

ASSOCIATED TECHNICAL ASSISTANCE

A. Introduction

1. The Ministry of Finance (MOF) of the Government of Nepal requested technical assistance (TA) from the Asian Development Bank (ADB) to support implementation of reforms under the South Asia Subregional Economic Cooperation (SASEC) Customs Reform and Modernization for Trade Facilitation Program. The TA is estimated to cost \$1,000,000, to be financed on a grant basis by a Special Fund administered by ADB, with the government also providing counterpart support.

2. The primary objective of the TA is to help the Government of Nepal fulfill its obligations under the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) and the revised Kyoto Convention (RKC), specifically through (i) building capacity to implement the required legal, policy, and procedural reforms; (ii) upgrading the skills needed to effectively operate enhanced automated systems and streamlined processes; and (iii) strengthening relevant institutional arrangements and capacity. The TA scope reflects the program outputs and will also support related capacity development measures. The key activities, anticipated results, implementation arrangements, cost estimate, financing arrangements, and terms of reference for the technical assistance were discussed with the government during the fact-finding mission (25 January–5 February 2017).¹

B. Outputs and Key Activities

3. The program's policy measures include sector reforms to (i) improve the national policy and legal framework for trade facilitation, bringing it into line with international standards; (ii) improve customs procedures to reduce the cost of trade; (iii) strengthen institutions to enable effective and sustainable trade facilitation; and (iv) institutionalize capacity development plans to enhance operational capacities in a sustainable manner. The TA outputs will assist achievement of program's policy actions through support to Nepal's Department of Customs (DOC) in the following areas:

- (i) **Improving and aligning legal frameworks with international standards.** The technical assistance will support drafting of necessary legal and regulatory amendments to ensure compliance with the RKC General Annex and the WTO TFA provisions; and compile relevant manuals, standard operating procedures, and other tools for implementing the new regulations in six specific areas: risk management, post-clearance audit, advance ruling, trade facilitation measures for authorized operators, pre-arrival processing, and expedited shipments. The TA will also conduct legal gap analysis and draft legal amendments on 19 additional TFA provisions and the customs procedures with economic impact (CPEI). To help introduce the legislative amendments to the field customs operations, handbooks, manuals, standard operating procedures and other relevant tools will also be developed.
- (ii) **Further advancing customs automation to trigger trade facilitation measures.** To further improve compliance levels of the six identified trade facilitation measures, continued efforts will advance and expand the roll-out and implementation of the Automated Systems for Customs Data (ASYCUDA) World

¹ The proposed technical assistance was also discussed with the Embassy of Japan and World Bank during the fact-finding mission.

system. In particular, a road map will be designed to launch ASYCUDA World functionalities and module configuration, including associated subsystems; a business re-engineering process will be conducted for the declaration processing path; training will be conducted for select customs officials on new procedures and ASYCUDA World modules; gap analyses will be undertaken of infrastructure and information technology requirements for e-Customs in Nepal's 18 main customs offices; and support will be provided to finalize the ASYCUDA World operation and maintenance contract with the United Nations Conference on Trade and Development. Exchange and knowledge of practical experience in adopting ASYCUDA World will be sought through a study visit to a customs administration that has recently transitioned to ASYCUDA World.

- (iii) **Strengthening Nepal's risk management framework and operations.** The DOC's move to risk-based approaches is key to successful compliance with the RKC and TFA provisions. The TA will develop and start implementing a risk management framework and associated standard operating procedures. To ensure risk-based customs management using ASYCUDA World comprehensively and effectively, a study visit will be conducted to learn from the experiences of a customs administration that has successfully transitioned to a risk-based approach.
- (iv) **Re-structuring organizational arrangements and developing capacity-building programs.** Major organizational change will be required to optimize the benefits of risk-based approaches and automation. The TA will assist in formulating new organigrams for DOC, identifying and implementing capacity-building plans, including organizational change management to ensure sustainable benefits.
- (v) **Supporting timely and effective implementation of DOC's Customs Reform and Modernization Strategies and Action Plans (CRMSAP) 2017-2021.** As DOC's roadmap to achieve risk-based, paperless e-customs and introduce CPEI as measures to promote export, various TA activities will support implementation of the CRMSAP 2017-2021, including its mid-term review. It will also help the DOC conduct a tariff review and develop the following: integrity plan; hardware replacement plan; standard operating procedures for coordinated border management; and a uniform layout for customs offices.
- (vi) **Generating and disseminating knowledge and information on trade facilitation for public and private sectors.** Underpinning the transformative change that will be brought about through the program is a need for increased generation of and access to knowledge on trade facilitation for both public and private sectors. To this end, the TA will support the conduct of various studies for DOC, including time release studies, and in areas such as deferred payment, electronic payment, and implementing the WTO TFA. To enhance access to information for the private sector, availability of customs-related documentation on the DOC website will be enhanced, outreach and consultation activities carried out, and support given to develop more effective operation of DOC's client-service desks.

4. Key risks for the implementation of the TA are related to DOC's shortage of technical capacity, which is commonly exacerbated by high staff turnover, and the unstable political environment of Nepal.

C. Cost and Financing

5. The TA is estimated to cost \$1.0 million, which will be financed on a grant basis by a Special Fund and administered by ADB. The government will provide counterpart support in the form of counterpart staff, office and housing accommodation, office supplies, secretarial assistance, domestic transportation, and other in-kind contributions.

Table 1: Cost Estimates and Financing Plan
(\$'000)

Item	Amount
A. Special Fund	
1. Consultants	636.6
a. Remuneration and per diem	
i. International consultants	220.8
ii. National consultants	163.0
ii. Consultancy firm	142.8
b. International and local travel	100.0
c. Reports and communications	10.0
2. Equipment ^a	9.4
3. Training, seminars, and conferences	250.0
4. Surveys and miscellaneous administration and support costs ^b	15.0
7. Contingencies	89.0
Total	1,000.0

Note: The TA is estimated to cost \$1.0 million, of which contributions from the Special Fund are presented in the table above. The government's counterpart support is not included.

^a Equipment is limited to that required for implementing the TA activities by the implementing agency, which will include but not be limited to office equipment (e.g., computers, printer/scanner, and other related office equipment). The equipment being purchased under the TA will be turned over to the TA recipient (executing/implementing agency) when the TA ends.

^b Includes temporary office accommodation as earthquake-damaged DOC office space is rehabilitated.
Source: Asian Development Bank estimates.

D. Implementation Arrangements

6. TA implementation arrangements will be closely aligned with the program. DOC will be the executing agency and the implementing agency, and will oversee and coordinate timely implementation of TA activities through the program steering committee. The TA will be implemented between August 2017 and February 2020 (a total of 30 months) in Kathmandu, and at selected border-crossing points in Nepal.

7. The TA will require a total of 22 person-months of international consultancy and 154 person-months of national consulting services (Table 2). Consultants will be selected and engaged through a firm for development of ASYCUDA World sub-systems, and on an individual basis for the remaining tasks. Consultants will be recruited using the quality- and cost-based selection method with a quality-cost ratio of 90:10 due to the highly specialized expertise needed. All consultants will be recruited in line with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All disbursements under the technical assistance will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Procurement will be carried out in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). An overview of the required consulting services is summarized in Table 2.

8. The international trade facilitation consultants will be supervised by the ADB task manager(s). A lead national consultant will serve as the main focal point and provide overall coordination to a team of experts mainly working in the field. The consultants are also expected to prepare training materials, conduct training sessions, and perform other tasks as requested by the ADB task manager(s). All consultants are to assist ADB in disseminating best practices and supporting high-level policy dialogue through knowledge products such as strategic publications, and policy and strategy papers.

Table 2: Summary of Consulting Services

Trade Facilitation	Duration (person-months)
A. International	
1. Legal Specialist	6
2. E-Customs Specialist	8
3. Business Reengineering Process Specialist	4
4. Risk Management Specialist	2
5. Organizational Development Specialist	2
Subtotal (A)	22
B. National	
1. Trade Facilitation Specialists (3)	62
2. Web Administrators (2)	24
3. Procurement Specialist	2
4. Organization/Capacity Development Specialists (3)	20
5. ASYCUDA World Sub-systems (6)	24
Subtotal (B)	132
Total (A+B)	154

ASYCUDA = Automated System for Customs Data.

Source: Asian Development Bank.

9. **Legal specialist** (6 person-months). This specialist will help DOC finalize legal amendments to the Nepal Customs Act and other relevant regulatory frameworks to comply with the RKC General Annex provisions and with the identified customs-related WTO TFA measures, carrying out *inter alia* required gap analyses, drafting of legal texts, and conducting comprehensive stakeholder consultations.

10. **E-customs specialist** (8 person-months). This specialist will support DOC in ensuring legal amendments to Nepal's customs regulatory environment are reflected, integrated and implemented in all relevant ASYCUDA World functionalities; integrate and roll out adjusted functionalities based on results of DOC's business re-engineering process; lead expansion of additional functionalities to selected customs offices; and configure and integrate relevant risk management functionalities into ASYCUDA World modules.

11. **Business reengineering process specialist** (4 person-months). This position will assist DOC's efforts to streamline and simplify customs procedures by carrying out a business re-engineering process, based on DOC's current analysis, and providing recommendations for process and procedural efficiencies. A report will also be prepared on necessary legal amendments arising from recommendations for procedural change.

12. **Risk management specialist** (2 person-months). To support DOC's move to risk-based customs operations, this consultant will develop a risk management strategy and action plan for DOC, to be integrated into customs operations and the relevant ASYCUDA World functionalities.

13. **Organization development specialist** (2 person-months). The specialist will help prepare a capacity development plan for DOC, with relevant training modules; lead and conduct related focus group discussions; formulate and implement DOC's pool of experts scheme; and ensure integration of a change management approach to optimize sustainability of organizational re-structuring.

14. National consultants will have extensive, in-depth regional and local knowledge and good contacts in the areas of trade facilitation and customs. The national consultants will be supervised by ADB task manager(s) and support the international consultants.

15. **Trade facilitation specialists** (3 positions, 62 person-months) will support DOC in implementing the CRMSAP, e-Customs Master Plan, SASEC Customs Subgroup projects. They will further facilitate enhancement and increased use of automated customs systems in DOC, including development and implementation of CRMSAP software; training of additional ASYCUDA World functionalities and integration risk profiles into ASYCUDA World; and contribute to development and implementation of a risk management strategy and action plan.

16. **Web administrators** (2 positions, 24 person-months). Web administrators will provide continuous maintenance and enhancement of DOC ITC systems, including ASYCUDA World and DOC-managed websites, and in particular (i) develop database schema and database-related tasks; (ii) carry out the development of sub-systems; (iii) prepare standard documentation for future reference on the system; and (iv) provide training and transfer of systems knowledge and software development to designated DOC IT staff.

17. **Procurement specialist** (2 person-months). The procurement specialist will assist DOC in preparation of the annual CRMSAP implementation program and budget at field level; and support DOC in preparing and finalizing required ASYCUDA World-related agreements.

18. **Organization/Capacity development specialists** (3 positions, 20 person-months). These positions will assist DOC in preparing the annual CRMSAP implementation program and budget, including organizational re-structure, monitor CRMSAP implementation, and conduct a mid-term review; provide inputs to a capacity development plan for DOC, and prepare relevant training modules; conduct focus groups on the capacity development plan and training modules; support formulation and implementation of DOC's pool of experts scheme.

19. Six consultants (24 person-months; team leader, business analyst, software architect, software programmer, MySQL programmer, and a user interface designer) will be recruited through a firm for development of ASYCUDA World sub-systems. This team will develop specific sub-systems in parallel with implementation of ASYCUDA World, including a valuation module, e-banking/e-payment module, customs performance incentive system, post-clearance audit management module, case handling module, and e-auction module. It will carry out a business process analysis; prepare system requirement specifications, and software design documents; develop and test software, and roll out developed modules.

22. The TA outputs, particularly the findings and recommendations from assessments and studies, will be disseminated through workshops, seminars, and publications, and uploaded onto the SASEC Knowledge Portal of the SASEC web portal (www.sasec.asia). Progress will be monitored on a regular basis, and evaluation will be carried out by ADB's South Asia Department through the semi-annual TA implementation review mission.