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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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. Critical review of the report was provided by Vyonna Bondi, Megane
Vanselow and Ekaterina Silanteva.

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 UNNExT \(^1\) 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 exiting 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

![Figure 2.1: A Step-by-step approach to implementing trade facilitation measures](image)

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

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

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.


One of the key features of the UNNEeT 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.
UML Use-Case and Activity Diagrams are used to visualize the captured knowledge of the business processes. The Use-Case Diagram illustrates high-level business processes and the actors associated with each of them. It serves as a frame of reference for further elaboration of business process modelling work. The Activity Diagram, on the other hand, describes activities, inputs, and outputs associated with each business process listed in the Use-Case Diagram.

Source: http://unnext.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

<table>
<thead>
<tr>
<th>Event</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-regional meeting to plan the baseline study in Wuhan, China</td>
<td></td>
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<tr>
<td>Workshop to finalize the plan of the baseline study in Bangkok, Thailand</td>
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<tr>
<td>Data collection on BPA</td>
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<tr>
<td>Data collection on TRS</td>
<td>![Gray Box]</td>
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<tr>
<td>Data collection on TCD/CPMM</td>
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<tr>
<td>TTFMM database, analysis and draft report</td>
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<td>![Gray Box]</td>
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<tr>
<td>National results validation meeting</td>
<td>![Gray Box]</td>
<td>![Gray Box]</td>
</tr>
<tr>
<td>Refine TTFMM data and analysis, and finalize study report</td>
<td>![Gray Box]</td>
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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

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\(^{5}\) 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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>1. Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>1.1. Conclude Purchase Order</td>
</tr>
</tbody>
</table>
| Related rules and regulations | ▪ 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  
▪ Bhutan Wholesale Trade Regulation, 2006  
▪ Income Tax act of Kingdom of Bhutan, 2000  
▪ Companies Act of Bhutan, 2014 |
| The name of process participants | ▪ Manufacturer/Exporter  
▪ Importer |
| Input and criteria to enter/begin the business process | ▪ The Manufacturer/Exporter must have an industry licence. |
| Procedures and associated documentary requirements to complete the process | 1.1.1. The Importer 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;  
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;  
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;  
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  
1.1.5. The Importer receives the Proforma Invoice. |
| Output and criteria to exit the business process | ▪ Conclusion of the Purchase Order |
| Average time required to complete the process and/or durations for each involved transaction | Average time: 5 days |
| 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**

![Use Case Diagram of Core Business Process in Ship Area](image)

**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.
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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>2. Ship</th>
</tr>
</thead>
<tbody>
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<td>The name of a business process</td>
<td>2.1. Obtain Security Clearance</td>
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<tr>
<td>Related rules and regulations</td>
<td>Directive of the Department of Law and Order, Ministry of Home &amp; Cultural Affairs (MoHCA)</td>
</tr>
<tr>
<td>The name of process participants</td>
<td>Importer, Royal Bhutan Police (RBP), MoHCA</td>
</tr>
<tr>
<td>Input and criteria to enter/begin the business process</td>
<td>Have a Citizenship Identity Card</td>
</tr>
<tr>
<td>Procedures and associated documentary requirements to complete the process</td>
<td>2.1.1. The Exporter submits an application online to the RBP for processing Security Clearance; 2.1.2. The RBP processes the Security Clearance online with the Ministry of Home &amp; Cultural Affairs (MoHCA) (Department of Law &amp; Order and Department of Civil Registration); 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; 2.1.4. The RBP issues the Security Clearance online if cleared by the MoHCA; and 2.1.5. The Exporter receives the Security Clearance.</td>
</tr>
<tr>
<td>Output and criteria to exit the business process</td>
<td>Receipt of Security Clearance</td>
</tr>
<tr>
<td>Average time required to complete the process and/or durations for each involved transaction</td>
<td>Average time: 1 day (24 hrs.)</td>
</tr>
<tr>
<td>Average costs associated with the process</td>
<td>None</td>
</tr>
<tr>
<td>No. of copies of each document required</td>
<td>Application Form: 1 copy</td>
</tr>
<tr>
<td>Mode of document submission</td>
<td>Electronic</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>2. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.2. Obtain Industry Licence and TPN</td>
</tr>
</tbody>
</table>
▪ 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 | ▪ Manufacturer/Exporter[^9]  
▪ Local Government[^10]  
▪ 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 | ▪ Citizenship Identity Card  
▪ Security Clearance |
| Procedures and associated documentary requirements to complete the process | 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](http://www.moea.gov.bt);  
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](http://www.nec.gov.bt);  
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;  
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;  
2.2.5. The local Government examines whether the proposed site is in accordance with the local development plan;  
2.2.6. If so, the local Government endorses the proposed site and location for the industry to be set up;  
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; |

[^9]: The Manufacturer itself exports the product.  
[^10]: The local Government comprises of Dzongkhag (district) Administration or Thromde (municipal corporations).
2.2.8. The DoI reviews the Business Plan;
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;
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;
2.2.11. The NEC reviews the IEE report and informs DoI or the applicant on its decision;
2.2.12. If NEC is satisfied, the Manufacturer/Exporter pays the Environmental Clearance fee;
2.2.13. The NEC issues Environmental Clearance to the applicant with copy to the DoI;
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 Ministry;
2.2.15. The PAC, the DoI or MoEA makes a decision on the application for Industry Licence;
2.2.16. If satisfied, the DoI issues a project approval letter to the RTIO and the applicant;
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 location for issue of the Industry Licence;
2.2.18. The RTIO reviews the Application Form;
2.2.19. The RTIO issues the Industry Licence;
2.2.20. The Manufacturer/Exporter receives the Industry Licence;
2.2.21. The Manufacturer/Exporter requests the Department of Revenue & Customs for Tax Payer’s Identification No.;
2.2.22. DRC processes the request and issues TPN; and
2.2.23. The Manufacturer/Exporter receives TPN.

| Output and criteria to exit the business process | 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 | 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)
Total Nu. 62,500.00 or U.S $ 961.55 |
| No. of copies of each document required | One copy each of following documents, total 7 copies:
- Security Clearance |

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11 Guidelines for environmental clearance are given in the National Environment Commission website [www.nec.gov.bt](http://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](http://www.moea.gov.bt) or [www.bhutaneregulations.org](http://www.bhutaneregulations.org).
14 The RTIOs are located in Thimphu, Phuentsholing, Gelephu, Trongsa, Mongar and Samdrup Jongkhar.
| Mode of document submission | Electronic/Manual¹⁵ |

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**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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>1. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.3. Obtain Certificate of Origin (CoO)/Generalized System of Preference (GSP) Certificate</td>
</tr>
</tbody>
</table>
▪ Sales Tax, Customs & Excise Act of the Kingdom of Bhutan, 2000; and  
| The name of process participants | ▪ Manufacturer/Exporter  
▪ Department of Trade/RTIO |
| Input and criteria to enter/begin the business process | ▪ Prepare to dispatch ferro silicon |
| Procedures and associated documentary requirements to complete the process | 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;  
2.3.2. The RTIO reviews the application;  
2.3.3. If the application is admissible, the RTIO asks for payment for the CoO/GSP Certificate booklet;  
2.3.4. The Manufacturer/Exporter makes payment for the booklet;  
2.3.5. The RTIO issues the Certificate of Origin/GSP Certificate booklet\(^{16}\) and a Undertaking;  
2.3.6. The Manufacturer/Exporter prepares the CoO/GSP Certificate;  
2.3.7. The Manufacturer/Exporter submits the CoO/GSP Certificate for signature by the RTIO while attaching an Undertaking;  
2.3.8. The RTIO signs and issues the CoO/GSP Certificate to the Manufacturer/Exporter; and  
2.3.9. The Manufacturer/Exporter receives the CoO/GSP Certificate. |
| Output and criteria to exit the business process | ▪ 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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>3. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.4. Certify Export Product(^{17})</td>
</tr>
</tbody>
</table>
- Bhutan Wholesale Trade Regulation, 2006 |
| The name of process participants | - Manufacturer/Exporter  
- Pre-shipment Inspection (PSI) Agent\(^{18}\) |

\(^{17}\) 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 Kolkata Port. The Exporter and certified agent normally have working relationship.
### Input and criteria to enter/begin the business process

- Prepare to dispatch export goods

### Procedures and associated documentary requirements to complete the process

2.4.1. The Manufacturer/Exporter requests the services of a PSI Agent from Kolkata by e-mail, fax or telephone;
2.4.2. The two parties negotiate and agree through telephone, e-mail or fax on the product testing charges and terms of payment;
2.4.3. The PSI Agent travels to the factory site for testing ferrosilicon;
2.4.4. The PSI Agent carries out the product tests on site;
2.4.5. The PSI Agent submits a Product Test Certificate to Manufacturer/Exporter;
2.4.6. The PSI Agent submits a bill for its fees or service charges to the Manufacturer/Exporter; and
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.

### Output and criteria to exit the business process

- 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

- Agreement between Manufacturer/Exporter and PSI Agent for the latter’s services in the factory at Pasakha.
- Product Certificate

Total: 2 documents, 1 copy each

### Mode of documents submission

Electronic

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**Core Business Process Area 2.5: Insure Export Cargo**

The fifth business process under the ‘Ship’ process area is “Insure Export Cargo,” and this is shown in Figure 4.13 below.

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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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>3. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.5. Insure Export Cargo</td>
</tr>
</tbody>
</table>
### The name of process participants
- Manufacturer/Exporter
- Insurer
- Transporter

### Input and criteria to enter/begin the business process
- Prepare to dispatch export goods

### Procedures and associated documentary requirements to complete the process

1. The trucks (or containers) are dispatched for loading\(^{19}\) the export cargo at the Manufacturer/Exporter’s factory in Pasakha;
2. The Manufacturer/Exporter submits the Application Form for marine insurance that can be downloaded from the Insurance Companies’ websites\(^ {20}\) to the Insurer along with a copy of Commercial Invoice;
3. The Insurer reviews the application and approves the standard\(^ {21}\) insurance policy proposed by the Manufacturer/Exporter if satisfied;
4. The Insurer asks the Manufacturer/Exporter to make payment for the applicable charge for the chosen insurance policy\(^ {22}\) by cheque or bank transfer;
5. The Manufacturer/Exporter makes the above payment;
6. The Insurer issues the insurance policy along with a receipt for the payment; and
7. The Manufacturer/Exporter receives the insurance policy.

### Output and criteria to exit the business process
- 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:
- Application Form
- Commercial Invoice

### Mode of documents submission
Manual

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**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


\(^{22}\) This is about 0.25 to 0.30% of the fob value of the export cargo.
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
### Table 4.7: “Load and Transport export cargo from factory to Phuentsholing” process description

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>2. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.3. Load and Transport export cargo from factory (at Pasakha) to Phuentsholing</td>
</tr>
</tbody>
</table>
| Related rules and regulations | ▪ 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  
▪ Road Safety and Transport Act, 1999 |
| The name of process participants | ▪ Manufacturer/ Exporter  
▪ Transporter  
▪ Customs Check Post, Rinchending  
▪ RBP Check Post, Rinchending |
| Input and criteria to enter/begin the business process | ▪ Receive advance payment |
| Procedures and associated documentary requirements to complete the process | 2.6.1. The Manufacturer/Exporter arranges transport\(^\text{23}\) to reach the product to Kolkata;  
2.6.2. The Manufacturer/Exporter issues Delivery Order (DO)\(^\text{24}\) at Phuentsholing to enable the Transporter to proceed to the factory at Pasakha and load the consignment;  
2.6.3. The Transporter reports to the RBP Check Post at Rinchending;  
2.6.4. The RBP Check Post, Rinchending record the number of the truck along with its registration document and Driver’s Licence;  
2.6.5. The Transporter proceeds to the factory where the Manufacturer/Exporter arranges loading;  
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;  
2.6.7. The Manufacturer/Exporter issues or arranges\(^\text{25}\) 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, |

\(^{23}\) 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.
2.6.8. Upon return, the Transporter produces the above export documents at the Customs Check Post, Rinchending;
2.6.9. The Customs Check Post inspects the consignment and stamps the documents;
2.6.10. The Transporter also reports to the RBP Check Post, Rinchending for completion of formalities;
2.6.11. The RBP Check Post, Rinchending notes the vehicle number along with its registration document and Driver’s Licence; and
2.6.12. The Transporter proceeds to Phuentsholing and reports to the Manufacturer/Exporter’s office for facilitating Customs clearance for export.

<table>
<thead>
<tr>
<th>Output and criteria to exit the business process</th>
<th>Completion of formalities at the Rinchending Check Post</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average time required to complete the process and/or durations for each involved transaction</td>
<td>Average time: 7 hrs</td>
</tr>
<tr>
<td>Average costs associated with the process</td>
<td>-</td>
</tr>
</tbody>
</table>
| No. of copies of each document required | Total: 10 copies, one each of below:
- 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.
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
**Table 4.8: “Complete export documentation and Customs Clearance at Phuentsholing” Process description**

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>2. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.7. Complete export documentation at Phuentsholing</td>
</tr>
</tbody>
</table>
| Related rules and regulations | ▪ 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  
| The name of process participants | ▪ 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 | ▪ Arrival of export cargo at Phuentsholing |
| Procedures and associated documentary requirements to complete the process | 2.7.1. The Transporter hands over the documents (Product Test Certificate and Weigh Statement) to the CHA, Bhutan 26 at Phuentsholing who have their offices there;  
2.7.2. CHA, Bhutan prepares 27 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.  
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;  
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;  
2.7.5. The Customs Inspector verifies 28 the export consignment and signs the documents, if satisfied;  
2.7.6. The CHA, Bhutan or the Transporter submits the verified documents to the Customs Counter at the Gate for documentary checks;  
2.7.7. The Duty Officer, RRCO at the Gate (Customs Counter) checks the documents and generates a temporary registration number;  
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;  
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  
2.7.10. The Duty Officer releases the truck(s) for exit from the Bhutan |

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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.
### 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

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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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>2. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.8. Transport Cargo to Kolkata</td>
</tr>
</tbody>
</table>
| Related rules and regulations | ▪ 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  
▪ 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 | ▪ Shipping Line/Agent  
▪ CHA, India  
▪ Land Customs Station (LCS), Jaigaon, India  
▪ Transporter |
| Input and criteria to enter/begin the business | ▪ Completion of customs formalities at Phuentsholing |
| Process | 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; 2.8.2. The shipping line/agent informs CHA, India on the availability of container(s) and date of sailing; 2.8.3. CHA, India informs the Transporter about the availability of containers and likely date of the sailing of the ship; 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); 2.8.5. The LCS, Jaigaon verifies and stamps the above export documents. 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; 2.8.7. The LCS, Jaigaon levies a sealing charge; 2.8.8. The Transporter pays the sealing charge to LCS, Jaigaon; 2.8.9. The LCS, Jaigaon releases the vehicle while keeping a set of documents; 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 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. |

| Output | Arrival of cargo at Kolkata |

| Average time required to complete the process | Average: 5 days |

| Average costs associated with the process | Average:  
- Transportation charge Nu. 1,750.00/MT or $26.90/MT |

| No. of copies of each document required | Total: 9 documents (6 copies each in total)  
- 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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>2. Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>2.9. Complete Export Procedures at Kolkata Port</td>
</tr>
</tbody>
</table>
| Related rules and regulations | ▪ 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 |
| The name of process participants | 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 | Arrival of export cargo at Kolkata  
Confirmation of the Container(s) and Ship |
| Procedures and associated documentary requirements to complete the process | 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;  
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;  
2.9.3. CHA, India obtains a ‘Cutting Order’ for temporary storage and ‘Pick Up Order’ for containers for loading the export cargo;  
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.  
2.9.5. CFS, KPT receives export cargo for temporary storage/warehousing;  
2.9.6. PSI Agent checks the product sample for verification of quality standard;  
2.9.7. PSI Agent issues a test certificate to be sent along with the other export documents to the Importer;  
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;  
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;  
2.9.10. The Indian Customs notes, registers and issues the export No. and assesses the value of the export consignment;  
2.9.11. CHA, India places the containers for loading and weighing;  
2.9.12. The Indian Customs passes the product for export after de-stuffing and seals the containers;  
2.9.13. The export cargo in container is loaded in the vessel at the dock by the shipping agent;  
2.9.14. The export documents are handed over to the ship; and  
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. |
| Output and criteria to exit the business process | 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

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuffing and other charges at the dock, Kolkata Port (approx. Nu.</td>
<td>$15.40</td>
</tr>
<tr>
<td>1,000.00/MT)</td>
<td></td>
</tr>
<tr>
<td>CHA, India fees Nu. 5,000.00</td>
<td>$76.90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$92.30</strong></td>
</tr>
</tbody>
</table>

No. of copies of each document required

- 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

<table>
<thead>
<tr>
<th>The name of a process area which this particular business process belongs to</th>
<th>3. Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of a business process</td>
<td>3.1. Receive advance payment</td>
</tr>
<tr>
<td>Related rules and regulations</td>
<td>▪ Sales Tax, Customs &amp; Excise Act of the Kingdom of Bhutan, 2000; and&lt;br▪ Rules (2002) on Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2002.</td>
</tr>
<tr>
<td>The name of process participants</td>
<td>▪ Exporter&lt;br▪ Importer&lt;br▪ Importer’s Bank&lt;br▪ Exporter’s Bank</td>
</tr>
<tr>
<td>Input and criteria to enter/begin the business process</td>
<td>▪ Conclusion of a Purchase Order</td>
</tr>
<tr>
<td>Procedures and associated documentary requirements to complete the process</td>
<td>3.1.1. The Manufacturer/Exporter sends a Proforma Invoice;&lt;br3.1.2. The Importer asks his/her Bank to remit advance payment to the Manufacturer/Exporter’s Bank after receiving the Proforma Invoice from Manufacturer/Exporter;&lt;br3.1.3. The Importer’s Bank sends the advance payment in full to the Manufacturer/Exporter’s Bank by SWIFT;&lt;br3.1.4. The Manufacturer/Exporter’s Bank informs its client and Importer’s Bank about receipt of payment; and&lt;br3.1.5. The Manufacturer/Exporter produce and dispatch the export product as per the Purchase Order and Proforma Invoice.</td>
</tr>
<tr>
<td>Output and criteria to exit the business process</td>
<td>▪ Confirmation of receipt of advance payment</td>
</tr>
<tr>
<td>Average time required to complete the process and/or durations for each involved transaction</td>
<td>Average time: 24 hrs</td>
</tr>
<tr>
<td>Average costs associated with the process</td>
<td>Bank commission: U.S $5.00</td>
</tr>
<tr>
<td>No. of copies of each document required</td>
<td>Total: 2 copies, one of each as follows:&lt;br  - Purchase Order&lt;br  - Proforma Invoice</td>
</tr>
<tr>
<td>Mode of documents submission</td>
<td>Electronic</td>
</tr>
</tbody>
</table>
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 clearance\(^\text{32}\). If the NEC requires the applicant to carry out a full-fledged environmental impact assessment, the time could well extend to a year or more\(^\text{33}\).

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

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

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.
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 producing\textsuperscript{34} 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.

\textsuperscript{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>
<thead>
<tr>
<th>Sl. No.</th>
<th>Process</th>
<th>Cost (Nu.)</th>
<th>Cost (U.S $)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Buy</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1.1.</td>
<td>Conclude Import Order</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Ship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.</td>
<td>Obtain Security Clearance</td>
<td>-</td>
<td>-</td>
<td>One time procedure</td>
</tr>
<tr>
<td>2.2.</td>
<td>Obtain Industry Licence and TPN</td>
<td>62,500.00</td>
<td>961.55</td>
<td>One time fixed cost</td>
</tr>
<tr>
<td>2.3.</td>
<td>Obtain Certificate of Origin/GSP Certificate</td>
<td>15.00</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td>2.4.</td>
<td>Certify Export Product</td>
<td>20,000.00</td>
<td>307.70</td>
<td>One time cost at factory</td>
</tr>
<tr>
<td>2.5.</td>
<td>Insure Export Cargo</td>
<td>170.00</td>
<td>74</td>
<td>2.65 Per MT</td>
</tr>
<tr>
<td>2.6.</td>
<td>Load and Transport export cargo to Phuentsholing</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2.7.</td>
<td>Complete export documentation and Customs Clearance at Phuentsholing</td>
<td>50.00</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>2.8.</td>
<td>Transport Cargo to Kolkata</td>
<td>1,750.00</td>
<td>753</td>
<td>26.90 Per MT</td>
</tr>
<tr>
<td>2.9.</td>
<td>Complete export and transit procedures at Kolkata port</td>
<td>6,000.00</td>
<td>508</td>
<td>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</td>
</tr>
<tr>
<td>3.</td>
<td>Pay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.</td>
<td>Receive advance payment</td>
<td>325.00</td>
<td>5.00</td>
<td>Bank Commission</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>171,020</td>
<td>2,610</td>
<td></td>
</tr>
<tr>
<td>Without one-time processes (2.1, 2.2, 2.4)</td>
<td>88,520</td>
<td>1,341</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Process to be completed</th>
<th>Mode of Documents Submission</th>
<th>Documents Needed</th>
<th>Copies Needed</th>
<th>Documents Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Conclude purchase order</td>
<td>Electronic</td>
<td>Proforma Invoice</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Purchase Order</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td>2.1.</td>
<td>Obtain Security Clearance</td>
<td>Electronic</td>
<td>Application Form (online)</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td>2.2.</td>
<td>Obtain Industry Licence and TPN</td>
<td>Electronic/Manual</td>
<td>Security Clearance</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Plan</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>IEE Report</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Application form</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Environmental Clearance</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Project Approval letter</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Application Form for TPN</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td>2.3</td>
<td>Obtain Certificate of Origin/GSP certificate</td>
<td>Electronic/Manual</td>
<td>Application Letter</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Industry Licence</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commercial Invoice</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Receipt of Payment of confirmation</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Undertaking</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td>2.4.</td>
<td>Certify export product</td>
<td>Electronic/Manual</td>
<td>Agreement between Exporter &amp; PSI Agent</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td>2.5.</td>
<td>Insure export cargo</td>
<td>Manual</td>
<td>Application Form</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commercial Invoice</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td>2.6</td>
<td>Load and Transport export cargo to Phuentsholing</td>
<td>Electronic/Manual</td>
<td>Delivery Order</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commercial Invoice</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Packing List</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shipping Bill</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Product Test Certificate</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CoO/GSP Certificate</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Insurance Policy</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Authorization Letter</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Bank Receipt</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Weight Statement</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td>2.7</td>
<td>Complete export documentation and Customs clearance at Phuentsholing</td>
<td>Manual</td>
<td>Insurance Policy</td>
<td>0</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Product Test Certificate</td>
<td>0</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commercial Invoice</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Packing list</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Weight statement</td>
<td>0</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Certificate of Origin</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shipping Bill</td>
<td>1</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Authorization Letter</td>
<td>0</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Export Declaration</td>
<td>1</td>
<td>Public</td>
</tr>
<tr>
<td>2.8.</td>
<td>Transport to Kolkata</td>
<td>Electronic/Manual</td>
<td>Shipping Bill</td>
<td>6</td>
<td>Public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Export Declaration</td>
<td>6</td>
<td>Public</td>
</tr>
<tr>
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<td>Packing List</td>
<td>6</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>CoO/GSP Certificate</td>
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<td></td>
<td>Insurance Policy</td>
<td>6</td>
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<tr>
<td></td>
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<td></td>
<td>Weight Statement</td>
<td>6</td>
<td>Private</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Authorization Letter</td>
<td>6</td>
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<td>2.9.</td>
<td>Complete export procedure at Kolkata</td>
<td>Electronic/Manual</td>
<td>Shipping Bill (old and new)</td>
<td>2</td>
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<td></td>
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<td></td>
<td>Bill of Lading</td>
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<td>port</td>
<td>Export Declaration</td>
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</tr>
<tr>
<td></td>
<td>Commercial Invoice</td>
<td>1</td>
<td>Private</td>
<td></td>
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<tr>
<td></td>
<td>Packing List</td>
<td>1</td>
<td>Private</td>
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<tr>
<td></td>
<td>CoO/GSP Certificate</td>
<td>1</td>
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<tr>
<td></td>
<td>Product Certificate (1 new)</td>
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<td></td>
<td>Insurance Policy</td>
<td>1</td>
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<td></td>
<td>Weight Statement</td>
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<td>Private</td>
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<td></td>
<td>Authorization Letter</td>
<td>1</td>
<td>Private</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Receive advance payment</td>
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<td></td>
<td></td>
<td></td>
<td>Pro-forma Invoice</td>
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</tr>
<tr>
<td>Total</td>
<td>Documents: 28</td>
<td>Copies: 103</td>
<td>Private: 74</td>
<td>Public: 29</td>
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</tr>
<tr>
<td>Without one-time procedures (2.1, 2.2 and 2.4)</td>
<td>Documents: 19</td>
<td>Copies: 94</td>
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<td></td>
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</table>

43. 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

<table>
<thead>
<tr>
<th>Core Business Process</th>
<th>Observations</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Procedural Requirements</td>
<td>Data and Documentary Requirements</td>
</tr>
<tr>
<td>BUY</td>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td>SHIP</td>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>
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\textsuperscript{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. |

### 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 | 1. Develop the procedure for obtaining CoO/GSP Certificate and upload it on the MoEA’s website. |

\textsuperscript{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.

\textsuperscript{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 Affair’s Website, www.moea.gov.bt.

| 2.4. Certify Product | Certification of ferro silicon 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. |

| 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 |

2. In due course of time, the process should move towards issuing these documents electronically.
| 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 Phuentsholing. | 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. |
| 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](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. |
| 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. | 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. |
2.9. Complete export procedure at Kolkata

<table>
<thead>
<tr>
<th>Documentary and product (sample) checks. Thereafter, it travels all the way to Kolkata where the Transporter reports to the CHA, India.</th>
<th>relocated further downstream. If so, it is hoped that this problem will be addressed.</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 Jaigaon to Kolkata include:</td>
<td>2. The LCS should be linked to ICEGATE so that Transit documents can be exchange electronically with Indian Customs, Kolkata.</td>
</tr>
<tr>
<td>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 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 <a href="http://www.drc.gov.bt">www.drc.gov.bt</a>.</td>
<td>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.</td>
</tr>
</tbody>
</table>
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. 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. 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. Indian Customs and Kolkata Port websites if possible. This could be another activity to be carried out under the NTTFC.

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.

<table>
<thead>
<tr>
<th>PAY</th>
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<tbody>
<tr>
<td>3.1. Receive advance payment</td>
</tr>
<tr>
<td>The procedure is simple. The Importer sends the advance payment through the banking channel to the Producer/Exporter as per</td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>
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 cheap 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:

  o Develop and host general information on trade processes both at the national and SASEC level on their Websites.
  o 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.

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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 INDIA

Mr. Palden Dorjee
General Manager
Forwarders and Clearing Agent

Mr. Sonam Dorji
Business Promotion Officer
Bhutan Chamber of Commerce and Industry

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

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)

Mr. Yoshihiro Kosaka
Head
WCO (ROCB A/P)

Mr. Sekhar Bonu
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sbonu@adb.org

Mr. Lawanya Kumar Dhakal,
Director
Department of Customs

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

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

Ms. Lineil Ann Reyes-Tayag
Operations Assistant
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Achyut Bhandari
National Trade Facilitation Expert-Bhutan
SARC, South Asia Regional Department

Shyam Dahal
National Trade Facilitation Expert-Nepal
SARC, South Asia Regional Department

UNESCAP

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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

RESOURCE PERSONS

Mr. Takashi Matsumoto
External Relations Coordinator
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
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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*

<table>
<thead>
<tr>
<th>Name</th>
<th>Title/Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Md. Jamal Uddin Ahmed</td>
<td>Joint Secretary, Roads Division Ministry of Communication</td>
</tr>
<tr>
<td>Mr. Abdus Sattar Sheikh</td>
<td>Deputy Secretary Ministry of Commerce</td>
</tr>
<tr>
<td>Mr. Mohammad Khairul Alam</td>
<td>Assistant Controller Chief Controller, Import &amp; Export</td>
</tr>
<tr>
<td>Mr. Md. Abdul Alim</td>
<td>Assistant Commissioner National Board of Revenue</td>
</tr>
<tr>
<td>Mr. Chapal Chakmay</td>
<td>Assistant Commissioner National Board of Revenue</td>
</tr>
<tr>
<td>Mr. Muhammad Imtiaz Hassan</td>
<td>Assistant Commissioner National Board of Revenue</td>
</tr>
<tr>
<td>Mr. Md. Shahinur Kabir Pavel</td>
<td>Assistant Commissioner National Board of Revenue</td>
</tr>
<tr>
<td>Mr. Mohammad Mahbub Hasan</td>
<td>Assistant Commissioner National Board of Revenue</td>
</tr>
<tr>
<td>Mr. Mohammad Mostofa Jamal Haider</td>
<td>Deputy Commissioner Tax National Board of Revenue</td>
</tr>
<tr>
<td>Mr. Mohammed Shaha Alam</td>
<td>Assistant Commissioner National Board of Revenue</td>
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<tr>
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<td>Additional DG (Operation) Ministry of Railway</td>
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<td>Mrs. Sirat Mahmuda</td>
<td>Assistant Chief Ministry of Shipping</td>
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<td>Additional Secretary Bangladesh Land Port Authority</td>
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<td>Mr. Md. Maniruzzaman</td>
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<td>Ms. Begum Rahima Akter</td>
<td>Information Officer Export Promotion Bureau</td>
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<td>Mr. Rama Dewan</td>
<td>Deputy Chief Bangladesh Tariff Commission</td>
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<td>Mr. Nora Alam Siddique</td>
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<td>Mrs. Ifrat Ara Bagom</td>
<td>Deputy Secretary Federation of Bangladesh Chambers of Commerce and Industry</td>
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<td>Mr. Md. Sheikh Mohammad Farid</td>
<td>President Dhaka Customs Agent Association</td>
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<tr>
<td>Dr. Mostafa Abid Khan</td>
<td>Director (Programme, Research and Policy Advocacy)</td>
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<td>Dr. Mohammad Abu Yusuf</td>
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UN ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC
Yann Duval
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Tengfei Wang

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Transport Facilitation and Logistics Section
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Cuong Minh Nguyen
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, Phuentsholing, Bhutan

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

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

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

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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
Senior Advisor on Trade Facilitation

ASIAN DEVELOPMENT BANK (ADB)

Ms. Rosalind McKenzie
Regional Cooperation Specialist
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  
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Customs Excise & Vat commissionarate,

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

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

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Regional Director  
Regional Trade and Industry Office

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

Mr. Tandin Wangchhen  
Joint Collector  
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Ms. Deki Gyamtsho  
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Department of Revenue and Customs

Ms. Tshering Choden  
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Bhutan Clearing and Forwarding Agent

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Superintendent  
Department of Revenue (CBEC)  
Ministry of Finance

**NEPAL**

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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  
Mechi Customs Office

Mr. Rajan Sharma  
President  
Nepal Freight Forwarders Association

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

Mr. Tengfei Wang  
Economic Affairs Officer

**ASIAN DEVELOPMENT BANK (ADB)**

Ms. Aileen Pangilinan  
Programs Officer  
South Asia Department

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

*Thimphu, Bhutan, 3-4 August 2016*

*To be added*