1 BACKGROUND TO PPG

1.1. The Kingdom of Bhutan is a small landlocked country located in the Eastern Himalayas. It is bordered to the north by the People's Republic of China and to the west, south, and east by India. Bhutan has an estimated population of 771,608. About two-thirds of its population lives in rural areas.

1.2. Bhutan is currently on the United Nations list of least developed countries (LDCs) but is scheduled to graduate from LDC status in December 2023. The Bhutanese economy has undergone significant structural transformation over the years. With a population that is largely agrarian and rural based, the agriculture sector in Bhutan is key for economic diversification and growth, employment, and poverty alleviation. While the agricultural sector continues to be the primary employer, the industrial sector's contribution to the Gross Domestic Product has increased significantly. Overall, the economy remains relatively undiversified, with the electricity sector being the main driver for growth. Bhutan's main trading partner is neighbouring India.

1.3. In 2018, Bhutan launched its 12th Five-Year Plan, the last of a series of national economic development plans since 1961. The objective of the 12th Five-Year Plan is "Just, Harmonious and Sustainable Society through enhanced Decentralization". Among other things, the 12th Five-Year Plan contains a flagship programme dealing with Cottage and Small Industries to provide targeted support through product standardisation, packaging, certification, and branding. It also set out a framework to streamline legal and policy frameworks, improve financing mechanisms, build human capital, and improve business development services. Another flagship programme under the policy deals with organic products with a goal to "commercialize organic production for socio-economic development through sustainable production of safe and nutritious foods". The primary purpose of the programme is to promote commercial organic farming through value chain development and marketing, enhance in-country production and access to bio-inputs, develop and promote organic farming for income and employment generation for youths, enhance organic research and development capacities and create enabling policy, institutional and regulatory framework for commercializing organic sector which includes operationalizing organic certification systems. In light of these initiatives, Bhutan is expecting an increase in agriculture trade in the coming years and wants to position itself to explore new export markets for agricultural products. Food and nutrition security is also at the heart of the 12th Five Year Plan, with a programme to strengthen animal and plant biosecurity and safety and to enhance food safety.

1.4. The management of border control in landlocked developing countries in the sanitary and phytosanitary (SPS) context can have a significant impact on cross-border trade. Bhutan recognises the need to have an effective SPS control system, including inspection and certification programmes at the border, to protect consumers, animals, and plants against SPS risks while fostering international trade and promoting market access. Increased trade in food,
agriculture, and livestock products adds to the challenge of managing biosecurity risks and the need to strengthen its export inspection and certification system to facilitate market access.

1.5. The Bhutan Agriculture and Food Regulatory Authority (BAFRA) of the Ministry of Agriculture and Forests is the competent authority for the effective implementation of SPS measures. BAFRA manages inspection and certification border systems on food and agricultural commodities both for imports and exports. BAFRA faces various constraints in that regard. Controls are based on conventional approaches of border control: reliance on document verification, with physical inspections carried out on a random basis depending on the availability of human resources and budget. There is also heavy reliance on the documents provided by exporting countries or third-party certification bodies, without a proper mechanism to confirm the credibility of such documents. Other challenges, as identified in the Project Preparation Grant (PPG) application, include: (i) inadequate certification services for Bhutan's exporters; (ii) inability to identify health hazards as a result of limited skilled staff at inspectorate and border posts; (iii) little guidance for inspectors and absence of inspection manuals; (iv) inadequate data collection and processing, leading to an inability to provide the required information to trading partners for obtaining market access; (v) weak information technology and heavy reliance on paper-based systems; (vi) higher inspection rates than necessary because of poor risk management; (vii) limited laboratory and quarantine facilities; and (viii) lack of training on risk analysis, including pest risk analysis tools, plant diagnostic facilities and other import risks.

1.6. This PPG application was submitted by BAFRA to improve border inspection and control of plants, animal and related products for biosecurity and food safety. BAFRA's application was supported by the Ministry of Agriculture and Forests, the Department of Revenue and Customs, and the Bhutan Exporters Association. The PPG was approved by the STDF Working Group in April 2020.

1.7. This document sets out the Terms of Reference (ToRs) for an International Consultant contracted by the STDF to implement this PPG in close collaboration with BAFRA and other relevant stakeholders, as well as national expert. In that regard, the PPG application refers to: the National Plant Protection Centre, the National Post Harvest Centre, the Department of Livestock, and the Department of Agriculture Marketing and Co-operatives (all hosted by the Ministry of Agriculture and Forests), as well as to the Department of Revenue and Customs as key partners in this work. Given the scope of the PPG, the Bhutan Exporters Association and other private sector stakeholders may need to be consulted. BAFRA will be responsible for ensuring that the work carried out under the PPG is linked and aligned to other relevant works in Bhutan as appropriate, identifying stakeholders to be consulted and engaged, sharing copies of relevant documents, and providing necessary local logistical support (coordinating field work, interviews/meetings, workshops, etc.) as required under the PPG.

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3 A copy of the PPG application will be provided to the International Consultant.
4 Letters of support have been provided by the applicant.
5 The National Plant Protection Centre is responsible for research of plant protection products and functions as a national referral and coordinating agency for all plant protection activities.
6 The National Post Harvest Centre is responsible for technology transfer for post-harvest management and value addition of agriculture produce.
7 The Department of Livestock is responsible for research and development of livestock production system as well as animal health management in the country.
8 The Department of Agriculture Marketing and Co-operatives is responsible for promoting and marketing livestock and agriculture products.
2 OBJECTIVES AND EXPECTED RESULTS OF THE PPG

2.1. The purpose of this PPG is to design a project proposal to build capacity and improve Bhutan's SPS control system with a focus on border measures, including border inspection, testing and certification processes for imports and exports. The resulting project is expected to enable Bhutan to put in place practical processes and improve institutional capacity and human resources to protect human, animal and plant life and health and ensure food safety. It is hoped that the resulting project will contribute to effective SPS risk management in Bhutan while facilitating market access and reduce costs for Bhutan's exports.

2.2. The PPG will be used to:

a. Examine the current legal framework, existing SPS border control systems, including border inspection, certification and biosecurity measures, and existing laboratory systems, with the aim to identify gaps and assess critical needs.

b. Explore possible synergies with other ongoing/planned projects in Bhutan as well as with other relevant work initiatives.

c. Develop a focused project proposal to improve Bhutan's SPS border control system for imports and exports to facilitate trade while achieving the expected level of protection against SPS risks. This may include examining the feasibility of a risk prioritization plan for the modernization and improvement of phytosanitary services.²

3 DESCRIPTION OF TASKS

3.1. The main tasks of the International Consultant are detailed below. These tasks shall be carried out under the overall supervision of the STDF Secretariat, and in close collaboration with BAFRA and other relevant stakeholders in Bhutan.

Preliminary research and analysis

a. Familiarise him/herself with the activities proposed in the PPG application, the legal framework in Bhutan, as well as with existing resources, tools, experiences pertaining to SPS inspection, certification, and biosecurity measures in Bhutan.

b. Familiarise him/herself and explore synergies with relevant STDF knowledge work, in particular on facilitating safe trade¹⁰, as well as with other relevant initiatives, including the work of the World Bank Group on border agency challenges¹¹ and the update of the

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¹⁰ https://www.standardsfacility.org/facilitating-safe-trade. Future STDF work may include a thematic session, to be organised with the World Bank Group and other members, on "Managing SPS risks at the Border".

2012 Diagnostic Trade Integration Study (DTIS) Report currently being carried out by the Enhanced Integrated Framework.\textsuperscript{12}

c. Develop forms/questionnaires for preliminary interviews/meetings and lead preliminary interviews/meetings with key stakeholders. This may include stakeholders from the private sectors to collect information on how procedures are implemented in practice.

d. Evaluate SPS control systems applied to agri-food products including live animals and germplasm such as seed and live planting materials when exporting and importing in Bhutan, and how they are implemented in practice, as well as available capacity for these systems, including laboratory capacity for plant health, animal health, and food safety, to help identify challenges, gaps, and priorities.

e. Based on desk study, information gathered through interviews/meetings, and capacity evaluations, make a preliminary assessment of: (i) the current legal framework and existing SPS border control systems, including border inspection, certification and biosecurity measures in Bhutan (in particular what types of control are carried out and when) and possible gaps; (iii) the constraints and challenges faced by BAFRA, other relevant agencies in Bhutan and private sector stakeholders; (iv) gains obtained from current SPS border control efforts, e.g. their effectiveness against health hazards and to increase market access; (v) critical needs to implement an effective SPS border control system for imports and exports; and (vi) and priorities for the project, including specific areas or commodities to prioritize capacity building needs. The International Consultant should also determine whether BAFRA can benefit from development of a risk prioritization framework. Such a framework could potentially allow BAFRA to evaluate the results of inspections, samplings and the outcomes of testing, and then prioritize border interventions to address the highest risks.\textsuperscript{13} The preliminary assessment will be expected to take the form of a short report to be shared for comments with BAFRA and relevant stakeholders.

f. Liaise with the national expert\textsuperscript{14}, who has been selected to work as a local expert on this PPG, to provide support for fieldwork, research and other tasks described in the TORs. In particular, the national expert will provide support to organize and hold interviews/meetings and provide input in the context of the preliminary assessment.

Consultations, engagement

g. On the basis of the preliminary assessment described in sub-paragraph e., conduct consultations with key stakeholders\textsuperscript{15} in order to incorporate their views, experiences and insights into the PPG where appropriate, to ensure that the resulting project is fully aligned with expectations, and to enhance ownership for the resulting project. One or two inception workshops could be held in Bhutan or organised virtually, depending on travel restrictions due to the COVID-19 pandemic. This may also include an activity for BAFRA


\textsuperscript{13} See footnote 9.

\textsuperscript{14} Following consultations with BAFRA and other stakeholders, Mr Sonam Tobgay was identified and selected as a qualified national expert.

\textsuperscript{15} The offices of the stakeholders such as Regional Revenue and Customs office, Bhutan Exporters Association regional trade offices are located at the entry points including BAFRA entry points. To improve understanding of practical issues, the consultant and/or national expert visits these entry points particularly Phuntsholing & Paro (National Seed Center, International Airport, National Post Harvest center is located in Paro), Gelephu (Agriculture Research Center, BAFRA Plant & Animal Quarantine Office, Regional Revenue Office and Customs office, fishery center, located in Gelephu).
and Revenue and Customs authorities on strengthening interagency collaboration. Depending on needs as identified by the International Consultant, the national expert will provide support in organizing and conducting consultations and other relevant activities to engage stakeholders.

h. Actively consult international organizations, development partners and potential donors (including the World Bank and the Asian Development Bank) to learn from and identify synergies to any other relevant work, and explore opportunities to leverage funds to implement all or part of the project to be developed through this PPG.

Project development

i. Develop a project proposal to build capacity and improve Bhutan's SPS border control system for imports and exports. Broadly, this project is expected to: (i) explore options to achieve the objectives of food safety, plant or animal health protection in a more effective and less costly manner through the simplification and harmonization of processes, procedures and information flows; (ii) find ways to harness the power of automation and data on commodities moving in trade to prioritize border activities with the objective to implement risk based border management and establishment of risk prioritization; (iii) increase awareness of the impact of an effective SPS control system on trade and for the purpose of effective SPS risk management; and (iii) cover training, engagement with stakeholders, and consistent management of capacity. Depending on needs as identified by the International Consultant, the national expert will assist and provide inputs on the project proposal to be developed by the International Consultant.

j. The project proposal should:

- Clearly identify the existing legal framework and the current SPS border control system in Bhutan, as well as the specific challenges faced by BAFRA, assess capacity building needs, identify opportunities and good practices, and consider the feasibility of various approaches or solutions to improve BAFRA’s SPS border control system in a way that ensures an appropriate level of health protection while minimizing trade transaction costs.

- Take account of what has worked in other developing countries to modernize SPS border management including consideration of risk prioritization frameworks.

- Explore cooperation with other border agencies and the private sector, to harmonize, simplify and enhance the implementation of SPS controls and procedures.

- Develop a programme for capacity building and the improvement of BAFRA’s SPS border control system (including inspection, monitoring, surveillance and quarantine programmes) based on priority setting and possibly focusing on a certain commodity or SPS area. This may include options to: modernize/reorganize the laboratory system, treatment and quarantine facilities and services; develop training in laboratory management and testing methods; develop good practices recommendations for border inspectors and other staff, in the form of manuals, technical notes and/or training kits; raise awareness about trade facilitation issues in the SPS context; develop effective import inspections tools; scale-up capacity for border inspection control; develop processes for pest risk analysis and feasibility study for PRA tools, ePhyto establishment in the country and import risk analysis; develop new mechanisms for data sharing and management for border inspection officials; and streamline certificate and biosecurity systems, how to tackle biosecurity risk from e-commerce.

- Clearly elaborate the purpose, expected outcomes, outputs and activities of the proposed project, based on a coherent logical framework. The logical framework should
include indicators to measure performance, sources of verification and any key assumptions.

- Clearly identify the roles and responsibilities of all concerned stakeholders and outline a practical mechanism for project implementation and management.

- Include a detailed estimate of the budget in MS Excel format required to implement the proposed project and, where possible, identify possible donors and/or private sector investors.

- Include a detailed work plan and timetable for project implementation.

- Identify and assess the possible risks and challenges faced in the proposed project, as well as risk mitigation strategies to ensure its success.

- Set out how the project proposal ties to the work carried out by the STDF, STDF partners, and other organizations. Clearly identify and map out linkages, synergies, and complementarities to related activities and projects, supported by the government, donors, development partners, or international organizations.

- Be collaborative by involving the private and public sectors, including customs and revenue authorities and other border agencies, as appropriate.

k. The proposal should be submitted in the STDF format (available at: http://www.standardsfacility.org/sites/default/files/PGApplicationForm_en.doc), unless another donor is identified as a potential source of funding.

l. Discuss the draft project proposal with BAFRA and other relevant stakeholders in Bhutan, as well as any relevant regional/international stakeholders, including development partners (World Bank, International Trade Centre, Enhanced Integrated Framework, Asian Development Bank, etc.) and donors. On the basis of comments and suggestions received, revise the proposal as necessary.

m. Present the revised draft project proposal to BAFRA, other relevant stakeholders and the STDF Secretariat, and make any further revisions necessary. A one-day validation workshop may be held in Bhutan or organised virtually, depending on travel restrictions due to the COVID-19 pandemic. Several rounds of comments can be expected.

n. Finalize the project proposal on the basis of all comments received on successive versions of the document.

Logistics

o. Together with BAFRA, make arrangements for interviews and consultations with relevant stakeholders in Bhutan, including travel to Bhutan if feasible subject to the COVID-19 pandemic.

p. With the support of BAFRA and relevant stakeholders, organise and take the lead in (online and/or face-to-face) meetings and other activities during implementation of the PPG. Prepare all necessary documentation, including meeting agendas and summaries etc.

q. In collaboration with BAFRA, coordinate letters of support for the proposed project from key stakeholders. These letters should include a clear expression of support for the proposed project and demonstrate clear commitment to take actions needed to ensure the success and sustainability of the project.
r. Provide the STDF Secretariat with electronic copies of relevant documents produced under the PPG for inclusion in the STDF Virtual Library.

s. The International Consultant will liaise with and get assistance from the national expert to deal with these logistical aspects, as the need may arise.

4 DELIVERABLES

4.1. The International Consultant shall deliver the following key outputs to the STDF Secretariat:

a. A preliminary assessment, as described in sub-paragraph e. above.

b. A complete project proposal, as described in sub-paragraphs i.-n. above.

c. A brief report of work carried out under the PPG, including a description of the key activities, a bibliography of the documents consulted (with web links and/or electronic copies), as well as a list of stakeholders met and consulted together with their contact information. The PPG implementation report should be provided within one month of PPG completion.

5 TIMEFRAME

5.1. The PPG will be implemented over a period of 9 months. The PPG is expected to start by 15 September 2021 and will run until 15 June 2022.

6 BUDGET

6.1. The STDF will cover expenses related to implementation of this PPG up to a maximum amount of US$46,577.