

# One, two, buckle my shoe

## *Plugging Infrastructural Lacunae in Nepal for Aiding Regional Connectivity*

*Tariff and non-tariff barriers (NTBs) are not the only impediments to poor integration and inter country trade within the Bangladesh, Bhutan, India and Nepal (BBIN) sub-region, there are infrastructure-related impediments too. Poor quality of infrastructure has emerged as a key deterrent to trade and smooth implementation of the BBIN Motor Vehicles Agreement (MVA). This Policy Brief presents some of the key findings of the field survey conducted across three identified road corridors under the BBIN initiative in Nepal, which indicate that efficient infrastructure will be a key driver for the smooth flow of goods in and among the BBIN nations. Though emphasis is laid on improving the hard infrastructure (road network, bridges, railways, ports) the impact of soft infrastructure (ICT) on trade must also be recognised.*

### Introduction

The BBIN region's competitiveness can be boosted if more investments are channellised towards the development of quality infrastructure. Because at present, the BBIN region is facing challenges in terms of infrastructure and technological readiness.

Nepal being a party to several agreements on regional integration, there has been a growing interest on part of the government to improve infrastructure to facilitate trade. However, unstable governments and the transition from unitary system to a federal structure of governance has deterred infrastructure development.

India has been a key economic partner to Nepal and both countries operate under various treaties for cross border trade, such as Treaty of Transit, Treaty of Trade, Railway service agreement and the Agreement of Cooperation to Control Unauthorised Trade. Being a landlocked country, partnership with India in the areas of trade and transit, especially in physical connectivity is a matter of utmost importance to Nepal.

Similarly, for India and Bangladesh, Nepal is a huge market to explore for economic opportunities. It is important that the BBIN nations cooperate with one another on issues of infrastructure development for purpose of boosting trade and commerce in the region.

For Nepal, poor or inadequate infrastructure has always been a constraint to regional integration and development.



## **Current State of Infrastructure: Facts from the Ground**

### ***Poor quality of road network and narrow bridges connecting to the capital***

Poor quality roads, low load bearing capacity of roads, narrow roads, bridges and difficult terrain are key infrastructural hazards for smooth movement of vehicles. The situation is aggravated during the monsoon season with increased landslides, flash floods and this becomes the worst particularly along the Narayanghat-Muglin road stretch. Further, poor condition of approach roads to the Land Custom Stations (LCSs) under consideration is also a serious concern.

### ***Insufficient number of dry ports/ICDs to handle containerised cargo***

The BBIN MVA aims to promote containerised cargo movement across the member countries. In this context, lack of sufficient number of dry ports/ICDs is seen as a major infrastructural gap. Currently, Sirsiya dry port/ICD is the only dry port capable of handling containerised cargo.

The other so called dry ports located in Kakarvitta (ICP) and Bhairahawa (ICP) to some extent support containerised trade but facilities of warehousing and equipment to move containers are limited.

Currently, the inauguration of the ICP at Birgunj is expected to ease trade between India and Nepal. Most of the trade activities are currently taking place through customs offices located at the border check posts. These customs offices lack the necessary infrastructure in terms of warehousing, cold storages, restrooms and parking spaces to support the increased containerised trade envisioned by the BBIN initiative.

### ***Lack of data interchange and coordination***

Across all the corridors, there is a low level of coordination among the border management agencies which includes primarily lack of communication and data exchange among themselves. These lead to delay in clearance of inward and outward goods and also in higher waiting time to cross the borders. Further, owing to lack of proper communication/coordination

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between the Department of Commerce (Nepal) and Nepal High Commission in India there have been regular delays in custom clearance.

It is important that the two government agencies share the database of traders, registered firms and export import documents between them and also with other various agencies related to trade and tax administration. Delay in implementation of Electronic Data Interchange (EDI) system is a major concern for seamless movement of goods in the BBIN and Myanmar corridor.

### ***Lack of equipped testing labs near major custom points***

Sanitary and Phyto-sanitary (SPS) measures constitute a major portion of NTBs currently being enforced by BBIN. This is a major concern for countries, such as Nepal whose major exportable items are primarily agricultural and agro-based food products. SPS is a commonly used barrier to delay custom clearance which increases erosion or deterioration in the quality of goods, leading to losses for producers and consumers.

In Nepal, most of the plant and animal quarantine and testing laboratories located along the LCS are

poorly equipped to handle advanced testing needs. Often samples need to be sent to Kathmandu for advanced testing. This leads to delay in custom clearance and also results in spoilage or deterioration in quality of goods.

## **Policy Recommendations**

- ***Establishment of a joint committee***  
Protocols of Article XI of the Nepal-India treaty provide for clearance of perishable goods through a joint meeting of local authorities. Along the same line, it is recommended that a joint committee headed by chief customs officers of the BBIN be established to resolve problems/issues in relation to the clearance of perishable goods.
- ***Promote the development of SEZ, EPZ***  
As seen in other developing economies, Special Economic Zones (SEZs) can contribute to growth and good trade performance in Nepal. Though, feasibility studies have been conducted for the establishment of SEZs on the basis of international demands, national and local comparative advantages, location of ICD's and other infrastructure must also be



considered. It is crucial that efficient infrastructure such as dry ports, ICDs, quality roads be constructed for a strong impact on the success rate of SEZ's, which will boost manufacturing and trade ultimately.

- **Harmonisation of standards, test and certifications**

SPS measures have been a key barrier for trade of agro products among the BBIN. Although among few of the BBIN countries, such as India and Nepal, the bilateral agreement mentions that each country will recognise the SPS and health certificates issued by a competent authority of the exporting country. In reality, such certificates are rarely recognised by the importing country leading to delay in custom clearance and deterioration in quality of goods. Hence, the BBIN initiative should seek harmonisation and mutual recognition on product specific test parameters and certifications.

- **Harmonised Axle load limits**

For seamless movement of goods across the BBIN countries it is imperative to establish a harmonised axle load limit for cargo vehicles.

Transport laws of Bangladesh allow only 8 tonnes as extra load for trucks, however, it is 10.2 tonnes in India and Nepal. It is necessary to harmonise national laws related to transport under the BBIN MVA.

- **Implementation of ICT, focussed on EDI, paperless trade procedures and single window facilities**

In order to reduce delay in custom clearance, reduce trade cost and facilitate seamless movement of cargo, it is necessary to promote the use of information and communication technology (ICT), implementation of EDI among the BBIN nations, including single window facilities with minimised physical inspections.

With the implementation of the EDI it is also necessary to move towards harmonisation of documentation procedures. This means that national trade documentation should be aligned with international standards and conventions. The BBIN initiative will facilitate seamless movement of goods and enable the establishment of intra-regional markets.

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