

Part I – The Schedule

SECTION C: DESCRIPTION/SPECIFICATIONS/STATEMENT OF OBJECTIVES**C.1 - EXECUTIVE SUMMARY**

The goal of the proposed Trade and Accession Facilitation for Afghanistan (TAFa) Project is to improve the trade environment for Afghanistan, thereby fostering increased investment, exports, and market-based employment opportunities. The project will help the Government of the Islamic Republic of Afghanistan (GIROA) and the private sector to pursue and realize the advantages of greater regional and global trade linkages and economic integration through three components: 1) trade policy liberalization, 2) trade facilitation, and 3) public outreach on trade-related issues. Specifically, the project will seek to improve processes and reduce impediments or obstacles in the following areas (but not limited to) affecting Afghanistan's trade and investment environment:

- GIROA's institutional capacity to coordinate trade and tariff policy;
- GIROA capacity to prepare for, negotiate, and implement trade agreements;
- Time/expense to clear customs, transport, transit, and border crossing operations
- Collection and analysis of trade-related data to inform policy decisions
- Business community knowledge of trade policies and trade-related opportunities
- Business community involvement in trade policy development
- Afghan public's awareness of the benefits of trade and support for a liberal trade regime

The project will result in the GIROA's improved capacity to negotiate and implement regional and international trade agreements and progress toward World Trade Organization (WTO) accession; increased cooperation on trade and customs issues within the region; increased transparency and reduced obstacles to trade, including areas such as customs, transport/transit, and border crossing operations; increased Customs revenue collection returning to the Central Treasury; increased investment, exports, and market-based employment; improved ranking on the World Bank's trading across borders indicator as part of the annual Doing Business survey; and increased public understanding of and support for a liberal trade regime.

C.2 - INTRODUCTION

The TAFa project will aim to increase Afghanistan's ability to develop and implement sound trade policies that provide the foundation for increased trade and investment. In the process, the program will also seek to stimulate greater public awareness, involvement and understanding of trade-related market reforms. In line with the Afghanistan National Development Strategy (ANDS), TAFa will contribute to sustainable improvement of Afghanistan's trade and investment environment and will promote economic growth and poverty reduction through increased investment, exports, and job opportunities. The proposed three year program (plus two option years) will be implemented through FY 2014 and will support USAID's Operational Plan objectives under Economic Growth, Program Area "Trade & Investment" – specifically, Program Element 4.2.1 "Trade & Investment Enabling Environment" and Program Sub-Elements 4.2.1.2 "Trade Liberalization and Agreements," 4.2.1.3 "Trade Facilitation."

The project is consistent with USAID/Afghanistan's 2005-2010 strategic plan, which seeks to advance Afghanistan's transition to a more stable and productive state through the promotion of democracy, rule of law and sustainable economic and social development that is responsive to citizens' needs. Its mission is centered on working with Afghans and others to achieve three interlinked Strategic Objectives:

- A thriving licit economy led by the private sector;
- A democratic government with broad citizen participation; and
- A better educated and healthier population.

Achievement of the first objective, “A thriving licit economy led by the private sector,” requires a legal, regulatory, and institutional framework supportive of private sector development. In the trade area, this includes promoting regional and international cooperation on trade and tariff agreements and related matters, such as transit of goods; reducing obstacles to trade such as onerous customs clearance procedures; and increasing understanding in the business community and the public of the benefits of a liberal trade regime. Linking TAFAs with the Mission’s small and medium enterprise (SME) and agribusiness activities will be crucial to accomplishing the third element. TAFAs will also help Afghanistan take advantage of recently introduced legislation to allow a wide range of Afghan goods to enter the U.S. market duty free through Reconstruction Opportunity Zones (ROZs). While this legislation is still pending in the U.S. Congress, TAFAs will help Afghanistan prepare for its eventual approval and implementation. In addition, with multiple U.S. actors and funding sources, including the US Department of Defense, implementation of TAFAs should look to leverage additional resources and expertise, particularly for strengthening program impacts in Afghanistan’s provinces. The results of all this for Afghanistan should lead to increased investment, exports, and private sector jobs – especially in trade-related areas – to support private-sector driven economic growth and poverty reduction.

TAFAs are one element of a comprehensive, multi-dimensional USAID assistance program to strengthen development of Afghanistan’s private sector. Other USAID activities include infrastructure, roads, power development; strengthening Afghanistan’s economic policy and domestic enabling environment; increasing access to finance for micro, small and medium enterprises (MSMEs), and substantial agribusiness and alternative development programs throughout the country. USAID intends for all of these activities to operate collaboratively and complementarily.

C.3 - BACKGROUND

Afghanistan is recovering from more than 20 years of war and economic devastation. As a least-developed country (LDC), Afghanistan requires an enhanced trade capacity to achieve its development goals, many of which are predicated on broad-based growth of the economy. As a landlocked country, it is dependent upon well-defined, efficient and cooperative trade and transit relationships with its neighbors, especially those with access to the sea (Pakistan, Iran, and by extension India), in order to realize the benefits of increased trade. As noted in USAID’s Strategy on Building Trade Capacity in the Developing World, “Trade expansion is particularly critical for many of the smallest and poorest developing and transition economies, where local demand is too weak to support rapid expansion of production, employment, and incomes.” Thus Afghanistan’s ability to negotiate trade terms with regional partners and others, as well as its willingness to create an enabling environment for the private sector to flourish, are essential to achieving economic growth and poverty reduction.

Unfortunately, part of the country’s war-torn legacy is an inefficient, fractured, and ineffectively implemented trade regime, accompanied by substantial bottlenecks and significant opportunities for corruption. Under the current government, responsibility for trade policy, trade facilitation, and customs administration is spread across different ministries, offices, and agencies, often with conflicting agendas. Currently, almost a dozen documents are required for both import and export, and process time takes officially 70 days. These problems in Afghanistan are compounded by continuing conflict with insurgents, particularly affecting border regions, and by frictions with its largest neighboring country, Pakistan, over a number of trade and border protection issues. The impact of all of this is reflected in the World Bank Doing Business Survey (2009), where Afghanistan ranks 179 out of 181 countries with respect to the ease of trading across borders.

A USAID trade diagnostic completed in 2007, “Afghanistan’s Agenda for Action: Developing the Trade and Business Environment,” provides key insights into additional impediments that contribute to

Afghanistan's poor performance in terms of cross-border trade. Looking across (1) Afghanistan's legal framework, (2) its trade implementing institutions (i.e. the ministries and agencies with primary responsibility for implementation and enforcement of policies), and (3) its trade supporting institutions (i.e. organizations, individuals and activities that are necessary to fully develop, implement, and enforce policies), the analysis identified the need for staff training, adopting internationally accepted methods for enforcement of workplace ethics and standards, and implementation of appropriate risk management systems, among other reforms.

In the face of these problems, the GIRoA has declared a strong commitment to trade expansion under a liberal trade regime in the Afghan National Development Strategy (ANDS), its blueprint for carrying out the plans and pledges agreed at the Paris Conference with donors in June 2008. The following excerpt from the ANDS demonstrates the clarity and breadth of the GIRoA's position:

“Maintain a pro-trade environment: The Government remains committed to maintaining trade policies with low barriers for imports and exports and a liberal foreign exchange system. The Government's trade policies will take into account the need to increase domestic revenues and support increased domestic production by the private sector. Pressures can be expected to arise from some groups for tariff protection, which would likely impose burdens on consumers or other producers in the economy. Such proposals will only be considered by evaluating the economy-wide costs and benefits, including the impact on consumers. The Government will undertake systematic tariff reform as part of the budget process and in consultation with the private sector and will avoid ad hoc changes. The Government will continue to vigorously seek to increase access for Afghan goods and services in foreign markets through bilateral, regional and multilateral trade agreements. The Government remains committed to WTO accession. Expanding trade with neighboring countries will help to establish Afghanistan as an important ‘trading hub’ in the region.”¹

Recognizing the importance of trade and its integral role in generating sustainable economic growth, which in turn is essential for poverty reduction, international donors have been providing assistance in many related areas, including “behind the border” activities such as macroeconomic policy, legal and regulatory reforms and financial sector strengthening, as well more directly trade-related assistance in customs reform, export promotion and trade agreement negotiations. Programs supporting micro-, small and medium enterprise (MSME) development and finance, throughout the country and in various sectors of the economy, also help to build the foundation for export-oriented business growth.

USAID has provided technical assistance for trade policy and customs reform since 2002, first under the Economic Governance Program (EGP) (2002-2005) and then under the Economic Governance and Private Sector Strengthening (EGPSS) program (2005-2009), both implemented by BearingPoint. These have been larger multi-sector umbrella programs covering many key activities aimed at improving the enabling environment for trade expansion and economic growth, including commercial law, regulatory reform and financial sector strengthening. USAID, is one of the key donors for trade-related initiatives in Afghanistan, working in cooperation with *Deutsche Gesellschaft fuer Technische Zusammenarbeit* (German Aid Agency –GTZ), United Nations Committee on Trade and Development (UNCTAD), and the World Bank. In the area of trade policy, USAID has helped Afghanistan to attain Observer Status in the World Trade Organization (WTO) and commence the process of accession to membership with the creation of a Working Group in Geneva. By the end of 2008, Afghanistan intends to submit to Geneva the “Memorandum of Foreign Trade Regime (MFTR),” a preliminary document that outlines the country's trade laws, practices, and key data according to the format specified by the WTO Secretariat. At

¹ Afghanistan National Development Strategy (ANDS), page 75.

the time of this solicitation, the MFTR remains in draft form. A draft copy of this document can be made available upon request with an email to: 306090506@usaid.gov.

In the area of customs reform and modernization, USAID has provided technical advisory support to the Afghanistan Customs Department (ACD) in the Ministry of Finance (MOF) and its Director General in the areas of modernization of legislation, international cooperation on trade matters, infrastructure, information management, human capacity development, enforcement and strategic planning. An overall goal is to improve revenue collection, which will have a direct and positive impact on the budget of the GIRoA, given that customs duties currently make up the largest proportion of own-source revenues. USAID technical assistance has contributed to drafting new customs legislation and regulations, establishment of an appeals and litigation department, harmonization of tariffs, standardization of valuation techniques, streamlining of the customs clearance process, and training of over 700 Customs Officers throughout the country on new policies and procedures. This activity has worked in cooperation with other international bodies working in the customs area, including the World Customs Organization (WCO), the World Bank, UNCTAD, the EC, and Japan, to introduce international standards, to rehabilitate or construct Customs facilities at border posts,² and to support adoption of the internationally recognized Automated SYSTEM for CUsToms Data (ASYCUDA) IT system for customs operations,³ along with support for acquisition of IT related equipment, uniforms, vehicles, telecommunications equipment, and similar supporting goods. USAID funding also initiated deployment of customs advisors to Balkh and Herat provinces to oversee implementation of customs reform at major border crossings. Since 2007, however, customs enforcement related initiatives at the border have been carried out by the Department of Defense (DOD)-supported Border Management Task Force (BMTF). USAID, BMTF, the World Bank, the EC, and other donors coordinate work on customs issues through an Informal Customs Network (ICN) which meets monthly. Finally, USAID assisted the ACD with development of two consecutive Five-Year Strategic Plans for customs reform, the latest covers the 2007-2012 period. Ensuring sound implementation of this plan will be a major focus of the new project.

Tariff reform also falls under the Ministry of Finance. As recently as 2003, Afghanistan had a highly complicated and differentiated tariff regime with 27 tariff bands and varying tariff rates from 0 to 150 percent, averaging 43 percent. In 2004, Afghanistan passed new customs legislation in compliance with international standards and became a member of the World Customs Organization (WCO). A Harmonized System (HS) of Classification (HS2002) was introduced, with valuation based on the transactions value. The new tariff schedule adopted then had six tariff bands with rates varying from 2.5% to 16%. More recently, however, there has been backsliding, with waivers and exemptions, and the number of tariff bands rising to 12 at a maximum rate of 40 percent, resulting in a more complicated and less predictable environment for businesses involved in international trade. Further work on the tariff structure is required to encourage growth of higher value-added exports in Afghanistan.⁴ Coordinating tariff policy with trade policy, which will require inter-ministerial coordination and direction from the GIRoA's top officials, will be important for the success of this new project.

USAID, *Deutsche Gesellschaft fuer Technische Zusammenarbeit* (German Aid Agency-GTZ), and independent Afghan institutions such as the Export Promotion Agency of Afghanistan (EPAA), the Afghanistan National Standards Agency (ANSA), and the Afghanistan Investment Support Agency

² Among Afghanistan's 13 border crossings, USAID provided funding for five facilities: Aquina, Faryab; Heiratan, Balkh; Sher-Khan-Bandar, Kunduz; Ghulum Khan, Khost; and Milak (Zarang), Nimroz.

³ USAID provided support for ASYCUDA implementation starting with the Kabul Road Terminal, and later Transit procedure at Torkham-Jalalabad-Kabul, Islam Q'ala -Herat, and Heiratan-Mazar corridors; full customs clearance procedures at Jalalabad, Kabul Road Terminal and Herat.

⁴ Draft Trade & Tariff Policy Framework for Afghanistan, May 2008, Ministry of Commerce & Industries, Islamic Republic of Afghanistan; Page 8-9.

(AISA) are all recognized as playing a role in enhancing the private sector's ability to respond to export opportunities, but much more work needs to be done. The Export Promotion Agency of Afghanistan (EPAA) recognizes expansion of exports as essential to building Afghanistan's economy and has performed analyses of obstacles to growth in key export oriented sectors, particularly carpets and handicrafts, natural herbs and medicinal plants, dry fruits and nuts, fresh fruits and vegetables, marble and gemstones. EPAA has also supported Afghan participation in international trade shows, some in cooperation with USAID. The Afghanistan National Standards Agency (ANSA) is energized with a strong vision to improve product and safety standards and quality control, and thus strengthen Afghanistan's capacity to export. Afghanistan Investment Support Agency (AISA) also provides services to domestic and foreign investors, facilitates cross-border partnerships, and advocates for needed business enabling environment measures to promote Afghanistan as an attractive investment destination. In addition to the work of these institutions, greater outreach to the public and private sector is required to promote a better understanding for how the private sector can benefit through improved trade relations.

Reliable trade data is limited, but official statistics for 1386 (April 2007 March 2008) indicate that Afghanistan's annual exports reached \$454 million, an increase of more than 300% over 5 years.⁵ However, annual imports are significantly higher, with an official figure of over \$3 billion.⁶ The considerable trade gap is attributed in large part to high demand for goods by the population after years of war, and from the substantial presence of the international community. With adoption of trade-enhancing policies coupled with growth of businesses producing for export markets, EPAA is hopeful that Afghanistan could begin to close this gap, with annual exports in the five priority sectors EPAA supports to reach \$2 billion within the next five years. Improvements in trade-related data, harmonized between the Customs Department and the Central Statistics Office (CSO), will also be needed to track trade balances with more accuracy and analysis to better inform policy makers.

In an effort to address the dearth of developed land with suitable infrastructure for manufacturing, USAID and the World Bank have supported the construction of four industrial parks – in Kabul, Mazar, Khandahar and Jalalabad to start, with additional parks in Kabul, Kunduz and Khost under consideration. Furthermore, the GIRoA envisions the establishment of 17 industrial parks throughout the country (or an average of one for every two provinces), with the ultimate aim of linking production centers to markets and trade opportunities.

The USG has pursued offering long-term trade preferences to Afghanistan,⁷ centered on creation of Reconstruction Opportunity Zones (ROZs) whose export products will have duty-free access to the U.S. market. Since ROZ certification can apply anywhere in Afghanistan, this concept could fit well with industrial parks or the GIRoA's proposed Trade Facilitation Zones (TFZs). ROZ legislation is still pending in the U.S. Until the legislation is approved, only preliminary planning actions should be undertaken under this project. Attention is also focused on a wide variety of cross-border issues with Pakistan, ranging from security interests of ISAF, the European Commission, and DOD-funded BMTF, to political cooperation and resolution of transit trade barriers through diplomatic channels, to economic

⁵ In terms of concentration, for 2005-6 and 2006-7, carpets and dried fruits comprised 2/3 of exports. Pakistan, India, Russia, and Finland have been the major export partners for Afghanistan during the past few years, and in 2006, those countries combined accounted for over 92% of total exports for that year. Pakistan alone accounted for over 63% of total exports of Afghanistan in 2006. Reference: Draft Trade & Tariff Policy Framework for Afghanistan, May 2008, Ministry of Commerce & Industry, Islamic Republic of Afghanistan; Page 17.

⁶ Key countries of origin for these imports include China, Pakistan, Japan, Russian, India, Uzbekistan, and Korea. EPAA.

⁷ Afghanistan gets similar privileges under the U.S. General System of Preferences (GSP), but this authority has to be renewed legislatively each year.

opportunities and reduction in bottlenecks hindering transport and trade, such as numerous informal checkpoints and charges on the route from Kabul to Peshawar and on to other trade corridors.

C.4 - PROJECT DESCRIPTION

Objective: The goal of TAFE is to improve the trade environment for Afghanistan, thereby fostering increased investment, exports, and market-based employment opportunities. This will be accomplished through (1) increasing Afghanistan's ability to participate more effectively in the regional and global economy while maintaining a liberal trade regime; (2) improving the conditions for international and cross-border trade and transit by removing bottlenecks and reforming customs and other border clearance procedures both internally and in collaboration with neighboring countries; and (3) helping the GIRA and the private sector to pursue and realize the advantages of greater regional and global trade linkages and economic integration.

The project will work with a range of government, quasi-government, and private sector counterparts, including the Ministry of Commerce and Industry (MOCI), the Ministry of Finance (MOF), the Ministry of Foreign Affairs (MFA), Ministry of Health (MOH), the Ministry of Agriculture, Irrigation, and Livestock (MAIL); quasi-governmental trade-supporting institutions such as the Afghanistan Investment Support Agency (AISA), EPAA, and Afghanistan National Standards Agency (ANSA) and other agencies that affect exporters and importers; and private sector counterparts such as customs brokers, transport companies and clearing agents, other trade service providers, and import-export related trade associations. USAID efforts, in concert with aid effectiveness principles, will support an extensive program of capacity building, public education and outreach at the national and provincial levels, along with engagement of stakeholders in defining issues and shaping policy development and implementation. Under this program, the contractor will provide technical assistance, training, and limited commodity support to help the GIRA to implement SAFTA and other regional agreements as well as support progress toward WTO accession; to simplify and streamline customs clearance and other border procedures impinging on export, import and transit; to improve trade data collection at the national and regional levels and cooperation in data sharing and market analysis; and to enhance capacity and understanding by the business community and the general public of the benefits of trade. Activities under TAFE will be closely coordinated with other USAID programs involved in business development and finance⁸ and with other USG and donor programs working on trade and customs issues.⁹ The efforts should also be coordinated with the World Bank's continuing work in support of the Enhanced Integrated Framework (EIF)¹⁰ and the Afghan authorities' implementation efforts.

Activities: The TAFE project is designed with three main components: 1) Trade Policy Liberalization; 2) Trade Facilitation and Integration, and 3) Public Outreach on Trade-related issues. Major activities under each of these are shown as follows, and can be expected to include a range of measures, including limited grants under contract. Where and when possible, offerors should seek to offer innovative approaches and mechanisms for working with the Provincial Reconstruction Teams (PRTs) and leveraging resources of the Commander Emergency Response Program (CERP):

⁸ Office of Economic Growth (OEG) ASMED, ARIES and follow-on economic policy activities; Alternative Development & Agriculture Office (ADAG's) agri-business activities; Office of Infrastructure, Energy and Environment (OIEE) infrastructure and roads activities; and opportunities for cooperation with the Provincial Reconstruction Teams (PRTs) and military/Commander Emergency Response Program (CERP).

⁹ Including USG's Border Management Task Force (BMTF), World Bank's Emergency Customs Facilitation Project; the European Commission, US Trade Representative (USTR) and Export Promotion Agency of Afghanistan (EPAA).

¹⁰ The EIF is an instrument inaugurated by six multilateral institutions at the 1997 WTO High Level Meeting on *Integrated Initiatives for Least-Developed Countries' Trade Development*. The six multilateral institutions are IMF, ITC, UNCTAD, UNDP, World Bank and the WTO.

Project Components: In pursuit of the above-mentioned objectives, the TAFAs project is organized under three main components with anticipated results as follows:

Component 1: Trade Policy Liberalization

Result 1: Improved GIRoA interagency coordination to advance and implement consistent trade and tariff policy

Result 2: Progress on regional trade agreements and WTO accession

Component 2: Trade Facilitation

Result 3: Improved cross-border trade and customs procedures

Result 4: Improved efficiency for transit, import and export of goods

Result 5: Realize benefits of Reconstruction Opportunity Zones (ROZ)

Component 3: Public Outreach on Trade-related issues

Result 6: Increased public support for market-based free trade

The following results followed by examples of illustrative activities and types of assistance that USAID believes could contribute to an improved trade and investment enabling environment. These illustrative activities should not be self-limiting and are only given as examples of areas of concern that USAID has identified, not as a checklist of items that the offeror is required to address. The offeror should provide a well-rounded and logical plan and may propose, with justification, additional and/or alternative tasks under each component if it is believed that these will better serve to achieve the results

C.4.1 - Component 1: Trade Policy Liberalization

Through the ANDS, the government is committed to (i) clarifying institutional responsibilities and mechanisms for reforming the business environment; (ii) strengthening the Ministry of Commerce and Industry, the Afghanistan Investment Support Agency, and the legal system to effectively regulate and resolve disputes; ... maintain[ing] low trade barriers for imports and exports; and ... strengthen[ing] certain competitive industries where Afghanistan possesses a comparative advantage. The Ministry of Finance will be responsible for setting the tariff regime, in consultation with relevant stakeholders. The Government's top priority will be to improve trade and commercial relations with regional countries, taking advantage of Afghanistan's strategic location in the region, by adopting policies and procedures that facilitate and promote transit and trade. In the short-term, the Government will focus on ensuring that custom regulations are consistently applied and that the average time required for the import and export of goods continues to decline and eventually reaches the regional average....

Under this component, the contractor will work to 1) assist the GIRoA establish a trade and tariff policy coordination mechanism within the government to foster consistent government positions on trade matters; and 2) support measures needed to increase cooperation on regional trade matters and agreements, implement agreements, and advance toward WTO accession.

Result 1: Improved GIRoA interagency coordination to advance and implement consistent trade and tariff policy.

Objective: Develop Afghan capacity to formulate a strong, well-coordinated GIRoA trade and tariff policy that contributes to improved implementation of trade policies, laws, and regulations conducive to deeper, more diverse trade links in the region and in world markets. Particularly implementation of policy that will lead to increased investment, exports, and market-based employment opportunities.

There are known to be conflicting approaches and overlapping responsibilities for trade policy in various ministries and departments throughout the GIRoA, which hinders the ability of Afghanistan and its business community to realize the benefits full engagement in international trade. TAFa will assist the GIRoA, especially the Ministries of Finance and of Commerce and Industry, to coordinate and strengthen trade-related policy and to help to reduce the many technical and tariff barriers to trade that pose obstacles to both exporters and importers. In consultation with multiple stakeholders, (including the private sector), the contractor will help to identify and priorities policy interventions that can lead to quick impact for increased investment and exports. At the same time, the contractor will also support the development of a multi-year agenda for reform.

Illustrative Activities:

Assist in formulating trade and tariff policy by coordinating the process more effectively within the GIRoA – likely through high-level inter-ministerial efforts that bring the Ministry of Commerce together with the Ministry of Finance and affected line Ministries, for example, Ministry of Economy, Ministry of Agriculture, Ministry of Transportation, Ministry of Foreign Affairs, etc., in a workable and streamlined institutional arrangement.

Assist the government in liberalizing tariff structures in accordance with regional trade agreements calling for fewer and lower rates, with fewer concessions and exemptions, in order to simplify customs administration, reduce opportunities for corruption, and promote more efficient patterns of production and trade.

Increase local capacity to conduct economic impact analysis of trade policy options and to forecast the revenue impact of trade agreements, actual and prospective, under different scenarios. Ensure that consideration of any proposed protectionist measures includes an economy-wide analysis of costs and benefits, particularly impact on consumers.

Improve collection, analysis, and dissemination of trade related data to inform policy decisions.

Identify intra-government processes and procedures directly impacting trade competitiveness such as product standards, customs procedures, licensing, etc. Provide assistance to improve predictable and transparent implementation of trade-related measures.

Provide technical assistance in the area of product standard and certification requirements (with private sector participation), monitor implementation of agreed reforms in related laws and regulations, and provide targeted support on key implementation issues.

Work with GIRoA to improve coordination among donors in all areas affecting trade.

Accelerate efforts to implement improvements that result in increased trade and employment, particularly, interventions that assist small and medium enterprises small and medium enterprise (SMEs).

Result 2: Assist Afghanistan in preparing for, negotiating and implementing bilateral and regional trade agreements, and fulfill WTO accession requirements.

Objective: Build the capacity of implementing institutions to draft legislation and institute reforms required to improve the trade regime within the region and to meet WTO requirements.

Substantial efforts are underway to encourage regional cooperation on trade-related matters such as with Pakistan and transit trade, adoption and implementation of SAFTA, and updating the Memorandum of

Foreign Trade Regime (MFTR) for submission to the WTO. TAFAs shall provide technical support to the GIRA to prepare for and constructively participate in these forums, with an aim of improving regional trade and investment. Afghanistan's draft MFTR should be completed and submitted to the WTO in Geneva by 2008 year-end or early 2009. The next step will be agreement on working party sessions to address key issues. Activities will focus on providing technical assistance, in close collaboration with other USAID projects, to assist the GIRA to understand the legal and regulatory reforms required, including amendments to various laws such as Law on Standardization, Accreditation, Metrology, the Law on Technical Regulations, etc. Assistance to Afghanistan will also be required to reduce Technical Barriers to Trade (TBT), improve Intellectual Property Rights (IPR) regulations, develop sanitary and phyto-sanitary standards (SPS) for agricultural products, etc.

Illustrative activities (again, these are only illustrative and should not be taken as a checklist):

Assist GIRA with completion of the new Afghanistan-Pakistan Transit Trade Agreement (APTA) to replace the outdated 1965 agreement, and with encouragement of an accord allowing India transit rights through Pakistan for goods destined for the Afghanistan market.

Assist GIRA with policies, regulations and follow-up negotiations to enable Afghanistan to implement and take advantage of existing regional trade agreements (RTAs), such as the South Asia Free Trade Agreement (SAFTA) signed in August 2008, and unilateral preference programs, such as the USG General System of Preferences (GSP) and the pending Reconstruction Opportunity Zone (ROZ) legislation, in order to promote the free-trade goals of the ANDS and overcome barriers to trade.

Assist the GIRA to assess Afghanistan's current legal and regulatory framework for consistency with WTO obligations,¹¹ and determine priority areas for assistance.

In coordination with other donor partners, support the GIRA's development and implementation of a multi-year work plan for WTO Accession, laying out in a straightforward format a timeline for adopting and implementing identified reforms, conducting training and awareness programs, submitting documents to the WTO Secretariat, and negotiating accession terms.

Assist the Afghanistan government to prepare documentation and specialized briefs required as part of the WTO accession process, such as WTO questionnaires, schedules, and responses to questions submitted by WTO Working Party members.

Provide advisory support (including but not limited to research, analysis, drafting, and translation) to identify opportunities provided by the WTO accession process.

Provide training opportunities for GIRA officials and other key stakeholders as advisable to equip them to undertake the necessary policy reforms and to conduct negotiations for bilateral, regional, and multilateral trade agreements.

Organize targeted study tours for relevant Afghan ministerial officials and private sector stakeholders to examine the WTO accession process of other countries in the region, particularly Cambodia and Nepal, the first LDCs to join the organization since inception.

C.4.2 - Component 2: Trade Facilitation & Integration

¹¹ The 2007 Commercial, Legal and Institutional Reform Diagnostic for Afghanistan, titled "Afghanistan's Agenda for Action: Developing the Trade and Business Environment" (see Annex 1), may serve as a useful reference in this context.

In the area of trade facilitation, according to the GIROA's ANDS, "The Government will introduce trade facilitation measures to reduce the costs of moving goods within the country and across borders, including endeavoring to relax restrictions arising from transit agreements with neighboring countries. Institutional capacity to support the export of domestically produced goods and services will be increased, including for example the technical resources to [ensure that] international product standards are met. The Government will reduce the burden of export documentation and processes will be further streamlined and essential services, including market information, will be provided to the exporters by the Export Promotion Agency of Afghanistan (EPAA).¹²⁾

This component will focus on reducing trade impediments, including along the Afghanistan-Pakistan border as well as Afghanistan's northern border, that constrain trade between these two countries and within the region. Under this component, assistance will: 1) support customs reform and modernization; 2) identify and remove constraints pertaining to transit and transport of goods; 3) and support implementation and expansion of ROZs.

Result 3: Reduced time delays and costs for compliance with customs requirements as a result of improved cross-border trade and customs procedures.

Objective: Assist the Afghan Customs Department (ACD) of the Ministry of Finance (MoF) in implementing its comprehensive Five-Year Plan (2007-2012), concentrating on the areas with greatest potential for positive impact – such as increased transparency and consistent application of customs procedures and tariffs nationwide.

This will entail the GIROA to achieve its goals outlined in the ANDS for Customs Operations & Administration, whereby the GIROA will: Apply customs regulations consistently across the country and commit to achieving an average time for importing and exporting goods in line with best practice in the region (reduced by at least half of current levels); Examine the merits of outsourcing custom services; Reduce corruption by reviewing all government services and making recommendations for the adoption of ICT to streamline and automate (for example, customs processing, procurement and licensing).¹³⁾ Cooperation with Pakistan, and the Customs Departments of other neighboring countries such as Tajikistan, to reduce administrative barriers will be beneficial.

Illustrative Activities:

Continue assistance for GIROA reform of customs legislation, policy, procedures and guidelines, including best practice of Kyoto Convention and use of electronic processing, risk management, custom valuation, audit-based controls, cost-based fees for clearance, etc.

Assist GIROA to institute consistency in the valuation process at all border posts, which may also involve improved education of traders.

Provide support for business process/anti-corruption assessments, and assist with measures to enforce customs laws, adjudicate complaints and appeals, and combat corruption.

Assist GIROA to strengthen internal audit procedures within the ACD and coordinate with the MOF's higher-level internal audit department to address the problems identified.

¹² Afghanistan National Development Strategy (ANDS), page 104.

¹³ Afghanistan National Development Strategy, Page 236.

Aid in developing and managing information technology systems meeting international standards, including automation of business processes through the ASYCUDA system, tracking of customs revenue collection, and statistical data collection and reporting.

Assess and prioritize training needs for personnel and managers involved in customs operations in both the public and private sectors, in the capital, provinces, and border crossings. Note that substantial efforts to date have been focused in the capital and at borders, while mentorship of provincial level management is still required.

Assist with efforts to simplify customs procedures and streamline all border clearance processes conducted by GIRoA agencies, such as a “single window” approach, to expedite cross-border trade.

In coordination with other donors, help to design and implement an extensive training program with training-of-trainers, contributing to curriculum development of a proposed Afghanistan Customs Academy. The training program would be continually updated to reflect changes in laws, regulations and procedures and would cover a wide range of issues, such as the following: (1) customs clearance, declaration forms, (2) classification of goods under the Harmonized Coding System, valuation system and methods, risk analysis methods, post-audit systems, properly capturing of data, etc. (3) the purpose and function of the automated customs system, (4) published standards for cargo clearance and customs services, (5) the customs complaint and appeals process, (6) regulations surrounding any new Afghan-Pakistan Transit Agreement and its impact on inbound and outward bound goods, and (7) the ACD code of conduct; and involving

training for central office and field staff to understand, formulate and implement reform measures; information and training for customs brokers, chambers of commerce, business associations, freight forwarders, importers, and exporters on existing and new customs procedures.

As security conditions allow, provide some on-site training and technical assistance to personnel of customs facilities at or near the border crossings, in close cooperation with the USG’s Border Management Task Force (BMTF) and other related USG and donor activities.

Explore ways to place all customs and trade-related areas and facilities at the border under ACD control, including those currently controlled by the MOCI, to improve efficiency and combat smuggling. As feasible, encourage strong measures to halt petroleum smuggling, a major area of revenue loss; As feasible, and in cooperation with other donors, aid cross-border counter-narcotics measures.

Provide technical support and input to the Informal Customs Network (ICN) coordinating body.

As requested, per the ANDS, examine the merits of outsourcing certain customs services.

Consider recommendations from Pakistan’s Empower Pakistan Trade (EPT) program, to support joint collaboration at shared border crossing points, such as Torkham Gate (TG) and others, also engaging with local business institutions that may advocate for more efficient border-crossing processes.

Consider effective means for leveraging resources of PRTs and military-funded Commander Emergency Response Program (CERP) funds to improve border and customs facilities, and other efforts to support, streamline, and facilitate trade.

Result 4: Improved speed and efficiency of transit and transportation of goods.

Objective: Improve the time, cost, and predictability of transporting shipments along transit corridors, contributing to expanded regional trade.

The project should seek to improve efficiency and reduce costs for trade logistics, through encouraging the development of modern trade support services in such areas as cargo handling, insurance, shipping and transport/trucking, and through productive cooperation and negotiation with regional trade partners, notably India and Pakistan, and regional stakeholders to ensure swift and safe passage of export and import goods along trade corridors in accordance with laws and international agreements.

Illustrative Activities:

Support regional negotiations to improve the transit of trade goods through new agreements and/or strengthening of the provisions and particularly the implementation of existing agreements, such as that allowing free transport of goods between Afghanistan and India via Pakistan.

Aid in removing impediments to cross border trade with Pakistan and other countries in the region, such as delays in goods clearance, informal checkpoints and charges for road transport, and unnecessary hindrances to sea shipment of Afghan export goods.

Eliminate cargo transshipment requirements, such as removal of cargo from one truck or shipping container to another at the border, which is time consuming, costly, and leaves goods vulnerable to handling loss and damage.

In cooperation with ASMED, which recently helped to launch the first private-sector insurance company in Afghanistan, and a new economic policy program which may support regulation of the insurance sector, research ways to implement and expand provision of all necessary types of insurance and transit guarantee mechanisms.

Advise and support development of trade support businesses and business associations, including cross-border associations, in such areas as freight-forwarding, logistics management, warehousing and storage, and brokerage, and aid in drafting regulations as necessary to govern such businesses.

Support efforts by local associations, think tanks or other bodies to identify key problems along primary trade corridors, such as surveying extent of delays, inspections, and corrupt practices, and/or cost-to-market surveys to inform advocacy efforts and reduce time and cost for overland shipments.

As advisable, and in cooperation with the World Bank, provide support to improve access and implementation of the Transport International Routier (TIR) or similar systems to facilitate transit trade in the region.

Promote regional cooperation toward harmonization of vehicle standards and weight limits and measurement systems and introduction of common standards for vehicle registration and documentation.

Conduct assessments of key transportation facilities in air and road transport systems to encourage competition among different modes of transit as well as different providers, and seek ways to reduce costs and transit times for Afghan importers and exporters that are affected.

Assist the Afghanistan National Standards Agency (ANSA) in further developing its overall strategy for adopting internationally-accepted standards and certification procedures for export goods.

Advance use of telecommunications for trade, marketing, payments, and data exchange.

Consider creative measures and methods of reducing corruption in this area.

Consider creative ways to leverage PRT and CERP funds for needed infrastructure or other interventions to facilitate trade and exports.

Result 5: Create trade corridors through supporting implementation of Reconstruction Opportunity Zones (ROZs),¹⁴ and incorporation of industrial infrastructure and customs facilities. *(Note: if current legislation supporting ROZs doesn't pass in the US, resources for this result will be re-allocated/adjusted).*

Objective: Create a conducive environment for realizing the full benefit of ROZ provisions allowing free entry of Afghan exports to the US market, including creation of trade facilitation zones that combine improved facilities and equipment for customs clearance, industrial park-type infrastructure for trade-related business development, storage, shipment, communications, etc.

The ANDS includes the following policy actions or activities which are relevant to ROZs, some of which will be pursued regardless if ROZs are formally enacted: 1) Amend the tariff legislation to facilitate ROZ (Reconstruction Opportunity Zone) trade along the border with Pakistan; 2) Trade Facilitation Zones (TFZ) in key areas of Afghanistan that will connect district and provisional level production to regional and international markets by providing the basic infrastructure for processing, packaging and storage; 3) The new Afghanistan Pakistan Transit Agreement (APTA), the revised version of Afghan Trade and Transit Agreement (ATTA) signed with Pakistan in 1965; 4) Improved trade, transit documentation procedures.¹⁵

Illustrative Activities:

Assist with development of legislation and regulations, and an implementation plan needed to implement ROZs.

In coordination with other projects, develop a streamlined process to solicit and review private sector applications for ROZ status (see Appendix 4 for a model).

Support application of ROZ preferences in the context of establishing Trade Facilitation Zones, combining business development/industrial parks, and preferably linked to customs clearance facilities, as a sort of “one-stop shop” for trade (with reference to earlier reports on ROZ selection and site approval process).

As practicable, promote the development of at least one cross-border TFZ linking an Afghanistan border crossing facility with corresponding one in the ROZ-eligible area of Pakistan, through feasibility studies and infrastructure designs, to develop a common economic interest and approach to cross-border trade facilitation.

In cooperation with other projects and government bodies, ensure access to training and information on quality standards (including packaging and promotional efforts) to improve capacity of local firms to meet U.S. standards as specified in ROZ legislation; and conduct outreach to financial sector support services.

C.4.3 - Component 3: Increased understanding of the benefits of trade and increased access to trade-related information

¹⁴ Pending US legislation on ROZ, USAID may choose to make changes in this section after the Contract is awarded, in consultation with the Contractor.

¹⁵ Afghanistan National Development Strategy (ANDS), page 234.

Result 6: Increased public awareness and support for a free trade regime realized

Objective: Increase awareness of the costs and benefits of regional trade negotiations and the WTO accession process to promote “ownership” of agreements reached; and ensure public knowledge of latest trade-related legislation:

Often the benefits of trade liberalization are dispersed while the costs tend to be concentrated in well-defined groups that benefit from protection. Therefore, the project will support greater outreach efforts to generate broad-based support for an open trade regime, within the region and globally, and to inform and assist Afghan businesses throughout the country to take advantage of existing trade agreements – including GSP and the bilateral agreement with India – while preparing for future agreements and WTO accession.

Illustrative Activities:

For factors other than transit trade, help to increase awareness by the business community, in the capital and the provinces, of the agreements already in place, including how businesses can qualify for export preferences and how to meet the requirements of importers, thus encouraging the growth of export-oriented businesses.

Build the capacity of private sector stakeholders¹⁶ at the central, provincial and local levels to participate in policy reform processes and take advantage of measures to encourage the growth of trade-oriented businesses.

Work with Government, Parliament, local NGOs, journalists, universities, think-tanks, and business support institutions, to increase the understanding and awareness among government officials, “opinion leaders,” and the business community and civil society throughout the country, about the benefits of regional trade and the WTO accession process and of ongoing trade efforts of the GIROA and potential opportunities arising from them, overall and for particular sectors of the economy.

Support public education efforts, preferably through local partners such as the government, local NGOs, and journalists, for public awareness of the value of a liberalized economy and open trade regime. Include public discussions on critical topics, such as the effects of price controls, costs and benefits from trade agreements, etc.

Strengthen Customs data-collection efforts, which should be the lead on trade data, and coordinate with CSO on data collection and reporting. Encourage regular monthly trend analysis and reporting, seek out explanation of variations, compare performance over time and conduct other trend analysis, which should inform the public and contribute to trade and tariff policy formulation.

Ensure that sustainable methods are put in place to communicate quickly any important changes in trade regulations or tariffs to the business community and the public. Consider partnering with the Ministry of Communication & Information Technology (MCIT) to improve government website-based information related to trade, tariffs, and other relevant timely information.

Consider opportunities to foster local internship opportunities targeting students (or recent graduates) of schools of law and/or economics, to help develop the next generation of trade experts for Afghanistan.

¹⁶ Including traders, customs brokers, business associations, financial institutions, transporters, logistics companies, and other interested groups, such as civic organizations.

Consider creative ways to make use of international technical expertise to develop a training program or curricula for trade-related courses at the university level, civil service educational institutions, and for the relevant authorities.

Cross-Cutting Issues and Aid Effectiveness

USAID has identified a number of cross-cutting issues that need to be addressed in response to the RFP. This section discusses those issues and provides some guidance as to how they ought to be addressed. Moreover, cross-cutting issues successfully addressed and tools developed under this initiative may provide timely examples of best practices, and information about them should be circulated so they can benefit others – private sector groups and NGOs as well as Government. Support will be provided in such areas as public education and outreach, human resource capacity building, and development of information technology systems.

Aid effectiveness is also a major USAID concern which applies to all activities and, in many cases, overlaps with cross-cutting issues. USAID's commitments to aid effectiveness, outlined at the April 2008 Donor Coordination Forum, include increasing Afghan ownership, leadership and visibility with respect to USAID activities; embedding capacity development into all activities; directing more U.S. assistance through GIRoA systems; and buying more goods and services locally. This "Afghanization" should also extend to the offeror's proposed personnel practices, which should demonstrate a commitment to training, mentoring and advancing local staff to positions of increasing responsibility over the life of the project.

Offerors should be aware that USAID intends that cross-cutting issues and aid effectiveness commitments should not be seen as "a side show" to the main event. Rather they should be treated as integral to the technical assistance provided to GIRoA entities and other stakeholders identified in this statement of work. Specific issues and concerns are detailed below.

Subcontracts and Grants Under Contract

Building of Afghan technical capacity is a key cross-cutting priority for the Project. In order to support its capacity-building efforts as well as program implementation, the Contractor may subcontract with, or provide limited grants to Afghan business associations, universities, think-tanks or other stakeholders involved with private sector development. In line with the stated intention to conduct activities in various provinces and involve more non-government stakeholders, these should include provincial and/or local organizations, as well as those operating at the national level. Where it is determined that program content and efficiency of assistance will be benefited by experience that is particularly relevant, the Contractor may enter into subcontracts or grants with organizations from other Central or South Asian countries which have confronted similar issues, to assist in the implementation of the program. If an offeror suggests including a grants/subcontracts program in the Project, a brief description of the approach to grant-making and subcontracting shall be included in the proposal.

Public-private partnerships and Host Country-Contracts

Public-private partnerships, either between Afghan entities or in combination with U.S. government or private sector entities (e.g., through a Global Development Alliance), are a vital means of spurring economic growth and transferring knowledge and resources. Contracting with GIRoA agencies to provide planned assistance directly is an important way to build capacity and local ownership of the activity. To create support for such efforts, there needs to be extensive public education and outreach, especially to the business community at all levels and in all types of enterprises. The offeror is encouraged to propose means of facilitating the exchange of information and constructive dialogue within

government and between the government and private sector stakeholders, at both national and local levels, concerning the adoption and implementation of policies, laws and regulations, and the provision of other types of assistance, in order to improve the environment for trade and investment while advancing the public interest.

Information Exchange Mechanisms and Stakeholder Involvement

USAID encourages the establishment and active use, at the national and local level, of mechanisms such as conferences and roundtables to promote the exchange of information and constructive dialogue between the government and private sector stakeholders concerning the adoption and implementation of policies, laws and regulations affecting the trade and investment-enabling environment. Active participation at such events can serve to build support for business-friendly policies, laws and regulations and improve the capacity of the private sector groups to advocate for such measures. Assistance may also include training of selected associations in organizing roundtables, seminars, press conferences, and public hearings.

Human Resources Capacity Development

Despite an emphasis on capacity building from the start of donor-funded assistance six years ago, human resources capacity remains one of Afghanistan's most prevalent deficiencies. Moreover, it may be necessary to seek alternatives to traditional training and capacity building approaches. While donor interventions traditionally focus on strengthening central and, to a lesser extent, provincial government, expanding both the scope and the target groups to include private sector groups and NGOs, such as business associations and civic groups, could achieve better results in the long run, especially in a country like Afghanistan where the needs are so great. Innovations could include, for example, placing a cadre of younger educated Afghans into internships in regional countries or contracting out certain government functions to local, regional and international firms that would be required to employ and train Afghan nationals and paid on a fee for results basis. Structured training courses designed to address a wide range of subjects should be provided for staff within target Ministries but should subsequently be followed-up by the advisors with mentoring of the trainees to ensure that the training is understood and gives a foundation on which the recipient can build.

The Contractor is encouraged to undertake a comprehensive program of human resource capacity training – both for government officials at all levels and for private sector groups and NGOs – taking into account the need for particular skills and coordinating with other USAID and donor projects related to promotion of trade and investment in different parts of the country, such as the Afghanistan Small and Medium Enterprise Development (ASMED) project. Where possible such training should be carried out in-country or within the region and should be presented or assisted by the long-term resident and local advisors on the project team, with the understanding that they will provide on-going coaching or mentoring to the training recipients. Furthermore, budgeting for this training within the host-government's planning process should be incorporated as early as possible.

Gender Considerations

USAID places emphasis on improving the status of women throughout Afghan society. In some instances, women's lack of education, undeveloped skills, and limited access to markets, credit and other business assets complicate economic growth efforts, as do cultural constraints limiting women's mobility and participation in public life. Implementers in various sectors have devised culturally sensitive and creative solutions to overcome barriers and mitigate constraints imposed by local practice.

The TAFE project is largely focused on policy-level and implementation-level issues which are estimated to have a gender-neutral effect. However, in the informational campaigns about the benefits of regional trade and the WTO accession process and about ongoing trade efforts of the GIRA and potential opportunities arising from them, special efforts will be made to target women's business groups and recipients of business planning and/or microfinance assistance through other OEG activities, such as the Afghanistan Small and Medium Enterprise Development (ASMED) and Afghanistan Rural Investment and Enterprise Strengthening (ARIES) projects.

The Contractor is required to see that gender issues are suitably addressed in various program components and to undertake specific efforts to ensure that the activities do not discriminate against or disproportionately benefit either gender. To the greatest extent possible, the Contractor will seek to encourage men and women of all ages to be involved in all aspects of this program, including participation and leadership in meetings, working groups, training and counseling activities, exchanges and delegations. In particular, the Contractor is encouraged to propose ways to facilitate women's advancement within the business community, including access to export capacity building and skill development opportunities such as targeted training programs and internships.

Youth Considerations

The younger generation of Afghans holds the key to the sustainability of a market-oriented economy and a democratic political system. Economic growth activities must give particular attention to providing opportunities for young people to participate in private sector development and job creation. In the informational campaigns and public-private dialogues about the benefits of regional trade and the WTO accession process and business opportunities arising from them, special efforts will be made to target young entrepreneurs and youth organizations, particularly any organizations with a business focus. The Offeror is urged to present recommendations concerning how to engage young people, who constitute the most promising group for future economic policy, business development and economic growth. Subsequently, the Contractor will be required to report on efforts made to involve young people in the project's public outreach activities and results obtained.

Vulnerable Populations

This program is designed to facilitate the inclusion of all citizens of Afghanistan, including vulnerable populations. Key vulnerable groups include the Kuchis as well as other ethnic minorities, the disabled and the internally displaced persons. Issues related to outreach and public education will be key to ensuring that these populations are able to participate as feasible in trade development efforts so they can realize the benefits of stronger economic growth.

Anti-Corruption and Increased Transparency

Given the current pervasiveness of corruption in Afghanistan and its harmful impact on the trade and investment, anti-corruption efforts are vital. This is particularly true in the area of customs administration, which is important for GIRA revenues as well as for trade development. Increased awareness by the business community of trade and customs laws and regulations, simplified and streamlined procedures and tariff bands, increased automation of customs operations, expanded public-private dialogue and more transparent policy-making processes should reduce both the incentives for businesses to pay bribes and the opportunities for government officials to seek them. Anti-corruption efforts are more likely to work if the public administration is simplified to the point where corrupt practices become either unnecessary or highly conspicuous and if citizens have come to the view that corruption is exceptional and unwarranted rather than standard operating procedure.

Anti-extremism

This activity is directly aimed at promoting economic growth and poverty reduction, through engagement of both the public and private sectors to integrate Afghanistan into the international trade community. Achieving these goals is likely to be the most effective way to combat extremism. However, the program also includes an extensive public outreach and communications strategy designed to ensure that interested stakeholders at the central, provincial and local levels are informed about and involved in efforts to advance international trade and enable local businesses to benefit from market-based opportunities provided by trade agreements and trade facilitation measures. These activities will respect Islamic and cultural traditions while seeking to restore the pivotal place Afghanistan once held on the ancient Silk Road.

C.5 - EXPECTED RESULTS AND PERFORMANCE MANAGEMENT PLAN (PMP)

Through the TAFE project, Afghanistan can expect to experience stronger economic growth as a result of higher exports, lower prices for inputs, increased private sector investment, and increased market-based employment opportunities. Greater trade volumes will also facilitate the exchange of new technologies and knowledge, thus improving domestic productivity in traded and non-traded sectors alike. The reforms necessary for WTO accession have proven to strengthen institutions, improve governance, and support liberal trade regimes which otherwise would come under frequent protectionist pressures. Perhaps as important as eventual WTO membership is the process involved in reaching this milestone through which Afghanistan will build its capacity for facilitating trade and negotiating agreements, regionally and internationally. All these elements will improve the environment for private sector development, trade, and investment.

Below is a set of outcomes anticipated as a result of the TAFE Project. Some will require actions beyond the control of this program, but the program will play a major role in assisting Afghanistan to attain the results specified. All targets will be subject to revision and expansion based on the annual work plan submitted to USAID by the contractor, and periodic progress reviews conducted by USAID.

- Strengthened institutional capacity of government and affiliated organizations to effectively and properly implement trade policy reform, prepare negotiation documents, and negotiate regional terms of trade – specifically starting with negotiation and adoption of a new ATPA between Afghanistan and Pakistan.
- Development and implementation by the GIRA of a WTO Accession Master Plan to make measurable progress toward WTO accession.
- Improved transit of goods through Pakistan to reach destination markets through joint cooperation with Pakistan at key border crossings such as Tokham Gate, Chaman and other key ports of entry; and cooperation with other neighboring countries along Afghanistan’s border.
- Streamlined processes and reduced costs for importing and exporting goods, translating into annual improved ranking on the *trading across borders* indicator of the World Bank’s “Doing Business” survey, where Afghanistan is currently ranked 179 out of 181 countries. By the end of the project, Afghanistan should improve to come in line with at least the regional average for the time, costs, and number of documents required for trading across borders.
- Should Afghanistan be ranked by the World Economic Forum’s Global Enabling Trade Report (GETR), a 10% improvement in Afghanistan’s ranking per year from the established baseline.
- Increased awareness and involvement of private sector stakeholders at the central, provincial and local levels in the process of trade-related strategy and policy formulation and in accessing and taking advantage of new opportunities afforded for trade-related business development. This translates into increasing Afghanistan’s overall trade export volumes by 20% per year; should ROZ legislation pass, also increased export of Afghanistan’s competitive products to the United States market due to ROZ

(Reconstruction Opportunity Zone) trade preferences by 10% per year; and increased SME contribution to exports by 50% by the end of the project.

- Increased understanding of the benefits of regional and bilateral trade agreements and WTO accession and identification of WTO process milestones by political, public, and private sector stakeholders.

Achievement of tangible results is the essence of the TAFE project. USAID will judge the Contractor's success or lack thereof under the contract based on whether or not the tangible results – as set forth in this Statement of Work and further developed in the Contractor's Technical Approach and proposed Performance Management Plan (PMP) – are achieved. If agreed results will not be achieved, or if the Contractor becomes aware that any may not be achieved, the Contractor will immediately advise USAID/Afghanistan in writing and in the next required periodic report will provide a complete explanation. In Afghanistan, the contractor will strive to achieve proposed targets, either in percentage or absolute terms, to the following six indicators by the end of the three year (plus two option years) project period, which will be fully described in TAFE's approved PMP.

Indicators for TAFE (measured year-on-year):

- Number of tariff bands and average tariff level
- Customs processing time (overall and per border crossing)
- Number of documents/procedures required to import and export
- Number of public events held to discuss trade and business policy matters with stakeholders and the public (measured by province, participants by gender)
- Change in public perception toward trade
- Change in World Bank's Doing Business, *trading across borders* indicator, and noted changes in trade and customs related rankings by the World Economic Forum, should Afghanistan be ranked

The contractor shall report on the following high-level indicators, but will not be accountable for achieving specific targets. These indicators are listed below:

- Growth in trade volume in USD (import/exports; overall/per border crossing, by country)
- Growth in investment in USD and jobs (nationally and by province)
- Growth in customs revenue in USD (overall and per border crossing)
- Number of vehicles crossing Sher Kan Bandar and other crossings each direction
- Value of goods imported to the US taking advantage of GSP

The contractor shall report against the USAID's Operational Plan Indicators, and/or new Agency results reporting requirements over the course of this contract:

- Number of consultative processes with private sector as a result of USG assistance
- Number of USG supported training events held that related to improving the trade and investment environment and number of participants (female/male).

The Contractor must be prepared to set targets, and report on progress made with respect to the indicators, at least annually and at the request of the CTO at any time. Such reports should explain any variances between the indicator targets and actual results and demonstrate how activities conducted under this Contract contributed to these outcomes. Disaggregation of data, to be consistent with the PMP, may include by gender, age group and province, and other categories as necessary.

[END OF SECTION C]