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UNITED STATES GOVERNMENT

Memorandum

BUREAU OF CUSTOMS

DATE: September 9, 1971

FILE: INV. 22-07

TO : Commissioner of Customs
Through: Harold F. Smith
Assistant Commissioner

FROM : Edward L. Hughes
Assistant Director *E. L. Hughes*

SUBJECT: Evaluation of Customs Technical Assistance to
Afghanistan

In the period July 23 to August 22, 1971, I made the evaluation of the activities of the United States Customs advisory team in Kabul which the USAID Director, Mr. Bartlett Harvey, had requested the Bureau to furnish in connection with the Mission's program review.

In the course of the evaluation, information was obtained from various sources in Afghanistan, including team and Mission files, Embassy sources, RGA Customs, economic reports of international organizations, and persons in both official and unofficial positions who were recommended as having particular competence. I visited several customs stations in distant areas of the country as well as the installations in Kabul, and I had opportunities to see the Pakistan border areas and to confer with authorities in Iran. The evaluation of the situation which has been synthesized from this considerable quantity of information is believed to be quite accurate since it is based in good part on the informed judgments of many persons familiar with the problems with which Afghan Customs and the advisory team are concerned.

Summary of Evaluation

The customs project in Afghanistan has not yet attained the major goals enunciated in the PROP as life-of-project objectives, namely, modernization of entry and assessment formalities, codification of the customs laws, improvement of control over shipments moving in nominal customs custody, and development

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of an enforcement capability. Important progress has nevertheless been made towards some of these goals, in particular submission of a completed draft codification and preparation of proposed regulations, improvements in Kabul Customs warehouses and in the processing of persons and merchandise at Kabul Airport, and successful completion of an enforcement training course. There has also been a significant and greater-than-proportional increase in revenue which, in light of the evident enhanced awareness of the need for reform which the advisory presence has generated, is probably attributable in substantial part to the technical assistance activity although this is not susceptible of strict demonstration.

The opinions of RGA Finance and Customs officials interviewed were that the advisory team had accomplished important improvements and ought to be continued. They acknowledged their own responsibilities for some of the failure to make progress, but expressed firm intentions of remedying many of the deficiencies.

The reasons for the failure of the advisory effort to make greater progress appear to be in part those discussed in the Project Appraisal Report, particularly the smuggling and integrity problems, but the advisory inputs are believed not to have been in any event great enough to have attained the results programmed. The objective is in effect modernization of an entire customs service. To achieve such a result substantial inputs were needed to improve management capabilities in organizational, personnel, supervisory, and training areas, as well as to improve the purely technical deficiencies. With hindsight it can be seen that a one-man advisory project was insufficient for this purpose, and that while assignment of a second advisor improved the situation, the project was never adequately staffed. The advisory effort was insufficient also because it lacked personnel having management and enforcement experience.

In view of the foregoing, it appears that the Project Appraisal Report which led to the evaluation was not entirely objective in attributing lack of progress wholly to RGA deficiencies. These doubtless exist, but the advisory contribution was not great enough to achieve the important changes desired in any case.

It appears from all these circumstances that there is no reason to conclude that results cannot be obtained if sufficient effort is made. The objectives being as valid in terms of Afghan development as they were when the project was conceived, it seems advisable to strengthen the advisory team by adding management objectives to the program and personnel having management and enforcement experience to the staff. These suggestions are included in the recommended course of action, which proposes that the team consist of three advisors and that additional provision be made for TDY support, participant opportunities, and frequent visits by Bureau staff to monitor the technical content and progress of the program.

Background of Evaluation

The PAR which led to the decision to obtain an independent appraisal of the project results and prospects indicated that few of the more important goals had been achieved and that widespread corruption, smuggling, and lack of official Afghan support for the project made it extremely unlikely that anything worthwhile could be expected in the immediate future. An assumption of the PAR was that the technical assistance inputs were adequate to reach the goals if the minimum necessary contributions had been furnished by the Ministry of Finance and Afghan Customs. There is no indication in the PAR that any U.S. contribution was less than satisfactory.

The purpose of the evaluation was essentially to determine whether the project appraisal had correctly assessed both the existing situation and the prospects for the future, and to assist the Mission to determine what future courses of action are possible and advisable.

Analysis of the Situation

Much of what was concluded in the PAR was not based on ascertainable facts but was rather in the nature of insights into possible reasons for lack of progress. In general it was the judgment of the senior advisor that the project had made no substantial progress; that the lack of progress was largely attributable to smuggling and corruption; and that there was little hope of changing this situation because of complex cultural and sociological factors operative in the Afghan milieu.

Absent any concrete indications to the contrary, these insights into the situation might well be accepted as an informed estimate of the existing conditions and of the outlook for future technical assistance, and apparently they were so accepted by many knowledgeable persons in the official community in Kabul, whose experience in various relationships was quite similar. The task of evaluation therefore consisted largely of an attempt to obtain more verifiable data which would make possible confirmation, modification, or refutation of the PAR conclusions. The first step in this appraisal required comparison of project goals with results obtained to determine whether as a matter of fact progress was as meagre as reported. Secondly, the possible reasons for lack of progress were analyzed in the light of available data to arrive at the most probable causes for project shortcomings. And finally, on the basis of the results of the foregoing analyses and taking into consideration some favorable developments which have taken place since the PAR was submitted, which developments will be discussed further on in this report, an estimate of prospects for progress in the future was made under several possible alternative courses of action.

Project Goals and Results Obtained

The goals of the customs project were identified in the PROP as:

1. reorganization of the department (a goal limited in the ProAg to reorganization of entry procedures);
2. improvements of entry and clearance procedures to increase revenue;
3. codification of the customs laws;
4. improvements in handling of shipments in customs custody; and
5. development of an enforcement and investigative capability in the customs organization to combat smuggling and fraud.

These goals have been identified as desirable since as far back as 1961, when PAS made a study of Afghan Customs. Since that time the need for changes of the kind recommended has been reiterated by every advisor concerned with the question. The advisors have proposed in effect that Afghan Customs adopt systems and methods roughly patterned on the U.S. model in the three principal areas of customs control of vehicles and

merchandise arriving in or departing from the country, entry and assessment systems, and law enforcement.

Perusal of the advisory files establishes that relatively little was done to present Afghan Customs with detailed proposals for changes in the major areas. The senior advisor was of the opinion that agreement of Afghan Customs to implement the suggested changes in the control system and in entry, examination, and assessment procedures was necessary prior to drawing up detailed proposals. As far as enforcement is concerned, the advisory team did not have personnel with experience in this field, and whether for that reason or because of lack of interest on the Afghan side, nothing of great importance was developed. An enforcement effort was one of the PROP and ProAG objectives, but the previous President General did not permit the advisory team to work effectively on this problem.

Whether for the above reasons or for those discussed in the PAR, these major project areas remain to a great extent unaffected by the technical assistance effort so far as changes in basic systems are concerned. There were, however, many less ambitious improvements made as a result of advisory team activities. These improvements include greatly improved conditions in the warehouses of Kabul Customs, substantially improved processing of passengers and merchandise at Kabul Airport, greatly enhanced awareness of and effective action concerning violations at Kabul Airport, and a general upgrading of the Afghan customs service in terms of recognition of problems, need for and interest in training, and selection of personnel.

The advisory team has made one significant effort in the training field, the course given this month by Mr. Edward Fickie, who came here on a TDY assignment. This course has had considerable impact on the organization, since participants came from all areas of the country as well as from other Ministries and the National Police, and the top customs management has taken direct part in the course.

The advisory team also arranged for TDY assignment of a highly qualified expert in the field of customs law to draft a revised customs code. This was accomplished early in 1971 and final action on the draft by the RGA is still pending. It appears, however, that approval will be obtained soon and that this contribution to modernization will bear fruit eventually.

The advisor who drafted the new code also wrote a complete draft of proposed regulations to be presented when the code is approved. This is another significant contribution towards the modernization of the service.

It seems therefore that the advisory team has had considerable effect even though it failed to reach major goals. There is evidence of this in the report of the International Bank for Reconstruction and Development concerning the Afghan economy, dated January 12, 1971. The detailed study of the revenue situation in Afghanistan in this report, which included much information on smuggling, fraud, and corruption and did not paint a generally optimistic view of the situation, concluded nevertheless that despite the enormous losses of revenue caused by these illegal activities, the assessment system has recently improved markedly as is evidenced by the fact that while value of imports increased in the fiscal year ending March 31, 1970 by 11 percent, import duties during the same period increased by 19 percent (cf. chapter entitled "Mobilization of Internal Resources," p. 28, para. 76). Comparable figures for the last fiscal year are not available at the moment, but it is generally believed that revenue increased in this period. These figures are not an absolutely conclusive indication of increased efficiency because of the complexity of the question (composition of imports, multiple rates of exchange, etc.), but they certainly cannot be ignored. It might be anticipated that the advisory activity would have incidental beneficial effects through increased awareness of problems, multiplier effects following minor improvements, results of training and informal advisory contacts, etc., and the greater-than-proportional increase in revenue is some confirmation that this did indeed occur.

Further confirmation of positive results of the advisory effort was encountered in the attitudes of the Afghan officials consulted in the course of this evaluation. Without exception they felt that the team had made an important contribution to customs improvement, expressed a firm desire to have it continued, were apologetic about their past failures to maximize the results, and indicated that much greater efforts would be made in the future to implement recommended changes.

Probable Causes of Lack of Progress

As to the reasons for failure to obtain results in the major program goals it appears that there may be several in addition to the smuggling and corruption issues. For one thing, as has been suggested above, the technical assistance inputs were not sufficient to attain the desired goals. The way the project developed, it was not possible to attack the problems organically from the beginning; it now seems clear that a one-man effort with limited funds was insufficient for the magnitude of the task. The subsequent addition of another advisor was an improvement in this situation, but a pattern had been set which was difficult to change. In addition, it appears that the program was somewhat too narrowly technical to have the desired effect on a large organization. Substantial changes in major systems, better control over activities of personnel, and development of an enforcement capability presuppose organizational and management contributions of a rather high order. It would seem essential therefore to have a considerable number of goals in the general management area to upgrade the customs service in planning, supervision, training, O & M capability, personnel policies (job descriptions, task standards), and other like organizational matters.

With hindsight it can be seen that if one of the major problems is corruption, some program activity ought to have been directed against it in terms of personnel policies, better supervision, improved systems designed to make bribery difficult, and development of awareness on all levels that this is a problem in need of action.

Regarding the smuggling problem, there was undoubtedly reluctance on the part of Afghan Customs to act effectively, but the advisory team appears not to have made a great contribution to resolution of the difficulty nor to have reported it as a major obstacle to progress prior to the recent PAR. The comment in the PAR strongly implies that customs modernizations in all major areas was blocked in good part because of the smuggling problem, presumably because the smuggling was of such nature that improvements in the control system, the entry and assessment procedures, and, of course, in enforcement would all have had some effect on the traffic. It is evident from this and from specific comments in the PAR that smuggling is believed to

be carried on not only by clandestine introduction at unauthorized points, but also through breaches in the control system and through connivance of customs officers.

The problem as far as this evaluation is concerned is to determine whether the amount and kind of such smuggling has been a principal cause of failure of the customs project to make progress on major objectives in the past, and what the prospects for the future are in the light of present conditions in this area.

Neither the PAR nor other reports contain enough analysis of the problem to enable one unfamiliar with the matter to judge whether the conclusions are supported by sufficient evidence. Further information on this subject was therefore accumulated from various sources in the course of making this evaluation, which it is believed will be of some assistance in determining this question. Measurement of the nature and dimensions of smuggling activity is a difficult task at best, but in Afghanistan it is particularly difficult because statistical data of all kinds is either non-existent or unreliable. Qualified observers such as customs officials, the IMF and IBRD study teams, Embassy officers, police advisers, and other informed persons arrive at their conclusions on the basis of information gleaned from official sources, newspaper articles, reliable contacts in the business community, study of available trade data, etc., and in this way obtain some idea of the proportions of the illicit traffic. As is evident, the most that can be obtained under the circumstances is a well-founded guess as to the real dimensions of the problem. The comments contained in this report are an attempt to summarize what these sources judge the situation to be on the basis of such estimates.

The PAR dedicated a good part of its remarks on smuggling to the tribal traffic on the Pakistan border. Informed sources indicate that this traffic is a rather complex business involving the two countries in different ways. There is for one thing a certain amount of traffic in goods imported into Afghanistan and subsequently smuggled into Pakistan. Such goods are usually brought to Pakistan originally from third countries, carried through Pakistan to Afghanistan in bond, and regularly entered through Afghan Customs. It appears, however, that much undervaluation is involved in processing

these importations in Afghanistan, there being some evidence of a feeling that it is to an extent justified by the fact that a good part of these goods are destined for consumption in Pakistan and that the Afghan duty is in the nature of a transit tax. Of course, the ultimate destination of the merchandise cannot be known with certainty at the time of release from customs, and there is a real loss of revenue to Afghanistan on the part entering Afghanistan for consumption. Not enough is known about this trade, however, to be able to determine the overall economic effects or the volume involved. It creates a statistical problem, incidentally, since the importations are included in the Afghan import statistics but do not appear in export statistics.

It is well to mention in passing that the introduction of such goods into Pakistan in traditional tribal traffic on foot or with the use of beasts of burden is not illegal, being covered by agreements originally made by Great Britain and still recognized by the Government of Pakistan. The attached map obtained from the American Consulate in Peshawar shows the tribal area as it presently exists, except for the province of Swat, which has been fully incorporated into nationally administered territory. Pakistan police and customs do not have jurisdiction over the tribal traffic in the tribal area; customs lines are drawn on the border between this area and the rest of Pakistan as far as such traffic is concerned, although all other traffic (vehicles, non-tribal activity of any kind) is processed at the national frontier with Afghanistan. The goods in the tribal bazaars at Bora and Landi Kotal, including open processing and sale of hashish, are not under Pakistan police or customs jurisdiction. In any event this tribal traffic into Pakistan is one which chiefly concerns Pakistan, except for whatever undervaluation is involved in passing merchandise through Afghan Customs en route to Pakistan.

The tribal traffic from Pakistan into Afghanistan is somewhat different since there are no provisions of law making it permissible nor, with a few minor exceptions, is it officially tolerated. Nevertheless there appears to be an unofficially tolerant attitude toward such traffic carried on in traditional ways and over traditional routes. Informed sources indicate that a considerable part of this traffic is in food commodities which cannot be legally

exported from Pakistan but are free of duty in Afghanistan. The other articles involved are said to consist for the most part of articles of Pakistan manufacture, especially cotton, printed fabrics, small tools, tractors, and similar articles of Pakistan's developing industries. Informed opinions as to the volume involved indicate that it amounts to perhaps ten percent of the total volume of imports. There appears to be as well a large volume of tribal traffic in opium and hashish but solid information on this traffic is lacking.

Information obtained from many sources indicates that the smuggling which is commented on in parliamentary debates, newspaper articles, and economic reports is not exclusively a matter of tribal traffic. There is apparently considerable traffic passing clandestinely through the customs control system itself in a variety of illegal activities involving switching of merchandise in nominal customs custody and like maneuvers. It is difficult to estimate the amounts and the relative proportions of smuggling, other than tribal smuggling, involving introduction of contraband through the customs stations or by illicit routes. The latter evidently present substantial difficulties because of lack of roads. Taking everything into consideration, it seems probable that a large proportion of all smuggling is accomplished by passing merchandise in one way or another through the customs stations.

I was not able in the short time available to go into the smuggling from Iran in any detail. None of the chief sources of information gives this area great emphasis as far as illicit importations are concerned, and it seems certain that volume would not be great. It is an area in need of study, but it does not appear to be of major importance for the purposes of this evaluation.

There is also an important loss of revenue involved in the illegal exportations of various articles, especially karakul skins, wool, lapis lazuli, and live sheep. The latter traffic is in a special class since local conditions make it difficult to control and perhaps undesirable to control. It is estimated that at least 1,000,000 are illegally exported every year, the bulk of them destined to the abattoir at Meshed, Iran.

Smuggling of opium from Afghanistan to Iran is a major enforcement problem, but it does not involve a loss of revenue.

It is well to note in passing a fact which creates a certain amount of confusion in this question, and that is that the Afghan anti-smuggling law defines as smuggling any act involving payment of import or export duties which is intended to decrease the revenue of the state. It is therefore more than likely that much of what is referred to in Afghan comments as smuggling really concerns false invoicing and may incidentally involve corruption as well.

The best overall estimates of losses of revenue involved in smuggling, fraud, and irregularities is that it may reach 30 percent of the total amount collectable. Tribal activity is apparently responsible for about one-third of this. It appears that a large part of the remainder must be lost through customs inefficiency and irregularities.

As can be seen from the above, the smuggling problem is important and complex, and measures are needed to deal with it. The advisory program made some efforts in this area, the fraud training course, one participant trained in the United States, and frequent urging of the RGA Customs to confront this question. Lack of progress in this field probably cannot be attributed wholly to failure of Afghan Customs to cooperate, although doubtless that was the major reason. The advisory effort does not appear, however, to have been proportionate to the difficulty of the problem, principally because no provision was made for contributions by enforcement personnel.

The foregoing illustrates again that the strategy followed up to the present of proposing major changes and awaiting approval before drawing up specifics is under suspicion of being inadequate in the circumstances of this place. Nothing would have been lost certainly in devoting time and effort to detailed proposals in the major program areas. It should be evident that major change involving the major source of government revenue cannot be undertaken lightly. The United States system works with unparalleled efficiency because it is supported with ample funds, a system of customs bonds, personnel of exceptional education and training, and all the other factors involved in a highly organized society. To transfer any part of this to another country requires careful adaptation. Where revenue is practically a matter of life and death no prudent administration will move without solid conviction that proposed changes will work at least as well as the present system, which in Afghanistan does bring in some \$28,000,000

per year in revenue on a volume of imports amounting to declared values of \$70,000,000 and true values of perhaps as much as \$120,000,000.

One further comment on the reasons for the relative lack of progress on major goals is necessary with regard to Mission and Bureau of Customs support of this project. The project seems to have been funded at too low a level to be very effective, and this was a fundamental difficulty. Another important factor was that it is very difficult, if not ordinarily impossible, for a USAID Mission to evaluate technical progress in the customs field. The Mission can develop and monitor broad goals, but it has not the means for judging whether particular project objectives are being satisfactorily reached. This requires more frequent technical review by the Bureau of Customs both in terms of reporting requirements and of visits by qualified personnel specifically for the purpose of reviewing technical objectives and progress.

More frequent and detailed communication between the team and the Bureau would probably have been helpful and would have assisted the Mission to discharge its own responsibilities better. It is realized that the level of USAID funding in recent years is probably a factor in all this, and that all concerned on both the Mission and the Bureau levels have done what could be done within such limitations. It is apparent, however, that the results obtained in this project thus far reflect this condition.

Developments Subsequent to Submission of PAR

There have been a few quite favorable developments since the PAR was prepared. The appointment of the former President General, Dr. Dawar, as Minister of Finance, and his expressions of strong support for the customs assistance project should give high-level impetus to the overall goals and lead to improved advisory relationships. The amount of interest in the problems of smuggling and corruption generated by the many comments made in the course of the recent parliamentary debate and the new government's declared positions on these problems can be expected to contribute to a reform atmosphere, and both the new Minister of Finance and the acting President General of Customs have stated that there will be no difficulty in developing a

customs enforcement capability with advisory assistance. And finally, the success of and the Afghan contributions to the recent customs fraud course are good indications of heightened desire for a better customs service on the part of Afghan officials.

Conclusions

It seems that on balance, given the difficulties inherent in working in Afghanistan and common to all projects, and considering the modest improvements made despite the fact that inputs were not impressive enough to guarantee success even if full cooperation had been forthcoming on the Afghan side, it cannot be concluded that the customs project has failed to the degree indicated in the PAR. It has broken down resistance, done a good deal of preparatory work, and shown some progress. It offers promise, given sufficient support, of attaining major objectives in due course.

No comment has been considered necessary as to the potential value to the Afghan economy of the objectives; all indications are that the statements on this subject in the PROP are still valid. Increased revenue is badly needed and it is the judgment of various economic reports mentioned in this report and of Ministry of Finance and customs officials interviewed that a large amount of revenue is currently being lost because of customs inefficiency, perhaps as much as one-third of the full amount collectable. If any important part of this amount of approximately \$14,000,000 can be recovered, the advantages to the Afghan economy will be well worth the investment in advisory activity.

Comment on the PAR

The discussion above on the present situation covers to a great extent the matters commented on in the PAR. However, to make clear the various points in the order in which they appear in the PAR they are summarized in this section.

The most important comment in the PAR attributed lack of progress and a bleak outlook for the future to the problems of corruption, smuggling, and poor personnel policies. It is further stated that Afghan counterpart officials have not

cooperated with the advisory effort. It suggests also that the corruption problem may have a bearing on the RGA failure to act on the draft code prepared by a TDY expert. The PAR concludes that possibilities of instituting a timed program are remote.

On the positive side the PAR mentions increased revenue and attributes it to increased awareness in customs of the nation's need for revenue, and it indicates some favorable developments in other minor areas and in the attitudes of high customs officials.

The PAR does not analyze the corruption issue or furnish any independent authority for the conclusions reached, viz., that it is very great and that it is a probable cause of failure of the administration to implement customs improvement plans. Corruption does, however, seem to be very large, if various economic reports are to be believed. That it affects programs at times may also be safely assumed. That an effort was made to cope with the problem or that it is so radically ingrained as to defy efforts for improvement may be doubted. It was not identified as a major problem until this PAR was written. It seems not very different in quality and quantity from like problems encountered everywhere, involving apparently a range of activities on many levels - tips, enforced tips, extortion, bribery, etc. No evidence has been presented which supports the view that this particular problem in this particular time and place is beyond remedy. Programs for improved management, supervision, systems, training, laws, regulations, etc., might well be formulated and presented before concluding that Afghanistan is uniquely resistant to change in this regard.

As far as large scale smuggling is concerned, it appears that the PAR is correct in assuming that it exists, but not very accurate in its analysis or persuasive in its conclusions. An enforcement effort has not been made here by the advisory team, nor has analysis of the problem in depth been undertaken. There does not appear to be any overwhelming reason for concluding that nothing can be done about it, and recent assurances of RGA officials are encouraging.

Another of the PAR comments minimizes the acceptance given to the draft code prepared by a TDY expert, attributes lack of progress in major fields to this failure to act, and further

states that major amendments are being introduced by Afghan officials. As to the latter point, there would seem to be nothing objectionable in revisions introduced for good reasons, but as a matter of fact subsequent careful study of the revised text has established that changes were in fact minimal. That the delay in acceptance had a very great effect on the customs program seems unlikely, for the draft code did not introduce much that is new but rather had as its goal the worthwhile but more limited objective of codifying existing laws. It appears that while greater action might have been expected of the Ministry, nothing of major importance has been lost by the delay. The completed code must be considered a positive accomplishment and a very useful contribution to the modernization effort.

The other matters discussed in the PAR require little comment. Revenues are higher, minor improvements have been made, some minor improvements suggested have not been acted upon. Participant training was not scheduled, apparently because it was felt that the personnel selection system made it impossible to meet participant standards.

Taken as a whole the PAR presents a view of the present situation and of the prospects for the future which seems somewhat out of focus. Things are far from ideal, but they seem equally far from being hopeless. In many respects the project has not furnished sufficient inputs to be in a position to express dissatisfaction with outputs. It appears quite probable that with sufficient inputs and a few changes in goals (management improvement) and tactics (presentation of detailed blueprints for modification and approval), there are reasonably good prospects for upgrading Afghan Customs and thereby attaining the revenue and other economic objectives of the project.

Suggested Future Course of Action

To achieve the project goals of improved collection of revenue, fulfillment of the other important economic and public welfare responsibilities of the customs administration, and better service to the import, export, and transport industries it will be necessary to make a more

intensive effort to upgrade the customs organization in several important management areas; to formulate and gain acceptance of improvements in the principal customs technical activities of control, entry, classification, and appraisal; to develop a realistic plan for gradual establishment of an enforcement capability; and to plan and provide training courses in most of these fields and training opportunities in the United States for a number of participants.

If there were no limitations on funds or positions it would be possible to think in terms of a customs team having from four to six advisors which would provide strong full-term technical assistance in the several areas where improvements are desired. Discussions with Mission officials make it seem highly unlikely that a program of these dimensions can be supported at this time, but that a reasonable compromise involving substitution of a number of TDY assignments would have better prospects of approval. The suggested program presented in this memorandum is based on this premise. It proposes that the team consist of two or three advisors; that the team leader be a customs officer having considerable management experience; and that other members have capabilities in assessment, enforcement, training, and control fields, in that order of importance; and that desirable advisory activities which do not fall under the particular competence of the full-term advisors be scheduled for TDY assignments.

A suggested schedule of inputs based on a three-man team is as follows:

Chief of Party	Full-term	Responsible for overall project, management goal, and own area of special competence, the latter to be supplemented by TDY assistance as necessary.
Assessment Advisor (entry, classification appraisal)	Full-term	Responsible for formulating a full proposal for modernization and for promoting adoption of a value standard such as Brussels Normal Value.

Enforcement Advisor	Full-term	Responsible for formulating detailed plans for a realistic enforcement effort based on an assessment of needs in the fraud, smuggling, and personnel areas.
Training Advisors (2)	TDY	Responsible for formulation, development, and presentation of training courses in assessment, enforcement, and administrative areas.
Control Advisor (2)	TDY	Responsible for studying and formulating plans for improvement of control systems in Afghan Customs.
Control Advisor (2)	TDY	Responsible for studying and formulating plans for improvement of control systems in Afghan Customs.
Enforcement Advisor (2)	TDY	Assistance to the enforcement advisor in developing enforcement plans and implementation of them when RGA establishes an enforcement agency.

A number of participant opportunities in the United States should be provided. Since language is a problem, consideration should be given to providing a group training opportunity with services of a translator for a period of about eight weeks. This has been successfully done in other similar instances, particularly for mid-management customs officials. Observational travel to study United States Customs at the Bureau and field levels, if possible under the guidance of the chief of party, might well be arranged for key personnel such as the President General of Customs.

The need for commodities is chiefly a matter of vehicles. If there is to be enforcement activity of the kind recommended several vehicles suitable for rough terrain would be advisable for Afghan Customs use, as well as two for the advisory team.

Alternative Courses

A possible alternative to the above program would be a two-man team consisting of the first two positions above with enforcement activity provided under two additional 90-day

TDY assignments. The background of the team leader may be expected to include strong experience in one of the technical areas, and this will probably make it possible for the team leader to direct this part of the program himself with TDY assistance for particular projects.

Interim Arrangements

Pending nomination and arrival of a new full-term senior advisor, several courses of action might be considered. A 90-day TDY assignment of a well-qualified customs officer to be temporarily in charge could be arranged and might be utilized as a trial assignment if a suitable candidate for the permanent position can be identified by the Bureau of Customs without delay.

Experience in this field seems to indicate, however, that such trial assignments offer no guarantee that a subsequent full-term appointment will be any more successful, and I would not place much importance on it. There is also some risk involved of getting the whole program off into directions and relationships which the permanent senior advisor will find not to his satisfaction.

Everything considered, I should think that such a 90-day assignment ought to be more in the nature of a technical assistance project in a particular area, with very limited responsibility for the program as a whole, the latter principally as a holding action in guiding the advisory activity until a permanent advisor arrives.

As is apparent from the discussion above on the situation, the principal technical area in need of change is the entry and assessment system. It appears that action by RGA Customs in this field will not be forthcoming until a fully worked-out improved system is presented to the customs management. Such a system would include provisions for revised forms; improved work flow; systematic assignment of work and better supervision to eliminate opportunities for collusion; improved examination, classification, and appraisal of merchandise; and at least in a preliminary way some attempt to establish norms for determination of dutiable value when ad valorem rates are applicable. It would seem advisable in this connection for the RGA eventually to adopt the Brussels

definition of normal value and they might well be advised in the meantime to adopt it unilaterally. Acceptance of this value norm would open up many possibilities for training and for more systematic appraisal. In this connection it is of interest to project plans that the Columbo Agreement customs advisor, Mr. Thompson, of British Customs, has suggested to RGA Customs that he assist in preparing for adoption of normal value when he completes his nomenclature project, and this appears to have been agreed in principle. Such a contribution to development of a value norm would fit in very well with the customs advisory objectives, but the Ministry should make the necessary arrangements to coordinate development of the value norm, establishment of a new appraisal system, and training of personnel in both, so that there will not be any conflict in advisory responsibilities.

The amount of work to be done in preparing a new system is formidable enough to ensure that Mr. Jeschke will be fully occupied in assisting the TDY advisor. It is suggested that he begin immediately to assemble all available material needed to begin work on it. It would seem quite possible for him to prepare a briefing book explaining and illustrating the present system in full detail with forms, flow charts, responsible officers, etc., for Kabul Customs, with which he is familiar, and, if possible for the other important customs houses. It appears that there are no important differences in practice in the various customs houses, but since it is the goal of the project to establish a uniform system nationally, conditions in the other customs districts will have to be verified.

Acknowledgements

It is evident that a brief assignment of this nature cannot produce useful results without special assistance on the part of many persons. The very effective assistance given by Mr. Lawrence Crain, Public Administration Officer of the USAID Mission, was particularly valuable in this instance, and the efforts he made to facilitate the assignment in every way were much appreciated.

Several other members of the Embassy and USAID staffs furnished briefings and files on particular aspects of

the Afghan situation of interest to the customs advisory effort, notably Messrs. Cohn, Knight, Schifferdecker, and Dunn of the Embassy.

Mr. Piatt, Senior Customs Advisor, and Mr. Jeschke, Customs Advisor, both cooperated fully and enabled me to meet not only the principal officials of Afghan Customs but many other customs officers and persons from the Afghan official and business communities who were in a position to provide worthwhile information.

Attachments:

1. Map - Pakistan's Northwest Frontier.
2. Logical Framework.

**Proposed Logical Framework
Customs Modernization Project**

<u>Program or Sector Goal</u>	<u>Measures of Goal Achievement</u>	<u>Means of Verification</u>	<u>Assumptions</u>
<p>To help the RGA increase public resources available for development by fully efficient collection of revenue and to assure attainment of the other economic goals which the customs laws are designed to achieve.</p>	<p>Increases of customs revenue to the point that all revenues due the RGA are collected.</p>	<p>RGA collection statistics compared to volume of imports,</p>	<p>RGA recognizes need and will provide leadership and personnel to implement modernization plans.</p>
<u>Project Purpose</u>	<u>Conditions Expected at End of Project</u>	Same as above as to	Number and
<p>To assist RGA Customs to modernize for the purpose of collecting all the revenue. The tariff laws are designed to produce while at the same time assuring to the Afghan economy and public the levels of economic, public health, and other benefits which the laws concerning foreign commerce provide. Within this frame of reference to provide those engaged in trade and transport with as efficient and inexpensive service as possible. Achievement of these purposes to be attained through modernization of customs physical control over carriers and merchandise; improved entry, classification and appraisal of imports; a general upgrading of management; and a modern enforcement capability to combat smuggling, fraud and employee irregularities.</p>	<p>A modern customs organization having necessary management structure, efficient entry procedures, secure in-transit movement of goods, an enforcement capability, and a new basic customs law, all of which will produce the full amount of revenue which the tariff is designed to obtain on any given volume of imports and provide the economy and the public with the levels of protection and services envisioned by the laws.</p>	<p>collections and general efficiency. Enforcement improvements should be reflected in enforcement results-seizures, arrests, fines, additional duties collected, number of investigations conducted, etc.</p>	<p>qualifications of technicians will be adequate to the task.</p> <p>Problems of integrity are not of such nature as to make acceptance of change practically impossible.</p>
<u>Outputs</u>	<u>Magnitude of Outputs</u>		
<ul style="list-style-type: none"> - Modernization of the administration of the Customs Department - Institution of improved entry, classification and appraisal system - Improve transit control - Develop investigation and enforcement. 	<ul style="list-style-type: none"> - An efficient modern customs organization - An efficient modern system of entry procedures - A new basic customs law replacing a large number of laws - A secure system for controlling transportation of merchandise from border stations to customs houses of entry. - An effective enforcement and investigative capacity to repress fraud, smuggling, and employee dereliction - Collection of full amount of revenue due on volume of imports <p>Estimated increase on present volume \$5,000,000 annually.</p>		
<u>Inputs - USG</u>	<u>Inputs - USG</u>		
<ul style="list-style-type: none"> - Technical Advisors US BuCus technicians 2-3 each year for 3-4 years & 6 TDY's per year - Bilingual secretary - Bilingual aides, 2 - US training in US Customs formal and observational opportunities specially designed for level and professional needs each participant, numbering 6 each year. 	<ul style="list-style-type: none"> - Vehicles for enforcement activities, 4 heavy duty for RGA personnel, 2 heavy duty for U.S. personnel. Total cost \$35,000. <p><u>Inputs - RGA</u></p> <ul style="list-style-type: none"> - Personnel - Finances, office space, furniture, local equipment, supplies 		

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