

Validation Report
December 2017

Bangladesh, Bhutan, Nepal—South Asia Subregional Economic Cooperation (SASEC): Trade Facilitation Program

Reference Number: PVR-529
Program Number: 45260-001
Loan Numbers: 2954, 2955
Grant Numbers: 0321, 0322



Raising development impact through evaluation

ABBREVIATIONS

ADB	– Asian Development Bank
BTOR	– back-to-office report
DMF	– design and monitoring framework
LPIDO	– Logistics Performance Index department of Customs
PCRNSW	– program completion report national single window
PSC	– project steering committee
RKC	– Revised Kyoto Convention
SASEC	– South Asia Subregional Economic Cooperation
TA	– technical assistance
TFTWG	– SASEC Trade Facilitation and Transport Working Group
WCO	– World Customs Organization

NOTE

In this report, “\$” refers to US dollars.

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PROGRAM BASIC DATA

Program Number	45260-001	PCR Circulation Date	11 May 2017	
Loan Numbers	2954 and 2955	PCR Validation Date	Dec 2017	
Grant Numbers	0321 and 0322			
Project Name	South Asia Subregional Economic Cooperation (SASEC): Trade Facilitation Program			
Sector and Subsector	Industry and trade	Industry and trade sector development		
Strategic Agenda	Inclusive economic growth Regional integration			
Safeguard Categories	Environment		C	
	Involuntary Resettlement		C	
	Indigenous Peoples		C	
Country	Bangladesh, Bhutan, Nepal		Approved (\$ million)	Actual (\$ million)
ADB Financing (\$ million)	ADF:	Total Project Costs	75.00	66.50
	21.00 (Loan 2954)			
	8.34 (Loan 2955)			
	3.33 (Grant 0321)			
	15.00 (Grant 0322)			
	OCR: 0.00	Loan/Grant		
		2954	21.00	20.21
		2955	8.34	7.96
	0321	3.33	3.33	
	0322	15.00	15.00	
		Borrower	27.33	20.00
		Beneficiaries	0.00	0.00
		Others	0.00	0.00
Cofinancier	—	Total Cofinancing	0.00	0.00
Approval Date	29 Nov 2012	Effectiveness Date		
		2954	20 Apr 2013	19 Apr 2013
		2955	30 Apr 2013	26 Mar 2013
		0321	30 Apr 2013	26 Mar 2013
		0322	26 May 2013	10 Apr 2013
Signing Date		Closing Date		
2954	20 Jan 2013	2954	31 Dec 2015	15 Nov2015
2955	30 Jan 2013	2955	31 Dec 2015	15 Nov 2015
0321	30 Jan 2013	0321	31 Dec 2015	26 Mar 2013
0322	25 Feb 2013	0322	31 Dec 2015	15 Nov 2015
Project Officers	Bolongaita, E. Butiong, Ronald Antonio Q. McKenzie R. Sunayama, S.	Location ADB headquarters ADB headquarters ADB headquarters ADB headquarters	From 29 Nov 2012 03 Jun 2013 03 Jun 2013 03 Jun 2013	To 02 Jun 2013 15 Nov 2015 15 Nov 2015 15 Nov 2015
IED Review				
Director	N. Subramaniam, IESP			
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ADB = Asian Development Bank, ADF = Asian Development Fund, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, PCR = program completion report.

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I. PROGRAM DESCRIPTION

A. Rationale

1. In 2012, in the South Asia region accounted for only 2% of world trade and 1.7% of world foreign direct investment, while intra-regional trade was less than 6% of the region's total trade. Informal (undocumented) trade was estimated to be high, perhaps as much as 72% of formal trade. Documented obstacles included high transaction costs; high levels of required documentation; limited automation; long transaction processing time; lack of cross-border transit agreements; and poor infrastructure and inadequate facilities for warehousing, handling scanning, and testing.

2. The South Asia Subregional Economic Cooperation (SASEC) Trade Facilitation and Transport Working Group (TFTWG) had been formed among SASEC member countries (Bangladesh, Bhutan, India, and Nepal) to develop programs to improve trade facilitation and transport in the region. In meetings in Manila in 2010, three priority initiatives were adopted: (i) subregional trade facilitation, (ii) cross-border road corridor and border infrastructure development, and (iii) technical assistance (TA) to support capacity building and institutional strengthening for transport and trade facilitation. The World Customs Organization (WCO) also supported the efforts of SASEC to meet global standards and signed a memorandum of understanding with the Asian Development Bank (ADB) in May 2010 on cooperation and assistance. Additional SASEC TFTWG meetings were held in Bangkok in October 2011 and Kolkata in March 2012, both chaired by India. In September 2012, the WCO joined ADB in fact-finding missions to Bangladesh and Bhutan.

3. In November 2012, the ADB Board of Directors approved \$47.67 million Asian Development Fund equivalent of policy-based loans and grants to Bangladesh (\$21 million loan), Bhutan (\$8.34 million loan, \$3.33 million grant), and Nepal (\$15 million grant) to support the \$75 million SASEC trade facilitation program to improve cross-border trade operations of SASEC countries.¹ Disbursements were planned in two tranches linked to policy actions; each country's disbursements were separate and not cross-conditional to the policy actions of other countries. Although India was self-financing its trade facilitation reforms, it remained part of the program implementation through the SASEC TFTWG. A program completion report (PCR) was prepared in 2017 and is the subject of this validation.²

B. Expected Impacts, Outcomes, and Outputs

4. The program's intended impact was increased trade—including intra-regional trade—of SASEC countries indicated by customs revenues increasing by 10% by 2018 and intra-regional trade increasing to 7.5% by 2018 (from a baseline of 6% per year in 2011).

5. The program's intended outcome was more efficient, transparent, secure, and service-oriented processing of cross-border trade of SASEC countries. These are to be indicated by improved border transit times for freight traffic—15% by 2015—in each of Bangladesh, Bhutan, and Nepal; and 20% or more “green channelled” shipments (not physically inspected) in each of the three countries by 2018 (from a baseline of 100% inspection).

¹ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loans and Grants: South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila.

² ADB. 2017. *Program Completion Report: South Asia Subregional Economic Cooperation (SASEC) Trade Facilitation Program (Bangladesh, Bhutan, Nepal)*. Manila.

6. The program's three intended outputs were (i) modern and effective customs administration and management, indicated by the accession of Bangladesh, Bhutan, and Nepal to the Revised Kyoto Convention (RKC) by 2015, and web-based customs management system launched by 2015 in all three countries; (ii) streamlined and transparent trade processes and procedures, indicated by a reduction of export and import documents required from 14 to 8–10 in Bangladesh, and from 19 to 10–12 in Bhutan and Nepal by 2015, as well as a pilot of national single windows in all three countries by 2015; and (iii) improved services and information for private sector traders, investors, and women entrepreneurs, indicated by operational trade and market access information portals in all three countries by 2015, including links to sites of special interest to women entrepreneurs.

C. Provision of Inputs

7. The program loans and grants were approved on 29 November 2012. The loan to Bangladesh became effective on 19 April 2013 (planned date was 20 April 2013); the loan and grant to Bhutan became effective on 26 March 2013 (planned date was 30 April 2013); and the grant to Nepal became effective on 10 April 2013 (planned date was 26 May 2013). The planned closing date for the program was 31 December 2015. The grant to Bhutan closed on 26 March 2013 while the loans to Bangladesh and Bhutan and the grant to Nepal all closed on 15 November 2015.

8. At appraisal, the total adjustment cost of the program was estimated at \$75 million (footnote 1, Table 4). The PCR reported that the actual cost of the ADB-funded program was \$66.50 million, comprising \$46.50 million value at disbursement of the \$47.67 million equivalent of Asian Development Fund loans and grants approved, and \$20 million of government-funded costs. All ADB funds were fully disbursed in two tranches as policy actions were achieved as planned at appraisal. The PCR reports that each government complied with the counterpart funding it agreed to in the financing documents; only the \$15 million budget allocation provided by Nepal to its Department of Customs is recorded in the PCR.

9. No consulting services were procured for this program. There was no linked TA, however, it was planned at appraisal that the two TA projects approved under the Australia–ADB South Asia Development Partnership Facility and administered by ADB would support the program,³ with additional TA to be developed during program implementation. In all, the PCR reports that four TA projects contributed to program implementation, comprising one of the two projects listed at appraisal and three were added during implementation. Note that no information is provided in the PCR on the second TA listed at appraisal—Assessing Gender Dimensions in Regional Cooperation and Integration in South Asia—and a search of ADB databases yielded no record of the TA. Three of the TA projects added during implementation were funded by the Japan Fund for Poverty Reduction and administered by ADB, supporting each country to achieve their policy actions.⁴ The PCR states that the outputs for these TA projects were closely aligned with the

³ ADB. 2006. Establishing the Australia–ADB South Asia Development Partnership Facility. Manila. The first TA project is the *SASEC Transport and Trade Facilitation Capacity Building and Institutional Strengthening*; with funding of \$1,175,000 to fund Subproject 28, which included gap analyses for accession to the RKC and adoption of the Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework) and other regulatory impact analyses. The second was *Assessing Gender Dimensions in Regional Cooperation and Integration in South Asia*, with funding of \$500,000 to conduct policy research.

⁴ ADB. 2013. *Technical Assistance to Bangladesh for Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila; ADB. 2013. *Technical Assistance to Bhutan for Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila; and ADB. 2013. *Technical Assistance to Nepal for Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila.

program and contributed significantly to keep the reforms on track while strengthening ADB's trade facilitation policy dialogue with all three countries. An additional regional TA project⁵ improved coordination and information sharing with overall SASEC strategic planning and multiyear capacity-building activities in all three countries.

10. The program was Category C for each of ADB's safeguards policies for the environment, involuntary resettlement, and indigenous peoples.

D. Implementation Arrangements

11. At appraisal, the executing agencies for each country were the (i) National Board of Revenue for Bangladesh, (ii) Ministry of Finance for Bhutan, and (iii) Department of Customs (DOC) for Nepal. The implementing agencies for each country were the (i) National Board of Revenue, Ministry of Commerce, and Ministry of Shipping for Bangladesh; (ii) Department of Revenue and Customs for Bhutan; and (iii) DOC and Ministry of Commerce and Supplies for Nepal. A program steering committee (PSC) to meet twice per year, and a program management unit (PMU) to implement policy actions and activities and report quarterly progress to the PSCs, were to be established in each country. Biennial meetings of the SASEC TFTWG would ensure intercountry coordination.

12. The implementation arrangements were initially as planned at appraisal, with arrangements in Bhutan and Nepal expanded slightly from the original plans. The PSCs were all created in January–April 2013, chaired by the respective executing agencies, and members included the implementing agencies and other key agencies. The PMUs were also created in January–April 2013 and worked as planned. The PCR reports that in Bhutan, the PSC developed into a successful forum—bringing government agencies to get involved in trade facilitation together with representatives from the private sector. In Nepal, the PSC and the PMU were superseded by the Customs National Trade Facilitation committee, a broader group involving many stakeholders from the public and private sectors, while the DOC ensured that the agreed policy actions were carried out on time. The PCR reported that these arrangements in Bhutan and Nepal are continuing to operate even after project completion.

13. All three countries complied with the policy actions and conditions required for disbursement in both the first and second tranches of each country's program funding on time. All three countries complied with all loan and grant covenants.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

14. The PCR rated the program relevant. It was relevant to the trade facilitation needs of all three countries and was timely in helping address significant constraints, including lack of integration, high costs of trade, poor logistics, and nontariff barriers (processing time, cumbersome paperwork, limited automation, lack of transparency and information). It was

⁵ ADB. 2013. *Technical Assistance for Trade Facilitation in South Asia*. Manila. At a strategic level, this regional TA supported the SASEC Trade Facilitation and Transport Working Group (Kathmandu, November 2014), the Third Meeting of the SASEC Customs Subgroup (Goa, January 2015), and SASEC Trade Facilitation Week: Sanitary and Phytosanitary Measures and Technical Barriers to Trade (Bangkok, December 2014). It supported the ADB–World Customs Organization Customs Valuation multiyear capacity building program in Bangladesh (Dhaka, 2015), Bhutan (Phuentsholing, 2016), and Nepal (Nagarkot, 2015), and Customs Valuation and Risk Management capacity building workshop, in partnership with India's Central Board of Excise and Customs (Mumbai, 2015).

designed in close cooperation with the three governments and other stakeholders to identify appropriate policy reforms and provide budget support. ADB's policy-based support was recognized as an effective way to move the reform forward and support service delivery. The program was well aligned with international frameworks and best practice, including the RKC and the Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework). The program was also aligned with ADB policies and strategies and took into account plans and priorities of each government's national plans while selecting and focusing on key intervention areas for the program. The two-tranche disbursement was appropriate. The required reforms were in place at loan effectiveness and the second tranche requirements encouraged sustained effort and significant additional progress within the first 18 months.

15. The PCR also noted some areas of design weakness, particularly the absence of direct linkage between the policy actions and the appraisal's design and monitoring framework (DMF) target indicators. This led to the achievement of the policy actions as the primary focus, rather than the longer-term goal of achieving the indicator targets. The design could have benefited from a more comprehensive assessment of implementation risks. For example, one DMF output called for the reduction of required documents in all countries, yet program formulation did not include policy actions that directly supported business process reengineering. Another indicator called for at least 20% of shipments to be "green-channelled" but policy action linked to this outcome was only included for one country (Bangladesh). The outcome indicator that border transit would improve by 15% by 2013 was not clear, and that any time release study would be available by 2013 was not realistic. The DMF also included an indicator for piloting national single windows (NSWs), without providing a definition of the pilot for NSWs. A further factor that complicated the NSW matter was the overlap of ADB program with the World Bank's Nepal–India Regional Trade and Transport Project, which financed the implementation of the NSW there during the same time period. In Bhutan, the customs management module depended on a nationwide program, which was not within the control of the ADB program.

16. This validation also views the program relevant. It identified a range of significant obstacles to more trade. Consultation, fact-finding missions, and earlier high-level regional meetings produced a thorough survey of the views of stakeholders and the trade-related agencies to identify and make policy reforms in the priority areas. The establishment and sustained activities of the PSCs and PMUs indicate the program's relevance to the three countries. The focus on RKC set an appropriate standard to target, ensuring that achievements under the program would work toward useful internationally recognized management of customs administration. Jointly engaging with the WCO to contribute to implementation was also a prudent measure. It provided specialized knowledge and stakeholder engagement with the WCO to support the countries' program implementation. Although the design had some deficiencies, overall progress has been made through the program to reform trade practices.

B. Effectiveness in Achieving Project Outcomes and Outputs

17. The PCR rated the program less than effective in achieving its intended outcome of implementing a more efficient, transparent, secure, and service-oriented processing of cross-border trade of SASEC countries. The policy actions lay a robust foundation of sustainable improvement in cross-border trade and customs administration. Additional progress toward the outcome was achieved through the program's other features (in addition to the policy actions). Specifically, the program encouraged each country to implement a stronger and broadly inclusive national trade facilitation coordination mechanism—through the PSCs and PMUs. These working groups provided essential forums for stakeholders to learn about trade facilitation priorities and reform, interact with local trade-related bodies, engage in new process development, and monitor

the advancement of specific reform and modernization measure. The participatory approach was effective in strengthening institutional links, and private sector participation in consultations provided timely inputs. Due to the indicator definition and data insufficiencies, it was not possible to demonstrate the achievement of the two outcome indicators. At appraisal, the border transits were to improve by 15% by 2015, with a time release study to establish the baseline to be done in 2013. The time release study was not done until 2016, which will serve as the baseline for future achievements. The minimum of 20% of “green-channelled” shipments varied by country. According to the PCR’s DMF, based on the World Bank’s 2014 Logistics Performance Index (LPI), Bangladesh did not physically inspect 65% of import shipments; the 2016 LPI reported that 70.2% of import shipments were not physically inspected, which is an improvement.⁶ In Bhutan, all cargo was subject to physical inspection at the time of the PCR. In Nepal, the 2016 DOC statistics show 12.47% of shipments were “green channelled.” Achievement of the outcome targets is expected to be achieved in the foreseeable future.

18. The three outputs were partially achieved. All the planned 25 policy actions were achieved, but some output indicators did not link directly to the policy actions. The first output—modern and effective customs administration and/or management—had two indicators. The first indicator—accession to the RKC by 2015—was achieved: Bangladesh acceded to the RKC on 28 September 2012, Bhutan on 15 September 2014, and Nepal on 3 February 2017. The second indicator—web-based customs management system launched by 2015—was partially achieved. Bangladesh installed and implemented the system in 18 customs houses and stations by 2015, and a further eight in 2016; rollout is to be completed in 2017. In Bhutan, the modules are operational in the public domain, partially developed and tested in 2015, with the resolution of technology problems expected to complete the launch in 2017. Nepal piloted its system in November 2013, with further piloting undertaken in 2016.

19. The second output—streamlined and transparent trade processes and procedures—had two indicators. The first indicator—reduced number of documents—was partially achieved. In Bangladesh, under the new methodology for the indicator, the number of documents increased to 22 (13 for export, 9 for import) from 14 at appraisal. In Bhutan, the number of documents decreased to 14 (8 for export, 6 for import) from 19 at appraisal. In Nepal, the number was the same: 19 at appraisal and 19 at completion. The second indicator—pilot national single windows—achieved some piloting in Bangladesh. In Bhutan, delays arose because of the broader system architecture issues; prefeasibility was underway in 2017. In Nepal, the target is 2019.

20. The third output—improved services and information for private sector traders and investors, including women entrepreneurs—had one indicator: an operational trade and market access information portal by 2015. This was partially achieved. In Bangladesh, the portal was launched in March 2016. In Bhutan, a feasibility study was conducted in 2016, with a target of 2017 for an operational portal. In Nepal, the portal was launched in September 2016 under the World Bank’s program.

21. This validation considers the program at the high end of less than effective in achieving its intended outcome and outputs, while recognizing that progress has been made across many areas to improve trade practices and to lay the foundation for continued progress. The PCR discussion noting some of the issues with the target indicators is also recognized to have

⁶ The PCR also reported that for shipments subjected to multiple inspections, 93% was not physically inspected in the 2014 LPI; the 2016 LPI reported 88% of multiply inspected shipments were not physically inspected. The PCR concluded that this represents deterioration in multiple inspections. This validation is not able to interpret the significance or accuracy of this conclusion.

contributed to these results, and the ongoing work to implement the program is also recognized. The accession of all three countries to the RKC is particularly notable. This validation also notes that the second impact indicator—customs revenues in the subregion increase by at least 10% by 2018—is more appropriately an outcome indicator. This target was exceeded by all three countries. The year-on-year change for Bangladesh was 3.06% for 2012–2013, 2.89% for 2013–2014, and 15.31% for 2014–2015. For Bhutan, it was 30.30% for 2012–2013, 2.37% for 2013–2014, and 43.04% for 2014–2015. For Nepal, it was 26.53% for 2012–2013, 19.41% for 2013–2014, and 10.26% for 2014–2015. The PCR does not make clear if the increases are due solely to volume increases or to changes in customs duties; or if increases in shipments of particular types of goods contributed to the increases in revenues.

C. Efficiency of Resource Use

22. The PCR rated the program efficient. The program helped the three countries begin their reform of customs policies and institutions with timely supply of policy-based budget support and a structured approach to policy reform, which were implemented under a tight time frame in all three countries. The executing agencies enabled coordination between government officials, ADB staff, TA consultants, and other stakeholders, and the program was successfully mainstreamed through the respective customs administrations. The program policy actions enabled work to begin on fundamental and difficult reforms that could otherwise have taken significantly longer.

23. This validation also views the program efficient. All policy actions were undertaken as planned. The supporting TA projects began the reengineering of work processes and appear to have made substantial progress on many fronts. In spite of delays and some areas of partial achievement, the program started the process of operational improvement in each of the target areas, helping the countries to set up new practices and improved trade performance in a timely manner. This validation notes that at appraisal, analysis was done to estimate the economic benefits to each of the three countries, estimating the value of the time saved by each of the clearing and forwarding agents, customs agents, and trucks, as well as extra customs revenues, and adding these four components together to produce a dollar amount for economic benefits and noting the estimated costs of technology upgrades. No economic internal rate of return was calculated at appraisal. These economic benefit estimations were not completed for the PCR. However, the PCR's DMF reports that the intended impacts of increased intra-regional trade and increased customs revenues were well above targets at appraisal, supporting the conclusion that the project was economically viable.

D. Preliminary Assessment of Sustainability

24. The PCR rated the program likely sustainable. The reform actions prepared and piloted under the program had brought concrete benefit by the time of the PCR and proved the merit of continued reform. Automated customs systems and strengthened customs administrations have begun to simplify and speed up trade processing. Establishing customer service desks and information portals link traders and their customers to the reform process, while making them better at using the current version of documentation and rules. High-level commitment through the established PSCs and PMUs, and through the SASEC TFTWG Customs Subgroup, will sustain capacity building and policy dialogue.

25. This validation views the program likely sustainable. The output indicators show progress in many areas of trade facilitation that will bring benefits to many stakeholders. The advent of information portals and stakeholder committees have both extended the reach of benefits and

provided a driver for continued improvement from users. The active, consultative approach of this program has changed the perception of all parties to the trade process of what are possible through the planned reforms. This validation notes that at appraisal, the financial analysis was done with the estimations used to support the economic viability of the program (as discussed in the efficiency section); no financial internal rate of return was prepared at appraisal or for the PCR. Increased customs revenues are well above target levels indicating the financial viability of the program and can be used to support continued operational improvements.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

26. The PCR rated the program's development impact satisfactory. Both impact indicators exceeded their 2018 targets by 2015. Intra-regional trade increased from 3.27% in 2011 to 4.50% using the Asia Regional Integration Center database information. Originally, the indicator at appraisal was an increase from 6.0% to 7.5% (a 25% increase) by 2018 using the Asian Development Outlook data. However, the Asian Development Outlook 2015 did not provide the required data and so the Asia Regional Integration Center database was used as alternative. Customs revenues in all three countries increased by more than 10% by 2014, achieving the target ahead of the 2018 target. The PCR also included as a key impact the ownership taken by the governments and other stakeholders, particularly the private sector. Private sector businesses reported that program interventions resulted in positive effects upon their trading conditions. The program gave an opportunity for stakeholders to collaborate under a cohesive approach and the program was well suited to increasing trade over time, with future improvements expected using the foundation established through the program.

27. This validation also views the program's impact satisfactory, for the reasons stated in the PCR. The ongoing regional coordination through the SASEC Customs Subgroup also appears to be an important impact to which the program contributed.

B. Performance of the Borrower and Executing Agency

28. The PCR rated the performance of the borrowers and executing agencies satisfactory. The government agencies in each country worked closely with ADB in meeting program outcomes and complied with all loan and grant covenants. The high-level commitment in each country was evident from the timely achievement of policy actions, with each executing agency successfully leading the implementation of customs reform under the program and playing a critical role in keeping the implementation of customs reform on track. The borrowers ensured that proper oversight functions were in place at program inception and maintained ownership and professional engagement throughout program implementation. A significant aspect of the borrower performance was the extent and quality of stakeholder consultations, resulting in strong consensus for actions taken under the program. The various public-private platforms created and maintained strengthened government ownership of program outputs and deepened engagement with a wider base of stakeholders. The borrowers' performance was adequate to ensure the quality of project preparation, meet loan effectiveness requirements, implement program activities, comply with policy actions, and ensure likely project sustainability. The PCR particularly recognized the Government of Nepal's commitment to the program despite a devastating earthquake and an uneasy political environment.

29. This validation considers the performance of the borrowers and executing agencies satisfactory, for the reasons cited in the PCR.

C. Performance of the Asian Development Bank and Cofinanciers

30. The PCR rated the performance of ADB satisfactory. Through regular missions to each of the three countries and good continuity in its program officers, ADB was able to monitor implementation progress closely and provide technical support when needed. Effective communication by the project team allowed problems to be documented and resolved. Disbursement of funds was managed efficiently. The borrowers rated the role of ADB satisfactory.

31. This validation views the performance of ADB satisfactory. Effective coordination with other stakeholders and monitoring of their TA progress was an additional factor in achieving policy actions and ongoing efforts to improve trade practices. The selection of the program provided timely support and a coordinated approach to improve trade practices.

32. There were no cofinanciers of this program, although several of the supporting TAs were financed by development partners (Australia Aid and Japan Fund for Poverty Reduction) and administered by ADB.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

33. The PCR rated the program successful overall, based on the component ratings. The program was well aligned with the development priorities of the three countries and consistent with ADB strategies. Despite some identified weaknesses in the design, the program had no major changes in scope and was implemented within targeted time and cost and is expected to continue delivering anticipated outcomes in the future.

34. This validation rates the program successful based on the component ratings.

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Less than effective	Less than effective	
Efficiency	Efficient	Efficient	
Sustainability	Likely Sustainable	Likely Sustainable	
Overall assessment	Successful	Successful	
Preliminary assessment of impact	Satisfactory	Satisfactory	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = program completion report.

B. Lessons

35. The PCR offered the following six project design lessons: (i) The well-designed focus on three specific outputs supported by targeted TA projects helped strengthen program

implementation. (ii) The regional approach promoted conceptual clarity and set a common vision on customs reform. The broader support through various SASEC platforms provided opportunities for strategic guidance and south–south knowledge sharing that directly benefited program implementation. (iii) The program’s ambitious scope and time frame may have hindered the delivery of the NSWs as government capacity to implement the concept seemed to have been overestimated at appraisal and a proper definition was not agreed on or harmonized, nor were the complex activities required for implementation adequately assessed to ensure correct configuration and sequencing of required actions. The time frame for policy actions was also ambitious. (iv) Active stakeholder consultations during inception and implementation helped leverage constructive policy dialogue with all stakeholders, especially from the private sector, improving the sustainability of policy reforms. (v) Caution should be taken when program outputs depend on external activities over which the program has little control, as was the case for Bhutan’s online system architecture. Finally, (vi) outcome indicators should be measurable based on information that can be collected.

36. At the country level, the PCR provided a lesson that the high-level program support contributed to the program implementation, as all governments provided their committed counterpart funds, human resources, office space, equipment, and logistical support as planned. These commitments were important to show the government’s commitment to the program and complete the implementation.

37. This validation concurs with the lessons in the PCR, while noting that the PCR’s point about taking caution where external activities are required to achieve program outputs is not completely clear. This validation understands this to mean that the program design might be more effective if all of the required inputs are entirely within the control of the program. While this would facilitate implementation, coordinating the broader ongoing activities can avoid duplication of efforts by producing a single system to fulfil multiple needs.

C. Recommendations for Follow-Up

38. The PCR offered five program-related recommendations: (i) Compliance with the RKC, plus further implementation of customs systems automation and trade portals should be monitored to keep the progress up to date. (ii) The covenants in the loan and grant agreements should be kept in their current form in the future. (iii) ADB to continue its engagement with the three countries regarding trade facilitation and offer a follow-up program to sustain trade facilitation improvements. The PCR notes that in 2013, Bangladesh and Nepal, as members of the World Trade Organization, became committed to the Trade Facilitation Agreement of the World Trade Organization reforms in trade facilitation, which required financing and technical support to meet the agreed standards. ADB is well placed to provide the required support. (iv) New TA projects for capacity building in the areas of RKC implementation and automation processes would help the three countries make further progress. Finally, (v) the program performance evaluation report should be conducted in 2018, the target date for many of the program’s indicators.

39. In addition, the PCR recommended attention to how to include the best mix of sound data sources, compatible baseline data, and suitable indicators for the program to work smoothly in future DMFs for regional or trade facilitation programs. In the absence of a region-level coordinating mechanism, such programs should design arrangements for regional PMUs to help in knowledge sharing.

40. This validation concurs with the PCR recommendations while noting that the recommendation on the form of future loan and grant covenants is not clear. This validation also recommends that standardized technology platforms across the region be considered, noting that the stand-alone projects designed in each country can pose a risk to further regional collaboration if the technology is not able to share information or is developed to address standards that are separate from global standards.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

41. The PCR identified some weaknesses in the DMF, discussed in the relevance and effectiveness sections of this validation. Clear linkage between policy actions and other programming to measurable outputs and outcomes is required to confirm that the program's design will deliver the intended results. The program made use of TA projects identified during implementation to provide the required support, indicating that ongoing program monitoring was effective and responsive to needs identified that were not fully anticipated at appraisal.

B. Comments on Program Completion Report Quality

42. The PCR's presentation of the program's rationale and design was logical and its identification of various successes, challenges, and delays was generally clear. The PCR was candid about shortfalls in the design, identified work being done to support ongoing implementation, and cited useful lessons for future program designs. Information about the second TA planned for incorporation into the program at appraisal should be provided. The PCR also would have benefited from more detailed discussions of economic and financial benefits attributable to the program, but sufficient information was provided to support the ratings. The lessons and recommendations would benefit from more detail, so these can be clearly understood and useful for future program designs. The complexity of presenting results for a program undertaken simultaneously in three countries is recognized.

C. Data Sources for Validation

43. This validation reviewed the report and recommendation of the President and the PCR for this project, along with the following documents: (i) back-to-office report (BTOR) on Bangladesh consultation mission report dated 17 May 2012; (ii) BTOR on the Fact Finding Mission to Bangladesh and Bhutan dated 19 September 2012; (iii) BTOR on the Regional Cooperation and Integration (RCI) mission to Dhaka and Bangkok dated 28 January 2013; (iv) BTOR on the RCI consultation to Bangladesh dated 9 Jul 2013; (v) BTOR on the mission to Nay Pyi Taw, Delhi, and Dhaka dated 13 March 2014; (vi) aide memoire for review mission on 9–11 March 2014; (vii) BTOR on the review mission to Dhaka dated 13 October 2014; and (viii) aide memoire for consultation mission for on 2–3 March 2015.

D. Recommendation for Independent Evaluation Department Follow-Up

44. None.