

Business Process Analysis (BPA) of Agricultural products in Nepal: A Case of Import of Rice from India and Export of Cardamom to India

By

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The Network for Knowledge Transfer on Sustainable Agricultural Technologies and Improved Market Linkages in South and Southeast Asia (SATNET Asia) aims to support innovation by strengthening South–South dialogue and intraregional learning on sustainable agriculture technologies and trade facilitation. Funded by the European Union, SATNET facilitates knowledge transfer through the development of a portfolio of best practices on sustainable agriculture, trade facilitation and innovative knowledge sharing. Based on this documented knowledge, it delivers a range of capacity-building programmes to network participants.

SATNET Asia is implemented by the Centre for Alleviation of Poverty through Sustainable Agriculture (CAPSA) in collaboration with the AVRDC – The World vegetable Centre, the Asia Pacific Centre for the Transfer of Technology (APCTT), the Food Security Centre of the University of Hohenheim and the Trade and Investment Division of UNESCAP.

This study has been conducted as part of the initial diagnostic studies for trade facilitation in the target project countries in South and Southeast Asia. The objective of this study was to mainly identify constraints and recommend a few relevant measures with regard to specific export or import processes of selected agricultural or food products.

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Table of Contents

Table of Figures	7
Tables	8
Abbreviation	9
Chapter I: Introduction.....	10
1.1 Background of the Study.....	10
1.2 Scope of the Study.....	10
1.3 Aim and Objective of the Study.....	10
1.4 Literature Review on Trade Facilitation	11
1.5 Methodology of the Study	12
1.6 Limitation of the Study	14
Chapter II: Role of Agriculture in Nepalese Economy.....	15
2.1 Structure and Growth Performance of the Economy	15
2.2 Agriculture Sector Performance	16
2.3 Overview of Food Security Situation	17
2.4 Trade Regulation.....	18
2.5 Nepal's Trade Performance	19
2.6 Review of Trade Facilitation Measures	21
Chapter III: Business Process Analysis of Selected Agricultural Products.....	24
3.1. An Overview of Rice Import	24
3.2. Scope of Business Process Analysis of Rice Import from India	25
3.3 Core Business Processes of Rice Import to Nepal from India.....	27
3.4 Time Required to Complete Procedure.....	53
3.5 Documents Required.....	56
3.6 Costs Involved	58
3.7 An Overview of Large Cardamom Export.....	59
3.8 Scope of Business Process Analysis	60
3.9 Core Business Processes of Cardamom Export	61
3.10 Time Required to Complete Procedure.....	83
3.11 Documents Required.....	85
3.12 Costs Involved	87
Chapter IV: Conclusion and Recommendations.....	88
4.1 Problems/Constraints and Recommendations.....	89
4.2 Specific Recommendation	92
References	94

Table of Figures

Figure 1: Use Case Diagram of Rice Import from India to Nepal.....	26
Figure 2: Use Case Diagram of Concluding Trade Term.....	28
Figure 2.1: Activity Diagram of Concluding Trade Term.....	29
Figure 3: Use Case Diagram of Pay.....	31
Figure 3.1: Use Case Diagram of Advance Payment	31
Figure 3.2: Use Case Diagram of Balance Payment.....	33
<i>Figure 3.2.1: Activity Diagram of Balance Payment</i>	<i>34</i>
Figure 4: Use Case Diagram of Ship	36
Figure 4.1: Use Case Diagram of Obtain Entry Permit.....	37
Figure 4.2: Use case Diagram of Prepare and Collect Documents	39
Figure 4.3: Use Case Diagram of Appointment of Clearing Agent and Handover.....	42
Figure 4.4: Use Case Diagram of Arranging Transportation	45
<i>Figure 4.4.1: Activity Diagram of Arranging Transportation.....</i>	<i>45</i>
Figure 4.5: Use Case Diagram of Obtaining Food Quarantine Certificate	46
<i>Figure 4.5.1: Food Quarantine Certificate</i>	<i>47</i>
Figure 4.6: Use Case Diagram of Obtaining Release Order from Plant Quarantine.....	48
<i>Figure 4.6.1: Activity Diagram of Obtaining Release Order from Plant Quarantine</i>	<i>49</i>
Figure 4.7: Use Case Diagram of Customs Clearance at Importer's Customs Point	50
Figure 4.7.1: Activity Diagram of Customs Clearance at Importer's Customs Point	51
Figure 5: Time Procedure Chart of Import of Rice (As Is).....	55
Figure 6: Time Procedure Chart of Import of Rice (To Be)	56
Figure 7: Use Case Diagram of Cardamom Export from Nepal to India	60
Figure 7.1: Use Case Diagram of Conclude Trade Term	62
<i>Figure 7.1.1: Activity Diagram of Conclude Trade Term</i>	<i>63</i>
Figure 8: Use Case Diagram of Core Business Process	65
Figure 8.1: Use Case Diagram of Advance Payment	65
<i>Figure 8.1.1: Activity Diagram of Advance Payment.....</i>	<i>66</i>
Figure 8.2: Use Case Diagram of Balance Payment	67
<i>Figure 8.2.1: Activity Diagram of Balance Payment</i>	<i>68</i>
Figure 9: Use Case Diagram of Ship	70
Figure 9.1: Use Case Diagram of Obtain Certificate of Origin	70
Figure 9.2: Use Case Diagram of Arrangement of Transportation.....	72
Figure 9.3: Use Case Diagram of Obtain Cargo Insurance	74
Figure 9.4: Use Case Diagram of Appointment of Clearing Agent.....	76
Figure 9.5: Use Case Diagram of Obtain Quarantine Certificate	78
Figure 9.6: Use Case Diagram of Customs Clearance at Exporter's Border Customs.....	80
<i>Figure 9.6.1: Activity Diagram at Customs Clearance at Exporter's Border Point.....</i>	<i>81</i>
Figure 10: Time Procedure Chart of Export Process of Large Cardamom from Nepal to India (As Is)	84
Figure 11: Time Procedure Chart of Export Process of Large Cardamom from Nepal to India (To Be)	85

Tables

Table 1.1: Export of Priority Export Potential Agricultural Product.....	13
Table 1.2: Major Import Items of Cereals	14
Table 2.1: Share of Agriculture, Industry and Service Sectors in the GDP.....	15
Table 2.2: Annual Percentage Change of GDP	16
Table 2.3: Annual Percentage Change of Agriculture GDP	16
Table 2.4: Growth Rate of Area, Production and Productivity of Cereal Crops in Nepal.....	17
Table 2.5: Status of Production and Requirement (In Metric Ton)	17
Table 2.6: Trade Indicator (In percent).....	20
Table 2.7: Share of Trade.....	20
Table 2.8: Agricultural Trade Indicator (In percent)	21
Table 3.1: Status of Cereal Production (in 000MT)	24
Table 3.2: Total Agricultural Import	25
Table 3.3: Stakeholder's Participation in Each Identified Core Business Process for Rice.....	27
Table 3.4: Required Time for Rice Import from India to Nepal.....	54
Table 3.5: Types and Required Number of Documents for Import of Rice from India	57
Table 3.6: Activity-wise Cost (USD 1 = NRs 82.0)	58
Table 3.7: Destination of Export of Large Cardamom (HS 09083010)	59
Table 3.8: Required Time for Cardamom Export to India.....	83
Table 3.9: Type and Number of Document Required for the Export of Cardamom to India.....	86
Table 3.10: Cost Involved in the Export of Cardamom to India	87
Table 4.1: Documents, Time and Cost Required.....	88
Table 4.2: Summary of General Recommendations for Rice Import	90
Table 4.3: Summary of General Recommendations for Large Cardamom Export	91
Table 4.4: Specific Recommendations for Rice Import from India to Nepal	92
Table 4.5: Specific Recommendations for Cardamom Export from Nepal to India	93

Abbreviation

BPA	Business Process Analysis
COO	Certificate of Origin
DCO	District Chamber Office
DDC	District Development Committee
DFTQC	Department of Food Technology and Quality Control
DOC	Department of Customs
FQO	Food Quarantine Office
GDP	Gross Domestic Product
GON	Government of Nepal
ICD	Inland Clearance Depots
IT	Information Technology
ITC	International Trade Centre
NBSM	Nepal Bureau of Standard and Meteorology
NITDB	Nepal Inter-model Transport Development Board
NTIS	Nepal Trade Integration Strategy
PQO	Plant Quarantine Office
RTGS	Real Time Gross Settlement
SAFTA	South Asia Free Trade Agreement
SATIS	SAARC Agreement on Trade in Services
TPC	Trade promotion Centre
TQM	Total Quality Management
UML	Unified Modelling Language
WTO	World Trade Organization

Chapter I: Introduction

1.1 Background of the Study

Business Process Analysis (BPA) is an activity of reviewing existing business practices and changing these practices so that they fit into a new improved process. By conducting business process analysis, companies can remain efficient, streamline workflow and become more effective. The first step in business process analysis is to understand every activity within a process. This can be accomplished through process mapping. Under this the business professionals will have a visual that they can review and analyse. It can help companies/business professional to implement appropriate changes that will decrease operational cost while increasing long-term profitability.

Business process is a chain of logically connected activities to move goods and related information across borders from buyer to seller and to provide related services. PA identifies constraints inherent in each step of business operation and help in reducing wastage of time, unnecessary documentation and extra cost involved in business process.

International trade encompasses all activities related to commercial contract, arrangement of transportation of goods, export import formalities to meet regulatory requirements and payment for purchased goods. The world-wide reduction of tariff and non-tariff barriers to trade has increased the importance of trade facilitation in augmenting the world trade. Trade facilitation is a process of reducing trade barriers through simplification, harmonization and rationalization of procedures and documentation. It aims to improve trade procedures so to make domestic firms more competitive in international market and reap the benefits of international market. As it is essential to understand existing trade process to design trade facilitation measures, BPA plays an important role in trade promotion.

1.2 Scope of the Study

The current study captures process of one export product from Nepal to India and one import product from India to Nepal. In this context, followed by the first SATNET Network meeting in March, 2012 in Bogor, Indonesia, an online consultation in LinkedIn with SATNET participants was held to discuss about the potential products for the study. Finally, a workshop of researchers was held in Bangkok on 10-12 September 2012 and products for the study were agreed upon. It was decided that Nepal would study export processes of large cardamom to India and import processes of rice from India.

1.3 Aim and Objective of the Study

The general objective of the study is to support trade facilitation and sustainable agricultural technologies. The aim of the study is to identify trade facilitation measures that may particularly contribute to food security and poverty reduction, promote intra-regional learning and building capacity of countries in the Asia-Pacific region to implement them.

1.4 Literature Review on Trade Facilitation

Davenport and Short (1990) have defined business process as a set of logically related task performed to achieve a defined business outcome. System Dynamics and Total Quality Management (TQM) approaches were implemented in the past. Since 1990's after the development of Information Technology (IT) business process approach began to take shape (Cousins and Stewart, 2002). However, Business Process Analysis has gain a lot of attention in recent years (Saturn, 2008). The World Bank Report on Doing Business presents quantitative indicators on various components of business process, including trading across the border, for a large number of countries of the world. According to Doing Business Report 2013, Nepal stands at the rank of 108 in ease of doing business and at 171 in trading across border out of 185 countries in 2012.

Processes can have a significant impact on the performance of business and, thus, process improvement can improve a firm's competitiveness. Therefore, as in other business, Business Process Analysis occupies equally important role in trading across the border. UNNEXT, UNESCAP, UNECE have brought out a joint publication titled "Business Process Analysis Guide to Simplified Trade Procedures" in 2009 and updated in 2012. This guide provides a simple methodology to document the "as is" and 'to be' business processes in international trade transaction. It also shares valuable country experience and lessons learned in this area.

Trade facilitation is an important element of trade reform. It cuts red tape and improves time and costs involved in trade transaction. It also reduces uncertainties and makes trade transaction predictable. It is even argued that Asia-Pacific economics had gained more from trade facilitation than from tariff liberalization (ESCAP, 2009). Designing and Implementing Trade Facilitation in Asia and the Pacific (ADB, ESCAP/ 2009) also introduces guiding principles and practices aimed to lessen the burden of trade documentation and procedures. According to this publication, simplifying, harmonizing and standardizing processes and documents are essential in reducing import and export time, cost and making them more predictable.

Literature on trade facilitation in Nepal is, however, scant. Some publications have been made on export and import procedures of Nepal in general (Gautam, et.al, 1985, Welling and Kaphley, 1999). Nepal Export Trade Directory (TPC, 2006) and Customs Manual (Department of Customs, 2003) also provide general information on import/ export procedure and required documents. Rajkarnikar (2010) has conducted product specific business process analysis of export of Vegetable Ghee from Nepal to India and China and import of textile from India to Nepal and recommended several trade facilitation measures including simplification of quota system, establishment of recognized laboratories and development of trade logistic. Duval and De (2010) have brought out BPA analysis for several products traded among South East and South Asian Countries. This study has identified several trade facilitation issues to be addressed at regional level.

There are limited studies regarding trade competitiveness, comparative advantages and export potentialities of Nepalese agricultural products. A study reveals that Nepalese products such as natural honey, plants and cut flower, vegetable and vegetable seeds, oil seed and vegetable ghee, mineral water and other beverage, tea, and spices such as ginger, cardamom and cinnamons, as well as some feeding stuffs have large export potentials (TEPC2006)

A recent study by the International Trade Centre (ITC) attempted to find out the export potentials of fourteen agriculture related commodities by examining the comparative advantages. The study identified that out of fourteen commodities cardamom, tea, pulses, silk and pashmina products, and cut flowers followed by gems and jewellery, handmade paper, leather, ginger, coffee, medicinal plant and essential oils had better export potentials (ITC, 2007). Similarly, there are some other studies which show export potentiality of tea, herbs, etc. (MOICS, 2004) (Raihan et al., 2007).

The Three year Interim Plan also identified products like Niger seeds, sunflower seeds, lentil, coffee, herbs, garlic, vegetables, yak cheese, milk and fish as having great potentiality of promoting exports and substituting imports (NPC 2007).

Institute for Policy Research and Development had carried out a study on export potentialities of twelve agricultural products. This study identified that all these products have export potentialities, but ranked at different levels. Out of twelve agricultural products four products (cardamom, tea, coffee and ginger) belonged to high rank of export potentiality, five products (spices, lentil, jute and mustard and linseed) to medium rank and three (vegetable, fruits and pulses) to low rank export potentiality (IPRAD 2010).

Thus, studies on export potentiality of agriculture products are available; however, efforts to dissect the BPA for those products have been carried out at a very limited scale. Hence, it is expected that the current study will be able to significantly contribute in this area of study.

1.5 Methodology of the Study

The study is based on both primary and secondary data and information. General information on export/import procedures and documentation was collected from secondary sources particularly from Trade and Export Promotion Centre (TEPC) and Customs. Primary data and information were collected from selected exporters, importers, transport operators and clearing agents (CHAs). Importers and exporters were identified through Customs records and discussion with the business community. Six exporters were interviewed to collect the data and information regarding the cardamom export to India covering large and medium size exporters. Likewise five importers were interviewed to collect the information of rice import. Similarly six CHAs and two transport operators were also interviewed. Face to face and telephonic interviews were carried out to collect necessary data and information. To ensure maximum reliability and authenticity of the collated data and information, these were cross verified through discussion with relevant individuals from both public and private sectors.

The *UNNEXT/UNESCAP/UNECE Business Process Analysis Guide to Simplify Trade Procedure* was used as the core methodology for the study. Following the guide, the entire business process of export or import was divided into three sub steps i.e., Buy, Ship and Pay. All activities related to entering into sales or purchase contract were included in 'Buy'. Likewise all activities related to moving goods from exporter's warehouse to border Customs and border Customs to importer's warehouse were categorised under 'Ship', while 'Pay' included all activities related to payment of goods from importer to exporter. For this study Biratnagar and Bhairahawa Customs points were visited. In the process of analysis, all relevant actors were identified and their role was clearly shown. Also graphic presentations were made as per the Unified Modelling Language (UML). The UML diagrams include Use Case Diagram and

Activity Diagrams. A Use Case Diagram is a graphical overview of core business while activity diagrams are elaborated graphic presentations of each activity to be undertaken in the business process.

The draft report was submitted to SATNET and presented at National Stakeholders Consultation Meeting in Kathmandu on 5 April 2013 for feedback, suggestions, and comments and for verification. This was followed by a second phase of field visit for verification and collection of some additional data and information. The report was revised considering comments received from Trade and Investment Division of ESCAP, SATNET and stakeholders' consultation meeting.

1.5.1 Selection of Product

As per the scope of the study, one export product and one import product were selected for BPA. Cardamom and rice were respectively the export and import products. It may be noted here that rice is directly related to food security, as it is the staple food of Nepal.

Criteria for Selection of Export product

To select the export product, export performance of priority export potential agricultural products identified by Nepal Trade Integration Strategy (NTIS) were assessed. For this, export values for the period of 2008/09 to 2011/2012 were examined.

Table 1.1: Export of Priority Export Potential Agricultural Product

Commodities	HS Code	Export Value (000 USD)				
		2008/09	2009/10	2010/2011	2011/2012	Average Export Value
Tea	09024000	15777.7	15581.6	19904.5	18841.0	17526.2
Cardamom	09083010	17471.7	15726.1	28267.2	44039.4	26376.1
Ginger	09101000	5246.7	6120.9	2516.6	6392.8	5069.2
Lentil	07134000	73612.2	50267.4	46322.3	33727.5	50982.3
Honey	04090000	31.7	3.1	106.1	23.9	41.2
Medicinal Herbs	12119000	9860.9	5912.3	9828.4	8544.9	8536.6

Source: Nepal Foreign Trade Statistics 2008/09-2011/12 Trade and Export Promotion Centre, Kathmandu, Nepal

Above data revealed that the average export value of lentil was highest among these products, followed by cardamom. But high fluctuation and declining trend were noticed in the export of lentil. On the other hand, export of cardamom showed a rising trend. It even exceeded export of lentil in 2012. Besides, BPA of lentil export had already been conducted in a recent study by ESCAP/ADB. In view of these, cardamom was selected as the export product for the present study.

Criteria for Selection of Import Product

Till 1970's Nepal was a net food exporting country, but due to growing population, inadequate infrastructure for agriculture development and less attraction in the sector, the country has now turned into a food importing country. Food insecurity is increasing as a major development challenge for Nepal. According to 2011/12 data, out of 75 districts of the country, as many as 29 fall in the category of food deficient districts. Problem of food security is not serious at the national level, but at regional and individual product level it is emerging as a serious issue due to distribution constraints and consumption pattern. For instance, in 2010/11, there was food deficit in 40 districts although the domestic production of food crops exceeded national requirement. Rice is the main staple food of Nepal. It accounts for about 50 percent of total food consumption. However domestic production of rice meets only 80 percent of requirement. Thus, there is a crucial role of rice import in resolving food insecurity problem of Nepal. The following table of imports of major cereals also reveals the significance of rice import. The average value of rice import for the period of 2008/09 to 2011/12 is highest among these products. Based on the import value and role of rice in the food consumption in Nepal, rice was selected as the import product for the BPA analysis.

Table 1.2: Major Import Items of Cereals

Commodities	HS code	Import Value(000 USD)				
		2008/09	2009/10	2010/11	2012	Average Import Value
Maize corn	10059000	3183.8	17583.8	31475.5	46580.6	24705.9
Wheat	10019000	136.4	341.3	310.2	263.9	262.9
Rice	10063000	23155.5	30600.9	27185.1	72449.0	38347.6
Paddy	10061000	553.6	3238.5	4624.1	40812.1	12307.0
Total		27029.3	51764.5	63594.9	160105.6	

Source: Nepal Foreign Trade Statistics, 2008/09-2011/12 Trade and Export promotion Centre, Kathmandu, Nepal.

1.6 Limitation of the Study

The present study is largely based on information collected from limited respondents involved in export /import business of specified products. BPA requires more detailed step wise information of each business activity. However, as there is a lack of practice to maintain the record regarding the stepwise time, cost and document, the exact time and cost data were not readily available. In addition to this, the study team felt that the private sector of Nepal is still reluctant to provide detail information regarding business process, particularly those related to cost.

Chapter II: Role of Agriculture in Nepalese Economy

2.1 Structure and Growth Performance of the Economy

Nepal is predominantly an agrarian economy. It is the main source of livelihood of the Nepalese people. Still 74 percent of the people are dependent on agriculture sector. This sector contributes for about 35.0 percent of the GDP. However, Nepalese economy has undergone a gradual structural shift in the recent years. The share of service sector has increased gradually and reached nearly half of the GDP. Increase in the share of the education, financial intermediation, transport, communication and other services have contributed to raise the share of services in the GDP. On the contrary, the share of industrial output dropped from about 16 percent of GDP in 2000/01 to 14 percent in 2010/11. Within the industry, there has been a sharp decline in the share of manufacturing from 9 percent of GDP in 2000/01 to 6.1 percent in 2010/11.

Table 2.1: Share of Agriculture, Industry and Service Sectors in the GDP

(In percent of GDP)

Sector	2000/01	2007/08	2008/09	2009/10	2010/11
Agriculture	36.9	32.3	33.4	35.5	36.2
Industry	15.8	16.2	15.4	14.4	14.1
Manufacturing*	(9.0)	(7.3)	(7.0)	(6.4)	(6.1)
Services	47.3	51.5	51.2	50.1	49.7

Source: Economic Survey, 2010/11, Ministry of Finance, Government of Nepal.

* Manufacturing is a component of Industry

Growth performance of the Nepalese economy has been low for the last several years. GDP growth rate averaged 4.03 percent during the period of 2002/03 to 2011/12. A number of domestic and international factors have contributed to such a development. Domestic factors such as political uncertainty, intensified conflicts, slackening of economic reform, weak law and order situation, load shedding, labour agitation are found more responsible for such a slow growth. Government's capital expenditure also invariably fell below the budget, which directly affected the growth performance of Nepal. Similarly, increase in fuel price in international market also contributed to inflationary pressure and raised cost of production reducing the competitive strength of the economy. The economy also suffered from the burst of the real estate bubble which aggravated liquidity crunch in the financial system in the past. In addition to this, poor export performance and rising import demand resulted in the current account as well as overall balance of payments (BOP) deficit in the past couple of years. However, there has been a slight improvement in growth performance since last couple of years. In the fiscal year 2011/12, GDP recorded a growth of 4.6 percent backed by good agriculture performance.

Table 2.2: Annual Percentage Change of GDP

Year	Annual % change of GDP
2002/03	3.8
2003/04	4.4
2004/05	3.2
2005/06	3.7
2006/07	2.8
2007/08	5.8
2008/09	3.9
2009/10	4.3
2010/11	3.8
2011/12	4.6
Average	4.03

Source: Economic Survey, 2011/12, Ministry of Finance, Government of Nepal.

2.2 Agriculture Sector Performance

Agriculture sector is a dominant player of the Nepalese economy. It grew by only around 3.5 percent during the period of 2002/03 to 2011/12. The growth trend of agriculture has been very much fluctuating, mainly due to inadequate infrastructure, particularly irrigation facility and timely unavailability of agricultural inputs. It also needs to be mentioned that Nepalese agriculture heavily depends on rainfall. Monsoon directly affects agricultural production of Nepal. In 2011/12, it recorded a better growth rate of 4.9 percent mainly due to sufficient rainfall during the monsoon.

Table 2.3: Annual Percentage Change of Agriculture GDP

Year	Annual change
2002/03	3.3
2003/04	4.7
2004/05	3.5
2005/06	1.9
2006/07	1.0
2007/08	5.8
2008/09	3.0
2009/10	2.0
2010/11	4.5
2011/12	4.9
Average	3.5

Source: Economic Survey, 2011/12, Ministry of Finance, Government of Nepal.

Nepal's agriculture is heavily inclined to food grain production. Cereal crops cover major share in terms of area and production. Paddy, wheat, maize, barley and millet are the major cereal crops grown in the country. But due to inadequate infrastructure, the growth in area and

production has been volatile. The following table provides an overview of the nexus among area, production and productivity for major cereal products.

Table 2.4: Growth Rate of Area, Production and Productivity of Cereal Crops in Nepal
(In percent)

Crops	2008	2009	2010	2011
Paddy				
Area	7.62	0.43	-4.82	1.01
Production	16.8	5.72	-11.05	10.83
Productivity*	2.77	2.9	2.72	2.98
Maize				
Area	-0.03	0.60	0.07	3.42
Production	3.23	2.77	-3.92	11.43
Productivity*	2.16	2.20	2.12	2.28
Wheat				
Area	0.54	-1.63	5.19	0.68
Production	3.76	-14.52	15.79	9.13
Productivity*	2.22	1.93	2.13	2.75
Millet				
Area	0.13	0.15	0.79	0.75
Production	2.21	0.54	2.16	1.34
Productivity*	1.09	1.10	1.11	1.12
Barley				
Area	-1.78	-1.11	4.58	3.70
Production	-0.75	-17.30	20.56	3.57
Productivity*	1.07	0.90	1.03	1.07

Source: Economic Survey 2011/12, Agri-Business promotion and statistics division GoN /MOAC

*Metric ton per hectare of land

2.3 Overview of Food Security Situation

Five cereals, paddy, maize, wheat, millet and barley, are known as staple foods of Nepal. Among these crops, paddy alone contributes around 50percent in food consumption in Nepal. The data of edible cereal grain production and their requirement is presented in the table below.

Table 2.5: Status of Production and Requirement (In Metric Ton)

Year	Production	Requirement	Balance
2006/07	4815284	4995194	-179910
2007/08	5195211	5172844	22367
2008/09	5160406	5293316	-132910
2009/10	4967469	5297444	-329975
2010/11	5512875	5069818	443057

Source: Agriculture Promotion and Marketing Development Directorate, MOAC

Generally food supply is dependent on production and imports. Above data indicates that during the last five years, there is food deficit in the three years. According to available data of 2010, there is food deficit of 329975 metric ton, which accounts for 6.2 percent of total food requirement at the national level. This signifies the role of agriculture trade in Nepal.

2.4 Trade Regulation

With a view to integrate its trade into global economy and take advantage from wider market access, Nepal joined WTO in April 2004. In the same year Nepal became a party to regional trade agreements namely SAFTA and BIMSTEC, and SATIS in 2010. Regulatory environment is considered as an indicator to measure trade facilitation efforts. It constitutes of regulations, and their implementing mechanism and institutions. Trade regulations are issued and implemented by different agencies. All government agencies should work together to create an integrated regulatory environment. This avoids duplication of regulatory compliance, saves time and reduces cost. In order to facilitate trade, the cost and complexity of compliance with regulations should be reduced as far as possible. Similarly, in order to reduce complexities all regulations should be supported by clear guidelines. To encourage voluntary compliance, trader support service should be made accessible to all. Simplicity, transparency, consistency and cost efficiency are the major characteristics of a good regulation.

In Nepal, following act and regulations are associated in the process of trading business.

1. Export and Import control Act 2013(1957)
2. Foreign Exchange (Regulation) Act 2019 (1962)
3. Competition Promotin and Market Protection Act
4. Food Act 2023 (1966)
5. Feed Act 2033 (1976)
6. Drug Act 2035 (1978)
7. Pesticides Act 1991
8. Value Added Tax Act 2052 (1996)
9. Environment Protection Act 2053 (1997)
10. Animal Health Service act 2055 (1999)
11. Veterinary Council Act 2000
12. Plant Protection Act 2064 (2007)
13. Customs Act 2064 (2007)
14. Finance Act 2068 (2011)

Similarly, following rules/ regulations and directives are also related with trading process in Nepal.

1. Food Rules 2027 (1970)
2. Drugs Registration Rules 2038 (1981)
3. Feed Regulation 2041 (1984)
4. Pesticides Rules 1994
5. Animal Health and Livestock Service Rules 2056 (1999)
6. Customs Rules 2065 (2007)
7. Plant Protection Rules 2066 (2010)
8. Animal Quqrantine Directives 2064
9. Commerce Mannual 2065
10. Customs Mannual 2068
11. Directives of Import and Sale of Gold 2068

Except few acts and regulations such as Drug Act, Drug Registration Rules, Directives of import and sale of Gold, most of above listed regulations are directly or indirectly related with agriculture trade and food security.

2.5 Nepal's Trade Performance

2.5.1 Overall Trend

Trade is considered as an essential factor for accelerating the pace of economic development. International trade leads to rapid industrial transformation, fast change in employment structure and expansion of market. Realizing the importance of export on economic development, the Government of Nepal (GoN) has initiated several reform measures in trade sector under the economic reform since 1985. Trade liberalization was the major component of economic reform program introduced in Nepal in 1985. Further, Nepal has undertaken extensive trade liberalization since 1990. The trade sector reforms initiated in the past included elimination of licensing system and quantitative restrictions on imports, a significant reduction in import tariff, foreign exchange liberalization making Nepalese Currency fully convertible in current account and withdrawal of export subsidies. In a continuous process to make its economy market oriented and opened, Nepal became member of the WTO in 2004 through accession. However, the fruits of entering into the multilateral trading system were yet to be reaped.

In view of this GoN reintroduced export subsidy system a couple of years back. The GoN also brought out new trade policy and integrated trade strategy focussing on export promotion of agricultural products. Yet trade sector has remained weak.

Data indicate that in absolute amount trade has increased gradually and reached to U.S. Dollar 6.8 billion in 2011/12 from U.S. Dollar 4.6 billion in 2008/09. But the trade/GDP ratio has declined from 35.6 percent to 34.4 percent during the same period mainly due to decline in export. The export/GDP ratio decreased continuously during the period and stood at 4.7 percent in 2011/12. It was 6.9 percent in 2008/09. Due to high rate of increase in the volume of import as compared to export, the export/import ratio squeezed to 16.2 percent in 2011/12 from 23.8 percent in 2008/09. Similarly due to the wider gap between import and export the ratio of trade deficit to GDP increased and reached to 24.5 percent in 2011/12 from 21.9 percent in 2008/09. Overall scenario of trade performance is, thus, not satisfactory due to high volatility and slow growth of export.

Table 2.6: Trade Indicator (In percent)

Particular	2008/09	2009/10	2010/11	2011/12
Trade/GDP	35.6	36.5	33.6	34.4
Export/GDP	6.9	5.1	4.7	4.7
Import/GDP	28.8	31.4	28.9	29.2
Export/Import	23.8	16.2	16.2	16.2
Trade deficit /GDP	21.9	26.3	24.2	24.9

Source: Economic Survey 2011/12, Ministry of Finance, Government of Nepal and Current Macroeconomic situation on Nepal, Nepal Rastra Bank.

2.5.2 Direction of Trade

India has long been Nepal's largest trading partner. Nepal and India entered into Bilateral Trade Agreement in 1950. Trade with India is governed by bilateral treaty between Nepal and India. Notwithstanding expanded market access created by WTO membership, Nepal's trade remained concentrated to India. This has been so because of geographical proximity with India; high transit cost in trade with other countries and fixed exchange rate of Nepalese rupee vis-à-vis Indian rupee. The share of total trade with India has increased and reached to 66.3 percent in 2010/11 from 41.6 percent in 2000/01. Correspondingly share of other countries in Nepal's trade declined sharply from 58.4 percent to 33.7 percent over the same period. This indicates that Nepal's trade is largely dependent on India and trade this dependency is increasing day by day.

Table 2.7: Share of Trade

	(In percent)				
	2000/01	2007/08	2008/09	2009/10	2010/11
India	41.6	64.3	57.8	59.1	66.3
Other countries	58.4	35.6	42.2	40.9	33.7
Total	100.0	100	100.0	100.0	100.0

Source: Economic Survey, 2011/12, Ministry of Finance, Government of Nepal

2.5.3 Agricultural trade

In spite of its importance in the national economy in terms of contribution to GDP and livelihood in Nepal, performance of agricultural trade is not encouraging. The share of agriculture trade to total trade is fluctuating and has remained below 18 percent during the period of 2008/09 to 2011/12. The agricultural export to total agricultural trade has decreased from 31.5 percent in 2008/09 to 18.5 percent in 2011/12 mainly due to fluctuation on export and rapid increase in import. The share of agricultural export to total export has declined to 23.2 percent in 2011/12 from 28.1 percent in 2008/09. But the share of agricultural import to total import has increased slightly to 16.5 percent in 2011/12 from 14.6 percent in 2008/09. Due to high growth rate of the import of agricultural products as compared to export growth, the export /import ratio of agriculture trade declined sharply and reached to 22.7 percent in 2011/12 from 45.9 percent in 2008/09. Agricultural trade related indicators for Nepal are presented below.

Table 2.8: Agricultural Trade Indicator (In percent)

Particular	2008/09	2009/10	2010/11	2011/12
Share of Agricultural trade to total trade	17.2	13.4	15.2	17.4
Agricultural export to total agricultural trade	31.5	23.6	22.0	18.5
Share of agricultural export to total export	28.1	22.6	23.9	23.2
Share of agricultural import to total import	14.6	11.9	13.7	16.5
Agricultural export/import	45.9	30.9	28.3	22.7
Agricultural export /GDP	1.9	1.4	1.1	1.1
Agricultural import/GDP	4.2	3.7	3.9	4.9

Source: 1.Foreign Trade Statistics, Trade and Export Promotion Centre (TEPC) and
2. Economic Survey, Ministry of Finance, Government of Nepal, Kathmandu

2.6 Review of Trade Facilitation Measures

Customs Reform

To strengthen the ability of the Department of Customs to cope with increasing demand for speedier clearance of imports, better service to trading community and effectiveness in revenue collection and to align the Customs system to international standard, Nepal introduced ASYCUDA in 1996 and its use is being gradually expanded to different Customs offices. The Department of Customs had designed and implemented a three years Customs reform action plan in FY 2003/04. This program accorded high priority to institutionalizing scientific Customs valuation procedures, simplifying checking procedures, reducing documentary requirements, automation of Customs processes and selectivity checking based on risk analysis.

Currently, ASYCUDA has been implemented in 10 major Customs points for Customs clearance. They use broker module allowing Customs agents to transmit the declaration from their terminal at Customs. Six major Customs offices apply selectivity module of ASYCUDA which enable them to apply risk based clearance system.

Nepal has implemented New Customs Act 2007 and Rules which have included many provisions in line with the Revised Kyoto Convention and other agreements. The main features of the act and rules are that they prescribe the number of documents required for the clearance. Excluding product specific requirements, the Customs rules specified 9 documents for import from third countries and only 2 for import from India. These two documents include invoice and packing list. In-case of export for both India and third country 4 documents are required. They are invoice, packing list, certificate of origin and evidence of payment. But in practice the documentary requirement is much more than specified in the Customs rules. This means there are certain shortcomings in Customs procedures. Taking this in consideration an Action Plan (2009-13) has been launched with an objective of facilitating legitimate trade and, thereby, encouraging voluntary compliance. The action plan has set objective in-line with international conventions and international standards as the basis of reengineering all of the Customs clearance procedures including documentation, data requirement, procedures and use of risk management. The 2009-13 Customs Plan is a good roadmap to create a more efficient trade facilitation regime. Importantly, the Department of Customs (DOC) has established a reform and modernization section within the department to oversee the reform efforts.

New Customs Act, 2007 has fully incorporated the WTO valuation rules, which recognizes transaction value as basis for Customs valuation. There is also provision of Valuation Review Committee in line with WTO Rules. The trader can challenge the valuation decision made by the Customs offices.

Transportation

Nepal is a landlocked country. It has to depend on India for transit facilities for third country trade. An efficient transportation in transit is crucial to Nepal's foreign trade. The Government of Nepal established Nepal Inter-modal Transport Development Board (NITDB) in 1997 with an objective to oversee the economical and efficient management of Inland Container Depots (ICD) for the facilitation of Nepal's foreign trade. The main functions of NITDB are to develop, manage and promote ICD terminals. So far 4 ICDs have been constructed and being operated.

Information and Communication

Ministry of Commerce has developed a webpage with trade related information. In order to integrate Nepal into global trade point network, two domestic trade points have been developed. A WTO reference center has also been established under the Department of Commerce to enhance flow of trade related information among the stakeholders. Likewise, enquiry points have been established to respond to queries on issues related to sanitary and phyto-sanitary (SPS) as well as technical barrier to trade (TBT). Department of Food Technology and Quality Control (DFTQC) has been designated as the enquiry point of SPS and Nepal Bureau of Standard and Metrology (NBSM) as enquiry point of TBT. Client Service Centre with a client friendly web site has been launched in the Department of Customs to give better access to information to the stakeholders.

New Trade Policy

The GoN has announced a new trade policy recently in 2009. This policy included provisions related to recent developments in international trade such as SPS and TBT. One of the key strategies of this policy is to reduce transaction cost through strengthening of institutions and

simplification in procedures. According to this policy, TF related policies, laws and procedures will be made internationally compatible.

Nepal Trade Integration Strategy (NTIS)

Nepal Trade Integration Strategy (NTIS) 2010 have identified as many as 19 priority export potential products, which include 7 agro-based products, 5 industrial and manufacturing products and 7 service products. Priority export potential agricultural products are tea, ginger, lentil, medicinal herbs, cardamom, honey and noodles. Priority export potential agricultural product occupies a considerable share in Nepal's export. But high transaction cost and procedural hassle as well as difficulty in meeting SPS requirement have hampered the process of enhancing agricultural export in the expected manner. Realizing this, NTIS has put emphasis on building domestic support institutions, such as laboratory and accreditation facilities, to assist Nepalese exporters to address the challenges of SPS.

Chapter III: Business Process Analysis of Selected Agricultural Products

This chapter contains the import procedures of rice from India to Nepal and export procedures of large cardamom from Nepal to India. While processes of rice import from India to Nepal is described in section A, export of large cardamom from Nepal to India is described in section B.

3.1. An Overview of Rice Import

As discussed in the previous chapters, rice plays an important role in maintaining food security in the country. Paddy (source of rice) covers major share in area and production of food grains. However, growth rate of paddy is low as compared to overall growth rate of food grains. The average production of food grains has increased by around 21 percent during the period of 2008/09 to 2011/12 while paddy production increased by only 12 percent during the same period. The table given below reveals the production trend of cereal crops

Table 3.1: Status of Cereal Production (in 000MT)

Item	Fiscal Year				Growth rate in Percent		
	2008/09	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12
Paddy	4524	4024	4460	5072	-11.0	10.8	13.7
Maize	1931	1855	2067	2179	-3.9	11.4	5.41
Wheat	1344	1556	1746	1848	15.7	12.2	5.8
Barley	23	28	30	35	21.7	7.1	16.6
Millet	293	299	303	315	2.04	1.3	3.9
Total	7822	7762	8606	9447	-0.76	10.8	9.7

Source: Economic Survey, ministry of Finance, Government of Nepal 2011/12

Despite being an agricultural country, Nepal's import of agricultural products is increasing. The import value of agricultural product was 538.7 million US Dollar in 2008/09, which increased and reached to 957.8 million US dollar in 2011/12. During this period import of rice also increased significantly and reached to 72.4 million US Dollar in 2011/12 from 23.2 million US Dollar in 2008/09. The share of rice import in total agriculture imports increased from 4.3 percent in 2008/09 to 7.6 percent in 2011/12. Among the agricultural import the import of cereal has increased significantly during the same period. The value of cereals import has increased from 28.6 million US Dollar in 2008/09 to 168.9 million US Dollar in 2011/12. Rice import constitutes a large portion of cereal imports. Although declining, the share of rice import in total cereals import still accounts for as high as 43 percent.

Table 3.2: Total Agricultural Import

	2008/09	2009/10	2010/11	2011/12
Value in 000USD				
Total Agricultural Import	538715.7	596351.6	753372.0	957804.8
Total Cereals import	28631.9	56306.0	69576.8	168934.0
Import of Rice (HSCode10063000)	23154.7	30601.3	27183.9	72449.0
Total Import	3784146.9	5041689.9	5498435.6	6274069.3
Ratio in Percentage				
Share of Ag. Import on total Import	14.2	11.8	13.7	15.3
Share of cereals import on total Agricultural Import	5.3	9.4	9.2	17.6
Share of rice import on total cereal imports	80.8	54.3	39.1	42.9
Share of rice import on total agricultural Import	4.3	5.1	3.6	7.6

Source: Nepal Foreign Trade Statistics, 2008/09-2011/12, Trade and Export Promotion Centre, Kathmandu Nepal.

3.2. Scope of Business Process Analysis of Rice Import from India

Import process of rice from India to Nepal is analysed in this section. To complete the import procedure of rice from India to Nepal an importer has to carry out different business activities. These activities contain entering into sales contract, arrangement of transportation, preparation and collection of documents, payment of goods and Customs clearance. List of the core business processes that are followed when importing rice from India to Nepal and the stakeholders with whom an importer directly or indirectly deals with are presented below in Figure 1 in the Use Case Diagram.

Figure 1: Use Case Diagram of Rice Import from India to Nepal

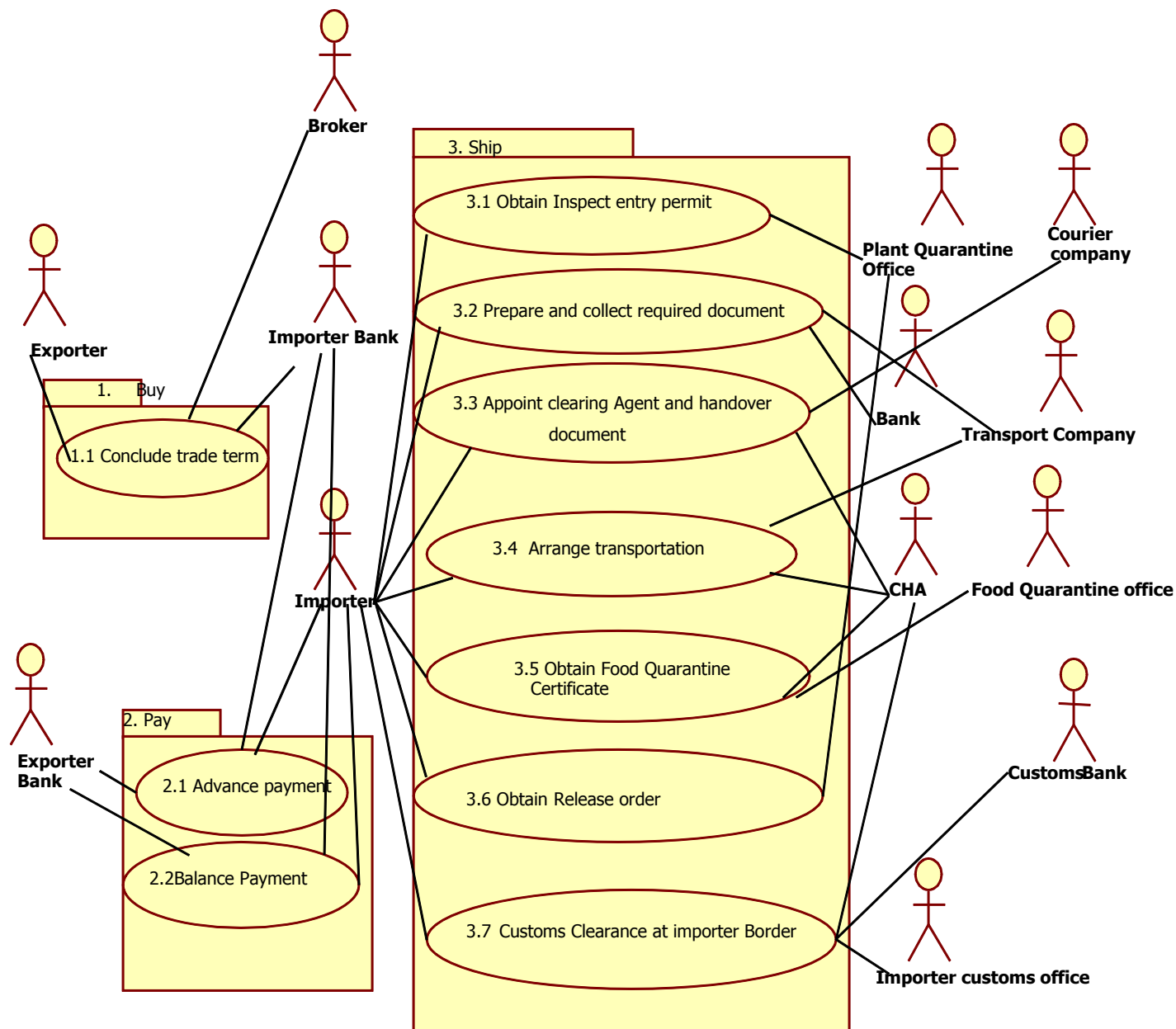


Figure 1 covers all three process areas of the UN/CEFACT International supply chain model such as By-Ship- Pay.

Buy: It includes fixation of trade term and establishment of sales contract

Ship: Arrangement of cargo movement and the completion of necessary actions to meet regulatory requirement of importing country.

Pay: Payment for the purchased cargo

3.3 Core Business Processes of Rice Import to Nepal from India

There are 10 core business processes and 12 parties are involved in the import process of rice from India to Nepal. All core business processes are categorized into three process areas, i.e. Buy, Ship and Pay. Summary of stakeholder's participation in each identified core business process is presented in the table below

Table 3.3: Stakeholder's Participation in Each Identified Core Business Process for Rice

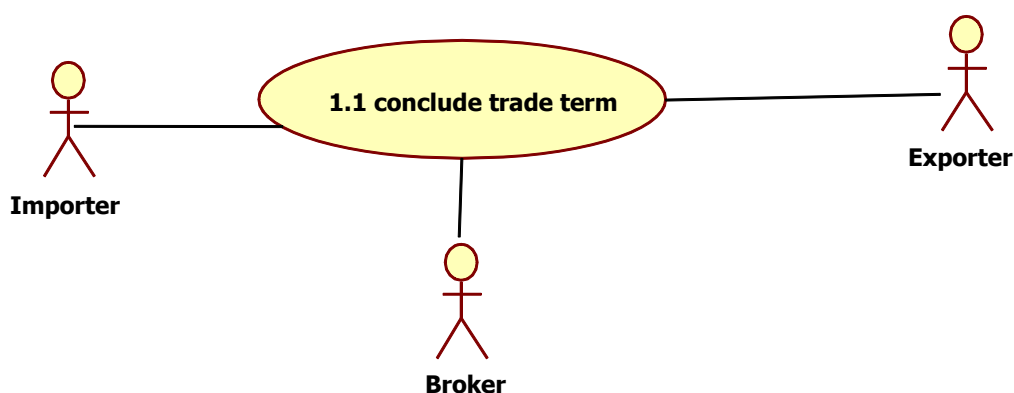
Parties Core Business Process	Importer	Broker	Exporter	Importer Bank	Exporter Bank company/CHA	Clearing Company/ CHA	Plant Quarantine Office	Transport company/ operator	Food Quarantine Office	Importer's Customs	Courier Company	Customs Bank
1. Buy												
1.1 Conclude trade terms	X	X	X									
2. Pay												
2.1 Advance Payment	X		X	X	X							
2.2 Balance Payment	X		X	X	X							
3. Ship												
3.1 Obtain Entry permit						X	X					
3.2 Prepare and collect document				X				X				
3.3 Appointment of Clearing Agent and handover documents	X					X					X	
3.4 Arrange Transportation						X		X				
3.5 Obtain Food Quarantine Certificate						X			X	X		
3.6 Obtain Release order						X	X					
3.7 Customs Clearance at Importer border						X				X		X

Process Area 1: Buy

1.1 Concludes trade terms

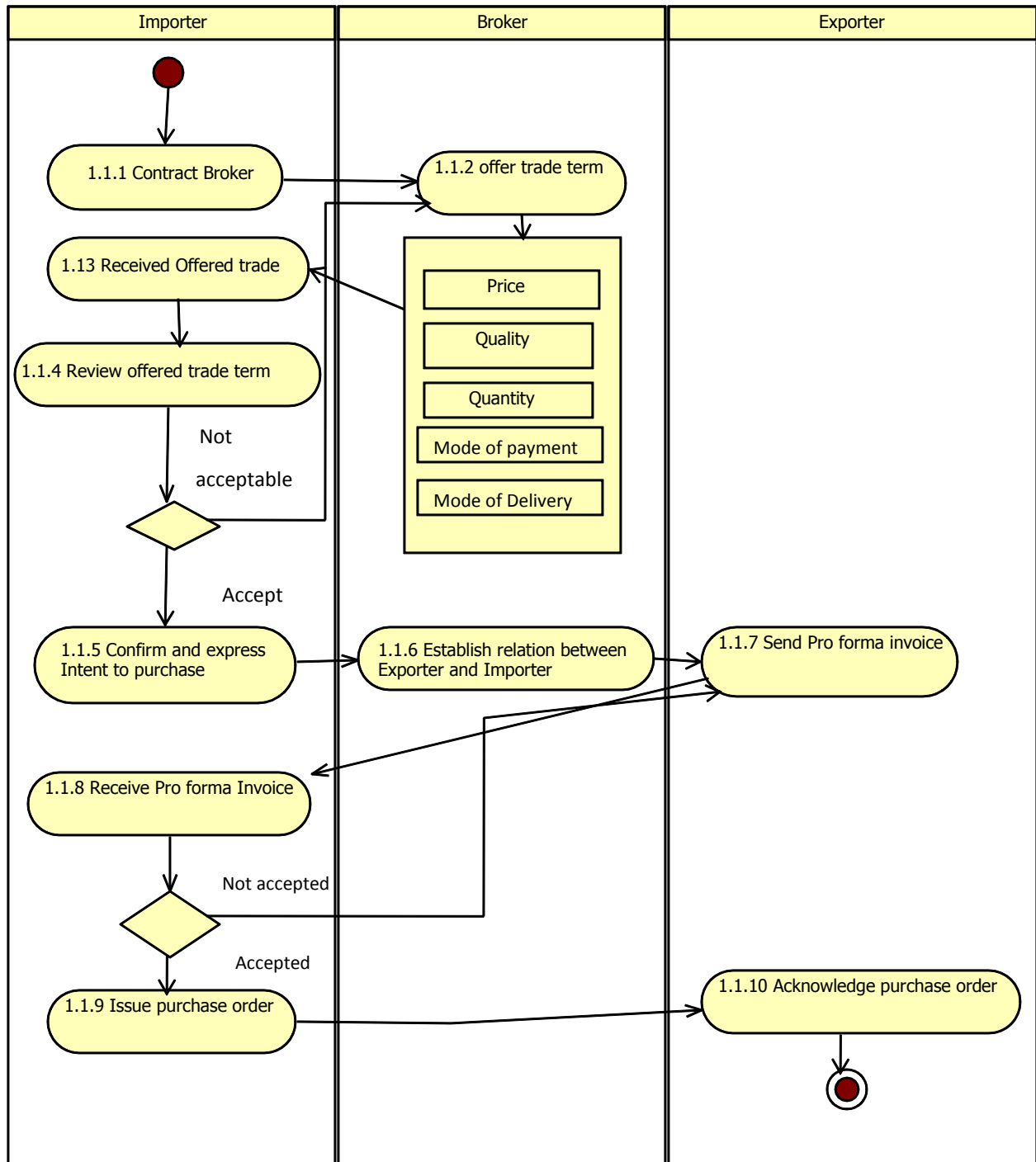
Concluding trade terms is the only core activity of the process area of buy. In case of rice import from India to Nepal three actors (broker, importer and exporter) are involved in completing the process. The process is presented in Use Case Diagram in Figure 2

Figure 2: Use Case Diagram of Concluding Trade Term



This core business process is associated with fixing trade terms and entering importer and exporter into sales/purchase. Initially importer contacts broker who offers the trade terms i.e. price, quality and quantity, mode of delivery and mode of payment. Upon receipt of trade terms, importer reviews the same and if found acceptable expresses intent to purchase. If the offered terms of trade are not acceptable, importer again contacts the broker for revision of the terms of trade. Once the expression of intent of purchase is received, the broker establishes relationship between exporter and importer. Then the exporter issues Pro forma invoice to the importer. The importer then reviews the Proforma invoice and if acceptable issues purchase order. If not, he contacts exporter to make necessary revision as per agreed terms of trade. Once purchase order is received, exporter acknowledges the same. This completes the process of buy. These processes are presented in the Activity Diagram in Figure 3 Average time required to complete the process is 2 days.

Figure 2.1: Activity Diagram of Concluding Trade Term



Name of process area	1. Buy
Name of business process	1.1 Conclude trade terms
Participants of process	<ul style="list-style-type: none"> - Importer - Exporter - Broker
Input and criteria to entering the business process	<ul style="list-style-type: none"> - Registered business firms - Importer have a list of potential brokers and exporters
Activities and associated documentary requirement	<p>1.1.1 Importer contact broker and asks for the following</p> <ul style="list-style-type: none"> - Price - Quality - Quantity - Mode of payment - Mode of delivery <p>1.1.2 Broker offers trade terms</p> <p>1.1.3 Importer receives offer of trade terms</p> <p>1.1.4 Importer reviews the trade terms, if trade terms are not agreed upon importer requests for revision.</p> <p>1.1.5 If trade terms are acceptable importer expresses intent to purchase.</p> <p>1.1.6 Broker establishes the relation between importer and exporter.</p> <p>1.1.7 Exporter issues the Pro forma invoice.</p> <p>1.1.8 Importer receives Pro forma invoice and reviews, if it is not acceptable, he contacts exporter and requests to review.</p> <p>1.1.9 If Pro forma invoice is acceptable importer issues purchase order.</p> <p>1.1.10 Exporter acknowledges the purchase order.</p>
Output criteria to exit the business process	- Importer and exporter have concluded trade terms
Average time required to complete business process	2 days

Process Area 2: Pay

Mode of payment is one of the most important components of business process. In the process of rice import to Nepal from India, partial payment is made in advance after issue of purchase order and balance is paid only after receiving the cargo. It consists of 2 core business processes. Mostly such payments are made through Real Time Gross Settlement (RTGS). For this, Nepalese importer approaches Nepalese bank with Proforma invoice, PAN/VAT certificate, Firm registration certificate, application and filled up Foreign Exchange Declaration Form. Banks transfer the advance payment to exporter's account through their parented correspondent bank in India. The importer's bank provides two copies of Foreign Exchange Declaration Form and receipt of payment to importer. Rest of the payment is made on the basis of Customs declaration document. The business process is presented in Figures 3, 3.1, 3.1.1, 3.2 and 3.2.1. Average time required to complete the advance payment and balance payment processes is 1 day each. Hence, the process of payment can be completed, in an ideal condition, in 2 business days.

Figure 3: Use Case Diagram of Pay

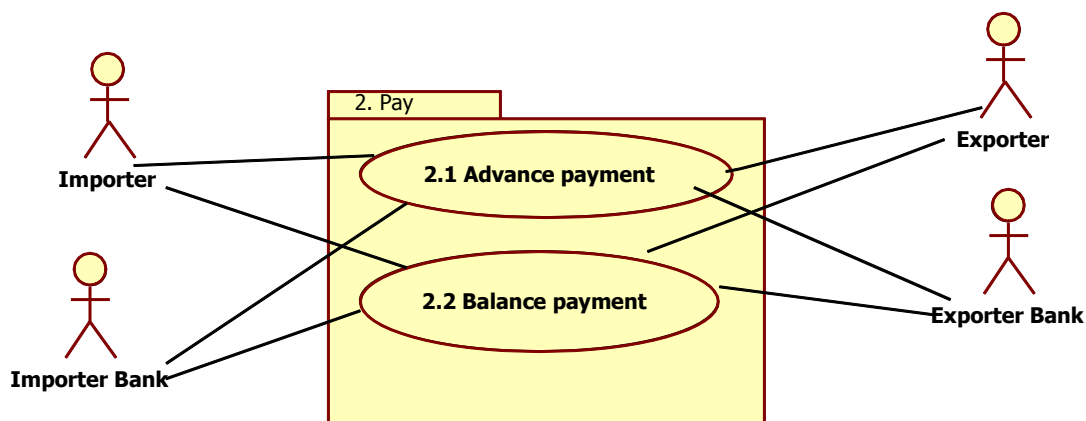


Figure 3.1: Use Case Diagram of Advance Payment

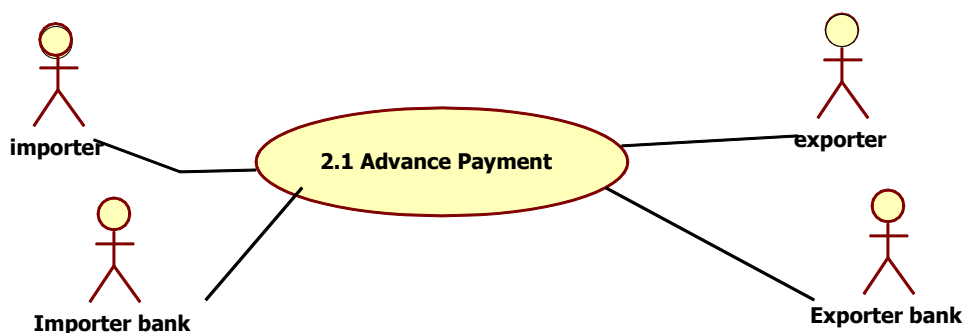
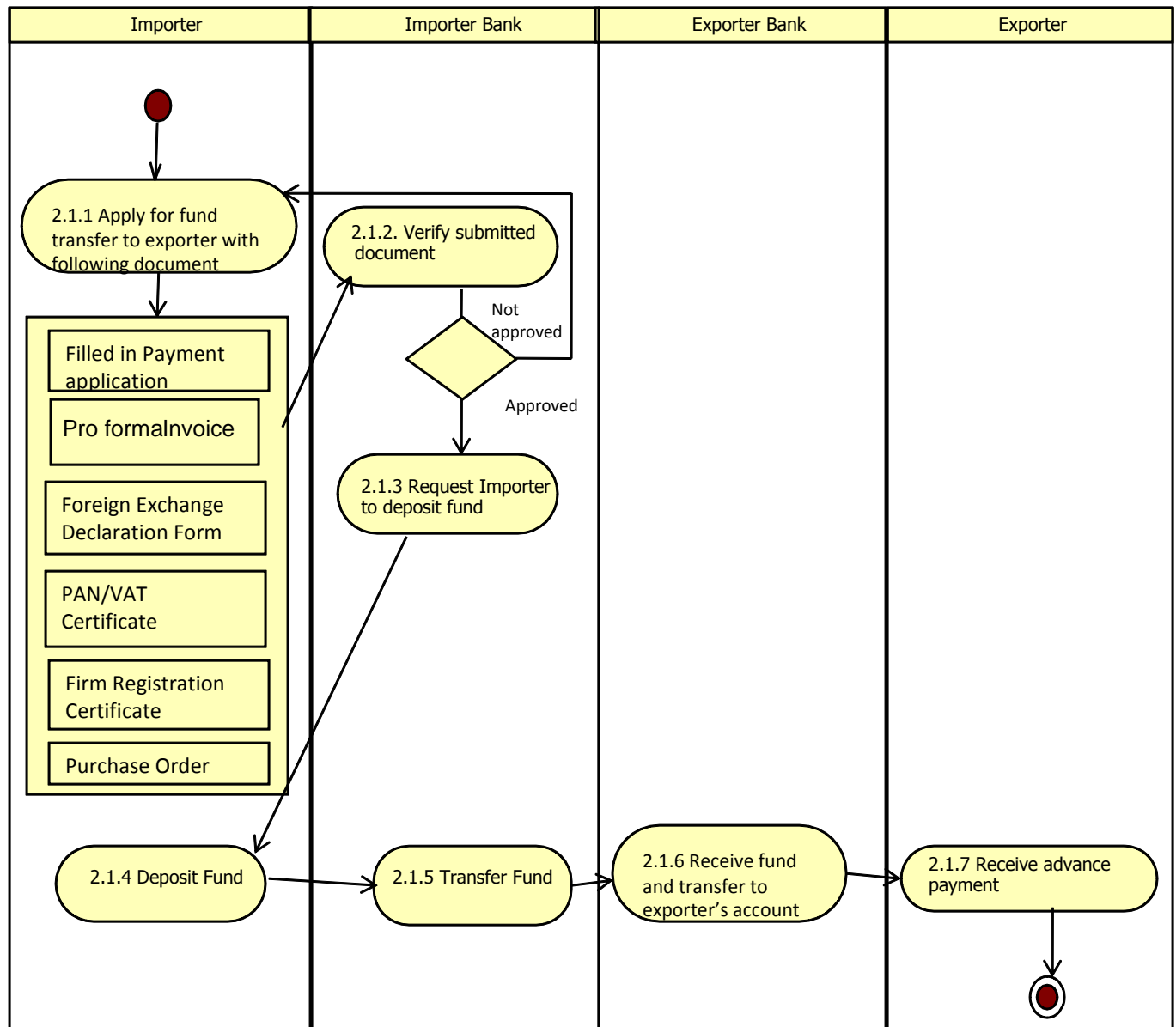


Figure 3.1.1: Activity Diagram of Advance payments



To complete the advance payment process an importer carries out different activities. The associated activities are presented in figure below.

Name of process area	2. Pay
Name of the business process	2.1 Advance payment
Participants of process	-Importer -Importer bank -Exporter -Exporter bank
Input and criteria to enter /being the business process	Exporter and Importer have already agreed into sales/ purchase terms of trade
Activities and associated documentary requirement	2.1.1 importer applies for fund transfer to importer bank with following documents -Filled in payment application -proforma Invoice -foreign exchange declaration form -PAN/VAT certificate -Firm registration certificate 2.1.2 Bank verifies submitted document 2.1.3 If submitted documents are found correct bank asks importer to deposit the fund 2.1.4 Importer deposits the fund 2.1.5 Importer bank transfers the fund to exporter bank 2.1.6 Exporter bank transfers the amount to exporter's account 2.1.7 Exporter collects the advance payment
Output criteria to exit the business process	Exporter receives advance payment
Average time required to complete this business process	1 day

To complete the business process of settling balance payment importer carries different activities. The associated activities are presented in figure below.

Figure 3.2: Use Case Diagram of Balance Payment

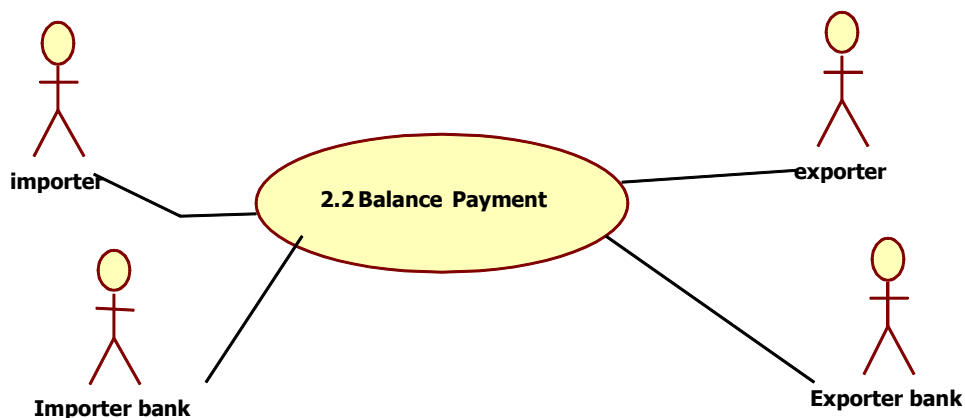
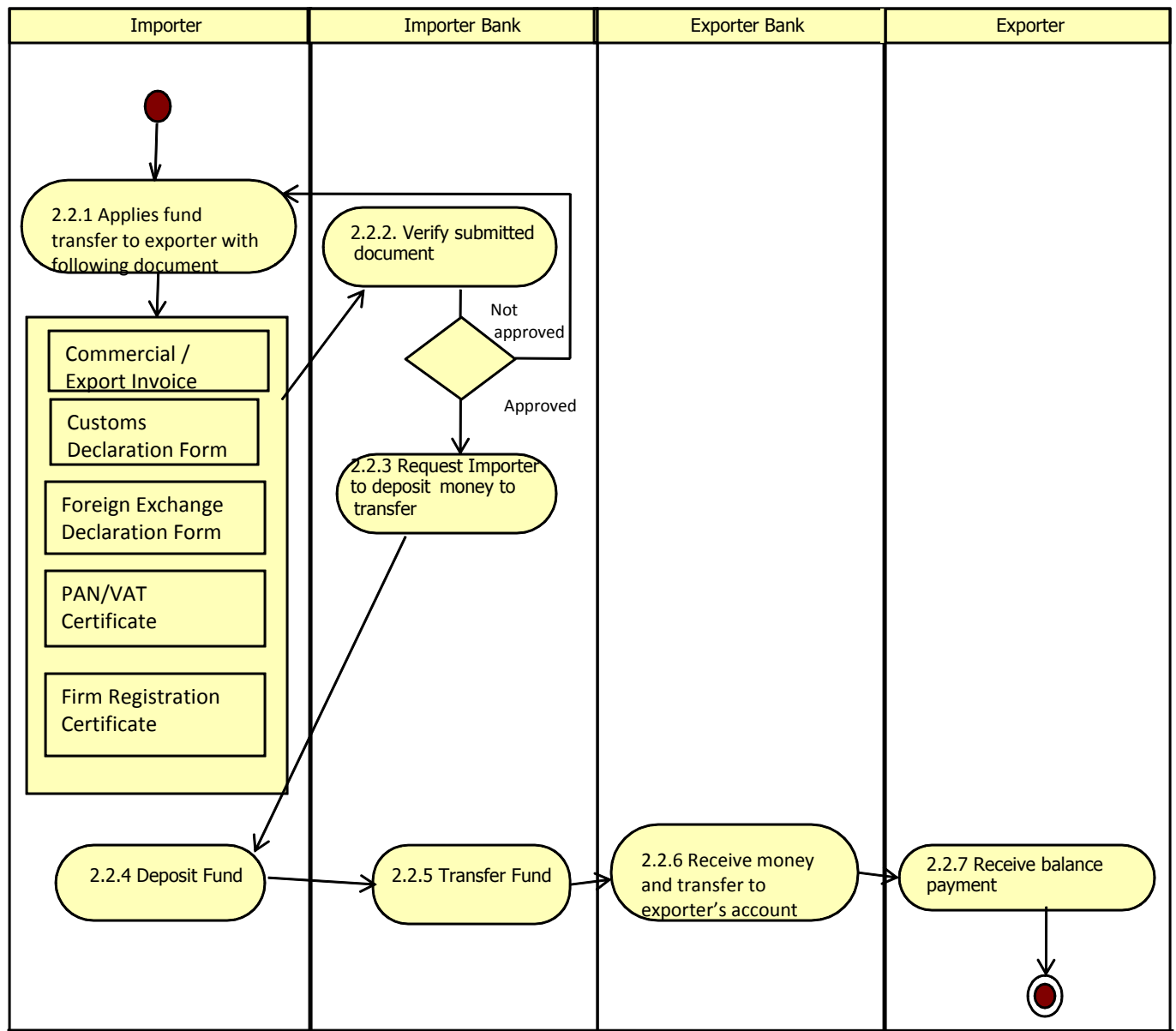


Figure 3.2.1: Activity Diagram of Balance Payment



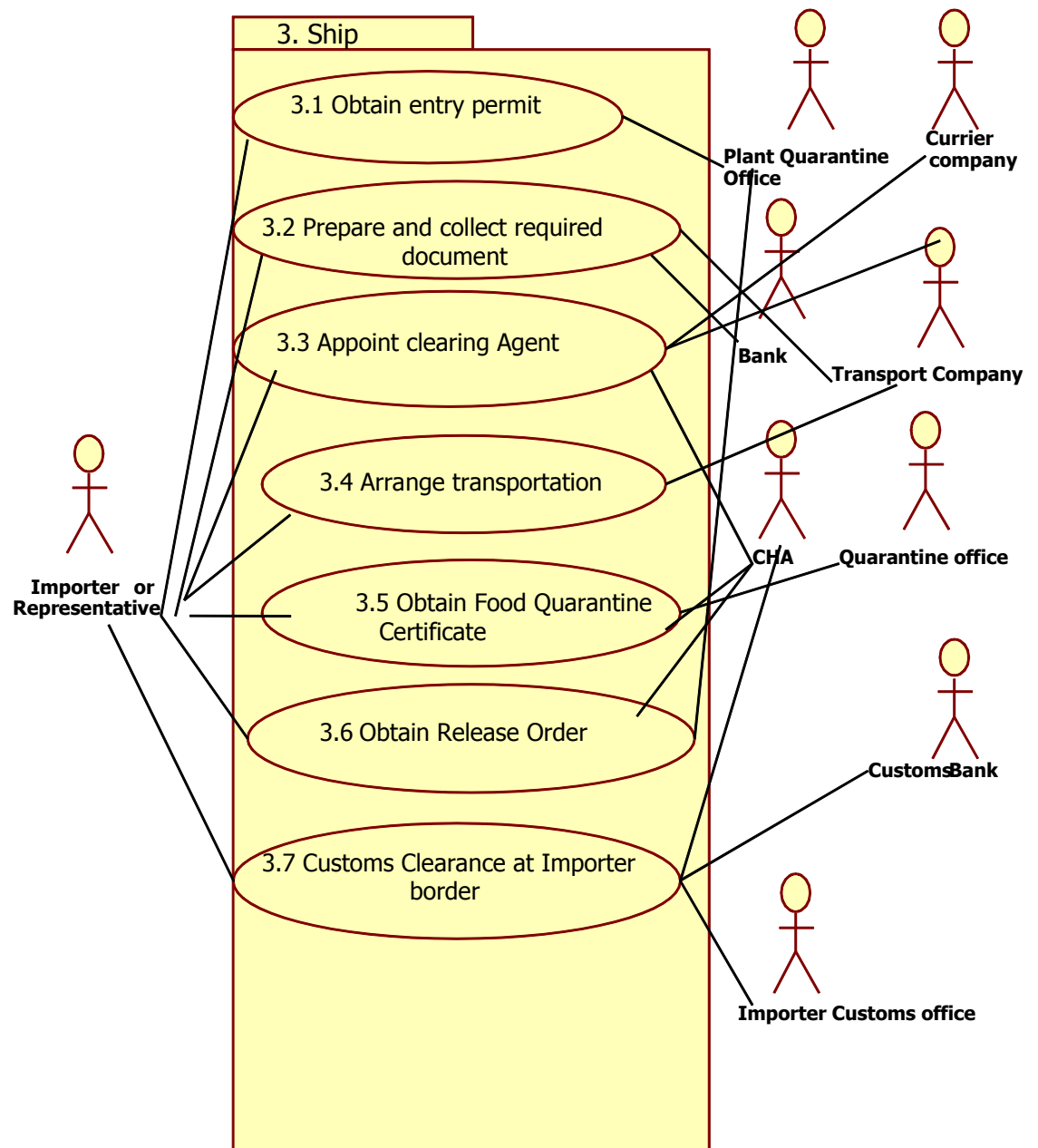
Name of process area	3. Pay
Name of business process	2.2 Balance payment
Participants of process	-Importer -Importer bank -Exporter -Exporter bank
Input and criteria to entering the business process	Cargo arrived to destination

Activities and associated documentary requirement	2.2.1 Importer applies for fund transfer with following document - Commercial/export invoice -Custom declaration document -PAN /VAT certificate -Firm registration certificate - Foreign exchange declaration form 2.2.2 Bank Verifies submitted document 2.2.3 If documents are approved bank requests importer to deposit the fund 2.2.4 Importer deposits fund 2.2.5 Fund transfer by importer bank to exporter bank 2.2.6 Exporter bank receives fund and transfers to exporter's account 2.2.7 Exporter receives balance payment
Output	The payment is fully settled
Average time required to complete business process	1 day

Process Area 3: Ship

Ship process is a core business process. In the context of rice import from India to Nepal, this process includes obtaining entry permit, preparation and collection of documents, appointment of CHA, arrangement of transport, obtaining food quarantine certificate, obtaining release letter from plant quarantine office and Customs clearance. The core business processes of rice import from India to Nepal under ship area are presented in Figure 4 in Use Case Diagram.

Figure 4: Use Case Diagram of Ship



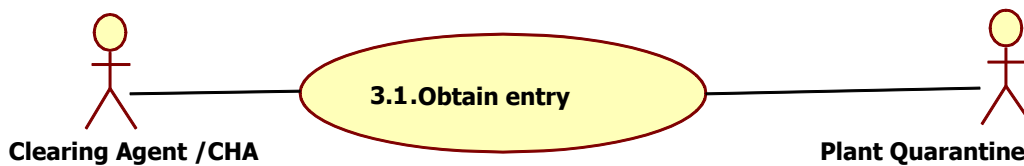
3.1 Obtain Entry Permit

Import of Rice is subject to plant quarantine. The importer has to obtain entry permit before the cargo arrives at Customs point. To obtain such permit the importer's as to apply with the quarantine office paying a charge of Rs. 200 along with following documents. The application should also disclose the origin of cargo.

- a. Pro forma Invoice
- b. Firm registration certificate
- c. PAN/VAT certificate

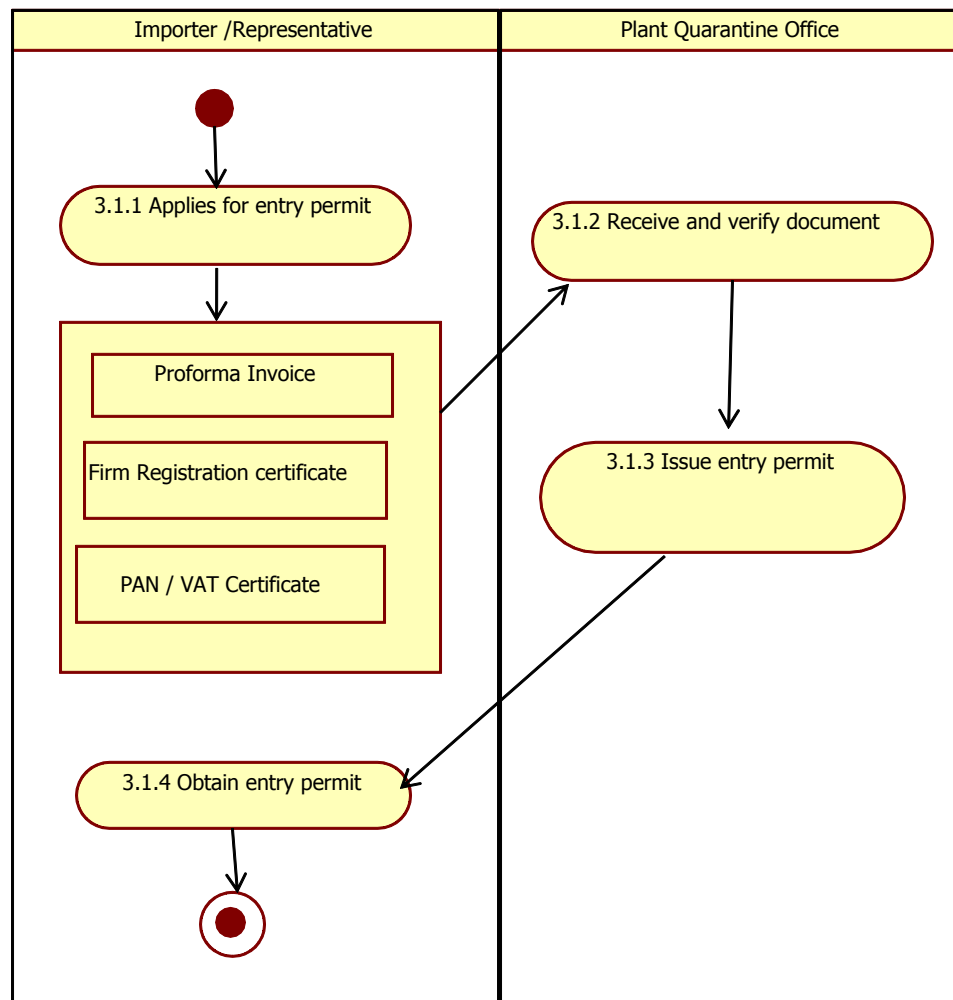
Average time required at this stage is 2 hours. The actors involved in the process of obtaining entry permit are as shown in Use case diagram (Figure 4.1) given below.

Figure 4.1: Use Case Diagram of Obtain Entry Permit



The detail activities are shown in activity diagram below (Figure 4.1.1):

Figure 4.1.1: Activity Diagram of Obtain Entry Permit



Name of a process area	4. Ship
Name of a business process	3.1Obtaining Entry Permit
Participants of process	-Clearing agent CHA - Plant Quarantine Office
Input and criteria to entering the business process	-Importer and exporter have already concluded terms of trade
Activities and associated documentary requirement	3.1.1 Clearing agent applies for entry permit with following documents <ul style="list-style-type: none"> - Firm registration - PAN/VAT certificate Proforma invoice 3.1.2 PQO receives and verifies document 3.1.3 PQO issues entry permit 3.1.4 CA obtains entry permit

Output	- Required documents for Custom Clearance are prepared
Average time required to complete business process	2 hours

3.2 Prepare and collect document

This process consists of activities related to collection and preparation of required documents to complete the import procedure. The importer prepares copies of proforma invoice, firm registration certificate, PAN/VAT certificate, Commercial/ export invoice and evidence of payment. The commercial/export invoice is collected from transport operator at exporter's Customs point and evidence of payment related document is collected from the concerned bank. This process requires the involvement of three actors viz. Importer, Bank and Truck operator, and takes about 1 day to be completed.

The related Use case and Activity diagrams are presented below.

Figure 4.2: Use case Diagram of Prepare and Collect Documents

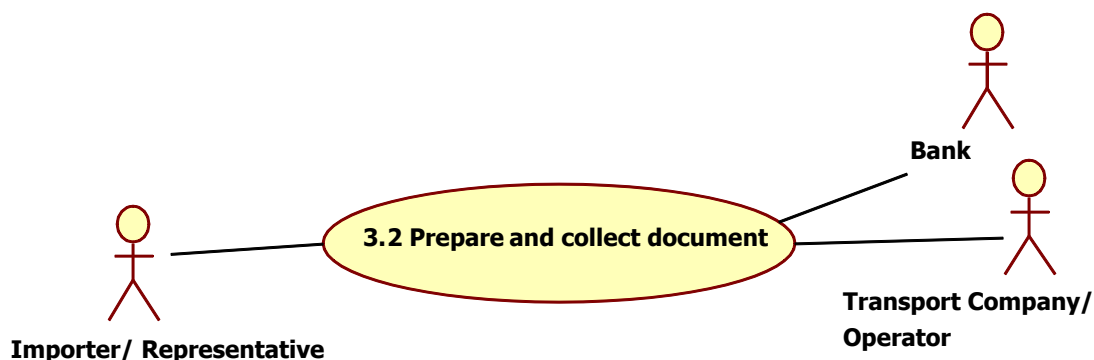
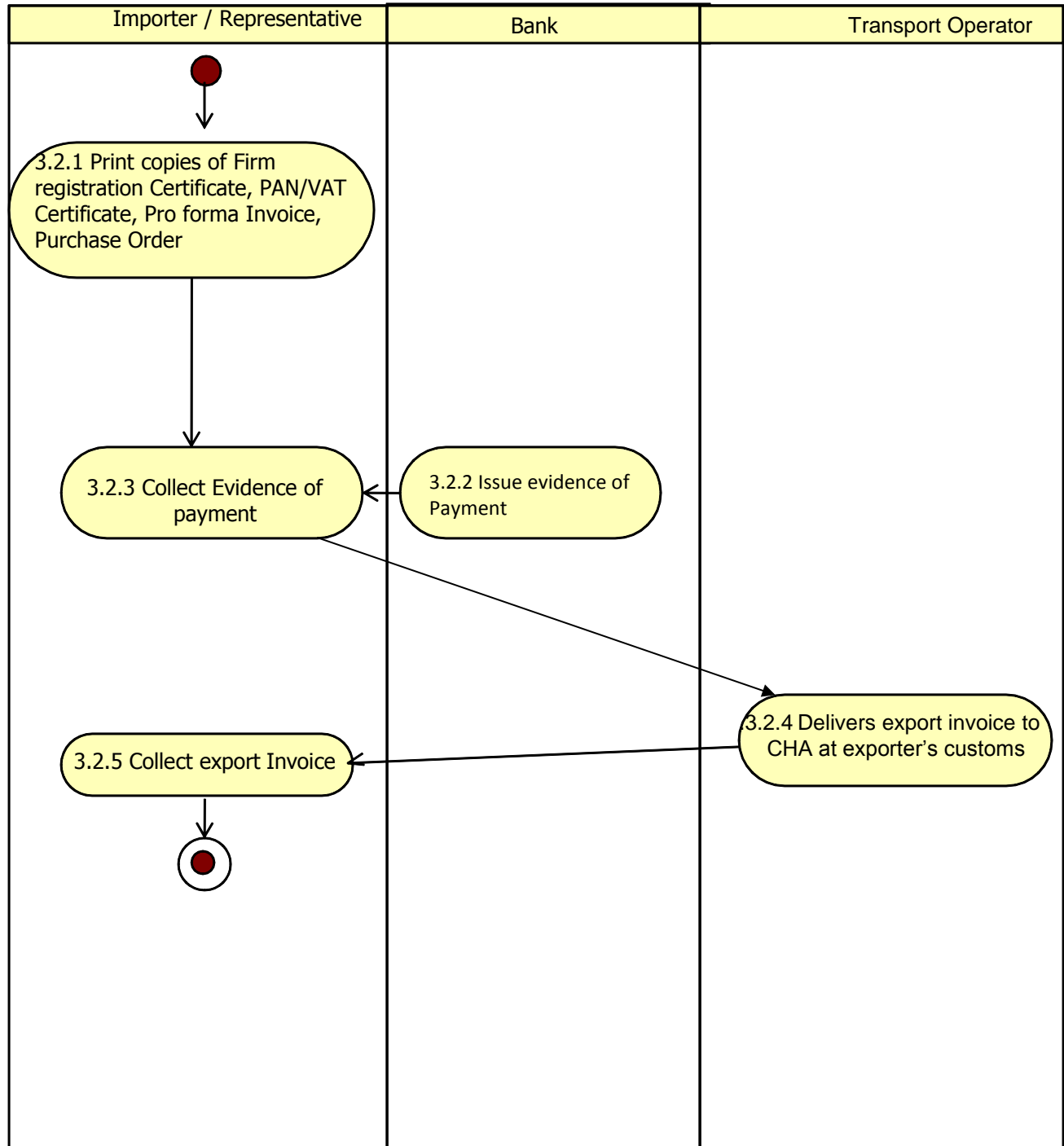


Figure 4.2.1: Preparation and Collection of Required Document



Name of a process area	3. Ship
Name of a business process	3.2 Prepare and collect documents
Participants of process	<ul style="list-style-type: none"> - Importer - Transport operator - Bank
Input and criteria to entering the business process	- Importer and exporter have already concluded terms of trade
Activities and associated documentary requirement	<p>3.2.1 Importer prepares following documents</p> <ul style="list-style-type: none"> - Copies of firm registration - Copies of PAN certificate - Copies of proforma invoice - copy of purchase order <p>3.2.2 Bank issues evidence of payment</p> <p>3.2.3 Importer collects payment evidence from concerned bank</p> <p>3.2.4 Transport operator delivers export invoice to CHA</p> <p>3.2.5 CHA collects export invoice from transport operator in exporter's custom point</p>
Output	<ul style="list-style-type: none"> - Required documents for Custom Clearance are prepared
Average time required to complete business process	1 day

3.3 Appointment of Clearing Agent and Handover Document

Customs clearance of imported goods is done by the CHA appointed by the importer. Upon receipt of cargo dispatch notice by telephone from exporter, Customs clearance agent is appointed by the importer. The importer provides an appointment letter with power of attorney to agent and hands over the required documents through courier. On average, the whole process can be completed in a day. The core business process and associated activities are presented below.

Figure 4.3: Use Case Diagram of Appointment of Clearing Agent and Handover

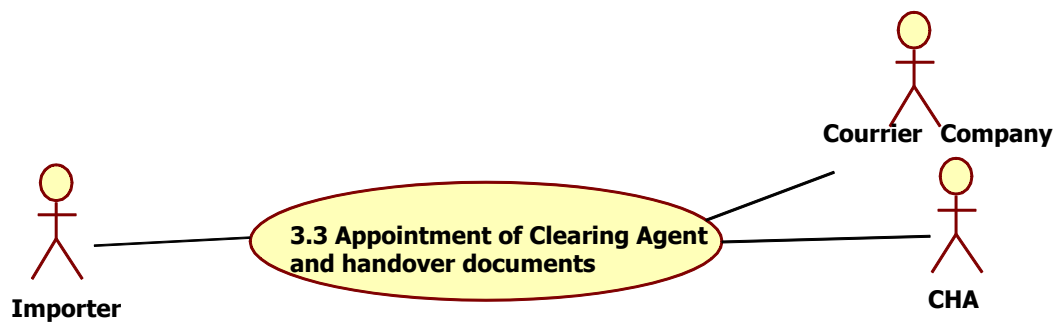
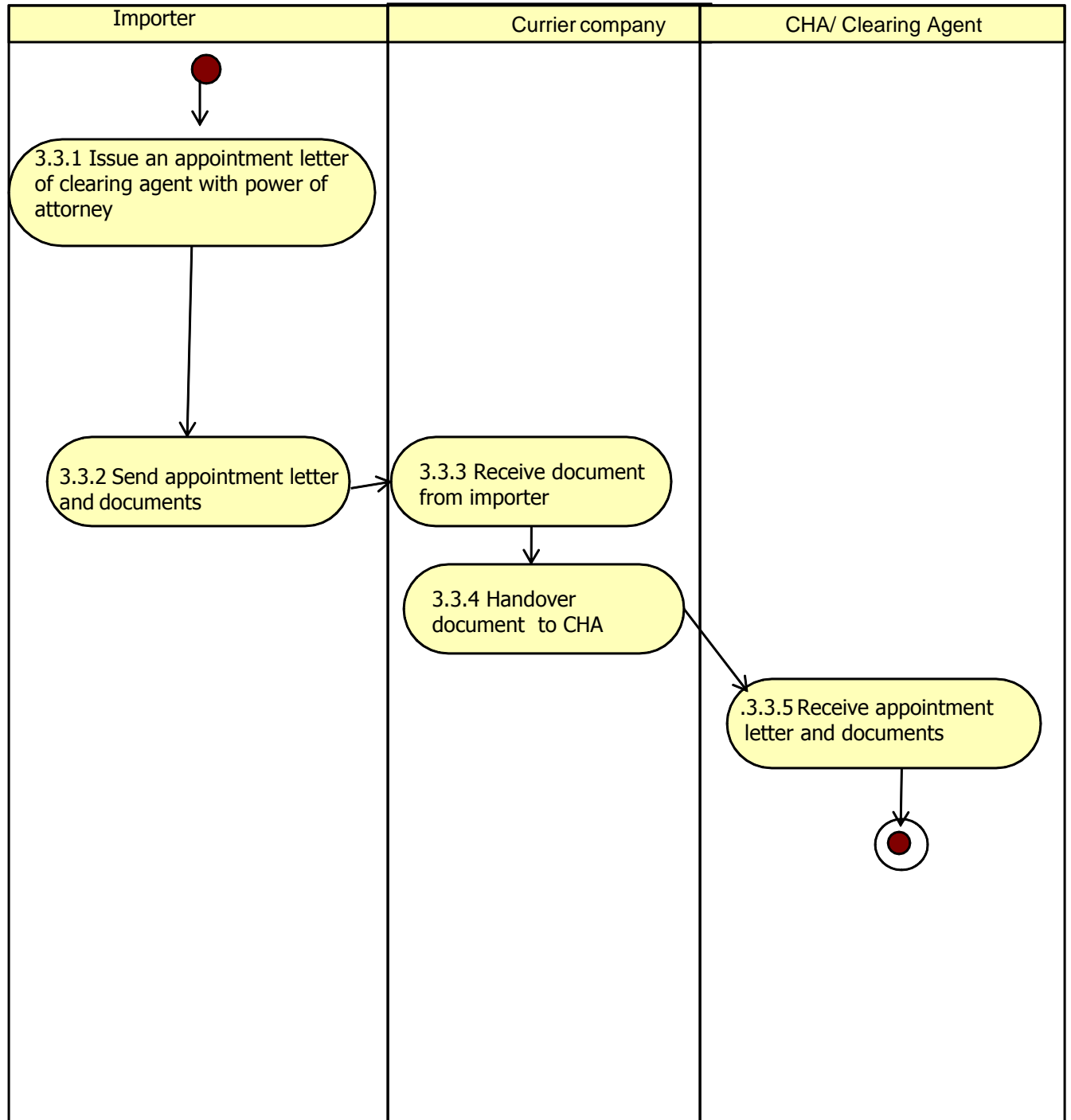


Figure 4.3.1: Activity Diagram Appointment of Clearing Agent



Name of a process area	3. Ship
Name of a business process	3.3 Appointment of clearing agent and handover document
Participants of process	<ul style="list-style-type: none"> - Importer - Clearing company/CHA - Currier - Transport Company
Input and criteria to entering the business process	- Legally custom clearance of import cargo is to be done by CHA
Activities and associated documentary requirement	3.3.1 Importer issues appointment letter with power of attorney 3.3.2 Importer sends letter and required following documents to CHA through courier <ul style="list-style-type: none"> - Firm registration certificate - PAN certificate - Copy of purchase order - Proforma invoice - Payment evidence 3.3.3 CHA receives courier document from importer 3.3.4 Courier handover document to CHA 3.3.5 CHA receives appointment letter and documents
Output	<ul style="list-style-type: none"> - Importer handovers responsibility to clear import cargo to CHA
Average time required to complete business process	1 day

3.4 Arrangement of Transportation

Arrangement of transport for import of rice is done by the importer's agent. The CHA appointed by the importer is responsible for not only clearing goods at border Customs of importing country, but also for arranging transport from border Customs of exporter to importer's warehouse. This is so because of geographical proximity and convenience to both exporter and importer. The exporter's border point is closer to importer than exporter. In this context of arranging transport the agent contacts the transport operator/company and negotiates the freight for transporting goods from exporter's Customs border point to importer's warehouse. After completion of negotiation, the freight goods are transshipped to Nepalese trucks at exporter's border point from Indian truck. The importer's agents at exporter's border point, receives the export invoice documents related to Customs clearance at exporter's Customs from exporter's truck operator/clearing agent and informs the transport details to importer. The truck operator moves the cargo from exporter's Customs point to importer's warehouse through importer Customs. It takes 2 days from exporter's Customs point to importer's warehouse. Road condition

is not good in Nepal. The roads are congested and lengthy. The whole process of core business and associated activities are presented in Figure below.

Figure 4.4: Use Case Diagram of Arranging Transportation

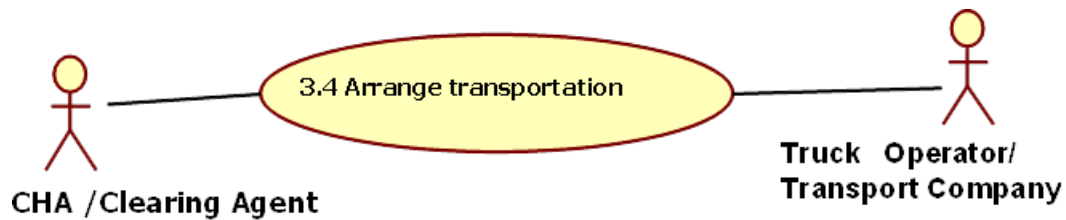
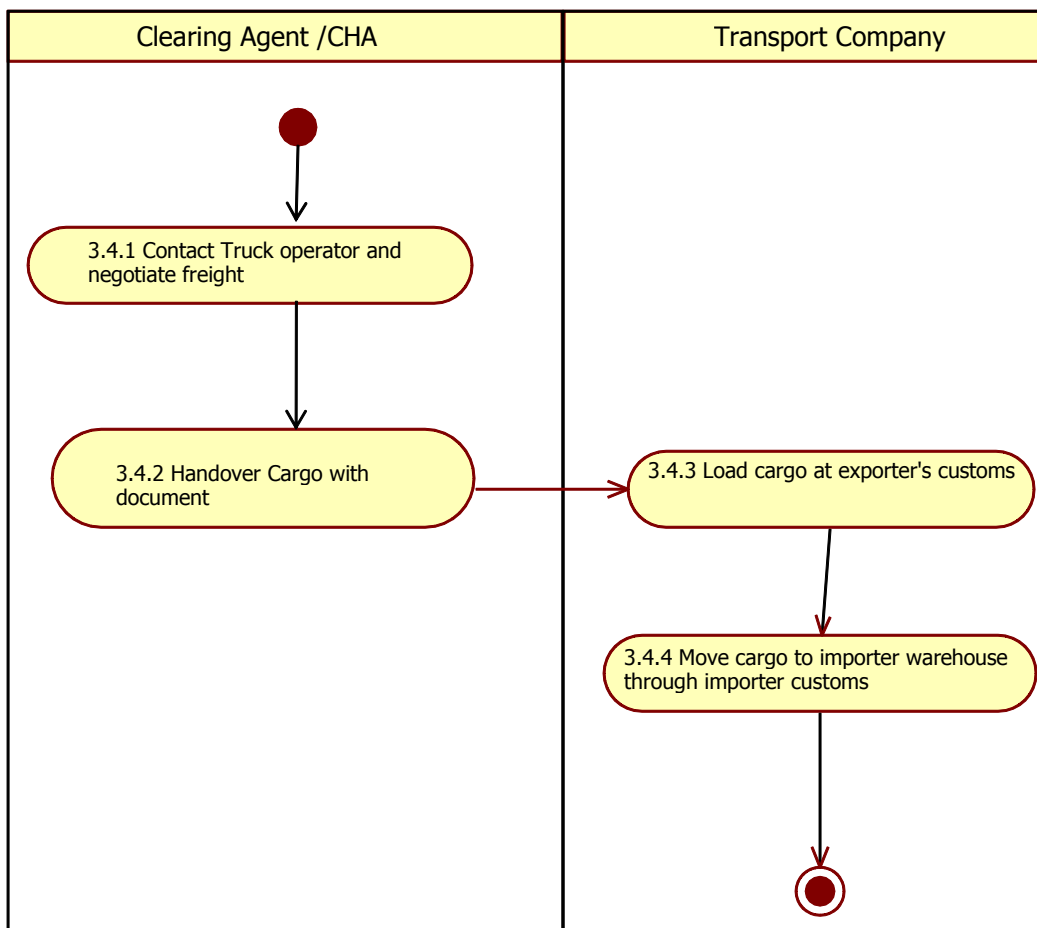


Figure 4.4.1: Activity Diagram of Arranging Transportation



Name of a process area	3. Ship
Name of a business process	3.4 Arrangement of transportation
participants of process	<ul style="list-style-type: none"> - Clearing agent - Transport company
Input and criteria to entering the business process	<ul style="list-style-type: none"> - Cargo is already cleared from the exporter's custom and documents are ready
Activities and associated documentary requirement	3.4.1 Clearing agent contacts transport operator and negotiate the freight 3.4.2 CHA handover cargo with documents to transport operator 3.4.3 Load cargo on truck 3.4.4 Move cargo to importer warehouse through importer custom point
Output	-The cargo is moved to importer destination
Average time required to complete business process	2 days

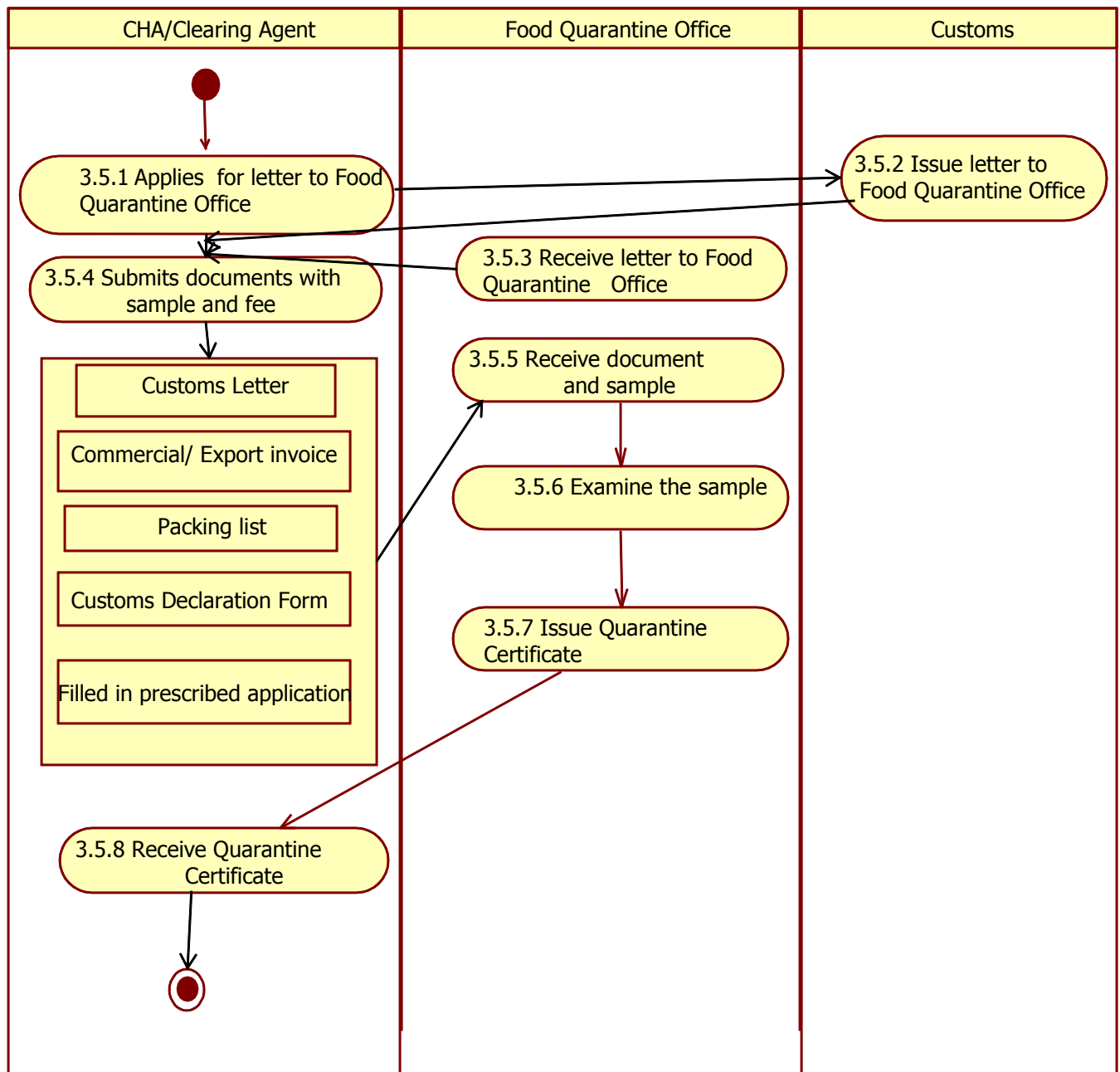
3.5 Obtain Quarantine Certificate

In the process of rice import food quarantine certificate is a mandatory requirement. The certificate is obtained from Office of the Food Quarantine. Clearing agent has to submit sample along with required documents to the Food Quarantine Office. They include Customs Declaration Form, Commercial/export invoice and packing list along with a letter from Customs. After verification of documents and examining sample, if sample meets the requirement the Quarantine Office issues quarantine certificate. It takes two to three hours to examine the sample. Detail core business process and associated activities are presented below.

Figure 4.5: Use Case Diagram of Obtaining Food Quarantine Certificate



Figure 4.5.1: Food Quarantine Certificate



Name of process area	3. Ship
Name of business process	3.5. Obtain quarantine certificate
Participants of process	<ul style="list-style-type: none"> - Clearing agent - Quarantine office - Custom
Input and criteria to entering the business process	<ul style="list-style-type: none"> - Cargo arrived at customs for clearance
Activities and associated documentary requirement	3.5.1 CHA applies for letter to FQO 3.5.2 Custom issue letter to FQO 3.5.3 CHA receives letter to FQO 3.5.4 CHA submits of following documents with sample and fee to quarantine office <ul style="list-style-type: none"> - Custom letter - Commercial/export invoice - Packing list - Custom declaration form - Application in prescribed format 3.5.5 FQO receives document and sample 3.5.6 Food quarantine office examines the sample 3.5.7 Food quarantine office issues quarantine certificate 3.5.8 Clearing agent receives quarantine certificate
Output	- Food Quarantine Certificate is issued
Average time required to complete business process	2 to 3 hours

3.6 Obtain Release Order from Plant Quarantine

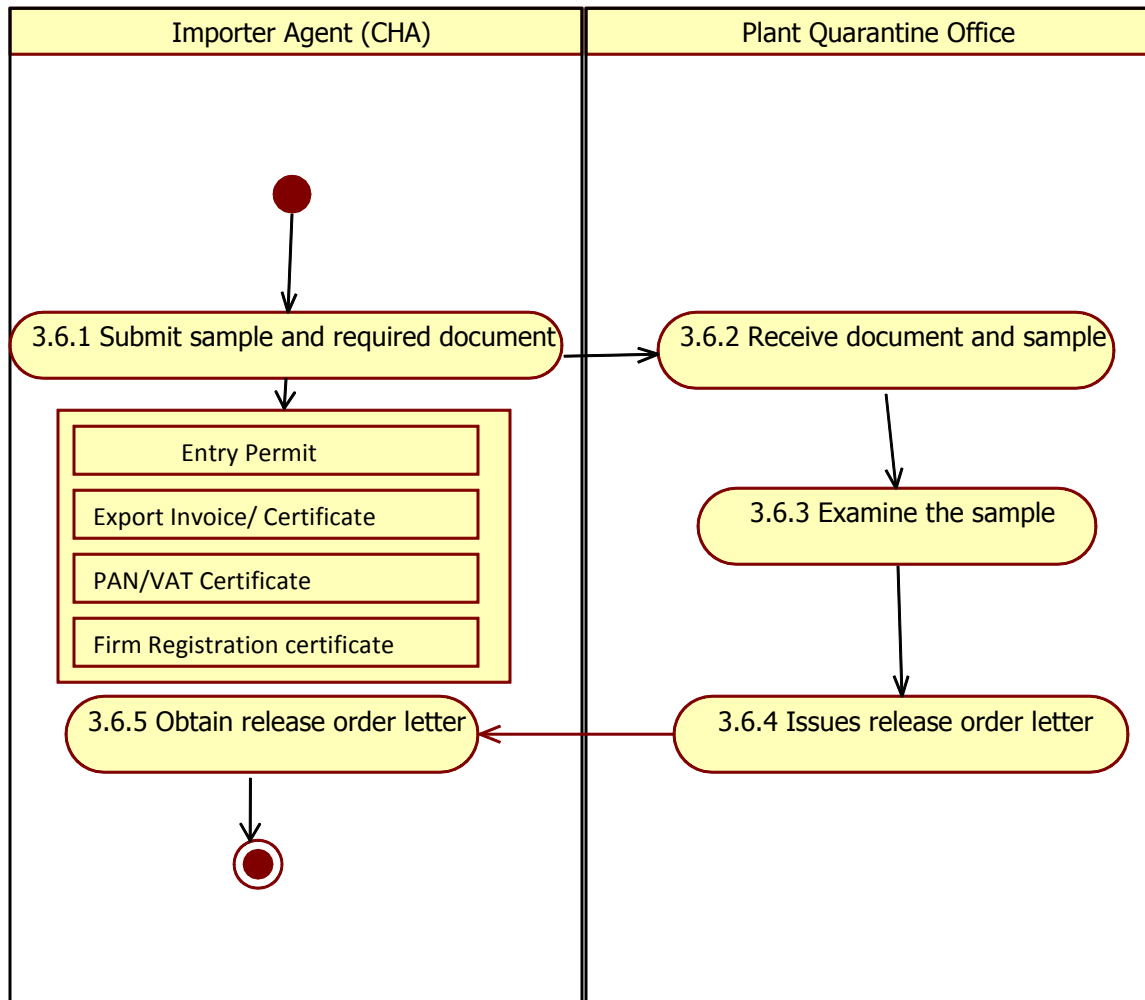
A release order is required from Plant Quarantine Office in the process of rice import. To obtain this, clearing agent has to submit sample along with required documents to the Plant Quarantine Office. They include export invoice and prior entry permit issued by the same office. After verification of documents and examining sample, if satisfied, Plant Quarantine Office issues release order. It takes one and half to two hours to examine the sample. If entry permit is not taken, a fine of Rs.1000 per consignment is charged. Detail core business process and associated activities are presented below. Use Case Diagram of obtaining release order from the Plant Quarantine Office is presented below.

Figure 4.6: Use Case Diagram of Obtaining Release Order from Plant Quarantine



Detailed activities are presented in the activity diagram below.

Figure 4.6.1: Activity Diagram of Obtaining Release Order from Plant Quarantine



Name of process area	3. Ship
Name of business process	3.6 Obtain release order letter from Plant Quarantine Office
Participants of process	<ul style="list-style-type: none"> - Clearing agent - Plant Quarantine Office
Input and criteria to entering the business process	-Cargo arrived at Customs for clearance
Activities and associated documentary requirement	3.6.1 CHA submits sample and required document 3.6.2 PQO receives document and sample 3.6.3 PQO examine the sample

	3.6.4 PQR issues release order 3.6.5 CHA receives release order letter
Output	-Release order letter issued by PQR
Average time required to complete business process	One and half to 2 hours

3.7 Customs Clearance at Importer's Customs Point

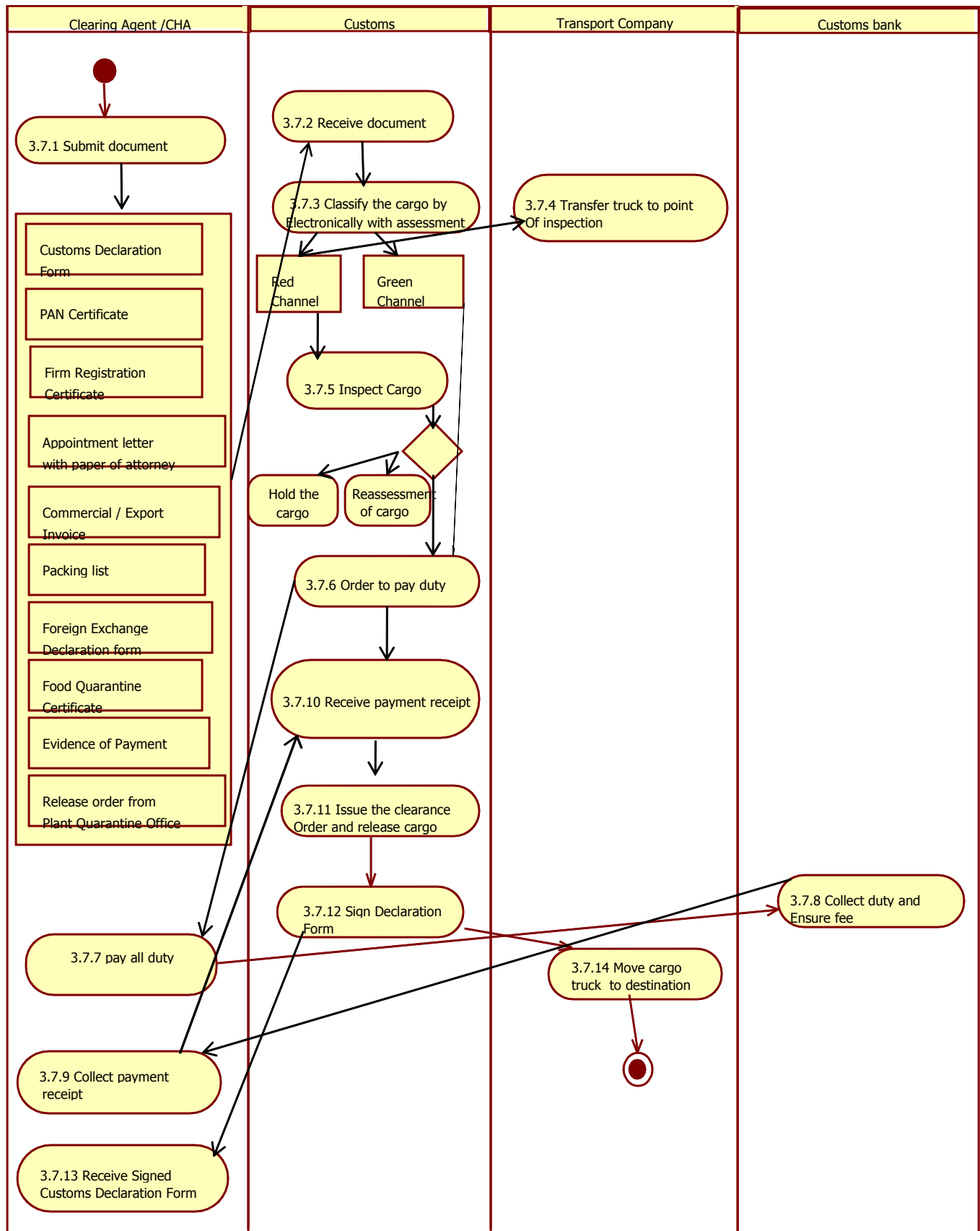
At importer's border Customs point the truck driver submits transporters manifest to (Transport *chalan*) and enters into Customs yard and get registered. In the process of Customs clearance in importer's Customs point importer's agent fills up and submits the Customs Declaration Form electronically from CHA terminal in Customs office. A hard copy of Customs Declaration Form is also submitted to Customs office by importer's agent along with PAN certificate, Company/Firm registration certificate, Export Invoice, CHA Appointment letter, packing list food quarantine certificate, release order from plant quarantine office, Foreign Exchange Declaration Form and evidence of advance payment. However, PAN certificate and Company/Firm registration certificate are to be submitted only once in any given year.

Using the selectivity module the Customs officer classifies the category of the cargo and assesses the cargo. If the cargo falls under Green channel, agent pays all taxes and duties and gets clearance and endorsement in Customs declaration form for forward movement of the cargo. If the cargo falls under red channel the Customs officer assigns the examiner for physical examination of the cargo. In case any misconduct is found in course of physical examination the consignment is either reassessed or held depending upon the nature of misconduct. To complete Customs clearance it takes 2-3 hours. However, cooling time takes around 5-6 hours. The core business process and associated activities are presented in Figure below.

Figure 4.7: Use Case Diagram of Customs Clearance at Importer's Customs Point



Figure 4.7.1: Activity Diagram of Customs Clearance at Importer's Customs Point



Name of process area	3. Ship
Name of business process	3.7 Custom clearance at importer custom point
Participants of process	<ul style="list-style-type: none"> - Importer Custom - Clearing agent - Transport Company
Input and criteria to entering the business process	<ul style="list-style-type: none"> - Cargo arrived at custom point
Activities and associated documentary requirement	<p>3.7.1 Clearing agent submits custom declaration form with following documents</p> <ul style="list-style-type: none"> - PAN certificate - Firm registration certificate - Commercial/export invoice - Packing list - CHA Appointment letter along with power of attorney - Foreign exchange declaration form - Food quarantine certificate - Release order issued by Plant Quarantine Office - Evidence of payment <p>3.7.2 Receive document by duty officer</p> <p>3.7.3 Custom classifies the cargo electronically and assess cargo</p> <p>3.7.4 If cargo falls in red channel Truck operator transfers the truck to point of inspection</p> <p>3.7.5 Inspect cargo by deputed official</p> <p>3.7.6 If misconduct is found either reassessed or hold the cargo and action initiated as per custom act 2064. If cargo found intact, order to pay duty</p> <p>3.7.7 Clearing agent pay the duty</p> <p>3.7.8 Custom bank collect duty and issue receipt</p> <p>3.7.9 CHA collect receipt of the duty paid</p> <p>3.7.10 Custom receive receipt issued by bank</p> <p>3.7.11 issues clearance order and release cargo</p> <p>3.7.12 Sign declaration form by duty officer</p> <p>3.7.13 Clearing agent receives signed declaration form</p> <p>3.7.14 Transport operator moves cargo truck to importer's destination</p>
Output	- Complete custom clearance process
Average time required to complete business process	3 hours

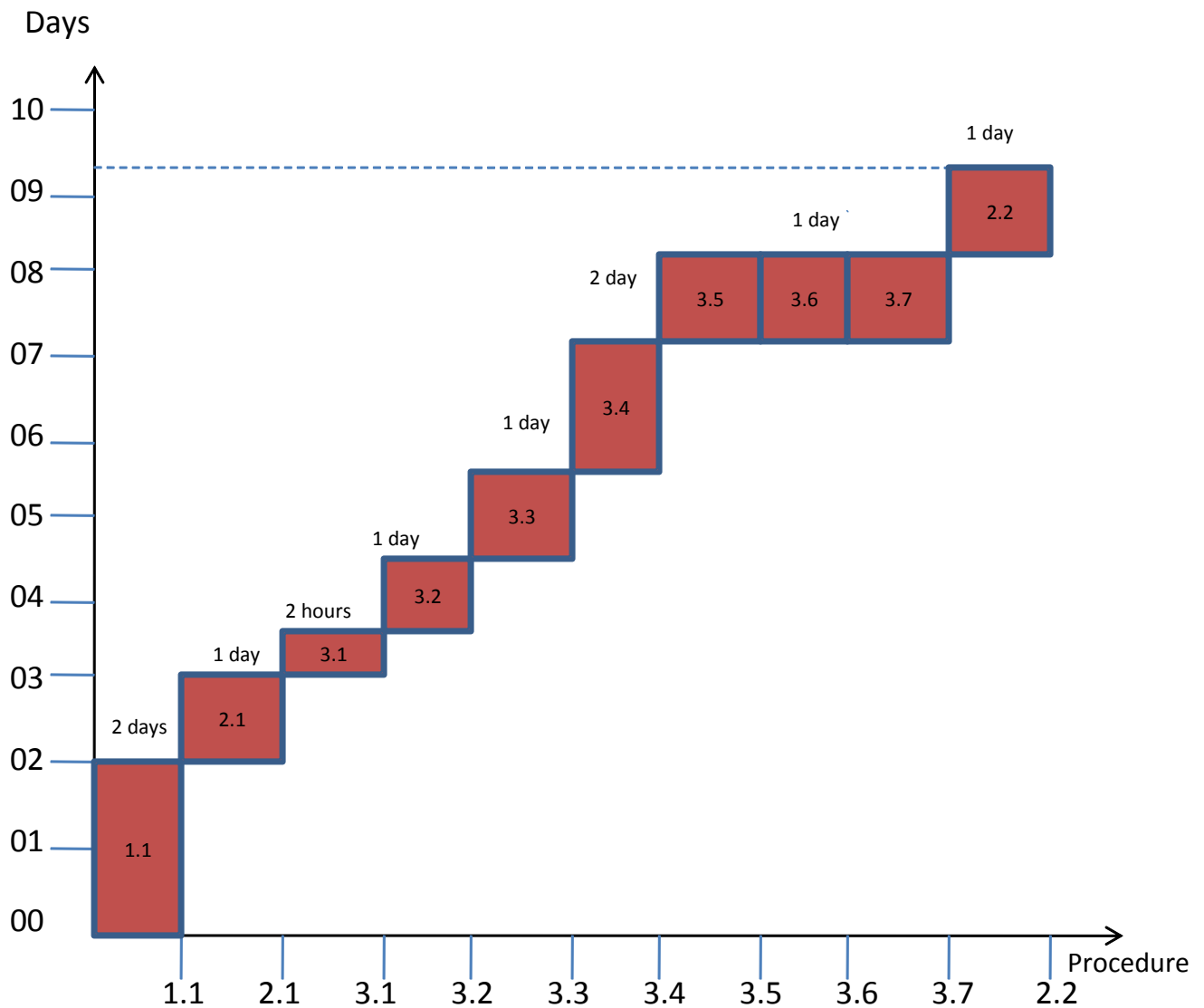
3.4 Time Required to Complete Procedure

Time is the most important factor in international trade. In the process of rice import from India to Nepal, an importer has to fulfill different commercial, financial, regulatory and logistic requirements. Altogether 9 days and two hours are required to fulfill these requirements by carrying out 10 activities mentioned in the table below. These activities include concluding trade terms, obtaining entry permit, appointing clearing agent, preparing or collecting documents (PAN/VAT certificate, firm registration certificate, release order letter, food quarantine certificate, advance payment evidence, export invoice and packing list) required to submit to Nepal Customs. For importer it takes 2 days to conclude trade terms and establish business relation with exporter through broker. As the role of broker to facilitate trade relations and to settle disputes is important, Nepalese importers prefer to establish relation with exporter through broker. However, this can be improved with the initiatives of concerned parties belonging to private sector. The time required for concluding trade terms can be reduced to one day. Likewise it takes 2 days to arrive cargo to importer destination (Kathmandu) from importer's border. The distance is only 282 km. Unfortunately, bad road condition often coupled with traffic congestion, results in such undesired delay. Also carriers have to stop at various points for checking by different government agencies such as traffic police, armed police, revenue investigation Department etc. Traffic police checks same cargo in two different places. The purpose of checking of armed police and revenue investigation department is same. They check to ensure that the importer has paid due Customs duty. Improvement of road and avoiding duplication in checking can save about half a day. Similarly it takes 2 days to prepare and handover documents to clearing agent through courier. If all electronic copies of document are accepted by Customs, it can save one day. In addition to this, a long time, around 3 days, is required to move goods from India (Barauni) to importer's border point. In total it takes 12 days and 2 hours to complete the process of rice import from India. Out of this, 9 days and 2 hours is spent within Nepal. If all electronic copies of documents are accepted by Customs; efficiency of exporter, broker and importer is enhanced in concluding trade terms. Similarly if road condition is improved; duplication of checking is avoided; all related offices are located within Customs premises; and lay out of the Customs office is made user-friendly, total trading time can be shortened to 6 days and 2 hours. Required time for 'as is' and 'to be' conditions are presented in time procedure chart and table below.

Table 3.4: Required Time for Rice Import from India to Nepal

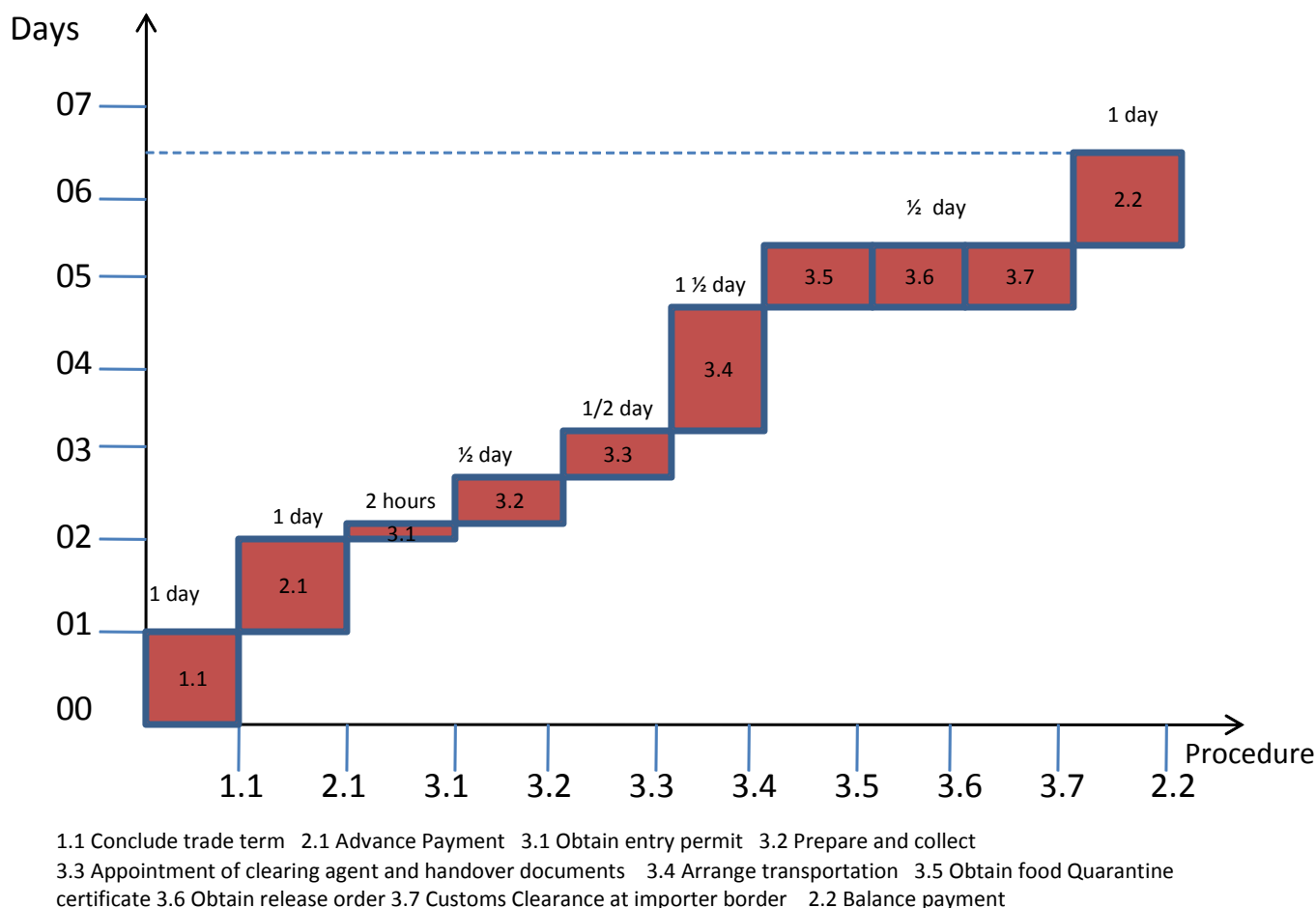
	as-is	to-be
1. Buy		
1.1 Concludes trade terms	2 days	1 day
2. Pay		
2.1 Advance payment	1 day	1 day
2.2 Balance Payment	1 day	1 day
3. Ship		
3.1 Obtain entry permit	2 hours	2 hours
3.2 Prepare and collect documents	1 day	half-a-day
3.3 Appointment of clearing agent and handover document	1 day	half-a-day
3.4 Arrange transportation (contract transporter and fix freight, load cargo, move cargo to importer destination through importer Customs)	2 days	One and half –a-day
3.5 Obtain food quarantine certificate	1 day	Half-a-day
3.6 Obtain release order		
3.7 Customs clearance at importer border		
TOTAL	9 days and 2hours	6 days and 2 hours

Figure 5: Time Procedure Chart of Import of Rice (As Is)



1.1 Conclude trade term 2.1 Advance Payment 2.2 Balance payment 3.1 Obtain entry permit 3.2 Prepare and collect document
 3.3 Appointment of clearing agent and handover documents 3.4 Arrange transportation 3.5 Obtain food Quarantine
 certificate 3.6 Obtain release order 3.7 Customs Clearance at importer border

Figure 6: Time Procedure Chart of Import of Rice (To Be)



3.5 Documents Required

Different types of documents are required in different number of copies for import of rice. Altogether 14 types of documents are required to be submitted to different agencies and parties involved in the trading process. Total number/copies of document are 33. These documents are either prepared or collected and submitted by the importer or its agent. Most of these documents are submitted manually. Pro forma invoice and purchase order is generally transmitted electronically by the exporter to importer and importer to exporter respectively. In Nepal, Customs Declaration Form is submitted electronically, but a hardcopy of the same with other required documents should also be submitted. Thus, both electronic and manual documents are used in the process of import of rice from India. But only few of them are submitted electronically. Type and number of documents to be submitted in different agencies are shown below in the table.

Table 3.5: Types and Required Number of Documents for Import of Rice from India

S.N	Type	No of document	How document is to submitted	Where to submit
1	Application	3	Manual	Bank, Plant Quarantine Office
2	Pro forma Invoice	2	Manual	Bank, Plant Quarantine Office
3	Firm/Company registration certificate	5	Manual	Bank, Plant Quarantine Office Importer Customs
4	PAN/VAT certificate	5	Manual	Bank, Plant Quarantine Office Importer Customs
5	Purchase order	1	Manual	Bank
6	Customs letter	1	Manual	Food Quarantine Office
7	Commercial/Export Invoice	4	Manual	Food Quarantine Office, Plant Quarantine Office, Importer Customs and Bank
8	Packing List	2	Manual	Food Quarantine Office and Importer Customs.
9	Customs Declaration Form	3	Electronically/Manual	Importer Customs, Bank and Food Quarantine Office
10	Foreign Exchange Declaration Form	3	Manual	Bank and Importer Customs
11	Appointment letter to CHA	1	Manual	Importer Border Customs
12	Food Quarantine Certificate	1	Manual	Importer Customs
13	Release order letter	1	Manual	Importer Customs
14	Evidence of payment	1	Manual	Importer Customs
Total		33		

From above table it is clear that 10 types of document are submitted to the importer's border Customs. Of them 8 are general and two are product specific i.e. food quarantine certificate and release order letter of Plant Quarantine Office. However, Firm registration and PAN/VAT certificate are to be submitted only once in a year. Thus, only eight documents are required in the process of Customs clearance of each consignment of rice. Rest of the above mentioned documents are submitted to Bank and Quarantine offices in Nepal.

3.6 Costs Involved

Trading costs are important determinants for international trade. In the process of import of rice from India, importer has to incur different types of cost. The total trading cost in import of rice from India amounts to US\$ 1082.1 per 17 MT truck. This cost has been estimated on the basis of information provided by importer as well as CHAs and transport company/operator. The main component of the cost is freight from exporter's factory (India) to importer's warehouse (Kathmandu). The freight cost amounts to US\$ 908 out of US\$ 1082.1 (total cost). Out of the total cost \$ 650.9 is spent in Nepal.

Table 3.6: Activity-wise Cost (USD 1 = NRs 82.0)

Activity	NPR	USD
1. Conclude trade term	50	0.6
2. Receive Pro forma invoice and send purchase order	100	1.2
3. Obtain entry permit (fee)	200	2.4
4. Freight from exporter's factory to importer's warehouse - Exporter factory to importer boarder - Importer boarder to Kathmandu	74460.0 35360.0 39100.0	908.0 431.2 474.0
5. Load / unload	6120 (18 per quintal)	74.6
6. Broker commission	1700 (Rs. 10 per quintal)	20.7
7. Fund transfer cost	1500	18.3
8. Document collection and preparation	300	3.7
9. Clearing agent fee	400	4.9
10. Obtain Food Quarantine certificate (fee)	400	4.9
11. Import service charge	500	6.1
11. Other cost (cost incurred in different check points, Customs yard charge, district entry, currier cost etc.)	3000	36.6
Total	88730.0	1082.1

3.7 An Overview of Large Cardamom Export

Large cardamom is categorized as high value spices crop and is one of the major spices exported from Nepal. Government of Nepal has identified the product as an export-potential product. More than 95 percent of the production of large cardamom is exported across the world. The export value of large cardamom has been increasing and reached to US dollar 44.0 million in 2011/12 from US dollar 17.5 million in 2008/09. On the basis of world import, Saudi Arabia, Singapore, India, U.A.E, Pakistan and Afghanistan are the major importers of large cardamom. However, Nepal is still not in a position to export cardamom directly to the third countries due to lack of market information, lack of exposure to the importing countries and inability to meet TBT and SPS related requirement of third countries. Thus, Nepal's export of cardamom is confined to limited countries with heavy concentration to India. More than 95 percent of Nepalese cardamom is exported to India. Exports to other countries are nominal.

Table 3.7: Destination of Export of Large Cardamom (HS 09083010)

(000 USD)				
Country	2008/09	2009/10	2010/11	2011/12
India	17043.4	15515.6	28237.8	43564.8
Bangladesh	21.5	-	-	-
Pakistan	323.4	51.6	-	-
U.A.E.	83.4	158.6	-	284.0
Japan	-	0.02	-	-
China	-	-	4.3	-
Singapore	-	-	25.0	-
Canada	-	-	-	14.8
U.K	-	-	-	71.0
Ukraine	-	-	-	104.7
Total	17468.8	15725.8	28267.1	44039.4

Source: Nepal Foreign Trade Statistics, 2008/09-2011/12, Trade and Export Promotion Centre, Kathmandu

Cardamom is produced mainly in hilly and mountain region. Mostly production area is confined in rural areas. There is no appropriate storage centre. So exporter has to collect the cardamom from the scattered places. There is no quality logistic facilities particularly transportation facilities in rural areas. So trader has to pay high transportation cost to move the cardamom from producer to exporter's warehouse. Stakeholders claimed that a freight of NRs 70000 per truck for a distance of 300 km. (from Taplejung to Birtamod) is very high.

3.8 Scope of Business Process Analysis

In this section, business process of export of large cardamom from Nepal to India is analysed. To complete the export processes of large cardamom an exporter has to fulfil different documentary and regulatory requirements. For this he carries out different activities. List of the core business processes that are followed when exporting large cardamom from Nepal to India, broad activities to be carried out and list of stakeholders that an exporter directly or indirectly deals with are presented below in 7 use case diagram.

Figure 7: Use Case Diagram of Cardamom Export from Nepal to India

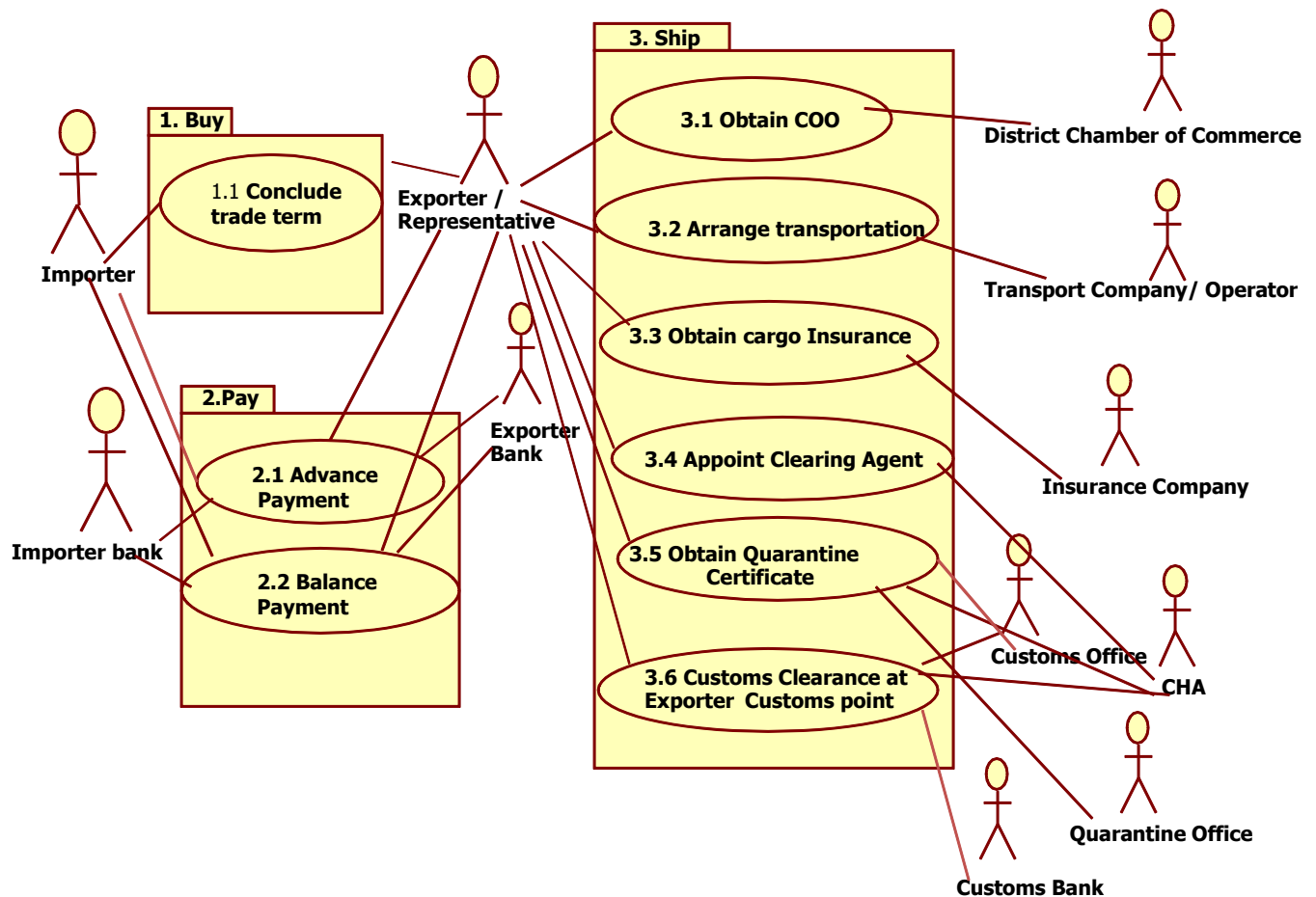


Figure 7 covers all three process areas of the UN/CEFACT International supply chain such as Buy-Ship- Pay.

Buy: Conclusion of trade terms and establishment of the sales contract

Ship: It includes arrangement of cargo movement and the completion of necessary action to meet regulatory requirement of both export and import countries within the national border of the exporting country

Pay: Payment for the export cargo

3.9 Core Business Processes of Cardamom Export

There are 9 core business processes and 11 parties involved in the export of large cardamom from Nepal to India. Core business processes are categorized into three process areas, i.e. Buy, Ship and Pay. Summary of stakeholder's participation in each identified core business processes are presented in the table below.

Table 3.8: Stakeholder's Participation in Each Identified Core Business Processes for Cardamom Export

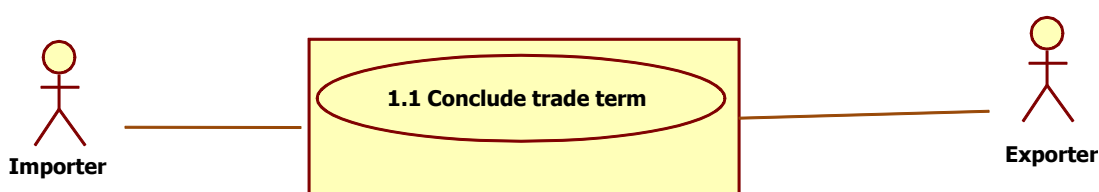
Parties Core Business process	Exporter or representative	Importer	District Chamber offices	Truck Operator	Insurance company	Clearing agent (CHA)	Exporter Customs	Food Quarantine office	Importer's bank	Exporter 's Bank	Customs bank
1. Buy											
1.1 Concludes trade terms	X	X									
2. Pay											
2.1 Receive advance payment	X	X							X	X	
2.2 Receive balance payment	X	X							X	X	
1. Ship											
3.1 Obtain COO	X		X								
3.2 Arrangement of transportation	X			X							
3.3 Obtain Cargo Insurance	X				X						
3.4 Appointment of Clearing Agent	X					X					
3.5 Obtain Quarantine Certificate						X		X			
3.6 Customs Clearance at exporter border						X	X				X

Process area 1: Buy

1.1: Conclude Trade Term

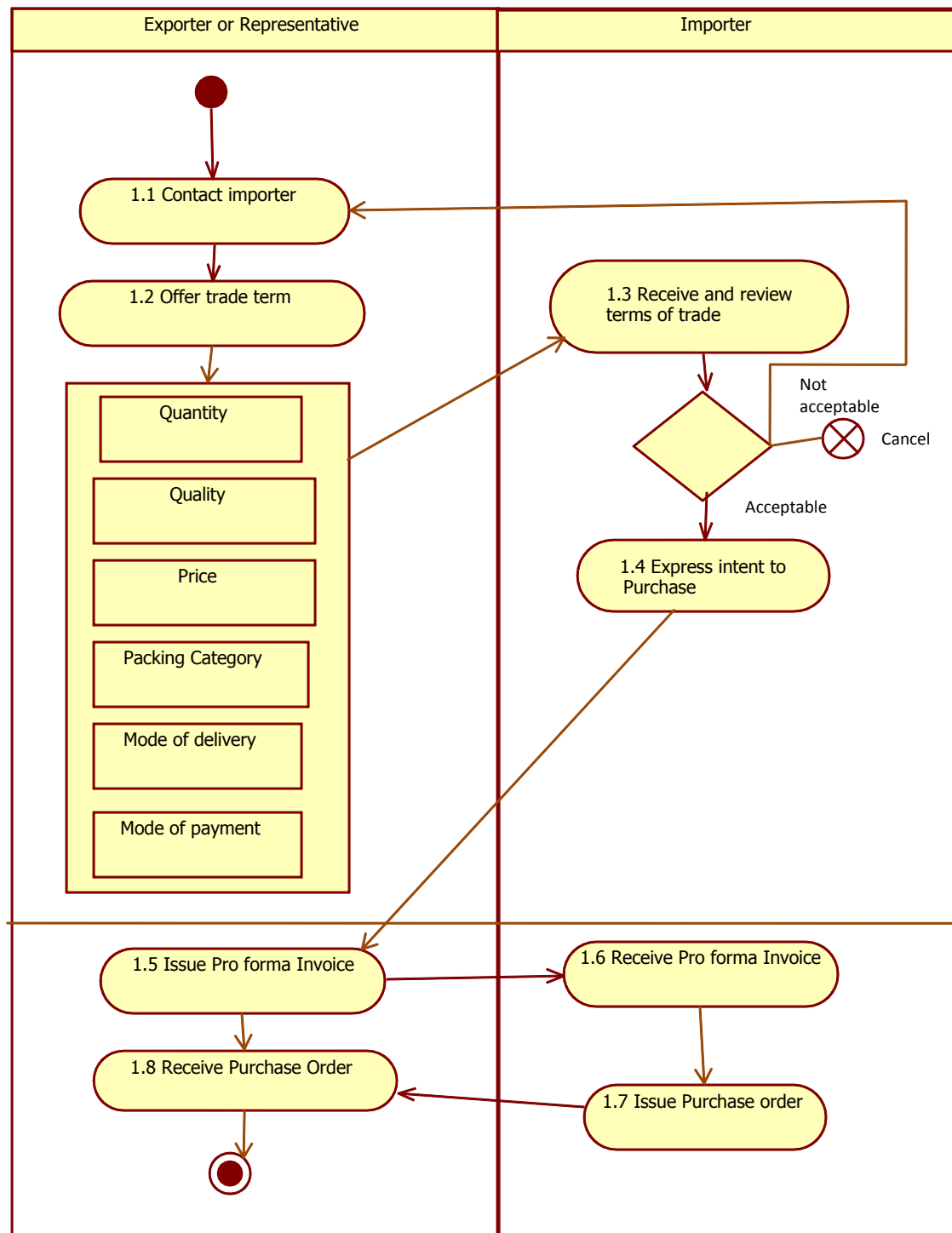
This is a starting step of a business transaction and a core business area under buy process. In this step exporter and importer or their representatives conclude the trade terms and enter into a sales contract. The core business process is presented in Use case diagram in Figure 7.1.

Figure 7.1: Use Case Diagram of Conclude Trade Term



To conclude the trade terms an exporter carries out different activities. Initially exporter contacts importer and offers trade term i.e. price, quality, packing, mode of delivery and mode of payment. If trade terms are acceptable, then importer issues the purchase order. If terms of trade are not acceptable importer requests exporters to revise the trade terms. The process takes about 2 business days. Activities to be carried out under this process are presented in activity diagram in Figure 7.1.1.

Figure 7.1.1: Activity Diagram of Conclude Trade Term



Name of a process area	1. Buy
Name of a business process	1.1 Conclude trade term
participant of process	<ul style="list-style-type: none"> - Importer - Exporter or Representative
Input and criteria to entering the business process	<ul style="list-style-type: none"> - Exporter is a registered business firm - Renewed PAN and VAT registration certificates. - Exporter has a list of potential buyers
Activities and associated documentary requirement	<p>1.1.1 Exporter contacts Importer</p> <p>1.1.2 Exporter offers terms of trade including price, quality, modes of packing, delivery and payment to the importer.</p> <p>1.1.3 Importer reviews the trade terms and determines if the terms of trade are acceptable. If terms of trade are not acceptable, importer returns it to exporter for revision.</p> <p>1.1.4 If the trade terms are acceptable importer expresses intent to purchase.</p> <p>1.1.5 Exporter issues Pro forma Invoice</p> <p>1.1.6 Importer receives Pro forma Invoice and Issues purchase order.</p> <p>1.1.7 Exporter receives purchase order.</p>
Output criteria to exit the business process	Terms of trade concluded
Average time required to complete business process	2 days

Process area 2: Pay

2.1 Advance Payment

Mode of payment is one of the most important components of business process. In the process of cardamom export to India from Nepal, partial payment is received in advance after getting purchase order and the remaining balance is received only after dispatching the cargo. The importer transfers the money only after receiving the cargo.

Payments are received through Real Time Gross Settlement (RTGS) system in the export of cardamom from Nepal to India. The core business process and detail activities are presented in Use case and activity diagram in Figures 8, 8.1, 8.1.1, 8.2, and 8.2.1. The process of concluding advance payment takes about one and half day.

Figure 8: Use Case Diagram of Core Business Process

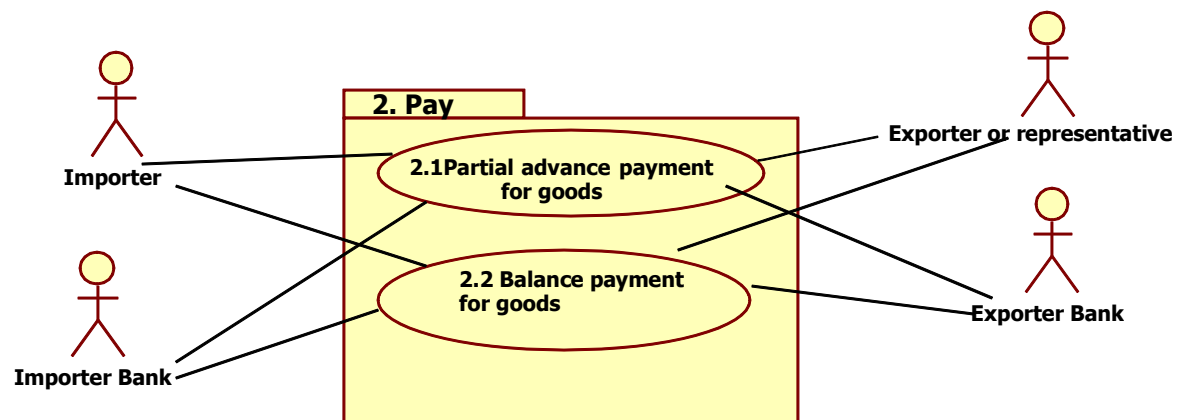


Figure 8.1: Use Case Diagram of Advance Payment

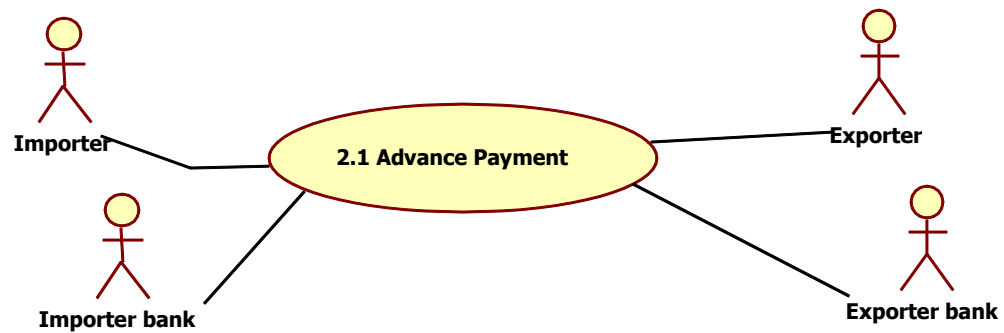
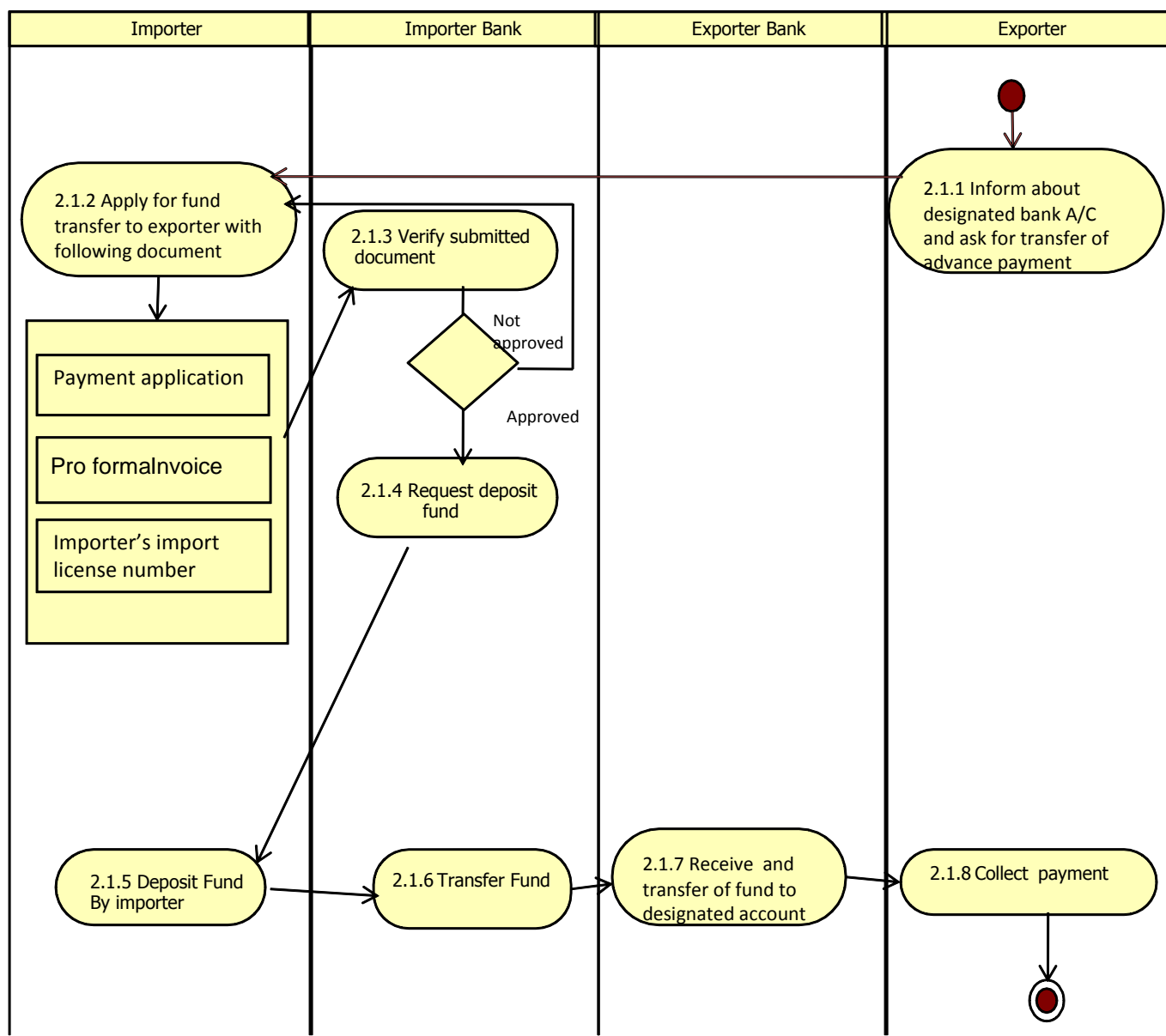


Figure 8.1.1: Activity Diagram of Advance Payment



To receive the advance payment the exporter informs importer the designated bank account. Once the fund is transferred to this account, the exporter collects the money so transferred.

Name of Business process Area	2. Pay
Name of Business Process	2.1 Advance payment
Participant of processes	<ul style="list-style-type: none"> - Importer - Importer's Bank - Exporter - Exporter's Bank
Input and criteria to enter/ being the business process	Exporter and importer have already agreed into mode of payment.
Activities and associated documentary	2.1.1 Exporter informs the importer about

requirement	<p>designated bank account and asks for advanced payment.</p> <p>2.1.2 Importer applies to importer's bank for fund transfer with following documents</p> <ul style="list-style-type: none"> - Payment application - Pro forma invoice - Importer's import license number <p>2.1.3 Bank officer verifies submitted documents</p> <p>2.1.4 If documents meet the requirements bank asks importer to deposit the fund</p> <p>2.1.5 Importer deposits the fund</p> <p>2.1.6 Importer's bank transfers the fund to exporter's bank</p> <p>2.1.7 Exporter's bank transfers the amount to exporter's bank account.</p> <p>2.1.8 Exporter collects the advance payment</p>
Output criteria to exist the business process	Exporter receives advance payment
Average time required to complete this business process	one and half day

2.2 Balance Payment

To complete the process of balance payment, the importer has to follow certain procedures in his country with his bank to transfer the fund. Initially importer applies for fund transfer with required documents (application, commercial invoice, importer's import license number and Customs clearance document of importer's border Customs). Bank verifies the submitted documents. If documents are correct, bank asks importer to deposit fund. Once the fund is deposited importer's bank transfers the fund to exporter's bank. After receiving the fund from importer's bank exporter's bank transfers the fund to exporter's account. The whole process takes 2 days. These processes are presented in Figure 8.2 below.

Figure 8.2: Use Case Diagram of Balance Payment

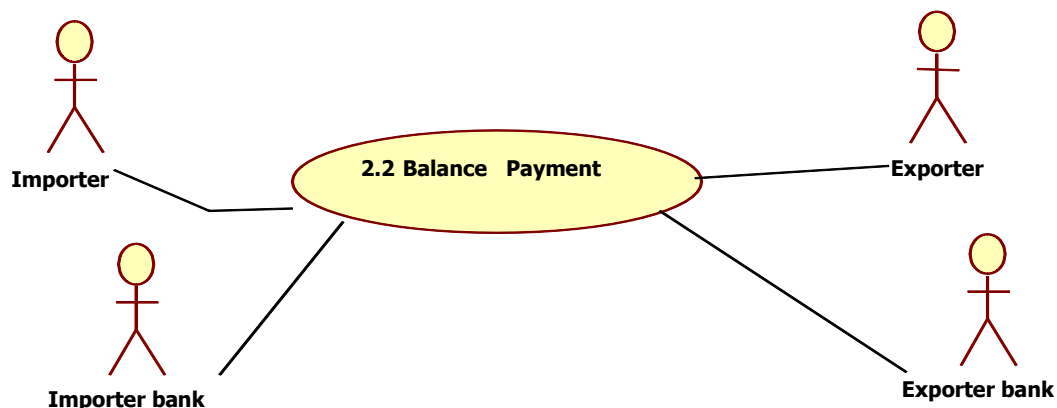
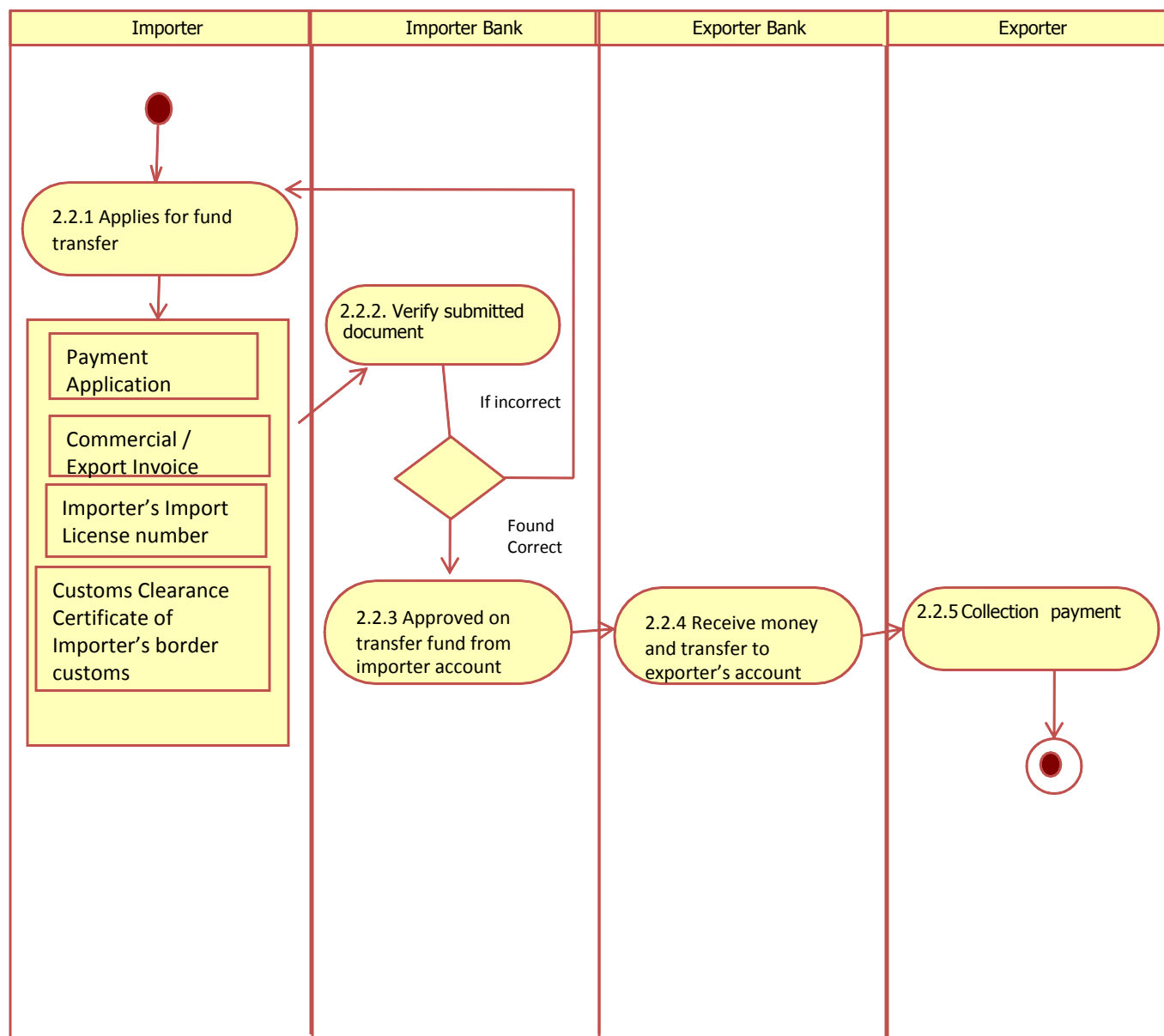


Figure 8.2.1: Activity Diagram of Balance Payment

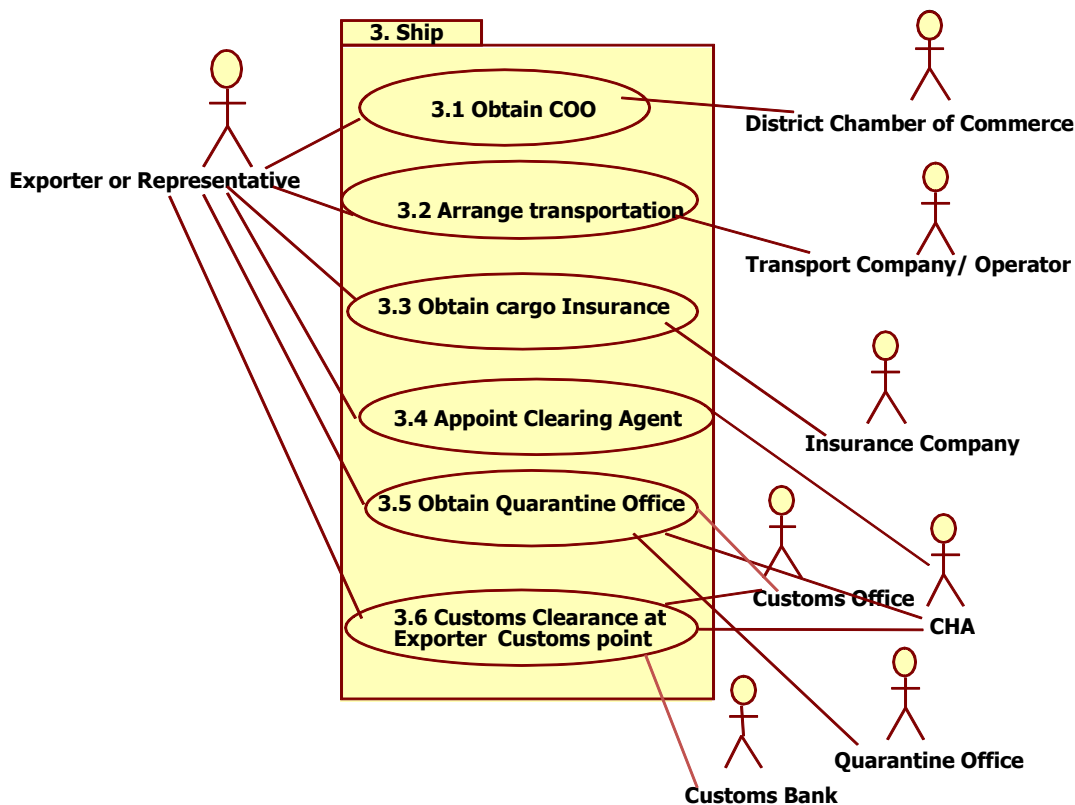


Name of the process area	1. Pay
Name of the business process	2.2 Balance payment
Participants of process	<ul style="list-style-type: none"> - Importer - Importer bank - Exporter - Exporter bank
Input and criteria to entering business process	Export cargo already reached to destination
Activities and associated documentary requirement	<p>2.2.1 Importer applies for fund transfer in their own bank along with following documents</p> <ul style="list-style-type: none"> - Payment application - Commercial invoice - Importer's import license number - Custom clearance certificate of importer <p>border custom</p> <p>2.2.2 Bank official verifies submitted document</p> <p>2.2.3 If documents are correct bank requests importer to deposit the fund</p> <p>2.2.4 Importer deposits the fund</p> <p>2.2.5 Fund transfer by importer bank to exporter bank</p> <p>2.2.6 Exporter bank receives and transfers the fund to exporter's account</p> <p>2.2.7 Exporter receives balance payment</p>
Output criteria to exit the business process	The payment is fully settled
Average time require to complete the business process	2 days (In process of transferring fund from importer to exporter)

Process area 3: Ship

To fulfil the regulatory and transport procedures under Ship process, different activities are undertaken by the exporter. Altogether 6 core business processes consist in the ship area for export of large cardamom from Nepal to India. Almost all activities are carried out by transport company and clearing agent on behalf of exporter. All core business processes under ship are presented in Use case diagram Figure 9.

Figure 9: Use Case Diagram of Ship



3.1: Obtain Certificate of Origin (COO)

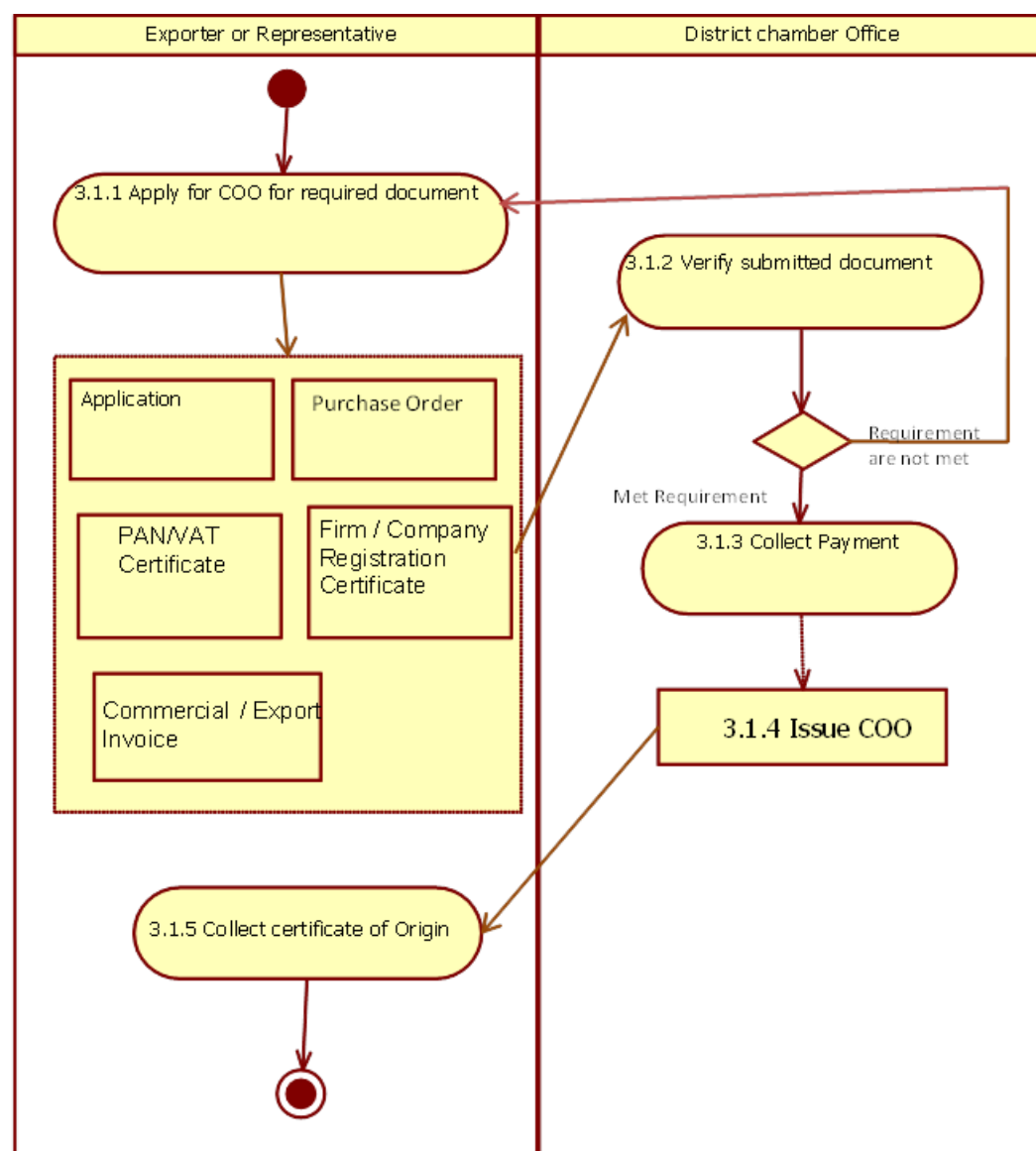
Certificate of origin is essential for export of cardamom from Nepal to India. It is issued by District Chamber Offices. Exporter or its representative and District Chamber Offices are involved in this core business. Core business process of obtaining COO is presented in Use Case Diagram Figure: 9.1.

Figure 9.1: Use Case Diagram of Obtain Certificate of Origin



Likewise different activities are undertaken by the exporter or representative in this area. To obtain COO, first of all exporter has to apply in District Chamber Office along with copies of purchase order, PAN /VAT Certificate, firm registration certificate and export invoice. District Chamber Office verifies the submitted documents and if documents are correct, it requests the exporter to pay the charges. After receiving charge at the rate of 0.12 percent of the export value, it issues the COO. Detail activities are shown in Figure 9.1.1.

Figure 9.1.1: Activity Diagram of Obtaining Certificate of Origin



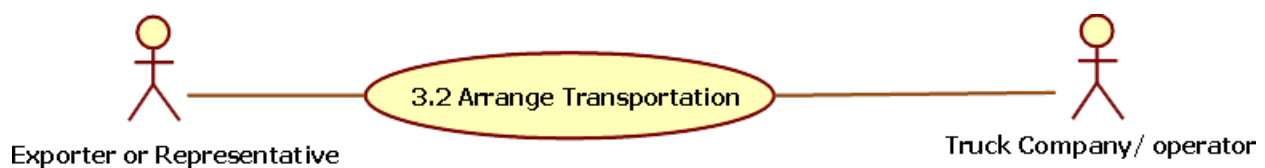
Name of the process area	3. Ship
Name of the business process	3.1 Obtain Certificate of origin
participants of process	<ul style="list-style-type: none"> - District Chamber Office - Exporter or representative
Input and criteria to enter the business process	<ul style="list-style-type: none"> - Terms of trade between exporter and

Activities and associated documentary requirement	<p>importer is already concluded</p> <p>3.1.1 Exporter applies for COO in District Chamber Office. With following documents:</p> <ul style="list-style-type: none"> - Application - purchase order - PAN/VAT certificate - Firm registration certificate - Commercial/ export invoice <p>3.1.2 DCO verifies submitted documents. If requirements met, DCO officials decide to issue the certificate</p> <p>3.1.3 DCO collects fees from exporter or representative at the rate of 0.12percent of export value.</p> <p>3.1.4 DCO issues the COO</p> <p>3.1.5 Exporter or representative collects COO</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> - COO for the export of cardamom is issued
Average time required to complete this business process	half day

3.2 Arrangement of Transport

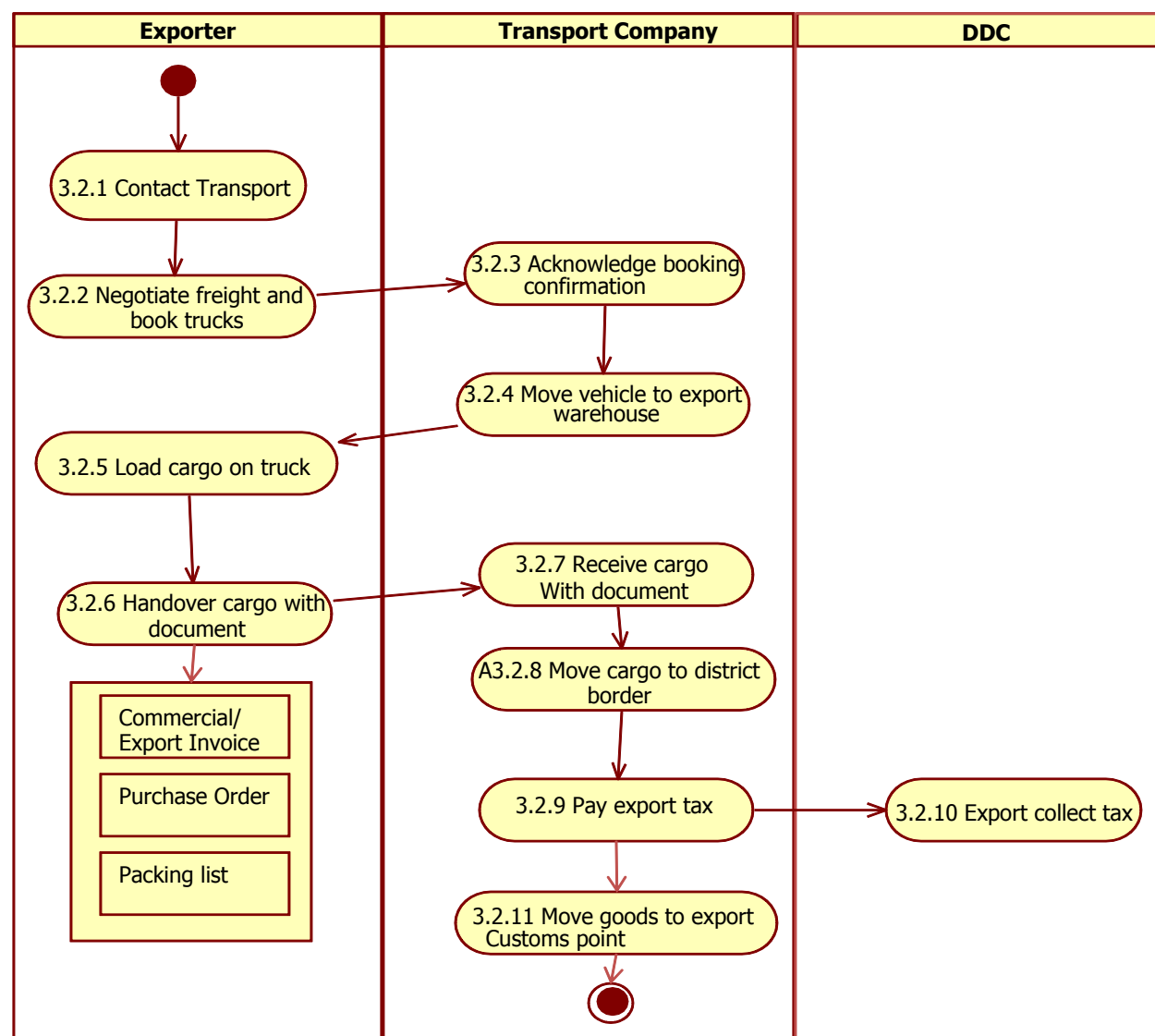
Arrangement of transportation is a major component of core business process area under ship. In the process of cardamom export to India only road transportation is used. Mostly Indian trucks are used to transport the cardamom to India. Initially exporter contacts the truck operator and fixes the freight. After confirming the booking, truck moves to the exporter's warehouse to load the cargo. Then it moves to importers destination via Customs in Nepal and India. In this course it has to pass through different districts within Nepal. At the border of exporting district, exporter has to pay export tax levied by District Development Committee (DDC) at the rate of Rs. 1 per kg. The process of arranging transport is shown in Use case diagram in Figure 9.2. The whole process transportation takes 5 and half days of which one and half day is spent in fixing freight, moving transport to exporter's warehouse, loading, and moving to exporter's border Customs. Then 4 days are required for the cargo to reach destination from exporter's border point.

Figure 9.2: Use Case Diagram of Arrangement of Transportation



To conclude this process exporter undertakes several activities. Detail activities associated with this process are presented in Figure 9.2.1.

Figure 9.2.1: Activity Diagram of Arrangement of Transportation



Name of the process area	3. Ship
Name of the business process	3.2 Arrange transportation
participants of process	<ul style="list-style-type: none"> - Exporter or representative - Transport company or operator - District Development committee
Input and criteria to entering business process	<ul style="list-style-type: none"> - Importer and an exporter have already agreed on trade terms.
Activities and associated documentary requirement	3.2.1 Exporter or representative contacts transport company/operator. 3.2.2 Exporter negotiates freight and books

	truck. 3.2.3 Transport Company or operator confirms the booking. 3.2.4 Transport operator moves vehicle to exporter's warehouse. 3.2.5 The cargo is loaded on truck 3.2.6 Exporter handovers cargo with documents 3.2.7 Transport operator receives cargo with documents 3.2.8 Transport operator move Cargo to district border. 3.2.9 On the way transport company or operator pays the export tax at Re.1 per kg to DDC. 3.2.10 DDC collects export tax. 3.2.11 Transport operator moves cargo to point of export Customs
Output criteria of the business process	- The export cargo is moved from exporter's warehouse to destination.
Average time required to complete this business process.	5 and half days (One and half day for fixing freight, move transport to exporter warehouse, load and move to exporter's border Customs and 4 days to destination from exporter's border)

3.3 Obtain Cargo Insurance

Obtaining cargo insurance is a core process under ship. There are different risks in moving cardamom from exporter's warehouse in Nepal to the warehouse of Importer in India. Exporter buys insurance policy to cover the risks. Participation of exporter or representative and insurance company is required in the process of obtaining cargo insurance. This process is shown in the Figure 9.3 and takes about 1 day to be completed.

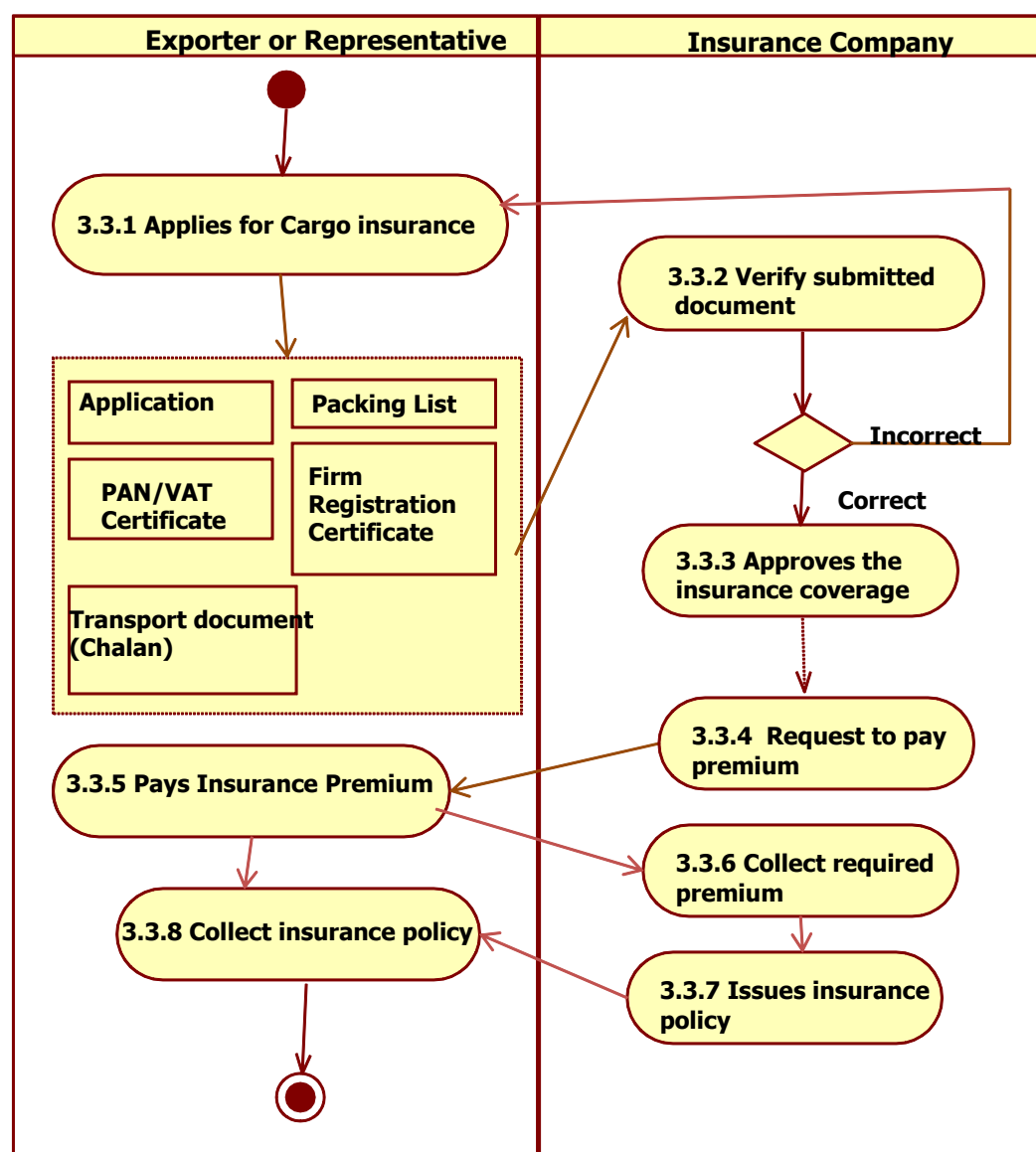
Figure 9.3: Use Case Diagram of Obtain Cargo Insurance



An exporter carries out different activities to obtain the cargo insurance. Initially exporter/representative applies for cargo insurance with required documents. They include PAN/VAT certificate, form registration certificate, export invoices, packing list and transport document. Submitted documents are verified by the insurance company and if documents meet the requirement, it requests exporter to pay the premium. After receiving the premium, insurance

company issues the insurance policy. Lastly, exporter or his representative collects the insurance policy. The associated activities are presented below in Figure 9.3.1.

Figure 9.3.1: Activity Diagram of Obtaining Cargo Insurance



Name of the process area	3. Ship
Name of the business process	3.3 Obtain Cargo Insurance
Participants of process	<ul style="list-style-type: none"> - Exporter or representative - Insurance Company
Input and criteria to entering business process	<ul style="list-style-type: none"> - Importer and an exporter have agreed that the cargo insurance is done at the exporter's expense

Activities and associated documentary requirement	<p>3.3.1 Exporter applies for cargo insurance with following documents</p> <ul style="list-style-type: none"> - Application - PAN/VAT certificate - Firm registration certificate - Commercial /export invoice - Packing list - Transport document <p>3.3.2 Insurance company verifies the submitted documents.</p> <p>3.3.3 If documents are correct insurance company decides to issue insurance coverage.</p> <p>3.3.4 Insurance company requests exporter to pay premium</p> <p>3.3.5 Exporter pays the premium</p> <p>3.3.6 Insurance company collects the premium</p> <p>3.3.7 Insurance company issues the insurance policy.</p> <p>3.3.8 Exporter collects the insurance policy.</p>
Output criteria to exit the business process	- Insurance policy is issued
Average time required to complete this business process	1 day

3.4 Appointment of Clearing Agent

An exporter has to appoint Customs clearing agent for cargo clearance from the Customs in Nepal. Customs agent carries out all the activities required to clear goods from Customs on behalf of the exporter. The process of appointing clearing agent and activities to be undertaken there under is presented in Use Case Diagram in 9.4.

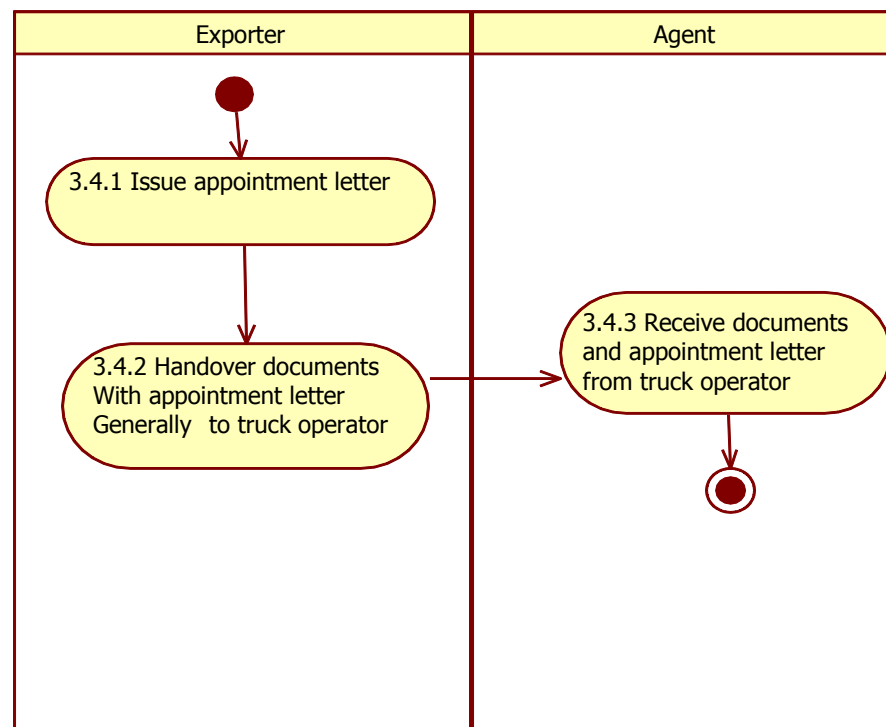
Figure 9.4: Use Case Diagram of Appointment of Clearing Agent



The associated activities regarding the appointment of Clearing Agent are presented below in the activity diagram in Figure 9.4.1. Initially exporter issues the appointment letter with power of attorney to a registered CHA. Exporter sends appointment letter and required documents to CHA generally through truck operator. Clearing agent receives the documents from the truck operator. While some paper works are required at this stage, it is overwhelming stated by the exporters

that no extra time is required to complete this process as it is completed simultaneously with the cargo transport process.

Figure 9.4.1: Activity Diagram of the Appointment of Clearing Agent

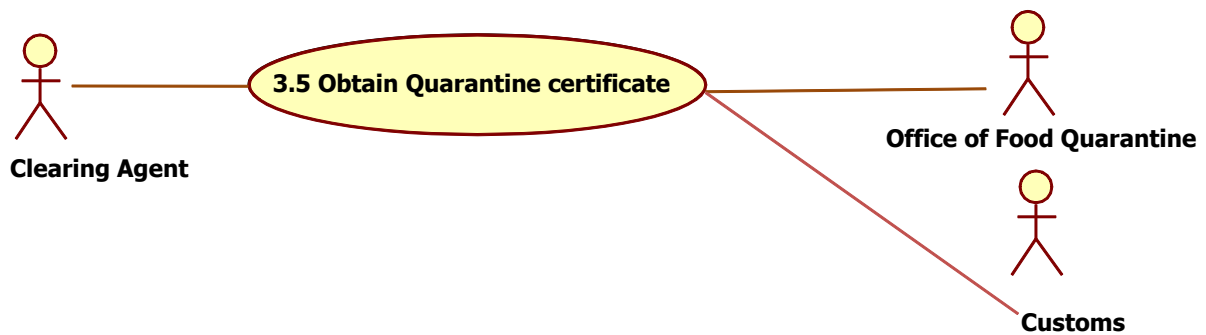


Name of the process area	3. Ship
Name of the business process	3.4 Appointment of Clearing Agent
Participants of Process	<ul style="list-style-type: none"> - Exporter - Clearing agent
Input and criteria to entering business process	<ul style="list-style-type: none"> - Legally custom clearance is required to be done through licensed agent only
Activities and associated documentary requirement	<p>3.4.1 Exporter determines the agent and issues appointment letter to him.</p> <p>3.4.2 Exporter handovers documents with power of attorney to the agent generally through truck operator</p> <p>3.4.3 Agent receives documents and letter from truck operator</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> - An agent is appointed with power of attorney to clear goods from custom
Average time required to complete this business process	No extra time required

3.5 Obtain Quarantine Certificate

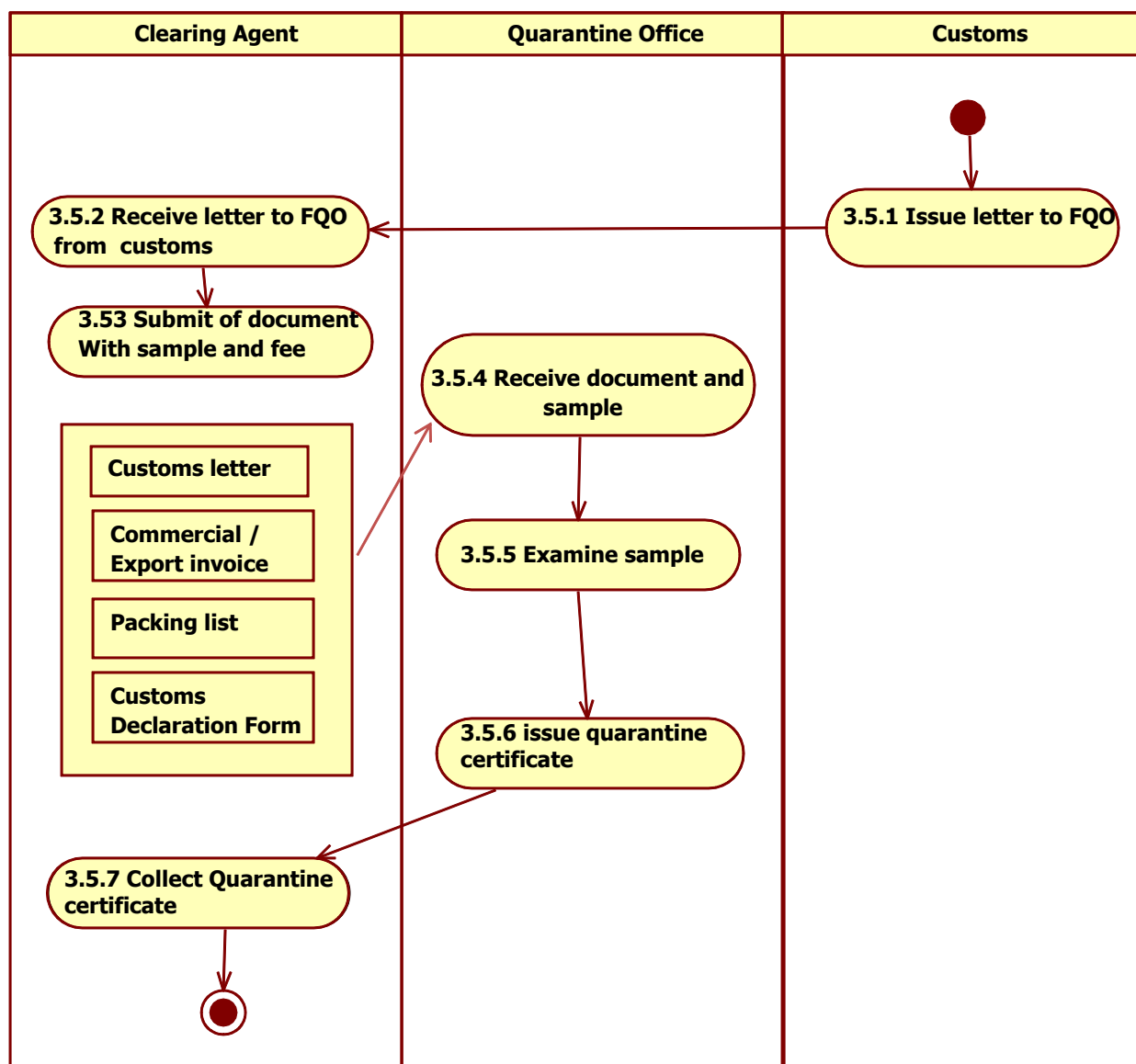
In the process of the export of cardamom food quarantine certificate is required. Such a certificate is obtained from Food Quarantine Office. This job is also done by the clearing agent. For this the agent, at first, has to get a letter from Customs office requesting FQO to examine the cargo, then the agent has to fill up the prescribed application form and submit the required documents with sample of goods. The required documents include letter from Customs, commercial/export invoice, packing list and Customs declaration form. After verification of documents and examination of samples, a quarantine certificate is issued. The process of obtaining a Food Quarantine Certificate takes about 3 hours. Core processes and detail activities are presented in Use case and Activity diagrams in Figure: 9.5 and Figure 9.5.1.

Figure 9.5: Use Case Diagram of Obtain Quarantine Certificate



The associated activities regarding obtaining of quarantine certificate are presented below in the activity diagram.

Figure 9.5.1: Activity Diagram Obtain Quarantine Certificate



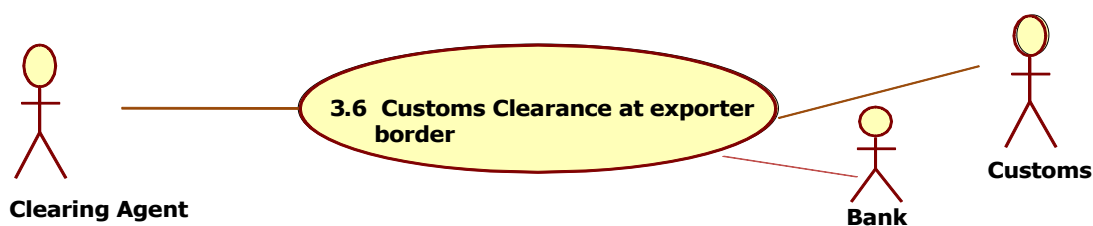
Name of the process area	3. Ship
Name of the business process	3.5 Obtain Quarantine Certificate
Participants of Process	<ul style="list-style-type: none"> - Clearing agent - Food Quarantine Office - Custom Office
Input and criteria to entering business process	<ul style="list-style-type: none"> - cardamom needs to meet specified standard
Activities and associated documentary requirement	3.5.1 Custom Office issues a letter to FQO to examine the cargo for quarantine purpose.

	<p>3.5.2 Clearing agent receives letter to FQO from Custom Office.</p> <p>3.5.3 Exporter's clearing agent submits sample and fee along with following documents.</p> <ul style="list-style-type: none"> - Custom letter - Commercial /export invoice - Packing list - Custom declaration form <p>3.5.4 FQO receives document and examines the sample.</p> <p>3.5.5 FQO issues quarantine certificate.</p> <p>3.5.6 Clearing agent collects quarantine certificate</p>
Output criteria to exit the business process	- Obtained quarantine certificate
Average time require to complete the business process	- 3 hours

3.6 Customs Clearance at Exporter's Border Customs

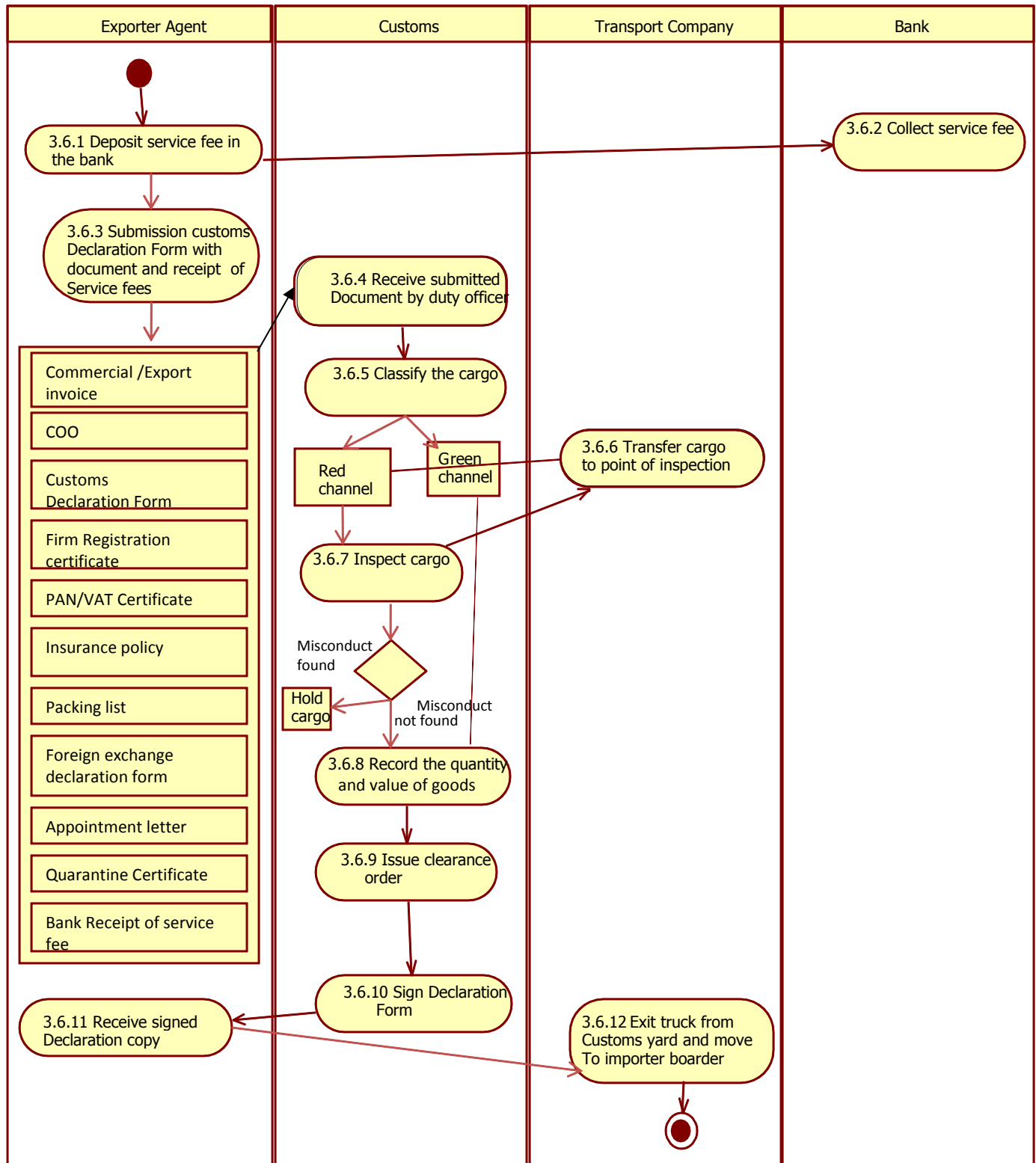
In the process of Customs clearance, at first clearing agent fills up the export Customs declaration form electronically at Customs office and also submits a hard copy of it to Customs office along with commercial/ export invoice, packing list, COO, quarantine certificate, firm/company registration certificate, PAN/VAT certificate, insurance policy and foreign exchange declaration form. The agent also deposits service charge in bank and submits receipt to the Customs. If the cargo falls on red channel, Customs official examines the documents and inspects the cargo. After completion of the inspection of cargo the Customs official signs Customs declaration form and record the quantity and value of goods in the Customs records. Then he issues order to move the cargo. If the cargo falls on green channel, movement of goods is allowed without physical inspection. After getting the order, the transport operator moves the truck from Customs. The copies of Customs declaration form and foreign exchange declaration form signed by Customs official are given to the agent. Once the goods are cleared from Customs the cargo-loaded truck moves to importer's Customs. Ideally, the whole process can be completed in 3 hours. The business process and associated activities are presented in Figure 9.6 and Figure 9.6.1.

Figure 9.6: Use Case Diagram of Customs Clearance at Exporter's Border Customs



The associated activities regarding the Customs clearance are presented below in the activity diagram.

Figure 9.6.1: Activity Diagram at Customs Clearance at Exporter's Border Point



Name of the process area	3. Ship
Name of the business process	3.6 Custom clearance at exporter's border custom
Participants of Process	<ul style="list-style-type: none"> • Clearing Agent • Custom • Truck operator • Bank
Input and criteria to entering business process	- Cargo and documents are ready at for custom clearance.
Activities and associated documentary requirement	<p>3.6.1 The agent deposits service fee at bank.</p> <p>3.6.2 CHA get receipt from bank</p> <p>3.6.3 CHA submits custom declaration form with following documents.</p> <ul style="list-style-type: none"> - Commercial/export invoice - Packing list - COO - Firm registration certificate - PAN /VAT certificate - Insurance policy - Food Quarantine certificate - Appointment letter - Foreign exchange form - Bank receipt <p>3.6.4 Duty officer receives submitted documents</p> <p>3.6.5 Duty officer classifies the cargo electronically.</p> <p>3.6.6 If cargo fall in red channel transport operator transfers the cargo to the point of inspection</p> <p>3.6.7. Duty officer inspect the cargo.</p> <p>3.6.8. Custom records the quantity and value of the exported cargo</p> <p>3.6.9 Custom issues clearance order</p> <p>3.6.10 Duty officer signs declaration form</p> <p>3.6.11 Clearing agent receives signed declaration form.</p> <p>3.6.12 Truck exists from custom yard and moves to importer border</p>
Output criteria to exit the business process	<ul style="list-style-type: none"> • The export cargo is cleared from exporter's custom
Average time require to complete the business process	3 hours

3.10 Time Required to Complete Procedure

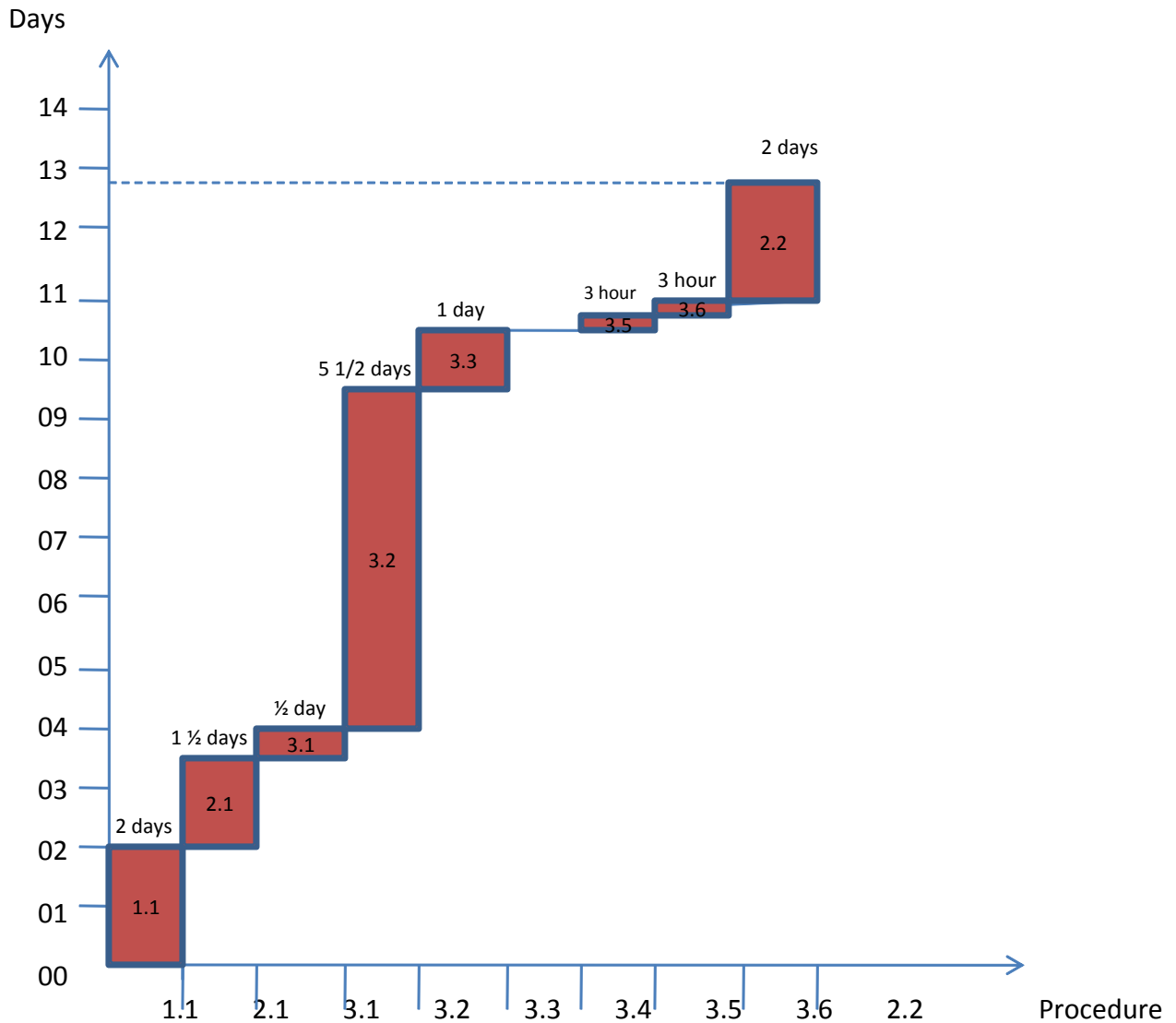
Time plays important role in international trade. Different commercial, regulatory and financial requirements have to be fulfilled by exporter to complete the export process of cardamom from Nepal to India. Altogether it takes 13 days and 2 hours for an exporter to complete process of export of Cardamom to India. This excludes time for collection, processing and packing of cardamom. It includes time for concluding trade terms, obtaining COO, obtaining Insurance policy, appointing clearance agent, preparing and collecting documents (PAN/VAT certificate, firm registration certificate, advance payment evidence, export /commercial invoice and packing list) required to submit to exporter's Customs. These activities are performed only after receiving purchase order. It takes 2 days to conclude trade terms. This can be improved with the initiatives of concerned parties. Like-wise, it takes 3 and half days to settle the payments. This can also be shortened by enhancing the efficiency of fund transfer agencies. It takes altogether 5 and half days to transport goods from exporter's warehouse to importer's destination. Out of this, one and half day is required for transport arrangement, loading cargo and moving cargo from exporter's warehouse to exporter's Customs, which can be reduced by half a day if road condition is improved. The required time in 'as is' and 'to be' conditions are presented in the time procedure chart and table below.

Table 3.8: Required Time for Cardamom Export to India

Core business process	as is	to be
1. Buy		
1.1 Conclude sales contract and trade term	2 days	1 day
2. Pay		
2.1 Advance Payment	1 and half day	1 day
2.2 Balance Payment	2 days	1 day
3. Ship		
3.1 Obtain COO	½ day	½ day
3.2 Arrange transportation	5½ days	5 days
- Fix Freight, move truck to Exporter's Warehouse, load cargo and move truck to exporter's border	1½ days	1 day
- Exporter's border to importer destination	4 days	4 days
3.3 Obtain cargo insurance	1 day	½ day
3.4 Appointment of clearing agent and handover of documents	not required extra time	not required extra time
3.5 Obtain Food Quarantine certificate	3 hrs.	2 hrs.
3.6 Customs clearance at exporter Customs	3 hrs.	2 hrs.
Total	13 days 2 hrs.*	9 days and 4 hrs.*

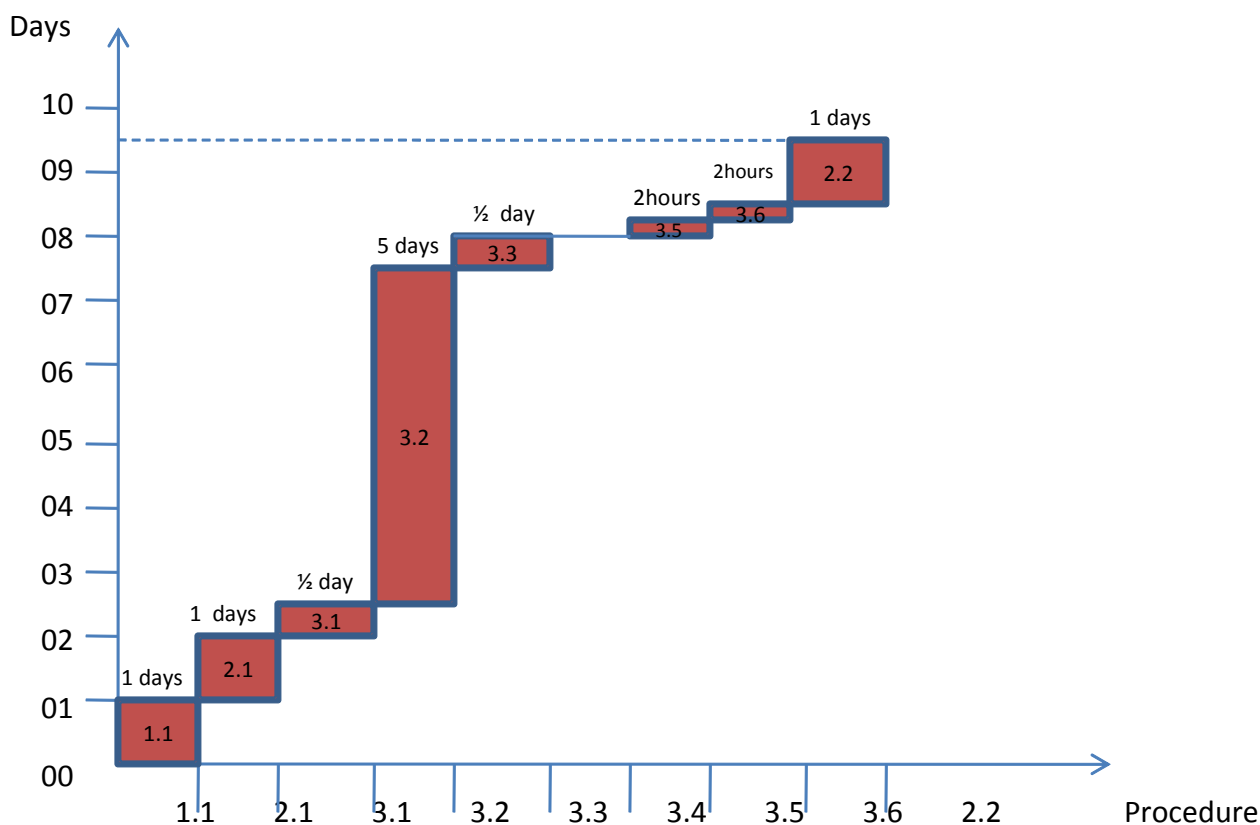
*= Assuming 8 working hours a day

Figure 10: Time Procedure Chart of Export Process of Large Cardamom from Nepal to India (as is)



1.1 Conclude trade term 2.1 Advance Payment 3.1 Obtain COO 3.2 Arrange transportation
 3.3 Obtain Insurance Cargo 3.4 Appointment of Clearing Agent and handover document
 3.5 Obtain Quarantine Certificate 3.6 Clearance at exporter border

Figure 11: Time Procedure Chart of Export Process of Large Cardamom from Nepal to India (To Be)



1.1 Conclude trade term 2.1 Advance Payment 3.1 Obtain COO 3.2 Arrange transportation
 3.3 Obtain Insurance Cargo 3.4 Appointment of Clearing Agent and handover document
 3.5 Obtain Quarantine Certificate 3.6 Customs Clearance at exporter border

3.11 Documents Required

Different types of documents are required in different number of copies for export of cardamom. All together 25 number/copies of document covering 15 types are required to complete the export process of cardamom to India. These documents are prepared and/or collected from different agencies to complete the trading process. Almost all documents are issued manually and also submitted manually. In Nepal, Customs Declaration Form is submitted electronically, but a hard copy of the same with other required documents should also be submitted. Details of types and copies of required documents are given below.

Table 3.9: Type and Number of Document Required for the Export of Cardamom to India

S.N	Type	No of document	How document is issued	Where to submit
1	Application	2	Manual	District Chamber of Commerce, Insurance Company.
2	Firm/company registration certificate	3	Manual	District Chamber of Commerce, Insurance Company and Exporter Border Customs
3	PAN/VAT certificate	3	Manual	District Chamber of Commerce, Insurance Company, Exporter Border Customs
4	Purchase order	1	Manual	District Chamber of Commerce
5	Customs letter	1	Manual	Food Quarantine Office
6	COO	1	Manual	Exporter Border Customs
7	Transport Document	1	Manual	Insurance Company
8	Insurance policy	1	Manual	Exporter's Border Customs
9	Packing list	3	Manual	Insurance Company, Food Quarantine Office and Exporter's Border Customs
10	Commercial /export invoice	3	Manual	Food Quarantine Office, District Chamber of Commerce and Exporter's Border Customs
11	Appointment letter	1	Manual	Exporter's Border Customs
12	Customs Declaration form	2	Electronic /Manual	Exporter's Border Customs, Food Quarantine Office
13	Foreign Exchange Declaration form	1	Manual	Exporter's Border Customs
14	Food Quarantine certificate	1	Manual	Exporter's Border Customs
15	Bank receipt	1	Manual	Exporter's Border Customs
Total		25		

From the above table it is clear that 11 types of documents are submitted to the exporter's border Customs. Of them 10 are general and one is product specific i.e. food quarantine certificate. However, PAN/VAT and firm registration certificate are to be submitted only once in a year. Thus, only 9 documents are required in the process of Customs clearance of each consignment. Rest of the above mentioned documents are submitted to District Chamber of Commerce, Insurance Company, and Food Quarantine Office of Nepal.

3.12 Costs Involved

In general, an exporter incurs trade cost in all phases of the export process, starting from obtaining information about market condition to the end of the process with receipt of payment. The total trading cost of export of cardamom to India from Nepal is estimated to be US dollar 1213.5 per 10 MT Truck. This cost is estimated on the basis of information provided by the exporter as well as clearing agent and transport company/operator. The main component of the cost is freight from exporter's warehouse to importer's warehouse. The freight cost is about 69 percent of total cost. The share of freight cost within Nepal is about 23 percent whereas the distance is only 10 percent. Generally the freight in Nepal is higher than in India. This is so mainly because of syndication of transport operators in Nepal. Out of the total cost, US\$ 569.5 is spent in Nepal. Government has formulated an industrial policy that exempts exports from all taxes, but on the other hand Local Self Government Act authorizes local government to levy even on export. If export is really freed from all taxes including local tax it would reduce the cost by US\$122. Activity-wise required cost is presented in table below.

Table 3.10: Cost Involved in the Export of Cardamom to India

(Per 10MT Truck)

SN	Activity	NPR	USD
1	Conclude trade terms	60	0.6
2	Obtain COO	5088	62.0
3	Obtain Insurance policy	8056	98.0
4	Clearing agent cost	700	8.5
5	Loading Cost	1800	22.0
6	Freight	68800.0	839.0
	Exporter's warehouse to exporter Customs	16000	195.0
	Exporter's Customs to importer's warehouse	52800.0	644.0
7	Customs service charge	600	7.3
8	District export fees (Octori)	10000	122
9	Obtain Food Quarantine Certificate (fee)	400	4.9
10	Other cost (ICD entry, check post, transportation for collection and preparation of document, district entry fees etc.)	4000	48.8
	Total	99504.0	1213.5

Note: Exchange rate: US dollar 1= NRs.82

Chapter IV: Conclusion and Recommendations

Trade is considered as an essential factor for accelerating the pace of economic development. However, benefits of international market can be reaped only with improved trade procedure. According to Doing Business Report 2013 of the World Bank, Nepal stands at 171th position among 185 countries in trading across the border. The current study reveals that the number of documents required in import of rice from India and export of large cardamom to India is less than the number stated in Doing Business Report. It is so because transit documents are additionally required in trading with other countries. Following table presents a comparison of data presented in DBR and study findings in terms of documents, time and cost required in trading.

Table 4.1: Documents, Time and Cost Required

	Doing Business 2013	Rice Import from India
<u>Import</u>		
1. Number of required documents	11	14 including product specific documents**
2. Time to Import (days)	38	12 days and 2 hours*
3. Cost to export per container	\$2095	\$1082.1
		Cardamom export to India
<u>Export</u>		
1. Number of required documents	11	15 including product specific documents
2. Time to export (days)	41	13 days and 2 hours
3. Cost to import	\$1975	\$1213.5

Source: Doing Business Report 2013

*- included the time required to transport the cargo from exporters warehouse to importers custom to make the data comparable with DBR data.

**-DBR does not include PAN/VAT certificate and Firm Registration Certificate in total number of documents required as per rule they are required to submit only once in a year. But in practice, these documents are required to submit each time of import or export. Thus they are included in BPA.

The table shows that trading with India is less time consuming and less expensive as compared to average time and cost stated in DBR. This is again perhaps due to the geographical proximity and land link between the two countries. This suggests that for a landlocked country it is better to emphasize on regional trade. However, as revealed by the BPA of Cardamom export to India and Rice import from India, there are several constraints and scope of reforms in trading of agriculture products with India.

4.1 Problems/Constraints and Recommendations

Based on the study and discussion with Nepalese stakeholders, following problems/constraints are identified in the context of smooth flow of import of rice from India to Nepal and export of cardamom from Nepal to India.

Import of Rice

- The process of concluding trade terms passes through several steps. Initially importer contacts brokers who offer the trade terms. Business relation between importer and exporter is established through the broker only after trade terms are agreed. Then only does the exporter issue the Pro forma invoice to importer, who reviews the same and if satisfied issues the purchase order. This approach is time consuming. A substantial amount of time can be saved if the technology of conference call is used among importer, exporter and broker and conclude trade terms at once.
- As has been discussed above Traffic police, Armed police and Revenue Investigation Department check the cargo at different points along the route from border Customs to importer's warehouse. The cargo loaded truck has to stop at many places. Sometime the same agency also checks the same cargo at different places. Likewise purpose of checking by armed police and revenue investigation department is also same. If such duplications are avoided, it can save the time.
- Currently the layout of the Customs building is not well planned. Due to this, clearing agent has to move from one window to another scattered here and there in the Customs process. Redesigning layout makes movement of file from one stop to another smooth and save the time.
- In selected and surveyed Customs points, related offices, particularly Plant Quarantine Office and Food Quarantine Offices were found to be located outside of the Customs area. If these offices are located within Customs premises it can save time and document.
- Currently Customs do not accept electronic filing of documents except Customs Declaration Form. If electronic submission system is developed and all documents are accepted, it can save the time and cost of the importer.
- High transport cost is yet another constraint to the import of rice to Nepal. The transportation cost is high due to bad road condition and syndication of transport operators. The road condition at different places such as Bardaghat, Narayanghat-Mungling and Naubise to Nagdhunga is below standard. If road condition is improved the moving time and cost can be saved. Similarly, if government enforces competition promotion and market protection act effectively it also will contribute towards import cost reduction.

Table 4.2: Summary of General Recommendations for Rice Import

Issues	Recommendation	Implementing Agency	Time frame
1.The process of concluding trade terms is lengthy and time taking	1.a. Enhance efficiency through using faster information technology such as conference call etc.	1.a. Private sector particularly exporter and importer	1.a. Short term
2. Duplication in checking by government agencies	2.a. Reduce number of checking	2.a. Government of Nepal	Short term
3. Lack of scientific lay out in Customs offices	3.a. Redesign lay -out of Customs offices	3.a. Department of Customs	Medium term
4.Customs related offices are scattered	4.a Locate all Customs related offices within Customs premises	4.a Government of Nepal	4.a Medium term
5. Electronic copies of documents except Customs Declaration Form are not accepted by the Customs	5. a. Accept electronic copies of all documents by the Customs	5.a. Department of Customs	5.a. Short term
	5.b. Develop electronic submission system of documents	5.b Department of Customs	5.a. Medium term
6. High transportation cost due to bad road condition and syndicate of transport operators	6.a Improve road condition 6.b. Enforce Competition Promotion and Market Protection Act effectively	6. a. Government of Nepal 6.b. Government of Nepal	6.a. Long term 6.b. Short term

Cardamom Export

- In the process concluding the trade term initially exporter contacts importer and discusses on trade terms. Once the trade terms are agreed then the exporter sends Pro forma invoice to importer. Importer's reviews Pro forma invoice and issues purchase order. Currently it is taking two days to complete a buy process. Since only two parties are involved and they have direct relation it could be completed in one day if the process is expedited.

- Government has formulated an industrial policy that exempts export from all taxes, but on the other hand Local Self Government Act authorizes local governments to levy export tax. In view of such policy inconsistencies it is recommended that policy coherence is ensured in favour of export promotion.
- Food Quarantine Office is located outside Customs premises. If it is located within Customs premise it can save both time and documentation.

Table 4.3: Summary of General Recommendations for Large Cardamom Export

Issues	Recommendation	Implementing Agency	Time frame
1. The process of concluding trade terms is lengthy	1.a. Enhance efficiency to quick decision making	1.a. Exporter and importer	1. a. Short term
2. High transport cost due to road condition and syndicate system	2.a. Improve road condition	2.a. Government of Nepal	2.a. Long term
	2.b. Enforce Competition Promotion and Market Protection Act effectively	2.b. Government of Nepal	2.b. Short term
3. Burden of levy of export fee by DDC	3.a. Remove export fee in conformity with the policy of making export tax free	3.a. Government of Nepal	3.a. Short term
4. Customs related offices are scattered	4.a. Locate all Customs related offices within Customs premises	4.a. Government of Nepal	4.a. Medium term
5. Customs do not accept electronic copies of documents except Customs Declaration Form	5.a. Accept electronic copies of all documents by the Customs	5.a. Department of Customs	5.a Short term
	5.b. Develop system of electronic submission of documents	5.b. Department of Customs	5.b. Medium term
6. Lack of scientific layout of Customs building	6.a. Redesign lay- out of Customs office	6.a. Department of Customs	6.a Medium term

Above problems, constraints and recommendations are directly related with trade process of rice import from India to Nepal and cardamom export from Nepal to India.

In addition to this there are some other problems and constraints to export of cardamom at production and collection level. Cardamom is cultivated with traditional farming practice. Hence, quality can-not be ensured. This has been a reason for Nepal not being able to diversify and sustain export of cardamom to countries other than India. To enhance productivity and quality of cardamom Good Agricultural Practices (GAP) should be adopted. Recently the Ministry of Agriculture Development has initiated action towards this. But GAP has cost, farmers are reluctant to follow. Therefore, it is recommended that practical and adequate incentive is provided to farmers adopting GAP. Like-wise, SPS requirement of importing countries has to be fulfilled by Nepalese exporters to diversify their export of cardamom. For this, recognized testing laboratories and certification agencies should be developed. Cardamom is collected from hilly areas of the country. Naturally the transportation cost is high when it comes to hilly roads. But on top of that, with the strength of syndication, transport operators charge unfairly high freight cost in the absence of effective implementation of Competition Promotion and Market Protection Act. In addition to this, cardamom collection centres and warehouses should be developed in the rural areas for smooth collection and export of cardamom.

4.2 Specific Recommendation

Based on the study and discussion with Nepalese stakeholders following specific recommendations are made which can reduce the time and cost for import of rice from India to Nepal and export of cardamom from Nepal to India.

Table 4.4: Specific Recommendations for Rice Import from India to Nepal

Process Area	Existing Requirement			Recommendations	Improvement		
	Time	Document	Cost		Time	Document	Cost
1. Buy							
1.1 Concludes trade terms	2 days			Use of faster information technology such as conference call	1 day (-1day)		
3. Ship							
3.3 Appointment of clearing agent and hand over documents	1day		\$2.6	Accept electronic copies of all documents by Customs	½ day (-1/2day)		0 (-\$2.6)
3.4 Transportation	2days			Reduce the number of checking point (Revenue Department, Traffic Police and Arm Police)	1 day (-1day)		
3.5 Obtain food quarantine certificate	1day			Locate all Customs related offices within Customs premises	1/2 day (-1/2 day)		
3.6 Obtain release order from Plant Quarantine Office				Redesigned lay- out of Customs offices			
3.7 Customs Clearance at Importer Customs				Develop electronic submission system of all documents			

Table 4.5: Specific Recommendations for Cardamom Export from Nepal to India

Process Area	Existing Requirement			Recommendations	Improvement		
	Time	Document	Cost		Time	Document	Cost
3.Ship							
3.2 Fee on Transport of goods	1½ days		\$122	Remove export fee in conformity with the policy of making export tax free.	1 day (-1/2 day)		0 (- \$122)
3.5 Obtain food quarantine certificate	¾ day			Locate all Customs related offices within Customs premises	½day (- 2hours)		
3.6 Customs Clearance at Importer Customs				Redesign lay- out of Customs offices Develop electronic submission system of all documents			

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