

**Trade and Transport Facilitation
Monitoring Mechanism in Bhutan:
Baseline study series #3**

**Business Process Analysis of
Export of Ferro Silicon from
Bhutan to the Third
Countries**



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Business Process Analysis of Export of Ferro Silicon from Bhutan to the Third Countries

The 3rd report of a series of 6 studies on Trade and Transport Facilitation Monitoring Mechanism (TTFMM) in Bhutan

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June 2017, Bangkok, Thailand

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PREFACE

In the process of undertaking the baseline study of Trade and Transport Facilitation Monitoring Mechanism (TTFMM) in Bhutan, six studies are carried out to provide multiple facets of trade and transport facilitation covering export and import of specific products, corridors and border crossings. A synthesis report is also produced based on five study reports.

The current report is focused on the business process analysis of the export of ferrosilicon from Bhutan to countries outside South Asia (Europe or USA). It is a stand-alone document itself and the 3rd report of a series of 6 studies on TTFMM in Bhutan. It feeds the TTFMM synthesis report. As such, it needs to be read along with other reports to fully understand the background, key findings and conclusions of the TTFMM baseline study.

ACKNOWLEDGEMENTS

In conducting the BPA and preparing this report, great support was received from the host country which was essential for completion of the study. Guidance from Mr. Yonten Namgyel, Director, Department of Revenue and Customs and Member Secretary of National Trade and Transport Facilitation Committee (NTTFC) was vital for completing the study.

The report was prepared by Achyut Bhandari and Tengfei Wang. Data collection was carried out by Achyut Bhandari. Informants and participants of the various workshops under the project, as detailed in Appendix 1, substantially contributed their expertise to enhance the quality of the project. Phuntsho Dorji and Sonam Dema played a crucial role for organizing the TTFMM national validation workshop on 3-4 August 2016 in Thimphu, Bhutan.

The baseline study and the underlying project were managed by Tengfei Wang from ESCAP and Aileen Pangilinan from ADB under the guidance of Yann Duval and Ronald Antonio Q. Butiong. Tanya E. Marin, Linel Ann Reyes-Tayag, and Alona Mae Agustin from ADB provided support for the logistical arrangement of the workshops. Josiah Littlehales, Vyonna Bondi, Megane Vanselow and Ekaterina Silanteva substantially contributed to data input and analysis during their internship at UNESCAP.

The TTFMM baseline study is funded under both ADB's Technical Assistance Special Fund and the Japan Fund for Poverty Reduction.

EXECUTIVE SUMMARY

The Report is focused on an analysis of the trade process and procedures export of ferrosilicon from Bhutan to countries outside South Asia (Europe or USA). It analyzes the “as-is” trade, provides detailed process, diagnosis of bottlenecks and offers a set of possible policy recommendations. Mapping current trade procedures is beneficial in the following ways. First, the information presented in this document can be used as instruction for the traders, especially the new traders, to carry out the trade process. Second, the information can be used directly when a trade portal is established; and finally, the information provides a fundamental basis for the diagnosis of bottlenecks along the trade process.

This study reveals that that it takes 126 days to complete all export procedures. However, if the one-time procedures are excluded, the total time is reduced dramatically to 17 days. Such difference is explained by the most time consuming procedure for a new industrialist to apply for industry license (minimum of three and a half months). Costs are calculated according to a typical truckload of 28 MT. The total costs for completing all procedures including one-time procedures are US\$ 2,610. One-time procedures for the new traders almost accounted for half of the total costs (US\$ 1270). In total, 28 documents are needed for completing the business process of exporting ferrosilicon from Bhutan to Europe and 103 copies of these documents need to be submitted including 74 required by the private sector and 29 required by the public/government.

Based on data analysis, this report recommends the following measures be taken to further enhance trade facilitation. In the short term, the key measures include 1). electronic filing and exchange of documents; 2). harmonization of data and information and standardization of documents; 3). removal of redundant or repetitive procedures and documents; 4). enhance availability and accuracy of information on rules, regulations and guidelines; 5) continue the efforts towards customs automation; 6) enhance payment remittance and 7) more active role of the Private Sector. The long-term interventions include 1) further development of transport and logistics infrastructure in Phuentsholing and 2) strengthen transport and transit in India. Transit in India is fundamentally important for enhancing trade and transport efficiency for Bhutan’s imports. The study shows that 67% of the import cost is directly attributed to transport (which does not include maritime transport from other countries to Kolkata) and transit clearance. Efforts from India and coordination at SASEC level are important. Certainly, these recommendations are tentative. Actual follow-up actions are subject to feasibility studies and availability of resources. Nevertheless, the findings would provide most relevant and useful reference for policy reform.

It is important to note that the report constitute an essential component of the baseline study of Trade and Transport Facilitation Monitoring Mechanism (TTFMM). As such, it should not be treated as a one-off study. The indicators included in this report (Section 4.2) and other more detailed information and data in Section 4.1 provide “baseline” data for the purpose of benchmarking when update studies are

carried out in the future. In so doing, the progress, or setback, in trade and transport facilitation and the effectiveness of trade and transport facilitation measures can be monitored effectively.

Chapter 1: Introduction

The TTFMM baseline study in Bhutan was conducted as part of a broad initiative to establish sustainable trade and transport facilitation monitoring mechanisms (TTFMM) in the country in the long term. The TTFMM project covers not only Bhutan but also Bangladesh and Nepal under the South Asia Sub-regional Economic Cooperation (SASEC) Program. In particular, the TTFMM baseline study aims to:

- 1) Provide a set of indicators and underlying data on trade and transport facilitation performance in Bhutan. Such baseline data will ensure that the progress or setback in trade facilitation performance in the country can be benchmarked.
- 2) Diagnose key bottlenecks and recommendations for removing bottlenecks and simplifying trade procedures. In this respect, the study provides policy recommendations to policy makers and stakeholders.
- 3) Propose way forward to maintain the sustainability of TTFMM. Sustainability is at the core of the design of TTFMM. In this respect, this report provides specific recommendations on how to maintain sustainability of TTFMM including institutional arrangement, data collection and analysis, and best way to utilize the study output.

The scope of the baseline studies of TTFMM was decided through a series of regional and national training workshops held in Bangkok, Thailand in November 2013, in Phuentsholing, Bhutan in April, 2014, Wuhan, China in October 2015 and in Bangkok, Thailand in January 2016. A wide range of stakeholders were consulted in this process, as shown in the lists of participants of different meetings in **Appendix 1**. After extensive exercise and discussion with the relevant stakeholders, it was agreed that the TTFMM baseline study in Bhutan would cover the following processes, products and trade routes and corridors:

- (i) Import of light motor vehicles (LMVs) from the third countries to Bhutan via Kolkata port;
- (ii) Import of kitchenware and tableware of plastic (melamine products) from Bangladesh to Bhutan;
- (iii) Export of ferro silicon from Bhutan to third countries through Kolkata port; and
- (iv) Export of Cardamom from Bhutan to Bangladesh

More specifically, it was decided that the Business Process Analysis (BPA) would cover all the above-mentioned products and corridors, Time Release Study (TRS) would cover border crossings at Phuentsholing and Jaigaon for both exports and imports and Time-Cost-Distance (TCD) /Corridor

Performance Measurement and Monitoring (CPMM) would cover the corridors from Kolkata to Phuentsholing/Thimphu and Burimari to Phuentsholing/Thimphu trade corridors.

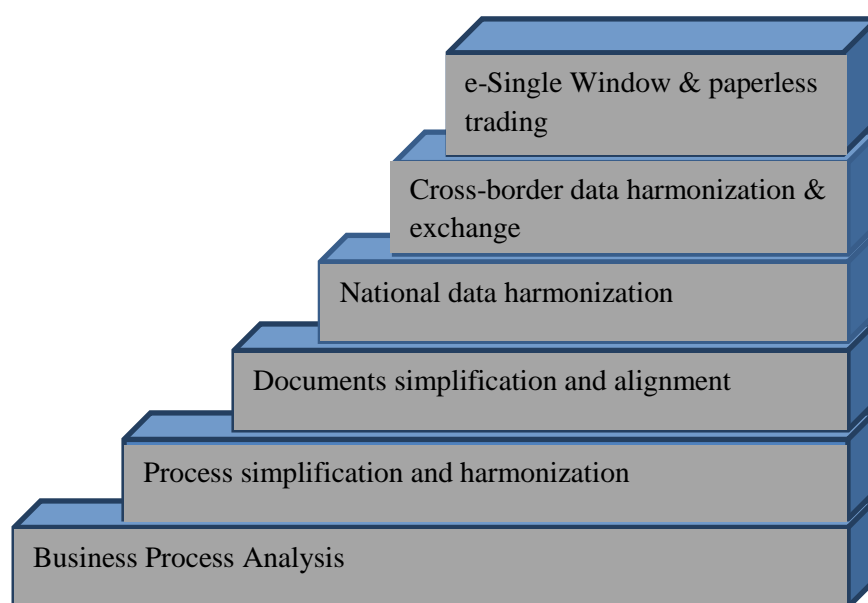
The Report is focused on an analysis of the trade process and procedures of export of ferrosilicon from Bhutan to Europe or USA. It is a stand-alone document in itself and the 3rd report of a series of six studies that feeds the synthesis TTFMM baseline report on Bhutan. As such, it needs to be read along with the other reports to fully understand the background, key findings and conclusions of the TTFMM baseline study.

Chapter 2: Overview of Business Process Analysis for Trade Facilitation

Business Process Analysis (BPA) of Trade Procedures, developed by UNNExT¹ has proved to be an effective tool for providing a detailed understanding of international trade transactions. More than 50 import and export processes in Asia and other regions of the world have been studied since 2009 using BPA.² Similar to the existing studies, *the UNNExT Business Process Analysis Guide to Simplify Trade Procedures*³ was used to study the import of kitchen and table wares of plastics from Bangladesh to Bhutan.

According to UN/CEFACT (see Figure 2.1)⁴, BPA is recommended as the first step before undertaking other trade facilitation measures related to the simplification, harmonization and automation of trade procedures and documents.

Figure 2.1: A Step-by-step approach to implementing trade facilitation measures



Source: UNECE, 2006, Background Paper for UN/CEFACT Symposium on Single Window Common Standards and Interoperability

¹ More information is available at http://unnex.unescap.org/tools/business_process.asp.

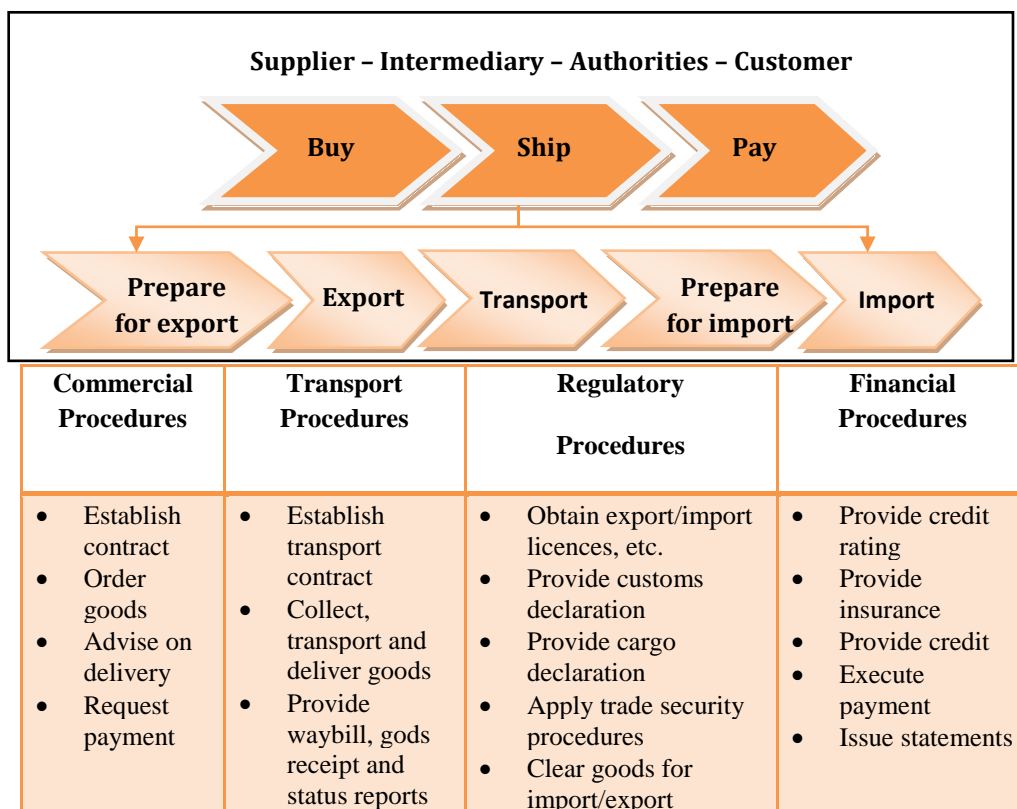
² A summary of the existing studies is available at <http://unnex.unescap.org/pub/brief11.pdf>.

³ Detailed information is available at < <https://unnex.unescap.org/content/business-process-analysis-simplify-trade-procedures-case-studies>>

⁴ United Nations Economic Commission for Europe (UNECE), 2006, Background Paper for UN/CEFACT Symposium on Single Window Common Standards and Interoperability.

The trade procedures covered by BPA largely fall in the category of the Buy-Ship-Pay model recommended by UN/CEFACT (as shown in figure 2.2). In some cases the scope could be confined to selected process(es) according to the priority of the country.

Figure 2.2: Buy-Ship-Pay Model

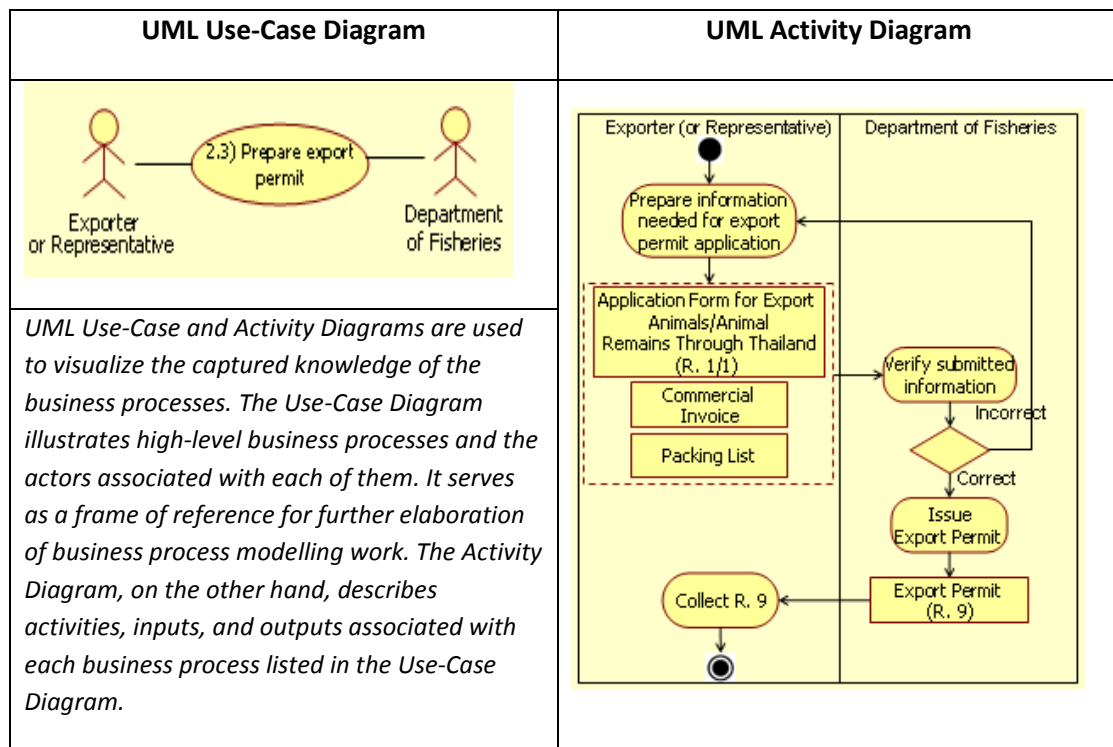


UN/CEFACT Recommendation No. 18 illustrates a simplified view of the international supply chain in the Buy-Ship-Pay model (Box 1). The model identifies the key commercial, logistical, regulatory and payment procedures involved in the international supply chain and provide an overview of the information exchanged between the parties throughout its various steps.

Source: www.unece.org/fileadmin/DAM/cefact/recommendations/rec18/Rec18_pub_2002_ecetr271.pdf

One of the key features of the *UNNExT Business Process Analysis Guide to Simplify Trade Procedures* is the introduction of the Unified Modelling Language (UML) as a standard way to graphically represent the various procedures involved in the trade process (Figure 2.3). Use of this common standard is essential to providing a systematic description and common language of a procedure that can be understood by all stakeholders involved in international trade transactions, both domestic and foreign.

Figure 2.3: Examples of Use Case and Activity Diagrams



Source: <http://unnex.unescap.org/pub/tipub2558new.asp>

Chapter 3: Data collection and validation

Time frame for implementing TTFMM baseline study in Bhutan is shown in Table 3.1. Summary of participants who contributed to the study is shown in **Appendix 1**.

Table 3.1: Time frame for implementing TTFMM baseline study

	2015	2016											
	10	1	2	3	4	5	6	7	8	9	10	11	12
Sub-regional meeting to plan the baseline study in Wuhan, China													
Workshop to finalize the plan of the baseline study in Bangkok, Thailand													
Data collection on BPA													
Data collection on TRS													
Data collection on TCD/CPMM													
TTFMM database, analysis and draft report													
National results validation meeting													
Refine TTFMM data and analysis, and finalize study report													

The workshop to plan the baseline study in Bangkok, Thailand

The study planning workshop was held in Bangkok on 13-15 January 2016 and was attended by the national consultants of the project, government officers and logistics operators from Bangladesh, Bhutan and Nepal. Methodologies for BPA, TRS and TCD/CPMM were discussed in detail during the workshop. Draft questionnaires used for TRS and CPMM were distributed and comprehensively discussed at the workshop.

Data collection on BPA

The ADB national consultant conducted data collection on BPA during February – July 2016 and interviewed the key stakeholders located in Thimphu, Phuentsholing, Burimari and Changrabandha. A field trip was arranged to Kolkata to collect data on transit during 16-18 March 2016.

National results validation meeting and follow-up activities

A national validation workshop was organized by the Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan in collaboration with ADB and ESCAP on 3-4 August 2016 in Thimphu. The study team presented to stakeholders preliminary study results and findings. Comments from the workshop were taken into consideration by the project team to revise the report. Approximately six weeks after the meeting, the study team shared the revised reports with the meeting participants and incorporated further feedback for revision.

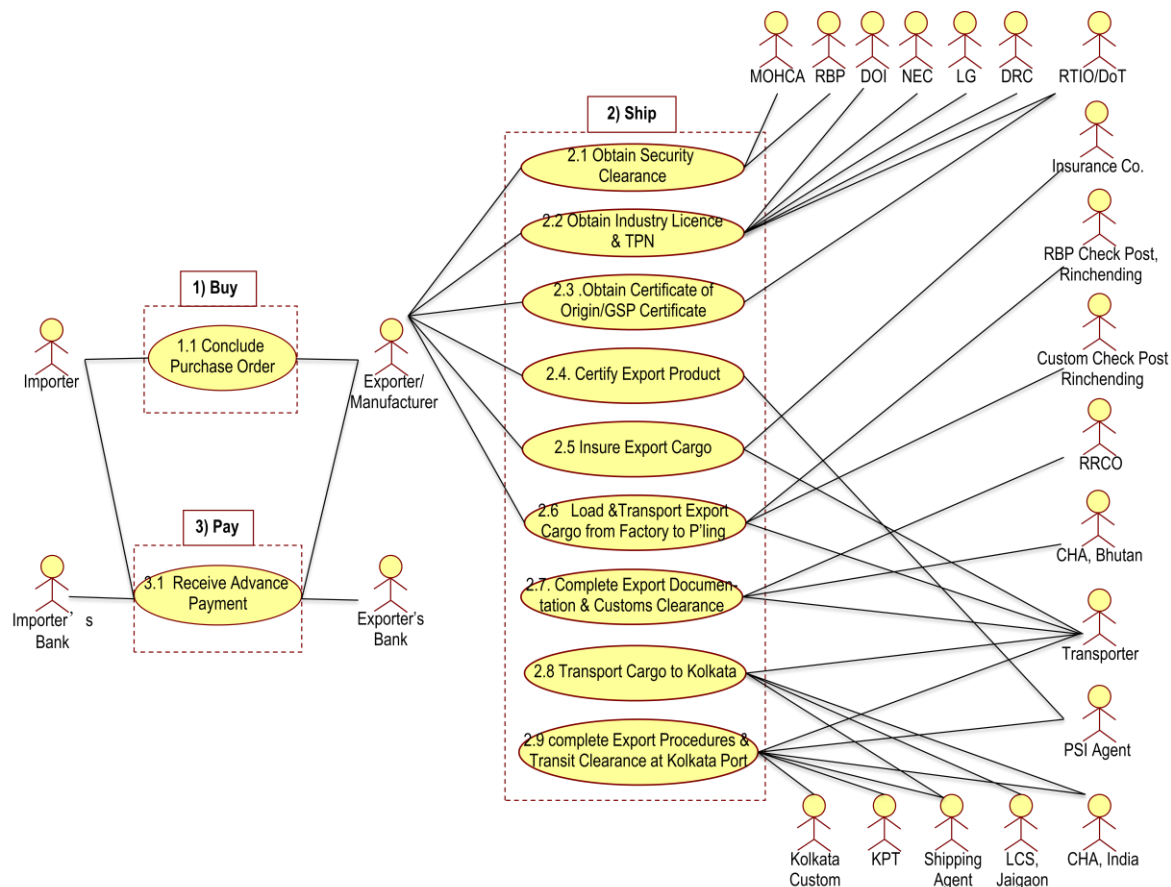
Chapter 4: Analysis and findings

4.1. “As-is” trade process and procedures

4.1.1 Use-Case Diagram

Figure 4.1 below shows the Use-Case Diagram for export of ferrosilicon from Bhutan to Europe (or USA)⁵. It highlights the three major process areas of the trade process: Buy, Ship, and Pay. The core process ‘Buy’ contains one stage; ‘Ship’ has nine stages; and ‘Pay’ has one stage. In other words, there are 11 core business processes areas in all. There are 23 actors involved in the process. If one time procedures (procedures 2.1 and 2.2) are excluded, there are 17 actors involved in the process.

Figure 4.1: Use-Case Diagram for Export of ferrosilicon from Bhutan to Europe



⁵ The export procedures for export of the product through Kolkata Port are the same regardless of the destination of export.

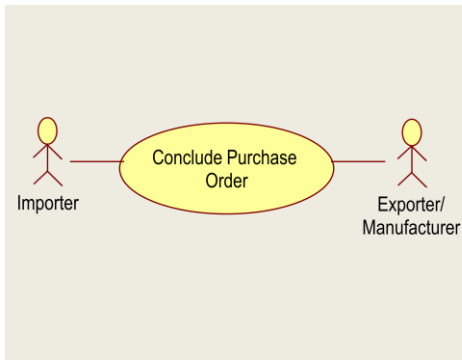
4.1.2 Activity Diagrams

Process Area 1: Buy

Core Business Process Area 1.1: Conclude Purchase Order

The single business process in the 'Buy' process area is "Conclude Purchase Order," as shown in Figure 4.2.

Figure 4.2: "Conclude Purchase Order" use case diagram



For completing the core business process area 1.1 "Conclude Purchase Order," two actors participate in the process as shown in use case diagram in Figure 4.2. They are:

- Exporter/Manufacturer
- Importer

Figure 4.3: "Conclude Purchase Order" Activity Diagram

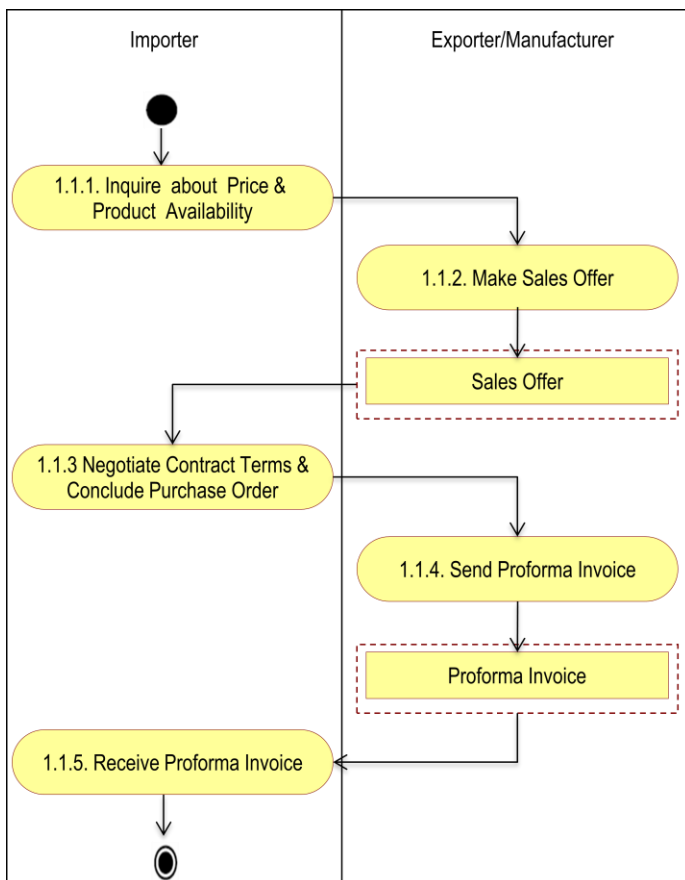


Table 4.1: “Conclude Purchase Order” Process Description

The name of a process area which this particular business process belongs to	1. Buy
The name of a business process	1.1. Conclude Purchase Order
Related rules and regulations	<ul style="list-style-type: none"> ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000 ▪ Rules (2000) on Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000 ▪ Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in Bhutan, 1995 and 1997 ▪ Bhutan Wholesale Trade Regulation, 2006 ▪ Income Tax act of Kingdom of Bhutan, 2000 ▪ Companies Act of Bhutan, 2014
The name of process participants	<ul style="list-style-type: none"> ▪ Manufacturer/Exporter ▪ Importer
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ The Manufacturer/Exporter must have an industry licence.
Procedures and associated documentary requirements to complete the process	<p>1.1.1. The Importer⁶ inquires over fax/e-mail from the Manufacturer/Exporter on the availability of ferrosilicon while indicating the required quality, quantity, price, terms of payment and other export conditions;</p> <p>1.1.2. The Manufacturer/Exporter makes a Sales Offer electronically responding to the above query and giving the lead time needed to produce and ship the product;</p> <p>1.1.3. The Importer and Manufacturer/Exporter negotiate all the terms and conditions of the Purchase Order, especially the price and payment terms over e-mail/fax/telephone, and conclude the Purchase Order electronically;</p> <p>1.1.4. The Manufacturer/Exporter sends a Proforma Invoice electronically to the Importer in accordance with the agreed terms of the Purchase Order; and</p> <p>1.1.5. The Importer receives the Proforma Invoice.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Conclusion of the Purchase Order
Average time required to complete the process and/or durations for each involved transaction	Average time: 5 days ⁷
Average costs associated with the process	None
No. of copies of each document required	Proforma Invoice: 1 copy
Mode of documents submission	Electronic

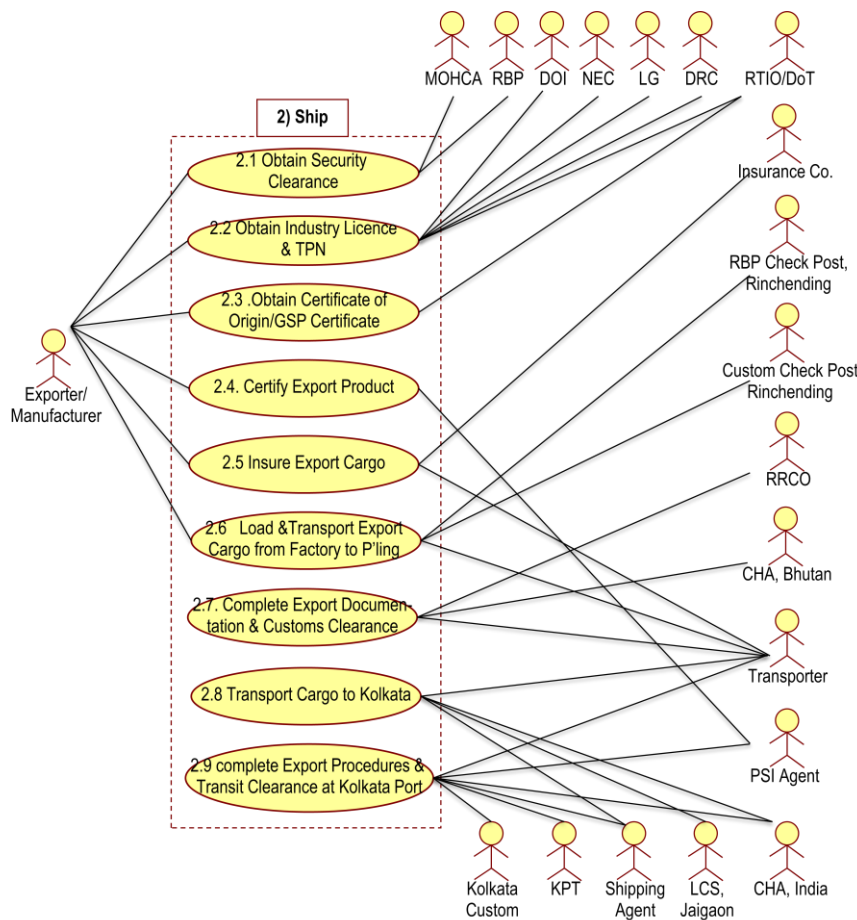
Process Area 2: Ship

⁶ The Importer generally has advance information of the producers of ferrosilicon in the world and prevailing global prices of the product.

⁷ This is an indicative average time. Actual time will depend on situations and may vary from one contract to another.

Under the second process area ‘Ship,’ there are nine core business processes that need to be undertaken in order for meeting the regulatory requirements for export of ferrosilicon from Bhutan to Europe. Figure 4.4 shows various procedures to be fulfilled ranging from obtaining Security Clearance and Industry Licence, arranging Product Test Certificate, Certificate of Origin/GSP Certificate, getting Customs clearance for export at the border in Phuentsholing, arranging transport to and transit clearance at Kolkata Port and finally procedures for realizing the payment for export. Twenty actors are involved in the business process area

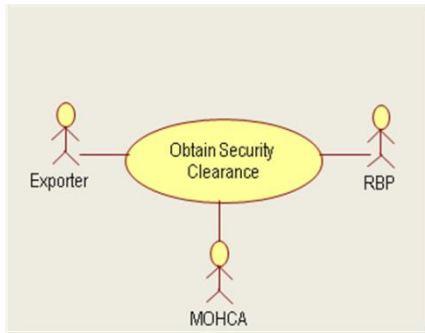
Figure 4.4: Use Case Diagram of Core Business Process in Ship Area



Core Business Process Area 2.1: Obtain Security Clearance

The first of the nine business processes is “Obtain Security Clearance”, highlighted in Figure 4.5.

Figure 4.5: “Obtain Security Clearance” Use Case Diagram



For fulfilling the core business process area 2.1 “Obtain Security Clearance,” three parties are involved as shown in use case diagram in Figure 4.5. They are:

- Exporter
- Royal Bhutan Police
- Ministry of Home and Cultural Affairs (indirectly)

Figure 4.6: “Obtain Security Clearance” Activity Diagram

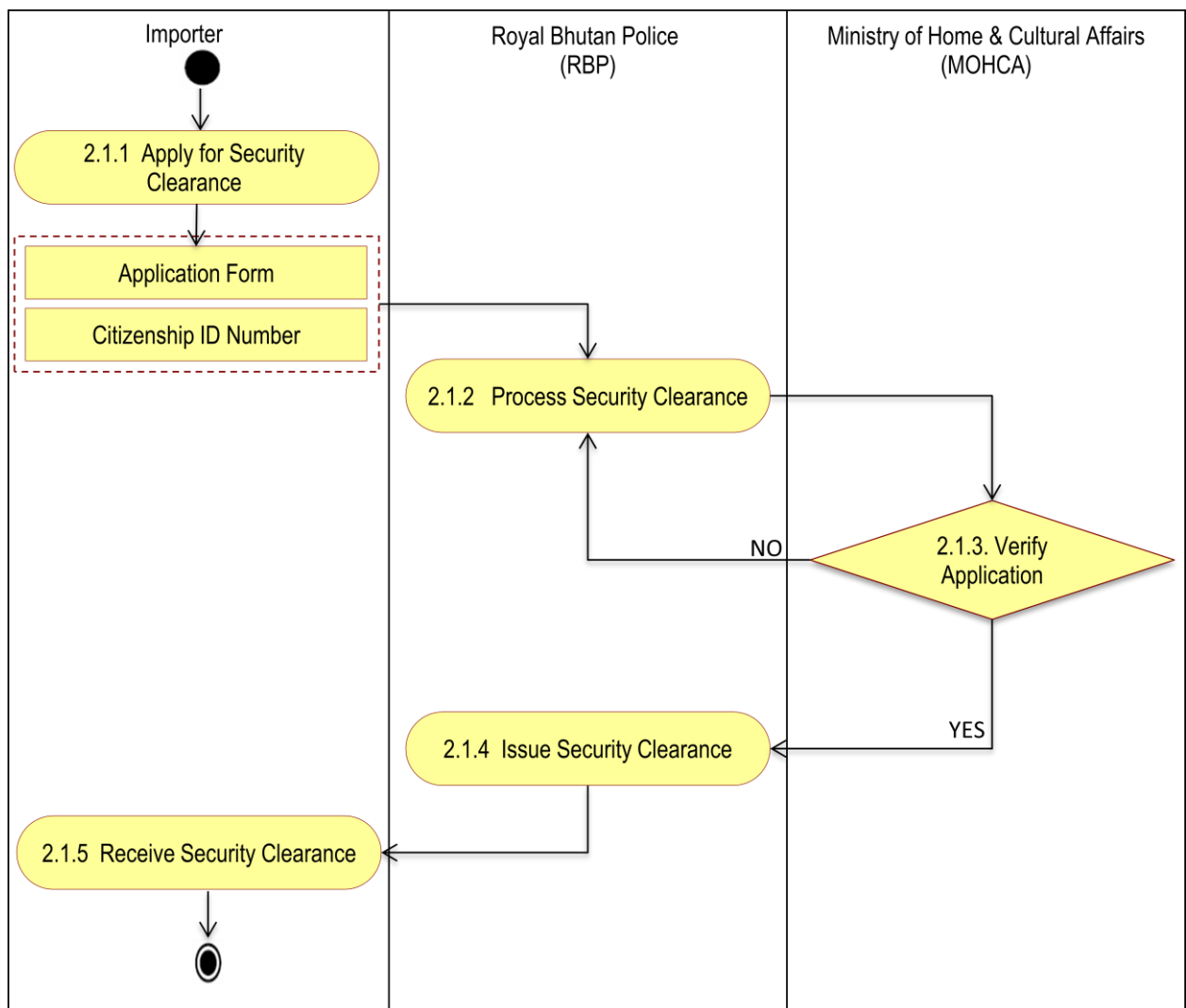


Table 4.2: “Obtain Security Clearance” Process Description

The name of a process area which this particular business process belongs to	2. Ship
The name of a business process	2.1. Obtain Security Clearance
Related rules and regulations	<ul style="list-style-type: none"> ▪ Directive of the Department of Law and Order, Ministry of Home & Cultural Affairs (MoHCA)
The name of process participants	<ul style="list-style-type: none"> ▪ Importer ▪ Royal Bhutan Police (RBP) ▪ MoHCA
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Have a Citizenship Identity Card
Procedures and associated documentary requirements to complete the process	<p>2.1.1. The Exporter submits an application online to the RBP for processing Security Clearance;</p> <p>2.1.2. The RBP processes the Security Clearance online with the Ministry of Home & Cultural Affairs (MoHCA) (Department of Law & Order and Department of Civil Registration)⁸;</p> <p>2.1.3. The MoHCA clears the Security Clearance online if there are no adverse records on the applicant. If latter, the applicant has to reprocess with MoHCA;</p> <p>2.1.4. The RBP issues the Security Clearance online if cleared by the MoHCA; and</p> <p>2.1.5. The Exporter receives the Security Clearance.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Receipt of Security Clearance
Average time required to complete the process and/or durations for each involved transaction	Average time: 1 day (24 hrs.)
Average costs associated with the process	None
No. of copies of each document required	Application Form: 1 copy
Mode of document submission	Electronic

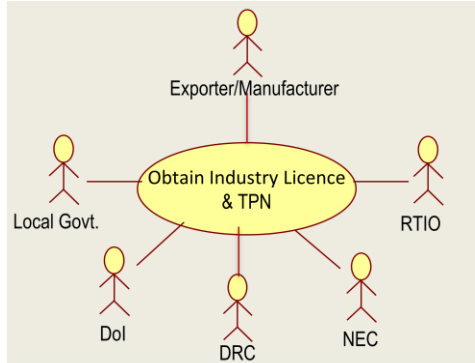
Core Business Area 2.2: Obtain Industry Licence and Tax Payer Number (TPN)

The second business process in the ‘Ship’ process area is “Obtain Industry Licence and TPN,” as shown in Figure 4.7.

⁸ If an Exporter has an adverse record, he/she would have to first clear the information with the Ministry of Home and Cultural Affairs to enable the RBP to issue the Security Clearance. This would take more than 24 hours.

Figure 4.7: “Obtain Industry Licence and TPN” Use Case Diagram

Six actors participate in the core business process area 2.2 “Obtain Industry Licence and TPN” as seen in the use case diagram in Figure 4.7. They are:



- Exporter/Manufacturer
- Department of Industry
- National Environment Commission
- Regional Trade and Industry Office
- Local Government
- Department of Revenue & Customs

Figure 4.8: “Obtain Industry Licence and TPN” Activity Diagram

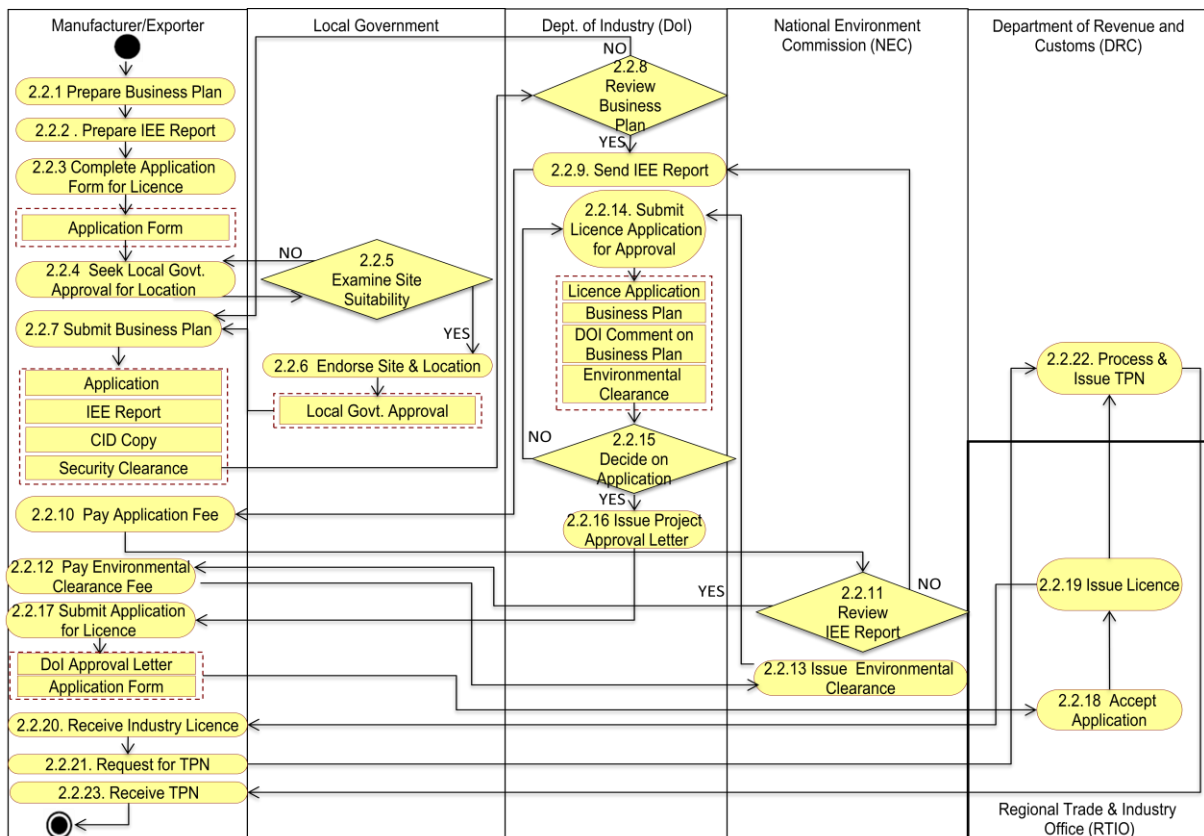


Table 4.3: “Obtain Industry Licence and TPN” Process Description

The name of a process area which this particular business process belongs to	2. Ship
The name of a business process	2.2. Obtain Industry Licence and TPN
Related rules and regulations	<ul style="list-style-type: none"> ▪ Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in Bhutan, 1995 and 1997 ▪ Bhutan Wholesale Trade Regulation, 2006 ▪ National Environment Protection Act, 2007 ▪ Environment Assessment Act, 2000 ▪ Regulations for the Environment Clearance of Projects, 2002 ▪ The Income Tax Act of the Kingdom of Bhutan, 2001
The name of process participants	<ul style="list-style-type: none"> ▪ Manufacturer/Exporter⁹ ▪ Local Government¹⁰ ▪ Exporter/Manufacturer ▪ Department of Industry (DoI), Ministry of Economic Affairs (MoEA) ▪ National Environment Commission (NEC) ▪ Regional Trade & Industry Office (RTIO) ▪ Department of Revenue & Customs (DRC)
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Citizenship Identity Card ▪ Security Clearance
Procedures and associated documentary requirements to complete the process	<p>2.2.1. The Manufacturer/Exporter (applicant) prepares a Business Plan as per the Guidelines for Preparation of Business Plan posted on the Ministry of Economic Affairs website www.moea.gov.bt;</p> <p>2.2.2. The applicant also prepares an Initial Environmental Examination (IEE) report as per the guidelines of the National Environment Commission (NEC) available at its website www.nec.gov.bt;</p> <p>2.2.3. The applicant completes the Application Form for Industry Licence that can be downloaded from the Ministry of Economic Affairs website given above;</p> <p>2.2.4. The applicant seeks clearance from the local Government (municipal or district as the case may be) either on the Industry Licence Application Form or in a separate letter on the site and location of the manufacturing industry to be set up;</p> <p>2.2.5. The local Government examines whether the proposed site is in accordance with the local development plan;</p> <p>2.2.6. If so, the local Government endorses the proposed site and location for the industry to be set up;</p> <p>2.2.7. The applicant submits the Business Plan to the Department of Industry (DoI) along with the IEE report, an application letter, site approval from the local Government in the Application Form for Industry Licence, CID copy and Security Clearance;</p>

⁹ The Manufacturer itself exports the product.

¹⁰ The local Government comprises of Dzongkhag (district) Administration or Thromde (municipal corporations).

	<p>2.2.8. The DoI reviews the Business Plan;</p> <p>2.2.9. Upon satisfaction with the Business Plan, the DoI sends the IEE report to the NEC through the applicant or on its own for issuing the environmental clearance;</p> <p>2.2.10. The applicant pays an application fee for environmental clearance to the NEC followed by the IEE clearance fee when the clearance is issued;</p> <p>2.2.11. The NEC reviews the IEE¹¹ report and informs DoI or the applicant on its decision;</p> <p>2.2.12. If NEC is satisfied, the Manufacturer/Exporter pays the Environmental Clearance fee ;</p> <p>2.2.13. The NEC issues Environmental Clearance to the applicant with copy to the DoI;</p> <p>2.2.14. The DoI submits the summary of the business proposal with references of required clearances to the Project Approval Committee (PAC) in the Department or Ministry¹²;</p> <p>2.2.15. The PAC, the DoI or MoEA makes a decision on the application for Industry Licence;</p> <p>2.2.16. If satisfied, the DoI issues a project approval letter¹³ to the RTIO and the applicant;</p> <p>2.2.17. The applicant submits in person the completed License Application Form and the approval letter to the RTIO responsible for services in that particular location¹⁴ for issue of the Industry Licence.;</p> <p>2.2.18. The RTIO reviews the Application Form;</p> <p>2.2.19. The RTIO issues the Industry Licence;</p> <p>2.2.20. The Manufacturer/Exporter receives the Industry Licence;</p> <p>2.2.21. The Manufacturer/Exporter requests the Department of Revenue & Customs for Tax Payer's Identification No.;</p> <p>2.2.22. DRC processes the request and issues TPN; and</p> <p>2.2.23. The Manufacturer/Exporter receives TPN.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Receipt of Industry Licence and TPN No.
Average time required to complete the process and/or durations for each involved transaction	Average time: 3.5 months
Average costs associated with the process	<ul style="list-style-type: none"> - IEE Application fee: Nu. 500.00 - Environmental Clearance fee: Nu. 50,000.00 (large scale) - Business Licence fee: Nu. 8,000.00 (large scale) - Business Registration fee: Nu 4,000 (one time) <p>Total Nu. 62,500.00 or U.S \$ 961.55</p>
No. of copies of each document required	<p>One copy each of following documents, total 7 copies:</p> <ul style="list-style-type: none"> - Security Clearance

¹¹ Guidelines for environmental clearance are given in the National Environment Commission website www.nec.gov.bt

¹² The PAC could be within the Department of Ministry depending on the priority sector. On such sectors, it will be within the Department and on non-priority, it will be within the Ministry.

¹³ The procedure for obtaining Industry Licence is for a domestic investor. If foreign investment is involved, the procedures and requirements may be different. The details are given in www.moea.gov.bt or www.bhutaneregulations.org

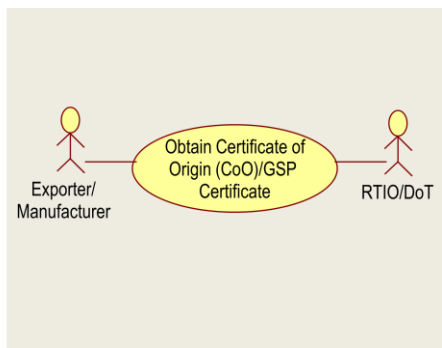
¹⁴ The RTIOs are located in Thimphu, Phuentsholing, Gelephu, Trongsa, Mongar and Samdrup Jongkhar.

	<ul style="list-style-type: none"> - Business Plan - IEE report - Application Form for Industry Licence - Environmental Clearance from NEC - Project approval letter from DoI - Application Form for TPN (online)
Mode of document submission	Electronic/Manual ¹⁵

Core Business Process Area 2.3: Obtain Certificate of Origin/GSP Certificate

The fourth business process under the ‘Ship’ process area is “Obtain Certificate of Origin/GSP Certificate,” and it is shown in Figure 4.9.

Figure. 4.9: “Obtain Certificate of Origin/GSP Certificate” Use Case Diagram



There are two actors that are involved in business process area 2.4 “Obtain Certificate of Origin/GSP Certificate” As shown in Figure 4.9, they are:

- Exporter or his/her representative, CHA, Bhutan
- Regional Trade and Industry Office/Department of Trade

¹⁵ The Department of Trade has introduced an online system from September 2016 (*Kuensel*, 16 September 2016) for issue of licence and other related documents. Until the process is fully stabilized, both electronic/manual systems will be operational.

Figure 4.10: “Obtain Certificate of Origin/GSP Certificate” Activity Diagram

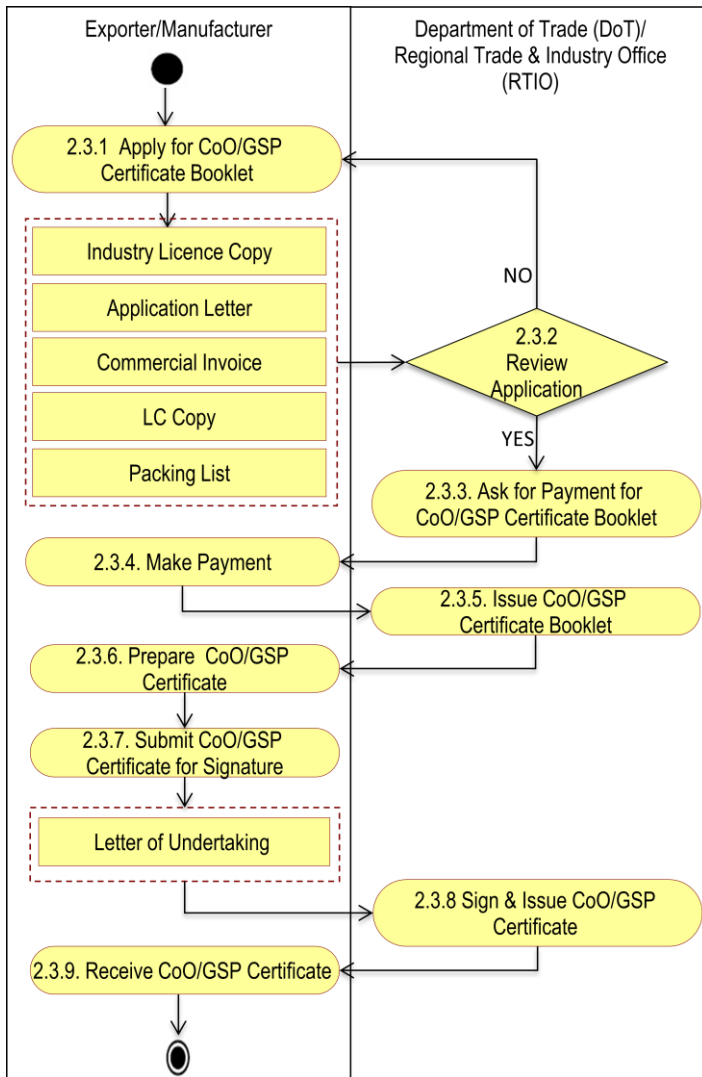


Table 4.4: “Obtain Certificate of Origin/GSP Certificate” Process Description

The name of a process area which this particular business process belongs to	1. Ship
The name of a business process	2.3. Obtain Certificate of Origin (CoO)/Generalized System of Preference (GSP) Certificate
Related rules and regulations	<ul style="list-style-type: none"> ▪ Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in Bhutan, 1995 and 1997 ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000; and ▪ Rules (2000) on Bhutan Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000.
The name of process participants	<ul style="list-style-type: none"> ▪ Manufacturer/Exporter ▪ Department of Trade/RTIO
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Prepare to dispatch ferrosilicon
Procedures and associated documentary requirements to complete the process	<p>2.3.1. The Manufacturer/Exporter submits a written application for the CoO/GSP Certificate booklet to the RTIO by attaching a copy of Industry Licence, Commercial Invoice, Packing List and Advance Payment Receipt confirming the proposed export;</p> <p>2.3.2. The RTIO reviews the application;</p> <p>2.3.3. If the application is admissible, the RTIO asks for payment for the CoO/GSP Certificate booklet;</p> <p>2.3.4. The Manufacturer/Exporter makes payment for the booklet;</p> <p>2.3.5. The RTIO issues the Certificate of Origin/GSP Certificate booklet¹⁶ and a Undertaking;</p> <p>2.3.6. The Manufacturer/Exporter prepares the CoO/GSP Certificate;</p> <p>2.3.7. The Manufacturer/Exporter submits the CoO/GSP Certificate for signature by the RTIO while attaching an Undertaking;</p> <p>2.3.8. The RTIO signs and issues the CoO/GSP Certificate to the Manufacturer/Exporter; and</p> <p>2.3.9. The Manufacturer/Exporter receives the CoO/GSP Certificate.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Receive the Certificate of Origin/GSP Certificate
Average time required to complete the process and/or durations for each involved transaction	Average time: 2 hr.
Average costs associated with the process	Nu. 15 per CoO/GSP Certificate or \$0.25

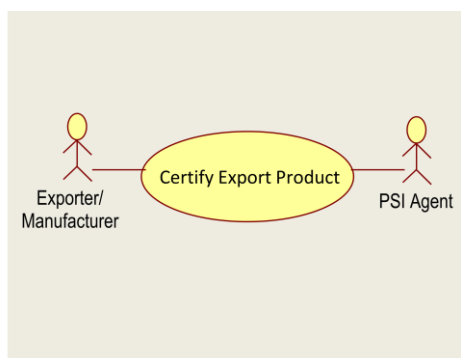
¹⁶ Normally, industries or traders engaged in regular export buy a booklet containing 18 sets of CoO/GSP Certificate at a time costing Nu. 270.00 (\$4.15). They use a set whenever needed. The latter process reduces the time slightly as they save time for purchasing the booklet and making payment for it. The Generalized System of Preference (GSP) Certificate replaces the CoO when used for export to those developed countries which extend such trade preference to the least developed countries (LDCs) like Bhutan.

No. of copies of each document required	Total: 5 copies, one of each as follows: - Application letter, - Industry Licence, - Commercial Invoice, - LC copy (for payment confirmation), - Undertaking.
Mode of documents submission	Electronic/ Manual

Core Business Process Area 2.4: Certify Export Product

The fifth business process under the ‘Ship’ process area is “Certify Export Product,” and is shown in Figure 4.11 below.

Figure 4.11: “Certify Export Product” use case diagram



To complete the core business process area 2.4 “Certify Export Product” for export of ferrosilicon from Bhutan to Europe, two actors are involved as seen in use case diagram given in Figure 4.11. They are:

- Exporter/Manufacturer
- Product testing and certifying agent or Pre-shipment Inspection (PSI)

Figure 4.12: “Certify Export Product” activity diagram

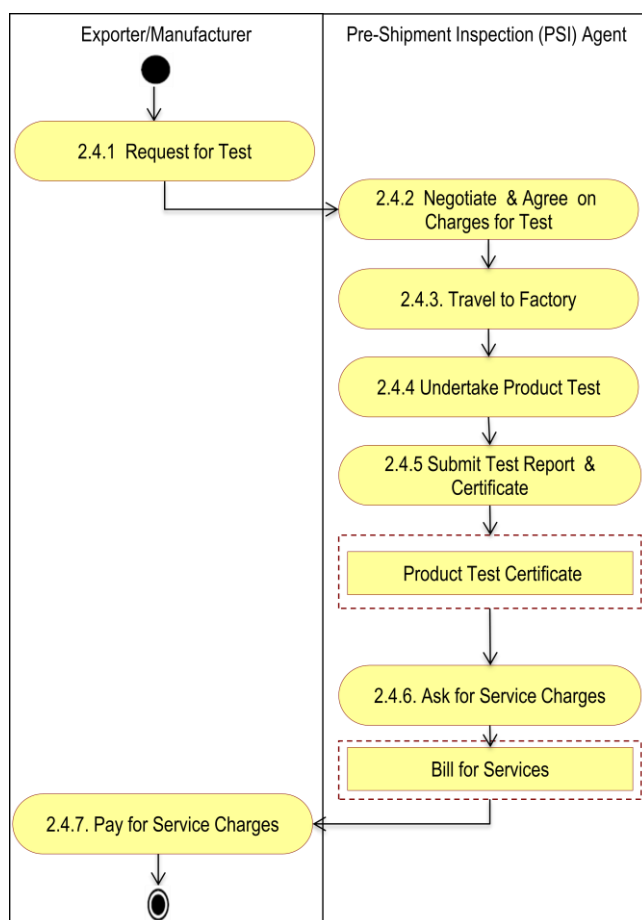


Table 4.5: “Certify Export Product” Process Description

The name of a process area which this particular business process belongs to	3. Ship
The name of a business process	2.4. Certify Export Product ¹⁷
Related rules and regulations	<ul style="list-style-type: none"> ▪ Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in Bhutan, 1995 and 1997 ▪ Bhutan Wholesale Trade Regulation, 2006
The name of process participants	<ul style="list-style-type: none"> ▪ Manufacturer/Exporter ▪ Pre-shipment Inspection (PSI) Agent¹⁸

¹⁷ The product test is normally done in the factory with the management, with technical advice and supervision from a certified agent in India (Kolkata or Siliguri, West Bengal) whenever needed. If the Product Certificate issued by the factory is not satisfactory to the Importer, additional testing and certification is done in Kolkata before dispatching the export product from Kokata Port. The Exporter and certified agent normally have working relationship.

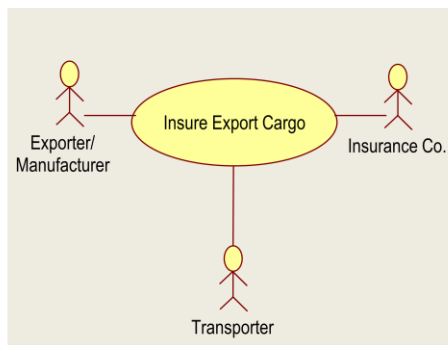
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Prepare to dispatch export goods
Procedures and associated documentary requirements to complete the process	<p>2.4.1. The Manufacturer/Exporter requests the services of a PSI Agent from Kolkata by e-mail, fax or telephone;</p> <p>2.4.2. The two parties negotiate and agree through telephone, e-mail or fax on the product testing charges and terms of payment;</p> <p>2.4.3. The PSI Agent travels to the factory site for testing ferrosilicon;</p> <p>2.4.4. The PSI Agent carries out the product tests on site;</p> <p>2.4.5. The PSI Agent submits a Product Test Certificate to Manufacturer/Exporter;</p> <p>2.4.6. The PSI Agent submits a bill for its fees or service charges to the Manufacturer/Exporter; and</p> <p>2.4.7. The Manufacturer/Exporter pays the PSI Agent in cash or fund transfer through banks for the services rendered unless already paid in advance.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Receive Product Certificate
Average time required to complete the process and/or durations for each involved transaction	Average time: 48 hrs
Average costs associated with process	Nu. 20,000.00 or \$307.70
No. of copies of each document required	<p>One copy each of the following documents:</p> <ul style="list-style-type: none"> - Agreement between Manufacturer/Exporter and PSI Agent for the latter's services in the factory at Pasakha. - Product Certificate <p>Total: 2 documents, 1 copy each</p>
Mode of documents submission	Electronic

Core Business Process Area 2.5: Insure Export Cargo

The fifth business process under the 'Ship' process area is "Insure Export Cargo," and this shown in Figure 4.13 below.

¹⁸ The term 'PSI Agent' has been used. This term also refers to a certified product testing and certification body where PSI is not relevant or is not used.

Figure 4.13: “Insure Export Cargo” use case diagram



Three actors participate in the completion of core business process area “Insure Export Cargo,” as shown in use case diagram 4.13. They are:

- Insurance Company
- Exporter/Manufacturer
- Transporter

Figure 4.14: “Insure Export Cargo” activity diagram

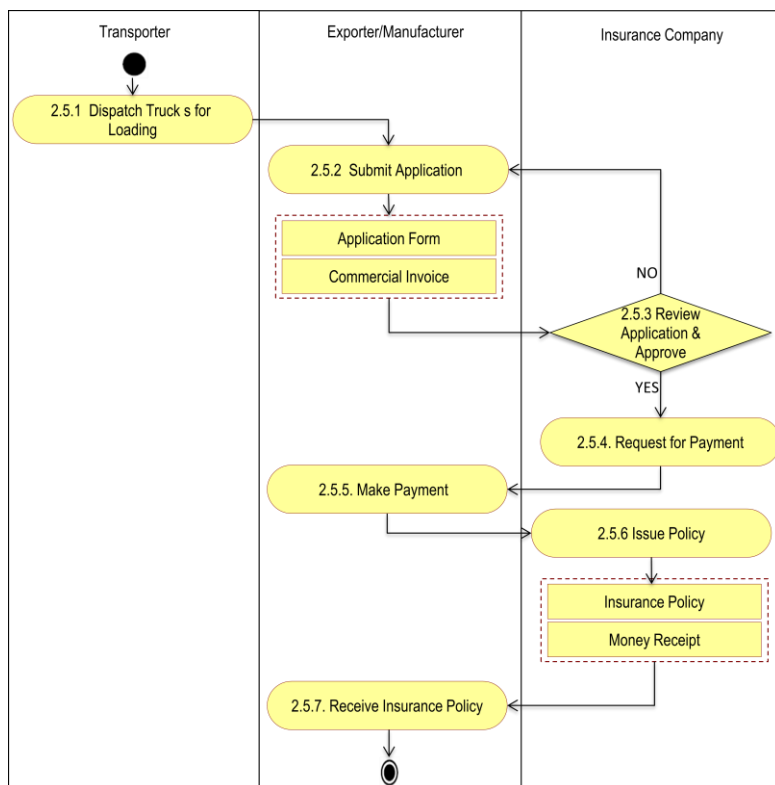


Table 4.6: “Insure Export Cargo” Process Description

The name of a process area which this particular business process belongs to	3. Ship
The name of a business process	2.5. Insure Export Cargo
Related rules and regulations	<ul style="list-style-type: none"> ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000; and ▪ Rules (2000) on Bhutan Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000.

The name of process participants	<ul style="list-style-type: none"> ▪ Manufacturer/Exporter ▪ Insurer ▪ Transporter
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Prepare to dispatch export goods
Procedures and associated documentary requirements to complete the process	<p>2.5.1. The trucks (or containers) are dispatched for loading¹⁹ the export cargo at the Manufacturer/Exporter's factory in Pasakha;</p> <p>2.5.2. The Manufacturer/Exporter submits the Application Form for marine insurance that can be downloaded from the Insurance Companies' websites²⁰ to the Insurer along with a copy of Commercial Invoice;</p> <p>2.5.3. The Insurer reviews the application and approves the standard²¹ insurance policy proposed by the Manufacturer/Exporter if satisfied;</p> <p>2.5.4. The Insurer ask the Manufacturer/Exporter to make payment for the applicable charge for the chosen insurance policy²² by cheque or bank transfer;</p> <p>2.5.5. The Manufacturer/Exporter makes the above payment;</p> <p>2.5.6. The Insurer issues the insurance policy along with a receipt for the payment; and</p> <p>2.5.7. The Manufacturer/Exporter receives the insurance policy.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Receive the Insurance Policy
Average time required to complete the process and/or durations for each involved transaction	Average time: 4 hrs
Average costs associated with the process	Nu. 0.3% of Invoice value or \$2.625/MT (on a value of \$875.00/MT)
No. of copies of each document required	Total: 2 copies, one each of below: <ul style="list-style-type: none"> - Application Form - Commercial Invoice
Mode of documents submission	Manual

Core Business Process Area 2.6: Load and Transport Export Cargo from Factory to Phuentsholing

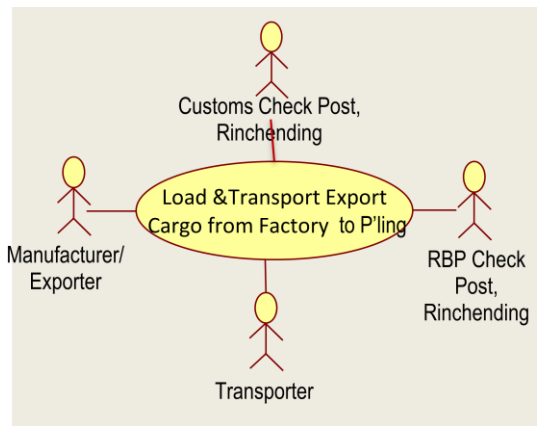
The sixth business process under the 'Ship' process area is "Load and Transport Export Cargo from Factory to Phuentsholing," and is shown in Figure 4.15.

¹⁹ The insurance is normally arranged prior to the loading of the export cargo

²⁰ Royal Insurance Corporation of Bhutan Ltd., www.ricb.com.bt, or Bhutan Insurance Ltd., www.bhtuaninsurance.com.bt.

²² This is about 0.25 to 0.30% of the fob value of the export cargo.

Figure 4.15: “Load and Transport Export Cargo from Factory to Phuentsholing” use case diagram



As shown in use case diagram in Figure 4.15, four actors participate in the core business process area 2.5 “Load and Transport Export Cargo from Factory to Phuentsholing.” They are:

- Manufacturer/Exporter
- Transporter
- Customs Check Post, Rinchending
- Royal Bhutan Police Check Post, Rinchending

Figure 4.16: “Load and Transport Export Cargo from Factory to Phuentsholing” activity diagram

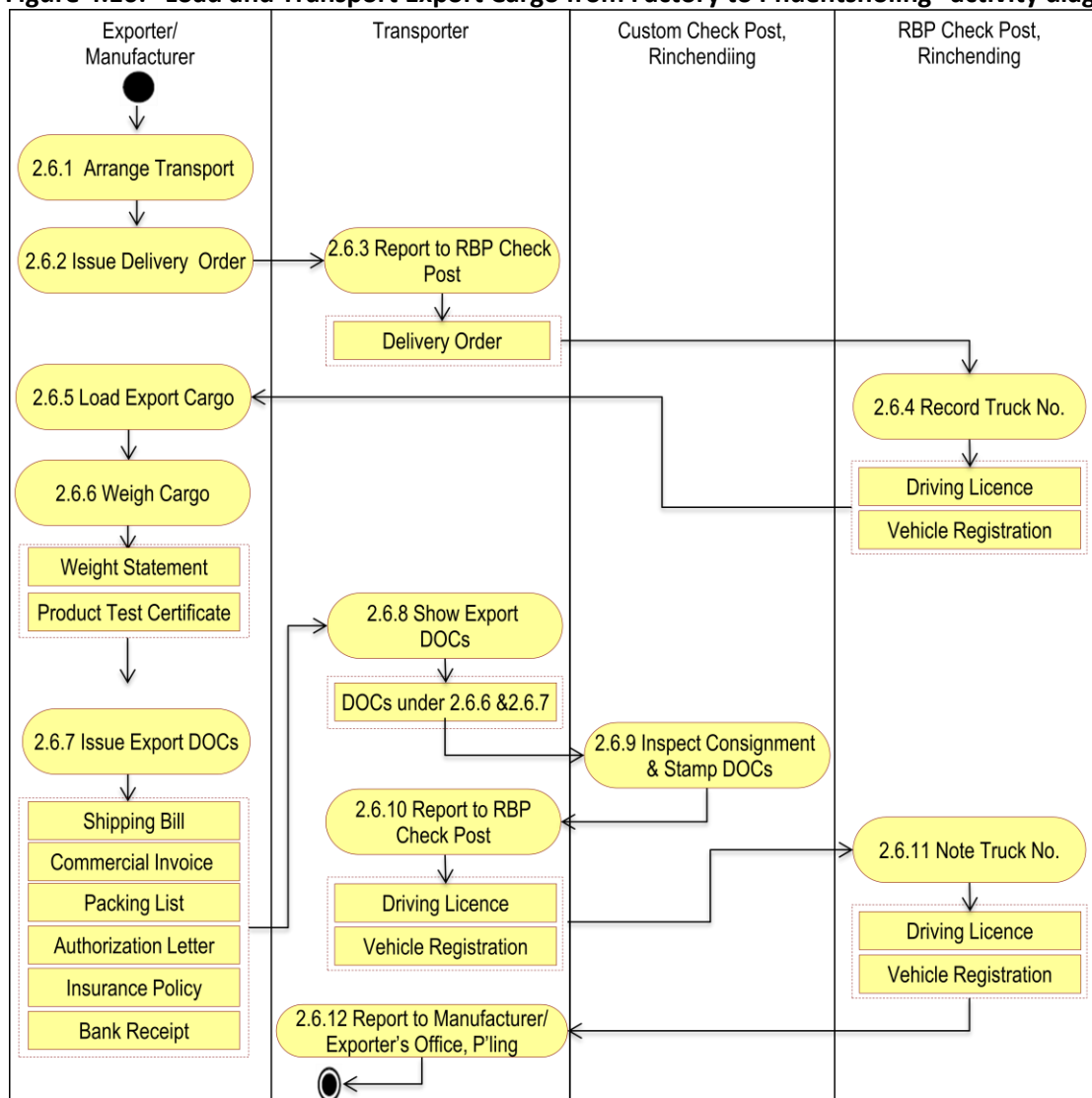


Table 4.7: “Load and Transport export cargo from factory to Phuentsholing” process description

The name of a process area which this particular business process belongs to	2. Ship
The name of a business process	2.3. Load and Transport export cargo from factory (at Pasakha) to Phuentsholing
Related rules and regulations	<ul style="list-style-type: none"> ▪ Protocol attached to the Agreement on Trade, Commerce and Transit between the Royal Government of Bhutan and the Government of the Republic of India, 2016 ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000 ▪ Rules (2002) on Bhutan Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000 ▪ Road Safety and Transport Act, 1999
The name of process participants	<ul style="list-style-type: none"> ▪ Manufacturer/ Exporter ▪ Transporter ▪ Customs Check Post, Rinchending ▪ RBP Check Post, Rinchending
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Receive advance payment
Procedures and associated documentary requirements to complete the process	<p>2.6.1. The Manufacturer/Exporter arranges transport²³ to reach the product to Kolkata;</p> <p>2.6.2. The Manufacturer/Exporter issues Delivery Order (DO)²⁴ at Phuentsholing to enable the Transporter to proceed to the factory at Pasakha and load the consignment;</p> <p>2.6.3. The Transporter reports to the RBP Check Post at Rinchending;</p> <p>2.6.4. The RBP Check Post, Rinchending record the number of the truck along with its registration document and Driver’s Licence;</p> <p>2.6.5. The Transporter proceeds to the factory where the Manufacturer/Exporter arranges loading;</p> <p>2.6.6. After the loading is completed, the cargo is weighed at a weigh bridge operated by the Manufacturer/Exporter in the factory compound and issued with a weight statement;</p> <p>2.6.7. The Manufacturer/Exporter issues or arranges²⁵ the needed export documents to transport the cargo to Phuentsholing (Delivery Order, Shipping Bill, Product Test Certificate, Commercial Invoice, Packing List, Certificate of Origin/GSP Certificate,</p>

²³ The Manufacturers/Exporter uses large Indian trucks carrying more than 20 MTs for transportation to Kolkata as such vehicles are not available in Bhutan. Even if such vehicles were available, the operators do not want to travel in India as there are more hassles en route for Bhutan registered vehicles to ply in India compared to the India registered trucks. Further, the transportation by trucks is cheaper as empty containers have to be procured from Kolkata.

²⁴ India registered vehicles need permit or proof of transport engagement to cross Check Posts when they travel inland. The ferrosilicon factory is in Pasakha, about 15 KMs inland and a vehicle has to cross the Customs and RBP Check Posts at Rinchending, 5 Kms away from Phuentsholing.

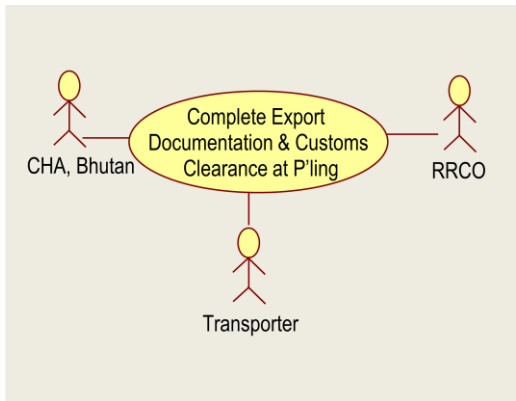
²⁵ Some of these documents can be arranged at the Exporter/Manufacturer’s head office at Phuentsholing. However, Delivery Order, Product Test Certificate and Weight Statement has to arrange in the factory.

	<p>Insurance Policy, Authorization Letter to CHA, India, Weight Statement and Bank Receipt);</p> <p>2.6.8. Upon return, the Transporter produces the above export documents at the Customs Check Post, Rinchending;</p> <p>2.6.9. The Customs Check Post inspects the consignment and stamps the documents;</p> <p>2.6.10. The Transporter also reports to the RBP Check Post, Rinchending for completion of formalities;</p> <p>2.6.11. The RBP Check Post, Rinchending notes the vehicle number along with its registration document and Driver’s Licence; and</p> <p>2.6.12. The Transporter proceeds to Phuentsholing and reports to the Manufacturer/Exporter’s office for facilitating Customs clearance for export.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Completion of formalities at the Rinchending Check Post
Average time required to complete the process and/or durations for each involved transaction	Average time: 7 hrs
Average costs associated with the process	-
No. of copies of each document required	<p>Total: 10 copies, one each of below:</p> <ul style="list-style-type: none"> - Shipping Bill - Product Test Certificate - Commercial Invoice - Certificate of Origin/GSP Certificate - Packing List - Weight statement - Insurance Policy - Authorization Letter - Delivery Order (for truck to move to Pasakha for loading) - Bank receipt (for proof of receipt of advance payment)
Mode of documents submission	Manual

Core Business Process Area 2.7: Complete Export Documentation and Customs Clearance at Phuentsholing”

The seventh business process under the ‘Ship’ process area is “Complete Export Documentation and Customs Clearance at Phuentsholing,” and is shown in Figure 4.17.

Figure 4.17: “Complete Export Documentation and Customs Clearance at Phuentsholing”



In the core business process area 2.7 “Complete Export Documentation and Customs Clearance at Phuentsholing,” three actors take part in the process. They are shown in use case diagram as:

- Customs House Agent, Bhutan
- Transporter
- Regional Revenue and Customs Office

Figure 4.18: “Complete Export Documentation and Customs Clearance at Phuentsholing”

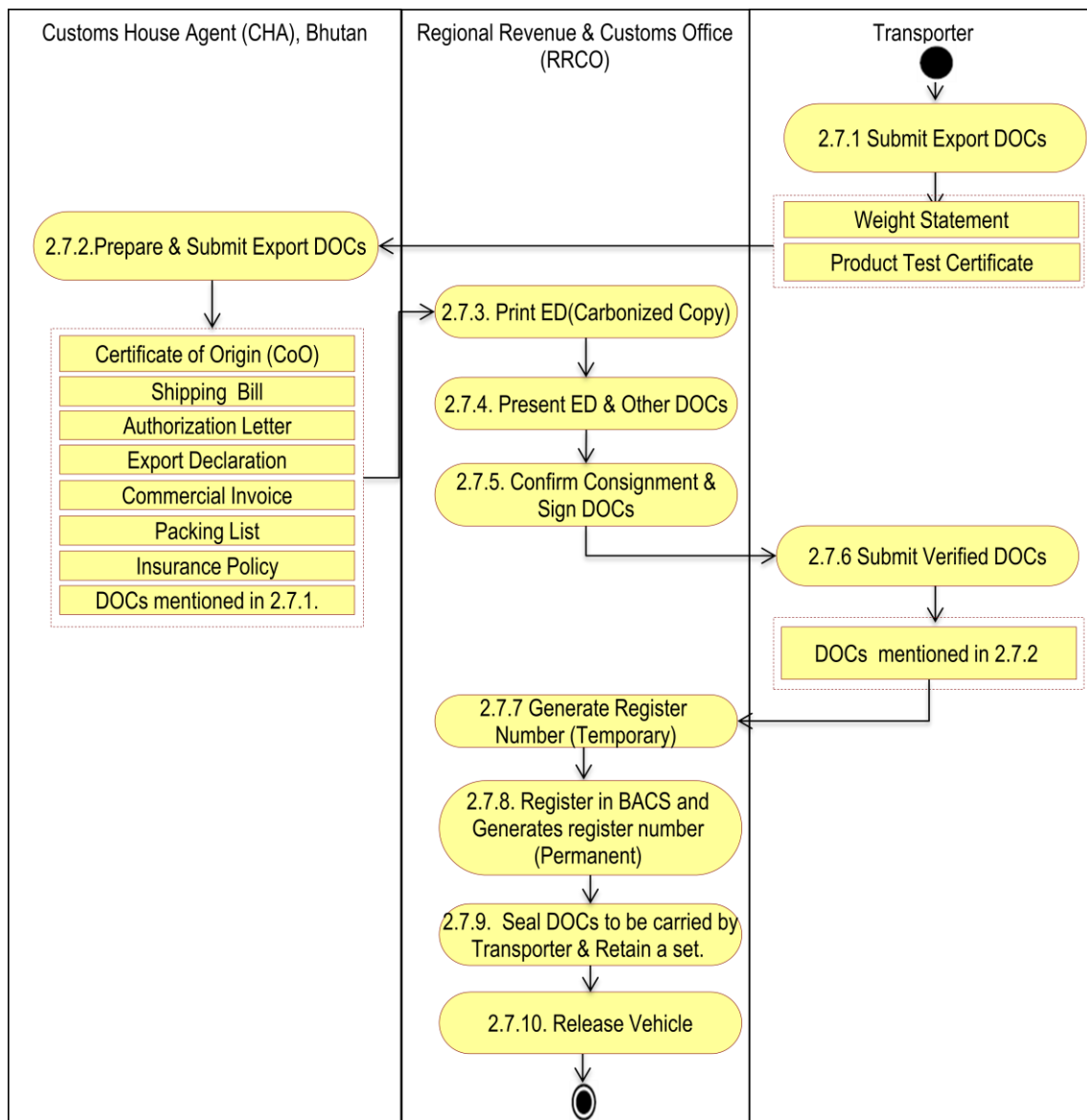


Table 4.8: “Complete export documentation and Customs Clearance at Phuentsholing” Process description

The name of a process area which this particular business process belongs to	2. Ship
The name of a business process	2.7. Complete export documentation at Phuentsholing
Related rules and regulations	<ul style="list-style-type: none"> ▪ Protocol attached to the Agreement on Trade, Commerce and Transit between the Royal Government of Bhutan and the Government of the Republic of India, 2016 ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000 ▪ Rules (2002) on Bhutan Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000
The name of process participants	<ul style="list-style-type: none"> ▪ Manufacturer/Exporter/Customs House Agent (CHA), Bhutan ▪ Transporter ▪ Regional Revenue & Customs Office (RRCO), Department of Revenue & Customs (DRC), Ministry of Finance
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Arrival of export cargo at Phuentsholing
Procedures and associated documentary requirements to complete the process	<p>2.7.1. The Transporter hands over the documents (Product Test Certificate and Weigh Statement) to the CHA, Bhutan²⁶ at Phuentsholing who have their offices there;</p> <p>2.7.2. CHA, Bhutan prepares²⁷ or arranges the Commercial Invoice, Packing List, Shipping Bill, Certificate of Origin/GSP Certificate, Authorization Letter to CHA, India in Kolkata and Export Declaration, and submits these along with the above documents to the Export Counter of the CHAs, Phuentsholing.</p> <p>2.7.3. The Exporter Counter prepares and prints out a carbonized copy of Export Declaration (ED) that is signed by the Manufacturer/Exporter or CHA, Bhutan/Transporter;</p> <p>2.7.4. The ED along with the other export documents are then presented to a Customs Inspector at the Check Post at the border;</p> <p>2.7.5. The Customs Inspector verifies²⁸ the export consignment and signs the documents, if satisfied;</p> <p>2.7.6. The CHA, Bhutan or the Transporter submits the verified documents to the Customs Counter at the Gate for documentary checks;</p> <p>2.7.7. The Duty Officer, RRCO at the Gate (Customs Counter) checks the documents and generates a temporary registration number;</p> <p>2.7.8. The Duty Officer registers the export cargo in the Bhutan Automated Customs System (BACS), generates a permanent registration No. that is noted on the Export Declaration;</p> <p>2.7.9. The Duty Officer signs and seals the documents to be carried by the Transporter while retaining a set meant for RRCO; and</p> <p>2.7.10. The Duty Officer releases the truck(s) for exit from the Bhutan</p>

²⁶ The Manufacturer/Exporter often engages a CHA for completion of export formalities, especially with RRCO.

²⁷ Refer footnote 25

²⁸ With the product already verified physically in the Customs Check Post at Rinchending, physical checking is not required again.

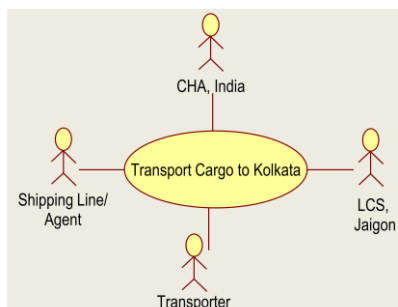
	Gate, Phuentsholing
Output and criteria to exit the business process	<ul style="list-style-type: none"> Completion of formalities at the Export Counter at the Gate.
Average time required to complete the process and/or durations for each involved transaction	Average time: 1 hr ²⁹
Average costs associated with the process	Average: Nu. 50.00 or \$0.75
No. of copies of each document required	Total: 5 documents, one copy each as below except the asterisked ones: <ul style="list-style-type: none"> - Product Test Certificate* - Commercial Invoice - Packing List - Weight statement* - Certificate of Origin/GSP Certificate - Insurance Policy* - Shipping Bill - Authorization Letter* - Export Declaration
Mode of documents submission	Manual

*Not mandatory for RRCO, Phuentsholing and therefore not counted for this procedure.

Core Business Process Area 2.8: Transport Cargo to Kolkata

The eighth business process under the ‘Ship’ process area is “Transport Cargo to Kolkata”, and is shown in Figure 4.19.

Figure 4.19: “Transport Cargo to Kolkata” use case diagram



The use case diagram in core business process area 2.8 in Figure 4.19 “Transport Cargo to Kolkata,” shows four actors in the business process:

- Transporter
- Land Customs Post, Jaigaon
- Customs House Agent, Kolkata
- Shipping Line/Agent

²⁹ The TRS study mentions 13 minutes for export clearance of one consignment. About 1 hr. is provided here as there will be at least 5-6 trucks to be cleared at a time carrying the export cargo to Kolkata.

Figure 4.20: “Transport Cargo to Kolkata” activity diagram

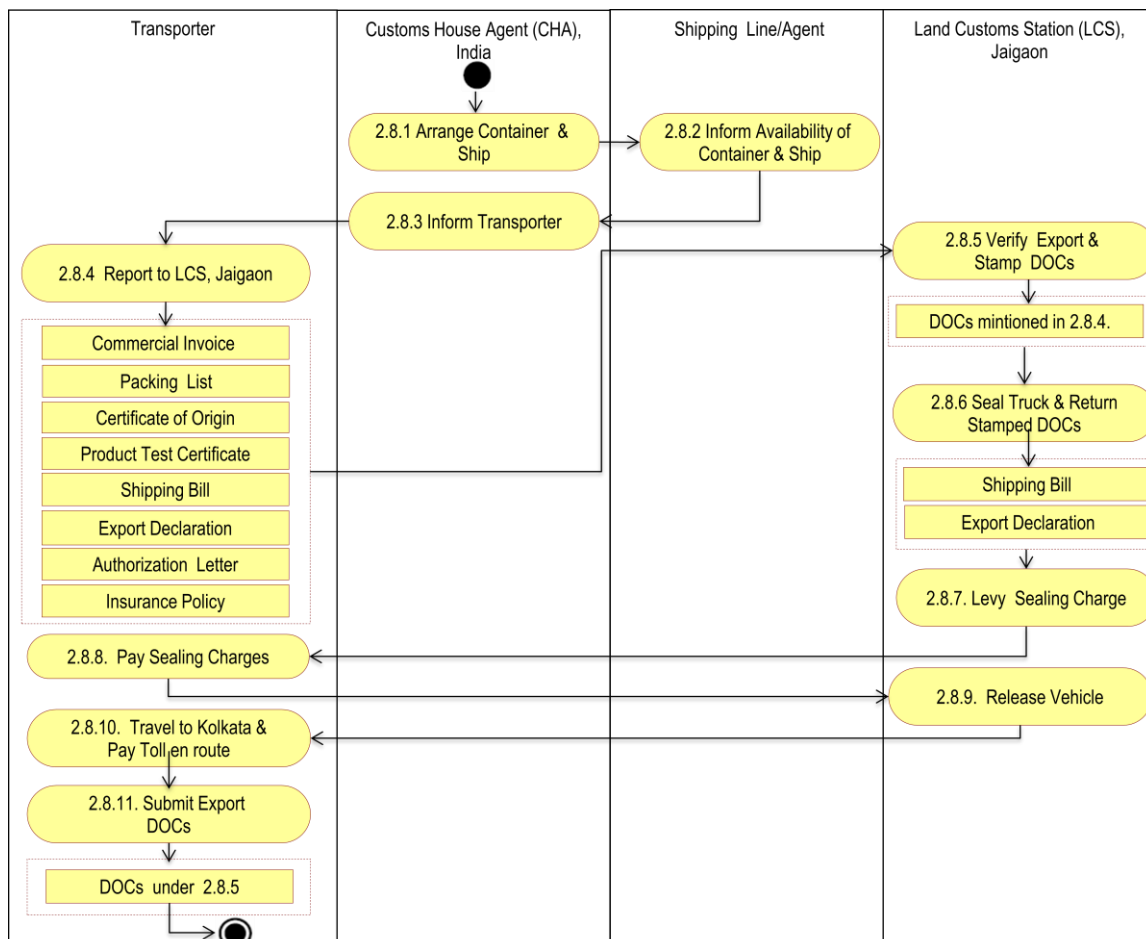


Table 4. 9: “Transport Cargo to Kolkata” process description

The name of a process area which this particular business process belongs to	2. Ship
The name of a business process	2.8. Transport Cargo to Kolkata
Related rules and regulations	<ul style="list-style-type: none"> ▪ Protocol attached to the Agreement on Trade, Commerce and Transit between the Royal Government of Bhutan and the Government of the Republic of India, 2016 ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000 ▪ Rules (2002) on Bhutan Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000 ▪ Customary understanding between Bhutan and India on use of Bhutanese vehicles for plying in India ▪ Road Safety and Transport Act 1999 (Bhutan)
The name of process participants	<ul style="list-style-type: none"> ▪ Shipping Line/Agent ▪ CHA, India ▪ Land Customs Station (LCS), Jaigaon, India ▪ Transporter
Input and criteria to enter/begin the business	<ul style="list-style-type: none"> ▪ Completion of customs formalities at Phuentsholing

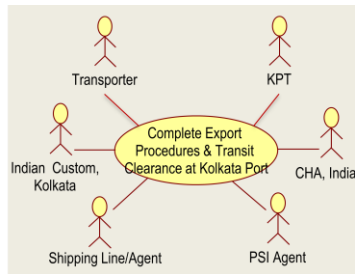
process	
Procedures and associated documentary requirements to complete the process	<p>2.8.1. On behalf of the Manufacturer/Exporter, CHA, India arranges container(s) and a vessel sailing to the destination from Kolkata Port in cooperation with a shipping line/agent;</p> <p>2.8.2. The shipping line/agent informs CHA, India on the availability of container(s) and date of sailing;</p> <p>2.8.3. CHA, India informs the Transporter about the availability of containers and likely date of the sailing of the ship;</p> <p>2.8.4. The Transporter arranged by the Manufacturer/Exporter or CHA, Bhutan/CHA, India reports at the LCS, Jaigaon and hands over the export documents (Commercial Invoice, Packing list, Certificate of Origin, Shipping Bill, Export Declaration, Authorization Letter and Insurance Policy, Product Test Certificate, Weight Statement);</p> <p>2.8.5. The LCS, Jaigaon verifies and stamps the above export documents.</p> <p>2.8.6. The LCS, Jaigaon seals the truck and hands over the stamped documents along with a sealed envelope containing the Shipping Bill and Export Declaration to the truck driver ;</p> <p>2.8.7. The LCS, Jaigaon levies a sealing charge;</p> <p>2.8.8. The Transporter pays the sealing charge to LCS, Jaigaon;</p> <p>2.8.9. The LCS, Jaigaon releases the vehicle while keeping a set of documents;</p> <p>2.8.10. The Transporter pays toll charges and other fees en route to Kolkata on behalf of the Exporter. The charges are included in the transportation charge from Pasakha to Kolkata; and</p> <p>2.8.11. The Transporter submits export documents as given in point 2.8.1 above to CHA, India at Kolkata who represents the Exporter in Bhutan.</p>
Output	<ul style="list-style-type: none"> ▪ Arrival of cargo at Kolkata
Average time required to complete the process	Average time: 5 days
Average costs associated with the process	<p>Average:</p> <ul style="list-style-type: none"> - Transportation charge Nu. 1,750.00/MT or \$26.90/MT
No. of copies of each document required	<p>Total: 9 documents (6 copies each in total)</p> <ul style="list-style-type: none"> - Shipping Bill - Export Declaration (3 copies) - Product Test Certificate - Commercial Invoice - Packing List - Certificate of Origin/GSP Certificate - Authorization Letter - Insurance Policy - Weight statement
Mode of documents submission	Both electronic and manual

Core Business Process area 2.9: Complete Export Procedures and Customs Clearance at Kolkata Port

The ninth and final business process under the ‘Ship’ process area is “Complete Export Procedures and Customs Clearance at Kolkata Port,” and is shown in Figure 4.21.

Figure 4.21: “Complete export procedures and Customs clearance at Kolkata Port,” use case diagram

As shown in Figure 4.21 “Complete export procedures and Customs clearance at Kolkata Port” use case diagram on the export of ferrosilicon to Europe, six participants are involved. They are:



- Transporter
- Customs House Agent, India
- Shipping Line/Agent
- PSI Agent
- Indian Customs, Kolkata
- Kolkata Port Trust

Figure 4.22: “Complete export procedures at Kolkata Port,” activity diagram

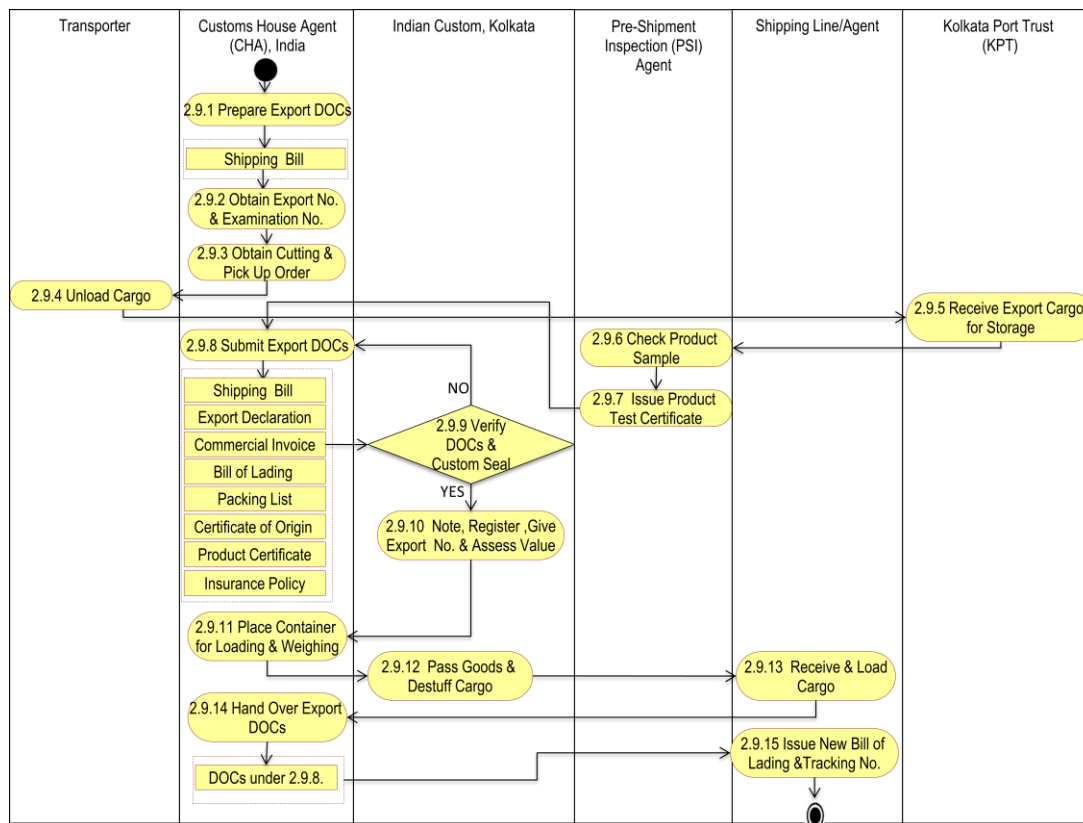


Table 4.10: “Complete Export Procedures at Kolkata Port” process description

The name of a process area which this particular business process belongs to	2. Ship
The name of a business process	2.9. Complete Export Procedures at Kolkata Port
Related rules and regulations	<ul style="list-style-type: none"> ▪ Protocol attached to the Agreement on Trade, Commerce and Transit between the Royal Government of Bhutan and the Government of the Republic of India, 2016 ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000 ▪ Rules (2002) on Bhutan Sales Tax, Customs and Excise Act of the Kingdom

	<p>of Bhutan, 2000</p> <ul style="list-style-type: none"> ▪ Customary understanding between Bhutan and India on use of Bhutanese vehicles for plying in India ▪ Kolkata Port Rules, 1994; and ▪ Kolkata Port Trust (Licensing of Stevedores) Regulations, 1987
	<ul style="list-style-type: none"> ▪
The name of process participants	<ul style="list-style-type: none"> ▪ CHA, India ▪ Indian Customs, Kolkata ▪ Transporter ▪ Shipping Line/Agent ▪ Pre Shipment Inspection (PSI) Agent ▪ Kolkata Port Trust (KPT)
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Arrival of export cargo at Kolkata ▪ Confirmation of the Container(s) and Ship
Procedures and associated documentary requirements to complete the process	<p>2.9.1. CHA, India prepares another Shipping Bill with the name of the vessel carrying the export cargo that would have been pre-arranged by CHA, India;</p> <p>2.9.2. CHA, India obtains Export No. (EF) and Examination Order (EO) from the Indian Customs for percentage check of the export cargo if it is not already in a sealed container;</p> <p>2.9.3. CHA, India obtains a ‘Cutting Order’ for temporary storage and ‘Pick Up Order’ for containers for loading the export cargo;</p> <p>2.9.4. The Transporter unloads the export cargo at the Container Freight Station (CFS), KPT at the dock in the presence of the Indian Customs and CHA, India.</p> <p>2.9.5. CFS, KPT receives export cargo for temporary storage/warehousing;</p> <p>2.9.6. PSI Agent checks the product sample³⁰ for verification of quality standard;</p> <p>2.9.7. PSI Agent issues a test certificate to be sent along with the other export documents to the Importer;</p> <p>2.9.8. CHA, India submits the export documents (Export Declaration, Shipping Bill, Commercial Invoice, Bill of Lading, Packing List, Certificate of Origin, Product Certificate, Insurance Policy) to the Bhutan-Nepal Unit of the Indian Customs, Kolkata along with the final Shipping Bill;</p> <p>2.9.9. The Indian Customs at the dock verifies the export documents including the sealed envelope from LCS, Jaigaon and makes a percentage check of the export cargo and the Customs seal from LCS, Jaigaon for any tampering of the seal in presence of CHA, India;</p> <p>2.9.10. The Indian Customs notes, registers and issues the export No. and assesses the value of the export consignment;</p> <p>2.9.11. CHA, India places the containers for loading and weighing;</p> <p>2.9.12. The Indian Customs passes the product for export after de-stuffing and seals the containers;</p> <p>2.9.13. The export cargo in container is loaded in the vessel at the dock by the shipping agent;</p> <p>2.9.14. The export documents are handed over to the ship; and</p> <p>2.9.15. The Shipping Line gives a new Bill of Lading and tracking number per container to CHA, India for tracking the export cargo.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ The export cargo is loaded in a ship
Average time required to complete the process	Average time: 3 days

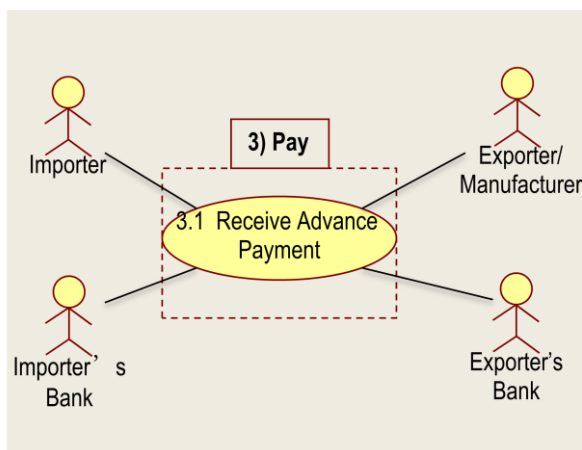
³⁰ As per Bhutanese exporters of ferro silicon and silicon metal, in some cases, the Importer accepts the products certified at the factory by a recognized PSI Agent but in other cases, the Importer insist on obtaining the Certificate before loading the cargo at Kolkata. So, the steps 2.8.6 and 2.8.7 may not always apply. If applied, however, the payment for services is pre-arranged with the Manufacturer/Exporter.

Average costs associated with the process	Average: - Stuffing and other charges at the dock, Kolkata Port (approx. Nu. 1,000.00/MT) = \$15.40 - CHA, India fees Nu. 5,000.00 = \$76.90 Total \$92.30
No. of copies of each document required	Total: 9 documents, 14 copies as below: - Shipping Bill (2 copies, old and new) - Bill of Lading(4 copies, new) - Export Declaration (3 copies) - Commercial Invoice - Packing List - Certificate of Origin/GSP Certificate - Product Test Certificate - Authorization Letter - Insurance Policy - Weight statement
Mode of documents submission	Both electronic and manual

Process Area 3: Pay

The third process area, ‘Pay’, contains two business processes that need to be completed at the end of the overall process. This is “Open a Letter of Credit (LC) and “Receipt of Final Payment” as shown in Figure 4.23 involving four actors.

Figure 4.23: Use Case Diagram of Core Business Process in ‘Pay’ process area.



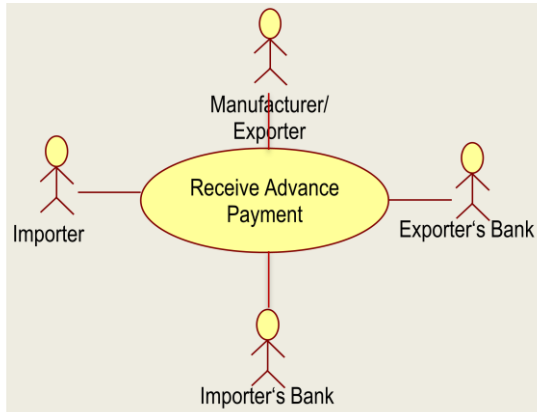
For the export of ferrosilicon from Bhutan to Europe, the ‘Pay’ process area consists of one Core Business Processes – “Receive Advance Payment”³¹ by the Exporter. This is shown in Figure 4.23. Four actors are drawn in the business process as given in Figure 4.23:

³¹ The payment arrangement is agreed by the Exporter and Importer in the Purchase Order. Such arrangement could be against full advance payment or Letter of Credit. In this particular example, the former arrangement applies.

Core Business Process Area 3.1. Receive Advance Payment

There is one process in the Core Business Process Area ‘Pay’ which is “Receive Advance Payment.” The process is shown in Figure 4.24.

Figure 4.24: “Receive Advance Payment” Use Case Diagram



In the only one Core Business Process Area under the ‘Pay’ process area, four actors participate in completing the process as seen in Figure 4.24. They are:

- Exporter
- Importer
- Exporter’s Bank
- Importer’s Bank

Figure 4.25: “Receive Advance Payment” activity diagram

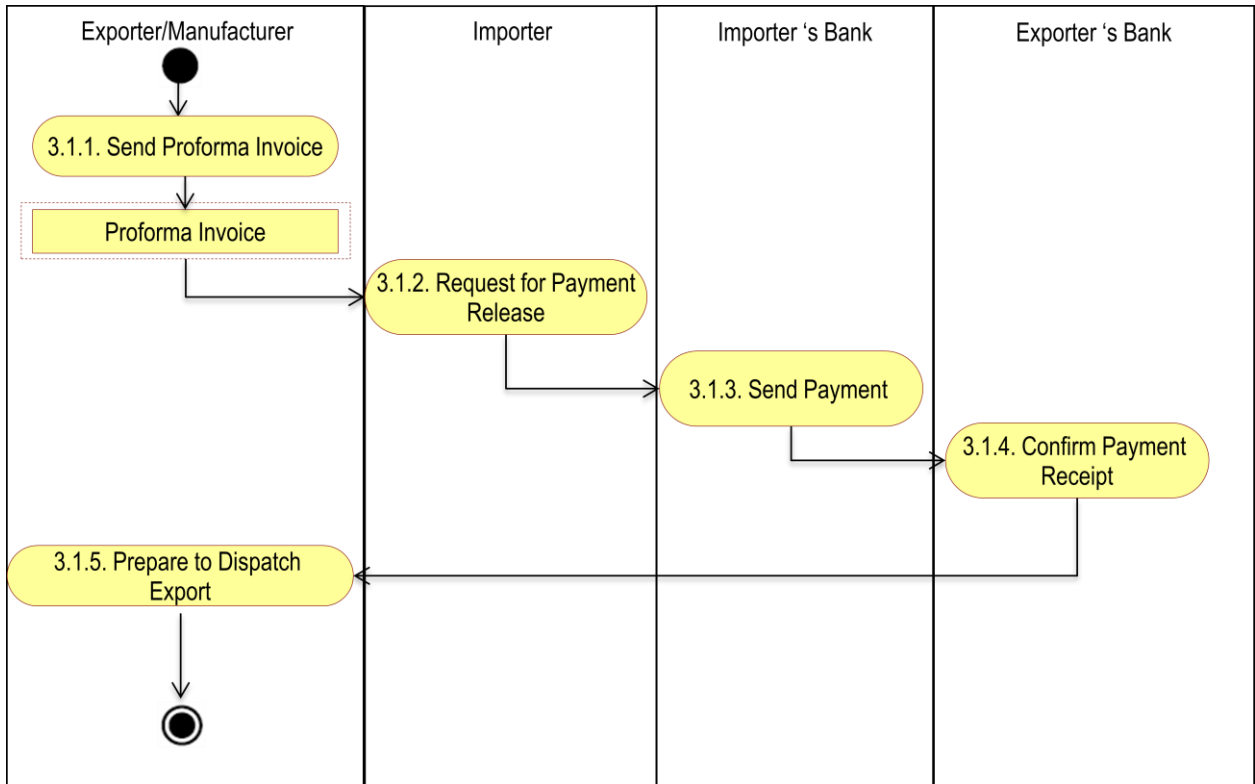


Table 4.11: “Receive Advance Payment” process description

The name of a process area which this particular business process belongs to	3. Pay
The name of a business process	3.1. Receive advance payment
Related rules and regulations	<ul style="list-style-type: none"> ▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000; and ▪ Rules (2002) on Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2002.
The name of process participants	<ul style="list-style-type: none"> ▪ Exporter ▪ Importer ▪ Importer’s Bank ▪ Exporter’s Bank
Input and criteria to enter/begin the business process	<ul style="list-style-type: none"> ▪ Conclusion of a Purchase Order
Procedures and associated documentary requirements to complete the process	<p>3.1.1. The Manufacturer/Exporter sends a Proforma Invoice;</p> <p>3.1.2. The Importer asks his/her Bank to remit advance payment to the Manufacturer/Exporter’s Bank after receiving the Proforma Invoice from Manufacturer/Exporter;</p> <p>3.1.3. The Importer’s Bank sends the advance payment in full to the Manufacturer/Exporter’s Bank by SWIFT;</p> <p>3.1.4. The Manufacturer/Exporter’s Bank informs its client and Importer’s Bank about receipt of payment; and</p> <p>3.1.5. The Manufacturer/Exporter produce and dispatch the export product as per the Purchase Order and Proforma Invoice.</p>
Output and criteria to exit the business process	<ul style="list-style-type: none"> ▪ Confirmation of receipt of advance payment
Average time required to complete the process and/or durations for each involved transaction	Average time: 24 hrs
Average costs associated with the process	Bank commission: U.S \$5.00
No. of copies of each document required	Total: 2 copies, one of each as follows: <ul style="list-style-type: none"> - Purchase Order - Proforma Invoice
Mode of documents submission	Electronic

4.2 Analysis of key indicators

4.2.1. Time for export

Table 4.12 and Figure 4.26 show that it takes 126 days to complete all export procedures. However, if the one-time procedures are excluded, the total time is reduced dramatically to 17 days. Such difference is explained by the most time consuming procedure for a new industrialist to apply for industry license (minimum of three and a half months). Out of this, at least three months are spent in obtaining the environmental clearance³². If the NEC requires the applicant to carry out a full-fledged environmental impact assessment, the time could well extend to a year or more³³.

Table 4.12: Process and time involved in the export of ferrosilicon

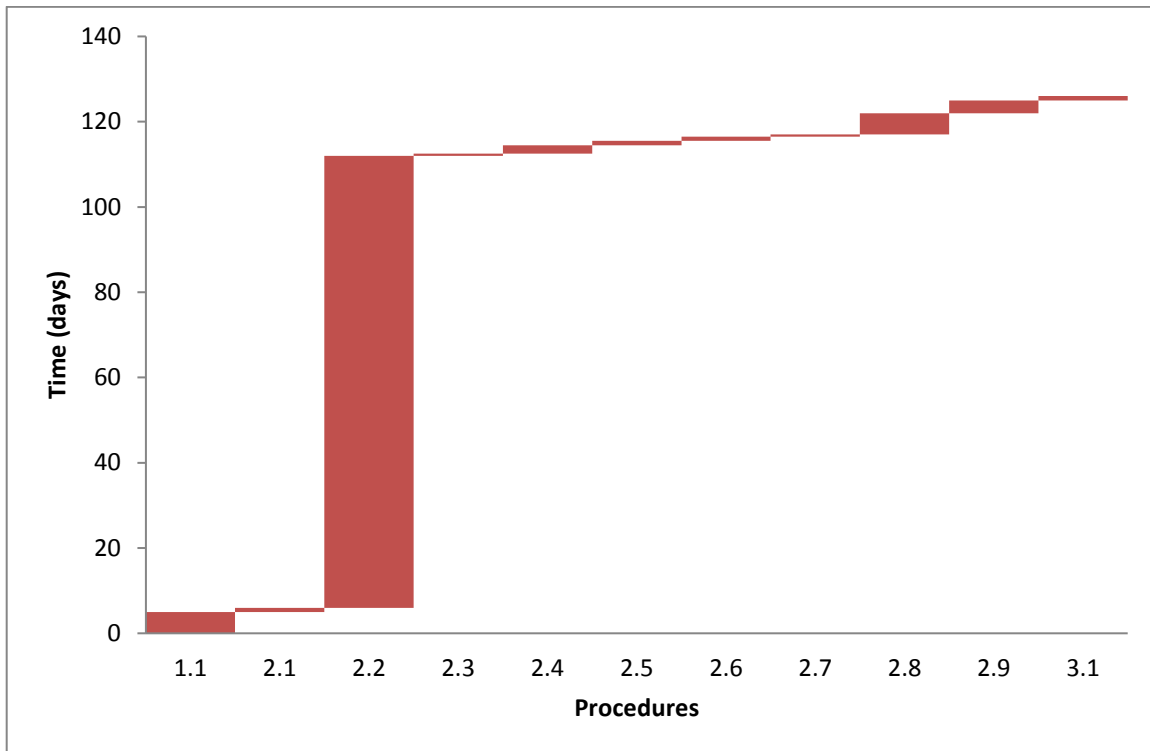
Sl. No.	Process	Actors: Public/Private	Time (days)	Remarks
1.1.	Conclude Import Order	Private-Private	5	
2.1.	Obtain Security Clearance	Private-Public	1	One time
2.2.	Obtain Industry Licence and TPN	Private-Public	106	One time fixed cost
2.3.	Obtain Certificate of Origin/GSP Certificate	Private-Public	0.5	
2.4.	Certify Export Product	Private-Private	2	One time at factory
2.5.	Insure Export Cargo	Private-Private	1	
2.6.	Load and Transport export cargo to Phuentsholing	Private-Private	1	
2.7.	Complete export documentation and Customs Clearance at Phuentsholing	Private-Public	0.5	
2.8.	Transport cargo to Kolkata	Private-Private	5	
2.9.	Complete export and transit procedures at Kolkata port	Private-Private	3	
3.1.	Receive advance payment	Private-Private	1	
	Total		126	
	Without one-time processes (2.1, 2.2, 2.4)		17	

Note: if a procedure takes no more than 3 hours, it is treated as half day. If a procedure takes more than 3 hours, it is treated as a full day. The reason for such estimation is to take travel and waiting time for completing the procedure into consideration.

³² Environmental clearance is valid for a period of five years

³³ The lengthy procedure may be explained by the fact that Bhutan has strict environmental regulations to comply with by industries and so this process takes a long time.

Figure 4.26: Time for Export of Ferrosilicon via Kolkata including one time procedures



Without one-time procedures, it takes about half a month for the export cargo to be loaded at the ship in Kolkata Port after receiving the advance payment by the Manufacturer/Exporter. This does not include the time taken for producing³⁴ the ferrosilicon in the quantity that it has been ordered. Transportation to Kolkata takes about five days. Time taken in clearing the export at Kolkata port is three days.

4.2.2. Costs for export

Costs are calculated according to a typical truckload of 28 MT. The total costs for completing all procedures including one-time procedures are US\$ 2,610 (as shown in Table 4.13 and Figure 4.28). One-time procedures for the new traders almost accounted for half of the total costs (US\$ 1,270), including US\$ 962 for applying for industry license and TPN and US\$ 308 apply for certification of export cargo.

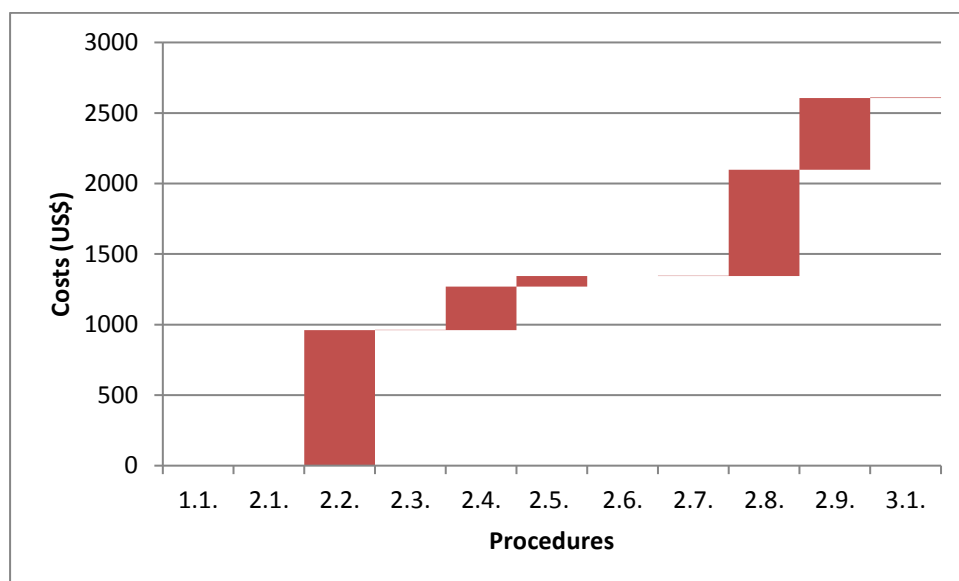
³⁴ It is learnt that it takes three days to produce 1 MT of ferrosilicon including sizing and packing as the work has to be manually done.

Table 4.13: Cost involved in the export of ferrosilicon from Bhutan to Europe

Sl. No.	Process	Cost (Nu.)	Cost (U.S \$)	Remarks
1.	Buy			
1.1.	Conclude Import Order	-	-	
2	Ship			
2.1.	Obtain Security Clearance		-	One time procedure
2.2.	Obtain Industry Licence and TPN	62,500.00	961.55	One time fixed cost
2.3.	Obtain Certificate of Origin/GSP Certificate	15.00	0.25	
2.4.	Certify Export Product	20,000.00	307.70	One time cost at factory
2.5.	Insure Export Cargo	170.00	74	2.65 Per MT
2.6.	Load and Transport export cargo to Phuentsholing	-	-	
2.7.	Complete export documentation and Customs Clearance at Phuentsholing	50.00	0.75	
2.8.	Transport Cargo to Kolkata	1,750.00	753	26.90 Per MT
2.9.	Complete export and transit procedures at Kolkata port	6,000.00	508	Stuffing and other charges at the dock, Kolkata Port (approx. Nu. 1,000.00/MT) = \$15.40, CHA, India fees Nu. 5,000.00 = \$76.90. For 28 MT, the costs are calculated as: $15.4*28+76.9 = 508$
3.	Pay			
3.1.	Receive advance payment	325.00	5.00	Bank Commission
	Total	171,020	2,610	
	Without one-time processes (2.1, 2.2, 2.4)	88,520	1,341	

Exchange rate: 1 U.S \$ = Nu. 65.00

Figure 4.28: Cost of Export of Ferrosilicon via Kolkata (including one time procedures)



If the one-time procedures are excluded, the total cost reduces significantly to \$1,341. As shown Figure 4.29, the most costly procedures are those related to transport from Bhutan to Kolkata and transit in Kolkata port.

4.2.3. Number of procedures for export

As shown in Table 4.13, a new Manufacturer/Exporter has to fulfil 11 procedures to export ferrosilicon from Bhutan to Europe. For an established Exporter/Manufacturer, the procedures are reduced by two to nine as procedures 2.1 and 2.2 do not have to be repeated if additional exports are despatched within a year of fulfilling these two procedures. After one year, the procedures have to be renewed.

4.2.4. Number of documents for export

Table 4.14 shows that 28 documents are needed for completing the business process of exporting ferrosilicon from Bhutan to Europe and 103 copies of these documents need to be submitted including 74 required by the private sector and 29 required by the public/government. When one-time procedures (2.1, 2.2 and 2.4) are excluded, total number of documents and total copies are reduced to 19 and 94, respectively.

Table 4.14: Documents and copies needed for export of ferrosilicon

Sl. No.	Process to be completed	Mode of Documents Submission	Documents Needed	Copies Needed	Documents Origin
1.1	Conclude purchase order	Electronic	Proforma Invoice	1	Private
			Purchase Order	1	Private
2.1.	Obtain Security Clearance	Electronic	Application Form (online)	1	Public
2.2.	Obtain Industry Licence and TPN	Electronic/ Manual	Security Clearance	1	Public
			Business Plan	1	Private
			IEE Report	1	Private
			Application form	1	Public
			Environmental Clearance	1	Public
			Project Approval letter	1	Public
2.3	Obtain Certificate of Origin/GSP certificate	Electronic/ Manual	Application Letter	1	Private
			Industry Licence	1	Public
			Commercial Invoice	1	Private
			Receipt of Payment of confirmation	1	Public
			Undertaking	1	Private
			2.4.	Certify export product	Electronic/ Manual
2.5.	Insure export cargo	Manual	Application Form	1	Private
			Commercial Invoice	1	Private
2.6	Load and Transport export cargo to Phuentsholing	Electronic/ Manual	Delivery Order	1	Private
			Commercial Invoice	1	Private
			Packing List	1	Private
			Shipping Bill	1	Private
			Product Test Certificate	1	Private
			CoO/GSP Certificate	1	Public
			Insurance Policy	1	Private
			Authorization Letter	1	Private
			Bank Receipt	1	Private
Weight Statement	1	Private			
2.7.	Complete export documentation and Customs clearance at Phuentsholing	Manual	Insurance Policy	0	Private
			Product Test Certificate	0	Private
			Commercial Invoice	1	Private
			Packing list	1	Private
			Weight statement	0	Private
			Certificate of Origin	1	Public
			Shipping Bill	1	Private
			Authorization Letter to CHA, India	0	Private
Export Declaration	1	Public			
2.8.	Transport to Kolkata	Electronic/ Manual	Shipping Bill	6	Public
			Export Declaration	6	Public
			Transport Challan	1	Private
			Product Test Certificate	6	Private
			Commercial Invoice	6	Private
			Packing List	6	Private
			CoO/GSP Certificate	6	Public
			Insurance Policy	6	Private
			Weight Statement	6	Private
Authorization Letter	6	Private			
2.9.	Complete export procedure at Kolkata	Electronic/ Manual	Shipping Bill (old and new)	2	Private
			Bill of Lading	4	Private

	port		Export Declaration	0	Private
			Commercial Invoice	1	Private
			Packing List	1	Private
			CoO/GSP Certificate	1	Private
			Product Certificate (1 new)	1	Private
			Insurance Policy	1	Private
			Weight Statement	1	Private
			Authorization Letter	1	Private
3.1	Receive advance payment	Electronic	Purchase Order	1	Private
			Pro-forma Invoice	1	Private
Total			Documents: 28	Copies: 103	Private: 74 Public: 29
Without one-time procedures (2.1, 2.2 and 2.4)			Documents: 19	Copies: 94	

4.3. Diagnosis and recommendations for improvement

Analysis of the key procedures and detailed recommendations according to the BPA is shown in Table 4.15. Analysis of the bottlenecks is mainly based on the classification of *Procedural Requirements, Data and Documentary Requirements, Transparency/ Predictability*. Recommendations according to the analysis of bottlenecks are provided accordingly.

Notwithstanding the difference of bottlenecks and recommendations associated with specific procedures, some bottlenecks are prominent. For instance, several documents have to be submitted manually and repeatedly, which may cause delays, especially when there are errors for filling in the documents. Common solutions to remove bottlenecks include increased coordination of trade facilitation issues under NTTFC, greater transparency through use of Internet Websites, clearer guidelines, automation, national single window, reduction in procedures and documents that will make export more competitive, data harmonization, simplification of procedures and standardization of documents both at the national and sub-regional level.

Table 4.15: Export of ferrosilicon from Bhutan to Europe via Kolkata Port; Diagnosis and Recommendations

Core Business Process	Observations			Recommendations
	Procedural Requirements	Data and Documentary Requirements	Transparency/Predictability	
BUY				
1.1. Conclude Purchase Contract	This is a simple procedure wherein the Importer makes inquiries with producers of ferrosilicon around the world. Based on the product specifications and quantities required by the Importer, the Producer/Exporter responds to the inquiry by fax or e-mail by making a sales offer. The two parties negotiate the terms and conditions, especially the price, payment terms and documents resulting in a Purchase Contract. Then the Producer/Exporter sends Proforma Invoice to the Importer electronically.	This is normally translated into the opening of a Letter of Credit (LC) or making advance payment, either full or partial. The Proforma Invoice contains all the conditions of the Contract including payment arrangements.	The process is pretty transparent and predictable although the information required by an Importer is not available in the Producer/Exporter's website.	
SHIP				
2.1. Obtain Security Clearance	This procedure is also simple if the applicant (industry proprietor) does not have any problem with census. An applicant with such a problem has to resolve the issue with	The Producer/Exporter applies for the Security Clearance online by entering the details including the Citizenship Identity Card No. of the Proprietor in the Form	The process is well known and transparent.	

	the Department of Law & Order and Department of Civil Registration, Ministry of Home & Cultural Affairs. This can consume a lot of time.	available online in the Royal Bhutan Police (RBP) website, www.rbp.gov.bt . The Clearance ³⁵ is given within 24 hours if the applicant has no adverse record.		
2.2. Obtain Industry Licence	The obtaining of Industry Licence per se is quite fast as it can be obtained in an hour or so.	The procedures leading to the issuance of the Licence can however be lengthy as the applicant requires approvals from the local Government on location, and from the National Environment Commission (NEC) on Environmental Clearance before starting a new industry. In addition, the applicant has to make arrangements for water, electricity, raw materials and foreign labour (if required) for the new industry. Fulfilling all these procedures can be tedious and time consuming.	The process is fairly transparent but there is no predictability due to the time taken to obtain environmental clearance that can take a minimum of three months, and fulfilling the other requirements as mentioned.	<ol style="list-style-type: none"> 1. Review and update the information and documents needed for issuing industry licences. 2. Consolidate guidelines, rules and regulations for issuing of industry licences with a view to making them clearer and more transparent. 3. In coordination with relevant Government organizations, simplify procedures for issuing industry licences so as to reduce the time of licence approval and issuance.³⁶
2.3. Obtain Certificate of Origin (CoO)/Generalized System of Preference (GSP) Certificate	The procedure for obtaining Certificate of Origin/Generalized System of Preference		The procedure is quite well known but its transparency could be improved by developing the actual	<ol style="list-style-type: none"> 1. Develop the procedure for obtaining CoO/GSP Certificate and upload it on the MoEA's website.

³⁵ As the clearance is valid only for one year from the date of issue, the Producer/Exporter has to re-process it after its expiry.

³⁶ As mentioned earlier in the report, the Ministry of Economic Affairs has made the process for applying and renewal for licences online from September 2016. The Ministry's Website www.moea.gov.bt is linked to G2C (Government to Citizen Services initiative) Website and deals with Cottage and Small as well as Large and Medium industries Services on top of Trade Services. Under the Trade Services, the same facility for licence application is provided in addition to registering for Import House. Further, a new Website iGuide Bhutan (for investment) is also operational.

	(GSP) Certificate is also simple and known among the regular exporters. It can be obtained within 2 hours from the Regional trade & Industry Office (RTIO)		procedure and hosting it on the Ministry of Economic Affairs Website, www.moea.gov.bt .	2. In due course of time, the process should move towards issuing these documents electronically.
2.4. Certify Product	A Product Test Certificate is mandatory for Importers to ascertain the quality products that they are purchasing. As such, the Producer/Exporter has to arrange it. The Product Certificate forms an integral part of the trade document.	Certification of ferrosilicon is a problem as there is no national body that has the technical capacity to carry out the testing and certification. The Producers/Exporters either test the product in the factory in Bhutan or at Kolkata (before loading it on the ship) or both using Indian PSI Agents depending on the conditions laid down by the buyer. A regular buyer may accept a Certificate issued by the Producer/Exporter based on the tests conducted by a third party earlier. However, it is a burden and costly affair for the Producer/Exporter when PSI agents have to be called from Kolkata for testing the product on site.	The need for fulfilling the procedure is predictable. As for the reliability part, it depends on the buyer and seller to decide upon the modality and place of carrying the tests.	<p>1. The Producers/Exporters of ferrosilicon should discuss with the Bhutan Standards Bureau (BSB) and MoEA, and request them to develop such a capacity within the country and get it accredited from recognized institutions within the SASEC sub-region. This is an issue on which the Government and private sector can jointly work together including for contribution of costs.</p> <p>2. NTTFC should discuss the issue in cooperation with the Exporters of ferrosilicon and BSB to facilitate the above.</p>
2.5. Insure cargo	Marine and road transport insurance are part of the export documents for		The procedure is transparent and predictable in the case of both Royal Insurance	1. The Insurance Companies should make the process more

	ferrosilicon. The Producer/Exporter has to arrange the transit and marine insurance.		Corporation of Bhutan Ltd., (RICBL) and Bhutan Insurance Ltd. (BIL) as can be seen from the information on their websites, www.ricb.com.bt & bhutaninsurance.com.bt . The insurance coverage is based on the guidelines of the International Chamber of Commerce (ICC). The BIL explains the coverage on its web page while the RICBL does not do so; one has to read from the information given on the application forms. There is room for improving the online information of the service providers.	transparent by developing the guideline and hosting it on their websites.
2.6. Transport of ferrosilicon to Phuentsholing	The procedure is known and quite simple. The product has to be loaded at the factory in Pasakha, checked at the Customs Check Post at Rinchending and the export documents completed at Phuentsholing.	The vehicle or trailer with containers have to make five stops at present: at the border in Phuentsholing to obtain Delivery Order from the Producer/Exporter's Office to enable the carrier to travel to Pasakha, at the Check Post at Rinchending (Customs & RBP), at the factory at Pasakha for loading, at the above Check Posts again for checking documents and products and at	The procedure is known and pretty transparent. Yet, it is not found in the Websites of either the Producer/Exporter or DRC.	1. Develop the procedure and host in the BCCI and Producer/Exporter's websites, especially the Association of Bhutanese Industries (ABI) so that the exporting industries and new Transporters in particular benefit from it.

		Phuentsholing for completion of Customs formalities before departure for Kolkata. Time is lost at Rinchending even though it may only take a while to cross the Check Post either way.		
2.7. Complete export documentation at Phuentsholing	The export documents are normally prepared by the Producer/Export with the assistance of their Customs House Agent (CHA), Bhutan, where required, especially in completing the Customs procedures (Export Declaration). The TRS study has found that it takes only about 13 minutes for RRCO to clear exports from the time the truck arrives at the Customs compound. This is fast and there may be little room for making it faster unless infrastructure for Customs is developed.	De-congestion of the Customs Compound and use of x-ray machines could further expedite the clearance process. Greater use of ICT within the RRCO (for example, in filing of documents online) and between RRCO, Exporters, Customs House Agents and Transporters may further expedite the process.	There is great deal of information on the DRC Website http://www.drc.gov.bt but instructions or guidelines for traders for completing customs formalities both for exports and imports are surprisingly absent. The traders would benefit if such guidelines are developed and posted on the DRC website. Moreover, as already mentioned, much of the clearance work is done manually. This needs to be elevated to using electronic means in due course of time.	<ol style="list-style-type: none"> 1. DRC should develop comprehensive guidelines for Customs clearance for export and host it in its website. 2. Under the auspices of NTTFC, electronic exchange of documents at the national level should be promoted on an urgent basis. 3. Infrastructure for Customs should be improved with greater parking and warehouse spaces and use of modern equipment like X-ray machines for scanning.
2.8. Transport to Kolkata	The procedure is simple. Upon completion of the export clearance by the RRCO, the truck stops at the Land Customs Station, Jaigaon, India for		The procedure is well known though it is not available in any website or in written form.	<ol style="list-style-type: none"> 1. Adequate parking space is required in the Land Customs Station, Jaigaon, India. However, there is information that the Check Post may be

	<p>documentary and product (sample) checks. Thereafter, it travels all the way to Kolkata where the Transporter reports to the CHA, India.</p>			<p>relocated further downstream. If so, it is hoped that this problem will be addressed.</p> <p>2. The LCS should be linked to ICEGATE so that Transit documents can be exchange electronically with Indian Customs, Kolkata.</p> <p>3. Needless to say, the road infrastructure between Jaigaon and Kolkata needs continuous improvement. Hopefully, the ongoing work on road widening, partly funded by ADB under SASEC Program, when completed would reduce the travel time.</p>
2.9. Complete export procedure at Kolkata	<p>As the procedures are within the domain of the shipping line/agent, KPT and Indian Customs, Kolkata, the Bhutanese Government can do little unless pertinent issues are discussed bilaterally in the context of the Agreement on Trade, Commerce and Transit. The documents required for transit clearance of exports from</p>	<p>According to the Indian CHAs and Transporters in Kolkata, it takes at least three days to complete all facilities for loading the export on ship cargo. Two days are needed for arranging and placing containers at dock, unloading from truck and loading on containers, documentation and product testing. The third day is for</p>	<p>It may not be possible to reduce the documents in use at present, but certainly there is room for better coordination and exchange of documents through greater use of ICT among the stakeholders. Meanwhile, clear procedures for transit clearance for export could be developed by DRC/LTO, Kolkata and hosted on its website www.drc.gov.bt.</p>	<p>1. LTO, DRC, Kolkata should develop a comprehensive guideline for Customs and transit clearance for exports from Bhutan at Kolkata in cooperation with the Indian Customs, the Port authorities, CFAs and Transporters and hosted in the DRC website. Request should also be made to host it in the</p>

	<p>Bhutan through Kolkata Port are reflected in the transit system agreed between Bhutan and India, and change can be possible only through bilateral discussion on, for example, exchange of documents and monitoring of transport in transit electronically.</p>	<p>documents clearance and loading the export cargo on the ship. It is not uncommon to take more than three days when labour union problems affect port operations.</p> <p>Hence, there should be room for improvement with better coordination among LTO, shipping line/agent, KPT, CHA, India and Transporter, and use of ICT for exchange of documents that are almost all paper-based at present. Infrastructure like parking, adequate space for stacking and storing cargo and equipment at the dock are essential components for expediting port operations and clearance system despite positive changes seen with the Port operations being leased out to a Singapore Company.</p>		<p>Indian Customs and Kolkata Port websites if possible. This could be another activity to be carried out under the NTTFC.</p> <p>2. Develop a system of electronic exchange and filing of documents between the Exporter, LTO, Kolkata and Indian Customs and KPT. Indian Customs and KPT are understood to be already moving towards this system for Nepal, and Bhutan needs to keep abreast with it. This too could be another activity to be carried out under the NTTFC.</p>
PAY				
3.1. Receive advance payment	<p>The procedure is simple. The Importer sends the advance payment through the banking channel to the Producer/Exporter as per</p>	<p>The modalities of payment are by opening a Letter of Credit (LC) or making advance payment, either full or partial. The</p>	<p>The procedure is known and quite transparent. But the banks could develop and upload the procedure on their websites for greater</p>	<p>1. The Banks should explore the possibility of reducing the time for remitting final payments under the LC if used by</p>

	<p>the terms agreed in Proforma Invoice (full advance payment in this case). The products are exported only upon receipt of the payment.</p>	<p>Producer/Exporter prefers full advance payment from new clients. In other cases, at least 75% of the payment is made in advance, and the balance remitted when the export product is aboard a ship in Kolkata. LC is also used in some cases.</p>	<p>transparency.</p>	<p>Exporters.</p>
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Chapter 5: Summary and Conclusions

The study analyses the business process of exporting ferrosilicon from Bhutan to Europe. In doing so, it examines the current situation in detail and reviews bottlenecks in the business process. It also makes some recommendations that are summarized below.

5.1. Proposed interventions to improve trade facilitation

The recommendations are largely derived from the analysis in Chapter 4 and particularly from Table 4.15. The recommendations are categorized for implementation in the short-run and long-run. The classification into two parts emerge not so much from any guideline but from the conclusions drawn by the project team in the light of the ‘as-is’ situation.

5.1.1 Short-term interventions

- **Electronic filing and exchange of documents:** The study clearly shows that although some progress is being made to use electronic means of documents processing, a large majority of documents have to be processed manually. Such a practice applies within a Government organization, between Government organization, between traders and Government organizations and within the business community itself. The modality is the same when it comes to processing trade and transit documents with Bhutan’s trading partners in the SASEC sub-region. Hence, a systematic move towards electronic filing and exchange of documents, not only within Bhutan but also among the exporting and transit countries is necessary. A step-by-step approach should be followed starting with the simple processes like approvals, endorsements, issuance of trade documents. The start has been made by the Ministry of Economic Affairs which the other organizations like DRC should follow especially at its regional offices. The determination to change the manual system should be spearheaded by the NTTFC in which major organizations involved in trade facilitation are represented.
- **Harmonization of data and information and Standardization of documents:** In order to reduce the burden for Exporter of submitting and repeating the same information to different organizations for processing approvals, an exercise should be undertaken to harmonize the data and information required by each organization and for each purpose with a view to standardizing the information and sharing the information through better coordination. The same documents are known with different names that confuse the new entrant in the field of trade facilitation. Such forms should be standardized. In the long run, standardized and internationally accepted trade documents (UN/EDIFACT and WCO Data Model) should be used in the country for international trade.

- **Development and consolidate of rules, regulations and guidelines:** While each organization like DoT, DRC and NEC has some information for traders in their respective areas of responsibilities on its Websites, these need to be reviewed, updated regularly, further developed where needed and consolidated. This relate particularly to obtaining Industry Licence, environmental clearances, and Customs clearance at RRCO for export although export clearance is fast. With relatively small efforts from DoT, DRC and NEC, the benefit to exporting industries would be immense. This would greatly contribute to improving transparency as well.

- **Cost and time reduction for starting industries:** The study clearly shows long time and high cost of starting a new ferrosilicon industry. These act as a deterrent for setting of new industries like ferrosilicon and silicon metal that came up in the past to process the country's raw materials by utilizing relatively cheap³⁷ hydroelectricity in Bhutan. As such, the Government should review how the time and costs can be reduced in this respect.

- **Product testing and certification:** The Government, in partnership with BCCI, Association of Bhutanese Industries (ABI) and relevant industries like ferrosilicon should help to identify and equip institutions like BSB to carry out product testing and certification in cooperation with similar institutions within the SASEC sub-region especially for accreditation. It is time to develop the national capacity in this area.

- **More active role of the Private Sector:** The BCCI and ABI should play a more active role in helping the trading community and partner with the efforts of the Government. BCCI and ABI can undertake the following:
 - Develop and host general information on trade processes both at the national and SASEC level on their Websites.
 - Provide information on transport and transit for trade with SASEC countries, particularly in relation to arranging transportation, providing information on road conditions and travel requirements, border and Port procedures for handling and clearance and compliance requirements.

³⁷ The current tariff for high voltage consumers like a ferrosilicon industry is about U.S 3.58 cents/kW/hr.

- **SASEC cooperation:** There is a tremendous opportunity for cooperation among SASEC countries under the auspices of ADB cooperation. The SASEC countries should standardize and use internationally accepted documents for trade. This should be a program of activity under the SASEC Sub-group in Customs.

5.1.2. Long-term Interventions

- **Infrastructure:** The Customs clearance for imports at Phuentsholing from countries other than India is still lengthy at 10 hrs (16 hrs if the time between the entry of the truck into and exit from the Customs Compound is taken into account). With better infrastructure and Customs modernization, there is room for at least halving the time here. Efforts should include:
 - The ongoing efforts to develop the automated customs module through RAMIS should be expedited.
 - RRCO needs X-ray scanning equipment along with training of personnel to operate the new equipment.
 - More parking space and warehouse facilities are needed to reduce congestion in RRCO compound. The development of a mini-dry port at Phuentsholing should somewhat ease this situation.
- **Transport and Transit:** The larger problem for Bhutan is at the transit, whether it has to do with the time taken in transportation due partly to poor road conditions or in meeting procedures that are overwhelmingly paper-based. In addition to the measures to be taken at the national levels, the SASEC Customs Sub-group can bring about tangible difference in making trade flows more efficient at the borders and transit ports. These issues should be discussed during the meeting of the Customs Officials at the borders and in the SASEC Customs Sub-group itself and pursued at the bilateral levels as well. The major issues are improvement of road between Jaigaon and Kolkata and parking space in LCS, Jaigaon.
- **Trade Law:** To give the current rules and regulations for trade a legal underpinning, it is necessary to enact a Trade law as soon as possible as there is no such legislation as of now.
- **Implementation of the Trade Information Portal:** The Department of Trade has carried out a feasibility study for establishment of a TIP with ADB's financial and technical support. The

Department should seriously pursue this proposal for implementation as it would help the traders to access information from one single portal.

- **Introduction of National Single Window:** The ultimate goal should be the introduction of a National Single Window (NSW).

5.2 Utilization of the Report

The Report can be used for a range of purposes. First, the detailed information on the trade process and procedures can be utilized to publicize trade and transport information. This is especially related to the WTO TFA Article 1 which is focused on the publication and availability of information. Information in this report can be used directly in case a Trade Portal is developed which includes description of trade procedures.

Second, the quantitative indicators in this Report enable the policy makers and stakeholders to better take stock of the status and assess challenges in trade and transport facilitation. For instance, this report shows that costs of some trade procedures may be too high and there is room for reducing such costs.

Third, this Report highlights the key bottlenecks and proposes recommendations to remove the bottlenecks and enhance trade facilitation, which greatly supports evidence-based policy making and reform.

Finally it is important to reiterate that the Report provides baseline data for benchmarking in the future. In other words, when similar indicators are collected in the future, the progress or setbacks in trade and transport facilitation can be analysed, and policy and actions can be adjusted if necessary. Indeed, benchmarking should not be limited to quantitative data. Each procedure recorded and analysed in this report provides a benchmark for examining whether the procedures are simplified or improved. More specifically such benchmarking can examine whether changes are made from manual to electronic or online processing.

Appendix 1. List of participants of workshops for the TTFMM baseline study in Bhutan

A1. Inception Workshop on Trade and Transport Facilitation Performance Monitoring

26-27 November 2013

Bangkok, Thailand

GOVERNMENT OF BANGLADESH

Mr. Sultan MD Iqbal

Member (Customs Intelligence & Audit)

National Board of Revenue, Dhaka

Mr. Nasir Arif Mahmud

Joint Secretary

Ministry of Shipping

Mr. AKM Akhter Hossain

President

Chittagong Customs Clearing & Forwarding Agents

Association, Agrabad, C/A

Mr. M. Nurul Amin

Deputy Director (CM)

Bangladesh Standard Testing Institute (BSTI)

Mr. AHM Ahsan

Trade Consultant (Deputy Secretary)

Ministry of Commerce

Mr. Afsarul Arifeen

Additional Secretary

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)

GOVERNMENT OF BHUTAN

Mr. Choiten Wangchuk

Director General, Department of Public Accounts

Ministry of Finance

Mr. Sonam Wangchuk

Director, Department of Trade

Ministry of Economic Affairs

Mr. Choyzang Tashi

Director, Department of Revenue and Customs

Ministry of Finance

Mr. Karma Dorji

Executive Director, Bhutan Agriculture and Food

Regulatory Authority (BAFRA)

Ministry of Agriculture and Forests

Mr. Palden Dorjee

General Manager

Forwarders and Clearing Agent

Mr. Sonam Dorji

Business Promotion Officer

Bhutan Chamber of Commerce and Industry

GOVERNMENT OF INDIA

Mr. Devendra Kumar Singh

Additional Director General of Foreign Trade

Directorate General of Foreign Trade

Ministry of Commerce and Industry

Mr. Sunil Kumar Das

Commissioner of Customs

Office of the Commissioner of Customs

Mr. N. Venkatesh

Additional Director General

Systems Directorate

Mr. Prabir De

Senior Fellow

Research and Information System for Developing Countries (RIS), and

ASEAN-India Centre

GOVERNMENT OF NEPAL

Mr. Navaraj Dhakal

Under Secretary

Ministry of Commerce and Supplies

Mr. Damber Bahadur Karki

Under Secretary

Ministry of Physical Planning and Transport

Mr. Rajan Sharma

President

Nepal Freight Forwarders Association (NEFFA)

Mr. Sarad Bickram Rana

Executive Director

Nepal Intermodal Transport Development Board

**WORLD CUSTOMS ORGANIZATION
ASIA PACIFIC REGIONAL OFFICE
FOR CAPACITY BUILDING (ROCB A/P)**

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Mr. Lawanya Kumar Dhakal,
Director
Department of Customs

Mr. Parashu Ram Adhikari
Senior Plant Protection Officer
Ministry of Agriculture and Development

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Office of the Secretary General
World Customs Organization

Ms. Pavaran Tanmesin
Director
Krabi Customs House

Mr. Sanghyup Lee
Director
Clearance Facilitation Section
Seoul Main Customs
Republic of Korea

ASIAN DEVELOPMENT BANK (ADB)

Mr. Ronald Antonio Butiong
Principal Regional Cooperation Specialist
SARC, South Asia Regional Department

Mr. Cuong Minh Nguyen
Senior Economist (Regional Cooperation)
SARC, South Asia Regional Department

Ms. Rosalind McKenzie
Regional Cooperation Specialist
SARC, South Asia Regional Department

Ms. Aileen Pangilinan
Associate Programs Officer
SARC, South Asia Regional Department

Mr. Jesusito Tranquilino
Regional Cooperation and Integration Expert
SARC, South Asia Regional Department

Ms. Linel Ann Reyes-Tayag
Operations Assistant
SARC, South Asia Regional Department

Mohammad Ehteshmaul Hoque
National Trade Facilitation Expert-Bangladesh
SARC, South Asia Regional Department

Achyut Bhandari
National Trade Facilitation Expert-Bhutan
SARC, South Asia Regional Department

Shyam Dahal
National Trade Facilitation Expert-Nepal
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UNESCAP

Mr. Yann Duval
Chief, Trade Facilitation Unit
Trade and Investment Division

Mr. Tengfei Wang
Economic Affairs Officer
Trade Facilitation Unit
Trade and Investment Division

Mr. Fedor Kormilitsyn
Economic Affairs Officer
Transport Division

A2. National Workshop on Trade and Transport Facilitation Monitoring Mechanism

Dhaka, Bangladesh, 28-29 April 2014

Mr. Md. Jamal Uddin Ahmed
Joint Secretary, Roads Division
Ministry of Communication

Mr. Abdus Sattar Sheikh
Deputy Secretary
Ministry of Commerce

Mr. Mohammad Khairul Alam
Assistant Controller
Chief Controller, Import & Export

Mr. Md. Abdul Alim
Assistant Commissioner
National Board of Revenue

Mr. Chapal Chakmay
Assistant Commissioner
National Board of Revenue

Mr. Muhammad Imtiaz Hassan
Assistant Commissioner
National Board of Revenue

Mr. Md. Shahinur Kabir Pavel
Assistant Commissioner
National Board of Revenue

Mr. Mohammad Mahbub Hasan
Assistant Commissioner
National Board of Revenue

Mr. Mohammad Mostofa Jamal Haider
Deputy Commissioner Tax
National Board of Revenue

Mr. Mohammed Shaha Alam
Assistant Commissioner Tax
National Board of Revenue

Mr. Md Jahangir Alam
Assistant Commissioner Tax
National Board of Revenue

Mr. Md. Shaifur Rahaman
Assistant Commissioner Tax
National Board of Revenue

Mrs. Roksana Tarannum
Senior Assistant Secretary
Ministry of Environment and Forest

Mr. Anisur Rahman
Senior Assistant Secretary
Ministry of Industries

Mr. Shah Zahirul Islam
Additional DG (Operation)
Ministry of Railway

Mrs. Sirat Mahmuda
Assistant Chief
Ministry of Shipping

Mr. Tapan Kumar Chakravorty
Additional Secretary
Bangladesh Land Port Authority

Mr. Md. Maniruzzaman
Chief Planning
Chittagong Port Authority

Ms. Begum Rahima Akter
Information Officer
Export Promotion Bureau

Mr. Rama Dewan
Deputy Chief
Bangladesh Tariff Commission

Mr. Nora Alam Siddique
Deputy Secretary
Economic Relations Division

Mrs. Ifrat Ara Bagom
Deputy Secretary
Federation of Bangladesh Chambers of
Commerce and Industry

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President
Dhaka Customs Agent Association

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Advocacy)

Dr. Mohammad Abu Yusuf
Senior Fellow

Mr. Mohammad Farhad
Research Fellow

Mr. Md. Shoaib Akhtar
Research Associate

Ms. Seikh Ruksana Burhan
Research Associate

Mr. Ismat Jarin Dina
Research Associate

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Institute for Information Technology Innovation
Faculty of Engineering
Kasetsart University, Thailand

Mr. Shigeaki Katsu
Trainer
Customs Institute of Japan
Ministry of Finance

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ASIAN DEVELOPMENT BANK

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Senior Economist (Regional Cooperation)
SARC, South Asia Department

Mr. Mashuk Hossain
Consultant
South Asia Department

Jacqueline Lam
Consultant (Trade Economist)
South Asia Department

A3. Trade and Transport Facilitation Monitoring Mechanism (TTFMM) meeting

Shangri-La Hotel, Wuhan, China, 21 October 2015

BANGLADESH

Mr. Md. Abdul Hakim, First Secretary (Customs Modernization), National Board of Revenue
Dhaka, Bangladesh

BHUTAN

Mr. Sonam Phuntsho Wangdi, Joint Secretary,
Ministry of Economic Affairs, Thimphu, Bhutan

Mr. Dhendup, Deputy Collector, Regional Revenue
and Customs Office, Department of Revenue and
Customs, Phuentsholling, Bhutan

Mr. Kesang Yeshey, Assistant Collector, Regional
Revenue and Customs Office, Department of
Revenue and Customs, Phuentsholling, Bhutan

INDIA

Mr. Zubair Riaz Kamili, Additional Commissioner,
Customs Commissionerate, New Delhi

Mr. Prabir De, Professor, India Habitat Centre,
Zone 4B, Lodhi Road, New Delhi, India

NEPAL

Mr. Toya Narayan Gyawali, Joint Secretary,
Ministry of Commerce and Supplies, Kathmandu

Mr. Bishnu Prasad Paudel, Director, Customs
Department, Kathmandu, Nepal

Mr. Ananta Prasad Timsina, Customs Reform and
Modernization Section, Department of Customs,
Kathmandu, Nepal

Mr. Sharma Rajan, President, Nepal Freight
Forwarders Association and Member of Nepal
Trade & Transport Facilitation Committee,
Kathmandu, Nepal

INTERNATIONAL TRADE CENTRE (ITC)

Mr. Mohammad Saeed
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ASIAN DEVELOPMENT BANK (ADB)

Ms. Rosalind McKenzie
Regional Cooperation Specialist

Regional Cooperation and Operations
Coordination Division (SARC)
South Asia Department

Mr. Achyut Bhandari
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Thimphu, Bhutan

Mr. Mohammad Farhad
ADB Consultant/Customs Expert
Asian Development Bank (ADB)
Dhaka, Bangladesh

Mr. Sarad Bickram Rana
National National Customs Procures Expert
Asian Development Bank (ADB)
Kathmandu, Nepal

Dr. Posh Pandey
Chairman
South Asia Watch on Trade Economics and
Environment (SAWTEE)
Kathmandu, Nepal

ESCAP

Mr. Tengfei Wang
Economic Affairs Officer

A4. Workshop for the Implementation of TTFMM Baseline Studies

Bangkok, Thailand, 13-15 January 2016

BANGLADESH

Mr. Md. Firoz Shah Alam
Member (Customs: Audit, Modernisation & Intl.
Trade)
National Board of Revenue

Mr. Md. Abdur Rob
Deputy Secretary
Ministry of Commerce

Mr. Hasan Mohammad Tarek Rikabder
Joint Commissioner
Customs Excise & Vat commissionerate,

Mr. Md. Enamul Hoque
Assistant Commissioner
Customs Excise & Vat commissionerate

Mr. Md. Sayeduzzaman Sayed
Sayed Enterprise (Clearing & Forwarding Agent,
Import and Export, and Transport) President,
Burimari C&F Agents Association

Mr. Md. Rezaul Karim
C&F Agent, Freight Forwarder & Importer-
Exporter
President, Banglabandha C&F Agents Association
Director, Panchagrah Chamber of Commerce &
Industry

BHUTAN

Mr. Karma Drukpa
Regional Director
Regional Trade and Industry Office

Mr. Pema Wangchen
Joint Commissioner
Liaison and Transit Office
Royal Bhutan Customs Office

Mr. Tandin Wangchhen
Joint Collector
Customs and Excise Division
Department of Revenue and Customs

Ms. Deki Gyamtsho
Deputy Collector
Regional Revenue and customs Office
Department of Revenue and Customs

Ms. Tshering Choden
Executive Director
Bhutan Clearing and Forwarding Agent

INDIA

Mr. Kundan Kumar
Superintendent
Department of Revenue (CBEC)
Ministry of Finance

NEPAL

Mr. Jib Raj Koirala
Joint Secretary
International Trade Relations
Ministry of Commerce & Supplies

Mr. Mimangsa Adhikari
Director
Customs Reforms & Modernization Section
Department of Customs

Mr. Nirmal Kumar Mainali
Customs Officer
Birgunj Customs
Kumar Bhattarai
Customs Officer
Mehi Customs Office

Mr. Rajan Sharma
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ADB Consultant

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ADB Consultant

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ADB Consultant

Mr. Prabir De
ADB Consultant

Mr. Mohammad Farhad
ADB Consultant

Ms. Leticia de Leon
ADB Consultant

Ms. Alona Mae Agustin
ADB Consultant

A5. National Validation workshop on Baseline Study of Trade and Transport Facilitation Monitoring Mechanism (TTFMM)

Thimphu, Bhutan, 3-4 August 2016

To be added