



# Technical Assistance Report

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Project Number: 40577  
November 2006

## Proposed Technical Assistance Islamic Republic of Afghanistan: Capacity Building for Customs and Trade Facilitation

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 1 October 2006)

Currency Unit	–	afghani/s (Af)
Af1.00	=	\$\$0.0202
\$1.00	=	Af 49.59

## ABBREVIATIONS

ADB	–	Asian Development Bank
ACD	–	Afghan Customs Department
ANDS	–	Afghanistan National Development Strategy
ASYCUDA	–	automated systems for customs data
CAREC	–	Central Asia Regional Economic Cooperation
CSATTF	–	Central and South Asia Trade and Transport Forum
ICRA	–	institutional corruption risk assessment
MOC	–	Ministry of Commerce
MOF	–	Ministry of Finance
MOT	–	Ministry of Transport
TA	–	technical assistance
TIR	–	Transports Internationaux Routiers (Transport International Regulation)
UNCTAD	–	United Nations Conference on Trade and Development
USAID	–	United States Agency for International Development

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sector</b>	–	Industry and trade
<b>Subsector</b>	–	Trade
<b>Themes</b>	–	Governance, economic growth, regional cooperation
<b>Subtheme</b>	–	Institutional development

## NOTE

In this report, "\$" refers to US dollars.

<b>Vice President</b>	L. Jin, Operations Group 1
<b>Director General</b>	J. Miranda, Director General, Central and West Asia Department (CWRD)
<b>Director</b>	B. Fawcett, Country Director, Afghanistan Resident Mission, CWRD
<b>Team leader</b>	M. Prokop, Economist, Afghanistan Resident Mission, CWRD

## I. INTRODUCTION

1. This technical assistance (TA) was included in the Asian Development Bank (ADB) country strategy and program update for 2006–2008.<sup>1</sup> In September 2006, the Fact-Finding Mission was conducted to discuss TA objectives, scope, and activities. TA supports the implementation of recommendations from meetings of the Central and South Asia Trade and Transport Forum (CSATTF) and the Central Asia Regional Economic Cooperation (CAREC) and builds on the findings of other recent and ongoing TA to facilitate trade.<sup>2</sup> It also complements assistance provided by other development partners, particularly the World Bank and the United Nations Conference on Trade and Development (UNCTAD). The TA design and monitoring framework is presented in Appendix 1.<sup>3</sup>

## II. ISSUES

2. The Government of the Islamic Republic of Afghanistan (the Government) has emphasized the importance of regional cooperation to its reconstruction efforts, private sector development, and peace building. The opening of Afghanistan's borders and reconstruction efforts provide new opportunities for the region. Afghanistan could become once again a land bridge connecting South and Central Asia. However, trade is currently limited to imports to, and exports from, third countries via Pakistani or Iranian ports, as well as smaller amounts via the Central Asian republics. There is almost no transit trade through Afghanistan.<sup>4</sup>

3. These benefits can materialize only once the many existing constraints are addressed with a synchronized strategy toward regional trade expansion and growth. The constraints include customs issues, trade policies, preferential trading arrangements, cargo transshipment at borders, transit permits, visa regulations, unofficial charges, and endemic corruption. Transit agreements are either nonexistent or poorly implemented. Link roads, ports, and border-crossing facilities are inadequate, and their management and operation are inefficient. Border and in-country security issues are serious. Other constraints are the distance from major world markets; tariff and non-tariff trade barriers; lack of facilitation of the private sector; weak investment laws; an inadequate legal and regulatory framework; weak institutional and human resource capacities; and inadequate or absent key services such as banking and finance, insurance, bonded warehousing, marketing, standards certification, and telecommunications.

4. CSATTF and CAREC are both assisting Afghanistan and its neighboring countries in overcoming some of these constraints. CSATTF, which aims to promote regional transport and trade cooperation along the corridors linking Central and South Asia via Afghanistan, is based on four pillars: (i) transport infrastructure development, (ii) customs harmonization and modernization, (iii) transit facilitation; and (iv) security-related measures. Similarly, CAREC assists its member countries in the transport and energy sectors, customs cooperation, trade facilitation, and trade policy.

5. Other development partners also support trade-facilitation activities in Afghanistan. The World Bank Emergency Customs Modernization and Trade Facilitation Project includes a trade-

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<sup>1</sup> ADB. 2005. *Country Strategy and Program Update (2006-2008): Afghanistan*. Manila

<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 approved on 23 December 2004) 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 approved on 6 December 2005).

<sup>3</sup> The TA first appeared in *ADB Business Opportunities* on 2 October 2006.

<sup>4</sup> See final report of TA 4536-AFG.

facilitation component to improve transit treaties and corridor agreements, as well as implement the Transport International Regulation (TIR).<sup>5</sup> The project also supports the Afghan Customs Department (ACD) in constructing physical infrastructure; implementing automated systems for customs data (ASYCUDA); and developing an overall customs policy, legislation, and the reform of border and inland controls and procedures in line with ASYCUDA. The United States Agency for International Development (USAID) provides assistance to the Ministry of Finance (MOF) in customs modernization and to the Ministry of Commerce (MOC) in ministry reform.

6. TA 4536 (footnote 1) (i) developed a longer-term plan for cross-border and inland investment; (ii) recommended reforms to rules, procedures, agreements, and institutions; (iii) undertook a cost-benefit analysis of alternative corridors; and (iv) designed methods for setting tolls, transit fees, and other revenue-generating measures. Also required are institutional strengthening of the relevant ministries, including MOF, MOC, and the Ministry of Transport (MOT), and further articulation and cross-border harmonization of the regulatory framework, especially customs procedures and domestic transport laws. TA 4699 and TA 4536 are strengthening the capacity of MOC in trade and transit facilitation; promoting private sector participation in cross-border trade and investment in border port facilities; enhancing inter-ministerial cooperation; and reviewing, revising, renegotiating existing trade and transit agreements (and/or negotiating new ones). Efforts must continue to strengthen skills in trade and transit issues, provide support for negotiating transit agreements, and mobilizing the Afghan private sector to invest in trade facilitation.

7. Findings from extensive surveys in TA 4536 showed that the lack of clearly demarcated responsibilities for the various Government agencies at the border leads to inconsistencies in procedures and their application, raises significant governance concerns, and generally harms trade facilitation. TA 4536 carried out an analysis of the current responsibilities of various ministries and agencies at the border and made a first attempt to develop a set of principles to determine which ministry should lead in which areas. Agreement in principle was obtained at an interministerial meeting, hosted in June 2006 by ADB, regarding the roles and responsibilities of key ministries. However, many issues still require dialogue, discussion, and in-depth analysis.

8. Corruption has been identified as one of the key constraints to more effective border management, hindering trade, private sector development, and security. It also seriously affects the Government's efforts to increase its domestic revenue base. No reliable estimates exist on leakage at the various border posts, nor has there been a detailed analysis of the scale of corruption within customs and other agencies. ACD has completed a preliminary study on the causes of corruption and suggestions for prevention. However, a more comprehensive institutional corruption risk assessment (ICRA) is lacking. As part of proposed ADB TA to support the development of the Afghanistan National Development Strategy (ANDS) process, the Government has requested ADB to assist in preparing a national transparency and anti-corruption strategy. This TA will also conduct ICRA's and develop institutional risk-management plans for the transport, energy, and customs sectors. The risk assessments will look at opportunities for corruption by examining procedures, regulations, planning stages, operations, and practices within each sector and consulting with sector experts, the Government, other development partners, and private sector representatives. These assessments will form the bases of corruption risk-management plans, which will include policy and procedural measures for the Government and development partners to adopt to mitigate corruption risks.

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<sup>5</sup> The trade facilitation component is implemented by UNCTAD.

9. MOT plays an important role in trade and transport facilitation. The ministry is gradually moving away from owning and operating truck and bus fleets to concentrate on regulating the operations of privately owned commercial trucks, buses, and taxis and other vehicles. A wide range of laws currently regulate road transport. According to the transport sector review, the task of identifying existing applicable laws related to the transport sector is constrained by a lack of information on the state of the law that governs the ministries concerned. Only rarely are copies of laws applicable to their area of responsibility available to ministries, and few have a legal department or legal advisors. For its part, the Ministry of Justice enjoys only limited access to verifiable sources of information and readily available documentation. The need therefore exists to draft and enact a comprehensive umbrella domestic transport law and to harmonize it with similar laws in neighbouring countries, and so facilitate the domestic and cross-border movement of vehicles and establish vehicle standards that are TIR compliant. The proposed law should cover keys areas of responsibility of a restructured MOT.<sup>6</sup>

### III. THE PROPOSED TECHNICAL ASSISTANCE

#### A. Impact and Outcome

10. TA will improve the enabling environment for international trade and transit in Afghanistan and enhance the capacity of the Government in customs and trade facilitation. TA will increase customs revenue and cross-border and transit trade, while reducing leakage through corruption. Its purpose is to (i) harmonize customs procedures with neighboring countries and strengthen the capacity of ACD; (ii) develop a detailed corruption risk-management strategy, developing institutional mechanisms and capacity to implement corruption risk-mitigation measures; (iii) improve transit arrangements with neighboring countries, facilitating the movement of vehicles between Afghanistan and neighboring countries and encouraging the private sector to invest in border port facilities; (iv) streamline and strengthen the regulatory framework for domestic transport law, harmonizing it with laws in neighboring countries; and (v) clarify the roles and responsibilities of various ministries and agencies engaged in facilitating cross-border trade and transport.

#### B. Methodology and Key Activities

11. The proposed TA will closely build on ongoing work by ADB and other development partners and coordinate with TA 4828: Road Rehabilitation and Capacity Building Cluster.<sup>7</sup> It should have the following components:

12. **Component 1: Capacity Building in ACD and Harmonization of Customs Procedures.** TA will assist with capacity-building activities within ACD and provide training at the recently established Customs Training Centre at Kabul.<sup>8</sup> TA will engage a customs and trade-facilitation expert (8 person-months, intermittently over the duration of TA) to advise the director general of ACD and coordinate all TA activities. The advisor's main responsibilities will include (i) assisting with capacity-building activities within ACD and providing, as required, training sessions at the Customs Training Centre; (ii) helping to harmonize customs procedures with neighboring countries in line with CSATTF and CAREC recommendations; and (iii) facilitating the coordination of various Government agencies at the border. As required, training

<sup>6</sup> A list of existing laws can be found in Appendix 4 of the Aide Memoire for TA Fact-Finding Mission dated 27 September 2006.

<sup>7</sup> ADB. 2006. *Technical Assistance to the Islamic Republic of Afghanistan for Preparing the Road Rehabilitation and Capacity Building Cluster*. Manila (TA 4828-AFG for \$2,700,000 approved on 31 July 2006).

<sup>8</sup> The Customs Training Centre has received some funding from the World Bank for equipment.

manuals will be developed and equipment provided to the center. As training curricula for the Customs Training Centre are still under development, TA will provide 6 person-months of unallocated international consultancy expertise to fill training gaps, as required, over the duration of TA. The customs and trade-facilitation expert will develop the terms of reference in close consultation with ACD and other development partners to avoid duplication of effort.

**13. Component 2: Assisting the Implementation of the Corruption Risk Management Plan in the ACD.** TA will help fine-tune the corruption risk-management plans for ACD developed under the proposed ADB support to the ANDS, explore additional options for mitigation based on field assessment, and help ACD develop a detailed implementation plan, including capacity-building requirements. TA will help initiate the implementation of the corruption risk-management plan. It will provide training for ACD staff on, inter alia, how to (i) detect occurrences of corruption, (ii) effectively manage complaints, (iii) conduct investigations into allegations of corruption, and (iv) identify institutional risks for corruption and design measures to mitigate them. Detection efforts should initially rely on well-considered complaint mechanisms. Based on the recommendations of the corruption risk-management plans and discussions with the Government and development partners, and on the overall MOF reform plan, this component will include supporting the establishment of an internal affairs unit. The support will include developing regulations for the unit, a work plan, and a capacity-building plan. It will provide the necessary technical support and training for staff of the unit. TA will look at piloting the work of the unit at one or more of the border posts. TA will build on ongoing work by other development partners, in particular the study *Ethics—A Roadmap for the Afghanistan Customs Department* and work conducted under the World Bank Emergency Customs Modernization and Trade Facilitation Project.<sup>9</sup> The implementation of the corruption risk-management plans and the establishment of an internal affairs unit will be overseen by a governance and anticorruption expert (15 person-months).

**14. Component 3: Building the Capacity of MOC in Transit Facilitation and Encouraging Private Sector Participation.** Component 3 will follow up on the work already started under TA 4699 (footnote 1). This component will be closely coordinated with ongoing support provided by UNCTAD under the World Bank project and with MOF. Particular attention will be given to enhancing MOC's capacity to perform its role as trade and transit facilitator and to mobilize private sector resources for investment in border port facilities. All training activities will be closely coordinated with the training program and training facilities at MOF. This component will, inter alia, (i) strengthen and modernize transit agreements; (ii) establish and support the operation of an interministerial permanent commission to review trade and transit agreements, renegotiating them or negotiating new agreements as necessary; (iii) strengthen the capacity of MOC to participate proactively in CAREC and CSATTF meetings; (iv) assist in establishing and operating a border trade facilitation committee at each border to monitor cross-border trade flows; and (v) promote and facilitate private investment in cross-border facilities in coordination with MOF.

**15. Component 4: Harmonization of Domestic Transport Law with Neighbors.** TA will assist in drafting the law and recommend institutional reforms required to implement it. The law will include (i) regulations on market entry, operations, and pricing with a view to deregulating domestic road transport; (ii) the issuance of driver and vehicle licenses; (iii) traffic and safety regulations; (iv) axle load control and weighing stations; (v) road worthiness testing; (vi) the enforcement of technical and safety regulations; (vii) road security; (viii) third party liability

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<sup>9</sup> Afghan Customs Department. June 2006. *Ethics—A Roadmap for the Afghanistan Customs Department*. Kabul (developed by the Adam Smith Institute with funding from DFID).

insurance; (ix) transport services to remote and isolated areas; (x) the issuance of transit permits to trucks; (xi) the construction and management of transport terminals and highway rest areas; (xii) a transport commission fee; (xiii) a transit fee; and (xiv) control of vehicle entry into Afghanistan and temporary storage of goods unloaded from overloaded trucks.

16. **Component 5: Promoting Inter-agency Cooperation at the Border.** TA 4536 (see footnote 1) made a list of concrete recommendations on how to delineate responsibilities and to strengthen coordination. TA will assist in the process, providing technical expertise and meeting facilitators, and help draft a memorandum of understanding between the ministries concerned. These activities will be coordinated by ACD with assistance from the customs and trade facilitation expert and closely coordinated with the Border Management Initiative.

### **C. Cost and Financing**

17. The total cost of TA is estimated at \$1,350,000 equivalent. The Government has requested ADB to finance a grant of \$1,200,000 equivalent. TA will be financed by ADB's TA funding program. The Government will finance the remaining \$150,000 equivalent for counterpart staff salaries and office accommodation. Indicative cost estimates and the financing plan are in Appendix 2.

### **D. Implementation Arrangements**

18. MOF will be the Executing Agency for TA and Implementing Agency for components 1, 2, and 5. MOC will be the Implementing Agency for component 3 and MOT for component 4. All agencies will assign counterpart staff to work with the consultants in order to ensure that the capacity-building initiatives have maximum impact. The Government will provide suitable office space, utilities, and logistical and administrative support to the consultants. Executed over 27 months, TA is expected to start in January 2007 and be completed by March 2009.

19. TA requires a total of 45 person-months of international consultancy (a customs and trade facilitation expert [8 person-months], governance and anti-corruption specialist [15 person-months], trade facilitation expert [10 person-months], and transport regulation expert [6 person-months]). TA will also provide up to 6 person-months of unallocated international consultancy to be used as needed for capacity building. National consultants will be engaged for a total of up to 30 person-months as required under the various components. In close consultation with the ADB project officer, the customs and trade facilitation expert will determine the need for the national consultants and their terms of reference. All consultants will be engaged by ADB in accordance with its *Guidelines on the Use of Consultants*. Consultants will be engaged on individually. Equipment will be financed by ADB in accordance with ADB's *Procurement Guidelines*. The customs and trade facilitation expert will be responsible for procuring equipment, which will be turned over to the Government upon completion of TA.

20. The outcomes of TA will be shared with government officials, ADB staff, and other development partners at CAREC conferences and working group meetings and other forums.

## **IV. THE PRESIDENT'S RECOMMENDATION**

21. The President recommends that the Board approve the provision of technical assistance not exceeding the equivalent of \$1,200,000 on a grant basis to the Government of the Islamic Republic of Afghanistan for Capacity Building for Customs and Trade Facilitation.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Improved enabling environment for international trade and transit in Afghanistan</p>	<p>Trade in licit commodities with neighboring countries increases.</p> <p>Transit trade via Afghanistan increases.</p>	<p>Central Asia Regional Economic Cooperation (CAREC) and Central and South Asia Trade and Transit Forum (CSATTF) documents and review missions</p> <p>Trade statistics (national and regional)</p>	
<p><b>Outcome</b></p> <p>Increased customs revenue and cross-border and transit trade</p> <p>Reduced customs revenue leakage through corruption</p>	<p>Customs revenue increases at a rate that at least meets projected Government revenue targets</p> <p>Leakage decreases (no quantitative baseline data available)</p>	<p>Government revenue reports and budget documents; International Monetary Fund reports</p> <p>Reports of border management initiative and feedback from traders and private sector representatives</p>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>Improved security environment will generate regional confidence.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Lack of political will to address corruption issues</li> <li>Security situation and political instability affect the Government's ability to enforce anti-corruption measures.</li> </ul>
<p><b>Outputs</b></p> <p><b>Component 1</b> 1.1 Increased harmonization of customs procedures with neighboring countries</p> <p>1.2 Strengthened capacity of Afghan Customs Department (ACD)</p> <p><b>Component 2</b> 2.1 Detailed corruption risk-management</p>	<p>Afghan procedures reviewed and adjusted</p> <p>Afghanistan participates actively in CAREC customs cooperation meetings.</p> <p>Staff of ACD receive regular training at Kabul Customs Training Centre.</p> <p>Strategy and plan discussed with the</p>	<p>CAREC and CSATTF reports</p> <p>Report of consultant (team leader)</p> <p>Feedback from ACD and development partners</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Willingness of regional countries to cooperate on customs-related issues</li> <li>Afghan ministries involved in trade and transit facilitation cooperate closely</li> <li>Availability of highly qualified consultants</li> <li>Commitment of the Government to provide experienced counterpart staff and resources</li> </ul>

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p>strategy and implementation plan developed</p> <p>2.2 Strengthened Government capacity to implement corruption risk-management measures</p> <p><b>Component 3</b></p> <p>3.1 Improved transit agreements and capacity of the Government to negotiate agreements strengthened</p> <p>3.2 Establishment of border trade facilitation committee</p> <p>3.3 Enhanced private sector participation and investment in cross-border facilities</p> <p><b>Component 4</b></p> <p>4.1 Streamlined and strengthened regulatory and legal framework for transport</p> <p><b>Component 5</b></p> <p>5.1 Roles and responsibilities of agencies at borders clarified</p>	<p>Government and development partners 6 months after the fielding of consultants</p> <p>Training of ACD staff developed and delivered</p> <p>Key transit agreements with neighboring countries revised by parties affected</p> <p>Committee operational after 6 months of TA implementation</p> <p>Domestic transport law drafted 5 months after of fielding of consultant</p> <p>Memorandum of understanding agreed by the ministries and agencies concerned</p>	<p>Feedback from ACD</p> <p>Transit agreements and consultants' reports</p> <p>Consultants' report</p> <p>Feedback from traders and private sector representatives</p> <p>Consultant's report and feedback from Ministry of Transport</p> <p>Feedback from Border Management Initiative, development partners, and Government agencies</p>	

<p><b>Activities with Milestones</b></p> <p><b>Component 1: Capacity Building of ACD and Harmonization of Customs Procedures</b></p> <p>1.1. Review customs procedures and assist in harmonizing procedures with neighboring countries in line with CSATTF and CAREC recommendations (review completed within 6 months of fielding consultant [team leader]).</p> <p>1.2.1 Assess training needs of ACD and, in cooperation with other development partners and the Government, develop the training curriculum and training material for Customs Training Centre (needs assessment conducted within first 4 months after fielding consultant).</p> <p>1.2.2. Deliver training (workshops, seminars, courses) to Customs Training Centre in Kabul (throughout TA implementation).</p> <p><b>Component 2: Assisting the Implementation of the Corruption Risk Management Plan in the ACD</b></p> <p>2.1.1 Review and fine-tune corruption risk management plans for ACD (within first 4 months of fielding consultant [corruption risk management expert]).</p> <p>2.1.2 Conduct brief field assessments and recommendations for additional options for measures to mitigate corruption.</p> <p>2.1.3 Develop implementation plan for corruption risk-management plan with particular reference to capacity-building requirements (within 6 months of fielding consultant).</p> <p>2.2.1 Train ACD staff on how to (i) detect occurrences of corruption; (ii) effectively manage complaints; (iii) conduct investigations into allegations of corruption; and (iv) identify institutional risks for corruption and design measures to mitigate them (throughout TA implementation).</p> <p>2.2.2 Establish an internal affairs unit and develop regulations for the unit, a work plan, and a capacity-building plan (within 12 months of TA implementation).</p> <p>2.2.3 Implement a capacity-building plan.</p> <p>2.2.4 Conduct pilot extending unit work to at least one main border post.</p> <p><b>Component 3: Building the Capacity of MOC in Transit Facilitation and Encouraging Private Sector Participation</b></p> <p>General: Build capacity (with on-the-job training and seminars) in these areas:</p> <p>3.1.1 Review transit agreements and develop recommendations for improving agreements based on work under TA 4699 (within 4 months of fielding consultant).</p> <p>3.1.2 Establish an interministerial permanent commission to review and renegotiate (or negotiate new) trade and transit agreements (within 6 months of fielding consultant [trade facilitation expert]).</p> <p>3.2.1 Establish a border trade facilitation committee at each border to monitor cross-border trade flows.</p> <p>3.3.1 Identify potential areas of private sector involvement in trade-related activities and investments in cross-border facilities.</p> <p>3.3.2 Develop recommendations on how to promote private sector participation.</p> <p><b>Component 4: Harmonization of Domestic Transport Law with Neighbors</b></p> <p>4.1.1 Review existing laws relevant to domestic transport (within 6 months of fielding consultant [transport regulation expert]) and draft recommendations for required institutional reforms (within 5 months of fielding consultant).</p> <p>4.1.2 Draft law (within 5 months of fielding consultant).</p> <p>4.1.3 Conduct consultations with stakeholders and establish a working group to facilitate adoption of law.</p> <p><b>Component 5: Promoting Inter-agency Cooperation at the Border</b></p> <p>5.1.1 Follow-up on recommendations of TA 4536 and June 2006 workshop.</p> <p>5.1.2 Conduct meetings and facilitate sessions for the ministries concerned (within 6 months of fielding consultant).</p> <p>5.1.3 Draft a memorandum of understanding among the ministries concerned.</p>	<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• Asian Development Bank TA contribution \$1,200,000</li> <li>• Government contribution (in kind) \$150,000</li> <li>• World Bank support to ACD and Ministry of Commerce (MOC)</li> <li>• United States Agency for International Development support to ACD and MOC</li> </ul>
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**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>A. Asian Development Bank (ADB) Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	780.0
ii. Domestic Consultants	40.0
b. International and Local Travel	100.0
c. Reports and Communications	10.0
2. Equipment <sup>b</sup>	80.0
3. Training, Seminars, and Conferences	90.0
4. Miscellaneous Administration and Support Costs	20.0
5. Contingencies	80.0
<b>Subtotal (A)</b>	<b>1,200.0</b>
<b>B. Government Financing</b>	
1. Office Accommodation and Transport	70.0
2. Remuneration and Per Diem of Counterpart Staff	70.0
3. Others	10.0
<b>Subtotal (B)</b>	<b>150.0</b>
<b>Total</b>	<b>1,350.0</b>

<sup>a</sup> Financed by ADB's technical assistance funding program.

<sup>b</sup> Equipment will include IT equipment (computers, printers, scanners) and office equipment such as office furniture.

Source: ADB estimates.

## OUTLINE TERMS OF REFERENCE FOR THE CONSULTANTS

1. All experts will be based in Kabul in the respective ministries but will also visit border post as and when necessary. The experts will work in close coordination with the support and expertise provided by the United States Agency for International Development (USAID), the World Bank, and other development partners. The experts will follow up on the recommendations of Asian Development Bank (ADB) TA 4536 and TA 4699.<sup>1</sup>

**A. Customs and Trade Facilitation Expert (Team Leader)** (international, 8 person-months, intermittent)

2. The consultant will assist in capacity building in the Afghan Customs Department (ACD). He or she will also act as the team leader of TA.

3. The tasks of the consultant shall include the following:

- (i) Prepare a time-bound action plan to implement these terms of reference for the consideration of the Ministry of Finance (MOF) as the Executing Agency and ADB.
- (ii) Utilize mechanisms available under the Central and South Asia Trade and Transport Forum (CSATTF) and Central Asia Regional Economic Cooperation (CAREC) to review the customs procedures of neighboring countries and help ACD develop measures for harmonizing procedures.
- (iii) Provide support for Afghanistan's participation in CSATTF and CAREC activities.
- (iv) Promote interagency cooperation at the border by organizing an interministerial working group to review and clarify the roles and responsibilities of Government agencies in close coordination with the Border Management Initiative.
- (v) Following on the recommendation of ADB TA 4221,<sup>2</sup> advise on developing joint customs processing facilities with neighboring countries.
- (vi) Assist in capacity-building activities within ACD, in particular at the Customs Training Centre at Kabul, and provide training sessions at the center as required.
- (vii) Assist in enforcing customs codes and legislation.
- (viii) Advise on implementing the "bonded carrier" system designed by ACD to safeguard revenue on goods in transit.
- (ix) Assist in promoting trade data exchange and intelligence sharing with neighboring countries.
- (x) Identify equipment requirements and oversee procurement and liquidation of expenses.
- (xi) Coordinate and supervise the activities of all consultants hired under TA.

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<sup>1</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 approved on 23 December 2004) and ADB. 2005. *Technical Assistance to Afghanistan for Building the Capacity of the Ministry of Commerce for Trade and Transit Facilitation*. Manila (TA 4699-AFG for \$400,000 approved on 6 December 2005).

<sup>2</sup> ADB. 2003. *Technical Assistance to the Islamic Republic of Pakistan for Cross Border Facility and Efficient Transit Facilitation*. Manila (The TA project is piggybacked to Loan Nos. 2019 / 2020[SF]).

- (xii) Develop terms of reference and work plans for trainers and domestic consultants in close consultation with other development partners.
- (xiii) On the basis of the above, prepare an inception report, monthly progress reports, an interim report, and a final report.

**B. Corruption Risk Management Expert** (international, 15 person-months, intermittent)

4. In consultation with MOF, the consultant will help fine-tune the risk-management plans for ACD developed under the proposed TA support to the ANDS and prepare a detailed implementation plan. This work will be coordinated with the overall approach to corruption management taken by the World Bank and the United Nations Development Programme and similar tasks undertaken by ADB in the road transport and energy sectors.

5. The consultant's tasks shall include the following:

- (i) Review the preliminary corruption analysis and suggested mitigation measures developed by ACD.
- (ii) Review the risk management plans for ACD developed under the proposed TA support to the ANDS.
- (iii) Fine-tune as appropriate the risk management plans for ACD referred to in (ii) and explore additional options for mitigation based on field assessment.
- (iv) Help ACD develop a detailed implementation plan delineating management and work responsibilities.
- (v) Provide orientation to the staff so that they feel comfortable cooperating with anticorruption efforts.
- (vi) Develop capacity-building measures and help implement them.
- (vii) Prepare training programs in consultation with the training and institution building specialist to be implemented within the framework of the ACD training plan. The training program should cover, as a minimum, training on how to (a) detect occurrences of corruption, (b) effectively manage complaints, (c) conduct investigations into allegations of corruption, and (d) identify institutional risks for corruption and design measures to mitigate them.
- (viii) Help initiate the implementation of mitigation measures.
- (ix) Develop and apply methodology to periodically assess how robustly and effectively mitigation measures reduce corruption.
- (x) Help develop well-considered complaint mechanisms, upon which detection efforts should initially rely to avoid abuse of the office.
- (xi) Assist in developing protection for whistle blowers.
- (xii) Assist in establishing an internal affairs unit.
- (xiii) Undertake the task of developing regulations for the unit, a work plan, and a capacity-building plan.
- (xiv) Provide the necessary technical support and training for staff of the unit.
- (xv) Work closely with MOF and other development partners concerned to pilot the work of the unit at one or more of the border posts.

- (xvi) Identify skills required of domestic consultant, prepare terms of reference, and recruit a suitable candidate according to the agreed time schedule.
- (xvii) On the basis of the above, prepare an inception report, monthly progress reports, an interim report, and a final report.

**C. Trade Facilitation Expert** (international, 10 person-months, intermittent)

6. The consultant will follow-up on the work already started at the Ministry of Commerce (MOC) with a focus on transit agreements. This component will be closely coordinated with UNCTAD activities under the World Bank-financed project. Particular attention will be given to enhancing MOC's capacity to mobilize private sector investment in border port facilities.

7. The consultant shall undertake tasks not limited to the following:

- (i) Review existing transit agreements and a general approach for Afghanistan to develop longer-term trade and transit relationships with its immediate neighbors.
- (ii) Help strengthen and modernize transit agreements.
- (iii) Establish and support working groups to redraft existing transit agreements and draft new agreements.
- (iv) Establish and support the operation of an interministerial permanent commission to review and renegotiate trade and transit agreements and, as necessary, negotiate new ones.
- (v) Assist in establishing and operating a border trade facilitation committee at each border to monitor cross-border trade flows.
- (vi) Identify potential areas of private sector development and promote and facilitate domestic and foreign private investment in cross-border facilities.
- (vii) Help develop and/or revise rules and regulations for private sector development, eliminating those that inhibit rather than enhance private sector investment in cross-border facilities and trade.
- (viii) Advise on ways to improve the security of private sector investments through insurance and/or non-sovereign guarantee mechanisms.
- (ix) In consultation with the training and institution building specialist, develop and implement a capacity-building plan for MOC staff and private sector candidates with regard to transit facilitation and private sector development.
- (x) Hold short-term capacity-development workshops within MOC for both staff and management.
- (xi) Establish a forum for periodic consultation with the private sector.
- (xii) Assist in establishing and/or operating private associations in freight forwarding, customs brokerage, and trucking.
- (xiii) Assist in improving linkages between the private and financial sectors to enhance the quality and quantity of financial services made available to the private sector.
- (xiv) Provide support to the collection and analysis of data on recent trade patterns with neighboring countries.
- (xv) Assist in fulfilling requirements for Afghanistan to apply the Transport International Regulation (TIR) carnet.

- (xvi) Cooperate closely with the Ministry of Finance and other relevant Government agencies, private sector organizations, and development partners.
- (xvii) On the basis of the above, prepare an inception report, monthly progress reports, an interim report, and a final report.

**D. Transport Regulation Expert** (international, 6 person-months, intermittent)

8. The consultant will assist in harmonizing domestic transport laws with those of neighboring countries with a view to facilitating cross-border movement of vehicles and cargo. The consultant will work with consultants hired under ADB TA 4828<sup>3</sup> on issues related to institutional reforms needed to implement the provisions of the new domestic transport law.

9. The consultant shall undertake tasks not limited to the following:

- (i) Review existing laws relevant to domestic transport.<sup>4</sup>
- (ii) Consult with all stakeholders and draft a new domestic transport law covering, among other things, (a) regulations regarding market entry, operations, and pricing with a view to deregulating domestic road transport; (b) the issuance of driver and vehicle licenses; (c) traffic and safety regulations; (d) axle load control and weighing stations; (e) road worthiness testing; (f) the enforcement of technical and safety regulations; (g) road security; (h) third party liability insurance; (i) transport services to remote and isolated areas; (j) the issuance of transit permits to export trucks; (k) the construction and management of transport terminals and highway rest areas; (l) a transport commission fee; (m) a transit fee; and (n) the control of vehicle entry into Afghanistan and temporary storage of goods unloaded from overloaded trucks.
- (iii) Obtain through CAREC and other national sources copies of the domestic transport laws of the Islamic Republic of Iran, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan with a view to harmonizing draft domestic transport law with the laws of neighboring countries.
- (iv) Establish and support a working group chaired by the minister of transport to review and finalize the draft domestic transport law for submission to the Cabinet and Parliament.
- (v) On the basis of the above, prepare an inception report, monthly progress reports, an interim report, and a final report.

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<sup>3</sup> ADB. 2006. *Technical Assistance to the Islamic Republic of Afghanistan for Preparing the Road Rehabilitation and Capacity Building Cluster*. Manila.

<sup>4</sup> See Appendix 4 of Aide Memoire of the Fact-Finding Mission dated 27 September 2006.