

**AGREED MINUTES OF 10TH SESSION OF PAKISTAN – AFGHANISTAN
JOINT ECONOMIC COMMISSION (JEC) HELD IN ISLAMABAD ON 23RD
NOVEMBER, 2015**

1. 10th Session of Pakistan Afghanistan Joint Economic Affairs (JEC) was held on 23rd November, 2015 in Islamabad. Senator Mohammad Ishaq Dar, Minister for Finance, Revenue, Economic Affairs, Statistics & Privatization, Islamic Republic of Pakistan and H.E Eklil Ahmad Hakimi Finance Minister of Afghanistan led their respective delegations. The meeting was attended by senior officials from both sides. The lists of participants is at **Annex-I&II**.
2. The meeting focused on bilateral economic cooperation in the areas of Communications, Power, Railways and Roads, Afghanistan-Pakistan Transit Trade Agreement (APTTA), Customs to Customs Cooperation, Construction of Pakistani funded infrastructure projects in Afghanistan and other bilateral issues of mutual interest.
3. Pakistan co-chair highlighted that realizing the opportunities and prospects of economic prosperity are essential for strengthening cordial relation between the two countries. He hoped that the trade between the two countries would be enhanced through modernization of Customs clearance system. He expressed that Pakistan-Afghanistan Rail-Road connectivity will provide opportunity for people of both countries as well as Central Asian Republics to expand trade, investment and explore new markets for mutual benefit of this region. He assured the Afghan side that despite Pakistan's fiscal constraints, all projects initiated in Afghanistan will be completed at fast track basis.
4. The Afghan Finance Minister reciprocated by emphasizing the need to expand the economic ties between the two countries and in the region. He also underlined the need to double our efforts on implementation. During the meeting, following bilateral issues came under discussion;



TRADE AND TRANSIT

Bilateral Trade and Investment

5. It was observed by both sides that the **Pak-Afghan trade volume** is not commensurate with the true potential of the two countries. Both sides resolved to work together for enhancing bilateral trade to US\$ 5 billion by the end of 2017 through effective measures of trade facilitation and promoting business to business interactions.

6. The meeting was informed that a Draft **Preferential Trade Agreement (PTA)** was shared with Afghan side. The Afghan side informed that the draft PTA is under consideration. It was agreed that Afghan side will provide comments on the draft by end of January, 2016. Both sides also agreed that first round of negotiations on PTA will be held on the sidelines of the 6th APTTCA meeting to be hosted by the Afghanistan side.

7. **6th meeting of Afghan Pakistan Transit Trade Coordination Committee (APTTCA)**: 5th APTTCA meeting was held in January, 2015. In order to suggest measures for enhancement of present level of trade, both countries agreed to hold 6th meeting of Afghan- Pakistan Transit Trade Coordination Committee (APTTCA) at Kabul before March 2016. In this regard, dates will be agreed by mutual consultation of respective ministries of both countries.

8. **Pak-Afghan Joint Business Council (JBC)** is already established. Members of JBC have been notified by both sides. JBC is a forum which would provide opportunity to businessmen of both countries to devise strategies for enhancing bilateral trade and to discuss the issues which are hindering trade. Considering this, both countries decided to hold first meeting of JBC in first quarter of 2016 in Islamabad.

9. Regarding the Afghan offer for establishing two designated areas in Kunduz and Faryab provinces as **Free Economic Zones (FEZ)** for Pakistani businessmen to facilitate joint production and marketing of products in Central Asian Markets, the Afghan side committed to furnish the details of concessions by the first quarter of



2016. The Pakistan side assured the Afghan side that the Pakistani investors / businessmen would be encouraged to establish joint ventures in FEZ for promoting trade and business activity in the region.

10. Trilateral Transit Trade Agreement among Pakistan, Afghanistan and Tajikistan: The first round of Expert Level Group was convened in January, 2015. Each member nominated one focal person. Second round of meeting was held on 9-10th April, 2015 at Dushanbe, Tajikistan to finalize draft Agreement. Afghan side has shared a revised draft agreement which has been agreed by Pakistan. Both sides agreed to hold 3rd round of negotiations on Trilateral Agreement in Kabul as soon as possible.

11. Establishment of Mechanism of Import Trade Price: The Afghan side proposed to establish mechanism for removing anomalies in import trade price. It was agreed that a mechanism will be developed whereby any change in the tariff and value will be shared by both sides 30 days in advance with the Pakistan Afghanistan Joint Chamber of Commerce and Industry.

12. Avoidance of Double Taxation Agreement (ADTA): Draft Agreement on Avoidance of Double Taxation was handed over to Afghan Authorities during the Joint Economic Commission held on 22-24th February, 2014 at Kabul. FBR also sent a request through diplomatic channels to start negotiations on ADTA. The Afghan side informed that they have already sent their comments through diplomatic channels. They also shared a copy of the draft during the session. Given the benefits of ADTA and its role in trade facilitation, both countries agreed to hold first round of ADTA negotiations in March 2016 in Islamabad on the dates to be mutually agreed between the parties.

13. The Afghan side raised concern about long transportation time for consignments from Karachi to Kabul. Pakistani side informed that necessary steps have been taken to cut down the transportation time to seven days. In this regard, FBR has developed a module for physical uploading of all T-1 and Cross Border Certificates (CBCs) through user IDs issued to the officials of Afghan Customs in line with Electronic Data Interchange (EDI) linkage with Afghan Customs. The module



has been rolled out. Pakistan side raised concerns on pending online acknowledgement of transit consignments by Afghan Customs. The Afghan side agreed to expedite the acknowledgement process and to address the technical issues in the Joint Customs Working Group meeting in 1st quarter of 2016.

14. Pakistan side informed the Afghan side that the traders registration in the WeBOC system through One-Window Custom Clearance Systems started by Afghanistan side would reduce crossing time and minimize cost needed for custom clearance.

15. Regarding Trans-shipment Facilities, Pakistan side informed that two sites i.e., Azakhel and City Railway Station Peshawar have been selected for trans-shipment facility. In this regard survey has already been undertaken by Railways authorities to provide the necessary infrastructure at the selected sites. Both sides agreed to hold a technical level meeting in February, 2016 to finalize the details of trans-shipment facilities.

16. Regarding Partial Shipments, it was informed that in line with the Implementation of APTTCA decision, the Web Based One Custom (WeBOC) Module for partial shipment is already operational and partial shipments are allowed in the system.

17. Regarding operation of Customs for seven days a week on both sides, it was agreed that necessary steps will be taken to this effect. Pakistan side informed that Saturday has already been made operational day for customs clearance for Afghan transit trade.

18. Afghan side asked Pakistan to allow transportation of transit goods via Railway. Pakistan side informed that the spadework for providing this facility has been completed. Pakistan Railways has offered to carry 400 containers of Afghan transit cargo, to Torkham per week. The Customs Clearance Model requiring multi-modal facility has been developed by FBR and rolled out on 2nd November 2015. Infrastructure is being developed by Pakistan Railways.



19. The Afghan side was informed by the Pakistan side that work on Customs Complex at Torkham as part of Integrated Transit Trade Management System (ITTMS) is underway. Joint Customs clearance would be possible after completion of the Customs Complex. In this regard, necessary practical modalities will be sorted out mutually by the two countries.

20. Afghan side asked for reducing cost of transit as multiplicity of charges like cargo/terminal charges, insurance guarantees for customs duties, insurance for goods, Container guarantees, Port clearance charges/demurrages and inclusion of new bonded carrier companies are levied on transit trade. Both sides agreed to bring the port charges at par with those being charged on local consignments. Further, Afghan side informed that financial guarantees @ of 110 % of customs duties and US\$ 100 for each 25 tonnage have been eliminated.

21. Pakistan offered Technical Assistance / Training on WeBOC Module for Afghan Customs officials. In this regard, Directorate Transit Trade, Customs House Karachi would provide such training to Afghan Customs officials. The Afghan side agreed to consider the offer. In this regard, they would communicate the names of officials for training and other details to Pakistan by the end of December 2015.

22. For operationalization of Ghulam Khan Crossing Point, both sides agreed that the post will be opened for transit trade as soon as the security situation normalizes in the area.

23. The Afghan side raised a concern that their transport vehicles are not allowed beyond Peshawar even though it is provided for under APTTA. Pakistan side informed that Afghan registered trucks are allowed to carry Afghan export cargo up to Wagha Border for exports to India. In this regard, Afghan side has been allowed to include all kinds of permissible goods for transportation beyond Peshawar and Chaman. It was agreed that the issue of Afghan trucks carrying goods of Pakistan origin for export to Afghanistan will be flagged in the next APTTCA meeting.

24. Regarding training of up to 10 Trade Officers/Officials of the Afghan Ministry of Commerce at Pakistan Institute of Trade & Development (PITAD), Pakistan side informed that details are being finalized by PITAD in coordination with Economic



Affairs Division to arrange the training programme in near future. As soon as the modalities are finalized, Afghan side will be informed accordingly.

25. Pakistan side reiterated their earlier offer to provide Technical Advice to Afghan side on Financial Sector reforms in Afghanistan. Afghan side agreed to consider the proposal.

26. The Pakistan side also informed the Afghan side that:-

- Afghanistan had referred to a decision taken during the visit of Afghan President about storage facilities at Karachi Port. Pakistani side will send detailed information to Afghan side and the issue will also be discussed during forthcoming APTTCA meeting.
- Amendment has been made in the Afghan transit clearance procedure through WeBOC vide SRO 637(I)/2015 dated 30.06.2015 whereby 75% of Afghan transit consignments shall be cleared through green channel immediately upon filing of Goods Declaration. Remaining 20% cargo requiring scanning shall be cleared in two days and 5% cargo requiring examination shall be cleared by Customs in three days. Afghan side expressed satisfaction over the progress.
- Regarding Bonded Carriers, Pakistan side called applications during the first week of March, 2015. No fresh application was received. Out of 31 applications already available, 6 were shortlisted. Out of which the Committee recommended only one licensee. However, the licensee is not fulfilling the criteria of having required number of carriers. The FBR would initiate the process again to obtain fresh applications. Moreover, the request of Afghan side to allow the facility of multiple bonded carriers for traders having large volume of cargo shall be considered by FBR for necessary changes in WeBOC.
- Pakistan has allowed transportation of imported transiting vehicles in roll-on and roll-off car carriers to Afghanistan.

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- Regarding establishment of joint Pak-Afghan Transport Company, Pakistan has desired Afghan side to furnish proposal for consideration by relevant authorities in Pakistan.

27. **Discussion on Customs to Customs Cooperation:** Afghan side handed over their comments on the draft earlier forwarded by Pakistani side for consideration. A copy will also be forwarded through diplomatic channels. It was agreed that Pakistani side will send their response by end of December 2015.

28. **Visa Issues:** Both sides agreed to issue multiple entry visas for one year to businessmen.

Building Projects under CRRF Funding:

29. **Nishtar Kidney Centre, Jinnah Hospital and Naib Aminullah Khan Hospital:** Afghan side was informed that the Nishtar Kidney Centre has been formally handed over to Afghan Government in February 2014. PC-1 at a cost of Rs.2029.009 million including Foreign Exchange Component (FEC) of Rs.1649.469 million for procurement of medical equipment has been approved for (i) 200 bed Jinnah Hospital at Kabul (ii) 100 bed Naib Aminullah Khan Logari Hospital and (iii) 60 bed Nishtar Kidney Centre at Jalalabad. Authorization has been issued. The procurement of medical equipment awaits receipt of bidding documents from National Engineering Services of Pakistan (NESPAK).

- The procurement of medical equipment will be under taken for Nishtar Kidney Centre and Jinnah Hospital Kabul, concurrently.
- The Afghan side desired to provide complete list of medical equipment alongwith their specifications to seek exemptions on taxes and customs duties, once received Afghan side will immediately convey decision about the exemptions.
- Documents and design of all the three hospitals will be provided to Afghan side when projects are complete and handed over.



- Electricity to three hospitals and for Hostel Building will be provided by Afghan Government on priority basis to operationalize these buildings.
- Afghan Government will explore options to operationalize these hospital projects including through public private partnership from Pakistan or any other firm on priority basis.
- The tentative date for completion of Jinnah Hospital is June, 2016 and for Logar Hospital December 31, 2016.
- The medical equipment for Nishtar Kidney Centre and Jinnah Hospital Kabul will be handed over / installed / commissioned by June, 2016 and for Logar Hospital by December, 2016.

30. Capacity building for Afghan Doctors/Para-medical Staff of the Hospital is part of PC-I. M/o. NHSRC is coordinating with PIMS and Institute of Kidney Diseases Peshawar to train 117 trainees/ medical staff.

- 15 nominations for long term training of 12 months have been received from Afghan side. Their CVs and a copy of passport may be provided on priority for security clearance.
- Afghan Government will provide the nominations for short term trainings (3 months) on priority. Similarly CVs and copies of passports may also be provided for security clearance.

31. **Hostel Building for 1000 Student at Rehman Baba School:** The project has achieved progress upto 97.5%. However, the work stopped due to intra court appeal in IHC by the Contractor. It was agreed that hostel building will be completed and handed over to Afghanistan by March, 2016 along-with furniture for 2000 students.

Road projects under CRRA Funding

32. Regional Connectivity

33. Pakistan side reiterated that an early reply be furnished with regard to proposed feasibility study of the link road between Tajikistan and Pakistan. Afghan side informed that Sherkhan-Ninjpayan boarder rout has already been identified as CAREC corridor so it can ultimately be used as a road link by Tajikistan-Afghanistan and Pakistan. Pakistani side responded that their response will be forwarded through diplomatic channels.

Establishment of Joint Transport Company

34. The Afghan chamber of commerce will prepare a proposal for establishing the joint Afghan-Pak transport company by February 2016. The proposal will be discussed and approved at the Afghan-Pak joint Committee on Bus Service as well as Afghan-Pak Joint Chamber of Commerce and Industries (for goods transport) to be held in Kabul. The date and time of this will be confirmed through Diplomatic Channels.

35. **Regarding Torkham - Jalalabad Additional Carriageway,** Pakistan side informed that FWO & Consultant (NESPAK) have been mobilized at site and the work has commenced. The expected completion date of the project is December, 2016. The Pakistani side informed that the pace of construction activities is being hampered for security reasons. This may adversely affect the planned completion date. Afghan side agreed to ensure provision of adequate security for the project.

36. **Peshawar-Kabul Motorway:** The Afghan side was informed that PC-II amounting to Rs.90 million has been approved by NHA Board for carrying out feasibility study. Focal point from both sides have been nominated for steering the feasibility study. TORs of the feasibility study have been discussed during the visit of Afghan delegation to Pakistan on 25-26 August, 2015. Afghan side has agreed to the TORs and right of way (ROW). The Afghan side was requested to convey the dates for holding the second meeting of focal persons at Kabul so as to mutually agree on the alignment / layout plan. This is necessary for mobilization of consultant to



commence feasibility work. The Afghan side agreed to respond through diplomatic channels.

Railway Projects under CRRA Funding

37. **Chaman to Spinboldak Rail Link (Synchronization of Chaman-Spinboldak with Kandhar-Spinboldak Section):** The Afghan side was informed that this is a vital project for enhancing bilateral trade links between Pakistan and Afghanistan. CDWP approved revised PC-I at rationalized cost of Rs. 1262. 950 million. The work on Chaman-Spinboldak section would be started in tandem with Afghan side starting the construction of Kandhar-Spinboldak section. The Afghan side was requested in April, 2015 to share the progress on construction of rail link from Kandahar to Spinboldak. Pakistan side emphasized on Afghan side to take early steps for construction of Kandhar-Spinboldak section. The Afghan side informed that the feasibility study of the section will be completed by July 2016. Subsequently the financing will be arranged for construction of the section. The Afghan side requested for the earlier implementation of Chaman-Spinboldak section and its completion on priority.

38. **Peshawar - Jalalabad Rail Link:** Regarding this project the Afghan side was informed that CDWP approved PC-II for conducting feasibility study at a rationalized cost of Rs. 67 million. Authorization letter was issued on 4th Feb 2015 and M/o. Railways has initiated project activities. Feasibility work has been started in November 2015 by the Consultants. Pakistan side took up the issue of security of consultant and workers. Afghan side informed that the security during the technical and economic feasibility will be provided to Consultant and other workers.

39. **Construction of Road and Railway Route between Miranshah and Khost as Trade, Transit and Transport Corridor** Afghan side proposed rail connectivity between Khost (Afghanistan) and Pakistan Railways network via Miranshah/Bannu. Afghan side offered to carryout pre-feasibility study for the proposed link. Pakistan side informed that the proposed new rail is not in Pakistan Railways future plans. However, it will examine the proposal.



40. **Technical Assistance and Economic Cooperation with Development of Railway Engineering and Management Institute.** Regarding existing Technical Assistance, Pakistan side informed that Ministry of Railways has already offered technical support and Capacity Building to Afghan Railway Officials. In this regard Pakistan Railway Academy Walton Lahore is conducting courses for senior level Railway officials of developing countries. Two slots for Afghan railway officials have been kept in 112th Advance Railway Course commencing from 30th November 2015 and requested that the concerned railway officials may be sent before the commencement of the training program. The Afghan side assured the participation of railway official in the said course.

41. Afghan side requested Pakistan side for technical assistance and economic cooperation for the development of a Railway Engineering and Management Institute in Kabul Afghanistan. Pakistan side informed that a concept paper may be shared with the Pakistan side so that the proposal could be examined. Afghan side agreed to share the concept paper within one month.

42. **Other proposals shared by Afghan side:**

- a. Afghan side proposed that training programs in different railway disciplines for Afghan Railway officials may be provided at Pakistan Railways Academy Walton Lahore. Pakistan side will examine the proposal.
- b. Emphasizing on the regional connectivity and development of rail links, Afghan side proposed a new rail link from Helmand City-Bahramcha (Afghanistan) to Gwadar via Yakmuch and Panjgur (Pakistan). It was further informed that implementation of this project will provide the shortest economic rail connectivity for regional trade and transit between the two countries and region. Afghan side informed that a prefeasibility study would be carried for this route. Pakistan side informed that Pakistan Railways has planned to connect Gwadar to Afghan railway via Basima, Quetta and Chaman in line with the CAREC and regional connectivity



framework. The new rail line from Gwadar to Quetta has also been included in China Pakistan Economic Corridor (CPEC).

Power /Energy

Feasibility Study of Joint Power project on Kunar River

43. Both parties discussed the possibility to establish joint working group to explore the hydropower potential on the River basin. Initially both sides will nominate their technical teams through official channels for further activities.

CASA 1000

44. Both sides are confident that pending issues of Afghanistan- Pakistan PPA will be discussed and finalized during IGC and JWG meetings on 23 and 24 of November 2015 at Istanbul Turkey.

45. Both parties agreed that this project is a good start for energy cooperation between Afghanistan and Pakistan. Feasibility Study of 500 KV Transmission Line from Merry via Herat and Kandahar to Pakistan. Both parties agreed to explore further possibilities of interconnection including Turkmenistan-Afghanistan –Pakistan transmission line. Both parties are confident that it will increase energy cooperation between Afghanistan and Pakistan.

46. Settlement to terminate contract on Bakshabad dam project in Fara province Pakistan side requested Afghan side to re- look at the possibilities of continuation of the consultancy contract with NESPAK. Afghanistan side agreed to review the possibility of continuation in the context of Afghan laws.

47. **Joint Ventures in Petroleum Sector:** Pakistan has offered cooperation in joint geographical survey, exploration of natural resources and training facilities to Afghan professionals. Both sides agreed to establish a joint working group in the field of Mining and Geology and to establish Joint Ventures in Petroleum Sector. Respective ministries of both sides would share information in this regard including nominations of focal persons for future cooperation.

48. **Settlement to terminate contract on Bakshabad Dam Project in Faryab:** NESPAK was granted a contract on Bakshabad Dam Project in Faryab with a bank



guarantee of US\$800,000/-. The initial contract expired on 2014 and then was not extended. Afghan ministry of Energy and Water has conveyed that they would encash the amount of guarantee. NESPAK has stated that contract was terminated due to security reasons despite the fact that Afghan Government was supposed to provide the security. The payment of work done is pending on the part of Afghanistan. Pakistan side took up the issue with Afghan side. The Afghan side agreed to make payment to the NESPAK for the work done within three months. The Encashment of bank guarantee will be delayed by Afghan government till settlement of issue.

49. **Scholarship Scheme (3000) for Afghan Students:** Afghan side was informed that So far scholarships have been provided to 2255 students in MBBS, Engg. and other disciplines. 295 students graduated in Dec 2014. 305 Afghan students will complete their studies by Dec. 2015. A total number of 2255 students against the target of 3000 have been admitted. Remaining will be accommodated during FY 2015-16. An amount of Rs.514.48 has been released for payment of fee for ongoing Afghan students.

50. Regarding Higher Education of Afghan students at LUMS, the Afghan side was informed that in response to the Afghan Government's allocation of US\$ One million, the government of Pakistan has doubled the allocation and the HEC has submitted modified PC-I to P&D Division, which will be approved soon.

CONCLUDING REMARKS

51. The meeting emphasized the need for the implementation of the agreed decisions in letter and spirit within timelines. The meeting also called for the need to hold frequent discussions and follow up meetings and share progress between the concerned ministries.

52. In order to fast track the implementation of decisions taken during the session, the both sides agreed to set up Joint Working Groups at senior level for Commerce & Trade, Energy, Railways and Projects under CRRA. The JWG's will meet at least once every quarter alternatively in Kabul and Islamabad. It was further agreed that each side will appoint focal persons for JWG's who will hold meetings through teleconference once every month to monitor the progress on decisions taken.



53. The meeting recognized the need for developing a long-term comprehensive strategy to promote energy sector cooperation through implementing bilateral and regional projects. The meeting also called for the need to engage with international development partners jointly to garner their support for major bilateral and regional projects such as roads, railway, hydropower and gas.

54. The meeting concluded with a mutual understanding that constructive interaction at the leadership level has given a positive momentum to bilateral relations which must be sustained and further strengthened. Both sides also underscored a need to promote a peaceful and mutually beneficial co-existence for the socio-economic uplift of the people of both countries.



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