

# TECHNICAL ASSISTANCE COMPLETION REPORT<sup>1</sup>

Division: CWTC

TA No., Country and Name  TA 4906-AFG: Capacity Building for Customs and Trade Facilitation		Amount Approved: US\$1,200,000  Revised Amount: US\$1,200,000	
Executing Agency: Ministry of Finance	Source of Funding: TASF	Amount Undisbursed: US\$1,027,059	Amount Utilized: US\$172,941
TA Approval Date: 18 Dec 2006	TA Signing Date: 09 Jan 2007	Fielding of First Consultant: May 2007	TA Completion Date Original: 31Mar2009      Actual: 31 March 2009  Account Closing Date Original: 31 March 2009      Actual: 13 May 2009
<p><b>Description</b></p> <p>Building upon ADB's previous assistance<sup>2</sup> for cross-border trade and transit facilitation, the TA intended to develop the capacity of key government agencies involved in the cross-border trade and transit such as the Afghan Customs Department (ACD) of the Ministry of Finance (MOF), Ministry of Commerce (MOC), and Ministry of Transport (MOT). The TA supported the recommendations from meetings of the Central and South Asia Trade and Transport Forum (CSATTF) and the Central Asia Regional Economic Cooperation (CAREC), as well as findings of other technical assistance activities of ADB or other donors to increase Afghanistan trade with neighboring countries. It was prepared to help the Government implement the recommendations based on the findings in a more systematic and effective way.</p> <p><b>Expected Impact, Outcome and Outputs</b></p> <p>The expected impact of the TA was to improve an enabling environment for international trade and transit in Afghanistan and enhance the capacity of the Government in customs and trade facilitation. The expected outcomes were increased cross-border and transit trade, increased customs revenue, and reduced customs revenue leakage through corruption.</p> <p>The TA had 5 components; (i) capacity building in ACD and harmonization of customs procedures; (ii) assisting in the implementation of the corruption risk management plan in the ACD and developing a detailed corruption risk-management strategy and institutional mechanisms and capacity to implement corruption risk-mitigation measures; (iii) building the capacity of MOC in transit facilitation and encouraging private sector participation in improving border port facilities; (iv) harmonization of domestic transport law with neighbors through streamlining and strengthening of the regulatory framework; and (v) promoting interagency cooperation at the border through clarification of the roles and responsibilities of various agencies engaged in cross-border trades and transport.</p> <p>The expected outputs included (i) Afghan customs procedures harmonized with neighboring countries, (ii) ACD staff trained on the revised customs procedures; (iii) detailed corruption risk-management strategy and implementation plan developed, (iv) ACD staff trained to implement corruption risk-management measures, (v) transit agreements with neighboring countries revised, (vi) border trade facilitation committee established, (vii) private sector participation and investment increased in cross-border facilities, (viii) transport law drafted, and (ix) memorandum of understanding on the roles and responsibilities of the ministries and agencies at borders signed.</p> <p><b>Delivery of Inputs and Conduct of Activities</b></p> <p>The TA required 45 person-months of international consultants of a customs and trade facilitation expert (8 person-months), governance and anticorruption specialist (15 person-months), trade facilitation expert (10 person-months), and transport regulation expert (6 person-months); and 30 person-months of national consultants. The terms of reference for each consultant were clearly defined.</p> <p>The international customs and trade facilitation expert recruited individually was fielded in May 2007 and engaged for 8 person-months to look after the component for capacity building in ACD and harmonization of customs procedures. No other experts, international or national, were engaged mainly because the poor security situation in Afghanistan hampered mobilization of qualified international consultants. Out of \$1,200,000 TA budget, \$172,941 were disbursed for remuneration and out-of-pocket expenses of the international expert.</p>			

<sup>1</sup> In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

<sup>2</sup> ADB. 2004. *Technical Assistance to the Islamic Republic of Afghanistan for Cross-Border Trade and Transport Facilitation*. Manila (TA 4536-AFG for \$550,000) and ADB. 2005. *Technical Assistance to the Islamic Republic of Afghanistan for Building the Capacity of the Ministry of Commerce for Trade and Transit Facilitation*. Manila (TA 4699-AFG for \$400,000).

### **Evaluation of Outputs and Achievement of Outcome**

The expected TA outcomes were not achieved because the TA was not implemented as designed and consequently did not produce all expected outputs. The international customs and trade facilitation expert was supposed to (i) assist with capacity building in ACD and providing training at the Customs Training Center; (ii) help harmonize customs procedures with neighboring countries in line with CSATTF and CAREC recommendations; (iii) facilitate the coordination of various Government agencies at the border; (iv) help draft a memorandum of understanding between the ministries concerned to promote interagency cooperation at the border. The consultant did not complete any of the tasks. The consultant rather carried out ad hoc tasks requested by ACD from time to time without sticking to the terms of reference. Those activities, appreciated by ACD, might have helped strengthening ACD's capacity but digressed from the original TA design and made it difficult to achieve the TA objectives in an integrated way.

The consultant's outputs included (i) a background paper on the role of customs, challenges facing Afghan Customs, and possible solutions explaining main challenges ACD faced and how the five-year strategic plan coped with those challenges; (ii) a study of Afghanistan's external trade to identify measures for export expansion; (iii) papers regarding (a) the creation of a Tariff Research Unit for the purpose of monitoring trends in revenue collection and the adoption of appropriate tariff policy, (b) a plan for surveys of customs offices for human resource planning, (c) customs tariff policy advice on ad-hoc duty exemption to raw material imported for industries; (d) policy framework for granting of duty exemption to Government imports; and (e) provision of incentives to customs officers for good performance in enforcement work by creating a fund from the proceeds of sale of confiscated goods; and (iv) technical specifications of cargo handling equipment needed in different customs clearance stations procured on ADB loan.

Although those outputs were provided at the request of the implementing agency and with a satisfactory quality, and to a degree, contributed to ACD's capacity strengthening, they were out of the original TA design, difficult to be integrated into an intended deliverable, and thus weakened the rationale of the TA.

### **Overall Assessment and Rating**

The TA is rated unsuccessful because the majority of expected TA activities were not carried out, some activities conducted were out of the context of the TA design, and accordingly, the TA did not bring about its expected impact and outcomes.

### **Major Lessons**

(i) Before determining its provision of TA assistance, ADB should carefully assess its capacity to supervise and monitor TA implementation. ADB had limited expertise for trade and customs when the TA was provided. There was no contingency plan in place on how the TA would be supervised if there was no in-house expertise available. Then, as such a situation took place, the TA was put in a stalemate. ADB's limited in-house expertise requires it to be more selective in determining the areas of its assistance.

(ii) For ADB's assistance in the areas of limited experience and expertise, ADB should engage with other donors who are active and leading donors' activities in the area. Although it was important for ADB to capitalize on the recommendations of CSATTF and CAREC, ADB should have seriously considered how to overcome its disadvantage, i.e., lack of expertise. The World Bank and UNCTAD which led external assistance for trade and customs might have been engaged with as, for example, a member of TA implementation steering committee.

(iii) Too complicated TA arrangements may obstacle efficient and timely undertaking of TA activities. For five TA components, the TA assigned 3 implementing agencies, ACD, MOC, and MOT. The components for MOC and MOT did not even start. Particularly, MOC was not supportive to the TA as it misconceived that its role was marginalized by the TA. The implementation arrangement of the TA should be simple and avoid any discontent and friction between government agencies involved.

### **Recommendations and Follow-Up Actions**

(i) As lack of expertise in trade and customs continues, ADB should limit its involvement in the area unless the assistance is complementary to ADB-financed investment projects and essential to functioning of project outputs.

(ii) ADB should be quick to decide how to cope with departure of a project officer whose expertise is irreplaceable in-house and how to reassign the responsibility, through internal or external mobilization. Procrastination in such decisions may cause incurable delay in TA implementation and consequent loss of continuity.

(iii) At the stage of TA design, the difficulty to mobilize qualified international consultants in Afghanistan should be fully considered. The budgeted rate should reasonably reflect the hardship and security allowance. Placing such international experts in nearby neighboring countries might also be considered with the arrangement of their visiting the field regularly and developing some outputs off the field.