**CONCEPT NOTE**

INTEGRATED TRADE FACILITATION PERFORMANCE MONITORING (ITFPM)

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| **Implementing**  **Organizations** |  | Asian Development Bank (ADB) and United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) |
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| **Participating Government(s)** |  | SASEC (Bangladesh, Bhutan, India and Nepal) |
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| **Partner(s)** |  | United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UNNExT), and national and regional research institutions of SASEC |
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| **Timeframe** |  | September 2013 – October 2014 |
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# BACKGROUND

1. UN/CEFACT designs the Business Process Analysis (BPA) as a tool to profile all steps and procedures along a global and/or regional supply chain. Since its inception, the BPA methodology has been greatly welcome by developing countries as they provide useful tools for the countries to analyze all phases of a supply chain.
2. With support from ESCAP and ADB, the BPA concept and methodology were first introduced to SASEC countries in a regional capacity training program in June 2011 in Kathmandu, Nepal. The concept paper for the BPA study was subsequently endorsed by SASEC Trade Facilitation and Transport Working Group (TFTWG) in October 2011.
3. There was a slight modification of the BPA methodology in the context of SASEC. In addition to assessing the trade transaction which encompasses all activities related to export and import of selected goods, the SASEC BPA methodology was also used to assess the performance of priority SASEC transport corridors. The selected SASEC transport corridors under the BPA-1 includes:

* Corridor 1 (Nepal corridor) Kakarvitta-Panitanki-Fulbari-Banglabandha
* Corridor 2 (Bhutan corridor) Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari
* Corridor 3 (Nepal corridor) Kathmandu-Birgunj-Raxaul - Kolkata

1. The BPA-1 analyzes procedures involving the exporter and importer, from signature of contract between buyer and seller to loading of the goods onto a sea vessel (or, if by land, to the border checkpoint of the importing country), and to getting payment. The findings of the BPA-1 include detailed analysis on:

* Time and costs of moving the selected products in each corridor
* Number of required documents and copies required in each corridor
* Number of parties involved in exporting and/or importing selected products in each corridor

1. As a result, the BPA-1 provides useful information for SASEC countries to measure time and costs of good movement in SASEC priority transport corridors. The BPA-1 also opens ways for the development of an alternative data source to complement existing global and regional data sources in monitoring SASEC trade facilitation projects. However, to serve as a reliable SASEC database for monitoring and assessing performance of trade facilitation, the BPA-1’s methodology should be significantly improved by bringing on board other methodologies.
2. First, it is useful to complement the BPA-1’s findings with Time Release Study (TRS) to measure relevant aspects of operational issues and procedures of customs and other regulatory actors in processing of imports, exports, and transit movement. Second, it is also important to review the performance of all transport modes as well as compare efficiency of different transport corridors by applying the Time-Cost-Distance (TCD) analysis.
3. In addition, the BPA-1 also suggests for the next BPA study to focus on the following corridors:

* Samdrup Jongkhar-Shillong-Sylhet-Dhaka-Kolkata
* Agartala-Akhaura-Chittagong
* Phuentsholing - Jaigaon – Kolkata

# IMPERATIVES FOR INTEGRATED TRADE FACILITATION PERFORMACE MONITORING

1. **Need for Dedicated Database for Trade Facilitation**. Despite the efforts made by many developing countries to facilitate trade, few have effective mechanisms in place to monitor the actual effectiveness of their trade facilitation reforms and identify the trade process and procedures that should be prioritized for simplification or streamlining. The global trade facilitation performance surveys and databases[[1]](#footnote-1) now available are useful benchmarking and awareness raising tools, but they do not provide sufficiently detailed information to develop or update national trade facilitation action plans. In addition, while trade facilitation assessments of various scopes are often conducted in LDC or LLDCs, these assessments are typically ad-hoc in nature, with little coordination among development partners and limited buy-in by the governmental agencies concerned.

Given the lack of a regional trade facilitation database in South Asia, countries in the region have become increasingly reliant on existing trade facilitation databases which may not be entirely relevant for country-specific trade facilitation activities.

1. **Need for Progress Monitoring and Impact Assessment**. The need for regularly and systematically monitoring progress and impact of trade facilitation reforms is well established, as highlighted in the ADB/ESCAP Trade Facilitation Framework (ADB/ESCAP, 2009 and 2013[[2]](#footnote-2)). Measuring performance is essential to ensure not only that progress has been made, but that further improvement can be made and to adapt the trade facilitation strategy and its implementation to ever changing national, regional and global environments. Measuring the actual time and cost involved in completing the wide array of trade and transport procedures involved in import or export is important. However, the trade facilitation monitoring system should also provide sufficiently concrete and detailed information so as to enable identification of specific trade facilitation measures to be prioritized for further improvement. Considerations should also be given to ensuring the sustainability of the performance monitoring and improvement mechanism.
2. SASEC countries have been accelerating trade facilitation efforts to boost intra and extra regional trade. A number of reforms and projects have been implemented. However, the efficiency and impact of these reforms and projects have not been well monitored and evaluated. In addition, the SASEC TFTWG underscores the importance to set up systems both at the country and regional levels to monitor and measure the progress and impact of SASEC trade and transport facilitation projects.
3. In that context, the concept of a national integrated and sustainable trade facilitation performance monitoring and improvement system is developed below, building upon the UNNExT Business Process Analysis (BPA) methodology[[3]](#footnote-3) and other relevant tools and recommendations. The note highlights the need for the System to be as ‘integrated’ and ‘sustainable’ as possible and provides a description of the steps involved in establishing and operating the System.

# III. EXPECTED FUNCTIONS OF A NATIONAL ITFPM SYSTEM

## ITFPM System Overview

1. *Core functions*. The ‘System’ aims to support overall implementation of trade facilitation reform and has two inter-related functions:

* to formulate, update and prioritize recommendations for trade facilitation;
* to measure and assess progress in trade facilitation.

1. As shown in figure 1, once an initial set of recommendations has been formulated and prioritized for implementation, typically through a first (baseline) trade facilitation assessment study, progress in trade facilitation is measured and assessed on a regular basis by the System. The regular assessments provide the information needed to update or formulate new recommendations to ensure the trade facilitation reform remains relevant and is implemented as effectively as possible.

Figure 1. A national integrated and sustainable trade and transport facilitation monitoring and improvement system

**National human resources**

**Measure and assess progress in trade facilitation**

Trade facilitation reform implementation

**Institutional arrangement**

**Integrated Methodology (BPA+)**

Baseline trade facilitation assessment study

**Formulate/update and prioritize recommendations for advancing trade facilitation**

1. *Key outputs*. The key outputs of the ITFPM can be categorized as (1) performance indicators; (2) process and procedure descriptions; and (3) recommendations for improvement. Examples of typical outputs generated by the System are shown in Table 1.

**Table 1. Typical outputs of the ITFPM**

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| --- | --- |
| Performance indicators | * Time and cost needed to complete the various activities part of the import/export/transit process (e.g., “obtain import license”,…) for selected/strategic products; * Average time taken from the arrival of the goods to their release (by Customs) and breakdowns of each operation between arrival and release * Average time and cost involved in moving a shipment along a specified route/corridor |
| Process and procedure description | * Use case and activity diagrams (i.e., standardized process and procedures maps); Time-procedures chart; and Time/Cost -distance charts * Process descriptions, including a list of agencies and stakeholders involved as well as a list of , trade forms and documents and related laws, rules and regulations; * A list of identified bottlenecks |
| Recommendations | * An analysis of the bottlenecks and identification of possible solutions to address them * Actionable and prioritized list of recommendations for implementation |

1. As shown in figure 1, the monitoring system outputs are delivered, respectively, (a) using an integrated “whole-of-supply chain” methodology based on international standards and practices, (b) through a multi-stakeholder institutional arrangement, and (c) on the basis of national human resources available and/or to be developed.

## Integrated Methodologies: The BPA”Plus”

1. It is now well recognized that a “whole-of-supply-chain” approach to trade facilitation is key to making progress in reducing the time and cost of trade transactions.[[4]](#footnote-4) On that basis, it is important that the System developed to assess trade facilitation progress and generate recommendations for further improvement covers the entire set of trade processes/procedures (including those related to transport and payment). The monitoring System may need to integrate various methodologies and tools to achieve its purpose and to ensure maximum reliability of data and information generated by it.
2. To the extent possible, it should use methodologies based on international standards – such as Unified Modeling Language (UML) to map trade procedures – so that relevant outputs of the System may be more easily shared with relevant trade or transit partners, e.g., as part of a collaboration to facilitate trade along a given subregional corridor.
3. In that context, a Business Process Analysis “Plus” (BPA+) approach is proposed, where the System builds on the UNNExT Business Process Analysis methodology,[[5]](#footnote-5) supplemented by ESCAP Time-Cost-Distance (TCD) and WCO Time Release Studies (TRS) methodologies. Indeed, while BPA was initially designed to document and evaluate an import/export process at a given point in 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 output of the analysis, makes it suitable as the basis /core of a trade facilitation monitoring and improvement system. TCD and TRS methodologies, which focus on a subset of procedures covered by BPA (See Figure 2) and provide for alternative data collection methods,[[6]](#footnote-6) would be used to verify and supplement the data and outputs from the standard BPA. [[7]](#footnote-7) A comparison of the three methodologies is provided in Table 3.

**Figure 2. Parts of the supply chain covered by BPA, TCD and TRS Methods**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Trade-related procedures before cargo movement | Cargo origin |  | Border crossing point | MC900382589[1] | Border crossing point |  | Cargo destination | Trade-related procedures after cargo arrival |
|  |  |  | TRS |  | TRS |  |  |  |
|  | TCD | | | | | | |  |
| BPA | | | | | | | | |

Depending on each country’s specific need and context, other trade facilitation assessment and monitoring methods may also be integrated into the System.

## Institutional Arrangement

1. **National Trade and Transport Facilitation Committee (NTTFC).** For sustainability, the ITFPM should be ideally anchored to the National Trade and Transport Facilitation Committee (NTTFC) or similar institution, if already in place. In fact, operation of the ITFPM should be a core function of such Committee because the ITFPM which will provide the information needed to make decisions and drive the trade facilitation reform. In case such a national Committee or institution is not in place, an inter-agency trade facilitation performance assessment and monitoring Committee could be initiated by/under the trade facilitation lead agency – to be eventually upgraded and integrated into a National trade facilitation body as described in details in ADB/ESCAP (2009; 2013).
2. **Capacity Building**. National and regional experts, rather than international experts, would be used to conduct the assessment and performance studies. Countries with effective trade facilitation monitoring system such as India can also be tapped to provide experience and expertise. Instead of relying on individual experts, it may in fact be best to involve an existing national and regional think-tank or research institution that already has a mandate for trade or economic development, and which could therefore support the trade facilitation performance studies under its existing – or a slightly expanded - mandate.
3. To further increase the ITFPM’s sustainability, a “training of trainer” mechanism may be established, whereby those receiving initial training (from international experts/consultants) to conduct the ITFPM study as project leaders or analysts, are asked to commit to sharing knowledge gained and training others. The ultimate goal is to create a pool of proficient local experts (or institutions) to conduct all the essential studies.
4. Priority for participation in capacity building activities should be carefully thought out and given to those most likely be involved directly in the implementation of the BPA+ studies and related System’s activities, including, e.g., NTTFC members and Secretariat staff (or those of the Lead Agency), Customs officers, personnel from trucking associations, and staffs of trade-related research institutions.

### Other Measures Towards Sustainability of the ITFPM

1. At least in the long term, a Public-Private Partnership (PPP) modality could also be envisaged: Part of the resources of the ITFPM may come from private sector organizations such as Chambers of Commerce or Industry Associations considering the benefits the system can bring to the business community. The private sector contribution may come in the form of an in-kind contribution (e.g., staff or staff time to collect and/or analyze data). In that context, communicating with the general public on the benefits of the system, presenting useful results on a regular basis and showcasing the achievements will be important to win continuous and broad-based support – including financial support - from a wide range of public and private stakeholders.

# PROPOSED STEPS FOR ESTABLISHMENT OF ITFPM

1. The project mainly comprises the following activities. Detailed discussion of each activity can be found in Annex 1.
2. **Preparation (A0).** Endorsement of SASEC Trade Facilitation and Transport Working Group
3. **Launch the project and build capacity at SASEC level (A1).** A subregional inception meeting organized in September 2013 [on the side of APTFF 2013 in Beijing], with participation of representatives of national trade and transport facilitation committee (NTTFC) – or similar institution - from SASEC countries. The main agenda of the meeting include
   * + To review the existing mechanism for monitoring trade facilitation systems in the countries.
     + To review the status of national trade and transport facilitation committee (NTTFC) – or similar institution - in these countries.
     + To build capacity of senior officials and other relevant stakeholders in understanding and applying the ‘System’.
     + To take stock of experience and lessons leant from previous project on application of BPA in SASEC countries.
     + To discuss the plan to implement current project.
4. The detailed scope of the BPA+ study needs to be decided at this stage. This includes, among others, (1) selection of products for which import or export processes will be evaluated; (2) selection of specific trade and transport corridors/routes or/and mode of transport; (3) border-crossings to be covered.
5. **Set up the study teams (A2).** Three teams need to be set up to conduct BPA, TRS and TCD studies, respectively, in a coordinated manner. Teams will be formed in close consultation with the NTTFCs or other Executive body designated to operate the monitoring system at the national levels.
6. **Organize national training workshops on BPA, TRS and TCD (A3).** Training on TRS will be conducted by the invited expert from World Customs Organization. Training on BPA and TCD will be conducted either by in-house experts from ADB/ESCAP or the invited experts from UNNExT.
7. **Conduct studies (A4).** The study teams will (i) undertake studies on BPA, TRS and TCD after attending the national training workshops, and (ii) maintain regular communications to compare and collate data, facilitate coordination and synergies and analyze data for all studies in a coherent manner.
8. **Hold national consultation meetings in each country (A5).** A national meeting will be held to bring relevant stakeholders of international trade to further verify data and results and discuss key recommendations.
9. **Organize a SASEC** subregional **meeting (A6).** A SASEC subregional meeting will be held to verify cross-border BPA+ data and results and, if necessary, to identify ways to further facilitate data collection.
10. **Finalize studies and recommendations (A7).** The study team leaders together with the Executive Committee of the System should work together to ensure that a consistent set of recommendations emerges from the analysis of the data collected through BPA, TRS and TCD.
11. **Communicate the results and recommendations (A8).** (i)Compile a study report and develop database to record trade facilitation performance, (ii) Present key recommendations and brief summary of study report to high-level policy and decision makers, and (iii) Release selected information and data to different targeted audience, taking sensitivity into consideration (See Table 2).

**Table 2: Countries involved, leading agencies/organizations for implementation and timeframe**

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|  |  |  | **Year 2013** | | | | | | **Year 2014** | | | | | |
| **Activities** | **Countries involved** | **Leading agencies/organizations** | **7** | **8** | **9** | **10** | **11** | **12** | **1** | **2** | **3** | **4** | **5** | **6** |
| A0 | Four\* | ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| A1 | Four | ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| A2 | Three\*\* | NTTFC, ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| A3 | Bangladesh | NTTFC, ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| Bhutan |  |  |  |  |  |  |  |  |  |  |  |  |
| Nepal |  |  |  |  |  |  |  |  |  |  |  |  |
| A4 | Bangladesh | NTTFC, ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| Bhutan |  |  |  |  |  |  |  |  |  |  |  |  |
| Nepal |  |  |  |  |  |  |  |  |  |  |  |  |
| A5 | Bangladesh | NTTFC, ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| Bhutan |  |  |  |  |  |  |  |  |  |  |  |  |
| Nepal |  |  |  |  |  |  |  |  |  |  |  |  |
| A6 | Four | ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| A7 | Three | NTTFC, ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |
| A8 | Three | NTTFC, ADB, ESCAP |  |  |  |  |  |  |  |  |  |  |  |  |

\* ‘Four’ refers to all four SASEC countries

\*\* ‘Three’ refers to three SASEC countries including Bangladesh, Bhutan and Nepal.

Table 3: A comparison of BPA, TRS and TCD

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|  | **Definition or description** | **Major objectives** | **Coverage of the supply chains** | **Types of data and information collected** | **Data collection methods** | **Outputs** |
| **BPA** | A systematic examination of business processes in order to gain better understanding and to develop improvement strategies. | * The analysis of activities, documents, and information flow in international trade procedures; * The identification and prioritization of problematic areas that cause the delays in moving goods from seller to buyer; and * The design of improvement measures to address these problematic areas (e.g. simplifying processes and data, and eliminating redundancies). | whole supply chain before and after the physical movement of cargoes, or part of it depending on the scope set by the project | * Activities that come in a specific order and decision points; * Actors who perform those activities; * Defined inputs and outputs of each activity; * Criteria for entering and exiting the business process; * How actors relate to one another; * How information flows throughout the business process; * Associated rules and regulations; and * Quantitative indicators such as number of steps, as well as time and cost required to complete a particular business process. | * interview of relevant stakeholders * collect Forms and documents associated with each action/activity | * Use case diagram showing the scope of the business process analysis project; * Activity diagrams; * Process descriptions, including a list of trade forms and documents, as well as a list of trade-related laws, rules and regulations; * Integrated activity diagram; * Time-procedure chart; * A list of identified bottlenecks; and * Recommendations to improve the business process and/or to-be business process models. |
| **TRS** | The WCO TRS is primarily designed to measure the time required to release goods, although the principle of the TRS could potentially be used for other purposes such as time required for commercial procedures, transport procedures or trade related financial procedures. | * To measure time from the arrival of the goods at the port/airport/land border until their release to the importer or to a third party on their behalf * To measure the average time taken for the release of goods from their arrival to their release; * To measure the average time taken for each activity in the release process, for example, the time taken for physical inspections; * To identify the weaknesses in the release process (including at each individual activity in the process); * To identify the constraints affecting release; and * To suggest corrective/remedial measures to improve the time required for the release of goods. | The key nodes of the supply chains, such as port/airport/land border | * Date and time of the arrival * Date and time of the beginning of unloading * Date and time of the end of unloading * Date and time of delivery to temporary storage * Date and time of lodgement of declaration * Date and time of acceptance of the Goods declaration * Date and time of the beginning of documentary control * Date and time of the end of the documentary control * Date and time of the beginning of inspection * Date and time of the end of inspection * Date and time of intervention made by other agencies * Date and time of authorization granted by other agencies * Date and time of payment of duty * Date and time of release * Date and time of the removal of the goods | * often a combination of available data for previous transactions, supplemented by additional data which may be collected by survey, information generated by computer system, or customs officer record the relevant data for the TRS project | * The average time taken from the arrival of the goods to their release and breakdowns of each operation * Recommendations for improvement |
| **TCD** | The graphical representation of cost and time data associated with transport processes. | * To capture the information of costs, time and distance of physical movement of cargoes from cargo origin to cargo destination, * To identify inefficiencies and isolate bottlenecks along a particular route by looking at the cost and time characteristics of every section along a route. | Cargo origin to cargo destination, or part of it depending on the scope set by the project | * time, costs and distance of cargo movement | * Record and track the movement of cargoes, for example, by drivers and other transport operators, by GPS navigators | * Visual representation of the transport process from origin to destination, which plots distance (x-axis) against either cumulative time or cumulative cost (y-axis). |

1. These include, for example, the World Bank Doing Business and Logistics Performance Index databases, the Word Economic Forum Executive Opinion Surveys, and the ESCAP-World Bank Trade Cost Database. [↑](#footnote-ref-1)
2. ADB/ESCAP, Designing and Implementing Trade Facilitation in Asia and the Pacific, 2009. Available at: [www.unescap.org/tid/projects/tfforum\_adbescapbook.asp](http://www.unescap.org/tid/projects/tfforum_adbescapbook.asp) . [↑](#footnote-ref-2)
3. UNNExT stands for United Nations Network of Experts for Paperless Trade in Asia and the Pacific. BPA is seen as a first step towards trade facilitation and paperless trade and BPA studies have been conducted in more than a dozen Asian developing countries since 2010 ([www.unescap.org/tid/unnext/tools/business\_process.asp](http://www.unescap.org/tid/unnext/tools/business_process.asp) ). [↑](#footnote-ref-3)
4. For example, refer to the UN/CEFACT international supply chain (Buy-Ship-Pay) model. [↑](#footnote-ref-4)
5. <http://www.unescap.org/tid/unnext/tools/business_process.asp>. [↑](#footnote-ref-5)
6. BPA data is typically based on key informant interviews verified through stakeholder consultation(s), while TCD is often based on accumulation of information provided by drivers moving single shipments along a selected route, and TRS is based on time forms filled by Customs officers (or electronic time stamps when available) for a sample of shipments/customs declarations. [↑](#footnote-ref-6)
7. TCD and TRS form two pillars of the Corridor Performance Measurement and Monitoring (CPMM) initiative implemented by ADB in CAREC countries as part of its trade and transport facilitation programme in that region. [↑](#footnote-ref-7)