



Nepal: Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program

Project Name	Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program
Project Number	47028-001
Country	Nepal
Project Status	Active
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	<p>TA 8442-NEP: Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program</p> <p>Japan Fund for Poverty Reduction US\$ 1.50 million</p>
Strategic Agendas	Inclusive economic growth Regional integration
Drivers of Change	Governance and capacity development Partnerships
Sector / Subsector	Industry and trade - Industry and trade sector development Transport - Transport policies and institutional development
Gender Equity and Mainstreaming	
Description	<p>The proposed TA is expected to</p> <ul style="list-style-type: none"> (i) Facilitate consensus building for Nepal to accede to RKC; (ii) Promote effective operations of automated customs management system; (iii) Improve services and information for traders and investors; and (iv) Provide support to the agreed strategic directions for trade facilitation <p>Key activities to achieve the above outputs are as follows:</p> <p>Facilitating accession of Nepal to the RKC. The TA will assist Nepal in reviewing and preparing necessary legal documents related to Nepal's accession to the RKC. In addition, the TA will support the Government of Nepal to undertake a Regulatory Impact Assessment of proposed amendments to laws and relations. To complement efforts of the regulatory reforms related to the RKC accession, the TA will conduct awareness raising activities on the RKC for key stakeholders in collaboration with the WCO. Initially, the proposed CDTA will involve customs but in the course of implementation, it does not preclude the involvement of other government agencies</p> <p>Promoting effective operations of automated customs management system. In addition to support for regulatory reforms, the TA will assist in developing the customs automated system, including possible software upgrade and improvements. After technical training needs are identified with support of the TA, associated technical training for customs automation will be provided.</p> <p>Publication of information on trade and custom regulations: Information on trade and custom regulations are critical for trade facilitation. The TA will support Nepal to share accurate and detailed information on trade and customs related laws, regulations, procedures, formalities, and documentation. These documents will be made publically available in the Nepal's Customs Information Portal. Establishment of client service centers at selected border points will also be supported by the TA to facilitate information sharing with traders.</p> <p>Supporting the development of a trade facilitation blueprint. A comprehensive trade facilitation roadmap, which encompasses customs, standards, logistics development, and relevant trade policy issues, is important for Nepal. The TA will provide support to carry out a detailed assessment of trade facilitation issues and associated measures in consultation with all stakeholders and with guidance from the National Trade Facilitation Committee. The findings of the trade facilitation assessment will help develop a trade facilitation blueprint/roadmap for Nepal with clearly identified strategic directions for short-term and medium-term trade facilitation measures. The blueprint/roadmap will help identify possible future projects and initiatives on trade facilitation.</p>

Project Rationale and Linkage to Country/Regional Strategy

According to the World Bank Doing Business Reports 2006- 2013, Nepal does not fare well in trade facilitation. The country's rank is decreasing from 136th in 2007 to 171th in 2012. Nepal's key trade facilitation indicators exceed the average level in South Asia

Among others, key factors for such weak performance are as follows:

(i) Large Number of Trade Documents. Preparation of documents takes considerable amount of time and constitutes a major barrier to trade facilitation. In 2012, it takes 11 documents and 41 days, and costs US \$ 1,975 per container to complete a normal export process. It takes 11 documents and 38 days, and costs \$ US\$ 2,095 per container to complete a normal import process (See Table above). In addition, Nepal has yet to conform to accepted standards on trade documentation specified in the International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention [RKC]).

(ii) Inadequate Customs Automation. Nepal is currently using Automated System for Customs Data (ASYCUDA++) for customs operations at 10 major customs offices, and applying risk-based customs clearance at five major customs offices. However, the entire customs process is not fully automated and there are technical difficulties in the operation and efficient usability of the system. In addition the current Informix data base is obsolete, and needs to be migrated to a new system. There is a need for a master plan for E-Customs and customs automation in Nepal. Currently 70% to 90% of cargoes are inspected at the border checkpoints. Risk-based inspection procedures are generally not applied, except, in a limited way, at five land border crossings. Physical inspection of most cargo is needed, in many cases, due to the lack of modern equipment to support the border clearance procedures.

(iii) Lack of transparency and publicly available trade and custom-related rules is one of non-tariff barriers to Nepal's trade. One of priorities of Nepal's private sector for trade facilitation is therefore timely and comprehensive publication of trade and custom rules and regulations, and their effective and transparent application.

(iv) Other behind border barriers. Other issues such as quarantine testing, clearing and freight forwarding, insurance, terminal handling, and port services are all critical nontariff barriers to Nepal's trade. It is therefore important to undertake comprehensive assessment to review these nontariff barriers and come up with specific measures to remove these barriers.

Nepal has taken several initiatives to facilitate trade, such as the application of harmonized system codes for customs tariff; adoption of the WTO Customs Valuation Agreement; enactment of new Customs Act, Rules and Regulations; and the establishment of the ASYCUDA++ for clearance at 10 major customs offices and the introduction of risk-based customs clearance at five major customs offices. Nepal has constructed an inland container depot at Kakarbhitta, supported by an ADB loan. Nepal is actively participating in the activities of the South Asia Subregional Economic Cooperation (SASEC) working groups on trade facilitation and transport (TFTWG). As part of the TFTWG, Nepal is taking part in an ADB-supported subregional trade facilitation program grant / loan which also involves Bangladesh and Bhutan. The components of the program grant in Nepal are as follows:

(i) modern and effective customs administration: ADB will assist Nepal (and Bangladesh, Bhutan) in acceding to and complying with the provisions of the Revised Kyoto Convention and in applying World Customs Organization's Framework of Standards to Secure and Facilitate Global Trade;

(ii) streamlined and transparent regulations and procedures: ADB's support will focus on enhancing Nepal's automated customs management systems, which is important for the establishment of a National Single Window; and

(iii) improved services and information for traders and investors: ADB will assist SASEC governments in implementing reforms that will provide greater information and increased responsiveness to importers and exporters, notably through electronic trade portals and the establishment of national trade facilitation committees.

Impact	Reduction in time and cost for trade with Nepal
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Project Outcome

Description of Outcome	Better alignment of Nepal customs procedures and practices with internationally accepted standards
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Progress Toward Outcome	<p>Provided assistance to prepare for the accession to the Revised Kyoto Convention; to conduct Time Release Studies; to undertake a mid-term review of the 4-year Customs Reform and Modernization Strategy and Action Plan (2013-2017) and formulation of the next phase Strategy and Action Plan (2017-2021); to sustain the quality service of the client service centers.</p> <p>Provided assistance in the implementation of the ASYCUDA World system.</p>
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Implementation Progress

Description of Project Outputs	<ol style="list-style-type: none"> 1. Consensus reached to accede to the RKC 2. Effective operation of the automated customs management system 3. Client service centers established 4. Customs Information Portal established 5. Agreed business plan of the Four-Year Customs Reform and Modernization Strategy and Action Plan
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Status of Implementation Progress (Outputs, Activities, and Issues)	<p>An international consultant was engaged to draft the Regulatory Impact Assessment of RKC accession. The report has been completed. Gap analyses of the domestic legal framework have been completed, and the proposed amendments to the Customs legislation, to ensure compliance with the Revised Kyoto Convention, have been drafted. Work has commenced on the studies of related areas of aligning Nepal's trade facilitation legal frameworks with other WCO international standards and WTO Trade Facilitation Agreement.</p> <p>The RKC Body and General Annexes have been translated into Nepali for submission to the parliament, together with the proposal for the accession. 2,000 copies have been printed for distribution to the customs posts across the country as a reference document.</p> <p>In the aftermath of the 25 April 2015 earthquake, the project provided advisory services to the Department of Customs task force to formulate post-disaster relief consignment clearance procedures, in accordance with the international standards as specified in the RKC and other instruments. The recommendations in the task force report were adopted as annexes to the 2015 Fiscal Act, facilitating effective Customs clearance of the relief consignment.</p> <p>Implementation of the web-based ASYCUDA World has commenced and its first pilot was rolled out at Mechi Customs in January 2016, together with sub-systems, developed with TA support. The second pilot is in the process of being launched at the Sirsiya Dryport (as of August 2016). In parallel with the roll out, TA supported the business process reengineering for the relevant ASYCUDA World modules. TA has supported the implementation process through deployment of International and National trade facilitation consultants, specializing on e-Customs and automation, as well as software and web content development.</p> <p>National consultants on customs procedures and procurement have been engaged to commence work on business process reengineering. The consultants also provided technical assistance in conducting two Time Release Studies at Mechi and Biratnagar. An additional national consultant commenced work on analyzing the institutional structure of the Client Service Centers and developing a Standard Operating Procedure for these centers. The budgeting and mid-term review exercises of the Customs Reform and Modernization Strategy and Action Plan (CRMSAP) 2013-2017 were completed, the findings of which are to inform the formulation of the next phase strategy of 2017-2021, which commenced in July 2016. International consultants have been engaged to undertake the scoping of the next generation project options in trade facilitation/customs modernization and to support the sector analysis. Workshops and seminars have been held on a number of the topics above, including the Time Release Study, Revised Kyoto Convention, ASYCUDA World, CRMSAP review, among others.</p>
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Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services	<p>The project will require services of Consultants, which will be as individuals:</p> <p>(i) International customs/ trade facilitation specialists. (Key Deliverables: Capacity development plan for Nepal's custom; draft master plan for e-customs and road map for its implementation; Medium-term trade facilitation roadmap setting out scope and associated policy actions for the follow-on investment program/projects to SASEC TF; study on assessment and action planning for governance and integrity oversight mechanisms in relation to customs administration; and other studies on priority trade facilitation issues. Inputs: A combined total of 58.5 person-months)</p> <p>(ii) Domestic trade facilitation and legal specialists (Key Deliverable: National studies and presentations to serve as inputs to the studies of the International trade facilitation specialists. Inputs: a combined total of 72 person-months each)</p> <p>(iii) Web and content manager (Key Deliverable: Customs Information Portal. Inputs: A combined total of 24 person-months)</p>
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Responsible Staff

Responsible ADB Officer	Sunayama, Sonoko
Responsible ADB Department	South Asia Department
Responsible ADB Division	Regional Cooperation and Operations Coordination Div, SARD
Executing Agencies	<i>Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines</i>

Timetable

Concept Clearance	17 May 2013
Fact Finding	-
MRM	-
Approval	02 Sep 2013
Last Review Mission	-
Last PDS Update	26 Aug 2016

TA 8442-NEP

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
02 Sep 2013	07 Oct 2013	07 Oct 2013	31 Aug 2015	31 Aug 2017	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
0.00	1,500,000.00	50,000.00	0.00	0.00	0.00	1,550,000.00	02 Sep 2013	1,060,590.70

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