

**FBR/Pakistan Customs' Initiative for
Trade Facilitation --- ITTMS:
(From Concept To Reality)**

**15th Customs Cooperation Committee Meeting
Singapore 21-22 September 2016**

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SCHEME OF PRESENTATION

- ❑ **Vision and Mission**
- ❑ **Objectives**
- ❑ **Border stations --- Current scenario and importance**
- ❑ **Existing Regulatory framework & Support Structures**
- ❑ **Deficiencies and allied Risks**
- ❑ **Risk mitigation strategy (way forward)**
- ❑ **Requirements**
- ❑ **Issues / challenges**
- ❑ **Features & Potential benefits of ITTMS**
- ❑ **What has been done so far?**
- ❑ **PLPA**
- ❑ **Points to ponder**

OUR VISION

Pakistan as a “HUB” of East-West and North-South Trade and Transportation

OUR MISSION

**Inviolable, speedy and transporter friendly
movement of goods into and across Pakistan**

OUR OBJECTIVE

Security and trade facilitation, by developing better controls and creating a conducive work environment through:

- ✓ **Proper monitoring / tracking of transit & commercial cargo**
- ✓ **Geo-fencing to eliminate illegal movement of goods and people, thereby reducing threats to international security and making global supply chain safer**
- ✓ **Combating illegal movement of cargo and prevention of backward flow of transit trade goods**
- ✓ **A Regional Single Window for facilitating trade and securing global supply chain**

HOW TO ACHIEVE THE OBJECTIVE?

Re-Modeling of Existing Insufficient support structure into an Efficient and Integrated System designed to have:

- **Electronic Entry/Exit**
- **Digitalized Tracking / foot-printing of cargo movement**
- **Least or No human interface/interruption**
- **Trained and skilled workforce**
- **Technologically advanced equipment**
- **Electronic Data Interchange (EDI) with regional economies / trading partners**

HOW TO ACHIEVE THE OBJECTIVE?

--- Cont'd

- **Establishing a Customs Trade Facilitation Complex (CTFC) at the border points**
- **Immigration, ANF , Customs and other Govt. agencies under one roof of CTFC**
- **Dedicated terminals, sheds, integrated weigh bridges & scanners for containers/vehicular traffic, explosives and for passengers' baggage**

TRANSIT TRADE: CURRENT SCENARIO

- **Current situation at Transit Customs Stations**
- **Existing Regulatory Framework**
- **Existing Support Structures**
- **Deficiencies in existing support structures and associated risks**

CURRENT SITUATION AT THE THREE Border Stations

(Torkham, Chaman and Wahga)

KARACHI

THE CENTRAL STATION FOR TRANSIT TRADE



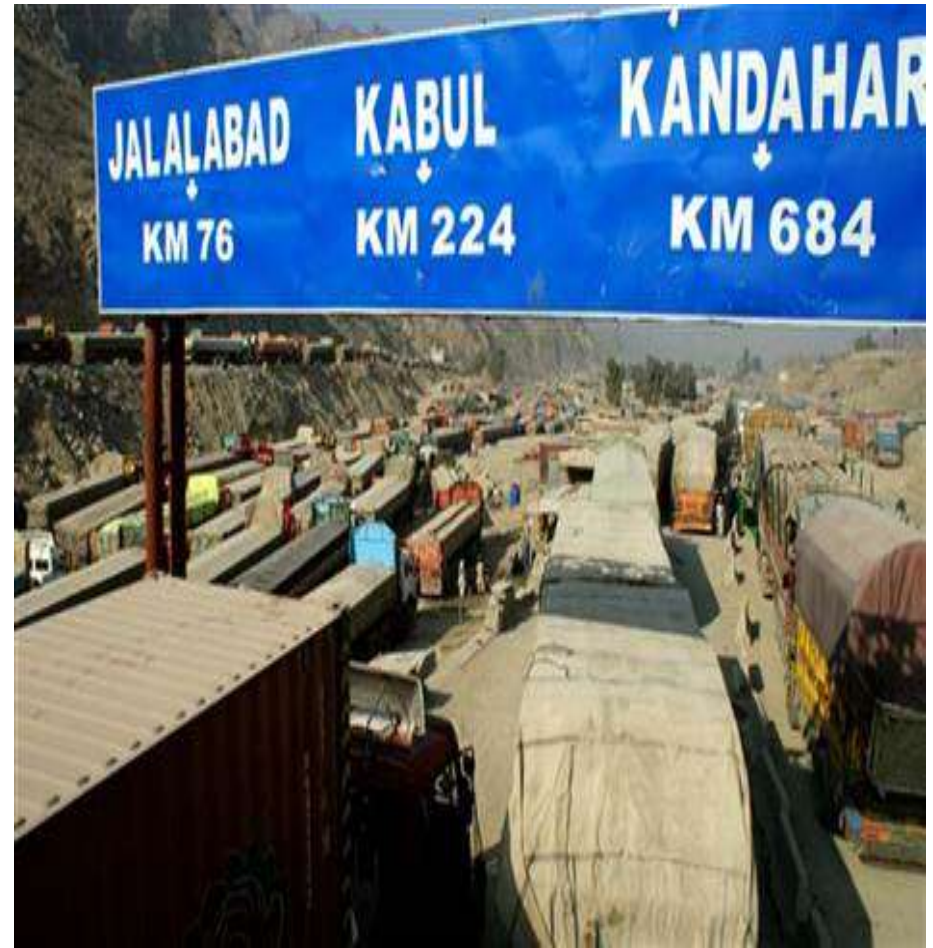
WHY IS KARACHI IMPORTANT?

- **At present the only developed port in Pakistan**
- **Nearest port providing access to Afghanistan and CARs**
- **Connected to most developed road network of Pakistan**
- **A developed cosmopolitan city, offering services to transit cargo operators**
- **Professionally managed terminals by private sector**

TRANSIT CARGO MOVEMENT THROUGH KARACHI

Period	COMMERCIAL	NON- COMMERCIAL (NATO/ISAF)	TOTAL
2013-14	36577	5990	42567
2014-15	51601	1266	52867
2015-16	61629	1190	62819

CUSTOMS COMPLEX TORKHAM BORDER



WHY IS TORKHAM IMPORTANT?

- **Gate-way to Afghanistan and Central Asia**
- **Exports Volume: US\$ 1.8 to 2.0 billion per annum**
- **Biggest Transit Station for Afghan Transit (Around 75% of cargo flows via Torkham)**
- **Main supply route for NATO/US forces stationed in Afghanistan**

TRANSIT CARGO MOVEMENT THROUGH TORKHAM

Period	COMMERCIAL	NON- COMMERCIAL (NATO/ISAF)	TOTAL
2013-14	25603	4193	29796
2014-15	36120	889	37009
2015-16	41291	500	41791

CUSTOMS COMPLEX CHAMAN BORDER



WHY IS CHAMAN IMPORTANT?

- **Gate-way to Central Asia via Afghanistan and Iran**
- **Second biggest transit station for Afghan Transit Cargo**
- **Supply route for NATO/US forces stationed in Afghanistan**
- **Nearest Customs station to Sea-ports of Karachi & Gawadar (which is expected to be the “HUB” of Commercial Trade with CARs, Iran, China and Far East)**

TRANSIT CARGO MOVEMENT THROUGH CHAMAN

Period	COMMERCIAL	NON- COMMERCIAL (NATO/ISAF)	TOTAL
2013-14	10974	1797	12771
2014-15	15481	377	15858
2015-16	20338	690	21028

CUSTOMS COMPLEX WAHGA BORDER



WHY IS WAHGA IMPORTANT?

- **Pakistan is the Most Economical Transit Route for India**
- **India is major Trading Partner *of* Afghanistan and CARs**
- **Growing Trade Volumes of India (an important BRIC economy)**
- **Pakistan's Bi-lateral Trade with India is growing**

TRADE STATISTICS

FISCAL YEAR	IMPORTS	EXPORTS
	Value (Rs. in Million)	Value (Rs. in Million)
2013-14	62342	12293
2014-15	34235	12772
2015-16	24664	13819

TRANSIT TRADE --- REGULATORY FRAMEWORK

- **Bilateral Treaty: Afghanistan-Pakistan Transit Trade Agreement (APTTA), 2010**

- **Regional Treaties:**
 - ✓ **Quadrilateral Transit agreement between Pakistan, China, Kazakhstan & Kyrgyzstan; and**

 - ✓ **ECO Transit Agreement**

- **Regional Treaties: Eight international treaties including TIR (1975), Customs Convention on Containers (1972), Convention on Transit Trade of land-locked countries (1965), etc.**

TRANSIT TRADE: EXISTING SUPPORT STRUCTURE

- ❑ **WEBOC: Web-enabled Goods Declaration Cargo Clearance System**
- ❑ **ONE CUSTOMS: A hybrid clearance system, used for clearance of commercial / non commercial Transit Trade cargo**
- ❑ **Limited Scanning facilities (at Karachi & Lahore only)**
- ❑ **Electronic Weigh Bridges – Insufficient & not integrated**
- ❑ **En-route tracking of transit cargo**
- ❑ **Manual en-route check posts**

DEFICIENCIES IN EXISTING SUPPORT STRUCTURE

- **Insufficient Workspace**
- **Power shortages**
- **Inadequate communication facilities**
- **No properly guarded route**
- **No secured/closed examination area**
- **No scanning facility at Border stations (except Lahore)**
- **Non-integrated weigh bridges**
- **Improper “Geo-fencing”; and**
- **Unequipped and untrained workforce**

RISKS DUE TO DEFICIENCIES



OPERATIONAL ISSUES	POTENTIAL RISK AND THREATS
Space constraint to manage large volumes of transit cargo	Poor Monitoring Un-attended long queues of transit cargo
Inadequate scanning facilities	Clearance of “Risky cargo”, which may be a threat to Global Security
Non-integrated weigh bridges	No Cross-verification, which may be detrimental to revenues
Deficient tracking facilities	Missing Cargo, Anti-Competitive for Local Manufacturers /Importers
Mismatch of In-bound v/s Out-bound goods	Negative Spill-over effect for Local Industry / trade
Untrained workforce	Subjective assessment/valuation and delayed clearance

WAY FORWARD

Re-Modeling of Existing Insufficient support structure into an Efficient and Integrated System designed to have:

- **Electronic Entry/Exit**
- **Digitalized Tracking / foot-printing of cargo movement**
- **Least or No human interface/interruption (automation)**
- **Trained and skilled workforce**
- **Technologically advanced and integrated equipment**
- **Electronic Data Interchange (EDI) with trading partners and other regional economies --- REGIONAL SINGLE WINDOW**

HOW TO REALIZE ITTMS? ASSETS & EQUIPMENT REQUIREMENTS

- **Infrastructure Development**
- **ICT Equipment**
 - **Electronic & Integrated Weigh Bridges at Karachi, Torkham, Wahga and Chaman**
 - **Cargo & Vehicle Scanners**
 - **Image Processors**
- **Satellite tracking and monitoring (Geo-fencing)**
- **Uninterrupted Power Supply**
- **Paraphernalia for Rapid Response Force**

ISSUES & CHALLENGES

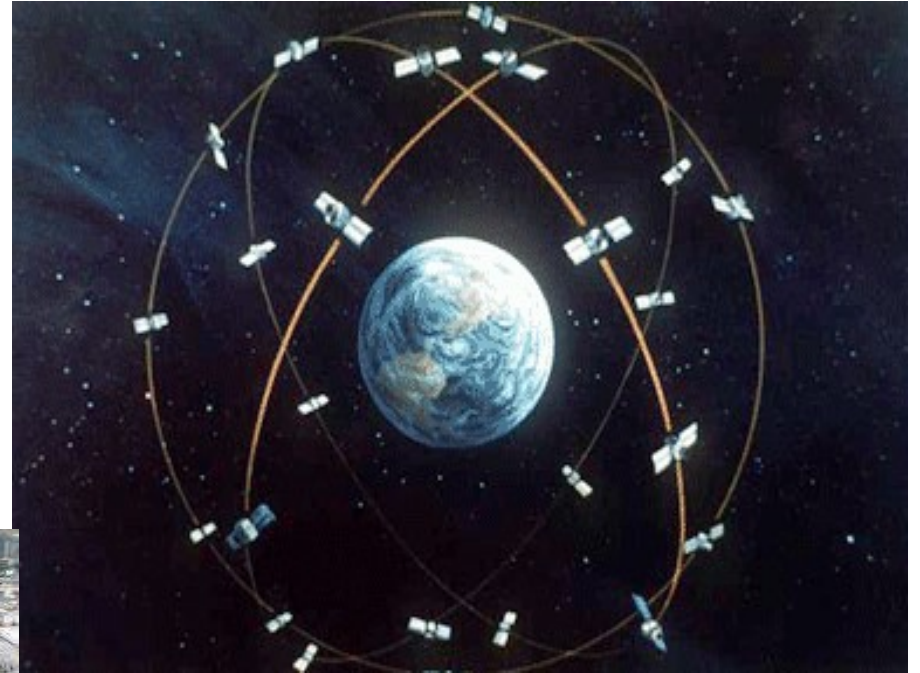
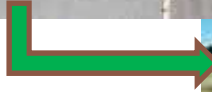
- **Problems in acquisition of land**
- **Displacement of People**
- **Resistance from other stakeholders**
- **Piece-meal & isolated projects, with little or no focus on big-picture i.e. integrated design**
- **Lack of continuity/ownership by a dedicated Project Team**
- **Funding problems**

FEATURES OF ITTMS

Transit Trade, moving in, out and through Pakistan will be fully monitored, and preserved, without any possibility of leakages within Pakistan, as it is designed to have:

- **Digitized Entry/Exit**
- **Digital Tracking, between entry/exit points**
- **Digital foot-prints of movement of goods, used to generate unalterable database of transit movement of carriers**
- **Rapid Reaction in the event of diversion from assigned track or leakage**
- **Least or No human interface/interruption between entry or exit points**
- **Electronic verification of docs, clearance, weighing, scanning, evaluation of transit goods**
- **Generation of (Computerized) e-Transit Reports (ETRs), conveyed to the exit point, through integrated high-speed data links, for the purpose of clearance.**





POTENTIAL BENEFITS OF ITTMS

WIN-WIN SITUATION FOR ALL STAKEHOLDERS

Enhanced Economic Activity with transit trade partner is expected to yield dividends, not just for Pakistan, but region and entire globe

COLLATERAL SECURITY AND SPIN-OFF BENEFITS

Better controls and working environment

- ✓ **Geo-fencing to reduce illegal movement of goods and people, thereby reducing threats to international security and making Global Supply Chain safer;**
- ✓ **Decline in illegal movement of transit goods in Pakistan, creating a conducive manufacturing environment; and**
- ✓ **Prevention of backward flow of transit trade goods, creating a conducive manufacturing environment.**

CUSTOMS/FBR'S INITIATIVES TOWARDS TRADE FACILITATION

- **Integrated Transit Trade Management System (ITTMS)**
- **JICA's Scanners Projects**
- **Business Process Reengineering**
- **Time Release Studies**
- **Dwell Time Studies**

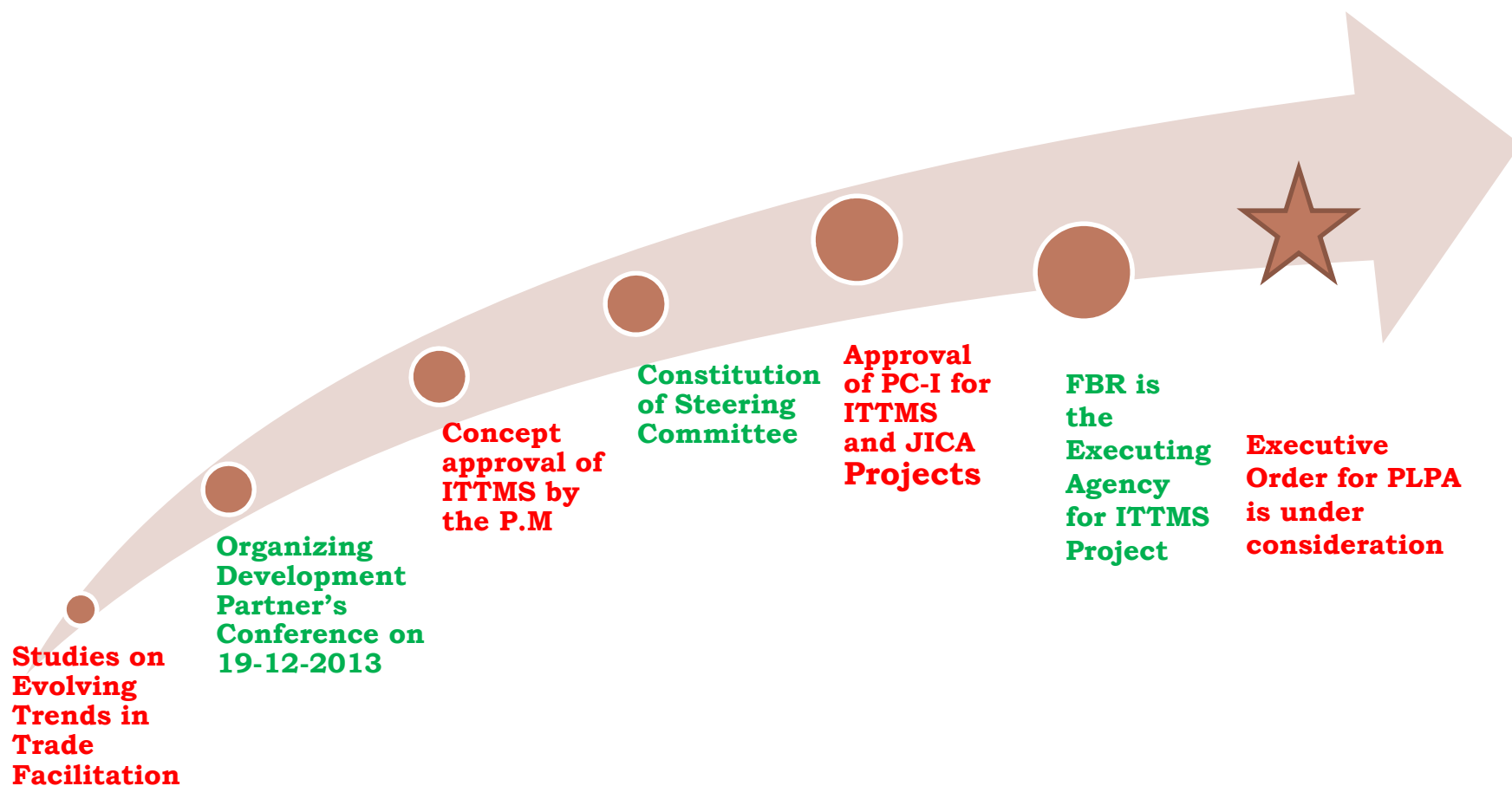
WHAT HAS SO FAR BEEN DONE TOWARDS ITTMS?

- **ITTMS project has been included in FBR's PSDP for FY 2017, with an allocation of Rs.348 million, including Rs.255 million for procurement of land**
- **Diligence, Environmental and Socio-economic analysis, Technical Evaluation and Project Appraisal by ADB has been completed**
- **LARP for all three BCPs has been approved by the Steering Committee**
- **Agreement with *"Kugakhel Shinwari Tribe"* for acquisition of land at Torkham on 99 years lease has been finalized**
- **Process for acquiring land for BCP Wahga is almost finalized, whereas the land required for BCP Chaman is already with the GOP**

WHAT HAS SO FAR BEEN DONE? – *Cont'd*

- **Loan has been sanctioned by the ADB Board of Directors in December, 2015. Loan agreement between GOP & ADB is yet to be signed**
- **Project Director has been selected, while the process for selection of other staff of the PMU is underway**
- **PMU will become fully functional by mid December, 16**
- **Selection of PMC and CSC being finalized in consultation with ADB. RFP to shortlisted firms issued**
- **NLC, being the EPC Contractor will submit “Detailed Drawings” of the BCP Torkham & Chaman by 1st week of October, 2016**

TRAJECTORY TOWARDS PLPA



WHAT IS THE MANDATE OF PLPA?

- ❑ **Public policy intervention in speeding up the cargo and passenger's movement through land routes**
- ❑ **LPA provides the physical conditions enabling the operational border control agencies to carry out their duties.**
- ❑ **LPA “will be responsible for cohesive management of cross-border movement of goods & people (KPT, PQA and CAA)**

OPERATIONAL BUSINESS OF PLPA

- **To coordinate inter-organization operations**
- **To issue guidelines for day-to-day operations**
- **To manage cargo clearance**
- **To maintain minimum dwell time, assigned benchmarks**
- **To manage Exit/Entry movement of passengers;**
- **To undertake security of premises & goods; and**
- **To resolve operational bottlenecks**

POINTS TO PONDER

- **How international best practices in Transit Trade can be incorporated into the overall scheme of the transit arena of Pakistan?**
- **How to solicit assistance from Private Sector, besides operational support from local stakeholders?**
- **How to remain the most desired route for transit trade, keeping in view the alternate competing options in the region (Bandar Abbas and Chabahr)?**
- **How to manage and operate our Border Crossing Points, with the objective of maximizing trade facilitation and securing global supply chain? --- CLARITY OF ROLE**

Thank You