

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

*Expert Meeting on the Development of Multimodal Transport and
Logistics Services*

(24-26 September 2003, Geneva)

National Experience: Nepal *

by

Purushottam OJHA

Joint Secretary

Ministry of Industry, Commerce and Supplies, Nepal

* This expert paper is reproduced by the UNCTAD secretariat in the form and language in which it has been received.

**Nepalese Experiences
in
Introduction of Multimodal Transport and Logistics Services**

Mr. Purushottam Ojha
Joint Secretary
Ministry of Industry
Commerce and Supplies

1. Introduction

Multimodal Transport as defined by UNCTAD is the transportation of goods under the single cover of Multimodal Transport Document (MTD) issued by the Multimodal Transport Operator and such movement has to occur across the international boundary. The transportation as the terminology implies, has to have the combination of at least two modes or more to qualify as the multimodal transport operation.

The use of various modes of transportation has been prevalent in the world trade as a measure to deliver the goods/merchandise from seller to buyer. Such form of disaggregated transport system were being managed by various intermediary agency in the process of transfer of goods. Multimodal Transport aims at streamlining the procedure and the documents in view of linking up the various modes of transport and bringing efficiency in supply chain management. Thus Multimodal Transport has become the catchword of trade and transport logistics in the contemporary world trade regime.

2. Multimodal Transport and Trade Facilitation

The principles of supply chain induced by multimodal transport system needs to be supported by the appropriate facilitation measures if we have to attain efficiency in trade transaction. Thus there is need of combining Multimodal Transport with trade facilitation activities in bringing synergies in trade transport. The complexities of documents and procedures need to be simplified in view of cutting down the cost and also the customs should be able to support trade by striking a balance between control and facilitation. The institutional barriers and difficulties in co-ordination among various stakeholders need to be streamlined. Meanwhile, there is also need of improving the efficiency of Banks, Insurances, Transporters, Freight Forwarders who are considered as the key players in trade. Customs has the major role to play as customs operation and work environment will have a say in facilitation by adequately and wisely striking balance between control and facilitation.

The SPS and TBT measures are equally important as the national policies affecting trade. A rational approach has to be worked out and implemented if we really want to bring efficiency in trade through introduction of multimodal transport and trade facilitation measures.

3. Multimodal Transport Project in Nepal:

Nepal has taken up initiatives in multimodal transport since late 80s as the Containerisation in its trade has started since these years. The benefits delivered after containerisation were so eminent that pressure were build up from private sector to develop necessary infrastructure and institutional framework to further develop and facilitate containerisation. This has also given impetus to the government to reach out the transit giving country: India, multilateral donor: the World Bank and the specialised agency of United Nations: UNCTAD, for their support in implementing a multimodal transport project in Nepal. Consequently, the project was taken up in early 1998 after completing the loan negotiations and sanction of credit from IDA of the World Bank. The project basically aimed for:

- Development of three Inland Clearance Depots (1- Rail connected and 2 Rail connected);
- Procurement of material handling equipments (Reach stackers) and development of associated physical infrastures.
- Introduction of Multimodal Transport system along with the implementation of facilitation measures in the form of simplification, standardization and harmonization of trade and transport related documents and procedures, modernization of transport related legislation, strengthening institutional capability of trade and transport related entities, customs reform and modernization through introduction of ASYCUDA and the implementation of Advanced Cargo Information Sysem (ACIS).

The project implemented in Nepal will be over at September 30, 2003. However, the major development objective of the project is yet to be achieved. The achievement made so far would be as following:

Achievements Made:

- The 2 Terminal out of 3 are made operational along with improved service.
- A throughout study on existing trade and transport documents and procedures were made and the course of action for simplification and standardization of documents and procedure were identified.
- Draft of Multimodal Transport act, railway act, marine insurance act and carriage of goods by road act, were prepared, discussed and finalised.
- Freight forwarders and transport operators were made knowledgeable in modern trade and transport practices and in principles of multimodal transport through training and workshops.
- A National Transport and Trade Facilitation Committee as the apex body for facilitation was created. The committee is headed by the Secretary in the Ministry of Industry, Commerce and Supplies.
- Automated System of Customs Data (ASYCUDA) was implemented as part of the customs reform and modernization Process.
- A limited cargo tracking system has been made through introduction of Border Pass Monitoring System of ACIS, developed by UNCTAD

Need of Consolidation & Way Forward:

One of the deficiencies in Nepalese Multimodal project is long delay in use of the biggest ICD facility i.e. the only rail connected terminal in Nepal is still to have the rail service through the transit giving country for movement of block trains to and from the sea port. This is expected to bring down the transit transportation cost by 30% for Nepalese trade through the shift in the mode of transport from road to rail on one side and through simplification of inland customs, transit and port customs formalities. This is still to be realized through operation of the rail-connected facility and implementation of associated reform measures.

The achievement made so far needs to be consolidated and a further outlook has to be made. This specifically entails the following:

- Development of terminal/physical facilities in other border post and rolling out of the current software and utilities to these border posts.
- Creation of suitable legal base in context of introducing multimodal transport system for bringing efficiency in trade. Reform in the legal regime in view of increasing competitiveness in the wake of accession to WTO.
- Support to private sector in modernizing the road carrier fleet for movement of containers and promotion in the use of articulated vehicles.
- Opportunities for new transport and logistics services in the form of transport, storage/warehousing and CFS.
- Promotion in the use of ICT, taking stock of the successful implementation of ASYCUDA. Conducting the supply chain analysis for individual export commodities and implementing WCO customs time release methodology for measuring customs performance and accounting cost of trade facilitation measures.
- Making the trade facilitation body effective as well as proactive to take up the facilitation activities.
- A better co-ordination among national entities, international institutions and donor communities is expected in view of progress in WTO accession, diagnostic study (Integrated Framework). Such initiatives would help to build up the competitive capacity of the country.

4. Some Issues:

Introduction of MT would not alone bring benefit to trade, as this needs to be associated with other facilitation measures. In this context MT would be a tool, which can be sharpened only by implementing a number of trade facilitation activities geared towards the better supply chain management. However, key issues remains in; (a) adopting a subregional, or regional approach in introduction or multimodal transport system, leading towards the integration of transport system at the international level (b) a common

understanding and approach in developing physical infrastructures at port, development of roadways, rail/road, IWT, ICDs and CFS for bringing synergies in transport efficiency (c) development of a common EDI and customs procedures (d) promotion of private sector collaboration in infrastructure development (e) harmonisation of customs transit documents and procedures among partnering countries (f) development of adequate physical infrastructures at land customs stations and (g) promotion of subregional co-operation on evolving a common framework and standards for multimodal transport leading towards a subregional/regional transport agreement. If these could be taken up, only the concept of multimodal transport would bring benefit to the partnering countries at large.

The important aspect of reform process lies in sustaining and continuing the achievement made through the intervention of the project. The national entities are required to take up the ownership of the initiatives which can be achieved by involving those stakeholders in all aspects of reform from the very beginning. The Nepalese experience tells us that there should be extensive dialogue between the support agencies like UNCTAD, funding institutions like IDA and the World Bank and the national entities so that an ambience of national ownership is created and an effective implementation mechanism is established. This needs to be duly taken care in respect of furthering the past efforts.
