



Islamic Republic of Afghanistan
Ministry of Industry and Commerce

AFGHANISTAN

NATIONAL TRADE POLICY 2019-2023

Promoting Inclusive Growth
through Trade Competitiveness





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FOREWORD

AJMAL AHMADY **MINISTER OF INDUSTRY AND COMMERCE** **OF AFGHANISTAN**

The Islamic Republic of Afghanistan is endowed with a diverse and rich resource base with the potential to generate substantial export earnings for the country. The Afghanistan National Trade Policy (2019–2023) takes centre stage in the transformation of the economy's productive sectors towards the production and export of high value-added products in order to realize the country's full export potential. This national trade policy document outlines the key principles and strategies that will guide the Islamic Republic of Afghanistan's strategic integration into the global markets whilst ensuring the availability of high-quality and affordable goods and services to Afghan consumers.

In the past years, the government has aggressively addressed some of the basic constraining problems to trade development. Efforts to create and promote a market-oriented, private sector-led and competitive environment remains a priority under the Afghanistan National Trade Policy (2019–2023).

Furthermore, the national trade policy addresses the concerns by advancing a coherent trade policy framework and addressing the need to unleash firms' export potential through effective policies, and it prioritizes objectives to tackle the constraints faced by both the public and private sectors.

The Ministry of Industry and Commerce (MoIC), in the spirit of intensified efforts to restore international confidence and attract foreign investments to enhance Afghan manufacturing sectors, shall vigorously pursue and sustain the current efforts to reduce corruption, which has impeded trade and investment in the country.

In order to meet the challenges of a new and dynamic national trade policy, the MoIC's role will be restricted to providing an enabling business environment for effective private sector-led trade, to streamline the policies and to ensure that infrastructural constraints are removed.

The national trade policy resumes the outlined political principals in the 'Afghanistan National Trade Policy Implementation Roadmap' with a view to transform the national trade policy into concrete actions and responsibilities, defining the role of the MoIC, the role of the private sector and all relevant stakeholders involved, including donor agencies' valuable support.

The Afghanistan National Trade Policy, while premised on the defined role of government, will ensure that the Islamic Republic of Afghanistan's national interests are always protected. This policy framework document is, therefore, a coherent expression of government orientation, focus and aspiration in the area of trade, which shall continue to guide and regulate our trade interactions and performance with our partners the world over.

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ACRONYMS AND ABBREVIATIONS

ACBR-IP	Afghanistan Central Business Registry and Intellectual Property	MoF	Ministry of Finance
ACDR	Afghanistan Centre for Dispute Resolution	MoFA	Ministry of Foreign Affairs
AIRA	Afghanistan Railway Authority	MoMP	Ministry of Mines and Petroleum
ANPDF	Afghanistan National Peace and Development Framework	MoPH	Ministry of Public Health
ANSA	Afghanistan National Standards Authority	MoT	Ministry of Transport
ANTP	Afghanistan National Trade Policy	MUDL	Ministry of Urban Development and Land
APTTA	Afghanistan–Pakistan Transit Trade Agreement	NEPA	National Environmental Protection Agency
ARAZI	Afghanistan Independent Land Authority	NES	National Export Strategy
ASYCUDA	Automated System for Customs Data	NPA	National Procurement Authority
DAB	Da Afghanistan Bank	NPP PSD	National Priority Program for Private Sector Development
EBA	Everything But Arms	NRRCPC	National and Regional Resource Corridors Programme
ECOTA	Economic Cooperation Organization Trade Agreement	NTBs	Non-tariff barriers
EPD	Export Promotion Directorate	OSS	One-stop shop
EU	European Union	PPD	Public–private dialogue
FDI	Foreign direct investment	PRISEC	Executive Committee on Private Sector Development
GDP	Gross domestic product	SAARC	South Asian Association for Regional Cooperation
GSP	Generalized System of Preferences	SAFTA	South Asian Free Trade Area
HEC	High Economic Council	SATIS	SAARC agreement on trade in services
IFD	Investment Facilitation Directorate	SEZ	Special economic zone
IPR	Intellectual property rights	SMEs	Small and medium-sized enterprises
LDCs	Least developed countries	SMQT	Standardization, metrology, quality assurance and testing
M&E	Monitoring and evaluation	SPS	Sanitary and phytosanitary
MAIL	Ministry of Agriculture, Irrigation and Livestock	TBT	Technical barriers to trade
MoIC	Ministry of Industry and Commerce	TIR	Transport International Routiers
MoEC	Ministry of Economy	WTO	World Trade Organization
MoEW	Ministry of Energy and Water		

1. BACKGROUND

In the era of globalization, trade has become an all-pervasive part of economic life. Trade issues affect, and are affected by, almost all other economic and social policies. A trade policy can, therefore, constitute a potent tool for the government to achieve economic objectives and influence growth and development. Effective trade policies can promote economic development by encouraging more productive investment, which will lead to a more internationally competitive private sector.

Up until now, the Islamic Republic of Afghanistan has not had a national trade policy. The Afghanistan National Trade Policy (ANTP) 2019–2023 presented in this document fills this important gap in the country's policy landscape. It provides an evidence-based, structured and coherent approach to enhance the country's trade competitiveness and benefit from increasing insertion into the global economy.

The ANTP document is organized as follows: The remainder of this first section summarizes the domestic and external environment in which trade takes place and businesses operate in the Islamic Republic of Afghanistan. Section 2 outlines the core principles, rationale and objectives of the ANTP. Section 3 presents the policy areas and actions that the ANTP comprises. Section 4 outlines the implementation arrangements. Annexes present the detailed results framework as well as address issues of policy coherence.



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1.1. DOMESTIC POLITICAL, SOCIAL AND ECONOMIC CONTEXT OF THE AFGHANISTAN NATIONAL TRADE POLICY

The Afghan Government has been committed to economic growth-oriented trade policies, with an emphasis on maintaining relatively low trade barriers for exports and imports, while taking into account domestic revenues and the need to support increased production of goods and services by the private sector. The Islamic Republic of Afghanistan's recent successful accession to the World Trade Organization (WTO) (see Box 1) underlines the country's determination to conduct its external trade according to laws, rules and procedures that are internationally recognized and accepted.

The Islamic Republic of Afghanistan occupies a key strategic location linking Central Asia with South Asia, providing the People's Republic of China and the Far East with direct trade routes to the Middle East and Europe. Making the most of this geographic location will depend on deepening

the Islamic Republic of Afghanistan's participation and leadership in bilateral and region-wide initiatives. Regional trade and transit facilitation, therefore, remain high priorities, not only because they will increase trade, but also because they will strengthen regional cooperation, contribute to regional stability and prosperity, and increase investment. The Islamic Republic of Afghanistan is a member of significant regional trading arrangements, including the South Asian Free Trade Area (SAFTA) and the Economic Cooperation Organization Trade Agreement (ECOTA), and is an observer in the Shanghai Agreement.

Box 1: The Islamic Republic of Afghanistan's accession to the WTO

The Islamic Republic of Afghanistan became a Member of the WTO in July 2016, after completing an accession process that began on 21 November 2004. WTO membership represents a major opportunity for the Islamic Republic of Afghanistan to strengthen economic ties and greatly expand opportunities for trade with countries in the region and with the entire world. The government will actively use the rights and benefits of full membership in the WTO to attract investment, create jobs and improve the economic welfare of all Afghans.

As part of accession, the Islamic Republic of Afghanistan committed to establishing upper limits on import tariff rates for all products on an average of 13.5%–33.6% for agricultural products and 10.3% for non-agricultural products. Tariffs on some of the country's exports are mostly bound at 10% or less.

Furthermore, the Islamic Republic of Afghanistan will encourage increased trade in 11 service sectors and greater opportunities for investment in the provision of these services within the country. These include the telecommunications, banking and insurance, and distribution sectors, which are essential for higher sustainable growth of the entire economy.

A major benefit of WTO membership is the maintenance of consistent laws and regulations governing trade, which will be of particular benefit for Afghan exporters seeking to expand access to foreign markets. As a part of the WTO accession process, the Ministry of Industry and Commerce (MoIC) has been engaged in reforming the country's commercial laws and regulations to meet international standards.

The domestic environment in which the notable achievements have been realized has been anything but easy. Severe conflict has done enormous damage to production facilities, physical infrastructure and the readiness to invest. The legacy of institutional difficulties has been no less detrimental to progress. Above all, the critical intangible assets of trust and confidence have been shattered, and their reconstruction takes longer than that of material assets.

The openness to imports, coupled with serious limitations on domestic production capacity, are compounded by the Islamic Republic of Afghanistan's location as a landlocked country. Transport, especially over land, is fundamental to rapid and relatively low-cost movement of goods. Ease, speed and low cost of Customs and related transactions are required if the impact of geographic constraints is to be minimized. Yet the same legacy problems that are detrimental to the hardware of trade (the goods themselves) are equally a constraint on improvement in the software of trade (the smooth movement of traded items at low transaction cost).

The outcome of this forbidding array of obstacles has been that the Islamic Republic of Afghanistan's balance of trade is exceptionally negative. The value of goods imports is presently about seven times the value of exports – in 2018, Afghanistan's exports were around \$875 million, which is only 4% of GDP, while the imports of goods were \$7.4 billion, or 37.7% of GDP. The average goods trade deficit is around 33% of GDP. For services, exports in 2018 stood at an estimated \$482 million, compared to imports of close to 1.2 billion, amounting to a services trade deficit of \$714 million. Growth cannot be realized without major reliance on imports, and this will continue to be the case over the next few years. Substantial imports are still required to repair and reconstruct every kind of production and infrastructure. Efforts to diversify into new branches of production, whether destined



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for local or international markets, are usually contingent on imported materials. Against this, the ability to reach a wide set of possible export markets is limited by both the transport difficulties and the time and resources necessary to convince foreign buyers of the quality and attractiveness of the Islamic Republic of Afghanistan's export offering.¹

1.— Trade data for Afghanistan in 2018 provided by UN COMTRADE (and, on that basis, ITC TradeMap) are very different from the above numbers (which are taken from the WTO statistical database). For example; COMTRADE reports total exports of USD 1.8 B and total imports of USD 14.8 B. This is something that should be discussed with the UN and WTO in order to reconcile the statistics.

1.2. EXTERNAL CONTEXT OF THE AFGHANISTAN NATIONAL TRADE POLICY

The external environment in which the Islamic Republic of Afghanistan operates is now, and will remain in the foreseeable future, exceptionally complex and volatile – both globally and regionally.

Globally, growth in the world economy has, in the past few years, dropped to a much lower band than in the previous decade. World trade growth has likewise fallen sharply. Demand expansion is no longer driven by developed economies. The Islamic Republic of Afghanistan has mirrored those falls, with present rates of GDP growth down to approximately one-fifth of rates in earlier years. While forecasts in this epoch of major economic upheaval and realignment are hazardous, it would be unwise to operate on the assumption of a quick return to rapid expansion.

In Central Asia, several resource-rich and landlocked countries are making efforts similar to those of the Islamic Republic of Afghanistan, namely to diversify export offerings, diversify the markets to which goods are sold, attract foreign investments in manufacturing and agroprocessing (as well as in extractive industries), and make the first tentative steps in developing more sophisticated service sectors. This creates a situation of increased competition between the countries in the region. Care must be taken that this does not lead to the erection of unnecessary barriers to trade for Afghan exports. Enhanced and expanded trade within the region will benefit all countries and lead to a stronger region better able to withstand global competition. A good example of how cooperation in trade and transit can help is the recent conclusion of bilateral agreements between the Islamic Republic of Afghanistan and the Republic of Uzbekistan, which should help expand Afghan exports.

The Gulf and members of the South Asian Association for Regional Cooperation (SAARC) have significant potential for Afghan exports, but also, to a certain extent, compete with the Islamic Republic of Afghanistan in regional markets. The People's Republic of China and the Republic of India have rapidly growing and rapidly changing economies, already very strong in manufacturing and several areas of services, and their actions, including in the financial area, continue to significantly alter the international perspectives of their Central Asian neighbours. The Islamic Republic of Afghanistan must pay close attention to trade and investment channels that may be offered by these two crucial countries.

Although the overall external trade panorama is one of fluidity and uncertainty, there are some foreign markets where the Islamic Republic of Afghanistan can operate under stable conditions. Its exports to the European Union (EU), which currently absorbs some 12% of all exports, benefit from duty-free and quota-free access under the



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Everything But Arms (EBA) programme. In other significant markets, such as the United States of America, Japan, Canada and the People's Republic of China, there are also favourable conditions of entry for Afghan products compared with those from most other suppliers. The Republic of India, both within WTO and as a more developed member of SAFTA, has instituted important preferential arrangements for least developed countries (LDCs), in particular under its Duty Free Tariff Preference Scheme, from which the Islamic Republic of Afghanistan can benefit. However, even these elements of stability have some limitations, such as stringent rules of origin requirements, as well as doubts about the future evolution of demand in at least some of these economies.

Finally, linked to the Islamic Republic of Afghanistan's position as a landlocked country, the importance of transit trade is high. Fortunately, the country's dependence on only a few corridors has been improved in recent years, both through the conclusion of transit agreements (such as the Chabahar Agreement in 2016 with the Republic of India and the Islamic Republic of Iran, the agreements with the Republic of Uzbekistan in late 2017 and the recent Lapis–Lazuli Transit and Transport Route Agreement with the Republic of Azerbaijan, Georgia, the Republic of Turkey, and Turkmenistan) and infrastructure initiatives (such as the opening up of the Chabahar port).

Afghanistan has now exported a number of consignments through Chahbahr port to Mumbai, India, and in early 2019 it also dispatched consignments of marbles and fresh fruits, via the Lapis Lazuli Route to Turkey and Azerbaijan.

The ANTP builds on these recent achievements and aims to ensure that they will lead to actual increases in Afghan exports, including through effective implementation of these agreements.



2. AFGHANISTAN NATIONAL TRADE POLICY RATIONALE AND OBJECTIVES

2.1. RATIONALE

A gradual movement towards an improved balance of trade and of international payments more generally requires the creation of an economic environment conducive to investment, production and export within the Islamic Republic of Afghanistan. This should be matched by the growth of other domestic activities, which, properly costed, can substitute goods that currently, and largely out of necessity, are being imported. That environment can only be put in place through the concerted efforts of a wide range of entities, public and private, which together agree on the goals and use their combined capacities to achieve them. It is in this profound sense that a trade policy for the Islamic Republic of Afghanistan has to be conceived as a national endeavour.

This is accomplished by creating a domestic economic environment that:

- Offers macroeconomic conditions that are as stable as possible;
- Is governed by clear and consistent policies that are stable and free from arbitrary change;
- Provides maximum encouragement to exporters, consistent with the requirements of other key needs and obligations of the Islamic Republic of Afghanistan (such as revenue generation, maintenance of fair competition, and working within the international trade rules to which the country has subscribed); and
- Attracts foreign direct investment (FDI).

With regard to strengthening the Islamic Republic of Afghanistan's presence in external markets, the ANTP can be invaluable in, among others:

- Helping exporters to obtain information on those markets (market research);
- Organizing and supporting initiatives to reinforce the Islamic Republic of Afghanistan's reputation (brand creation and development); and
- Negotiating arrangements of diverse kinds to create more and more favourable market space for Afghan traders, and ensuring that trading partners do not impose unwarranted barriers on Afghan exports (trade diplomacy).

The challenge for a trade policy is to provide a coherent framework for these and other policy actions that respond to the most important bottlenecks affecting Afghan businesses involved, or potentially involved, in trade. The ANTP does so through a two-pronged approach:

- It is based on an analysis of the barriers from the bottom up; but
- It defines the necessary measures to overcome the barriers in an integrated strategic way, from the top. Accordingly, the following subsections present the overall ANTP vision, objectives and principles, and Section 3 describes the comprehensive set of individual measures to be taken as part of the ANTP.

2.2. VISION

“ The Afghanistan National Trade Policy is a market-driven, development-led, sustainable trade policy that aims to catalyse expanded economic growth, increase employment and incomes, and reduce poverty to attain improved living standards for all Afghans ”

The ANTP vision is aligned with the Strategic Plan of the Ministry of Industry and Commerce (MoIC) and the Afghanistan National Peace and Development Framework (ANPDF).²

The ANTP will provide support to the internal and external competitiveness of Afghan goods and services, thereby also contributing to an export composition that improves the

2.– Annex II matches the ANTP to the relevant ANPDF goals and activities, and Annex III does the same with the MoIC Strategic Plan.

Islamic Republic of Afghanistan's position in regional and international value chains and captures a higher proportion of value added in its traditional export activities. The trade regime will be fully consistent with the international legislative and institutional structure as developed through the WTO and with the government's multilateral and regional trade and transit commitments, while ensuring that other countries also comply with their commitments made and refrain from applying unjustified barriers to trade.

2.3. OBJECTIVES

In line with the ANTP vision, the mission statement defining the ANTP's overall objective is aligned with the long-term goal of the MoIC as identified in the Strategic Plan: "To develop the Afghan economy so that investment flows, trade expands, and industries and SMEs develop." Focusing this goal on the specific area of trade policy, the ANTP's overall objective, which is aligned with the MoIC's four strategic objectives, is:

To expand Afghan exports and domestic production that leads to economic growth, creation of jobs and poverty reduction, thereby reducing the trade deficit, by facilitating trade and promoting export opportunities and market access, developing competitive businesses and industrial sectors catering for the domestic market, building the capacity of the MoIC and trade support institutions, and strengthening the trade-enabling business environment.

In order to achieve this objective, which promotes a balanced relationship between trade integration and sustainable domestic economic development, the ANTP will address multiple constraints for firms to invest, produce and export.

Despite the progress made in recent years, structural bottlenecks continue to hold back the Islamic Republic of Afghanistan's competitiveness and limit trade.

- First, few Afghan firms participate in international markets, suggesting low productivity levels. The quality of goods and services produced in the Islamic Republic of Afghanistan is generally low, not least due to the low level of technology and lack of value chains, but also due to the high cost of doing business and a weak policy and regulatory environment for trade.
- Furthermore, exports are highly concentrated on very few, mostly unprocessed agricultural products and few destination markets, making the Islamic Republic of Afghanistan vulnerable to economic shocks.

- The domestic market is heavily import-dependent, which has led to an unsustainable trade balance.
- The tariff regime is characterized by a high incidence of exemptions, and tariff policy in general lacks a strategic approach.
- Partly as a result of being a landlocked country, trade costs in the Islamic Republic of Afghanistan are high by international standards, in terms of both cash costs and time costs.
- Reliable and timely trade statistics are absent, and trade skills and negotiation capacity are poor.
- Lastly, institutional capacities for trade policy formulation and supporting exporters need constant improvement in order to remain competitive.

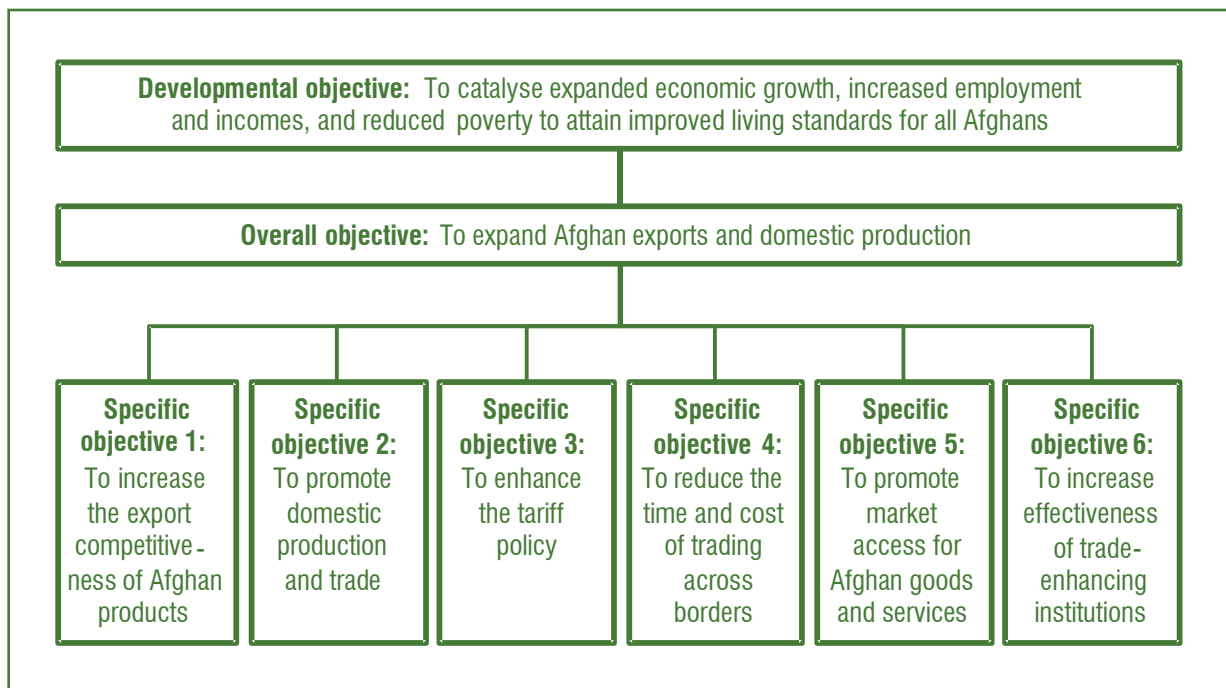
The ANTP, in response to these challenges, distinguishes the following specific objectives contributing to the overall goal.

- i. **Specific objective 1: To increase Afghan products' export competitiveness**, through removing supply-side constraints affecting exporters, including through promotion of FDI and the establishment of special economic zones (SEZs); providing export promotion services, including the provision of a targeted and agile trade information system that offers exporters the opportunity to consolidate and expand existing markets and support in entering new markets; and enhancing the business environment, including through developing improved dispute resolution processes and further streamlining the process for obtaining and renewing business and trade licences.
- ii. **Specific objective 2: To promote domestic production and trade, considering comparative advantages**, and through supporting sectors and producers with potential to supply the domestic market, ensuring fair competition and protecting the domestic industry against unfair import competition.

- iii. **Specific objective 3: To rationalize the tariff policy**, through institutional changes for the tariff setting as well as a simplification of the regime for exemptions, and a review of tariffs, with a view to balancing revenue generation and industrial development purposes.
- iv. **Specific objective 4: To reduce the time and cost of trading across borders**, through provision of a trade facilitation framework aimed at simplifying import, export and transit formalities, including documentation and border procedures.
- v. **Specific objective 5: To promote market access for Afghan goods and services both regionally and globally**, through the consolidation of the Islamic Republic of Afghanistan’s regional trading and transit arrangements, including the potential identification of alternative transit routes, ensuring fair access of the country’s exports to regional markets, and taking measures to benefit from preferential trade agreements and WTO membership, including the WTO Trade Facilitation Agreement (TFA).
- vi. **Specific objective 6: To increase the effectiveness of trade-enhancing institutions, including the MoIC**, through streamlining institutional structures to ensure decisions affecting trade conditions and performance are made with maximum speed, capacity building of trade support institutions, and enhancing trade-related public–private dialogue.

Figure 1 provides a graphical overview of the objective tree. The complete ANTP results framework is presented in Annex I. The starting points for the results framework were the ANPDF and the MoIC Strategic Plan 2016–2020. This ensures, to the extent possible, that ANTP policy measures are in line with the wider economic development framework as well as the already approved strategic document for the MoIC, the key entity in charge of implementing the ANTP. The ANTP results framework has been expanded and deepened based on the coverage of trade policy measures that are required to address the various identified trade-related issues requiring the government’s attention.

Figure 1: ANTP objective tree



In sum, while the Islamic Republic of Afghanistan’s endowments represent the necessary conditions and potential for successful insertion in the global economy in the near future, they are not sufficient. What the country needs in order to use trade and commerce for sustained overall inclusive economic development is to effectively harness its

endowments, remove the identified constraints, and make a transformational paradigm shift from the present position of low trade and commerce, export concentration in primary products, and importation of processed and final products. The ANTP aims to contribute to this shift.

2.4. GUIDING PRINCIPLES

The implementation of all actions and measures foreseen under the ANTP will be guided by some fundamental and cross-cutting principles:

- Promotion of policy coherence and consistency through the distinction of direct and indirect trade policy issues;
- Promotion of gender equality; and
- Good governance and transparency of policy and measures.

2.4.1. PROMOTION OF POLICY COHERENCE AND CONSISTENCY – DIRECT AND INDIRECT TRADE POLICY ISSUES

The ANTP is being drafted in a period of primarily adverse conditions. In response, for the period 2019–2023, the Islamic Republic of Afghanistan will seek to enhance trade competitiveness primarily through facilitating production and investment aimed at the domestic market, on the one side, and through strengthening supply-side capacities for exports and promoting existing exports on the other. The ANTP thus comprises a mix of actions that are not per se aimed at trade, but that nevertheless encourage it (the ‘indirect trade policy measures’), and changes to existing rules and procedures that mostly constitute specific barriers to trade (the ‘direct trade policy measures’). Linkages between the various policy actions foreseen under the ANTP are comprehensive and internally coherent. However, coherence with other government policies – such as tax issues, private sector development, and social and education policy, etc. – is equally important. To ensure this, alignment of the ANTP with the ANPDF has been the starting point, and coherence with other policies and strategies, such as the National Export Strategy (NES) and the National Priority Program for Private Sector Development 2019–2023 (NPP PSD), has been ensured in the drafting process. However, during implementation, ongoing coordination will be achieved through the comprehensive and inclusive institutional set-up for the policy (see Section 4 below).

2.4.2. PROMOTION OF GENDER EQUALITY

It is the goal of the Afghan Government to eliminate discrimination against women, develop their human capital, and promote their leadership in order to guarantee their full and equal participation in all aspects of life. Under Article 22, the national Constitution enshrines the policy of non-discrimination and equality in rights and duties between women and men. The MoIC is also fully committed to gender equality.



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The ANTP recognizes and addresses the challenges faced by women as they engage in trade in the Islamic Republic of Afghanistan, in the region as well as internationally. These challenges range from a lack of financing options to non-tariff barriers to trade, the lack of access to alternative economic opportunities due to operation in the informal sector, and the lack of capacity to grow businesses. The challenges are addressed by the ANTP through the following means: in trade sectors with a predominance of women, all efforts will be made to ensure they are supported to increase their productivity, diversifying their businesses from only handicraft, dry fruit and a few other sectors to a range of tradable sectors in which they feel their interest and the business environment in which they operate will be facilitated by the ANTP. Where possible, indicators, targets and monitoring are disaggregated by gender in order to fine-tune measures with a view to promote gender equality.

2.4.3. GOOD GOVERNANCE AND TRANSPARENCY OF POLICY AND MEASURES

Predictability and transparency of laws and regulations affecting the private sector are an integral part of an enabling business environment and a precondition for both domestic and international trade. A stable environment for trade and investment warrants the transparent development of trade rules and their enforcement. Furthermore, transparent and predictable rules are important safeguards against corruption.

However, achieving the nation's vision for economic transformation and trade requires not only a transparent and predictable trading regime, but good governance and the rule of law at a fundamental level. This includes a number of key elements, including:

- A system of governance in which the citizens, especially women, and civil society groups are free to participate effectively and without obstacles for participation;
- Transparent and accountable government institutions, promoting cooperation and coordination among stakeholders in the interest of common national development goals, and discouraging corruptive practices;
- A political culture that discourages the politics of self-interest and sectionalism and downplays patronage and clientelism for policies and programmes as they affect trade;
- A bureaucracy that is efficient and effective with the integrity, self-respect and confidence to carry out the good intentions of government fairly and expeditiously; and
- A judiciary that is impartial, independent from government and pressure groups, and easily accessible to the population and legal persons.

The ANTP fully recognizes the crucial position and dominant influence of politics and political issues in the management of the nation's trade affairs over the years. To ensure that Afghan businesses benefit from clear and predictable rules and regulations, the implementation of the ANTP will comply with the following guiding principles:

- The MoIC, which has primary responsibility for encouraging private sector development and the implementation of a supportive policy environment for the sector, will ensure that regulations impacting on trade are transparent, accessible, easily understood and efficiently implemented. This will involve publication of all laws and regulations on the internet;
- The private sector (all the chambers) will be consulted on all trade-related Bills under development, enabling stakeholders to submit their views on the proposed regulatory measures; and
- The MoIC will aim to prepare regulatory impact assessments (RIAs) for legislative initiatives to avoid unnecessary regulatory compliance costs for the trading community.



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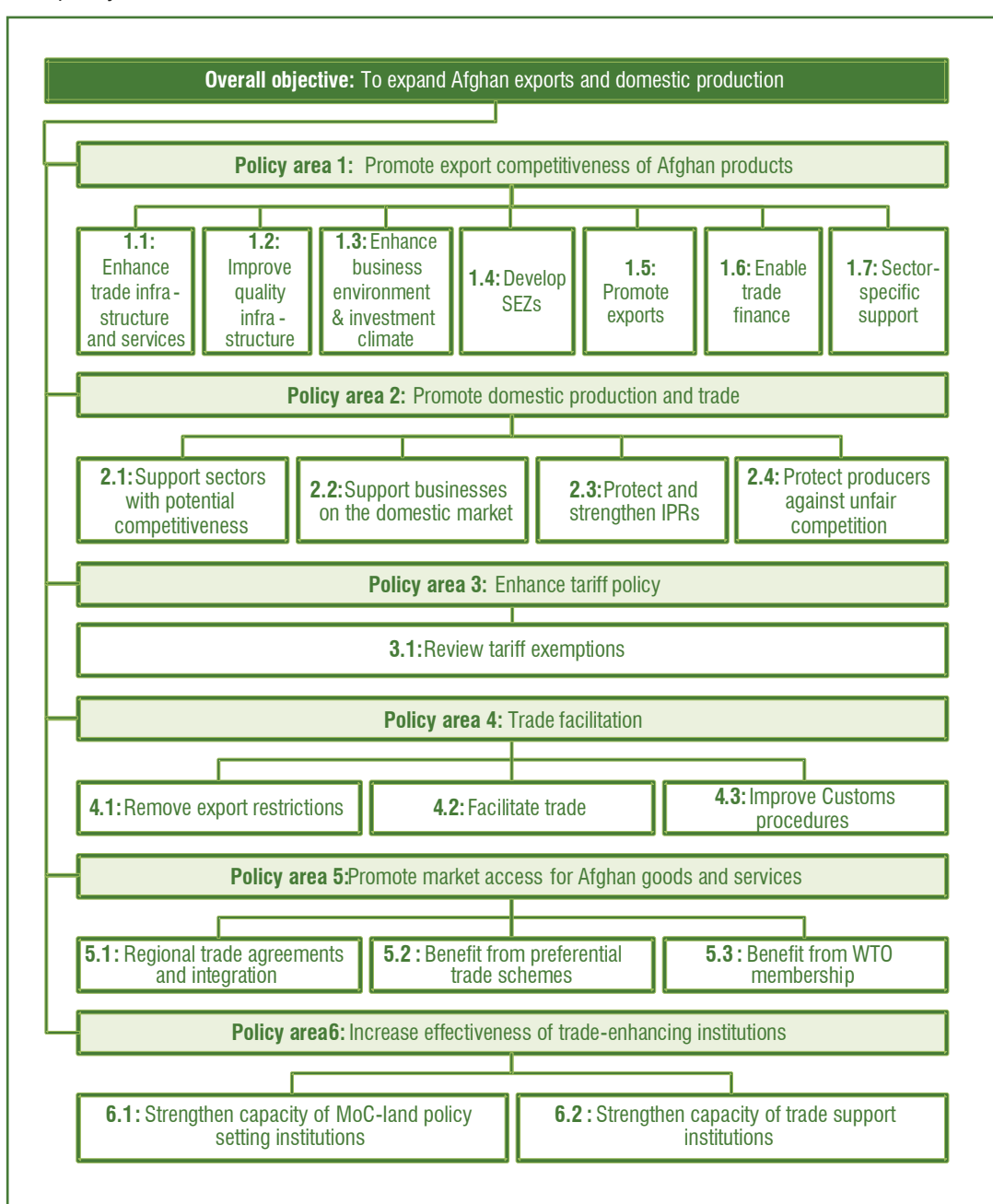
3. POLICY AREAS

This section discusses the policy areas that are the core of the ANTP as well as those that have an important effect on the Islamic Republic of Afghanistan's trade performance.

To facilitate implementation and monitoring, the ANTP policy areas are aligned one-to-one with the six specific

objectives identified above. Under each policy area, a number of policy measures have been identified that are aimed to address key bottlenecks. Figure 2 provides an overview.

Figure 2: ANTP policy areas and measures – overview



The government is equally committed to all of these policy areas. The order of presentation is arranged by going from specific interventions that the Islamic Republic of Afghanistan can implement unilaterally (the first four policy areas) to initiatives that depend on negotiations or joint action with regional or international partners (Policy area 5) and institutional issues (the last policy area). Indeed, in the presence of multiple binding constraints, a clear prioritization of actions is difficult. At the same time, the ANTP does not aim to address everything – a number of policy actions that are without doubt required in order to expand the competitiveness of the Afghan private sector, but that are not directly trade related, are not addressed. These include issues such as access to finance (apart from trade finance) or improvements in economic infrastructure such as electricity, water and telecommunications (although trade infrastructure is included), which are addressed in other policy documents.

In terms of implementation, it should be noted that the policy areas and actions foreseen under the ANTP are under the responsibility of a wide range of ministries and agencies, of which the MoIC is only one. The present policy document provides more detail for those areas and actions that are under the direct responsibility of the MoIC. In other policy areas, the definition of precise actions and measures is the prerogative of the relevant entity responsible, and the ANTP accordingly addresses the rationale and objectives. For these policy areas, the MoIC may assist the ministry or agency in charge in the formulation of specific measures and will ensure coordination of measures. In formulation of all specific measures, including tariff policies, the private sector (all chambers) should be consulted in advance.

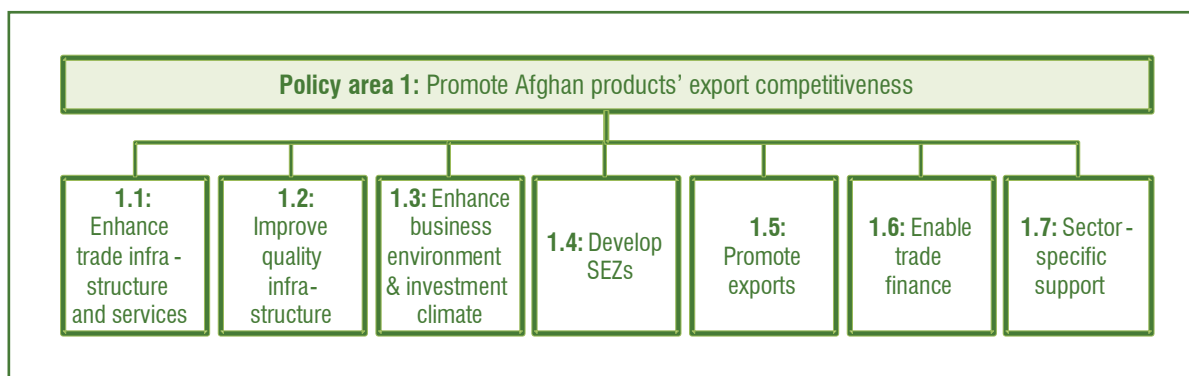
For each of the identified policy areas, the ANTP sets out in the following sections the rationale underlying the measures within each designated policy area, the specific objectives pursued, indicators, baselines and targets for measuring progress, the main activities and the entities responsible for implementation. Where appropriate, linkages with other policies are also described.

3.1. POLICY AREA 1: PROMOTING AFGHAN PRODUCTS' EXPORT COMPETITIVENESS BY ADDRESSING SUPPLY-SIDE CONSTRAINTS

The limited export competitiveness of Afghan goods and services – apart from some selected, mostly agricultural products – results in high export concentration, which in turn leads to high vulnerability of the Afghan economy to external shocks. A core objective of the ANTP, therefore, is to create conditions that will increase and diversify exports, which can be expected to stimulate economic growth and reduce the trade deficit.

This requires overcoming a number of constraints, including limited availability and quality of both hard and soft (quality) infrastructure and the lack of support available for (potential) exporters. Therefore, ANTP measures under this policy area (Figure 3) will address problems related to the trade and quality infrastructure, the business environment and investment climate for export purposes (including through special economic zones), export promotion (including through an expanded use of commercial attachés), trade finance and sector-specific issues.

Figure 3: ANTP measures related to Policy area 1: Promoting export competitiveness





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3.1.1. IMPROVING AND ENHANCING TRADE INFRASTRUCTURE AND SERVICES

Rationale: A functioning transport infrastructure is an essential condition for trade to happen and in particular for export competitiveness. Conversely, deficient roads and rail, and lack of appropriate facilities at airports, dry ports and border posts can be major constraints on exports and imports; in particular, they can prevent the export of perishable products.

The Islamic Republic of Afghanistan greatly suffers from these shortcomings, which extends to all types of transport infrastructure. In the latest (2018) World Bank Logistics Performance Index (LPI), the country's trade infrastructure ranks 158 out of 160 countries, just above For example, there is still a general lack of storage infrastructure that is required to enable trade in perishable agricultural exports. These facilities would allow exporters to store their produce, thereby avoiding losses and wastage from export delays.

In response to the infrastructure development requirements, the National and Regional Resource Corridors Programme (NRRCP) has focused on taking advantage of investments being made in the minerals and natural resources sectors, including supporting infrastructure, to develop the Afghan economy more broadly. Transport and other infrastructure, including power generation and supply, are integral components of the NRRCP, as well as of the NPP on national infrastructure.

At the same time, government has limited funds available for infrastructure development. Private participation in infrastructure (PPI) can fill these funding gaps and increase the efficiency of public service provision. Such PPI will, in turn, depend on a sound investment climate, also addressed under the ANTP (see Section 3.1.3 below).

Objective: To upgrade the trade and transport infrastructure (including storage facilities) in order to reduce wastage and facilitate the delivery of goods from Afghan producers to domestic and export markets at reduced costs.

Responsibility for implementation: The MoIC will support the relevant ministries and agencies to address infrastructure constraints that inhibit trade – these include, among others, MoF, MoT / AfRA, MoMP, MoEW, MoLSA, MAIL, MUDL and NPA.

3.1.2. IMPROVING QUALITY INFRASTRUCTURE

Rationale: The capacity to meet both mandatory norms and voluntary quality requirements and standards is a key requirement for effective participation in international trade. Abiding by international standards in the global marketplace requires that Afghan products meet certain specified health and safety, environmental and technical standards. In sophisticated consumer markets, products and services that do not meet these standards are automatically excluded. Without proof that an Afghan product meets these requirements, there will be no exports. In view of the Islamic Republic of Afghanistan's export basket, which is dominated by primary agricultural products, the importance of meeting international health and safety standards cannot be overstated.

Compliance with such international standards involves costs for both government and businesses – it typically requires notable investments in new infrastructure, equipment, management systems and human capital as well as recurrent costs such as for inspection and testing.

The Afghanistan National Standards Authority (ANSA), in coordination with the MoIC, the Ministry of Public Health (MoPH) and MAIL, has already developed a regulatory framework for product standards that would facilitate Afghan goods' access to foreign markets. The private sector has repeatedly requested the ability to obtain guidance with regard to trade-related standards and technical regulations both in the Islamic Republic of Afghanistan and as required in export markets.

ANSA's responsibilities include supporting producers that are required to conform, for example, to standards and technical regulations, which are related to technical barriers to trade (TBT), and for agricultural products that must additionally meet sanitary and phytosanitary (SPS) requirements. The Islamic Republic of Afghanistan's new SPS- and TBT-related laws will address these issues.

Objective: To reap the benefits from trade, the Afghan quality infrastructure needs to be further developed and the legal framework must be completed. Exporters and potential exporters need support in meeting international standards, while at the same time the government needs to ensure that

standards, technical regulations, conformity assessment procedures and SPS measures are not applied by importing countries in an overly strict or complex way that make them barriers for Afghan exports. The objectives are thus:

- To fully implement an effective and efficient quality infrastructure, comprising standardization, metrology, quality assurance and testing (SMQT) support services, with a clear definition of roles and responsibilities of the participating institutions and avoiding duplication of services and redundant controls. This will ensure that all exports are in compliance with international norms and standards, and will also ensure that substandard imports are prevented from entering the domestic market;
- To increase Afghan firms' export potential by providing technical assistance to the productive sector on quality related issues, and thereby help it to comply with health, safety, environmental and technical standards;
- To establish a regulatory framework for SPS and TBT in line with international best practice.

Responsibility for implementation: ANSA will have the primary responsibility, with the MoIC taking a coordinating role. The close involvement of and collaboration with other relevant ministries and agencies, including MoPH, MAIL and the National Environmental Protection Agency (NEPA), as well as producers themselves, is central to successfully implement improvements to the quality infrastructure and its use by Afghan businesses.

3.1.3. ENHANCING THE BUSINESS ENVIRONMENT AND INVESTMENT CLIMATE

Rationale: The foundation of international competitiveness is maintaining a strong and consistent business-friendly policy environment for trade and investment, including foreign direct investment (FDI) and private business activity. In this context, Afghanistan's Ease of Doing Business Rank in 2016 – 183rd of 190 countries – is not only of concern, but unacceptable. Addressing this issue goes beyond the scope of the ANTP and is addressed more extensively in the NPP PSD, but the ANTP will nevertheless contribute in those areas that are trade related. This includes:

- Promoting export-oriented foreign and domestic investment: For the Islamic Republic of Afghanistan to significantly increase exports, it will require large increases in investment, particularly FDI. These investments bring not only funds; they also support increased transfer of skills, technology and increased employment. The key agency for investment attraction and promotion is the

MoIC's DM for Trade Affairs, ACBR-IP and Investment Facilitation Directorate, which is responsible also for the implementation of the Afghanistan Investment Promotion Policy and serves as secretariat for the Supreme Board of Investments, which is recently approved by the High Economic Council (HEC). However, despite the government's efforts, FDI inflows have remained very low in recent years;

- Further enhancing the business licensing regime: The establishment of businesses in the Islamic Republic of Afghanistan has been simplified recently by the creation of the MoIC Directorate General for Afghan Central Business and Intellectual Property Registration (ACBR-IP). The registry acts as a single window, combining company registration, tax registration and publication in the official gazette, and charges a flat registration fee. Streamlined and more efficient licensing procedures have been developed and implemented, while licence renewals have been extended from one year to three years. Additional reforms are, however, still necessary to further reduce transactions costs, making firms more competitive in both domestic and export markets. For example, depending on the sector of operation, companies are still required to obtain permits from line ministries; and
- Building capacity for an effective and efficient system for the resolution of trade disputes: Commercial dispute resolution relates both to domestic trade and international trade disputes. Commercial courts are cumbersome and time-consuming, with the average time to settle a contract dispute being 1,258 days, according to the Doing Business index, and are generally unresponsive to the needs of enterprises. This calls for the development of an alternative dispute resolution mechanism outside the court system. The Afghanistan Centre for Dispute Resolution (ACDR) has been recently established to offer mediation and expert witness services in a limited number of cases referred by the commercial courts and in the future plans to expand its services to include arbitration.

Objectives: To increase the inflow of export-oriented FDI, thereby generating employment and increasing export earnings. This will be achieved by a combination of measures ranging from simplifying rules and procedures to providing incentives, while ensuring that incentives are WTO compliant. A particularly important instrument will be SEZs (see Section 3.1.4 below). Additional objectives are to further simplify, speed up and reduce costs for businesses, the process of obtaining and renewing business and investment licences, as well as to improve the efficiency of the Afghan legal system in terms of adjudicating trade-related commercial disputes, both of a domestic and of a trans-boundary nature.

Main policy actions:

- i. Promote foreign and domestic investments in export-oriented activities, simplify investor requirements, and streamline and enhance transparency of the investment approval process. FDI involving the transfer of skills, access to improved technology and increased employment for Afghans will be prioritized. This will be facilitated by developing and implementation of the FDI strategy.
- ii. Reforms will include the granting of visas for skilled foreign staff as part of the approvals process for FDI so that the granting of a licence to invest results in automatic approval of visas for the agreed number of foreign staff. The requirement to renew residence permits and visas for intra-corporate transferees annually (as per the Islamic Republic of Afghanistan's commitment to the WTO in the Services Schedule) will be removed; these permits and visas will remain valid for as long as the conditions in the FDI approval are met.
- iii. Develop targeted support and investment incentives for investors, which might include expedited business registration and licensing, legal and regulatory advice, support in acquisition and leasehold of land, advice in researching and assessing specific investment opportunities, discounted commercial electricity rates, expedited Customs clearance for capital equipment needed to implement the investment, and tax holidays (under conditions to be determined).
- iv. Strengthen the ACBR-IP, Investment Facilitation Directorate (IFD) and the Commercial Attachés' Directorate in facilitating and supporting FDI. The IFD will provide packages and incentives for attracting investment and facilitating FDI procedures and provide after-care services to the investors. Road shows and exhibitions will be organized to engage directly with potential investors and promote opportunities in the Islamic Republic of Afghanistan.
- v. With respect to business licensing, the following actions will be taken:
 - a. The ACBR-IP framework will be rolled out to the remaining provinces, thereby further decentralizing the business licensing process. The full introduction of the new system will require a number of complementary measures. These include capacity building on the use of the system and a public awareness campaign targeting businesses and traders; to the extent feasible, a more complete electronic delivery of the services.
 - b. Review the fees for new business licences and for licence renewals and reduce them to a level that reflects the costs of providing ACBR-IP services.
 - c. ACBR-IP will work to establish an online system for licensing issues.
 - d. Further reduce the time required to renew a licence by separating the renewal process from tax clearance, to ensure that trading activities and business financing are not disrupted by the delay in licence renewal.
- vi. With respect to the resolution of disputes, the following actions will be taken:
 - a. Further develop the alternate dispute resolution mechanism to strengthen the ability to enforce contracts, emphasizing mediated solutions that are quicker, less expensive and supportive of parties resuming business with each other.
 - b. Provide information about the ACDR to businesses when they register, and encourage businesses to use their services when appropriate rather than the judicial system.

Responsibility for implementation: MoIC (in particular the ACBR-IP and IPD), in cooperation with MoF. Close coordination with the investment climate reform plan as well as the Executive Committee on Private Sector Development (PRISEC) will be ensured. The MoIC will also closely collaborate with ACBR-IP (for licensing) and ACDR (for commercial dispute resolution).

3.1.4. DEVELOPMENT OF SPECIAL ECONOMIC ZONES

Rationale: Special economic zones (SEZs) are instruments for promoting private investment, employment, export growth and diversification of economic activity. They are specific geographic locations where natural resources exist or complementary production requirements can be provided, and are subject to special provisions designed to make conditions for production and export particularly attractive. SEZs can be a valuable mechanism for capturing the value added from existing Afghan export activities, such as in areas including precious stones, marble, fruits and nuts, saffron, medicinal herbs, carpets, handicrafts and some branches of mining. At the same time, they can serve as platforms for the introduction of assembly and processing for export in non-traditional activities, such as electronics (export processing zones), benefitting from the Islamic Republic of Afghanistan's low labour costs. In export processing zones (EPZs), imported inputs are assembled and then exported, which limits the value added and, hence, net export earnings, but the employment and training effects are nevertheless important benefits.

In the Islamic Republic of Afghanistan, an additional benefit of SEZs is that security concerns by investors can be better addressed, as well as infrastructural issues.

In recognition of this, the government has already taken steps for the establishment of SEZs, such as through the Presidential Decree transforming eight airfields into SEZs, on which the ANTP will build.

The ANTP actions in relation to the development of SEZ are, therefore, closely related to, and will be coordinated with, actions aimed at improving the trade infrastructure (see Section 3.1.1) and the investment climate (Section 3.1.3). Indeed, SEZs are often used as pilots to test certain reforms that are then, if deemed successful, rolled out countrywide.

Objective: To increase the volume of and diversify exports by attracting investors into one or more SEZs.

Main policy actions:

- i. Create specific legislation, policies and procedures for regulating and managing SEZs.
- ii. Create coordination and joint participatory mechanisms for managing and regulating the zones.
- iii. Identify potential locations of zones as well as the priority products and industries to be located in these zones, and carry out feasibility studies. This will be an important element of the National Infrastructure Plan (NIP).
- iv. Develop a WTO-compliant incentive regime for the SEZs, including the necessary legal instruments. Incentives could cover selective reductions or waivers of import tariffs, adjustment in regulations, tax incentives and targeted export promotion activities. Non-tax incentives, such as grants for developing human resources and research and development, will also be needed to attract investment to the zones. The incentive effects of these measures can be significantly enhanced by the provision of advanced infrastructure located in or near those SEZs located at the trading points at the border or close to ports or airports.
- v. Encourage substantial private and donor-funded investment in key infrastructure projects to support the SEZ strategy. Experience in other countries demonstrates that direct private sector investment and management of SEZs can be highly effective in attracting other domestic and foreign investors.

Responsibility for implementation: The MoIC, in conjunction with other relevant ministries and agencies, including the Ministry of Energy and Water (MEW), the Ministry of Urban Development and Housing (MUDH), Da Afghanistan Bank (DAB), the Afghanistan Airfields Economic Development Commission (AAEDC) and ARAZI, will be responsible for implementation of SEZs, as well as coordination of the measures, also with those foreseen in the NPP PSD.

3.1.5. EXPORT PROMOTION

Rationale: Consistent with the government's objective to increase the Islamic Republic of Afghanistan's export competitiveness, it is important to increase the number of exporters, expand the volume of exports and diversify exports. In addition to other instruments foreseen under the ANTP, this also requires export promotion. Many firms, including exporting firms, are not aware of Customs tariffs and market access conditions that their products face in foreign markets, except in the traditional markets. Preferential regimes and the requirements to export under them, such as rules of origin, are also not well known.

The Export Promotion Agency of Afghanistan (EPAA) was established in 2006 to increase exports by providing assistance to improving access to foreign markets, strengthening marketing efforts and being a one-stop shop for all export-related documents. EPAA was recently moved back into the MoIC as the Export Promotion Directorate (EPD). In addition, the network of commercial attachés located in a certain number of the Islamic Republic of Afghanistan's foreign embassies also provides export promotion services.

The EPD has recently been restructured and assigned a more focused mandate to implement policies, strategies and export plans in support of the ANTP. Under the new mandate, its goals are:

- Implement the NES to enhance export competitiveness across key sectors
- Suggest and implement strategies for targeting and accessing new markets after Afghanistan's WTO accession
- Develop and implement export promotion and marketing plans for target markets
- Promote Afghanistan's brand internationally and diversify the range of goods exported from the country
- Facilitate and streamline the export process
- Provide advisory and support services to Afghan exporters and enhance their skills in the areas of export procedures compliance.

Objective: To substantially increase access and expand the range of export services available to Afghan businesses seeking to export goods and services, including a trade information system that offers exporters the fullest opportunities to consolidate and expand existing markets and supports them in efforts to enter new markets.

Main policy actions:

- i. Identify potential new markets in which selected Afghan products might have a level of competitive advantage and elaborate the actions that would be required by Afghan exporters to realize these opportunities.
- ii. Expand the activities of the EPD, as well as the Trade Services General Directorate to include a greater role in export promotion, providing support services, technical assistance, capacity development and marketing support. In particular, these services will include:



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- » Information provision and market intelligence covering: the existing size of these markets; the competitors Afghan producers face in those markets; the channels through which different products are marketed and distributed; the quality and safety requirements that must be met; and the conditions regarding tariffs that Afghan products may face.
 - » Developing the Afghan brand: at present, a number of trade exhibitions are organized abroad. These can be supplemented by, for example, the electronic distribution of information leaflets, videos and other materials that inform foreign markets about the availability of Afghan products.
 - » Facilitation of specific marketing arrangements: the core to effective entry into foreign markets is linkage with the powerful traders and distributors in those markets. While Afghan firms, and especially sector associations focused on specific products, will generally have some contacts, commercial attachés can promote deals very effectively through their presence on the ground (see below).
- iii. Provide information and advice to exporters on how to take advantage of trade agreements into which the Islamic Republic of Afghanistan has entered, including advice on requirements for taking advantage of preferential trade arrangements such as those under the EU EBA programme and the Generalized System of Preferences (GSP) arrangements offered by the United States and other countries (see Section 3.5.2 below).
- iv. Expand and enhance the work of commercial attachés as facilitators for Afghan exports by organizing regular meetings with the business community and providing relevant refresher trainings to commercial attachés.
- v. Periodically report on export progress and update the export action plan. Furthermore, the development of a national export strategy is already underway and will be implemented during the ANTP period.

Responsibility for implementation: MoIC, in particular through the EPD, in coordination with key ministries and agencies, including MAIL and ANSA, and in consultation with the private sector. The MoIC's ability to assess the possible impact of the change processes will also be improved by establishing links with foreign institutions that have the capacity to provide detailed information and analyses helpful to the Islamic Republic of Afghanistan.

3.1.6. ENSURING ACCESS TO EXPORT INSURANCE AND TRADE FINANCE

Rationale: The Islamic Republic of Afghanistan does not yet have available adequate banking and insurance services necessary to support international trade. The difficulty in finding trade finance is a major impediment to business development and growth, placing Afghan exporters at a commercial disadvantage. Small and medium-sized enterprises (SMEs) in particular find it difficult to obtain trade credit on suitable terms.

Objective: To increase the availability and accessibility of trade finance and export credit finance for Afghan businesses, in particular exporters.

Main policy actions:

- i. The MoIC will support DAB and MoF in developing a strategy to increase access to trade finance and insurance, including the potential establishment of an export–import bank to enable Afghan exporters to more effectively compete internationally. Trade-related insurance and credit services would also be made available to transport companies to improve their commercial viability. As a first step, a study will be undertaken to determine the supply of and demand for export finance, and analyse the export finance situation and make recommendations for the structuring of a trade finance scheme.
- ii. Develop as an interim measure an export finance scheme for carpet producers to allow them to extend credit to importers and better compete in the regional and global markets.
- iii. Develop a system to provide insured bonds to cover the Customs duties on goods in transit that have not been cleared by Customs; pre-clearance bonds will be provided through the commercial banking sector or through the establishment of a dedicated export–import bank.

Responsibility for implementation: MoIC, in collaboration with DAB, MoF and the PRISEC committee, with additional inputs from exporters, commercial banks and insurance companies.

3.1.7. PROVIDING SECTOR-SPECIFIC SUPPORT – ADDING VALUE TO EXPORTS

Rationale: For a long time, there was a consensus that policies should not support specific sectors, as governments could not ‘pick winners’. However, in recent years, global governmental practice and policy frameworks supported by international organizations such as the World Bank and the Organisation for Economic Co-operation and Development (OECD) have shifted to some form of sectoral intervention. The ANTP will be aligned with this shift towards more active support at a sector level.

In the Islamic Republic of Afghanistan, exports are dominated by agricultural commodities and goods that have been processed only to a minimal level. The country has excellent raw materials, but these are not generally receiving much domestic processing. The value and image of export products such as carpets, for example, suffer as a

result; most carpets are exported to the Islamic Republic of Pakistan for the final cut and wash processes and are then marketed internationally as Pakistan carpets. The Islamic Republic of Afghanistan is, therefore, losing export revenue and domestic employment possibilities. Furthermore, it is not enjoying the international market reputation its own resources merit. In a business world where major returns can be obtained on the basis of name alone, reputation forgone is a serious loss.

There is significant potential to generate additional added value in a number of areas, including in the exports of agricultural goods and gemstones. Specific sectors with export potential include carpets, cashmere, silk, several agricultural goods and processed agricultural goods such as nuts and dried fruits, fruit juices, pomegranates, medicinal herbs and saffron, marble, and gemstones and jewellery.

Objective: To introduce new value-added exports in key exporting sectors and expand value-added exports in general.

Main policy actions:

- i. Develop strategies, using a value chain approach, for the already identified priority sectors. Examples include:
 - a. Adding value in the agriculture and agribusiness sectors that will address needs for increased storage capacity and improved packaging and branding.
 - b. Development of a cut and wash industry for carpets, with specific attention to investment funding requirements.
 - c. Development of cutting and polishing services for gemstones, drawing on the experience of the marble industry.

The strategies will identify specific bottleneck and the corresponding measures to overcome them, in cooperation with the players in the value chain.
- ii. In general, give special emphasis to promoting sectors in which the Islamic Republic of Afghanistan already has a level of comparative advantage and where value added can be profitably increased locally.

Responsibility for implementation: MoIC, through EPD, in collaboration with other government entities, including MAIL and the Ministry of Mines and Petroleum (MoMP), and the private sector (including individual firms and sector associations).

3.2. POLICY AREA 2: PROMOTING DOMESTIC PRODUCTION AND TRADE

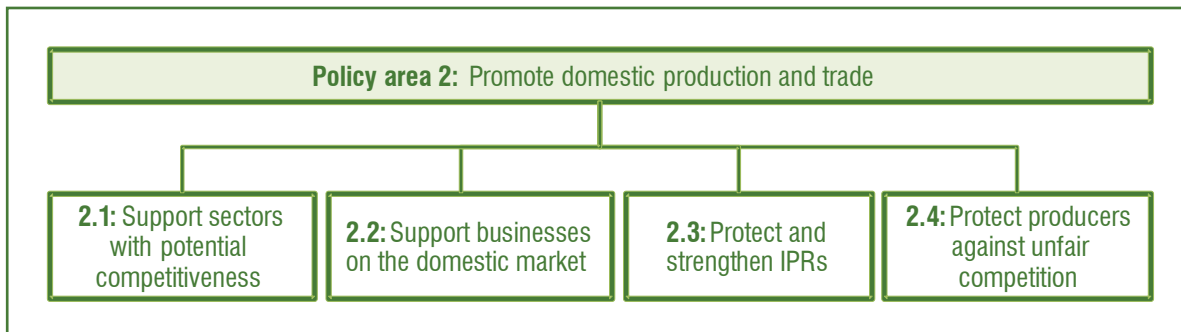
As described in the MoIC Strategic Plan, the Islamic Republic of Afghanistan's industries have been devastated by more than three decades of civil strife and war that left many factories, and even much of the cottage industry, inoperative or struggling to compete even in the domestic market, thereby contributing to the unsustainably high trade deficit.

A number of sectors do, however, have the potential to be competitive, first on the domestic market, but potentially even for regional exports. An efficiently functioning domestic market ensures the production of competitive products through the forces of demand and supply and fosters productivity through competition, thereby establishing the basis for increased exports through the creation of a critical mass of productive, export-ready businesses.

In addition, as these sectors mostly consist of SMEs, they also have the potential to create a substantial number of jobs.

Therefore, in addition to specific support to exporting sectors, as addressed in the preceding section, the government will also support Afghan producers and traders targeting the domestic market. Such support requires both horizontal policy measures and specific assistance at the sector or firm level. Key measures in this regard are the assistance to sectors and producers aiming at the domestic market, facilitating access to raw materials, access to land, access to financial services, the protection and strengthening of intellectual property rights (IPR), and the protection of domestic businesses against unfair import competition (Figure 4).

Figure 4: ANTP measures related to Policy area 2: Promoting domestic production and trade



3.2.1. SUPPORTING SECTORS WITH POTENTIAL FOR DOMESTIC PRODUCTION

Rationale: In some sectors, imports might be reduced by the expansion of competitive local production. The MoIC and Ministry of Economy (MoEC) have identified some sectors in which there appears to be potential for increasing domestic production that leads to economic growth and trade promotion, including: cement; production of rebar, steel beams and profile steel; eggs and live chickens; light manufacturing; edible oils; sugar; dairy; plastic piping and simple plastic products; packaging; and fruit juices.

Objective: To expand production of selected goods and services that are currently imported, but can be competitively produced in the Islamic Republic of Afghanistan.

Main policy actions:

- i. Undertake value chain analyses for sectors that have tentatively been identified to be potentially competitive domestically, in order to identify key constraints to improved performance. Based thereon, develop sector action plans for promising sectors, including the assessment of investment risk and appropriate government interventions that would reduce risk and facilitate development of the sector. These might include joint ventures with government or facilitating access to financial services and loans by the government.
- ii. Facilitate improved access to industrial land and other services required to facilitate investment in these and related sectors. The MoIC, through the investment Facilitation department, Directorate for Industrial Parks and General Directorate of Trade Policies and the General Directorate of Trade Services will actively seek increased FDI and domestic investment in these promising sectors.

- iii. Support the strengthening of trade in service sectors and support investment attraction for trade in services under Mode 3, in line with the Islamic Republic of Afghanistan commitments in the WTO.

Responsibility for implementation: MoIC and other ministries such as MAIL, MUDH and the Ministry of Economy (in terms of analysing the impact on economic growth).

3.2.2. SUPPORTING PRODUCERS AND TRADERS SERVING THE DOMESTIC MARKET

Rationale: In addition to sector-specific support, the provision of significant encouragement to investors is required to translate potential into actual production. In particular, investors look for protection against downside risks, and access to suitable industrial land and services. In this regard, the policy actions aimed at promoting FDI (see Section 3.1.3 above) will also benefit businesses servicing the domestic market.

Complementary measures can, however, also be used to specifically support businesses operating in the domestic marketplace. An important instrument is public procurement. Already, the government has launched an initiative to improve public procurement through the Afghan First policy involving preference for local producers and suppliers for meeting public sector requirements. In addition, other actions aimed at SMEs are already being designed and implemented by the MoIC as part of its Strategic Plan.

Objective: To promote and support the creation and growth of formal and scalable local manufacturers and stimulate demand for locally produced goods and services.

Main policy actions:

- i. To help implement the preferential public procurement policy, the MoIC will identify and qualify local suppliers of needed goods and services. The MoIC will also promote the Afghan First public procurement policy to encourage government procurement officers to purchase Afghan-made goods when they meet (or can be made to meet) established standards for cost and quality.
- ii. Develop proposals in line with the special and differential treatment (SDT) provisions in the Government Procurement Agreement (GPA) (the Islamic Republic of Afghanistan has committed to starting GPA accession negotiations within one year of WTO accession).
- iii. Develop policies and strategies to assist small and medium-sized enterprises to increase competitiveness in domestic (and potentially foreign) markets.

Responsibility for implementation: MoIC, NPA and MAIL.

3.2.3. PROTECTING AND STRENGTHENING INTELLECTUAL PROPERTY RIGHTS

Rationale: Intellectual property rights (IPRs) are not well protected in the Islamic Republic of Afghanistan. Judicial protection is afforded through the country's civil court system, yet serious enforcement of intellectual property rights is lacking, and awareness for IPR as well as the capacity to protect, enforce and benefit from IPR is very limited.

Objective: The protection of IPR has the dual objectives of encouraging innovation and the development of new technologies in the Islamic Republic of Afghanistan and protecting inventors, thus ensuring continued development of these new technologies and ideas within the country.

Main policy actions:

- i. Undertake a study for strengthening the IPR regime in the Islamic Republic of Afghanistan, with a focus on protecting the IPRs of Afghan businesses, in particular in the creative industries (including carpet designs).
- ii. Implement the study recommendations.
- iii. Develop and implement training programmes and public awareness programmes on IPR issues for public and private sector representatives, with follow-on capacity building of selected private sector representatives and firms, in particular in the creative industries.

Responsibility for implementation: MoIC and international partners.

3.2.4. PROTECTING DOMESTIC PRODUCERS AGAINST UNFAIR COMPETITION

Rationale: The Islamic Republic of Afghanistan does not have a comprehensive mechanism in place to protect domestic producers against unfair, substandard or illicit imports, or against sudden import surges. The Law on Safeguards has been approved and is being implemented, but other instruments are still lacking.

Objective: To protect domestic producers against injury from unfair import competition, in particular dumped and subsidized imports, substandard and illicit imports, and sudden import surges.

Main policy actions:

- i. Draft and enact anti-dumping and anti-subsidy laws in line with WTO rules.
- ii. Establish and operationalize a new unit within the MoIC's General Directorate of Trade Policies to be responsible for implementation of actions on safeguards, anti-dumping and countervailing duties.

Responsibility for implementation: MoIC.



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3.3. POLICY AREA 3: ENHANCING THE TARIFF REGIME

Trade taxes, which, to a large extent, are affected by tariffs, are currently the largest source of domestically derived revenue for the Afghan Government. Tariff rates are set and revenues collected in conjunction with the Ministry of Finance (MoF). A key issue for the ANTP is to address the trade-off between the collection of import duties (and other trade taxes) and establishing an economic environment that will maximize productive investment and employment generation. As a result of this, a component of the ANTP is the further development of the country's tariff regime. The key issue in this respect is to rationalize tariffs.

3.3.1. REVIEWING TARIFF MECHANISMS

Rationale: The Islamic Republic of Afghanistan is one of the most open economies in the region. The tariff regime was recently simplified and is now characterized by generally low tariffs and a limited number of tariff bands. A few principal issues arise in relation to tariffs:

- i. The significant number of exemptions to tariffs; and
- ii. The need to harmonize the government's revenue goals with those of facilitating trade and ensuring the competitiveness of domestic businesses depending on imported inputs.
- iii. To develop a transparent mechanism for fixing tariff rates, in consideration of the need to support domestic productions, facilitate international trade, Afghan commitments in WTO and regional cooperation organizations such as SAARC.

Granting some exemptions from the payment of import duties is inevitable; however, haphazard and poorly administered tariff exemptions generally result in an excessive loss of governmental revenues and can also substantially undermine the country's intended trade policies, effectively rendering the tariff rate structure meaningless. Inappropriate exemptions may also violate the provisions of the WTO or other trade agreements to which the country is legally bound. It is, therefore, important that there be a single, suitable mechanism for granting exemptions and effective monitoring of the exemptions that are realized. Furthermore, it is essential that this mechanism be fully integrated with the mechanism for setting tariff rates.

A tariff-setting mechanism needs to be transparent, inclusive in terms of stakeholders' participation, in line with countries' commitments in WTO, SAARC and other regional agreements and in compliance with trade policies aimed at facilitating international trade.

Objective: To rationalize the Islamic Republic of Afghanistan's tariff regime by limiting the extent of and streamlining the procedures for duty and border tax exemptions and rationalize the tariff policy through implementing a transparent mechanism on tariff setting.

Responsibility for implementation: MoF, the Ministry of Economy (MoEC), MoMP, MAIL and other ministries as appropriate, coordinated by the MoIC. In order to support the tariff-setting process, the MoIC will increase its capacity to evaluate trade policies, including its capacity to analyse tariffs from an economic standpoint.

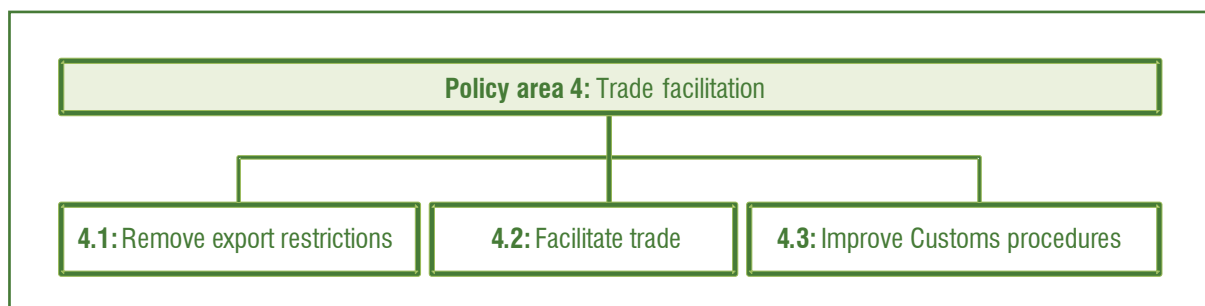
3.4. POLICY AREA 4: INCREASING THE EFFICIENCY OF IMPORT AND EXPORT ADMINISTRATION, CUSTOMS AND BORDER-CONTROL MEASURES

In addition to tariffs, trade today is equally affected by non-tariff barriers (NTBs). Trade facilitation, which aims at the reduction of NTBs, can have a significant impact on economic development, contribute to export growth, and improve the competitiveness of Afghan goods and services in the global market. In addition, improving Customs services will enhance revenue collection and regulatory control (as well as collection of better and more reliable trade statistics) and combat fraud and trafficking of prohibited and restricted goods. Meanwhile, improved border and transit

infrastructure enables the smooth flow of transit goods through the country, thereby contributing to the Islamic Republic of Afghanistan's role as a transit hub for Central Asia and further increasing revenue collection.

Trade facilitation is, therefore, an essential component of the ANTP, and the measures aimed at increasing the efficiency of Customs and border control – which facilitate exports and imports – are all considered as core activities of the ANTP (Figure 5).

Figure 5: ANTP measures related to Policy area 4: Trade facilitation



The importance of trade facilitation has also been highlighted at the WTO Ministerial Conference in Bali in the Republic of Indonesia in December 2013, which resulted in the adoption of the WTO Trade Facilitation Agreement, which has been ratified by the Islamic Republic of Afghanistan upon accession to the WTO in July 2016. Given the potentially wide-ranging technical support requirements that the implementation of the agreement's provisions entail, the government will strive to benefit from support made available under the agreement in order to implement the various measures described below. Furthermore, the agreement includes special and differential treatment provisions for developing and LDCs.

3.4.1. REMOVING EXPORT RESTRICTIONS

Rationale: A number of measures currently in place restrict exports from the Islamic Republic of Afghanistan. These increase transaction costs and reduce the ability to compete in foreign markets. Some of these measures are inconsistent with the principles of the WTO and SAFTA aimed at the elimination of export restrictions.

Although a number of measures have been taken to remove export restrictions, such as the removal of compulsory export quality certificates, the implementation of these measures has been incomplete.

Objective: To eliminate export restrictions that serve no economic or other purpose and those that are inconsistent with the Islamic Republic of Afghanistan's international commitments. A focus of actions in this policy area will be enhanced implementation of measures already put in place.

Main policy actions:

- i. The MoIC will seek to eliminate all unnecessary export authorization requirements in both the public and the private sectors.
- ii. The MoIC will ensure that the removal of the requirement to obtain a certificate of origin (COO) is fully implemented. Preferential COOs will be available on a voluntary basis to exporters wishing to benefit from preferences granted by the importing country or if a certificate is required by the importing country.

- iii. The requirement to obtain veterinary and phytosanitary certificates for exports of animals and animal products and the export of plants and plant products as compulsory documents, but it will be made voluntary. They will be issued at the request of the exporter to meet specific requirements of importing countries.
- iv. **Mandate all the government ministries and relevant agencies to send competent and authorized representatives to operate the export one-stop-shops (export OSS) at the Kabul Airport and Kabul Customs** and exporters should not be required to go to the line ministry for export-related matters except when there is a major issue that the one-stop shop cannot handle.
- v. **Mandate that the export one-stop shop at the Kabul Airport be linked up with the Automated System for Customs Data (ASYCUDA) and other data information management systems of MoF and the MoIC.**
- vi. **Expedite the establishment of a trade information portal, a single location that lists all requirements for trade documents and other trade-related information.**

Responsibility for implementation: MoIC in cooperation with MAIL, the Ministry of Information and Culture, and MoMP, ANSA and Customs.

3.4.2. FACILITATING EXPORTS, IMPORTS AND TRANSIT TRADE

Rationale: Afghan exporters face unnecessarily high costs due to excessive delays at the border, transport and warehousing practices, and heavy dependence on imported raw materials for production. (The Islamic Republic of Afghanistan is ranked 177th of 190 countries by the World Bank in terms of Trading Across Borders in the Doing Business Indicators 2018, and 158 out of 160 countries in the trade infrastructure indicator of Logistics Performance Index in 2018) This encourages smuggling and results in traders realizing very small profit margins, restricting their ability to grow their trading businesses. Efficient and reliable border procedures and logistics services, along with adequate infrastructure are essential to reducing the time it takes to trade and to drive down costs such as storage fees and inspection charges.

With regard to imports, for many businesses in the Islamic Republic of Afghanistan, imported capital goods and inputs are essential to maintain production and competitiveness. In view of this, apart from exceptional cases, the country will maintain an open trade regime without creating non-tariff barriers to imports.

Finally, transit trade is facilitated through the ongoing implementation of the Convention on International Transport of

Goods Under Cover of TIR Carnets (TIR Convention), which was reactivated in 2013 and 2014, but more work in this area is required (also see Section 3.5.1 on transit agreements).

Objective: To reduce the cost and time required to move goods across the border and make it possible to easily transport goods for trade beyond the border, including documentation, border procedures and transit matters associated with international transactions, thereby contributing to the international competitiveness of Afghan businesses.

Main policy actions:

- i. The MoIC will take the lead in harmonizing the roles of different agencies and local authorities in areas that are normally the domain of trade (e.g. MoIC for oil imports, MoTCA for road fees and weight certificates, and the Afghanistan Customs Department (ACD) of MoF for transit permits).
- ii. In collaboration with Customs and other agencies, consider the consolidation of all trade-related regulatory requirements under a one-stop shop (OSS) or single-window facility to minimize the time and costs for traders to submit all necessary forms and obtain all necessary approvals for international trade transactions. This will include a review and reform, where appropriate, of all administrative and commercial formalities, procedures and documents required for exporting.
- iii. Review all trade and transit fees and charges to ensure that they properly reflect the cost of the services provided, and reduce fees and charges where appropriate.
- iv. Synchronize the operational hours of the border Customs office with the neighbouring Customs offices (e.g. Aqina–Turkmenistan, Hairatan–Uzbekistan, Zaranj–Chabahar, Spin Boldak–Pakistan (Chaman) and Torkham–Pakistan).
- v. Document border requirements and procedures and make them readily available to all interested parties, undertake an ongoing awareness programme, and prepare an import and export guide that provides traders with sufficient information about what they must do to complete formalities.
- vi. Full implementation of the TIR system will be ensured by the MoIC; this will require adoption of the TIR regulation (currently in draft form) and capacity building to Customs staff as well as all players in transit logistics.
- vii. Support the development of private sector transit services by improving the legal and regulatory framework for licensing freight forwarders and international carriers.

Responsibility for implementation: MoIC, in collaboration with other ministries and agencies responsible for administration of international trade, in particular ACD-MoF.

3.4.3. IMPROVING CUSTOMS PROCEDURES AND BORDER CONTROL

Rationale: The Islamic Republic of Afghanistan is an important transit hub linking regional countries and should, therefore, capitalize on its position as a trading crossroad between Asia and Europe.

In the trade setting, the time required for clearing goods at air, sea and land ports is vital to trade. Delays in the process of clearing goods translate into higher costs of commodities. Conversely, streamlining Customs and border management systems and procedures will have a major impact on reducing trade costs. At the same time, effective border controls will help curb illicit trade and smuggling, which not only deprives the government of revenues, but also causes security and safety issues for the Afghan population.

The Islamic Republic of Afghanistan has achieved significant progress in the facilitation and movement of goods as a result of Customs reform, with Customs procedures reorganized, border facilities improved and the clearance of goods expedited. The introduction of the Automated System for Customs Data (ASYCUDA) was a significant step forward. The transparency of cross-agency coordination in relation to Customs and tariffs has improved considerably, although this is not yet reflected in the country's scoring in international rankings, such as the Logistics Performance Index.



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The ANTP will contribute to a continued strengthening and deepening of the Customs reform process, with emphasis on improved border facilities, risk management programmes and better data collection, including assessments of border trade, which is currently not recorded.

Border improvements realize their maximum potential when the agencies in neighbouring countries and the Islamic Republic of Afghanistan work together. Efforts in this respect will be increased, thereby optimizing the win-win results (also see Section 3.5.1 below).

Objective: To promote speedy, effective and efficient Customs clearance, thereby reducing the cost to importers and exporters.

Responsibility for implementation: MoF and Customs are responsible for this policy area. The MoIC will provide support and coordinate with other entities, including the Central Statistics Office and related ministries (including MoMP, MoF and MoTCA), as well as logistics service providers. Further enhanced collaboration and cooperation with other border agencies will be achieved through (re-) establishing a public-private national trade facilitation committee.

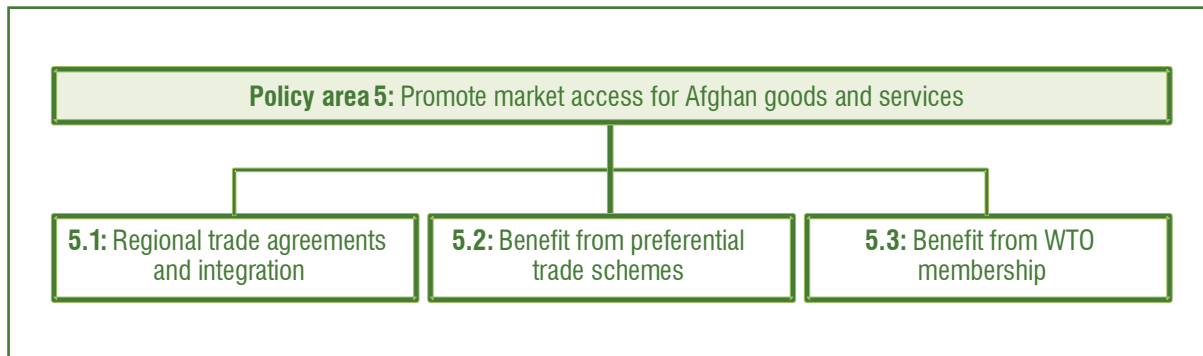
3.5. POLICY AREA 5: PROMOTING MARKET ACCESS FOR AFGHAN GOODS AND SERVICES

As part of the Islamic Republic of Afghanistan's further integration into the global trading system, the government will pursue, through negotiations, an agenda that supports its developmental goals and secures its national interests, thereby creating further opportunities for exports.

Regionally, tariff and non-tariff barriers continue to exist. Lack of personal security, in addition to complicated and non-transparent border procedures, creates impediments to smooth regional trade. The Islamic Republic of Afghanistan will support regional integration within the framework of promoting free, fair and competitive trade between member states, leading to market access opportunities for Afghan producers and a wider range of competitively priced products for consumers.

Although regional trade and economic integration are important components of the ANTP in order to diversify the Islamic Republic of Afghanistan's exports and contribute to industrialization, a broader set of markets currently constitute the country's main markets and will continue to do so in the medium-term. Ensuring and widening exports to these markets is, therefore, an essential part of the ANTP. This will be achieved through a three-pronged strategy (Figure 6): regionally, by engaging in further and deeper negotiations on trade and transit issues; in relation to other markets, by proactive use of preferential trade agreements and preference schemes; and globally, through the Islamic Republic of Afghanistan's active participation in the WTO and reaping the benefits it provides.

Figure 6: ANTP measures related to Policy area 5: Promoting market access for Afghan goods and services



3.5.1. REGIONAL TRADE AGREEMENTS AND INTEGRATION

Rationale: Regional integration is key to successful transition in the Islamic Republic of Afghanistan; it promotes increased trade and connectivity within the region, creates links across the region to external markets and enables broader integration with large regional markets and the global economy. In other words, bilateral and regional trade agreements are important to Afghan producers not only because they provide preferential access to new markets, but also because the Islamic Republic of Afghanistan, as a landlocked country, is dependent on transit routes through neighbouring countries. The MoIC has been active in this regard by negotiating and implementing bilateral and regional trade agreements. Among the former, agreements have been signed with the Republic of India (2003), the Islamic Republic of Iran (2005), the Islamic Republic of Pakistan (2010), the Russian Federation (2011), the Republic of Kazakhstan (2011), the Republic of Tajikistan (2011) and two separate bilateral agreements with the Republic of Uzbekistan on trade and economic cooperation and agreement on transit (2017). Additional trade agreements are being explored, and the scope has been shifting from bilateral to regional agreements. The Islamic Republic of Afghanistan is already a member of SAARC and its South Asian Free Trade Area (SAFTA), the Central Asian Regional Economic Cooperation (CAREC) programme and ECOTA.

The Republic of India and the Islamic Republic of Pakistan account for more than 70% of the Islamic Republic of Afghanistan's exports. These two countries have relatively high average tariffs, although the Islamic Republic of Afghanistan benefits from preferential access to the Republic of India under the Duty Free Tariff Preference Scheme, and practice seasonal changes in tariffs that hinder Afghan exports of products, in which it is very competitive. In terms of quick impacts on trade, it is here that gains could be obtained. If markets abroad were more open, Afghan producers and traders would be well placed to supply them through increased exports.

Although progress has been made, regional trade is still affected by numerous tariff barriers (e.g. for sensitive goods under SAFTA) and a wide range of non-tariff barriers, including infrastructure constraints, SPS requirements, rules of origin, delays in border procedures and goods clearance, visa issues, and general differences in legal systems; not all of these barriers are justified. In order for Afghan exports to succeed on the regional markets, such barriers need to be addressed by the ANTP. Likewise, trade in services is generally not covered by the agreements, although a SAARC agreement on trade in services (SATIS) is currently being negotiated.

Finally, the importance of transit trade arrangements is high. Problems faced with some neighbouring countries, driven by protectionist threats or sometimes political conflicts, such as the erratic closing of borders, constitute major obstacles to the Islamic Republic of Afghanistan's trade. These ad hoc policies are going against the goal of open, predictable and rule-based trade in the region. Significant progress has been made in recent years, such as: the signing of the Afghanistan–Pakistan Transit Trade Agreement (APTTA) in 2010; the ongoing further development of the agreement; the conclusion of the Chabahar Agreement in 2016 with the Republic of India and the Islamic Republic of Iran, which opens an alternative trade route for Kabul; and the very recent conclusion of the Lapis–Lazuli Transit and Transport Route Agreement with the Republic of Azerbaijan, Georgia, the Republic of Turkey and Turkmenistan, which will provide better access of Afghan products to the Black Sea and European markets. Nevertheless, further work in this area is required, not least due to problems with some of the existing agreements, such as the APTTA.

Objective: The objective of further developing regional trade and transit agreements is to enable Afghan products to compete freely in the regional markets and promote exports, as well as to take advantage of trade opportunities offered in strategic regional markets. Also, reducing the list of sensitive goods under existing trade agreements will expand Afghan exports. Developing transit priorities and implementing transit agreements will reduce the Islamic Republic of

Afghanistan's dependence on one port and stabilize regional trade flows. Finally, an assertive role in ensuring that trading partners remove unwarranted barriers to Afghan exports will foster expanded and fair trade within the region.

Main policy actions:

- i. Review progress towards implementation, remaining barriers to trade and investment, and economic performance of all existing and prospective trade agreements, and develop a detailed agenda for policymakers and negotiators. In substantive terms, the MoIC will seek to strengthen and expedite the implementation of existing bilateral and regional trade agreements of economic benefit to the Islamic Republic of Afghanistan. In particular, the MoIC will continue to negotiate SATIS with SAARC partners, as well as aim to reduce the sensitive list of goods under the SAFTA, which could boost Afghan exports through privileged access to other SAFTA countries. This is important, particularly for trade with the Islamic Republic of Pakistan, which is a relatively protected market and accounts for a large share of the Islamic Republic of Afghanistan's exports. In this respect, the MoIC will closely follow developments regarding SAFTA and potentially consider an alternative agreement with the Islamic Republic of Pakistan and possibly also the Republic of India – either bilaterally or in other configurations. As a complement, the government will seek to advance the reduction of negative lists (for which no tariff preferences are offered) under ECOTA, and aim to further negotiations so that preferences under ECOTA will come into effect.
- ii. A long-term, comprehensive strategy for the Islamic Republic of Afghanistan's engagement in trade agreements will also be developed in order to streamline the current web of agreements concluded and being negotiated. This will involve a quantitative analysis of the patterns of the Islamic Republic of Afghanistan's bilateral trade, including comparative advantage and investment flows, and the structure of consumption and production in partner countries.
- iii. For any proposed new trade agreements, analyse the economic impacts in advance of commencing negotiations, and assess existing trade agreements for possible impact on the agreement to be negotiated.
- iv. Expedite the implementation of all bilateral, regional and multilateral transit agreements in order to reduce transit costs. The MoIC will commence processes for facilitating business with the People's Republic of China and the Republic of India, including a transit agreement, and initiating negotiations for opening up transit routes with Turkmenistan and beyond, in order to access the

potential for increased trade with European markets via the most direct transit route.

- v. To ensure the openness of regional markets for Afghan exports, the government will engage in high-level bilateral policy dialogue (following the example of Afghanistan–Uzbekistan relations), make use of existing mechanisms for dispute settlement (notably the WTO dispute settlement mechanisms, where the partner concerned is also a WTO Member), and facilitate bilateral dialogue of the business communities (again, following the recently established practice with the Republic of Uzbekistan).
- vi. Conduct bilateral negotiations and arrangements with countries of export destination, particularly the Islamic Republic of Pakistan, in order to avoid imposition of seasonal tariffs and other unnecessary obstacles to trade.
- vii. Ensure effective operationalization and sustainability of air corridors and expansion of air corridors to further potential export destinations.

Responsibility for implementation: The MoIC, as the ministry with prime responsibility for international trade negotiations, has to take the required actions in this field of trade diplomacy, in coordination with the Ministry of Foreign Affairs (MoFA). In some circumstances, MoF will be involved. Consultation with the private sector, particularly with associations and firms most affected by the actions of regional trading partners, is essential.

3.5.2. ACCESS TO SELECTED OTHER MARKETS: PREFERENTIAL TRADE AGREEMENTS

Rationale: The Islamic Republic of Afghanistan is eligible to benefit from preferential market access provided by other countries under schemes such as the EU EBA programme and various countries' GSPs, including Australia, the Republic of Belarus, Canada, the People's Republic of China, the Republic of India, Japan, New Zealand, the Kingdom of Norway, the Russian Federation, the Swiss Confederation, the Republic of Turkey, and the United States of America. However, all of these preferential schemes and agreements, just like bilateral and regional trade agreements, are linked to cumbersome rules of origin and other NTBs, which makes it difficult for Afghan businesses to exploit the opportunities offered. The 2013 Bali Package provides for a number of improvements in this respect, but LDCs like the Islamic Republic of Afghanistan have the responsibility to ensure that these improved rules are actually enforced.

Objective: To enable Afghan businesses to take full advantage of any preferential schemes from which the Islamic Republic of Afghanistan benefits and to expand the list of countries that offer such preferences to the country.

Main policy actions:

- i. Review the usage by traders, and economic impacts on the Islamic Republic of Afghanistan, of rules of origin (RoO) in existing (and proposed) preferential trade agreements, particularly including existing unilateral preference schemes such as EBA and GSPs; and establish guidelines for acceptable RoO for policymakers and negotiators.
- ii. Engage with governments of countries providing preference schemes to simplify the administrative requirements for exporting under preference schemes.
- iii. Provide information about preference schemes to Afghan producers and exporters and assist them in complying with the administrative requirements for export under them (also see Section 3.1.5 above).

Responsibility for implementation: The MoIC, with inputs from the private sector with regard to the practical issues that exporters encounter when exporting under preferential regimes.

3.5.3. ACCESS TO INTERNATIONAL MARKETS: BENEFITTING FROM WTO MEMBERSHIP

Rationale: The MoIC is the lead ministry for managing the country's relationship with the WTO. The Islamic Republic of Afghanistan's recent accession to the WTO has the potential to significantly benefit the country, for example, through increased investment and trade, but the government needs to ensure that these benefits materialize.



(cc) Hand in Hand International

Objective: To complete the implementation of measures necessary to maximize the economic benefits from WTO membership.

Main policy actions:

- i. Actively participate in WTO working groups for newly acceding countries, including three neighbouring countries (i.e. the Islamic Republic of Iran, Turkmenistan and the Republic of Uzbekistan).
- ii. Implement the WTO Post-Accession Implementation Strategy; in this context, technical assistance will be requested from the WTO and donors.
- iii. Support to the Afghan mission to the WTO in Geneva.
- iv. Ensure the operationalization of duty-free quota-free (DFQF) and special differential treatment (SDT) for LDCs under the WTO.
- v. To build the capacity of relevant departments in the Afghan mission to the WTO, in order to enable them to effectively raise and negotiate trade-related concerns with WTO Members.
- vi. MOIC will Establish the Technical Team for all Trade Negotiation under Multilateral trading system and WTO Framework. The Negotiation team will be composed of all relevant authorities and will be structured as per a Presidential Degree. The Team would scheme Afghanistan trade negotiations with WTO permanent and acceding members and will also feed the Afghanistan Mission to WTO on negotiation mandates.

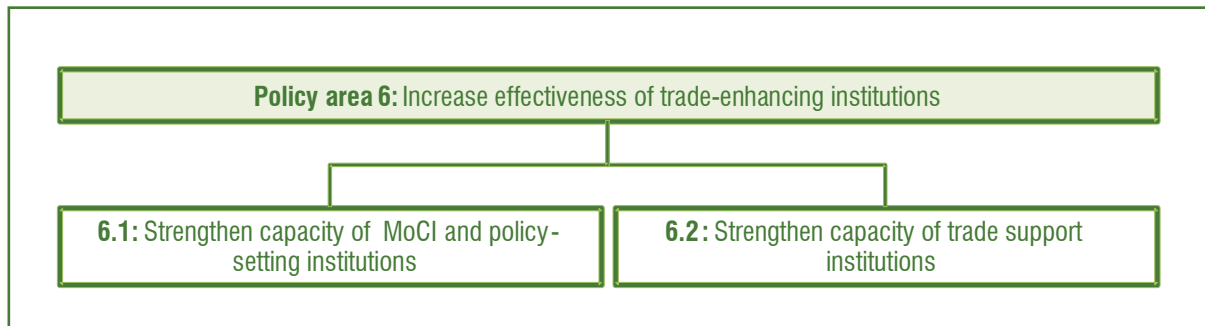
Responsibility for implementation: The MoIC, MoF and MoFA.

3.6. POLICY AREA 6: MAKING TRADE-ENHANCING INSTITUTIONS MORE EFFECTIVE

Achieving the ANTP objectives will require effective and effectively coordinated national institutions both at the policy and implementation levels. It is generally acknowledged that capacity constraints within the MoIC and other government agencies as well as within private sector organizations preclude effectively and efficiently addressing the multiple and technically complex tasks that a trade policy requires.

Therefore, institutional strengthening of the relevant institutions must constitute an integral part of the ANTP. This will be achieved through two sets of activities (Figure 7): at the policy level, capacities within the MoIC and other ministries will be strengthened, while at the implementation level a number of public and private institutions will be strengthened.

Figure 7: ANTP measures related to Policy area 6: Strengthening Afghan trade policy and trade support institutions



3.6.1. STRENGTHENING THE CAPACITY OF THE MOIC AND POLICY-SETTING INSTITUTIONS

Rationale: Experience clearly demonstrates that proactive trade policies and measures to overcome institutional issues are crucial to successful trade development. A key finding is that government institutions that are involved with formulating and implementing trade policies require significant technical assistance if they are to be successful. Although the MoIC has the procedures and strategies in place to make the analysis, negotiation and implementation of trade agreements efficient and effective, continuous improvement of the ministry and its staff is necessary in order to compete with other trading nations.

In addition, consultation and coordination on trade policy among the various government entities, and between the government and representatives of the private sector, could still be improved. Although public–private dialogue (PPD) has improved, it continues to be weakly institutionalized.

Objective: To ensure that the MoIC and other ministries and agencies involved in trade policy definition as well as trade negotiations operate in line with international best practice, and to enhance public–private dialogue on trade matters, and thus facilitate the ANTP’s efficient implementation and the achievement of the ANTP’s overarching objectives.

Main policy actions:

- i. Strengthen the capacity within the MoIC for trade policy analysis, including making improvements in trade-related databases. The MoIC, in collaboration with the MoF and the Central Statistics Office (CSO), will also take steps to improve data collection on international trade, including extending the coverage of data on overland foreign trade and improving the reliability of estimates of unrecorded border trade.

- ii. Skills for the negotiation of trade and transit agreements, including the opening of new bilateral and regional agreements, will also be strengthened through training and coaching or secondment programmes.
- iii. The MoIC will facilitate greater coordination at the policy level, with particular attention being given to harmonizing negotiations on international trade agreements and the setting of tariff rates with the MoF, which has responsibility for implementing the Customs law and Customs duty collection.
- iv. The government will ensure that decisions affecting international trade conditions and performance are made speedily and effectively, including, in particular, by the DM for Commerce and the EPD. The EPD will operate as a entity within the MoIC to guarantee the streamlining of export promotional support.
- v. The MoIC will study the potential for more extensive and institutionalizing public–private dialogue between the Afghan Government and private sector investors.
- vi. A trade and investment training institute will be established, where capacity building programmes will be conducted for both public and private sector representatives.
- vii. Develop the private sector’s capacity (including the representative of trade and industry unions and workers) to fulfil the administrative and standard requirements of importing countries.
- viii. The MoIC will lead the development and implementation of public awareness campaigns by all trade-related agencies in order to ensure that Afghan businesses and other stakeholders are fully informed about the opportunities and services available.

Responsibility for implementation: The MoIC. Capacity building activities will require technical assistance supported by donors.



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3.6.2. STRENGTHENING THE CAPACITY OF TRADE SUPPORT INSTITUTIONS, INCLUDING EXPORT PROMOTION

Rationale: In addition to institutional constraints at policy level, the weakness of the export promotion system, although this has already been improved in the recent past, especially limits SME potential to export now or in the future. Globally, successful exporting countries all have institutions to facilitate the exporting potential of SMEs, while in the Islamic Republic of Afghanistan these institutions are still nascent and require significant capacity building. For example, trade support institutions have difficulties in identifying promising products and markets, as they have limited capacity in strategic research and market analysis.

Objective: To strengthen trade support institutions for providing effective support to Afghan exporters and potential exporters in terms of market intelligence, market access and entry, and facilitation of exports.

Main policy actions:

- i. The MoIC will expand the role of the EPD in export promotion and the provision of support services and marketing activities, and take responsibility for new initiatives such as an export access market fund (EMAF).
- ii. Capacity building of General Directorate of Trade Policies, EPD, Investment Facilitation Department, Transit Policies Department, WTO department and Trade and Transit Agreements department and of Commercial attaches in promoting export and enhancing market access for Afghan Exports.
- iii. ANSA, which will have an expanded role as a result of WTO accession, will play a key role in ensuring greater harmonization of quality standards and guidelines required under international standards such as the International Organization for Standardization (ISO).

Responsibility for implementation: The MoIC will take the lead and coordinate the capacity building activities. Support institutions such as ANSA, the Trade Policies General Directorate, the ACBR-IP and IFD and others will be in charge of implementing the measures. Private sector organizations will also benefit from and contribute to actions in this policy area.

4. IMPLEMENTATION ARRANGEMENTS

The ANTP is a national effort. To be successful, it requires connected government, in the sense that all involved public entities buy into the objectives set, and allocate time and other resources to the actions where their participation is needed. The implementation and monitoring of the ANTP will, therefore, be effected through extensive collaboration and strengthened partnership with relevant ministries and agencies.

The ANTP also relies on connection between public and private sector actors. Without partnership, the prospects for success are small.

As a general rule, the MoIC will propose the necessary amendments to the laws related to or implied in the ANTP. The MoIC, in collaboration with other trade-related ministries and agencies, will issue necessary notices, circulars and policy guidelines for the effective implementation, monitoring and review of the ANTP.

The following sections provide more details about the institutional and procedural arrangements for the implementation of the ANTP.

4.1. IMPLEMENTATION PRINCIPLES

The core institutional principles underlying the effective implementation of the ANTP include:

- i. Mobilization and coordination of all the relevant ministries and government agencies in order to ensure that all opportunities to expand trade are fully realized;
- ii. The MoIC will serve as a focal point for coordination of international trade-related actions on the part of government. Ministries and agencies will provide the central point for dialogue with the private sector on trade;
- iii. To the maximum extent possible, single authority entities and mechanisms will be used to promote rapid and clear decision-making on key trade issues;
- iv. All existing and proposed trade-related rules, regulations and procedures will be reviewed and, where they constitute unnecessary barriers to the Islamic Republic

of Afghanistan's external trade performance, they will be reformed through a transparent mechanism where all the relevant stakeholders, including the private sector, will be consulted in advance.

As a general rule, the role of public institutions in the ANTP is to facilitate, support and promote.

The role of private firms is to generate the export (and, where appropriate, enhance production capacities) capabilities through investments in hardware and software. Some private firms, particularly those in the financial sector, while not exporters themselves, can play a pivotal role in encouraging investors through offering them financing arrangements tailored to the needs of traders.

To achieve the vital synergy between the public and private actors, there have to be channels for fluent and transparent communication among them so that actions can be taken in anticipation of problems, and targeted towards prompt resolution of specific problems as they arise.

4.2. THE MOIC'S ROLE

The MoIC occupies the nodal position in the national endeavour that the ANTP constitutes. It has a very wide portfolio of responsibilities that link it, directly or indirectly, with all the key issues. In many instances, it is not the sole actor,

and it is sometimes not the main actor. It is, however, usually the catalytic actor. Unless the MoIC takes steps, the likelihood of success will be diminished.

The MoIC can operate through various channels and with various levers. These include:

- Direct decision-making and implementation, as it has been doing, for example, with streamlining business registration.
- Oversight and facilitation of key trade-related areas where dedicated entities are under its wing, for example, the ACBR-IP and IPD and the EPD.
- Providing the information base fundamental to sound decision-making on trade matters, as with the ongoing actions to create a registry of exporters.
- Contributions to the HEC and collaboration with other ministries through the Inter-Ministerial Committee (IMC), using the relevant IMC–WTO and trade facilitation, to ensure that trade governance is as effective as possible.
- Dialogue with producers to understand their needs and priorities, as it does through ongoing platforms with the Afghanistan Chamber of Commerce and Industries (ACCI) and the Afghan Women Chamber of Commerce and Industry (AWCCI).
- Taking a lead role in the formulation, and subsequent drive for approval, enactment and implementation, of laws and regulations necessary for a better-functioning business and trading environment.
- Launching initiatives designed to encourage other actors, public and private, to pursue activities that will improve the range of tradable goods, lower the cost of trading or

provide new kinds of production centres. Examples of what the MoIC is doing in these areas are the preliminary studies of enhancing production capacities, the efforts to create dry ports and the exploration of the potential for SEZs.

- Taking responsibility for external trade negotiations at bilateral, regional and international levels, as it has done with respect to, for example, the WTO.
- Engaging in the vital field of trade diplomacy, where, for example, its control and effective use of the Islamic Republic of Afghanistan's network of trade attachés is most important.

This is an exceptionally wide set of channels that severely stretches the capacity of the MoIC staff and resources. It also raises expectations about what can realistically be accomplished, and thereby runs the risk of inviting criticism when, as is inevitably the case, not all the expectations can be fulfilled.

The MoIC is, therefore, confronted with major responsibilities and major risks. The ANTP thus has to concentrate on areas where the leverage and catalytic actions of the MoIC, as well as the decisions that fall directly under its sphere, have a reasonable chance of success. These areas will be chosen based on their expected impact, the time profile of that impact, and the contribution the efforts will have on improving the Islamic Republic of Afghanistan's trade balance.

4.3. ANTP ACTORS AND THEIR ROLES

Within the **public sector**, in addition to the MoIC, several ministries and agencies have their place in the ANTP. In schematic terms, three kinds of entities matter:

- Overarching ministries and entities that are critical to management of government revenue, and the establishment and implementation of the legal framework within which businesses must operate. In this dimension, the Ministry of Finance (which oversees Customs) and the Ministry of Justice, along with the Taqin (the arm of the Ministry of Justice tasked with scrutinizing draft laws), are key actors. MoFA also plays an important role due to its management of relations with the Islamic Republic of Afghanistan's trading partners.
- Infrastructure-related ministries charged with supplying the physical supports for production, including utilities, along with those responsible for transport and logistics. In particular, Ministry of Transport, and Ministry of Urban Development & Land play important roles for the ANTP. The Ministry of Energy and Water also contributes to the success of the ANTP due to its responsibility for key economic infrastructure needed by exporters.

- Line ministries with responsibilities in vital sectors of the Afghan economy. Of particular importance are MAIL and MoMP.

In the **private sector**, the Islamic Republic of Afghanistan has a very large proportion of all activities that are informal. Many of them are vital to the livelihoods of the people involved, and some of them may involve unregistered foreign trade. In practice, trade policy is dealing essentially with the formal sector, grouped for representational purposes in the Afghanistan Chamber of Commerce and Industries (ACCI), Afghanistan Chamber of Industries and Mines (ACIM), the International Chamber of Commerce (ICC) and the Afghan Women Chamber of Commerce and Industry (AWCCI), and in a significant number of sectoral associations focused on important activities in the Islamic Republic of Afghanistan (such as carpet production, leather production, several areas of agroprocessing and other activities).

In line with the distinction between ANTP direct and indirect activities, responsibilities and implementation arrangements will vary:



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- **ANTP 'direct' activities:** The MoIC will be responsible for the strategic management, coordination and implementation of the ANTP direct activities, working in partnership with other ministries and agencies, the private sector and external organizations. The MoIC will also be directly responsible for the monitoring of ANTP direct activities as identified in this document.
- **ANTP 'indirect' activities:** For indirect activities, the lead implementation agencies will be the ones under whose mandate the specific measures fall. The role of the MoIC will be restricted to that of a subsidiary monitoring body, while primary monitoring will be effected by the responsible institution.

Central oversight over ANTP implementation will rest with the High Economic Council (HEC).

4.4. TRADE-RELATED PUBLIC–PRIVATE DIALOGUE

Due to the involvement of a large number of stakeholders in the ANTP, it is imperative that the ANTP has an effective mechanism for the coordination of the various government agencies involved in trade policy as well as effective communication with the legislature, economic actors, academia and civil society. An effective public–private dialogue (PPD) on trade policy issues is needed in order to ensure that government actions take due account of the experience and represent the views of the private sector.

The dialogue process serves the government's need for information and opens a channel for the expression of private opinions. Dialogue involves a mutual exchange of views, including bottom-up contributions to policymaking. Overall, PPD can serve as an umbrella process and a focused outlet for engagement of all relevant actors. Effective PPD takes place within a structured mechanism

at the highest level of government. To ensure PPD in relation to the ANTP, the following measures will be taken by the MoIC:

- Create a public–private steering committee that would include the major private sector business associations and all chambers.
- Increasing the levels of communication and cooperation between the public and private sectors.
- Continue to organize provincial and central forums for regular PPD.
- Private sector organizations will need capacity building in order to actively and constructively contribute to public–private dialogue, including at the technical level. This will require technical support from international organizations and donors.

4.5. THE LEGISLATIVE DIMENSION

Measures under the ANTP that involve legal requirements will seek to meet some simple criteria:

- They will be highly focused, with a minimum number of objectives, and seek to meet them through actions that are straightforward.
- They will be easy for businesses to understand.
- Their implementation will make minimum demands on public resources and on private capacities to make use of them.
- Laws will be flexible, allowing for quick modifications in terms of their practical operation.

For the ANTP period (2019–2023), further legal amendments will be limited to the minimum required by international obligations and emergency type actions that might, from time to time, be required. The priority will be on clearing the existing backlog.

This approach to the ANTP means that the emphasis in the coming years will be on actions and initiatives that can be taken in relatively direct terms, without excessive reliance on entering the full legislative cycle.

4.6. MONITORING AND EVALUATION

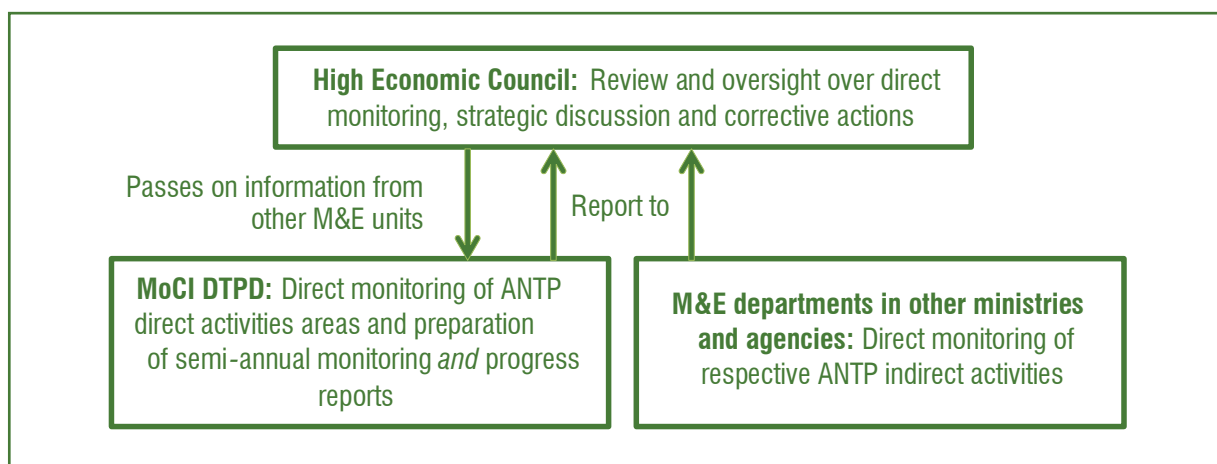
The ANTP is conceived as a framework for action. Given the ongoing, rapid and profound transformations taking place in the global and regional architecture of trade, as well as in the actual nature of trade, it is essential that this framework be implemented rapidly and any necessary modifications to it be made over time. The performance of the ANTP thus requires close monitoring.

Monitoring of ANTP progress will be undertaken at least on a semi-annual basis based on the indicators, baselines and targets established for each of the various policy areas identified in the ANTP and the results framework (Annex I), as well as in policies and strategies guiding the

implementation of ANTP indirect activities. To facilitate the annual monitoring, further targets for each year will be defined as part of the implementation planning of the ANTP.

The lead monitoring agency for the ANTP will be HEC. However, the ANTP-led implementing agencies will be in charge of direct monitoring of the ANTP subsidiary measures that they implement, and periodically providing information about progress to HEC (Figure 8). HEC will then pass on this information to the MoC's Directorate of Trade Policy Development (DTPD), which will prepare the semi-annual ANTP monitoring and progress reports. Monitoring of ANTP direct activities will be undertaken by the DTPD.

Figure 8: ANTP monitoring structure





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In addition, a mid-term review of the ANTP will be undertaken at the beginning of 2019. This will comprise the following steps, in addition to a review of the performance of the various ANTP policy areas and actions against defined targets:

- Producers and traders will be consulted to assess whether sufficient improvements in trade facilitation are being made, to get their views on the effectiveness of the export support services and their proposals for how the services could be further improved.
- The checklist of all rule changes will be examined to ensure that the announced changes, as set out in this policy, have taken place.

- A check will be made on the responsiveness of trade support institutions and bodies such as the Tariff Council to any complaints or suggestions they have received.
- A check will be made on the Islamic Republic of Afghanistan's situation with respect to the implementation of requirements arising from trade and transit agreements and WTO membership.

The monitoring mechanism is a way of determining how better to proceed, and will be carried out with maximum consultation. It will provide a platform that can be used in the further evolution of the ANTP post-2022.

4.7. DONOR SUPPORT

The Islamic Republic of Afghanistan's trade policies and the responsible institutions have benefitted from a variety of donor support. Nevertheless, the government's resource constraints, both in terms of financial and human resources, the magnitude of the challenges being addressed and the complex and technical nature of many of the policy actions to be undertaken as part of the ANTP mean that continued further assistance is needed.

Building on the trade-related support from which the Islamic Republic of Afghanistan has already benefitted, the government will require comprehensive financial and technical assistance from donors and specialized international agencies in the implementation of the ANTP. The details of assistance requirements will be described as one of the first actions after the adoption of the ANTP. As a general rule, sector budget support will allow the government to flexibly apply resources where they are most needed to further develop the Islamic Republic of Afghanistan's trade competitiveness and its integration into the global economy.



ANNEX I

THE ANTP RESULTS FRAMEWORK

Overall objective of the ANTP	Progress indicator(s)	Baseline	Target
To expand Afghan exports and domestic production by facilitating trade and promoting export opportunities and market access, developing competitive businesses and industrial sectors catering for the domestic market, building the capacity of the MoC and trade support institutions, and strengthening the trade-enabling business environment.	Goods trade balance	33.7% deficit (2018; Source: World Development Indicators)	25% deficit (2023)

Specific objectives	Progress indicator(s)	Baseline	Target
SO1: To increase the export competitiveness of Afghan products	Value of goods exports	\$875 million (2018; Source: World Development Indicators)	\$3.0 billion (2023)

Constraints	Proposed response to address constraints	Agents of change	Time-frame*	Result indicator	Baseline	Target
C1.1: Inadequate transport infrastructure increases cost of production	<ul style="list-style-type: none"> Prioritize investments that have potential positive spillover effects on the national trade performance Other measures to be developed by responsible institutions 	MoF MoT MAIL AfRA MUDL NPA MoC	MT MT	1. The Islamic Republic of Afghanistan's rank in 'trade infrastructure' under the Logistics Performance Index	160 (Logistics Performance Index 2018)	130 (2023)
C1.2: Lack of appropriate quality infrastructure prevents exports of Afghan agricultural and industrial goods	<ul style="list-style-type: none"> Consider institutional separation of standard setting (ANSA) from product testing and certification Create accredited institution under ANSA to issue quality certificates Establishing additional laboratories for product certification and testing Develop and implement public awareness campaign on SMQT 	ANSA MoC MoPH MAIL NEPA	MT LT MT MT	1. Progress towards separating standard setting and certification bodies in place 2. Progress towards establishing internationally accredited certification body 3. Number of new laboratories established 4. Level of awareness for quality issues among businesses	1. ANSA combines standard setting and testing 2. One internationally accredited certification body in the Islamic Republic of Afghanistan 3 and 4. Not applicable	1. Separate standard setting and certification bodies in place 2. Three internationally accredited certification bodies in place 3. Three new laboratories established 4. Awareness-raising campaign rolled out
C1.3: Weak business environment and investment climate (e.g. cumbersome licensing and dispute resolution regimes)	<ul style="list-style-type: none"> Promote FDI and domestic investments in export-oriented activities, simplify investor requirements, and streamline and enhance transparency of the investment approval process Reform granting of visas for skilled foreign staff Develop targeted support and investment incentives for investors Strengthen the Trade Policies and Trade Services Departments, commercial attaches, ACBR-IP and IFD's role on investment promotion and investment support Roll out ACBR-IP framework for licence issuing to provinces Review the fees for business license renewal Reduce the number of procedures to obtain a licence Further develop the alternate dispute resolution mechanism Provide information about the ACDR to businesses when they register 	MoC ACBR-IP and IFD MoF ACDR MoMP MoEW	MT MT ST MT ST MT MT MT	1. Number of new FDI in export-oriented activities Licensing regime: 1. Level of decentralization of licensing 2. Cost of licensing Commercial dispute resolution: 1. Duration of adjudication of trade and related disputes 2. Share of disputes settled through the Afghanistan Centre for Dispute Resolution (ACDR)	1. Not applicable Licensing regime: 1. ACBR-IP framework rolled out to some provinces 2. Flat rate fee Commercial dispute resolution: 1. More than three years	2. Fifteen projects Licensing regime: 1. ACBR-IP framework rolled out to all provinces 2. Licences reflect cost of services Commercial dispute resolution: 1. Less than one year

* Short-term (one year); medium-term (by the end of the ANTP); longer-term (extending beyond the ANTP period).

Constraints	Proposed response to address constraints	Agents of change	Time-frame*	Result indicator	Baseline	Target
C1.4: Low level of export-oriented investments	<ul style="list-style-type: none"> Create specific legislation, policies and procedures for regulating and managing SEZs Create coordination and joint participatory mechanisms for managing and regulating the zones Develop a WTO-compliant incentive regime for the SEZs Establish one or more SEZs 	MoIC MUDL DAB	MT MT MT MT	<ol style="list-style-type: none"> Progress towards establishing SEZ regulatory framework in place Progress towards creating SEZ incentive regime Number of SEZs operational 	<ol style="list-style-type: none"> SEZ regulatory framework not in place No SEZ incentive regime None 	<ol style="list-style-type: none"> SEZ regulatory framework in place SEZ incentive regime in place Two
C1.5: Limited support services available for (potential) exporters	<ul style="list-style-type: none"> Identify new export markets for Afghan products and market entry action plans Expand service portfolio of EPD and General Directorate for Trade Services Strengthen export promotion role of commercial attachés Provide information and advice to exporters on how to take advantage of trade agreements Seek donor support for the development and potential implementation of a matching grants programme to support greater export promotion 	MoIC EPD MAIL ANSA Donors	MT MT MT MT MT	<ol style="list-style-type: none"> Number of market entry action plans Number of new exporters supported 	<ol style="list-style-type: none"> None None 	<ol style="list-style-type: none"> Plan for 16 countries developed Fifty (cumulatively)
C1.6: Lack of trade-financing instruments	<ul style="list-style-type: none"> Develop strategy to increase access to trade finance and insurance Interim: develop export finance scheme for carpet producers Develop a system to provide insured bonds to cover the Customs duties on goods in transit 	MoIC DAB MoF	MT ST MT	<ol style="list-style-type: none"> Availability of trade credit Availability of export insurance 	<ol style="list-style-type: none"> No export credit available to Afghan exporters No export insurance available to Afghan exporters 	<ol style="list-style-type: none"> Export credit available to Afghan exporters Export insurance available to Afghan exporters
C1.7: Priority export sectors need kick-off (infant industry) support	<ul style="list-style-type: none"> Develop strategies, using a value chain approach, for a number of sectors 	MoIC EPD Line ministries	MT	<ol style="list-style-type: none"> Strategies developed Share of value-added exports in total exports 	<ol style="list-style-type: none"> No strategies existing Negligible 	<ol style="list-style-type: none"> Five sector strategies 5%

Specific objectives	Progress indicator(s)	Baseline	Target
S02: To promote domestic production and trade	<ul style="list-style-type: none"> Share of goods imports in GDP 	38.2% (2018; Source: World Development Indicators)	35% (2023)

Constraints	Proposed response to address constraints	Agents of change	Time-frame	Result indicator	Baseline	Target
C2.1: High level of imports in sectors with existing or potential domestic production	<ul style="list-style-type: none"> Undertake value chain analyses for sectors that have tentatively been identified to be potentially competitive domestically, and develop sector action plans Provide sector-specific support 	MoIC Line ministries	MT MT	<ol style="list-style-type: none"> Progress towards development and implementation of sector strategies and support mechanism Number of firms supported 	<ol style="list-style-type: none"> No specific strategy or support mechanisms in place Not applicable 	<ol style="list-style-type: none"> Five sector strategies developed and support mechanism operational Fifty firms
C2.2: Limited number of scalable domestic firms and lack of encouragement for businesses to translate potential into actual production	<ul style="list-style-type: none"> Identify and qualify local suppliers of needed goods and services Promote preferential procurement policy among procuring entities Develop policies and strategies to assist small and medium-sized enterprises to increase competitiveness in domestic (and potentially foreign) markets 	MoIC NPA	MT MT MT	<ol style="list-style-type: none"> Number of domestic firms on procurement lists Number of SMEs with export potential supported 	<ol style="list-style-type: none"> None None 	<ol style="list-style-type: none"> Procurement literature in place and populated; 500 domestic firms registered Support strategy developed; 20 SMEs with innovation potential supported on pilot basis
C2.3: Intellectual property rights (IPR) are not well protected in the Islamic Republic of Afghanistan	<ul style="list-style-type: none"> Undertake a study for strengthening in IPR regime Develop and implement training programme on IPR issues 	MoIC ACBR-IP	MT MT	<ol style="list-style-type: none"> Progress towards strengthened IPR regime Number of persons trained 	<ol style="list-style-type: none"> Not applicable 	<ol style="list-style-type: none"> Study developed and recommendations implemented One hundred
C2.4: Lack of mechanism to protect domestic producers against unfair, substandard or illicit imports, or against sudden import surges	<ul style="list-style-type: none"> Draft and enact anti-dumping and anti-subsidy laws in line with WTO rules Establish new unit within the MoIC's General Directorate for Trade Policies to be responsible for contingent protection 	MoIC	MT LT	<ol style="list-style-type: none"> Progress towards completion of trade defence legislation Progress towards enforcing trade defence regime 	<ol style="list-style-type: none"> No anti-dumping or countervailing duties legislation exists No trade defence institution exists 	<ol style="list-style-type: none"> Legislation enacted Trade defence institution operational

Specific objectives	Progress indicator(s)	Baseline	Target
S03: To rationalize the tariff policy	Number and usage incidence of tariff exemptions	Significant number of exemptions to tariffs in place	Number and scope of exemptions limited to duly justified cases

Constraints	Proposed response to address constraints	Agents of change	Time-frame	Result indicator	Baseline	Target
C3.1: The tariff regime is non-transparent due to significant number of exemptions, and no clear tariff policy objectives exist	<ul style="list-style-type: none"> Rationalize review and approval of tariff rates and tariff exemptions Increase the MoIC's capacity to evaluate trade policies, including its capacity to analyse tariffs from an economic standpoint Rationalize the mechanism for setting tariffs 	MoF MoIC MoEC	ST MT	1. Justified proposals for tariff changes incorporating economic considerations	1. High number of tariff exemptions, including those without justification	1. Exemptions are justified economically or socially

Specific objectives	Progress indicator(s)	Baseline	Target
S04: To reduce the time and cost of trading across borders	Score in Doing Business Trading Across Borders sub-index	30.6 (DB 2020)	50 (2023)

Constraints	Proposed response to address constraints	Agents of change	Time-frame	Result indicator	Baseline	Target
C4.1: A number of measures currently in place restrict exports from the Islamic Republic of Afghanistan	<ul style="list-style-type: none"> Eliminate all unnecessary export authorization requirements, such as quality certificate, quarantine form, insurance certificate and bill of order, etc. 	MoIC MAIL, MoIC, MoMP	MT	1. Time and cost of documentary compliance for export (Doing Business methodology)	228 hours, \$344 (DB 2020)	100 hours, \$200 (2023)
C4.2: The cost and time required to export and import goods are high	<ul style="list-style-type: none"> Harmonize the roles of different agencies involved in trade Consider establishment of single window or OSS for trade Review all trade and transit fees and charges Document border requirements and procedures and make them readily available to all interested parties Fully implement the TIR system Support the development of private sector transit services 	MoIC Other ministries, departments and agencies	MT LT MT ST MT	<ol style="list-style-type: none"> Progress towards operationalization of single window for trade Availability of border requirements, procedures, and fees and charges to the public Progress towards TIR system being implemented and operational 	<ol style="list-style-type: none"> Traders required to obtain documentation from various agencies Traders lack up-to-date information on border procedures TIR system not fully operational 	<ol style="list-style-type: none"> Single window for trade operational Manual for traders on border procedures and charges published and available online TIR system operational
C4.3: Customs procedures remain cumbersome despite recent reforms	<ul style="list-style-type: none"> Specific measures to be defined by MoF and Customs Expand the single-window office beyond Kabul Customs and Kabul International Airport Customs Synchronize the operational hours of the border Customs office Mandate the export one-stop shop at the Kabul airport be linked up with ASYCUDA 	MoF Customs MoIC Other ministries, departments and agencies	MT	To be defined by MoF/Customs	To be defined by MoF/Customs	To be defined by MoF/Customs

Specific objectives	Progress indicator(s)	Baseline	Target
S05: To promote market access for Afghan goods and services both regionally and globally	<ul style="list-style-type: none"> Number of countries to which the Islamic Republic of Afghanistan exports goods worth at least \$1 million 	20 (2016)	30 (2022)

Constraints	Proposed response to address constraints	Agents of change	Time-frame	Result indicator	Baseline	Target
C5.1: Despite trade and transit agreements, regional trade is still affected by numerous barriers	<ul style="list-style-type: none"> Review progress towards implementation, remaining barriers to trade and investment, and economic performance of all existing and prospective trade agreements, and develop detailed agenda for policy-makers and negotiators Develop long-term, comprehensive strategy for the Islamic Republic of Afghanistan's engagement in trade agreements For any proposed new trade agreements, analyse economic impacts in advance of commencing negotiations Expedite implementation of all bilateral, regional and multilateral transit agreements To ensure the openness of regional markets for Afghan exports, engage in high-level bilateral policy dialogue, make use of existing mechanisms for dispute settlement, and facilitate bilateral dialogue of business communities 	MolC MoFA MoF	ST MT LT MT	<ol style="list-style-type: none"> Progress towards adopting negotiation strategy and action plan Level of implementation of trade and transit agreements 	<ol style="list-style-type: none"> Trade negotiations not guided by negotiation strategies Not applicable 	<ol style="list-style-type: none"> Negotiation strategy and action plan in place and guiding negotiations Trade facilitation and transit agreements with Turkmenistan, Uzbekistan, Kazakhstan and trilateral trade transit agreement between Afghanistan, Uzbekistan, Kazakhstan and Afghanistan, Iran and Turkey is under implementation
C5.2: Afghan businesses fail to take full advantage of preferential schemes	<ul style="list-style-type: none"> For rules of origin, review the usage by traders, and economic impacts on the Islamic Republic of Afghanistan Engage with governments of countries providing preference schemes to simplify the administrative requirements for exporting under preference schemes Provide information about preference schemes to Afghan producers and exporters and assist them in complying 	MolC	ST MT MT	1. Value of exports under preferential trade agreements (PTAs) and preference schemes	1. Negligible	1. \$50 million
C5.3: Benefits from WTO membership are not automatic	<ul style="list-style-type: none"> Actively participate in WTO working groups Implement the WTO Post-Accession Implementation Strategy 	MolC	ST MT	1. Implementation progress of strategy	1. Post-Accession Implementation Strategy in place	1. Post-Accession Implementation Strategy fully implemented

Specific objectives	Progress indicator(s)	Baseline	Target
S06: To increase the effectiveness of trade-enhancing institutions, including the MoIC	Existence of suitably staffed and qualified trade policy and promotion bodies	Serious capacity constraints exist	Proven increase in capacity of trade policy institutions and existence of effective trade promotion function

Constraints	Proposed response to address constraints	Agents of change	Time-frame	Result indicator	Baseline	Target
C6.1: Trade policy institutions in the Islamic Republic of Afghanistan are weak	<ul style="list-style-type: none"> Strengthen the MoIC's capacity for trade policy analysis Build skills for negotiation of trade and transit agreements Speed up decisions affecting international trade conditions and performance Study potential for more extensive PPD 	MolC Other ministries, departments and agencies Donors	MT MT ST	<ol style="list-style-type: none"> Level of capacity within the MoIC Progress towards enhanced PPD 	<ol style="list-style-type: none"> Limited capacity to analyse and formulate policy Limited PPD takes place 	<ol style="list-style-type: none"> Analyses and policies are formulated in-house Study on potential for enhanced PPD completed
C6.2: Trade support institutions in the Islamic Republic of Afghanistan are weak	<ul style="list-style-type: none"> Expand the General Directorate of Trade Services and EPD's role in export promotion; develop more comprehensive services portfolio Capacity building of the MoIC's directorates and commercial attachés Establishment of trade and investment institute Strengthening role of private sector in quality management and meeting international standards Strengthen role of ANSA Develop and implement public awareness campaigns 	MolC EPD ANSA	ST ST MT MT	1. Service portfolio of the EPD and other trade support institutions	1. Limited services portfolio	1. Comprehensive portfolio of trade support services provided

ANNEX II

THE ANTP'S ROLE IN THE CONTEXT OF THE AFGHANISTAN NATIONAL PEACE AND DEVELOPMENT FRAMEWORK (ANPDF)

The following table provides an extract of those goals and activities in the ANPDF commitments matrix that are relevant to the ANTP, and shows how the ANTP contributes to each of the identified ANPDF goals and activities.

ANPDF goals and activities	ANTP relevance and area
Goal 8. Creating jobs, increasing yields and opening markets for farmers:	
Activity c. Improving livestock management, applying phytosanitary entry criteria and WTO-allowed tariffs to prevent subsidized imports from competing with our smallholders	Policy area 2.4: Protecting domestic producers against unfair competition
Goal 9. Creating Jobs by developing our private sector	
Activity a. Assisting Afghan firms to comply with International Organization for Standardization (ISO) standards	Policy area 1.2: Improving quality infrastructure
Activity b. Making trade support services relevant and accessible	Policy area 1: Promoting Afghan products' export competitiveness by addressing supply-side constraints Policy area 6.2: Strengthening the capacity of trade support institutions, including export promotion
Activity c. Advancing Customs-to-Customs agreements with neighbouring countries	Policy area 5.1: Regional trade agreements and integration
Activity d. Strengthening commercial attachés in Afghan embassies	Policy area 1.5: Export promotion
Activity e. Advancing bilateral and multilateral trade agreements	Policy area 5: Promoting market access for Afghan goods and services
Activity f. Strengthening the transport and logistics sector, including the implementation of the Customs Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention)	Policy area 4: Increasing the efficiency of import and export administration, Customs and border-control measures
Activity g. Promoting local procurement and enhancing production capacities	Policy area 2: Promoting domestic production and trade
Activity i. Supporting and building industrial parks and special economic zones	Policy area 1.4: Development of special economic zones (SEZs)
Activity j. Reviewing licensing requirements with the goal of eliminating unnecessary ones	Policy area 4.1: Removing export restrictions
Activity k. Providing tax incentives and legal protections of investments and assets to investors	Policy area 1.3: Enhancing the business environment and investment climate
Activity f. Establishing one-stop shops offering streamlined electronic business administration services (registration, licensing and Customs payments) in Kabul and seven hubs	Policy area 4.2: Facilitating exports, imports and transit trade Policy area 1.3: Enhancing the business environment and investment climate
Goal 11. Strengthening the extractives sector for a better economy	
Activity e. Building new freight rail links to regional networks in Turkmenistan and the Islamic Republic of Iran	Policy area 1.1: Improving and enhancing trade infrastructure and services Policy area 1.7: Providing sector-specific support – adding value to exports
Goal 12. Developing infrastructure and energy	Policy area 1.1: Improving and enhancing trade infrastructure and services
Goal 13. Growth and security through regional cooperation	
Activity a. Join regional projects such as One Belt One Road (OBOR)	Policy area 5: Promoting market access for Afghan goods and services
Activity e. Strengthen Afghan embassies and trade missions	Policy area 1.5: Export promotion
Goal 14. Growing human capital to drive economic growth	Policy area 6: Making trade-enhancing institutions more effective

ANNEX III

MATCHING ANTP POLICY AREAS AND ACTIVITIES WITH THE MOIC STRATEGIC PLAN ACTIVITIES

The following table shows the correspondence between activities as foreseen in the MoIC Strategic Plan 2016–2020 and the ANTP policy areas and activities.

MoIC Strategic Plan activities	Corresponding ANTP policy areas and activities
1. Strengthening the legal framework	Policy area 1.3: Enhancing the business environment and investment climate
2. Facilitating trade and transit	Policy area 4: Increasing the efficiency of import and export administrations, Customs and border-control measures Specifically: Policy area 4.2: Facilitating exports, imports and transit trade
3. Expanding regional and bilateral trade and transit agreements	Policy area 5.1: Regional trade agreements and integration
4. Integrating into global trade and economy	Policy area 4: Increasing the efficiency of import and export administration, Customs and border-control measures Policy area 5: Promoting market access for Afghan goods and services
5. Supporting investment	Policy area 1.3: Enhancing the business environment and investment climate
6. Rationalizing business registration and licensing	Policy area 1.3: Enhancing the business environment and investment climate
7. Protecting consumer rights	Not addressed by the ANTP
8. Improving access to finance	Partly addressed in Policy area 1.6: Ensuring access to export insurance and trade finance, and under Policy area 2: Promoting domestic production and trade
9. Promoting public–private partnerships	Not specifically addressed by the ANTP (but partly addressed under Policy area 1: Promoting Afghan products' export competitiveness by addressing supply-side constraints)
10. Supporting key sectors of the Afghan economy	Policy area 1.7: Providing sector-specific support – adding value to exports Policy area 2.1: Supporting sectors with potential for domestic competitiveness
11. Increase business integration into the formal economy	Not specifically addressed by the ANTP (but partly addressed under Policy area 2: Promoting domestic production and trade)
12. Partnering with key stakeholders	Addressed under Policy area 6: Making trade-enhancing institutions more effective
13. Strengthening the MoIC's capacity	Policy area 6.1: Strengthening the capacity of the MoIC and policy-setting institutions

ANNEX IV

COHERENCE BETWEEN THE ANTP AND THE NPP PSD

The following table provides a summary of the areas of potential overlap between the ANTP and NPP PSD and assesses the degree of alignment and complementarity. As can be seen, no conflicts between the two documents and the proposed actions in them could be identified. There are a number of actions, however, which appear in both documents and, while being aligned, it should be clarified which

policy should take responsibility for them. It is recommended that this be discussed and decided in the early stages of implementation. As a general rule, actions related to the business environment and investment promotion should be led by the NPP PSD, whereas actions specifically related to international trade and exports should be led by the ANTP (respectively NES).

ANTP policy area	Corresponding NPP PSD strategic priorities (SP)	Comment
Policy area 1: Promoting Afghan products' export competitiveness by addressing supply-side constraints		
Policy area 1.1: Improving and enhancing trade infrastructure and services	SP 4.3 Improving Customs operations SP 4.4 Sustainable air cargo	NPP SP 4.3 Actions related to border infrastructure are in line with the ANTP NPP PSD SP 4.4 Provides for focus on air cargo – complementary to the ANTP; further aspects addressed in NPP on National Infrastructure
Policy area 1.2: Improving quality infrastructure	SP 1.3 Addressing constraints in priority value chains to meet domestic demands and boost exports	Actions in NPP PSD to develop roadmap for modernization of quality infrastructure are in line with the ANTP
Policy area 1.3: Enhancing the business environment and investment climate	SP 1.2 Implementing an investment climate reform roadmap SP 3.1 Investment promotion	ANTP actions in this area are subsidiary and are focused on trade-related issues (e.g. trade disputes) and aligned to NPP PSD SP 1.2. Actions in NPP PSD SP 3.1 are in line with the ANTP
Policy area 1.4: Development of special economic zones	SP 2.2 Supply of serviced industrial land	NPP PSD and ANTP actions focus on different areas, but are not contradictory. As part of the coordination and joint participatory mechanisms foreseen under both the ANTP and the NPP PSD consolidation of the actions should be undertaken
Policy area 1.5: Export promotion	SP 1.3 Addressing constraints in priority value chains to meet domestic demands and boost exports	NPP PSD addresses export promotion implicitly, as part of the actions to implement the NES
Policy area 1.6: Ensuring access to export insurance and trade finance	SP 2.1 Increasing access to finance SP 4.1 Coordinating implementation of key policies and strategies for trade development	NPP PSD actions related to trade finance in SP 2.1 and SP 4.1 are in line with the ANTP
Policy area 1.7: Providing sector-specific support – adding value to exports	SP 1.3 Addressing constraints in priority value chains to meet domestic demands and boost exports	Actions in NPP PSD to develop value chains are in line with the ANTP
Policy area 2: Promoting domestic production and trade		
Policy area 2.1: Supporting sectors with potential for domestic competitiveness	SP 1.3 Addressing constraints in priority value chains to meet domestic demands and boost exports	Actions in NPP PSD to develop value chains are in line with the ANTP
Policy area 2.2: Supporting producers and traders serving the domestic market	SP 3.1 Investment promotion	NPP PSD SP 3.1 action to develop an SME strategy is in line with the ANTP. Public procurement issues are not addressed in NPP PSD
Policy area 2.3: Protecting and strengthening intellectual property rights	–	IP issues not addressed in NPP PSD
Policy area 2.4: Protecting domestic producers against unfair competition	–	Unfair competition issues not addressed in NPP PSD

ANTP policy area	Corresponding NPP PSD strategic priorities (SP)	Comment
Policy area 3: Enhancing the tariff regime	–	Tariff issues not addressed in NPP PSD
Policy area 4: Increasing the efficiency of import and export administration, Customs and border-control measures		
Policy area 4.1: Removing export restrictions	SP 4.3 Improving Customs operations	NPP PSD SP 4.3 addresses this very generally (expedite approval of the export procedure reform) – in line with the ANTP
Policy area 4.2: Facilitating exports, imports and transit trade	SP 4.3 Improving Customs' operations (SP 4.1 Coordinating implementation of key policies and strategies for trade development)	NPP PSD actions are in line with the ANTP (some actions, like those related to certificates of origin or ATA carnet, are listed in SP 4.1 rather than SP 4.3)
Policy area 4.3: Improving Customs procedures and border control		
Policy area 5: Promoting market access for Afghan goods and services	–	Foreign market access issues not addressed in NPP PSD
Policy area 6: Making trade-enhancing institutions more effective	SP 3.1 Investment promotion SP 4.1 Coordinating implementation of key policies and strategies for trade development	NPP PSD actions to facilitate PPD and strengthen institutions are in line with the ANTP, but do not particularly focus on trade policy and trade support institutions



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