

PROJECT INFORMATION DOCUMENT (PID)  
CONCEPT STAGE

Report No.: AB2619

Project Name	Trade and Transport Facilitation Project - II (TTFP II)
Region	South Asia
Project ID	P101684
Borrower(s)	Government of Pakistan
Implementing Agency	Planning Commission and Ministry of Commerce, Government of Pakistan
Environmental Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD
Safeguard Classification	<input type="checkbox"/> S1 <input type="checkbox"/> S2 <input checked="" type="checkbox"/> S3 <input type="checkbox"/> SF <input type="checkbox"/> TBD
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### 1. Key development issues and rationale for Bank involvement

Pakistan's economy has expanded by over 6.5 percent per annum during the past four years. A wide-ranging program of economic reforms launched in 2000 has played a key role in the country's economic recovery. These reforms have done much to boost Pakistan's share of total trade in GDP (rising to 30 percent in 2005). Exports have strongly performed in recent years, growing to about US\$14.4 billion in 2005, and investment has rebounded. To sustain sufficient momentum for this growth in the coming decade, the Government of Pakistan (GOP) is now focusing on reducing the cost-of-doing business and increasing productivity and international competitiveness. A major initiative has therefore been launched by GOP to improve the trade and transport logistics chain along the north-south 'National Trade Corridor' (NTC) linking Pakistan's major ports in the south and south-west with its main industrial centers and neighboring countries in the north, north-west and east. Together, the ports, roads, and railways along NTC handle 95 percent of external trade, and 65 percent of total land freight serving the regions of the country, which contribute about 85 percent of GDP.

While progress has been achieved by respective Government agencies (in close collaboration with the private sector) under the National Trade Corridor Improvement Program (NTCIP), initiated by the Prime Minister in August 2005, *improving trade procedures and trade supporting infrastructure and services* represents a key challenge for the transport sector. The recently concluded "Pakistan Logistics Cost Study<sup>1</sup>" shows that [when compared with 1994-95] while the non-factor cost are down but the total logistics cost are still very high (29 percent in Pakistan vs. the UNCTAD top ten countries average of 6 percent). A Task Force<sup>2</sup> has therefore been set up by the Prime Minister under the chairmanship of Deputy Chairman Planning Commission for overall policy guidance, monitoring and progress evaluation on NTCIP. Technical capacity within GOP to guide, coordinate, support and monitor achievements made under the NTCIP as well as to oversee analytical work is limited due to the operational nature of the involved sector agencies.

<sup>1</sup> *Pakistan Logistics Cost Study*, Final report, June 2006, Logistics Consulting Group, Denmark.

<sup>2</sup> The Task Force includes the Ministry of Commerce, Ministry of Railways, Ministry of Communications and National Highway Authority (NHA), Ministry of Industries and Production and Special Initiatives, Ministry of Defense and Civil Aviation Authority, Ministry of Ports and Shipping, Central Board of Revenue (CBR), Ministry of Petroleum, as well as key donors.

Realizing this, GOP has addressed this issue within the framework of the NTCIP. The Annual Public Sector Development Plan (2006/07) of the Government of Pakistan therefore envisages to setting up a management unit, called National Trade Corridor Management Unit (NTCMU) within the Planning Commission. The NTCMU, which would be built around the existing NTCIP Secretariat<sup>3</sup>, would assist the Task Force in setting policy based on analytical work, and perform coordination, supervision and monitoring functions during the program execution. In addition, the Ministry of Commerce will strengthen its Trade and Transport Facilitation Transport Project (TTFP) Directorate by converting it into a Trade and Transport Facilitation Unit (TTFU) for the Ministry to provide guidance on trade facilitation related matters. Thus the TTFU in commerce will continue to work with the ‘demand side’ of trade logistics with the National Trade and Transport Facilitation Committee (NTTFC—which includes wider trade representation), while the NTCMU will guide, monitor, and evaluate the delivery of the ‘supply side’ of the NTCIP.

Current and future funding for increased awareness on WTO related trade issues, improvement of quality standards, metrology and accreditation systems in Pakistan, strengthening of the intellectual property rights and human development is currently being provided by UNDP (US\$1 million) and European Commission (Euro5 million). While these programs will finance trade-related technical assistance on the above mentioned subjects, financing requirements for implementation support and monitoring of NTCIP as well as analysis on trade procedures and trade supporting services and infrastructure needs still remain.

The Asian Development Bank is financing an Infrastructure Implementation Management TA primarily for all federal major infrastructure projects being implemented by GOP. This includes setting up of PMUs in each of the relevant infrastructure ministries that report to the central Infrastructure Management Unit (IMU) in the Planning Commission. Where required, these PMUs will also support the implementation of the infrastructure investments [irrespective of the source of their financing] as part of the NTCIP. The PMUs will also be able to implement TA funds [received from other sources] for analytical activities required as part of the NTCIP implementation. The role of the NTCMU and TTFU has been recognized as distinct to the IMU and its PMUs.

The Government of Pakistan has therefore requested technical assistance lending from the World Bank with the objective to (i) support entities directly concerned with the implementation of NTCIP during period of program execution and establish a sustainable monitoring system including communications, (ii) support implementation process of NTCIP through analytical work on trade procedures and supporting infrastructure and services needs (including roads, railways, ports & shipping, aviation, and energy sub-sectors), and (iii) further strengthen participation of the private sector aiming to internalize public-private collaboration on trade facilitation through a dedicated project component (building on the Bank funded “Trade and Transport Facilitation Project”).

To this effect, a PC-I was prepared by the Planning Commission in collaboration with Ministry of Finance and approved by Central Development Working Party (CDWP) on May 25, 2006. Financing from the World Bank is sought for this proposed technical assistance due to (i) Bank’s continuous support and active involvement in the NTCIP, (ii) its positive experience with Trade and Transport Facilitation Project—and this TA being a logical extension and continuation of the previous TA, and (iii) its comparative advantage in providing international expertise to help build

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<sup>3</sup> The NTCIP Secretariat assists the NTCIP Task Force, and at present comprises the Member Infrastructure and the Chief Transport and Communications of the Planning Commission assisted by designated World Bank and Asian Development Bank Staff.

Pakistan's trade and transport system according to international standards. Maximum benefits from this technical assistance are related to the implementation of the NTCIP and its underpinning investment program, partially financed by the World Bank through a programmatic DPL and investment loans. The proposed technical assistance loan would ensure an adequate balance between policy change (undertaken on the basis of the proposed DPL) and investment lending (KDLB, railways, highways) on the one hand and analytical underpinning and capacity building for preparation, oversight and monitoring of reforms and investments on the other hand.

Previous Bank-assisted projects and AAA clearly indicate that there is an urgent need to build capacity in entities directly concerned with project/program implementation and underpin reform agenda and support investments with analytical work and a sustainable monitoring and evaluation system (M&E). Lessons learned from Bank supported "*Trade and Transport Facilitation Project*" (TTFP) point to the fact that strong ownership from all stakeholders, including the private sector is warranted to implement the trade and transport facilitation agenda. This agenda now represents a major program area of NTCIP. The Bank's report "*Transport Competitiveness in Pakistan: Analytical underpinning for National Trade Corridor Improvement Program*" laid out the foundations for the Bank's dialogue with the Government on the reforms, investments and underpinning analysis needed to streamline trade and transport systems for achieving the full potential of sustained growth. The World Bank's draft Country Assistance Strategy (CAS) also reflects the high priority assigned to supporting growth and competitiveness and demonstrates the need for a continuation of World Bank technical assistance on trade support and transport facilitation.

## **2. Proposed Development Objective(s)**

The project development objective of the proposed technical assistance is to improve the performance of the trade and transport logistics system and bring it up to international standards with the aim to reduce the cost of doing business in Pakistan and ultimately enhance trade competitiveness and the country's industrialization. The Government of Pakistan will achieve this objective through policy reforms targeted within the framework of NTCIP, investment projects relating to railways, road transport, ports and shipping, aviation, trade facilitation and capacity building/analytical work and increased institutional capacity to develop and implement the changed sector environment.

Direct recipients of the proposed technical assistance project are NTCMU, TTFU, National Trade and Transport Facilitation Committee (NTTFC), and respective public agencies (ministries, operating authorities). The initial beneficiary will be Pakistan's private sector trading community which will have better opportunities to enhance their competitive position in their international markets and, under competitive pressures, reduce costs to consumers. This should in turn generate additional employment and growth opportunities. Pakistani consumers should also benefit from the resulting reduced costs of imports. Specific targets and their benefits will be set during project appraisal.

## **3. Preliminary Description**

Based on lessons learned, the GOP and the World Bank have agreed on financing NTCIP through programmatic DPLs, specific project investment lending and a technical assistance loan. GOP and the Bank agreed that a multi-sector policy-oriented operation to support implementation of reforms acting as triggers for specific project investment lending would be most effective. The

technical assistance loan will help prepare and monitor reforms through establishment of coordination units within the Planning Commission and Ministry of Commerce and provide additional analytical underpinning and training opportunities.

The project is proposed to consist of the following five components (i) capacity development in the entities directly concerned with the implementation of NTCIP during the period of program execution (NTCMU), (ii) support for the implementation process of NTCIP through analytical work on trade procedures and trade supporting infrastructure and services needs (including roads, railways, ports & shipping, aviation and energy sub-sectors), (iii) further strengthening of the private sector participation through TTFU and NTTFC aiming to internalize public-private collaboration on trade facilitation through a dedicated project component (building on the Bank funded “Trade and Transport Facilitation Project”), (iv) establish sustainable monitoring and evaluation system to evaluate impacts of NTCIP—including the coordination, monitoring and evaluation of the social and environmental safeguard issues, and (v) manage the external communications strategy for the NTCIP. The project’s five components will finance (i) the institutional set up of NTCMU and TTFU, and (ii) national and international consultancy services resulting in underlying studies, research, and training. The funds will be proportionately divided in both units.

In order to ensure effective implementation of NTCIP with particular emphasis on trade facilitation, a five-year stand-alone TA is the most feasible option for maximizing sustainability and achieving Pakistan’s development priorities for international competitiveness. Many of the technical assistance and capacity building requirements facing the implementation of the NTCIP are institutional and technical in nature which is difficult to address in investment operations. Stand-alone technical assistance compared to technical assistance components integrated in investment operations has proven to be most effective when dealing with multiple sectors and agencies. Due to its multimodal nature, ownership and implementation of NTCIP is spread across agencies and sectors under the coordination of the Planning Commission and the oversight of the Prime Minister’s Office and NTCIP Task Force.

Successful implementation of NTCIP will require strong ownership at the ministry and agency level as well as strong leadership at the level of the Planning Commission (acting as the designated coordinating and management agency of NTCIP) as well as collaboration from the private sector. TTFPI has proven that strong leadership and true champions of a project/program are essential for successful outcomes. Private sector participation has been seen as a prerequisite to trade and transport facilitation initiatives. Major reforms implemented under the program are seen to reduce the cost of doing business in Pakistan. The relatively under-developed private sector in Pakistan has therefore a major role to play by adapting itself to the changed environment.

The project loan is proposed to amount to USD 25 million over a period of five years. During project preparation, partnership and collaboration with ADB, JBIC, UNDP and EC will be further developed.

#### **4. Safeguard policies that may apply**

No safeguard policies apply.

A poverty and social impact assessment (PSIA) will be carried out as part of the preparation of the first DPL. The PSIA will:

- address analytical gaps through additional work;
- assess the Government systems and capacity to reduce the adverse effects and enhance the positive effects; and
- ensure that the results of the two previous steps are fed into the policy dialogue, operation design and monitoring system as appropriate.

## 5. Tentative financing

Source:	(\$m.)
Borrower/Recipient	1.00
IBRD/IDA	24.00

## 6. Contact points

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