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Facilitating trade through simplification of trade processes and procedures in Bangladesh

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Facilitating Trade through Simplification of Trade Processes and Procedures in Bangladesh

by

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Executive Summary

The urge for simplification of trade processes and procedures in the context of trade facilitation is nothing new. For decades, countries around the globe have been adopting strategies and spending many resources to minimise cumbersome trade processes, both technical and non-technical, and garner maximum benefits from bilateral, regional and multilateral trading practices. As a member of the international trading system, and more as a least developed country (LDC), Bangladesh has been focusing on the issue of trade facilitation for several decades now. Various policies adopted in the context of trade liberalisation and automation of customs procedures surely bear this out. However, the country still faces significant challenges in terms matching the standard set by its trading partners. Despite all the awkwardnesses, the business community in Bangladesh seems to be contented with the existing dynamics involved in export-import procedures. Nevertheless, considerably limited use of modern technology in government offices and banks in the context of international trade has been highly criticised by all the stakeholders.

This study analyses the business procedures involved in a typical trade transaction for selected products namely export of *ready made garments* (RMG) and *shrimp* and import of *cotton fabrics* and *sugar*. The broad objective has been to capture the cost, documentation and time component of such trade transactions with a view to identify areas for further improvement. As the analysis revealed, business process for export of RMG from Bangladesh by sea involves 12 steps, 26 documents and 13 different agencies, and can generally be completed within 40 days on an average. The report contains similar findings for all the other products mentioned above.

Discussions with the business community also resulted in articulation of a number of suggestions for further improvement of the supply chain. These include:

- Full automation of all customs houses;
- Adopting policies and designing required modalities to facilitate use of documents in electronic/digital format;
- Development of infrastructure at port areas (e.g. container terminals, berthing stations, shaded warehouse in the customs controlled areas) on urgent basis; and
- Strengthening collaboration between Government and business chambers to ensure better business environment.

I. Introduction

During the last two decades, Bangladesh has gradually transformed itself from an aid dependent country to a trade dependent one. This largely owes to the various policy reform measures undertaken by successive governments with a view to better integrating the country into the global trading system. The process of trade liberalisation took place in three phases since 1981-82.¹ In the subsequent years, a number of trade facilitative strategies were adopted to ease the process, and reduce the cost, of doing business. These included, among others, customs modernisation and automation, infrastructure development and capacity development at the ports, and construction and maintenance of multimodal transport facilities (Bhattacharya and Hossain, 2006). Reports by various international organisations such as the World Bank (WB) also suggest that Bangladesh has been able to move to a somewhat better place in terms of trading across borders over the years. According to the WB's latest Logistics Performance Index (LPI)², Bangladesh moved to 79th position in 2008 from 87th in 2007 (World Bank, 2010).

While such policy measures hold significant merit from institutional point of view, ensuring proper implementation remains the major task to reap the benefits from such endeavours. This is particularly important due to the fact that the ability of countries to deliver goods and services in time and at low costs is a key determinant of their participation in the global economy. If this is to be done, the first and foremost priority needs to be given to improving competitiveness of the domestic industry by reducing unnecessary bureaucratic requirements and harmonising relevant processes. A simple but effective supply chain can play a significant role in eliminating the overwhelming inefficiencies related to preparation of transport and regulatory documents, unclear border procedures and overzealous cargo inspection (UNNEExT, UNESCAP and UNECE, 2009).

It is in realisation of the above that stakeholders, both at domestic and international levels, have come up with a set of common indicators such as number of documents required, number of days spent and the cost involved in a business-as-usual scenario to assess the effectiveness of various trade facilitative measures. However, the fact remains that results from such exercises are likely to vary, at different degrees, depending on the nature of the product, size of firms and/or requirements of the trading partner. From this perspective, a conscientious analysis of the product specific business process involving all commercial, transport, regulatory and financial procedures is likely to have profound impact on the overall conduct of international trade through identification and elimination of administrative and procedural constraints.

¹ FY1982-1986 (first phase), FY1987-1991 (second phase) and FY1992 onwards (third phase). The first two phases coincided with the advent of two industrial policies: the New Industrial Policy (NIP) of 1982 and the Revised Industrial Policy (RIP) of 1986. However, the third phase is considered to be more forward looking than the earlier two in terms of intensity of trade liberalisation.

² LPI is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers), providing feedback on the logistics 'friendliness' of the countries in which they operate and those with which they trade.

I.1. Objective

The increased level of cross-border trade, both export and import, has contributed much in the way of Bangladesh's economic growth (Annex Table 1). To maintain this growth, Bangladesh has to be competitive in the world market which requires not only the efficient production process with cheap inputs or factors of production but also efficient delivery of these items on time. The cross-border trade requires a number of steps to be performed to complete a transaction involving several actors and documents at various stages sometimes resulting in delay and increased cost of import or export of the product. Hence, to be more competitive in international trade, it is essential to identify the steps and associated costs involved in concluding an international transaction. Along with this, the study envisages to put forward a set of carefully articulated policy recommendations to be taken into account both by the policy makers and the business community with a view to simplifying and improving the overall trade process.

I.2. Methodology

The study presents trade process mapping for four selected products (two for export and two for import) with a view to identify the steps, actors, documents, time and cost involved in the overall transaction procedure. The *Business Process Analysis Guide to Simplify Trade Procedures*³ has been used for this purpose. Besides, necessary information for the analyses has been collected through face-to-face interviews, and telephonic and e-mail communication with relevant stakeholders including entrepreneurs, clearing and forwarding (C&F) agents, and members of various business associations.

In line with the scope of the study, the products selected for export process analysis in the Bangladesh context are *woven garments* and *frozen shrimp* with the partner countries respectively being India and Japan. On the other hand, *cotton and fabrics* and *raw sugar* have been selected for import process analysis. In this case, India and Thailand are respectively the trading partners. While share of these products in the country's overall export and import performance was one of the indicators, the selection was mostly guided by the study requirement of selecting one product for a South Asian trade partner and another for extra-South Asian country for both export and import. The products have also been selected based on their nature (one agricultural and another industrial for the both types of trade flows).

In case of intra-regional level India has been selected for both types of trade flow analysis not only for its geographical proximity, rather its importance as the trading partner of Bangladesh. Besides, analysis of trade procedures between India and Bangladesh will allow the study team to look into trading through land routes. However, in case of extra-regional trading partners, the importance of an individual country depends on trade of specific products. As a result, Japan has been chosen for the export process analyses and Thailand has been chosen for import process analysis (Rationale for product and partner country selection has been discussed in detail in Section II).

³ UNNEXt, UNESCAP and UNECE (2009).

I.3. Review of Relevant Literature

UNECE (2007) suggests that a typical export process involves 27 parties, more than 40 documents, and more than 300 copies of documents and the average customs transaction involves 20 to 30 parties, 40 documents, 200 data elements (30 of which are repeated at least 30 times), and the re-keying of 60-70 percent of all data at least once, which entails significant costs. The benefits that can result from different types of trade facilitation related measures i.e. reducing the number of documents required per transaction, are always positive, although the actual magnitude varies (Nathan, 2009). Alavi (2005), presenting a fragmented international trade transaction process, pointed out the possible benefits that might come through shifting from paper-based trade to paper-less trade. Based on gravity model simulation exercises for manufacturing trade of 75 countries, Wilson et al. (2005) concluded that the scope and benefits from unilateral trade facilitation reforms can be substantial, where trade facilitation measures include “border” elements, such as port efficiency and customs administration, and “inside the border” elements, such as domestic regulatory environment and the infrastructure to enable e-business usage. The importance of behind-the-border regulations in facilitating trade of Asian countries was further highlighted by Duval and Utoktham (2010).

The apparel industry is a buyer driven value chain industry, and this is also the case of Bangladesh (Gereff and Memedovic, 2003). To be competitive in the global apparel market, having low cost production advantage is not sufficient condition due to the concern of lead time, which requires simplification of the trade related documents and reduction of associated times required for the preparation of these documents.

Trade transaction modeling (TTM), a flowchart that identifies the people or organizations involved in each step of the export or import process, uses Unified Modelling Language (UML) activity diagrams to represent the steps in a trade transaction, over time, related to the agent or organization responsible for the action (UNCTAD, 2007). Using activity diagrams, TTM provides a better way of communicating the logical paths of a trade transaction to all concerned. In this context, UNNExT, UNESCAP and UNECE (2009) have detailed out the methodology to analyze the complete business process.

Most of the studies on the trade transaction processes are industry specific supply chain based. They map the supply process primarily in the internal market and those which are focused on international trade have identified the process under a broader heading of the activities involved or at disaggregated level of a single broad step of the overall trade process. The standard procedure of process analysis is associated with identifying the steps involved in completing the cycle, starting from getting an order for export or placing an order for import and the time required to complete each stage with associated costs both in accounting and economic terms.

Value chain or supply process differs significantly from product to product, country to country and from factory to factory, even for the similar type of products within the same country depending on the farm size, method of production and other factors (Nathan and Werner, 2007). The business process also varies based on the mode of transportation of the items e.g. if the product under consideration is transported solely by land route or waterways then the process

will be much different than if the same product is carried with other mode of transportation. And so the time and associated cost of transportation with export or import also differ to a large degree.

Again the length and time requirement for the same product for same purpose, export or import, might be different depending on the geographical location of the reporting firm, along with their size. And, with the advancement of transportation and information technology, the business transaction process varies overtime for the same firm, even for the same product and same partner. The process will be different also for different items under a broad industry category. Hence, it is required to analyze the process for any particular product with her specific trading partner.

II. Rationale for Product and Partner Country Selection

With her economic development, Bangladesh is being integrated with the global economy increasingly. The increased level of cross-border trade, both export and import, has contributed much in the way of country's economic growth. Overtime the volume of trade, both in terms of imports and export, has increased for Bangladesh, with an impressive average annual growth of 34.57 per cent and 17.47 per cent respectively in over the period of 2002 to 2008 (Annex Table 2). The four products which have been identified for the analysis (Table 1) of trade procedures have also enjoyed double digit growth during this period, except for the case of shrimp. To sustain the current level of economic growth and to boost it further, Bangladesh has to be competitive in the world market which requires not only the efficient production process with cheap inputs or factors of production but also efficient delivery of these items on time. It is also to be noted that cross-border trade requires a number of steps to be performed to complete any transaction involving a number of actors and documents associated within this process continuum. Hence, to be more competitive in international trade, it is essential to identify the steps and associated costs involved to perform an international transaction.

Table 1: Selected Products and Trading Partners

Process Analysis	Product	Trading Partner	Region
Export	Woven Garments	India	South Asia
	Shrimp	Japan	Outside South Asia
Import	Cotton Fabrics	India	South Asia
	Sugar	Thailand	Outside South Asia

Besides, there are several specialised industry associations in Bangladesh for all the four selected products which would be interested in the work carried out for enhancing business competitiveness in their respective sectors. Of these, the major ones are Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Textile Mills Association (BTMA) for *cotton and fabrics* and *woven garments*; Bangladesh Frozen Food Exporters Association (BFFEA) for *frozen shrimp*; and Bangladesh Sugar Refiners' Association (BSRA) for *raw sugar*. In addition, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) acts as a common platform for the various industry associations.

Woven Garments

Export of ready-made garments (RMG) has long been the major source of foreign exchange earnings for Bangladesh accounting for 75.6 per cent (US\$4.35 billion) of total export in FY2000 and 79.3 per cent (US\$12.35 billion) in FY2009.⁴ However, share of woven garments in total RMG has been declining over the years (from 70.4 per cent in FY2000 to 47.9 per cent in FY2009). Nevertheless, this sub-sector still dominates and plays a significant role in the overall economic development of the country.

India is currently Bangladesh's major trading partner within the South Asian region with the highest positive trade balance of US\$2.6 billion. During 2003 to 2008, although export of woven garments from Bangladesh has achieved positive growth, with varying degrees, the growth pattern to Indian market was very much volatile (Annex Figure 1). One reason for this volatile nature of woven export to the neighbouring country is the very low amount of export compared to her global export of this item (only 0.01 per cent of Bangladesh woven export was destined to India in year 2002, which reached at 0.05 per cent in year 2008). It may be noted here that Bangladesh's major market destinations for RMG products are US, EU and Canada.

Frozen Shrimp

Contribution of frozen shrimp in overall export from Bangladesh has decreased from 5.4 percent in 2002 to only 2.5 percent in 2008, although during this period shrimp export enjoyed a moderate annual growth of above 7 per cent per year. However, unlike the case of woven garments export to India, the pattern of export to Japan resembles positive growth in 2008 despite negative growth in terms of overall export performance of the sector at the global level (Annex Figure 2). Japan accounted for about 4.9 per cent of Bangladesh's total market share in shrimp export in 2008 with the product share being 10.32 per cent.

Cotton Fabrics

The RMG sector in Bangladesh remains heavily dependent on India for import of raw materials particularly cotton and fabrics. This is corroborated by the fact that Bangladesh imported RMG raw materials worth US\$711.4 million in 2008 from India which accounted for about 29.4 per cent of her total import of the product from world. It is also pertinent to note that this import has been growing overtime (Annex Figure 3).

Sugar

Bangladesh currently has a demand of about 1.2 million tonnes of refined sugar which is largely met by the local private refineries. On the other hand, these refineries solely depend on imported sugar from a number of countries including Brazil and Thailand. During FY2009, import of raw sugar was over 1 million tonnes. In 2008, import of raw sugar from Thailand was more than 9 per cent of Bangladesh's total import of the product from the world (Annex Figure 4). It is also encouraging to note that despite a downfall in import of raw sugar from Thailand during 2004 to 2006, the momentum has been gained again with positive growth registered in recent times. While, Brazil remains the major import market, Thailand has been selected for the analysis to meet the requirement of the study.

⁴ Bangladesh's total export in FY2000 was about US\$5.75 billion and in FY2009 it was US\$15.57 billion

III. An Overview of Export and Import Processes in Bangladesh

Importance of a simplified process for both export and import has long been felt by the policy makers in Bangladesh. This has led to adoption of various trade facilitation measures over time. Both the existing Export Policy (2009-2012) and Import Policy (2009-12) also emphasise the need to reduce bottlenecks in the process of conducting international trade. In addition, the Customs Act 2002 lays down the powers and responsibilities of the Customs Authority in completing the processes and procedures involved at various stages of export and import. The government also proposes various tariff related measures⁵ when the national budget for a certain fiscal year is announced in the parliament. These are further supplemented by Statutory Regulatory Orders (SROs) which are issued on ad-hoc basis between two national budget announcements.

Over the last decade, measures were taken to simplify the import clearance and export procedures by reducing the number of signatures needed for clearance of consignments and frequency of inspection of the goods being traded. Table 2 articulates such endeavours of the government towards simplifying the customs procedure.

Table 2: Major steps towards customs automation in Bangladesh

Year	Automation measures
1992	Introduction of ASYCUDA at the Dhaka Customs House (DCH)
1996	Introduction of ASYCUDA at Chittagong Customs House (CCH)
1999	Initiation of the Customs Administration Modernization Project-1
2001	“ASYCUDA++ Migration Project” designed to interface the ASYCUDA++ software with the computer system at five Customs Houses in the country.
2003	Introduction of direct trader input (DTI)
2008	Initial automation of CCH; Operation of Import General Manifest (IGM) and Export General Manifest (EGM) launched
2008	CCH Automated; Full operation started on 6 October 2008
2008	Dhaka Chambers of Commerce and Industry signed a contract with DataSoft Management Services for the automation of DCH.
2009	DCH Automated

Source: Hossain, Deb and Al Amin, 2009

While 25 signatures were required for clearance of import and export consignments in 1999, in 2002 the number was reduced to only 5. Since 2002, customs officials physically inspect only 10 per cent of the import consignments, while 100 per cent consignments were previously inspected. Introduction of automation in customs procedures has further simplified the whole process. As a result, average processing time for clearance of goods from customs has been reduced to 1 to 3 days for import and 3 to 8 hours for exports. It may be noted here that

⁵ In the National Budget for FY2009-10, import tariff structure was revised and now has a four tier framework comprising 3.0 per cent on capital machinery and parts, 5.0 per cent on basic industrial raw materials, 12 per cent on intermediate raw materials and 25 per cent on finished products.

apart from a very small number of entrepreneurs, almost all the exporters and importers rely on clearing and forwarding agents (CFA) to deal with the customs clearance.

According to World Bank Doing Business reports⁶, Bangladesh has been able to reduce the overall time required for completing an export process from 35 days in 2005 to 25 days in 2008. As for import, the reduction has been more significant with 57 days in 2005 to 29 days in 2008. Besides, number of documents required for completing an import process is currently eight while it was twelve in 2005 (Table 3). However, a cross-country analysis shows that Bangladesh is still lagging behind most of its trading partners including countries as India, Japan and Thailand in simplifying trade processes and procedures (Annex Table 3). This is also true when Bangladesh's indicators for trading across borders is compared South Asian and OECD averages (Annex Table 3(a)). Following is a list of documents generally required in Bangladesh for the conduct of export and import:

Table 3: Export and Import Documents in Bangladesh

Export documents	Import documents
Bill of lading	Bill of lading
Certificate of origin	Cargo release order
Commercial invoice	Certificate of origin
Customs export declaration	Commercial invoice
Packing list	Customs import declaration
Pre-shipment inspection (clean report of findings)	Packing list
	Technical standard/health certificate
	Terminal handling receipts

Although the number of documents required in export and import processes may vary depending on the kind of goods being traded, it is the overall impression of the business community that it does not hamper their trade.⁷

Export Process in Bangladesh

In general, the export process in Bangladesh comprises of the following steps:

Table 4: Export Process in Bangladesh

Major Steps	Documents	Actors
Receive export order from buyer	Proforma Invoice (PI)	Exporter and importer
Collect L/C or Open Back to back L/C	Sales Contract (SC); PI; Letter of Credit Authorisation (LCA)	Exporter's bank
Produce/collect goods for export		Exporter; Supplier
Obtain inspection certificate	Application for inspection	Exporter, inspecting authority (independent or importer)

⁶ World Bank Doing Business Reports 2007, 2008, 2009 and 2010

⁷ Discussion with entrepreneurs and C&F agents.

		nominated)
Reserve space with shipping agent	SC; Commercial Invoice (CI)	Exporter; Shipping Agent
Obtain insurance certificate	CI; PI; PL	Insurance Company, Exporter
Submit documents for customs approval	CI; Packing List (PL); Certificate of Origin (CO); EXP Form; Insurance certificate	Exporter; C&F Agent; Customs; Chamber
Transport goods to port/ICD	<i>Challan</i> (description and quantity of goods)	Exporter; C&F Agent; Port authority
Complete cargo examination (if necessary)	Customs declaration; CO	Customs
Stow container on vessel	PL; CI	Shipping agent
Obtain Bill of Lading (B/L)		Shipping agent
Collect payment	B/L; CI; PL; CO; Insurance document, Certificate of Inspection	Exporter; Exporter's bank

Source: Discussion with exporters and C&F Agents

In addition to the above, there are a number of other documents required for export of specific products. These include Certificate of Generalised System of Preferences (GSP); Health Certificate; Utilisation Declaration. It is also to be noted that depending on the goods being exported, a host of government and non-government entities are involved at various stages of the process. These are Bangladesh Association of Software and Information Services (BASIS), Bangladesh Aushad Shilpa Samity, Bangladesh Bank (BB), Bangladesh Export Processing Zones Authority (BEPZA), Bangladesh Finished Leather and Leather Goods and Footware Exporters Association, Bangladesh Frozen Food Exporters Association (BFMEA), Bangladesh Garment Manufacturers & Exporters' Association (BGMEA), Bangladesh Knitwear Manufacturers & Exporters' Association (BKMEA), Bangladesh Textiles Mills Association (BTMA), National Board of Revenue (NBR), Export Promotion Bureau (EPB), Bangladesh Tariff Commission (BTC), Bangladesh Textile Mills Owners' Association (BTMA), Leather Goods and Footware Manufacturers and Exporters Association of Bangladesh, Metropolitan Chamber of Commerce & Industry (MCCI), Ministry of Commerce, Office of the Chief Controller of Imports & Exports, Sadharan Bima Corporation, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Import Process in Bangladesh

Import process in Bangladesh is much simpler than that of export and in a business-as-usual scenario the whole process of customs clearance is completed within hours. The major steps and actors involved in the customs clearance process can be illustrated as per the following table.

Table 5: Import Process in Bangladesh

Step	Actors involved
Submission of Import General Manifest (IGM)	Career
Filing of Bill of Entry	Importer/CHA
Assessment of declaration	Customs
Dues notified	Customs, importer, CFA, Port
Payment to bank	Importer, CFA, Bank
Bank notifies receipt of duty payment	Bank, customs, importer, CFA, Port

Delivery from port	Customs, CFA
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Source: Hossain, Deb and Al Amin (2009)

At present, the import process is mostly automated with some degree of manual processing still being practiced. Once the IGM is submitted online by the shipping agent, the nominated C&F agent completes the bill of entry from their own premise. Thanks to the recent initiative by the government to automate the customs procedures, most CFAs now use the automation service for customs clearance. Necessary documents such as bill of lading, commercial invoice, packing list, etc. are then taken to the customs house to facilitate assessment of declaration. By this time, container is unloaded from the vessel and moved to shipper's shed or customs warehouse. Upon satisfactory assessment (including inspection, if required), necessary duties are paid to the bank situated within the customs house. All these processes are done within 2 to 5 hours. It is then a matter of couple of hours to move the container (or goods from the container) out of the port area before transferring to the importer's premise.

It is also mentionable here that Bangladesh customs has a risk management system for inspection of imported goods and consignments. This includes a three level risk assessment system: Green Channel, Yellow Channel and Red Channel. Goods which are considered to be of low risk are passed through the Green Channel after minimum documentation check. For the Yellow Channel, imports receive full documentation check and, if necessary, may be upgraded to Red Channel. At present, majority of the shipments fall under this category. Finally, the Red Channel requires full documentation check and physical inspection of the goods. At present, about 10 to 12 per cent of the total imports fall under this category.

On a general note, discussions with exporters, importers and CFAs indicated that the business community is mostly satisfied with the existing pattern of trade process and procedures. Their concern relates more to government's policy decisions with regard to enhancing access to business credits, ensuring uninterrupted supply of essential utilities such as gas and electricity, and improving the country image of Bangladesh at the international level by ensuring good governance.

While the above discussion provides a general overview of the existing trade procedures in Bangladesh, the following section presents product and partner specific export and import process analysis in a business-as-usual scenario.

IV. Export Process Analysis for Selected Products

IV.1. Export of Woven Garments to India

Being members of the same sub-region, the flow of trade between Bangladesh and India has always remained low marked by a high degree of trade imbalance for Bangladesh. With regard to Bangladesh's export of RMG products to India, the practice is more of infrequent in nature. Besides, due to the fact that both the countries are major exporters of RMG to USA and EU, there is very little scope for using each other's market as export destinations. Nevertheless, Bangladesh has been exporting some RMG products, both knit and woven, to India for quite

some time. *Ayan Fashions Ltd.*,⁸ has been engaged in exporting woven garments to India for about a decade. Major products which the company exports to its South Asian partner include T-Shirts and Trousers. With regard to mode of exporting, both sea and land routes are used by the company with the latter route used in most occasions. The following business process analysis exercise for Bangladesh's export of US\$50,000 worth of woven garments to India in a 20 feet container has been conducted based on the information provided by the commercial division of *Ayan Fashions Ltd.*⁹ A detailed mapping of the process is presented in *Annex 2*.

IV.1.1. Business Process of Exporting Woven Garments to India from Bangladesh

Step 1: Buy

Based on buyer's expression of interest to enter into a business deal, the exporter prepares a price quote and terms of trade. A proforma invoice is then sent to the importer for approval. In case some modifications are required, the document is returned back to the exporter for necessary amendments. Once both the parties find the terms agreeable, the importer confirms intent to purchase. An L/C is then opened by the importer and forwarded to the exporter's nominated bank in Bangladesh. The whole process of communication between the buyer and the exporter are mainly done through exchange of emails. However, if required, supporting documents are sent through courier services.

Step 2.1: Import Raw Material

[This step is a complete buy-sell process between the primary exporter from Bangladesh and the exporter of raw materials in India. Details of this step are presented in the BPA mapping of import of raw materials from India by Bangladesh.]

Step 2.2: Arrange Shipment/Space Booking

Exporter requests space booking with designated shipping line. In most cases, an email is sent with details of the shipment. Based on the request, the Carrier/Shipping Line issues a draft bill of lading for consideration by the client. Based on the document and confirmation by the Shipping Line, the exporter schedules pick-up and delivery of the container with the inland haulage company. A booking confirmation is then issued by the latter and kept with both the parties for executing of further activities.

Step 2.3: Prepare Export Document

Once the raw materials arrive in Bangladesh, the Bangladeshi exporter starts preparing the documents which will be later required for exporting the final product. In doing so, completing the EXP Form is considered to be the initial step. This format of this Form developed by the Bangladesh Bank and respective banks supply the Form in the prescribed format to the

⁸ Imaginary name of the respondent company

⁹ While such an order may sometimes be exported in a 20 feet container as a full container load, it may sometimes be less than full container load. This depends on the nature of the export item (e.g. material, design, etc.)

clients. Generally, exporters collect and keep several copies of the Form from the banks with a view of avoiding procedural delays for each and every shipment. After filling up the Form manually (basically using typewriter), a number of supporting documents are attached with it. These include Commercial Invoice, Utilisation Declaration (UD), Packing List, Insurance Certificate and copy of the L/C. The UD is obtained from the office of the Bangladesh Garments Manufacturers' and Exporters' Association (BGMEA).

Step 2.4: Arrange Inspection

Depending on the buyer's requirement, the exporter/manufacturer requests the authorised inspection agency to visit the manufacturing plant and inspect quality of the product. Initially, a request letter is sent to the agency along with copies of proforma invoice, packing list and lab test report. The inspector(s) then visit the factory, collect samples and performs inspection. In case any problem is found with the product, the exporter is asked to rectify it. Once the inspector is satisfied with the product quality, an Inspection Certificate is issued and supplied to the manufacturer.

Step 2.5: Obtain Cargo Insurance for Inland Transportation

Exporter applies to the respective insurance company for an insurance certificate for the consignment. This step involves submission of a duly filled in Cargo Insurance Application Form supported by copies of L/C, Commercial Invoice, Packing List, Transport Contract and Draft Bill of Lading. Upon finding the application complete, the insurance company issues an Insurance Policy in favour of the exporter who then pays the premium.

Step 2.6: Provide Customs Declaration Online

This step is completed by the exporter's clearing and forwarding (C&F) agent. The agent submits the online Bill of Entry (BE) on the custom's website. This is a members only service where the C&F agent is required to log in with its unique member ID and password. Submitting the BE requires the agent to provide electronic copies of a number of supporting documents including Commercial Invoice, Packing List, EXP Form, GSP Certificate (in some cases), Certificate of Origin, Insurance Certificate, and UD. Customs authorities then verify the documents and issue a 'C' Number upon finding the document satisfactory. The exporter's agent then acknowledges receipt of the 'C' Number and takes a print out of the acknowledgement receipt for conducting customs clearance at a later date.

Step 2.7: Transport to Port of Departure

As per the transport contract, the inland haulage company collects the goods from the factory premise and transports to the port. In a normal situation, it takes about 8-10 hours for a consignment to reach the Chittagong Port from Dhaka. On arrival, the C&F agent requests entry of the vehicle into the port area (in case the goods are to be taken to a private container terminal, it is taken directly to the private depot). The Port Authority/Private Depot then records details of the truck/container and issues an entry pass allowing the cargo/container to move inside the

controlled area. Date and time of entry of the cargo/container is then officially recorded. The goods are then taken to the designated area where cargo inspection is to take place.

Step 2.8: Clear Goods through Customs

The C&F Agent submits a copy of the 'C' Number Acknowledgement Receipt to the customs along with hard copies of all the supporting documents. Customs then retrieves information from the previously lodged online declaration and cross checks with the handed documents. An Inspector is then authorised to inspect the cargo and certify compliance with the declaration. If any misconduct is found, export of the shipment is stopped and a case is filed against the exporter. However, if no discrepancy is found, Customs issues a Shipping Bill and seals the container. The C&F Agent then receives the Shipping Bill on behalf of the exporter and signs the EXP Form a copy of which is then kept by the Customs.

Step 2.9: Handle Container at Terminal and Stow on Vessel

This step involves a number of parallel activities by the Career/Shipping Line and the Port Authority. The Career/Shipping Agent co-ordinates handling of the container at the terminal and moves it to the berth area with permission from the Port Authority. It is the responsibility of the Career/Shipping Agent to prepare a Container Loading List and a Container List Message to be used for berthing the container and stowing it on the designated vessel in a coordinated manner. While the container is in the process of being stowed onto the vessel, the Shipping Agent prepares the final Bill of Lading which is supplied to the C&F Agent. A export Manifest is also prepared and submitted to the Customs to obtain clearance to export the goods. Parallel to this process, the port authority prepares a list of outward going containers to be stowed on the vessel and ensures that the Career verifies the list. Once all these activities are completed and cargo release order is received from the Customs, the ship is set to sail as per schedule.

Step 2.10: Prepare Documents for Importer

The exporter is then required to collate all the documents that will be needed by the importer to receive the consignment in the importing country. In view of this, the RMG exporter in Bangladesh needs to obtain the Certificate of Origin (CO) and the SAPTA Combined Declaration Certificate (generally known as the 'SAPTA' Certificate). The first document is issued by the BGMEA upon receipt of a formal application supported by copies of Commercial Invoice, Bill of Lading, Insurance Certificate and Packing List. Parallel to this activity, the exporter also applies to the Export Promotion Bureau (EPB) for the SAPTA Certificate. Upon finding the evidences satisfactory, both this authorities issue their respective certificates in favour of the applicant.

Step 3: Pay

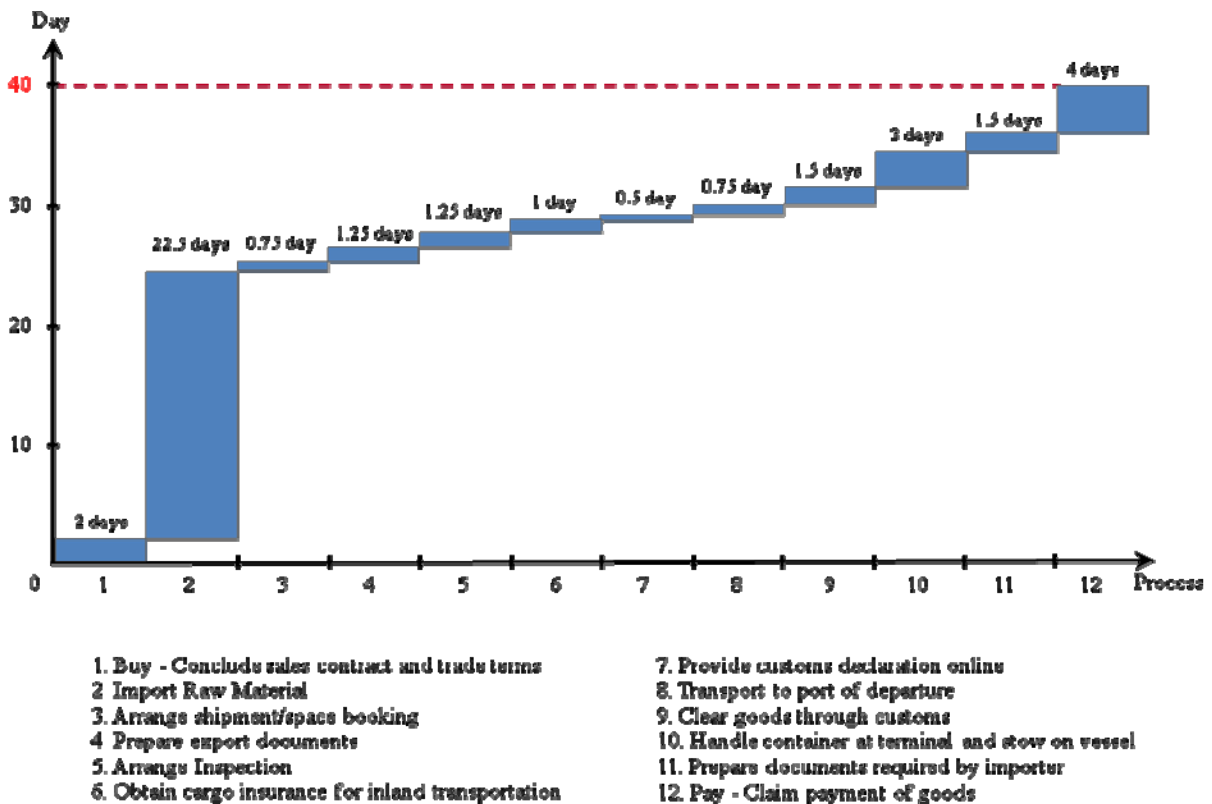
This is the final step in the whole business process. As soon as the documents for the importer are ready, these are then submitted to the local bank by the exporter. The bank verifies all the documents against the conditions laid down in the initial L/C sent by the importer's bank. In case any discrepancy is found, the exporter is notified and is required to resubmit ensuring

rectification of the problem. Once the documents are found to be fully compliant with the L/C conditions, the exporter's bank forwards the documents to L/C issuing bank in the importing country. The importer's bank then transfers the payment to the exporter's bank which then notifies the exporter of deposit of the payment in the respective account. The exporter then collects the payment and completes the deal.

IV.1.2. Key Observations from the BPA of Export of Woven Garments from Bangladesh to India

It is the general impression of the respondent entrepreneur that the procedures involved in completing an export order is quite simple and does not entail any significant hassle in Bangladesh. It is also encouraging to note that there is hardly any differentiation between large and small sized businesses in the context of services provided by different authorities involved in the process. However, length of relationship with such agencies like Banks and Chambers sometimes helps slightly expediting the process of obtaining a document. While Figure 1 and Table 6 present a summary of the processes involved in the export of woven garments from Bangladesh to India by sea, with a calculation of the time required in a business-as-usual scenario, Figure 2 and Table 7 portray the same for export by land.

Figure 1: Time Procedure Chart: RMG Export from Bangladesh to India (by Sea)



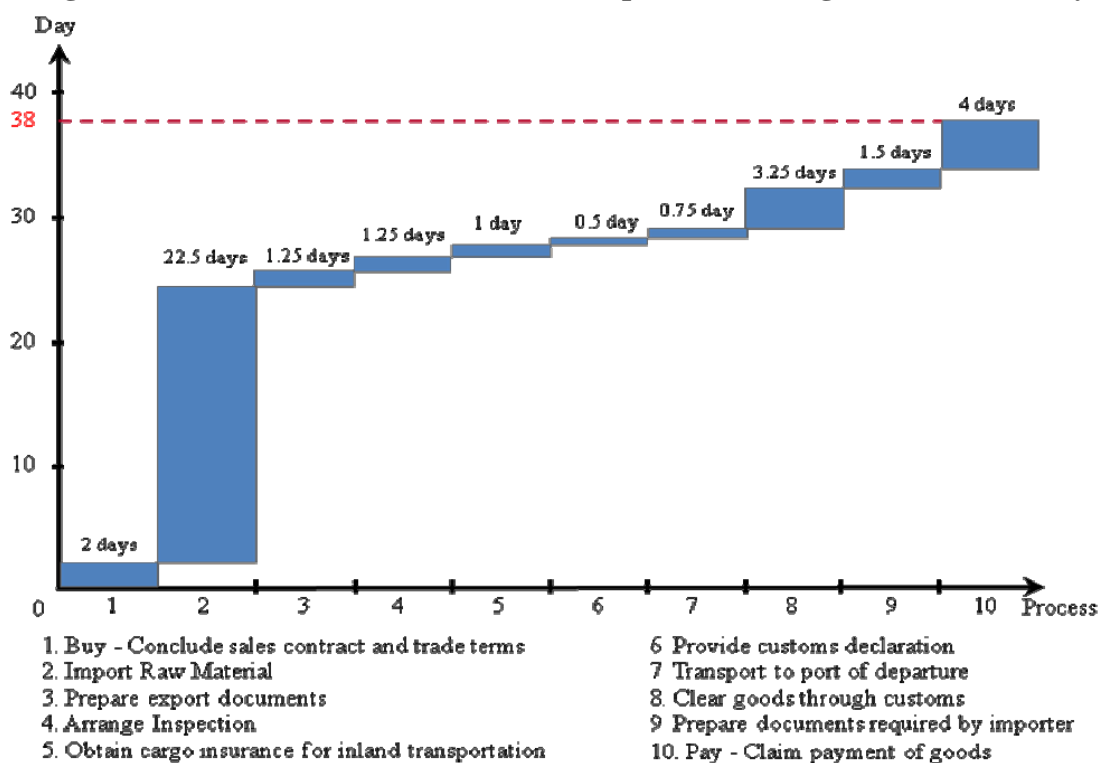
Source: CPD-ARTNeT Survey on BPA

Table 6: Overview of Processes Involved in Export of Woven Garments from Bangladesh to India by Sea

RMG Export by Sea Breakdown	Public or private procedure?	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	3	2
2.1. Import raw material	Private	15	30	22.5
2.3. Prepare export documents	Private	0.5	2	1.25
2.4. Arrange inspection	Private	0.5	2	1.25
2.5. Obtain cargo insurance for inland transportation	Private	0.5	1.5	1
2.10. Prepare documents required by importer	Private	1	2	1.5
3. Pay- Claim payment of goods	Private	3	5	4
Export Time Total Document preparation		21.5	45.5	33.5
2.2. Arrange shipment/ space booking	Private	0.5	1	0.75
2.7. Transport to port of departure	Private	0.5	1	0.75
Export Time Total Inland carriage and Handling		1	2	1.5
2.6. Provide customs declaration	Private	0.5	0.5	0.5
2.8. Clear goods through customs	Public and private	1	2	1.5
Export Time Total Inland Customs		1.5	2.5	2
2.9. Handle container at terminal and stow on vessel	Public and private	1	5	3
Export Time Total Terminal Handling Time		1	5	3
TOTAL TIME		25	55	40

Source: CPD-ARTNeT Survey on BPA

Figure 2: Time Procedure Chart: RMG Export from Bangladesh to India (by Sea)



Source: CPD-ARTNeT Survey on BPA

Table 7: Overview of Processes Involved in Export of Woven Garments from Bangladesh to India by Land

RMG Export by Land Breakdown	Public or private procedure?	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	3	2
2.1. Import raw material	Private	15	30	22.5
2.2. Prepare export documents	Private	0.5	2	1.25
2.3. Arrange inspection	Private	0.5	2	1.25
2.4. Obtain cargo insurance for inland transportation	Private	0.5	1.5	1
2.8. Prepare documents required by importer	Private	1	2	1.5
3. Pay- Claim payment of goods	Private	3	5	4
Export Time Total Document preparation		21.5	45.5	33.5
2.6. Transport to port of departure	Private	0.5	1	0.75
Export Time Total Inland carriage and Handling		0.5	1	0.75
2.5. Provide customs declaration	Private	0.5	0.5	0.5
2.7. Clear goods through customs	Public and private	1	2	1.5
Export Time Total Inland Customs		1.5	2.5	2
Truck waiting and unloading as part of activity 2.7	Public and private	0.5	3	1.75
Export Time Total Terminal Handling Time		0.5	3	1.75
TOTAL TIME		24	52	38

Source: CPD-ARTNeT Survey on BPA

Although the average time shown in the above tables are respectively is 40 days and 38 days, one needs to be cautious while interpreting the duration. This is particularly true for the case of import of raw materials which is a vital step in the overall business process. While the time required for this step has been calculated to be within the range of 15 to 30 days, the activity may sometime take a substantially more time depending on a number of factors including size of order, production capacity of the raw material supplier, customs procedure in the supplying country, etc. Besides, the analysis excludes the production phase where the exporter in Bangladesh manufactures goods for exportation. This again is a phase which highly depends on the quantity ordered, technical design of the product, availability of electricity, etc. It is also to be noted here that inspection and insurance for inland transportation are mostly optional. While the former depends on buyer's requirement, the latter is done if the exporter/manufacturer considers being necessary.

In terms of costs involved at various stages of the procedure, the respondent was of the view that apart from using a paltry speed money during the customs clearance stage (ranging between US\$15-20 per consignment) there is no other issue which creates any abnormality. Discussions with various actors involved in the process reveal that the exporter may complete a typical export process by spending around US\$1015 (see Annex Table 4).¹⁰ However, there is a point of caution with regard to the expenses involved in opening a back-to-back L/C. The major cost in this step is the commission charged by the banks and this amount varies significantly depending on the L/C amount.

¹⁰ For export by Land, this average cost comes to about US\$935.

IV.2. Export of Frozen Shrimps to Japan

Rahat Seafoods (imaginary name) has been engaged in export of frozen shrimps from Bangladesh for over two decades. While its major markets are EU and USA, the company also exports to the Japanese market. Like majority of exporters in Bangladesh *Rahat Seafoods* uses C&F agents for customs clearance of its export consignments. *Annex 3* presents a detailed BPA of export of frozen shrimp from Bangladesh.

IV.2.1. Business Process of Exporting Shrimp to Japan from Bangladesh

Step 1: Buy

Based on buyer's expression of interest to enter into a business deal, the exporter prepares a price quote and terms of trade. A proforma invoice is then sent to the importer for approval. In case some modifications are required, the document is returned back to the exporter for necessary amendments. Once both the parties find the terms agreeable, the importer confirms intent to purchase. An L/C is then opened by the importer and forwarded to the exporter's nominated bank in Bangladesh. The whole process of communication between the buyer and the exporter are mainly done through exchange of emails. However, if required, supporting documents are sent through courier services.

Step 2.1: Procure Raw Material from Local Supplier

The exporter determines the quantity of shrimp to be procured from the local supplier. Generally, the supplier's firm is located within the vicinity of the exporter's factory. Based on the quantity, a price quote is served by the exporter to the supplier. Upon finding the terms and conditions of the product to be supplied, the supplier confirms intent to supply and signs a contract with the exporter. Having one or more preferred supplier of raw materials is a common factor in the shrimp business. Once the delivery is made to the exporter's premise, the exporter requests its designated bank to complete payment to the raw material supplier. In this case, a copy of the sales contract and the supplier's invoice is submitted to the bank. The bank adjusts this payment at the end of the business cycle when final payment is received from the overseas importer.

Step 2.2: Arrange Shipment/Space Booking

Exporter requests space booking with designated shipping line. In most cases, an email is sent with details of the shipment. Based on the request, the Carrier/Shipping Line issues a draft bill of lading for consideration by the client. Based on the document and confirmation by the Shipping Line, the exporter schedules pick-up and delivery of the container with the inland haulage company. A booking confirmation is then issued by the latter and kept with both the parties for executing of further activities. This step is generally completed during collection of raw materials.

Step 2.3: Have Products Sampled and Examined

The exporter initially conducts sample tests in its own laboratory which is located within the factory premise. A request letter is then forwarded to the Fish Inspection and Quality Control (FIQC) of the Department of Fisheries (DoF) to conduct quality inspection and issue health certificate. Supporting documents which are supplied with the application are proforma invoice, packing list and lab test reports. Once the duly filled in application is received by the FIQC, an inspector is appointed for the task who visits the factory and initially assesses the quality control facilities available at the factory. If the assessment results in dissatisfactory outcome, it is then the responsibility of the exporter to put in place the necessary equipment and ensure hygiene within the factory. The whole application process will then need to be repeated. On the other hand, if satisfied with the overall environment of the factory, the inspector collects samples of the shrimps to conduct bacteria and antibiotic tests. While the first test is generally done in the regional FIQC office (in this case, the FIQC Khulna) and takes about 10 to 15 days, the antibiotic test is carried out mostly at the Bangladesh Council of Scientific and Industrial Research (BCSIR), Dhaka and takes about 15 to 20 days to be completed. In case the samples fail any of the test, the exporter is asked to rectify the issue and apply fresh. On the other hand, if results are satisfactory, Quality Certificate is issued on the products tested and forwarded to the exporter.

Step 2.4: Prepare Export Document

Firstly, the exporter fills in the EXP Form and then requests a Packer's Certificate from the respective industry association which, in this case, is the Bangladesh Frozen Food Exporters' Association (BFFEA), Dhaka. This document along with the EXP Form, Commercial Invoice, Quality Certificate, L/C, and Packing list are then compiled by the exporter to lodge customs declaration.

Step 2.5: Obtain Cargo Insurance for Inland Transportation

This is more of a voluntary step which is undertaken by the exporter on ad hoc basis. To obtain the insurance, the exporter lodges an application with the insurance company along with copies of commercial invoice, L/C, packing list and cargo booking confirmation. Based on satisfactory documentary evidences, the insurance company issues a policy. The exporter then pays the premium to the company and the step is completed.

Step 2.6: Provide Customs Declaration Online

This step is completed by the exporter's clearing and forwarding (C&F) agent. The agent submits the online Bill of Entry (BE) on the custom's website. This is a members only service where the C&F agent is required to log in with its unique member ID and password. Submitting the BE requires the agent to provide electronic copies of a number of supporting documents including Commercial Invoice, Packing List, EXP Form, GSP Certificate (in some cases), Certificate of Origin, Insurance Certificate, and UD. Customs authorities then verify the documents and issue a 'C' Number upon finding the document satisfactory. The exporter's agent

then acknowledges receipt of the 'C' Number and takes a print out of the acknowledgement receipt for conducting customs clearance at a later date.

Step 2.7: Transport to Port of Departure

As per the transport contract, the inland haulage company collects the goods from the factory premise and transports to the port. In a normal situation, it takes about 8-10 hours for a consignment to reach the Chittagong Port from Dhaka. On arrival, the C&F agent requests entry of the vehicle into the port area (in case the goods are to be taken to a private container terminal, it is taken directly to the private depot). The Port Authority/Private Depot then records details of the truck/container and issues an entry pass allowing the cargo/container to move inside the controlled area. Date and time of entry of the cargo/container is then officially recorded. The goods are then taken to the designated area where cargo inspection is to take place.

Step 2.8: Clear Goods through Customs

The C&F Agent submits a copy of the 'C' Number Acknowledgement Receipt to the customs along with hard copies of all the supporting documents. Customs then retrieves information from the previously lodged online declaration and cross checks with the handed documents. An Inspector is then authorised to inspect the cargo and certify compliance with the declaration. If any misconduct is found, export of the shipment is stopped and a case is filed against the exporter. However, if no discrepancy is found, Customs issues a Shipping Bill and seals the container. The C&F Agent then receives the Shipping Bill on behalf of the exporter and signs the EXP Form a copy of which is then kept by the Customs.

Step 2.9: Handle Container at Terminal and Stow on Vessel

This step involves a number of parallel activities by the Career/Shipping Line and the Port Authority. The Career/Shipping Agent co-ordinates handling of the container at the terminal and moves it to the berth area with permission from the Port Authority. It is the responsibility of the Career/Shipping Agent to prepare a Container Loading List and a Container List Message to be used for berthing the container and stowing it on the designated vessel in a coordinated manner. While the container is in the process of being stowed onto the vessel, the Shipping Agent prepares the final Bill of Lading which is supplied to the C&F Agent. A export Manifest is also prepared and submitted to the Customs to obtain clearance to export the goods. Parallel to this process, the port authority prepares a list of outward going containers to be stowed on the vessel and ensures that the Career verifies the list. Once all these activities are completed and cargo release order is received from the Customs, the ship is set to sail as per schedule.

Step 2.10: Prepare Documents Required by Importer

The exporter collates all the documents that will be needed by the importer to receive the consignment in the importing country. The Certificate of Origin (CO) is obtained from the local Chamber and the GSP Certificate is issued by the Export Promotion Bureau (EPB) upon finding the evidences satisfactory.

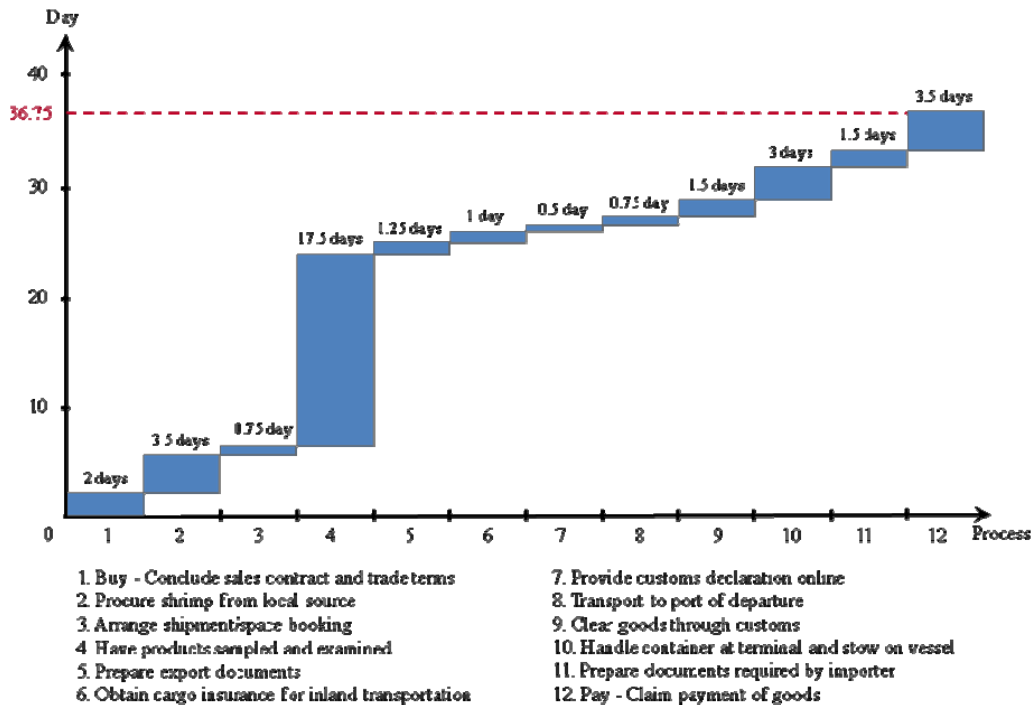
Step 3: Pay

This is the final step in the whole business process. As soon as the documents for the importer are ready, these are then submitted to the local bank by the exporter. The bank verifies all the documents against the conditions laid down in the initial L/C sent by the importer’s bank. In case any discrepancy is found, the exporter is notified and is required to resubmit ensuring rectification of the problem. Once the documents are found to be fully compliant with the L/C conditions, the exporter’s bank forwards the documents to L/C issuing bank in the importing country. The importer’s bank then transfers the payment to the exporter’s bank which then notifies the exporter of deposit of the payment in the respective account. The exporter then collects the payment and completes the deal.

IV.2.2. Key Observations from the BPA of Export of Shrimps from Bangladesh to Japan

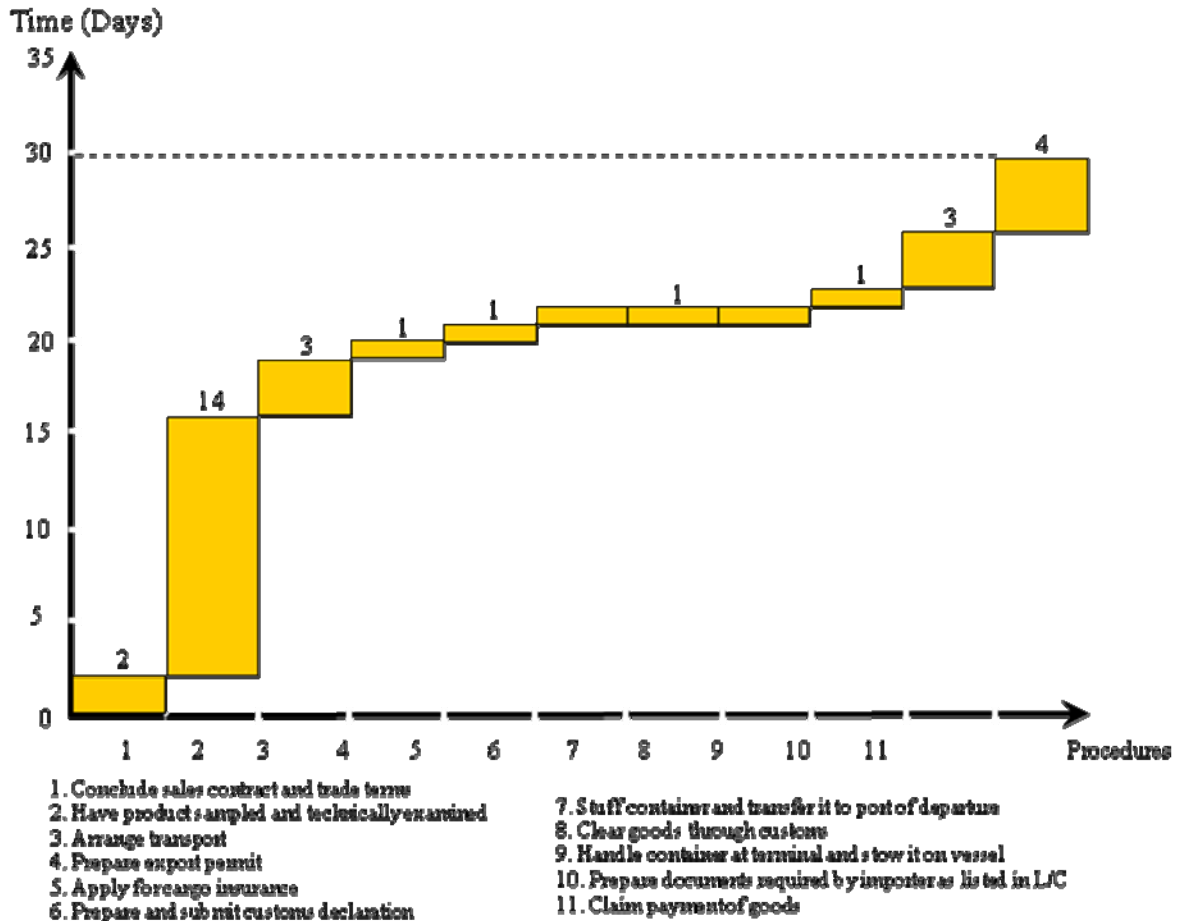
Analysis of business process of export of frozen shrimps from Japan shows that this is rather a simple process and the business community are, in general, satisfied with the procedures involved therein. The notable issue that was raised with regard to simplifying the process related to the ‘sampling and examining’ phase. It was reported that the time required to obtain reports for ‘Bacteria Test’ and ‘Antibiotic Test’ is somewhat lengthy and could be minimised if the relevant government agencies take necessary measures to expedite the procedure.

Figure 3: Time Procedure Chart: Shrimp Export from Bangladesh



Source: CPD-ARTNeT Survey on BPA

Figure 4: Time Procedure Chart: Shrimp Export from Thailand



Source: UNESCAP (2009)

On the whole, the overall process can be completed within an average timeframe of about 37 days (of course, it is the product examination phase that takes about 18 days to be completed) (see Figure 3 and Table 8). To compare, the BPA of shrimp export from Thailand takes around 30 days to be completed with product examination taking 14 days (Figure 4).

With regard to costs involved in the process chain, it is reported that an exporter needs to spend about US\$500 per 20 feet container to complete the whole procedure (see Annex Table 4) till the claim for payment is made to the lien bank.

Table 8: Overview of Processes Involved in Export of Frozen Shrimp from Bangladesh to Japan by Sea

Shrimp Export by Sea breakdown	Public or private procedure?	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	3	2
2.1. Procure shrimp from local source	Private	2	5	3.5
2.3. Have products sampled and examined	Private and public	15	20	17.5
2.4. Prepare export documents	Private	0.5	2	1.25
2.5. Obtain cargo insurance for inland transportation	Private	0.5	1.5	1
2.10. Prepare documents required by importer	Private	1	2	1.5
3. Pay- Claim payment of goods	Private	2	5	3.5
Export Time Total Document preparation		22	38.5	30.25
2.2. Arrange shipment/ space booking	Private	0.5	1	0.75
2.7. Transport to port of departure	Private	0.5	1	0.75
Export Time Total inland carriage and Handling		1	2	1.5
2.6. Provide customs declaration	Private	0.5	0.5	0.5
2.8. Clear goods through customs	Public and private	1	2	1.5
Export Time Total Inland Customs		1.5	2.5	2
2.9. Handle container at terminal and stow on vessel	Public and private	1	5	3
Export Time Total Terminal Handling Time		1	5	3
TOTAL TIME		25.5	48	36.75

Source: CPD-ARTNeT Survey on BPA

V. Import Process Analysis for Selected Products

V.1. Import of Fabrics from India by Land

Ayan Fashions Ltd., a leading RMG exporter from Bangladesh, sources raw materials from India on a non-regular basis (it is to be noted here that the company's major source is China). On an average, around 2-3 consignments of fabrics are imported from India every couple of months. The overall mapping of the import process is presented in *Annex 4*.

V.1.1. Business Process Analysis of Importing Cotton Fabrics from India

Step 1: Buy

Based on the terms of contract with the buyer, the RMG exporter from Bangladesh enters into a buying contract with the Indian exporter of cotton fabrics who quotes the price and sends a proforma invoice for consideration by the Bangladeshi counterpart. In case some

modifications are required, the document is returned back to the exporter for necessary amendments. Once both the parties find the terms agreeable, the importer from Bangladesh confirms intent to purchase. A BB L/C is then opened by the importer and forwarded to the exporter's nominated bank in India. The whole process of communication between the buyer and the exporter are mainly done through exchange of emails and over the phone. However, if required, supporting documents are sent through courier services.

Step 2.1: Collect and Endorse Documents for Import

Once the exporter in India forwards the Commercial Invoice, Truck Challan, Packing List and Insurance Certificate to the importer in Bangladesh, the latter collects the IMP Form from its designated bank and also gets all the abovementioned documentation endorsed by the bank.

Step 2.2: Prepare Other Import Documents

For import of cotton fabrics, this refers to the Utilisation Declaration (UD) which is issued by the business chamber, the BGMEA, in Bangladesh. This is a mandatory document to import raw materials for the RMG sector. Copies of these documents are then forwarded to the C&F Agent to lodge customs declaration sometime well ahead of arrival of the consignment at the port.

Step 2.3: Provide Customs Declaration

This step is completed by the importer's clearing and forwarding (C&F) agent. To complete the process, the first step is to visit the Direct Trader Input (DTI) office at the Benapole Customs House. The C&F Agent submits the document to the data entry operator at the DTI who then keys the details of the shipment on the Bill of Entry form. This requires a fee of Tk.50 (US\$0.75). After the data is entered, a 'C' Number is issued against the Bill of Entry. A hard copy print is then taken and verified by the customs officer who then signs the document and specifies the duty to be paid (if any). The C&F Agent receives the document and waits for the consignment to arrive at the customs area.

Step 2.4: Clear Goods through Customs

Once the cargo/truck arrives at the port, goods are unloaded at the customs area and inspection is carried out by the customs officials to confirm compliance with the Bill of Entry. If no misconduct is found, customs signs the UD and issues a Release Order from the customs controlled area.

Step 2.5: Transport to Importer's Premise

The goods are then reloaded on Bangladeshi truck/container and taken out to the customs area for transportation to the importer's premise. Before the cargo leaves the port area, an exit permit has to be issued by the port authority. For this, the port authority records detailed information about the cargo and the vehicle is then moved to the exit point. At the gate, date and

time of exit of the cargo is recorded and it is then allowed to move out of the port area. Once the cargo reaches the importer’s premise, goods are unloaded and stored in the warehouse.

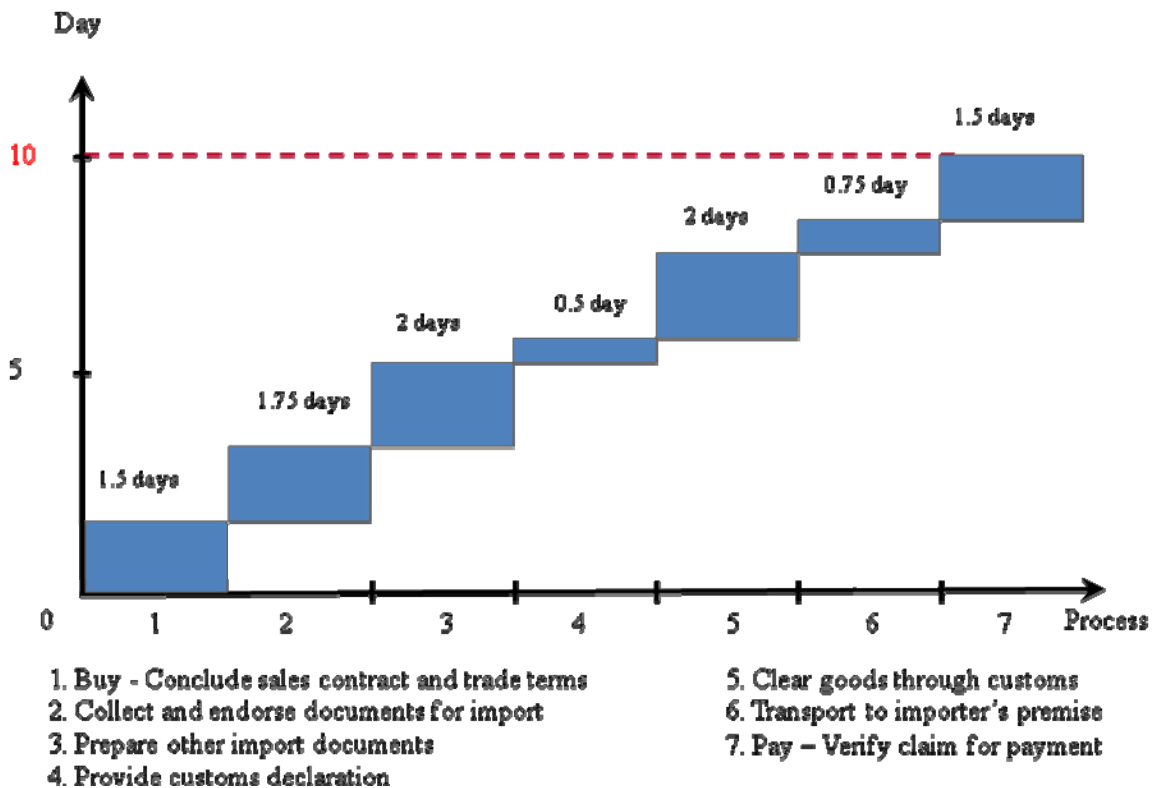
Step 3: Pay

Having found the imported cotton fabrics as per the contract conditions, the importer directs the designated bank in Bangladesh to proceed with the payment. The bank verifies the documents against the L/C terms. If no misconduct is found, fund is transferred to the exporter’s bank in India.

Key Observations from the BPA of Import of Fabrics from India to Bangladesh

As has been noted earlier, the process of import is rather very easy in Bangladesh and the business community has been found to be quite comfortable with the requirements related to documentation and customs procedures. In most cases, as has been reported, the import process can be completed within 10 days (Figure 5 and Table 9). However, preparation of documents may sometimes add another 2 to 3 days depending on the work pressure faced by the regulatory authorities.

Figure 5: Time Procedure Chart: Cotton Fabrics Import from India



Source: CPD-ARTNeT Survey on BPA

Calculation of costs involved at various stages of import of cotton fabrics from India shows that the whole process is generally completed with the importer spending around US\$415 per 20 feet container (see Annex Table 5).¹¹ As mentioned earlier, it is only the speed money, provided to customs for clearance, which the business community seems to be somewhat complaining. However, they are also of the view that as this payment expedites goods clearance (and also because it is a nominal amount) they do not consider it to be a bottleneck in the process.

Table 9: Overview of Processes Involved in Import of Fabrics from India to Bangladesh by Land

Fabrics Import by Land breakdown	Public or private procedure?	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	2	1.5
2.1. Collect and endorse documents for import	Private	1	2.5	1.75
2.2. Prepare other import documents	Private and public	1	3	2
3. Pay- Verify claim for payment	Private	1	2	1.5
Import Time Total Document preparation		4	9.5	6.75
2.3. Provide customs declaration	Private	0.5	0.5	0.5
2.4. Clear goods through customs	Public and private	1	3	2
Import Time Total Customs		1.5	3.5	2.5
2.5. Transport to importer's premise	Private	0.5	1	0.75
Import Time Total Inland Transportation		0.5	1	0.75
TOTAL TIME		6	14	10

V.2. Import of Raw Sugar from Thailand

V.2.1. Business Process Analysis of Importing Sugar from Thailand

Step 1: Buy

The importer in Bangladesh enters into a formal contract with the exporter from Thailand. Upon mutual agreement with regard to price and quality of the raw sugar, a Proforma Invoice is issued by the exporter. Based on that, the importer from Bangladesh opens an L/C with the local bank. The bank then forwards it to the exporter's bank in Thailand.

Step 2.1: Collect and Endorse Documents for Import

¹¹ Import of Cotton Fabrics from India by land mostly takes place in trucks or covered vans. For this study, responses were sought with regard to import of raw material that could be accommodated in a 20 feet container.

Once the exporter in India forwards the Commercial Invoice, Bill of Lading, Health Certificate, Radiation Certificate and Insurance Certificate to the importer in Bangladesh, the latter collects the IMP Form from its designated bank and also gets all the abovementioned documentation endorsed by the bank.

Step 2.2: Provide Customs Declaration Online

Importer's nominated C&F Agent submits the online Bill of Entry (BE) on the custom's website. Submitting the BE requires the agent to provide electronic (scanned) copies of documents sent to the importer by the exporter. Customs authorities then verify the documents and issue a 'C' Number upon finding the document satisfactory. The exporter's agent then acknowledges receipt of the 'C' Number and takes a print out of the acknowledgement receipt for conducting customs clearance at a later date.

Step 2.3: Clear Goods through Customs

The C&F Agent submits a copy of the 'C' Number Acknowledgement Receipt to the customs along with hard copies of all the supporting documents. Customs then retrieves information from the previously lodged online declaration and cross checks with the handed documents. An Inspector is then authorised to inspect the cargo and certify compliance with the declaration. If any misconduct is found, goods are ceased and a case is filed against the importer. However, if no discrepancy is found, Customs issues a release order.

2.4: Transport Goods to Importer's Premise

Upon receiving the Release Order from Customs, the C&F Agent hand over the document to the Shipping Agency who then arranges the raw sugar to be unloaded from the Mother Vessel (MV) and reloading it on the Lighterage. This involves obtaining permission from the port authority. The port authority also arranges for the equipment, upon request by the Shipping Agent, to unload and reload the raw sugar. Once this process is completed, permission from the port authority is sought to move the lighterage out of port area. Once the exit permit is obtained, the lighterage carries the raw sugar to the importer's factory through waterway. First the lighterage anchors at the jetty of the importer and then the raw sugar is unloaded and stored in the importers factory.

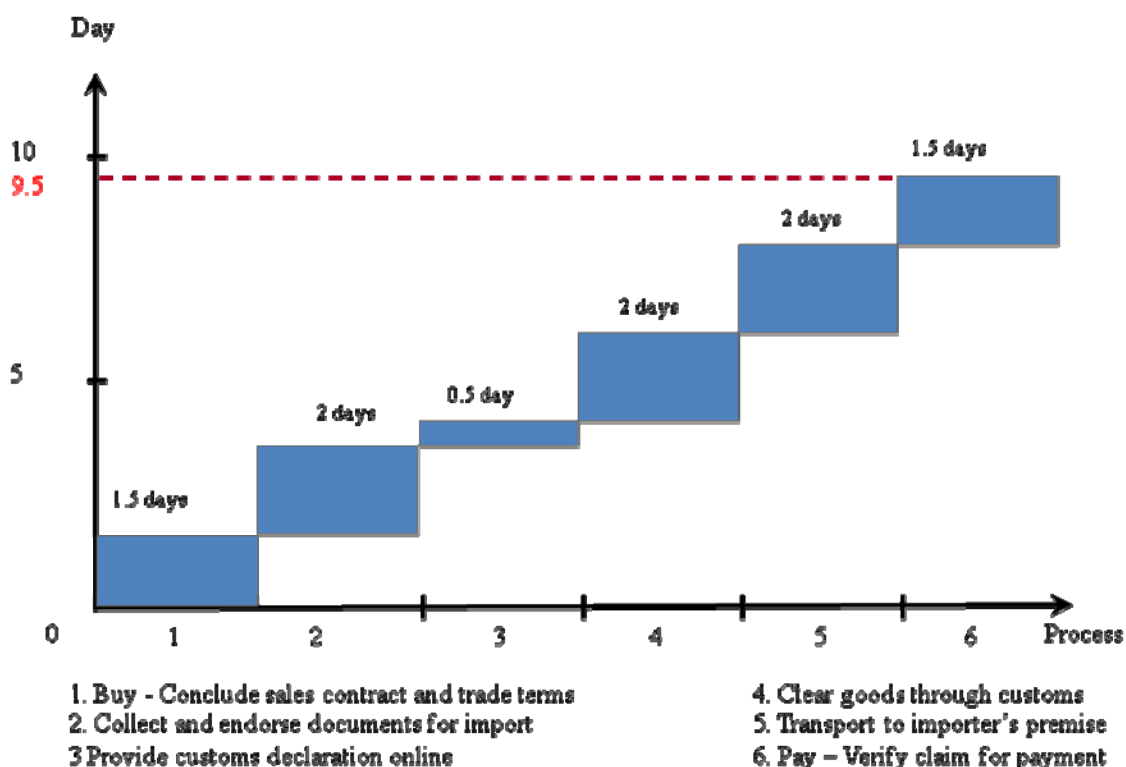
3: Pay

Having found the imported sugar as per the contract conditions, the importer directs the designated bank in Bangladesh to proceed with the payment. The bank verifies the documents against the L/C terms. If no misconduct is found, fund is transferred to the exporter's bank in Thailand.

Key Observations from the BPA of Import of Raw Sugar from Thailand to Bangladesh

Skyline Sugar Refinery (imaginary name) imports raw sugar from Brazil and Thailand. As was in the case of fabrics importer, this company also felt that the import process and procedures in place in Bangladesh are business friendly and do not involve any mentionable bottleneck. *Annex 5* presents a detailed mapping of the import process of raw sugar from Thailand. Besides, as Figure 6 and Table 10 show, the process can be completed in about 10 days in a business-as-usual scenario.

Figure 6: Time Procedure Chart: Sugar Import from Thailand



Source: CPD-ARTNeT Survey on BPA

The cost aspect of sugar import from Thailand is also something which does not seem to bothering the business community in a negative sense. Spending about US\$525 per 20 feet container to complete the whole process raw sugar is considered by the importer as a common phenomenon and nothing unusual (see Annex Table 5). Rather, stakeholders in this sector are more concerned with government policies related to domestic pricing of refined sugar.

Table 10: Overview of Processes Involved in Import of Sugar from Thailand to Bangladesh

Sugar Import by Sea breakdown	Public or private procedure?	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	2	1.5
2.1. Collect and endorse documents for import	Private	1	3	2
3. Pay- Verify claim for payment	Private	1	2	1.5
Import Time Total Document preparation		3	7	5
2.2. Provide customs declaration	Private	0.5	0.5	0.5
2.3. Clear goods through customs	Public and private	1	3	2
Import Time Total Customs		1.5	3.5	2.5
2.5. Transfer goods to importer's premise	Private	1	3	2
Import Time Total Inland Transportation		1	3	2
TOTAL TIME		5.5	13.5	9.5

VI. Concluding Remarks

An overview of the business procedures involved in the international trade of the selected products is presented in Table 11.

Table 11: Summary of Findings from BPA of Selected Products

Product	Steps in BP (Use Case)	No. of Docs.	No. of Actors Involved	Avg. Time (Days)	Avg. Cost (US\$/20 feet container)
Export					
<i>RMG (by Land)</i>	10	17	12	38*	935
<i>RMG (by Sea)</i>	12	26	13	40*	1015
<i>Shrimp</i>	12	24	14	36.75	500
<i>WB Doing Business 2010</i>		6		25	970
Import					
<i>Cotton Fabrics</i>	7	10	8	10**	415
<i>Sugar</i>	6	11	7	9.5	525
<i>WB Doing Business 2010</i>		8		29	1375

Source: Compilation/calculation based on Interviews; World Bank Doing Business Website

* Excludes production time

** Excludes time required by Indian exporter in completing the BP in India

Although the processes involved in importing and exporting goods to and from Bangladesh are currently regarded as not so unfriendly by the business community, there are a number of peripheral issues which sometimes increases the cost of doing business. These include natural calamities, political condition, sporadic events when workers at the port start

demonstrating protests, etc. Nevertheless, the recent initiatives taken by the government, in collaboration with the private sector, have been able to facilitate trade processes and procedures in a significant way. It is in this context that automation of the Chittagong Customs House (CCH) and the Dhaka Customs House (DCH) deserves high appreciation and demonstrates the effectiveness of public private partnership (PPP) in trade facilitation.

Having noted that, it needs to be admitted that the situation is not always the same and vessel waiting time either at the port or at the outer anchorage area may sometimes increase the time for customs clearance significantly.¹² Such situation arises mainly in the event of poor cargo handling, lack of adequate manpower, and/or lack of space for container storage at the terminals and berthing places.

In view of the above discussion, a number of key observations are presented below:

- Export/Import processes in Bangladesh are, in general, business friendly.
- Number of documents required to complete the process is acceptable (for a complete list of documents required to complete business processes for the selected products, please see *Annex Table 6*). However, problems arise when different trading partners ask for different documents in the process of exporting or importing the same product.
- Use of ICT in the overall business process is very limited.
- Customs declaration (with the Chittagong Customs House) is currently the only stage in the BP where ICT is significantly used. However, submission of paper-based documents is still required to verify online declaration.
- All forms (except Bill of Entry/Exit) are to be filled in manually (handwritten or typed).
- Exporters/importers need to apply on paper to obtain different certificates.
- Electronic versions of documents are not acceptable to banks.
- Getting products inspected before exporting sometimes take longer than usual time (particularly in case of Shrimp export).
- Coordination among various actors involved in the business process is not up to the mark.
- Inadequate infrastructure at the port areas often increases trading time resulting in higher cost of doing business.

However, the entrepreneurs and customs agents felt that forward looking initiatives by the government, in collaboration with the private sector, can play a vital role in changing the current situation. To eliminate the existing bottlenecks in conducting international trade, the following policy recommendations can be taken into cognisance.

- Immediate automation of all customs houses;
- Establishing a Single Window so that all the actors involved in the business process are linked together;
- Adopting policies and designing required modalities to facilitate use of documents in electronic/digital format;

¹² As for this study, the vessel waiting time has been taken into account as part of (i) *handling container at terminal and stowing on vessel* for the export process analysis, and (ii) *clearing goods through customs* for import process analysis.

- Development of infrastructure at port areas (e.g. container terminals, berthing stations, shaded warehouse in the customs controlled areas) on urgent basis;
- Expediting the process of issuing inspection certificates;
- Strengthening collaboration between Government and business chambers to ensure better business environment;
- Formation of a National Trade Facilitation Task Force;
- Publication (including online) of trade related information, rules, procedures, etc.; and
- Conducting sector-wise needs based analyses to identify specific bottlenecks.

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Annex I: Tables and Figures

Annex Table 1: Bangladesh's Degree of Openness and Extent of Globalisation (Million US\$)

Line Items	FY1981	FY1991	FY2001	FY2008	FY2009
1. Export (X)	725.0	1718.0	6467.0	14088.0	15565.2
2. Import (M)	1954.0	3472.0	9335.0	20217.0	22507
3. Remittance (R)	379.0	764.0	1882.0	7915.0	9689.3
4. ODA Disbursed	1146.0	1733.0	1369.0	1873.0	1664.0
5. FDI (net)	N/A	24.0	550.0	650.0	941.0
Total (1-5)	4204.0	7710.5	19603.4	44743.8	50366.4
GDP (Current Price)	19811.6	30974.8	47306.0	78996.9	89548.2
Degree of Openness (Export + Import as % of GDP)	13.5	16.8	33.4	43.4	42.5
Extent of Globalisation	21.2	24.9	41.4	56.6	56.3
X as % of M	37.1	49.5	69.3	69.7	69.2
(X+R) as % of M	56.5	71.5	89.4	108.8	112.2
ODA as % of GDP	5.8	5.6	2.9	2.4	1.86
ODA as % of Export	158.1	100.9	21.2	13.3	10.69

Source: CPD-IRBD Database (2009)

Annex Table 2: Trade Pattern of Bangladesh and Share of Selected Products

Item	Volume (Million USD)			Annual Average Growth	
	2002	2005	2008	2002-2008	2005-2008
Total Trade	14632.41	21962.11	35527.19	23.80	20.59
Total Export	5417.27	9331.58	16654.84	34.57	26.16
<i>Woven Garments</i> (Share in total export)	2613.85 (48.25)	3498.61 (37.49)	5996.69 (36.01)	21.57	23.80
<i>Shrimp</i> (Share in total export)	293.28 (5.41)	349.78 (3.75)	425.31 (2.55)	7.50	7.20
Total Import	9215.13	12630.53	18872.35	17.47	16.47
<i>Cotton & T&C</i> (Share in total import)	958.00 (10.40)	1394.79 (11.04)	2422.43 (12.84)	25.48	24.56
<i>Sugar</i> (Share in total import)	41.41 (0.45)	178.17 (1.41)	247.08 (1.31)	82.78	12.89

Source: Calculated based on UNComtrade Statistics.

Note: Data for year 2008 are "Mirror Statistics" from International Trade Centre (ITC).

Annex Table 3: Export and Import Procedures in Bangladesh vis-à-vis Selected Countries

Indicators	Duration (days)				Cost (US\$)			
	Bangladesh	India	Japan	Thailand	Bangladesh	India	Japan	Thailand
Nature of export procedures								
Document preparation	14	8	4	8	290	350	200	270
Customs clearance and technical control	3	2	2	1	120	120	58	50
Ports and terminal handling	5	3	2	3	420	175	238	58
Inland transportation and handling	3	4	2	2	140	300	493	220
Total for all	25	17	10	14	970	945	989	625
Nature of import procedures								
Documents preparation	20	8	5	8	455	390	200	300
Customs clearance and technical control	3	4	2	2	135	120	116	75
Ports and terminal handling	4	6	2	2	585	200	238	200
Inland transportation and handling	2	3	2	1	200	250	493	220
Total for all	32	20	6	13	1 375	960	1047	795

Source: World Bank Doing Business Website

Annex Table 3(a): Bangladesh's Performance in Trading Across Border in 2010

Indicators	Bangladesh	South Asia	OECD Average
Documents to export (number)	6	8.5	4.3
Time to export (days)	25	32.4	10.5
Cost to export (US\$ per container)	970	1,364.10	1,089.70
Documents to import (number)	8	9	4.9
Time to import (days)	29	32.2	11
Cost to import (US\$ per container)	1375	1,509.10	1,145.90

Source: World Bank Doing Business 2010

Annex Table 4: Cost of Export Processing for Woven Garments and Frozen Shrimp

(in US\$)

Major Procedures	RMG		Shrimp
	By Sea	By Land	
Assembling and preparing documents	80	80	175
L/C Cost	650*	650	15
Customs clearance	15	15	15
Ports and Terminal handling costs	150	50	150
Inland transportation and handling costs	120	140	145
Total Cost	1015	935	500

Source: Discussion with entrepreneurs

* Includes cost of opening back-to-back L/C

Annex Table 5: Cost of Import Processing for Fabrics and Raw Sugar

(in US\$)

Major Procedures	Fabrics	Sugar
Assembling and preparing documents	150	50
L/C Cost	10	10
Customs clearance	15	15
Ports and Terminal handling costs	120	200
Inland transportation and handling costs	120	250
Total Cost	415	525

Source: Discussion with entrepreneurs

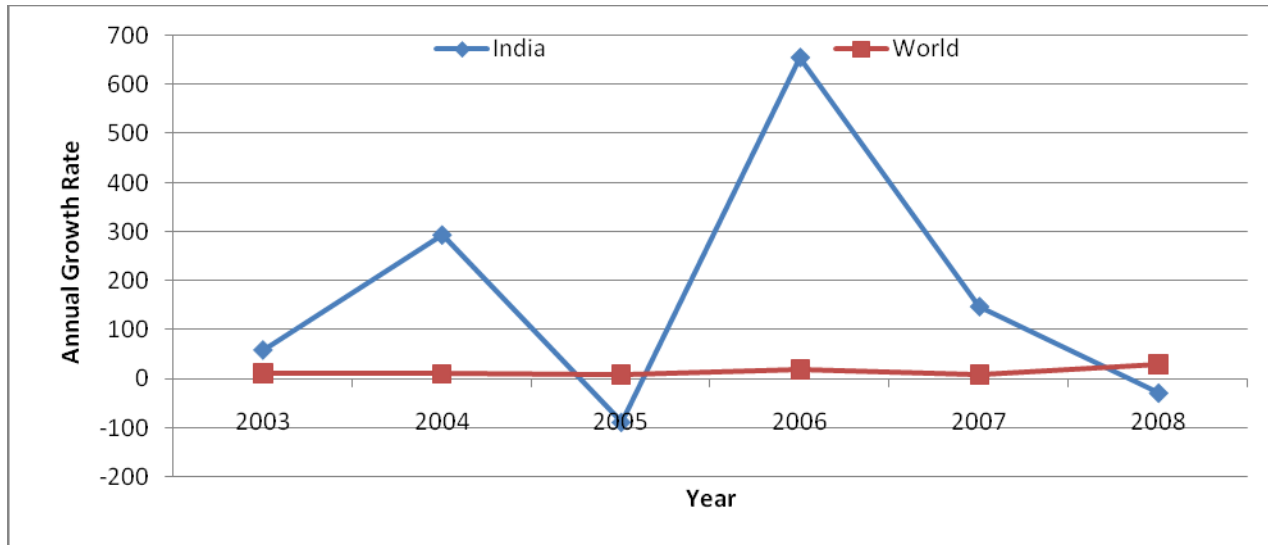
Annex Table 6: List of Documents Required at Various Stages of Business Process

Products	Documents
RMG (by land)_Export	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit (L/C) 3. Back-to-Back Letter of Credit (BB L/C) 4. EXP Form 5. Commercial Invoice 6. Utilisation Declaration 7. Packing List 8. Insurance Certificate 9. Inspection Certificate 10. Lab Test Report 11. Transport Contract 12. Bill of Lading/Truck Chalaan 13. GSP Certificate 14. Certificate of Origin 15. Bill of Entry 16. Port Entry Receipt 17. SAPTA Combined Declaration and Certificate
RMG (by sea)_Export	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit (L/C) 3. Back-to-Back Letter of Credit (BB L/C) 4. EXP Form 5. Commercial Invoice 6. Utilisation Declaration 7. Packing List 8. Insurance Certificate 9. Inspection Certificate 10. Lab Test Report 11. Transport Contract 12. Bill of Lading 13. GSP Certificate 14. Certificate of Origin 15. Bill of Entry 16. Port Entry Receipt 17. SAPTA Combined Declaration and Certificate 18. Shipping Bill 19. Manifest 20. Career Booking Request 21. Career Booking Confirmation 22. Inland Haulage Booking Request 23. Inland Haulage Booking Confirmation 24. Container Loading List 25. Container List Message 26. Outward Container List
Shrimp_Export	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit 3. Sale's Contract 4. Supplier's Invoice 5. Career Booking Request 6. Career Booking Confirmation 7. Inland Haulage Booking Request 8. Inland Haulage Booking Confirmation 9. Packing List

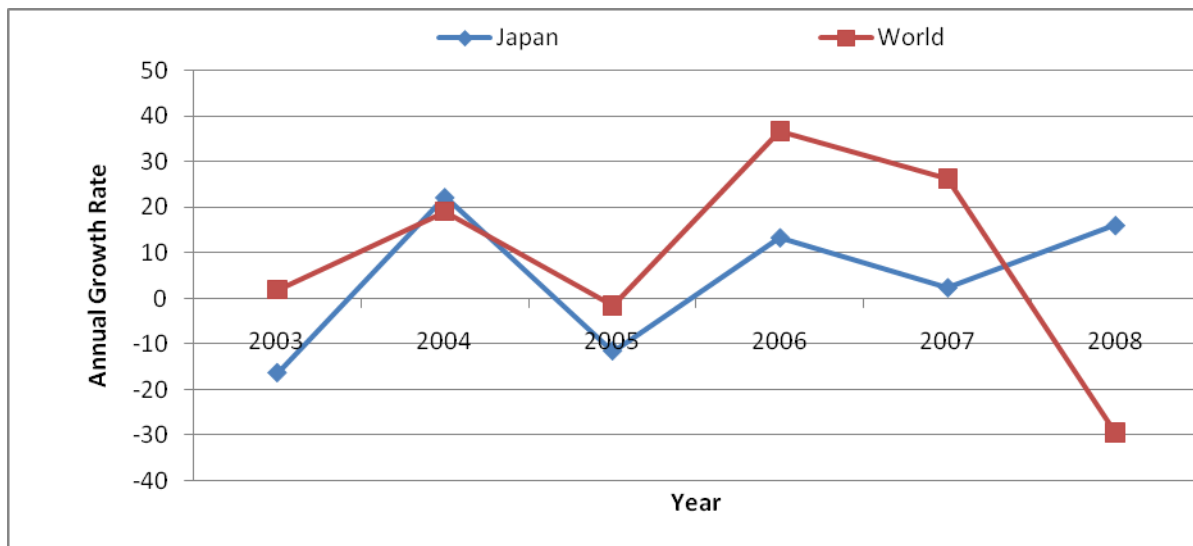
	<ol style="list-style-type: none"> 10. Lab Test Report 11. Inspection Certificate (2) 12. EXP Form 13. Packer's Certificate 14. Insurance Certificate 15. Bill of Entry 16. Port Entry Receipt 17. Shipping Bill 18. Bill of Lading 19. Manifest 20. Container Loading List 21. Container List Message 22. Outward Container List 23. Certificate of Origin 24. GSP Certificate
Cotton Fabrics_Import	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit 3. Bill of Lading/Truck Chalaan 4. Packing List 5. Insurance Certificate 6. Utilisation Declaration 7. IMP Form 8. Bill of Entry 9. Release Order 10. Exit Permit
Sugar_Import	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit 3. Bill of Lading 4. Insurance Certificate 5. Radiation Certificate 6. Health Certificate 7. IMP Form 8. Bill of Entry 9. Release Order 10. Delivery Order 11. Exit Permit

Source: CPD-ARTNeT Survey, 2010

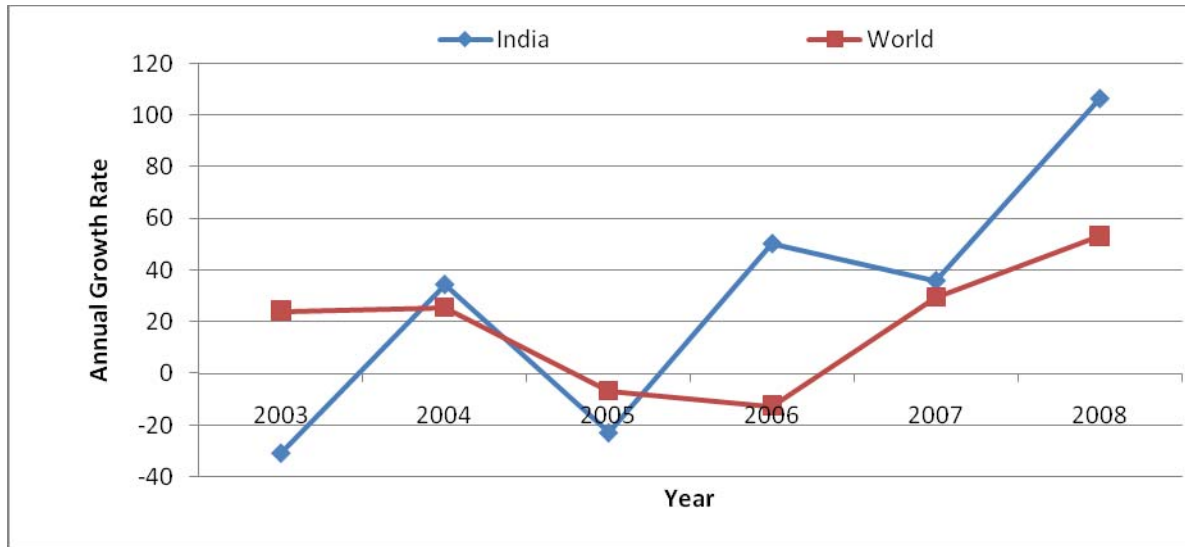
Annex Figure 1: Trend of Woven Garments Export from Bangladesh



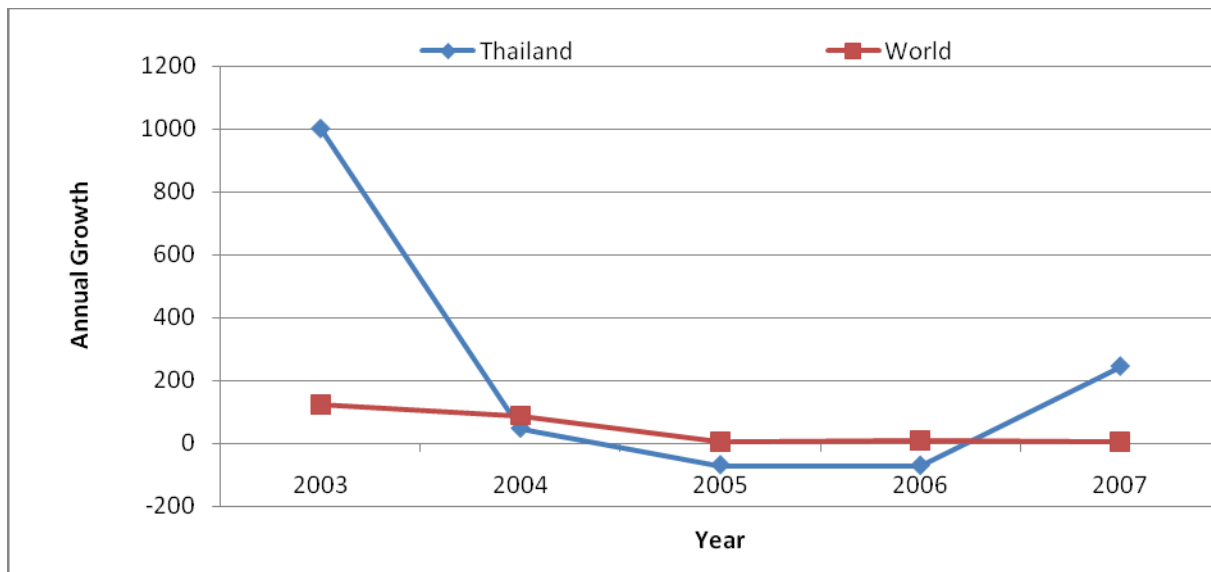
Annex Figure 2: Trend of Shrimp Export from Bangladesh



Annex Figure: 3 Trend in Cotton and Fabrics Import by Bangladesh



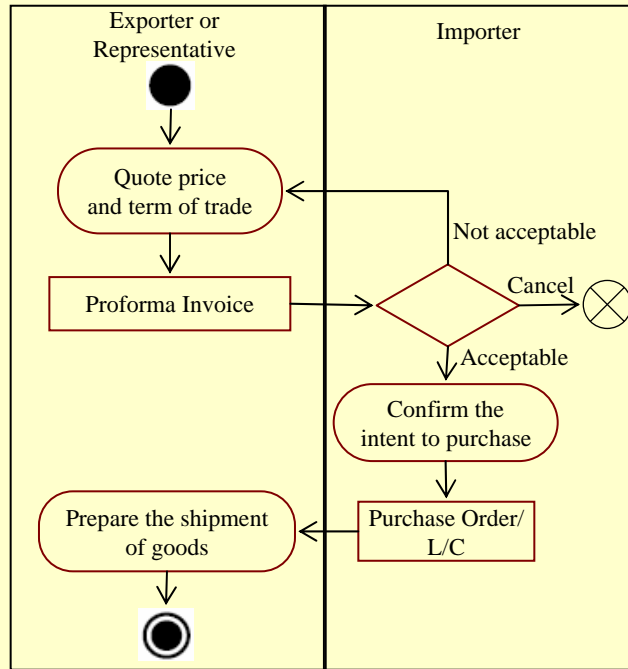
Annex Figure 4: Trend of Raw Sugar Import by Bangladesh



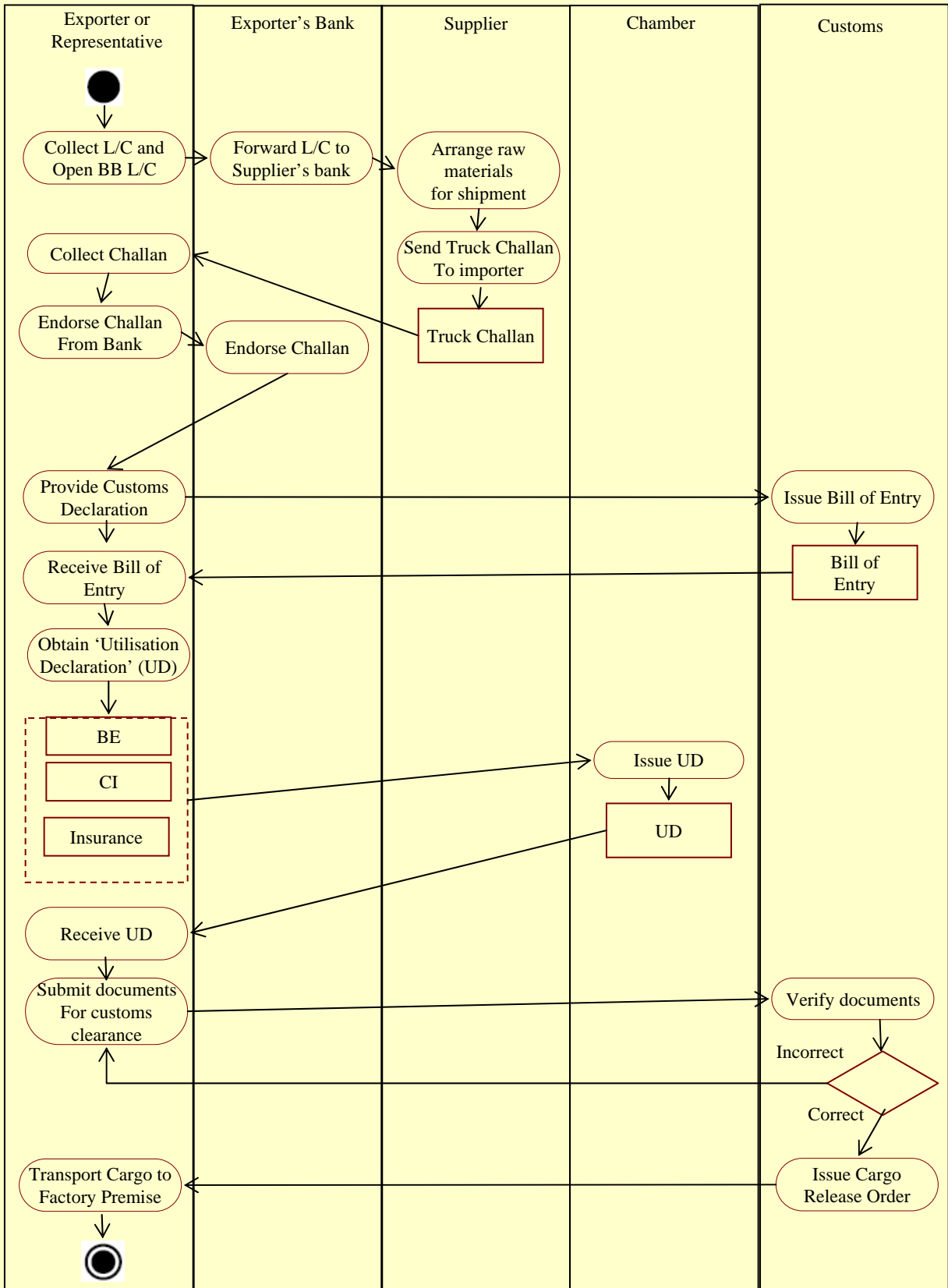
Annex II: BPA Charts

Business Processes of Woven Garments Export from Bangladesh by Land

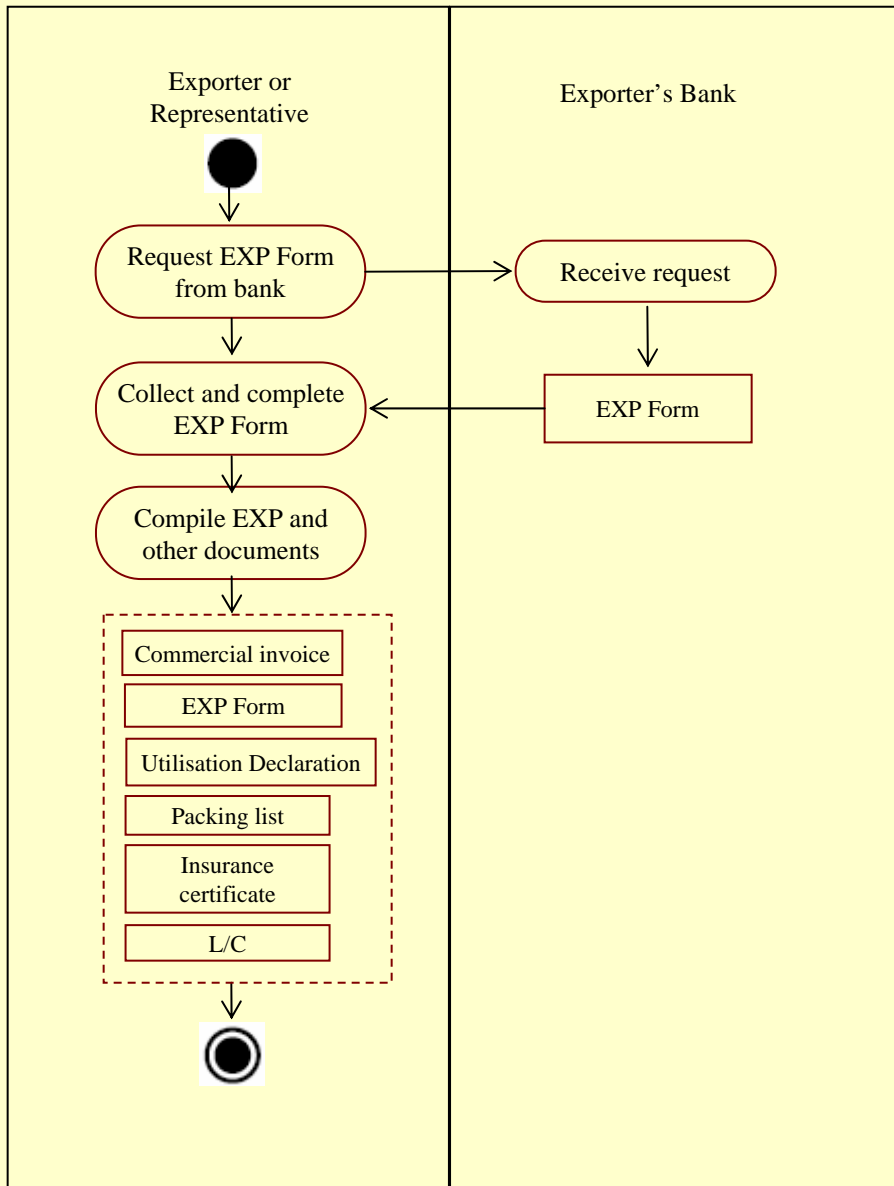
1. Buy



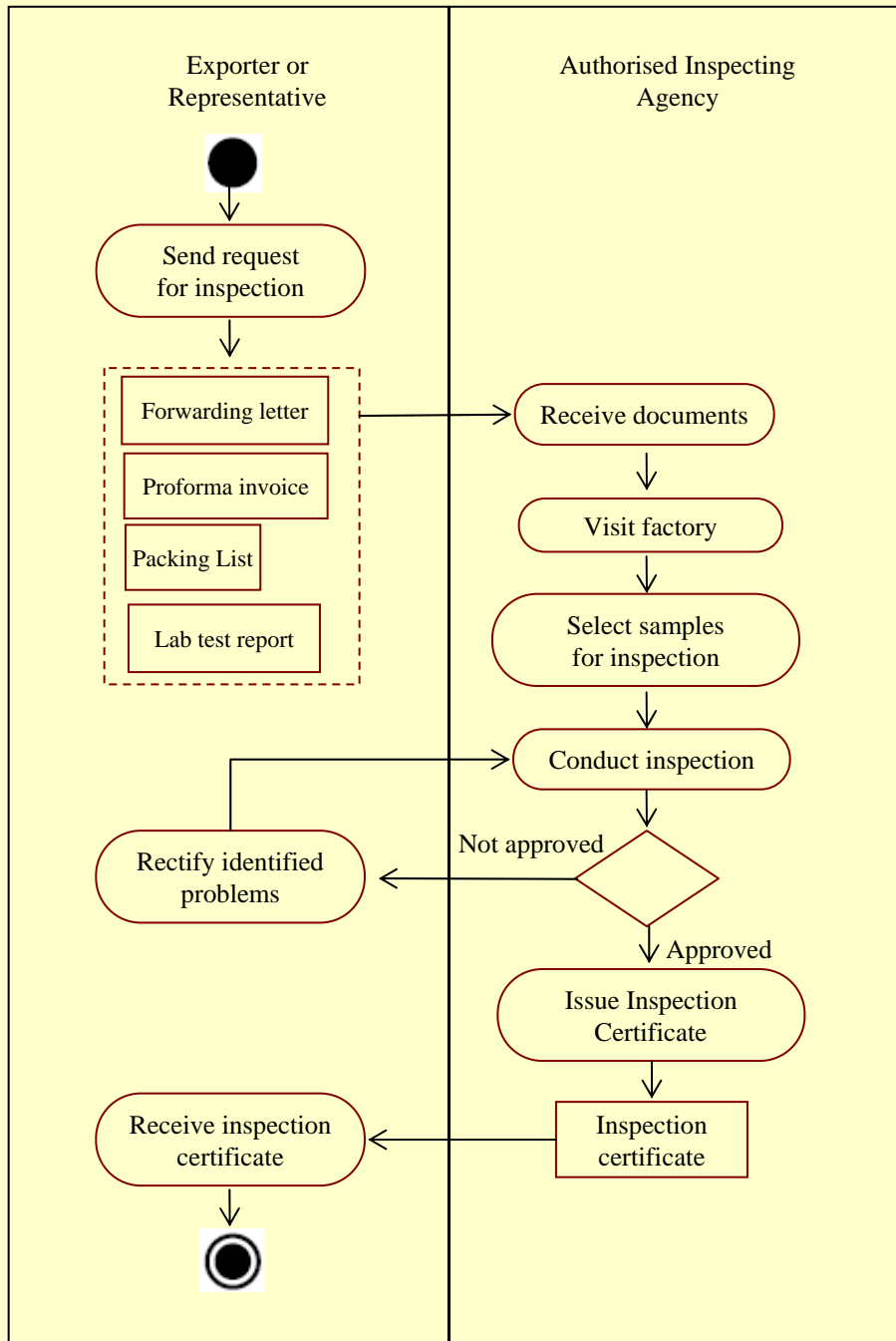
2.1. Import Raw Material (Fabrics)



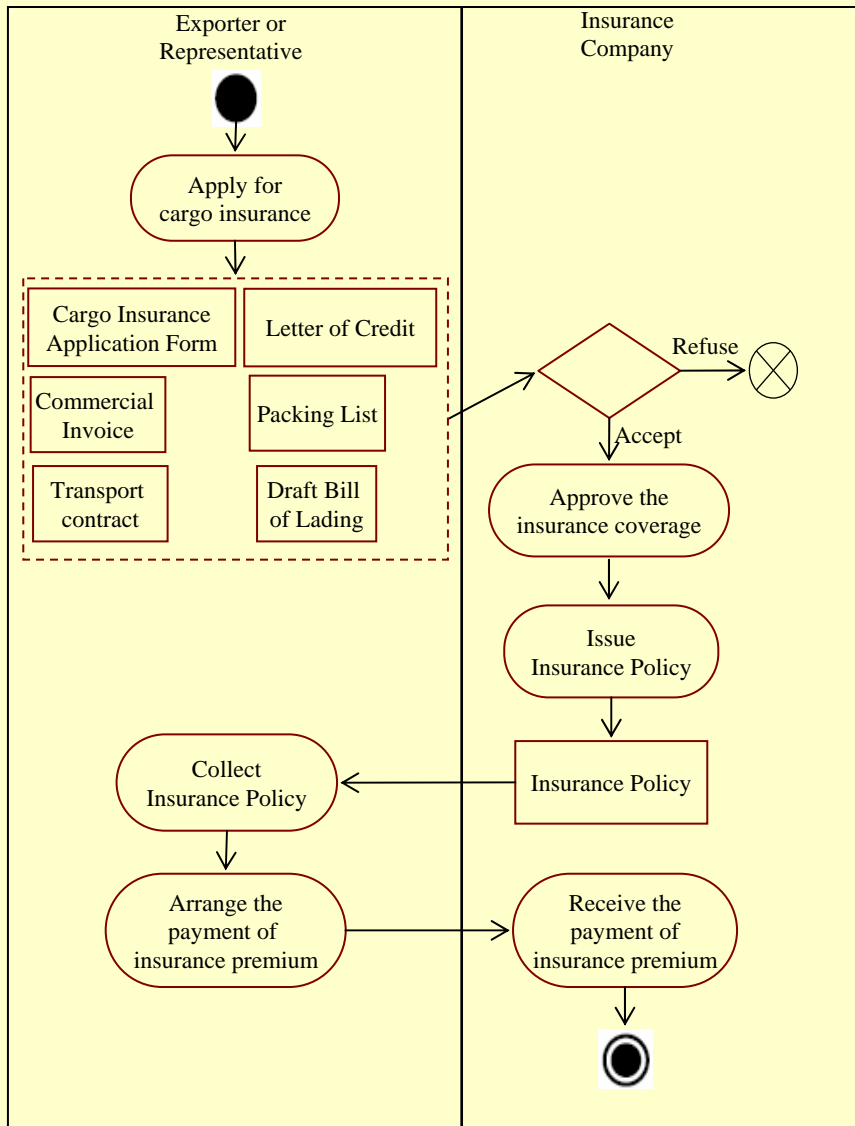
2.2. Prepare Export Document



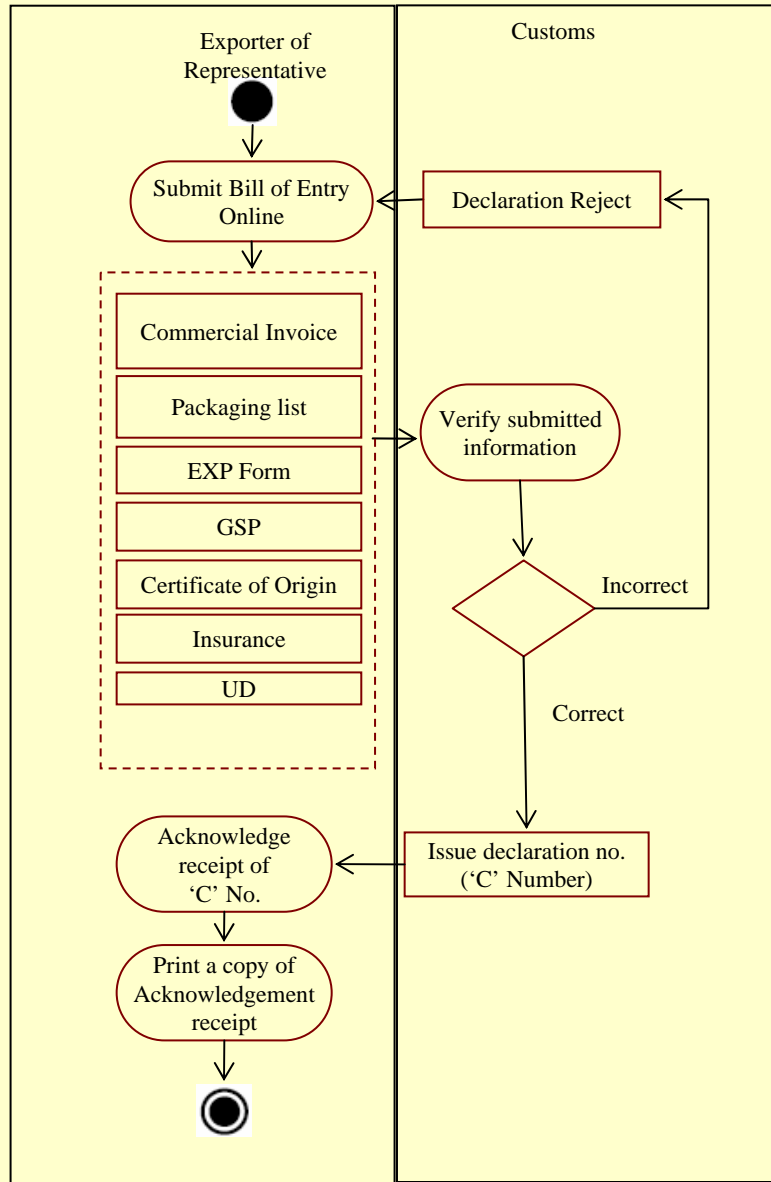
2.3. Arrange Inspection



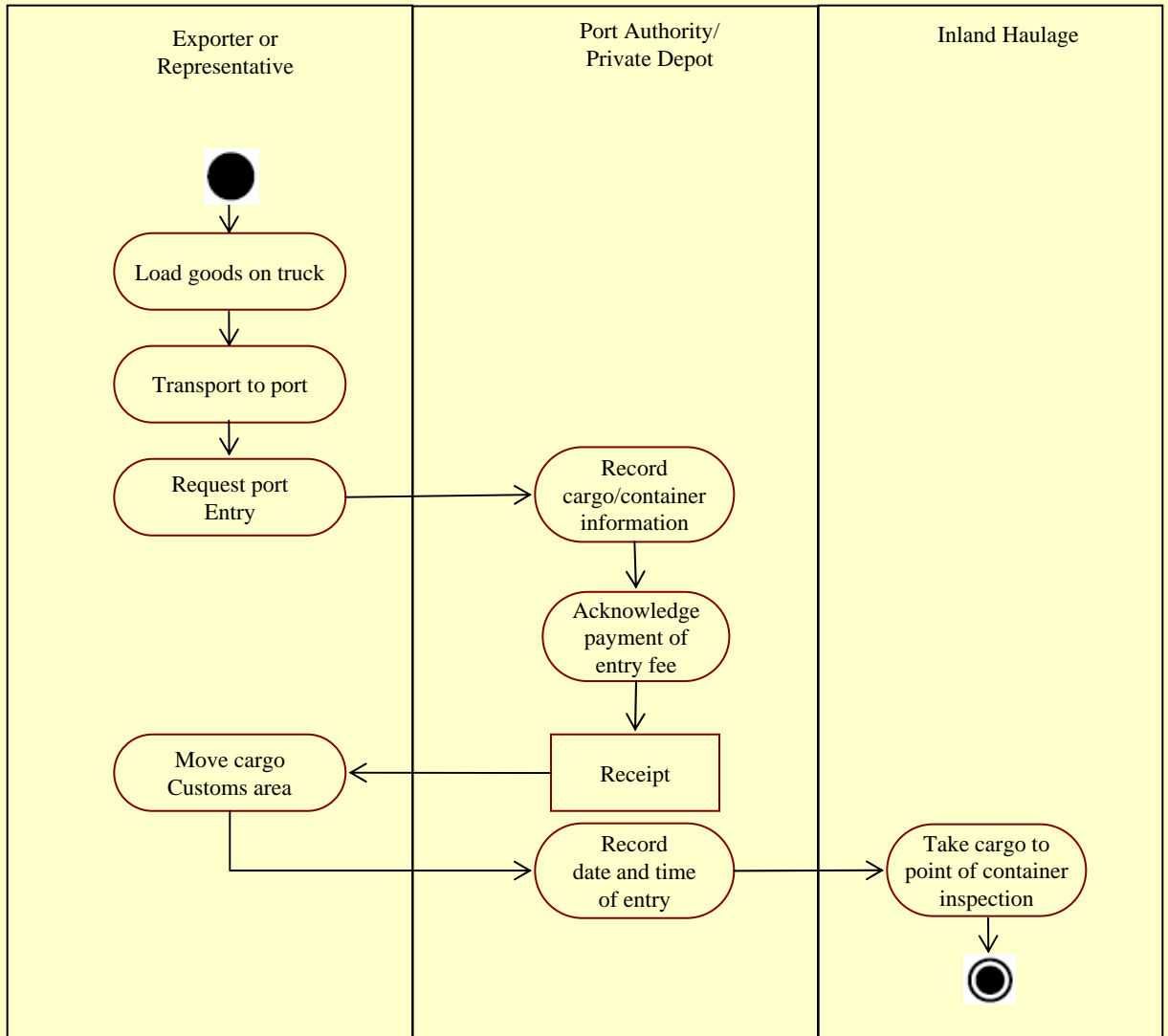
2.4. Obtain Cargo Insurance for Inland Transportation



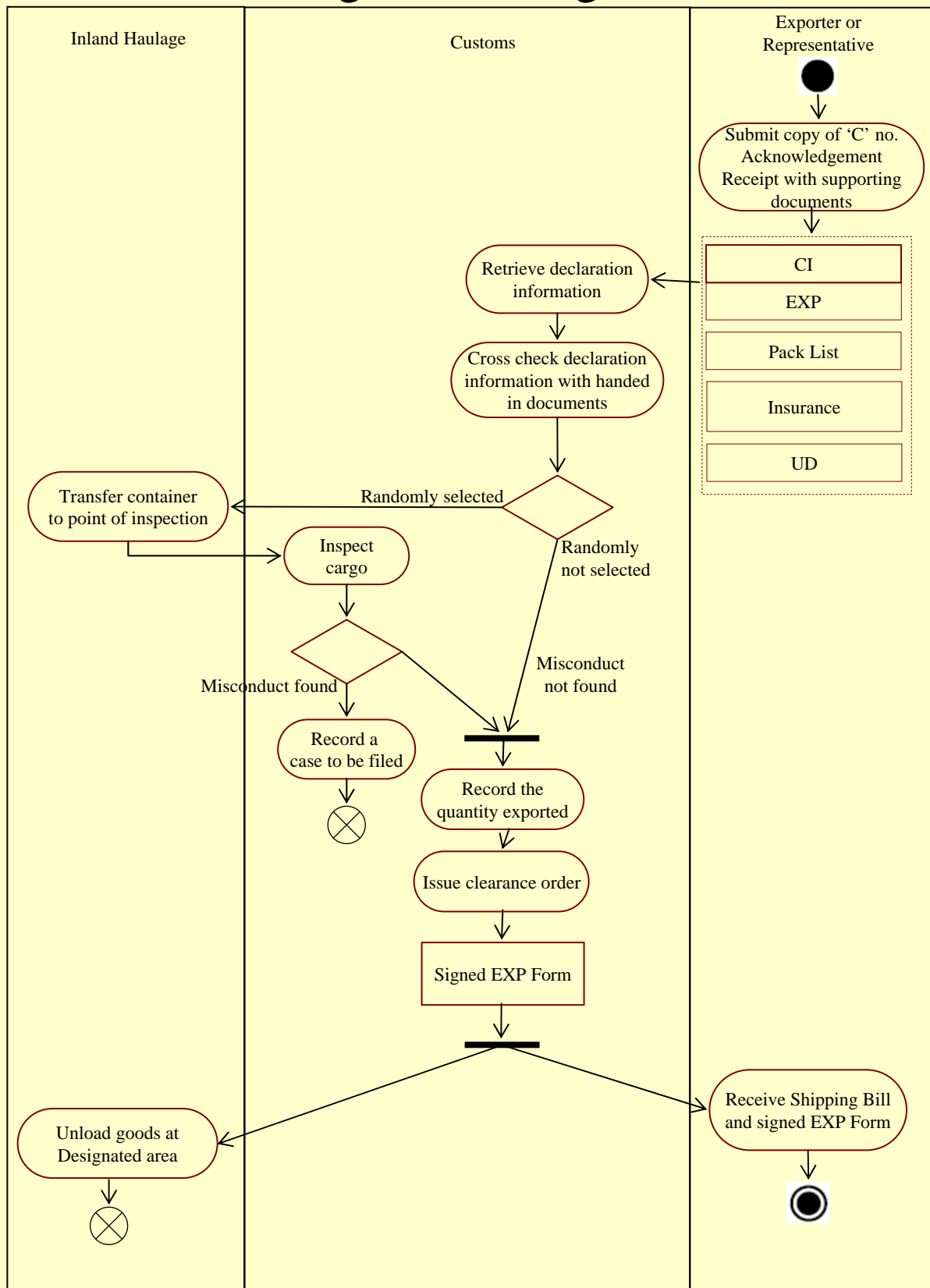
2.5. Provide customs declaration Online



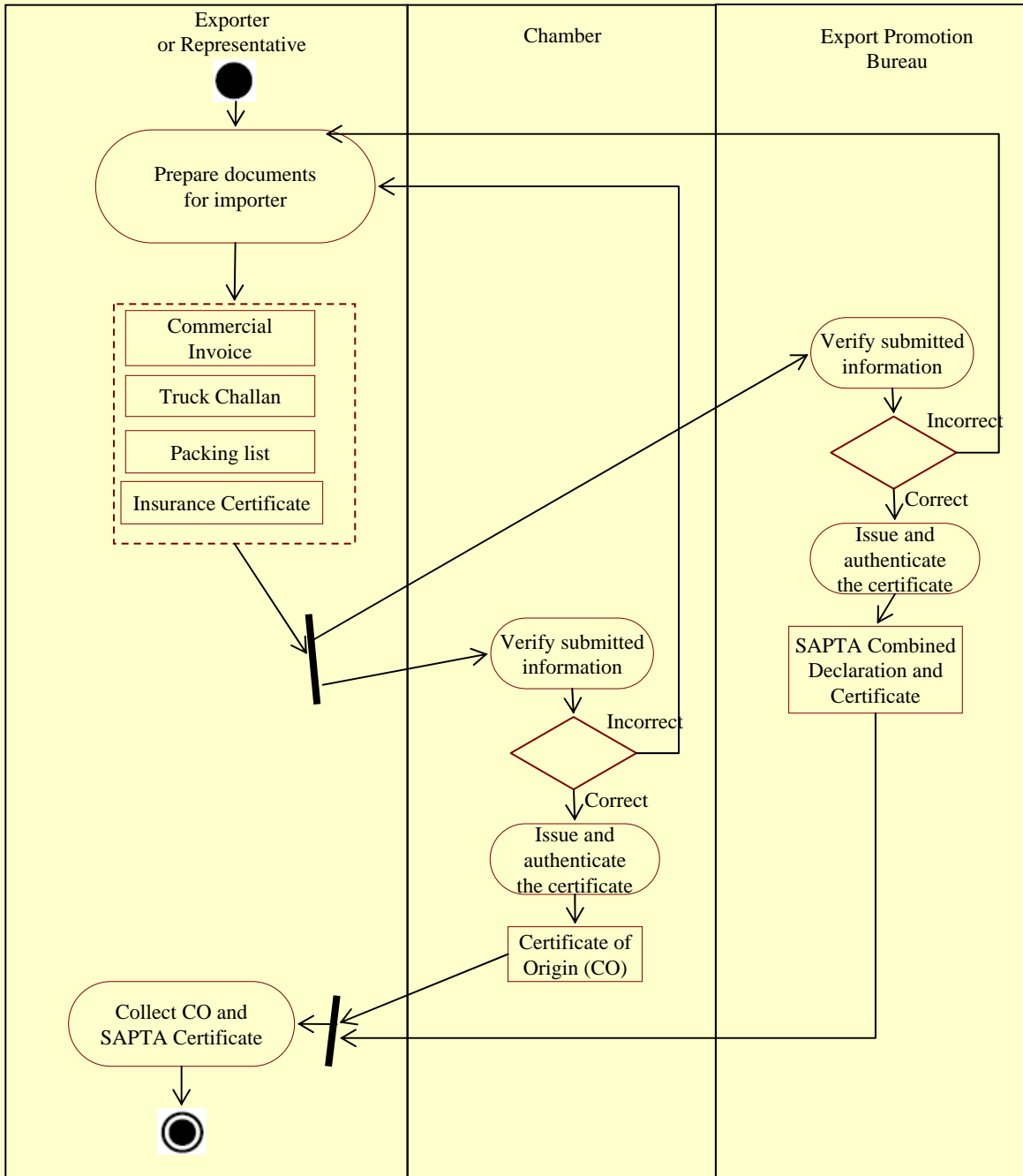
2.6. Transport to Port of Departure

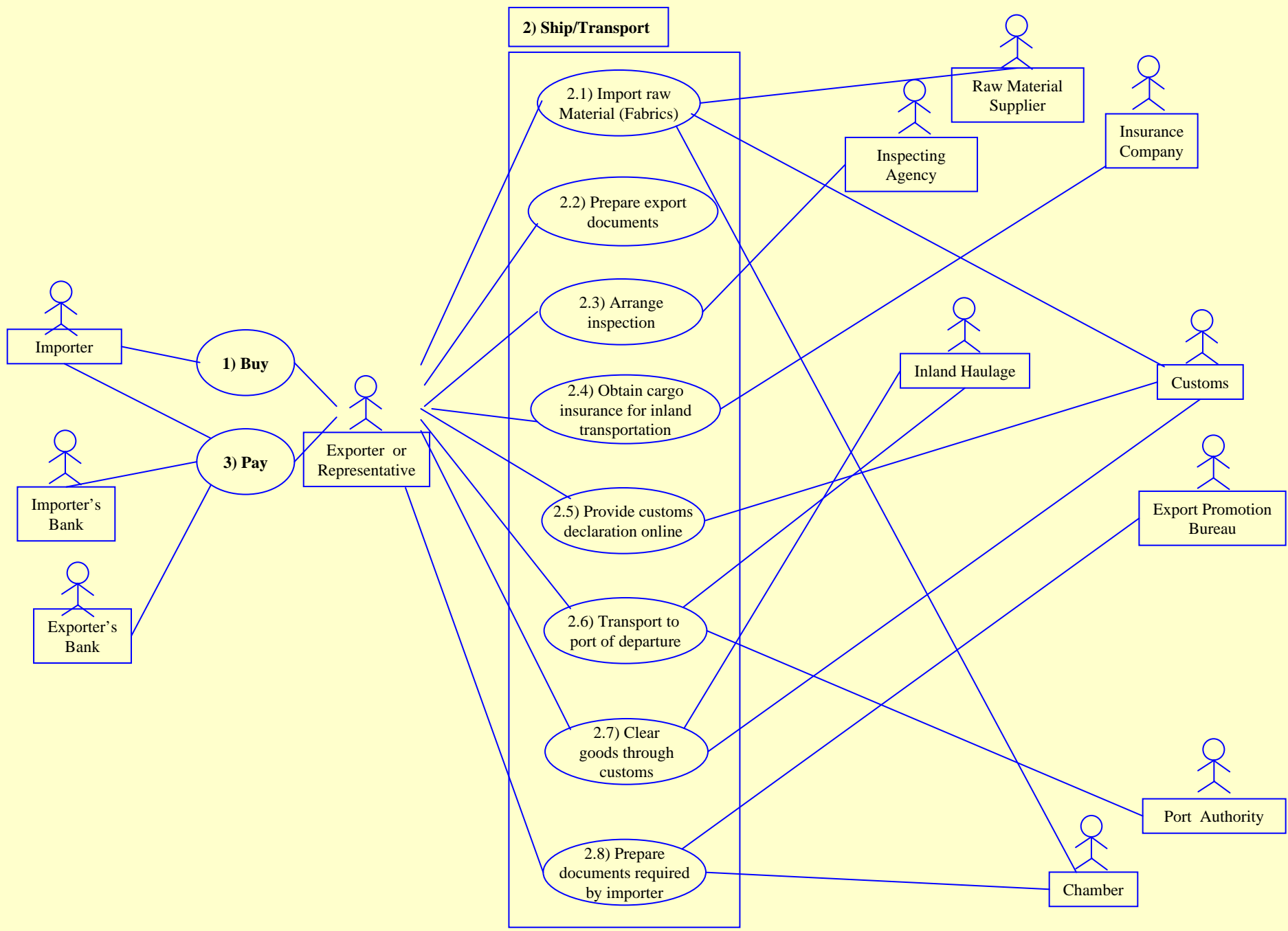


2.7. Clear goods through customs

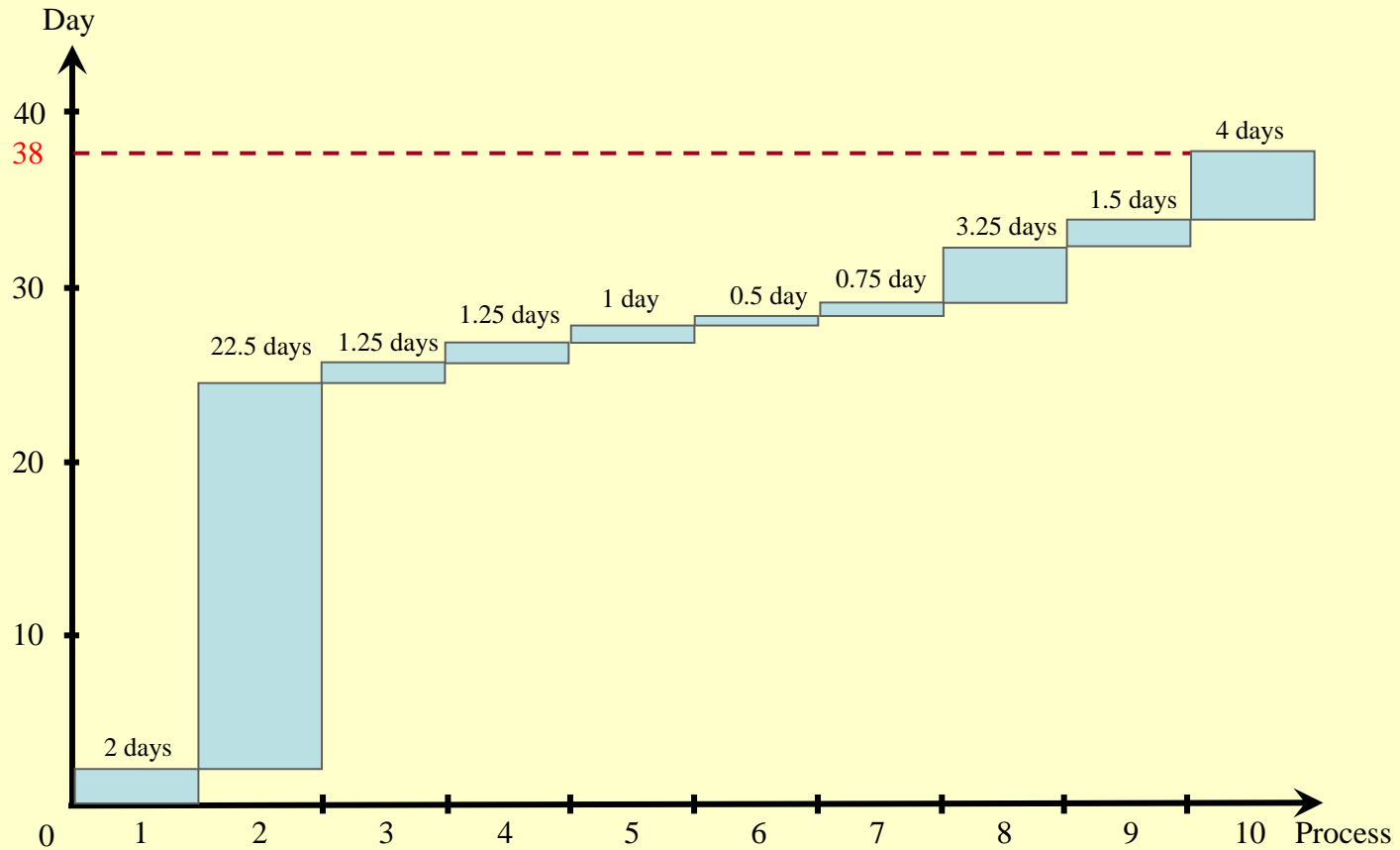


2.9. Prepare documents required by importer





Time-Procedure Chart from the Business Process Analysis of RMG Export from Bangladesh (by Land)

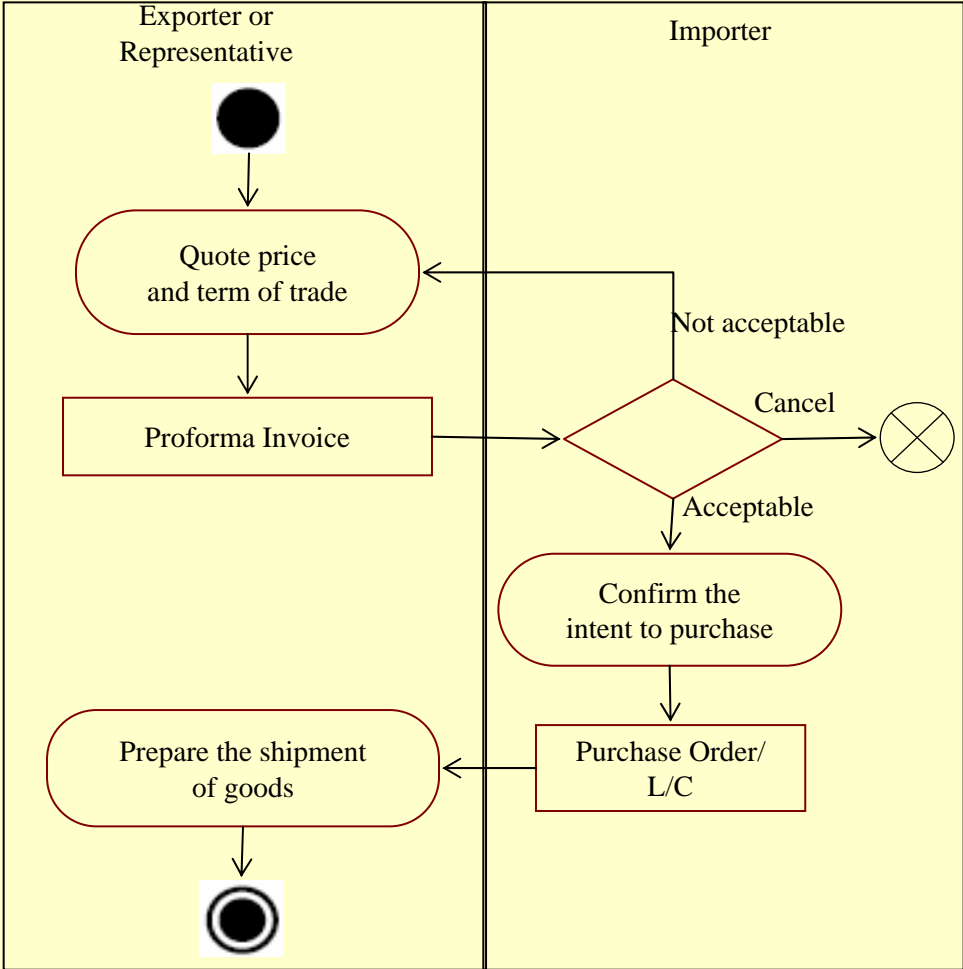


1. Buy - Conclude sales contract and trade terms
2. Import Raw Material
3. Prepare export documents
4. Arrange Inspection
5. Obtain cargo insurance for inland transportation

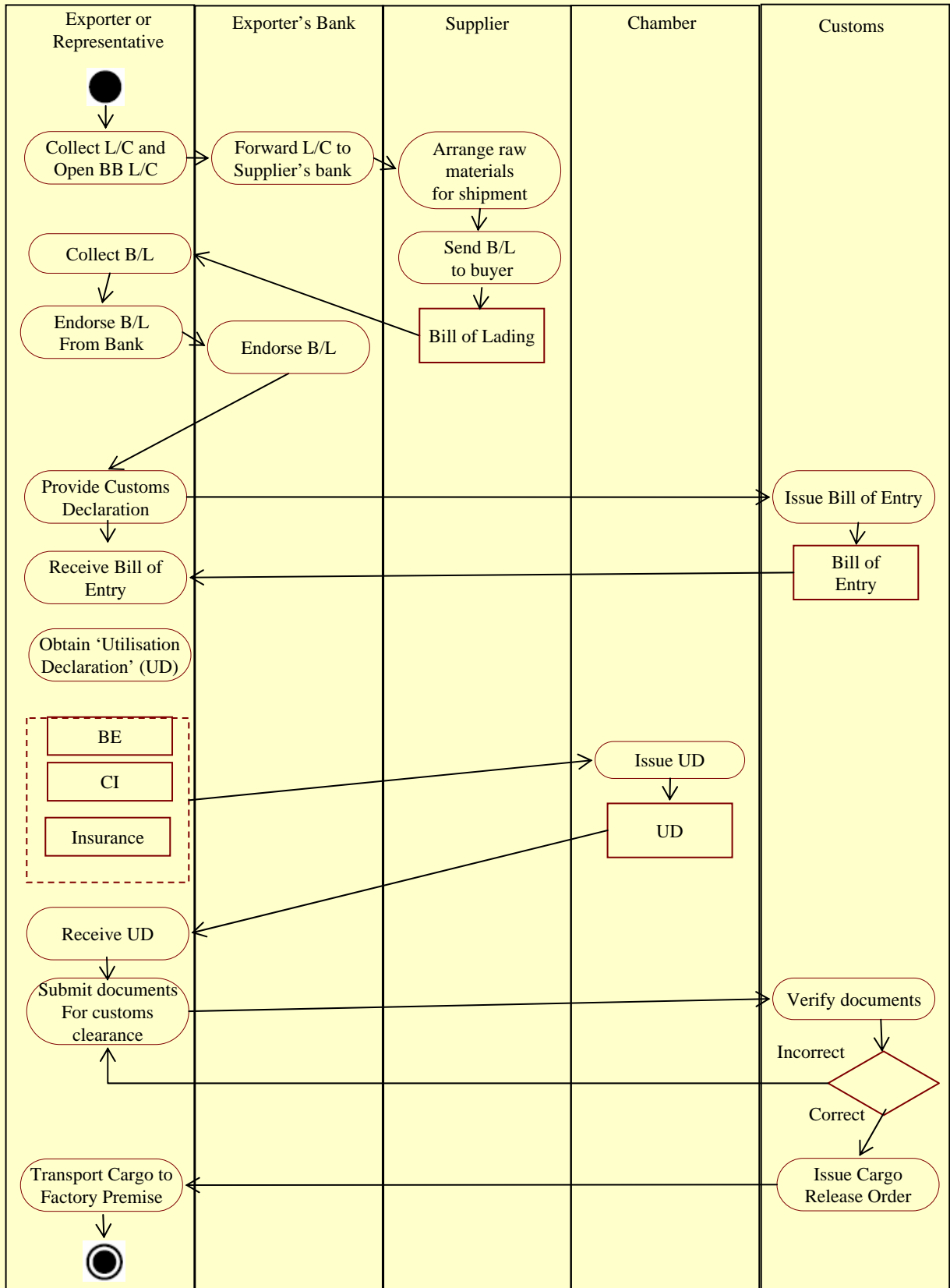
6. Provide customs declaration
7. Transport to port of departure
8. Clear goods through customs
9. Prepare documents required by importer
10. Pay - Claim payment of goods

Business Processes of Woven Garments Export from Bangladesh by Sea

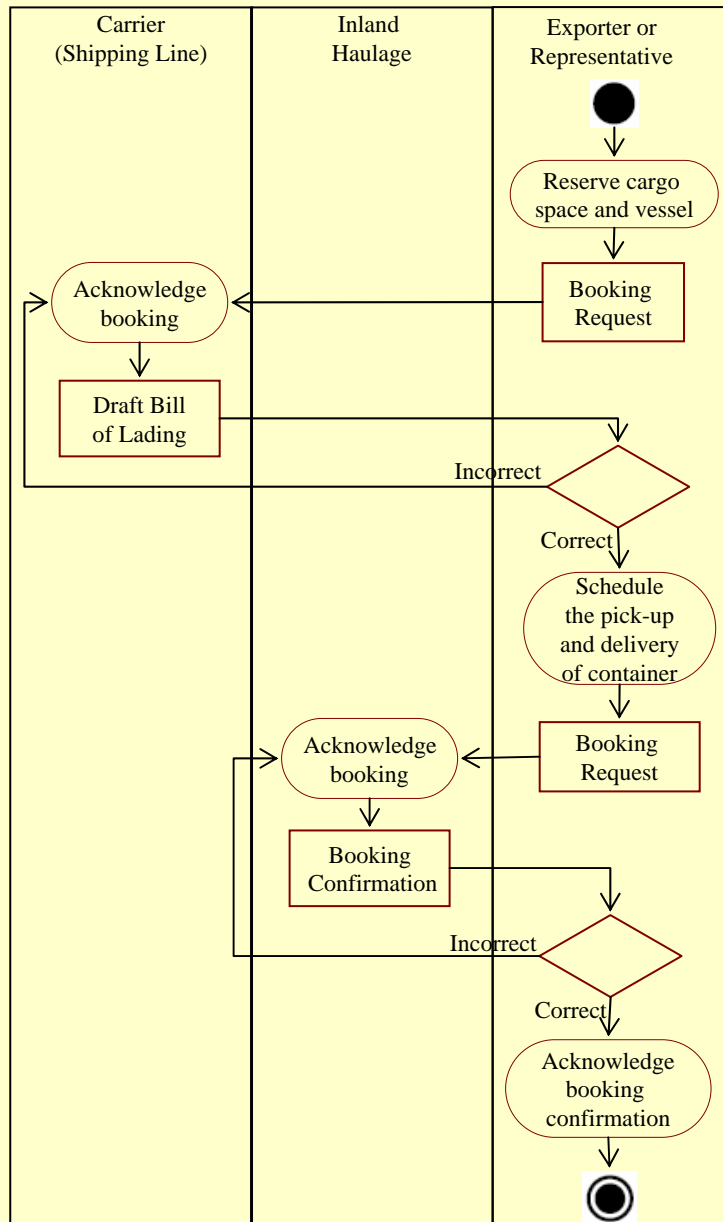
1. Buy



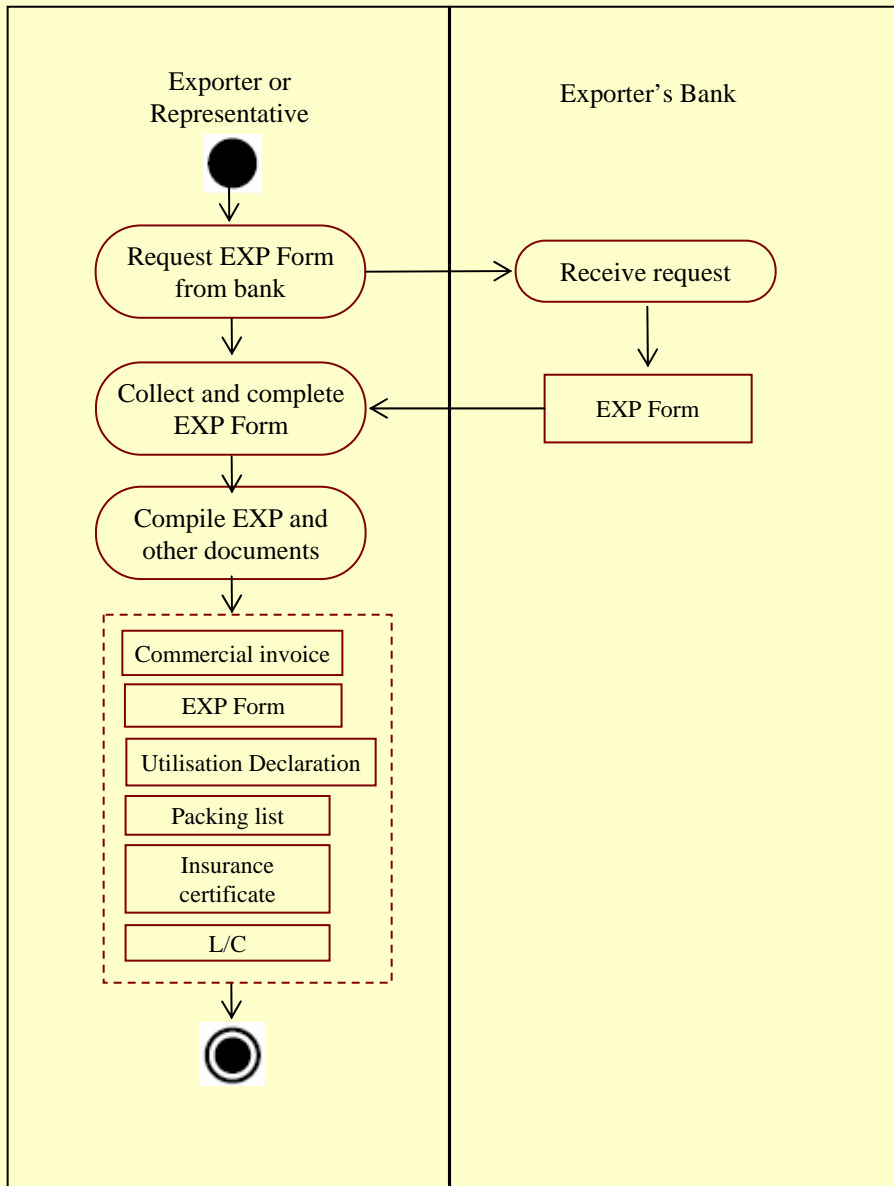
2.1. Import Raw Material (Fabrics)



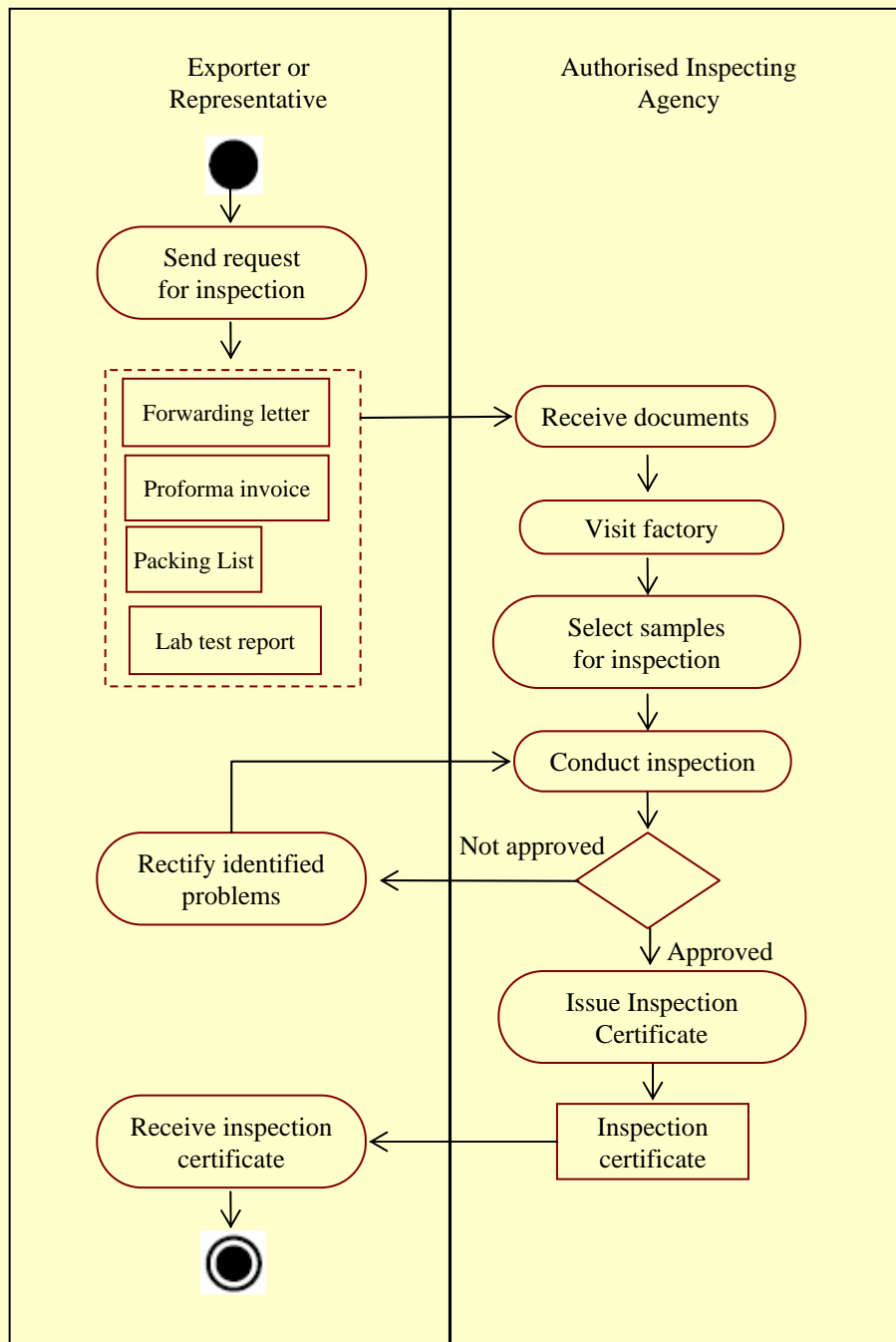
2.2. Arrange Shipment/Space Booking



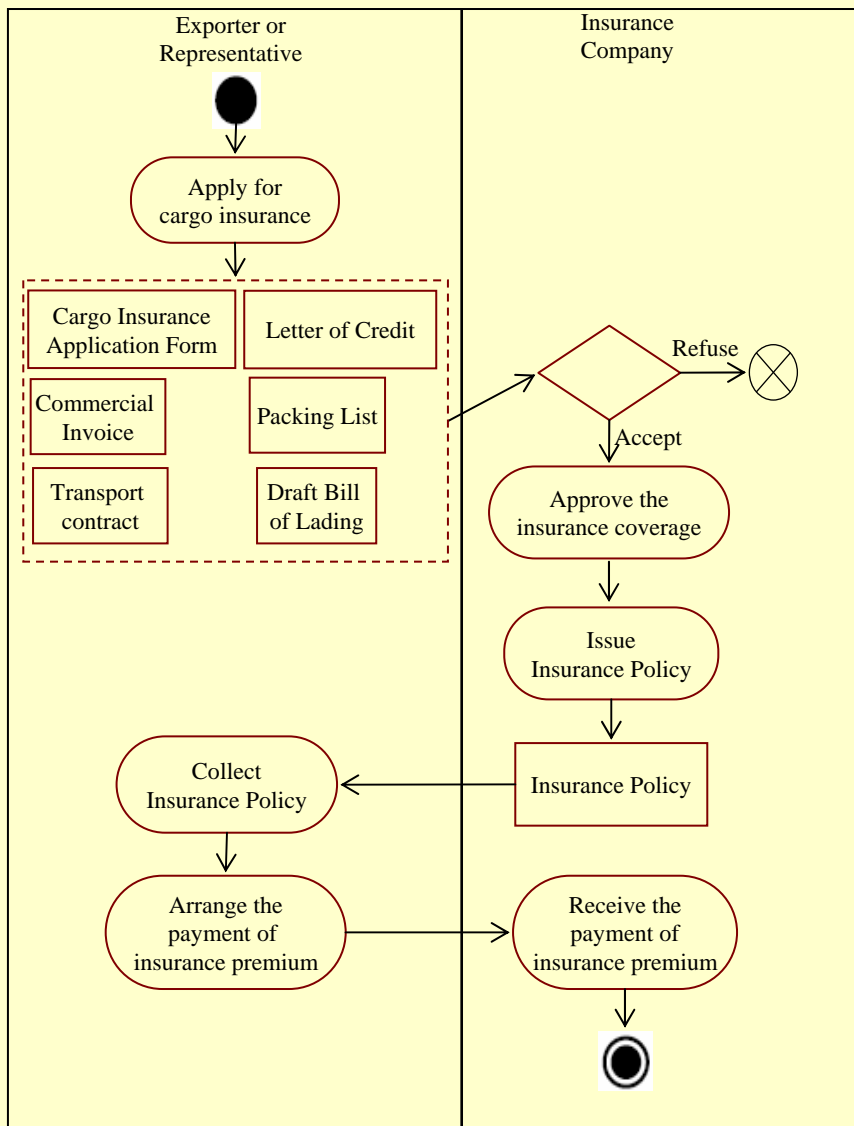
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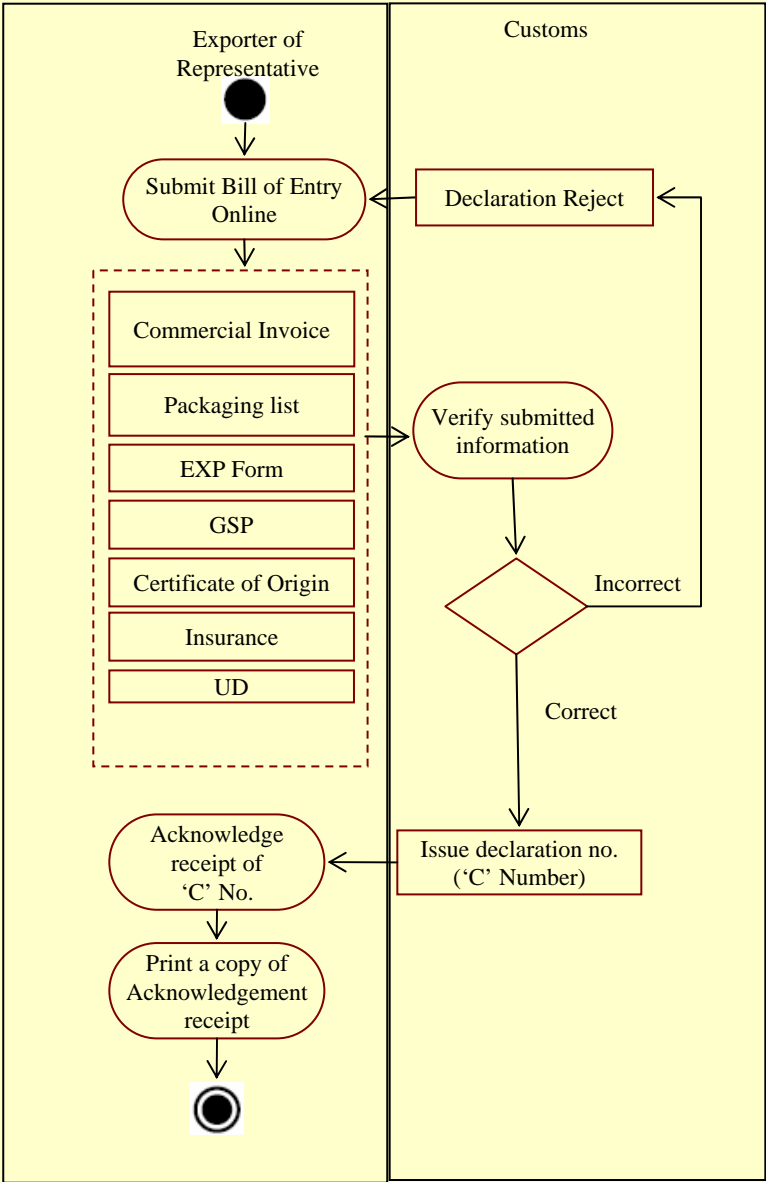
2.4. Arrange Inspection



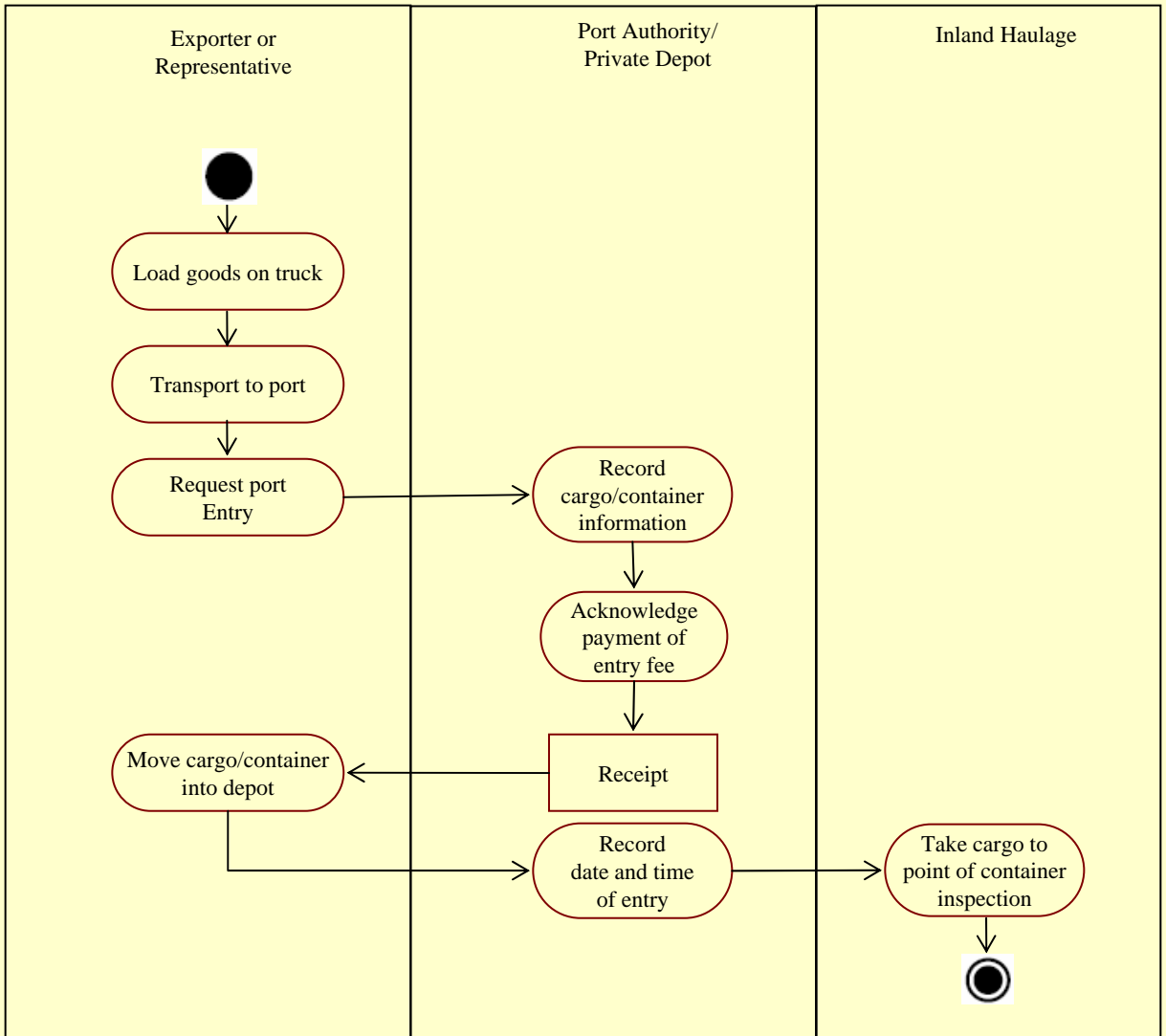
2.5. Obtain Cargo Insurance for Inland Transportation



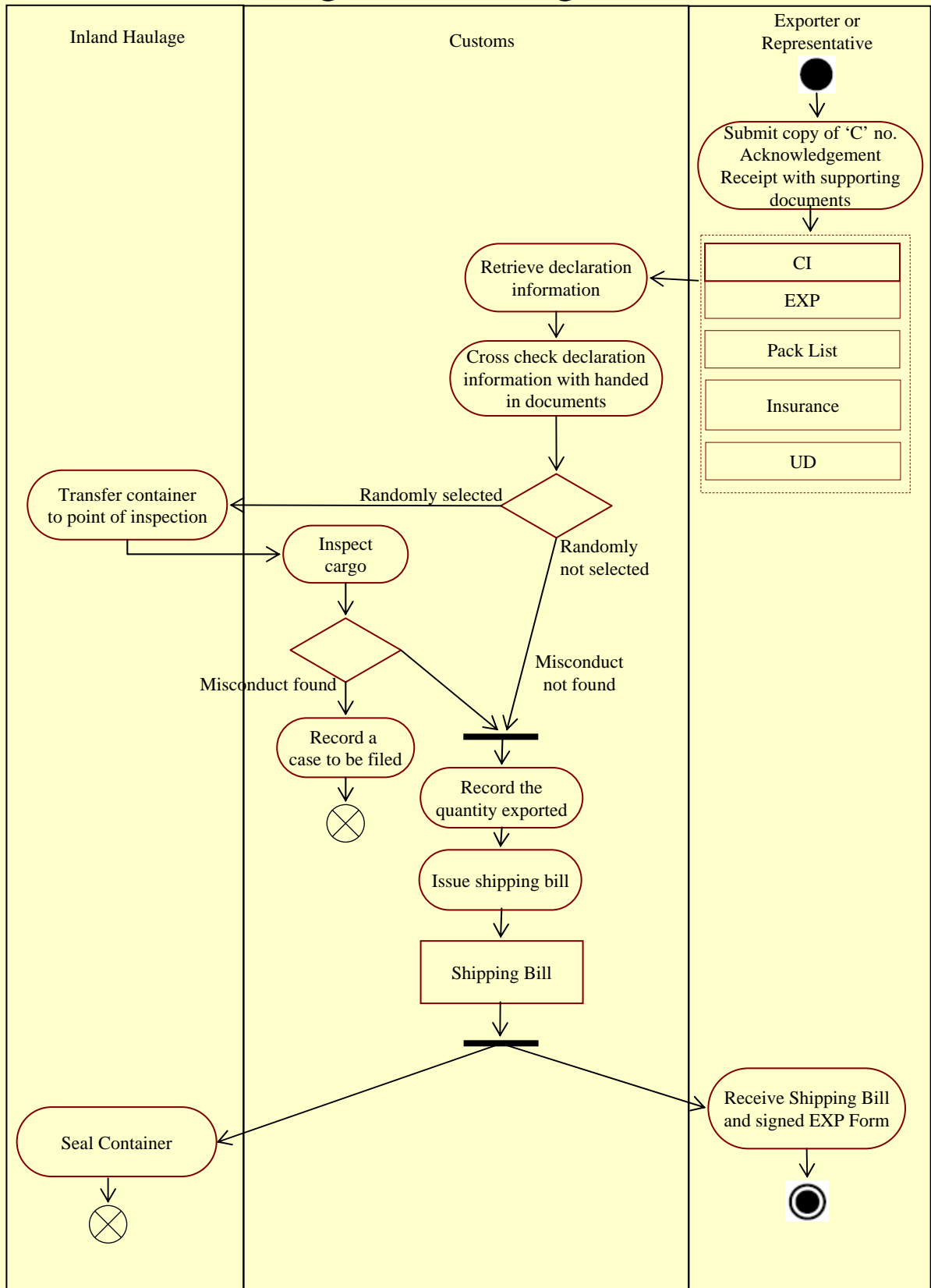
2.6. Provide Customs Declaration Online



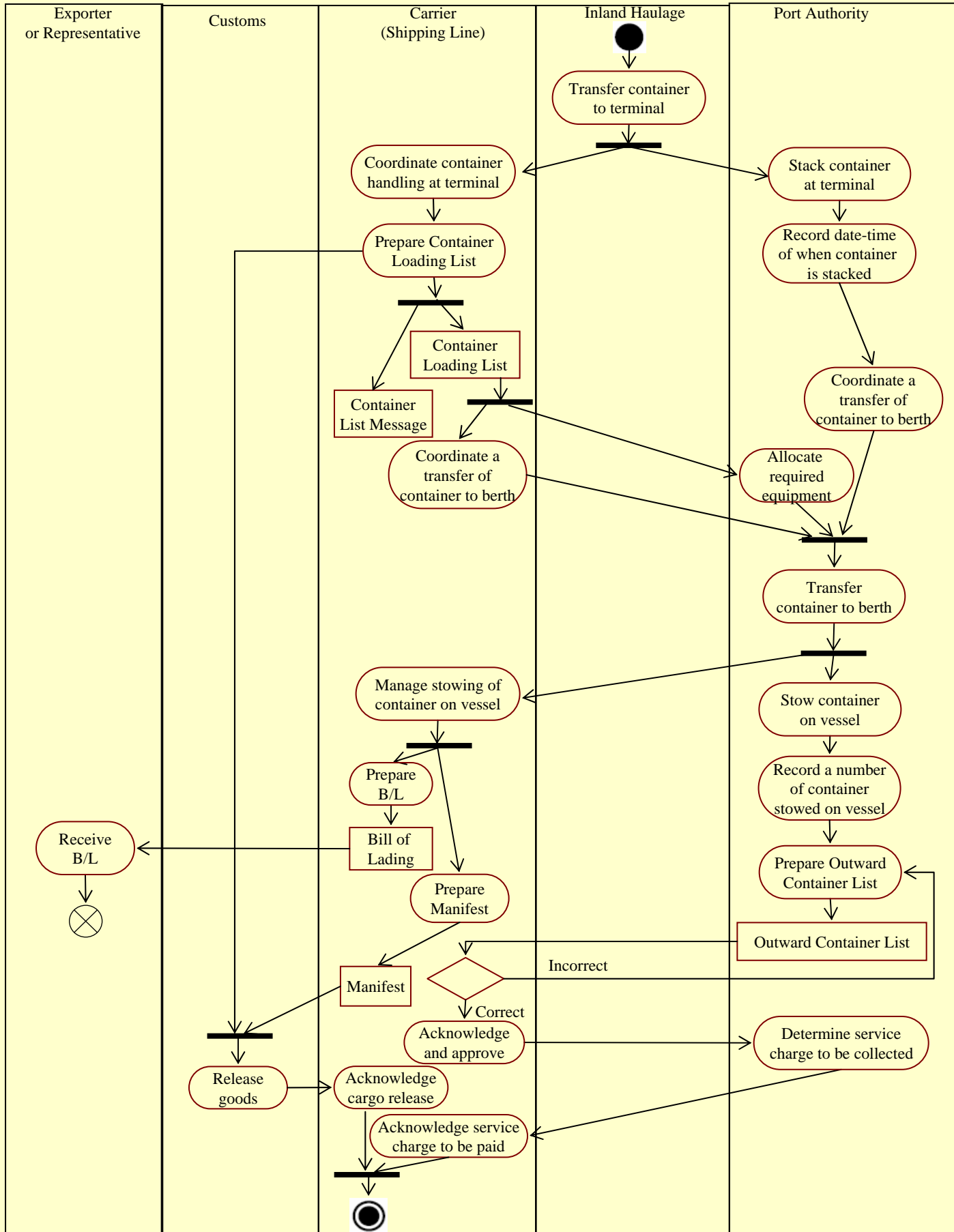
2.7. Transport to Port of Departure



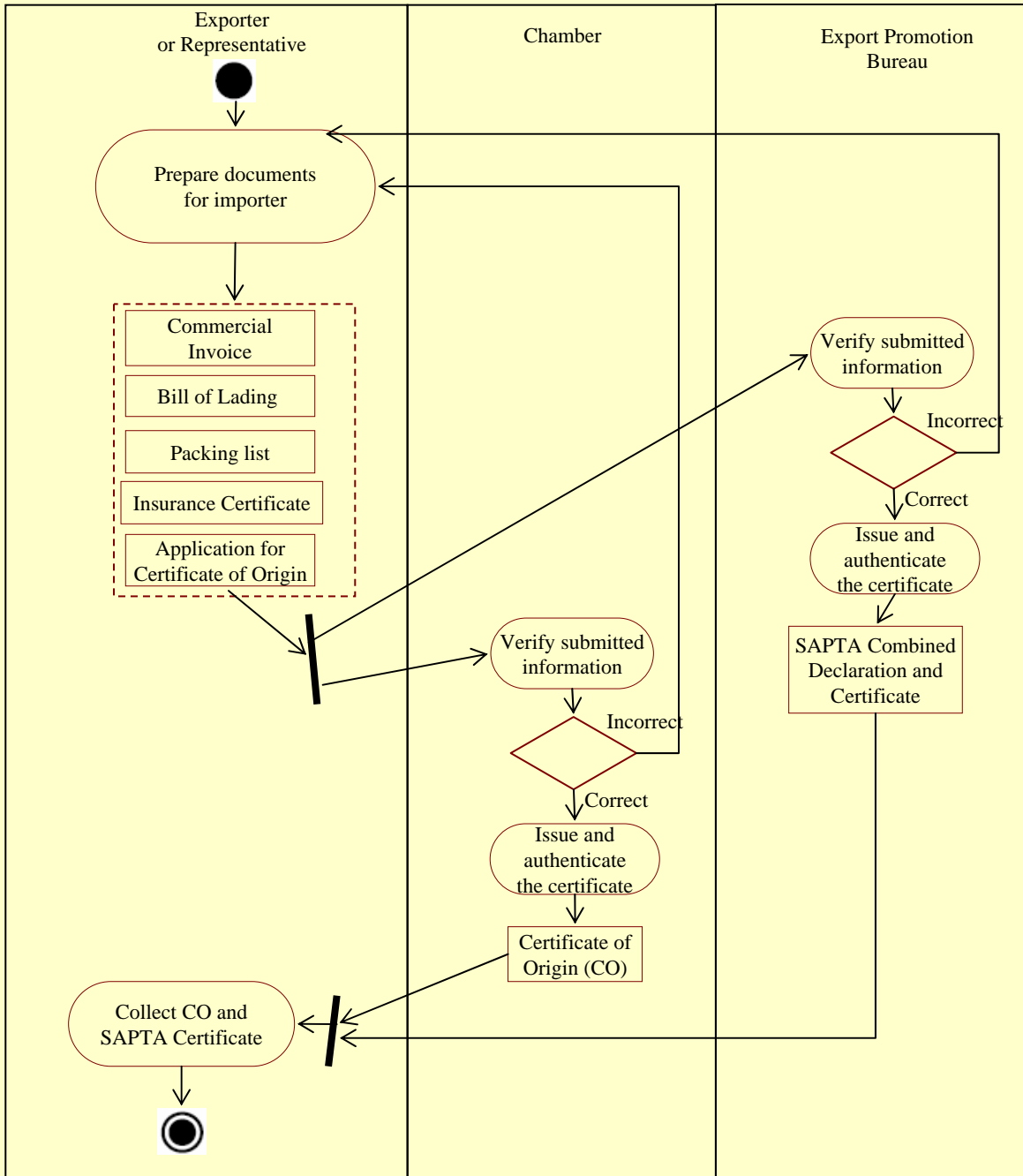
2.8. Clear goods through Customs



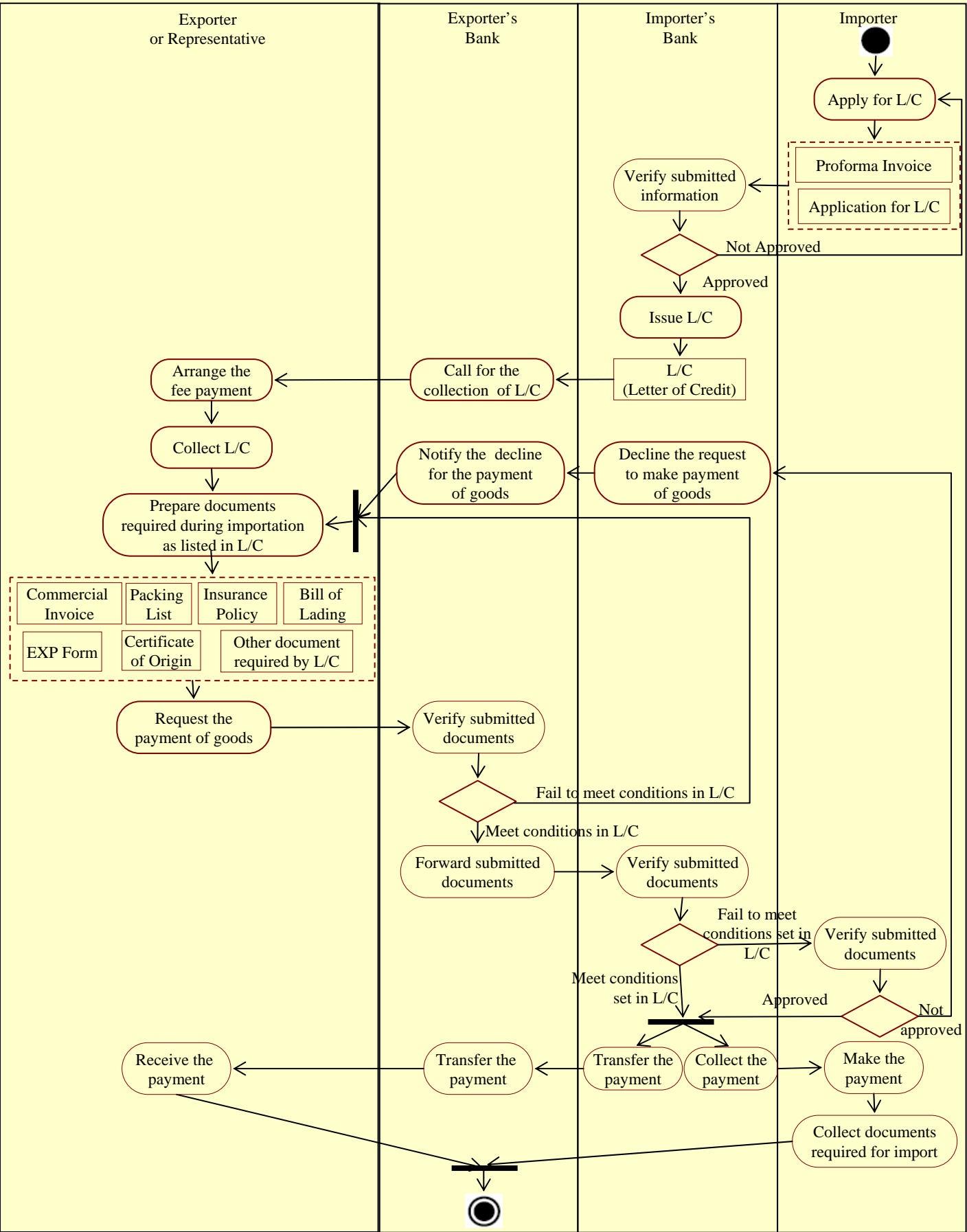
2.9. Handle Container at Terminal and Stow on Vessel

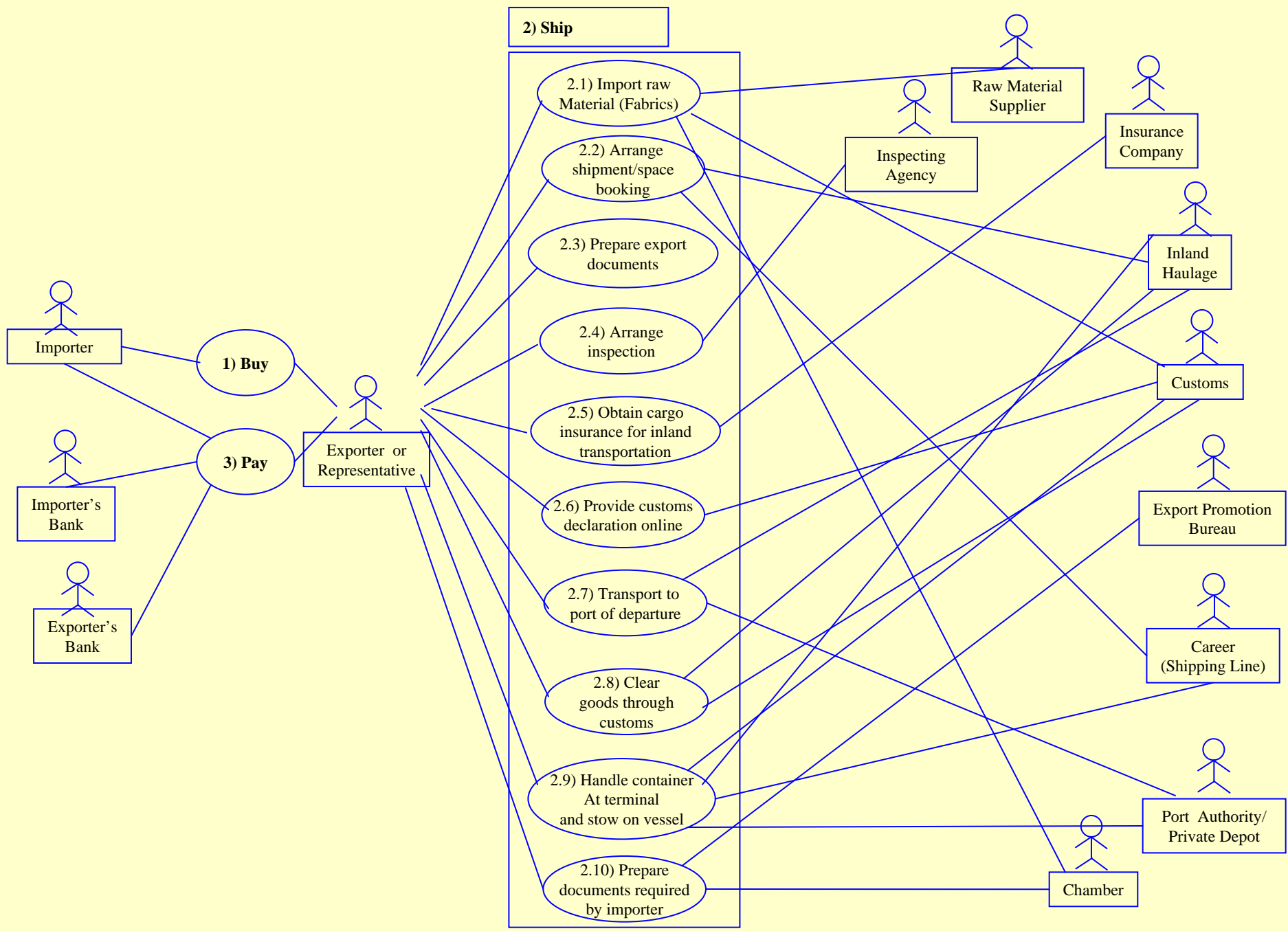


2.10. Prepare Documents Required by Importer

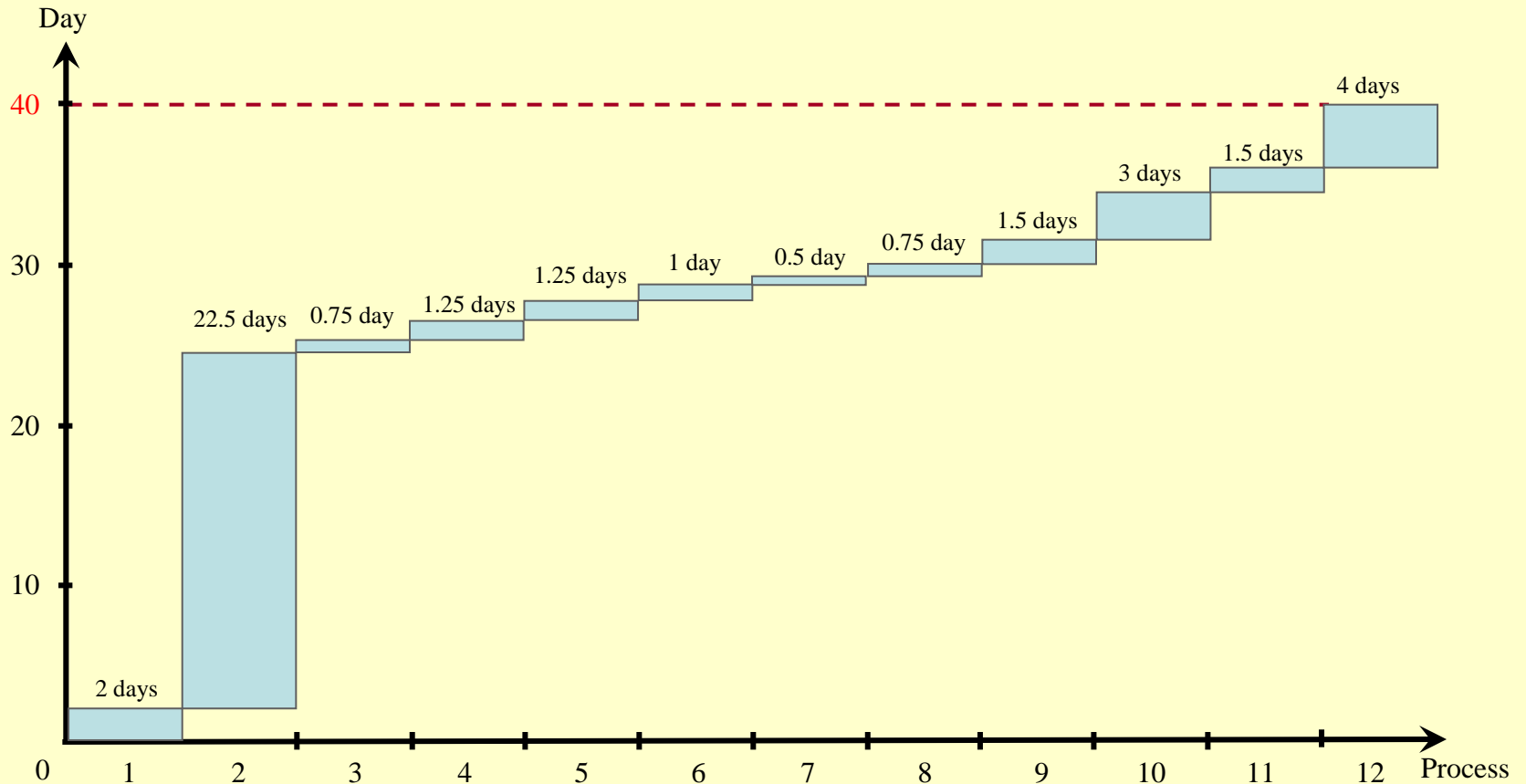


3. Pay





Time-Procedure Chart from the Business Process Analysis of RMG Export from Bangladesh (by Sea)

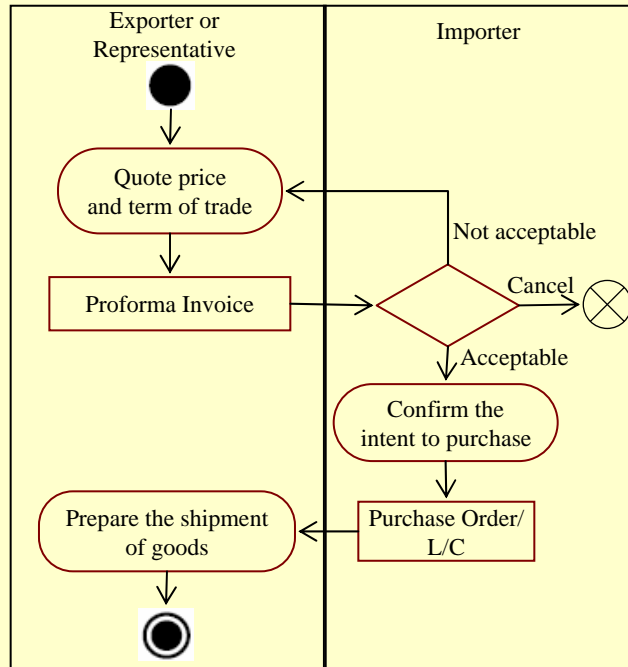


1. Buy - Conclude sales contract and trade terms
2. Import Raw Material
3. Arrange shipment/space booking
4. Prepare export documents
5. Arrange Inspection
6. Obtain cargo insurance for inland transportation

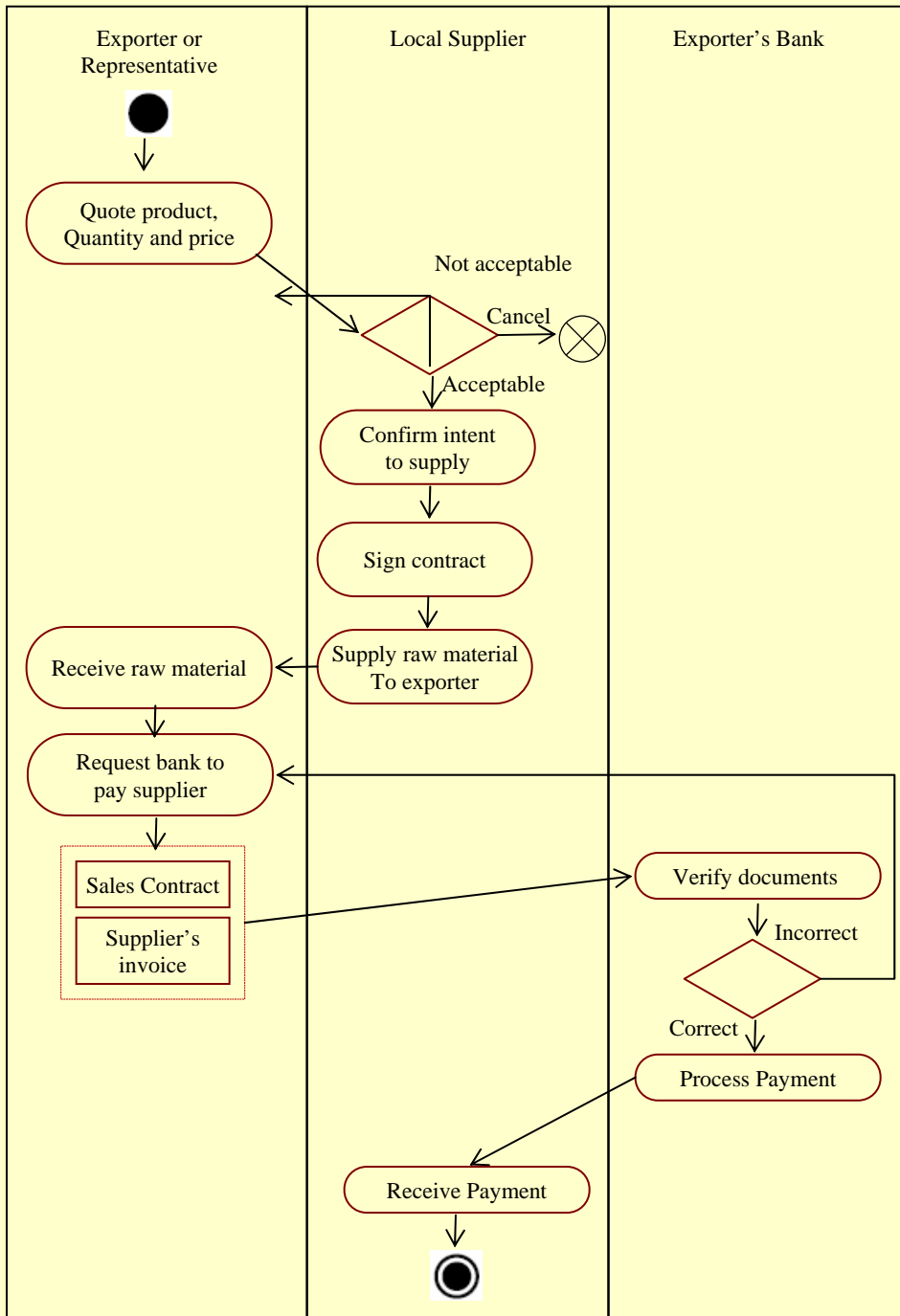
7. Provide customs declaration online
8. Transport to port of departure
9. Clear goods through customs
10. Handle container at terminal and stow on vessel
11. Prepare documents required by importer
12. Pay - Claim payment of goods

Business Processes of Shrimp Export from Bangladesh by Sea

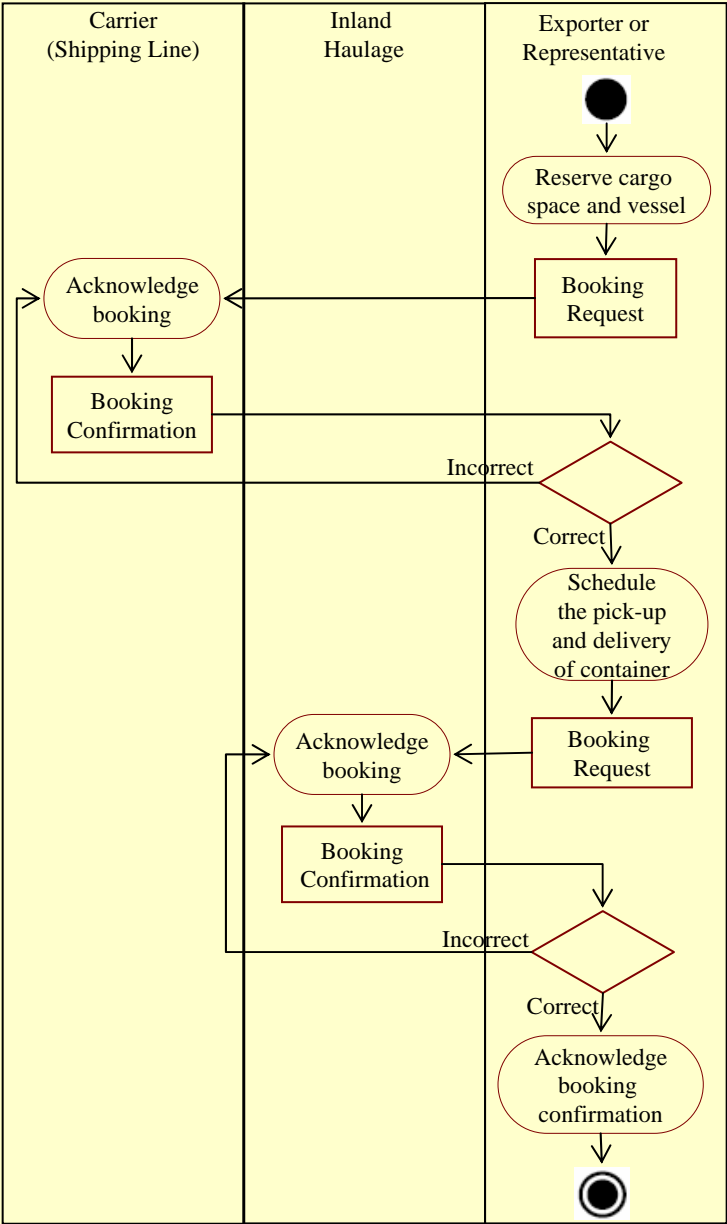
1. Buy



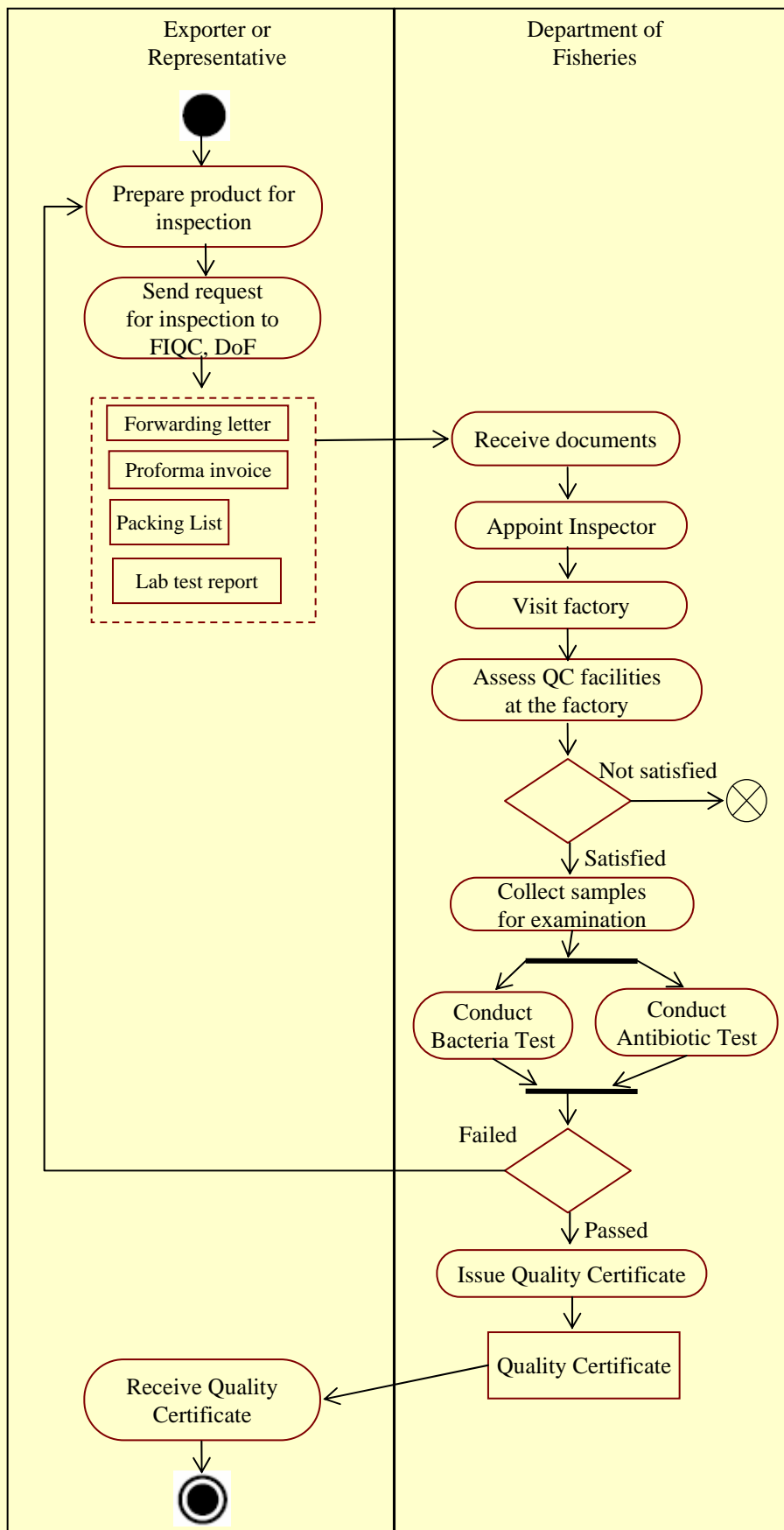
2.1. Procure Raw Material from Local Supplier



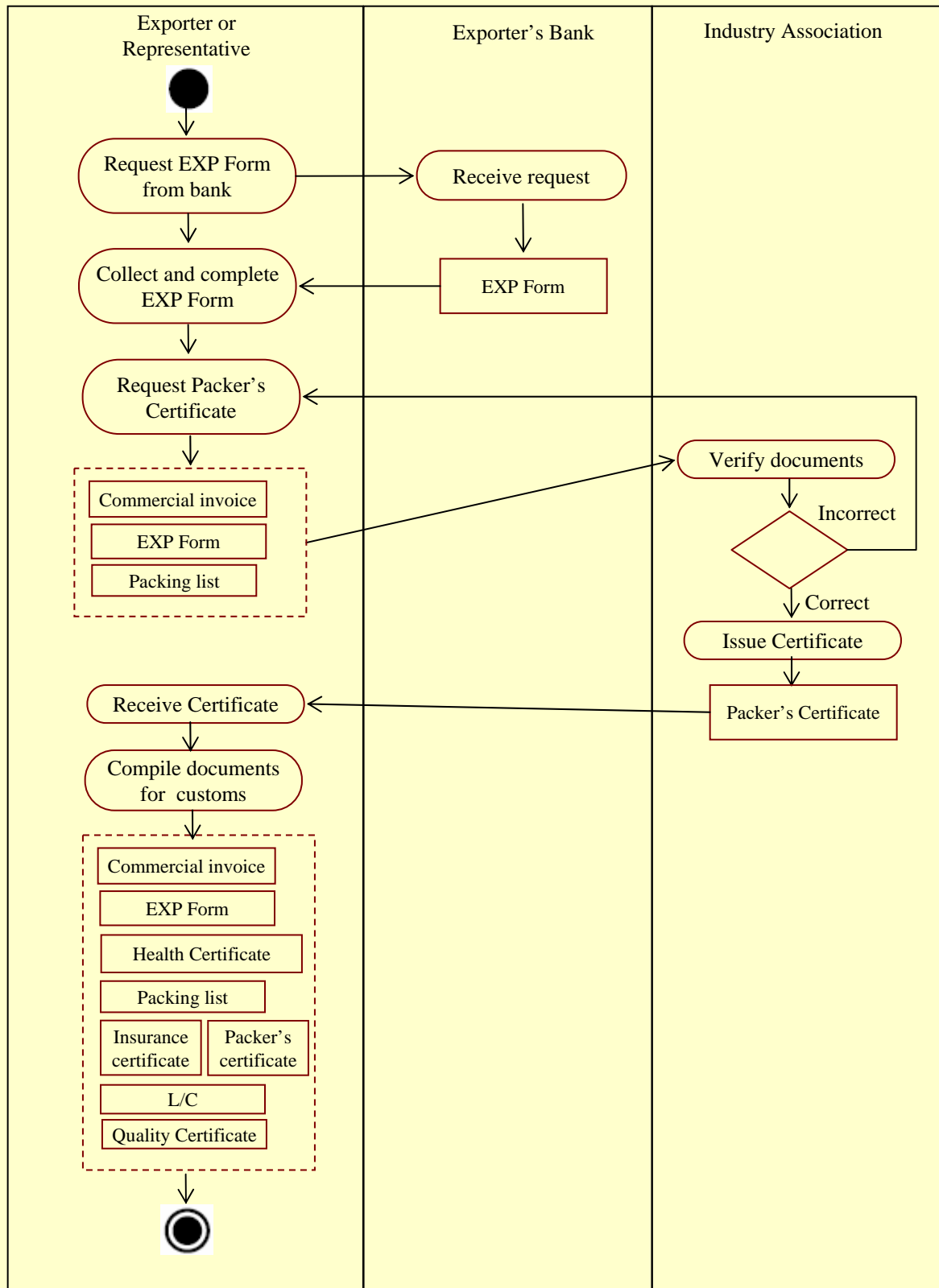
2.2. Arrange Shipment/Space Booking



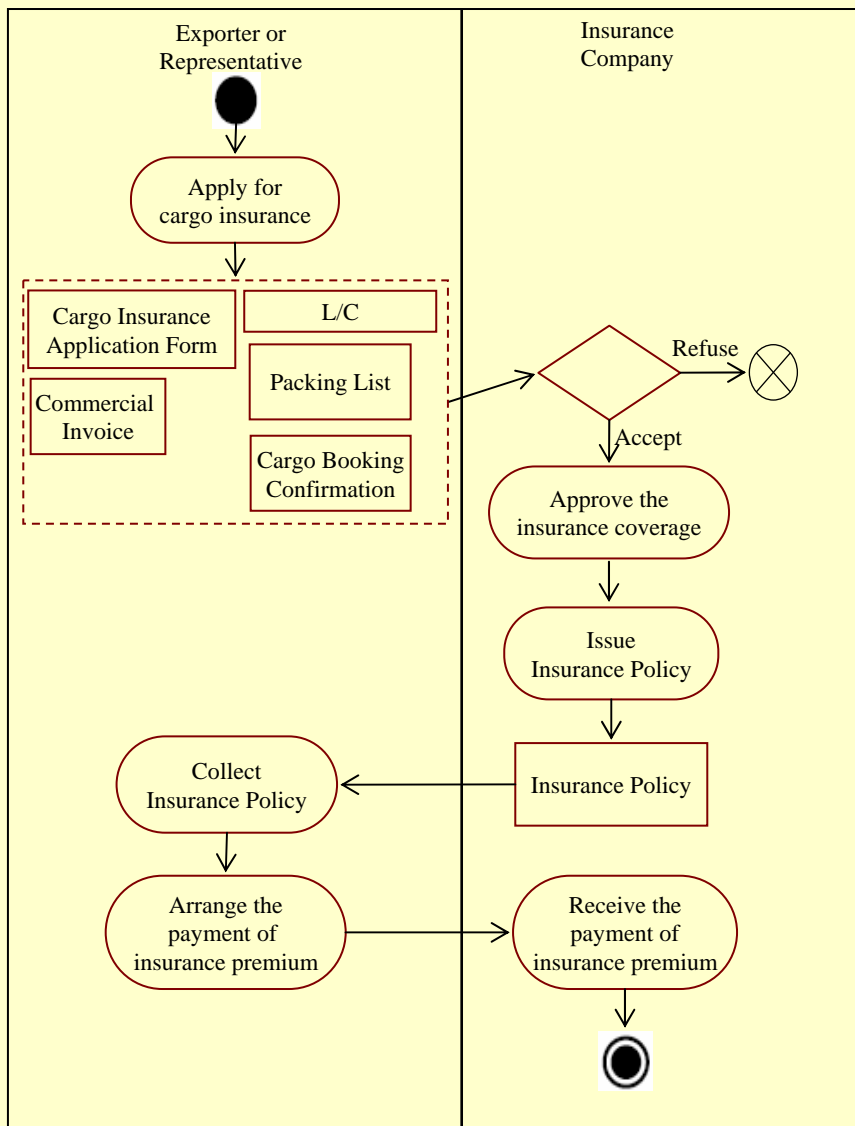
2.3. Have Products Sampled and Examined



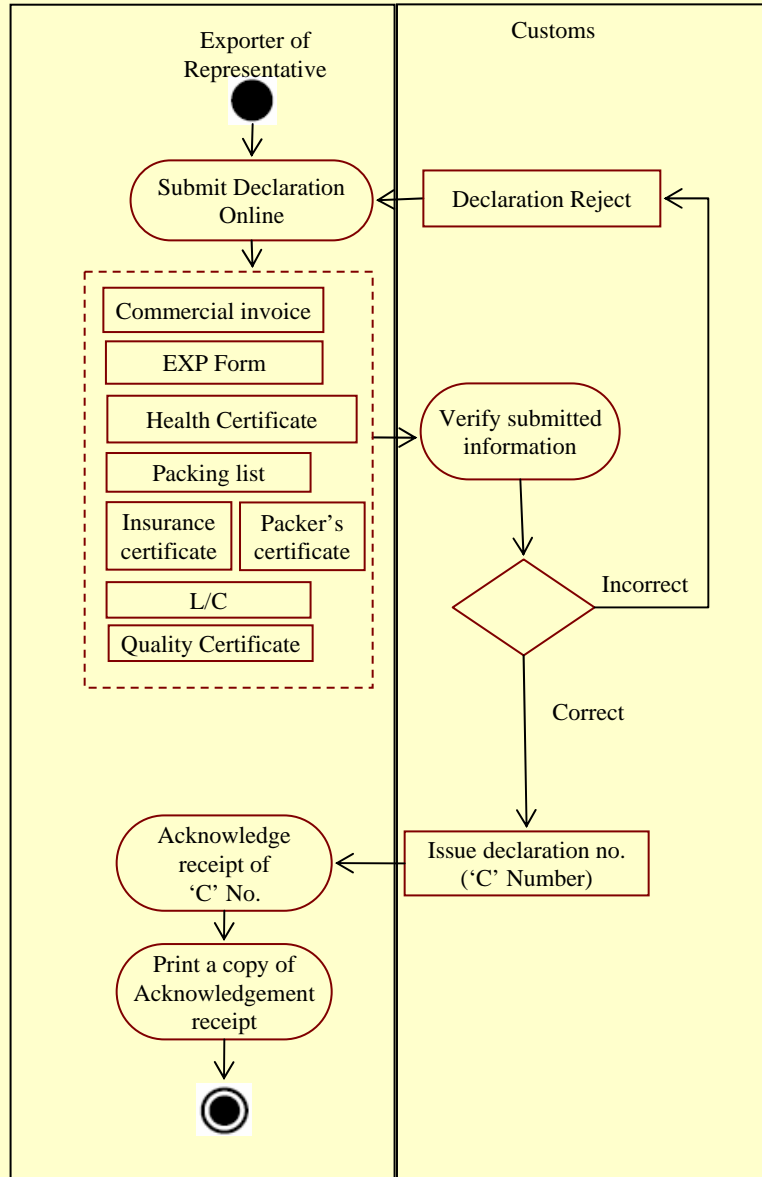
2.4. Prepare Export Document



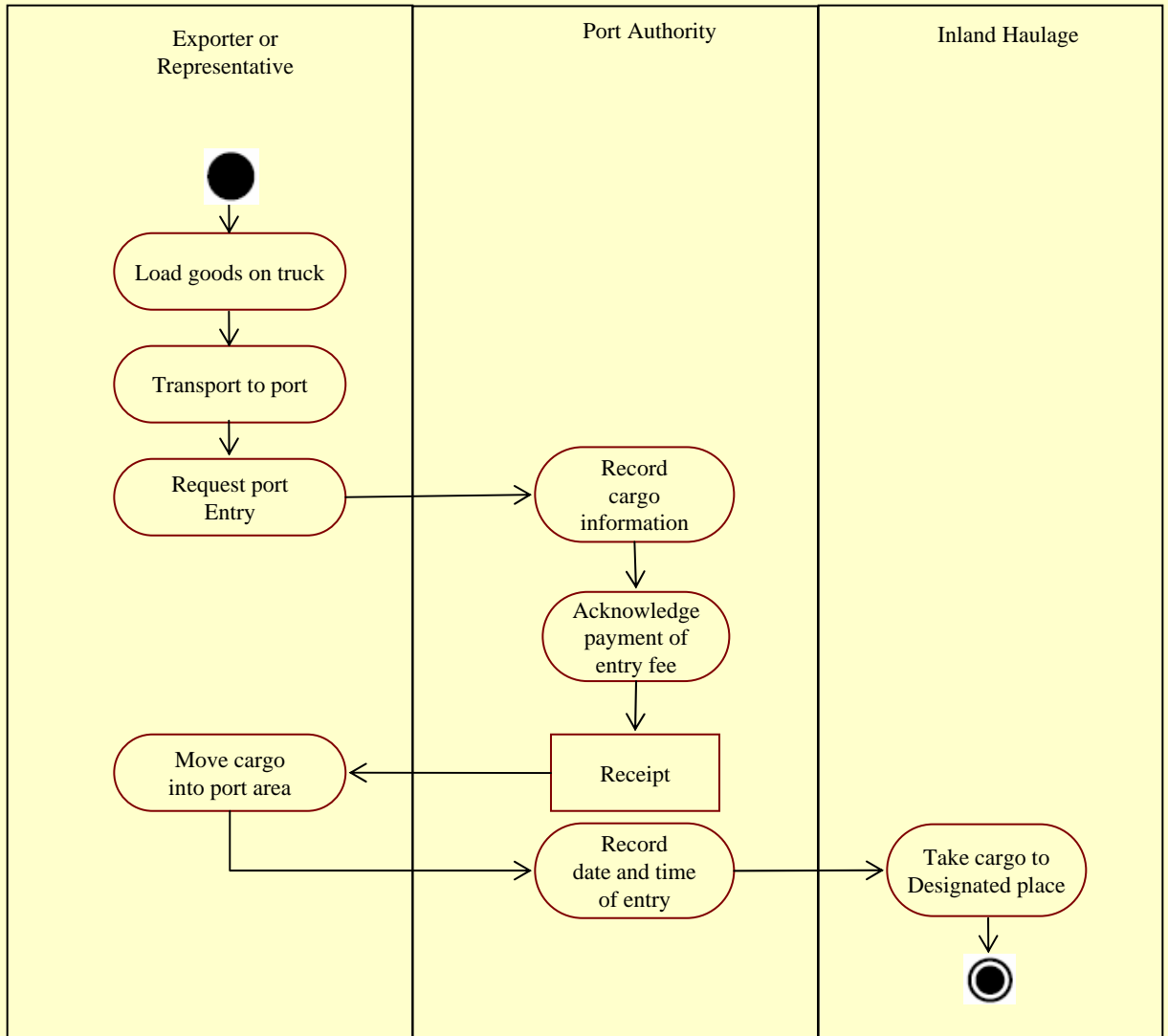
2.5. Obtain Cargo Insurance for Inland Transportation



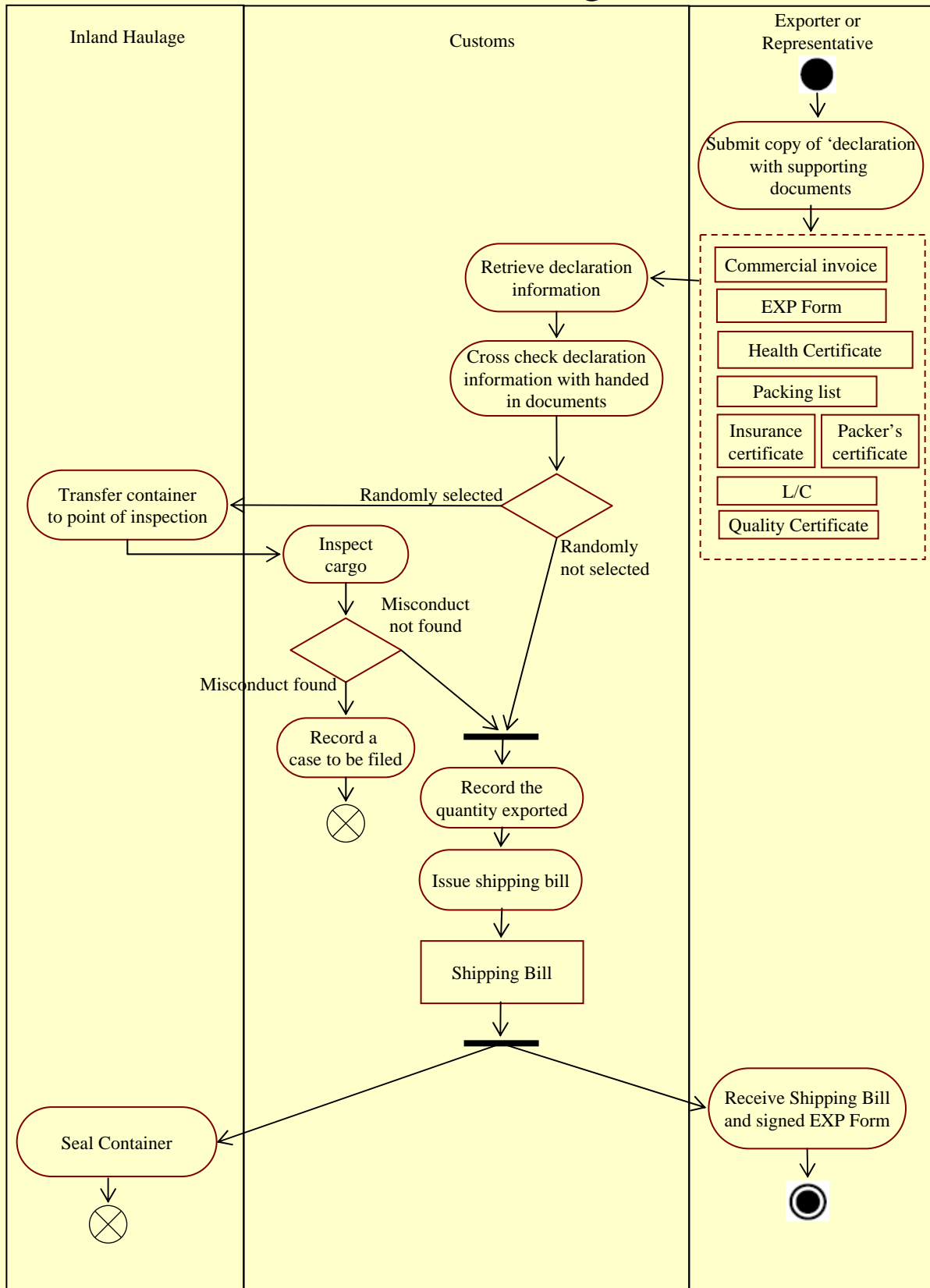
2.6. Provide Customs Declaration Online



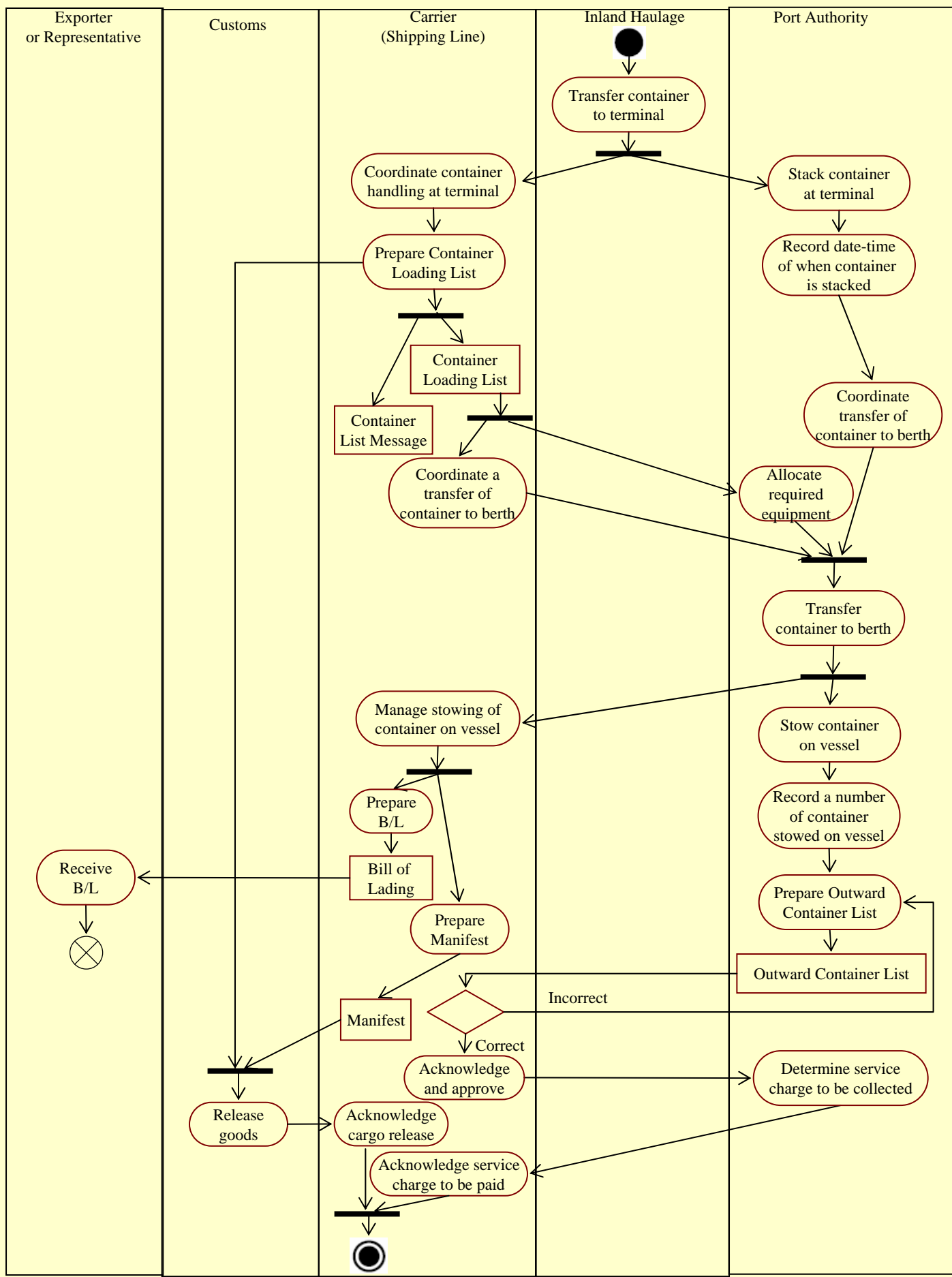
2.7. Transport to Port of Departure



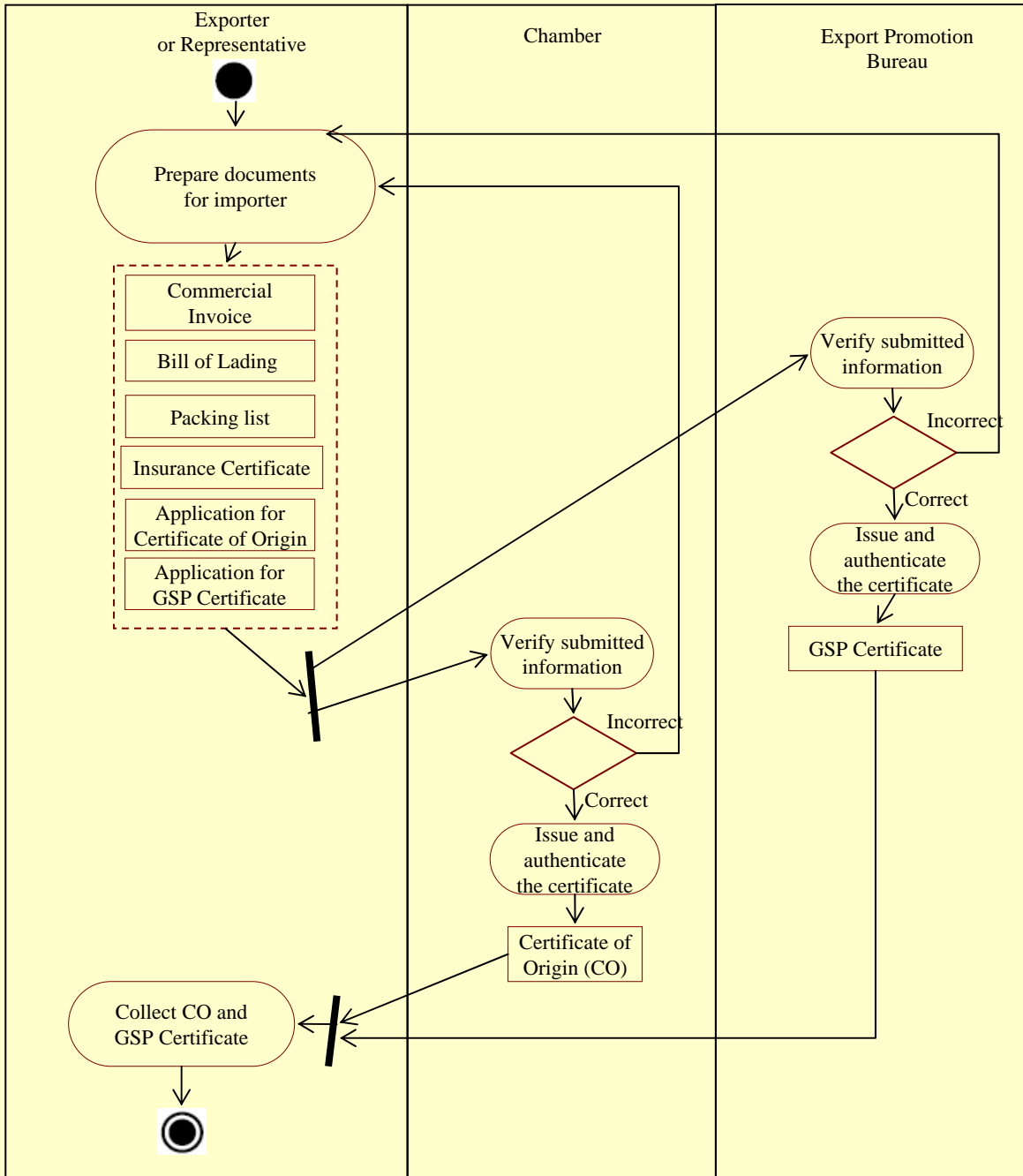
2.8. Clear Goods through Customs

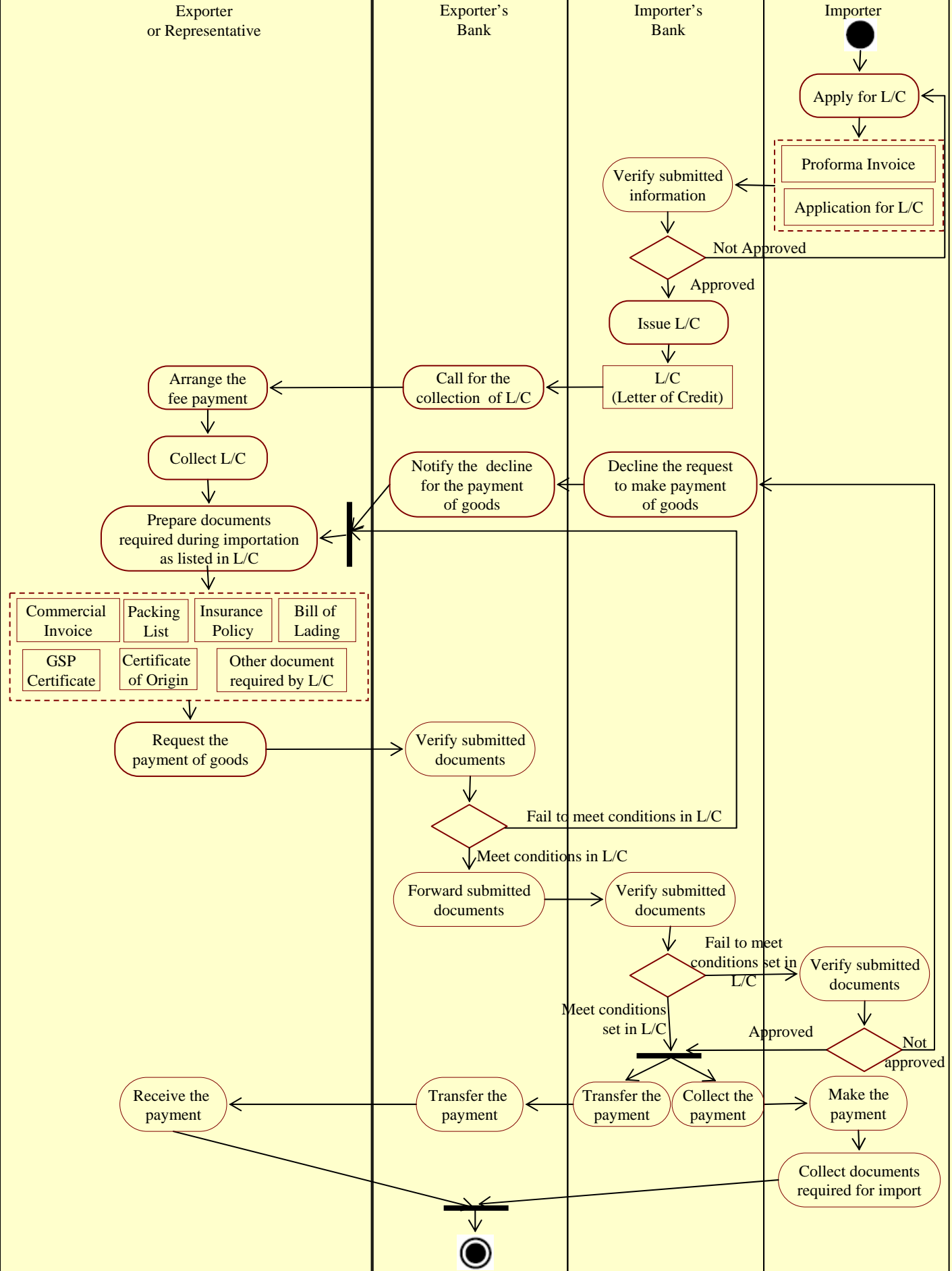


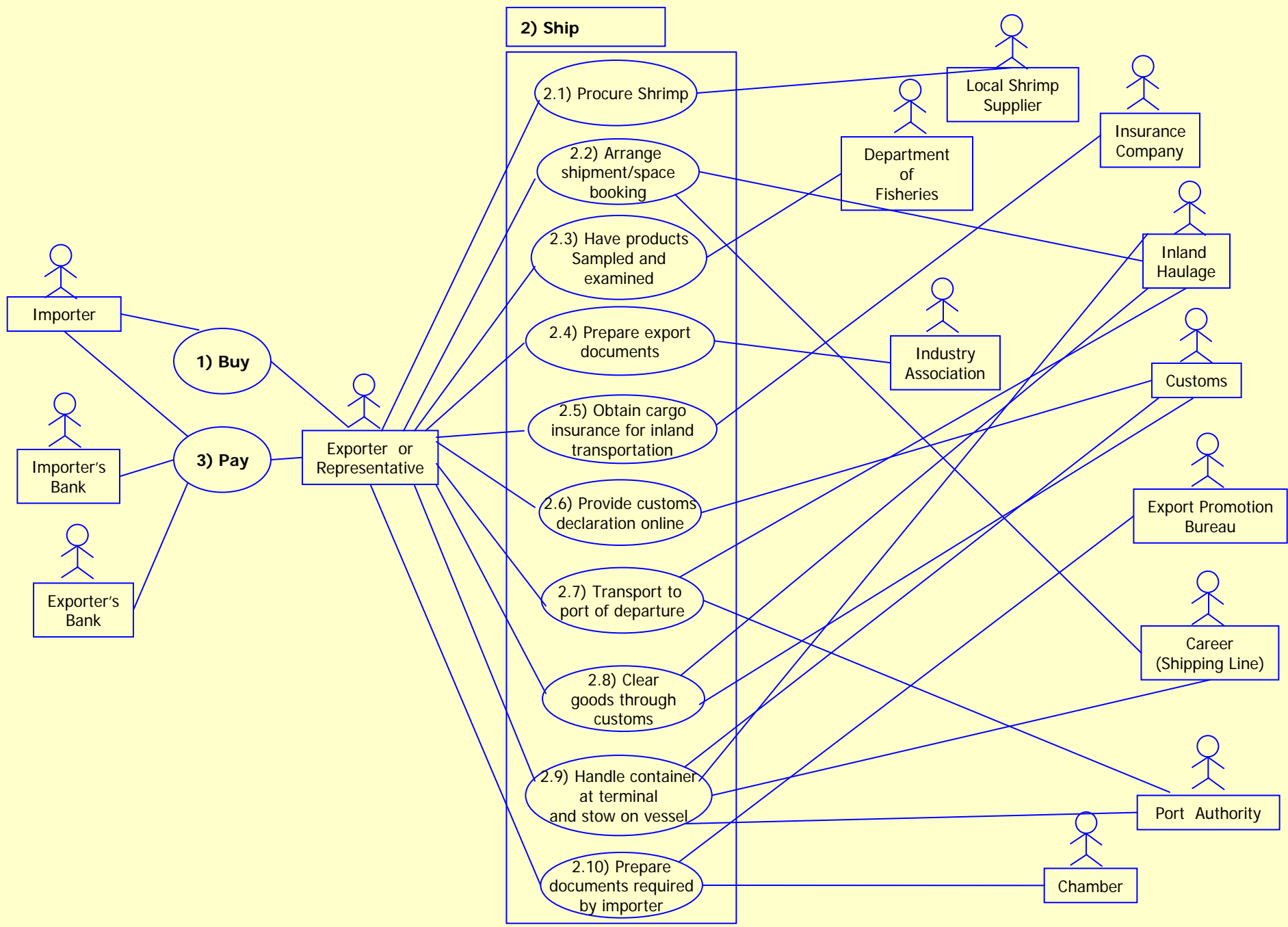
2.3: Transfer container at terminal and stow on vessel



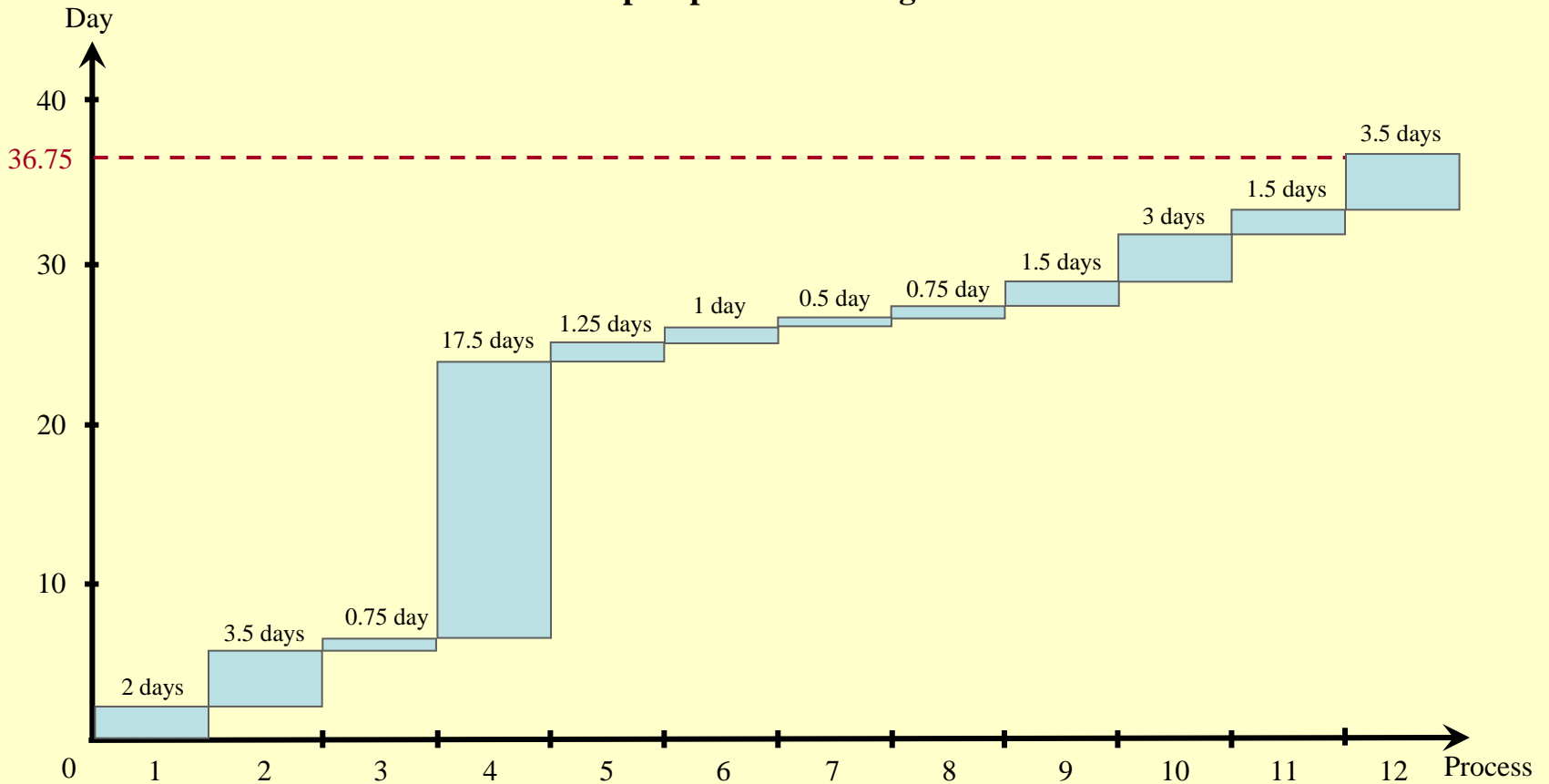
2.10. Prepare documents required by importer







Time-Procedure Chart from the Business Process Analysis of Shrimp Export from Bangladesh

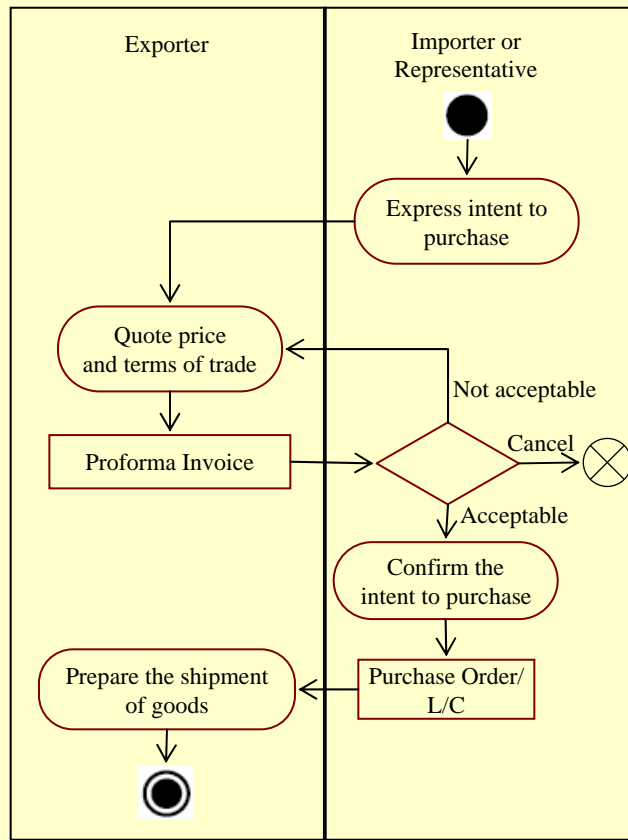


1. Buy - Conclude sales contract and trade terms
2. Procure shrimp from local source
3. Arrange shipment/space booking
4. Have products sampled and examined
5. Prepare export documents
6. Obtain cargo insurance for inland transportation

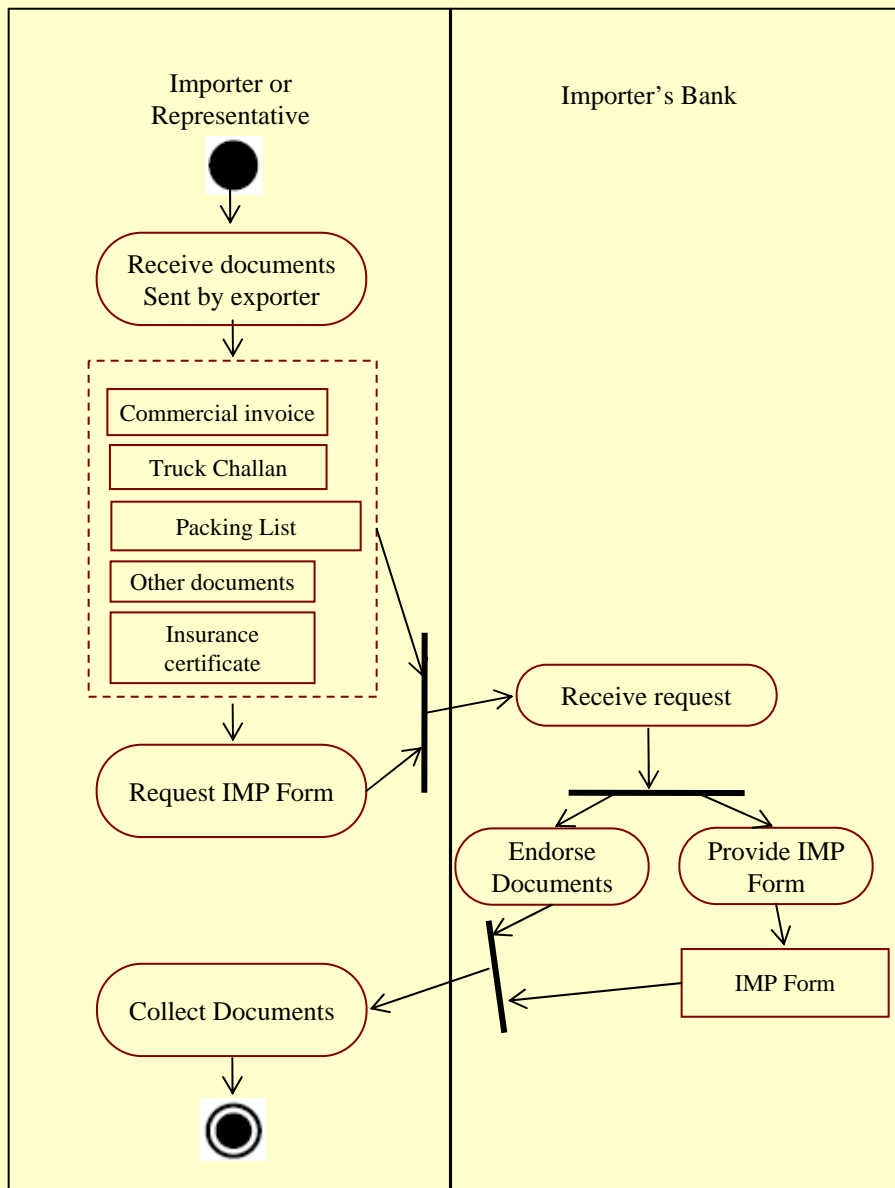
7. Provide customs declaration online
8. Transport to port of departure
9. Clear goods through customs
10. Handle container at terminal and stow on vessel
11. Prepare documents required by importer
12. Pay - Claim payment of goods

Business Processes of Fabrics Import from India by Land

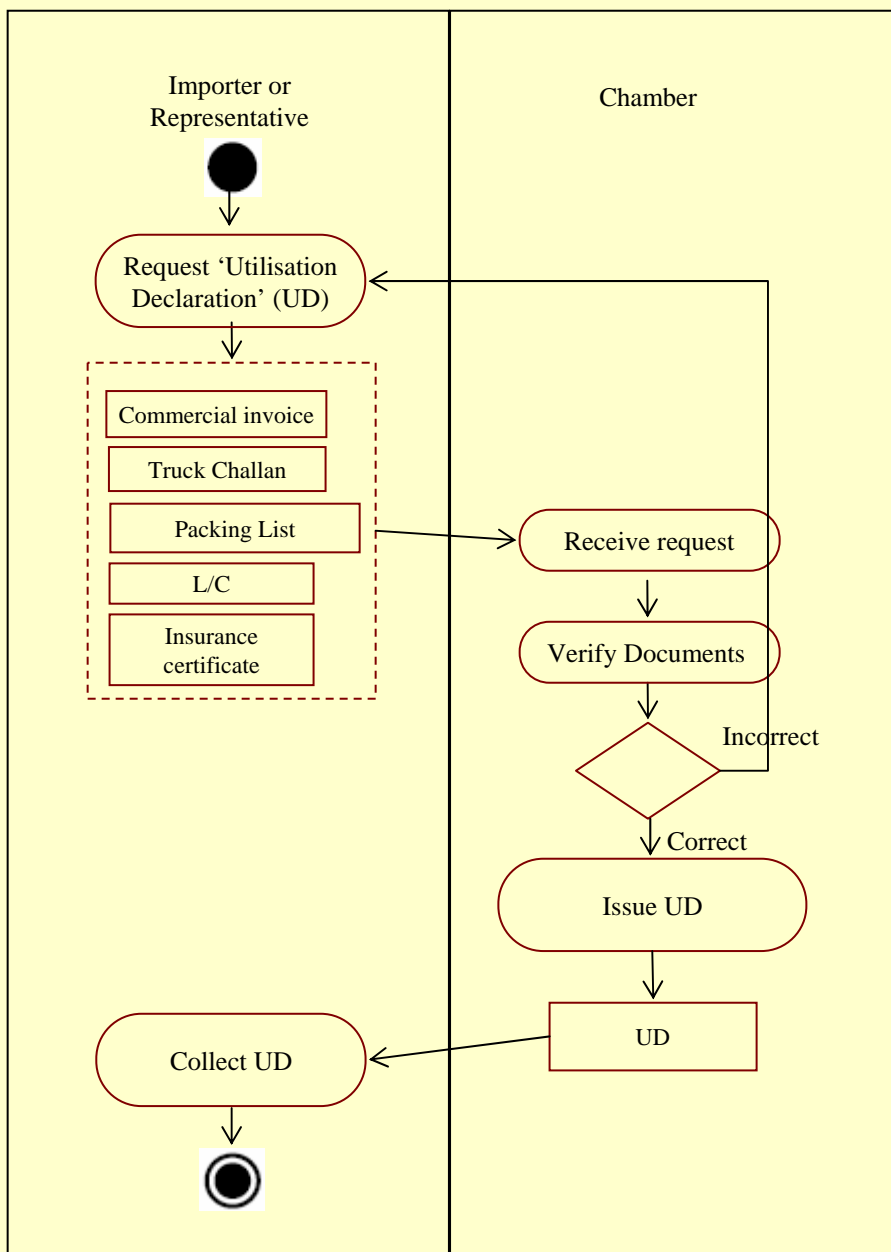
1. Buy



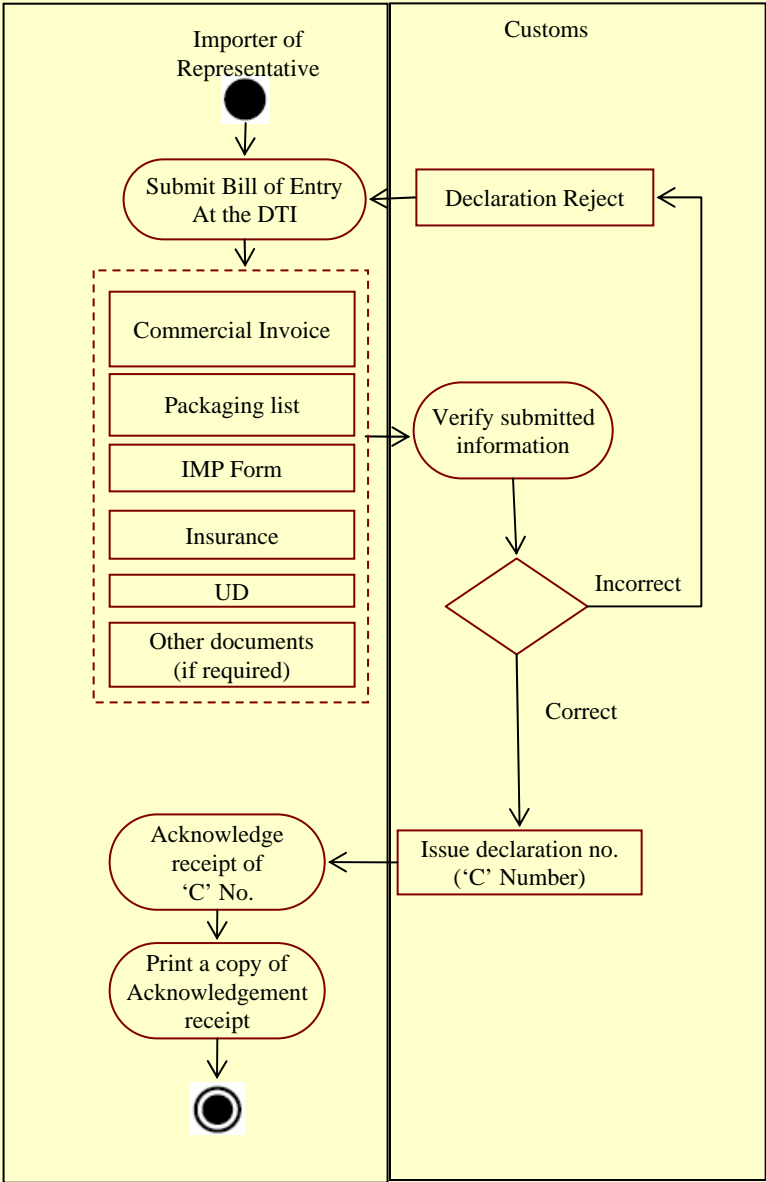
2.1. Collect and Endorse Documents for Import



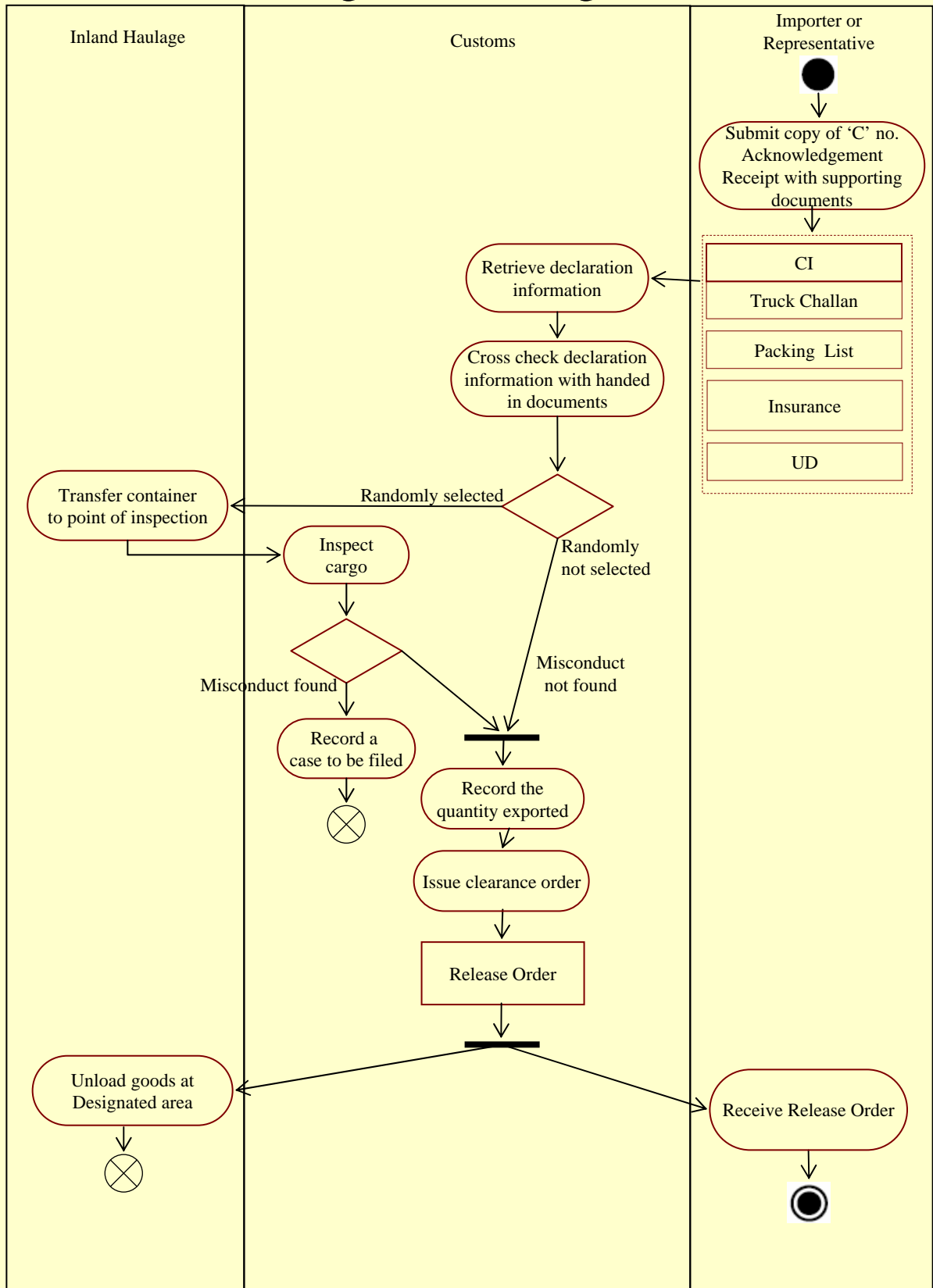
2.2. Prepare Other Import Documents



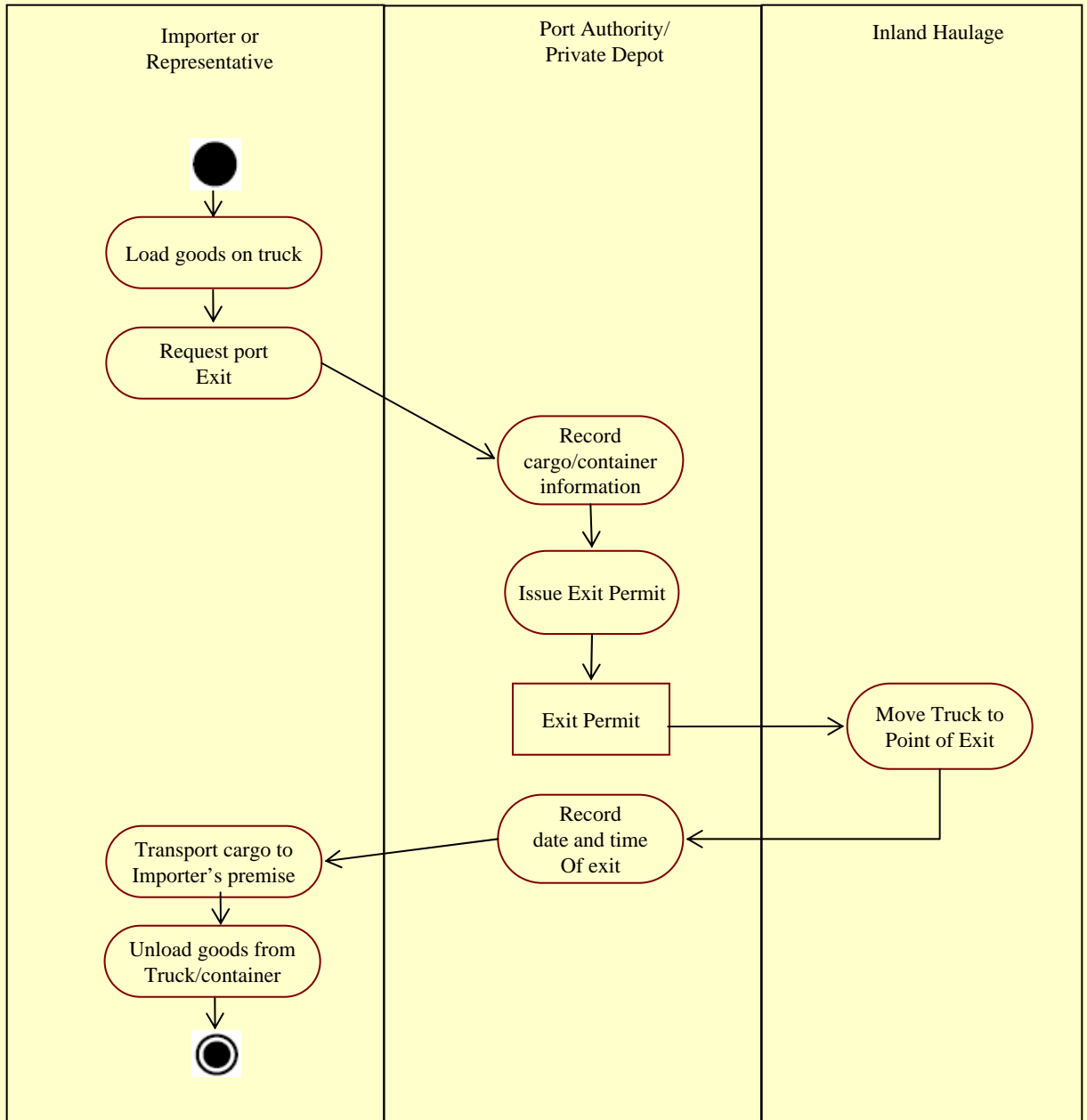
2.3. Provide customs declaration

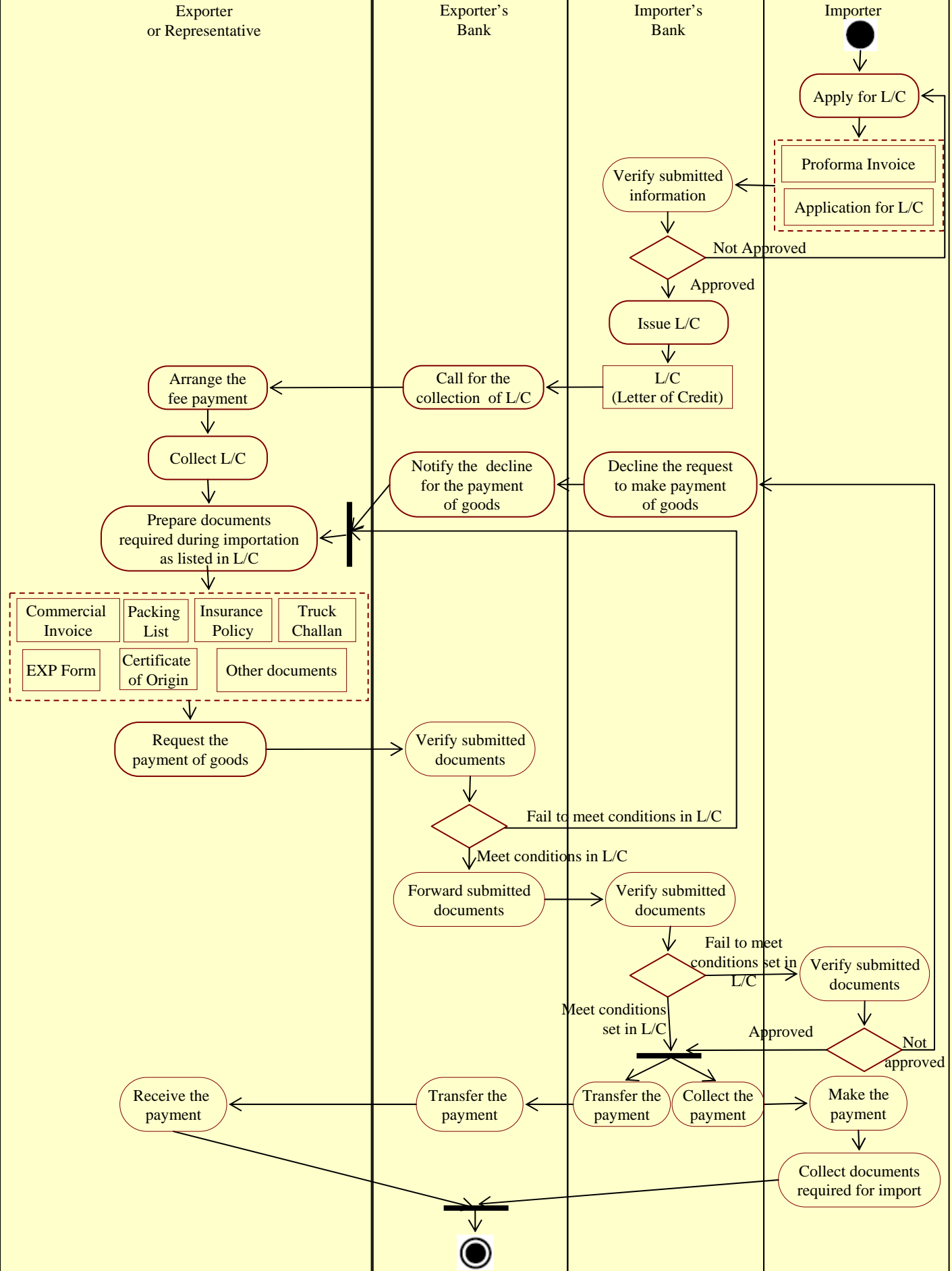


2.4. Clear goods through customs

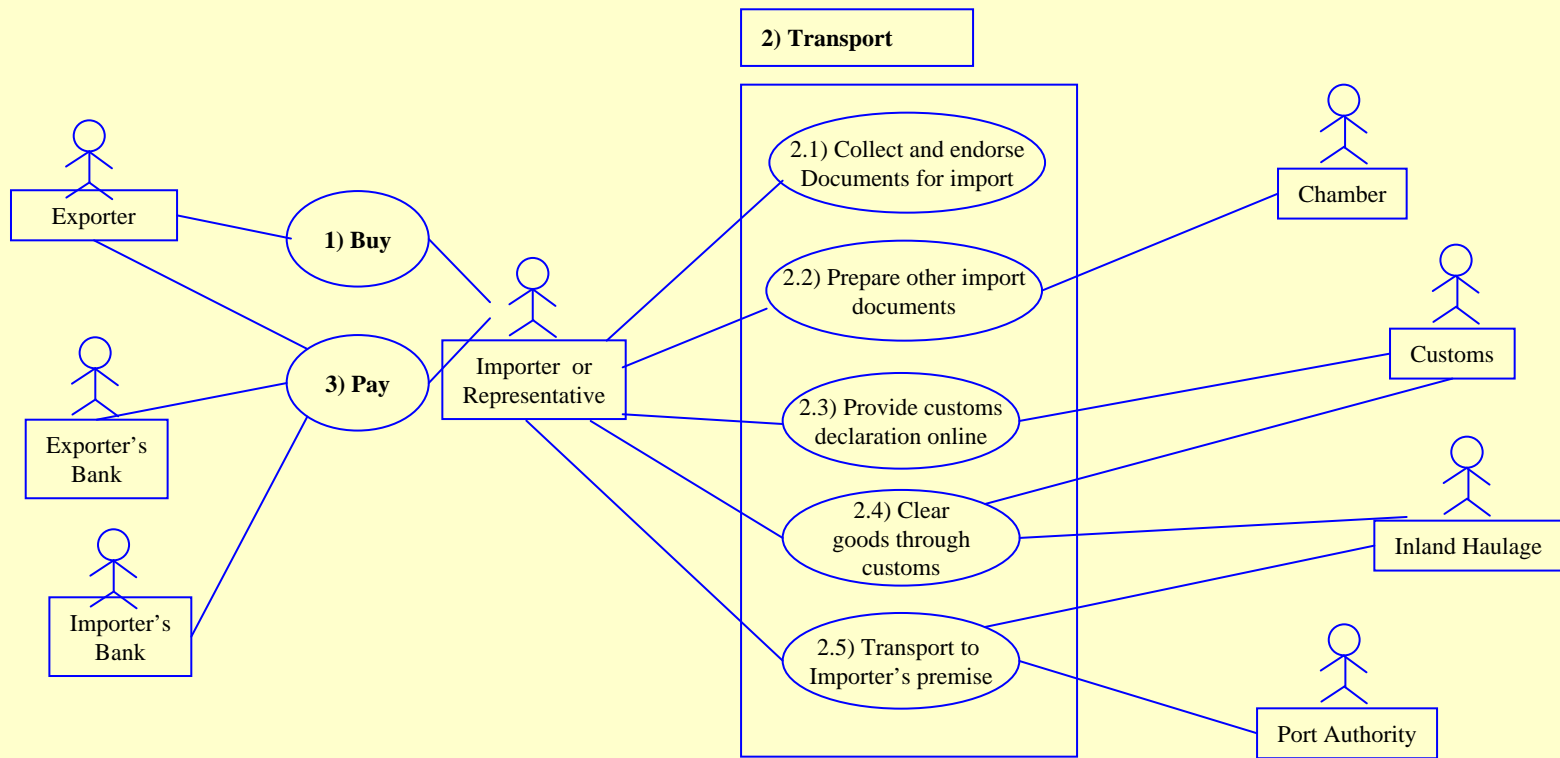


2.5. Transport to Importer's Premise

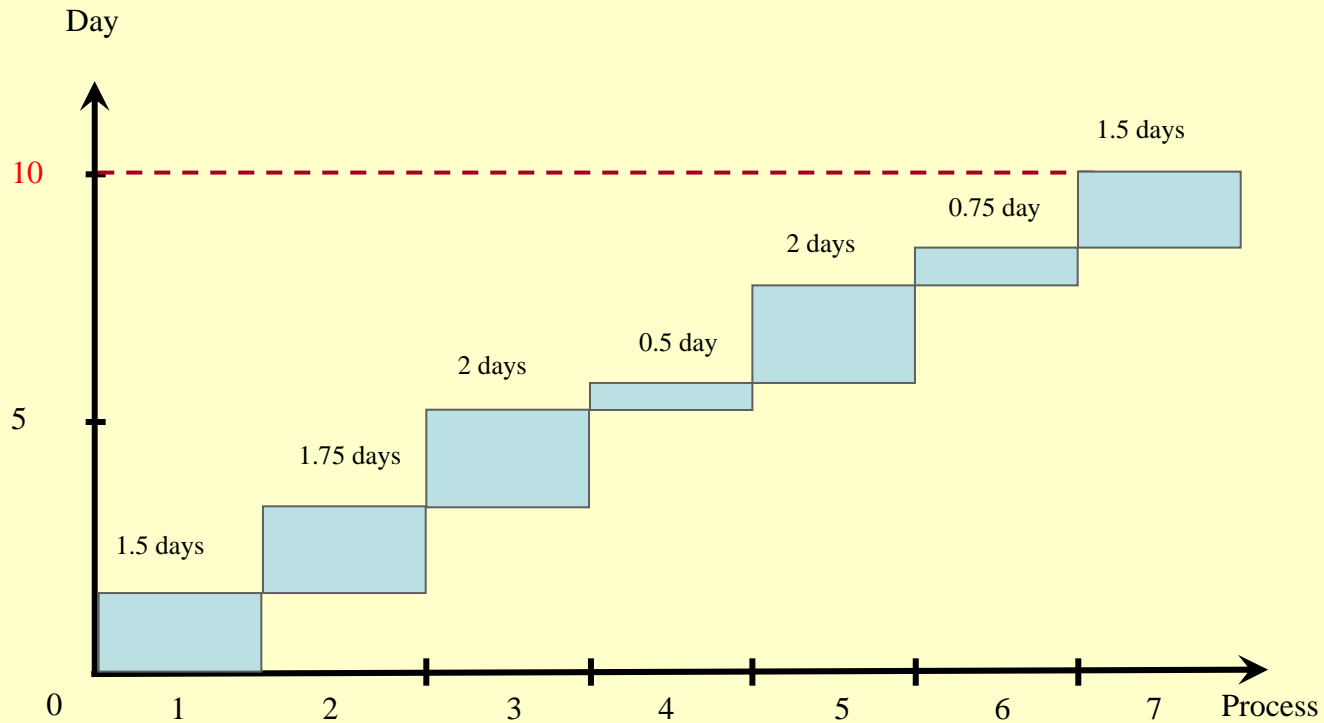




Use Case: Import of Fabrics from India by Land



Time-Procedure Chart from the Business Process Analysis of Cotton-Fabrics Import from India

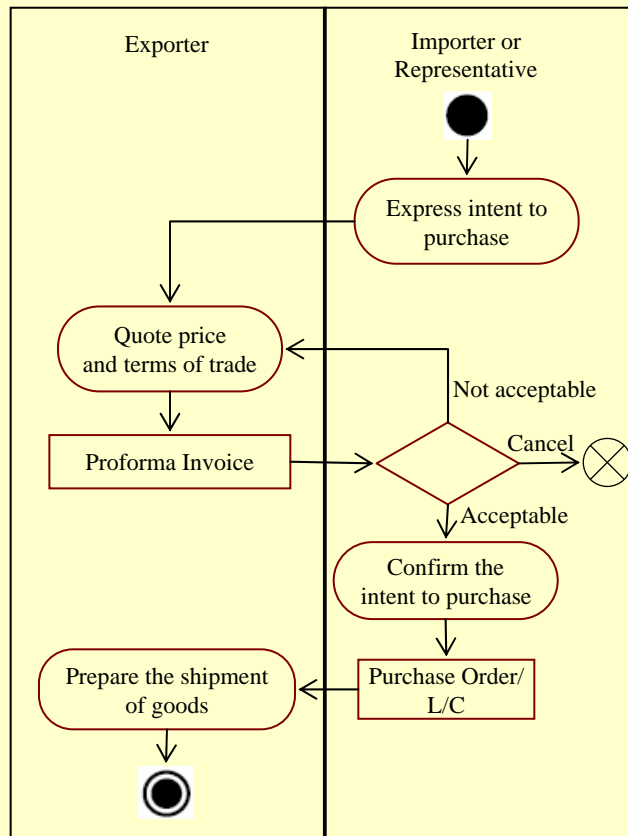


1. Buy - Conclude sales contract and trade terms
2. Collect and endorse documents for import
3. Prepare other import documents
4. Provide customs declaration

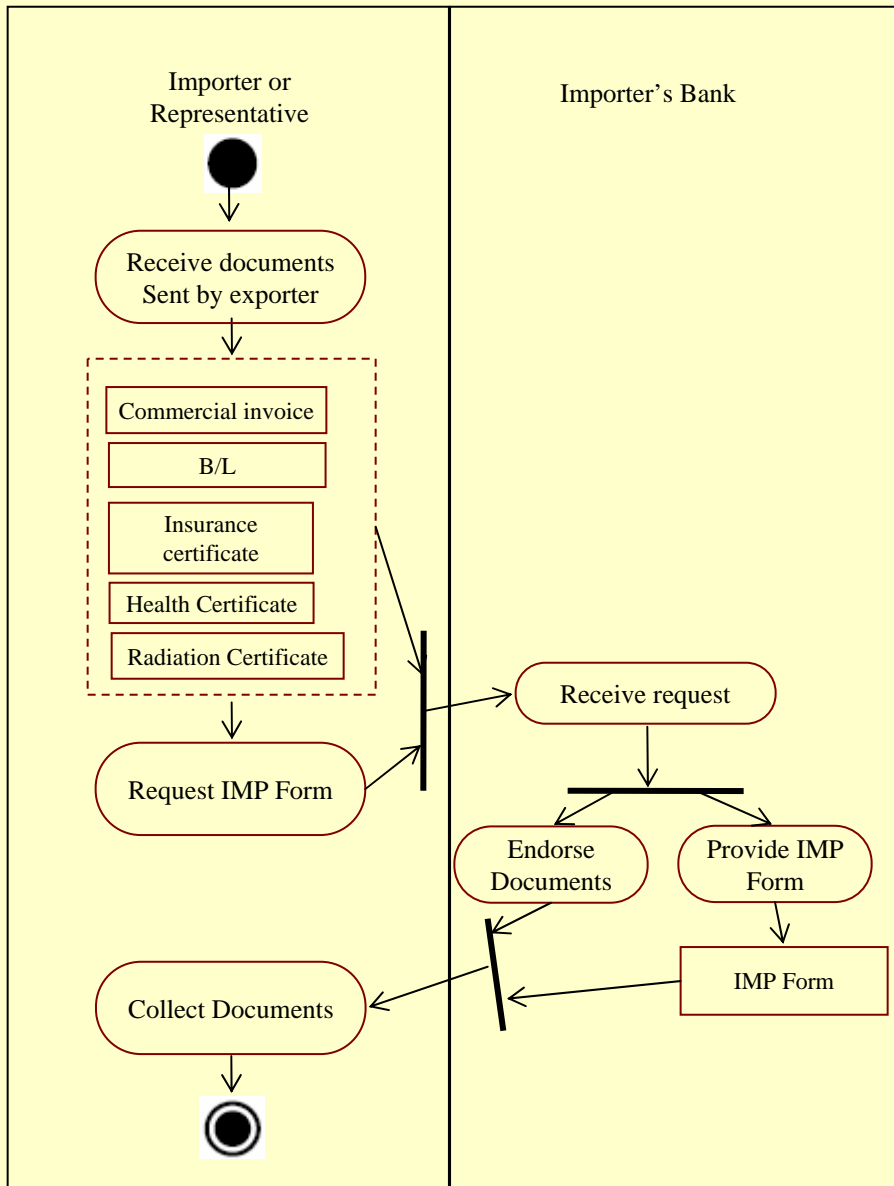
5. Clear goods through customs
6. Transport to importer's premise
7. Pay – Verify claim for payment

Business Processes of Sugar Import from Thailand

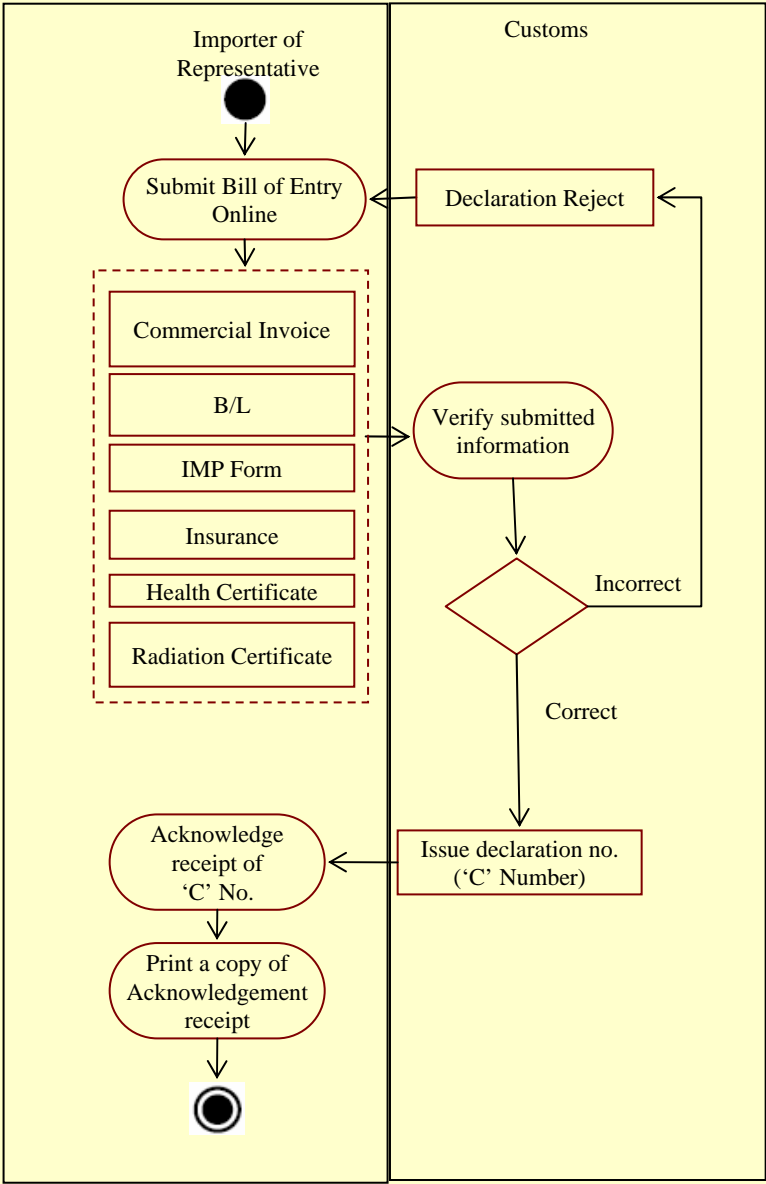
1. Buy



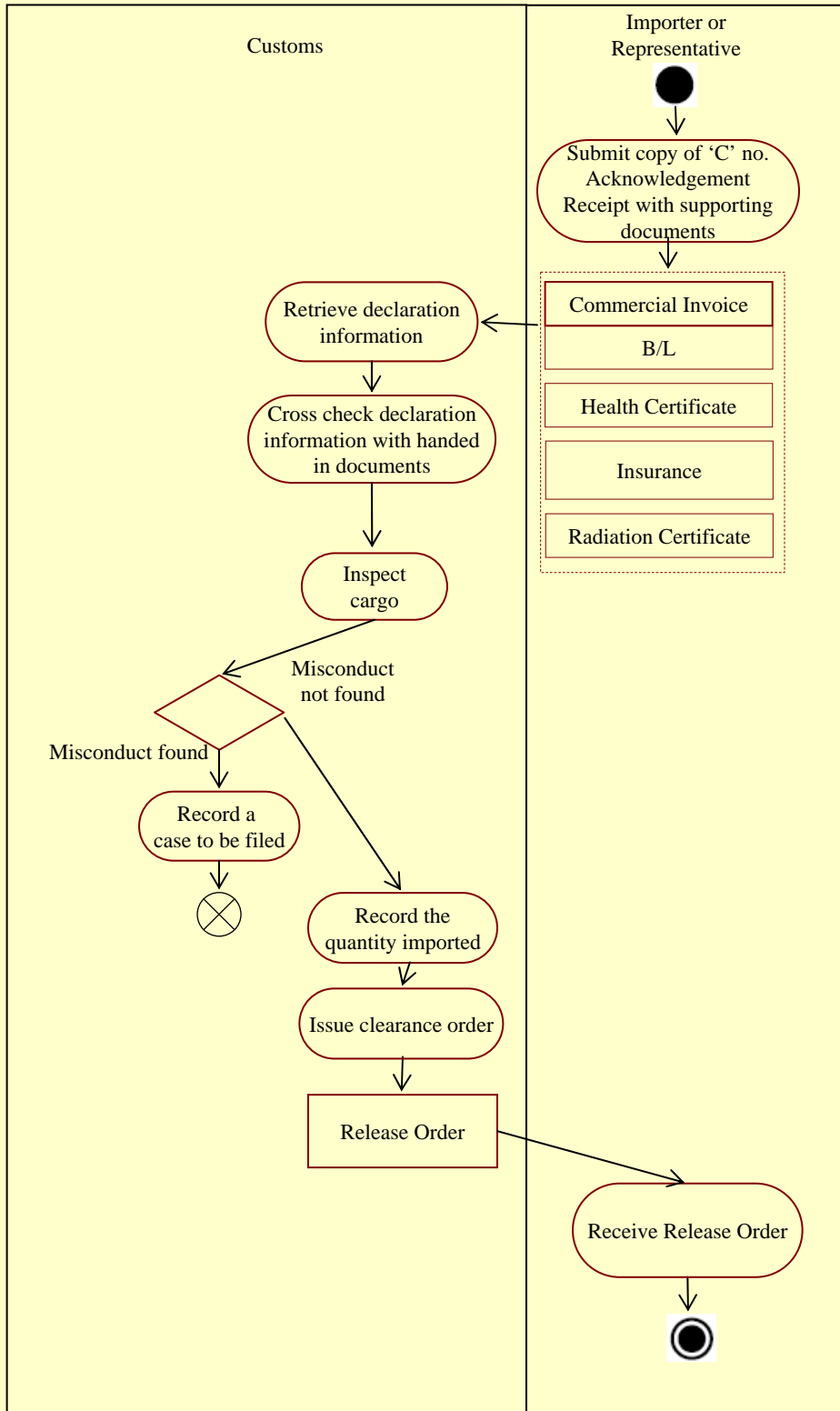
2.1. Collect and Endorse Documents for Import



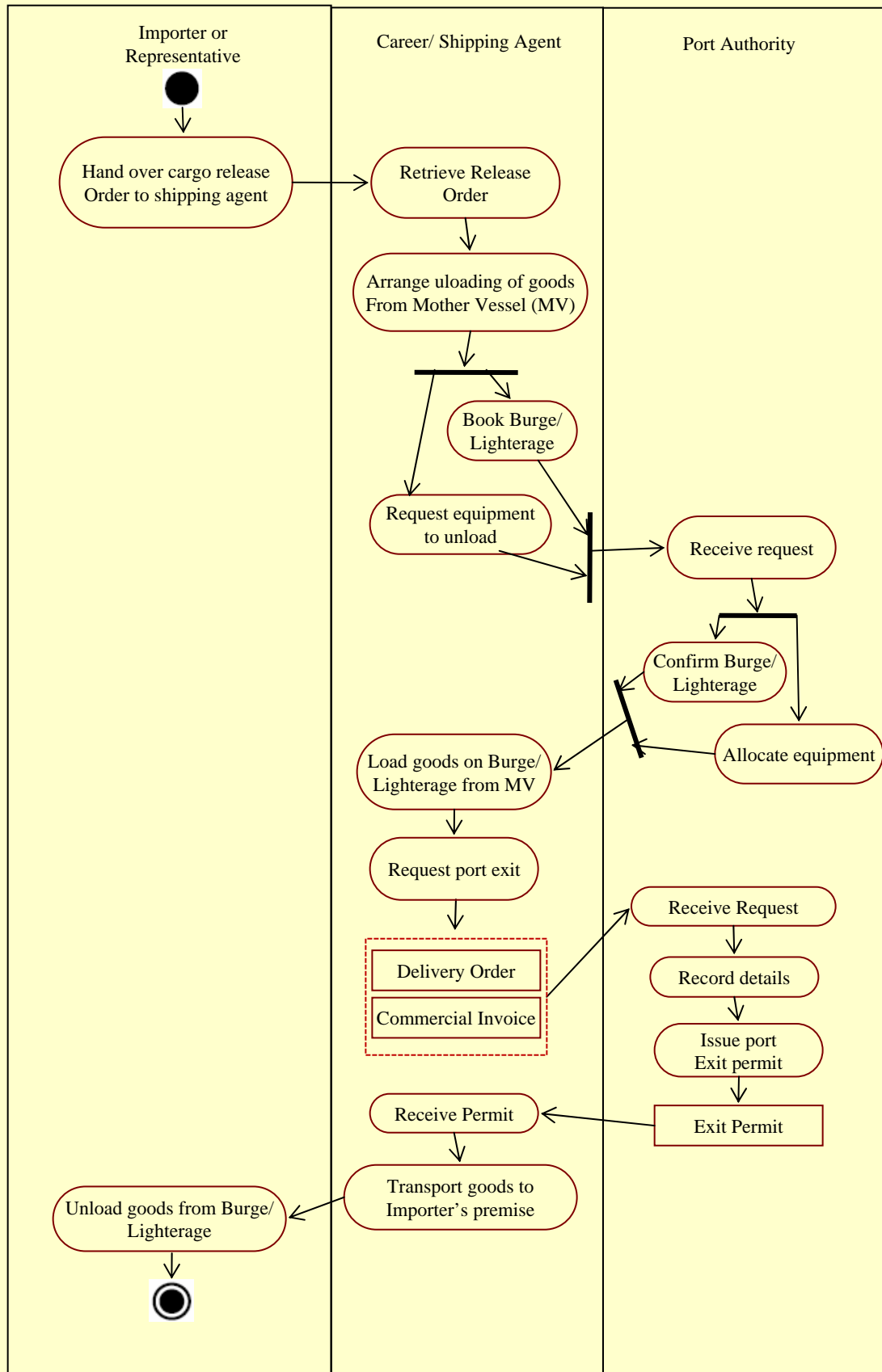
2.2. Provide customs declaration Online

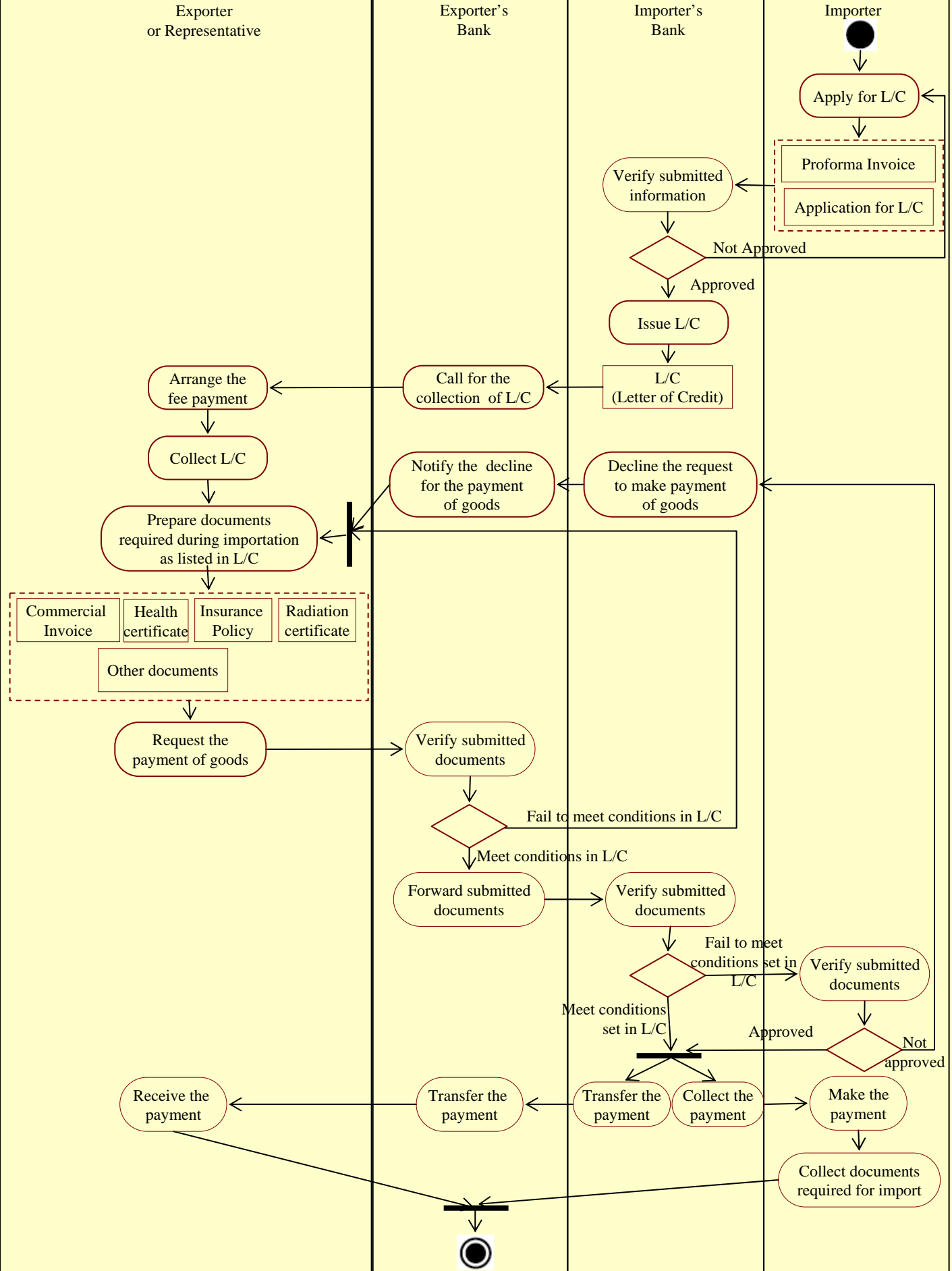


2.3. Clear Goods through Customs



2.4. Transport Goods to Importer's Premise





Exporter or Representative

Exporter's Bank

Importer's Bank

Importer

Arrange the fee payment

Collect L/C

Prepare documents required during importation as listed in L/C

Commercial Invoice

Health certificate

Insurance Policy

Radiation certificate

Other documents

Request the payment of goods

Receive the payment

Call for the collection of L/C

Notify the decline for the payment of goods

Verify submitted documents

Forward submitted documents

Transfer the payment

Verify submitted information

Issue L/C

L/C Letter of Credit

Decline the request to make payment of goods

Verify submitted documents

Transfer the payment

Collect the payment

Apply for L/C

Proforma Invoice

Application for L/C

Not Approved

Approved

Fail to meet conditions in L/C

Meet conditions in L/C

Fail to meet conditions set in L/C

Meet conditions set in L/C

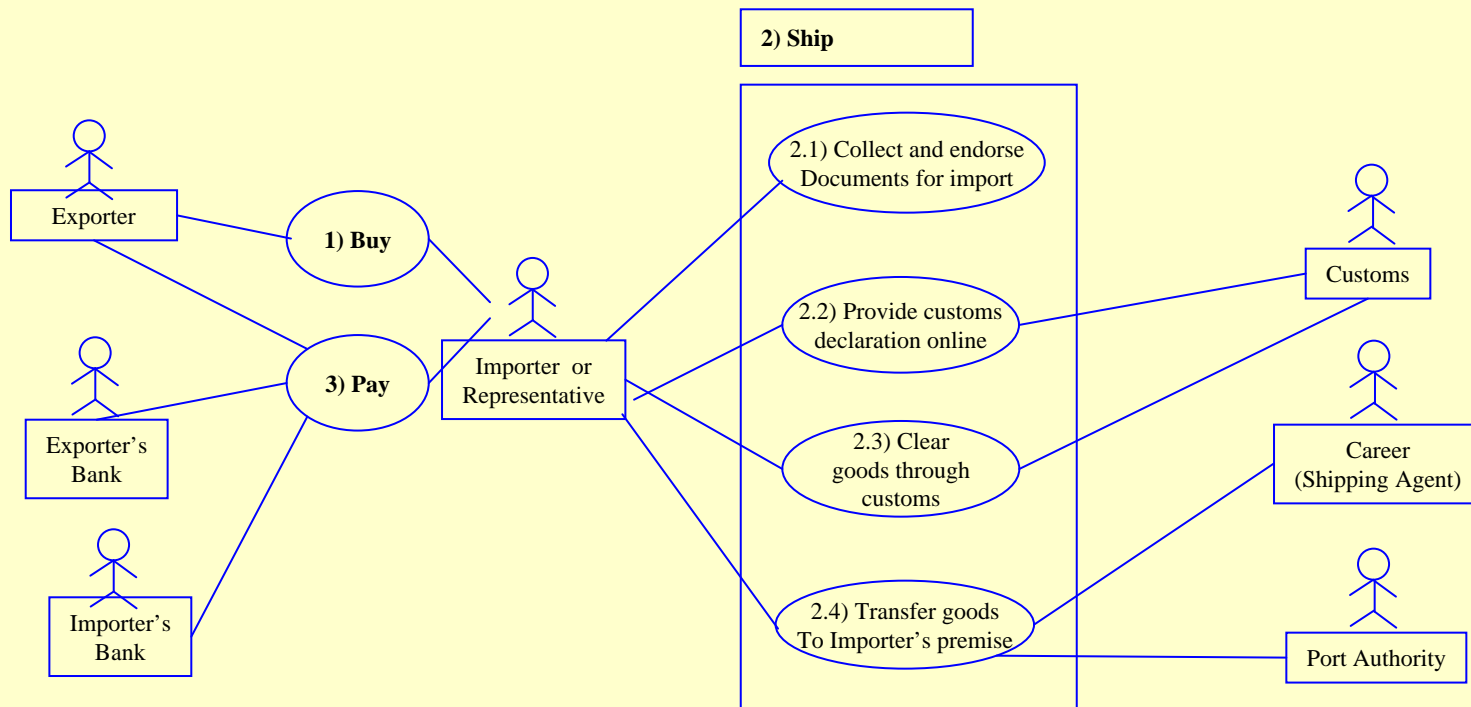
Approved

Not approved

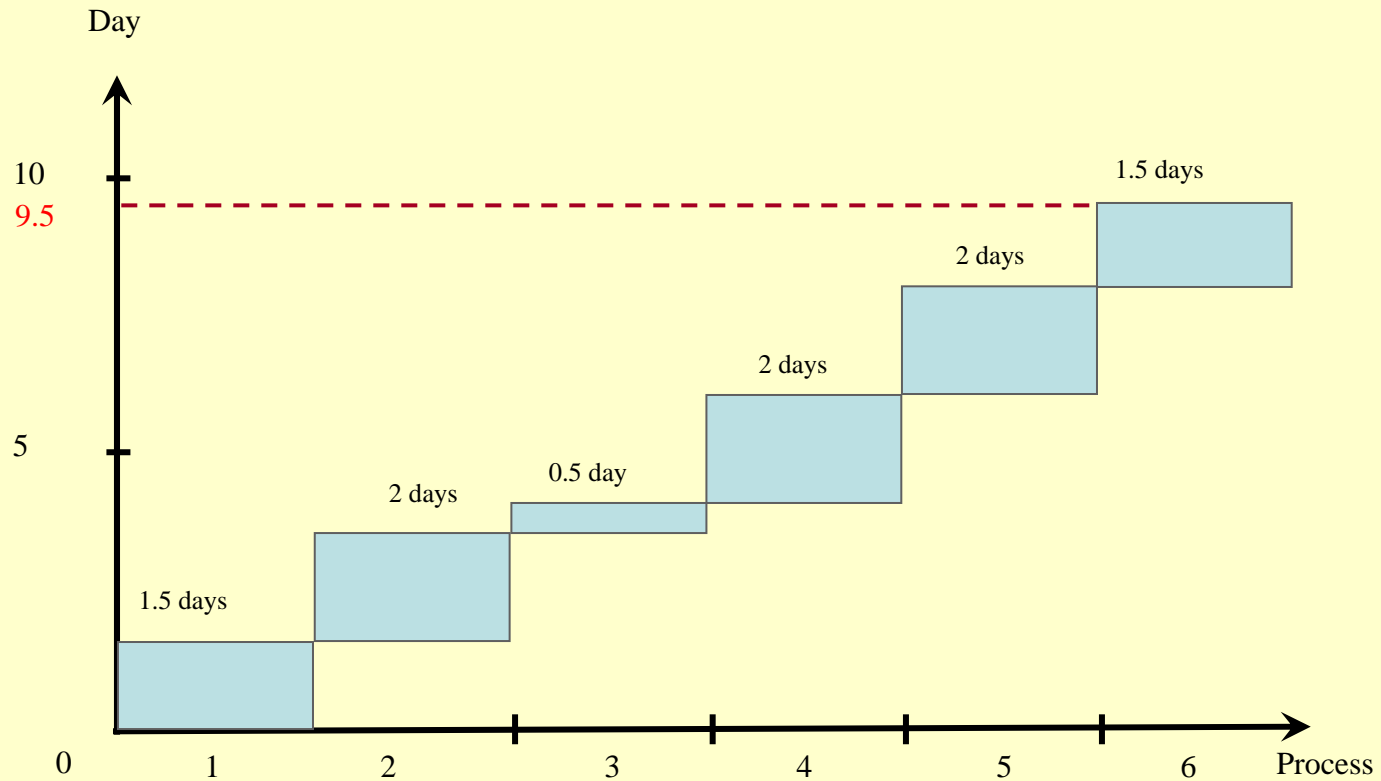
Make the payment

Collect documents required for import

Use Case: Import of Sugar from Thailand



Time-Procedure Chart from the Business Process Analysis of Sugar Import from Thailand



1. Buy - Conclude sales contract and trade terms
2. Collect and endorse documents for import
3. Provide customs declaration online

4. Clear goods through customs
5. Transport to importer's premise
6. Pay - Verify claim for payment