Book

Trade and transport facilitation monitoring mechanism in Nepal : baseline study

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TRADE AND TRANSPORT FACILITATION MONITORING MECHANISM IN NEPAL

BASELINE STUDY

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

50 YEARS

ADB

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FOREWORD

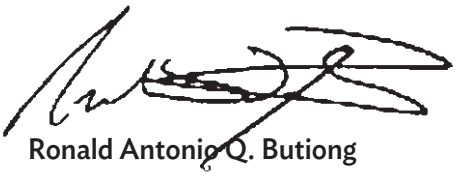
Let us start with a fundamental question: why is trade facilitation important for developing countries especially the least developed countries and landlocked developing countries? It is because trade facilitation is essential to lower trade costs, reduce trade time, and enhance supply chain efficiency. These factors, in turn, enable a country to increase trade, be better integrated into global value chains, enhance national competitiveness and productivity, and generate decent jobs. In this sense, trade facilitation contributes directly to the realization of the United Nations 2030 Development Agenda and Sustainable Development Goals (SDGs), in particular SDG 17.

This largely explains why the Asian Development Bank (ADB) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), together with other partners, have been keen to support countries in advancing trade facilitation, as reflected in the South Asia Subregional Economic Cooperation (SASEC) Program and the *SASEC: Powering Asia in the 21st Century*.

The establishment of the Trade and Transport Facilitation Monitoring Mechanism (TTFMM) is critical for a country to understand the current situation to identify bottlenecks and prioritize recommendations for the implementation of trade facilitation measures. More importantly, it emphasizes national ownership and sustainability, and the means to achieve them primarily through institutional arrangements and national capacity building.

A baseline study is the first step to establish TTFMM. The current report reviews trade and transport procedures, reports relevant indicators, analyzes bottlenecks, and proposes a way forward. Furthermore, this report provides detailed information on data collection and validation processes, which should be treated as a useful reference for future TTFMM studies.

ADB and ESCAP are proud to work with different stakeholders in Nepal in trade facilitation, and are keen to support the country in advancing trade facilitation in the future.



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The guidance of the former Secretary Naindra Prasad Upadhaya (Ministry of Commerce, Nepal),* Joint Secretary Toya Narayan Gyawali, and Joint Secretary Rabi Shanker Sainju was vital for completing the study. Participants and informants of the study, as detailed in Appendix 1, substantially contributed their expertise.

The study and the underlying project were managed by Tengfei Wang from the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and Aileen Pangilinan from the Asian Development Bank (ADB), under the general supervision of Yann Duval and Ronald Antonio Q. Butiong.

The report was prepared by Tengfei Wang, Posh Raj Pandey, and Shaleen Khanal based on four subsidiary reports prepared under the project. Chorthip Utoktham calculated trade costs. Tengfei Wang provided study design and supervision.

Constructive advice from ADB staff on preparing the report is gratefully acknowledged. This includes contributions from Rose McKenzie, Cuong Minh Nguyen, Sonoko Sunayama, and Satish Reddy, and from Mohammad Saeed from the International Trade Centre. Shyam Prasad Dahal and Buddhi Prasad Upadhyaya played a crucial role in organizing the Trade and Transport Facilitation Monitoring Mechanism (TTFMM) National Validation Workshop on 28–29 July 2016 in Kathmandu, Nepal.† Critical review of the report was provided by Vyonna Bondi.

Takayuki Miyoshi and Jing Cheng from the World Customs Organization Asia-Pacific Regional Office for Capacity Building delivered training on the Time Release Study (TRS), while Heini Suominen delivered training on the Time/Cost–Distance (TCD) method at the national workshop on TTFMM in Dhulikhel, Nepal, on 15–17 April 2014. Their guidance on application of TRS and TCD is gratefully acknowledged. Jeff Procak and Ying Qian from ADB shared tool kits and experience on conducting Corridor Performance Measurement and Monitoring in Central Asia. The useful contribution from Prabir De is also acknowledged.

The TTFMM baseline study is funded under both ADB's Technical Assistance Special Fund and the Japan Fund for Poverty Reduction.

* Naindra Prasad Upadhaya currently works in the Prime Minister's office, Nepal.

† South Asia Subregional Economic Cooperation (2016).

ABBREVIATIONS

ADB	Asian Development Bank
ASYCUDA	Automated System for Customs Data
BBIN	Bangladesh, Bhutan, India, Nepal
BPA	business process analysis
BPA+	Business Process Analysis Plus
CPMM	Corridor Performance Measurement and Monitoring
CRMSAP	Customs Reform and Modernization Strategies and Action Plan
NSW	national single window
NTTFC	Nepal Transport and Trade Facilitation Committee
SASEC	South Asia Subregional Economic Cooperation
SDG	Sustainable Development Goal
TCD	Time/Cost–Distance
TFA	Trade Facilitation Agreement
TRS	Time Release Study
TTFMM	Trade and Transport Facilitation Monitoring Mechanism
UML	Unified Modelling Language
UN	United Nations
UN/CEFACT	UN Centre for Trade Facilitation and Electronic Business
UNESCAP	UN Economic and Social Commission for Asia and the Pacific
UNNExT	UN Network of Experts for Paperless Trade and Transport in Asia and the Pacific
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

As the key outcome of the baseline study of the Trade and Transport Facilitation Monitoring Mechanism (TTFMM) in Nepal, the current synthesis report is derived from a series of studies carried out by the same project team and is targeted for policy makers, governmental officials, and the general public.

Given the nature of the baseline study, the current report is aimed to not only report current trade facilitation in Nepal but also to lay a foundation for future studies and the establishment of long-term sustainable TTFMM. Accordingly, this report covers topics such as the importance of trade facilitation, the crucial role of TTFMM for continued improvement of trade facilitation, the key methodology for data collection called Business Process Analysis Plus (BPA+), and the rationale for defining the scope of monitoring.

The baseline studies cover Business Process Analysis of the (i) import of wool through Kolkata–Birgunj–Kathmandu, (ii) export of wool carpet through Kathmandu–Birgunj–Kolkata, and (iii) import of fabrics from Bangladesh to Nepal through Dhaka–Banglabandha–Fulbari–Panitanki–Kakarbhitta–Kathmandu. Performance and measurement of corridors and border crossings are also covered by the studies. Based on the outcome of the studies, the report presents a set of indicators that quantify current trade and transport facilitation and provide recommendations.

The report shows 10–11 procedures for completing imports under study and 14 for exports under study. The numbers are higher than the average in Asia—8 for import and 11 for export. However, it is important to note that Nepal's trade process involves transit in India, which naturally increases the number of procedures. Thus, a comparison can be made only with a series of caveats. Nevertheless, the large number of trade procedures generally prolongs the trade process and increases trade costs. Policy makers from both Nepal and India need to discuss ways to review the necessity of each procedure and remove any procedure that does not add value to import or export.

There are 28 unique documents to be submitted for import and 24 for export. These documents need to be submitted 56 times for import and 47 times for export. The repeated submission of documents highlights the importance of introducing a national single window to substantially reduce the number of submissions. Furthermore, in most cases, documents are submitted manually rather than electronically, which prolongs the trade process.

This report recommends the following short-term interventions to further enhance trade facilitation: (i) further development of electronic filing and exchange of documents, (ii) harmonization of data and information and standardization of documents, (iii) further development of customs automation, (iv) introduction of a national single window, and (v) expedition of payment remittance. Efforts from India and coordination at the South Asia Subregional Economic Cooperation Program are important for reducing paper documents and increasing average speed along the corridors. Certainly, these recommendations are tentative. Actual follow-up actions are subject to feasibility studies and availability of resources. Nevertheless, the findings would provide the most relevant and useful reference for policy reform.

The Trade Facilitation Agreement (TFA) of the World Trade Organization covers most proposed procedures, indicating the importance of implementing TFA for advancing trade and transport facilitation in a country. The report substantially adds value to implementing TFA because it identifies trade facilitation measures that need to be implemented in the short and long term, and therefore supports a country to prioritize implementation if the country faces financial and human capacity constraints.

This report reveals the benefits and importance for the countries to join emerging regional agreements especially the *Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific*.* Trade and transport procedures between Nepal and its trading partners often involve India as transit country. State-of-the-art cross-border exchange of data and information among these countries is crucial for ensuring trade efficiency. However, work in this area remains largely nascent. These countries should consider joining the regional agreement to take full advantage of the opportunities for accessing new technology and innovative practice, receiving technical assistance, and building capacity.

In light of the Bangladesh, Bhutan, India, Nepal Motor Vehicles Agreement, the report presents both the challenges and enormous opportunities for enhancing transport efficiency along the Bangladesh, Bhutan, India, Nepal corridors. The current average speed of vehicle movement along the corridor is very low. If the average speed can be improved to 30 kilometers per hour, potentially two-thirds of the transport time could be reduced. Policy makers and other stakeholders should treat this as encouraging news because once the measures to streamline trade and transport processes are in place, substantial improvement can be expected in transport along the corridors.

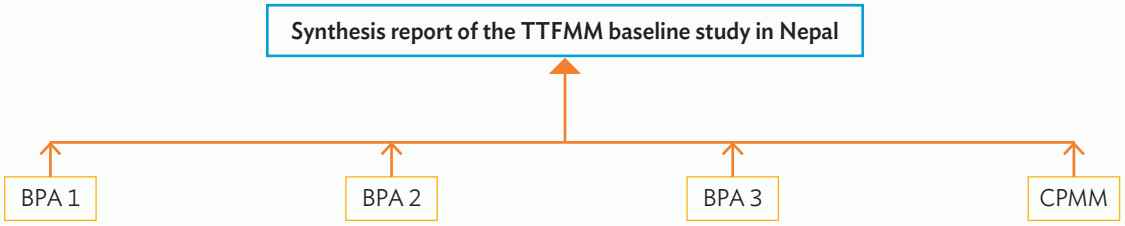
To lay a foundation for similar studies in the future and the establishment of TTFMM, the report reviews the most important aspects of establishing TTFMM in the country, including institutional arrangement, national capacity building, resources, continuation, expansion of monitoring, and alignment of TTFMM with global and regional initiatives.

It is important to note that the data and information under this study were collected in 2016. Some procedures or regulations may be obsolete at the time when the report is published. Therefore, the readers of this report are encouraged to provide feedback and latest information related to any discussion covered in this report. In doing so, the usefulness of TTFMM, continuous monitoring of trade and transport facilitation, can be once again reflected.

* Detailed information on the framework agreement is available at http://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific.

This report is based on four subsidiary reports prepared under the study (Figure). As such, while the current report is self-contained, readers are encouraged to consider all the separate reports to fully understand the details of data, discussion, and analysis. The studies and discussions in these reports are fully in line with the United Nations Centre for Trade Facilitation and Electronic Business Recommendation No. 42 on TTFMM published on 27 April 2017, and may serve as a useful reference for future similar works.

Figure: Relationship of the Trade and Transport Facilitation Monitoring and Mechanism Synthesis Report and Four Separate Reports



BPA 1 Import of wool through Kolkata–Birgunj–Kathmandu
BPA 2 Export of wool carpet through Kathmandu–Birgunj–Kolkata
BPA 3 Import of fabrics from Bangladesh to Nepal through Dhaka–Banglabandha–Fulbari–Panitanki–Kakarbhitta-Kathmandu
CPMM Corridor performance and monitoring of the Kathmandu–Kolkata corridor and Kakarbhitta–Banglabandh–Kakarbhitta–Kathmandu corridor

BPA = business process analysis, CPMM = corridor performance measurement and monitoring, TTFMM = Trade and Transport Facilitation Monitoring Mechanism.

Note: All subsidiary reports are available at https://unnext.unescap.org/content/ttfmm-nepal.

Source: Prepared by the project team.

CHAPTER 1

BACKGROUND AND INTRODUCTION

This chapter provides background information on the baseline study. It reviews the importance of trade facilitation at global, regional, and national level. Key initiatives and efforts made by Nepal in advancing trade facilitation are highlighted. It also discusses the importance of measuring and monitoring trade facilitation and introduces key functions and features of the Trade and Transport Facilitation Monitoring Mechanism (TTFMM).

1.1 Importance of Trade Facilitation

The importance of trade facilitation has been widely discussed and recognized at global, regional, and national levels. The Trade Facilitation Agreement (TFA), accomplished at the ninth World Trade Organization (WTO) Ministerial Conference in December 2013, is the first major global trade agreement to have been concluded since the establishment of WTO in 1995. The agreement provides evidence of a global consensus on the importance of trade facilitation for sustainable economic development, as well as a narrow but concrete framework through which countries may simplify and enhance the transparency of their trade procedures.

The importance of trade facilitation needs to be interpreted in the context of Sustainable Development Goals (SDGs) of the *2030 Agenda for Sustainable Development*, adopted by world leaders in September 2015 at a historic United Nations (UN) Summit,[1] as well as of *Istanbul Programme of Action for the Least Developed Countries for the Decade 2011–2020*,[2] and *Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024*.[3] In particular, the SDG 17.11 states, "Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020." Trade facilitation is key to achieving this goal, as evidenced by the WTO research saying that implementation of the TFA (narrow trade facilitation) has the potential to increase global merchandise exports by up to $1 trillion per annum.[4] Similarly, a study carried out by the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) shows that implementation of cross-border paperless trade measures is expected to increase export potential of Asia and the Pacific by over $300 billion. The Vienna Programme of Action has specific objectives to simplify and streamline cross-border procedures; improve transit facilities and their efficiency; and ensure that all transit regulations, formalities, and procedures for traffic in transit are published and updated.

1 United Nations (UN). Sustainable Development Knowledge Platform. Transforming Our World: the 2030 Agenda for Sustainable Development. https://sustainabledevelopment.un.org/post2015/transformingourworld.
2 United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (2011).
3 UN (2014).
4 WTO (2015a).

A WTO report reveals that improving trade facilitation can give a more powerful boost to developing countries' exports, which have high trade costs, a large part of which are due to lack of trade facilitation. Customs delays and cumbersome procedures are far more frequently encountered in developing countries and least developed countries. The report also highlights that trade facilitation often leads to increased foreign direct investment in small economies, increased government revenues, and reduced customs fraud and corruption.[5]

In the Asia and Pacific region, adoption of an important UN treaty titled *Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific*—which opened for signature on 1 October 2016 at the UN headquarters in New York—shows the commitment of the countries to advancing trade facilitation and paperless trade.[6]

The South Asia Subregional Economic Cooperation (SASEC) Program fully recognizes the important role of trade facilitation for regional integration[7] by stating, "The benefits of creating fast and efficient transport infrastructure networks to move goods, people, and business around South Asia will never be fully realized unless these developments are supported by simultaneous improvements in trade procedures and facilities. Intraregional trade in South Asia could rise by as much as 60%, and the region's trade with the rest of the world could grow by 30% if trade facilitation systems could be raised to international standards, according to studies."

1.2 Important Measures and Initiatives on Trade Facilitation in Nepal

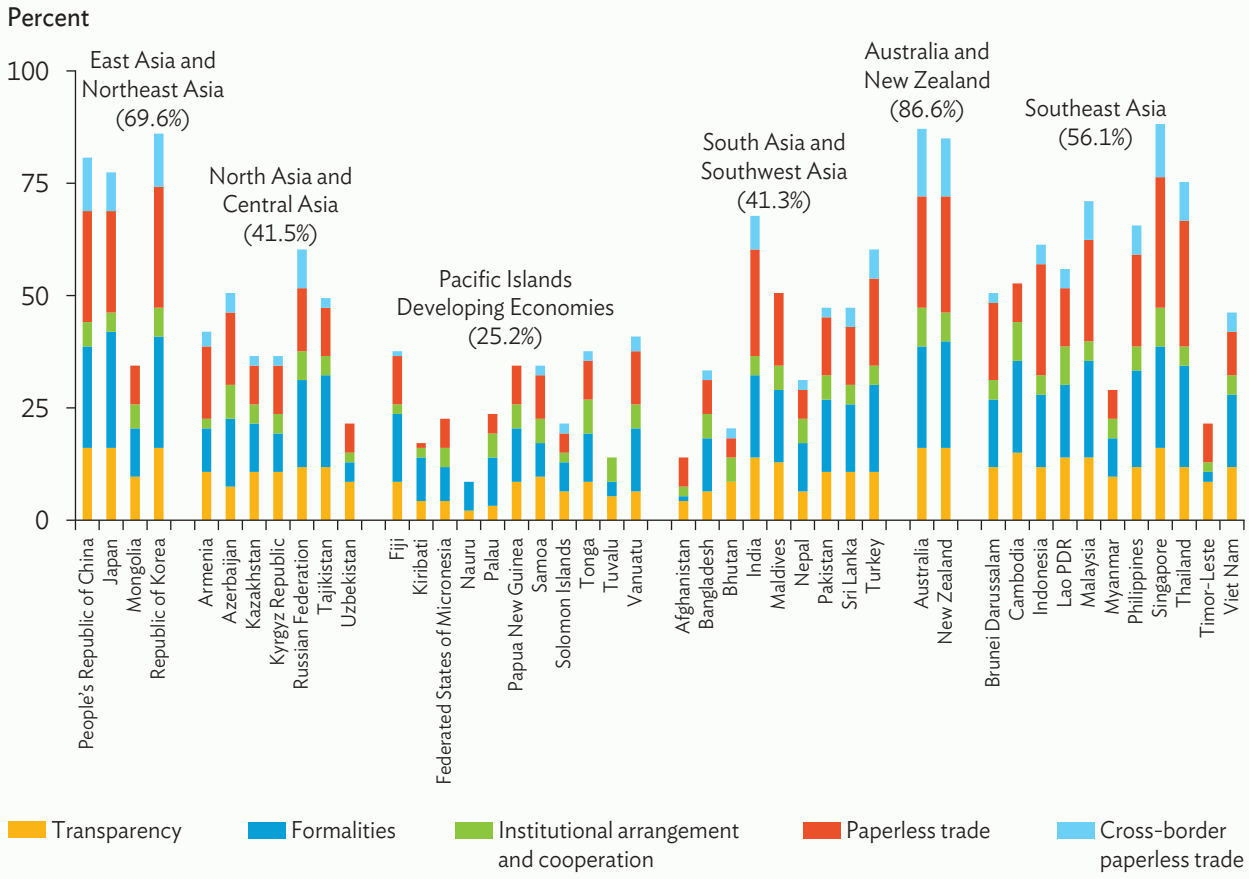
The Government of Nepal has recognized the importance of trade facilitation through simplification, harmonization, standardization, and modernization of trade and customs procedures, identifying trade facilitation as a key reform agenda. Transaction cost reduction through trade facilitation and institutional reforms is one of the strategic pillars of the Trade Policy 2015. Similarly, the 13th Development Plan (2015/16–2017/18) and Trade Policy 2015 identify various actions to improve the state of trade facilitation. The Department of Customs has been reengineering its reform and modernization program within the purview of Customs Reform and Modernization Strategies and Action Plan (CRMSAP). Currently, CRMSAP for 2013–2017 is under implementation. One of the activities identified under the CRMSAP is reducing the excessive government documents and making export and import requirements more transparent, clear, and specific. Under the CRMSAP, the Department of Customs has successfully managed to reduce documentation requirements, expedited export–import procedures in major customs across Nepal, published necessary trade procedures and customs valuation online, and made customs valuation system more transparent. More serious initiatives include implementing ASYCUDA (Automated System of Customs Data) World, integrating customs points via wide area network, establishing post-clearance audit mechanism, and strengthening other areas of risk management. These initiatives have further been complemented by improvement in road and customs infrastructure across major trading points.

5 WTO (2015b).
6 UN Treaty Collection.
7 ADB (2013).

In 2012, the Government of Nepal set up Nepal Transport and Trade Facilitation Committee (NTTFC) under the chairmanship of the Ministry of Commerce and Supplies Secretary, with representation from government agencies and private sector stakeholders. The objective of the NTTFC is to assist the government in implementing policy reforms, monitor trade initiatives, and recommend new trade facilitation measures. Its primary functions are to coordinate and monitor trade facilitation-related activities, advise the government on regulatory reform, and undertake activities on capacity enhancement and research and development for improving trade facilitation indicators.

From a more systematic perspective, a recent survey conducted by UNESCAP and other regional commission has revealed that the average level of trade facilitation implementation by the 44 Asia and the Pacific economies is 46.5%, based on a set of 31 trade facilitation and paperless trade measures.[8] Within the Asia and Pacific region there is great variation in trade facilitation implementation rates. Australia, the Republic of Korea, and Singapore have obtained scores of more than 85%, while other countries have yet to achieve 15% implementation levels. The survey also has shown that the level of implementation of trade facilitation measures in Nepal (34%) is below the level in Asia and the Pacific (46.5%) and in South Asia and Southwest Asia (42%) (Table 1.1).[9]

Figure 1.1: Overall Implementation of Trade Facilitation Measures in 44 Asia and Pacific Economies



Lao PDR = Lao People's Democratic Republic.

Source: UNESCAP (2015).

[8] UNESCAP (2016a).
[9] UNESCAP (2016b).

1.3 High Trade Costs: A Major Challenge for South Asia Including Nepal

Countries in South Asia including Nepal often face high trade costs. According to the latest data from the UNESCAP–World Bank International Trade Cost Database (Table 1.1), the intraregional trade costs of Bangladesh, Bhutan, and Nepal (SASEC–3) amount to 186% tariff-equivalent, which is the highest among the selected countries in other subregions in Asia and the Pacific, and has increased between 2003–2008 and 2009–2014. The overall cost of trading goods among the three largest European Union economies is equivalent to a 43% average tariff on the value of goods traded. The People's Republic of China, Japan, and the Republic of Korea and (East Asia–3) come closest to matching the low intra-European Union trade costs, with average trade costs of 51% tariff-equivalent, followed by the middle-income members of the Association of Southeast Asian Nations with intraregional trade costs of 76% tariff-equivalent.

Table 1.1: Intraregional and Extraregional Comprehensive Trade Costs in the Asia and Pacific Region (Excluding Tariff Costs), 2008–2013 (%)

Region	ASEAN–4	East Asia–3	North and Central Asia–3 + PRC	Pacific Islands–2	SASEC–3	AUS–NZL	EU–3
ASEAN–4	76	75	362	172	273	101	106
	(7.7)	(5.0)	(16.3)	(–10.1)	(3.6)	(3.7)	(–1.0)
East Asia–3	75	51	197	175	228	88	85
	(5.0)	(–3.4)	(–1.1)	(–3.4)	(–0.7)	(–4.7)	(–3.0)
North Asia and Central Asia–3 + PRC	362	197	122	165	355	290	146
	(16.3)	(–1.1)	(2.3)	(–6.9)	(–7.7)	(–6.7)	(–7.4)
Pacific Islands–2	172	175	165	132	440	83	209
	(–10.1)	(–3.4)	(–6.9)	(–9.8)	(11.9)	(–8.0)	(–4.1)
SASEC–3	273	228	355	440	186	317	242
	(3.6)	(–0.7)	(–7.7)	(11.9)	(5.9)	(10.1)	(7.1)
AUS–NZL	101	88	290	83	317	52	108
	(3.7)	(–4.7)	(–6.7)	(–8.0)	(10.1)	(–4.0)	(–1.1)
EU–3	106	85	146	209	242	108	43
	(–1.0)	(–3.0)	(–7.4)	(–4.1)	(7.1)	(–1.1)	(–4.9)
United States	86	63	179	163	229	100	67
	(9.8)	(0.2)	(7.3)	(–5.6)	(6.9)	(3.6)	(0.7)

ASEAN = Association of Southeast Asian Nations, AUS = Australia, EU = European Union, NZL = New Zealand, PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.

Notes: Trade costs may be interpreted as tariff equivalents. Percentage changes in trade costs between 2003–2008 and 2009–2014 are given in parentheses. ASEAN–4: Indonesia, Malaysia, the Philippines, and Thailand; East Asia–3: the People's Republic of China (PRC), Japan, and the Republic of Korea; North Asia and Central Asia–3 + the PRC: Georgia, Kazakhstan, the Kyrgyz Republic, and the PRC; Pacific Islands–2: Fiji and Papua New Guinea; SASEC–3: Bangladesh, Bhutan, and Nepal; AUS–NZL: Australia and New Zealand; EU–3: Germany, France, and the United Kingdom.

Source: UNESCAP. 2015. ESCAP–World Bank Trade Cost Database (June 2015 update). http://artnet.unescap.org/databases.html#first.

Trade cost reduction is essential to enabling economies to participate effectively in regional and global value chains as well as to continue using trade as a main engine of growth and sustainable development. Recent studies have suggested that much of the trade cost reductions since 2000 have been through the elimination or lowering of tariffs.[10] Therefore, further trade cost reductions will have to come from not only tackling nontariff sources of trade costs, such as inefficient transport and logistics infrastructure and services, but also cumbersome regulatory procedures and documentation. Indeed, trade facilitation, i.e., the simplification and harmonization of import, export, and transit procedures that include paperless trade (the use and exchange of electronic data and documents to support the trade transaction process), has taken on increasing importance.

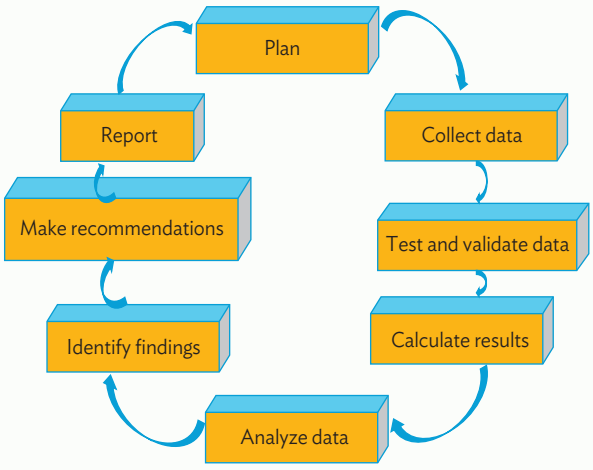
1.4 Importance of Monitoring and Measuring Trade Facilitation Performance

Measuring and monitoring trade facilitation performance is essential to reviewing whether the targets are effectively met. Its importance is specially emphasized in the SASEC Trade Facilitation Strategy 2014–2018 that states, "The concrete action plans to be developed to implement the strategic thrusts would need to have clear and measurable goals and a set of indicators to monitor progress and gauge outcomes. . . . Baseline studies on outcome indicators will be conducted and appropriate targets determined for a consistent and regular monitoring and assessment of results." The strategic framework also emphasizes the importance of an integrated approach for measuring trade and transport facilitation, noting that "an integrated transport and trade facilitation methodology that will link the time release survey, time/cost–distance survey, and the BPA would also be developed."[11]

Some international organizations emphasize the importance of measuring and monitoring trade facilitation performance. For instance, the World Customs Organization (WCO) proposes that data needs to be collected to review and refine the action plan related to trade facilitation (Figure 1.2). The Asian Development Bank (ADB) and UNESCAP prescribe a similar approach on policy reform and performance measurement and monitoring (Figure 1.3).

Recognizing the strengths and weakness of international indicators, many countries in the world have taken action to collect more detailed information on trade and transport facilitation to support policy making.

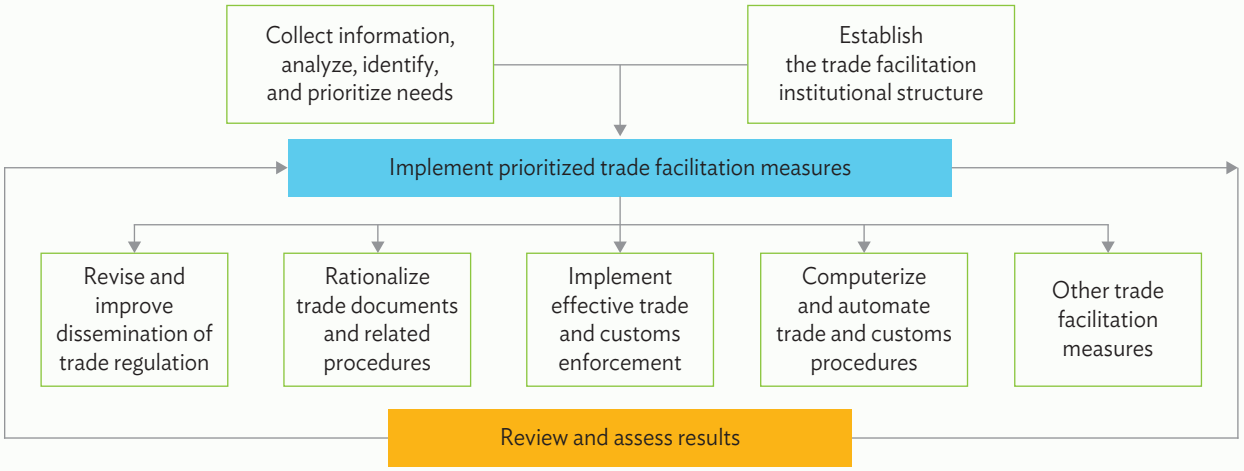
Figure 1.2: Enhancing Trade Facilitation and Performance Monitoring



Source: World Customs Organization (2011).

[10] For example, see UNESCAP. 2011. *Asia-Pacific Trade and Investment Report 2011*.
[11] ADB (2014b).

Figure 1.3: **Step-by-Step Trade Facilitation: A Framework for Action**



Source: ADB and UNESCAP (2013).

1.5 Key Functions and Features of Trade and Transport Facilitation Monitoring Mechanism

The guide on TTFMM was initially developed by UNESCAP and ADB in consultation with national governments and experts to address the pressing need for the countries in the Asia and Pacific region to establish their own sustainable mechanism for monitoring the effectiveness of trade and transport facilitation reforms and measures and identifying solutions to streamline and optimize trade and transport processes. Many countries around the world, including those in Asia and the Pacific, have made efforts to facilitate trade and transport. Few, however, have established sustainable mechanisms to monitor the effectiveness of policies and procedures that facilitate trade and speed up international supply and value chains. Several global trade facilitation performance surveys and databases are now available and very useful as benchmarking and awareness-raising tools. But they do not provide sufficiently detailed information to develop or update national trade facilitation action plans. Trade and transport facilitation assessments have also been conducted in some countries. In many cases, these are typically ad hoc, with little coordination among development partners and limited support from government agencies.

There is, therefore, a need for countries to establish sustainable national TTFMM systems with two interrelated functions: (i) to measure and assess progress in trade and transport facilitation; and (ii) to assist in formulating, updating, and prioritizing recommendations for trade and transport facilitation.[12] More specifically, adoption of the TTFMM will bring the following benefits:

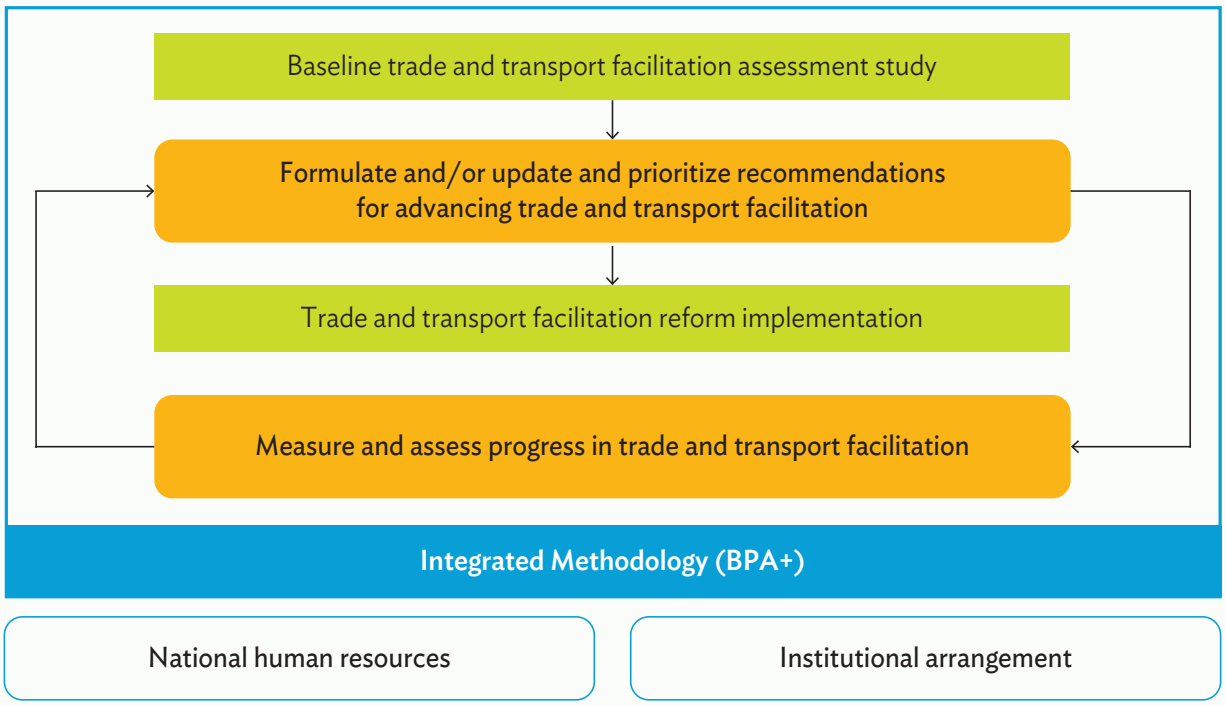
- streamlined trade and transport procedures, improved trade efficiency, and enhanced trade competitiveness;

[12] Detailed discussion on TTFMM is available at UNESCAP (2014). More recently, a project to develop a UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT) recommendation on TTFMM has been launched: See UN Economic Commission for Europe (UNECE). Current Projects. Recommendation on TTFMM. http://www.unece.org/tradewelcome/un-centre-for-trade-facilitation-and-e-business-uncefact/projects/current-projects.html.

- reliable, systematic, consistent, and harmonized data available for policy making and modernization;
- cost-effective and sustainable monitoring of trade and transport facilitation; and
- enhanced national human capacity for trade and transport facilitation.

The TTFMM framework underlying the baseline study in Nepal is outlined in Figure 1.4. It is important that TTFMM be anchored within a national trade and transport facilitation committee and can rely upon national resources to make it sustainable and affordable. Underpinning the TTFMM is the Business Process Analysis Plus (BPA+) methodology, which is built on the BPA methodology, supplemented by time release study (TRS) and time/cost–distance (TCD) methodologies.

Figure 1.4: Trade and Transport Facilitation Monitoring Mechanism



BPA+ = Business Process Analysis Plus.
Source: UNESCAP (2014).

1.6 Objective of the Study

The TTFMM baseline study in Nepal was conducted as a part of a broad initiative to establish TTFMM in the country in the long term. The study is part of a TTFMM project under the SASEC Program in helping three member countries—Bangladesh, Bhutan, and Nepal—develop effective monitoring systems of their respective trade and transport facilitation reforms and measures, with the aim of better identifying solutions to streamline and optimize trade and transport processes.

The following are the objectives of the TTFMM baseline study:

(i) Provide a set of indicators and underlying data on trade and transport facilitation performance in Nepal. Such baseline data will ensure that the progress or setback in trade facilitation performance in the country can be benchmarked.

(ii) Diagnose key bottlenecks and provide recommendations for removing bottlenecks and simplifying trade procedures. The study provides policy recommendations to policy makers and stakeholders.

(iii) Identify areas of cooperation between Nepal and its regional trade partners to facilitate movement of goods across the SASEC region.

(iv) Propose a way forward to maintain TTFMM sustainability. Sustainability is at the core of the TTFMM design. This report provides specific recommendations on how to maintain TTFMM sustainability including institutional arrangements, data collection and analysis, and the best way to utilize the study output.

CHAPTER 2

SCOPE OF THE TRADE AND TRANSPORT FACILITATION MONITORING MECHANISM BASELINE STUDY IN NEPAL

An essential and initial step in conducting the TTFMM baseline study is to define the scope of monitoring. In principle, the scope of monitoring should be decided by each country, according to its specific situation. Two different countries may have different priorities for monitoring. For instance, a landlocked country may be keen to monitor the procedures at land border posts, while an island country is concerned about the performance at ports and shipping connectivity. This chapter introduces key factors for consideration in defining the scope of monitoring and reviews the process of defining the scope of monitoring under TTFMM baseline study in Nepal.[13]

2.1 Factors in Defining Scope of Monitoring

In defining the scope of monitoring for the TTFMM baseline study in Nepal, the following factors are taken into consideration.

2.1.1 General Principle for Defining Scope of Monitoring

In defining the scope of monitoring, the specific, measurable, achievable, relevant, and time-bound (SMART) principle should be adopted whenever appropriate.

(i) **Specific.** The areas for monitoring need to be clear and unambiguous.
(ii) **Measurable.** Quantitative indicators should be collected and monitored.
(iii) **Achievable.** A country needs to review its resources and capacity for the monitoring exercise. If monitoring is carried out for the first time, the country may focus on a small number of strategically important procedures, products, or trade routes. Over time, with enhanced national capacity and experience, more products and trade routes can be included for monitoring.
(iv) **Relevant.** The areas of monitoring need to be strategically important and relevant for the country.
(v) **Time-bound.** The time frame and target dates for the monitoring exercises need to be clear to all stakeholders.

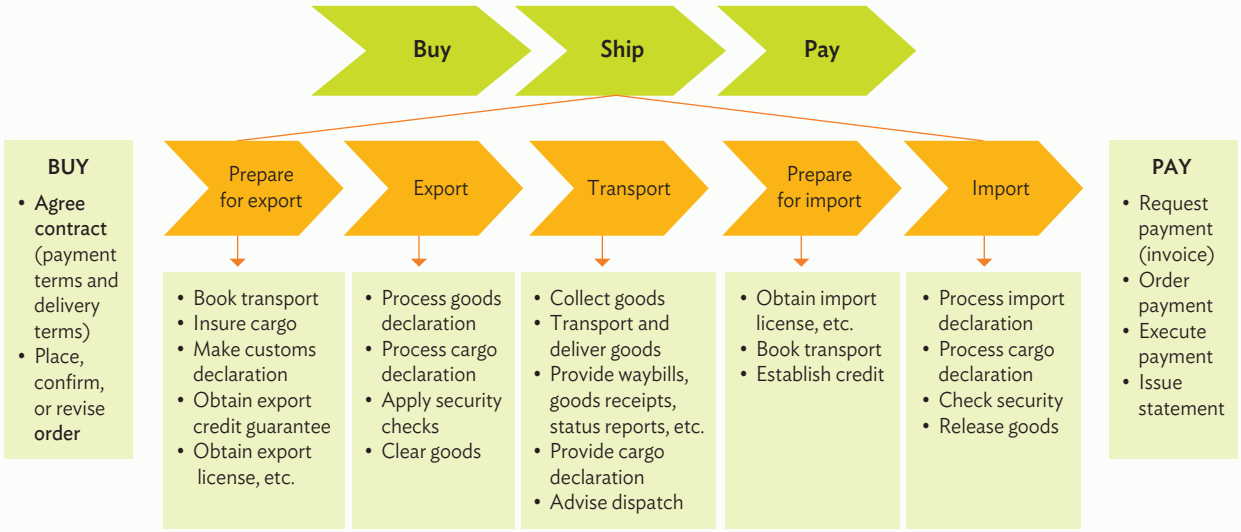
The country may consider process, products, or trade routes and corridors in defining the scope of monitoring, as elaborated in sections 2.1.2–2.1.4.

[13] These factors are under consideration for inclusion in a draft UN/CEFACT recommendation on TTFMM. See UNECE. Public Review: Recommendation on Trade and Transport Facilitation Monitoring Mechanism (TTFMM). https://www2.unece.org/cefact/pages/viewpage.action?pageId=9603750.

2.1.2 Selection of Processes for Monitoring

The countries, whenever appropriate, should consider adopting a whole of supply chain approach for defining the scope of monitoring. In this respect, the buy–ship–pay model (Figure 2.1) provides a useful framework for monitoring exercises. In some cases, the scope could be confined to selected process(es) of the buy–ship–pay model according to national priorities.

Figure 2.1: Buy–Ship–Pay Model



Note: The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Recommendation No. 18 illustrates a simplified view of the international supply chain in the Buy–Ship–Pay model. The model identifies the key commercial, logistical, regulatory, and payment procedures involved in the international supply chain.

Source: United Nations Economic Commission for Europe (UNECE) (2001).

2.1.3 Selection of Products for Monitoring

In selecting the products for monitoring, at least one of the following factors should be taken into consideration whenever possible:

- The products should be strategically important for the country or the areas.
- The products should be relevant and important for small and medium-sized enterprises and particularly for the agriculture sector.
- The products should have great contribution to employment creation.
- The product should have high frequency of shipments.
- The product should have high economic value to the country.
- The product's trade process should include common or many bottlenecks, agencies, and inefficient procedures.
- The product should be relevant in terms of the well-being and social cohesion of the population.

2.1.4 Selection of Trade Routes and Corridors for Monitoring

Trade routes and corridors under assessment should be primarily decided by the products selected for assessments or by their economic impacts. In case the products are transported along different corridors, priority should be given to the corridors that are most frequently used or strategically important for the country or the region. In this respect, consultation with the private sector may greatly help identify such corridors.

2.2 Selecting the Scope of Monitoring in Nepal and Final Selection

The scope of the baseline studies of the TTFMM baseline studies was decided through a series of regional and national training workshops held in Bangkok, Thailand, in November 2013; in Dhulikhel, Nepal, in April 2014; and again in Bangkok, Thailand in January 2015. A wide range of stakeholders were consulted in this process, as shown in the lists of participants of different meetings (Appendixes 1–6). After extensive discussion with the stakeholders, it was agreed that the TTFMM baseline study in Nepal would cover the following processes and products:

(i) import of wool through Kolkata–Birgunj–Kathmandu;
(ii) export of wool carpet through Kathmandu–Birgunj–Kolkata; and
(iii) import of fabrics from Bangladesh to Nepal through Dhaka–Banglabandha–Fulbari–Panitanki–Kakarbhitta–Kathmandu.

CHAPTER 3

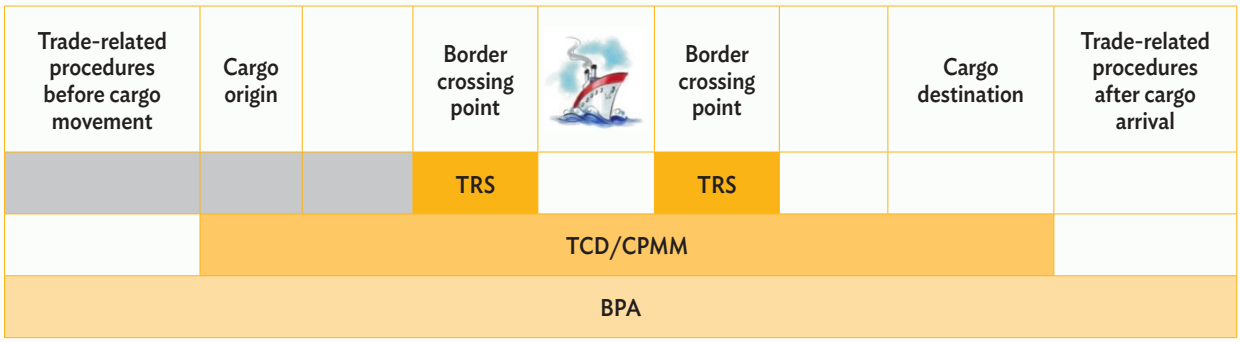
METHODOLOGY FOR DATA COLLECTION AND ANALYSIS

This chapter introduces the key methodology for data collection and analysis called Business Process Analysis (BPA), which underlies the TTFMM baseline study in Nepal. It also reports the detailed process and efforts for data collection and validation.

3.1 Business Process Analysis Plus as Underlying Methodology

As illustrated in Figure 3.1, Business Process Analysis Plus (BPA+) was identified to be the key methodology for data collection and analysis for the TTFMM baseline study in Nepal. The BPA+ approach is built upon the BPA and supplemented by other methods such as Time Release Studies (TRS) and Time/Cost–Distance (TCD)/ Corridor Performance Measurement and Monitoring (CPMM) (Figure 3.1).[14]

Figure 3.1: Business Process Analysis Plus

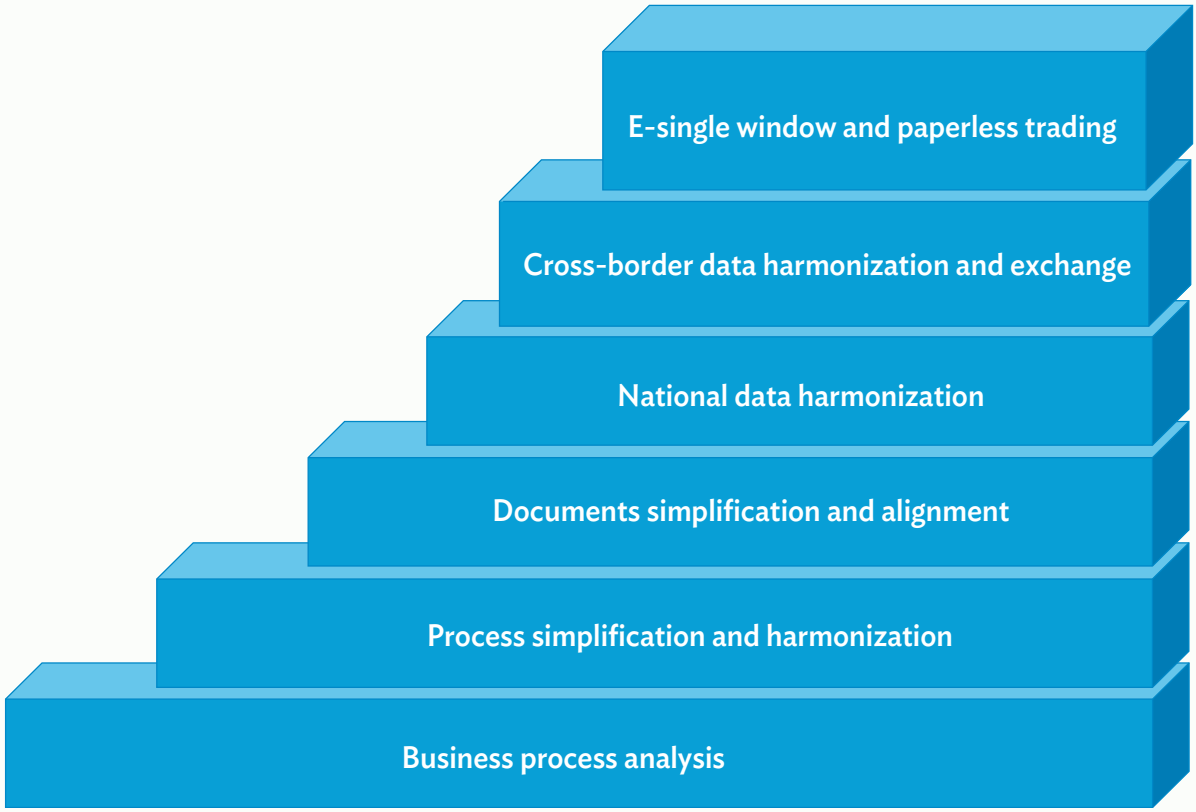


BPA = business process analysis, CPMM = corridor performance measurement and monitoring, TCD = time/cost–distance, TRS = time release study.
Source: UNESCAP (2014).

According to the Centre for Trade Facilitation and Electronic Business (UN/CEFACT) (Figure 3.2),[15] BPA is recommended as the first step before undertaking other trade facilitation measures related to the simplification, harmonization, and automation of trade procedures and documents.

[14] Discussion of BPA+ is derived from the UNESCAP (2014) publication.
[15] UNECE (2006).

Figure 3.2: Step-by-Step Approach to Implementing Trade Facilitation Measures

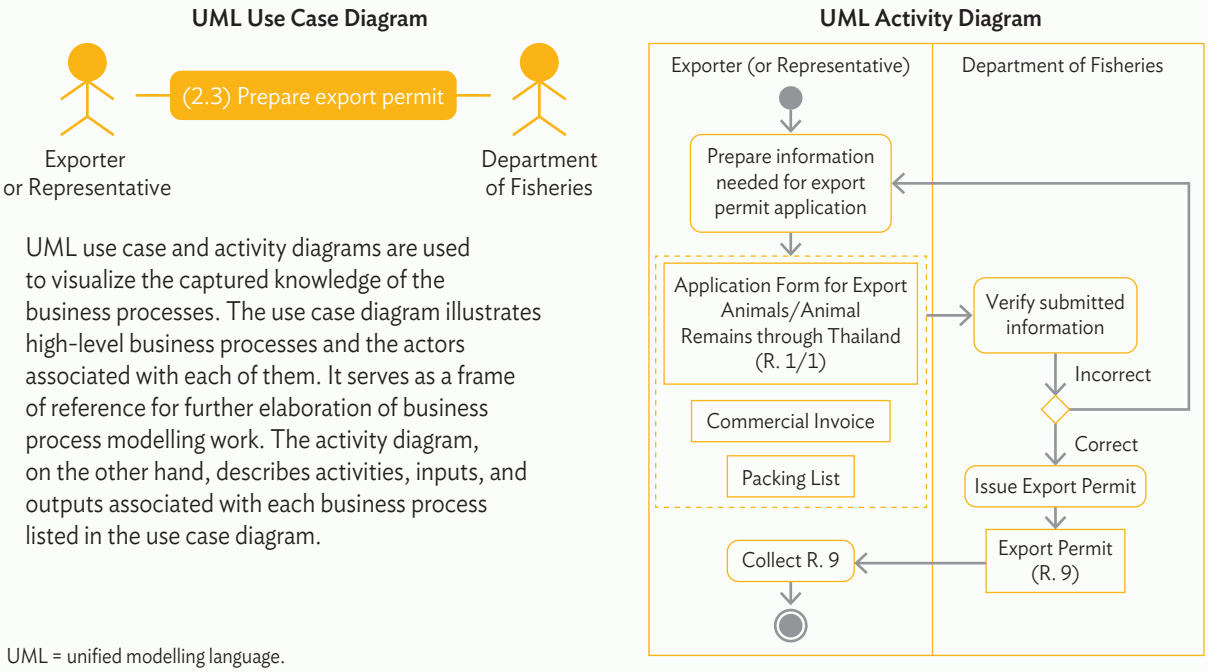


Source: UNECE (2006).

One of the key features of the UN Network of Experts for Paperless Trade and Transport in Asia and the Pacific (UNNExT) *Business Process Analysis Guide to Simplify Trade Procedures* is the introduction of the Unified Modelling Language (UML) as a standard way to graphically represent the various procedures involved in the trade process (Figure 3.3). Use of this common standard is essential to providing a systematic description and common language of a procedure that can be understood by all stakeholders involved in international trade transactions, both domestic and foreign.

Developed and promoted by the World Customs Organization (WCO), TRS is used to measure the average time taken between the arrival of the goods at customs and their release. The outcome of TRS enables customs to identify both the problem areas and potential corrective actions for increasing efficiency. Measuring the time taken for the release of goods also meets the concerns of trade circles regarding long delays in customs clearance.

Figure 3.3: Examples of Use Case and Activity Diagrams



UML = unified modelling language.

Source: UNESCAP (2012a).

Developed by UNESCAP, the TCD method assists decision makers in understanding the pattern and magnitude of time and cost of transportation process and in identifying, isolating, and addressing physical and nonphysical obstacles.[16] TCD was further refined by ADB and evolved to be the so-called CPMM[17] (Figure 3.4). As CPMM has been widely used in Central Asia, it is also adopted by the current TTFMM baseline study.

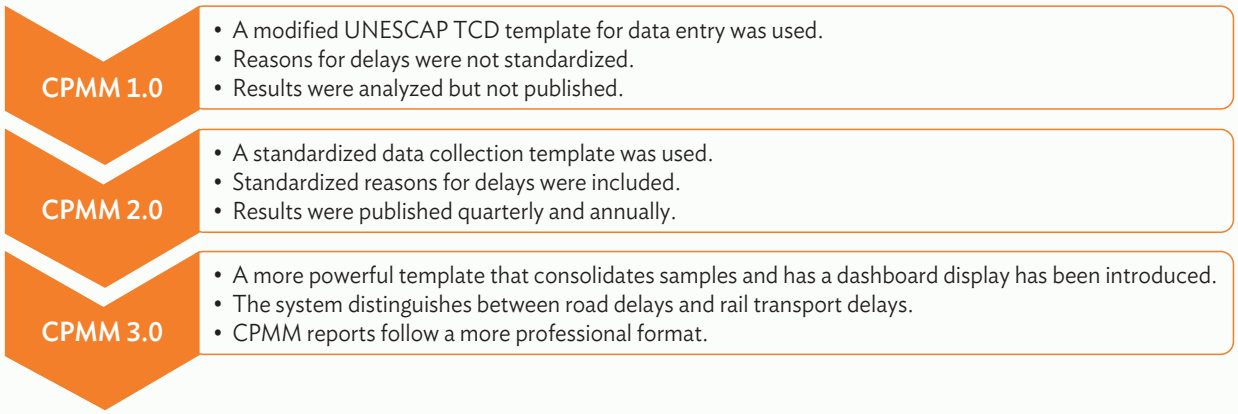
BPA+ draws on the strengths of BPA, TRS, and TCD/CPMM. BPA was initially designed to document and evaluate an import or export process at a given time. Its relative simplicity, combined with the fact that it specifically includes measuring the time and cost of the complete range of procedures as one of the main outputs of the analysis, makes it suitable as the basis or core of a trade facilitation monitoring and improvement system. TCD/CPMM and TRS focus on a subset of procedures covered by BPA and provide alternative data collection methods, and therefore can be used to verify and supplement the data and outputs from the standard BPA. BPA data are typically based on key informant interviews verified through stakeholder consultation(s), while TCD/CPMM is often based on accumulation of quantitative information provided by drivers moving single shipment along a selected route, and TRS is based on data collection forms filled by customs officers and customs brokers or on electronic time stamps when available for a sample of shipments or customs declarations.

BPA provides not only indicators but also a "standard" way to analyze trade procedures, identify bottlenecks, and diagnose trade barriers. The latter is achieved mainly by adopting UML. CPMM and TRS provide indicators and leave detailed analysis to the project team. Another difference is that BPA is product-specific, while CPMM and TRS often cover various products.

[16] More information at UNESCAP (2012b).

[17] Detailed discussion is available at https://www.adb.org/sites/default/files/publication/148731/carec-cpmm-forward-looking-retrospective.pdf.

Figure 3.4: Evolution of Corridor Performance Measurement and Monitoring



CPMM = corridor performance measurement and monitoring, TCD = time/cost–distance, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific.

Source: ADB (2014a).

3.2 Data Collection and Validation Process for the Trade and Transport Facilitation Monitoring Mechanism Baseline Study

The time frame for implementing the TTFMM baseline study in Nepal is shown in Table 3.1. The key activities are highlighted below.

Table 3.1: Time Frame for Implementing the Trade and Transport Facilitation Monitoring Mechanism Baseline Study

	Year 2015	Year 2016											
	Month 10	1	2	3	4	5	6	7	8	9	10	11	12
Subregional meeting to plan the baseline study in Wuhan, People's Republic of China	■												
Workshop to finalize the plan of the baseline study in Bangkok, Thailand		■											
Data collection on BPA			■	■	■	■	■	■					
Data collection on TRS			■	■	■	■							
Data collection on TCD/CPMM				■	■								
TTFMM database, analysis, and draft report			■	■	■	■	■	■	■	■	■		
National results validation meeting								■	■				
Refine TTFMM data and analysis, and finalize study report										■	■	■	■

BPA = Business Process Analysis, CPMM = Corridor Performance Measurement and Monitoring, TCD = Time/Cost–Distance, TRS = Time Release Study, TTFMM = Trade and Transport Facilitation Monitoring Mechanism.

Note: Shaded area in a row indicates the month a particular task was undertaken.

Source: Prepared by the project team.

Workshops to Plan the Baseline Study in Wuhan, People's Republic of China and Bangkok, Thailand

A subregional meeting was held in October 2015 in Wuhan, People's Republic of China, to plan the baseline study and discuss the next steps, and attended by national consultants and government officials from Bangladesh, Bhutan, and Nepal and experts from ADB and UNESCAP. Another study planning workshop during which methodologies for BPA, TRS, and TCD/CPMM were discussed in detail, was held in Bangkok, Thailand, on 13–15 January 2016. Present in the workshop were national consultants of the project, government officers, and logistics operators from Bangladesh, Bhutan, and Nepal. Draft questionnaires used for TRS and CPMM were distributed and comprehensively discussed at the workshop, which was instrumental in the actual study.

Data Collection on Business Process Analysis

An expert conducted data collection on BPA during February–July 2016 and interviewed the key stakeholders in Kathmandu, Birgunj, and Kakarbhitta. A field trip to Kolkata was arranged to collect data on transit during 16–18 March 2016. Following the UNNExT's BPA methodology, information on import and export processes was collected, essentially through repeated interviews of key informants, e.g., exporters, importers, and intermediaries including public and private sector institutional participants directly involved in the processes being analyzed. Whenever required, there were also interviews and consultations with government agencies. Websites of different organizations were also studied to collect published information related to specific procedural requirements, including documents, time and costs, and laws and regulations. The summary and people interviewed during the visit are shown in Appendix 1.

Data Collection on TCD/CPMM

A data collection form was designed based on the ADB CPMM approach (Appendix 2). An explanation of the data collection forms (Appendix 3) was provided to the trucking and transport companies in charge of collecting data. Data collection was carried out during May–June 2016. Overall, 84 samples were collected for analysis (Table 3.2).

Table 3.2: Samples Collected for Each Corridor under Study

Corridor	Number of Samples
Kathmandu–Raxaul	14
Raxaul–Kolkata	14
Kolkata–Birgunj	14
Birgunj–Kathmandu	15
Kakarbhitta–Banglabandha–Kakarbhitta–Kathmandu	27
Total	**84**

Source: Prepared by the project team.

National Results Validation Meeting and Follow-up Activities

The Ministry of Commerce, Nepal, in collaboration with ADB and UNESCAP, organized a national validation workshop on 28–29 July 2016 in Kathmandu, Nepal. The project team presented preliminary study results and findings to stakeholders. The project team considered comments from the workshop in their decision to revise the report. Approximately 6 weeks after the meeting, the project team shared the revised reports with the participants and incorporated additional feedback for further revision.

CHAPTER 4

KEY FINDINGS AND RECOMMENDATIONS

4.1 Indicators on Corridors and Products under Study

This section is divided into four subsections, each section reports on key indicators related to the corridors and products.

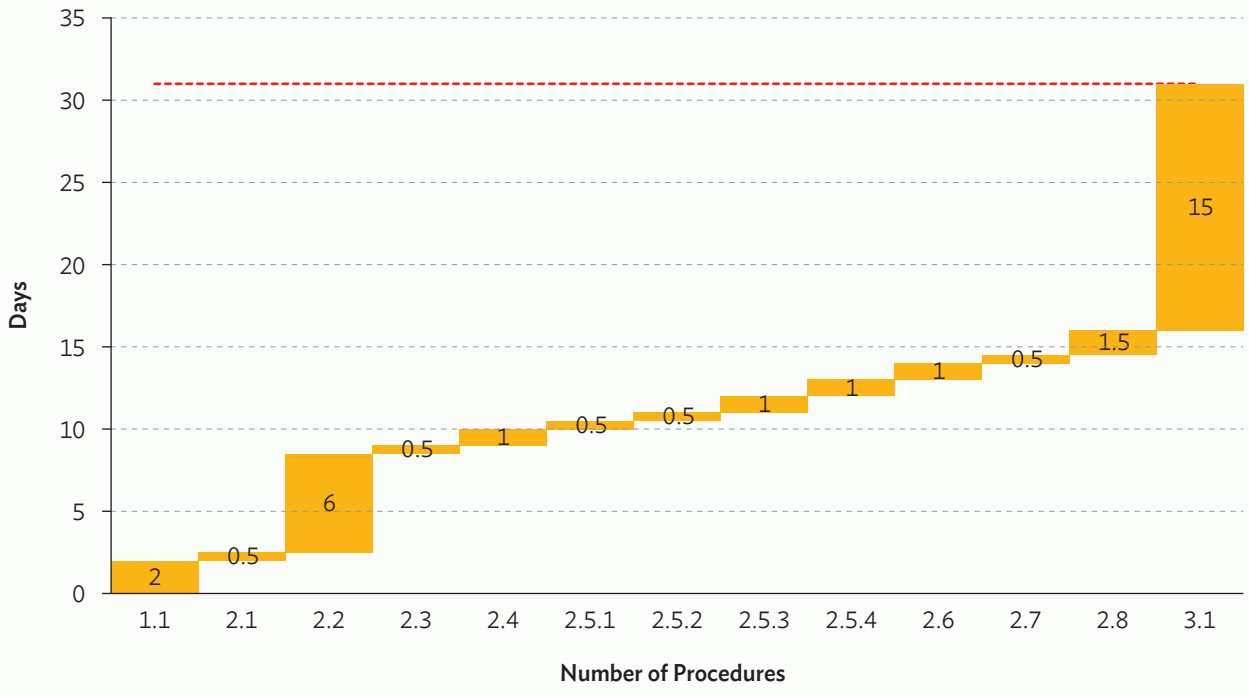
4.1.1 Import of Wool through Kolkata–Birgunj–Kathmandu

The key indicators included for analysis include *time for import*, *costs for import*, *number of procedures for import*, *number of actors*, *number of documents for import*, and *average speed* along the corridor.

4.1.1.1 Time for Import of Wool

Figure 4.1 and Table 4.1 show that it takes 31 days to complete various processes for the import of wool. It takes 2 days to conclude the contract, 14 days to ship, and 15 days to complete payment procedures.

Figure 4.1: Time for Import of Wool from International Market via Kolkata Port (Number of Days)



Source: Prepared by the project team.

Table 4.1: Time Required for Completing Each Procedure of Importing Wool

Process	Time (Days)
Buy	
1.1 Conclude sales contract and trade terms	2
Ship	
2.1 Obtain import permission from TEPC	0.5
2.2 Open letter of credit	6
2.3 Forward letter of credit number to CGN Kolkata	0.5
2.4 Appoint freight forwarder	1
2.5.1 Submit IGM	0.5
2.5.2 Prepare CTDs	0.5
2.5.3 Clear customs at Kolkata	1
2.5.4 Clear port at Kolkata	1
2.6 Clear customs at Raxaul	1
2.7 Clear customs at Birgunj	0.5
2.8 Deliver consignment to importer's godown	1.5
Pay	
3.1 Make payment	15

CGN = Consulate General of Nepal, CTD = customs transit declaration, IGM = import general manifest, TEPC = Trade and Export Promotion Centre.
Source: Prepared by the project team.

4.1.1.2 Cost for Import of Wool

As shown in Table 4.2, total costs for completing all trade and transport procedures from Kolkata to Kathmandu is $1,540. Among the total costs, transport costs (including employment of freight forwarders) are the highest ($930). Opening letter of credit is the second-costliest procedure ($350). Clearance of goods from Kolkata port costs $209.

4.1.1.3 Number of Procedures for Import of Wool

The total number of procedures for importing wool is 13 (eight procedures in Nepal and five procedures in India). In Nepal, the importer has to complete purchase contract, obtain permission from Trade and Export Promotion Centre, open letter of credit and communicate to the consulate general of Nepal Kolkata, appoint freight forwarder and clear customs at Birgunj, make delivery and payment while the importer submit the import general manifest, prepare the customs transit declaration, clear customs at Kolkata and Raxaul, and clear port at Kolkata.

4.1.1.4 Number of Actors Involved for the Import of Wool

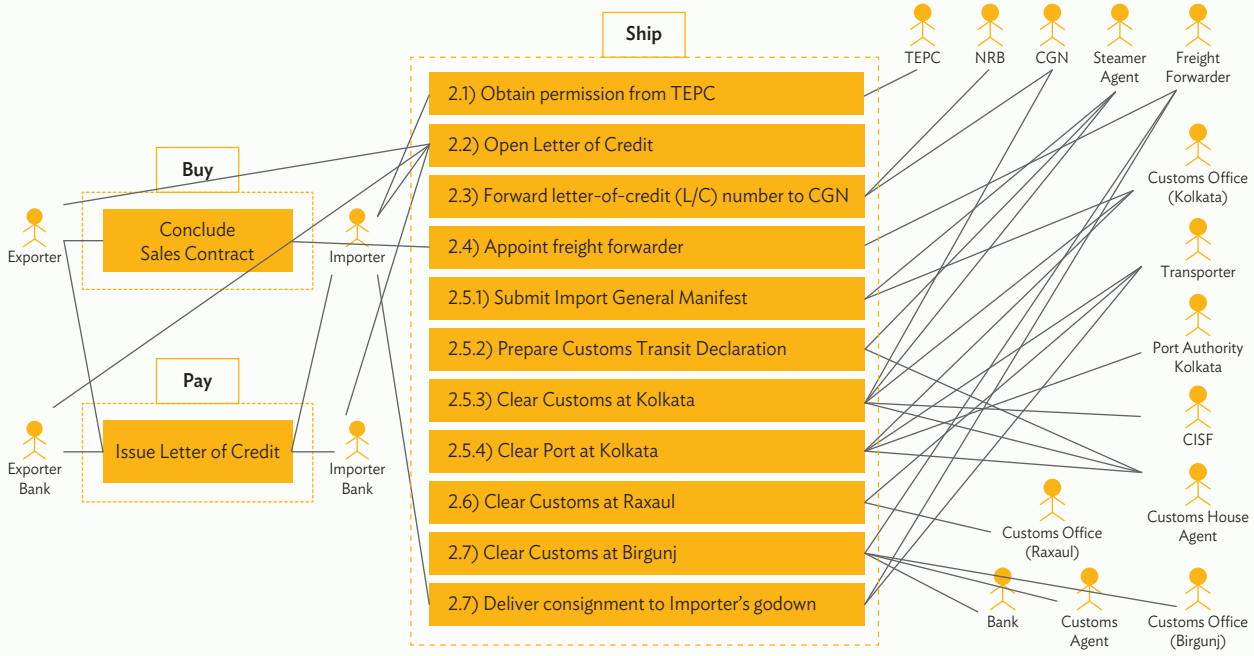
As shown in Figure 4.2, 18 actors are involved in importing wool (8 government agencies and 10 private sector actors), and 9 actors in Nepal and 7 actors in India.

Table 4.2: Cost of Importing Wool to Kathmandu from International Market via Kolkata Port

Process	Cost per Container ($)
Buy	
1.1 Conclude sales contract and trade terms	0
Ship	
2.1 Obtain import permission from TEPC	0
2.2 Open letter of credit	350
2.3 Forward letter of credit number to CGN Kolkata	0
2.4 Appoint freight forwarder	200
2.5.1 Submit IGM	0
2.5.2 Prepare CTDs	53
2.5.3 Clear customs at Kolkata	0
2.5.4 Clear port at Kolkata	209
2.6 Clear customs at Raxaul	22
2.7 Clear customs at Birgunj	6
2.8 Deliver consignment to importer's godown	730
Pay	
3.1 Make payment	0
Total cost	**1,540**

CGN = Consulate General of Nepal, CTD = customs transit declaration, IGM = import general manifest, TEPC = Trade and Export Promotion Centre.
Source: Prepared by the project team.

Figure 4.2: Use Case Diagram of Importing Wool



CGN = Consulate General of Nepal, CISF = Central Industrial Security Force, NRB = Nepal Rastra Bank, TEPC = Trade and Export Promotion Centre.
Source: Prepared by the project team.

4.1.1.5 Number of Documents Involved in Importing Wool

Import process requires 28 different documents—2 documents (import general manifest and special additional duty) submitted electronically and 26 documents submitted manually. Customs clearance at Kolkata requires 10 documents, and 9 documents at Birgunj. Import process and customs clearance are the most document-consuming processes (Table 4.3).

Table 4.3: Documentation Requirement for Importing Wool

Process	Number of Documents Required	Documents Required	Electronic Submission
Buy			
1.1 Conclude sales contract and trade terms	2	Purchase order	✓
		Pro forma invoice	✓
Ship			
2.1 Obtain import permission from TEPC	3	Pro forma invoice	×
		PAN/VAT certificate	×
		Firm/company registration certificate	×
2.2 Open letter of credit	3	Pro-forma invoice	×
		Bi Bi Ni 3	×
		Permission letter from TEPC	×
2.3 Forward letter of credit number to CGN Kolkata	1	Letter of credit number	✓
2.4 Appoint freight forwarder	0		×
2.5.1 Submit IGM	6	Desk cargo declaration	×
		Port clearance copy	×
		Income tax certificate	×
		Port trust certificate	×
		Nil cargo export certificate	×
		IGM	✓
2.5.2 Prepare CTDs	8	Pro forma invoice	×
		Commercial invoice	×
		Packing list	×
		COO	×
		Bill of lading	×
		CHA authorization letter	×
		Request letter to CGN	×
		Letter of credit	×
2.5.3 Clear customs at Kolkata	10	CTD	×
		Pro forma invoice	×
		Commercial invoice	×
		Packing list	×
		COO	×

continued next page

Table 4.3: ***Continued***

Process	Number of Documents Required	Documents Required	Electronic Submission
		Bill of lading	✗
		CHA authorization letter	✗
		Request letter to CGN	✗
		Letter of credit	✗
		IGM	✗
2.5.4 Clear port at Kolkata	8	CTD	✗
		Jetty chalan	✗
		Local delivery order	✗
		Delivery order	✗
		Bond certificate	✗
		Import delivery order	✗
		Entry gate pass	✗
		Exit gate pass	✗
2.6 Clear customs at Raxaul	1	CTD	✗
2.7 Clear customs at Birgunj	9	Pro forma invoice	✗
		Commercial invoice	✗
		Packing list	✗
		PAN/VAT certificate	✗
		Firm/registration certificate	✗
		Bi Bi Ni 4	✗
		COO	✗
		Letter of credit	✗
		Wool quality certificate	✗
		SAD	✓
2.8 Deliver consignment to importer's godown	0		✗
Pay			
3.1 Make payment	5	Commercial invoice	✗
		COO	✗
		Packing list	✗
		Wool quality certificate	✗
		Bill of lading	✗
Total number of unique documents	**28**		
Total number of submissions	**56**		

Bi Bi Ni 4 = Bidashik Binamaya Niyan 4, CGN = Consulate General of Nepal, = CHA = customs house agent, COO = certificate of origin, CTD = customs transit declaration, IGM = import general manifest, PAN = permanent account number, SAD = Special Additional Duty, TEPC = Trade and Export Promotion Centre, VAT = value-added tax.

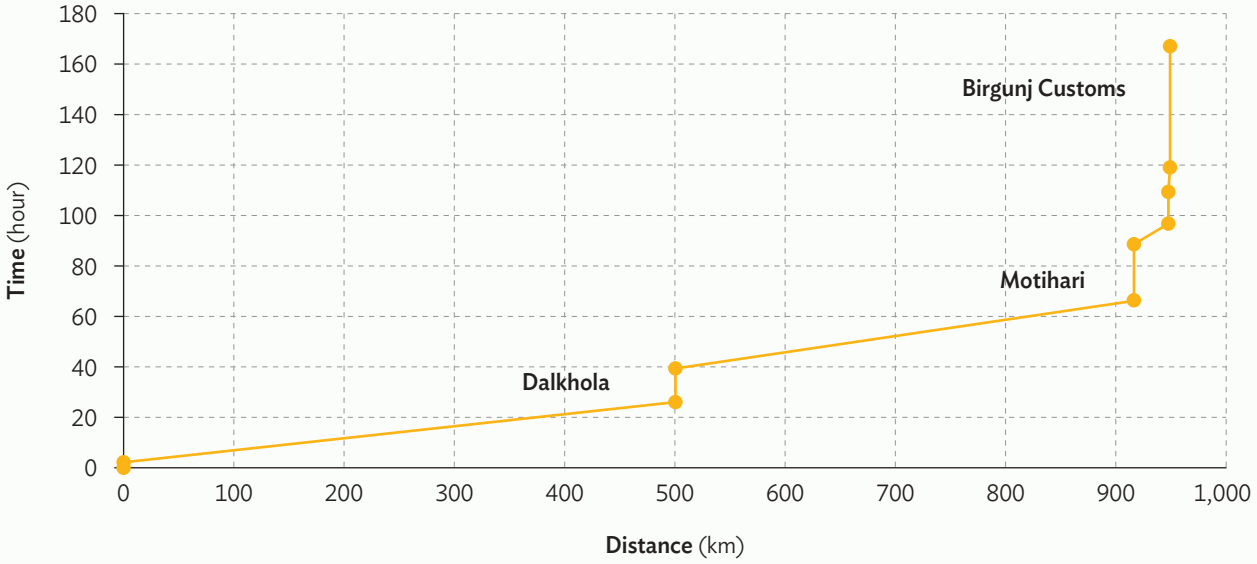
Note: Bi Bi Ni or Bidashik Binamaya Niyan in Nepali is a form produced by Reserve Bank of Nepal (Rastrya Bank) to track foreign currency used. This form is filled out during custom clearance.

Source: Prepared by the project team.

4.1.1.6 Average Speed along the Kolkata–Birgunj–Kathmandu Corridor

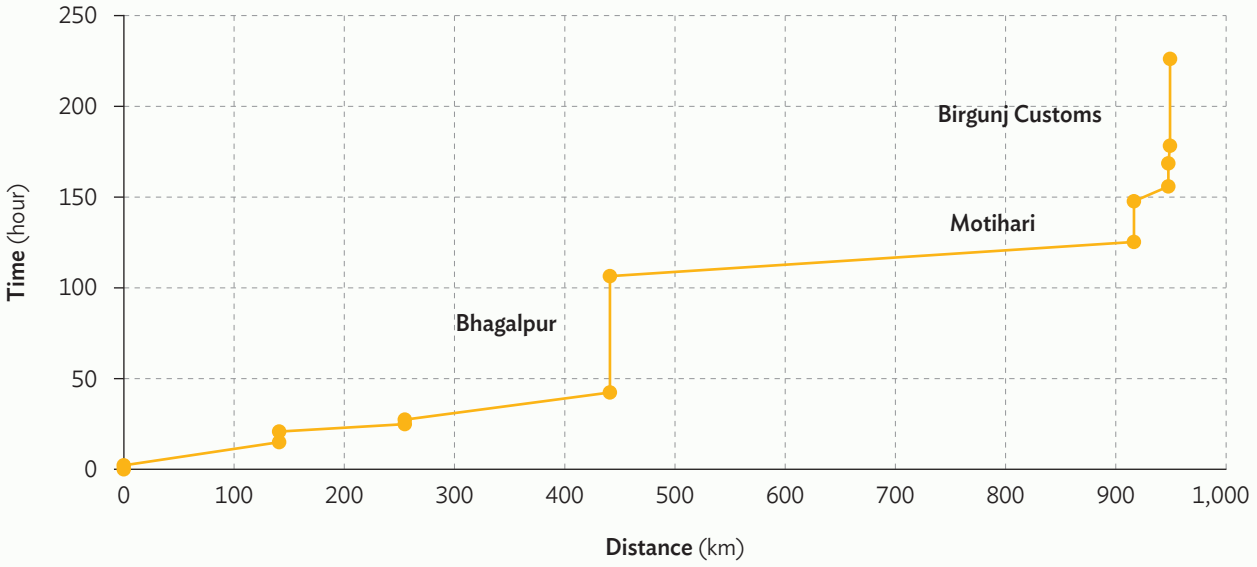
The CPMM analysis has been done for two routes for the Kolkata–Birgunj corridor—via Dalkhola and via Bhagalpur–Birgunj–Kathmandu. The analysis shows that the average speed along Kolkata to Birgunj via Dalkhola is 9.5 kilometers per hour (km/h), whereas it is 5 km/h for Kolkata to Birgunj via Bhagalpur. For Birgunj–Kathmandu corridor, the average speed is 8 km/h. Information on time–distance is shown in Figures 4.3, 4.4, and 4.5.

Figure 4.3: Travel Time along Kolkata to Birgunj via Dalkhola



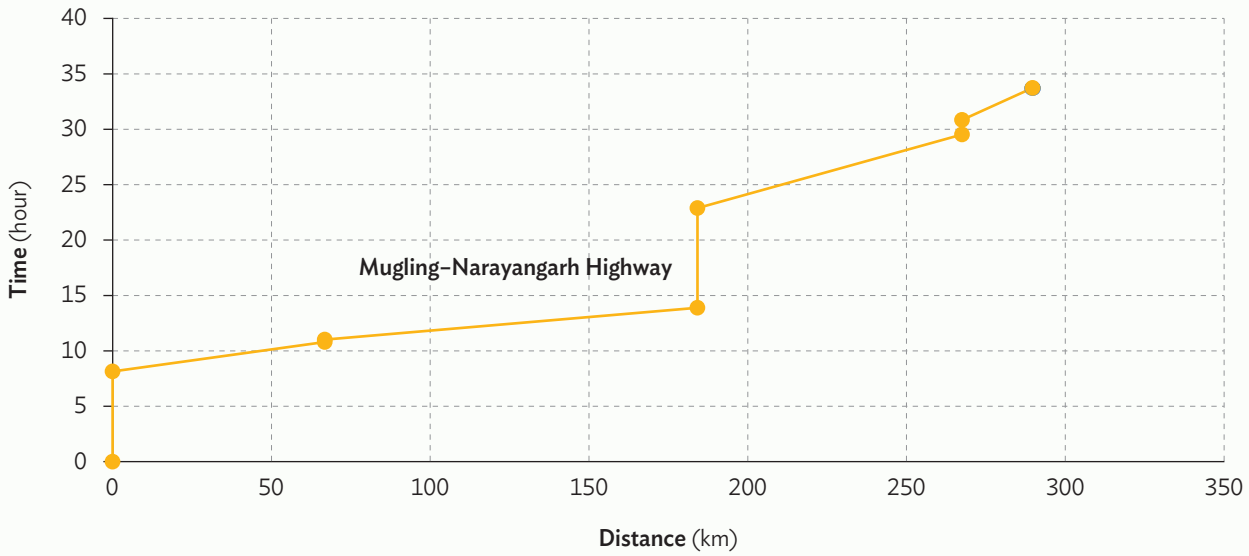
Source: Prepared by the project team.

Figure 4.4: Travel Time along Kolkata to Birgunj via Bhagalpur



Source: Prepared by the project team.

Figure 4.5: Travel Time along the Birgunj–Kathmandu Route



Source: Prepared by the project team.

4.1.2 Export of Wool Carpet through Kathmandu–Birgunj–Kolkata

The key indicators included for analysis include *time for import*, *costs for import*, *number of procedures for import*, *number of actors*, *number of documents for import*, and *average speed* along the corridor.

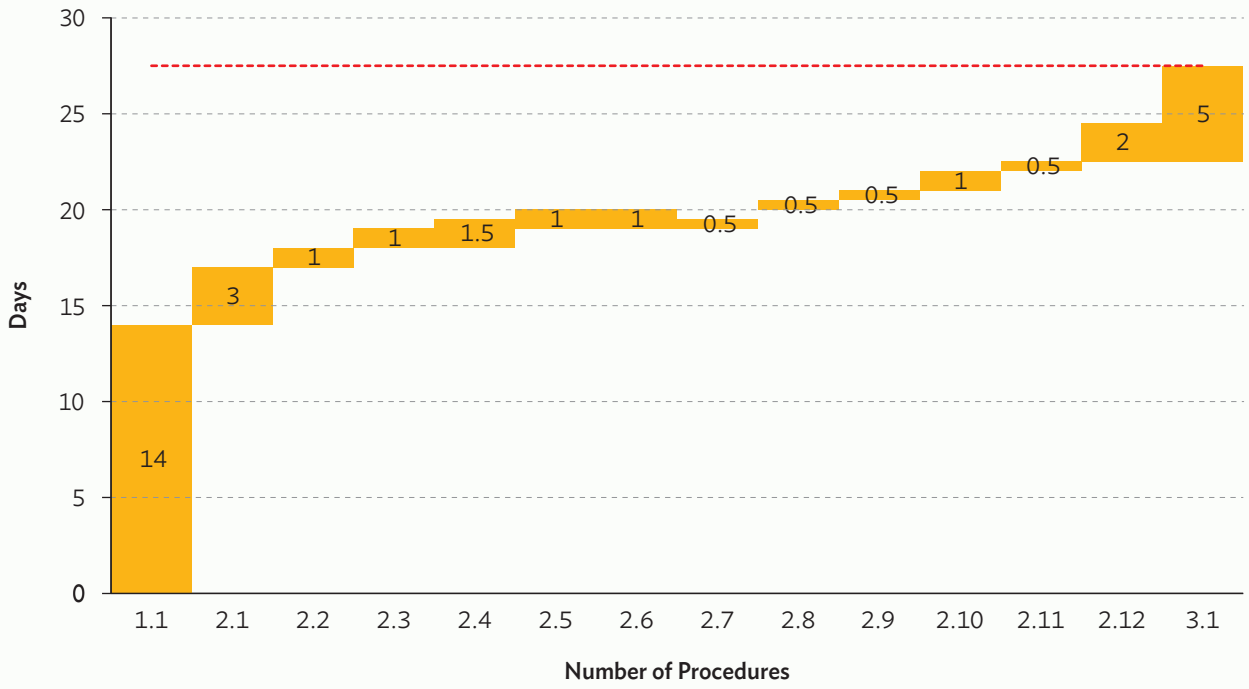
4.1.2.1 Time for Export of Wool Carpet

As shown in Figure 4.6 and Table 4.4, it takes 28 days to process the export of carpets. It should be noted that waiting time for the arrival of containers at the Birgunj Customs from Kolkata Port have not been taken into account, and the time mentioned strictly posits the time taken for the processes. The maximum amount of time was required in the contract process primarily because of the need to send samples abroad.

4.1.2.2 Cost for Export of Wool Carpet

The total cost of the exports of carpets (including transport) was $1,320 (Table 4.5). While transport takes a major chunk of the cost of export, the cost of acquiring certificate of origin and generalized system of preference constituted another major source of cost. Because the two documents essentially serve the same purpose, removing one from the requirements can serve to reduce not only the documentation need but also the cost of export.

Figure 4.6: Time–Procedure Chart of Exporting Carpet



Source: Prepared by the project team.

Table 4.4: Time Taken for Export of Carpet from Kathmandu to International Market via Kolkata Port

Process	Time Taken
Buy	
1.1 Conclude sales contract and trade terms	14
Ship	
2.1 Obtain quality certificate	3
2.2 Appoint freight forwarder	1
2.3 Handover documents to freight forwarder	1
2.4 Move container to Birgunj customs	1.5
2.5 Obtain COO certificate	1
2.6 Obtain GSP certificate	1
2.7 Arrange transportation	0.5
2.8 Clear customs at Birgunj	0.5
2.9 Load consignment in Indian trucks at Birgunj customs	0.5
2.10 Clear customs at Raxaul	1
2.11 Collect documents from transporter	0.5
2.12 Clear customs and port at Kolkata	2
Pay	
3.1 Receive letter of credit and payment	5

COO = certificate of origin, GSP = generalized system of preference.

Source: Prepared by the project team.

Table 4.5: Cost of Exporting a Container of Carpets

Process	Cost per Container ($)
Buy	
1.1 Conclude sales contract and trade terms	50
Ship	
2.1 Obtain quality certificate	30
2.2 Appoint freight forwarder	600
2.3 Handover documents to freight forwarder	0
2.4 Move container to Birgunj customs	200
2.5 Obtain COO certificate	63
2.6 Obtain GSP certificate	38
2.7 Arrange transportation	200
2.8 Clear customs at Birgunj	6
2.9 Load consignment in Indian trucks at Birgunj customs	10
2.10 Clear customs at Raxaul	60
2.11 Collect documents from transporter	0
2.12 Clear customs and port at Kolkata	64
Pay	
3.1 Receive letter of credit and payment	0
Total cost	**1,320**

COO = certificate or origin, GSP = generalized system of preference.
Source: Prepared by the project team.

4.1.2.3 Number of Procedures for Export of Wool Carpet

As shown in Figure 4.6 and Table 4.4, the number of procedures for exporting carpet is 14: 11 in Nepal, and 3 in India.

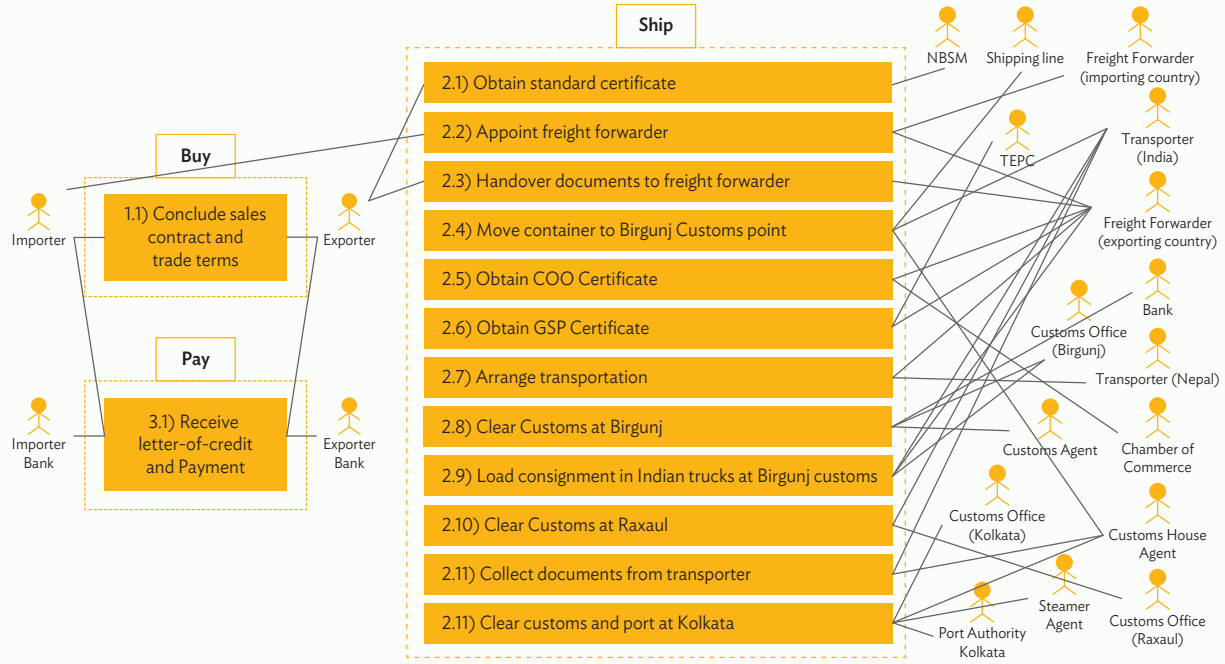
4.1.2.4 Number of Actors involved in Export of Wool Carpet

As shown in Figure 4.7, 20 actors are involved in the export process.

4.1.2.5 Number of Documents involved in Export of Wool Carpet

As shown in Table 4.6, 24 unique documents are required to be submitted for 45 times (4 electronically and 41 manually) to complete the 14 export procedures.

Figure 4.7: Use Case Diagram of Exporting Carpet



COO = certificate of origin, GSP = generalized system of preference, NBSM = Nepal Bureau of Standards and Metrology, TEPC = Trade and Export Promotion Centre.

Source: Prepared by the project team.

Table 4.6: Documentation Requirement for Exporting Carpet from Kathmandu to Third Country via Kolkata

Process	Number of Documents Required	Mandatory Documents Required	Electronic Submission
Buy			
1.1 Conclude sales contract and trade terms	2	Purchase order	✓
		Pro forma invoice	✓
Ship			
2.1 Obtain standard certificate	0		
2.2 Appoint freight forwarder	0		
2.3 Handover documents to the freight forwarder	0		
2.4 Move container to Birgunj customs point	2	Bond certificate	✗
		No objection certificate	✗
2.5 Obtain COO certificate	6	Pro forma invoice	✗
		Commercial invoice	✗
		Packing list	✗
		PAN/VAT certificate	✗
		Firm/company registration certificate	✗
2.6 Obtain GSP certificate	6	Pro forma invoice	✗
		Commercial invoice	✗
		Packing list	✗
		PAN/VAT certificate	✗
		Firm/company registration certificate	✗
		A copy of last GSP certificate	✗

continued next page

Table 4.6: ***Continued***

Process	Number of Documents Required	Mandatory Documents Required	Electronic Submission
2.7 Arrange transportation	0		
2.8 Clear customs at Birgunj	9	Pro forma invoice	✕
		Commercial invoice	✕
		Packing list	✕
		PAN/VAT certificate	✕
		Firm/company registration certificate	✕
		GSP certificate	✕
		CTD	✕
		Appointment letter of customs agent	✕
		SAD	✓
2.9 Load consignment in Indian trucks at Birgunj customs	2	Driving license	✕
		No objection letter	✕
2.10 Clear customs at Raxaul	6	Commercial invoice	✕
		Packing list	✕
		Bond certificate	✕
		CTD	✕
		Letter of undertaking	✕
		Letter of credit	✕
2.11 Collect documents from transporter	0		
2.12 Clear customs and port at Kolkata	9	Commercial invoice	✕
		Packing list	✕
		COO/GSP certificate	✕
		CTD	✕
		CHA authorization letter	✕
		Letter of credit	✕
		CTD in sealed envelope	✕
		Shipping bills	✕
		EGM	✓
Pay			
3.1 Receive letter of credit and payment	7	Commercial invoice	✕
		Packing list	✕
		Bill of lading	✕
		COO/GSP certificate	✕
		Quality certificate	✕
		Bi Bi Ni 3	✕
		Bi Bi Ni 4	✕
Total number of unique documents	**21**		
Total number of submissions	**45**		

Bi Bi Ni 3 = Bidashik Binamaya Niyan 3, Bi Bi Ni 4 = Bidashik Binamaya Niyan 4, CHA = customs house agent, COO = certificate of origin, CTD = customs transit declaration, EGM = export general manifest, GSP = generalized system of preference, PAN = permanent account number, SAD = special additional duty, VAT = value-added tax.

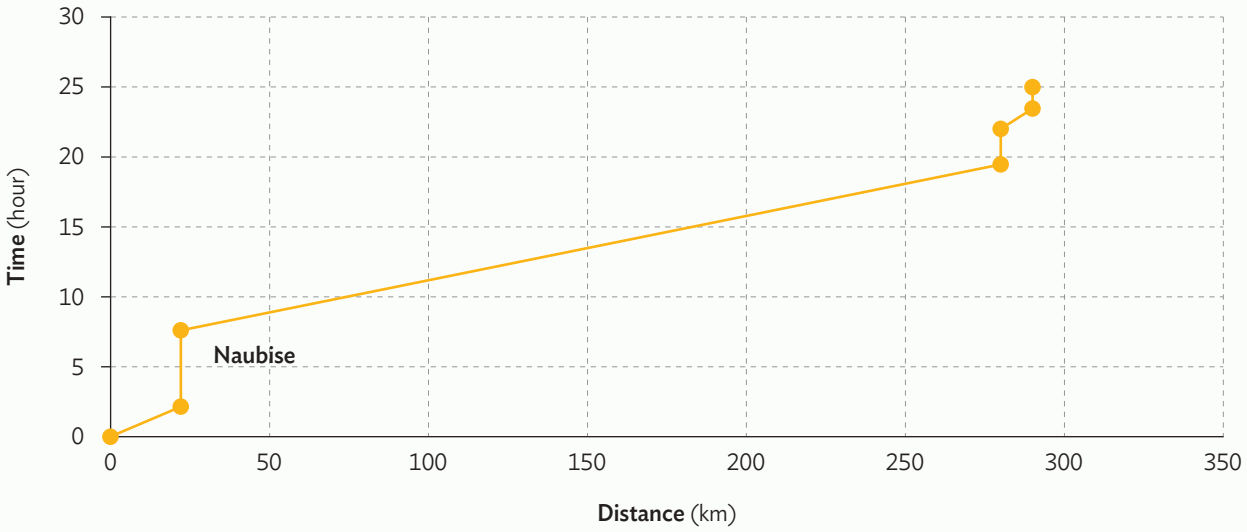
Note: Bi Bi Ni or Bidashik Binamaya Niyan in Nepali is a form produced by Reserve Bank of Nepal (Rastrya Bank) to track foreign currency used. This form is filled out during custom clearance.

Source: Prepared by the project team.

4.1.2.6 Average Speed along the Kathmandu–Birgunj–Kolkata Corridor

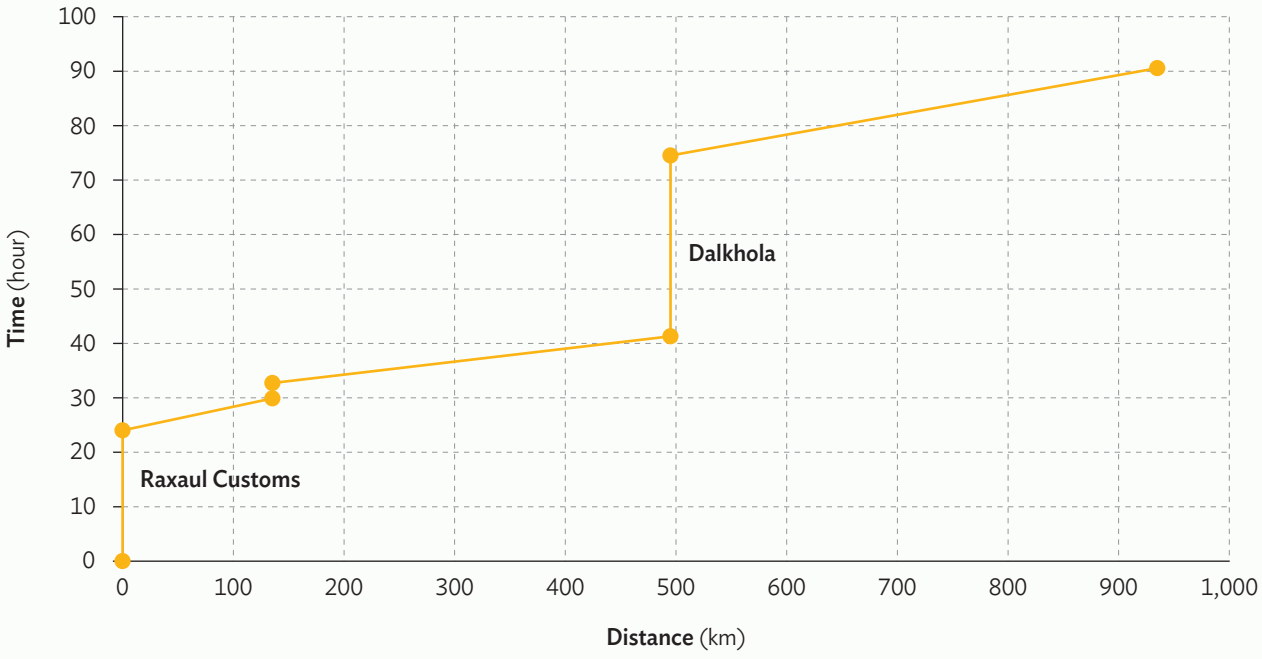
CPMM analysis shows that the average speed along Kathmandu to Raxaul is 11 km/h, Raxaul to Kolkata via Dalkhola is 10 km/h, and Raxaul to Kolkata via Bhagalpur is 8 km/h. Information on time–distance is shown in Figures 4.8, 4.9, and 4.10.

Figure 4.8: Travel Time along the Kathmandu to Raxaul Route



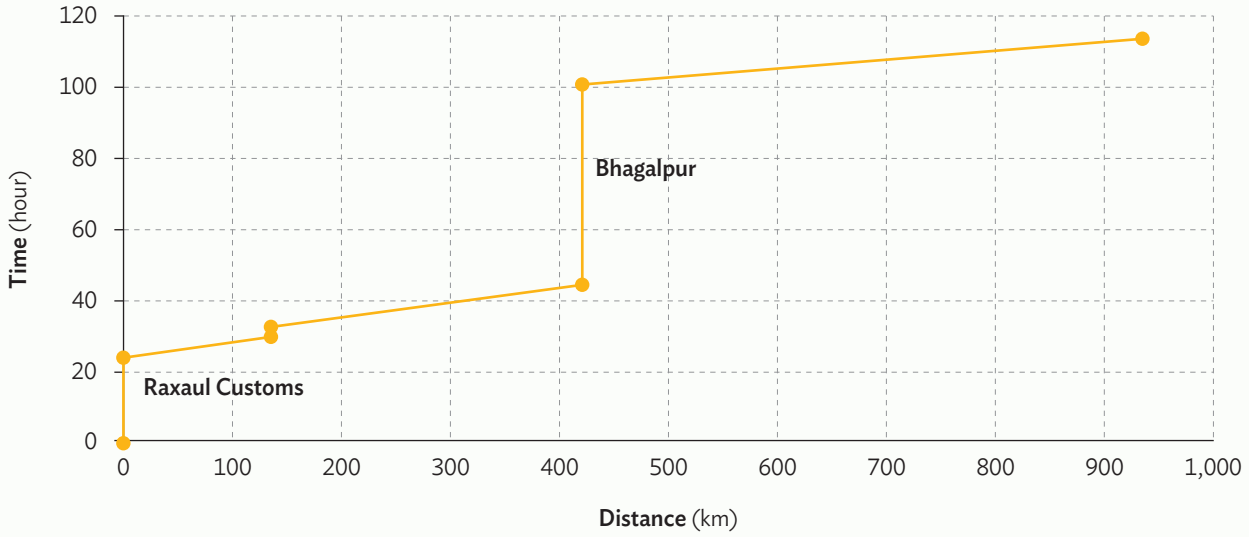
Source: Prepared by the project team.

Figure 4.9: Travel Time along Raxaul–Kolkata via Dalkhola Route



Source: Prepared by the project team.

Figure 4.10: Travel Time along Raxaul–Kolkata via Bhagalpur



Source: Prepared by the project team.

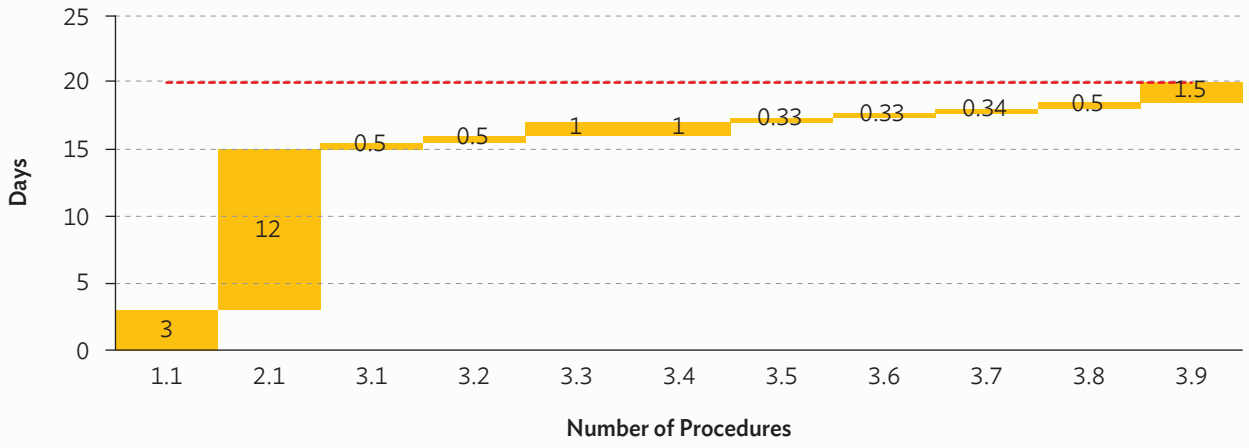
4.1.3 Import of Fabrics from Bangladesh to Nepal through Banglabandha–Fulbari–Panitanki–Kakarbhitta–Kathmandu

The key indicators included for analysis include *time for export*, *costs for export*, *number of procedures for export*, *number of actors*, and *number of documents for export*.

4.1.3.1 Time for Import of Fabrics

As shown in Figure 4.11, it generally takes 22 days to complete all trade procedures for importing fabrics from Bangladesh to Nepal.

Figure 4.11: Time Procedure Chart of Importing Fabric from Bangladesh to Nepal



Source: Prepared by the project team.

4.1.3.2 Cost for Import of Fabrics

Table 4.7 shows total costs for importing a truck of fabrics from Bangladesh. Costs for transport, amounting to $500 out of $1,000 (50%), are the highest. Obtaining an undertaking from Nepal Transit and Warehousing Company Limited ($250) is the second-costliest procedure.

4.1.3.3 Number of Procedures for Import of Fabrics

Table 4.7 shows that 11 procedures, including two in India, are required to complete import of fabrics from Bangladesh to Nepal.

4.1.3.4 Number of Actors Involved in Export of Fabrics

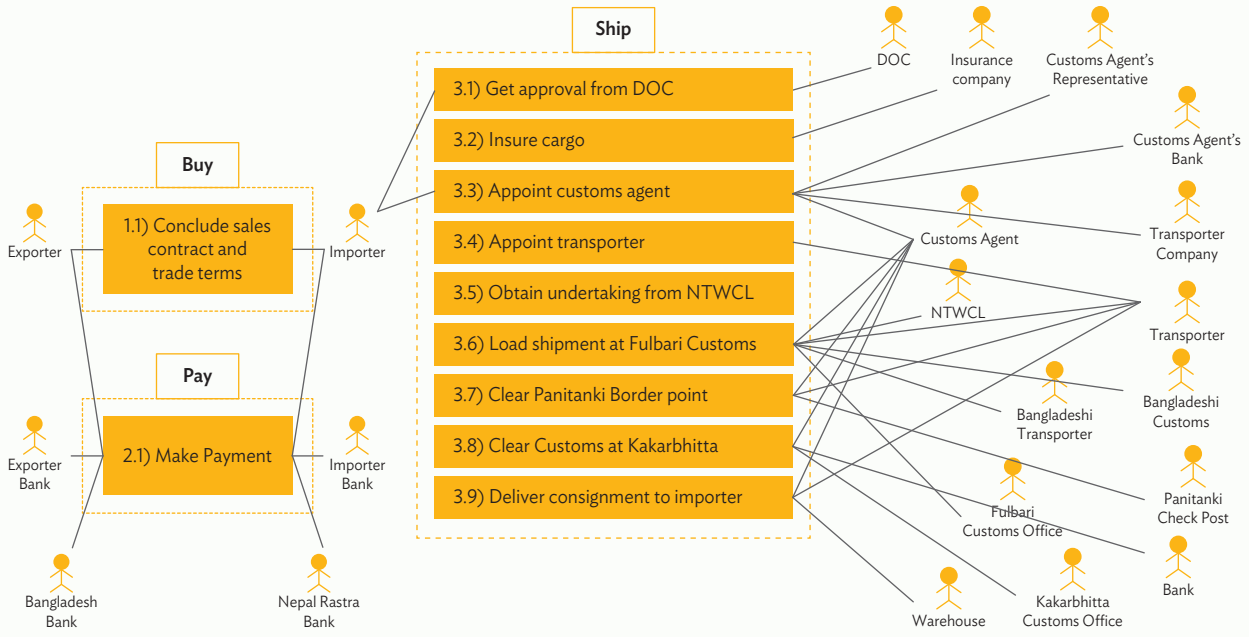
The Use Case Diagram (Figure 4.12) shows that there are 21 actors involved in the process.

Table 4.7: Cost of Importing a Typical Truck of Fabric from Bangladesh to Nepal

Process	Cost per Truck ($)
Buy	
1.1 Conclude sales contract and trade terms	0
Pay	
2.1 Make payment	100
Ship	
3.1 Get approval from Department of Customs	51
3.2 Insure cargo	69
3.3 Appoint customs agent	22
3.4 Appoint transporter	500
3.5 Obtain undertaking from NTWCL	250
3.6 Load shipment at Fulbari customs	8
3.7 Clear Panitanki border point	0
3.8 Clear customs at Kakarbhitta	0
3.9 Deliver consignment to importer's godown	0
Total cost	**1,000**

NTWCL = Nepal Transit and Warehousing Company Limited.
Source: Prepared by the project team.

Figure 4.12: Use Case Diagram for Import of Fabrics



DOC = Department of Commerce, NTWCL = Nepal Transit and Warehousing Company Limited.
Source: Prepared by the project team.

4.1.3.5 Number of Documents Involved in Import of Fabrics

Table 4.8 shows that 24 unique documents need to be submitted for 47 times (3 electronically and 44 manually) to complete the procedures of importing fabric from Bangladesh to Nepal. Two issues can be highlighted in this respect. First, it is necessary to examine whether some documents may be submitted once only. At least copies of the documents should be accepted if the original documents have been checked by relevant authorities or agencies. Second, electronic submission of the documents should be explored. While ASYCUDA World provided the opportunity for online documentation in Kakarbhitta customs, the facility has not been fully functional, and therefore online documentation facility is practically absent for the product (except for special additional duty).

Table 4.8: Documentation Requirement for Importing Fabric from Bangladesh to Kathmandu

Process	Number of Documents Required	Documents Required	Electronic Submission
Buy			
1.1 Conclude sales contract and trade terms	2	Purchase order	✓
		Pro forma invoice	✓
Pay			
2.1 Send payment via telegraphic transfer	2	Pro forma invoice	×
		Bi Bi Ni 3A	×
Ship			
3.1 Get approval from Department of Customs	7	Pro forma invoice	×
		Commercial invoice	×
		Packing list	×
		Payment certificate	×
		Firm/company registration certificate	×
		PAN/VAT certificate	×
3.2 Insure cargo	5	Pro forma invoice	×
		Payment certificate	×
		Firm/company registration certificate	×
		Proposal form	×
		Declaration form	×
3.3 Appoint customs agent	0		
3.4 Appoint transporter	0		
3.5 Obtain undertaking from NTWCL	12	Driving license	×
		Vehicle ownership card	×
		Commercial invoice	×
		Pro forma invoice	×

continued next page

Table 4.8: ***Continued***

Process	Number of Documents Required	Documents Required	Electronic Submission
		Packing list	✕
		Vehicle permit form	✕
		Truck consignment note	✕
		COO	✕
		PAN/VAT certificate	✕
		Firm/company registration certificate	✕
		Payment certificate	✕
		CTD	✕
3.6 Load shipment at Fulbari customs	4	Consignment list	✕
		CTD	✕
		Undertaking certificate	✕
		Release form	✕
3.7 Clear Panitanki border point	2	Vehicle permit	✕
		CTD	✕
3.8 Clear customs at Kakarbhitta	11	Pro forma invoice	✕
		Commercial invoice	✕
		COO	✕
		Insurance certificate	✕
		Packing list	✕
		Payment certificate	✕
		Truck consignment note	✕
		PAN/VAT certificate	✕
		Firm/company registration certificate	✕
		Payment receipt	✕
		SAD	✓
		Customs agent appointment letter	
3.9 Deliver consignment to importer	2	Gate pass	✕
		Parking receipt	✕
Total number of unique documents	**24**		
Total number of submission of the documents	**47**		

Bi Bi Ni = Bidashik Binamaya Niyan, COO = certificate of origin, CTD = customs transit declaration, NTWCL = Nepal Transit and Warehousing Company Limited, PAN = permanent account number, SAD = special additional duty, VAT = value-added tax.

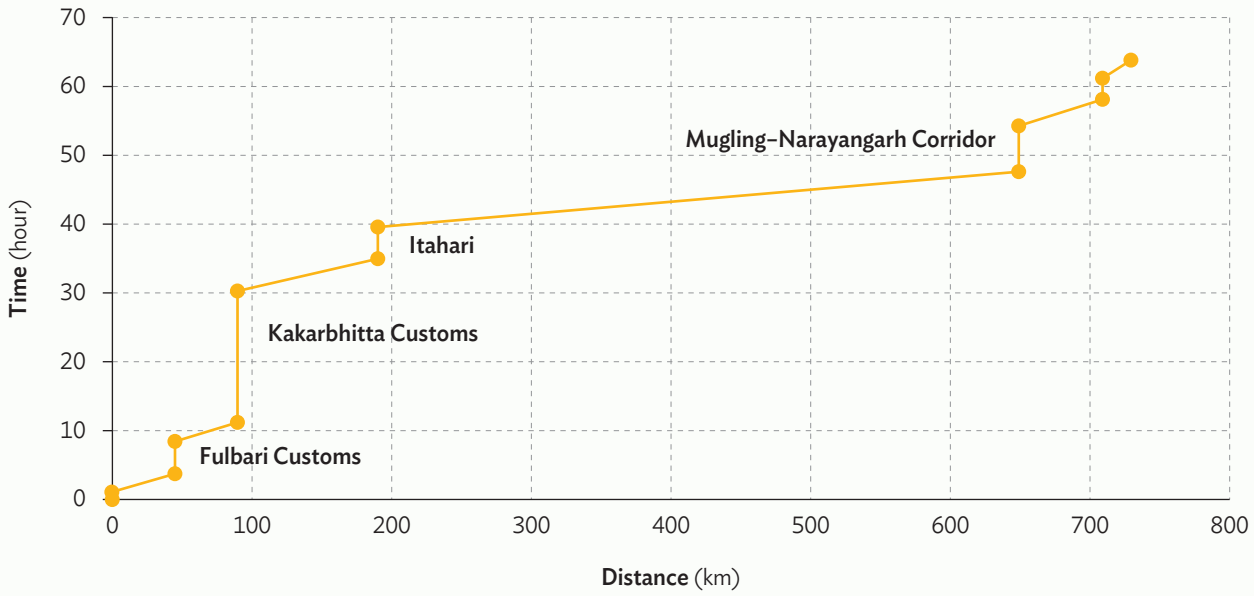
Note: Bi Bi Ni or Bidashik Binamaya Niyan in Nepali is a form produced by Reserve Bank of Nepal (Rastrya Bank) to track foreign currency used. This form is filled out during custom clearance.

Source: Prepared by the project team.

4.1.3.6 Average Speed along the Kakarbhitta–Banglabandha–Kakarbhitta–Kathmandu Corridor

Average speed along the Kakarbhitta–Banglabandha–Kakarbhitta–Kathmandu corridor is 11 km/h. As shown in Figure 4.13, trucks have to stop for at least 4 hours at Fulbari. The travel to Fulbari back to Kakarbhitta takes almost 10 hours, raising the cost of import for traders. Because trucks arrive back to Kakarbhitta customs at night, they have to wait an entire half day for the customs to open, further leading to a longer time for consignments to reach Kathmandu. The results also show that it takes on average 5 hours for consignments to be cleared from Kakarbhitta customs, which can be considerably shortened once the ASYCUDA World is implemented at the customs point. Another major stop is the Mugling–Narayangarh Highway, which is undergoing repairs, leading to a stoppage of 6 additional hours.

Figure 4.13: Travel Time along the Kakarbhitta–Banglabandha–Kakarbhitta–Kathmandu Corridor



Source: Prepared by the project team.

4.2 Bottlenecks, Diagnosis, and Proposed Solutions for Removing Bottlenecks

Notwithstanding the difference of bottlenecks and recommendations associated with specific procedures, some bottlenecks are prominent. For instance, several documents have to be submitted manually and repeatedly, which may cause delays, especially when there are errors in filling out the documents. Common solutions to remove bottlenecks include increased coordination of trade facilitation issues under NTTFC, greater transparency using websites, clearer guidelines, automation, a national single window (NSW), reduction in procedures and documents that will make export more competitive, data harmonization, and simplification of procedures and standardization of documents both at the national and subregional levels.

CHAPTER 5

WAY FORWARD TO ESTABLISH THE TRADE AND TRANSPORT FACILITATION MONITORING MECHANISM IN NEPAL

The TTFMM baseline study serves as the first step toward the establishment of TTFMM in Nepal. An important question for policy makers and other stakeholders is how to establish long-term sustainable application of the TTFMM in Nepal. This chapter reviews the most important aspects of establishing a TTFMM, including institutional arrangement, national capacity building, resources, continuation and expansion of monitoring, and alignment of TTFMM with global and regional initiatives.

5.1 Institutional Arrangement

The institutional arrangement is one of the most important aspects of taking the TTFMM baseline study forward in aligning and harmonizing the trade processes and procedures nationally, regionally, and globally. This would make the trading environment more transparent, credible, and predictable, thereby contributing to the reduced cost of doing business.

The current TTFMM baseline study is undertaken with the support of NTTFC, under the chairmanship of the Ministry of Commerce Secretary. The support was crucial in data collection and analysis as well as in stakeholder consultations and validation process in August 2016. As Nepal has a well-established NTTFC representing all key stakeholders of trade and transport organizations including the representatives of the private sector, the study proposes NTTFC as the main platform to lead and oversee the TTFMM in Nepal, at least for the time being.

Efforts to facilitate private sector development and economic growth remain a challenge for harnessing Nepal's competitive advantage and addressing constraints on trade facilitation. Industry associations and the private sector will benefit from a sustainable TTFMM as enhanced trade and transport facilitation would increase the competitiveness of the industry and the private sector in the international market. Therefore, a clear message to the public is that the TTFMM is not the sole onus of the Government of Nepal but also of the private sector. As a collaborative partner, the private sector should assume greater interest and responsibility in supporting various activities under TTFMM.

5.2 National Capacity Building

Effective and sustainable capacity building is critical for a more efficient trade and transport facilitation, requiring the development of human capacity in government and private agencies. As part of ensuring the sustainability of the TTFMM, national human capacity should be developed and maintained. National experts and process owners, supported by international experts where such needs are critical, should be involved in the assessment and performance studies. This arrangement would ensure that all activities under the TTFMM will be carried out cost-effectively.

In undertaking this TTFMM baseline study, national capacity has been substantially built. For instance, the study was mainly carried out by the national consultants, and similar studies can therefore be undertaken using natural resources in the future. Furthermore, data collection was greatly supported by the industry association and private sector should be more capable of collecting and maintaining similar data in the future. It is important to mention that various regional and national workshops were organized as part of TTFMM baseline study, through which the participants in the workshops have deepened their understanding of TTFMM.

To build on the momentum and further enhance capacity building, a number of actions can be considered. First, national capacity building can start with the dissemination of the TTFMM baseline study results with explanations to the stakeholders of the methodologies applied in the study. Second, "learning by doing" is an effective way of building the capacity. In this respect, a TTFMM update study should be carried out that will involve a number of selected personnel from NTTFC, government agencies, national institutes, industry associations, and the private sector. Third, a cost-effective means of capacity building should be promoted. For instance, UNESCAP provide online training course on Business Process Analysis (BPA),[18] which is an important component of the TTFMM. Key personnel should be identified and encouraged to take this course.

5.3 Resources

In the long term, the progress of the TTFMM is likely to be underpinned by national resources. While the government may provide an adequate and separate budget for TTFMM operation, given its broad social and economic benefits, innovative solutions may be examined. For instance, key government agencies may provide part-time or full-time qualified staff to conduct the studies.

A public–private partnership modality could also be envisaged. Private sector contribution may come in the form of an in-kind contribution (e.g., staff secondment or the allocation of staff time to collect and/or analyze data). In that context, communicating with the public on the benefits of the TTFMM, presenting useful results regularly, and showcasing the achievements will be important to win continuous and broad-based support—including financial support—from a wide range of public and private stakeholders including donor organizations.

[18] More detailed information is available at UNESCAP. E-Learning Series on Business Process Analysis for Trade Facilitation. http://www.unescap.org/our-work/trade-investment-innovation/trade-facilitation/bpa-course.

Cooperation with development partners and donor agencies may provide another solution to securing resources. Once the usefulness of TTFMM is fully recognized by all relevant stakeholders and development partners, the institutions and/or international donors are likely to support the TTFMM process.

5.4 Continuation and Expansion of Monitoring

The baseline data gathered through the TTFMM baseline study will be used as the basis for benchmarking trade and transport facilitation performance over time. Accordingly, further studies on the same products and corridors should be carried out regularly to check progress and compare results.

Given the constraints on financial and human resources, comprehensive studies may be conducted every 2–3 years, while small-scale update studies could be carried out annually. A few examples of such small-scale studies include (i) organizing a national consultation workshop to review and update the data related to trade and transport facilitation, (ii) collecting and updating data related to specific procedures or corridors, and (iii) reporting emerging or key issues on trade and transport facilitation.

When more financial resources are available and an enlarged pool of expertise is developed, the scope of monitoring can be expanded to cover more products, corridors, and trade and transport procedures, taking the factors listed in Section 2.1 into consideration.

5.5 Alignment of Trade and Transport Facilitation Monitoring Mechanism with Global, Regional, and National Initiatives

The establishment of the TTFMM should be regarded as an integral component to support policymaking rather than as an "add-on" or an isolated effort. In this respect, it is important to align the TTFMM with global, regional, and national initiatives.

At the global level, many countries, especially World Trade Organization (WTO) members are committed to implementing the trade facilitation measures under the WTO's Trade Facilitation Agreement (TFA).[19] At the regional level, the Bangladesh, Bhutan, India, Nepal (BBIN) Motor Vehicles Agreement has been widely regarded as a game-changing pact that set in motion the steps to make it possible for both passenger vehicles and, perhaps more importantly, cargo vehicles to cross swiftly and easily from one country to another.[20] At the national level, a broad range of trade facilitation measures (such as trade information portal, establishment of national single window, and paperless trade) should be considered and implemented in progression.

[19] TFA came into force on 22 February 2017. WTO. Trade Facilitation. https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm; WTO (2016).

[20] The Royal Government of Nepal has not ratified the BBIN Motor Vehicles Agreement but the door should not be closed for this. Greater consultations and consensus-building is needed within parliament and between the government and the stakeholders.

Certainly, the implementation of trade facilitation measures is important. It is a means to enhance trade facilitation, not an end itself. Policy makers and other stakeholders could ask the following basic questions: (i) are the time, costs, and number of documents for completing a specific trade procedure reduced because of the implementation of trade facilitation measures? (ii) is the average speed along a corridor increased or border crossing time reduced due to implementation of a specific agreement? The establishment of the TTFMM would provide answers to these questions.

The TTFMM provides not only indicators but also diagnostic analysis which enables policy makers and relevant stakeholders to identify bottlenecks and solutions so that continuous improvement is possible. For example, this report contributes to the implementation of the WTO TFA because it identifies trade facilitation measures that need to be implemented in the short term and long term, and therefore, supports a country in identifying priority areas of implementation, if financial and human capacity constraints exist.

CHAPTER 6

SUMMARY AND CONCLUSION

6.1 Summary of Key Findings

This report—derived from four separate reports related to specific product import and export, corridor, and border crossing performance prepared by the same project team—is a key outcome of the TTFMM baseline study in Nepal. The target audience includes policy makers, government officials, the private sector, and the public.

As the name suggests, a "baseline" study should not be treated as a one-off publication. In establishing and operating TTFMM, the current report is the first of its kind and is prepared to not only report the key study findings, but also to lay foundation for future publications. Many series of reports will be produced in the years to come.

The key indicators in Table 6.1 summarize the current status of trade and transport facilitation performance.

Table 6.1: Key Indicators on Trade and Transport Facilitation Performance

Indicators	Imp 1[a]		Exp 1[b]		Imp 2[c]
Total time (days)	31		28		22
Costs ($)	1,540		1,320		1,000
Number of procedures	10		14		11
Number of actors involved	18		20		21
Number of documents	28		21		24
Number of copies submitted	56		45		47
Average speed along the corridor (km/h) (not product specific)	Kolkata–Birgunj	Birgunj–Kathmandu	Kathmandu–Raxaul	Raxaul–Kolkata	Kakarbhitta–Banglabandha–Kakarbhitta–Kathmandu
	Via Dalkhola: 9 Via Bhagalpur: 5	8	11	Via Dalkhola: 10 Via Bhagalpur: 8	11

[a] Import of wool through Kolkata–Birgunj–Kathmandu.

[b] Export of wool carpet through Kathmandu–Birgunj–Kolkata.

[c] Import of fabrics from Bangladesh to Nepal through Dhaka–Banglabandha–Fulbari–Panitanki–Kakarbhitta–Kathmandu.

Source: Prepared by the project team.

Table 6.1 shows that 10–11 procedures are needed for import and 14 procedures for export. The numbers are higher than the average in Asia—8 for import and 11 for export.[21] However, it is important to note that Nepal's trade process involves transit in India, which naturally increases the number of procedures. Thus, a

[21] Detailed information at UNNExT. Towards an Enabling Paperless Trade Environment. Brief No. 11. http://www.unescap.org/sites/default/files/brief11.pdf.

comparison with other countries can be made only with a series of caveats. Nevertheless, the large number of trade procedures generally prolongs trade process and adds trade costs. Policy makers from both Nepal and India need to discuss ways to review the necessity of each procedure and remove any procedure that does not add value to import or export.

For existing and new traders, there are 28 unique documents to be submitted for import (56 times) and 24 for export (47 times). The repeated submission of documents highlights the importance of introducing an NSW to substantially reduce the number of submissions. Furthermore, in most cases, documents are submitted manually rather than electronically, which prolongs the trade process.

The report finds that the overall average speed along the corridor under study ranges from 5 km to 11 km. Such speeds are much lower than the average speed surveyed in Central Asia, highlighting that both quality of vehicles and transport infrastructure remain a challenge for corridor efficiency. Such challenges indicate opportunities for improvement. The report shows that if a vehicle along the SASEC corridor can travel at 30 km/h, which is still low compared with the average speed along Central Asia Regional Economic Cooperation corridors, approximately two-thirds of the journey time can be saved.

6.2 Key Recommendations

The following recommendations are provided to further streamline and simplify trade procedures. However, the recommendations in this report are tentative. Follow-up activities and plans, in most cases, should be subject to more detailed feasibility studies and availability of resources.

- **Further development of electronic filing and exchange of documents.** The study clearly shows that although some progress is being made to use electronic means of processing documents, a large majority of documents are processed manually. Such practice applies within a government organization, between government organizations, between traders and government organizations, and within the business community and service providers. Hence, a systematic move toward electronic filing and exchange of documents should be pursued.
- **Harmonization of data and information and standardization of documents.** To reduce the burden for traders of submitting the same information to different organizations for processing approvals, an exercise should be undertaken to harmonize data and information required by each organization and for each purpose with a view to standardizing and sharing information through better coordination. In this respect, Article 10 of the WTO's TFA (Formalities Connected with Importation and Exportation and Transit) should be followed. The effective implementation of EXIM Code, developed by the Department of Customs, would go a long way in harmonization and standardization of documents.
- **Further development of customs automation.** The ongoing work to develop the automated customs module should be expedited. As mentioned earlier, while ASYCUDA World provided the opportunity for online documentation in Kakarbhitta customs, the facility has not been fully functional, and therefore online documentation facility is practically absent for the product (except for special additional duty).
- **Introduction of national single window.** The ongoing work on development of NSW needs to be expedited. Once NSW is put in place, all the actors could share many documents submitted to the NSW and eliminate the requirement of submission of specific documents multiple times.

6.3 Use of the Report

This report and its five supporting reports can be used for several purposes. First, the detailed information on trade processes and procedures can be used to publicize trade and transport information. This is especially related to the WTO's TFA Article 1 (Publication and Availability of Information). Information in this report can be used directly when a trade portal is developed.[22]

Second, the quantitative indicators in these reports enable policy makers and stakeholders to better take stock of the status and assess challenges in trade and transport facilitation. For instance, it is generally known that speed along the major transport corridors is restricted, and the concise analysis in this report provides the scenario that if the vehicle can travel at 30 km/h, travel time between Phuentsholing and Kolkata can be reduced by 66%.

Third, this report highlights the key bottlenecks in efficient trade and transport facilitation and proposes recommendations to remove those bottlenecks to enhance the process that supports evidence-based policy making and reform. One example is that the proposed procedures in this report are covered by the WTO's TFA, indicating the importance of implementing TFA for advancing trade and transport facilitation in a country. The report substantially adds value to implementing TFA because it identifies trade facilitation measures that need to be implemented in the short and long terms, and therefore supports a country to prioritize implementation if the country faces financial and human capacity constraints. Another example is that this report reveals the benefits and importance for countries to join emerging regional agreements especially the *Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific*. Trade and transport procedures between Nepal and its trading partners often involve India as transit country. State-of-the-art cross-border exchange of data and information among these countries is crucial for ensuring trade efficiency. However, relevant work in this area remains largely nascent. These countries should consider joining the regional agreement to take full advantage of the opportunities for accessing new technology and innovative practice, receiving technical assistance, and building capacity.

Finally, it is important to reiterate that the report provides baseline data for benchmarking in the future. In other words, when similar indicators are collected, the progress or setbacks in trade and transport facilitation can be analyzed, and policy and actions can be adjusted if necessary. Furthermore, the studies and discussions in these reports are fully in line with the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Recommendation No. 42 on TTFMM published on 27 April 2017, and may serve as a useful reference for any future similar works.

[22] An example of a trade portal is the one developed in the Lao People's Democratic Republic (Lao PDR). Lao PDR Trade Portal. http://www.laotradeportal.gov.la.

APPENDIX

List of Participants of Workshops and Informants for the Trade and Transport Facilitation Monitoring Mechanism Baseline Study in Nepal

A1 Inception Workshop on Trade and Transport Facilitation Performance Monitoring

26–27 November 2013, Bangkok, Thailand

GOVERNMENT OF BANGLADESH

Sultan MD Iqbal
Member (Customs Intelligence & Audit)
National Board of Revenue, Dhaka

Nasir Arif Mahmud
Joint Secretary
Ministry of Shipping

AKM Akhter Hossain
President
Chittagong Customs Clearing & Forwarding Agents Association, Agrabad, C/A

M. Nurul Amin
Deputy Director (CM)
Bangladesh Standard Testing Institute (BSTI)

AHM Ahsan
Trade Consultant (Deputy Secretary)
Ministry of Commerce

Afsarul Arifeen
Additional Secretary
The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)

GOVERNMENT OF BHUTAN

Choiten Wangchuk
Director General, Department of Public Accounts
Ministry of Finance

Sonam Wangchuk
Director, Department of Trade
Ministry of Economic Affairs

Choyzang Tashi
Director, Department of Revenue and Customs
Ministry of Finance

Karma Dorji
Executive Director, Bhutan Agriculture and Food Regulatory Authority (BAFRA)
Ministry of Agriculture and Forests

Palden Dorjee
General Manager
Forwarders and Clearing Agent

Sonam Dorji
Business Promotion Officer
Bhutan Chamber of Commerce and Industry

GOVERNMENT OF INDIA

Devendra Kumar Singh
Additional Director General of Foreign Trade
Directorate General of Foreign Trade
Ministry of Commerce and Industry

Sunil Kumar Das
Commissioner of Customs
Office of the Commissioner of Customs

N. Venkatesh
Additional Director General
Systems Directorate

Prabir De
Senior Fellow
Research and Information System for Developing Countries (RIS), and
ASEAN–India Centre

GOVERNMENT OF NEPAL

Navaraj Dhakal
Under Secretary
Ministry of Commerce and Supplies

Damber Bahadur Karki
Under Secretary
Ministry of Physical Planning and Transport

Rajan Sharma
President
Nepal Freight Forwarders Association (NEFFA)

Sarad Bickram Rana
Executive Director
Nepal Intermodal Transport Development Board

WORLD CUSTOMS ORGANIZATION ASIA PACIFIC REGIONAL OFFICE FOR CAPACITY BUILDING (ROCB A/P)

Yoshihiro Kosaka
Head
WCO (ROCB A/P)

Lawanya Kumar Dhakal
Director
Department of Customs

Parashu Ram Adhikari
Senior Plant Protection Officer
Ministry of Agriculture and Development

RESOURCE PERSONS

Takashi Matsumoto
External Relations Coordinator
Office of the Secretary General
World Customs Organization

Pavaran Tanmesin
Director
Krabi Customs House

Sanghyup Lee
Director
Clearance Facilitation Section
Seoul Main Customs
Republic of Korea

ASIAN DEVELOPMENT BANK

Sekhar Bonu
Director
SARC, South Asia Department

Ronald Antonio Butiong
Principal Regional Cooperation Specialist
SARC, South Asia Department

Cuong Minh Nguyen
Senior Economist (Regional Cooperation)
SARC, South Asia Department

Rosalind McKenzie
Regional Cooperation Specialist
SARC, South Asia Department

Aileen Pangilinan
Associate Programs Officer
SARC, South Asia Department

Jesusito Tranquilino
Regional Cooperation and Integration Expert
SARC, South Asia Department

Linel Ann Reyes-Tayag
Operations Assistant
SARC, South Asia Department

Mohammad Ehteshmaul Hoque
National Trade Facilitation Expert-Bangladesh
SARC, South Asia Department

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National Trade Facilitation Expert-Bhutan
SARC, South Asia Department

Shyam Dahal
National Trade Facilitation Expert-Nepal
SARC, South Asia Department

UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Yann Duval
Chief, Trade Facilitation Unit
Trade and Investment Division

Tengfei Wang
Economic Affairs Officer
Trade Facilitation Unit
Trade and Investment Division

Fedor Kormilitsyn
Economic Affairs Officer
Transport Division

A2 National Workshop on Trade and Transport Facilitation Monitoring Mechanism

15–17 April 2014, Dhulikhel, Nepal

Jib Raj Koirala
Joint Secretary
Ministry of Commerce and Supplies

Navaraj Dhakal
Under Secretary
Ministry of Commerce and Supplies

Mahesh Timilsina
Under Secretary
Ministry of Commerce and Supplies

Moti Bahadur Shrees
Nepal Trade and Transport Facilitation Committee Secretariat
Ministry of Commerce and Supplies

Bharat Pd. Adhikari
Section Officer
Ministry of Finance

Bol Raj Acharya
Section Officer
Ministry of Finance

Jageshwar Sharma
Section Officer
Ministry of Finance

Harihar Paudel
Section Officer
Ministry of Finance

Yuba Raj Adhikari
Section Officer
Ministry of Finance

Hikmat Bdr Bhandari
Statistics Officer
Ministry of Finance

Laxmi Poudel
Director
Department of Customs

Nirmal K. Mainali
Section Officer
Department of Customs

Gyanendra Raj Dhakal
Section Officer
Department of Customs

Govinda Raj Pant
Section Officer
Department of Customs

Gopal Prasad Bhattarai
Section Officer
Department of Customs

Arjun Regmi
Statistical Officer
Department of Customs

Ram Dutta Bhatta
Computer Officer
Department of Customs

Mohan Khujung
Computer Officer
Department of Customs

Ramhari Aryal
Chief Customs Officer
Birgunj Customs

Mukti Pandey
Chief Customs Officer
Mechi Customs

Ananta Pd. Timilsina
Customs Officer
Birgunj Customs

Lava Kumar Adhikari
Customs Officer
Biratnagar Customs

Promod Das
Customs Officer
Biratnagar Customs

Sushil Kumar Thapa
Customs Officer
Bhairahawa Customs

Gopi Upreti
Customs Officer
Mechi Customs

Kaliram Paudel
Customs Officer
Dryport Customs

Laxman Khadka
Branch Manager
Nepal Transit and Warehousing Company

Yadava Raj Shiwakoti
Branch Manager
Nepal Transit and Warehousing Company

Nirmal Adhikari
Section Officer
Nepal Intermodal Transport Development Committee

Hari Krishna Mishra
Electrical Engineer
Nepal Intermodal Transport Development Committee

Sunil Paudel
Technical Advisor
Nepal Intermodal Transport Development Committee

Rajan Sharma
President
Nepal Freight Forwarders Association

Naresh Agrawal
Senior Executive Member
Nepal Freight Forwarders Association

Pradeep Kumar Kedia
Senior Vice President
Birgunj Chamber of Commerce

S. G. Mustafa
CEO
Himalaya Terminal Pvt. Ltd.

Keshab Raj Pandey
Former President
Mechi Chamber of Commerce

Rajendra Kumar Shrestha
Nepal Truck and Transport Association

Jaya Siwakoti
Customs Agent
TIA Customs, Kathmandu

Mohan Niraula
Customs Agent
Mechi

Balkrishna Balset

Mohan Niraula
Customs Agent
Birgunj

Sudeep Bajcharya
Program Officer
SAWTEE

RESOURCE PERSONS

Somnuk Keretho
Director
Institute for Information Technology Innovation
Faculty of Engineering
Kasetsart University, Thailand

Cheng Jing
Technical Attaché and Program Manager (Pacific Islands)
WCO Asia Pacific Regional Office for Capacity Building
World Customs Organization

UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Tengfei Wang
Economic Affairs Officer
Trade Facilitation
Trade and Investment Division

Heini Suominen
Economic Affairs Officer
Transport Facilitation and Logistics Section
Transport Division

ASIAN DEVELOPMENT BANK

Cuong Minh Nguyen
Senior Economist (Regional Cooperation)
SARC, South Asia Department

Shyam Dalal
Consultant
Nepal
South Asia Department

Jacqueline Lam
Consultant (Trade Economist)
South Asia Department

A3 Trade and Transport Facilitation Monitoring Mechanism Meeting

21 October 2015, Shangri-La Hotel, Wuhan, People's Republic of China

BANGLADESH

Md. Abdul Hakim
First Secretary (Customs Modernization)
National Board of Revenue
Dhaka, Bangladesh

BHUTAN

Sonam Phuntsho Wangdi
Joint Secretary, Ministry of Economic Affairs,
Thimphu, Bhutan

Dhendup
Deputy Collector, Regional Revenue and Customs Office, Department of Revenue and Customs,
Phuentsholing, Bhutan

Kesang Yeshey
Assistant Collector
Regional Revenue and Customs Office
Department of Revenue and Customs
Phuentsholing, Bhutan

INDIA

Zubair Riaz Kamili
Additional Commissioner
Customs Commissionerate
New Delhi

Prabir De
Professor
India habitat Centre
Zone 4B, Lodhi Road, New Delhi, India

NEPAL

Toya Narayan Gyawali
Joint Secretary
Ministry of Commerce and Supplies, Kathmandu

Bishnu Prasad Paudel
Director, Customs Department
Kathmandu, Nepal

Ananta Prasad Timsina
Customs Reform and Modernization Section
Department of Customs, Kathmandu, Nepal

Sharma Rajan
President, Nepal Freight Forwarders Association and Member of Nepal Trade & Transport Facilitation Committee, Kathmandu, Nepal

INTERNATIONAL TRADE CENTRE

Mohammad Saeed
Senior Advisor on Trade Facilitation

ASIAN DEVELOPMENT BANK

Rosalind McKenzie
Regional Cooperation Specialist
Regional Cooperation and Operations Coordination Division
SARC, South Asia Department

Achyut Bhandari
National Trade Facilitation Expert
Independent of ADB for Bhutan
Thimphu, Bhutan

Mohammad Farhad
ADB Consultant/Customs Expert
Dhaka, Bangladesh

Sarad Bickram Rana
National Customs Procures Expert
Kathmandu, Nepal

Posh Raj Pandey
Chairman
South Asia Watch on Trade Economics and Environment (SAWTEE)
Kathmandu, Nepal

UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Tengfei Wang
Economic Affairs Officer

A4 Workshop for the Implementation of Trade and Transport Facilitation Monitoring Mechanism Baseline Studies

13–15 January 2016, Bangkok, Thailand

BANGLADESH

Md. Firoz Shah Alam
Member
(Customs: Audit, Modernisation & Intl. Trade)
National Board of Revenue

Md. Abdur Rob
Deputy Secretary
Ministry of Commerce

Hasan Mohammad Tarek Rikabder
Joint Commissioner
Customs Excise & VAT Commissionerate

Md. Enamul Hoque
Assistant Commissioner
Customs Excise & VAT Commissionerate

Md. Sayeduzzaman Sayed
Sayed Enterprise (Clearing & Forwarding Agent, Import and Export, and Transport) President, Burimari C&F Agents Association

Md. Rezaul Karim
C&F Agent, Freight Forwarder & Importer-Exporter
President, Banglabandha C&F Agents Association
Director, Panchagrah Chamber of Commerce & Industry

BHUTAN

Karma Drukpa
Regional Director
Regional Trade and Industry Office

Pema Wangchen
Joint Commissioner
Liaison and Transit Office
Royal Bhutan Customs Office

Tandin Wangchhen
Joint Collector
Customs and Excise Division
Department of Revenue and Customs

Deki Gyamtsho
Deputy Collector
Regional Revenue and customs Office
Department of Revenue and Customs

Tshering Choden
Executive Director
Bhutan Clearing and Forwarding Agent

INDIA

Kundan Kumar
Superintendent
Department of Revenue (CBEC)
Ministry of Finance

NEPAL

Jib Raj Koirala
Joint Secretary
International Trade Relations
Ministry of Commerce & Supplies

Mimangsa Adhikari
Director
Customs Reforms & Modernization Section
Department of Customs

Nirmal Kumar Mainali
Customs Officer
Birgunj Customs

Kumar Bhattarai
Customs Officer
Mechi Customs Office

Rajan Sharma
President
Nepal Freight Forwarders Association

UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Yann Duval
Chief, Trade Facilitation Unit
Trade and Investment Division

Tengfei Wang
Economic Affairs Officer

ASIAN DEVELOPMENT BANK

Aileen Pangilinan
Programs Officer
SARC, South Asia Department

Achyut Bhandari
ADB Consultant

Phuntsho Wangdi
ADB Consultant

Posh Raj Pandey
ADB Consultant

Sarad Bickam Rana
ADB Consultant

Prabir De
ADB Consultant

Mohammad Farhad
ADB Consultant

Leticia de Leon
ADB Consultant

Alona Mae Agustin
ADB Consultant

A5 Field Survey to Kolkata, India
15–17 March 2016

MEETING WITH KOLKATA CUSTOMS (Morning, 16 March 2016)

N. K. Soren
Commissioner

P. K. Bohra
Joint Commissioner

Pramod Maurya
Deputy Commissioner

Gyanendra Tripathi
Assistant Commissioner

B. C. Dash
Superintendent

B. Kundu
Superintendent

Pradeep Lama
Indian Customs

A. Majhi
Indian Customs

Debasish Dhar
Indian Customs

MEETING WITH KOLKATA PORT TRUST (Afternoon, 16 March 2016)

Goutam Gupta
Traffic Manager

Santanu Naskar
Deputy Traffic Manager (commercial)

S. C. Chatterjee

MEETING WITH CUSTOMS HOUSE AGENTS, LOGISTICS AND TRANSPORT OPERATORS (Morning, 17 March 2016)

Laxman Khadka
Branch Manager
Nepal Transit and Warehouse Co., Ltd.

Sita Basnet
Nepal Consulate

Ugyen Wangyd
Commissioner
Bhutan Customs

Pema Wangchen
Joint Commissioner
Bhutan Customs

Rajesh Sarda
CHA, SKB Shipping

K. K. Mantri
Manager
Trading Agency (CHA)

Pradeep Ararwal
CHA, Oceanic Express

Puneet Agarwal
Transport Oceanic Express

Reyaz Mullick
Mullick Shipping CCHA

M. K. Dubey
CHA

MEETING WITH CONTAINER CORPORATION OF INDIA LIMITED (CONCOR) (Afternoon, 17 March 2016)

Sumant Kumar Behera
Deputy General Manager (C&O)
Eastern Region

MEETING WITH NEPAL CONSULATE IN KOLKATA (Afternoon, 17 March 2016)

Sita Basnet
Consul, Consulate General of Nepal

Dhruba Prasad Bhattarai
First Secretary
Consulate General of Nepal

Nagraj Jain
Chairman, Hanuman Group

Shyam Sharma
Proprietor, Bhawani Roadways

A6 National Validation Workshop on Baseline Study of Trade and Transport Facilitation Monitoring Mechanism

28–29 July 2016, Kathmandu, Nepal

Naindra Prasad Upadhaya
Secretary
Ministry of Commerce (MOC)

Toya Narayan Gyawali
Joint-Secretary, MOC

Rabi Shanker Sainju
Joint-Secretary, MOC

Devi Prasad Sharma
Under Secretary, MOC

Rameswar Pokharel
Under Secretary, MOC

Yogendra Pandey
Under Secretary, MOC

Mahendra Sapkota
Under Secretary, MOC

Buddhi Prashad Upadhya
Under Secretary, MOC

Dhruba Ghimire
Under Secretary, MOC

Mina Aryal
Under Secretary, MOC

Anita Niraula
Under Secretary, MOC

Shiva Prashad Tripathi
Under Secretary, MOC

Ramji Danai
Under Secretary, MOC

Bhuban Prashad Acharya
Under Secretary, MOC

Tarka Raj Bhatta
Under Secretary, MOC

Uday Bohara
D. Director, Federation of Nepalese Chambers of Commerce and Industry (FNCCI)

Lok Raj Joshi
S. Officer, FNCCI

Homnath Gaire
Director, Confederation of Nepalese Industries (CNI)

Rajeev Majgaiya
Deputy Director, CNI

Niraj Rai
Member, Nepal Credit & Commerce Bank

Kailash Bajimai
Nepal Credit & Commerce Bank

Chudamani Sharma Kattel
Biratnagar Customs Office, Biratnagar

Tika Ram Poudel
Inland Customs Depot Office, Birgunj

Mani Ram Poudel
Birgunj Customs Office, Birgunj

Govinda Prasad Poudel
Bhairahawa Customs Office, Bhairahawa

Kiran Sharma
Section Officer, Department of Custom

Raju Poudel
Custom Officer, Department of Custom

Nava Raj Adhikary
Custom Officer, Department of Custom

Sujan Kumar Nyupane
Member, Nepal Freight Forwarder's Association

Sita Adhikary
Member, Nepal Freight Forwarder's Association

Mohan Niraula
Section Officer, MOC

Moti Bahadur Shris
Section Officer, MOC

Tanka Raj Gautam
Section Officer, MOC

Ramhari Pokhrel
Section Officer, Department of Commerce (DOC)

Shusil Raj Khanal
Section Officer, DOC

Nirajan Koirala
Account Officer, DOC

Shanta Budhathoki
Section Officer, Nepal International Transport Development Board (NITDB)

Gitadevi Shrestha
Deputy Director, Trade and Export Promotion Centre

Sarojlal Shrestha
Deputy Manager, Nepal Transit Warehousing Co. Ltd. (NTWCL)

Yadav Raj Siwakoti
NTWCL, Kakadvitta

Churamani Aryal
Section Officer, Ministry of Finance

Sharadha Chalise
Section Officer, MOC

Laxman Bahadur Basnet
Executive Director
NITDB

Posh Raj Pandey
Resource Person

Shaleen Khanal
Resource Person

Tengfei Wang
Economic Affairs Officer, UN Economic and Social Commission for Asia and the Pacific

Shyam Dahal
Consultant, Asian Development Bank

REFERENCES

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———. 2015. *UNRCs Trade Facilitation and Paperless Trade Implementation Survey 2015: Asia and the Pacific Report.* http://www.unescap.org/resources/unrcs-trade-facilitation-and-paperless-trade-implementation-survey-2015-asia-and-pacific.

———. 2016a. *Trade Facilitation and Paperless Trade Implementation in Asia and the Pacific 2015.* http://www.unescap.org/resources/trade-facilitation-and-paperless-trade-implementation-asia-and-pacific-2015.

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World Customs Organization. 2011. *Guide to Measure the Time Required for the Release of Goods: Version 2.* http://www.wcoomd.org/en/topics/facilitation/resources/~/media/01713916ED2A4BD38DC119C5E64B890D.ashx.

———. Time Release Study. http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/time-release-study.aspx.

World Trade Organization (WTO). 2015a. Full and Swift Implementation of the WTO Trade Facilitation Agreement Can Deliver Large Trade Dividends to Developing and Least-developed Countries. Press Releases. 26 October. https://www.wto.org/english/news_e/pres15_e/pr755_e.htm.

———. 2015b. *World Trade Report 2015: Speeding Up Trade: Benefits and Challenges of Implementing the WTO Trade Facilitation Agreement.* Geneva. https://www.wto.org/english/res_e/booksp_e/world_trade_report15_e.pdf.

———. 2016. Iceland Ratifies Trade Facilitation Agreement. News Items. 31 October. https://www.wto.org/english/news_e/news16_e/fac_31oct16_e.htm.

Trade and Transport Facilitation Monitoring Mechanism in Nepal

Baseline Study

The establishment of a Trade and Transport Facilitation Monitoring Mechanism (TTFMM) is important because it allows a country to take stock, identify bottlenecks, and prioritize recommendations for the implementation of trade facilitation measures. A baseline study is the first step to establish TTFMM. This report reviews trade and transport procedures in Nepal, highlights the importance of monitoring trade and transport facilitation, and lays a foundation for future studies and establishment of long-term, sustainable TTFMM. In light of the Bangladesh, Bhutan, India, Nepal (BBIN) Motor Vehicles Agreement, the report presents both the challenges and enormous opportunities for enhancing efficiency along the BBIN corridors.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

About the United Nations Economic and Social Commission for Asia and the Pacific

ESCAP is the regional development arm of the United Nations and serves as the main economic and social development center for the United Nations in Asia and the Pacific. Its mandate is to foster cooperation between its 53 members and 9 associate members. ESCAP provides the strategic link between global and country-level programs and issues. It supports governments of countries in the region in consolidating regional positions and advocates regional approaches to meeting the region's unique socioeconomic challenges in a globalizing world. The ESCAP office is located in Bangkok, Thailand. Please visit the ESCAP website at www.unescap.org for further information.

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