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Q1: Respondent details

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Q2: Country or Customs territory

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Q3: Organization

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Q4: Title of case story

South Asia Subregional Economic Cooperation (SASEC) initiative to establish a sustainable trade and transport facilitation monitoring mechanisms (TTFMM) in Bangladesh, Bhutan and Nepal

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

This project was aimed at assisting Bangladesh, Bhutan and Nepal to establish a sustainable national trade and transport facilitation monitoring mechanism (TTFMM) to measure and assess progress in trade and transport facilitation and assist in formulating, updating and prioritizing recommendations for trade and transport facilitation.

It was envisaged that the coordinated and harmonized implementation of the TTFMM would be instrumental in facilitating trade and transport among South Asia Subregional Economic Cooperation (SASEC) countries and in effective implementation of the recently agreed Bangladesh, Bhutan, India and Nepal (BBIN) Motor Vehicle Agreement.

The project came up with reliable, systematic, consistent and harmonized data available for policy making and monitoring mechanism targeting trade facilitation interventions within the selected sub-region. Recommendations emerging from the project would also be valuable complement to on-going and planned trade facilitation projects to increase the likelihood of implementation in a timely manner.

Q7: Who provided funding?

Multilateral organization

Q8: Project/Programme type

Regional

Q9: Your text case story

Introduction and Background:

The trade and transport facilitation monitoring mechanisms (TTFMM) was initially developed by ESCAP and ADB in consultation with national governments and experts to address the pressing need for the countries in the Asia-Pacific region to establish their own sustainable mechanism to monitor the effectiveness of trade and transport facilitation reforms and measures and identify solutions to streamline and optimize trade and transport process. Many countries around the world including those in Asia and the Pacific have made efforts to facilitate trade and transport. Few, however, have established sustainable mechanisms to monitor the effectiveness of policies and procedures that facilitate trade and speed up international supply and value chains. Several global trade facilitation performance surveys and databases are now available and very useful as benchmarking and awareness raising tools. But they do not provide sufficiently detailed information to assist developing or updating national trade facilitation action plans. Trade and transport facilitation assessments have also been conducted in some countries. In many cases these are typically ad-hoc in nature, with little coordination among development partners, and with limited support by the governmental agencies involved.

There is, therefore, a need for countries to establish sustainable national trade and transport facilitation mechanism to measure and assess progress in trade and transport facilitation and assist in formulating, updating and prioritizing recommendations for trade and transport facilitation. TTFMM has two inter-related functions: (a) to measure and assess progress in trade and transport facilitation; (b) to assist in formulating, updating and prioritizing recommendations for trade and transport facilitation.

With this aim, Asian Development Bank (ADB) and UNESCAP initiated this TTFMM baseline project for the first time in 2014 to assist Bangladesh, Bhutan and Nepal to establish a sustainable national trade and transport facilitation monitoring mechanism (TTFMM) in the long term. The TTFMM project was implemented under the auspices of the South Asia Subregional Economic Cooperation (SASEC) Program in helping three member countries to develop effective monitoring systems of their respective trade and transport facilitation reforms and measures, with the aim of better identifying solutions to streamline and optimize trade and transport processes.

More specifically, the TTFMM baseline project was aimed at:

- 1) providing 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) diagnosing 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) proposing 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.

Scope of the Project:

In implementing the TTFMM baseline project, an essential and initial step was to define the scope of monitoring. In principle, the scope of monitoring should be decided by a country according to its specific situation. It was envisaged that two different countries may have different priorities for the monitoring. For instance, a landlocked country may be keen to monitor the procedures at land border posts while an island country is concerned about the performance at ports and shipping connectivity. In defining the scope of monitoring, the Specific, Measureable, Achievable, Relevant and Time-bound (SMART) principle was adopted whenever appropriate.

In selecting the products for monitoring, at least one of the following factors was taken into consideration whenever possible: (i) strategical importance of the product for the country or the areas, (ii) contribution of the product to employment creation, (iii) frequency of shipments of the product, (iv) economic value of the product to the country and (v) the relevance of the product in terms of well-being and social cohesion of citizens.

Trade routes and corridors analysed were primarily decided by the products selected for assessments or by their economic impacts. In case that the products are transported along different corridors, priority was given to the corridors, which are most frequently used or strategically important for the country or the region. In this respect, consultation with the private sector greatly helped in identifying such corridors.

To implement the TTFMM baseline project, a series of national workshops were organized in Phuentsholing, Bhutan, Dhulikhel, Nepal, and Dhaka, Bangladesh during 2014 to enhance the capacity of policy makers and relevant stakeholders in implementing TTFMM and prepare for the TTFMM baseline studies. Concrete outcomes of these meetings include, among others, is the identification of products and corridors for the TTFMM baseline studies.

For Bangladesh, the following processes, products and trade routes and corridors were identified for TTFMM baseline monitoring:

(i) Export of kitchen and table wares of plastics from Bangladesh to Bhutan through Dhaka- Rangpur- Burimari- Chengrabandha- Jaigoan- Phuentsholing- Thimphu; and

(ii) Import of Lentil from Nepal to Bangladesh through Kathmandu-Kakarvitta-Fulbari-Banglabandha-Dhaka. 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 Burimari and Banglabandha LCS and Time-Cost-Distance (TCD) /Corridor Performance Measurement and Monitoring (CPMM) would cover the corridors from Dhaka to Burimari and from Banglabandha to Dhaka.

For Bhutan, the following processes, products and trade routes and corridors were selected for monitoring:

(i) ferro silicon exports along the Kolkata-Jaigoan-Phuentsholing trade route,

(ii) cardamom exports along the Phuentsholing-Jaigoan-Chengrabandha-Burimari-Dhaka trade route

(iii) Kolkata–Jaigoan–Phuentsholing–Thimphu for import of motor vehicles; and

(iv) Thimphu–Phuentsholing–Jaigoan–Chengrabandha–Burimari for import of table and kitchen ware
It was decided that the BPA would cover all the above-mentioned products and corridors, TRS would cover border crossing at Phuentsholing and TCD/CPMM would cover the corridors from Kolkata to Phuentsholing and from Burimari to Phuentsholing.

And for Nepal, the selected processes, products and trade routes and corridors were:

(i) Kolkata – Birgunj – Kathmandu – Birgunj – Kolkata for the import of wools and export of woolen carpet; and

(ii) Dhaka – Banglabandha – Fulbari – Panitanki – Kakarvitta – Kathmandu for the import of fabrics from Bangladesh

These selected corridors also fall under the SAARC Road Corridors put forward for development under the SASEC programme. It is therefore imperative for us to understand the performance of these corridors and to identify the existing bottlenecks in order to facilitate more efficient movement of goods and people under these corridors. At the same time, the coordinated and harmonized implementation of the mechanisms is expected to enhance trade facilitation among SASEC countries and to facilitate the effective implementation of the recently agreed Bangladesh, Bhutan, India and Nepal (BBIN) Motor Vehicle Agreement.

Methodology of the Project:

Business Process Analysis Plus (BPA+) was identified to be the key methodology for data collection and analysis for the TTFMM baseline study. BPA+ approach is built upon the BPA and supplemented by other methods such as Time Release Studies (TRS) and Time-Cost-Distance (TCD)/ Corridor Performance Measurement and Monitoring (CPMM).

According to UN/CEFACT, 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. One of the key features of the UNNExT Business Process Analysis Guide to Simplify Trade Procedures is the introduction of the Unified Modelling Language (UML) as a standard way to graphically represent the various procedures involved in the trade process. 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.

Developed and promoted by the World Customs Organization (WCO), Time Release Study (or TRS) is used to measure the average time taken between the arrival of the goods and their release. The outcome of TRS enables Customs to identify both the problem areas and potential corrective actions to increase their efficiency. Measuring the time taken for the release of goods also meets the concerns of trade circles regarding long delays in Customs clearance. Application of TRS in the baseline study follows the Guidelines prescribed by the WCO.

Developed by ESCAP, Time-Cost-Distance (TCD) method assists decision makers in understanding the pattern and

magnitude of time and cost of transportation process and identifying, isolating and addressing physical and non-physical obstacles. TCD was further refined by ADB and evolved to be the so-called Corridor Performance Measurement and Monitoring (CPMM) method. As CPMM has been widely used in Central Asia, it is adopted by the current TTFMM baseline study. In the meantime, the graphic representation of time-distance chart recommended by TCD is also adopted in this report.

BPA+ draws the strengths of BPA, TRS and TCD/CPMM. BPA was initially designed to document and evaluate an import/export process at a given point time. Its relative simplicity, combined with the fact that it specifically includes measuring the time and cost of the complete range of procedures as one of the main outputs of the analysis, makes it suitable as the basis /core of a trade facilitation monitoring and improvement system. TCD/CPMM and TRS focus on a subset of procedures covered by BPA and provides alternative data collection methods, and therefore can be used to verify and supplement the data and outputs from the standard BPA. BPA data are typically based on key informant interviews verified through stakeholder consultation(s), while TCD/CPMM is often based on the accumulation of quantitative information provided by transport operators/drivers moving a single shipment along a selected route, and TRS is based on data collection forms filled by Customs officers, customs brokers or electronic time stamps when available for a sample of shipments/customs declarations.

BPA provides not only indicators but also a 'standard' way for analysing trade procedures, identifying bottlenecks and diagnosing trade barriers. The latter is achieved mainly by adopting Unified Modelling Language (UML). CPMM and TRS mainly provide indicators and leave detailed analysis to the project team. Another difference: analysis of BPA is product-specific, while CPMM and TRS often cover various products. Implementation of the project including data collection, validation of preliminary findings and preparation of study reports and databases took around 14 months.

Outcome of the project:

The project on TTFMM baseline study serves as the first and an essential step towards establishment of TTFMM in Bangladesh, Nepal and Bhutan. The TTFMM baseline study reports and databases- the final outcome of the project- can be used for a range of purposes. First, the detailed information on 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 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 these Reports enable the policy makers and stakeholders to better take stock of the status and assess challenges in trade and transport facilitation. Third, they highlight the key bottlenecks and propose recommendations to remove the bottlenecks and enhance trade and transport facilitation, which greatly support evidence-based policy making and reform.

Finally, the study reports provide 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 analyzed, and policy and actions can be adjusted if necessary. Essentially, establishment of TTFMM will ensure a virtuous cycle to monitor and enhance trade and transport facilitation.

Notwithstanding all technical details, the project outcomes highlight the importance of monitoring trade and transport facilitation from a holistic perspective. The project found that border crossing and transport time may account for 1-2 per cent and 8-9 per cent of total trade time, which means that optimizing border crossing and transport processes is important but not enough to enhance the whole trade process. Other trade procedures must be taken into consideration in order to improve the trade process.

In the light of the BBIN Motor Vehicle Agreement, the project presented both the challenges and enormous opportunities for enhancing transport efficiency along the BBIN corridors. On the one hand, the current average speeds of vehicle movement along the corridors are very low. On the other hand, if the average speed can be improved to 30 km/h, on average, 44-50 per cent of the transport time can be reduced. Policy makers and other stakeholders should treat this as encouraging news because once the measures to streamline trade and transport process are put in place, substantial improvement in transport along the corridors can be expected.

To lay a foundation for similar studies in the future and the establishment of TTFMM, the project reviewed the most important aspects of establishing TTFMM in the country including institutional arrangement, national capacity building, resources, continuation and expansion of monitoring and alignment of TTFMM with global and regional initiatives.

Q10: Lessons learnt

Establishment of a Trade and Transport Facilitation Monitoring Mechanism (TTFMM) is critical for a country to understand the “as-is” situation in order to identify bottlenecks and prioritize recommendations for the implementation of trade facilitation measures. More importantly, it emphasizes national ownership and sustainability and the means to achieve them: primarily through institutional arrangements and national capacity building. The TTFMM baseline study serves as the first and an essential step towards establishment of TTFMM in the region. The next question for policy makers and other stakeholders is how to establish long-term sustainable TTFMM in the country including institutional arrangement, national capacity building, resources, continuation and expansion of monitoring and alignment of TTFMM with global and regional initiatives.

Institutional arrangement: Leadership and ownership of TTFMM from within the country are crucial to maintain the sustainability of TTFMM. Institutionalizing TTFMM is the key to success in this respect. In other words, in order to make TTFMM sustainable, it is important that a national body should oversee the operation of TTFMM.

The national body needs to plan the various activities under TTFMM and secure resources for execution. Industry associations and the private sector will benefit from the sustainability of TTFMM because enhanced trade and transport facilitation would increase the competitiveness of industry and the private sector in the international market. Therefore, a clear message to the public is that the TTFMM is not the sole onus of government, but industry association and the private sector may also play a very active role in supporting various activities under TTFMM.

National capacity building: In the process of implementing TTFMM baseline project, national capacity has been substantially built. For instance, the study was mainly carried out by the national consultants who are clearly capable of undertaking similar studies in the future. For another example, data collection was greatly supported by the industry association and private sector who will be more capable of collecting similar data in the future. To build on the momentum and further enhance capacity building, a number of actions can be considered. First, national capacity building can be organized to disseminate the TTFMM baseline study results and explain to the stakeholders the methodologies for the study. Second, “learning by doing” is an effective way to build capacity. In this respect, a TTFMM update study should be carried out which will involve a number of selected staff and personnel from NTFC, governments agencies, national institutes, industry association and private sector who are tasked with overseeing TTFMM. Third, the cost-effective means of capacity building should be promoted.

Resources: In the long term, the operation of TTFMM is likely to be underpinned by national resources. While an adequate and separate budget may be provided by the Government for operation of TTFMM given, its broad social and economic benefit, innovative solutions towards system sustainability may be examined. A Public-Private Partnership (PPP) modality could also be envisaged. Part of the resources of TTFMM may come from private sector organizations such as Chambers of Commerce or Industry Associations considering the benefits TTFMM can bring to the business community. The private sector contribution may come in the form of an in-kind contribution (e.g., staff secondment or the allocation of staff time to collect and/or analyse data).

Continuation and expansion of monitoring: The baseline data, as an outcome of TTFMM baseline study, will be used as the basis for the purpose of benchmarking trade and transport facilitation performance over time. Accordingly, further studies on the same products and the same corridors should be carried out regularly to check the progress and/or setbacks. Given the constraints in financial and human resources, comprehensive studies may be conducted every two or three years while small scale update of studies should be carried out annually.

Alignment of TTFMM with global, regional and national initiatives: Establishment of TTFMM should be regarded as an integral component to support policy making, rather than “add-on” or isolated efforts. In this respect, it is important to align TTFMM with global, regional and national initiatives. At the global level, a large number of countries, especially the members of World Trade Organization (WTO), are committed to implementing the trade facilitation measures under the WTO’s Trade Facilitation Agreement (TFA). At regional level, the BBIN Motor Vehicles Agreement has been widely regarded as a game-changing pact that set in motion steps to make it possible for both passenger vehicles and, perhaps more importantly, freight vehicles, to cross swiftly and easily from one country into another. At the national level, a broad range of trade facilitation measures (such as establishment of national single window) are being implemented.