

Business Process Analysis on SASEC Trade and Transit Corridors of Nepal

By Pushpa Raj Rajkarnikar(Ph.D)
Chairman

Institute For Policy Research And Development(IPRAD)
Nepal

SASEC stakeholders workshop
Colombo , Srilanka
29 October 2012

1. Introduction

Business Process Analysis (BPA) identifies constraints inherent in each step of business operation and helps in reducing waste time, unnecessary documentation and extra cost involved in business process. ESCAP , in collaboration with ADB, is implementing a cross – border BPA study on selected trade and transit corridors in south Asia. These corridors include:

1. Kathmandu – Kakarvitta- panitanki- Pulbari- Banglabandh-Dhaka
2. Thimpu- Phuentsholing- Jaigaon-chengrabandha-Burimari-Dhaka
3. Kathmandu-Birgunj-Raxoul-Kolkatta/Haldia

This study is a part of said ESCAP/ ADB study.

2. Scope

Product and corridor coverage of the study

Corridor	Product	
	Import	Export
1.Kathmandu-Kakarvitta-panitanki-Pulbari-Banglabandh-Dhaka	Lead Acid Accumulator	Lentil
2.Kathmandu-Birgunj-Raxoul-Kolkatta/Haldia	Crude Soya bean oil	Carpet

3.Methodology

- A.The UNNEXT/UNESCAP/UNECE Business Process Analysis Guide to simplify Trade Procedure was used as the core methodology.
- B.This study is based on both primary and secondary data.
- C.General information on export/import procedure and documentation was collected from secondary sources.
- D.Further details in this were collected from selected importer/exporter.
Informations so collected were cross verified from freight forwarders, CHAs, officials of NTWC, NMTDC, Custom Department and Custom Offices.
- E. In this context four Custom Offices and Department of Customs were visited.

4. An Overview of Nepal's Foreign Trade

- A. Nepal's foreign trade has remained almost stagnant for last several years and accounted for 34 percent of GDP in the F/Y 2010/2011.
- B. While imports increased continuously, exports registered a volatile trend.
- C. Exports account for only 16.2 percent of imports.
- D. Trade deficit is as high as 24.3 percent of GDP.

5. Trade with Bangladesh

- A. Although Bangladesh is second major trading partner among SAARC member countries, size of Nepal's trade with this country is very small.
- B. In F/Y 2010/2011, total trade with Bangladesh accounted for 0.99 percent of total trade of Nepal.
- C. Share of export to Bangladesh in total exports accounted for only 5.4 percent.
- D. Share of import from Bangladesh is as low as 0.27 percent.

6. Export of Lentil

A.Lentil is one of the major export items of Nepal.

B.Of the total export, it accounts for 5.2 percent .

C.Bangladesh is the major market for Nepalese lentils.

D.According to 2010/2011 data , 99 percent of Nepal's export of lentil is destined to Bangladesh.

7. Import of Lead Acid Accumulator

- A.It is imported mostly from India followed by China and Bangladesh.
- B.Share of import from Bangladesh in total import of LLA is 12.5 percent.
- C.Although its share in total import of Nepal is low (0.23 percent), LLA is the main import item from Bangladesh.
- C.It accounted for 23.2 percent of total imports from Bangladesh in F/Y 2010/2011.

8. Export of Carpet

A.Carpet is one of the major export items of Nepal.

B.In F/Y 2010/2011, it accounted for 7.6 percent of total export and 22.7 percent of export to third countries.

C.USA, Germany, Canada, Belgium and UK are the major export market for Nepalese carpet.

9. Import of Crude Soya bean Oil

A. Crude soya bean oil is one of the major import items of Nepal.

B. It accounted for 2.0 percent of total import and 5.9 percent of imports from third countries in F/Y 2010/2011.

C. It is imported mostly from Latin American Countries; Argentina and Brazil.

10. Kathmandu-Kakarvitta–Panitanki–Phulbari-Banglabandha-Dhaka Corridor

- A.This corridor links Nepal with Bangladesh and its sea ports; Chittagong and Mongla.
- B.The total length of this corridor is 1152Kms.
- C.In Nepal the road from Kathmandu to kakarvitta is 600 Kms.
- D.In India, the road from Panitanki to Phulbari /Banglabandha is 54 Kms.
- E.In Bangladesh the road from banglabandha to Dhaka is 498 kms.
- F.The condition of 20Km road from Panitanki to Bagdogara in Indian side is pathetic. Similarly 10 Km canal road ahead of Phasidewa is also worse.
- G.It takes four hours to travel a short distance of 54 Kms from kakarvitta to Banglabhandha.
- H.Nepalese trucks are allowed only up to Banglabandha within Bangladesh. Therefore transshipment is required in Banglabandha.

11.Major Trade Facilitation Measures

- ASYCUDA implemented in 1996 in process of automation of customs
- Three year Customs Reform Plan (2003/04-2005/06) implemented
- New Customs Act 2007 implemented incorporating WTO Customs Valuation Rules
- A Custom Reform & Modernisation Action Plan (2009-13) launched
- Single window system implemented in Birgunj customs in 2006 on trial basis for overseas cargo
- Inland Container Depots (ICDs) were established in some trading points
- Trade Point Networks developed
- New Trade Policy 2009 announced with special focus on agro products

12. Problems/ Constraints

- A. Nepalese trucks are not allowed to move beyond Banglabadh. Transshipment is required to move the cargo to destination exerting the burden of extra cost.
- B. For export of all agriculture products to Bangladesh , in addition to quarantine certificates, a clean report of finding must be submitted to Banglabandha Custom, if the custom duty in that particular product is 5 percent or above. Obtaining such report is time consuming and costly.
- C. Road condition in Indian section of this corridor is bad.
- D. As per procedure followed in India, import consignments valued at more than one lac INR need to be approved by the Assistant Commissioner before clearance. Since no AC is posted regularly in Panitanki Customs all import files are sent to AC, Naxalbari Division at Siliguri for approval, which takes a lot of time.
- E. There is no adequate parking space in Panitanki Customs.
- F. The road to Kakarvitta from Panitanki is very congested.
- G. All quarantine offices are not located in ICD Kakarvitta.
- H. Mechi Custom is not well equipped.

13. Kathmandu- Birgunj- Raxaul-Kolkatta/Haldia Corridor

- A. This corridor connects Birgunj (Nepal) with the ports of Kolkatta and Haldia in India.
- B. There are road as well as rail corridors.
- C. Around 20 percent of total third country trade takes place through this corridor.
- D. Birgunj- kolkatta port is 704 Kms and Birgunj – Haldia is 832 Kms.

14. Problems/ Constraints

- A. There is lack of modern equipment in all three customs (Birgunj custom, Birgunj ICD custom and TIA custom).
- B. There is lac of custom labs in all three customs.
- C. All quarantine offices are not situated within custom complex.
- D. There is lack of skilled manpower to use modern equipments and advanced information technology.
- E. Electric power shortage has also been a constraint to smooth functioning of the customs.
- F. In Birgunj custom, godown facilities are not adequate and available godowns are of low quality.
- G. Office layouts are not proper and scientific.
- H. Within Birgunj city condition of road to Birgunj custom is not good.
- I. Birgunj custom is very congested.
- J. Road to Raxaul is very congested.
- K. There is no adequate parking space in Raxaul custom.
- L. Trailers are not easily available both in Raxaul and Birgunj.
- M. There is still lack of harmonized time of operation between Birgunj custom and Raxaul custom.

15. Findings

	Nepal-Bangladesh Corridor		Nepal-Kolkatta/Haldia Corrid	
	Import of LAA	Export of Lentil	Import of crude soya bean oil	Export of carpet
<u>A.Business Process</u>			17	20
1 No . Of Activities	13	15	14	15
2 No. Of parties involved	13	14		
<u>B. Document required</u>			22	21
1.Type of documents	16	18	53	48
2.No. Of copies of document	34	48		
		15	17	20
<u>C. Time (days)</u>	13			
		597.7	689.74	2285.4
<u>D. Cost USD/truck or container</u>	938.8			

16. Recommendations

Issue	Recommendation
1. Bad road condition in Kakarvitta to Phulbari section of the corridors	1.a. Improve road condition
2. Congestion in Panitanki custom point	2.a. Expansion of custom area with parking
3. Absence of competent decision making officer in Panitanki and Phulbari Custom	3.a. Depute high level officer in Panitanki and Phulbari customs
4. Inadequate infrastructure facilities in Phulbari Custom	4.a. Develop infrastructure
5. Restriction on the movement of Nepali truck beyond Banglabandh	5.a. Implement policy of allowing Nepali trucks loaded with export cargo to move to ultimate destination in Bangladesh within specified time period
6. Restriction to enter the Nepali Exporter to Banglabandh with Cargo	6.a. Make VISA available on arrival.
7. Shortages of skill manpower and equipment in Kakarvitta custom	7.a. Develop skill manpower b. made provision of required equipment
8. Custom related offices are scattered outside the ICD Kakarvitta	8.a. Confine all related offices within ICD compound cont.d

Issue	Recommendation
<p>9. Congestion in Birgunj Custom</p> <p>10. Bad road condition and congestion within Birgunj city and furthur to raxaul custom</p> <p>11. Difference in working time between Birguj and Raxaul customs</p> <p>12. Shortages of trailers</p> <p>13.Iregular supply of electricity</p> <p>14.Inadequate skill manpower in Birgunj Custom</p>	<p>9.a. Expedite on-going project of building Integrated Check Post between Nepal and India</p> <p>10..a. Expand and Improve road condition</p> <p>11.a. Harmonize working time</p> <p>12.a. Increase number of trailer encouraging private sector</p> <p>13.a Allocate adequate budget to ensure smooth power supply to run computer system and other equipments smoothly</p> <p>14.a Provide training for skill development</p> <p>cont.d</p>

Issue	Recommendation
<p>15.Lack of laboratories in customs</p> <p>16. Scattered quarantine offices in Birgunj</p> <p>17. Inadequate modern equipment like x-ray machine in Birgunj, ICD Birgunj and TIA customs</p> <p>18. Double burden of COO and GSP</p> <p>19.High trasport cost</p>	<p>15.a. Establish laboratory in major customs</p> <p>16.a. Establish quarantine offices with in custom complex or link them with customs elctronically</p> <p>17.a. Increase equipment facilities</p> <p>18.a. Waive COO requirement where GSP is required</p> <p>19.a.Expedite construction of Fast Track Road linking Kathmandu and tarai</p>

Thank You