

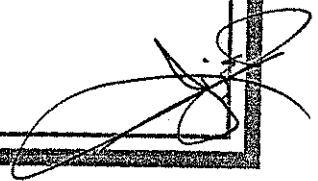
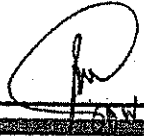
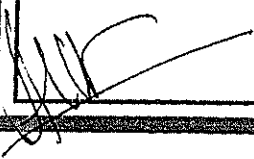
**AGREED MINUTES OF THE MEETING BETWEEN FINANCE  
MINISTERS OF AFGHANISTAN AND PAKISTAN HELD IN  
ISLAMABAD ON 13<sup>TH</sup> NOVEMBER, 2014**

1. A meeting between Dr. Hazrat Omar Zakhilwal, National Economic Advisor and Minister of Finance, Islamic Republic of Afghanistan and Senator Mohammad Ishaq Dar, Minister for Finance, Revenue, Economic Affairs, Statistics & Privatization, Islamic Republic of Pakistan was held on 13<sup>th</sup> November 2014 in Islamabad. The meeting was attended by senior officials from both sides. The lists of participants from both the sides are at **Annex-I&II**. The meeting focused on bilateral economic cooperation in the areas of Communications, Power, Railways and Roads, Afghanistan-Pakistan Transit Trade Agreement (APTTA) and other bilateral issues of mutual interest.
2. The Finance Minister of Pakistan highlighted the opportunities and difficulties in economic and trade relations between the two countries. He expressed his confidence in the new government of Afghanistan. He further said that greater connectivity and cooperation will pave the way for confidence building and facilitation of trade with Central Asian Republics. He also assured that despite Pakistan's fiscal constraints, he will push the ongoing Pakistani funded projects in Afghanistan for completion at a fast pace. The Afghan Finance Minister reciprocated by expressing the new government's readiness to invest in greater regional connectivity for the benefit of both nations. Following bilateral issues came under discussion;

**TRADE AND TRANSIT**

**Bilateral Trade and Investment**

3. It was observed by both Ministers that the total trade volume between two countries is not commensurate with the potential. Both sides undertook to work together for boosting the trade to US\$ 5 billion by the end of 2017 through effective trade promotion, facilitation measures and promoting business to business interactions.
4. Both sides may initiate negotiations on **Preferential Trade Agreement (PTA)**. It was further observed that since concessions have already being exchanged under SAFTA, any further concessions under bilateral trade would not significantly affect our market. Bilateral agreement will help curb



smuggling of goods. In this regard, it was agreed that the Government of Pakistan will share the draft agreement by December 2014.

5. The Afghan side offered to establish two designated areas in Kunduz and Faryab provinces as Free Economic Zones to facilitate joint production and tap into the Central Asian markets for Pakistani businessmen.

#### **Transit Trade**

6. Afghan side raised a concern about long transportation time for consignments from Karachi to Kabul. It was added that backward strategy may be chalked out so as to ensure a target of reducing transportation time to seven days for a vehicle for reaching Kabul from Karachi. Pakistan side agreed that all steps will be taken to remove the delaying impediments and cut down the transportation time to seven days. In this regard following steps are being taken by Govt. of Pakistan ;

- a. **Electronic Data Interchange (EDI):** For transit trade, EDI is operational at Torkham. Pakistan side shall continue to extend full technical cooperation for smooth functioning of EDI. All outstanding issues shall be resolved by December, 2014. Work on EDI connectivity at Chaman shall be expedited and operationalised by January, 2015. For export from Pakistan to Afghanistan and vice versa, EDI connectivity shall be established by February, 2015.
- b. **Partial Shipment:** The government of Afghanistan asked the Pakistan side to allow partial shipment as it was agreed in 3<sup>rd</sup> APTTCA meeting held in October 2012. Pakistan side assured to look into the implementation of the APTTCA decision.
- c. Both sides agreed to establish One-Window Custom Clearance Systems to reduce crossing time and minimize cost needed for custom clearance.
- d. **Trans-shipment Facilities:** to further facilitate transit, the Afghan side asked for a trans-shipment area in Peshawar. The government of Pakistan conveyed its agreement in principle and agreed to finalize the details subsequently at the technical level.
- e. **Working days:** it was agreed that customs should operate seven days a week on both sides to facilitate the flow of transit and trade.

- f. **Railway:** Afghan side asked the Pakistan side to allow transportation of transit goods via railway. The government of Pakistan agrees in principle and details will be subsequently finalized at the technical level.
- g. **Cost of Transit through Pakistan needs to be reduced.** In this regard, special mention was made of Multiplicity of charges like cargo/terminal charges, insurance guarantees for customs duties, insurance for goods, Container guarantees, Port clearance charges/demurrages and inclusion of new bonded carrier companies. Both sides agreed to bring the port charges at par with those being charged on local consignments.
7. Pakistan offered development of **WeBOC System** which will help bring transparency in the system and enable the Afghan importers and Customs authorities in both countries to trace the cargo en-route to Afghanistan. This would also help smooth transit of goods across borders and minimize clearance time. The Afghan side welcomed the proposal and agreed to work towards utilizing the system.
8. **Ghulam Khan Border Post** to be operationalised as soon as the security situation allows which was previously closed due to the ongoing Military Operation in the North Waziristan Agency. The post will be open for all permissible items.
9. The Afghan side raised a concern that their transport vehicles are not allowed beyond Peshawar even though it is provided for under APTTA. Pakistan agreed to take steps for implementation of APPTTA provisions.
10. **Joint Business Council** comprising leading businessmen from both sides will be established to increase business to business interaction.
11. Pakistan also offered **training of up to 10 Trade Officers/Officials** of the Afghan Ministry of Commerce annually under Pakistan's Technical Assistance Program (PTAP). The Afghan side welcomed the offer.
12. Both sides agreed to hold next APTTCA meeting by December 2014.
13. **Regarding the Trilateral Transit Trade Agreement** among Pakistan, Afghanistan and Tajikistan, it was agreed that the first round of trilateral negotiations should be held during the next APTTCA meeting.

14. **Visa and Security for Pakistan Workers.** It was appraised to Afghan Finance Minister that Pakistan offer multiple entry visas to Afghan side whereas Pakistan workers are issued single entry visas which make their travel cumbersome. It was also explained that issuance of multiple entry visas would facilitate movement of persons across borders and will generate jobs and also help curb illegal border crossing. Afghan Minister was further requested that Pakistani firms may be provided adequate security in Afghanistan. The Afghan finance minister agreed that long term multiple entry visas will be issued to Pakistani business men and workers, and will ensure their security.

15. Regarding **Pakistani exports to Central Asia**, it was explained that Afghan authorities charge financial guarantees @ of 110 % of customs duties on the export consignments of Pakistan to Central Asia whereas Pakistan has done away with such guarantee for export consignment of Afghanistan. Pakistani exporters also have to pay US\$ 100 for each 25 tonnage on transit consignment bound for CARs. This amount increases with increase in the tonnage. The Afghan side informed the meeting that both charges have been eliminated.

16. **Facilities in Ports Qasim, Karachi and Gwadar for collection of duties and taxes as well as storage of Afghan Cargo:** Government of Pakistan welcomes the Afghan initiative to collect customs duties for Afghan Transit Trade at Karachi Port Qasim and Gwadar and will also designate space for storage of Afghan cargo on mutually agreeable terms and conditions. This arrangement will dis-incentivise de-stuffing of and smuggling into Pakistan of ATT goods. Government of Pakistan is committed to provide logistic support to Afghan Customs to operate at the above ports.

#### **Technical Assistance**

17. Pakistan Customs will also provide technical assistance in the shape of a special WeBOC module for Afghan Customs. This arrangement will be implemented by 31<sup>st</sup> March 2015.

18. The State Bank of Pakistan will provide technical advice to the Afghan Government on Financial Sector reforms when ever so desired.

19. The Afghan side proposed the establishment of a joint Afghan-Pak transport company to transit goods through both countries. The Pakistan side noted the proposal.

20. **Crossing points:** Transit trade routes are designated vide Article 4 of APTTA. Torkham and Chaman are operational, while Ghulam Khan will become operational after security situation improves. GOP is open to adding new border crossing points for transit trade.

Government has notified additional 15 customs stations for export and import between Pakistan-Afghanistan (List attached). These will be operationalised subject to security situation and mutually agreed timeframe.

21. **Custom Clearance Time at Karachi for Transit goods:** The Pakistan side agreed to the following clearance time to be completed within one month:

- One day for 95% of consignments
- Two days for 5% consignments, after examination.

22. **Capacity building:** The Pakistan side offered to provide WeBOC training for Afghan Custom at Karachi, technical cooperation for EDI at Torkham and Chaman and Training for Afghan Customs officers at Department of Training at Karachi. The Afghan side welcomed this offer.

23. **Jawaznama:** The Government of Pakistan in the spirit of brotherhood has decided to waive the requirement of jawaznama with immediate effect.

24. **Bonded Carriers' charges:** Transit goods are transported by duly licensed bonded carriers to ensure security of supply chain. Pakistan side shall encourage greater number of bonded carriers to operate. It will lead to more competition and resultantly, lower rates.

25. **Non-containerized Cargo:** On the request of Afghan government, FBR has amended Pakistan-Afghanistan Transit Trade Rules and allowed transportation of imported transiting vehicles in roll-on and roll-off car carriers.

26. **Avoidance of Double Taxation Agreement:** Government of Pakistan is keen for an early negotiation of Avoidance of Double Taxation Agreement. The government of Afghanistan will ensure the timely initiation of these negotiations.

#### ROAD PROJECTS

27. **Torkham-Jalalabad Additional Carriageway:** The work on Torkham-Jalalabad Road was stopped in 2008. This necessitated revision of the cost and

re-mobilization of the contractor. The 12<sup>th</sup> meeting of Committee on Reconstruction & Rehabilitation of Afghanistan (CRRA) directed Ministry of Communications National Highways Authority to submit a revised PC-1 of the project. The CRRA also constituted a Committee to work out a rationalized cost for this purpose. The committee has now rationalized the cost and Frontier Works Organization (FWO) is being remobilized for resumption of work on the project. The contractor will mobilize to begin construction work as soon as possible. The Afghan side will be notified as the work resumes.

28. **Peshawar-Kabul Motorway:** NHA has prepared a proposal for the feasibility study and design of the project, wherein it has been requested that Afghanistan will provide all the necessary security and visa facilitation to the consultants for the said study. The cost of feasibility study will be borne by Pakistan.

During last JEC session held in February 2014, both sides agreed to nominate focal persons by 5<sup>th</sup> March 2014 for formulating TORs for carrying out feasibility study. The names of focal persons for carrying out feasibility study and design have been exchanged.

29. **Road Link Between Pakistan And Tajikistan:** During the last JEC. Pakistan side reiterated that an early reply be furnished with regard to proposed feasibility study of the link road between Pakistan and Tajikistan. Afghan side informed that the Sherkhan-Ninjayan border route has already been identified as CAREC corridor, so it can ultimately be used as a road link by Tajikistan-Afghanistan and Pakistan.

30. It was decided that the Afghan Government will convey its convenience for holding the meeting of the focal persons for the above two projects by end December 2014 so that the feasibility study could be completed. It was also decided that both sides will work together to mobilize the required resources for Peshawar-Kabul motorway project.

#### INCOMPLETE PROJECTS

- i. 100 Bed Naeb Aminullah Khan Logari Hospital at Logar
- ii. Hostel Building for 1000 Student at Rehman Baba School
- iii. 200 Beds Jinnah Hospital at Kabul
- iv. Nishtar Kidney Centre

31. The projects could not be completed within the stipulated time of September 30, 2013 due to Exchange Rate Compensation (ERC) issues. The contractor for first two projects was Airrs Associates while for the third, it was NLC. The fourth project has already been handed over to Afghan government in February 2014, however the medical and paramedical staff is yet to be deployed by Afghan government while Pakistan government is to supply medical equipment and furniture.

32. The competent authority of the government of Pakistan has accorded approval for the projects for procurement of furniture/equipment and medical equipments. The project for medical equipment also contains a provision for training 117 doctors and paramedic including 15 master trainers.

33. It was informed that Ministry of Planning, Development & Reforms has now issued Authorization Letters to M/o Housing & Works and M/o NHS, R&C so that the work on projects at serial numbers i and ii above will be initiated immediately. Concurrently, M/s Airrs is being remobilized so that project completion may synchronize with procurement of medical and other equipment. The issue of Jinnah Hospital would be handled on the analogy of these two projects. Afghan Minister also assured to expedite placement of medical staff as well as electric supply to these projects

34. **Scholarship Scheme (3000) for Afghan Students:** Inter Provincial Coordination Division (IPCD) informed that 600 scholarships would be awarded during 2014. Of these, 482 have been finalized so far. CRRA decided to transfer the subject from IPCD to Higher Education Commission (HEC). The Pakistan side informed that universities have been selected for placement of 482 students and the process for placement is underway.

35. The Afghan Government pledged to provide USD One million to finance scholarships for Afghan student to pursue business management degrees at the Lahore University of Management Sciences (LUMS). The Pakistani side welcomed the initiative and pledged to double the amount offered by Afghan Government up to USD two million allowing more Afghan students to benefit from the program.

#### **RAILWAY PROJECTS**

36. **Chaman to Spinboldak New Rail Link:** Pakistan side pointed out that the project was originally approved in 2004 but could not be undertaken due to

non-provision of NOC from the Government of Afghanistan for right of way. As almost 10 years have passed, the cost of project has now escalated to more than 3 times. The CRRA in its meeting held on March 21, 2014 decided that PC-1 for Chaman to Spinboldak Project should be processed in tandem with the Afghan side lining up the resources and commencing work on Spinboldak to Kandahar.

37. The Afghan Government to initiate work including feasibility study on Spinboldak to Kandahar so that the full connectivity between Chaman and Kandahar may be established. Both sides agreed to meet after three months to update on progress.

38. **Peshawar - Jalalabad Rail Link:** During last JEC, Pakistan side pointed out that the feasibility for new rail link between Peshawar and Jalalabad has been approved by the competent forum of the Government of Pakistan. Afghan side informed that a pre-feasibility study has already been carried out from Jalalabad to Torkham. Afghan side also agreed to share this feasibility study with Pakistan side, which is still awaited. In the meantime, Ministry of Planning and Development of Pakistan has provided funds to Pakistan Railway for conducting feasibility for their part.

39. It was decided that Afghan side will provide pre-feasibility study within one month.

#### ENERGY PROJECTS

40. **TAPI Gas Pipeline Project:** The progress of the Project includes signing of Gas Sale and Purchase Agreement (GSPA), Transaction Advisory Services Agreement (TASA) and holding of road shows. However, the efforts to form a consortium to finance & build the pipeline have shown a limited progress. During JEC Session, Afghan side suggested that the transit fee should be paid to transporter. On the other hand, Pakistan side is of the view that transit fee payment should be handled by the two Governments.

41. Both sides decided to resolve any pending issue amicably and expressed their commitment for early finalization of the project in consultation with other stakeholders.

42. **Proposals for Joint Ventures in Petroleum Sector:** Pakistani side proposed that in view of the vast knowledge and expertise of Pakistan's public sector E&P companies, the possibilities of collaboration with oil and gas



companies of Afghanistan for exploration and development of oil and gas sector as well as training may be explored.

43. The Afghan side welcomed the offer. It was further agreed that details of joint cooperation and training will be discussed and worked out by professionals and experts of both countries.

44. **Joint Power Project on Kunar River:** During the last JEC, Afghan side informed that the pre-feasibility study of Kunar Project has been completed. Afghan side also intimated that the World Bank has shown its willingness to extend technical support for the project. The project was discussed in the CRRRA meetings held on 9<sup>th</sup> September, 2013 and 21<sup>st</sup> March, 2014 and a sub-committee under Secretary M/o Water & Power and M/o Foreign Affairs and WAPDA as members was constituted to examine the Afghan Government's proposal. The Afghan Finance Minister also invited Pakistan to participate in other energy projects in the eastern part of the country and beyond Kunar.

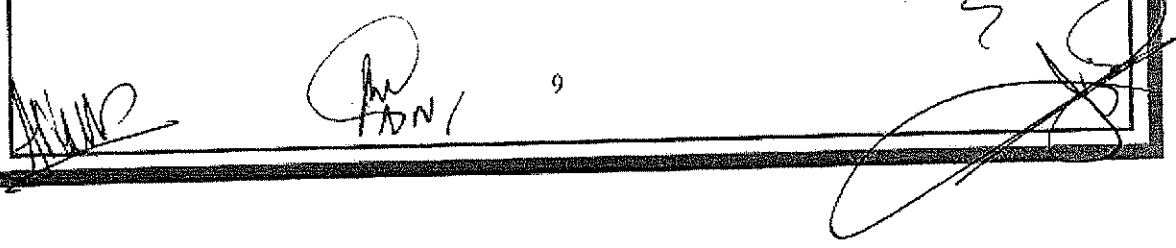
45. It was decided that Afghan side will provide feasibility study within one month. Both sides agreed to start work on mobilizing the necessary resources.

46. **CASA 1000:** After successful negotiation of transit fee with Afghanistan as a result of meeting between Minister of Finance and Afghan Minister, CASA 1000 project is again on the move and both sides expressed satisfaction about the progress. Government of Pakistan appreciated the decision by Afghan side for reducing the transit fee from 2.5 cents KWH to 1.25 cents KWH. Pakistan side also expressed appreciation for joint acceptance by Tajikistan and Afghanistan for agreeing to tariff at the rate of 5.1 cents KWH. Both side also expressed satisfaction that a meeting among all four countries is being convened in London from 3<sup>rd</sup> - 4<sup>th</sup> December, 2014 to finalize the remaining issues.

47. Both sides decided to formalize the pricing agreement with Tajikistan. The Afghan Minister of Finance informed the meeting that he may discuss the issue with the Tajikistan side at his upcoming meeting.

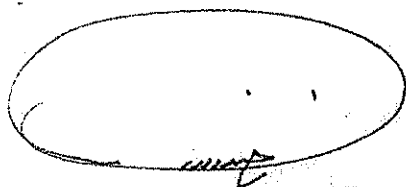
#### CONCLUDING REMARKES

48. The meeting emphasized the need for putting together strong teams at the embassy and capital level to follow up on the implementation of the agreed decisions. The meeting also called for the need to hold frequent discussions and follow up meetings and share progress between the concerned ministries.

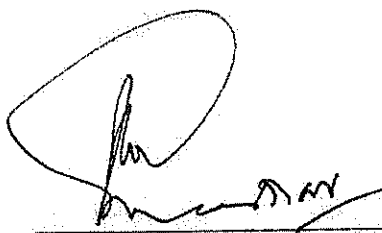
The bottom of the page contains several handwritten signatures and initials. On the left, there is a signature that appears to be 'ANUP'. In the center, there are initials 'AN' and 'AN/1'. On the right, there is a large, stylized signature that is difficult to decipher, possibly 'ANUP' or similar. A small number '9' is written in the center of the page.

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

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



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