Trade and Transport Facilitation Audit in Afghanistan

September 30, 2016
Objectives of this study

- Identifying trade- and transport-related bottlenecks in Afghanistan
- Assessing the benefits of removing these bottlenecks
- Stocktaking of ongoing reforms in trade- and transport related areas
- Assessing minimum investment requirement for addressing bottlenecks.
Major Trading Partners

• Major export destinations (2015)
  – Half of exports to Pakistan, India and Iran

• Major import origins (2015)
  – Pakistan, Iran, China and Japan
Afghanistan’s Imports from South Asia

Source: Pakistan Economic Survey
Ease of trading across borders

- No. of export documents higher in comparison to South Asian average
- Time to export and import almost twice the average of South Asia
- Cost to export and import almost thrice the average of South Asia
### Afghanistan’s Main Trade Transport Routes

<table>
<thead>
<tr>
<th>Transit Country</th>
<th>Transit Port</th>
<th>Transit Route</th>
<th>Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pakistan</strong></td>
<td>Karachi</td>
<td>→ Peshawar → Torkham</td>
<td>Kabul-Kandahar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>→ Quetta → Spin Boldak</td>
<td></td>
</tr>
<tr>
<td><strong>Iran</strong></td>
<td>Bandar Abbas</td>
<td>→ Islam Qala → Herat</td>
<td>Kabul-Kandahar</td>
</tr>
</tbody>
</table>
Survey Methodology

• Instrument aimed to look at
  – publication and administration of policies related to trade issues
  – rules and procedures for imports and exports
  – quality and efficiency of trade related infrastructure and services
  – treatment of goods in transit
  – use of ICT to facilitate exports and imports
Survey Methodology

– Respondents
  • 60 in-depth interviews in Kabul and Jalalabad
  • FGD and roundtable meeting in Kabul
  • Online inquiry from Dubai-based Afghan traders

<table>
<thead>
<tr>
<th>Respondent Category</th>
<th>Number of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporter</td>
<td>24</td>
</tr>
<tr>
<td>Importer</td>
<td>19</td>
</tr>
<tr>
<td>Road Carrier/freight forwarders</td>
<td>2</td>
</tr>
<tr>
<td>Customs authority</td>
<td>6</td>
</tr>
<tr>
<td>Chamber of commerce</td>
<td>4</td>
</tr>
<tr>
<td>Ministry/Department of Commerce</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
</tr>
</tbody>
</table>
Accessibility of customs information

• National customs website still requires improvement
• Information regarding release time, frequent changes in regulations, and clearance time is inadequate
• Effectiveness of this information varies depending upon the sector of trade
• Security agencies, food inspection bodies’ inspection points not well known
• The coordination between these agencies requires further reforms.
Customs Processing and Documentation

- Processing of custom’s declaration is still not fully online
- Advance ruling and pre-arrival processing of imports is often not on schedule
- Single window for customs not being utilized by most traders
- Irregular payments for clearing consignments
- Availability of non-judicial review.
Transit Processing & Documentation

• Both manual and electronic submission of transit documentation possible

• Pre-arrival processing of transit consignments not possible in majority cases

• Transit guarantee value not commonly known.
Priority Trade Facilitation Areas

• Better coordination between border management agencies
• Check on irregular payments and bribes
• Transit agreement with neighboring countries (Turkmenistan and Iran)
• Decreasing the number/time required for export/import documents
• Decreasing the time taken to clear inward/ outward goods.
Proposed initiatives for Trade Facilitation

• Introducing on-line submission of trade documents

• Integrated customs post

• Extending automated customs software to Spin Boldak

• Administrative measures to curb informal trade.
## Estimated Financial Cost

<table>
<thead>
<tr>
<th>Objective</th>
<th>Proposed Project</th>
<th>Investment Required (USD Million)</th>
<th>Budget Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination between border management agencies and reducing time to clear goods</td>
<td>Integrated customs Post</td>
<td>1.224</td>
<td>4 customs officers, 1 project director, data server, IT infrastructure. Total 2 border point/offices. Rates have been obtained from counterpart offices in Chaman and Torkhum</td>
</tr>
<tr>
<td>Irregular payments/bribes</td>
<td>Extending automated customs software to Spin Boldak</td>
<td>2.2</td>
<td>Cost of software. Rates taken from counterpart software on Pakistan side</td>
</tr>
<tr>
<td>Decrease the number/time required by export/import documents</td>
<td>Introducing on-line submission of trade documents</td>
<td>3.012</td>
<td>One MIS Unit will: set up web portal, 1 data server, hire 3 IT staff, 1 project manager</td>
</tr>
<tr>
<td>Total cost of 2 border points</td>
<td></td>
<td>6.436</td>
<td>One hopes more border points will be opened. This cost only provides estimates for two such points.</td>
</tr>
</tbody>
</table>
Medium-term Financing Requirements

• Sustained investments to fully benefit from Afghanistan-Pakistan Transit Trade Agreement (APTTA)
  – Aims to modernize, simplify and standardize transaction and customs procedures
  – Up scaling of logistic service
  – Trilateral trade between Pakistan, Afghanistan and Tajikistan
  – Kabul – Peshawar motorway
  – Additional transit trade corridors.
Can CAREC help Afghanistan’s trade potential?

• Central Asia Regional Economic Cooperation (CAREC) programme links Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Uzbekistan and Turkmenistan

• CAREC will help Afghanistan through:
  – Improvement of seaports, roads and rail
  – Harmonization of trade, customs and transport regulatory framework
  – Accession to international conventions.
Thank You

vaqar@sdpi.org