



The Scoping Study on Paperless Trade Reform in Bangladesh

Prepared for: **Promoting Knowledge for Accountable Systems (PROKAS)**,
British Council, in association with Palladium, and WISE
Development

Prepared By: **Bangladesh Foreign Trade Institute (BFTI)**

Dhaka, Bangladesh.

August, 2017.

FOREWORD

Bangladesh Foreign Trade Institute, Dhaka, Bangladesh, has already to its credit the successful completion of quite a few original research works in the arena of trade. But none, to my view, has so far been as original as the present scoping study on paperless trade. Bangladesh's signing of the Framework Agreement on cross-border paperless trade of the UN-ESCAP will, hopefully, have gotten the Cabinet approval by the time this study is presented to the authorities of PROKAS—Promoting Knowledge for Accountable Systems—programme leading to ratification of the same at a suitably later date. I venture to call it truly original as this scoping study, along with the other follow-up research works coming in its trains, will be the first of its kind in the country and, whenever it occurs, elsewhere in the Asia-Pacific region, as it is a brand new area of trade, although various other international trade agreements, including the Trade Facilitation Agreement of the WTO, are sometimes tangential to, or closely parallel with, this agreement.

There is a growing recognition around the world in recent years for the need to ensure greater efficiency and security of international supply chains, the need to reduce clearance time by simplifying trade clearance processes, and the need to reduce trade transaction costs. The current emphasis is therefore on identifying ways to move away from a paper-based document system towards paperless information exchange, as paperless trade is viewed as an important mechanism to ensure transparency and reduce time and trade-related costs.

The Government of Bangladesh is committed to implement paperless trade, and has ratified the WTO Trade Facilitation Agreement. It has already undertaken a number of reform programmes and initiatives, in many cases with technical assistance from development partners, to facilitate paperless trade. However, there are areas that are still untapped, and require immediate attention and focus from the Government.

The DFID has come forward to support Bangladesh's efforts to implement paperless trade through the PROKAS programme being implemented by British Council, in association with Palladium, and WISE Development. This initiative to conduct a Scoping Study for paperless trade in Bangladesh is an extremely useful and timely one. The Scoping Study made an initial assessment of the capacity of different trade related agencies, actions already undertaken by government agencies, regulatory as well as policy gaps in implementing paperless trade, potential interest groups i.e. possible winners and losers of the reform process, and possible ways of inclusion of marginalised groups including, SMEs, women and young entrepreneurs, into formal trade through implementation of paperless trade. In addition, the Study proposed a number of recommendations related to in-depth studies/analyses, and awareness building initiatives/motivational programmes for facilitating paperless trade, and added an Action Plan for the PROKASH programme.

I congratulate the PROKAS programme for undertaking this initiative and hope that this report will provide the policymakers of the Government and stakeholders with an effective guideline for conducting in-depth studies for proper assessment of constraints, needed initiatives, interest group dynamics and other policy support issues to bring the relevant stakeholders on board for paperless

trade. It will also assist donor agencies/development partners' efforts in supporting the Government and other agencies to conduct in-depth studies with a view to having a proper understanding of the realities, opportunities, strengths and gaps in implementing paperless trade, and extending support measures for effective implementation of the same.

The BFTI has received strong support, encouragement and patronage from the Ministry of Commerce, including from hon'ble Commerce Minister, Mr. Tofail Ahmed, M.P., and the Senior Secretary, Mr. Shubhashish Bose, throughout the duration of the study. Debts to a number of individuals, whose support and cooperation have contributed in improving the quality of this study, should be acknowledged. The BFTI is heavily indebted to Dr. Md. Khairuzzaman Mozumder, Chief of Party, and Dr. Mohammad Abu Yusuf, Customs Specialist, of USAID Bangladesh Trade Facilitation Activity, for their continuous support, assistance and guidance. Thanks are also due to Mr. Md. Nojibur Rahman, Senior Secretary, Internal Resources Division, and Chairman, National Board of Revenue, and the many other eminent persons of the country, who took pains to attend the Focus Group Discussion and the Validation workshop for the study and enriched the scoping study in many ways. I would especially like to put on record my deep appreciation of the contributions made by the research team of the BFTI, but for whose untiring efforts the report would not have been what it is now.

Finally, on behalf of the BFTI, I express my sincere thanks and gratitude to British council/PROKAS Team Leader Ms. Catherine M Cecil, and Mr. Showkat Ali Waresi, Deputy Team Leader, for keeping their confidence in the BFTI in conducting the study.

I wish PROKAS a continued success in the days ahead.

Dhaka, August, 2017.



(Ali Ahmed)
Chief Executive Officer

Contents

ACRONYMS	5
Introduction	Error! Bookmark not defined.
Methodology	Error! Bookmark not defined.
Chapter One: Opportunities & Challenges for Paper-less Trade Reforms	Error! Bookmark not defined.
1.1 Facilitating Paperless Trade: Potential Opportunities for Reform	Error! Bookmark not defined.
1.2 Facilitating Paperless Trade: Constraints to Reform.....	Error! Bookmark not defined.
Chapter Two: Capacity Assessment & Gap Analysis in Implementing Reforms.	Error! Bookmark not defined.
2.1 Government Capacity and Its Efforts to Implement Paperless Trade	Error! Bookmark not defined.
2.2 Gap Analysis on Implementation of Paperless Trade	Error! Bookmark not defined.
Chapter Three: Potential Groups with Positive/Negative Interests in Reforms ...	Error! Bookmark not defined.
3.1 Stakeholders' Perception Analysis.....	Error! Bookmark not defined.
3.2 Relative Clout of Different Interest Groups/Stakeholders	Error! Bookmark not defined.
3.3 Probable Risks in Implementing Paperless Trade.....	Error! Bookmark not defined.
Chapter Four: Inclusion of Marginalised Groups	Error! Bookmark not defined.
4.1 Small and Medium-Sized Enterprises.....	Error! Bookmark not defined.
4.2 Women Entrepreneurs	Error! Bookmark not defined.
4.3 Youth Entrepreneurs	Error! Bookmark not defined.
Chapter Five: Conclusions and recommendations	Error! Bookmark not defined.
References:	Error! Bookmark not defined.
Appendix 1: Action Plan under the PROKAS Programme	Error! Bookmark not defined.

ACRONYMS

ADB	Asian Development Bank
AEO	Authorised Economic Operator
ASYCUDA	Automated System for Customs Data
AWB	Air Way Bill
BAEC	Bangladesh Atomic Energy Commission
BBS	Bangladesh Bureau of Statistics
BSTI	Bangladesh Standards and Testing Institute
C&F	Clearing and Forwarding
CBM	Coordinated Border Management
CCI&E	Chief Controller of Imports and Exports
CM	Certification Mark
CoO	Country of Origin
DAE	Department of Agricultural Extension
EPB	Export Promotion Bureau
EPZ	Export Processing Zone
EU	European Union
FGD	Focus Group Discussion
GESI	Gender Equality and Social Inclusion
IATA	International Air Transport Association
ICD	Inland Container Depot
ICT	Information and Communication Technology
INGO	International Non-Government Organisation
IPEC	India Pacific Economic Corridor
LC	Letter of Credit
LDC	Least Developed Country
MoC	Ministry of Commerce
NBR	National Board of Revenue
NGO	Non-Government Organisation
NTB	Non-Tariff Barrier
OGA	Other Government Agency
OLM	Online licensing module
PAP	Pre-Arrival Processing
RKC	Revised KYOTO Convention

RM	Risk Management
RoO	Rules of Origin
SASEC	South Asia Sub-regional Economic Cooperation
SME	Small and medium enterprise
SRO	Statutory Regulatory Order
SW	Single Window
TFA	Trade Facilitation Agreement
TRS	Time Release Study
WBG	World Bank Group
WCO	World Customs Organisation
WTO	World Trade Organisation
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USAID	United States Agency for International Development