

Modernizing Bhutan's border management ecosystem to facilitate the safe trade of agri-food products

The Parties understand that the present document constitutes preparatory work that reflects the Parties' intentions in relation to the Project. The present document shall not be regarded as a contractual document binding on the Parties. The Parties' intentions hereunder shall be formalized by subsequent written agreement, subject to ITC internal approval procedures.

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1. SUMMARY TABLE

Project title	Modernizing Bhutan's border management ecosystem to facilitate the safe trade of agri-food products
Objective	Improve Bhutan's border management ecosystem to tackle SPS compliance issues
Budget requested from STDF	US\$ 986,888
Total project value	US\$ 1,273,872.50
Full name and contact details of the requesting organization	Bhutan Food and Drug Authority (BFDA) Gyem Bidha Director Post Box 1071, Thimphu, Bhutan Website: https://www.bafra.gov.bt/
Full name and contact details of the implementing agency	International Trade Centre (ITC) Pierre Bonthonneau Senior Trade Facilitation Adviser 54-56 Rue de Montbrillant, 1202 Geneva, Switzerland Phone: +41 22 730 01 19 E-mail: bonthonneau@intracen.org Website: www.intracen.org

2. BACKGROUND & CONTEXT

2.1. Summary

Bhutan faces a unique set of challenges in ensuring the safety – without compromising the efficiency and facilitation – of its cross-border trade in agricultural and food products, including:

- Limited capacity to implement SPS measures and, in general, border inspections at border areas through an efficient, systematic and scientific risk-based approach, compromising the quality and safety of products destined to both exports and imports;
- Unpredictable cross-border trade requirements and lack of coordination and dialogue among Bhutan's own border regulatory agencies (BRAs) and between Bhutan and neighbouring countries' border authorities;
- Costly delays and waiting times of Bhutanese food products at borders due to non-recognition of Bhutan's certificates or double testing enforced by neighbouring trading partners;
- Weak capacity of hard' and 'soft' SPS/quality management infrastructure of the Bhutan Food and Drug Authority (BFDA) and other concerned agencies – including techniques and capacities for sampling, testing, inspection and certification.

This project proposal is the result of a project preparation grant (PPG) for the Royal Government of Bhutan titled "Strengthening Bhutan's Border Inspection and Control Capacities" (STDF/PPG/734), approved by the Standards and Trade Development Facility (STDF) Working Group and started on 15 September 2021. The aim of the PPG was to examine the existing frameworks and systems for border

management, including enforcement of SPS and biosecurity measures, border inspections, certification and existing laboratory capacity. The final goal is to identify gaps, assess critical needs and develop a focused project proposal to improve Bhutan's overall border management ecosystem for imports and exports with a view to facilitate trade while achieving the expected level of protection against SPS risks.

To be implemented in partnership by the Bhutan Food and Drug Authority (BFDA) and the International Trade Centre (ITC), with funding from the Standards and Trade Development Facility (STDF), the proposed project will seek to address these challenges by implementing targeted reforms and solutions at the intersection of SPS regulatory compliance, border management and trade facilitation.

At the end of this project, the results that will be achieved would include:

- Institutionalized risk-based approach to border inspections and SPS compliance and enhanced national risk management capacities of BFDA and other key border regulatory agencies (BRAs);
- More efficient and coordinated approach to border management and stronger institutional dialogue at the national, bilateral and regional levels;
- Enhanced transparency and access to trade-related information on trade facilitation and SPS measures;
- Strengthened 'soft' SPS capacity, infrastructure and frameworks of BFDA and other concerned agencies;
- Enhanced capacity of Bhutan to comply with SPS and trade facilitation multilateral requirements and international best practices in view of its accession to the World Trade Organization (WTO).

With a view to enhance SPS compliance in the least-restrictive manner for trade, emphasis is placed on improving the risk management practices of key regulatory agencies and the National Plant Protection Organization (NPPO), as well as on building their capacity to conduct risk-based inspections to address plant health and pest-related phytosanitary issues. In this regard, the key beneficiaries of technical assistance under the project include BFDA as the NPPO (responsible for national biosecurity and whose primary mandate is to implement effective biosecurity measures to protect the agriculture farming system, plant health and public health from risks of entry, establishment and spread of exotic and or notifiable pests and diseases, as well as the Department of Revenue and Customs (DRC) for its primary role in enforcing border regulations and implementing risk management practices. Complementing already ongoing efforts of the NPPO to enforce SPS-related compliance, including pest-related phytosanitary certifications, the project will focus on modernizing customs and other BRA's operations at border so that SPS measures can have a greater impact without unnecessarily delaying the movements of goods. Given their mandate in conducting pest risk analysis, Bhutan's National Plant Protection Centre (NPPC) may be invited to participate in project activities and benefit from capacity-building interventions foreseen under the project.

In addressing SPS issues and procedural obstacles to trade at Bhutan's borders, the project will introduce gender considerations into border management and trade facilitation by advocating gender-sensitive practices at borders, supporting the design and implementation of gender-responsive trade facilitation reforms to address the identified border challenges and raising awareness on gender issues and women traders' specific needs among border authorities. Moreover, the project will seek to identify women-owned small and medium-sized enterprises (SMEs) to be involved in awareness-raising and certification activities. The project will also aim, to the extent possible, to raise awareness on ways to reduce sources of waste at Bhutan's border stations.

Emphasis on capacity development and building is placed on all project activities. In particular, the proposed initiative seeks to provide advanced capacity-building activities across each output to ensure that the knowledge on national, regional and international best-practices, including in the area of SPS-related certification and inspection, is internalized by the concerned BRAs' personnel, including the NPPO.

This proposed project rests on an innovative approach to address Bhutan's SPS challenges through a stronger and more efficient border management ecosystem, which calls for trade facilitation reforms and solutions. For this reason, it is fully aligned to STDF's vision of delivering innovative and cross-cutting projects. In particular, the proposed project builds upon previous and existing initiatives – at the national and sub-regional level – funded and implemented by other partners, including the European

Union and the World Bank, and creates opportunities for synergies with other technical assistance initiatives.

This project proposal is submitted to STDF given STDF's mandate to foster new ways of building knowledge and capacity on SPS requirements and fund innovative and cross-cutting projects addressing SPS issues, as well as the ability to mobilize a global knowledge hub and synergies with other donors and implementing agencies.

To conclude, STDF should fund this proposed project because:

- It is built on a uniquely innovative and cross-cutting approach at the intersection of SPS, trade facilitation and border management;
- It promotes a collaborative approach among national stakeholders in the public and private sectors, as well as fostering a cross-border harmonization of SPS measures and mutual recognition by establishing SPS regulatory network forums/platforms;
- It creates opportunities for synergies with other donors, development agencies and implementing partners' initiatives/projects in this technical area and geographical sub-region;
- It endeavours to mainstream gender and environmental considerations into trade facilitation reforms and instruments that will be implemented to address Bhutan's SPS compliance and border management issues.

2.2. Short summary (for web & other corporate documents) – Max. no. of words 150

This project seeks to address some of the issues that Royal Government of Bhutan faces in ensuring the efficiency and safety of cross-border trade in agricultural and food products at, behind and beyond its borders. Implemented in partnership by the Bhutan Food and Drug Authority (BFDA) and ITC with funding from the Standards and Trade Development Facility (STDF), this project is uniquely positioned to support Bhutan in responding to its border management challenges, including weak SPS compliance and risk-based controls, as it leverages solutions at the intersection of trade facilitation, border management and quality compliance. The project value is below USD 1 million and the duration will be 3 years starting from March 2024.

2.3. Situation analysis

Bhutan is a landlocked country bordered by India in the west, east and south, and China in the north. Its size is of approximately 38,394 square kilometres, and mostly consist of mountains, hills and deep valleys with limited flat land in southern bordering areas. It has 71.4% forest cover and limited arable land. Most of the people live in rural areas (69%) and depend on subsistence agriculture and livestock for livelihood. Bhutan is also considered as one of the top ten hotspot of biological diversity and has strong environmental conservation policy. The constitution of Bhutan states that the country shall maintain 60% forest cover forever.

The GDP of Bhutan was USD 2.54 billion in 2021 and is expected to double by 2029, which will coincide with the end of Bhutan's 13th Five Year Plan (FYP) 2024-2029, by boosting the manufacturing sectors¹². The GDP per capita was USD 3,266.4 in 2021³. Agriculture, livestock and forestry sector contributed 19.7% of GDP, and it is the 3rd highest contributor besides service and industry sectors. It is estimated that 12% of the population (mostly living in the rural areas) lived below USD 3.20/day in 2017⁴.

Bhutan has also announced that it will resume accession to WTO membership, after suspending its accession for nearly a decade. Therefore, harmonizing Bhutan's trade facilitation (TF) and sanitary and

¹ <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=BT>

² <https://kuenselonline.com/bhutan-aims-usd-5b-gdp-by-2029-usd-10b-by-2034/>

³ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=BT>

⁴ https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global_POVEQ_BTN.pdf

phytosanitary (SPS) measures to international standards and consistent with the WTO Trade Facilitation Agreement (TFA) and SPS Agreement would be timely.

Bhutan is largely an import-driven economy, particularly of food products that accounted for 16% of total value imported amounting to Bhutanese Ngultrum (BTN) 66.9 billion in 2017 – approximately USD 803 million. Bhutan's main food import items include rice, fresh vegetables, meat, fish, dairy products, fruits and oil, amongst others. On the export side, Bhutan's main exported agricultural products include mandarins, apples, ginger, cardamom, vegetables and highly valued products such as Matsutake mushroom (*Tricholoma matsutake*) and caterpillar fungus (*Cordyceps sinensis*). There is also a growing trend in food producers including packaged drinking spring and natural water to export to India and other countries. The Ministry of Agriculture and Livestock (MOAL) identified the promotion of agricultural export commodities to niche regional and international markets as one of its priorities. The Royal Government of Bhutan has also initiated flagship programmes to promote cottage and small industries and organic farming in the country.

While striving to modernize its economy and diversify its agricultural products, Bhutan faces an ever-increasing flow of goods through international trade which poses a growing number of risks to manage at the border to ensure the safety of plant, animal and human health. In addition, changing global climatic conditions, land use patterns, evolving eating and cooking patterns and environmental risks entail greater emphasis on ensuring environmental sustainability – both within the country and across the border.

Amidst these increasing challenges, Bhutan's capacity to effectively manage risks at the border remains relatively underdeveloped. Bhutan currently has a system of carrying out case-by-case border inspections of imported food and agricultural products with the aim to ensure food safety and to manage biosecurity risks. However, Bhutan's BRAs conduct inspections, sampling and testing of food and agricultural products at entry points on a random basis (based on available human resources and budget), which are not based on international best practices.

It is also worth noting that Bhutan imports large quantities of food and agricultural products from neighbouring countries to meet its domestic food demand. However, it has in place weak border import control measures, which impedes effective import clearance and trade facilitation, causing difficulties for the importers as well as the regulators.

Considering the challenges described, Bhutan seeks to strengthen its border inspection control and risk management system, and to base it on sound science-based risk assessment and management. Such system will enable Bhutan to put in place practical regulatory measures, improve institutional capacity and human resources to ensure food safety and to protect human, animal and plant health while improving border management practices to facilitate safe trade. In doing so, Bhutan aims at strengthening its overall border management environment through targeted trade facilitation reforms and institutional mechanisms that can drive forward these reforms in the country.

2.4. Synergies with other initiatives and lessons learned from past projects

ITC implemented the EU-Bhutan Trade Support project from May 2018 until August 2022, funded by the European Union (EU). The main objective of the project was to increase incomes in two value chains – horticulture and textile handicraft (selected according to their potential for value addition) to contribute to Bhutan's economic growth and poverty reduction. The project provided trade capacity-building and technical assistance, with a strong focus on training and skills development.

This proposed project will seek to build upon and reinforce the pool of beneficiaries already identified and strengthened and focus efforts on capacity-building and skills development to bring national trade-related capacities at par with international best practices.

Another identified area of need, building upon the previous technical assistance project's activities and results achieved thus far, is the continuation of the activities to strengthen BFDA and other BRAs' capacity in SPS measures and export procedures, as well as the accreditation process for BFDA and national laboratories and the certification of Bhutanese SMEs to strengthen their competitiveness.

During the past project, gaps were found in conducting timely testing of exports and imports products by national institutions, as well as challenges in providing efficient certification services to SMEs. Initial work under this past project was conducted to strengthen BFDA's capacity to modernize its conformity assessment activities and provide certification services for SMEs. As part of the activities, initial capacity-building was provided to BFDA officials on understanding the requirements of ISO ISO/IEC 17021, ISO/IEC 19011 and ISO 22000:2018. Moreover, a series of training programmes were conducted for SMEs to understand and implement the requirements of Codex HACCP. However, the work on the accreditation of BFDA against these standards could not be completed within the time frame of the project. For this reason, in this new project technical assistance will be provided to i) continue and, based on needs, expand previous support to BFDA to obtain accreditation for ISO and other standards and ii) SMEs to comply with the requirements of various food safety standards/quality management systems and obtain certification from BFDA.

Drawing also from other projects implemented by ITC at the intersection of trade facilitation and food safety, this project will build upon the principle that, while there cannot be any compromise in regulatory compliance with quality and technical standards, there is an ever-stronger need for tackling the challenges of regulatory compliance from the 'procedural' angle by improving border agency coordination and the overall trade facilitation environment at, behind and beyond the border.

2.5. Project origin

The Royal Government of Bhutan requested specialized support to address food products' safety and compliance issues with SPS and border requirements and improve and modernize its border management frameworks and practices for more effective food import controls and competitive exports. To fill these gaps, BFDA submitted a project preparation grant (PPG) titled "Strengthening Bhutan's Border Inspection and Control Capacities" (STDF/PPG/734), for funding to STDF to examine the current legal framework, existing border control systems, including border inspection and certification, and existing laboratory systems, with the aim to identify gaps, assess critical needs and identify possible corrective measures. Under this PPG, a first field assessment was conducted in Bhutan by a local expert with the support of BFDA to better understand the ground challenges faced by border authorities and by SMEs. As a result of the assessment, given that many of the identified challenges can be approached and resolved through the lens, measures and tools of trade facilitation, ITC's Trade Facilitation team was involved in the preliminary discussions related to discuss ITC's involvement as implementing partner. In addition, following a consultative meeting held on 26-27 April 2023 in Thimphu, with the participation of STDF, ITC, BFDA, the Department of Revenue and Customs (DRC) and other border agencies, Bhutanese stakeholders discussed and endorsed ITC's participation in the project as main technical implementer and provider of technical assistance due to ITC's expertise in modernizing border management frameworks, enhancing the SPS capacity of public institutions, laboratories and SMEs, and implementing trade facilitation reforms.

3. RELEVANCE

3.1. Needs assessment

Bhutan relies significantly on food imports – especially from neighbouring countries – to meet its domestic food demand. In 2021, it is estimated that Bhutan imported food commodities worth BTN 11.02 billion and exported goods of about BTN 3.14 billion – which means an almost four-fold import value than that of exports. The key food and agricultural products that Bhutan imported – mainly from neighbouring countries – include rice, fresh vegetables, meat, fish, dairy products, fruits and oil, amongst others⁵.

In view of such large food import volumes and scarce human and financial resources to cope with them at the border, Bhutan has been facing serious challenges in ensuring the quality and safety of cross-border trade in food and agricultural products while expediting the clearance and release of low-risk

⁵ Business Bhutan, 25 July 2022. Article accessible [here](#).

trade, increasingly exposing the country to the entry and spread of several harmful pests and diseases. The Department of Revenue and Customs and other BRAs such as BFDA, the main SPS agency in the country, have limited capacities to clear efficiently, and with adequate resources, imports of food and agricultural products. To date, border agencies apply summary import controls, which mainly consist in summary documentary examination and visual inspection of the goods, which are not science-based. In addition, shortage of laboratory equipment and facilities for testing and lack of adequate knowledge to conduct modern testing and inspections techniques add up to the challenges faced by Bhutanese border authorities.

An initial field assessment, conducted by BFDA from 12-21 January 2023 and 26-29 January 2023 at Paro International Airport, Phuentsholing, Samtse and Gelephu Official entry points, has revealed a more detailed situation and has allowed to better identify the gaps and needs to improve Bhutan's border management environment with a view to make import controls more efficient, improve the health and life of plants, animals and humans and facilitate the flows of goods not to cause unjustified barriers to cross-border trade. The findings of the initial field mission were validated and corroborated in a consultative meeting held on 26-27 April 2023 in Thimphu, with the participation of STDF, ITC, BFDA, DRC and other border agencies, where stakeholders had the occasion – among others – to discuss in greater depth the scope and technical assistance required under the project.

The key issues that have been identified through this initial field assessment and consultative meeting are:

- **Absence of systematic risk-based food import controls based on scientific and efficiency principles**

Although basic principles and techniques of risk-based inspections are known among BRAs officials in Bhutan, and except for selected food items that have been identified as high-risk by officials of BRAs (such as chilies, beans, cauliflower previously known to contain excess level of pesticides and heavy metals, meat and dairy products), risk-based food import controls are not implemented systematically by border officials and are not founded on scientific principles due to lack of human and financial resources and inadequate training of field officers on the international best practices of risk management principles and processes.

Key BRAs such as BFDA do not have an institutionalized structure for risk analysis, assessment and management and the risk criteria for targeting are not clearly formulated. There is no published list of imported goods, with HS-harmonized tariff classification, categorized on the basis of their potential risk using scientific principles for effective risk identification, assessment and treatment. In addition, as information-sharing and coordination practices among BFDA, DRC and Royal Bhutan Police officials are weak, when agricultural and food products enter the country there is no system in place to alert the respective BRAs that should enforce inspections and testing, which often delays clearing and releasing the goods.

- **Weak information-sharing and coordination mechanisms on SPS and border management issues at the national, bilateral and regional levels**

Lack of coordination among BRAs and weak information-sharing mechanisms at different levels has been assessed as one of the main obstacles for Bhutan's efficient border management.

At the national level, despite the implementation of a partial single window concept through the Integrated Check Points (ICP), duplication of recorded information is observed as the databases of the Department of Revenue and Customs (DRC), BFDA and the Royal Bhutan Police are not integrated and often the same information is required to be entered in the different databases multiple times. It is also observed that there is no proper system or database in place storing the registration and compliance history of exporters, importers and manufacturers or a similar system/database to document, store and publish SPS issues handled and resolved by BFDA.

At the bilateral and regional level, a platform or network among BRAs officials of neighbouring and regional trading partners to meet regularly, exchange prompt information on cross-border requirements (and, often, their overnight change without prior communication) and resolve border management issues when they arise is also absent and creates several obstacles for Bhutan's BRAs and traders.

- **Unpredictability of cross-border trade requirements enforced by neighbouring/regional trading partners and issues of non-recognition of certificates**

Issues of sudden changes in the requirements of trading with neighbouring trading partners – even with free trade agreements (FTAs) in place – have been reported. These requirements are imposed at a very short notice (often within a day's notice or less than a week), thus affecting the smooth flow of trade and sometimes leading to sudden blockages of food exports from Bhutan.

Moreover, as some neighbouring trading partners require an export certificate from Bhutan for food products, there are issues in the neighbouring importing countries of double testing requirements (even if testing has already been carried out in Bhutan by BFDA) or non-recognition of the export (or quality) certificates issued by BFDA or other border agencies due to lack of accreditation and mutual recognition agreements (MRAs). These countries require Bhutan's export products to be tested (or re-tested) in their territory by their national authorities to ensure compliance with national laws and regulations. This causes significant delays as Bhutan's export products are kept at the border gate for 15-20 days waiting to be tested by trading partners' authorities.

- **Lack of awareness/transparency on WTO TFA and SPS agreements and limited business capacity to comply with import/export procedures**

It was found that very few Customs and BRAs officials, as well as private sector representatives, are aware of SPS and TFA agreements' provisions and how those help ensure safe and efficient trade. Moreover, it was found that SMEs are not fully aware and have limited capacity to effectively comply with cross-border trade requirements and procedures, especially those imposed on export or import controls, given that information is not centralized and regularly updated and that the acts regulating control measures for plants and animals do not clearly specify the requirements that must be complied with within the country and in trading partner countries.

- **Weak 'hard' and 'soft' infrastructure to meet compliance with SPS measures and border requirements and limited human capacity for testing, inspection and certification**

Bhutan also lacks adequate 'hard' and 'soft' border infrastructure at the border and central level to ensure the safety of imported products, as well as to ensure the quality of Bhutanese goods destined for exports to high-end markets.

In terms of 'hard infrastructure' gaps, Bhutan lacks adequate laboratory facilities, as well as modern inspection and ICT equipment. In terms of 'soft infrastructure' gaps, it was assessed that the key BRAs' field officials are not properly trained on modern testing and inspection techniques, which in Bhutan mostly consist of documentary checks and visual examination of the goods with limited risk-based sampling and laboratory testing against the list of pathogens. Moreover, there are gaps and duplications in laboratory testing scopes and protocols, i. e. in BFDA and Royal Center for Disease Control (RCDC), which both conduct food testing with similar objectives. Delays also occur in laboratory testing to issue the certificate of analysis (COA). Moreover, new exporters and importers of agricultural, food and animal products who enter the market every year lack the basic knowledge of certification requirements (GHP, GAP, HACCP, etc.) and cannot yet obtain the certifications due to BFDA's present limited capacity to provide certification services.

3.2. Coherence with partner government policies and strategies and the UNSDCF/UNDAF

This project is coherent with the United Nations Sustainable Development Partnership Framework (UNSDPF) for Bhutan 2019-2023 as it strives to promote national and sub-national capacity development as well as economic diversification and resilience as a way to reduce the country's economic vulnerability on its path to graduation from least-developed country (LDC) category to become a lower middle-income country (LMIC).

This project is also fully aligned to the Royal Government of Bhutan's national policies to boost economic growth while facilitating safe trade and will contribute to achieve results in key National Key Result Area (NKRA) of Bhutan's 12th Five Year Plan (FYP) 2018-2023, namely economic diversification (NKRA 2), safe and healthy ecosystem (NKRA 5) and food and nutrition security (NKRA 8), as well as of the upcoming 13th Five Year Plan (FYP) 2024-2029, notably to achieve its Output 6: Regulatory,

monitoring and health security systems strengthened contributing to the national goal of “Healthy Drukylul”.

This project will complement existing governmental initiatives to strengthen Bhutan's biosecurity framework and measures with a view to improve border management, facilitate safe trade and enhance market access of agricultural and food products in line with the principles and objectives of the Bhutan Biosecurity and Food Safety Strategy and Action Plan (2021-2028), developed and published by BFDA in June 2021 (formerly known as BAFRA at that time). In particular, as articulated in this Action Plan, the proposed project will contribute to pursue the stated objectives of i) building support for a strong and integrated biosecurity system for Bhutan, ii) establishing adequate infrastructure and iii) building a dynamic platform/mechanism for information/data-sharing amongst all relevant agencies.

The project will also seek to address the current gaps and optimize the implementation of governmental efforts to make border procedures more efficient towards a 'single window' system implemented through the ICP management framework.

3.3. Competitive analysis

At present, few development partners are currently active in Bhutan in the realm of trade facilitation and SPS compliance, mainly providing financial and infrastructure support – and technical assistance to a lesser extent. For instance, the Asian Development Bank (ADB) is mainly supporting Bhutan with funds to finance energy, transportation and urban-related infrastructure. Few trade facilitation activities are implemented in Bhutan by ADB – and more in a sub-regional 'corridor facilitation' perspective – within the framework of the sub-regional project 'Implementing Trade Facilitation Initiatives under the South Asia Subregional Economic Cooperation Program' which involves Bhutan, Nepal, India, Bangladesh and Sri Lanka, among others. World Bank is also supporting Bhutan mainly through regional initiatives such as the South Asia Regional Trade Facilitation Program (SARTFP) and credit financing of 'green and resilient development' initiatives to help the COVID-19 recovery.

ITC, on its part, has a strong track record of delivering trade-related technical assistance projects at the intersection of trade facilitation, SPS compliance, strengthening of quality management frameworks and improved border management, including in the South Asian region and in Bhutan specifically.

ITC has implemented with successful results the EU-Bhutan Trade Support project (2018-2022), funded by the EU, to improve its business ecosystem and boost selected export value chains. This project has cemented ITC's understanding of local trade-related issues and allowed the establishment of constructive partnerships with the Royal Government of Bhutan and its SPS and trade-related agencies, as well as with private sector associations.

3.4. Coherence with ITC's Strategic Plan

This project contributes to ITC's Strategic Plan's outcome of a **more conducive policy and regulatory environment for MSMEs** – and, to a lesser extent, to the outcome of **improved MSME firm-level capacities to trade**. It does so by directly contributing to two impact areas:

- **Sustainable and resilient value chains**, by improving safe supplies of agricultural and food products imported in Bhutan from neighbouring countries and by promoting the quality of Bhutanese exports through enhanced border management practices and controls.
- **Regional integration and South-South cooperation**, by facilitating dialogue and safe trade of agricultural and good products between Bhutan and its neighbouring/regional trading partners.

3.5. Mainstreaming development markers

	Rating	Rationale
Gender	Level 2	The project will seek to promote and encourage the participation of women in project activities. Disaggregated data, by age and sex, has been integrated in the indicators of the project logical framework and will be reported on accordingly. The project will also seek to introduce gender considerations in border management

		and trade facilitation practices through a dedicated border assessment, capacity-building and awareness-raising events.
Youth	Level 1	The project will seek to promote and encourage youth participation in project activities.
Green growth	Level 1	The project will seek, when possible and relevant, to include and promote awareness/understanding of environmental principles in cross-border trade procedures across project activities.
Social responsibility	Level 1	Where and when relevant and possible, the project will raise awareness on this marker.

3.6. Matrix approach across impact areas and core services

	Improved MSME firm-level capacities to trade	A more supportive business ecosystem for MSMEs	A more conducive policy and regulatory environment for MSMEs	Improved business, trade and market intelligence (public goods)
Sustainable and resilient value chains	20%	20%	30%	
Inclusive trade (women)			20%	
Inclusive trade (youth)				
Inclusive trade (vulnerable groups)				
Green trade				
E-commerce				
Regional integration and South-South trade			10%	
General (non-impact area specific)				
Managing for results (corporate)				

4. STRATEGY

4.1. Implementation strategy

The **impact** of this project is to contribute to Bhutan's economic growth and plant/animal/human safety by facilitating the safe trade of agricultural and food products and enhancing quality of Bhutanese products for increased market access.

The **outcome** of this project is the improved Bhutan's border management ecosystem to tackle SPS compliance issues and procedural obstacles at, behind and beyond Bhutan's borders.

The **expected results** of this project are:

- Institutionalized risk-based approach to border inspections and SPS compliance and enhanced national risk management capacities of BFDA and other key border regulatory agencies (BRAs);
- More efficient and coordinated approach to border management and stronger institutional dialogue at the national, bilateral and regional levels;
- Strengthened 'soft' SPS capacity, infrastructure and frameworks of BFDA and other concerned agencies;
- Enhanced capacity of Bhutan to comply with SPS and trade facilitation multilateral requirements and international best practices in view of its accession to the World Trade Organization (WTO).

The project will have a dual approach: it will seek to modernize border management and SPS control practices of border agencies to ensure the safe trade of agricultural and food products in Bhutan through effective import controls and simultaneously enhance inspection and testing techniques and facilities to

support exports. This will eventually lead to improve market access of Bhutanese agricultural products to neighboring countries and Europe.

To ensure the institutionalization and internal absorption/integration of technical assistance outcomes concerning risk-based approaches to border inspection and SPS compliance, the project will review key national bodies' risk management practices and seek to introduce requirements towards risk and scientific-based approaches to managing risks related to trade at the border and beyond the border. The project will also ensure to set up the suitable institutional framework in these agencies to design, operationalize and sustain modern risk management practices and will put an emphasis on internalizing the necessary knowledge and internationally recognized methodologies – through capacity-building, SOPs and training manuals – to create or update risk profiles, risk indicators and selectivity criteria in a manner that they can lead to rationalized, more efficient and more successful border controls and inspections.

To reach the abovementioned results, the project will achieve the following four (4) outputs:

Output 1: National border and risk management frameworks for risk-based controls for selected BRAs are enhanced to facilitate SPS compliance and the safe trade of agricultural and food products

Activities will include:

- Activity 1.1: Conduct a diagnostic assessment of the current frameworks and practices for risk management and pre-arrival processing (PAP) of BFDA and the Department of Revenue and Customs (DRC);
- Activity 1.2: Formulate key recommendations to improve the risk management and PAP systems;
- Activity 1.3: Build consensus among BFDA and DRC on the recommendations and their prioritization in terms of implementation timeframe and modalities;
- Activity 1.4: Implement selected recommendations to improve the risk management (and PAP) system of BFDA and DRC;
- Activity 1.5: Provide capacity-building to border officials, including DRC, BFDA and the Royal Bhutan Police, on advanced risk management/pre-arrival processing skills, techniques and tools, including risk-based inspections;
- Activity 1.6: Conduct a gender assessment to identify challenges faced at the border specifically by women traders in cross-border trade and formulate recommendations to solve them;
- Activity 1.7: Organize awareness-raising sessions/events on gender-sensitive border management and gender-responsive trade facilitation reforms to help border officials understand and address women traders' unique challenges and needs.

Output 2: The IPPC e-phytosanitary (ePhyto) digital solution is rolled out in Bhutan to pave the way for electronic ePhytos exchanges with neighbouring/regional trading partners

Activities will include:

- Activity 2.1: Conduct a diagnostic assessment of BFDA's legal/regulatory, procedural and digital infrastructure frameworks for the issuance and transmission of phytosanitary certificates and the current status of cross-cutting policies at the basis of a digital migration of phytosanitary certificates, such as equivalence of digital and physical documents, electronic exchange of data, etc.;
- Activity 2.2: Re-engineer current procedures to resolve existing bottlenecks and allow a transition to a digital processing and transmission system of phytosanitary certificates;
- Activity 2.3: Prepare Bhutan to formally submit the request to the International Plant Protection Convention (IPPC) to adopt the ePhyto solution;
- Activity 2.4: Roll out a national system (which could be BFDA's current system or the IPPC Generic ePhyto National System – GeNS) to process and exchange ePhytos and connect Bhutan to IPPC's ePhyto Hub;
- Activity 2.5: Facilitate discussions on the recognition of ePhytos (as well as paper-based phytosanitary certificates in case of contingencies) with neighbouring countries that are also issuing ePhytos;

- Activity 2.6: Provide training to BFDA and other border officials to process and issue ePhytos and conduct awareness-raising sessions among private sector stakeholders on the ePhyto use and benefits.

Output 3: Platforms/mechanisms for national/bilateral/regional coordination and dialogue on SPS and trade facilitation issues are established and/or strengthened

Activities will include:

- Activity 3.1: Strengthen Bhutan's National Trade Facilitation Committee (NTFC) through upgrades of its governance and operational framework, development of multi-annual strategy, facilitate the organization of NTFC meetings and set up a working group dedicated to SPS issues;
- Activity 3.2: Build the capacity of NTFC Members on key SPS and trade facilitation topics;
- Activity 3.3: Set up a dialogue/coordination mechanism at selected border crossings for improved inter-agency coordination;
- Activity 3.4: Sponsor the participation of a Bhutanese delegation to a regional event on border agency dialogue and cooperation SPS and trade facilitation matters (the project will explore the possibility to use this regional event as an occasion for the Bhutanese delegation to also learn from the SW operations of the hosting country).

Output 4: Quality management frameworks and SPS capacities are strengthened in line with international standards

Activities will include:

- Activity 4.1: Conduct a diagnostic study on Bhutan's overall quality infrastructure and capabilities, including BFDA's laboratory and testing infrastructure and services, to assess their current capacity, gaps and opportunities for private sector investment and scale-up. In the inception phase, the project together with the NPPO will also aim to review the findings and recommendations (that fall under the project scope) of the latest phytosanitary capacity evaluation (PCE) conducted in Bhutan, assess the progress made against those and determine with the NPPO whether to apply to conduct a new PCE⁶;
- Activity 4.2: Build BFDA's capacity against the requirements of ISO 17021 (conformity assessment), ISO 19011 (management systems auditing) and ISO 22000 (food safety management) through dedicated trainings, including a training for lead auditors;
- Activity 4.3: Prepare BFDA in the initial process of certification of SMEs for ISO 22000, in line with the requirements of ISO 17021, including development of the documentation system and standard operating procedures (SOPs) to certify SMEs;
- Activity 4.4: Pilot the certification of selected SMEs on food safety management systems standards.

The project will be implemented over three years.

4.2. Coherence with other interventions

The proposed project has a unique value proposition as it proposes activities at the intersection of trade facilitation, border management and SPS compliance/food safety but also provides opportunities for synergies with previous, current or new interventions by other development partners (i. e. ADB, World Bank, EU).

In particular, the proposed project will seek to build synergies and complementarities with the World Bank's Accelerating Transport and Trade Connectivity in Eastern South Asia (ACCESS) Multiphase Programmatic Approach (MPA) Phase 2, which will include Bhutan. In particular, synergies will be sought with the World Bank to share experiences on the institutionalization of risk-based border management practices in Bhutan – building on their work in Nepal to introduce risk management practices in key (non-customs) border agencies. Additionally, World Bank's ACCESS Programme could provide the required "hard" quality-related infrastructure and equipment, building on the findings of the ITC's study on Bhutan's overall quality infrastructure, capacity and investment needs that will be

⁶ According to the inputs received during the project application preparation, the latest PCE conducted in Bhutan dates back to 2003.

conducted under this project funded by STDF. Synergies will also be sought in experience-sharing to assess the overall digital trade infrastructure framework of Bhutan to deploy digital tools to re-engineer and simplify trade procedures (i. e. ePhyto).

In a like manner, the project will also seek synergies with the United States Food and Drug Administration (US FDA) in light of their work with Indian regulators with regards to experience-sharing and capacity development on risk-based approaches to evaluation of products and border inspections for imports, inter-agency coordination processes and good agricultural practices.

4.3. Sustainability and local ownership

The project is built upon ITC's core principles of strategy design and, thus, ensures a highly inclusive, consultative and country-owned approach. It intends to involve both public and private sector stakeholders through extensive consultations, working groups meetings and trainings.

To ensure long-term sustainability and local ownership of the project, the following principles will be ensured:

- **Demand-driven assistance aligned with the business perspective** to ensure that the business community's views are factored in in the technical assistance and reform implementation;
- **Whole-of-government and whole-of-supply chain approach** to build strong partnerships and mechanisms for dialogue and coordination among public actors, and between public and private sector – to ensure that the reforms are widely supported and sustainable;
- **Mainstreaming of gender and environmental considerations**, through capacity-building, advocacy and awareness-raising, into the design and implementation of reforms and solutions to ensure inclusive and sustainable trade;
- **Innovative use of ICT technologies** to simplify border procedures and facilitate business compliance with cross-border trade requirements;
- **Institutionalization of technical assistance outcomes and internal integration of knowledge, methodologies and processes** through business process re-engineering, standardized SOPs, training manuals and detailed ToRs laying out the organizational structure of risk management functions in Bhutan's border agencies;
- **Continuous capacity-building process** of public and private sector actors, building on international best practices, and **empowerment of local trade experts** to disseminate the knowledge and know-how with other businesses for long-term sustainability and impact.

In particular, the proposed project takes into account and embeds STDF's gender mainstreaming guidelines and objectives of the STDF's Action Plan 2023-2025 into its proposed outputs and activities. Building on the activities and results of ITC projects, the proposed project will, on the one hand, advance and support women traders' capacity to meet SPS and other trade-related requirements through dedicated trainings and, on the other hand, mainstream gender considerations into trade facilitation reforms and in building a more efficient border management framework that is attentive to women traders' challenges and needs through targeted advisory services and advocacy.

The project also anticipates that awareness-raising on the environmental impact of cross-border trade operations among border officials at border stations and a stronger, efficient, scientific risk-based risk management system and inspections will have a positive environmental impact through a reduction of pests and diseases spread and food spoilage/waste.

4.4. Exit strategy

Besides measures for local ownership and long-term sustainability described above, the project will discuss a more elaborated exit strategy with the key project stakeholders during the initial phase of implementation of the project.

4.5. Potential for scaling-up/replication

Potential for scaling-up and expansion of the project activities/scope will be discussed in greater detail with project beneficiaries, partners and other development partners in due course based on needs. However, as mentioned in section 4.2, the proposed project will seek to build complementarities and

synergies with other regional trade facilitation programs in the South Asian region, including the World Bank's ACCESS Program Phase 2 (which will involve Bhutan as recipient of technical assistance). Synergies with the World Bank have been explored through coordination with World Bank staff in Washington involved in the ACCESS Program and will allow to expand and scale up in the longer term some of the proposed technical activities (i. e. accreditation of laboratories, ePhyto) or provide the required quality infrastructure support as diagnosed in this proposed project.

5. ORGANISATION

5.1. ITC's project team

Team member	Title	Section
Pierre Bonthonneau	Senior Trade Facilitation Adviser	DMD/TFPB
Eleonora Salluzzi	Associate Programme Officer	DMD/TFPB
Sylvie Cochin	Chief, Office for Asia and the Pacific	DCP/OAP
Khemraj Ramful	Senior Adviser, Export Quality Management	DECI/SEC
Ludovica Ghizzoni	Adviser on Enterprise Value Chain - Export Quality Management	DECI/SEC
Hema Menon	Trade Training Officer	DECI/SEC

5.2. Project partners and beneficiaries

The key project partners and beneficiaries that will mainly benefit from the project activities are:

- BFDA
- DRC

Other stakeholders that will be involved and benefit from the project activities include:

- Royal Bhutan Police
- National Plant Protection Center (NPPC) under the Department of Agriculture of the Ministry of Agriculture and Livestock (MOAL)
- Department of Livestock (DoL) under Ministry of Agriculture and Livestock (MoAL)
- GovTech Bhutan
- Bhutan Exporters Association (BEA)
- Bhutan Importers Association (BIA)
- Domestic food and horticulture producers and traders
- Bhutan Association of Women Entrepreneurs (BAOWE)
- Farmers' cooperatives and groups
- Women traders
- Other international organizations, donors, development banks and technical implementing agencies, including World Bank

5.3. Project governance and management structure

ITC will be the implementing partner of this proposed project. The project governance will be ensured by the Project Steering Committee (PSC), whose members would include – among others – representatives of ITC, BFDA, DRC and other national stakeholders involved in the project. Representatives of the WTO, STDF, World Bank and other donors may be invited to join PSC meetings as observers. PSC meetings would take place once a year (for every project year) in person. A second PSC meeting in each project year may be held virtually, if required and deemed necessary.

The implementation of this project will be steered and supervised by ITC HQ and coordinated locally with the support of a National Coordinator/Local Advisor who will ensure regular coordination with local project stakeholders. The definitive field operational set-up for the implementation of this project will be clarified and agreed upon in due course.

6. BUDGET & FINANCE

6.1. Total project value

US\$1,273,872.50 – with direct funding requested to STDF of US\$986,888.

6.2. Budget – narrative

The total project value for this three-year project is US\$ 1,273,872.50. This can be broken down in a direct total funding of US\$ 986,888 by STDF and approximately US\$ 286,984.50 of contributions provided by the beneficiary country.

Please refer to Annex III for a detailed break-down of the total project value.

6.3. Funders

STDF

7. REPORTING, MONITORING AND EVALUATION

7.1. Reporting

ITC as main implementing agency will be responsible for the reporting of project activities to STDF.

An inception report will be provided to STDF at the end of the inception phase, whose timeframe will be defined in consultation with STDF. The inception report will provide an opportunity to review the project proposal and make any update related to the project and/or the context, to take into account recommendations of the STDF Working Group and to plan or complete any additional information needed for project delivery.

ITC will submit 6-month progress reports to STDF to provide an update on progress and results in the reporting period, as well as information on other aspects including challenges, communications, upcoming plans, etc. The progress reports will be submitted as per timeframes agreed with STDF.

At the end of the project, ITC will submit a final project report to provide a complete overview of the project from approval to completion, with detailed information on the results achieved. The final project report will be submitted within the timeframe agreed with STDF.

All reporting requirements – inception report, progress reports, final project reports, as well as reporting on the financials and project logical framework (logframe), reported in Annex I – will be uploaded/completed in the dedicated platform LogAlto.

7.2. Monitoring and evaluation

ITC will ensure that project activities are monitored, and project outcomes and impacts are appropriately being assessed, based on the project's logical framework and in line with the STDF Monitoring, Evaluation and Learning (MEL) Framework. For this, the project will develop a M&E plan that will identify data sources, data collection methods, sources of quantitative and qualitative, to establish a baseline for monitoring the project indicators. Special attention will be given to monitor gender for each activity. The project will use the LogAlto platform for MEL activities.

Monitoring of activities, outputs and logical framework targets will be on-going and will feed into the six-monthly progress reports to ensure that the project is on track or course of action corrected if unplanned or unintended circumstances are likely to impact the implementation of the project. Evaluation will focus on assessing if the project-stipulated goals are achieved and how these are achieved. It will also focus on the sustainability and inclusiveness of the project activities.

As per STDF's rules, the project will undergo an independent end-of-project assessment, carried out by an external evaluator, and whose report will be attached to the final project report. The budget for such an assessment is included in the budget. The development of the terms of reference, selection of the evaluator and contracting of this assessment is the responsibility of ITC. The timeframe for the

completion and submission of the independent end-of-project assessment report will be agreed with STDF.

7.3. Risk matrix

Risk	Probability	Impact	Mitigation measures
Lack of political will and regular political ownership/support of project activities by key project partners and beneficiaries	Low	High	The project will pursue on-going dialogue and close collaboration with the key Ministries/Departments/agencies and various stakeholders involved in project implementation through regular communication, request for feedback and consensus-building for a strong ownership of activities at the domestic level.
'Silo' mind-set which affects access/sharing of data and weak inter-agency/institutional coordination between Ministries/Departments involved in border management	Medium	High	The project will pay particular attention to gather together the critical governmental stakeholders involved, discuss and share feedback on commonly acceptable outcomes and build consensus on the way forward, raising awareness on the sub-optimal results of weak inter-agency coordination and unwillingness to share information and practices. The project will also actively work to revive the operations of the National Trade Facilitation Committee (NTFC) as the key and main platform to foster dialogue, consensus and coordination on trade facilitation and SPS issues.
Design and implementation of policies/reforms that are not informed by private sector needs, especially gender-sensitive requirements of women traders, and lack of bureaucratic reactivity which prevents their implementation	Medium	Medium	The project will organize regular consultations with the private sector through apex business support institutions (BSOs) and sectoral associations to collect their views on challenges faced by their members (traders, freight forwarders, customs brokers, farmers, etc.) and priorities to be addressed by policymaking to ensure that private sector needs are reflected into policy design and implementation. The project will also actively involve women traders and women associations in project activities to collect their challenges and feed these into the envisaged activities to improve border management frameworks.
Challenges in building consensus among Bhutan and neighbouring/regional trading partners on solutions to solve SPS and border issues affecting Bhutan	Medium	Medium	The project will seek to strengthen dialogue and coordination at the bilateral and regional level between Bhutan and neighbouring/regional trading partners through newly set-up mechanisms for continuous dialogue and coordination on SPS and trade facilitation issues.

Unwillingness or weak absorption capacity (human, financial resources, etc.) of project beneficiaries and partners – including policymakers and regulators – to consistently apply the knowledge acquired and implement good practices learnt or the necessary policies to achieve the project outcome	Low	Medium	The project will provide regular coaching to project beneficiaries to follow up to capacity-building and training activities and ensure that the knowledge and practices shared are systematically applied.
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ANNEX I – WORKPLAN

Activity	Responsibility	Year 1				Year 2				Year 3			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Output 1: National border and risk management frameworks for risk-based controls for selected BRAs are enhanced to facilitate SPS compliance and the safe trade of agricultural and food products													
Activity 1.1: Conduct a diagnostic assessment of the current frameworks and practices for risk management and pre-arrival processing (PAP) of BFDA and DRC	ITC												
Activity 1.2: Formulate key recommendations to improve the risk management and PAP systems	ITC												
Activity 1.3: Build consensus among BFDA and DRC on the recommendations and their prioritization in terms of implementation timeframe and modalities	ITC												
Activity 1.4: Implement selected recommendations to improve the risk management (and PAP) system of BFDA and DRC	ITC, BFDA, DRC												
Activity 1.5: Provide capacity-building to border officials, including DRC, BFDA and the Royal Bhutan Police, on advanced risk management/pre-arrival processing skills, techniques and tools, including risk-based inspections	ITC												
Activity 1.6: Conduct a gender assessment to identify challenges faced at the border specifically by women traders in cross-border trade and formulate recommendations to solve them	ITC												
Activity 1.7: Organize awareness-raising sessions/events on gender-sensitive border management and gender-responsive trade facilitation reforms to help border officials understand and address women traders' unique challenges and needs	ITC												

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Output 2: The IPPC e-phytosanitary (ePhyto) digital solution is rolled out in Bhutan to pave the way for electronic ePhytos exchanges with neighbouring/regional trading partners													
Activity 2.1: Conduct a diagnostic assessment of BFDA's legal/regulatory, procedural and digital infrastructure frameworks for the issuance and transmission of phytosanitary certificates and the current status of cross-cutting policies at the basis of a digital migration of phytosanitary certificates, such as equivalence of digital and physical documents, electronic exchange of data, etc.	ITC												
Activity 2.2: Re-engineer current procedures to resolve existing bottlenecks and allow a transition to a digital processing and transmission system of phytosanitary certificates	ITC												
Activity 2.3: Prepare Bhutan to formally submit the request to the International Plant Protection Convention (IPPC) to adopt the ePhyto solution	ITC												
Activity 2.4: Roll out a national system (which could be BFDA's current system or the IPPC Generic ePhyto National System – GeNS) to process and exchange ePhytos and connect Bhutan to IPPC's ePhyto Hub	ITC, IPPC												
Activity 2.5: Facilitate discussions on the recognition of ePhytos (as well as paper-based phytosanitary certificates in case of contingencies) with neighbouring countries that are also issuing ePhytos	ITC												
Activity 2.6: Provide training to BFDA and other border officials to process and issue ePhytos and conduct awareness-raising sessions among private sector stakeholders on the ePhyto use and benefits	ITC												
Output 3: Platforms/mechanisms for national/bilateral/regional coordination and dialogue on SPS and trade facilitation issues are established and/or strengthened													
Activity 3.1: Strengthen Bhutan's National Trade Facilitation Committee (NTFC) through upgrades of its governance and operational framework, development of multi-annual strategy, facilitate the organization of NTFC	ITC												

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meetings and set up a working group dedicated to SPS issues													
Activity 3.2: Build the capacity of NTFC Members on key SPS and trade facilitation topics	ITC												
Activity 3.3: Set up a dialogue/coordination mechanism at selected border crossings for improved inter-agency coordination	ITC												
Activity 3.4: Sponsor the participation of a Bhutanese delegation to a regional event on border agency dialogue and cooperation SPS and trade facilitation matters (the project will explore the possibility to use this regional event as an occasion for the Bhutanese delegation to also learn from the SW operations of the hosting country).	ITC												
Output 4: Quality management frameworks and SPS capacities are strengthened in line with international standards													
Activity 4.1: Conduct a diagnostic study on Bhutan's overall quality infrastructure and capabilities, including BFDA's laboratory and testing infrastructure and services, to assess their current capacity, gaps and opportunities for private sector investment and scale-up	ITC												
Activity 4.2: Build BFDA's capacity against the requirements of ISO 17021, ISO 19011 and ISO 22000 through dedicated trainings, including a training for lead auditors	ITC												
Activity 4.3: Prepare BFDA in the initial process of certification of SMEs for ISO 22000, in line with the requirements of ISO 17021, including development of the documentation system and standard operating procedures (SOPs) to certify SMEs	ITC, BFDA												
Activity 4.4: Pilot the certification of selected SMEs on food safety management systems standards	ITC, BFDA												

ANNEX II – PROJECT LOGICAL FRAMEWORK⁷

	Project description	Measurable indicators	Targets	Sources of verification
Impact	Contribute to Bhutan's economic growth and plant/animal/human safety by facilitating the safe trade of agricultural and food products and enhancing quality of Bhutanese products for increased market access	• % increase in detections of agricultural and food products which are not compliant • % increase in the value of trade of agricultural and food products	To be confirmed during inception phase 5% increase versus baseline (to be confirmed during inception phase)	• Bhutan trade statistics • BFDA pests and disease surveillance reports (entry points, quarantine management reports) • Disease outbreaks and containment reports • Disease alert reports
Outcome	Improved Bhutan's border management ecosystem to tackle SPS compliance issues	• Number of cases of border agencies having improved risk management practices • % decrease in controls and inspections	2 10% decrease versus baseline (to be confirmed during inception phase)	• Training reports, knowledge assessment tests • BFDA's survey report of agricultural and food entrepreneurs at the end of project period • Disease outbreaks and containment reports • Disease alert reports

⁷ The logical framework ('logframe') may be considered tentative and amended/refined during the inception phase following a first on-ground diagnostic.

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				DRC risk management statistics
Output 1	National border and risk management frameworks for risk-based controls for selected BRAs are enhanced to facilitate SPS compliance and the safe trade of agricultural and food products	- Number of policies, laws, regulations or procedures developed/amended/implemented to improve risk management practices - Number of recommendations on risk management and pre-arrival processing formulated and adopted - Number of risk management diagnostic assessments conducted - Number of male and female beneficiaries demonstrating increased knowledge and/or skills in risk management and risk-based inspections - Number of male and female beneficiaries demonstrating increased knowledge in gender-sensitive border management practices	4 8 2 50 (20 female) 30 (20 women)	- Official gazette, governmental websites, policies, action plans - Minutes of events, event reports - Diagnostic reports - List of participants, evaluation forms, knowledge tests
Output 2	The IPPC e-phytosanitary (ePhyto) digital solution is rolled out in Bhutan to pave the way for electronic ePhytos exchanges with neighbouring/regional trading partners	- Status of IPPC ePhyto solution in Bhutan - Number of national IT systems upgraded or established to	'Exchanging' status of ePhytos at project completion 1	- IPPC website, BFDA website - Upgraded BFDA system or new GeNS system

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		process/receive/exchange ePhytos Number of procedures re-engineered and digitized to process/receive/exchange ePhytos	1	Technical reports
Output 3	Platforms/mechanisms for national/bilateral/regional coordination and dialogue on SPS and trade facilitation issues are established and/or strengthened	- Number of legal/policy/strategy/administrative documents for the NTFC developed and endorsed by the relevant Ministry, regulatory authority or public agency - Number of coordination meetings on SPS and trade facilitation issues organized at the national, bilateral and/or regional levels - Number of recommendations to address bilateral trade facilitation and SPS issues formulated and endorsed by the relevant Ministry, regulatory authority or public agency	5 4 2	- Official gazette, governmental websites, policies, action plans - Minutes of meetings, meetings reports - Technical reports
Output 4	Quality management frameworks and SPS capacities are strengthened in line with international standards	- Number of male and female beneficiaries demonstrating increased knowledge of relevant ISO standards - Number of businesses demonstrating compliance with food management systems standards	60 (20 women) 3	- List of participants, evaluation forms, knowledge tests - List of participants, evaluation forms, knowledge tests - Audit reports by an accredited body for food safety systems certification

Modernizing Bhutan's border management ecosystem to facilitate the safe trade of agri-food products

		• Number of studies conducted on Bhutan's quality infrastructure and capacities	1	• Introduction of quality management systems in businesses • Technical reports
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ANNEX III – BUDGET

	STDF	Beneficiary (in-kind or financial)	Others (e.g., implementing partner)
Output 1: National border and risk management frameworks for risk-based controls for selected BRAs are enhanced to facilitate SPS compliance and the safe trade of agricultural and food products			
Activity 1.1: Conduct a diagnostic assessment of the current frameworks and practices for risk management and pre-arrival processing (PAP) of BFDA and DRC	US\$ 23,360		
Activity 1.2: Formulate key recommendations to improve the risk management and PAP systems	US\$ 13,003		
Activity 1.3: Build consensus among BFDA and DRC on the recommendations and their prioritization in terms of implementation timeframe and modalities	US\$ 9,031		
Activity 1.4: Implement selected recommendations to improve the risk management (and PAP) system of BFDA and DRC	US\$ 81,993		
Activity 1.5: Provide capacity-building to border officials, including DRC, BFDA and the Royal Bhutan Police, on advanced risk management/pre-arrival processing skills, techniques and tools, including risk-based inspections	US\$ 89,723		
Activity 1.6: Conduct a gender assessment to identify challenges faced at the border specifically by women traders in cross-border trade and formulate recommendations to solve them	US\$ 16,500		
Activity 1.7: Organize awareness-raising sessions/events on gender-sensitive border management and gender-responsive trade facilitation reforms to help border officials understand and address women traders' unique challenges and needs	US\$ 27,090		
Total cost of Output 1	US\$ 260,700		
Output 2: The IPPC e-phytosanitary (ePhyto) digital solution is rolled out in Bhutan to pave the			

way for electronic ePhytos exchanges with neighbouring/regional trading partners			
Activity 2.1: Conduct a diagnostic assessment of BFDA's legal/regulatory, procedural and digital infrastructure frameworks for the issuance and transmission of phytosanitary certificates and the current status of cross-cutting policies at the basis of a digital migration of phytosanitary certificates, such as equivalence of digital and physical documents, electronic exchange of data, etc.	US\$ 19,971		
Activity 2.2: Re-engineer current procedures to resolve existing bottlenecks and allow a transition to a digital processing and transmission system of phytosanitary certificates	US\$ 13,642		
Activity 2.3: Prepare Bhutan to formally submit the request to the International Plant Protection Convention (IPPC) to adopt the ePhyto solution	-		
Activity 2.4: Roll out a national system (which could be BFDA's current system or the IPPC Generic ePhyto National System – GeNS) to process and exchange ePhytos and connect Bhutan to IPPC's ePhyto Hub	US\$ 66,392		
Activity 2.5: Facilitate discussions on the recognition of ePhytos (as well as paper-based phytosanitary certificates in case of contingencies) with neighbouring countries that are also issuing ePhytos	US\$ 29,246		
Activity 2.6: Provide training to BFDA and other border officials to process and issue ePhytos and conduct awareness-raising sessions among private sector stakeholders on the ePhyto use and benefits	US\$ 15,749		
Total cost of Output 2	US\$ 145,000		
Output 3: Platforms/mechanisms for national/bilateral/regional coordination and dialogue on SPS and trade facilitation issues are established and/or strengthened			
Activity 3.1: Strengthen Bhutan's National Trade Facilitation Committee (NTFC) through upgrades of its governance and operational framework, development of multi-annual strategy, facilitate the organization of NTFC meetings and set up a working group dedicated to SPS issues	US\$ 76,350		

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Activity 3.2: Build the capacity of NTFC Members on key SPS and trade facilitation topics	US\$ 72,500		
Activity 3.3: Set up a dialogue/coordination mechanism at selected border crossings for improved inter-agency coordination	US\$ 51,400		
Activity 3.4: Sponsor the participation of a Bhutanese delegation to a regional event on border agency dialogue and cooperation SPS and trade facilitation matters (the project will explore the possibility to use this regional event as an occasion for the Bhutanese delegation to also learn from the SW operations of the hosting country)	US\$ 56,200		
Total cost of Output 3	US\$ 256,450		
Output 4: Quality management frameworks and SPS capacities are strengthened in line with international standards			
Activity 4.1: Conduct a diagnostic study on Bhutan's overall quality infrastructure and capabilities, including BFDA's laboratory and testing infrastructure and services, to assess their current capacity, gaps and opportunities for private sector investment and scale-up	US\$ 16,977		
Activity 4.2: Build BFDA's capacity against the requirements of ISO 17021, ISO 19011 and ISO 22000 through dedicated trainings, including a training for lead auditors	US\$ 94,612		
Activity 4.3: Prepare BFDA in the initial process of certification of SMEs for ISO 22000, in line with the requirements of ISO 17021, including development of the documentation system and standard operating procedures (SOPs) to certify SMEs	US\$ 36,638		
Activity 4.4: Pilot the certification of selected SMEs on food safety management systems standards	US\$ 35,773		
Total cost of Output 4	US\$ 184,000		
Communication activities			
Development and dissemination of communication material	US\$ 15,000		
Monitoring, evaluation and learning activities			
Independent end-of-project evaluation	US\$ 20,000		
Sub-total	US\$ 881,150		
Project support cost (12%)	US\$ 105,738		

Total project value requested to STDF	US\$ 986,888		
Other contributions			
Project activities			
Maintenance of National Food Testing laboratory's (NFTL) accreditation as per ISO/IEC 17025		US\$ 56,250	
Maintenance of ISO/IEC 17065 accreditation for certification services		US\$ 56,250	
Implementation of inspection services as per ISO/IEC 17020		US\$ 37,500	
Inspection, testing and certification for export of agricultural and food commodities provided free to exporters		US\$ 37,500	
Project coordination and management			
BFDA Director's time for project supervision (10%)		US\$ 3,889	
BFDA project focal point officer's time		US\$ 2,596	
BFDA's official time for attending workshops, conferences and training activities		US\$ 15,000	
Office space and utilities		US\$ 36,000	
BFDA's conference hall and amenities		US\$ 9,000	
Internet and telephone facilities		US\$ 15,000	
BFDA's office equipment used by officials for project purpose		US\$ 6,000	
Office supplies from BFDA's side		US\$ 3,000	
Official communication cost and logistic operational costs (officials correspondences, visa processing, local route permit)		US\$ 3,000	
Office vehicle for local travels		US\$ 6,000	
Total project value sponsored by beneficiary		US\$ 286,984.50	
Grand total of project value (requested to STDF + beneficiary contributions + implementing partner contributions)	US\$ 1,273,872.50		

ANNEX IV – SUPPORTING LETTERS