



Summary of Regulatory Impact Assessment (RIA) Study Report on RKC Gaps* and Support on RKC Implementaion

(*Study conducted by Jacobs, Cardova and Associates)

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What is RIA?

- Regulatory Impact Analysis (RIA) is a systemic approach to critically assessing the positive and negative effects of proposed and existing regulations and non-regulatory alternatives. (OECD)
- A **Regulatory Impact Analysis** or **Regulatory Impact Assessment** (RIA) is a document created before a new [government regulation](#) is introduced. RIAs are produced in many countries, although their scope, content, role and influence on policy making vary. (Wikipedia)

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Why this RIA for Nepal?

- This RIA is basically intended to assess the impact of the legal and regulatory amendments in the changes to be made in Customs Laws to comply with RKC General Standards.
- Five Policy Action to comply for 2nd tranche Release under SASEC TF Program, one of them was as below;
 - **Certified copy of the RIA on proposed changes to comply with RKC General Standards.**

Therefore, this RIA is a policy requirement in the SASEC Trade Facilitation Program.

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RIA methodology for Nepal




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graph TD; A[Understanding the Objectives and Scope] --> B[Preparing Preliminary RIAs]; B --> C[Validating them with decision-makers]; C --> D[Consulting stakeholders]; D --> E[Finalizing RIAs];
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Nepal's RIA - Objective, Scope and Opportunity




- Customs Act 2007 and Customs Regulation 2007 is in implementation in Nepal which have several features of international standards.
 - To conduct the Cost efficiency analysis of the proposed changes in prevailing Customs laws to comply with RKC General Standards.
- Preliminary study of Nepal Customs has identified 22 Gaps in prevailing Customs laws, and particularly 6 have been found to have significant impact on the business/government.
 - Costs to the business community;
 - Compliance costs with reforms (improvement of infrastructure, staffing, skill development, it equipments etc.)
 - Costs to the Government;
 - IT improvement
 - Human resources development & Training
 - Improving coordination (ICT, Meeting, MoUs etc)
- In sum, this RIA is not a Cost benefit analysis but a cost efficiency analysis.

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What is the Status of RIA?

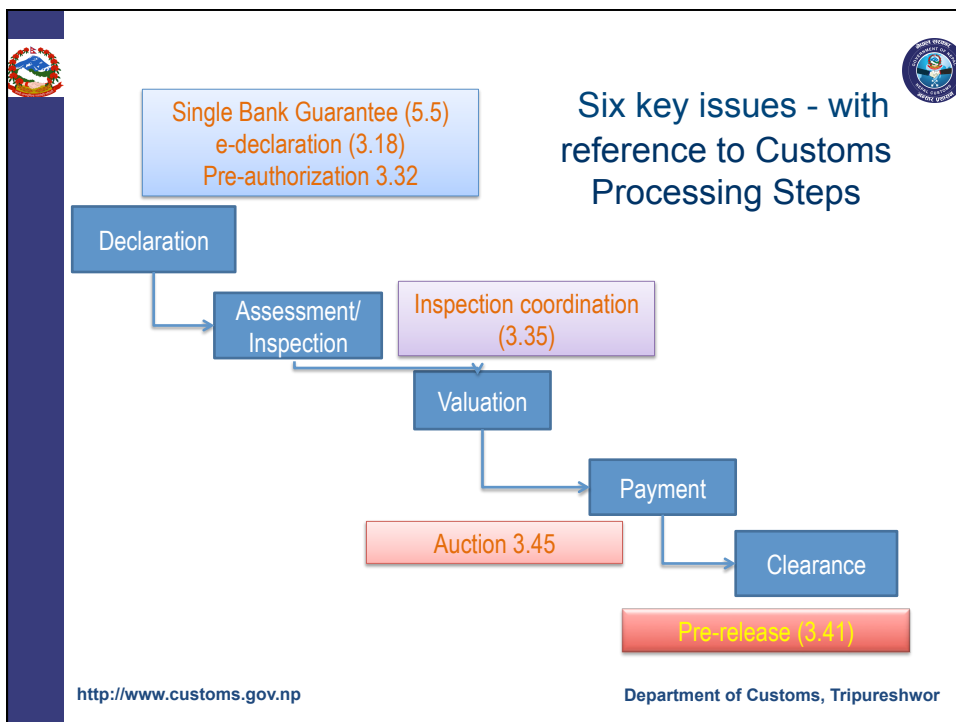


- ABD Selected International and National Consultant for RIA on DoC request.
- Two fact-finding missions (12 to 24 May; 30 June to 11 July 2014)
- The data gathering and consultation process - included discussions, meetings and focus groups with government officials, business associations, and industry representatives.
- A field study to Birgunj Customs Office and Dry Port was also undertaken.
- The DoC was quite instrumental in the process of gathering data.
- A special one-day mission to the World Customs Organization, Brussels was also carried out on July 2014.
- Inception Report discussed with DOC officials.
- Final Report Submitted to DOC on 5th September 2014.
- Final report was validated by DoC, it was further sent to the MoF and notified to ADB.

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Reform Areas (Gaps in Customs Act 2007)	RKC Gaps	Section CA	Imp
New definitions are established	0.0] [3.6] [3.7]	Sec 2	Low
New procedure is established to devolve or remit duties and taxes on scrap (after abandonment, destruction, etc.)	3.44]	Sec 7.3 and 7.4	Low
Procedure is established to have a single guarantee for many customs ports	5.5]	Sec 11	High
Clarification of the responsibility of the declarant	3.8]	Sec 18	Low
Permission for lodging documents by electronic means is given	3.18]	18.1	High
Permission for the amendment of the declaration before and during inspection if reason is deemed valid is given	3.27] [3.28]	Sec 18	Medium (already practiced)
Permission to withdraw declaration before clearance and if reason is deemed valid	3.29]	Sec 18	Low
Clarification of the payment system concerning who pays, where to pay, when to pay and what happens if not paid (5% interest annually)	3.8 & 4.7; [4.8] [4.11]	Sec 22	Low
Permission to clear goods if the duty is below the prescribed [minimum] duty or reducing the duty in case of the amendment of the declaration	4.13, 4.14]	Sec 23.	Medium
Permission for special clearance for pre-authorized importers/exporters with good compliance rates	3.32]	Sec 23A	High
Permission the presence of the declarant at the examination of the goods	3.37]	Sec 28.5a	Low (already practiced)
Permission for declarants to draw samples before lodging the Declaration	3.9]	Sec 28.5b	Medium (already practiced)
Procedure with a time limit for owners of the goods to be compensated after an auction	3.45]	Sec 50.5 Sec 50.a	High
Permission for the pre-release of goods under certain circumstances	3.41]	Clause 19 of the Customs Rules	High
Permission for the pre-released of goods before sample analysis	3.42]	Clause 19 of the Customs Rules (related to 3.35)	Low
Coordination mechanism for simultaneous inspection by different agencies	3.35]	Instruction	Medium

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Summary of Impacts of Key 6 standards

Options	Quantified Benefits	Un-quantified Benefits	Quantified Costs	Un-quantified costs	Remarks
Single Guarantee	Business Savings of around US\$ 37.7 millions per year due to reduction of interest and consolidation of fewer guarantee	Businesses Time savings, better service by banks Government Better control on guarantee, Increased transparency	Government Investment of inter connecting custom Ports (part of ASYCUDA)	B u s i n e s s e s P r o f i t reductions for banks due to increased competition (short-term)	Standard 5.5 General security When security is required to ensure that the obligations arising from a Customs procedure will be fulfilled, the Customs shall accept a general security, in particular from declarants who regularly declare goods at different offices in the Customs territory.

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Summary of Impacts of Key 6 standards

Options	Quantified Benefits	Un-quantified Benefits	Quantified Costs	Un-quantified costs	Remarks
Lodging documents by electronic means	Businesses Saving of time and costs of between US \$ 1 to 3.6 million per year	Businesses More flexibility before and during clearance, Reduction in customs official's discretion (e.g. to avoid unjustified penalties). Government: Centralized and better processing of trade data , Better information for PCA and thus higher revenues, More reliability of declaration and other customs procedures. Others Reduction of the risk of corruption and abuses.	Government C o s t o f ASYCUDA, IT equipments, maintenance and staff training as well as additional IT engineers: US \$ 1.8 million.	Businesses Cost of learning new system May have impacts on small businesses (SME) and enterprises with poor connectivity because of the "digital divide"	Transitional Standard 3.18 The Customs shall permit the lodgment of supporting documents by electronic means.

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Summary of Impacts of Key 6 standards					
Options	Quantified Benefits	Un-quantified Benefits	Quantified Costs	Un-quantified costs	Remarks
Pre-authorized importers/exporters	Businesses Reduction in time for customs clearance, technical control and ports and terminal handling cost of US \$ 5 millions	Businesses Brand value and goodwill of being a recognized as an authorized trader, Reduction of government official's discretion, Incentives for new foreign investments for 'just in time' manufacturing. Government Reduction of investment in port and handling facilities.	Government Setting up the program US \$29,000.	Businesses Compliance costs to apply the program and adapting to the changes, Periodic reporting costs to the DoC. Government Database development and updating costs listing high-risk goods that the program is not applicable for. Risk of loss of revenues or allowing illegal imports/exports if the program is badly implemented.	Transitional Standards 3.32 Special procedures for authorized persons who meet criteria specified by the Customs, including having an appropriate record of compliance with Customs requirements and a satisfactory system for managing their commercial records, the Customs shall provide for....

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Summary of Impacts of Key 6 standards					
Options	Quantified Benefits	Un-quantified Benefits	Quantified Costs	Un-quantified costs	Remarks
Simultaneous inspection at the border		Businesses Speeds the release of goods, Reduces compliance costs related to multiple inspections, Can reduce discrepancies during the risk management assessment by different agencies. Government Speeds up the release of goods, Some agencies will save on enforcement costs. Others Improves effective control of unsafe, harmful or illegal trades.		Government Costs of investment in software among participating agencies, Time costs required to create coordination mechanism, Staff training costs (customs officials and/or inspectors), Major transition costs to set up a 'hub' or a special agency in charge of all inspections at the border (only in the case of establishment of a new institutional framework).	Transitional Standards 3.35 If the goods must be inspected by other competent authorities and the Customs also schedules an examination, the Customs shall ensure that the inspections are coordinated and, if possible, carried out at the same time.



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Summary of Impacts of Key 6 standards					
Options	Quantified Benefits	Un-quantified Benefits	Quantified Costs	Un-quantified costs	Remarks
After an auction		<p>Businesses</p> <p>Reduction of waiting time before the auction.</p> <p>Ability to 'buy back' seized goods important for importer's productive activities, including vehicles.</p> <p>Government</p> <p>More free space at DoC premises by speeding up auctions</p> <p>Better organization of auctions through enhanced transparency and reduced discretion and possible corruption,</p> <p>Increased customs revenues through better organization of auctions.</p>		<p>Businesses</p> <p>Additional new procedure to participate in the auctions.</p> <p>Government</p> <p>Establishment cost of a new auctioning procedures,</p> <p>Staff training costs</p>	<p>Transitional Standards 3.45</p> <p>Proceeds of sale by Customs</p> <p>When the Customs sell goods which have not been declared within the time allowed or could not be released although no offence has been discovered, the proceeds of the sale, after deduction of any duties and taxes and all other charges and expenses incurred, shall be made over to those persons entitled to receive them or, when this is not possible, held at their disposal for a specified period.</p>

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Summary of Impacts of Key 6 standards					
Options	Quantified Benefits	Un-quantified Benefits	Quantified Costs	Un-quantified costs	Remarks
Pre-release of goods	<p>Businesses</p> <p>Faster clearance system for special goods estimated at US \$ 300,000 to 380,000 per year.</p>	<p>Businesses</p> <p>Increased benefits for goods requiring special handling and shorter time,</p> <p>Better transport management and thus efficiency in 'just in time' practices,</p> <p>New market for banks for special guarantees.</p> <p>Government</p> <p>Reductions in customs handling and storage spaces.</p>	<p>Businesses</p> <p>Costs for traders to buy special guarantees; estimated between US \$2.3 and 7 million.</p>	<p>Businesses</p> <p>Exchange rate risks in case of rate fluctuations.</p> <p>Government</p> <p>Cost of establishing inter-governmental communication mechanisms in case goods require inspections (safety, environment, etc.),</p> <p>Costs to recruit and train customs officials to inspect at the traders' facilities.</p>	<p>Standards 3.41</p> <p>If the Customs are satisfied that the declarant will subsequently accomplish all the formalities in respect of clearance they shall release the goods, provided that the declarant produces a commercial or official document giving the main particulars of the consignment concerned and acceptable to the Customs, and that security, where required, has been furnished to ensure collection of any applicable duties and taxes.</p>

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Supports on RKC Implementation


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Japan Fund For Poverty Reduction (JFPR)

- Amount (Grant): US\$ 1.5 million (Financed by Japan Fund for Poverty Reduction - JFPR)
- Signed on 27th September, 2013
- Launch on ceremony on 21st May, 2014 at Ministry of Finance, Nepal.
- Period: September 2013 to August 2015 (Extended to August 2016)
- Output:
 - (i) consensus reached to accede to the RKC;
 - (ii) effective operation of the automated customs management system;
 - (iii) client service centers established;
 - (iv) Customs Information Portal established, and
 - (v) agreed business plan for the Four-Year Customs Reform and Modernization Strategy and Action Plan, 2013–2017.

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SASEC Customs Subgroup - National Projects




- The Trade Facilitation and Transport Working Group Meeting on November 2012 held in Thimpu identified the need for customs subgroup to be established in order to have a forum for promoting mutual cooperation among the customs organization of the SASEC countries.
- Inception Meeting of the Customs Subgroup was held on 28 March 2013 in Bangkok, Thailand. The meeting was chaired by Mr. Baikuntha Aryal, Joint Secretary, Ministry of Finance, Nepal
- The Second Customs Subgroup meeting was held in Kathmandu on 22nd May, 2014. The meeting was chaired by Mr. Surya Prasad Acharya, DG, Customs.
- Third Customs Subgroup meeting held in Goa from 11-12 March 2015 and led by Mr. Sishir Kumar Dhungana, DG, Customs
- SASEC Customs Sub Group has identified 5 national and 5 sub regional projects.

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SCS - National Projects



- 1. Accession to Revised Kyoto Convention**
2. Update of the Customs Reform and Modernization Strategies and Action Plan in line with the SAFE Framework and the Authorized Economic Operator (AEO) Scheme
3. Review of Existing Trade Documents
4. Implementation of ASYCUDA World.
5. Design the interfacing architecture of ASYCUDA World to Nepal National Single Window (NNSW)

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1. Accession to Revised Kyoto Convention

Tasks (Proposed):

- Conduct National Workshop on RKC to disseminate the proposed legislative changes, benefits.
 - Timeline: April 2015 (Being conducted).
- Improve on proposed changes in Customs legislation and Conduct study on RKC Gaps on Specific Annex.
 - Timeline: September - October 2015
- Update legislation and draft by-rules to comply with the General Annex and legal draft of appropriate Annexes of Specific Annex.
 - Timeline: October - December 2015

Inputs (Proposed):

- National Workshop on RKC (Customs, Other Government Agencies and Stakeholders).
- One national legal consultant for 60 days for updating the legislation and drafting by-rule to comply with General Annex and legal drafting to comply with the appropriate standards of Specific annexes.
- One International RKC (Trade Facilitation) expert for Gap Analysis of Specific Annex for 22 days.



Supported By:

JFPR Project 2: RKC General standards compliance and Gap analysis of Specific Annexes.

CRMSAP ACTIVITY No. 1.1 : Study the international conventions and use relevant international standards and contemporary best practices as the basis for import and export.)

(Proposed in SASEC Customs Sub-group National Plan and current year DoC annual action plan)

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Thank you !

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