	Sep 2011	Click to access the Weekly Reports
20 Biweekly Reports	June 2012	Click to access the Biweekly Reports
Project Year 3 Work Plan	June 2012	Click to access the Year 3 Workplan
Project Year 4 Work Plan	May 2012	Click to access the Year 4 Workplan

Annex 2: Review of Project Indicators



USAID Trade Project

Project Management Plan

Review of Indicators (Year 1 to Year 3)

Prepared for:

USAID/Pakistan

Office of Economic Growth & Agriculture

Contract Number: EEM-I-00-07-00005

July 21, 2012

Disclaimer:

This publication was produced for review by the U.S. Agency for International Development. It was prepared by the advisor(s) supporting the USAID Trade Project, and the information in this document does not necessarily reflect the views or position of USAID or the U.S. Government.



Record of Revisions

Revision	Description	Date
0	Initial Draft	June 7, 2012
1	Updated Indicator #2.4	June 25, 2012
2	Updated PY3 Q4 Actuals and PY4 Targets	July 21, 2012



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Project Overview

The goal of the Trade Project is to collaborate with the Government of Pakistan (GoP) and the private sector to resolve trade challenges and support 'second generation' trade reform through the provision of technical assistance. Specifically, the project aims to encourage improvements in customs and trade facilitation, eliminate anti-export bias in trade policy and enable increased bilateral and regional trade with Pakistan's neighbors through trade and transit agreements and border improvements.

To meet project objectives, a team of expatriate and national staff support work alongside the GoP and private sector stakeholders, among others.

Project Management Plan

At the inception of the Trade Project, in June 2009, management developed a set of indicators by which progress would be measured by. These are organized according to the following themes, and in keeping with contractual requirements:

Component 1: Improved Pakistan Trade Environment

Component 2: Increased Trade at Pakistani Borders

Component 3: Support to Sustainable and Competitive Special Economic Zones

General Economic Indicators: Enhanced Diversity & Stability of Exports

In the following pages Trade provides a summary table of all indicators and the project's performance across them.

Please note that this document supersedes other documents with project indicators as errors in prior years have been removed.



Summary Table of Trade Project Indicators

Ind. Ref #	Result Indicator	Project Year 3					Project Year 4		Cumulative		Notes
		Y3 Target	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	Target	Actual	Target	Actual	
Component 1: IMPROVED PAKISTAN TRADE ENVIRONMENT											
	Percentage Change in total exports to partner countries in bilateral/multilateral trade agreements (IR 4.1)	--	--	--	--	--	--	--	--	--	Removed in Year 1
1.1	Number of consultative processes formalized between public and private sectors (IR 4.2)	2	0	1	0	1	1		14	16	
1.2	Number of public sector participants in trade/investment capacity building trainings (IR 4.2)	20	0	0	15	4	32		60	15	
1.3	Number of legal/regulatory/institutional actions taken to improve compliance with international trade/investment agreements (IR 4.2)	3	2	0	1	1	12		17	9	
1.4	Number of policy constraints identified and modified to improve the trade policy environment (IR 4.2.1)	2	0	0	3	0	7		11	20	
Component 2: INCREASED TRADE AT PAKISTANI BORDERS											
2.1	Number of customs harmonization procedures implemented (IR 4.2)	2	1	0	0	0	5		10	2	
2.2	Average dwell time with customs for inbound/outbound goods at Pakistani border(s)	10%	N/A	N/A	N/A	0%	10%		10%	0	Added in Year 2
2.3	Number of "single windows" at border crossings implemented by GoP	1	0	0	0	0	0		1	0	Added in Year 2
2.4	Number of Provisions of the APTTA implemented by the GoP	2	1	1	2	0	4		6	4	Added in Year 3
2.5	Number of infrastructure /security upgrades at the Pakistani border posts (Chaman & Torkham) in support of the APTTA	4	0	0	0	0	2		6	0	Added in Year 3
Component 3: SUPPORT TO SUSTAINABLE AND COMPETITIVE SPECIAL ECONOMIC ZONES INCLUDING THE RECONSTRUCTION OPPORTUNITY ZONES (ROZS)											
	Growth in share of exports from firms in ROZs and/or other specialized zones facilitated by PT relative to total exports (IR 4.1.3)	--	--	--	--	--	--	--	0	0	Removed in Year 1
	Number of ROZs or other specialized zones implemented with project assistance (IR 5.2.1)	--	--	--	--	--	--	--	0	0	Removed in Year 2
3.1	Support to sustainable and competitive SEZs including ROZs	TBD	N/A	N/A	N/A	N/A	--		N/A	N/A	Added in Year 3
ENHANCED DIVERSITY AND STABILITY OF EXPORTS											
	Percent change in global market share of Pakistani exports (IR 4.1)	--	--	--	--	--	--	--	0	0	Removed in Year 1
	Relative increase in value-added exports in non-textiles or garments industries (IR 5.2)	--	--	--	--	--	--	--	0	0	Removed in Year 1
4.1	Number of private sector participants in trade/investment capacity building trainings (IR 2.1.1)	30	17	0	33	0	292		372	362	
4.2	Number of firms receiving trade facilitation assistance to increase exports (IR 2.1.1)	TBD	0	0	0	0	3,000		3,001	2	
4.3	Number of organizations that have adopted internationally accepted guidelines due to PTP assistance	TBD	N/A	N/A	N/A	0	0		TBD	15	Added in Year 2



Component 1 Indicators Explained

1.1 Number of Consultative Processes Formalized between Public & Private Sectors

Project Year		Actual	Justification
Year 1 <u>Target: 8</u> <u>Actuals: 6</u>	Q1	1	<ul style="list-style-type: none"> 1 Steering Committee established between Ministry of Commerce (MoC) and Trade, with public & private sector representation. Trade provided oversight.
	Q2	1	<ul style="list-style-type: none"> 1 Steering Committee with MoC meeting held.
	Q3	1	<ul style="list-style-type: none"> Conducted a gender research workshop with women exporters at Karachi to identify & recommend factors impacting women participation in exports.
	Q4	3	<ul style="list-style-type: none"> Two meetings Ministry of Commerce Steering Committee held. One Trade/Federal Board of Revenue (FBR) working group held with public & private sector representation.
Year 2 <u>Target: 3</u> <u>Actuals: 9</u>	Q1	2	<ul style="list-style-type: none"> 1 meeting with major chambers and trade associations across Pakistan were held on the concept of the Pakistan Trade Portal. Working group with Pakistan Railways was formalized in promoting the rail sector for trade.
	Q2	3	<ul style="list-style-type: none"> Conducted 3 regional seminars in Rawalpindi, Sialkot, & Faisalabad to obtain buy-in on the Trade Portal with chambers of commerce & trade associations.
	Q3	2	<ul style="list-style-type: none"> 1 Public-Private Consultative Round Meeting held (January 13-14, 2011). 1 Public-Private Consultative Round Meeting held between Customs and Insurance sector (March 3, 2011).
	Q4	2	<ul style="list-style-type: none"> 1 Working group formalized with Customs Clearing Agents in Karachi Public-Private Consultative mechanism established between Customs, Insurance Sector & Customs bonded carriers.
Year 3 <u>Target: 2</u> <u>Actuals: 2</u>	Q1	0	<ul style="list-style-type: none"> No activities to report.
	Q2	1	<ul style="list-style-type: none"> Trade facilitated partnership between FBR & private landowner in support of Customs infrastructure in Torkham.
	Q3	0	<ul style="list-style-type: none"> No activities to report.
	Q4	1	<ul style="list-style-type: none"> Agreement finalized between FBR & Torkham landlord of installation site on installation of import & export weighbridges.

1.2 Number of Public Sector Participants in Trade/Investment Capacity Building Trainings

Project Year		Actual	Justification
Year 1 <u>Target: TBD</u> <u>Actuals: 0</u>	Q1	0	<ul style="list-style-type: none"> Activities in progress include identifying stakeholders and potential recipients. Trade initiated a relationship with FBR.
	Q2	0	<ul style="list-style-type: none"> Trainings planned in Q3 and Q4.
	Q3	0	<ul style="list-style-type: none"> Activities were underway to assess training needs for Pakistan Customs.
	Q4	0	<ul style="list-style-type: none"> Activities were underway to assess training needs for Pakistan Customs.
Year 2 <u>Target: 20</u> <u>Actuals: 0</u>	Q1	0	<ul style="list-style-type: none"> Activities in progress.
	Q2	0	<ul style="list-style-type: none"> Activities in progress.
	Q3	0	<ul style="list-style-type: none"> No trainings planned for this quarter.
	Q4	0	<ul style="list-style-type: none"> No trainings planned for this quarter.
Year 3 <u>Target: 19</u> <u>Actuals: 23</u>	Q1	0	<ul style="list-style-type: none"> No trainings planned for this quarter.
	Q2	0	<ul style="list-style-type: none"> No trainings planned for this quarter.
	Q3	15	<ul style="list-style-type: none"> 15 Public Sector participants in "Enhancing Agricultural Exports Trade Opportunities, Market Requirements & Good Agricultural Practices."
	Q4	4	<ul style="list-style-type: none"> 4 Board of Investment Officers trained on ICT



1.3 Number of Legal/Regulatory/Institutional Actions Taken to Improve Compliance with International Trade/Investment Agreements

Project Year		Actual	Justification
Year 1 <u>Target: TBD</u> <u>Actuals: 1</u>	Q1	N/A	<ul style="list-style-type: none"> Initial assessment with GoP planned for Q2. Once assessment is completed activities falling under this indicator will commence.
	Q2	1	<ul style="list-style-type: none"> Working group was established with the FBR to look at Customs reforms.
	Q3	0	<ul style="list-style-type: none"> Steering Committee of MoC was constituted in previous quarter.
	Q4	0	<ul style="list-style-type: none"> Trade was working through the MoC Steering Committee & with FBR through the work group on legal reforms to improve compliance with international trade/investment agreements.
Year 2 <u>Target: 2</u> <u>Actuals: 4</u>	Q1	0	<ul style="list-style-type: none"> No activities to report.
	Q2	0	<ul style="list-style-type: none"> Activities in progress.
	Q3	0	<ul style="list-style-type: none"> No activities to report.
	Q4	4	<ul style="list-style-type: none"> Approval of APTTA by GoP. Financial guarantee implemented for Afghan transit goods under APTTA. Provision & installation of 2 weighbridges at Torkham & 2 weighbridges at Chaman border stations. Establishment of Electronic Data Interchange (EDI) mechanism between Pakistan & Afghanistan.
Year 3 <u>Target: 3</u> <u>Actuals: 4</u>	Q1	2	2 Customs rules amended: <ul style="list-style-type: none"> Agreed to inspect only up to 5% of containers under Afghan transit trade. Allowed Afghan trucks bringing exports for India up to Wagah to return loaded with imports to Afghanistan.
	Q2	0	<ul style="list-style-type: none"> Prior quarter activities continued in Q2.
	Q3	1	<ul style="list-style-type: none"> Supported efforts to grant Most Favored Nation to India. Supported efforts for Customs' rules to be compliant with Revised Kyoto Convention through Assessment that will be completed in Year 4.
	Q4	1	<ul style="list-style-type: none"> Provided technical support to the Ministry of Commerce in altering trade regulations & granting MFN status to India by December 31, 2012.



1.4 Number of Policy Constraints Identified & Modified to Improve the Trade Policy Environment

Project Year		Actual	Justification
Year 1 <u>Target: TBD</u> <u>Actuals: 4</u>	Q1	0	<ul style="list-style-type: none"> Initiated process of identifying policy constraints to improve the trade policy environment by establishing contacts with the Federal Board of Revenue, Ministry of Commerce & Pakistan Customs Mobilized expatriate Trade Advisor to prepare for baseline assessment of the trade environment to identify areas of improvement
	Q2	3	<ul style="list-style-type: none"> Completed TDAP's Organizational Self-Assessment to identify constraints in TDAP for development of Trade Portal. Completed Assessment of Smuggling between Afghan & Pakistan borders to identify tariff policy & Customs procedural constraints. Identified constraints within system of Commercial Officers through review of Employee Handbook & access to interviews.
	Q3	1	<ul style="list-style-type: none"> Identified factors constraining women access to exports' markets (Completed gender research study).
	Q4	0	<ul style="list-style-type: none"> Trade was working on assessments expected for completion in upcoming quarters.
Year 2 <u>Target: 2</u> <u>Actuals: 8</u>	Q1	0	<ul style="list-style-type: none"> Trade was working on assessments, expected for completion in following quarter.
	Q2	5	Completed the following reports: <ul style="list-style-type: none"> Dwell Time & Cost Analysis Study Benchmarking Gap Analysis of the Pakistan Marble Sector Training Needs Assessment of Pakistan Customs Information Technology Needs Assessment of the Board of Investment Legal Framework on Afghan transit trade & International Obligations
	Q3	0	<ul style="list-style-type: none"> Activities in progress
	Q4	3	<ul style="list-style-type: none"> Financial Guarantee system implemented. EDI mechanism established between Pakistan & Afghanistan. Customs bonded carriers recommended for used in transit trade to minimize transit dwell time.
Year 3 <u>Target: 2</u> <u>Actuals: 4</u>	Q1	0	<ul style="list-style-type: none"> No activities to report.
	Q2	0	<ul style="list-style-type: none"> No activities to report.
	Q3	3	<ul style="list-style-type: none"> Installed fully functional server room at Board of Investment following a needs assessment to facilitate foreign direct investment & support Pakistan's economic growth. Provided assistance to the Ministry of Commerce in rectifying errors identified & finalizing the Negative List of items with India. Supported FBR in amending the number of Goods Declarations documents required for transportation of transit goods under APTTA. Number of Goods Declarations required reduced from nine to six.
	Q4	1	<ul style="list-style-type: none"> Meeting between Afghanistan & Pakistan scheduled from July 15-17, 2012. BoI needs assessment led to providing capacity building on ICT and implementation equipment.



Component 2 Indicators Explained

2.1 Number of Customs Harmonization Procedures Implemented

Project Year	Actual	Justification	
Year 1 <u>Target: 1</u> <u>Actuals: 0</u>	Q1	0	<ul style="list-style-type: none"> Activities falling under this indicator were initiated but not mature enough at the time of the reporting. Change Management Specialist & Trade Advisor were mobilized for assessment of institutional capacity of Pakistan Customs to implement APTTA & comply with the Revised Kyoto Convention. Assessment of APTTA impact planned for subsequent quarters.
	Q2	0	<ul style="list-style-type: none"> Work Plan was revised & future activities were planned against this indicator.
	Q3	0	<ul style="list-style-type: none"> Trade/FBR working group was formed to deal with issues related to Pakistan Customs in support of APTTA implementation & in line with international best practices in customs.
	Q4	0	<ul style="list-style-type: none"> Activities in progress, via the Trade/FBR Working group.
Year 2 <u>Target: 2</u> <u>Actuals: 1</u>	Q1	0	<ul style="list-style-type: none"> Activities in progress
	Q2	0	<ul style="list-style-type: none"> Activities in progress. Trade in final stage to propose amendments to existing laws on customs reforms for the implementation of APTTA.
	Q3	0	<ul style="list-style-type: none"> Activities in progress. Trade in final stage to propose amendments to existing laws on customs reforms for the implementation of APTTA.
	Q4	1	<ul style="list-style-type: none"> Implemented financial guarantee system for Afghan transit goods under the APTTA. Working towards establishing an EDI mechanism between Pakistan & Afghanistan to minimize informal border trade.
Year 3 <u>Target: 2</u> <u>Actuals: 1</u>	Q1	1	<ul style="list-style-type: none"> Facilitated Customs to Customs meeting between Afghanistan & Pakistan (September 28-30, 2011).
	Q2	0	<ul style="list-style-type: none"> Awaiting meeting with technical working group from Afghanistan & Pakistan Customs on EDI.
	Q3	0	<ul style="list-style-type: none"> EDI assessment report completed. Slow process of GoP bilateral decision making caused delays in implementation.
	Q4	0	<ul style="list-style-type: none"> Meeting between Afghanistan & Pakistan scheduled from July 15-17, 2012.

2.2 Average Dwell Time with Customs for Inbound/Outbound goods at Pakistani Borders

Project Year	Actual	Justification	
Year 1	-	Indicator was added in Project Year 2.	
Year 2 <u>Target: 0</u> <u>Actuals: 0</u>	Q1	0	<ul style="list-style-type: none"> Activities in progress.
	Q2	0	<ul style="list-style-type: none"> Activities in progress.
	Q3	0	<ul style="list-style-type: none"> Recommendations presented in the completed Dwell time study yet to be implemented by GoP counterparts.
	Q4	0	<ul style="list-style-type: none"> Recommendations presented in the completed Dwell time study yet to be implemented by GoP counterparts.
Year 3 <u>Target: 10%</u> <u>Actuals: 0</u>	Q1	N/A	<ul style="list-style-type: none"> Study after baseline assessment delayed due to disruptions in the transit system.
	Q2	N/A	<ul style="list-style-type: none"> No activities to report.
	Q3	N/A	<ul style="list-style-type: none"> No activities to report.
	Q4	0	<ul style="list-style-type: none"> No activities to report



2.3 Number of “Single Windows” at Border Crossings Implemented by the Government of Pakistan

Note: Given the time remaining, USAID Trade will not meet this indicator. Implementation of a single business window requires up to five years.

Project Year		Actual	Justification
Year 1		-	<i>Indicator was added in Year 2.</i>
Year 2 <u>Target: 0</u> <u>Actuals: 0</u>	Q1	0	• Activities in progress.
	Q2	0	• Activities in progress.
	Q3	0	• Activities in progress.
	Q4	0	• Activities in progress.
Year 3 <u>Target: 1</u> <u>Actuals: 0</u>	Q1	0	• Expected to be initiated in Year 3 Q3.
	Q2	0	• Expected to be initiated in Year 3 Q3.
	Q3	0	• Activities in progress, expected completion in Year 4.
	Q4	0	• No activities to report. An initial draft presentation is being prepared for the Federal Board of Revenue (FBR) which will be finalized after the arrival of the expatriate Component 2 Lead in July 2012.

2.4 Number of 2010 Afghanistan-Pakistan Transit Trade Agreement Provisions Implemented by the Government of Pakistan

Project Year		Actual	Justification
Year 1		-	<i>Indicator was added in Year 3.</i>
Year 2		-	<i>Indicator was added in Year 3.</i>
Year 3 <u>Target: 2</u> <u>Actuals: 4</u>	Q1	1	• Customs Rules changed to incorporate up to 5% of containers to be inspected under APTTA.
	Q2	1	• Insurance Guarantees issued.
	Q3	2	• EDI Needs Assessment completed. • Business case for EDI & Risk Management in development. • Reduced the number of Goods Declarations from 9 to 6 following Trade support and technical assistance. • Allowed perishable commodities, as stipulated within APTTA.
	Q4	0	• No activities to report.

2.5 Number of Infrastructure/Security Upgrades at the Pakistani Border Posts (Chaman & Torkham)

Project Year		Actual	Justification
Year 1		-	<i>Indicator was added in Year 3.</i>
Year 2		-	<i>Indicator was added in Year 3.</i>
Year 3 <u>Target: 4</u> <u>Actuals: 0</u>	Q1	0	• Dispute over land ownership in Chaman have caused delays.
	Q2	0	• Land allotment issues in Torkham resolved.
	Q3	0	• Weighbridges in Torkham are expected for completion in Year 4. • EDI results expected for completion in Year 4 at Torkham & Chaman.
	Q4	0	• Installation of import and export weighbridges at Torkham is expected for completion in September 2012.



Component 3 Indicators Explained

3.1 Support to Sustainable & Competitive Special Economic Zones (SEZs), including Reconstruction Opportunity Zones (ROZs)

Project Year		Actual	Justification
Year 1 <u>Target: TBD</u> <u>Actuals: N/A</u>	Q1	N/A	• Dependent on US legislation.
	Q2	N/A	• Dependent on US legislation.
	Q3	N/A	• ROZ road map finalized. Implementation dependent on US legislation.
	Q4	N/A	• Marble City Risalpur Business Plan finalized, implementation dependant on US legislation.
Year 2 <u>Target: TBD</u> <u>Actuals: N/A</u>	Q1	N/A	• Dependent on US legislation.
	Q2	N/A	• Dependent on US legislation.
	Q3	N/A	• Dependent on US legislation.
	Q4	N/A	• Dependent on US legislation.
Year 3 <u>Target: TBD</u> <u>Actuals: N/A</u>	Q1	N/A	• Dependent on US legislation.
	Q2	N/A	• Dependent on US legislation.
	Q3	N/A	• Dependent on US legislation.
	Q4	N/A	• Dependent on US legislation.



General Economic Indicators Explained

4.1 Number of Private Sector Participants in Trade/Investment Capacity Building Trainings

Project Year	Actual	Justification	
Year 1 <u>Target: 20</u> <u>Actuals: 278</u>	Q1	0	<ul style="list-style-type: none"> No Activities planned in Q1.
	Q2	0	<ul style="list-style-type: none"> Activities planned in Q3 & Q4.
	Q3	40	<ul style="list-style-type: none"> Two trainings on “Processes & Benefits of Formal Exports” were conducted in Islamabad & Lahore.
	Q4	238	<ul style="list-style-type: none"> 13 Trainings on “Processes & Benefits of Formal Export” were conducted in: Karachi, Lahore, Islamabad, Multan, Sialkot, Faisalabad, Abbottabad, Peshawar & Quetta.
Year 2 <u>Target: 30</u> <u>Actuals: 34</u>	Q1	0	<ul style="list-style-type: none"> No trainings planned for Q1.
	Q2	14	<ul style="list-style-type: none"> Conducted two trainings on “Effective Business Communication Skills for Data Collection” for staff of the chambers of commerce & industry.
	Q3	0	<ul style="list-style-type: none"> No training planned for this quarter.
	Q4	20	<ul style="list-style-type: none"> 20 management committee members from Karachi Customs Agents Association trained on issues of rulings & appeals in the WCO & WTO framework, current procedures & international best practices.
Year 3 <u>Target: 30</u> <u>Actuals: 50</u>	Q1	17	<ul style="list-style-type: none"> 17 women graduates selected for a three month internship under the WIT program with renowned Pakistani & multinational firms.
	Q2	0	<ul style="list-style-type: none"> Plan to conduct country-wide trainings on “Enhancing Agricultural Exports: Trade, Opportunities, Market Requirements & Good Agricultural Practices” in the Year 3 Q3.
	Q3	33	<ul style="list-style-type: none"> 33 private sector participants trained in “Enhancing Agricultural Exports Trade Opportunities, Market Requirements & Good Agricultural Practices” workshop.
	Q4	0	<ul style="list-style-type: none"> WIT Management Training & Mentorship Program will commence in July 2012.



4.2 Number of Firms Receiving Trade Facilitation Assistance to Increase Exports

Project Year		Actual	Justification
Year 1 <u>Target: TBD</u> <u>Actuals: 2</u>	Q1	0	<ul style="list-style-type: none"> Number of small & medium enterprises established in the ROZs would be provided the opportunity to attain technical services falling within this indicator. Activities are planned for Year 3.
	Q2	0	<ul style="list-style-type: none"> Designated & green-field ROZs not yet established but the process was underway, at the time. Trade Facilitation Center was expected for completion by Q3.
	Q3	0	<ul style="list-style-type: none"> Designated & green-field ROZs not yet established, but the process was underway, at the time.
	Q4	2	<ul style="list-style-type: none"> Provided technical assistance to Marble Exporters (Marina Industries & Marin Onyx).
Year 2 <u>Target: 1</u> <u>Actuals: 0</u>	Q1	0	<ul style="list-style-type: none"> Continued technical assistance to Marble Exporters (Marina Industries & Marin Onyx).
	Q2	0	<ul style="list-style-type: none"> Continued technical assistance to Marble Exporters (Marina Industries & Marin Onyx).
	Q3	0	<ul style="list-style-type: none"> Continued technical assistance to Marble Exporters (Marina Industries & Marin Onyx).
	Q4	0	<ul style="list-style-type: none"> No progress reported.
Year 3 <u>Target: TBD</u> <u>Actuals: 0</u>	Q1	N/A	<ul style="list-style-type: none"> Work with Marble Exporters was stopped on direction from USAID COTR per 2010 US appropriations. In addition this activity was dependent on US legislation around Reconstruction Opportunity Zones.
	Q2	N/A	<ul style="list-style-type: none"> No activities to report.
	Q3	N/A	<ul style="list-style-type: none"> No activities to report.
	Q4	0	<ul style="list-style-type: none"> In PY4 the WIT Portal will be launched, providing women access to opportunities to generate business for their crafts or enterprises.

4.3 Number of Organizations that have Adopted Internationally Accepted Guidelines due to Trade Assistance

Project Year		Actual	Justification
Year 1		-	Indicator was added in Year 2.
Year 2 <u>Target: TBD</u> <u>Actuals: N/A</u>	Q1	N/A	<ul style="list-style-type: none"> Activities not yet initiated, dependent on US legislation on Reconstruction Opportunity Zones
	Q2	N/A	<ul style="list-style-type: none"> Activities not yet initiated.
	Q3	N/A	<ul style="list-style-type: none"> Not yet initiated.
	Q4	N/A	<ul style="list-style-type: none"> Not yet initiated.
Year 3 <u>Target: TBD</u> <u>Actuals: 0</u>	Q1	N/A	<ul style="list-style-type: none"> Not yet initiated.
	Q2	N/A	<ul style="list-style-type: none"> Not yet initiated.
	Q3	N/A	<ul style="list-style-type: none"> No activities to report.
	Q4	0	<ul style="list-style-type: none"> No activities to report.

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Trade is a program led by the U.S. Agency for International Development to help Pakistan create the favorable frameworks that promote trade. Trade is comprised of a diverse team of economists, trade lawyers, development experts and sector specialists who work alongside government officials, providing technical assistance and trainings on a daily basis.