

Trade and Transport Facilitation Audit in South Asia

Dissemination of study findings from Nepal

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South Asia Watch on Trade, Economics and Environment (SAWTEE)



Australian Government

Department of Foreign Affairs and Trade



Outline

- ▶ Background
- ▶ Methodology
- ▶ Key findings of the survey



Background

- ▶ More than two-thirds of Nepal's total trade (both exports and imports) is with SAARC countries, mainly India.
- ▶ 27 land routes specified for bilateral trade with India, and 26 land routes for transit trade. But major trade takes place through seven corridors.
- ▶ Relies on India's Kolkata and Haldia ports for trade with other countries.
- ▶ High value products such as pashmina, handicraft, jewellery, etc. are exported via air.
- ▶ The study covered five major land customs points and the only international airport in Kathmandu.



Methodology

- ▶ Questionnaire design and pilot testing
- ▶ Choice of products (both export and import) per customs point
- ▶ Administration of the questionnaire at chosen customs points
- ▶ Key areas the survey focused on
 - ▶ publication of trade related rules and regulations
 - ▶ rules and procedures for exports and imports
 - ▶ quality and efficiency of trade-related infrastructure and services
 - ▶ treatment of goods in transit
- ▶ Analysis of data using SPSS 16.0 to identify major trade facilitation bottlenecks and priority areas of intervention.



Survey

Customs point	Number of respondents	Percentage
Bhairahawa	27	15.00
Biratnagar	32	17.78
Birgunj	29	16.11
Kakarbhitta	32	17.78
Nepalgunj	30	16.67
Tribhuvan International Airport (TIA)	30	16.67
Total	180	100.00



Key findings



Publication of trade-related rules and regulation

- ▶ Less than half the respondents were aware of the existence of the National Customs Website
- ▶ Majority of those who were aware of the website were cognizant of the website content:
 - ▶ export/import procedures (89.19%)
 - ▶ customs clearance procedures (86.49%)
 - ▶ applicable customs duties (87.84%)
 - ▶ applicable fees and charges (72.87%)
 - ▶ changes in regulations (85.11%).
- ▶ Many rated the effectiveness of the information available on the website as high or very high



Publication of ...

- ▶ A major area of concern was regarding the information on average release time and clearance time
 - ▶ Less than half mentioned that the website did not contain such information
 - ▶ Of those who mentioned that the website contained such information, almost all rated the available information as ineffective
- ▶ Awareness regarding the existence of an inquiry point:
 - ▶ Positive: About 56 percent
 - ▶ Unaware of such a facility: About 16 percent



Rules and procedures for exports and imports

- ▶ Significant variance in the responses regarding number of documents required to export, ranging from one to 25 in some cases, depending on the product.
- ▶ Unawareness regarding the number of signatures required, inconsistent responses from those who were aware, and a considerable spread in numbers (one to 58).
- ▶ Notable discrepancies among respondents from various border points regarding import document and number of signatures.



Rules and procedures ...

- ▶ Lack of automation of customs procedures is a major concern
 - ▶ Over 80% of the respondents reported that customs declarations cannot be submitted and processed electronically/online
 - ▶ More than 70% mentioned that other supporting documents cannot be submitted or processed electronically/online.
- ▶ About a third of the respondents knew that the customs authority/department issues advance ruling, mainly in Birgunj and Kakarbhitta. Encouragingly, a majority of them mentioned that all requests for advance ruling gets a positive response and that the advance ruling is valid for a year.
- ▶ Nearly 60% of the respondents stated that customs did not allow pre-arrival processing. However, a half of the respondents in Biratnagar mentioned that pre-arrival processing of import shipments were allowed.



Rules and procedures ...

- ▶ Another concern is regarding valuation of customs duties.
 - ▶ Although the primary basis for customs valuation is transaction value, the customs often adopts the reference value method unless the transaction value is greater than the reference value.
- ▶ An overwhelming majority mentioned that Nepal does not implement authorized traders scheme.
- ▶ Non-implementation of single window was a concern of a large majority of respondents.
- ▶ There exists a system of post clearance audit; however, it was only limited to controls at the border with no audits conducted at traders' premises.



Rules and procedures ...

- ▶ Corruption is a significant problem and still the respondents refrained from reporting due to the fear of possible repercussions, as was mentioned by many of them.
- ▶ Customs operation efficiency:
 - ▶ rated as “good” at the rail frontiers by the majority of the respondents (10 out of 13)
 - ▶ rated as “average” at airport (12 out of 26), road frontiers (76 out of 138), inland container depots (14 out of 24), customs points (78 out of 178) and quarantine check posts (48 out of 121)



Quality and efficiency of trade-related infrastructure and services

Quality of infrastructure	Very low	Low	Average	Good	Very good	Total number of respondents
Airports	3.85%	15.38%	50.00%	30.77%	0.00%	26
Roads	20.00%	26.90%	27.59%	21.38%	4.14%	145
Warehouse/trans-loading facilities	13.16%	21.71%	34.87%	22.37%	7.89%	152
Telecommunications and IT services	10.73%	14.12%	29.94%	32.20%	12.99%	177



Quality and efficiency...

Efficiency of service provider	Very low	Low	Average	High	Very high	Total number of respondents
Road transport service	2.84%	14.20%	50.00%	27.84%	5.11%	176
Rail transport services	0.00%	0.00%	50.00%	12.50%	37.50%	8
Maritime transport services	0.00%	0.00%	25.00%	50.00%	25.00%	4
Freight Forwarders	0.83%	10.74%	42.15%	33.88%	12.40%	121
Customs agent	0.57%	2.84%	38.64%	38.07%	19.89%	176
Quality/standards inspection agencies	2.24%	8.21%	49.25%	29.10%	11.19%	134
Health/SPS agencies/quarantine	2.46%	11.48%	45.90%	28.69%	11.48%	122
Banking services	1.20%	2.99%	14.37%	52.69%	28.74%	167
Insurance services	2.36%	7.09%	27.56%	48.03%	14.96%	127
Visa services	11.76%	14.71%	41.18%	14.71%	17.65%	34

Quality and efficiency...

Cost of logistics service	Very low	Low	Average	High	Very high	Total number of respondents
Road transport rate	2.92%	4.68%	57.89%	23.98%	10.53%	171
Rail transport rate	0.00%	25.00%	50.00%	25.00%	0.00%	8
Air cargo charges	0.00%	11.54%	53.85%	30.77%	3.85%	26
Port charges	0.00%	0.00%	75.00%	25.00%	0.00%	4
Freight forwarders charges	1.71%	6.84%	56.41%	26.50%	8.55%	117
Custom agent's charges	1.80%	6.59%	67.66%	20.96%	2.99%	167

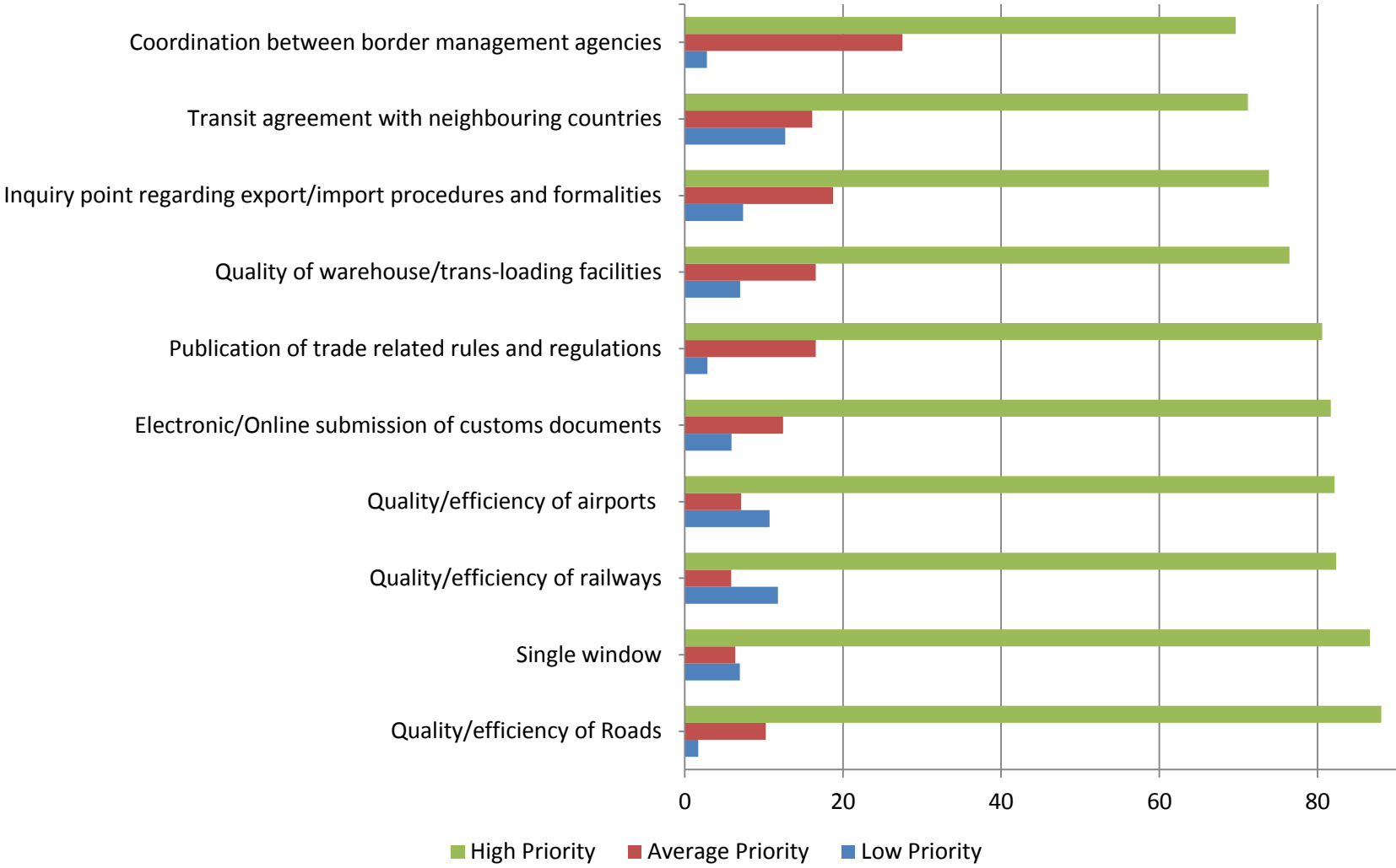


Treatment of goods in transit

- ▶ Nearly 50% of the respondents did not know whether Nepal has any transit agreement with neighbouring countries.
- ▶ Majority of the respondents also did not know whether Nepal is a signatory of any international convention related to transit.
- ▶ Awareness regarding other issues related to transit was also mixed. The issues that were looked into included:
 - ▶ fee for transit passage
 - ▶ information on transit formalities and documentation
 - ▶ pre-arrival processing of transit trade
 - ▶ submission and processing of transit documents electronically/online
 - ▶ physical verification of transit goods
 - ▶ guarantee for transit goods
 - ▶ escorts for transit goods



Priority areas for trade facilitation



Thank you!

