

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWID

TA No., Country and Name TA 4536-AFG: Cross-Border Trade and Transport Facilitation			Amount Approved: \$550,000	
			Revised Amount: \$550,000	
Executing Agency Ministry of Public Works		Source of Funding Technical Assistance Special Fund (TASF)	Amount Undisbursed: \$181,469.47	Amount Utilized: \$368,530.53
TA Approval Date: 23 December 2004	TA Signing Date: 4 January 2005	Fielding of First Consultant: 1 April 2005	TA Completion Date Original: 31 January 2006 Account Closing Date Original: 31 January 2006	
		Actual: 31 October 2006 Actual: 31 August 2007		
<p>Description. The goal of the technical assistance (TA) was to promote economic growth and reduce poverty in Afghanistan by enhancing cross-border and transit trade with neighboring countries. The purpose was to develop strategies to facilitate and smooth movement of goods across its borders by carefully assessing physical and institutional constraints that would ensure maximum economic benefit to Afghanistan, while adopting adequate measures to prevent smuggling and other illegal activities that erode economic efficiency.</p> <p>Expected Impact, Outcome and Outputs</p> <p>Outputs: Specific TA outputs included: (i) infrastructure investment options, including road and railways, to facilitate the cross-border movement of goods; (ii) specific cost recovery measures (e.g., transit fees and tolls) for such investments, taking into account equitable sharing of the infrastructure investment burden between Afghanistan and its neighbors; (iii) amended and/or new laws, rules, regulations, bilateral and multilateral agreements for the operation of the new/improved cross-border infrastructure and movement of goods; and (iv) appropriate institutional arrangements at the concerned ministries and agencies for operating the new/improved cross-border infrastructure.</p> <p>Outcome: As envisaged: (i) road asset maintenance and management strategy formulated, (ii) the role of the private sector defined, (iii) the roles and responsibilities of ministries and agencies clarified, (iv) movement of goods and transit trade streamlined, and (v) physical and institutional infrastructure improvements materializing.</p> <p>Impacts: (i) Afghanistan's growth and development based on trade facilitation and connectivity with the neighboring countries enhanced; and (ii) Afghanistan's strategic position as the land bridge established through investing in the regional road corridors. However, it will depend on the implementation of the TA recommendations.</p> <p>Delivery of Inputs and Conduct of Activities. The original consultant inputs specified were 15 person-months of international (comprising three experts: logistics, transport infrastructure, and legal) and 8 person-months of domestic consultants (comprising two experts: financial expert and transport engineer) to work within the 12 months of the TA implementation period. However, two international consultants were engaged totaling 18 person-months (logistics expert-12 person-months; and transport expert-6 person-months). No legal expert was engaged. Only one domestic consultant was engaged for about 1 person-month input to assist the international infrastructure expert. No financial expert was engaged. The TA implementation took about 18 months and a number of time extensions granted to the two international consultants. The increased cost of international consultants was covered by the savings from domestic consultants and out of pocket expenses. The consulting services were utilized effectively and the quality of their input and in-depth analyses was quite satisfactory. However, the legal aspects review and formulation of recommendations is assessed weak because of the non-availability of the required legal expert. The recipients were fully cooperative and provided necessary input to ADB's missions and consultants.</p> <p>Evaluation of Outputs and Achievement of Outcome. The Consultants conducted stakeholders workshops, participated in the conferences, generated progress and final reports containing analyses subsequent to (i) reviewing the existing studies (on customs, border procedures, border infrastructure, existing laws, regulations, rules and procedures, bilateral and multilateral agreements, on revenue generating measures, including tolls and transit fees) and conducting field assessments (including interviews with transport operators, forwarders, and intermediaries; and (ii) developed proposals to improve border and transport-related infrastructure (buildings, warehousing, parking lots, cargo inspection sheds, weighbridges, workshops, other customs-related physical facilities along major transport corridors); and on the institutional arrangements at the concerned ministries and agencies for facilitating the movement of goods across Afghanistan's borders. As a result the study has identified key actions required to facilitate cross-border trade and transport and realize the potential benefits for Afghanistan and its five immediate neighbors (Iran, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan). Key actions are summarized as follows:</p>				

(i) **Remove physical constraints**—invest in transport and trade infrastructures (roads, rail, border facilities, and inland facilities; (ii) **Remove institutional constraints**—strengthen trade-related institutions (establish World Trade Organization-compliant open trade or market regimes), port capacity, custom procedures; (iii) **Remove policy constraints** – harmonize transport, transit, trade, and tariff policies, design and implement regulatory framework; conform to international regulations, conventions, and treaties; rationalize and strengthen participation in bilateral and multilateral trade and transit agreements; and (iv) **Foster Private Sector Growth**- to increase investments in cross-border trade and transport, to increase trade flow and use warm water ports.

The anticipated gains can be summarized: (i) substantial travel time saving, (ii) Afghanistan's border trade to grow rapidly, (iii) employment generation, (iv) savings in vehicle operating costs, (v) savings in travel costs, (vi) increase in freight, (vii) reduction in freight cost, (viii) increase in revenue, (ix) increase in GNI, (x) increase in business income, (xi) increase in household income, and (xii) sub-regional development. The Government expressed commitment to utilize the TA output to realize these gains.

Overall Assessment and Rating. The TA is rated as partly successful, primarily due to the lack of an in-depth analysis of the legal aspects such as: to amend and/or new laws, rules, regulations, bilateral and multilateral agreements and lack of promoting vital dialogue between Afghanistan and its five immediate neighbors despite excessive time taken to implement the TA. The TA administration was disrupted due to ADB's reorganization in May of 2006 when Afghanistan and Pakistan were put in a newly-constituted Central and West Asia Regional Department.

However, the Consultants worked and achieved the main objectives of the TA as described above. Importantly: the infrastructure investment options (prioritizing based on the economic viability measured by economic internal rate of return); specific cost recovery measures; and roles and responsibilities of the concerned ministries for operating the new/improved cross-border infrastructure. The total nominal capital outlay for regional roads and related infrastructure is estimated at \$6.9 billion in which Afghanistan alone would have to invest about \$2.6 billion. Furthermore, in addition to the physical and institutional infrastructure improvements the framework or strategies for: road asset maintenance and management; role of the private sector; roles and responsibilities of ministries and agencies; and cost recovery for road infrastructure development (including tolling of regional highways, road user charges, road fund, custom procedure) have been outlined.

Major Lessons

- (i) One important missing link determined is lack of weighing stations, crucial for protection of road assets.
- (ii) The imbalance of trade was partly explained due to the leakages in transactions across the border.
- (iii) Key constraints to the expansion of the cross-border trade among Central and South Asian neighbors include lack of complementarity and competitiveness of mutual economies, customs issues, trade policies, preferential trading arrangements, cargo transshipment at borders, transit permits, vehicle standards and axle load control, visa regulations, unofficial charges, protection of local trucking, and others.

All these factors hold back growth of trade within Afghanistan and between Afghanistan and neighboring countries.

Recommendations and Follow-Up Actions

- (i) Promotion of regional cooperation in trade, transit, transport, energy, water and others will critically hinge on bilateral and multilateral cooperation in integrated border management including customs cooperation, border security, fight against terrorism, anti-smuggling operations, intelligence and data sharing, improved communication and people to people exchange.
- (ii) It is premature to move towards a multilateral trade and transit agreement without prior resolving bilateral agreements between Afghanistan and its neighbors.
- (iii) Key follow up actions required are summarized as above under "Achievement of Outcomes".
- (iv) Full economic benefits from investments in road infrastructure can be realized only if complimentary investments are made in appropriate physical assets, roads, road-related facilities, toll booths, border and Inland Clearance Depot facilities, truck fleet modernization, capacity building and human capital have to be in place for cross-border trade and transport to flourish. Conversely, economic benefits more than offset costs of construction and rehabilitation of roads and related infrastructure
- (v) Given the limited traffic growth potential in the short and the medium term any large scale expansion of railway network within Afghanistan must be viewed within the longer term framework.
- (vi) Construction standards, contracting methods, harmonization of road transport laws and regulations.
- (vii) Importance of clarifying roles and responsibilities of various ministries and agencies is vital.