

Trade Logistics Policy



Government of Nepal

Ministry of Industry, Commerce and Supplies

Singh Durbar

2079

Trade Logistics Policy 2079

1. Background

Trade logistics, including Trade infrastructure, services and governance, play an important role to reduce the transaction costs of internal and external trade and improving competitiveness to achieve the national goal of development and prosperity through trade. It is necessary to give special priority to develop as well as operate the quality trade infrastructure considering Nepal's landlocked situation and geographical conditions. Nepal can be developed as a regional trading/ transshipment hub along with the increment of competitiveness of the trade through the development and sustainable use of trade infrastructures like transportation, storage and distribution to ensure the continuity of supply chain mechanism. Trade Logistics Policy, 2079 has been formulated to ensure regular and smooth supply chain mechanism for the production and consumption of goods and services and to strengthen trade infrastructure as well as to established good governance in trade services.

2. Past Initiations

Embracing the open and liberal economy adopted by Nepal, the Constitution of Nepal has adopted a policy of encouraging foreign capital and technological investment in areas of import substitution and export promotion, in consonance with national interest and encourage and mobilize such investment in infrastructure building.

Commerce Policy 2072, Nepal Trade Integration Strategy 2016, and National Action Plan on Trade Deficit Reduction (2075) have also given the priority for the development and expansion of trade infrastructures. In the Fifteenth Plan (2076/77-2080/81), has adopted the strategy to reduce domestic and international trade costs by facilitating trade and strengthening institutions through the development and use of commercial technology and infrastructure. In this connection, the construction of the North-South Road corridor to facilitate the trade system by expanding the national road network has been prioritized. In order to improve and modernize the customs administration, information and communication technology-based Nepal Customs Automated System and the

Nepal National Single Window System has been implemented and construction and strengthening of the customs infrastructure has been going on. Nepal has given the priority to develop and use of trade logistics including trade, investment, transport and transit in bilateral, regional and multilateral negotiations and agreements where Nepal stands as a party.

3. Present Situation

Nepal's position related to trade logistics is not strong as compared to other countries. According to the Global Competitiveness Index of the World Economic Forum, published in 2019, Nepal is ranked 108th out of 141 countries. The average logistics performance index (Logistics Performance Index) published by the World Bank from 2012 to 2018, Nepal ranked 121th out of 167 countries. Due to the lack of adequate and quality trade infrastructure, services, inter-agency and international coordination, national and international trade cost is higher than others. Thus, the competitiveness of Nepalese trade is lower in comparison with others. Nepal has not been able to fully utilize the benefits from the international treaties and agreements related to transportation as a signing party. Internal and external private sector investment is not being attracted to develop transport and non-transport related trade infrastructure.

4. Problems and Challenges

Inadequate as well as inferior quality of transport and non-transport infrastructures including roads, railways, waterways, digital channels, airports, border infrastructures along with ware houses, cold-storage cross border infrastructure are the main problems in order to gain maximum benefit from the trade by enhancing the competitiveness. Lack of efficiency of logistics service providers, lack of standardization and utilization level of logistics services and related legal provisions, lack of necessary skills regulators and service providers. In addition, there is a lack of inter-governmental and inter-agency coordination in the formulation; development; operation and monitoring of infrastructure plans related to trade and transportation, lack of logistics data systems, internal and international coordination and data sharing mechanism in the cross-border customs process.

In addition to make technology-friendly internal and external trade system, the main challenge is to reduce transaction time and cost by maximizing the opportunities from bilateral and multilateral treaty as well as agreements related to Nepal's strategic geographical location, e-commerce and the fourth industrial revolution. In addition, new global challenges such as globalization, climate change and others have created more complexity in the improvement of business logistics.

5. Need of Logistics Policy

More than forty agencies are being currently engaged to manage and facilitate the trade in Nepal. Due to the lack of consistency in the implementation of provisions related to trade logistics in the policies, procedures and operational methods adopted by these agencies. There is duplication in the investment for trade promotional activities. Weak functional relation between the agencies involved in operating trade infrastructure and non-transport infrastructure. Ensuring the development of high-level integrated transport system, expansion of information technology-based infrastructure, adoption of integrated and coordinated function between the public and private sectors and maximizing the benefit from the multilateral, regional and bilateral agreements related to trade, transport and transit to build a competitive business system by reducing the transaction costs of domestic and international trade. In addition, it is necessary to maintain the uninterrupted supply system even in adverse situations of disasters and pandemics. Besides, this trade logistic policy is being formulated as the strategic tools to materialize the vision to develop Nepal as an international economic corridor and to reduce business costs through developing other possible means of transportation such as railways, waterways and connecting with the transport network of neighboring countries.

6. Vision

Modern, efficient and integrated trade logistics system for economic prosperity.

7. Goal

Enhancing the trade competitiveness by reducing trade logistics costs.

8. Objectives

Objective 1: To develop targeted and integrated Trade logistics infrastructure.

Objective 2: To strengthen trade related supply chain management.

Objective 3: To Strengthen good governance in trade logistics system.

9. Strategy

Objective 1: To develop targeted and integrated Trade logistics infrastructure

Strategy 1.1: Build and operate an integrated trade infrastructure system.

Strategy 1.2: Establish functional coordination and partnership for the development and operation of trade infrastructure at intergovernmental level.

Strategy 1.3: Encouraging the private sector to develop trade infrastructure by promoting internal and external investment.

Strategy 1.4: Coordinating the stakeholders to enhance the quality of trade infrastructure.

Objective 2: To strengthen trade related supply chain system

Strategy 2.1: Strengthen (Augment) the ecosystem of Trade logistics and related service providers.

Strategy 2.2: Enhancing the capacity of trade logistics service providers.

Strategy 2.3: Enhancing the access of micro, small and medium enterprises and businesses to operate and utilize the trade logistics services.

Strategy 2.4 Use the latest technology to streamline and strengthen supply chain management.

Strategy 2.5: Develop a resilient supply chain system.

Objective 3: To Strengthen good governance in trade logistics system

Strategy 3.1: Streamlining legal and regulatory arrangements including enforcement mechanisms to establish an integrated Trade logistics system.

Strategy 3.2: Ensuring stakeholder participation in the implementation of the Trade Logistics Policy.

Strategy 3.3: Enhance the capacity of intergovernmental entities to coordinate, facilitate and regulate trade logistics services.

Strategy 3.4: To enhance the research capacity of trade logistics as well as develop Trade Logistics Management Information System.

10. Working Policy

Strategy	Working Policy
<p>1.1 Build and operate an integrated trade infrastructure system.</p>	<p>1.1.1 On the basis of logistics mapping, an integrated trade infrastructure master plan will be formulated for trade facilitation, promotion and regulation.</p> <p>1.1.2 Access to trade infrastructure will be increased through negotiations, agreements and cooperation with neighboring countries by establishing regular engagement with the international trade network.</p> <p>1.1.3 Multifunctional infrastructure will be developed to provide integrated services related to trade management and regulation.</p> <p>1.1.4 Investment will be mobilized for the construction of trade infrastructure including road, railways, waterways, warehouses, cold storage, on the basis of business viability.</p> <p>1.1.5 The concept of co-utilization of trade infrastructure services will be implemented.</p>

Strategy	Working Policy
<p>1.2 Establish functional coordination and partnership for the development and operation of trade infrastructure at intergovernmental level.</p>	<p>1.2.1 Coordination between intergovernmental plan to develop an integrated national network of trade-related transport will be established.</p>
	<p>1.2.2 A national framework of non-transport infrastructure development related to trade logistics will be developed.</p>
	<p>1.2.3 Based on the concept of GESI, modern infrastructure will be developed at customs points and airports to facilitate export trade and transit.</p>
	<p>1.2.4 Standard will be developed for safe, sustainable and resilient logistics infrastructure, trade routes and load bearing capacity, environment friendly transport and production process and packaging on the basis of concept of gender responsive and social inclusion.</p>
	<p>1.2.5 Due consistence and compatible with regional and international standards and practices, the standards on infrastructure and facilities will be developed.</p>
	<p>1.2.6 The capacity of the province and local level will be enhanced to develop and manage the trade logistic infrastructures along with fostering the partnership on investment.</p>
<p>1.3 Encouraging the private sector to develop trade infrastructure by promoting</p>	<p>1.3.1 Fiscal and non-fiscal incentive measures will be applied to attract domestic and foreign investment.</p>

Strategy	Working Policy
<p>internal and external investment.</p>	<p>1.3.2 Conduct programs to encourage the private sector for the development and operation of trade logistics infrastructure.</p>
	<p>1.3.3 Promote Public Private Partnership for private sector investment and participation in trade logistics infrastructure.</p>
	<p>1.3.4 Develop Trade logistics infrastructure using the latest financial tools of foreign investment including blended finance.</p>
<p>1.4 Coordinating with stakeholders to enhance the quality of trade infrastructure.</p>	<p>1.4.1 The quality and standards of trade related transport infrastructure will be designed, developed and monitored in coordination with related agencies.</p>
	<p>1.4.2 Standards of trade related non-transport infrastructure will be designed, developed and monitored in coordination with related agencies.</p>
	<p>1.4.3 The system of quality audit of the development and use of trade infrastructure will be introduced in coordination with stakeholders.</p>
	<p>1.4.4 Design and implement the set of quality and operational standard of trade infrastructure to be developed and operated by private sector.</p>
<p>2.1 Strengthen (Augment) the ecosystem of Trade logistics and related service providers</p>	<p>2.1.1 Service standard of trade logistics will be developed along with the system of certification and grading of the services will be introduced.</p>

Strategy	Working Policy
	2.1.2 Trade logistics services will be developed as a national priority sector and Investment will be expanded accordingly.
	2.1.3 Containerized as well as sealed transport services and consolidation services will be encouraged.
	2.1.4 The services of containerized truck and trailer operators will be made competitive at national and international level.
	2.1.5 Export through airways will be made competitive and organized through reducing the transportation cost.
	2.1.6 Postal services, insurance, banking and regulatory function related to trade logistics services will be made business friendly.
2.2 Enhancing the capacity of trade logistics service providers.	2.2.1 Professional knowledge and skills of logistics service providers will be enhanced as per the concept of gender equality and social inclusion.
	2.2.2 To promote logistics services prioritize the use of modern technology and technology transfer.
2.3 Enhancing the access of micro, small and medium enterprises and businesses	2.3.1 Integrated Logistics services will be provided as per the need of micro, small and medium enterprises.

Strategy	Working Policy
<p>to operate and utilize the trade logistics services.</p>	<p>2.3.2 Trade logistics services provided by micro, small and medium enterprises will be managed through grading and certification of the services.</p>
	<p>2.3.3 Capacity development programs for women and micro, small and medium entrepreneurs will be conducted to increase the access on the operation as well as utilization of trade logistics services.</p>
<p>2.4 Use the latest technology to streamline and strengthen supply chain management.</p>	<p>2.4.1 Effective supply chain system will be developed by promoting e-commerce and electronic market-system based on modern technology.</p>
	<p>2.4.2 Customs Clearance process will be automated through promoting digital system.</p>
	<p>2.4.3 Optimizing the use of digital technology to ensure safe, prompt and seam-less transportation and distribution process of goods within the country</p>
<p>2.5 Develop a resilient supply chain system.</p>	<p>2.5.1 A strong supply system will be developed for the uninterrupted supply management during unfavorable situations like disasters and pandemics</p>

Strategy	Working Policy
	<p>2.5.2 Consistency will be made between procedures issued by various agencies and functional process to make sound and regular supply system during disaster and pandemics.</p>
<p>3.1 Streamlining legal and regulatory arrangements including enforcement mechanisms to establish an integrated Trade logistics system.</p>	<p>3.1.1 Favorable legal arrangements shall be made for smooth entry, operation and exit of trade logistics services business</p>
	<p>3.1.2 Diversification and efficiency of transit facilities will be enhanced through mutual support and cooperation with stakeholders related to trade and transport</p>
	<p>3.1.3 Accession to international conventions related to trade and transport as well as implementation of existing treaty agreements will be expedited</p>
	<p>3.1.4 In accordance with the concept of coordinated border management, the working procedure of international trade operators and regulatory agencies will be integrated and strengthened.</p>
<p>3.2 Ensuring stakeholder participation in the implementation of the Trade Logistics Policy.</p>	<p>3.2.1 The involvement of private sector and stakeholders will be ensured during the formulation of the Trade Logistics Policy Implementation Plan</p>

Strategy	Working Policy
	<p>3.2.2 The institutional mechanisms will be established with the representation of stakeholders for the implementation and monitoring of trade logistics policy-related programs.</p>
<p>3.3 Enhancing the capacity of intergovernmental entities to coordinate, facilitate and regulate trade logistics services.</p>	<p>3.3.1 The concept and importance of trade logistics will be communicated and advocated at federal, province and local levels</p>
	<p>3.3.2 The capacity development programs on logistics services will be conducted at federal, province and local levels</p>
	<p>3.3.3 Enhancing the capacity as well as coordinated mobilization of intergovernmental entities to make regular supply system during the disaster and disaster related situations.</p>
<p>3.4 To enhance trade logistics research capacity as well as develop trade logistics management information system.</p>	<p>3.4.1 Statistics related to trade logistics will be managed.</p>
	<p>3.4.2 Digital technology-based Trade Logistics Information System will be established and interfaced with the information system of the trade logistics service provider.</p>
	<p>3.4.3 The studies and research related to latest concepts and practices of trade logistics will be prioritized</p>
	<p>3.4.4 Trade and market intelligence mechanism will be strengthened on the basis of trade logistics information system.</p>

11. Institutional Arrangement

11.1 The Board of Trade in the Ministry of Industry, Commerce and Supplies could provide guidance on policy matters related to trade logistics infrastructure and services and facilitate program implementation.

11.2 Coordination Committee

11.2.1 There will be a coordination committee as per Schedule-1 to coordination with trade logistics related plans, policies and programs as well as institutional coordination, monitoring and evaluation of the policy and programs.

11.2.2 The chairperson of the committee may invite any person as an expert in the meeting.

11.2.3 The meeting of the committee shall be held at least once in three months and the procedure for the meeting shall be as determined by the committee.

11.3 Implementation Committee

11.3.1 There will be an implementation committee as per Schedule-2 for the implementation of trade logistics policy.

11.3.2 The function of the committee will be as follow:

- To Implement the decisions of the coordination committee,
- To draft the necessary laws, regulations, performance procedures and frameworks for the implementation of the Trade Logistics Policy,
- To manage resources and manpower for policy implementation,
- To form the thematic working committee with Terms of Reference,
- To submit an annual report to the Council compiling the progress of the implementation of policy and the challenges overcome during the implementation.
- To provide the necessary technical support to the relevant agencies for the effective implementation of the policy

11.3.3 The committee shall meet at least once in two months.

11.4 Other Provision

11.4.1 The Ministry of Industry, Commerce and Supplies will form a working committee on logistics infrastructures, logistics services and logistic governance for the effective implementation of the logistics policy.

11.4.2 The Working Committee will be chaired by the Joint Secretary designated by the Ministry of Industry, Commerce and Supplies. The working committee will consist of officials from the agencies and organizations of concerned field of trade logistics, experienced experts and business persons.

11.4.3 The Ministry shall designate the Export Promotion and Trade Facilitation Section as the Secretariat of the Implementation Committee unless otherwise provided. A separate division may be formed for the coordination and management of trade logistics.

12. Financial arrangements

The resources required for the implementation of this policy shall be included in the annual budget and programs of the relevant agencies. Private and foreign investment will be encouraged to promote.

13. Legal System

In order to implement the provision of this policy, a unified legal structure on trade logistics will be formulated as well as relevant sectoral laws will be amended as necessary.

14. Implementation arrangements

For the implementation of this policy, the Ministry of Industry, Commerce and Supply will approve the action plan with activities and make available to the relevant agencies. It will be the responsibility of the concerned agencies to implement the approved action plan.

15. Expected Outcomes

The implementation of this policy will reduce trade mediation costs and improve the overall supply chain including production, distribution and storage of goods and services, reducing trade and transit costs and will enhance the competitiveness. It will increase the production and productivity of the entire economic sector and will contribute for economic growth, employment generation, improvement of living standards and poverty reduction, along with the strengthening of the economy, to tackle the challenges of business expansion and diversification after the graduation from the developing countries.

16. Monitoring and Evaluation

Related ministries, departments and central agencies will regularly monitor the implementation of this policy under their respective jurisdictions. The overall monitoring and evaluation of policy implementation will be carried out by the coordinating committee. In addition, the private sector and other related parties will be involved for the monitoring and evaluation as needed. This policy will be reviewed in each five years.

17. Risk and recognition

There is a risk that this policy will not be effectively implemented in the absence of sufficient financial resources, strong inter-agency coordination and private sector investment and participation for the development of quality trade logistics infrastructure and service. It is expected that there will be coordination, cooperation and positive contribution between government, private sectors, cooperatives and development partners for the implementation of the activities directed by the policy.

+++++

Annex 1

Coordination Committee

1	Chief Secretary, Government of Nepal	Chairperson
2	Secretary, Economic and Infrastructure Sector, Office of the Prime Minister and Council of Ministers	Member
3	Secretary, National Planning Commission	Member
4	Secretary (Commerce), Ministry of Industry, Commerce and Supplies	Member
5	Secretary, Ministry of Finance	Member
6	Secretary, Ministry of Agriculture and Livestock Development.	Member
7	Secretary, Ministry of Physical Infrastructure and Transport	Member
8	Secretary, Ministry Urban Development	Member
9	Secretary, Ministry Culture, Tourism and Civil Aviation	Member
10	Secretary, Ministry of Energy, Water Resources and Irrigation (Energy)	Member
11	Secretary, Ministry of Communication and Information Technology	Member
12	Secretary, Ministry of Foreign Affairs	Member
13	Secretary, Ministry of Land Management, Cooperatives and Poverty Alleviation	Member
11	Joint Secretary, MOICS	Member Secretary

Annex 2

Implementation Committee

1	Secretary (Commerce), Ministry of Industry, Commerce and Supplies	Chairperson
2	Joint Secretary, Economic and Infrastructure Sector, Office of the Prime Minister and Council of Ministers	Member
3	Joint Secretary, Ministry of Industry, Commerce and Supplies	Member
4	Joint Secretary, Ministry of Agriculture and Livestock Development.	Member
5	Joint Secretary, Ministry of Physical Infrastructure and Transport	Member
6	Joint Secretary, Ministry Urban Development	Member
7	Director General, Civil Aviation Authority of Nepal	Member
8	Director General, Department of Customs	Member
9	Executive Director, Trade and Export Promotion Centre	Member
10	Executive Director, Nepal Intermodal Transport Development Board	Member
11	Under Secretary, Ministry of Industry, Commerce and Supplies	Member Secretary