



Bangladesh: Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program

Project Name	Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program	
Project Number	47022-001	
Country	Bangladesh	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 8436-BAN: Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program Japan Fund for Poverty Reduction US\$ 1.50 million	
Strategic Agendas	Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Partnerships Private sector development	
Sector / Subsector	Industry and trade - Industry and trade sector development Transport - Transport policies and institutional development	
Gender Equity and Mainstreaming		
Description	<p>The proposed TA aims to create a modern customs administration for Bangladesh through improving border clearance mechanisms and facilitating trade information access for traders. It is envisaged that the TA will result in better alignment of Bangladesh Customs' procedures and practices with internationally accepted standards. Specific outputs are specified in the attached Design and Monitoring Framework.</p> <p>The TA includes three components (i) improving border clearance mechanisms; (ii) strengthening automation of customs; and (iii) enhancing access of information to traders.</p> <p>(i) Improving border clearance mechanisms. The TA will assist in the development and implementation of a roadmap for risk management, post clearance audit, and authorized economic operator. The TA will support the implementation of the Government's strategic plan to implement the SAFE framework of standards. In collaboration with the WCO, the TA will help undertake training needs assessment and conduct of technical training on identified training needs, such as time release studies, risk management, post clearance audits, and authorized economic operator.</p> <p>(ii) Strengthening automation customs. Through provision of experts and, possibly, software upgrades, the TA will support NBR in the transition from ASYCUDA ++ to ASYCUDA World, which will be interfaced with a pilot National Single Window Program connecting with the back-end electronic data processing systems of selected agencies such as commerce and shipping. Associated technical training for the National Single Window on the application of the ASYCUDA World will also be supported by the TA.</p> <p>(iii) Enhancing access of information to traders. The TA is expected to strengthen the institutional arrangements for trade facilitation by ensuring a greater participation of traders and other private sector trade holders in the initial operations of the national trade facilitation body. More importantly, by assisting the development of a trade portal, which is being developed by Ministry of Commerce under the SASEC Trade Facilitation Program Loan and is to be linked to ASYCUDA World, the TA is expected to facilitate greater access of importers/exporters to trade data and information, and especially for timely processing and issuance of import/export registration certificates and permits.</p>	

The Doing Business Report by the World Bank estimates that it takes 25 days in Bangladesh to complete all procedures to export and 31 days to import. Cost of transporting a 20-foot container is an average of \$1,025 for export and \$1,430 for imports. High costs and time to trade greatly reduce prospects for trade in Bangladesh and ranks the country 119 on efficiency in trading across borders. Data indicates that a significant portion of time to trade is due to institutional barriers, such as the time taken to prepare documentation and complete customs clearance. Key factors for such inefficient trade procedures include:

(i) Large Number of Trade Documents. Documentation takes considerable amount of time and constitutes a major barrier to trade facilitation in Bangladesh. A large number of documents, multiple copies and multiple signatures are required for customs clearance. For example, exporting a standard container of goods requires 6 documents, takes 25 days and costs \$965. Importing the same container of goods requires 8 documents, takes 31 days, and costs \$1,370. Standardization of trade documents to international standards and harmonization of documents across agencies/ministries and across countries will reduce the burden on traders.

(ii) Lack of Full Customs Automation. Bangladesh currently uses ASYCUDA++ for the operation of customs. To date three ports_ Chittagong, Dhaka, and Benapole _ have been automated through the adoption of ASYCUDA++. Dhaka is the main commercial and administrative center of Bangladesh; Chittagong is the primary seaport, accounting for 90% of imports and exports. In practice, however, automation is partial at best, with several key functions still conducted manually and therefore with low levels of efficiency. Procedures in all other ports are conducted manually, which is followed by ex-post data entry that are collected in CD ROMs sent to the central customs office in Dhaka at the end of each month. This is an inefficient and outdated method of customs processing. Customs is unable to interface with the other border agencies (Quarantine, Immigration, and Bangladesh Land Port Authority), which use other systems, notwithstanding the lack of connectivity with banks, freight forwarders and importers and exporters. There is no pre-arrival declaration facility. In effect, the customs declaration can only be entered into the system when the goods arrive.

(iii) Absence of Risk Based Inspection. Currently 100% of cargo needs inspection at the borders since no risk based inspection procedures is yet established. Borders cannot yet facilitate highly-compliant traders with pre-arrival clearance, post-clearance audit, and other methods for non-intrusive inspections. In addition, valuation of goods is a major source of dispute at borders which lead to goods being detained for long time. Bangladesh has made significant efforts to implement trade facilitation measures. In September 2012, Bangladesh acceded to the Revised Kyoto Convention (RKC) of the World Customs Organization (WCO) with full commitment to simplify and modernize customs laws, rules, and regulations. This requires Bangladesh to comply with the international standards as stated in the General Annex of the RKC. With accession, Bangladesh needs support the next few years to implement international standards. At the same time, Bangladesh is part of the SASEC (South Asia Subregional Economic Cooperation) Trade Facilitation Program supported by ADB. As part of the Program, the Government of Bangladesh in principle agrees to a set of trade facilitation policy reforms, for which it needs technical assistance, including the development of risk management (RM) systems, authorized economic operators (AEO), and other areas to enhance transparency and speed up transactions at borders.

Bangladesh is also in the process of upgrading customs management system from the ASYCUDA++ to ASYCUDA World. The new system will allow electronic data interchange system (EDI) across border/centralized customs, electronic national single window (NSW), and other e-customs facilities. Through the SASEC Trade Facilitation Program, Bangladesh has also agreed to pilot a scalable NSW led by the National Board of Revenue (NBR). To implement these policy actions, Bangladesh is in need of adequate resources to put the new systems in place.

One of the ongoing initiatives that the Government of Bangladesh is undertaking to promote accelerated trade and investment is to make key information on trade regulations and procedures easily available to the trading community. With guidance from the Ministry of Commerce, Bangladesh is in the process of developing a trade portal that can be accessed through a website by traders and logistics operators. Private sector representatives in Bangladesh, including the Chambers of Commerce are also working actively in Bangladesh to provide information to businesses, including on market access, and bank and finance opportunities. The Government has requested ADB's support in providing timely and relevant information to traders.

ADB's strategy is to support improvements in trade facilitation through a combination of interventions at the policy and institutional level, as well as in developing the physical infrastructure that enables trade. The SASEC Trade Facilitation Program loan for Bangladesh (\$21 million) was approved in 29 November 2012 to provide assistance in reducing policy, institutional and technical constraints to trade facilitation. The Program loan has the objectives of: (i) establishing a modern and effective customs management system through accession to, and alignment with the RKC and the Framework of Standards to Secure and Facilitate Global Trade (SAFE); (ii) streamlined and transparent trade processes and procedures through support to the implementation of the ASYCUDA World and National Single Windows; and (iii) improved services and information for traders through the establishment of trade portals and trade facilitation committees. The funds from the Program loan will be released in two tranches and are anchored on Bangladesh's compliance to agreed tranche conditions. The first tranche release is expected by 31 March 2013 and the second tranche will be 18 months after the 1st tranche release. The proposed TA will provide need assistance to Bangladesh in fulfilling the conditions set in the loan agreement.

The proposed TA for Bangladesh is consistent with South Asia's Regional Cooperation Strategy (RCS) 2011-2015 and the ADB's Country Partnership Strategy for Bangladesh, both of which accord high priority for regional connectivity and trade facilitation projects. Through consultations during the SASEC Working Group Meetings and those conducted for the SASEC Trade Facilitation Program Loan, the proposed TA on Supporting Bangladesh's Participation in the SASEC Trade Facilitation Program was conceptualized. The SASEC TFTWG Meeting in Thimphu, Bhutan on 8 November 2012 discussed and requested ADB to explore the possibility of providing TA to respond to specific trade facilitation needs of SASEC countries. Hence, the main purpose of the TA is to support Bangladesh customs to strengthen their institutional capacity in delivering the agreed policy reforms in the ADB program loan for SASEC Trade Facilitation approved in November 2012. Initially, the proposed CDTA will involve Customs but in the course of implementation, other government agencies may be involved in varying degrees.

Project Outcome

Description of Outcome	Better alignment of Bangladesh Customs procedures and practices to enhance transparency and speed up transactions and in conformity with practices of the World Customs Organization.
Progress Toward Outcome	The New Customs Act, which was drafted with assistance from the TA and will be considered by Parliament, will be in line with the Revised Kyoto Convention (RKC) and SAFE Framework of Standards of the World Customs Organization (WCO). The draft Customs Act also laid the ground for the implementation of the required provisions of the World Trade Organization Trade Facilitation Agreement.

Implementation Progress

Description of Project Outputs	<ol style="list-style-type: none"> 1. Improved border clearance mechanisms 2. Improved automation of customs 3. Enhanced trader access to information
Status of Implementation Progress (Outputs, Activities, and Issues)	<p>Assisted the National Board of Revenue in (i) drafting the New Customs Act; (ii) preparing the regulatory impact assessment of the New Customs Act; and (iii) preparing the standard operating procedures (SOPs) on risk management, post clearance audit (PCA), physical inspection, and non-intrusive inspection, which are compliant with the SAFE Framework of WCO.</p> <p>On the new Customs Act, the regulatory impact assessment report was finalized, and a national workshop was held on 17-20 August 2015 to familiarize Customs and other border officials with the provisions and processes and requirements of the Act and related best practices. The drafting of rules and regulations on selected sections or provisions of the Act is ongoing, ensuring that these apply relevant best practices, and are in line with the requirements, of the RKC.</p> <p>Assessment of infrastructure, equipment, and capacity building needs to implement the SOPs was completed.</p> <p>Training needs assessment related to the implementation of the RKC and the SOPs was completed. Best practices on risk management, PCA, and authorized economic operator (AEO) program were also presented during the workshop in August 2015.</p> <p>The development of PCA and AEO programs in Bangladesh is ongoing, in collaboration with development partners. On PCA:</p> <ol style="list-style-type: none"> (i) A training of PCA, focusing on systems based PCA, was completed on 13-20 July 2016 in Chittagong and participated in by 10 officials of the Chittagong Customs House (CCH). (ii) The report on the evaluation of the pilot was completed by December 2016. (iii) Drafts of operational SOP and manual on systems based PCA are under consideration of the NBR. (iv) 6-month pilot programme at the Chittagong and Dhaka airport Custom Houses will commence in March 2017. <p>On the AEO program, a draft of the organization structure and process design is under further discussion with NBR and the final design by December 2016. The pilot and the implementation and communication of the program will be undertaken in 2017.</p> <p>Training on customs valuation was conducted in collaboration with an expert mission from the WCO Asia Pacific Regional Office for Capacity Building on 14-18 December 2015 in Dhaka. Through the training, the participants gained the skills and knowledge on how to better utilize the database for Customs valuation control, especially through PCA. The second and final training-cum-workshop was held on 22-24 March 2016. It enabled NBR to finalize a gap analysis and action plan to upgrade the current Customs valuation database for Bangladesh. The training/workshops are under the WCO-ADB Joint Subregional Train-the-Trainer on Customs Valuation Multiyear Assistance Initiative.</p> <p>Bangladesh officials participated in the Workshop on Trade and Transport Facilitation Monitoring Mechanism Baseline Studies held on 13-15 January 2016 in Bangkok, and conducted jointly with the UN ESCAP. The workshop discussed the conduct of baseline studies on (i) business process analysis of trade procedures, (ii) time release study to be carried out at Burimari and Banglabandha border crossing points, and (iii) time-cost-distance/corridor performance measurement and monitoring to analyze trade and transport procedures. These studies have been completed, and the preliminary findings from the studies were presented to stakeholders from the government and private sector in a national validation workshop held on 31 July-1 August 2016 in Dhaka. The final report is due in September 2016. The results will provide bases for tracking the progress of transport and trade facilitation measures in Bangladesh.</p> <p>The National Seminar for Bangladesh Customs on Combating Counterfeiting and Piracy was held on 2-6 August 2015 in Sri Mangal, Moulvi Bazar, Bangladesh, facilitated by WCO experts, and attended by 36 key Customs and border officials from NBR. The seminar familiarized them with global trends and threats in counterfeiting and piracy, as well as equipped them with the necessary legal framework covering intellectual property rights at borders. The seminar is also in line with ongoing efforts to improve border clearance mechanisms, facilitate trade information access for traders, and align Bangladesh Customs procedures and practices with internationally accepted standards.</p> <p>Detailed assessment of ASYCUDA World expansion and roll out was completed. Further capacity building assistance on areas requiring enhancements and improvements in systems is being determined and will be undertaken in 2017.</p>

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services A team of individual international and national consultants will be engaged under the project. International resource persons will also provide capacity building support through participation in workshops and training programs, and provide guidance in developing programs and reports. An estimated 136.5 person-months of consulting services (64.5 person-months of international consultant inputs and 72 person-months of national consultant inputs) will be required over a 24 month period.

Consultants to be engaged will include:

- (i) International trade facilitation specialist/team leader
- (ii) International customs law specialist
- (iii) International national single window specialist
- (iv) International risk management and post clearance audit specialist
- (v) International transport and transit specialist
- (vi) Short-term international experts/resource persons
- (vii) National customs expert
- (viii) National trade facilitation coordinating analyst

Responsible Staff

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Timetable

Concept Clearance	14 May 2013
Fact Finding	-
MRM	-
Approval	20 Aug 2013
Last Review Mission	-
Last PDS Update	27 Feb 2017

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Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
20 Aug 2013	09 Dec 2013	09 Dec 2013	31 Jul 2015	31 Dec 2017	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
0.00	1,500,000.00	50,000.00	0.00	0.00	0.00	1,550,000.00	20 Aug 2013	961,688.11

Request for Information

<http://www.adb.org/forms/request-information-form?subject=47022-001>

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