



Seminar on 'International Documents and Payments' and 'Regional Policy in Economy and Infrastructure

Program Report:- Activity 1.1.4

ECIBON Project
Funded by European Union
Implemented by European Economic
Chamber (EEC) - Nepal
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ECIBON PROJECT
Funded by: European Union

Asia-Invest II Programme
Event Design

Venue: Lecture hall, Nepal Tourism Board

Day 1

| Date | Time | Program Detail | Remarks |
|----------------|-------------|--|--|
| May 24,2009 | 9:00-9:30 | Registration | Participation from 15 IBOs. The IBOs are the target beneficiaries of the program and representatives from NGOs, INGOs and policy makers from the government. |
| | 9:30-10:30 | Mr. Peter Bishop: International Documents and Payments | |
| | 10:30-11:30 | Mr. Rajan Sharma: Int'l Documents and Payments; Nepal's context | |
| | 11:30-12:30 | Question and Answer session | |
| | 12:30- 1:15 | LUNCH | |
| | 1:15-3:15 | Group Work | |
| | 3:15-3: 30 | Tea/Snacks | |
| | 3:15-5:00 | Presentations / Floor Discussions | |
| | | Moderator: Mr. Rajen Sharma (Executive Member, EEC-Nepal) | |

Day 2

| Date | Time | Program Detail | Remarks |
|----------------|-------------|---|--|
| May 25,2009 | 9:00-9:30 | Registration | Participation from 15 IBOs. The IBOs are the target beneficiaries of the program and representatives from NGOs, INGOs and policy makers from the government. |
| | 9:30-10:30 | Mr. Peter Bishop / Mr. Rajen Sharma: Regional Policy in Economy and Infrastructure-Lobbying and Advocacy | |
| | 10:30-11:30 | Mr. Dhurba Regmi / Mr. Rajen Sharma: Regional Policy in Economy and Infrastructure-Lobbying and Advocacy: Nepal's Context | |
| | 11:30-12:30 | Question and Answer session | |
| | 12:30-1:15 | LUNCH | |
| | 1:15- 3:15 | Group Work | |
| | 3:15-3:30 | Tea/Snacks | |
| | 3:30-5:00 | Presentations / Floor Discussions Moderator: Mr. Rajen Sharma (Executive Member, EEC-Nepal) | |

Day 3

| Date | Time | Program Detail | Remarks |
|----------------|-------------|--|--|
| May 26,2009 | 9:00-9:30 | Registration | Participation from 15 IBOs. The IBOs are the target beneficiaries of the program and representatives from NGOs, INGOs and policy makers from the government. |
| | 9:30-10:00 | Welcome | |
| | 10:00-11:00 | Mr. Peter Bishop: Presentation on the outcome of the seminar held on May 24-25th. | |
| | 11:00-12:00 | Mr. Shyam Dahal / Mr. Rajen Sharma: Int'l Documents and Payments; Nepal's context | |
| | 12:30- 1:15 | LUNCH | |
| | | Mr. Dilli Prakash Ghimire / Mr. Rajen Sharma: Regional Policy in Economy and Infrastructure-Lobbying and Advocacy: Nepal's Context | |
| | 1:15-2:15 | Group Work/Presentations | |
| | 2:15-5:00 | Moderator: Mr. Rajen Sharma (Executive Member, EEC-Nepal) | |

Program Background:

Activity 1.1.4) of the ECIBON project "**Seminar on International Documents and Payments' and 'Regional policy in Economy and Infrastructure**" was a three day program scheduled from May 24-26, 2009.

International Documents and Payments: This training-module enabled the Nepalese Chamber to further enforce their role as a qualified institution active in resolving problems related to customs and tariff when entering the EU, answering questions regarding international trade documents and payments. It will also make selected staff members more competent and efficient in issuing international documents, which will be of benefit for the international trade and the development of the companies in the region.

The following components were presented:

-Contracts and international payments with specific direction to EU

Information was given on important definitions regarding international trade such as; inquiry; offer; order; invoice and some of the international standard contracts that are used internationally, for example ECE 181 and Orgalime S 92. Information about different ways of making international payments will also be included, for example letters of credit, irrevocable letter of credit, cash against documents etc.

-International delivery terms / Inco-terms 2000 and delivery terms

The purpose of the INCO-terms 2000 is to provide a set of international rules for the interpretation of the most commonly used delivery terms in foreign trade. Besides the INCO-terms, information will be given about the US delivery terms and suitable transport modes. The seminar will include both theoretical and practical exercises and will be given to the relevant staff.

-Other international documents needed in import and export activities

It is essential to have a thorough understanding of the overall rules and regulations concerning trade, import and export. Seminars for the staff will be arranged that will include discussions and information on these subjects.

-International trade agreements Aside from the set of rules and regulations present in the EU, there is a need for an understanding of other international trade regulations which are vital to success in international business. The Nepalese Chamber must therefore have relevant knowledge in this field. An understanding of the GATT-regulations which changed into WTO (World Trade Organization) after the Uruguay round (1986-1994), as well as other bilateral and multilateral trade agreements (BIMSTEC,SAFTA) is a prerequisite when giving advice and consultation to the business community.

Regional policy in Economy and Infrastructure: To further reinforce the Nepalese Chamber's reputation as the leading organization for the regional business community among public authorities as well as the business community, there is a need to develop and maintain a strong and focused business development policy. This will help promote the Chamber and create a backbone for business/trade priorities as well as strengthen the trade development in the region.

This part of training therefore included the following:

- How to create a structure for efficient lobbying functions at Chambers of Commerce and Trade Associations,
- How to set up an agenda for Nepalese business to improve the conditions for business and industry,
- How to develop an effective long-term lobbying structure in combination with a strategy for solving ad hoc problems,
- How to participate in an efficient dialogue with regional and national governments so as to have a real effect on the decision-making process.

The training will also include practical examples of how a Nepalese Chamber can act as:

- an initiator in various fields of importance to companies in Nepal and,
- venue for open dialogue between companies and public authorities.

Introduction: May 24-25th, 2009

This seminar was implemented by the European Economic Chamber-Nepal as a component of the ECIBON project with expertise from the London Chamber of Commerce and Industry (LCCI) in Kathmandu. After several rounds of discussions with project partners and Nepali Experts in the given area it was decided that the program be designed to bring out issues in need of reforms, highlighting the daily problems associated with International trade document and Payment systems also highlighting areas of concern with Regional Infrastructure along with viable solutions. Thus the Seminar was divided into two phases:

The first phase targeted the (15) fifteen project beneficiaries (IBO's) who participated in the entire three day program. The first day 24th May 2009 began with presentations by Mr. Bishop from the London Chamber of Commerce and Mr. Rajen Sharma, who put together the present context of the International Documents and payments within E.U countries and Nepal, some example's from countries with efficient documentation systems, helped set examples for Nepal, to make trade documentation, time and cost effective. Mr. Rajen Sharma gave a presentation on the 14 Inco terms, explaining the transport procedure of each term. This enabled the participants to identify the liability of buyer and seller. The point of risk transfer, cost transfer, transfers of the title of ownership and physically transfer of goods under each 13 Inco terms. The presentation of Mr. Sharma also showed the trade competitiveness' of Nepal in comparison to other LDCs and identified scope of simplifying the procedures and documentation systems .Practical difficulties and risk on export shipment by Air and Sea mode of transportation was identified and possible solution to the problems was also discussed. The session for the first day came to a conclusion with the delegates raising pertinent issues that would be presented to Policy makers on third day (May 26, 2009) of the program. Similarly on the second day issues in Regional Policy and Infrastructure were presented by Mr. Dhruva Regmi, Joint Secretary, Ministry of "*Physical Planning and Works*" were raised after a presentation from conceptual clarity through a comprehensive presentation by Mr. Durga Prasad Gimire past Director General of Customs. Mr. Regmi's presentation gave clear picture of the recent infrastructure of Nepal and the Nepal Governments future plan. It also included regional issues and collaboration between SAARC region and plans ahead for improving the Nepalese infrastructure .The improvement in infrastructure will only enable the SMEs scattered all over Mountains,Hills and Plan (Terai) areas of Nepal to be competitive. The sessions concluded for Lunch. In the second sessions Questions raised and summarizing compilation of the Group Presentations of the two days by Mr. Peter Bishop and Mr. Rajen Sharma for sharing on May 26, 2009.

The second phase of the program, scheduled on May 26, 2009, was a program designed for Policy makers, (I) NGOs, FNCCI, Nepal Chamber and Various Stakeholder working in the trade and commerce sector of Nepal. Jointly, Mr. Peter Bishop and Mr. Rajen Sharma shared with all the outputs of the first phase, which led to series of discussions mentioned below:

Program Summary: May 26, 2009

The three day seminar on international documents and payments, conducted by Mr. Peter Bishop of London chamber of commerce supported by Mr. Rajen Sharma (Nepali expert), was held at Tourism board, Katmandu, Nepal was conducted on May 26, 2009 . The Fourteen (14) ECIBON project beneficiaries were joined in by Invitees from the Government Sector, NGOs INGOs for a one day discussion session on International trade documents, payment system, regional policies and infrastructure. The aim of this program was to raise awareness on pertinent issues related to International trade simultaneously creating a space for a discussion among stake holders from various fields working in the trade and commerce sector of Nepal.

Mr. Bishop and Mr. Sharma started the program with a brief introduction to European Economic Chamber and ECIBON program, giving an insight into the ECIBON program Activities. Introductions to current program helped kick start the program with a presentation from Mr. Shyam Dahal, Director, Department of Customs, Mr. Rajen Sharma once again made a brief presentation of the day first and identified difference of issues between his and Mr. Dahal's presentation. The actual practical issues and was identified on spot by the participants which created atmosphere of intense discussion followed by helped raise different issues that come along the way in while doing International business. One of the key issues that were discussed during the seminar was the need of a Master document, which would be beneficial for all involved in the particular sector. The concept of Master documentation system and sample of master document prepared by Mr. Rajen Sharma was discussed on the spot and verbally agreed by all participants to discuss this further with other stake holders for implementation. Mr. Rajen Sharma raised this concern as most businesses today have to go through a lot of hassle of documenting more than 14 documents in one export deal + special documents as per importing countries requirement and as per commodity requirement. He argued upon the need of one master document that provided all the information needed for the Central bank of Nepal (Nepal Rastriya Bank), customs and the importing countries customs. This document would help prepare other documents like transport document, GSP, CTD easier as well.

It was also proved that the date of documents and cost published by Doing Business by World Bank and International Monetary Fund was not correct. Nepal's trade competitiveness in comparison to other developing countries was presented in which it was learned that opening of business was easy in Nepal but trading across boarder was very bad. This was due to complicated import and export procedure, excessive documents required by Importing countries and Nepal government authority.

Documents needed to be revised and considered under the UN requirement of Master for exporter, national Master and International master documents. which will enable generate other required documents easily and also help government in clear data and record keeping as well as be of help to international donors for supporting the nation.

Another matter of discussion was the case of the Red Tapism. It has been noted that the same system had been in use for the past 20-25 years. Since this complicated procedure has been in force for a quarter of century and for the benefit of all, the government of Nepal should try to

come up with a better method; one that is simple, easy, and convenient and which saves time and money.

Procedure for export and Import at Kolkata port needs to be simplified with proper negotiation between Nepal and India trade and transit treaty.

Detail presentation was made on the import and export procedures and on the documents required under general documents and special documents as per country specific. This is all in the presentation on Mr. Rajen Sharma.

At the presence of a member from the Nepal Rastriya Bank, an important question was raised by one of the participants who inquired upon the use of e-payments system such as Pay-Pal. This system which is now popular all over the world, still have not come to the limelight in Nepal. Mrs. Shiva Kafle, Head of the trade Section at the Nepal Rastriya, clarified to all that receiving through Pay-pal is not a problem but Payments cannot be made through Pay-pal due to problems with the exchange rates, secondly the Nepal Rastriya Bank does have a system of e-payment as yet.

Another concern raised by Mr. Sharma for discussion was the use of FOB method during trade in Nepal. He argues that FOB which is convenient in other parts of the world, it is not the same in Nepal as Nepal is a land locked country, the FCA or C & F or CIF system is appropriate for Nepal. In addition to it, he also mentions the negligence from financial institutions in supporting international trade.

Discussions were also held on promotion of SME sector which has been given less priority by the government of Nepal. IBO's urged the government (Nepal Rastriya Bank) to give special attention the SME sector which required financial assistance. One of the Suggestions received from Mr. Shanta Krishna Shrestha, FNCSIN Dolakha: To utilize the penalty received yearly by NRB from Commercial Banks by providing loans to SMEs at low interest rates. The need for SMEs to strengthen their voice and involve in lobbying with the government through their Federation and Chamber of Commerce was suggested.

For development of any sector, infrastructure is a key. Nepal being a land-locked country is deprived with the facilities of expedient transportation. A great negative impact on the trade and tourism sector should be an indicator for the Government of Nepal to implement plans for infrastructure development in Nepal. It was facility should be developed in order for easier transportation of goods and services.

A pie-diagram presented in one of the slides reflected data that showed the percentage of vehicles in Nepal. It showed that 66% were two-wheelers and small tractors while just 5% were trucks and tractors. This comes to show that the medium of transportation of goods and services were far less than the required level, to reach the required level the government should provide financial assistance to help facilitate the growth trade from Nepal.

A group work was conducted among the participants who raised some major problems they faced conducting business. Nepal much too dependent on India, on almost every product and sector, we need to find an alternative, which would be to increase ties with China. The major port of Trade for Nepal is Calcutta in India, only small feeder vessels can dock at the port; this means the goods are taken in small vessels to the mother vessel in another port, in Sri Lanka or Singapore, thus increasing the price of transportation of goods. Also, the idea of opening

Visakhapattanam port to reduce price of transportation of goods was raised. The stake holders should act for lobbying. We, the Nepalese involved trade and commerce sector should take initiation to bring about the much need changes and assistance.

Mr. Bishop also gave an idea of efficient development by selecting priority areas; those that need special attention. Development of those areas will in turn result in development of other areas.

International documents and payments, Kathmandu, 24 May 09: Peter Bishop

Introduction

Mr. Bishop began the seminar by observing that since the group had last spoken in depth about international trade (almost exactly a year ago), the world had changed considerably, and, in international trade terms, not for the better.

Basically global trade had dropped dramatically, and he gave some examples of Chinese exports and cited the Baltic Dry Cargo Index.

Why had this happened? **This was because the general overstretching of resources had resulted in a credit crunch which reduced massively companies' ability to borrow. Credit was the lubricant of trade and without it business slowed down or stopped, said Mr. Bishop. Throw in the volatility of oil prices and you can see why there are fewer shipments around.**

It will not however be forever, Mr. Bishop suggested. Globalization meant that there was more inter-connectivity in global business. It had been fuelled by lower tariffs, more open and liberalized economies, the internet and email, and lower airfares. Some protectionism had crept back, inevitably perhaps, but he believed that free trade would recover.

Mr. Bishop said that international trade could not operate successfully without an efficient system of financing and payments in which the banks play a crucial role. Nepalese banks would have an important role to play in trade and investment so he wanted to focus on banks and international trade through a short film he had made in London which has the biggest concentration of banks in any city in the world.

The group would then go back over, the technicalities of international trade and payments, and would cover some case studies of international trade transactions.

London as a trade and investment centre (film)

The film started on the banks of the River Thames from where Mr. Bishop said he was within five minutes walk of over 500 banks or financial institutions, representing the majority of countries in the world.

Why were they there? This was because London started as a trading port, nationally and internationally. Down river was what was known as the Pool of London beyond Tower Bridge, an incredibly busy working port (once the largest port in the world) where cargo from all over the world was delivered to appropriately named wharves – Sugar Quay, the Ivory House, Canary Wharf (goods coming in from the Canary Islands), East India Dock and West India Dock, for example. These shipments had to be financed, hence the banks.

The port had now moved east and is some miles out of London but its trade legacy lived on.

The banks followed the insurance industry too and the film location moved to the Lloyds building inside which brokers are insuring risks, many of them relating to shipping and international trade. Round the corner was the Baltic Exchange, the home of shipping and ship and ship brokers, and close by was Lloyds Register of Shipping which registered and recorded ships and their movements.

Many of the banks would be acting as advising and confirming banks in letters of credit, one of the main payment methods in international trade and currently being more used than usual because buyers need a secure method of payment in uncertain times.

International trade and payments

Payments

Mr. Bishop mentioned the range of methods of payment in international trade as follows:

The premise: exporters and importers must agree on an appropriate method of payment, and both must deal through banks.

There are degrees of security for both the importer and exporter. The most risky term from the importer's perspective, is the least risky from the exporter's perspective. Some exporters will receive full **payment in advance**. This may be because the value is too small for any other method, or because the customer or the customer's country is considered too bad a risk for any other term. Also it is common for large contracts to be paid for in stages, with an irrevocable advance payment on signing and the rest at agreed stages or dates.

At the other end of the scale it is also common for **open account** terms to be used similar to those with home customers. In the EU it is almost the accepted norm where there is an established relationship. The EU is one market and 30 days from date of invoice, nett monthly account etc are common terms for intra community trade.

However there are many cases where neither payment in advance nor open account will be appropriate and we need to involve a trusted third party to assist.

The **Documentary Collection** method involves a bill of exchange of which there are two types – clean and documentary.

With a **clean bill of exchange** there is trust between the parties. The exporter sends the documents direct to the importer, draws a clean bill of exchange for the importer to sign (or accept) and sends it to his bank to collect the payment. With a **documentary bill of exchange** the documents accompany the bill of exchange and are passed to the importer only after the bill of exchange has been paid or accepted. The documents to be supplied are agreed in advance, as with a letter of credit.

The documentary collections may be *Documents against Payment* (D/P) and *Cash against Documents* (CAD). The bill of exchange would be worded 'at sight' or 'on demand' and the importer would pay in order to collect the documents. Cash against documents (CAD) is the same as D/P, except that there is no bill of exchange, just the cash settlement for the

documents. In some countries D/P is required, rather than CAD, because the local government collects a stamp duty on the bill of exchange.

Documents Against Acceptance (D/A) is similar to D/P, except that there is a usance (credit) period attached to the bill, e.g. 30 or 60 days.

The exporter has some security against non-acceptance or non-payment of a bill of exchange. First, the exporter should check with the importer the reason for non-acceptance or non-payment. It may not be the importer's fault. If the reasons given by the importer are not satisfactory, then the exporter may 'protest' the non-payment in the importer's country. The details are published locally and this will harm the credit-rating and financial reputation of the importer. This is a strong deterrent against non-payment. But 'protest' is not possible in all countries. The exporter should check whether or not he would be able to protest in the importer's country

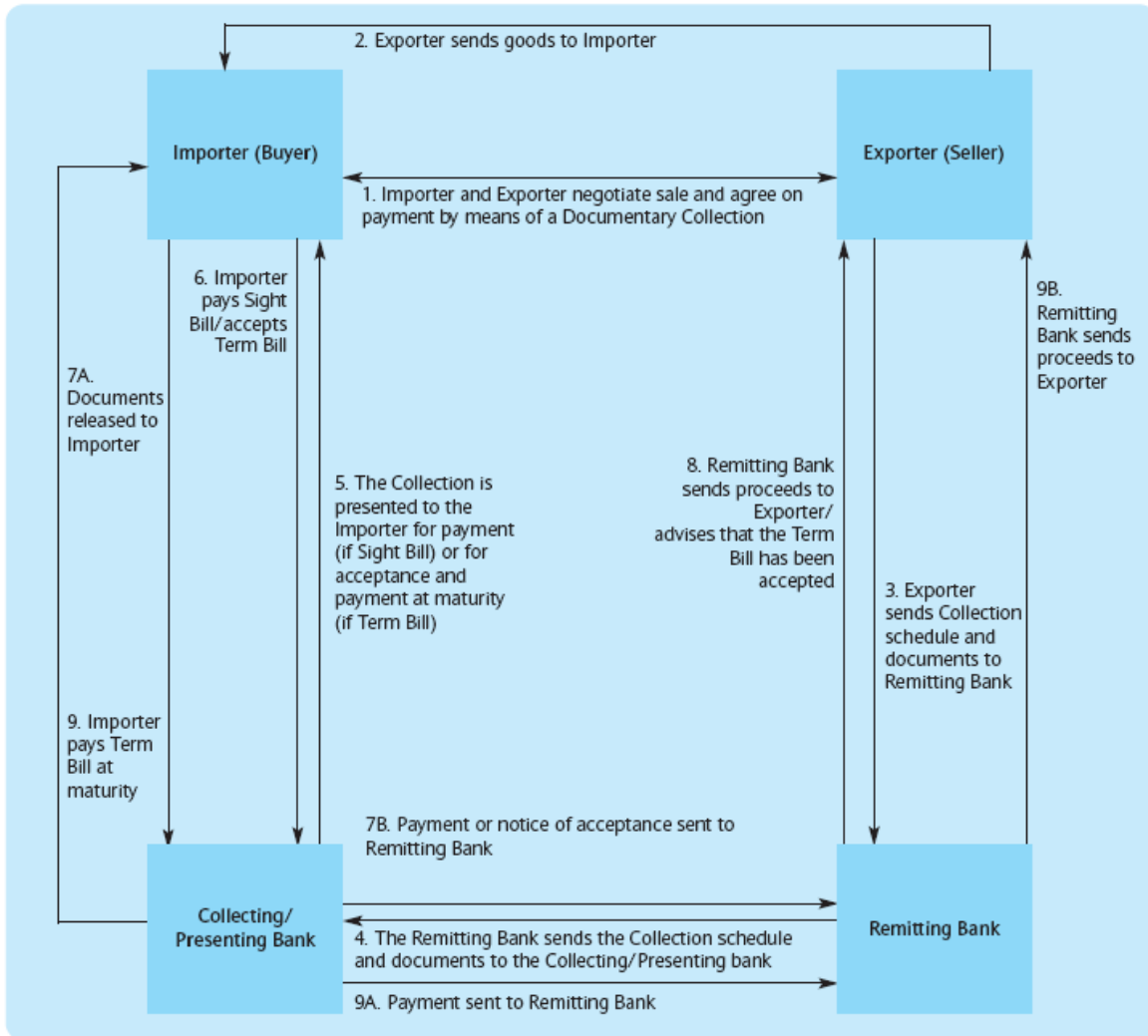
Where Documentary Collection terms are being used it is important for exporters to have a ROT (Retention of Title) clause in their Standard Terms & Conditions.

The guidelines for Banks and their customers covering the operation of Documentary Collections are given in "Uniform Rules for Collections, ICC publication 522" (URC522).

In the UK Bills of Exchange are covered by the Bill of Exchange Act 1892. A Bill of Exchange is defined as:

"An unconditional order in writing, addressed by one person to another, Signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to or to the order of a specified person or to bearer."

How a collection works



A **Letter of Credit**, or **Documentary Credit** is essentially a contract between a Bank and a business (in most cases an exporter) where the business provides specified documents to the bank, with specified words on them, at a specified place, by a specified date, and the Bank in turn pays the business a sum of money either immediately (at sight) or at a later date. Sometimes Drafts are used within the operation of Letters of Credit as well.

It can be seen therefore that the credit risk of the customer is taken away from the supplier and taken by the Bank.

Letters of Credit are covered by "Uniform Custom & Practice for Documentary Credits, International Chamber of Commerce publication 600, July 2007 edition 2, commonly known as "UCP600". Further interpretation is given by International Standard Banking Practice 2007 revision (ISBP).

The two main credits used in business are Irrevocable and Confirmed Irrevocable. The main difference between them is that the irrevocable credit carries some risks and payment may take a little longer, whilst the Confirmed credit is almost risk free and payment is made very quickly.

IRREVOCABLE LETTER OF CREDIT

Under an irrevocable credit what usually happens is that the "issuing bank" will address a letter to the exporter (Beneficiary) but send it via a bank in the beneficiary's country (Advising Bank). This bank forwards it to the beneficiary confirming the authenticity of the credit. When the exporter has shipped the goods the documents will be presented to the Advising Bank who will check them against the terms of the credit. If they are correct the bank may, if so authorised by the issuing bank, pay the exporter and forward the documents to the issuing bank for reimbursement. If they are not authorized to pay, they will simply check the documents and forward them to the issuing bank for payment.

The three main risks to the supplier under an Irrevocable Credit are

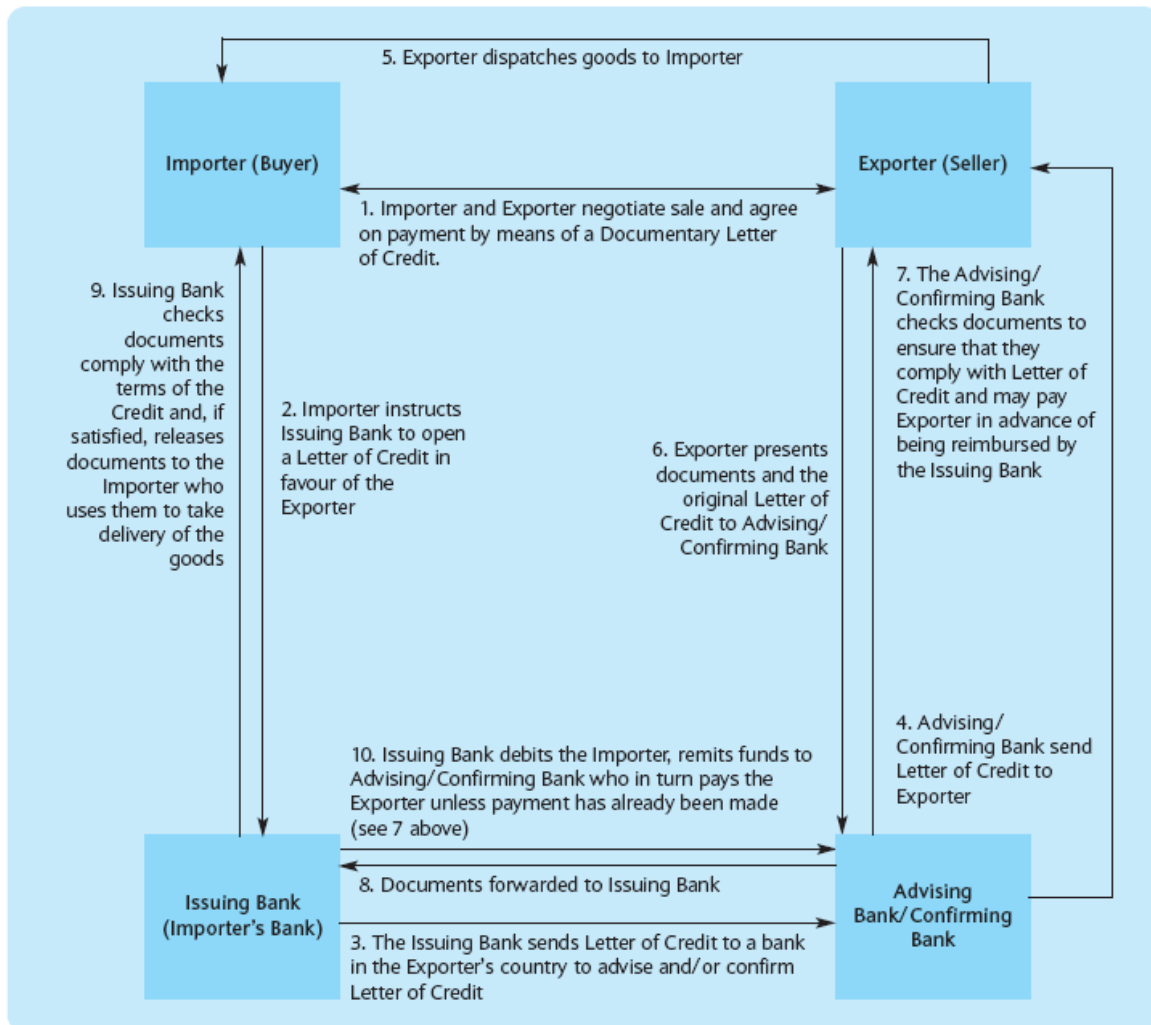
1. that they fail to fulfill their part of the contract by not fulfilling all the terms precisely (the doctrine of "strict compliance")
2. that the issuing bank goes bankrupt.
3. that a situation develops preventing money being transferred from the buyer's country to the seller's country.

To avoid some of these risks, a credit may be "confirmed" by the advising bank usually in the seller's country.

CONFIRMED IRREVOCABLE LETTER OF CREDIT

A confirmed credit is an irrevocable letter of credit where another bank (usually the advising bank) "adds its confirmation"; in other words it gives a definite undertaking to pay against a complying presentation. This means that the risks 2 and 3 above are removed. The avoidance of the other risk lies entirely within the hands of the Exporter! Another major benefit is that payment is received very much more quickly; usually within 3 – 5 banking days from presentation of documents. The down side is that a Confirmed credit costs a lot more than a straightforward irrevocable one. Check with your bankers for prices.

Below is a flow chart courtesy of Barclays Bank showing the operation of Letters of Credit.



INCOTERMS

Incoterms are the internationally accepted terms of delivery. They are published by the International Chamber of Commerce in Paris and revised regularly. The current version is Incoterms 2000 and the revision process is already under way for the next edition in 2010.

They define what is agreed between buyer and seller with respect to

- Where Delivery takes place
- Carriage of Goods between the parties
- Export Clearance
- Import Clearance
- Division of Costs
- Passing of Risk

They are part of the terms of the contract of sale - **NOT** the contract itself. They should be

- PART of a Contract
- PART of Standard Conditions of Sale
- PART of a Quote
- PART of a Proforma
- PART of an Invoice

There are 13 in all, ranging from Ex Works (EXW) to Delivered Duty Paid. The definitions of each are shown under 10 separate headings. Sellers' obligations and Buyers' obligations are shown on facing pages so it is easy to relate one with the other. They are as follows:

| Sellers' Obligations | | Buyers' Obligations | |
|-----------------------------|---|----------------------------|---|
| A1 | Provision of goods in Conformity with the contract | B1 | Payment of the price |
| A2 | Licenses, authorizations And formalities | B2 | Licenses, authorizations and formalities |
| A3 | Contracts of Carriage and Insurance | B3 | Contracts of Carriage and insurance |
| A4 | Delivery | B4 | Taking delivery |
| A5 | Transfer of risk | B5 | Transfer of risk |
| A6 | Division of costs | B6 | Division of costs |
| A7 | Notice to the Buyer | B7 | Notice to the seller |
| A8 | Proof of delivery, | B8 | Proof of delivery, |
| | Transport document or Equivalent electronic message | | Transport document or Equivalent electronic message |
| A9 | Checking – packing - Marking | B9 | Inspection of goods |
| A10 | Other obligations | B10 | Other obligations |

SUMMARY OF TERMS

1. These state that the seller must supply goods in conformity with the contract and that the buyer must pay the contract price.
2. These define who is responsible for obtaining and paying for any licenses relating to the goods, and who is responsible for carrying out any customs formalities.
3. These define responsibilities relating to contracts of carriage and insurance.
4. These define where the seller must deliver the goods, and that the buyer must take delivery. They define where delivery takes place.
5. These define where the risk passes from the seller to the buyer.

6. These cover the various costs relating to the particular term and show clearly who bears which cost.
7. These show clearly the responsibilities of each concerning notice which must be given by one party to the other.
8. These show clearly what documents or other proof which must be supplied by the seller and impose on the buyer the duty to accept such proof if in conformity with the contract.
9. Here the duties of the seller regarding responsibilities for and payment for any packing and checking and the proof of such obligations being fulfilled are defined.
10. Any other obligations not covered above are shown here.

The Thirteen Incoterms

EXW EX WORKS (named place)

FCA FREE CARRIER (named place)

FAS FREE ALONGSIDE SHIP (named port of shipment)

FOB FREE ON BOARD (named port of shipment)

CFR COST AND FREIGHT (named port of destination)

CIF COST, INSURANCE AND FREIGHT (named port of destination)

CPT CARRIAGE PAID TO (named place of destination)

CIP CARRIAGE AND INSURANCE PAID TO (named place of destination)

DAF DELIVERED AT FRONTIER (named place)

DES DELIVERED EX SHIP (named port of destination)

DEQ DELIVERED EX QUAY (named port of destination)

DDU DELIVERED DUTY UNPAID (named place of destination)

DDP DELIVERED DUTY PAID (named place of destination)

NOTES

Arguably the most important term of them all is A4. This clearly defines where delivery is made. It is linked to A5, transfer of risk, and A3 Contracts of carriage and insurance. A8 is also important here as it shows the evidence required to prove A4 and A3.

One of the most common misconceptions is that delivery takes place at the point named in the term; for example under the "C" terms, which usually show a location in the buyer's country, it is assumed that the named place is the place of delivery. This is not so. Delivery takes place at the "F" point. Clause 3, Contracts of carriage and insurance then comes into play. In other words once the seller has delivered in accordance with A4 and has fulfilled any obligations under A3 and A8, he has fulfilled his part of the contract and is entitled to be paid.

A copy of the latest version of Incoterms is an essential part of any international trade department library and the basic principles should be learned and understood by all involved especially anyone involved in costing, quoting and selling.

www.iccwbo.org

4.0 Case studies of international trade transactions

To illustrate some more complex international trade transactions involving letters of credit Mr Bishop went through two case studies. The first related to the pre-financing of coffee shipments, the second to a **counter trade** deal. Mr Bishop took the group through the transactions step-by-step in enough detail to get the feel of international trade deals.

Key issues (Highlights of the workshop)

In the group work that followed the delegates were split into two groups and asked to identify some key international trade and payment issues which could be discussed with government officials with the objective of removing barriers to Nepalese exports and making Nepal an easier country with which to engage in international business. Five main issues were identified by the groups.

1. Export documentation was considered to be a key area. Currently there were a number of documents required by Nepalese Customs which were superfluous to requirements e.g. income tax, sales tax and company tax registration documents. These over-burdened the exporter and had a negative impact on competitiveness. Such details, if necessary, could easily be included in other documents, it was felt. Moreover there should be a move to an aligned system of documentation, with a master model, an on-line issue and processing should be speeded up. Singapore was given as an example of successful exporting country which uses such a system.
2. Nepalese Customs, it was agreed, had a key role to play in export and import processing and control and it was felt that they should be open for longer hours – some suggested 24/7 – to meet the actual requirements of exporters, importers and freight forwarders.
3. It was pointed out that the Multimodal Act, necessary to reflect actuality of most shipments to and from Nepal, had been passed but not yet introduced, and it was urged that this should happen soon.
4. It was believed that the ATA Carnet for temporary imports and exports of goods for trade fairs, samples and professional equipment would be of benefit to Nepalese business people and the country as a whole. The government was therefore urged to investigate the Carnet and the governing international convention which provides the framework for the trade facilitation scheme in 66 countries worldwide including Nepal's neighbours China and India.
5. The payment system relating to import and export transactions should be simplified so it becomes less burdensome to users.

These issues were subsequently raised with the various government official (including Customs officers) at a later session. The input was welcomed, and assessments and responses were

promised. In the case of the ATA Carnet a customs official is now in correspondence with Mr. Bishop and the ATA Carnet secretariat in Paris.

Peter Bishop 18 June 2009

Regional policy in infrastructure – lobbying and advocacy

Report submitted by: Peter Bishop

Kathmandu, Monday 25 May – Tuesday 26 2009

Summary

Mr. Bishop opened with a look back at how regional policy and trade were intrinsically linked, with trade groups being formed as countries explored the world to locate sources of goods not available locally. He spoke of the General Agreement on Tariffs and Trade – GATT (later to become the World Trade Organization) as a global response to the desire to facilitate and regulate world trade, and the various rounds of negotiations to achieve lower tariff and non-tariff barriers and other obstacles to the movement of goods, services, people and capital, ending with the current Doha Round.

Mr Bishop spoke of the formation of regional groups using the EEC (later the EC and then the European Union) as an example and mentioned the Asian groups in which Nepal participated e.g. ASEAN, SAARC, BIMSTEC and SAPTA. Moving down a level he spoke of regional groups within countries and the practice of assigning less developed regions as 'assisted areas' which received special government assistance.

At the end of the sessions the participants were split into two groups to propose issues which related to infrastructure and regional policy. Five issues were particularly raised.

1. India and China were seen as key trade partners of Nepal. To cement those relationships and provide (possibly) easier rail freight transport to Europe via Russia, a feasibility study should be commissioned for a railroad, possibly running adjacent to the roadway, from the Indian border in the south of Nepal to the Chinese border in the north, with a connection to the trans Siberian railway, and from there to Europe. It was possible that such a study could be co-financed between the Governments of Nepal, China and India, with perhaps a contribution from the Nepalese private sector.

2. Rail transport, indeed, was seen as being of such potential future importance that a separate department or 'Ministry for Railways' should be formed to focus exclusively on developments in this form of transport which could be efficient, effective and environmentally friendly.

3. It was felt that AH – 42 (the Asian highway project) should be prioritized and implemented as soon as possible, though it was agreed that it was a long term project.

4. It appeared to be the case that 'load sharing' of power supply was imposed similarly on private residences and businesses which were not in industrial estates or specially demarcated areas. This, it was believed, had a detrimental affect on business which needed longer and more consistence access to power in order to carry out their activities. It was of course

unrealistic (and probably impossible) for all businesses to move into industrial parks, so a way should be found to differentiate their access to power in line with the industrial parks.

5. Small and medium sized enterprises in rural area were not represented by any umbrella organization (like an intermediary business organization) and suffered from a lack of government awareness of their problems, and subsequent support, as a result. This should be rectified, perhaps in the context of a regional assistance program.

Details of seminar

Delegates: representatives of 15 Intermediary Business Organizations (IBOs) in Nepal (Day 1); these and 15 officials from Nepalese government and NGOs (Day 2)

Objectives of first day:

- To review how IBOs - together and individually - currently act on behalf of their members and businesses to improve the business and economic infrastructure: how does it work, what are the main issues, what is success rate in changing things.
- To agree what IBOs need from government to achieve mutual business objectives.
- To prepare for next day's meeting with delegates from government, NGOs, INGOs, and FNCCI to establish a route to achieve a framework in which all can work together.

Monday 25 May

Session 1 – interactive discussion

Individual operations of IBOs

- Examples include meetings of members to discuss issues e.g. local transport and utility arrangements.
- IBO staff who look after policy, lobbying and advocacy, role of CEO and President/ executives and non-executives, involvement and polling of members and businesses.
- Relations with local government officials.

IBOs working together on regional or national issues

- Under the coordination of FNCCI and others?
- Have they got 'policy' unit which works on national policies?
- National issues could include export facilitation, transport links (national and international).

Success stories in current set up? Failures?

What are the obstacles and how could things be improved?

What would be the ideal set up be – locally and nationally?

To help us assess and answer these questions, let's look at the set up in another IBOs or CCIs outside Nepal i.e. LCCI

Session 2 – presentation on LCCI lobbying and advocacy operation

- Objectives of a Chamber policy unit
- The resource, staff skills, role of executives and non-executives
- Process for agreeing causes to champion, involvement of members
- Dealing with the decision makers e.g. government
- Dealing with other influencers e.g. the media
- Working with national policy makers and other partners

In her excellent manual on organizing and Managing Chambers of Commerce and Industry (Singapore, March 2000) Judy Tan Lan Eng has an interesting section on Advocacy which Mr. Bishop thought would be useful to summarize:

Members generally look to Chambers to provide leadership to advocate for a conducive business environment. The Chamber's role in this respect could be:

- Pro-active in advocating for government measures that will enhance members' competitiveness on the domestic and international front.
- Re-active in providing feed back to government on the impact of government policies/legislation affecting business operations.

Ms Tan Lan Eng suggests that the Chamber research division should be geared to prepare presentations to request government to introduce policies and legislation that will enhance members' competitiveness. In the course of their ongoing monitoring of prevailing economic conditions, the research staff may anticipate potential problem areas such as shortage of labor in an industry sector, adverse impact on trade due to inhibitive non-tariff barriers introduced by a major market, or recessionary trends affecting companies' profitability. The research department could collect pertinent data from members, through surveys and/or discussions and focus groups, and prepare position papers for the Chamber's Board of Directors or relevant Industry Committees to present to the government. Examples of issues that could be raised include discussions on:

- The government's employment policy
- Bilateral trade arrangements
- Government taxes and levies or developing export finance and assistance schemes

Smaller Chambers that do not have in-house research capacity should sub-contract research work as solid data are a pre-requisite for effective advocacy.

When the government intends to introduce new legislation affecting business operations, Chambers can provide the means for the government to obtain feed back on the potential impact of their policy changes.

The Chambers are in a good position to get together, leading business people and industrialists to deliberate policy issues with the government with a view to developing legislation that would create a favorable business climate. In this respect, tripartite councils comprising representatives from government, labor unions and employers have been found to be effective in developing wage guidelines in Singapore.

In other countries (e.g. Thailand and the Philippines) government bodies and Chambers, both at national and regional levels, meet regularly in development committees or councils to discuss

economic issues. Such an institutionalized public-private partnership dialogue helps to ensure favorable economic growth conditions.

Chambers can also assist statutory boards and public bodies to identify suitable individuals to serve on their boards and committees – indeed to achieve such a participating role is also an issue for, or objective of, advocacy itself.

In nominating members for board or committee positions in the public sector, the Chambers fulfill the dual role of:

- Helping the authorities ensure that they have private sector inputs in their deliberations.
- Ensuring members have a say in shaping policies or setting standards that will have an impact on their businesses. In addition, members may regard such public appointments as enhancing their standing in the community.

Examples of such placements are:

- Appointment of businesspeople on the boards of Trade and Economic Development Boards
- Appointment of Chamber representatives on product standards committees.

Filmed interview with Dr Helen Hill, director of policy and public affairs at LCCI.

In the film Dr Hill described her role, background and typical day, her team and the skills they needed. She described her lobbying and campaigning objectives, and talked through the types of actions she led, engaging with government, the media and business to help improve the business infrastructure.

Session 3 – planning an agenda for Nepalese business to improve conditions for business and industry

- Identify key topics on which to lobby
- Discuss how to gauge national and local views
- What system needs to be in place to polish and present those view
- What relationships need to be developed in government and the media
- What about the role of NGOs?
- How to engage the participants in the next day’s session i.e. government, NGOs etc and decide what all want to achieve from that session.

Tuesday 26 May

Objectives of second day

- To find and agree common objectives relating to business needs in Nepal of government officials and the private sector (CCIs, NGOs and IBOs)
- To understand each other’s general objectives in working towards a better business environment
- To agree a course of action on working together in the future

Session 4 – IBO delegates are joined by government and NGO officials

- Summary of what was discussed and agreed in Sessions 1 – 4
- Discussion to agree which objectives for Nepal relating to business and the economy public and private sector have in common
- How do they all think public and private sectors work together now, is it successful, how could it be improved?
- Pick one or two objectives and decide how they could be achieved with public and private sectors working together
- Agree methodology of working together in the future
- Next steps....and next meeting of groups?

Peter Bishop 18 June 2009

Conclusion:

The three day seminar brought massive awareness among participants, on issues related to International Documents and Payments and Regional Policy and infrastructure. The 14 IBOs stated the importance of the seminar, by receiving a chance to share the shortcoming with policy makers. This seminar also acted as a medium of communication among the participants from various fields. Delegates from the Government sector were keen to know about the difficulties faced by business men, and were positive to bring the necessary changes required. The participants were all satisfied by the burning issues that came up during the seminar and requested EEC to send the findings as soon as possible to enable them discuss within the concern department within the government office for amendment in near future. The IBO's were pleased to receive an opportunity for interaction with Government officials and donors agencies **on the same.....**

List of Participants

Registration Form

Activity: 1.1.4

Date: May 24, 2009

Venue: Nepal Tourism Board

| S.N | NAME | ORGANIZATION | DEGIGNATION | CONTACT NUMBER |
|------------|-------------------------|--------------------------------------|------------------------|-----------------------|
| 1 | Bishow Ram Duwal | BASME | President | 9851017100 |
| 2 | Tika Ram Sharma | RIA Butwal | Office Secretary | 9847036232 |
| 3 | Binayak Shah | EEC-Nepal | Secretary General | 4440336 |
| 4 | Bekha Man Dangol | FSME | Treasurer | 9851045272 |
| 5 | Govinda Ballab Badu | Darchula CCI | Vice President | 9749503318 |
| 6 | B.K. Maharjan | FSME Nepal | General Secretary | 9841873442 |
| 7 | Shiva Raj Dhital | Nepal Freight Forwarding Association | Administrative Officer | 9841237438 |
| 8 | Shanta Krishna Shrestha | Dhokha FSME | President | 9741075200 |
| 9 | Shanta Bickram Baneya | FNCSIN-Dhading | President | 9741189055 |
| 10 | Arun Chhetri | FAN | General Secretary | 9851045269 |
| 11 | Juni Bajra Bajracharya | LHA | General Secretary | 98511079809 |
| 12 | Nagendra Bastakoti | NCPA-Kathmandu | Pro. Coordinator | 9841866214 |
| 13 | Tanka Prasad Dulal | CCI Itahari | President | 9852046156 |
| 14 | Mohan Bahadur Katwal | FNCSIN Makawanpur | President | 9841384061 |
| 15 | Jyoti Thapa | FNCSIN Kathmandu | Accountancy | 4783483 |
| 16 | Sulochana Rajbhandari | FNCSIN Kathmandu | Adm. Officer | 4783483 |
| 17 | Pradeep Gupta | Nepalgunj CCI | Vice President | 9858020377 |
| 18 | Hira B. K.C. | Baglunj CCI | Exe. Member | 9741043122 |
| 19 | Rajan Sharma | Quality Freight | CEO | 9851020211 |
| 20 | Pradip Maharjan | EEC-Nepal | Staff | 4440336 |
| 21 | Sagar Nepal | ECIBON | Adm. & Finance | 9851041314 |
| 22 | Kamini Chand | ECIBON | Project Officer | 4440336 |
| 23 | Pravakar B. Rana | ECIBON | Project Manager | 4440336 |
| 24 | Shyam Krishna Timilsina | ECIBON | Office Assistant | 9841534824 |

Registration Form

Activity: 1.1.4

Date: May 25, 2009

Venue: Nepal Tourism Board

| S.N | NAME | ORGANIZATION | DEGIGNATION | CONTACT NUMBER |
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| 1 | Nagendra Bastakoti | NCPA-Kathmandu | Pro. Coordinator | 9841866214 |
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| 3 | Arun Chhetri | FAN | General Secretary | 9851045269 |
| 4 | Tika Ram Sharma | RIA Butwal | Office Secretary | 9847036232 |
| 5 | Rajendra Raj Bajracharya | LHA | Treasurer | |
| 6 | Hira B. K.C. | Baglunj CCI | Exec. Member | 9741043122 |
| 7 | Pravakar B. Rana | ECIBON | Project Manager | 4440336 |
| 8 | Tanka Prasad Dulal | CCI Itahari | President | 9852046156 |
| 9 | Sagar Nepal | ECIBON | Adm. & Finance | 9851041314 |
| 10 | Govinda Ballab Badu | Darchula CCI | Vice President | 9749503318 |
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| 12 | Bishow Ram Duwal | BASME | President | 9851017100 |
| 13 | Mohan Bahadur Katwal | FSME-Makawanpur | President | 9841384061 |
| 14 | Shanta Bickram Baneya | FNCSIN-Dhading | President | 9741189055 |
| 15 | Shanta Krishna Shrestha | Dholkha FSME | President | 9741075200 |
| 16 | Jyoti Thapa | FNCSIN Kathmandu | Accountancy | 4783483 |
| 17 | Pradeep Gupta | Nepalgunj CCI | Vice President | 9858020377 |
| 18 | Amun Thapa | Women for Human Right | Program Officer | 4431420 |
| 19 | Dhruba Raj Regmi | Ministry of Physical Planning work | Joint Secretary | |
| 20 | Shyam Krishna Timilsina | ECIBON | Office Assistant | 9841534824 |

Registration Form

Activity: 1.1.4

Date: May 26, 2009

Venue: Nepal Tourism Board

| S.N | NAME | ORGANIZATION | DEGIGNATION | CONTACT NUMBER |
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| 4 | Tika Ram Sharma | RIA Butwal | Office Secretary | 9847036232 |
| 5 | Rajendra Raj Bajracharya | LHA | Treasurer | |
| 6 | Hira B. K.C. | Baglunj CCI | Exec. Member | 9741043122 |
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| 8 | Tanka Prasad Dulal | CCI Itahari | President | 9852046156 |
| 9 | Sagar Nepal | ECIBON | Adm. & Finance | 9851041314 |
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| 11 | Jyoti Thapa | FSME Kathmandu | Accountancy | 4783483 |
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| 13 | Mohan Bahadur Katwal | FNCSIN Makawanpur | President | 9841384061 |
| 14 | Shanta Bickram Baneya | FNCSIN-Dhading | President | 9741189055 |
| 15 | Shanta Krishna Shrestha | FNCSIN Dholkha | President | 9741075200 |
| 16 | B.K. Maharjan | FNCSIN Nepal | General Secretary | 9841873442 |
| 17 | Bekha Man Dangol | FNCSIN | Treasurer | 9851045272 |
| 18 | Sulochana Rajbhandari | FNCSIN Kathmandu | Adm. Officer | 4783483 |
| 19 | Shiva D Kafle | Nepal Rastra Bank | Director | 9841295472 |
| 20 | Lava Raj shrestha | Dept. of Customs (DOC) | DDG | 9841290337 |
| 21 | Dileep Kumar Adhikari | FNCSIN | Coordinator | 9851049140 |
| 22 | Budhhi BDR K.C. | Radio Nepal | Deputy Director | 98412026476 |
| 23 | Bisnu Prasad Adhikari | FNCCI | Officer | 9841492388 |
| 24 | Suman Karki | Planet Finance | Joint Program Officer | 9841509985 |
| 25 | Amrita Adhikari | GTZ Sequa | Program Officer | 984158869 |
| 26 | Himadri Palikhe | GTZ | Ass Pro Assistance | 9841408118 |
| 27 | Amun Thapa | Women for Human Right | Program Officer | 4431420 |
| 28 | Dili Prakash Ghimire | CPPD | Member | 9851045272 |
| 29 | Rajan Sharma | Quality Freight | CEO | 9841020211 |
| 30 | Dikar Dev Bhatta | DOC | Director | 9841439620 |
| 31 | Achyut P. Shivakoti | DOC | Customs Officer | 9841207315 |
| 32 | Badri B. Karki | TEPC | Director | 9841296513 |
| 33 | Prabin D. Joshi | PD Joshi & Co. | Proprietor | 9851023314 |
| 35 | Shalikaram Ghimire | NTV | Reporter | 9803242146 |
| 36 | Anup Ghimire | NTV | Camera Man | 9841241518 |
| 37 | Kapil Gautam | SAWTEE | Program Officer | 9841015385 |
| 38 | Shyam Dhahal | DOC | Director | 9841313251 |
| 39 | Sarad B Rana | NITDB | Executive Director | 9851022487 |
| 40 | Mahesh Acharya | Ministry of Commerce | Joint Secretary | 9841710785 |
| 41 | Pravakar B. Rana | ECIBON | Project Manager | 4440336 |
| 42 | Shyam Krishna Timilsina | ECIBON | Office Assistant | 9841534824 |

Annexes (CD ROM)

Program Schedule-Mr. Peter Bishop Annex A

Registration Sheets- Annex B

Presentation- Mr. Peter Bishop's - Annex C

Film on International trade in London (a) - Annex D

Film on International trade in London (b)-Annex E

Presentation- Mr. Rajan Sharma on International trade documents with focus on Nepal-Annex F

Presentation-Mr. Dhruva Regmi, Joint Secretary, Ministry of Physical Planning and works-Annex G

Presentation-Mr. Shyam Dahal, Director, Department of Customs-Annex H