



## Concept Paper

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Project Number: 54402-001  
December 2021

# Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 Nepal: South Asia Subregional Economic Cooperation Customs and Logistics Reforms Program

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 12 November 2021)

Currency unit	=	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.008
\$1.00	=	NRs119.170

## ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
CRM	–	customs reform and modernization
DOC	–	Department of Customs
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MOICS	–	Ministry of Industry, Commerce and Supplies
OP	–	operational priority
PBL	–	policy-based loan
SASEC	–	South Asia Subregional Economic Cooperation
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance
TLDP	–	Trade Logistics Development Policy

## NOTES

- (i) The fiscal year (FY) of the Government of Nepal and its agencies ends on 15 July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2022 ends on 15 July 2022.
- (i) In this report, “\$” refers to United States dollars.

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## PROGRAM AT A GLANCE

1. Basic Data		Project Number: 54402-001	
Project Name	South Asia Subregional Economic Cooperation Customs and Logistics Reforms Program (Subprogram 1)	Department/Division	SARD/SARC
Country	Nepal	Executing Agency	Ministry of Finance
Borrower	Nepal		
Country Economic Indicators	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54402-001-CEI">https://www.adb.org/Documents/LinkedDocs/?id=54402-001-CEI</a>		
Portfolio at a Glance	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54402-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=54402-001-PortAtaGlance</a>		
2. Sector		ADB Financing (\$ million)	
✓ Industry and trade	Industry and trade sector development		15.00
	Trade and services		30.00
Public sector management	Public administration		5.00
		Total	50.00
3. Operational Priorities		Climate Change Information	
✓ Accelerating progress in gender equality		GHG reductions (tons per annum)	0.000
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity			
✓ Fostering regional cooperation and integration			
		ADB Financing	
		Adaptation (\$ million)	4.63
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.5		Some gender elements (SGE)	✓
SDG 5.c			
SDG 8.2			
SDG 13.a			
SDG 16.6			
SDG 17.10, 17.11, 17.17			
4. Risk Categorization:		Low	
5. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		50.00	
Sovereign Programmatic Approach Policy-Based Lending (Concessional Loan): Ordinary capital resources		50.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		50.00	
Currency of ADB Financing: US Dollar			

## I. THE PROPOSAL

1. The proposed South Asia Subregional Economic Cooperation Customs and Logistics Reforms Program is a programmatic policy-based loan (PBL) that aims to improve logistics in Nepal through the preparation and implementation of the new Trade Logistics Development Policy (TLDP), and continue reforms in customs through the Customs Reform and Modernization (CRM) Plan 2021–2026. The program is consistent with the country partnership strategy for Nepal, 2020–2024 of the Asian Development Bank (ADB) under strategic objective 1, which prioritizes logistics as one of the key factors in improving domestic and cross-border connectivity.<sup>1</sup> It also aligns with ADB's Strategy 2030 operational priority (OP) of fostering regional cooperation and integration (OP7) specifically pillars 1 and 2; strengthening governance and institutional capacity (OP6); tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (OP3); and accelerating progress in gender equality (OP2).<sup>2</sup> It is also aligned with the OP of the South Asia Subregional Economic Cooperation (SASEC) Operational Plan of simplifying trade documentation, increasing automation, and expediting border clearance procedures to facilitate the movement of goods and vehicles.<sup>3</sup>

2. A programmatic PBL modality with three subprograms is proposed to support the Government of Nepal in designing and implementing policy reform measures to improve customs and logistics performance, which has sector- and economy-wide impacts. Recognizing that logistics is a new area in which the government is undertaking reforms and that additional information will be needed, this modality is the most suitable to (i) support structural reforms over the medium term, (ii) provide more effective and more flexible ways of translating complex structural reform objectives involving multiple government agencies and private sector stakeholders into implementable policy actions, (iii) allow for adjustment of the program based on reforms taken, and (iv) provide incentives for the government to implement reforms based on future subprograms. Allocations of \$50 million for each subprogram have been proposed.

## II. PROGRAM AND RATIONALE

### A. Background and Development Constraints

3. **Nepal is among the world's least-developed countries.** An estimated 18.7% of the total population was living below the national poverty line in fiscal year (FY) 2018. The country's gross domestic product (GDP) grew by an average of 4.2% during FY2012–FY2021, largely driven by the agriculture and services sectors. In FY2021, the contribution of these sectors to GDP was 25.8% for agriculture and 61.1% for services. Industry accounted for 13.1% of GDP in FY2021. Nepal's economy is heavily dependent on remittances, which account for nearly a quarter of GDP.

4. **Nepal is striving for improved trade competitiveness to help drive economic growth.** The Nepal Trade Integration Strategy 2016 provides policy direction on trade, focusing on

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<sup>1</sup> ADB. 2019. [Country Partnership Strategy: Nepal, 2020–2024—Promoting Connectivity, Devolved Services, and Resilience](#). Manila.

<sup>2</sup> ADB. 2018. [Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024](#). Manila. Pillar 1: Greater and higher quality connectivity between economies; and pillar 2: global and regional trade and investment opportunities expanded; ADB. 2018. [Strategy 2030 Operational Plan for Priority 6: Strengthening Governance and Institutional Capacity, 2019–2024](#). Manila; ADB. 2018. [Strategy 2030 Operational Plan for Priority 3: Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing Environmental Sustainability](#). Manila; and ADB. 2018. [Strategy 2030 Operational Plan for Priority 2: Accelerating Progress in Gender Equality, 2019–2024](#). Manila.

<sup>3</sup> ADB. 2020. [South Asia Subregional Economic Cooperation Operational Plan 2016–2025 Update](#). Manila. This updated plan extends the horizon of the original SASEC Trade Facilitation Strategic Framework 2014–2018.

strengthening trade and an export-enabling environment; improving product development and supply capacity of priority products; enhancing institutional capacity, trade negotiation, and interagency coordination; and developing trade-related infrastructure.<sup>4</sup> Other government policy documents for enhancing export competitiveness of goods and services are the Trade Policy 2015, the Fifteenth Plan (FY2020–FY2024), the CRM Plan 2021–2026, and the National Action Plan for Trade Deficit Minimization 2019.<sup>5</sup>

5. **While reforms in customs have progressed well, challenges remain in logistics.** The United Nations Global Survey on Trade Facilitation and Paperless Trade showed improvement in the paperless trade indicator from 25.93% in 2017 to 62.96% in 2021.<sup>6</sup> For cross-border paperless trade, the score increased from 11.11% in 2017 to 22.22% in 2021. However, the current rate of implementation of trade facilitation agreement commitments across all categories is only 2.1%.<sup>7</sup>

6. **Inefficient logistics hampers the competitiveness of landlocked Nepal.** Because of its geography and terrain, transport and logistics are major cost elements of trade in Nepal. Poor logistics conditions lead to delays among producers, and between producers and customers, hindering supply chain activities. Being landlocked, Nepal depends on transit through neighboring countries to gain access to port facilities for trade with other countries. It is critical that products can get to market within and outside Nepal with efficient transport, transit, and border procedures to take full benefit of its comparative advantage in the low cost of labor and natural resources. Nepal will lose its preferential trade status with its imminent graduation from least-developed country status in 2026, adding to the imperative of improving its logistics industry to enhance export competitiveness. The coronavirus disease (COVID-19) pandemic has also highlighted the need for quality logistics services. Restrictive measures to contain the pandemic have disrupted supply chains and hindered the delivery of essential supplies during critical times. Increased e-commerce activities brought about by travel restrictions and lockdowns have also emphasized the need for efficient logistics. The 2018 Logistics Performance Index shows that Nepal is ranked 114th out of 160 countries and economies.<sup>8</sup>

7. **Logistics infrastructure is underdeveloped.** Lack of sufficient shared warehousing is a limiting factor, especially for development of exports and import substitution. Cold chain investment is left to food production companies, which limits the availability of cold chain facilities to other agriculture producers. There are no rules or regulations for warehousing, thus there is no standardization of facilities and their services. The lack of integrated planning or comprehensive demand analysis and deficiency of information results in suboptimal development of logistics infrastructure including inland container depot, whether developed through public or private investments. Lack of infrastructure has also prevented businesses, especially small and medium-sized enterprises (SMEs), from thriving given limited markets, high transport costs, and limited participation in value chains.

<sup>4</sup> Government of Nepal, Ministry of Commerce. 2016. *Nepal Trade Integration Strategy*, 2016. Kathmandu.

<sup>5</sup> Government of Nepal, Ministry of Commerce and Supplies. 2015. *Trade Policy (Nepali)*. Kathmandu; Government of Nepal, National Planning Commission. 2020. [The Fifteenth Plan, Fiscal Year 2019/20–2023/24](#). Kathmandu; Government of Nepal, Ministry of Finance, Department of Customs. 2017. *Customs Reform and Modernization Plan, 2021–2026*. Kathmandu; and Government of Nepal. 2019. *National Action Plan for Trade Deficit Minimization 2019*. Kathmandu.

<sup>6</sup> United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific. [UN Global Survey on Trade Facilitation and Paperless Trade Implementation](#) (accessed 11 July 2021).

<sup>7</sup> World Trade Organization. [Trade Facilitation Agreement Database](#) (accessed 10 January 2021). Rate of implementation for category A is 2.1%, while categories B and C are both 0.0%. Nepal is obligated to complete its commitments under the World Trade Organization Trade Facilitation Agreement by December 2032.

<sup>8</sup> World Bank. [Logistics Performance Index](#) (accessed 20 January 2021).

8. **Logistics operators are fragmented and unorganized, and lack economy of scale.** Many private logistics entities such as truck operators remain small scale and informal, leading to information asymmetry and a fragmented market. Vehicle capacity is small with low utilization and asymmetric load availability—many trucks return unloaded because consolidation services to share transport are underdeveloped. Limited service is available in dry freight, but only by a few operators between major centers. There is no publicly available information on these logistics operators and the quality of their services. Poor access to digital technologies and insufficient investments limit the logistics industry from benefitting from economies of scale.

9. **Nepal lacks a comprehensive framework to regulate and promote the logistics industry.** The government suffers from weak capacity and a lack of institutional mechanisms for coordinated logistics-related policies and activities across multiple government agencies. In addition, policies and regulations focus on safety and lack measures for private sector development and business promotion, especially for logistics SMEs. There is no formal qualification or training to develop human resources for the logistics industry. The domestic Logistics Performance Index indicates that only 25% of respondents consider logistics-related regulations to have improved during 2015–2018.<sup>9</sup>

## **B. Policy Reform, ADB's Value Addition, and Sustainability**

10. **Policy reform.** The programmatic PBL covers policy reforms both in logistics and customs. For customs, it will support preparation and implementation of a CRM Plan for 2021–2026, ensuring continuity of reforms which ADB has supported since 1996. For logistics, it will support the development and implementation of the TLDP. The program will have two key reform areas corresponding to the two counterpart agencies—the Department of Customs (DOC); and the Ministry of Industry, Commerce and Supplies (MOICS).

11. **Reform area 1: Logistics industry developed and strengthened.** This policy envisages a modern, efficient, integrated, and sustainable trade logistics industry. The policy will have three objectives: (i) targeted and integrated logistics infrastructure development, (ii) enhanced supply chain management, and (iii) strengthened logistics governance. For the first objective, the program will establish mechanisms to facilitate national planning to augment sustainable and climate- and disaster-resilient infrastructure for transport and storage taking into account the country's vulnerability to climate change impact. For the second objective, the program will support the organized development of logistics and related service providers by introducing a grading system, facilitating investment and introduction of new digital technologies, enhancing the capacity of logistics SMEs, and developing the skills of logistics services providers. Under the third objective, the legal and regulatory framework will be streamlined to achieve the preceding objectives, planning and monitoring mechanisms will be institutionalized along with efficient coordination mechanisms within the government and with private sector stakeholders, and government capacity will be enhanced. In all objectives, gender empowerment and social inclusion principles will be followed.

12. **Reform area 2: Customs processes improved.** The program will assist implementation of the CRM Plan 2021–2026 with focus on e-payment, paperless customs clearance, post-clearance audit, and customs rules that are expected to facilitate the smooth flow of external trade. Introduction of e-payment for customs and establishment of paperless customs clearance will also make the cross-border processes more resilient. Post-clearance audit will help improve traders' compliance and strengthen risk management in customs clearance. Customs regulations

<sup>9</sup> World Bank. [Domestic Logistics Performance Index](#) (accessed 20 February 2021).

will help implement the proposed Customs Act (once it is approved by Parliament) to comply with the World Customs Organization General Annex of the Revised Kyoto Convention and customs-related World Trade Organization measures under the Trade Facilitation Agreement.

13. **ADB's value addition.** ADB has worked extensively on customs in Nepal and other SASEC member countries.<sup>10</sup> Much less, however, has been done on the logistics industry as it is in its infancy in South Asia. To lay the foundation for this program, ADB supported the Government of Nepal to prepare an upstream study on the logistics sector assessing issues and challenges hindering its progress and recommending strategic directions to address these constraints.<sup>11</sup> Lessons from the implementation of the SASEC Customs Reform and Modernization for Trade Facilitation Program that helped cross-border trade become faster, cheaper, more predictable, and more secure will be embedded in the program.<sup>12</sup> Other support that will ensure smooth implementation of reforms includes ADB's long engagement with the Government of Nepal and extensive experience with PBLs.

14. ADB, through the SASEC program, has also been helping member countries to collectively improve key priority sectors including transport and trade facilitation. For the proposed PBL, the SASEC program will ensure coordinated efforts among member countries to address regional cooperation aspects, including those related to customs and logistics, to ensure seamless movement of goods and services.

15. **Sustainability.** The program's technical assistance (TA) will help build the capacity of government agencies and stakeholders to ensure that appropriate skills and knowledge are provided to continue implementing the reform measures. The program will also ensure that high-level policy makers and local program implementers participate in the planning and implementation processes to make it easier for policy interventions to be integrated in the government's regular work and budget program.

### C. Expected Outcome of the Reform

16. Aligned with the government's Fifteenth Plan, FY2019/20–2023/24, the program has the following impact: growth and diversification of trade achieved. The expected outcome is efficiency of domestic and cross-border trade increased.

### D. Development Financing Needs and Budget Support

17. Nepal's economy has been hit hard by the COVID-19 pandemic. GDP contracted by 2.1% in FY2020 and is estimated to have modestly expanded by 2.3% in FY2021. The fiscal deficit widened marginally to 5.5% of GDP in FY2021 from 5.3% a year earlier. The budget projection for FY2022 envisages a fiscal deficit of about 7.3% of GDP, with the deficit to be financed via internal and external borrowings. The fiscal deficit over the medium term will likely hover at about

<sup>10</sup> ADB. 2012. [South Asia Subregional Economic Cooperation Trade Facilitation Program](#). Manila. Key lessons from this program include the importance of high-level commitment and support by the Government of Nepal, which contributed to the successful implementation; ADB. 2017. [South Asia Subregional Economic Cooperation Customs Reform and Modernization Program](#). Manila; and ADB. 2018. [Technical Assistance to India for Supporting Logistics Sector Development](#). Manila.

<sup>11</sup> ADB. 2020. Logistics for Nepal: Background and Assessment. Unpublished. Preparation of this report was supported by ADB. 2018. [Technical Assistance for Supporting Knowledge Solutions for New Development Strategies in South Asia](#). Manila.

<sup>12</sup> ADB. 2021. [Completion Report: South Asia Subregional Economic Cooperation Customs Reforms and Modernization Program in Nepal](#). Manila.



5% of GDP. Given its limited public resources, the government is therefore requesting \$150 million during 2022–2025 to meet the financing gaps of the customs and logistics reform program.

18. Macroeconomic stability before the COVID-19 pandemic was aided by a modest fiscal deficit, averaging 3.6% of GDP in FY2016–FY2020. Public debt was 36.5% of GDP in FY2020. Nepal was assessed by the International Monetary Fund (IMF) in April 2020 to be at low risk of external and overall debt distress.<sup>13</sup> Fiscal consolidation is anticipated as vaccination progress contains the pandemic, and economic recovery is envisaged to substantially progress in the second half of FY2022. The IMF recognizes that authorities remain committed to a policy agenda that promotes inclusive growth while preserving financial-sector and external stability as well as fiscal sustainability.<sup>14</sup>

19. Information on the PBL has been shared with the IMF as part of overall coordination between ADB and the IMF. Preliminary discussion on the TLDP has been undertaken with the World Food Programme and the United Nations Children’s Fund. Further consultations with these organizations and other development partners will follow concept clearance.

## E. Implementation Arrangements

20. The Ministry of Finance will be the executing agency while the DOC and MOICS will be the implementing agencies. The program will be implemented from June 2022 to May 2025. ADB will monitor program implementation through periodic progress reports and regular missions. Procurement, advance contracting, and retroactive financing are not expected. The proceeds of the PBL will be withdrawn in accordance with ADB’s *Loan Disbursement Handbook* (2017, as amended from time to time).

## III. TECHNICAL ASSISTANCE

21. Transaction TA is proposed to support the Government of Nepal in complying with the policy actions and undertake capacity development. The TA amount is \$1,000,000, to be financed by ADB’s Technical Assistance Special Fund (TASF 7).<sup>15</sup> The TA will support the conduct of analytical studies to implement reform measures. It will also help in building the capacity of national and local government agencies and other stakeholders to implement the policy actions.

## IV. DUE DILIGENCE REQUIRED

22. The following due diligence will be carried out during program preparation:
- (i) **Economic and financial.** ADB will assess the anticipated economic benefits of the program.
  - (ii) **Governance.** ADB will agree with the government on public financial management and anticorruption issues.
  - (iii) **Poverty and social.** The initial poverty and social analysis is prepared.<sup>16</sup> The program has some gender elements.

<sup>13</sup> International Monetary Fund. 2020. *Staff Report for the 2020 Article IV Consultation—Debt Sustainability Analysis*. Washington, DC. (6 April).

<sup>14</sup> International Monetary Fund Staff Report on Nepal Request for Disbursement under the Rapid Credit Facility, 27 April 2020.

<sup>15</sup> Additional resources to increase the TA amount will be sought from the Regional Cooperation and Integration Fund or the Japan Fund for Poverty Reduction.

<sup>16</sup> Initial Poverty and Social Analysis (available in the list of linked documents in Appendix 2).

- (iv) **Safeguards.** No adverse safeguards impacts are envisaged under this program.<sup>17</sup>
- (v) **Coordination with development partners.** Coordination will be conducted to avoid duplication of efforts and ensure efficient use of resources.

## V. PROCESSING PLAN

### A. Risk Categorization

23. The program is categorized *low risk*, based on the following: (i) the loan size does not exceed \$50 million for each subprogram; (ii) ADB has a long track record in customs and trade facilitation in Nepal, which are key components of the logistics industry; (iii) the government has successfully implemented the policy actions under the SASEC Customs Reform and Modernization Program;<sup>18</sup> and (iv) there are no anticipated safeguard issues related to environment, resettlement, and indigenous peoples. No other criteria that would qualify the PBL as *complex* apply.

### B. Resource Requirements

24. The program will utilize ADB staff resources from the South Asia Regional Cooperation and Operations Coordination Division, the Nepal Resident Mission, and the Office of the General Counsel for the preparatory work. In addition, 21 person-months of consultancy inputs with expertise in customs, logistics, and trade facilitation will be utilized to assist in the preparatory work.<sup>19</sup>

### C. Processing Schedule

25. The milestones and completion dates for subprogram 1 are summarized in the table.

Proposed Processing Schedule	
Milestones	Expected Completion Date
Concept paper clearance	December 2021
Loan fact finding	January 2022
Staff review meeting	March 2022
Loan negotiations	May 2022
Board consideration	June 2022
Loan effectiveness	June 2022

Source: Asian Development Bank.

## VI. KEY ISSUES

26. The key issues include (i) extensive consultations with stakeholders from the private sector and from the seven provinces to ensure their participation in the implementation process; (ii) due diligence on the capacity of the government agencies that will implement the reforms; and (iii) ensuring transfer of knowledge and skills to key staff in the MOICS and DOC, given that logistics is a new area for the government.

<sup>17</sup> The program has a safeguard categorization of C as it has no anticipated impacts on the environment, involuntary resettlement, or indigenous peoples.

<sup>18</sup> Footnote 12.

<sup>19</sup> These consultants will be engaged under ADB. 2018. [Technical Assistance for Supporting Knowledge Solutions for New Development Strategies in South Asia](#). Manila.

## PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objectives <sup>a</sup> Growth and diversification of trade achieved (The Fifteenth Plan, Fiscal Year 2019/20–2023/24) <sup>a</sup>			
<b>Outcome</b> Efficiency of domestic and cross-border trade increased		<b>Risks and Critical Assumptions</b> R: Prolonged impact of COVID-19 on global supply chain could impede cross-border movement of goods and slow economic growth. A: The proposed Customs Act will be approved by Parliament within the program time frame so that the DOC will be empowered to implement its share of the tranche 2 policy actions.	
Indicative Policy Actions: Subprogram 1 (July 2021–June 2022)	Indicative Policy Actions: Subprogram 2 (July 2022–December 2023)	Indicative Policy Actions: Subprogram 3 (January 2024–April 2025)	Outcome Indicators
<b>Reform Area 1: Logistics industry developed and strengthened</b>			
1.1 Cabinet will approve Trade Logistics Development Policy that will help enhance trade competitiveness through reduced cost of trade logistics, improved trade facilitation, improved domestic supply chain management, and quality employment generation  1.2 National mechanism (consisting of relevant secretaries) will be created to implement Trade Logistics Development Policy through effective monitoring and evaluation		National working committee to be led by MOICS will implement Trade Logistics Development Policy with the following policy actions focusing on the logistics infrastructure development plan, supply chain management, and logistics governance:  3.1 MOICS will complete a 5-year development plan on logistics infrastructure which will be prepared through a mechanism led by the Ministry of Physical Infrastructure and Transport and represented by key stakeholders from different modes of transport and will be launched and promoted through a series of workshops and meetings with relevant stakeholders	50% of respondents reporting improved or much-improved regulations related to logistics (2018 baseline: 25%) (Source: World Bank's Domestic LPI)  90% of respondents reporting often or nearly always the efficiency of processes on clearance and delivery of exports (2018 baseline: 75%) (Source: World Bank's Domestic LPI)  At least <xxx%> of participants, of which <xxx%> are women reported increased knowledge on logistics services and regulations

Indicative Policy Actions: Subprogram 1 (July 2021–June 2022)	Indicative Policy Actions: Subprogram 2 (July 2022–December 2023)	Indicative Policy Actions: Subprogram 3 (January 2024–April 2025)	Outcome Indicators
		<p>3.2 MOICS will implement a new guideline on private sector participation in logistics investment</p> <p>3.3 MOICS will utilize new technical standards of logistics-related infrastructure and equipment, adopting principles of gender equality and social inclusion, and climate- and disaster-resilient infrastructure in formulating new logistics investments</p> <p>3.4 MOICS will use a new grading system in its accreditation of logistics operators</p> <p>3.5 MOICS will launch a market-making platform and logistics information portal for non-transport infrastructure ensuring optimum deployment of assets</p> <p>3.6 MOICS will utilize guidelines on government support for small and medium-sized logistics enterprises including women's enterprises, to enhance climate sustainability, strengthen resiliency to pandemic and disaster, and utilize advanced technology</p> <p>3.7 MOICS together with Nepal Administrative Staff College will</p>	

Indicative Policy Actions: Subprogram 1 (July 2021–June 2022)	Indicative Policy Actions: Subprogram 2 (July 2022–December 2023)	Indicative Policy Actions: Subprogram 3 (January 2024–April 2025)	Outcome Indicators
		<p>run the training program for logistics operators to address the lack of expertise and knowledge on logistics</p> <p>3.8 At least &lt;xxx&gt; officials from federal, provincial, and local governments and in the postal service of which &lt;xxx&gt; are women will receive training on logistics services and regulations to enable them to regulate, coordinate, and bring about necessary reforms in logistics sector</p> <p>3.9 MOICS will launch a nationally integrated logistics data system that will help policymakers make evidence-based logistics policies and regulations</p>	
<b>Reform Area 2: Customs processes improved</b>			
<p>1.3 Ministry of Finance will adopt the CRM Plan 2021–2026 to facilitate trade through the use of modern information technology tools, to collect real revenue and increase the contribution of the customs in the supply chain, and guarantee of social safety</p> <p>1.4 DOC will approve an implementation plan for e-payment and pilot the system in at least one major revenue-generating office</p>	<p>2.1 DOC will implement CRM Plan 2021–2026 with annual and midterm review after 2 years utilizing data from the online monitoring system</p> <p>2.2 DOC will establish an e-payment facility in 10 major revenue-generating customs offices that will help reduce transaction time and costs</p> <p>2.3 DOC will pilot test online submission of declaration and attached documents in three</p>		<p>Share of e-payment in total import revenue increased to 50% (2020 baseline: 0.0%) (Source: Department of Customs)</p> <p>Average time of release of goods reduced to 14 hours (2020 baseline: 19 hours) (Source: Department of Customs)</p> <p>Number of documents for exports reduced to five (2018 baseline: nine) (Source: World Bank's Domestic LPI)</p>

Indicative Policy Actions: Subprogram 1 (July 2021–June 2022)	Indicative Policy Actions: Subprogram 2 (July 2022–December 2023)	Indicative Policy Actions: Subprogram 3 (January 2024–April 2025)	Outcome Indicators
<p>1.5 DOC will adopt an implementation plan for paperless customs, including formation of a task force to ensure organized and coordinated implementation of activities</p> <p>1.6 DOC will adopt and make operational an online system to monitor CRM Plan 2021–2026</p> <p>1.7 Intergovernment committee under the Ministry of Finance will endorse draft customs regulations for Customs Bill 2021 for approval</p>	<p>customs offices and thereafter expand to 12 main customs offices that will help streamline transactions</p> <p>2.4 DOC will increase conduct of risk-based post-clearance audit to 0.05%<sup>b</sup> of total customs declaration</p> <p>2.5 Cabinet will approve customs regulations for Customs Bill 2021 to ensure structured and coordinated approach for its implementation</p>		<p>75% of respondents reporting improved or much-improved customs clearance procedures (2018 baseline: 50%) (Source: World Bank's Domestic LPI)</p>

**Budget Support**

Asian Development Bank:

Subprogram 1: \$50 million (concessional OCR)

Subprogram 2: \$50 million (concessional OCR)

Subprogram 3: \$50 million (concessional OCR)

Technical Assistance: \$1,000,000 Technical Assistance Special Fund (TASF 7)

<xxx> = to be determined during fact-finding; A = assumption; COVID-19 = coronavirus disease; CRM = customs reform and modernization; DOC = Department of Customs; LPI = logistics performance index; MOICS = Ministry of Industry, Commerce and Supplies; OCR = ordinary capital resources; R = risk.

<sup>a</sup> Government of Nepal. 2020. *The Fifteenth Plan, Fiscal Year 2019/20–2023/24*. Kathmandu.

<sup>b</sup> Currently, around 300 post-clearance audits are undertaken in Nepal annually against 1 million declaration (0.03%). The plan is to increase the share to a reasonable target of 0.05%.

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=54402-001-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Industry and Trade
3. Technical Assistance for Program Preparation