

EVIDENCE OF COMPLIANCE WITH THE POLICY MATRIX

| Policy Action | Evidence of Compliance ^a | Notes on the Policy Actions |
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| First Tranche Policy Actions (by Q2 2017) | | |
| <i>To promote international trade, the government issued a national strategy for customs reform and commenced amendments to the trade facilitation legal framework. Policy actions include:</i> | | |
| (1-1) The government issued CRMSAP 2017-2021, the multi-year national strategy, which includes a timeline for revision in the customs legislation required to comply with WCO's RKC and the WTO TFA. | Letter from Revenue Management Division (MOF) certifying the release of CRMSAP (2017-2021). | |
| (1-2) The government submitted the Instrument of Accession for (i) the Body of the Convention and General Annex of RKC to the WCO; and (ii) the WTO TFA to the WTO. | Letter from Revenue Management Division (MOF) certifying the date of submission of Instrument of Accession for RKC to WCO; and letter from WTO Commitment Implementation Section, Planning and International Trade Cooperation Division, Ministry of Commerce, certifying the date of submission of Instrument of Accession for WTO TFA to WTO. | |
| (1-3) The government (i) prepared an initial draft legislative amendment for revision in the Customs Act, Customs rules and administrative instructions, for full compliance with the General Annex of RKC extended to cover the customs-related WTO TFA measures on the six trade facilitation strategic priorities and (ii) circulated to CNTFC for consultation on the proposed revision. | Copy of initial draft legislative amendment, certified by CRM (DOC); and a letter from CRM (DOC), identifying stakeholders who were consulted on the proposed revision. | -Of the 121 RKC General Annex standards, Nepal's legislative framework is compliant with 96. Remaining 25 standards require amendments in: 22 articles of the 2007 Customs Act; 2 in Customs rules; and 1 in administrative instructions, according to DOC's latest gap analysis: http://customs.gov.np/en/%E0%A4%9C%E0%A4%BE%E0%A4%A8%E0%A4%95%E0%A4%BE%E0%A4%B0%E0%A5%80.html (in Nepali; accessed on 20 March 2017). |

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| | | <p>The gap analysis is being updated with ADB technical assistance, expected to be completed by Q2 2017.</p> <p>-The 25 gaps contain key provisions required for adopting the risk-based approach to cargo clearance, such as pre-arrival of goods processing and special treatment for the trusted or authorized traders. Amendment concerning such trade facilitation strategic priorities will be compliant with both RKC and the WTO TFA. Other areas covered in the 25 revisions are on customs administrations' establishing consultative relationship with traders, amendment of goods declaration, clearance of goods with minimum information, and the right of initial appeal.</p> <p>-The six trade facilitation strategic priorities are: Risk Management, Post-Clearance Audit, Advance Ruling, Trade Facilitation Measures for Authorized Operators, Pre-arrival processing, and Expedited Shipment.</p> <p>-The draft will be finalized by DOC for circulation to the MOF and CNTFC for consultation, in preparation for the MOF's action to obtain Cabinet approval. CNTFC's membership consists of DOC, as well as representatives of various public and private sectors. The committee has been meeting regularly at approximately 4 month intervals.</p> |
| <p>(1-4) For the CRMSAP 2017-2021 implementation, the government endorsed a proposal and issued the instruction to commence the proposal's immediate implementation including preparation of (i) legal gap analysis on the customs-related WTO TFA measures and related international</p> | <p>Letter from Revenue Management Division (MOF), stating that the government has endorsed the proposal and issued the instruction to commence implementation, including preparation of the legal gap analysis and draft legislation.</p> | <p>- The 19 measures under the WTO TFA are identified as the scope of the legal review for Policy Action (1-4), in addition to the six trade facilitation strategic priorities which will have been complied with under Policy Action (1-3). The list of the 19 measures is in the Supplementary Linked Document, Nepal's Compliance with the</p> |

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| standards in particular those concerning CPEI, and (ii) draft legislation (including rules and administrative orders) required, based on the findings of the gap analysis. | | World Trade Organization's Trade Facilitation Agreement. - The CPEI include: storage/warehousing, inward processing, outward processing, procedures permitting temporary importation/exportation, drawback, and transit. With reference to transit, the Government of Nepal will include the TIR convention (Convention on International Transport of Goods Under Cover of TIR Carnets) in the gap analysis. |
| <i>To reduce costs of international trade, the government took actions to reengineer business process for customs clearance; proceeded with the customs automation through ongoing ASYCUDA World implementation; and introduced risk management to customs procedures. Policy actions include:</i> | | |
| (1-5) The government (i) approved a proposal to conduct BPR, and (ii) issued instructions on the proposal's immediate implementation. | Copy of instruction, issued by Revenue Management Division (MOF) to conduct BPR with an attachment of the approved proposal. | The BPR will target declaration processing steps for direct import declarations, in accordance with relevant provisions of the RKC (Ch. 6.4 General Annex: the ICT guidelines). |
| (1-6) The government rolled out the ASYCUDA World pilot in three customs offices and completed a detailed evaluation and assessment of the rollouts with lessons learned and recommendations for future ASYCUDA World implementation. | Letter from CRM (DOC) confirming rollout of ASYCUDA World in three sites; copy of detailed evaluation and assessment report, certified by CRM (DOC). | The three customs offices are Birgunj Customs, Mechi Customs, and Sirsiya Dry Port Customs, which together raise 70%-75% of the customs-related revenues annually. |
| (1-7) The government (i) finalized the ongoing risk profiling exercise (May 2015-), (ii) made adjustments (if any) to the identified risk profiles for programming them into the ASYCUDA World Selectivity Module; and (iii) formulated remaining action points towards effective implementation of the Selectivity Module. | Letter from CRM (DOC) confirming completion of the risk profiling exercise, with an attachment of a report which contains (i) the methodology on the risk profiling; (ii) adjustments to be made to the identified risk profiles for programming into ASYCUDA World Selectivity Module; and (iii) any remaining action points. | The exercise, supported by International Finance Corporation's technical assistance, comprehensively studies the 2010-2015 import data to map the risk levels of traders, commodities and agents. |

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| <i>The government reviewed the current DOC organizational structure and formulated a realignment plan for improved customs procedures. Policy action includes:</i> | | |
| (1-8) The government (i) formed the 'restructuring' committee, with participation from the Ministry of General Administration and the MOF to review the existing DOC organogram and proposed phased realignment plan to adopt risk-based approach to customs clearance, and (ii) submitted through the committee the phased realignment plan for MOF approval. | Copy of the committee's report with recommendations which has been submitted to MOF for approval, certified by CRM (DOC). | The proposed realignment will be an interim proposal, noting that the Government of Nepal's pending and imminent decision on federal structure and its implication for the customs operations will affect the findings and recommendations of the proposal. |
| <i>The government will have conducted a training need assessment for a capacity development plan for effective and sustainable trade facilitation. Policy actions include:</i> | | |
| (1-9) The government conducted a gap analysis and training needs assessment focusing on the six trade facilitation strategic priorities, as well as the related areas of procurement, accounting, integrity, and automation. | Copy of gap analysis and training need assessment report, certified by CRM (DOC). | |
| (1-10) The government completed competency mapping to identify a pool of experts to address the gaps under (1-9). | Copy of a mapping report, certified by CRM (DOC). | DOC officials, retirees and other ex-DOC officials will comprise the pool of experts on customs technical areas. External experts may be included in the pool of experts in other cross cutting areas. |
| Second Tranche Policy Actions (Q3 2017–Q3 2019) | | |
| <i>To promote international trade, the government will have proposed a legislative amendment on trade facilitation for approval in line with international standards. Policy actions include:</i> | | |
| (2-1) The government will have achieved the CRMSAP 2017-2021 implementation milestones to enable risk-based customs clearance. | Letter from Revenue Management Division (MOF) stating that the government has achieved the CRMSAP 2017-2021 implementation milestones. | The CRMSAP 2017-2021 implementation milestones are listed in the Supplementary Linked Document, Policy Action (2-1): The CRMSAP 2017-2021 implementation milestones. |

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| (2-2) The proposed legislative amendments to comply with the General Annex of RKC extended to cover the customs-related WTO TFA measures on the six trade facilitation strategic priorities will have been submitted to Cabinet. | Copy of the proposed legislative amendments, certified by Revenue Management Division (MOF), as having been submitted to Cabinet. | For details of the legal amendments to be included in this policy action, see notes under Policy Action (1-3). |
| (2-3) The government will have (i) drafted an amendment to the Customs legislations to comply with customs-related WTO TFA measures and related international standards in particular those concerning CPEI based on the completed legal gap analysis, and (ii) circulated the draft amendment to CNTFC for consultation. | Copy of the draft legislative amendment, and list of stakeholders consulted, each certified by CRM (DOC). | For details of the draft legal amendments to be included in this policy action, see notes under Policy Action (1-4). |
| (2-4) The government will have consulted with trade-related organizations on the adoption of the TIR convention. | Letter from CRM (DOC) stating the names of the trade-related organizations with which it consulted. | The trade-related organizations are: the Federation of Nepalese Chambers of Commerce and Industry, the Confederation of Nepalese Industries, Nepal Chamber of Commerce, and Nepal Freight Forwarders Association. |
| <i>To reduce costs of international trade, the government will have made further progress in adopting efficient clearance processes, implementing electronic-based customs management system and converting its operation to a risk-based approach. Policy actions include:</i> | | |
| (2-5) The government will have (i) developed declaration processing steps within the scope of the ASYCUDA World, and (ii) pilot tested the reengineered declaration processing steps at three sites. | Report on the developed Declaration Processing Path, certified by CRM (DOC); and letter from CRM (DOC) stating that the Reengineered Processing Path was pilot tested at three sites. | The three sites are those with the longest experience of ASYCUDA World pilot, which are Birgunj, Mechi, and Sirsiya Dry Port. See notes under the Policy Action (1-6). |
| (2-6) The government will have (i) adopted a comprehensive implementation plan for the ASYCUDA World, and its functionalities, and (ii) extended the ASYCUDA World's | Copy of the implementation plan for ASYCUDA World, certified by CRM (DOC); and letter from CRM (DOC) stating that the implementation plan has | - ASYCUDA World Functionalities are to include those required to implement the six trade facilitation strategic priorities. See notes under the Policy Action (1-3) on the six priorities. |

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| automated customs processing to the 10 highest revenue-yielding customs offices with the functionalities specified in the implementation plan. | been adopted and that the automated customs processing was extended to the 10 Customs offices. | - The 10 highest revenue-yielding customs offices together collect over 95% of the total customs-related revenues annually. |
| (2-7) The government will have adopted a risk management framework and a risk management standard operating procedure, based on the analyses of risk profiling (1-7), to integrate risk management into the customs clearance procedures. | Copy of the Risk Management Framework report and Risk Management Standard Operating Procedure, certified by CRM (DOC); and letter from CRM (DOC) stating that they have been adopted. | The Framework integrates the six key trade facilitation priorities and related customs procedures under the umbrella of risk management. |
| <i>The government will have reorganized DOC for effective and sustainable trade facilitation; Policy action include:</i> | | |
| (2-8) The government will have completed the initial phase of the phased realignment plan to be in line with the task requirements of the six trade facilitation strategic priorities, which will include establishment of a dedicated risk management section in DOC. | Letter from CRM (DOC) certifying that (i) the initial phase realignment has been completed; and (ii) Risk Management Section in DOC, headed by a Director, was established and briefly describing how the section is organized. | |
| <i>The government will have institutionalized the capacity development plan. Policy actions include:</i> | | |
| (2-9) Based on the completed gap analysis and training needs assessment, the government will have (i) formulated a capacity development plan to address the needs identified in the assessment under Policy Action (1-9), (ii) endorsed the training plan for the respective DOC unit, (iii) developed training modules on the six trade facilitation strategic priorities as well as the related areas of procurement, accounting, integrity, and automation, and (iv) commenced implementation of the plans. | Copies of the capacity development plan, training plan, and training modules, each certified by CRM (DOC); and a letter from CRM (DOC) stating that implementation of the plans commenced. | The training modules will be minimum of 10 (6 for each of the trade facilitation priorities and 4 for each of the related areas). |
| (2-10) The government will have formulated and commenced implementation of the "pool of expert" scheme. | Copies of the "pool of expert" scheme report, certified by CRM (DOC); and letter from CRM (DOC) stating that the | See notes under Policy Action (1-10) for details on the pool of experts. |

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| | "pool of expert" scheme has been implemented. | |

ASYCUDA = Automated Systems for Customs Data; BPR = Business Process Reengineering; CNTFC=Customs National Trade Facilitation Committee; CPEI = customs procedures with economic impact; CRM = Customs Reform and Modernization section; CRMSAP = Customs Reform and Modernization Strategies and Action Plan; DOC = Department of Customs; MOF = Ministry of Finance; RKC = Revised Kyoto Convention; TIR = Transport Internationaux Routier (International Road Transport); TFA = Trade Facilitation Agreement; TIR = Transports Internationaux Routiers (International Road Transport); WCO = World Customs Organization; WTO = World Trade Organization.

^a Where the certifying authority is indicated as CRM (DOC), the document shall indicate the title of the official who approved the action described therein and the date of the approval. Where the certifying authority is indicated as Revenue Management Division (MOF), the document shall indicate the title of the official who approved the action described therein and the date of the approval.