

EXECUTIVE SUMMARY OF ACD STRATEGIC FIVE YEAR PLAN

Introduction:

The Afghan economy is gradually integrated with the global economy due to the adoption of liberal economic policies and the accession to International and regional trading agreements. The Afghan Government has recognized the need for Institutional re-structuring in the spectrum of fiscal, financial and external sectors to enhance the competitiveness of the economy, promote policy credibility for long term foreign investment and maintain macroeconomic and financial stability.

To address the needs for timely changes in policies, and activities emanated from internal and external economic forces, Afghanistan Customs Department (ACD) has embarked on a major restructuring process in both policy as well as operational fronts. Policies and activities of ACD are very critical in creating an environment that will facilitate trade and Investment and make a major contribution to the economic and social development of Afghanistan.

The strategic Plan of ACD has been prepared with defined goals and key objectives and explained under section one and three consecutively. Key objectives were formulated after the analysis of current situation. Current situation analysis is discussed under section two. Progress, activities and projects designed to achieve ACD objectives have been outlined under section four , Overall reforms costs to achieve ACD objectives are explained in section 5. Key Performance indicators have been identified in section 6 and conclusions are drawn and elaborated on in section seven.

Section One : Overall Goals:

- The overall goals of ACD are to collect revenue for the Government with utmost efficiency so as to meet revenue targets laid by the Government, implement new Customs system and facilitate trade both by faster clearance of goods and by providing state-of-art facilities.
- The ACD aims at creating strong enforcement machinery against non-compliant traders to curb evasion of customs duty and prevent smuggling of goods.
- The above aims are proposed to be met by establishing a healthy Customs- Business partnership for increasing voluntary compliance and reducing transaction costs of traders.
- The ACD will strengthen Inter-departmental coordination in the field of enforcement of different laws as well as for economic governance.

Section Two : Analysis of Current Situation;

Strengths

In the past four years the following milestones have been crossed with donor assistance:

- A Modern Customs legislation enacted to give legal basis to customs operations.
- Harmonized System for the Classification and Coding of goods, used by nearly all trading nations, has been adopted;
- Automated System for Customs Data (ASYCUDA), developed by UNCTAD, introduced Declaration Processing system at Kabul Customs on pilot basis for computerisation of customs assessment and processing.
- Computerisation of transit procedure with ASYCUDA at Toorkham-Jalalabad-Kabul, Islam Qala–Herat and Heyratan-Mazar corridors. The use of ASYCUDA at these stations has resulted in almost 100% compliance by transiting vehicles.
- One single Customs form for Customs declaration (Afghan Single Administrative Document- SAD)
- Import-related exemptions policy, practices and procedures were formed and adopted.
- Customs brokers program introduced;
- Procedures and tariff for travellers simplified;
- Plethora of custom declaration systems have been simplified.
- IT related equipment, power supply (generators), uniforms, vehicles and telecommunications equipment and similar supporting goods acquired ;
- Afghanistan was accepted as a full member in the World Customs Organization.
- Automated data collection and production of customs statistics introduced in major customs offices (EuroTrace);
- Applicability of a single exchange rate nationwide as determined by Afghanistan Central Bank.
- Presence of Customs staff at all International borders.
- Construction of Infrastructure facilities in Major Customs Stations.
- International best practices being applied in Customs valuation of goods.
- Acquisition of IT related equipment , power supply (Generators), uniforms, vehicles, telecommunications equipment, security equipment and similar supporting goods.

Weaknesses

- The condition of customs offices in many places, and equipment/stationery etc. available in nearly all of them, is highly unsatisfactory as many offices are mud built lacking electricity and water.
- The physical infrastructure available in most customs terminals and warehouses is highly inadequate with little civil works and no cargo handling and security equipment for purpose of providing service to trade. The cargo handling and warehouse operations are being supervised by customs though such works are not within the core competence of customs officers.
- Introduction of automated processes through adoption of ASYCUDA modules in any customs office will need sustained efforts at retraining the custom officials to work with automated processes.
- Customs legislation needs to be developed in conformity with the working conditions in Afghanistan, especially for the purpose of automation, fines, penalty, appeal, enforcement and Regional Opportunity Zones.
- Customs need to create capability to generate analysis reports on the basis of data available in customs offices, to assist the Government in formulation of its Customs tariff policy and to make development plans.
- Departments other than Customs (Ministry of Interior, Ministry of Commerce and Industry, Ministry of Health etc) interfere with clearance of imported/exported goods or goods in transit resulting in severe harassments, increased cost to trade and delay in clearances.
- ACD does not have a strong control over staff operating in provincial customs offices, as local authorities have unduly been interfering in Customs operations.
- Enforcement machinery is not adequately equipped to meet the challenge of smuggling and evasion of duty. The weak areas of enforcement regime are lack of enabling laws, man power deployment, availability of equipment, and training.
- There is a serious under capacity among customs staff (selection is not on basis of written competitive examinations and officers lack training), for meeting the plan objectives. The PRR system has shown its limitations and does not address properly the Customs Human resource concerns.
- There is no scheme for giving rewards or other incentives to recognise and encourage good performance nor are there any administrative powers with ACD to discipline misconduct or suppress delinquent behavior.
- There is no Customs audit machinery within ACD. Customs need to acquire capability of inspection and audit, develop necessary procedures and ensure their harmonized application in different custom offices.

- There is no risk management policy and practices in Customs operations. Such practices have been introduced in most of the countries after the incident of Sep 11, 2001

Opportunities

- Customs are recognised as a major source of revenue and the collection has grown over the last four years, from AF 4.5 billion in 1382 to AF 9.2 billion in 1384 and AF 15.4 billion in 1385. The department is instrumental in collecting other duties/taxes as well and its net contribution to Government coffers is nearly 54.5% of all Government revenues. Bringing greater efficiency in the system is presently the most certain way for the Government to augment revenue.
- The achievements of ACD in the past four years are considerable. Based on empirical evidence collected by donors one can conclude that assistance in the projects of ACD will bring high dividends to the Government system and to the economy as a whole.
- Customs regulations can be consistently applied across the country.
- Commitment to achieve an average time for import and exports of goods in line with the best practices in the region. Customs Clearance & Transit Times for Importing and Exporting goods can be brought down in line with International Best Practices/Standards.
- Customs systems can be modernised to provide international transit facilities to make the country a land bridge for the region.
- The senior Management of Ministry of Finance as well as Afghan Customs Department are strongly committed to the reforms programs of ACD.

Threats

- Refusal of local authorities to allow Customs function under the sole control of ACD , will regress the operations of the department.
- Interference of other ministries in customs clearance process including transit operations leads to delays and harassment of traders.
- Deterioration in security conditions in the provinces and more particularly the borders will severely affect customs operations.
- Budgetary shortages leading to poor financing of the operational expenses of the ACD and inability to pay adequate compensation to customs staff can undermine customs reform and modernization efforts.
- Delays in recruitment and formation of a permanent customs cadre, with service and disciplinary rules, will impede the progress of reforms and hamper the emergence of ACD as a professional body capable of delivering high quality customs service.

- Withdrawal of donor funding for infrastructure development and appropriate equipment will severely retard growth of customs and cargo handling/storage services in the country.

Section Three : Key Objectives:

The draft strategy Plan of the Afghanistan National Development strategy for the Ministry of Finance has framed several objectives and the ones that are relevant to ACD are :

- Augmentation of revenue by collecting in a fair manner that will be in line with the MOF Fiscal Targets.
- Promotion of good governance and government economic policies and decisions should take into account fiscal consequences.
- Facilitate legitimate economic activities of the private sector and individuals.
- Make information available, share it transparently and act upon external audit reports.
- Strategic focus on delivering needed services and achieving results.
- Promote professionalism and high degree of integrity in Customs staff.

Section Four : Programs , Activities and Projects Designed to achieve objectives;

Customs department's activities to achieve department objectives are:

1. Automation:- complete automation of all Customs processes will take place through implementation of ASYCUDA across the country. As automation is a key in any modern business practice in a customs administration, we have included nine projects in this section. The projects range from rollout of modules of ASYCUDA to metadata management, Internalization of ASYCUDA operations and cross border electronic exchange of information. Automation will also include ACD business support automation such as risk management system.

2. Infrastructure and equipments:- This program area needs the most attention in the strategic Plan of ACD, as without necessary Infrastructure and Equipments, the complex and demanding Customs operations cannot be carried out. The main projects under this program include (1) construction and development of Inland Customs stations (2) Construction and refurbishment of border Customs stations (3) Establishment of Inventory Management and Infrastructure Management Unit at HQ. (4) Provision of equipments and (5) Establishing a structure for use of Cargo handling equipments.

3. Reforms of Law and procedures:- For effective and efficient operations, many projects have been identified in this section. These include : (i) Revision of Customs code in line with international Best Practices (ii) well defined procedures for Customs operations (iii) Tailoring procedures with automation (iv) Making procedures for working of Post release audit mechanism (v) Recommending procedural changes for Internal Audit reforms. (vi) Ware housing procedures , etc.

Two projects will build the legal capacity of the ACD and provide specific technical assistance on transparent appeals against the decisions of the ACD. The projects are (i) Establishment of legal support office and (ii) Establishment of Support appeals and arbitration unit.

4. Enforcement Reforms:- To build the technical capacity of the ACD as a legitimate enforcement agency in Afghanistan will require both changes to the legislation of ACD and the building of human resource capacity. Five projects are proposed focusing on the capacity building, improved operations, effective anti-smuggling unit, reforming investigation wing of enforcement and establishment of a modern Intelligence unit reporting to the senior management of ACD at HQ.

5. Customs Organization & Capacity Development:- The most valuable asset of the ACD, like every customs administration, is the collective knowledge and skills of its staff. To build this resource and increase the self-reliance of the ACD 11 projects will cover HR policy reforms, Redesign of administrative systems, Establishment of support units such Integrity affairs unit, International Affairs unit, Budget unit at HQ, Establishment of a modern Customs Training Institute, training in technical matters and English language, Foreign training programs, Train the trainers program and a project for creating a living sustainable wage and reward system for the ACD officers.

6. Communication and Business partnership:- Communications is core to organizational strength. Four projects will increase the ACD capacity to communicate effectively both internally and externally. This will include help Establishment of help line and media coordination unit at HQ, ombudsman program, website development and operationalizing a Hot line at ACD Head Quarters.

Section Five: Overall Reforms Costs:

The Total cost of the reforms Projects is estimated at around US \$ 228.65 million. This estimation has been done on the basis of past expenditures on Construction, equipments, Technical assistance and expenditure on ASYCUDA implementation.

The infrastructure costs total to around 217.55 million US \$, which includes construction of Inland as well as border Customs stations, construction of

Customs Labs (US \$ 5 Million), purchase of Cargo scanners , Vehicles, cargo handling and communication equipment , personal computers and computer hardware, generators (Total US \$ 30 million) and Construction of a Modern Customs Training Institute (US \$ 22 Million).

The Cost on roll out of ASYCUDA to the different Customs stations is estimated at around US \$ 6 million. This includes Technical assistance of two ASYCUDA International experts and 4 national experts for the next three years.(US \$ 1 million), establishment of ACD ICT (0.25 million US \$). The rest of amount will be spent on cost of software, equipments purchase and trainings for operations and internalization.

The technical assistance costs over the next three to five years have been estimated at around US \$ 5.09 Million. This includes the cost of 12 International advisors for variable time durations and 27 local Afghan experts/counterparts in the various reforms projects of ACD. The local counterparts will not only act as a bridge between the international advisors and Core ACD staff but will also help in internalizing the skills and knowledge of International Advisors in ACD.

Section Six : Performance Evaluation: To gauge the success of the ACD strategic plan it has been recommended to use the World Bank methodology of performance measurement based on Revenue realization, collection costs , value of transactions , trade volume and annual no of declarations. A part from this some additional Quantitative Performance indicators recommended to be used are Clearance times and Transit times measurement using sample data. Additionally several Key outcomes/indicators have been identified in the strategic plan for each of the main Reforms areas

Section Seven : Conclusions;

The ACD is one of the most critical agency within the Afghan government and has a vitally important role to play in meeting its objectives (efficiency in collection of revenue, maximization of compliance by informing trade and traveling community of applicable laws and regulation and by taking enforcement activities against non-compliance traders and travelers.

The ACD five year strategic plan builds upon the ACD previous accomplishments in the prior five year plan. This new plan focuses on infrastructure projects to complete, building the technical capacity of the ACD, achieve efficiency in custom operations as defined in revised Kyoto convention, achievement of optimal revenue targets in conformity with international targets and facilitation of legal trade.

The strategic plan is designed to further the over arching objectives of the afghan government contained in the Afghan compact and ANDS Secretariat Macroeconomic Frame work.

The main targeted outcomes of this strategic five year plan is that at the end of the five year period, Afghanistan will have established a responsible and professional customs service capable of delivering services to the country in terms of its contributions to the national treasury, strengthening the afghan economy, maintenance of security and economic and social development.