

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. Nepal recognizes trade-related development as an important vehicle for poverty reduction and economic development. The Nepal Trade Integration Study (NTIS), adopted in 2010 and updated in 2016, proposes actions in cross-cutting areas to promote sectors with export potential.<sup>1</sup> These areas include institutional capacity building for trade, the business environment, trade and transport facilitation, standards and technical regulations, sanitary and phytosanitary measures, intellectual property rights, issues related to trade in services, and product and value chain development. Development partners have supported implementation of the NTIS, coordinating their trade-related development assistance efforts through the World Trade Organization (WTO)-led Aid for Trade (AfT) initiative.<sup>2</sup> The AfT agenda covers a broad range of trade development support, including measures to improve trade facilitation, efforts to reduce trade and transaction costs, and trade-related infrastructure development.

2. Several development partners are assisting Nepal in implementing legal, regulatory, and procedural reforms in trade facilitation, summarized in the table.

#### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Trade Facilitation Sector</b>			
ADB	Supporting Participation in the SASEC Trade Facilitation Program (TA8442)	2013–2017	1.5
	Subregional Transport Enhancement Project (L2685/G0225)	2010–2017	24.5
	SASEC Trade Facilitation Program (G0322)	2012–2015	15.0
	Subregional Transport Facilitation Project (L2097)	2007–2010	20.0
	Trade Facilitation in South Asia (TA8435)	2010–	1.5
European Commission	Nepal Trade and Private Sector Development Programme	2015–2018	6.0
GIZ	Nepal–German Trade Promotion Programme	2013–2017	4.0
IMF	Various policy advisory technical assistance on the revenue and customs administrations	2003–	
UNCTAD	Implementation of ASYCUDA World <sup>a</sup>	2014–2017	
	National Plan for the Implementation of the Future World Trade Organization Agreement on Trade Facilitation report	2012	
	Implementation of ASYCUDA++	1996–2010	
UNESCAP	Transport and Trade Facilitation Monitoring Mechanism <sup>b</sup>	2014–2017	
World Bank Group	Nepal–India Regional Trade and Transport Project	2013–2019	101.0
	Project for Agricultural Commercialization and Trade	2009–2018	26.5
	WTO Trade Facilitation Agreement: Nepal Gap Assessment and Implementation Action Plan report	2015	
WCO	WCO Mercator Programme to Support WTO TFA Implementation	2014–	
	WCO–ADB Joint Technical Support on Customs Valuation <sup>c</sup>	2014–2016	
	WCO annual training calendar for Nepal (various technical assistance and training for customs)		
WTO and EIF	Nepal Enhanced Capacities for Trade and Development Project	2010–2017	9.5

ADB = Asian Development Bank, ASYCUDA = Automated System for Customs Data, EIF = European Investment Fund, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IMF = International Monetary Fund, SASEC = South Asia Subregional Economic Cooperation, TFA = Trade Facilitation Agreement, UNCTAD = United Nations Conference on Trade and Development, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific, WCO = World Customs Organization, WTO = World Trade Organization.

<sup>a</sup> Funded by ADB under the Subregional Transport Enhancement Project (Loan 2685-NEP).

<sup>b</sup> In partnership with ADB under Trade Facilitation in South Asia (TA 8435-NEP).

<sup>c</sup> In partnership with ADB under Support for South Asia Regional Economic Cooperation (TA7491-REG) and Trade Facilitation in South Asia (TA8435-REG).

Source: Asian Development Bank.

<sup>1</sup> Government of Nepal, Ministry of Commerce. 2015. *Nepal Trade Integration Strategy, 2016*. Kathmandu.

<sup>2</sup> The WTO-led AfT initiative began in December 2005. WTO. Aid for Trade. <http://bit.ly/WTO-AidforTrade>.

3. These ongoing and recently completed projects are collectively helping Nepal improve its level of compliance with the WTO Trade Facilitation Agreement (TFA). The United Nations Conference on Trade and Development (UNCTAD) extended support in 2012 to conduct the WTO TFA gap analysis.<sup>3</sup> The International Finance Corporation (IFC) produced an updated gap assessment report in 2015.<sup>4</sup> The Asian Development Bank (ADB),<sup>5</sup> the European Commission, and the World Bank are assisting Nepal to address issues in sanitary and phytosanitary standards and technical barriers to trade, identified as the main bottleneck to Nepal's agricultural export.

4. The World Bank is further developing a national single window,<sup>6</sup> designing a trade portal, facilitating transit trade through India, and building capacity for the national trade facilitation committee, coupled with trade-related infrastructure development. As part of this project, IFC is undertaking a risk profiling analysis for the customs administration. The World Customs Organization (WCO) provides technical experts to Nepal's Department of Customs for training and advisory services, including activities under the South Asia Subregional Economic Cooperation (SASEC) Program such as Time Release Studies (2015–2016), the Customs Reform and Modernization Strategies and Action Plan workshops (January and December 2016), and customs valuation workshops (2014–2016).<sup>7</sup>

5. Nepal also receives substantial bilateral support from its neighbors, India and the People's Republic of China, to develop trade-related infrastructure. India has provided grant support to develop Integrated Check Points (ICPs) on both sides of the Nepal–India border at the four largest border-crossing points. The agreement on the ICPs was signed in 2005, and the Birgunj–Raxaul ICP is expected to commence operation in 2017.

## **B. Institutional Arrangements and Processes for Development Coordination**

6. Development coordination is undertaken on multiple levels: formally through the Aft mechanism, the SASEC Customs Subgroup, and the global TFA Facility (TFAF);<sup>8</sup> and more flexibly at the project level or through targeted collaboration in discrete activities. The Ministry of Commerce is responsible for overall coordination and monitoring of the NTIS, and chairs semiannual Aft coordination meetings that bring together key bilateral and multilateral development partners.<sup>9</sup> ADB participates regularly in Aft coordination meetings to share information on planned and ongoing ADB projects on trade facilitation and other areas of the

<sup>3</sup> UNCTAD. 2012. *Nepal: National Plan for the Implementation of the Future WTO Agreement on Trade Facilitation*.

<sup>4</sup> World Bank Group. 2015. *WTO Trade Facilitation Agreement: Nepal Gap Assessment and Implementation Action Plan (Final Report)*. Washington DC (restricted distribution).

<sup>5</sup> ADB. 2013. *Technical Assistance for Trade Facilitation in South Asia*. Manila.

<sup>6</sup> The national single window system allows parties involved in trade and transport to lodge standardized information and documents at a single entry point to fulfill all import, export, and transit-related regulatory requirements. Other components of the World Bank project include support for testing facilities, the transit regime, and capacity building for the national trade facilitation committee. World Bank. Nepal–India Regional Trade and Transport Project. <http://projects.worldbank.org/P144335/nepal-india-trade-transport-facilitation-project?lang=en>.

<sup>7</sup> ADB. 2013. *Technical Assistance to Nepal for Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila; and ADB. 2013. *Technical Assistance for Trade Facilitation in South Asia*. Manila.

<sup>8</sup> The WTO established the TFAF in July 2014 to assist developing and least developed WTO member countries in reaping the full benefits of the TFA. The World Bank, the WCO, United Nations organizations, and governments of developed countries are among the TFAF members. <http://www.tfafacility.org/implementation-support>. The TFAF supports developing and least developed countries in accessing available implementation assistance from development partners. Where such support is not immediately available, the TFAF provides eligible countries project preparation grants (maximum of \$30,000) and implementation grants (maximum of \$200,000).

<sup>9</sup> Representatives from ADB, the European Union, Australia, Germany, Japan, the Republic of Korea, and the United Kingdom attended the 15th Aft meeting in Nepal (September 2016).

NTIS.<sup>10</sup> The SASEC Customs Subgroup provides a platform for all SASEC members, including Nepal, to benefit from ADB partnerships with the WCO (para. 4) and the Government of Japan.<sup>11</sup>

7. At the project level, ADB has established a close partnership with UNCTAD and financed implementation of successive Automated Systems for Customs Data (ASYCUDA) projects in support of customs automation. ADB project officers regularly communicate with UNCTAD for scheduled review and monitoring of progress, and to address ad hoc implementation challenges. Similar arrangements are in place for the ADB–United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) partnership, in which ADB’s technical assistance project activity on trade corridor performance monitoring is implemented in collaboration with UNESCAP technical experts. ADB project officers schedule regular consultations with World Bank project teams, given the need for close coordination between the national single window initiative and the ASYCUDA World rollout. Nepal’s national single window is expected to interface with the ADB-supported ASYCUDA, following the development and testing of both systems.<sup>12</sup>

### C. Achievements and Issues

8. The Aft has proven to be an effective mechanism for development coordination in Nepal, and both the Aft and SASEC platforms have acknowledged ADB’s substantial contribution to the development of Nepal’s trade facilitation sector, particularly in customs reform and modernization. At the corporate level, ADB has remained outside of the TFAF (para. 6). In practice, however, ADB has a working relationship with TFAF members and has provided technical expertise to TFAF knowledge events.<sup>13</sup> Future ADB intervention in Nepal’s trade facilitation sector will ensure closer coordination with the TFAF and its members.

### D. Summary and Recommendations

9. This program builds on ADB’s past and ongoing trade facilitation sector work, particularly in customs automation and legal and procedural reform. Sound mechanisms for development coordination in the sector, which have evolved at multiple levels, have helped define clear and logical delineation of areas of support among involved development partners. The program complements and strengthens other donor initiatives, notably the ongoing World Bank national single window project, and TFAF-related initiatives. ADB’s practice of partnering with relevant agencies such as the WCO, UNESCAP, and UNCTAD to deliver capacity development activities jointly will be continued, with efforts to pursue broader partnerships, thereby optimizing the effective development impact of trade facilitation interventions.

<sup>10</sup> ADB projects in trade facilitation are listed in the table. Other ongoing ADB projects in support of Nepal’s Aft agenda include (i) ADB. 2013. *Report and Recommendation of the President to the Board of Directors: SASEC Road Connectivity Project*. Manila; (ii) ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Air Transport Capacity Enhancement Project*. Manila; (iii) ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Community Irrigation Project*. Manila; (iv) ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Raising Incomes of Small and Medium Farmers Project*. Manila; and (v) ADB. 2009. *Report and Recommendation of the President to the Board of Directors: South Asia Tourism Infrastructure Development Project*. Manila.

<sup>11</sup> The Government of Japan, through the Japan Fund for Poverty Reduction, has been providing financial support to SASEC Customs Subgroup activities and ADB’s trade facilitation technical assistance in Nepal. Experts from Japan Customs have acted as capacity development resource persons, both for subregional activities of SASEC and national training sessions for Nepal’s Department of Customs.

<sup>12</sup> The World Bank national single window project is planned to close on 31 December 2019. As of August 2016, the bidding process for the national single window had begun.

<sup>13</sup> For example, three TFAF members—UNCTAD, the WCO, and the Government of the United Kingdom—jointly organized the Seminar for Establishing Trade Facilitation Priorities in Nepal in the Context of the WTO-TFA in February 2016, in Kathmandu, to which ADB was invited as an expert technical resource, in acknowledgement of ADB’s solid record in Nepal’s trade facilitation development. ADB has also provided inputs to the early drafts of the 2015 *WTO Trade Facilitation Agreement: Nepal Gap Assessment and Implementation Action Plan*, which was published as part of the TFAF activity.