



UNITED NATIONS  
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS  
STATISTICS DIVISION

**International workshop on country practices in compilation of international  
merchandise trade statistics, Bangkok, Thailand, 12 – 15 December 2006**

## **Country Paper**

PRESENTED BY DAMODAR GNAWALI  
CENTRAL BUREAU OF STATISTICS, NEPAL

## NEPAL

### **INTERNATIONAL WORKSHOP ON COUNTRY PRACTICES IN COMPILATION OF INTERNATIONAL MERCHANDISE TRADE STATISTICS (IMTS), 12-15 DECEMBER 2006**

Honorable Chairperson, Distinguished Delegates and Colleagues, Ladies and Gentlemen,

It is a matter of privilege for me to be here amongst you all in the **International Workshop on Country Practices in Compilation of International Merchandise Trade Statistics**. I would like to thank the United Nations Statistics Division (UNSD) for providing me this golden opportunity to take part in the workshop. I would also like to take this opportunity to thank the organizers for choosing its venue at ESCAP, Bangkok and their warm hospitality in this historic and beautiful city of Bangkok.

We know that, countries of this region are at different stages of statistical development. I hope this workshop will definitely be the milestone in sharing experiences on country practices of IMTS among this region.

Honorable Chair, before entering into the main presentation, let me briefly mention the present status of statistical system and its issues in Nepal.

#### **Statistical System of Nepal**

The Central Bureau of Statistics (CBS) is the major statistical agency under the National Planning Commission of Government of Nepal. It was established in 1959 by virtue of Statistics, Act 1958 as the sole agency for the collection, consolidation, publication and analysis of statistics. The Act mandates CBS and no other agency of the government, person or organization to collect data for professional purposes. Apart from this, the Statistics Act also ensures that any person or organization if requires to collect data they need to take permission and authenticate their results from CBS before publication.

The CBS basically generates data from primary and secondary sources. Most of the data are produced by periodic censuses and surveys as per government programs. Decennial Population Census, agricultural census, manufacturing establishment census and survey, and household surveys are among the principal activities of the bureau. In addition, CBS has also been compiling national account estimates and other indices of national importance.

Beside CBS, Nepal Rastra Bank (NRB), the central bank of Nepal, Department of Customs (DOC), Trade promotion Centre (TPC), Ministry of Health and Population and many other ministries and their departments are also producing different data for their own purposes. Thus the statistical system of Nepal is practicing de-facto decentralized system.

## **Issues in the System**

As stipulated in the Statistical Act 1958, the statistical system of Nepal has not been functioning well. Any person or agency has not been approaching CBS to take permission for statistical matters. They are collecting and publishing data according to their needs and even government agencies are not following the act properly. This has created the production of conflicting statistics, made redundant responsibilities even among the government agencies and resulted dilemma to the data users.

In Nepal, three separate organizations namely Nepal Rastra Bank (NRB), the central bank of Nepal, Department of Customs (DOC) and Trade Promotion. Centre (TPC) are compiling foreign trade statistics using customs documents produced by DOC. These organizations have been compiling foreign trade statistics as per their own requirement and with out any proper co-ordination mechanism. The DOC and TPC adopt the same coding classification, the harmonized system while that of the NRB uses the SITC Revision 2. So the results obtained by these agencies are not comparable. This is also making the problem of production of conflicting statistics and redundant responsibilities in foreign trade statistics too.

## **Policy Initiatives**

In the process of globalization and changing context in the social, economical and environmental arena, the production and compilation of multidimensional statistics in diversified fields could not be borne merely by CBS as stipulated in the Statistical Act.

In this context, Government of Nepal established National Statistical Council (NSC) to coordinate and guide statistical activities in the country in 1988. At that time, it was expected that NSC could guide the national statistical system and ensure the availability of relevant, reliable and high quality data for planning and policy guidelines. The government entrusted NSC to bring co-ordination among agencies in the tasks of collection, processing, analysis and publication of social and economic data. The NSC has already been reconstituted thrice since its inception and upgraded its status. After 1995, it has been headed by the vice-chairperson of National Planning Commission comprising high level government officials and experts. It has been almost inactive for the last four years. As the director general of CBS (the member-secretary of NSC), has lower status as compared to other members of NSC, it has been one of the practical problems that made difficulty to bring coordination system effective among different agencies.

The CBS also realized the fact that unless having a comprehensive statistical plan with the provision of system of designated statistics, the statistical system of Nepal can not go ahead effectively. To address this problem, CBS with the support of the Asian Development Bank (ADB) prepared a Consolidated National Statistics Plan (CNSP) in 2000. The CNSP aims to introduce the system of designated statistics that ensures the availability of relevant, reliable and high quality data for planning and policy perspectives avoiding the duplication and production of conflicting statistics. Further, this plan has proposed the government to upgrade the status of CBS as a nodal statistical agency in the tasks of surveys and censuses

and compilation of national accounts, and other government ministries and departments to perform statistical activities as designated to them.

The CNSP has already been submitted to the Government and the government also committed to implement it with rational basis. However, it has not been implemented by the government yet. The problem of producing conflicting statistics and redundant responsibilities even among the government agencies is still persisting.

Regarding the practices in the compilation of foreign trade statistics in Nepal, the NRB, DOC and TPC have been performing their tasks as per their requirements with out any proper co-ordination mechanism. It has been making the duplication of works and production of conflicting statistics. The use of different classification system by these agencies has made difficulty in using and comparing their results. It has also created the dilemma to data users. The time lag in releasing results by these agencies is also not uniform. In order to avoid these problems, CNSP recommended the designation of these tasks to CBS. However, the designation work is still not done.

The CBS has recently constituted a separate wing to perform trade statistics. Distributed Trade Survey is going to be carried out very soon. The tasks of the construction of Import and Export Indices are also going to be performed by CBS.

The CNSP could not be implemented due to the conflicts and political instability. As the political situation of the country has quite improved, we are hopeful its implementation soon. It will definitely solve the exiting problems and strengthen the statistical system in Nepal

### **Status of the Compilation of Foreign Trade Statistics**

Trade is one of the vital components of national economy. Despite its substantial contribution to economy through domestic and foreign trade, there is still lacking its realistic assessment both on employment and national accounts. The timely and realistic assessment of each and every sector of economy not only upgrades the national account estimates but equally makes macroeconomic indicators duly measurable.

Foreign Trade is also one of the contributors of national economy. The timely, relevant and reliable data on foreign trade is very import for guiding trade policy and plans and for trade promotion. The realistic assessment of this sector is, however, lacking in developing country like Nepal.

In Nepal, the share of trade sector is about 8% to Gross Domestic Product (GDP). Its share to non-agricultural GDP is estimated 15%. The National Population Census, 2001 results reveals that about 8.20% population of 10 years and above engaged in this sector. However, there is also the problem of getting data on informal sector. The vast coverage of the sector, low priority in the production and compilation of statistics and resources constraints are some of the factors that are hindering the development of quality statistics in Nepal.

Department of Customs is the major source of foreign trade statistics in Nepal. It has been compiling foreign trade statistics from Customs Declaration Forms. Despite the practices of Automated System of Costumes Data (ASYCUDA), DOC is unable to publish foreign trade statistics as per requirement. However, DOC releases costumes data annually based on HS, up to 6 digits.

Nepal Rastra Bank collects foreign trade statistics from seven major customs points for its balance of payments purpose. It publishes its compilation of monthly cumulative data on foreign trade through issues numbered from Month 1 to 12 with the 12<sup>th</sup> issues as the provisional result for the entire year. The monthly cumulative data come out 6 weeks after the reference month. The classification scheme used for this purpose is Standard International Trade Classification (SITC) revision 2. The NRB publishes foreign trade statistics on monthly basis. Every year, it revises provisional compilation results at the end of fiscal year. It does not collect the volume by commodity for both imports and exports. It compiles and publishes Indian Foreign trade and third-world country trade. No details are available on country of destination or origin. However, some major commodities of exports and imports are available.

The current status of the direction of foreign trade as compiled by NRB is given in the table.

**Direction of Foreign Trade**

Export/Import	Rs. In Million				
	First Two Months			Change in %	
	2004/05*	2005/06!	2006/07!	2005/06!	2006/07!
Total Exports	8980.1 (100.0)	10493.5 (100.0)	10504.5 (100.0)	16.9	0.1
To India	5248.2 (58.4)	7067.5 (67.4)	7112.4 (67.7)	34.7	0.6
To other countries	3731.9 (41.6)	3426.0 (32.6)	3392.1 (32.3)	- 8.2	- 1.0
Total Exports	22435.2 (100.0)	27967.8 (100.0)	30517.3 (100.0)	24.7	9.1
From India	12594.0 (56.1)	17376.6 (62.1)	19345.6 (63.4)	38.0	11.3
From other countries	9841.2 (43.9)	10591.2 (37.9)	11171.7 (36.6)	7.6	5.5
Total Trade balance	- 13455.1 (100.0)	-17474.3 (100.0)	- 20012.8 (100.0)	29.9	14.5
With India	- 7345.8 (54.6)	- 10309.1 (59.0)	- 12233.2 (61.1)	40.3	18.7
With other countries	- 6109.3 (45.4)	- 7165.2 (41.0)	- 7779.6 (38.9)	17.3	8.6
Total Foreign Trade	31415.3 (100.0)	38461.3 (100.0)	41021.8 (100.0)	22.4	6.7
With India	17842.2 (56.8)	24444.1 (63.6)	26458.0 (64.5)	37.0	8.2
With other countries	13573.1 (43.2)	14017.2 (36.4)	14563.8 (35.5)	3.3	3.9

\* Revised  
! Provisional

Source: Nepal's Foreign Trade Statistics, NRB (2006/07)

The TPC is also one of the sources of foreign trade statistics in Nepal. Customs forms are directly collected from customs points at the boarder, International airport and foreign post office. Compilation is done in Harmonized System up to 6 digits. Data are released monthly-wise 4-6 weeks after reference month. One of the major drawbacks of its assessment is that it doesn't collect the information of trade with India. The classification scheme used for this purpose is also HS system.

Being important service sector in the national economy, the value added obtained from trade sector is not estimated precisely due to the lack of comprehensive trade database. For ease, we have classified this sector into three different sub-sectors namely domestically produced agriculture trade, domestically manufactured trade and import trade. We have separate trade margin for each sub-sectors according to their classification scheme. The domestically produced agriculture and manufactured trade sectors both follow National Standard Industrial Classification (NISIC) which is basically based on the ISIC where import trade follows the HS.

Currently, CBS has reorganized its structure, set up new cells including Trade Statistics Section and entrusted to perform new tasks in the area of trade statistics. Accordingly, we have proposed to carry out distributive trade survey and the task of constructing Import and Export Index from the beginning of 2007. After the accomplishment of these tasks, we will be able to get the reality of domestic as well as foreign trade's contribution to national economy.

### **Data Quality**

Nepal is in the early stage of statistical development. There is a lack of proper co-ordination mechanism even among the government agencies in statistical matters. Statistics is the least prioritized sector and the problem of production of conflicting statistics and redundant responsibilities are the realities of developing countries like Nepal. A very small proportion of national budget is allocated for statistical development. Despite the wide scope of statistics in plans and policy guidelines, statistics is still rarely used in practices as the basis for decision making. Statisticians always stress on the fact that what can not be measured, can not be managed. However, many developing countries including Nepal are not in the satisfactory position to manage their state affairs as they are unable to measures their realities.

Nepal has still to do many things in light of the quality of statistics. The CNSP has proposed the list of government requirements, description of the present data compilation/delivery systems and the discussion and resolution of issues and problems regarding data quality and many aspects of statistical system. More importantly, it also has presented the system of designated statistics that identifies statistics by major data producing agencies. So the complete implementation of CNSP is the foremost priority of ours.

The present status of the basic source of data, methodology, scope, coverage, time lag of release and measure of reliability of foreign trade statistics in Nepal are briefly presented as below.

<b>BASIC SOURCE OF DATA</b>	<b>METHODOLOGY</b>	<b>SCOPE AND COVERAGE</b>	<b>TIMELAG OF RELEASE AND MEASURE OF RELIABILITY</b>
<p>Customs documents collected by Department of Customs, are used to generate foreign trade by three agencies namely DOC, NRB and TPC</p>	<p>Compilation of customs documents:</p> <ul style="list-style-type: none"> <li>• DOC and TPC use Harmonized system</li> <li>• NRB uses SITC Revision 2</li> </ul>	<ul style="list-style-type: none"> <li>• Value of commodities imported and exported,</li> <li>• Sometimes the volume of exports is available in the customs documents.</li> </ul>	<ul style="list-style-type: none"> <li>• Department of Customs releases foreign trade statistics annually with 2 years time lag, but complete,</li> <li>• NRB releases monthly-wise data six weeks after the reference month and that of annual provisional data one year after the reference year. The revised data are released two years time lag. It compiles foreign trade statistics only for seven main costumes and estimates for remaining ones.</li> <li>• TPC releases monthly-wise data from 4 to 6 weeks after reference month but does not cover India.</li> </ul>

So the present compilation and delivery system of foreign trade statistics needs improvement in order to make sound statistical system. As envisaged in the CNSP, the tasks of compilation of foreign trade statistics should be accomplished by CBS. Beside their own official purposes, the three agencies NRB, DOC and TPC need to transfer their tasks of compiling foreign trade statistics to CBS. More importantly, these tasks will be officially designated to CBS. It will improve the quality of data and avoid the duplication of works and production of conflicting statistics.



### **Further Plans of Action**

The demand of foreign trade statistics is increased not only for policy guidelines but equally for the realistic base to national account compilation. The present delivery system is not fulfilling this demand. The timely and high quality statistics with desired level of desegregation is our demand. If we avail these statistics up to one digit level of HS system on quarterly basis, it will substantially solve the existing data gap on foreign trade.

The problem of production and compilation of foreign trade statistics by three separate agencies also created the dilemma to the data users. Immediately, if we are not in the position to designate their tasks of trade statistics to CBS, we have very nice option to open new horizon in the compilation of foreign trade statistics. For this, the government needs to provide access to costumes data to CBS. It can be done by electronic networking system. Unless completely accomplishing these tasks by CBS, the existing agencies can continue their job. Finally these tasks can be transferred to CBS as recommended by CNSP.

### **Conclusion and Recommendation**

1. The statistical system of Nepal is in the early stage of statistical development. The production of conflicting statistics and duplication of works in statistical matters, including in the compilation of foreign trade statistics, are the realities of Nepalese statistical development. The major drawback of the system is the lack of proper co-ordination mechanism. The government needs to implement CNSP in light of the process of globalization and changing context in the social, economical and environmental arena. The present status of the CBS should be upgraded so that it could co-ordinate all statistical activities effectively. The survey clearance system and system of designated statistics should be the immediate agenda of reforms.
2. The present compilation system of foreign trade statistics by three separate agencies with different system as per their own requirement created the production of conflicting statistics and duplication of works. It has made the difficulty in comparing their results and also created the dilemma to the users. Immediately, the government of Nepal should provide access of customs data to CBS and electronic networking system should be established between department of customs and the CBS. The tasks of compilation of foreign trade statistics should be designated to CBS as stipulated in CNSP.
3. The timely, relevant and updated quality of statistics are lacking for policy and planning guidelines in developing countries like Nepal. A very small proportion of budget is allocated for the statistical development. The international donor communities are also providing assistance in statistical development without certain standard basis. The donors need to focus their assistance on human resource development more intensely than the present.
4. The CBS has recently reorganized its structure and sets up new cells including trade statistics section to perform trade related statistics. As the task of performing all trade related statistics are new for CBS, the government as well as international partner organization should give immediate attention in raising the technical capacity of the CBS personnel.

I am confident that this workshop will bring us even closer in our collaborative effort to improving the quality of International Merchandise Trade statistics in the nations. I am also hopeful that UNSD shall provide us the further opportunity to build a better network in sharing the best practices and experiences on IMTS.

Thank you.