

Nepal Trade Integration Strategy, 2023

(2023-2028)



Government of Nepal

Ministry of Industry, Commerce and Supplies

Singha Durbar, Kathmandu

Nepal Trade Integration Strategy, 2023

(2023-2028)



Government of Nepal
Ministry of Industry, Commerce and Supplies
2023

The Nepal Trade Integration Strategy was prepared by a team of 10 Nepali experts and one international expert led by Mr. Rameshwor Khanal, former secretary of the Government of Nepal. The experts were Mr. Anup Raj Upreti, Mr. Axit Raj Poudyal, Dilli Ram Sharma, PhD; Ms. Ines Escudero, Mona Shrestha Adhikari, PhD; Mr. Navin Dahal, Puspa Sharma, PhD; Mr. Rabi Sainju, Mr. Rojan Bajracharya and Ms. Romi Manandhar.

Mr. Gobinda Bahadur Karkee, Joint Secretary, Ministry of Industry, Commerce and Supplies (MoICS), was involved in overall coordination. Mr. Lila Prasad Sharma, Joint Secretary, MoICS, contributed to the finalization of the strategy for publication, supported by Mr. Bhakta Raj Joshi, Under Secretary, MoICS.

Mr. Shiv Raj Bhatt, expert at the Investment Support Facility, a project under the European Union-funded Trade and Investment Programme facilitated the consultations and collaboration of various NTIS stakeholders.

The English summary of NTIS 2023 was translated and edited by Mr. Binod Bhattarai, Senior Communication Expert, ISF. Ms. Deepanjali Shrestha, GESI and Communications Expert supported the process.

Published by:



Government of Nepal
Ministry of Industry, Commerce and Supplies
Singha Durbar, Kathmandu

With the support of

Delegation of the European Union to Nepal, Trade and Investment Programme

Layout/ Design

Chiran Ghimire

ISBN: XXX

© Ministry of Industry, Commerce and Supplies, Government of Nepal

Disclaimer

The Government of Nepal has made all efforts to ensure that information in the strategy is accurate but provides no warranty or makes any representation, expressed or implied that the information is error free. Information from the publication can be used freely for non-commercial purposes, with credit to the MoICS, Government of Nepal. (The Nepali version of NTIS is the official document).

Cover photos

[1] Large cardamom (*Amomum subulatum* Roxb.) [2] Tea (*Camellia sinensis*) [3] Yarsagumba (*Ophiocordyceps sinensis*) [4] Readymade garments [5] Pashmina [6] Coffee beans [7] Carpet [8] Ginger (*Zingiber officinale*) [9] Electricity transmission infrastructure

Citation

Nepal Trade Integration Strategy (2023), Ministry of Industry, Commerce and Supplies, Kathmandu.

Table of contents

1.0. Introduction	1
2.0. Coherence of macroeconomic and development policies for trade integration	4
3.0. Federalism, graduation to developing country and measures for enhancing trade capacity on economic diplomacy	6
4.0. Labor, women empowerment and social inclusion	11
5.0. Trade infrastructure development and trade facilitation	15
6.0. Food quality standards and plant health, and quality infrastructure for industrial products, standards and implementation situation	19
6.1. Quality infrastructure, standards and implementation situation of food and agricultural products	
6.2. Infrastructure for quality industrial products, standards and implementation	22
7.0. Supportive regulatory environment for investment	26
8.0. Use of 4th and 5th generation industry concepts	30
9.0. Development of priority products for export	33
9.1. Identification of products with export potential	35
9.2. Capacity assessment of product clusters	40
9.3. Trade in services	50
9.4. Services with export potential	52
10.0. NTIS implementation, monitoring and evaluation	53
10.1. Institutional mechanism for implementation	53
11. Strategic framework of NTIS 2023 and action matrix	57

Abbreviation

AI	Artificial Intelligence
ANSI	American National Standards Institute
B2B	Business to Business
B2C	Business to Consumers
BIS	Bureau of Indian Standards
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BPO	Business Process Outsourcing
C2B	Consumers to Business
C2C	Consumers to Consumers
CABI	Centre for Agriculture and Bioscience International
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CNI	Confederation of Nepalese Industries
CTEVT	Council for Technical Education and Vocational Training
DDA	Department of Drug Administration
DFTQC	Department of Food Technology and Quality Control
DNA-P	Designated National Authority for Pesticides
DOA	Department of Agriculture
DOCSCP	Department of Commerce, Supplies and Consumer Protection
DOFSC	Department of Forest and Soil Conservation
DOLS	Department of Livestock Services
DOPR	Department of Plant Resources
EBA	Everything But Arms
ETA	Electronics Transactions Act
EU	European Union
FDI	Foreign Direct Investment
FECOFUN	Federation of community Forestry Users Nepal
FNCCI	Federation of Nepalese Chambers of Commerce and Industries
FTA	Free Trade Agreement
GACP	Good Agriculture and Collection Practices
GDP	Gross Domestic Product
GHP	Good Handling Practices
GON	Government of Nepal
GMP	Good Manufacturing Practice
GSP	Generalised Scheme of Preferences
GSP+	Generalised Scheme of Preferences Plus
ICP	Integrated Check Post
IEC	International Electromechanical Commission
IOLM	International Organization of Legal Metrology
IPPC	International Plant Protection Convention
ISO	International Organization for Standardization
ITC	International Trade Centre
IEC	International Electromechanical Commission
ILO	International Labour Organization
IPPC	International Plant Protection Convention

IT	Information Technology
ITE	Information Technology Enabled
LDCs	Least Developed Countries
MAPs	Medicinal and Aromatic Plants
MFN	Most Favored Nation
MOALD	Ministry of Agriculture and Livestock Development
MOCIT	Ministry of Information and Communications
MOCTCA	Ministry of Culture, Tourism and Civil Aviation
MOEST	Ministry of Education, Science and Technology
MOEWRI	Ministry of Energy, Water Resources and Irrigation
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOFAGA	Ministry of Federal Affairs and General Administration
MOFE	Ministry of Forest and Environment
MOICS	Ministry of Industry, Commerce and Supplies
MOLESS	Ministry of Labour, Employment and Social Security
MOLMCPA	Ministry of Land Management, Cooperatives and Poverty Alleviation
MSMEs	Micro, Small and Medium Industries
MT	metric tons
MTEF	Medium Term Expenditure Framework
MW	megawatts
NBSM	Nepal Bureau of Standards & Metrology
NCA	Nepal Accreditation Center
NCC	Nepal Chamber of Commerce
NIST	National Institute of Standard and Technology
NMI	National Metrology Institute
NRB	Nepal Rastra Bank
NSO	National Statistics Office
NTIS	Nepal Trade Integration Strategy
OECD	Organization of Economic Cooperation and Development
PRA	Pests Risk Analysis
PQPMC	Plant Quarantine and Pesticide Management Centre
RCEP	Regional Comprehensive Economic Partnership
RoO	Root of Origin
SAFTA	South Asian Free Trade Area
SDGs	Sustainable Development Goals
SEZs	Special Economic Zones
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary
SWAp	Sectorwide Approach
TEPC	Trade and Export Promotion Centre
TIA	Tribhuvan International Airport
TIFA	Trade and Investment Framework Agreement
VAT	Value Added Tax
WTO	World Trade Organization

Message

Trade is an important contributor to a nation's prosperity. Growth in trade can provide market access to local produce, create jobs, serve consumer interest, contribute towards increasing revenue and poverty reduction, and provide a strong foundation for socioeconomic development. Trade expansion can assist Nepal in attaining the Sustainable Development Goals and a smooth and irreversible graduation from the Least Developed Country (LDC) status in 2026 for prosperity.

All periodic plans of Nepal have stressed trade policy. The country has been making efforts to comply with the World Trade Organisation policies, and in enhancing national trade capacity like all other LDCs. Nepal has been continuously assessing the national and international context for trade and investment for making making periodic updates in policies and action plans to support trade and investment. This five-year Nepal Trade Integration Strategy (NTIS) 2023 has been prepared as part of the process. It seeks to support enhancement of domestic productivity and competitiveness for expanding international trade.

One objective of NTIS 2023 is to attain external sector stability through effective implementation of the recommended actions. Even though its implementation, monitoring and evaluation will be the primary responsibility of the Ministry of Industry, Commerce and Supplies, effective implementation will require support and meaningful collaboration and coordination with other government agencies, the private sector, development partners and other stakeholders. In the context of Nepal's federated governance, I am confident that all provincial and local governments will prioritize NTIS implementation.

Finally, I thank all individuals and organizations involved in the preparation of this strategy.

June 2023

(Signature)
Ramesh Rijal
Minister

Foreword

Trade has a major influence on economic development. It is, therefore, extremely important to develop and expand this sector for poverty reduction and for attaining the national aspiration of prosperity. Nepal also needs to enhance competitiveness in order to derive maximum benefits from the increased international access resulted from membership in the World Trade Organization. These are reasons why Nepal has prioritized trade-related policies and trade-enabling interventions. I am extremely pleased to present the Nepal Trade Integration Strategy 2023, which is the fourth such plan.

This strategy has been developed to respond to the developments in international markets, the country's adoption of a federated governance structure, and Nepal's planned graduation to a middle-income country in 2026. The strategy aims to support attainment of external sector stability, and has set the goal of attaining raising the export of goods and services ratio to 20 percent and the total trade to GDP ratio to 55 percent. Three strategic pillars have been determined for attaining these goals: Building a supportive environment for trade, improving trade-enabling infrastructures, logistics, processes, and regulatory environment, and developing competitive products and expanding the export market. These three pillars encompass 13 strategies and 183 activities interventions.

Implementation of this strategy expected to assist in increasing Nepal's exports, which in turn will make important contributions in developing the trade and investment sector. But effective implementation will require effective collaboration and coordination of all stakeholders, a process which the Ministry of Industry, Commerce and Supplies will facilitate to garner support all relevant ministries and government agencies, development partners, the private sector, civil society and other stakeholders. I am confident that the participation and collaboration of stakeholders observed during preparation will continue during the implementation.

This strategy internalized collaborative participation of all relevant stakeholders during preparation. It sought inputs to the draft prepared by subject-matter experts from policy makers and practitioners in all of Nepal's seven provinces and a large number of local body representatives, businesses based in the provinces, including women and youth; and business associations, businesses, and industry leaders in Kathmandu. Feedback and suggestions were also sought from various Nepal Government agencies. The final draft incorporated the suggestions received during the consultations and those provided directly to the ministry. The final draft was reviewed by the ministry and forwarded to the Council of Ministers for approval. I thank everyone involved in the preparation of this strategy.

June 2023

(Signature)
Shankar Das Bairagi
Chief Secretary

Preface

Along with becoming a member of the World Trade Organization in 2004, Nepal has committed to different regional and bilateral agreements and arrangements to improve access of Nepali products and services in international markets. The country has also been continuously reviewing and modifying its trade policies to prepare better for capturing the opportunities provided by multilateral, regional and bilateral agreements. This document is the fourth document towards that aim.

This strategy has been formulated in the background of changes in the world trade system, the impact of Covid-19 on the business sector, the federal government system adopted by the country and Nepal's planned graduation to a developing country in 2026. This is the context that makes external sector sustainability vital for building the best ecological system for goods and services development and trade, creating a supportive environment for enhancing competitiveness, adding business support infrastructure, enhance communication, and reform the processes involved and the regulatory environment and governance.

The Nepal Trade Integration Strategy has three strategic pillars, 13 strategies and 183 activities. Mr. Rameshore Khanal, former secretary of the Government of Nepal, led an expert group that was involved in formulating a draft strategy. The team included Mr. Dilli Ram Sharma, PhD; Ms. Romi Manandhar, Mr. Pushpa Sharma, PhD; Mr. Navin Dahal, Mr. Akshit Paudel, Mr. Anup Upreti (Pioneer Law Associates), Ms. Mona Shrestha Adhikari, PhD; Mr. Rojan Bajracharya, Mr. Rabi Shanker Sainju, and Ms. Ines Escudero that prepared the different sectoral drafts. Mr. Shiv Raj Bhatt, Key Expert at the EU-Nepal Trade and Investment Program and other staff provided the necessary support. I thank you all. I also thank my former colleagues, secretaries Mr. Dinesh Bhattarai, Mr. Ganesh Prasad Pandey and Mr. Toyam Raya for their contributions. I am also grateful to Mr. Gobinda Bahadur Karkee, Joint Secretary, Multilateral Trade and Trade Assistance Division of this ministry and all staff of the division for participation in strategy formulation.

We believe that the effective implementation of this strategy can increase Nepal's exports and play an important role in the overall development of the trade sector. The successful and effective implementation of the strategy depends on the cooperation and coordination of all stakeholders hence, my request for cooperation from relevant government agencies, private sector and development partners for rolling out this plan.

(Signature)

Madhu Kumar Marasini

Secretary

MOICS

1.0 Introduction

Nepal's international market access has improved over the years. As per the Global Enabling Trade Report 2016, Nepal's international market access index was 1.0 out of 136 countries. Similarly, in the five years after 2011, the margin of preference in international markets increased from 67.9 to 89.9. Nepal's trade-weighted customs rates have also decreased gradually. The factors behind improved international market access are favorable bilateral and multilateral agreements and the concessions available to Least Developed Countries (LDCs).

However, Nepal's export performance has not been satisfactory. Nepal's Export Value index has remained largely steady compared with similar countries (Table: 1). The export volume index has declined while the same for Laos has increased by 10 folds. Openness in Trade measured as a ratio of total international trade and Gross Domestic Product (GDP) increased by 10 percent in a decade and reached 40.65 percent in 2020. Nepal's International Market Access index was 3.03 in 2000, which reached 3.55 in 2017. This index is derived from the total number of products of Nepal exported to different countries divided by the number of countries that import such goods. This indicates Nepal's low capacity for accessing potential export markets.

Table 1: Export Value Index

Country	2000	2005	2010	2015	2020
Bangladesh	100.00	145.52	300.43	506.79	525.59
Cambodia	100.00	222.50	370.16	614.80	1,238.98
Lao PDR	100.00	167.44	528.71	1,116.02	1,851.27
Nepal	100.00	107.37	106.44	89.64	1106.46
Rwanda	100.00	235.13	560.89	1,286.84	2,655.63
Sri Lanka	100.00	116.88	158.41	194.22	186.03
Vietnam	100.00	224.00	498.77	1,119.00	1,952.12

Source: World Development Indicators, 2020

Nepal's export destinations have remained more or less unchanged for a long time. Eighty percent of total exports are destined to India, and in the past five years, this has increased by 34 percent. Before 1990, Nepal's goods and services exports were below 10 percent of GDP and imports were also low. Still the current account deficit had reached about eight percent. Exports began growing following the economic liberalization that began in 1992 and had reached 2.63 percent of GDP in 1996. In recent years, export growth has remained negligible while imports have increased at high rates.

Increasing exports have remained the major focus of trade policy ever since the start of periodic planning in Nepal. Until 1991, Nepal did not have a trade policy. The first Trade Policy 1992 adopted the economic liberalization policy and took initiatives to remove the barriers to trade. The Trade Policy of 2009, Nepal's second, took more wider approach compared to the 1992 policy. The Trade Policy of 2009 had created a conducive environment to enable Nepali products to compete internationally, increase exports to reduce the trade deficit, increase income and employment opportunities, and establish an interrelationship between domestic and internal trade as its major strategies.

Implementation of this strategy led to major reforms in trade facilitation, development and implementation of customs infrastructure and processes, and quality standards. For the first time ever, road projects were implemented for facilitating trade. However, not much was done towards building recognition for Nepali products in international markets, strengthening domestic supply chains, and building other trade-supportive

infrastructure. As result, even though some major initiatives had been undertaken, the overall goals remained unachieved and both the trade and current account deficits continued to widen.

The third Trade Policy was formulated in 2015. The main objectives of this policy was to secure the concessions available to LDCs, harmonize sectoral policies to reduce the trade deficit, strengthen services trade, and to take necessary measures to safeguard and protect intellectual property.

Alongside the trade policy and in preparation for joining the World Trade Organization (WTO), in 2003, Nepal undertook the Nepal Trade and Competitiveness Study, based on which the Nepal Trade Integration Strategy (NTIS) was prepared. However, an evaluation of this strategy in 2010 suggested that implementation had not been satisfactory, and the major reasons for that were: (1). Inadequate human and financial resources for implementation, (2). Non-inclusion of the proposed activities in the Periodic Plan and the Medium Term Expenditure Framework (MTEF), (3). Inability to get assistance for trade, and (4). Weak inter-agency coordination. The NTIS was formulated in 2010 immediately after the Trade Policy 2009. The strategy had added nine more goods and services to the list of exportable goods and services in the trade policy.

NTIS 2010 was ambitious to some extent. There was visible progress primarily in improving trade and customs infrastructures, trade facilitation, and the formulation and implementation of quality standards. But the overall economic goals could not be achieved. NTIS 2010 was revised after six years and a new one was prepared in 2016. However, the export growth of goods identified by the strategy remained low compared to the overall growth of exports. Some of the important activities proposed by the strategy also remained incomplete, and some newer issues have also emerged.

The introduction above provides a context for formulating the Nepal Trade Integration Strategy 2023 (NTIS 2023), which has also taken into consideration some new contextual issues:

- a. There has been continuous increase in the balance of payments deficit and the pace of depletion of foreign exchange reserves resulting in a current account deficit.
- b. The export growth rate of products and services identified by the NTIS has remained weak despite an increase in the overall export growth rate for the last two years.
- c. Nepal will lose international trade related facilities provided to LDCs after graduation to a developing country in 2026.
- d. Since the country is now under a federal system of governance, new opportunities have emerged for building domestic supply and value chains, and
- e. In light of adequate examples that trade contributes to poverty reduction and inclusive development, it has become necessary to update the strategy with gender empowerment and social inclusion lenses.

Formulation of NTIS 2023 involved the different actions and analysis of various issues as listed below:

1. Review of macro economic and development policies for expanding international trade and its integration in global trade.
2. Federalism, graduation to a developing country, and measures for enhancing trade capacity on economic diplomacy.
3. Reforms required in labor, social inclusion and markets for building competitive capacity of marginalized groups in trade, and equitable distribution of the benefits of trade.
4. The current situation of trade infrastructure development, trade facilitation and reform measures.
5. Reforms required to make Nepali products competitive to enter the markets of trade partner countries in the context of their quality standards in food and agriculture.

6. Policies and institutional reforms for improving quality testing infrastructure of industrial products, and enforcement of quality standards.
7. Reforms required to make conducive regulatory environment for foreign investment promotion, investment facilitation, good governance and protection of intellectual property.
8. Preparations, recommendations and possibilities for adopting Industry 4.0 and 5.0 for reducing the costs of production and trade, ensuring quality products and regular supplies.
9. Identification of products able to compete in international markets and measures to develop emerging products.
10. Identification of services able to compete in international markets and measures to develop the service sector, and
11. Implementation mechanism and modality.

A budget required to implement the strategy has also been estimated and a Trade Sectorwide Approach (SWAp) has been recommended for mobilizing foreign aid considering the low internal resources availability for strategy implementation.

2.0 Coherence of macroeconomic and development policies for trade integration

All macroeconomic and development policies – particularly monetary policy, fiscal policy, agriculture, livestock, forest and environmental management policies – need to be supportive for trade promotion. Labor laws and regulations, industrial promotion, foreign investment promotion, protection of intellectual property and quality standards, and enforcement are also important. All of these policies and standards have been analyzed in the respective sections. This section has attempted to review and identify areas for reform in monetary, fiscal, agriculture and forest policies.

Despite limitations, Nepal's monetary policy has demonstrated flexibility in supporting the export sector. Salient features of the monetary policy are simplification of payments for raw materials import, facility to obtain loans in convertible currencies, foreign exchange facilities for business transactions abroad and special refinancing facilities for export industries. The policy also has provisions for issuance of advance payment certificates for two years, which can be extended by an additional year if export is delayed.

Monetary policy can further incentivize export businesses by addressing a few additional issues. At present, there is a provision allowing exporters to retain five percent of the export income in foreign currency abroad for establishing showrooms and for business representation. Especially, companies involved in exporting information technology (IT) related services require additional funds for their offices abroad. There is a practice of booking service trade in foreign countries due to prohibitions on sending foreign currency out, once it has entered Nepal. There is a need for flexibility with conditions to resolve this matter.

Export industries and service companies can import raw materials and machinery on credit and can make the payments later. But the time allowed is not sufficient. Evidence of neighboring countries shows that extending this period can be supportive for export businesses.

Exporters of IT services need to establish a permanent units abroad for official purposes. But there is no provision for purchasing capital goods and equipment required in such foreign units through Letter of Credit issued in Nepal. IT service businesses can increase their exports if arrangements are made to allow payments from Nepal at the recommendation of the concerned regulatory agency for goods – required by foreign unit of a Nepali company – purchased abroad.

There are no special export financing arrangements other than the regular banking system. An Exim Bank has not been established in Nepal even though the matter had been raised in the past. Even if an export-import bank cannot be established immediately, it is necessary to make a special arrangement for export financing utilizing the existing institutional mechanisms for promoting exports.

Public expenditure and taxation arrangements in the fiscal policy support export promotion. With regard to public expenditure, implementation is the major problem. Further, the development of export-related trade infrastructure remains inadequate. The pace of establishment and operation of Special Economic Zones (SEZs) and export processing zones has been slow. It is necessary to enhance investment in trade supportive infrastructure and strengthen implementation capacity to reduce the costs of doing business. Scope and amount of cash incentives provided for exports is also low compared to that in countries with high export growth rates.

If the income tax rate is reduced, there is a possibility of IT companies based abroad to relocate their business

bases in Nepal. If the income tax rate on export earnings is maintained below 10 percent for the next five years, it will encourage exporters to increase exports. The loss in revenue resulting from the lowering of corporate income tax can be compensated by the income taxes received from increased employment created by expansion of business.

Customs and all charges on raw materials used in export industries are refunded after export of finished goods. Therefore, the custom duties on raw materials are not a matter of concern for export industries. The cost of doing business can be reduced by simplifying the process for tax refunds. If the custom duties on raw materials for producing goods used in domestic consumption, and the custom duties on the imported finished goods using the similar raw materials are equal, or slightly lower on raw materials, it will become difficult for domestic producers to compete with imported goods on price. If domestic industries are competitive, they will gradually expand capacity and benefit from economies of scale on cost of production. Over time, goods produced by such industries can become competitive in international markets and exports can increase. Therefore, customs differences should be 10 percent between raw materials and finished goods. If the legal provision of tax refund on the flat rate given to small and medium sized industries comes into effect, it will support the reduction of the cost of doing business.

In the course of tax reforms, policies were adopted by making the Value Added Tax (VAT) more effective and reducing the number of goods under the excise regime. The number of goods on which excise duty is levied has increased to about 1400 in recent years. Removing or reducing excise does not make any sense for exportable goods since the excise is refunded. This is a simplistic analysis. If the burden of excise duties is low, it can lower the prices in domestic market. The domestic market can expand and the industries can increase production capacity. There will be benefit of economies of scale, and the industry can expand the market of goods from domestic consumption to international markets over time.

The share of excise revenue on goods produced for domestic consumption is not very large. By doing so, the government will not lose much revenue while this could be supportive for industrial expansion. Therefore, it is appropriate to adopt the policy of removing excise duties on domestic production. The reduced excise duties can be adjusted on customs of imported finished goods. Such a policy can support import substitution immediately and contribute towards increasing exports in the long run.

The overall agriculture policy, product specific farming systems and marketing policy are aimed at promoting export. These policies need to be gradually reformed even though they have addressed export promotion. The policy is not a problem, it is the implementation that is problematic.

Similarly, the forest policy stresses sustainable use of forest products and export promotion. But there are weaknesses in implementation. Development of export-oriented infrastructure and a supportive attitude on mining of mineral resources are lacking in forest policy. In many instances, implementation has stalled due to weak governance capability.

3.0 Federalism, graduation to developing country and measures for enhancing trade capacity in economic diplomacy

This section analyzes three major issues: (1) Employing the federal governance system for enhancing trade capacity, (2) Minimizing losses of changed trade facilities and utilizing new opportunities after LDC graduation, and (3) Strengthening economic diplomacy for trade and investment promotion.

Federal governance system for building trade-friendly environment

State policy in Nepal's Constitution states that coordination will be established between provinces, and provinces and federal government on industrial corridors, Special Economic Zones (SEZs), and projects with national and foreign investment for providing momentum to economic development. No significant initiatives were taken at provincial level for building a conducive environment for industry and trade during the first five years of federalism. But the performance of some local bodies was good. Some municipalities performed well on improving market infrastructures. Investment summits were organized not only by federal and provincial governments but also by municipalities to promote tourism and investment.

The Constitution has given authority to provinces and local bodies to exercise sovereignty similar to that of the federal government. The Constitution has delineated both the scope and authorities of the provinces and local bodies. It has also mentioned the areas of cooperation and partnership. The Constitution has given both decision-making and implementation authorities on agriculture development, forest conservation and use, use of mines and mineral resources and the use of natural resources to sub-national governments.

The local bodies are in a position for ensuring effectiveness in supply and value chains at the primary level and providing benefits of value chain to producers of primary products. The responsibility of building appropriate infrastructure and enforcing quality standards has been placed on local bodies, and they have no resource constraints as well. The annual grants – equalization grant, conditional grant, special grant and complementary (matching) grant from federal government to the provinces and local bodies have been increasing. Revenue base of the local bodies has also been expanding. Provinces and local bodies can collaborate to develop domestic supply and value chains, and they can ensure just and equitable benefits of the value chain to primary producers. The following activities can be carried out by provinces and local bodies based on their authorities and available financial resources for promoting trade and strengthening supply chains:

1. Product development and minimization of market price risks for goods produced by primary producers.
2. Enhancement of capacity of primary producers for compliance with quality and hygiene-related standards.
3. Development of road networks from the primary production points to first level markets.
4. Development of value chains.
5. Development and building trade-supportive infrastructure.
6. Development and building tourism infrastructure.
7. Regulating quality standards for food and services at hospitality businesses such as eateries, hotels and restaurants.

8. Enforcing and monitoring compliance of quality standards in agricultural goods and small food processing industries.
9. Disseminating necessary market information regularly through channels accessible to primary producers.
10. Enhancing productivity and developing skills of small entrepreneurs, businesses, farmers, laborers, and individuals working in the processing of forest resources, and
11. Product development of food and cash crops, livestock, forest resources and goods based on locally available raw materials and specialization in production of goods through implementation of programs such as “One Village One Product”.
12. Even though it may not be possible for the provincial governments and local bodies to undertake all of these activities in five years, they can prioritize and develop value and supply chains, develop product collection centres and wholesale markets, specialize in the production of goods and ensure food hygiene.

Graduation from LDC status

As recommended by the Committee for Development Policy of the United Nations in 2021, the UN General Assembly approved the proposal of Nepal's graduation from a LDC to a developing country in 2026. Nepal has not met GNI per capita criterion among three criteria for graduation. But, Nepal has been selected for graduation as it had attained both the economic vulnerability index and human asset index criteria in two consecutive reviews, and also met these two criteria in the third review as well. With graduation, Nepal will lose concessions and special facilities it has been receiving as a LDC.

Graduation is a milestone in developmental achievement and a matter of pride. But in addition to some matters related to financial concessions, preferential market access and trade facilities received by Nepal internationally will be eliminated. Similarly, Nepal will lose some opportunities. For example, the special and preferential treatment on service trade under agreements such as the WTO and the South Asia Free Trade Agreement (SAFTA) remain to be operationalized. These provisions will be operational after graduation and therefore Nepal will not be able to derive the possible benefits that could have been derived in services trade.

The facilities regarding trade-related intellectual property will also come to an end after graduation. The zero customs facility for all exports in European markets under the Everything But Arms (EBA) and the flexible Rules of Origin (RoO) regime, will also come to an end.

India, where over two-thirds of Nepal's trade takes place, has provided special concessions under a bilateral agreement. India imports all goods produced in Nepal at zero customs based on the RoO definition. In reality, India's market will remain open for Nepal. Such facilities received from India under the bilateral agreement is based on the friendly relations with a neighbor and not because Nepal is a LDC. Some studies have concluded that LDC graduation will only have a nominal impact on Nepal's export trade since the concessions available from one large market will continue. But the impact will definitely be significant in markets other than India where Nepal has used the facilities provided to LDCs for export of goods.

Other than India, Nepal's major export markets are the United States of America (USA), European Union (EU), the United Kingdom (UK) and Türkiye. Nepal's exports to China are minimal. Still in terms of possibilities, China remains an important market for Nepal. Therefore, it is necessary to undertake in-depth studies in terms of the concessions received by Nepal as a LDC, the exports to these markets, utilization of facilities by Nepal, and the impact on exports after graduation.

EU has three provisions for trade concessions: Standard Generalized System of Preference (GSP), GSP+

and the EBA. Nepal has received the EBA facilities like other LDCs and the EU is the third largest export destination. Between 2015 and 2020, the average annual exports to the EU was about USD 60.9 million, which is 8.5 percent of the total exports. Over 80 percent of these exports took place under the EBA. EU will extend this facility for Nepal until 2029. It is estimated that the exports to the EU will decline by 19 percent in the absence of concessions thereafter. But, in the event Nepal is able to meet the requirements for GSP+, it is estimated that there will be no major decline in the exports to the EU. If Nepal is eligible only for the standard GSP there will be 5 to 7.9 percent customs on 40 percent of the goods, 8 to 9.9 percent customs on 35 percent of the goods, and 10 percent customs on some goods. The RoO under standard GSP and GSP+ will be more stringent than the EBA.

About 4 percent of Nepal's exports reach Türkiye under EBA-like facilities of the EU. To secure concessions similar to those under GSP+ from Türkiye, Nepal will have to ratify 27 international conventions.

For exports to the UK after graduation, Nepal will face a situation similar to that in the EU. The U.K. is a destination for about four percent exports. After graduation, Nepal can become eligible for the GSP General Framework or the GSP Enhanced Framework and efforts need to be made toward that end.

The USA has provided zero duty market access for 5,100 products from 44 countries, including Nepal. After the 2015 earthquake, under provisions of the Trade Facilitation and Trade Enforcement Act 2015, the USA has provided duty free market access to 77 products until 2025. For this, there should be at least 35 percent value addition under the RoO. The USA is Nepal's second largest export market. But Nepal's exports under both facilities are negligible. The main reason for this is the lack of duty concessions on garments and shoes in which Nepal has export capability, and also because Nepal has to compete with other countries for some other products as the regular customs duty is about zero. After graduation, Nepal could get concessions provided to beneficiary developing countries but those currently available will come to an end. It is estimated that this could impact about three percent of the exports to the USA.

China has provided zero customs facilities to 97 percent products from LDCs with which it has diplomatic relations. For this, there is a requirement of 40 percent local value addition. Even though China is presently a small export market for Nepal and only 36 percent of goods exported have received the zero customs facility, the exports to China after graduation will be affected. China has not made any post-graduation arrangements like the EU and other large trade partners. Therefore, trade with China would have to be done under the Most Favored Nation (MFN) regime or a bilateral agreement should be signed with the negotiated concessions.

SAFTA has made special provisions for LDCs, under which they receive concessions in the RoO and customs on goods they export. Nepal's trade with SAFTA member countries other than India is minimal. India provides Nepal more facilities than SAFTA under the bilateral treaty, which is why Nepal has not made much use of SAFTA provisions.

In addition to issues mentioned above, the benefits available under to WTO decisions and provisions will be lost. The WTO can also end the right to provide export grants and impose additional duties to control imports under the Agreement on Subsidies and Countervailing Measures. Cash incentives given to promote exports and concessions provided to exports of industries operating in SEZs can also be affected. Similarly, the facilities provided to LDCs on trade-related intellectual property rights could end after 2034. There will not be much effect on service trade because of the inability of Nepal to make use of the existing concessions.

In this backdrop, Nepal mainly needs to make efforts to secure GSP or GSP+ facilities from the EU, Türkiye and the UK. For this, some conventions need to be ratified and some conventions, in which Nepal is a party, need to be effectively implemented. In the case of the USA, it would be appropriate to enter into a bilateral

trade agreement instead of the existing framework agreement. Nepal also needs to move towards bilateral trade agreements with China and other trade partners.

The Maldives has been granted concessions provided to LDCs in SAFTA even after it graduated from a LDC. Nepal needs to work with Bangladesh and Bhutan to take initiatives for seeking similar post-graduation facilities. Nepal also needs to emphasize regional trade agreements.

Economic diplomacy

Nepal's economic diplomacy has been accused of lacking a clear strategic vision. The major reasons for weakness in economic diplomacy are inadequate qualified human resources, low trade negotiation skills, lack of coordination between government agencies working on trade and investment, and the low knowledge and understanding of major issues.

Ambassadors to major export destinations are politically appointed. These ambassadors may have information on political issues but their knowledge on trade and economic issues is inadequate. Nepal has established Consulate General offices in seven locations of four countries. The primary responsibility of these offices, except Saudi Arabia, is to facilitate trade. Nepal has officials responsible for economic matters at embassies in India, China and the USA. But there is a lack of coordination even among Embassies and the Consulate General offices that add up to the institutional weaknesses in economic diplomacy.

Nepal has appointed 53 honorary consul generals in 35 countries. But there is no clarity on the basis of their appointments and how they have been fulfilling their responsibilities. There is a lack of regular communication and dialogue between the Ministry of Foreign Affairs (MOFA) and the honorary consul generals. Many countries have also appointed honorary consul generals in Nepal, who have been accorded recognition and diplomatic identity by the Government of Nepal (GON). But it has been observed that they have not been mobilized for increasing Nepal's exports or promoting Nepal's economic interests. Nepal-based honorary consul generals have neither been providing information on trade and investment possibilities in countries they represent, nor have they been coordinating with the Ministry of Industry, Commerce and Supplies (MOICS) or other economic agencies on economic and trade-related matters.

Bilateral and regional trade organizations exist in different countries. The role and responsibility of such organizations in terms of economic diplomacy are not clear. There is a lack of platforms and modalities for cooperation with bilateral trade organizations.

Nepal's foreign missions do not have adequate budgets for economic diplomacy. Therefore, besides national day celebrations, they have been unable to organize events to effectively promote trade and tourism and attract investment.

There are a large number of Nepalis living abroad but there have been no programs to mobilize their support for promoting Nepal's economic interests.

The following activities are essential for making Nepal's economic diplomacy effective.

1. It is necessary to formulate a clear and objective-oriented economic diplomacy strategy. Country-specific strategies need to be formulated for major trade and economic partners based on the main strategy. Such a strategy had been prepared in the past but it was not made public.
2. There is a need for change in the institutional structure to conduct economic diplomacy. There is also a need for a permanent mechanism to establish contact and dialogues between MOICS and MOFA.

Similarly, it is necessary to develop a mechanism and modality for continuous dialogues between Nepal's foreign missions, Consul Generals, Nepal's honorary consuls, honorary consuls based abroad, the Nepali diaspora and exporters.

3. The major objective of all Nepali missions must be to promote Nepal's economic and commercial interests. For this, there is a need for an arrangement for the collection and analysis of commercial and market-related information, and to make the information available to exporters.
4. MOFA must give attention to subjects such as investment, trade and economic interest as part of regular human resource development and management capacity development programs. It is necessary to not only master negotiation skills on trade and economic affairs but to also be knowledgeable on these subjects.
5. Foreign investment has a major role in increasing trade. Increase in foreign investment inflows contributes to an increase in international trade. It is necessary for Nepal to enter into agreements on bilateral investment promotion and protection, and the avoidance of double taxation with countries from which foreign investment is expected. Such agreements can bolster investor confidence and provide assurance of investment protection.
6. In addition to posting capable officials at Nepal's missions and providing them adequate budgets, their work performance objectives also need to be determined; this has to be monitored regularly for establishing accountability.
7. The process and basis for appointing honorary consuls abroad must be clear and transparent. They must be provided terms of references with activities for promoting economic diplomacy and trade, and performance needs to be monitored regularly. Arrangement must be made to mandatorily seek recommendation from MOICS on the appointment of honorary consuls.
8. It is necessary to adopt a strategy to effectively engage Nepalis living abroad in programs on export promotion and attracting foreign investments. A mechanism should be made for effective coordination among Nepal's foreign missions, the Nepali diaspora and Nepalis abroad.

4.0 Labor, women empowerment and social inclusion

This section mainly analyzes two subjects: (1) Labor market in the context of international trade, and (2) Women in trade and social inclusion.

Labor market in the context of international trade

Labor issues are often raised in international trade diplomacy as negotiating instruments or for restricting imports and protecting domestic industry. Some countries stress human rights of workers as a major issue. The subject of labor is not included in the WTO agreements and therefore this issue is not debated at the organization. But some countries, particularly in the EU that provide trade concessions to LDCs include labor-related conditionalities. Private standards and consumer awareness groups in international markets make inquiries on whether or not labor has been employed appropriately to produce goods. For instance, Nepal's carpet industry had been affected by such questions. Therefore, not just the capabilities and productivity of labor, the treatment of laborers and labor welfare are important issues that cannot be ignored for competing in international markets.

Only about one-third of Nepal's employment is in the formal sector. A large proportion of workers are engaged in the informal sector. Every year about 500,000 people enter the labor market, of which a large proportion leaves for foreign employment. Nepal's labor productivity is among the weakest in the world. Skills need to be developed for enhancing productivity. The government has adopted policies for skills development, it also has laws and institutional arrangements, but there is a mismatch on the skills development programs and those required by the market.

Nepal's major export products are sourced from industry, agriculture and forests. Laborers working in producing agricultural and forest-based products are largely employed informally. The technologies they use are also traditional. Farmers receive very little technical assistance. They face major losses because they lack appropriate skills on crop harvesting, collection, transportation and storage.

The labor productivity in cottage and small industries is weak. Some export-oriented industries have made significant improvements in productivity and have given attention to labor welfare and industrial relations. But this is not widespread. The services sector also has large informal employment and overall, the capabilities of labor is weak.

This is reason why it is necessary to adopt 4th and 5th generation industrial technologies for enhancing labor productivity and competitive capacity, and to have arrangements to retain qualified laborers, formalize informal employment, guarantee labor rights, and provide them adequate social security. These are mandatory conditions for becoming competitive in international markets.

Nepal's Constitution has guaranteed the Right to Employment as a fundamental right and has enacted a law to assure this right. There is a provision for an information service to ensure access to employment. The national employment policy has prioritized building a capable labor market by making the Nepali labor force productive, dignified, and secure. The Labor Act, 2017 has provisions on the rights of workers, their welfare, facilities, industrial relations, workplace safety and social security. There are also provisions for inspection, regulation and skills testing.

Labor productivity must be continuously enhanced to remain competitive in the market and for producing

quality goods and services. Along with organizing programs for enhancing labor skills for improving productivity, it is also necessary to stress the use of technology. It is necessary to match the market demand and trainings on skills enhancement. Because social security is another major factor that influences labor productivity, it is necessary to either provide similar social security to workers in the informal sector as provided in formal employment, or the informal labor market needs to be gradually formalized.

It is necessary to start thinking about ratification of major conventions of the International Labor Organization (ILO), particularly those that are considered important by countries providing concessional market access to ensure that there are no barriers to entry in those markets in the future.

Women in trade and social inclusion

Gender equality is an important human right. It has been proven that women empowerment and inclusion of people from marginalized communities can make it possible to attain sustainable economic growth and development. Trade can bring improvements in the lives of women, and the continuously changing nature of trade can create new opportunities for women. Various studies have shown that women entrepreneurship is an important component of inclusive economic growth in developing countries.

Nepal's trade policies appear gender neutral, but in reality, they affect women and men differently. Generally, macroeconomic and trade policies do not take into account that women are discriminated in terms of capability when entering the job market and in benefit sharing.

There have been legal and policy reforms to increase women's access to services and resources since the beginning of the 21st century. But, the barriers that prevent the full utilization of economic capabilities of women remain. Nepal ratified the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) in 1991 and has committed to attain the Sustainable Development Goals (SDGs) by 2030. The Women Development Indicator has improved, and the goal is to raise it from 0.897 to 0.99 in fiscal year 2023/24.

Women's share of institutional employment in Nepal stands at 37.3 percent. The largest proportion of women (56.8%) are engaged in human health and the social service sectors. Their share in the financial and insurance sector is 44.8 percent. But the presence of women in the formal sector is only 30 percent. Women own 36.8 percent businesses and have managerial leadership in 29.6 percent organizations. However, most organizations led by women are small. Even though the policies for women's economic empowerment are sound, the implementation is weak. Their access to resources and services and representation in decision making are also weak. Similarly, the knowledge and capacities of women entrepreneurs in trade-related matters remain weak.

Women have different roles in business, as workers, consumers and entrepreneurs. But their share of the benefits generated is low and when the businesses face problems, they encounter the negative impacts immediately. The proportion of women workers in labor-intensive export industries is high. Industries hire women because they can put them to work at comparatively lower wages in order to enhance competitive capacity. Therefore, capacity must be enhanced for ending gender-based discrimination and for making women capable of securing more benefits.

The agreements of WTO have not mentioned women or gender-related matters. But this issue has emerged in Minister-level meetings from time to time. The issue was first discussed openly in the 11th Ministerial Meeting in Buenos Aires leading to the issuance of Buenos Aires Declaration on Women and Trade. Following this, the WTO established an informal task group on women and trade. A related action plan has also been prepared on gender-friendly policy making, the position of the WTO on gender, research and analysis, and

for assistance in trade. The outcome of the 12th Ministerial Meeting of the WTO mentions additional work needed in the area of women and trade.

The effects on women can be observed if trade policy is analyzed through a gender lens. Studies done in Angola, Bhutan, Cape Verde, Gambia, Lesotho, Rwanda and Uruguay on trade and the gender impact of trade policies have provided important lessons for policy making. The Organisation of Economic Cooperation and Development (OECD) has prepared a framework for analyzing the impacts of trade and trade policies on women. The framework covers three areas: first is measuring women's employment, wages and other matters related to employment. Second is the evaluation of existing barriers faced by women-owned businesses in access to women, and women entrepreneurship. The third is assessing the impact of trade policies on prices faced by consumers, particularly women. The framework has also determined a list of areas that need to be examined for making trade policies gender-friendly.

The preparation of NTIS included exploration of issues raised by stakeholders on the extreme negative impacts of trade on small farmers, small traders, and women, which this strategy has attempted to address.

Regional trade agreements have addressed the subject of gender indirectly by raising issues related to human rights, SDGs, and vulnerable groups. In 2020, trade-related ministers from Canada, Chile and New Zealand signed a trade and gender arrangement and have established an inclusive trade task group. This task group also includes Mexico, Colombia and Peru. The WTO has also begun monitoring gender-related provisions in regional trade agreements by developing a database.

As business persons, women and men face different challenges and barriers, or even similar types of barriers affect women and men differently. Nepal has made progress towards eliminating gender inequality in the economy. Both the National Economic Census 2018 and the Nepal Labor Force Survey 2018 collected and analyzed data to ensure information on gender. Still much remains to be done to ensure generation of disaggregated data on women's economic participation.

In a move towards an inclusive trade policy, the Industrial Policy 2010 made special arrangements for women entrepreneurs. The Industrial Enterprises Act 2016 has provisioned concessions to women entrepreneurs in industry, property registration fees and income tax. NTIS 2023 assessed the gender impact while determining goods for prioritization. A high proportion of the benefits from medicinal herbs, tea, carpets and pashmina goes to women. The impact of tourism on women is moderate.

Several studies have shown that there are many barriers to women in business. Low access to credit, unsupportive market networks, low ownership of land, and low access to technology and raw materials are the major issues. The low risk-taking capacity of women, no access to modern technology, lack of individual security, sexual violence, tough competition in both domestic and external markets are other issues. Lack of disaggregated data have made it difficult to identify businesses run by women, while the social and cultural barriers remain as additional problems.

Many women are unaware of trade-related regulations. Owing to the small size of businesses, limited capacities and lack of information on export processes women are unable to export their products. There are a limited number of women exporters.

The following activities need to be undertaken to increase women's participation in trade and to raise the proportion of their share of benefits:

1. Ensure harmonization of policies on trade, investment, gender equality and social inclusion.

2. Research the problems and challenges faced by women and marginalized groups engaged in trade. Research-based solutions must be included in the federal and provincial budgets.
3. In collaboration with social organizations working on women empowerment, disseminate information to women and discriminated groups, and enhance capacity of information dissemination on trade policies, laws, directives and working procedures.
4. Make disaggregated data generation and dissemination on women empowerment for trade and social inclusion effective.
5. Evaluate women empowerment and social inclusion in at least two areas identified by this strategy every year, and prepare clear indicators to measure women empowerment and inclusion in the production and export of prioritized goods and services, and
6. Establish a women empowerment and social inclusion cell in the NTIS implementation unit formed for implementing this strategy and a mechanism for assessing all activities under the dimension of social inclusion.

5.0 Trade infrastructure development and trade facilitation

Trade infrastructure encompasses all the activities in the supply chain such as transport, customer services, stock management, information dissemination, storage management, transfer of goods, purchases, and packaging related infrastructure. The trade infrastructure industry has flourished in recent years owing to the developments in Information Technology (IT), consolidation of services, globalization, and legal requirements.

Trade infrastructure is important for establishing linkages with the production network. Previous NTIS implementation and export promotion policies were unable to achieve desired results due to lack of trade infrastructure. Owing to the topography, a large proportion of export cost in Nepal is attributed to transport and trade infrastructure-related costs. For this reason, the competitive capacity of Nepali products is weak. Further, owing to the weak trade infrastructure, the domestic supply chain is also very weak, as result of which, many domestic products have not been able to compete with imported goods.

In recent years there has been progress in Nepal's customs procedures, trade infrastructures, quality, transport tracking system and delivery of goods. Nepal has moved 10 places up in the Logistics Performance Index and ranks at 114 among 167 countries. However, the producers of agricultural and forest-based products have to face many problems in transporting goods.

Even though logistics are costs for both producers and consumers, as a sector it also contributes to GDP. Improved transportation systems can assist in the development of logistics and attract investment. If the products do not reach the markets, it is not possible to utilize natural resources at low costs. Logistics contribute 7.2 percent of GDP in Nepal, which is 11.8 percent lower than the global average. Telecom services are included in this contribution and if these services are excluded, the contribution of other constituents of the logistics sector is only six percent. The contribution of logistics in the Asia-Pacific Region is 12.6 percent.

If the contribution of Nepal's logistics sector can be raised to 12 percent at par with the global and regional contributions, it can provide significant support for expanding manufacturing and other industries. In addition that can also support in creating semi-skilled and unskilled employment, and contribute towards poverty alleviation and women empowerment.

The situation of Nepal's logistics requires analysis of the following sub-sectors:

In March 2022, Nepal had 33,871 k.m. of strategic and local roads, of which about 50 percent was black topped, 24 percent gravelled, and 26 percent earthen. Roads had reached all district headquarters except Humla.

Nepal has 53 airports. Thirty-four of these are operational and 15 have regular commercial flights. The Tribhuvan International Airport (TIA) handled 1.46 million (m) international passengers and 3.77 m domestic travellers in 2021. It also handled 29,514 metric tons (MT) of international cargo and 2447 MT tons of domestic cargo. Twenty-six international air services connect 23 destinations in the Asia-Pacific region and Europe from TIA. The construction of international airports in Bhairahawa and Pokhara have been completed. Located near tourism destinations, these two airports are expected to ease the air traffic in Kathmandu.

Large aircraft cannot be used for domestic cargo, which explains the low use of in-country air cargo services. Air services are largely used for transporting humanitarian supplies.

The TIA's share of export trade is 15.3 percent. Sixty percent of exports from TIA are carpets, readymade



Dry Port at Chobhar, Kirtipur.

garments and pashmina.

The Raxaul-Sirsiya railway is used for transporting goods. This six km track connects Raxaul with the dry port in Sirsiya near Birgunj. Two tracks connecting Jayanagar and Janakpur (28 km) for passenger transport, and Jogbani and Biratnagar (for both passengers and cargo) have been completed with the support of the Indian government. There are plans for a rail line to connect the dry port in Chobhar, Kirtipur with India's support. A pre-feasibility study has been done for connecting Shigatse in China with Kerung, and for extending the track to Kathmandu. The track from Kerung to Kathmandu will be 72 km. Some work has begun on the 1056 km East-West Electric Railway, for which environmental impact assessments are underway in some sections. Upon completion, this railway will ease domestic cargo transport.

In 2018, during the visit of Nepal's prime minister to India, an agreement was reached to connect Nepal and India through domestic waterways. India has been developing the National Waterway-1 on the Ganges River. Nepal has requested India for using its waterway. Upon agreement, Nepal will be able to use the waterway for export to third countries from India's Sahibjung or Kalughat to Kolkata/ Haldiya.

There are seven dry ports and one integrated customs check point in Nepal. Integrated customs check points are under construction in Bhairahawa, Nepalgunj and Rasuwagadi.

Logistics service providers move goods both domestically and also for export and import. Cargo and customs agents provide support to facilitate trade. According to the 28 federations of truckers, there are 60,000 trucks in Nepal. There are 50 cold storages across the country with average capacity of 3000 MT for storing perishables such as potatoes, fruits, spices and vegetables. The Government of Nepal provides cold storages set up as agriculture industries up to 70 percent of capital subsidy and that for electricity charges, is 50 percent.

Nepal has trade and transit agreements with 16 countries. Meetings are held with India, China, Bangladesh and the USA from time to time. However, treaties with other countries have not been implemented, monitored, reviewed and revised to account for the requirements of the changed times. Similarly, Nepal has been unable to expand trade making use of the regional trade and transit agreements.

The transit treaty comes in force when Nepal uses Indian ports for trade with third countries. Nepal's Finance Act makes arrangements for Indian trucks to bring goods destined for Nepal. Accordingly, Indian trucks can operate in Nepali territory without any charges provided they return empty within 48 hours of entry. Nepali trucks can enter Indian territory only with permission from the Indian Embassy in Nepal.

The Kakarvitta-Panitanki-Phulbari-Banglabandh route can be used for trade with Bangladesh. In the north, Nepali trucks have access up to the Chinese customs point at both Rasuwagadhi and Tatopani. A protocol has been signed under which Nepal can use four seaports and three dryports for trade with third countries in accordance with the transit treaty with China. But so far both sides have been unable to hold necessary talks, and therefore the Chinese transit route has not been used.

An electronic cargo tracking system is being tested for making arrangements for trains departing from Kolkata and Vishakapatnam ports with Nepali cargo to directly arrive Birgunj in Nepal. Since transshipment facilities have been provided by India only to rail transport, this needs to be made applicable also to trucks bringing cargo to Nepal from Indian ports. Bangladesh, Bhutan, India and Nepal also have a motor vehicle agreement. But it remains to be implemented because Bhutan has not ratified the agreement.

Some standards in the WTO trade facilitation agreement have been implemented to facilitate trade by shortening the delay in transporting goods from the customs points. The proposed Customs Act has made arrangements for complying with other standards. The bill has been in Parliament for over two years as a result of which expected progress has not been possible in trade facilitation. Nepal has installed automated customs processing at all customs points and there has been progress in providing all services through the single window system. There have also been improvements in transport, customs and dry port infrastructure. However, both export and import are still disrupted because of the shortage of adequate storage and cold storage facilities.

The following are the challenges in trade facilitation:

- **Paperwork required and time taken for preparation:** A lot of paperwork is required for some exports, and as result, it takes a long time to prepare the required documentation. Even though it is possible to send documents using an Internet-based system between Nepal and India, in practice hardcopies of documents are still in use.
- **Payment of charges and taxes:** It is still not possible to make payment of charges and taxes at customs points electronically. In some cases, banks are located at a distance from the customs points.
- **Delays in clearing goods:** Even today 60 percent of cargo is verified physically. In the absence of appropriate laboratories at the customs points it takes time (for clearance) of agricultural goods and food products. Clearance is also delayed because the customs points, other than the Integrated Customs Point, do not have quality infrastructure.
- **Inadequate trade infrastructure (logistics):** The customs points lack adequate storage and appropriate holding facilities. Logistics services are also not fully developed. Many products are produced in different locations and their collection, storage, grading, primary processing and the transport to markets remain weak. The costs have increased because transport services are not consolidated and function as small businesses.

The following main activities need to be undertaken to reform trade logistics:

1. A master plan has to be prepared for reforming and managing trade infrastructure.
2. Standards need to be prepared for trade infrastructure.
3. There is need for clarity on non-transport trade infrastructure because apart from transport, the situation of all other trade infrastructure is weak.
4. Attention needs to be given to develop Postal Services for supporting digital trade, and for building capacity of logistics services providers.



A Steel factory in

6.0 Food quality standards and plant health, and quality infrastructure for industrial products, standards and implementation situation

This section analyzes the quality infrastructure of food and agricultural products, and industrial products, standards and the implementation situation.

6.1 Quality infrastructure, standards and implementation situation of food and agricultural products

Agency for enforcing food hygiene and plant health

The Department of Food Technology and Quality Control (DFTQC) is the agency tasked with enforcing standards on food and feed hygiene. In addition to the implementation of the Food Act 1966 and Feed Act 1976, the department also serves as the secretariat of the National CODEX Committee (NCC) and as the Sanitary and Phytosanitary (SPS) inquiry point. The NCC has formed four technical sub-committees and has, since 2013, been working in the harmonization of related standards and guidelines for meat and meat-based products, pesticide residues; inspection of export and import of tea, coffee, spices and food products.

The Plant Quarantine and Pesticide Management Centre implements the Plant Quarantine and Protection Act, 2007; Plant Protection Act, 1972 (revised 2007) and Regulations 2010 and Pesticide Management Act, 2019. This Centre also serves as the Secretariat of the National Plant Protection Organization and as the contact point of the international organization. This Centre is the Designated National Authority for Pesticides (DNA-P) of the Rotterdam Convention. The Department of Livestock Services implements the Livestock Health and Livestock Services Act, 1988 and is the focal point for the World Livestock Health Organization.

Nepal's food hygiene and plant health system remains to be fully developed. Food control is primarily centred on quality standards and the attention on food hygiene has been lacking. The capacity for measuring all food hygiene parameters and certification have not been developed. Frequent transfer of staff from agencies and laboratories on food hygiene and plant health, inability to identify harmful pests on time, and inadequacy of technical capacity for controlling rampant use of harmful pesticides are some of the problems faced. Even though there has been no periodic assessment of the country's food hygiene and plant health system, some international agencies have assisted in capacity enhancement through infrastructure development and trainings.

Weaknesses of the hygiene and plant health system

The following are the weaknesses associated with the inability to fully comply with the WTO standards on hygiene and plant health:

- Incomplete enforcement of all standards on livestock health, harmful pesticides, pests and food hygiene.
- Inadequate motivation of the private sector to participate in regulated formal trade.
- Low capacity of government mechanisms and associated staff on the implementation and monitoring of hygiene and plant health standards.
- Lack of a scientific system for information collection, analysis and information dissemination on high

risk diseases, pests and risks related to hygiene.

- Inadequate attention on food hygiene and the disproportionate focus on quality standards.
- Frequent transfer of staff from hygiene and plant health laboratories.
- Lack of protocol for import inspection.
- Inadequate laboratories for plant quarantine and quarantine after entry, and
- Low capacity for testing harmful pesticide residues, residues of medicines used to treat livestock, metals and other pollutants.

Review of implementation of hygiene and plant health related laws

The Plant Protection Act, 1972 (revised 2007) and Plant Protection Regulations, 2010 came into implementation after Nepal's entry in the WTO. Nepal has identified 254 pests that affect 18 crops. Thirty-three national standards and domestic quarantine directives have been prepared. Further, 18 national standards have been prepared based on 44 international standards. A survey and surveillance program is underway to make areas under citrus fruit cultivation pest-free.

The Food Act, 1966 and Food Regulations, 1970 provides the DFTQC authority for verification, inspection and surveillance. So far 135 standards for different food products have been prepared. These standards excessively focus on quality and there is inadequate attention on hygiene. The Central Food Laboratory has accreditation for testing 101 food quality parameters but does not have similar capacity for food hygiene. The policy and legal mechanisms for food hygiene remain weak.

Animal Health and Livestock Service Act, 1998 and Rules 2000 have given authority for promoting and monitoring livestock health, and hygiene of meat-based products to agencies under the Department of Livestock Services. Businesses producing livestock feed and, in food processing, can operate only with permission from this department. To prevent the spread of diseases while transporting livestock, there are four in-country checkposts, and another 25 checkposts at border entry points.

Plant, livestock and food quarantine come under the jurisdiction of the federal government. But provinces and local governments can enact and enforce laws on livestock and food hygiene, standards, technology and nutrition in their jurisdictions. In fact, classification of hotels and restaurants, inspection and public awareness programs on food hygiene will need to be done by local governments.

The private sector has an important role in promoting food hygiene and plant health. The most affected are small farmers who lack information on food hygiene and plant health, and have poor access to technical support and laboratories. Many organic goods produced by small farmers can get good prices in both local and international markets. But, what is lacking is an institutional agency to provide them organic certification.

Comparative situation of food hygiene and plant health of trade partner countries

There is no harmonization in food hygiene and plant health standards between Nepal's major trade partner countries India, China and Bangladesh. There are no bilateral or multilateral agreements for mutual acceptance of food hygiene, quality and pest-free certifications. The inability to demonstrate the capacity of quality infrastructure to win confidence is why such agreements have not been possible. Many Indian and Chinese companies make their own standards (private standards) the basis, and there have been problems exporting products because of the inability of Nepali exporters to meet such standards.

It is not an easy task to collect agricultural and forest-based products in small quantities and assure consistent

quality. Because large volumes of goods are transacted in large markets, it is difficult for Nepali exporters to supply quality goods.

Developed countries consider traceability, hygiene certification, limits of pesticide residues, pest-free products, elimination of pests through acceptable processes, testing by certified laboratories and good agricultural practices and other matters, which is why it has become difficult for Nepali exporters to access markets. Not just products, the hygiene of packaging materials are also important.

Nepal has not initiated the traceability system. This is why MOICS is building a traceability software for orthodox tea produced in Ilam. Even though some attention has been given to the hygiene of products, it has not been the case for packaging materials.

Tasks that need to be done on food hygiene and plant health:

- It is necessary to upgrade the hygiene and plant health quarantine facilities and laboratory in Kathmandu, and that at the integrated check point in Birgunj.
- The quarantine and fumigation station at the dry port in Kirtipur needs to be brought into operation with facilities for fumigation using methyl bromide.
- It is necessary to build post-entry quarantine and plant health testing facilities in Nepalgunj, Bhairahawa, Birgunj, Biratnagar and Kakarvitta.
- Nepal's laws and work procedures need to be amended because international standards, CODEX, the International Plant Protection Convention (IPPC) and livestock related standards of the international organisation on livestock health are regularly updated.
- It is necessary to provide attention to systems, infrastructure and human resources development at agencies related to hygiene and plant health.
- Many protocols on necessary hygiene and plant health required for international trade remain to be prepared, and development of these needs to be initiated.
- Immediately expand the quarantine block at the integrated check post in Birgunj because the existing facility is inadequate for providing all three types of quarantine services.
- It is necessary to expand capacity of plant and livestock health laboratories owing to their limited quality and standard, and because of the absence of certified labs in Nepal to expand capacity for quality certification of many types of products and hygiene. Further, the laboratories at the DFTQC need to be made capable of verifying all parameters.
- It is necessary to make the survey and surveillance of prioritized crops effective and to prepare a national hygiene database; capacity to disseminate information electronically needs to be developed for assessing the risks associated with harmful pests.
- Regular meetings must be held with national hygiene and plant health organizations in India and China on hygiene and plant health.
- It is necessary to conduct laboratory tests of export goods, particularly tea, coffee, food products, cardamom, ginger, medicinal herbs, citrus fruits, and vegetables and to analyze harmful pests and traceability.
- It is necessary to increase the confidence on the system by conducting conformity assessment as per international good practices. It is also necessary to accreditate laboratories by establishing internationally recognized Nepal Accreditation Center.
- Even if the food standards developed by the DFTQC are said to be in accordance with CODEX, because some harmful chemicals and pollutants have not been included and they could be imported, those harmful materials need to be included in the standard.
- It is necessary to organize programs to raise awareness on the process, importance, and agencies

related to hygiene and plant health because a majority of producers and exporters are unaware about the need for, and the quality standards, and have not been able to comply with the same.

- It is necessary for provincial governments to identify their role in hygiene and plant health, and they need to be provided with authority to eliminate plant and livestock diseases, pests, and for testing.
- Facilitate exports by entering into mutual recognition agreements.
- Enhance capacity of farmers to produce quality exportable products.
- Stress the full implementation of Slaughter House and Meat Inspection Act, 1999 (2055).

6.2 Infrastructure for quality industrial products, standards and implementation

Infrastructure for quality industrial products has been stressed by all trade integration strategies. Previous efforts had resulted in enhanced capacity for testing products and chemicals. The chemical testing laboratory has been certified for testing 82 parameters of 11 products. The calibration laboratory has also been certified. The certification includes 13 areas of 11 products; the scope for process certification covers seven areas. A handicrafts testing laboratory has been established under public-private partnership; the Accreditation Act, 2022 has been approved and is being implemented. A draft bill has been prepared for updating the Nepal Standard (Certification Mark) Act, 1980 (2037).

The Industrial Policy 2011 has stressed the enhancement of quality infrastructure for increasing competitive capacity and promoting exports. It focuses on developing the Nepal Bureau of Standards and Metrology (NBSM) as an agency for quality certification and monitoring of all products other than medicines and food products. However, a quality policy and laboratory policy for addressing all aspects of quality of industrial activities remain to be formulated.

Situation of quality related institutions and services

The NBSM is the regulatory agency for assuring quality of industrial products. Its services cover three areas: Development of quality standards, uniformity evaluation and metrology. Since 2014 NBSM has been a member and National Metrology Institute (NMI) of the International Metrology Organization. Since 2001 it has been a member of the International Electromechanical Commission (IEC) and has been a member of the South Asian Regional Quality Organization since 2009. NBSM has been the national metrology agency, and since 1982, it has been a member of both the Asia-Pacific Metrology Program and the International Organization of Legal Metrology (IOLM). The NBSM has prepared about 100 national quality standards. It certifies products, production processes and a limited number of management-related issues. It does not certify the capacity of individuals and needs to develop and expand additional standards and certification.

The NBSM is a participant or observer member in 10 technical committees of the International Metrology Organization and has been participating in the development of standards of the South Asian Regional Metrology Organization. The NBSM has nine testing laboratories for building and construction materials, chemicals and food products, microbiology, electrical, pipe testing, textile, leather testing, mechanical and metrology. Earlier the NBSM had been recognized for testing 82 parameters of products, which has now come down to 76. It also has recognition for certifying mass, volume and temperature. Since it is the NMI, it undertakes legal, industrial and scientific certification of weights and measures. But the NBSM does not have the necessary capacity for evaluating uniformity of industrial weights and measures required for international trade.

The DFTQC monitors and controls the quality of food products. For three decades, the department has been the contact point for CODEX. The Department of Drug Administration (DDA) is the regulatory body for pharmaceutical drugs. It regulates pharmaceutical and the nutraceutical ingredients. The DDA laboratory

remains to be accredited. The Department of Plant Resources (DPR) laboratory has accreditation for identifying and certifying nine parameters of medicinal and aromatic plants (MAPs).

Comparison of quality infrastructure with other countries

At the international level, work related to weights and measures are responsibilities of two agencies. The International Weights and Measures Bureau has been established under the Metre Convention. The International Metrology Organization was set up in 1955 for establishing necessary legal weights and measures for international trade. Both India and the USA have policies on standards, and infrastructure has been built based on the policy. The American National Standards Institute (ANSI) is a non-governmental organization and it represents the US government in the International Organization for Standardization (ISO). The American Society for Testing and Materials sets standards for various materials, products, systems and services. The National Institute of Standard and Technology (NIST) under the US Commerce Department undertakes scientific metrology, legal metrology, accreditation and standards. The National Standards System Network develops technical standards, produces, and distributes them and organizes the users in an electronic network.

The Bureau of Indian Standards (BIS) is a government agency. In addition, India has agencies under different ministries that develop standards. For weights and measures it has a National Physical Laboratory. India's Atomic Research Centre works on matters related to radiation. The certification is done by the Indian Quality Council which has five independent boards. The Indian Standards Bureau does uniformity evaluation. Like India and the USA both the EU and China have policies on standards. They have regulatory bodies based on the policies.

The review of international standards infrastructure suggest that the following are mandatory for effective quality infrastructure:

- A National Standards Policy and its implementation
- Establishment of a technical regulatory mechanism and its operationalization
- Accreditation/ certification
- Standardization
- Metrology
- Uniformity evaluation
- Promotion and use of standards

Nepal has not formulated a policy on standards. The NBSM, as member of the ISO, is the agency that does technical regulation. The NBSM has both functions, establishment of standards, and regulation. It is necessary to have separate agencies for setting standards and regulation. The law needs to be amended for building institutions under agreements on non-tariff barriers and hygiene and plant health. The Accreditation Act, 2022 has been enacted and it is necessary to establish the Accreditation Centre as provided in the law.

The NBSM is responsible for standards for all weights and measures. Much remains to be done in the area of industrial weights and measures. Testing and uniformity evaluation of goods, procedures, systems, individuals or institutions under ISO/IEC 17000 is weak. Nepal has not been able to undertake work similar to that done by international organisations such as IEC.

Many countries have institutional arrangements for promoting standards, awareness building and trainings. In Nepal, it is also necessary to organize a national campaign to raise awareness about standards among stakeholders. National commitment to standards can assist in winning the trust of trade partners.

Analysis of capacity of quality infrastructure

The strengths, weaknesses, opportunities and challenges of Nepal's quality infrastructure is given below:

SWOT analysis of quality infrastructure

Strength	Weakness
<ul style="list-style-type: none"> ♦ Nepal Standards (Certification Mark) Act, 1980 (2037) ♦ Nepal Standard (Certification Mark) Regulation, 1983 (2040) ♦ Accreditation Act, 2022 ♦ Good pool of technical professionals ♦ Accredited chemical lab on 76 testing parameters and accredited product certification for 13 products ♦ Accredited QMS certification based on ISO 9001:2015 ♦ Accredited calibration services in mass, volume, temperature ♦ Promotion of 52 voluntary standards for NS certification ♦ Regulation of 15 mandatory standards ♦ DFTQC's lab accredited for 101 food testing parameters ♦ DDA's lab in process of accreditation ♦ DPR's lab is accredited for 9 MAPs testing parameters 	<ul style="list-style-type: none"> ♦ Absence of Quality Policy and accreditation bodies ♦ Laws related to QI (Standard and Metrology acts) not up to date ♦ Limited number of national standards ♦ Limited metrology services and testing facilities ♦ Limited accredited testing parameters' management system certification services ♦ Poor awareness level about quality among stakeholders (public, private and consumers) ♦ Standards development as well as regulation activities within same organization ♦ Lack of coordination and synchronization among different government agencies to support potential export products ♦ Insufficient human resources and physical infrastructure at government laboratories ♦ Government working hours not uniform for laboratory services ♦ Lack of sector specific infrastructure development (e.g., Eastern Nepal for tea, Bhairahawa for lentil, etc.)
Opportunity	Threat
<ul style="list-style-type: none"> ♦ Strengthening of institution and QI services within the framework of TBT for export promotion ♦ Increased access to international markets ♦ Mutual recognition of conformity assessment services with some trading partners ♦ Use of standards and technical regulation of trading partners in area of trade interest ♦ Value addition with national QI services in product value chain 	<ul style="list-style-type: none"> ♦ Nonfulfillment of commitments and obligation under multilateral trade agreements ♦ Non-recognition of conformity assessment results ♦ Frequent transfer of competent professionals ♦ Challenge to sustain the success made on conformity assessments (testing, inspection, certification, and calibration) ♦ Insufficient investment to upgrade national quality infrastructure services

Actions required in the area of industrial product quality, infrastructure and standards

1. Need for a national quality standards policy for enhancing public-private partnership on quality standards.
2. Need for amending the National Standards (Certification mark) Act, 1980 (2037) to ensure it supports international trade.
3. Need to review/ update the Standard Measurement and Weight Act, 1968 and enact a new law.
4. Establishment of Accreditation Centre in the context of the enactment of the Accreditation Act.
5. Need to initiate standardization and implementation of quality of products traded internationally to include labelling, packaging, storage and transport.
6. Need to include voluntary sustainability standards in the national quality infrastructure for facilitating international trade.
7. Need to establish training centre for enhancing the capacity of the private and public sectors on and for increasing awareness of standards and quality management.
8. Establish information and facilitation centre for providing information and support to producers and

- businesses on non-tariff barriers, and requirements for specific products.
9. Organize regular training and awareness programs for producers and businesses using means such as existing standard map, trade map, market intelligence process, Labnet, etc.
 10. Undertake reforms based on international practices as the existing quality infrastructure is not up to the requirements for international trade, and also in the context of both standard setting and regulation by the same agency.
 11. Need to make efforts for recognition of uniformity testing results in importing countries, and to work towards entering into mutual recognition agreements in the bilateral and regional levels.
 12. The regulatory agencies and individuals in business have suggested the need for certification of persons; therefore make arrangements for skills/ capacity certification to make it equivalent to ISO 17024 for professions like auditors, environmental inspectors, food inspector, compliance manager, energy manager, health and safety engineer, welder, electrician, beautician, nurse, consultant, trainer, vehicle inspector and mechanic.



7.0 Supportive regulatory environment for investment

Both foreign direct investment (FDI) and technology are required for accessing international markets. Studies in 66 countries, covering three decades, have confirmed that FDI and international trade are strongly interrelated. FDI flows increase when there is a sound macroeconomic policy and institutional stability, and the ability to bring investment can benefit the country over the long term.

Nepal has recognized the importance of FDI and has made various reforms in efforts towards building an investment-friendly environment. Even though a study by a United Nations agency has suggested further room for reforms, it concluded that the review and updating of investment related laws, simplification of administration, strengthening of agency responsible for promoting investment, access to finance and foreign currency, simplification of taxation, and the establishment of SEZs have been positive developments.

According to the World Investment Report 2021, in 2020 there was a 35 percent decline in FDI owing mainly to the COVID-19 pandemic. Investment increased in 2021. However, the investment in developing countries has remained low while that coming to LDCs has been minimal. The actual FDI that comes in is also much lower than the commitments. In Nepal, much of the FDI has gone to industries, mining and hydroelectricity. Similarly, much of the FDI has been invested in Bagmati Province while it is the least for Karnali and Sudurpaschim provinces.

Since concessions available to Nepal in international trade will be gradually phased out after LDC graduation, it is important to promote FDI. Foreign investment is also necessary for raising the required financial resources for attaining the SDGs.

Reforms required for promoting foreign investment

The reforms undertaken in the past are indeed praiseworthy. The additional reforms below can further improve the environment for foreign investment. Increased investment can help in reducing the dependence on remittances and make it possible to benefit not from concessions, but from international trade.

1. **Minimum threshold for FDI:** The past provision requiring a minimum FDI of NPR 50 million was reduced in fiscal year 2022/23 to NPR 20 million. But there are many important types of FDI where technology, management and the benefits that can be derived from international market networks are more important than financing. Therefore, there is need for openness in thinking about FDI and this threshold must be reviewed based on the needs.
2. **Entry of investors:** The Foreign Investment and Technology Transfer Act, 2019 has provisions for approving FDI within seven days of application. However, this is rarely complied. It is necessary for undertaking administrative reforms and use digital technology to ensure that approvals are done automatically, as provided in the law.
3. **Exit of investors:** Existing law has made it easier for investors to sell ownership and separate themselves from businesses. But it is not easy for foreign investors to exit. There is a long process not only for repatriating the sale proceeds but also the dividends. Even though it is important to account for the immediate pressure on foreign reserves, allowing repatriation of dividends up to a certain limit following presentation of reasonable documentation through the automatic process can improve the investment climate.
4. **Automatic route:** Existing laws require mandatory prior approval of FDI from the concerned agency in areas where investment is allowed. The law also has provisions for an automatic route for particular FDI, company and industry registration but these have not been implemented. It is necessary to



A cement factory in Dhading district.



A hydropower project in Okhadhunga district.

amend the laws to remove the provision that requires prior approval to allow industry and company registration through the automatic route.

5. **Lack of digitization:** Some agencies have introduced online applications but the requirement to submit documentation physically also exists. Hence, it is necessary for all agencies related to investment to be fully digitized.
6. **Requirement to bring FDI by specific time period:** FITTA 2019 has provided a timeline for bringing in investment after it is approved. It has fixed installments based on the total investment volume.

This provision does not match with the timeline of the investors. Hence, it is appropriate to allow companies to bring in investment based on their capital needs and in the timelines they have prepared.

7. **Reinvestment approval:** FITTA 2019, section 15 (3) has provisions specifying that no re-approval is required for a FDI company to invest profits generated in the same industry, or to expand capacity, or to invest in a new business not on the prohibited list. But in practice, the Department of Industry (DOI) seeks the investment approval. Hence, it is necessary to ensure consistency in law and practice.
8. **Applicability of multiple laws:** There is no coherence between multiple laws on investment promotion. Even investment approval in some situations is done by the DOI and in other cases by the Investment Board Nepal. It is appropriate to provide investment-related government services through one agency through which all investor requirements are met, rather than scatter the services.
9. **Investment by Non-resident Nepalis (NRNs):** FITTA 2019 treats NRNs as foreign investors. It has provisions requiring NRNs to comply with the same provisions for bringing FDI. It is inappropriate to set an investment threshold for NRNs. There is also lack of clarity in the laws for NRNs to invest from the property they own in Nepal.
10. **Limit on investment through foreign loans:** There is some contradiction and lack of clarity in the FITTA and the regulations related to FDI of the Nepal Rastra Bank (NRB). The law mentions the foreign loans and projects loans of a company but there is no clarity. Hence, it is appropriate to keep all foreign loans, other than that obtained by approved projects and project loans under the jurisdiction of NRB regulations.
11. **Repatriation of FDI:** A foreign investor can repatriate funds only after paying all creditors in Nepal, and provided the investor is not on the black list. This eliminates the right of foreign creditors to be paid first. A good business environment can result by allowing investors to repay loans from foreign banks in accordance with the conditions in the loan agreement.
12. **High collateral costs:** The collateral cost for registering foreign loans is much higher than the cost of registering loans obtained from local banks. Hence, it is appropriate to lower this cost.
13. **Use of land above the ceiling as collateral:** The Industrial Enterprise Act bars using land for collateral even if an industry had been provided approval for purchase or use of the land that is above the ceiling. Because of this it can become difficult for industry to generate the required finance. Therefore, it is necessary to devise an appropriate alternative for allowing the use of the land as collateral.

Intellectual property for export promotion

International trade will be affected if intellectual property is not protected. Because Nepal has not been able to adequately protect intellectual property, businesses based on such property have not been able to prosper. Nepal ranks 111 among 132 countries that use new technology for production. There are also grievances that the market has an abundance of counterfeit products. In many instances companies and organizations whose intellectual property has been misused have not even able to get justice. Nepal, as a LDC, receives some concessions on intellectual property, which will gradually be phased out after graduation. The Patent Design and Trademark Act, 1965 has been enforced for protecting industrial property. This law is very old and, even though there is a new Intellectual Property Bill, it remains to be enacted.

The following actions need to be undertaken for building an environment where intellectual property is protected:

1. Include the following in the definition of intellectual property:
 - a. Copyright
 - b. Patent
 - c. Trademark, service mark, collective mark
 - d. Industrial design

- e. Trade secret
 - f. Business/ trade packaging (Specific cover to differentiate packaging or products)
 - g. Traditional knowledge
2. Nepal needs to ratify the agreement related to the Madrid System for registration of trademarks internationally. Through this it will be possible to get protection for intellectual property with one application and a one-time fee in 123 countries.
 3. It is necessary to participate in the Patent Cooperation. At present 156 countries are members of this treaty. Upon entering this treaty, companies can register patents in one country and obtain protection in 156 countries.
 4. The government needs to make efforts to ensure that patents and intellectual property of exporters are protected.
 5. The bill on intellectual property needs further updating to address the following issues:
 - a. The bill is silent on building a digital storage of patents and designs; therefore, if such a database exists, including the provisions can make it easy to search for the same.
 - b. It is appropriate to include “Use of existing product in different ways or presenting the products in new ways without increasing the product capacity with knowledge” will not be issued patent to further clarify the provision on situations where patents cannot be obtained.
 - c. The provisions relating to the trademark rejection can be easy to implement if it is categorized into objective and subjective categories.
 - d. The bill has provisions for compensation for violation of intellectual property by anyone; since repeat offenders can pay compensation and be absolved it is appropriate for including a provision for banning such violators.
 - e. It is appropriate to remove the provision for a Intellectual Property Review Committee because the arrangement is not just.
 - f. It is appropriate to shorten the time for the registration of intellectual property as a long process can discourage registrations.

8.0 Use of 4th and 5th generation industry concepts

Networks, robots, artificial intelligence (AI) and data availability are increasingly used in production systems of the fourth generation. Such systems can lower production costs, increase efficiency and help towards ensuring consistent product quality, allowing goods to be delivered when demanded by buyers. As result, storage costs are almost zero and production losses can be reduced. A lot of data collection and analysis is done in this system. People and machines work together and production is flexible and need-based. The 4.0 generation system involves high use of intellectual property.

It is necessary to provide attention to six main subjects for applying the fourth generation industry system (Industry 4.0): Internet of Things (IoT) must be capable of coordinating and cooperating with each other. A lot of things are virtual and make use of sensors and data. Main production decisions are decentralized and automated. Everything occurs in real time. The entire system is focused on service. The factories can also be immediately expanded or shrunk.

The fifth generation system (Industry 5.0) is under development. Some industries have begun using Industry 5.0 technologies. Fifth generation industrial technology focuses on efficiency and productivity, for which AI, machines and humans collaborate.

Nepal's industry is still based on first and second generation technologies. Surveys show that some industries seek to move to fourth generation technologies. However, owing to inadequate capital and technical services for building infrastructure, many industries have been unable to move towards Industry 4.0.

If start-ups are encouraged, they can bring novelty to industry systems and progress can be made towards Industry 4.0. and 5.0. There is a government policy to encourage entrepreneurship through a challenge fund for supporting start-ups. But for lack of effective implementation, start-ups have not flourished as they have in other countries.

Both Industry 4.0 and 5.0 technologies require quality IT infrastructure and services. This is a prerequisite. Nepal has made progress in the area of IT. However, big data networks and interfacing, and mutual automated machine-to-machine communication remains to be developed. The most important requirement – a strong legal and institutional infrastructure – does not exist.

Need for 4.0 and 5.0 generation industrialization

It is mandatory to start working towards Industry 4.0 and 5.0 for competitively increasing exports in the international market. It is impossible for new products and services to be competitive in international markets without adopting new technology. In addition, it is necessary to stress Industry 4.0 and 5.0 mainly for the following reasons:

- **Promotion and development of digital trade:** Digital trade is appropriate for making trade cost-effective and efficient between Business to Business (B2B), Business to Consumers (B2C), Consumers to Consumers (C2C) and Consumers to Business (C2B). It will be easy to take Nepali products to international markets through e-commerce, as the capacity to disseminate information in target markets develops before digital transactions. There has been some progress in digital trade in Nepal but problems and obstacles remain. A bill on e-commerce has been prepared but a law remains to be enacted. The main obstacles are those that occur before transactions, such as reliable Internet reach, IT infrastructures, capacity of IT, problems related to transactions, payment system, law on recognition

of digital transactions, and obstacles after transactions – delivery infrastructure and delivery services-related obstacles.

- **Supply chain management:** The main basis of Industry 4.0 and 5.0 are supply chain management. Interconnectivity through sound IT systems lower overall costs of supply chains, and consumers can receive preferred products at the preferred time. Automated storage facilities with smart logistics and augmented reality are important components of the supply chain. Similarly, use of technologies such as the global positioning system, automated identification process, smart sensor, vehicle telematics system and radio frequency identification are requirements for modern supply chains.
- **Amendment in the Information Technology law:** Embracing the new developments in IT, a new bill has been drafted and tabled in parliament for making IT-enabled transactions and services automated, trustworthy and reliable to replace the Electronics Transactions Act, 2008 (ETA) that is now in force. This bill has remained in parliament for a long time but remains to be enacted. This will be an important law for Industry 4.0 and 5.0.

Analysis of Nepal's efforts towards Industry 4.0

The following is a brief capacity analysis of Nepal in relation to Industry 4.0 and 5.0.

Table 9.1: SWOT analysis: a step towards industry 4.0

Strength	Weakness
<ul style="list-style-type: none"> ♦ Proactive policy framework ♦ Low labor costs, dedicated, and English-speaking human resources ♦ High speed data communication (HSDC) being planned ♦ Appropriate climatic condition ♦ Cyber law (ETA 2008) already enacted ♦ Digital Nepal Framework, 2019 (2076) ♦ National IT Policy, 2016 (2072) ♦ The National Strategy on Development and Use of E-commerce in Nepal, 2019 (2076) ♦ Satellite Policy, 2020 (2077) 	<ul style="list-style-type: none"> ♦ Poor Infrastructure and lack of standards ♦ Lack of digital skills among workers ♦ Lack of clarity regarding economic benefit ♦ Lack of internal digital culture and training in organizations ♦ Issues with receiving payment in foreign currency ♦ Lack of IT research ♦ Weak cyber security and data management ♦ Insufficient funding and weak partnerships
Opportunity	Threat
<ul style="list-style-type: none"> ♦ IoT-enabled features make it possible to monitor use, and after use ♦ Increase life of machinery based on monitoring and predictive maintenance ♦ Informed fact-based design decisions to improve utility of products ♦ Prospects of FDI in implementation of Industry 4.0 ♦ Possibility of smart and sustainable value-chain/ supply-chain development 	<ul style="list-style-type: none"> ♦ Ensuring data quality ♦ Change management to address disruption in work nature ♦ Lack of established procedures to evaluate intellectual property

Actions required for promoting 4th and 5th generation industrialization

1. **Updating laws:** It is necessary to enact the IT law and before enactment, the ETA 2008 needs to be amended for more clarity.
 - a. ETA Section 23 requires “consent” of concerned individual to collect information/ data; for clarity of consent it is necessary to provide the conditions for the consent.
 - b. Need to fix time for informing the concerned individual in situations where data has been misused (breached).
 - c. Localize data or make it mandatory for personal data collected to be stored in local servers, and to require permission from regulatory authority for situations where such information has to be

stored abroad.

- d. The law allows amendment in personal information with public agencies but there is no legal provision on making it possible for individuals to review, amend and remove their information from data with private agencies; this provision needs to be included.
 - e. Need to make arrangements for a technology testing and information security officer in accordance with good practices for information security and regulation.
 - f. The regulatory agency needs to differentiate and clarify between information controller and data processor because in certain situations joint control is also required.
 - g. Because simple and reliable technologies are available, it is necessary to simplify existing legal procedures and also clarify the understanding of digital signature.
2. Formulate and implement Industry 4.0 related strategy.
 3. Formulate and implement plan on Industry 4.0. in all provinces.
 4. Develop and implement program for Industry 4.0 technology innovation management.
 5. Build national and local data depositories and reporting/ recording centres.
 6. Develop research and development centre for Industry 4.0.
 7. Develop systems related to Industry 4.0 and ensure interfacing with the central system.
 8. Develop digital modelling.
 9. Purchase necessary equipment and systems for Industry 4.0
 10. Develop national payment gateway.
 11. Develop national and international information exchange system.
 12. Provide industry administration-related services through automated system.
 13. Develop IT solutions centre and systems, and strengthen the IT Department.
 14. Develop system for analysis and use of Industry 4.0 related data.
 15. Organize trainings and capacity building programs on Industry 4.0 and 5.0.
 16. Reform policies and laws for building a sound business environment, and for easing development of start-ups.

9.0 Development of priority products for export

Nepal's total trade has been growing, owing largely to the increase in imports. But Nepal's competitive strength has been continuously deteriorating. Before 1980, Nepal mainly exported primary products. After economic liberalization, industrial products have also been exported. These exports went mainly to India and some South Asian countries. In recent years, export of processed agricultural and forest resources as industrial goods to Western countries has been increasing. Most medicinal herbs are exported to India in the primary state. Readymade garments were a major export while the multifibre agreement remained in force, and carpet exports had increased. But owing to certain weaknesses, the increased exports of carpets could not be sustained. Sometimes, export of products that can result in benefits from duty differentials have increased at high rates and have shrunk when duty benefits were removed.

The table below provides the 45-year trend in export:

Table 10.2 Merchandise exports of Nepal (in NPR million)

Fiscal Years	1974/75	1984/85	1994/95	2004/05	2014/15	2019/20	2020/21
Food and Live Animal	517.5 (58.17)	992.1 (36.2)	1562.7 (8.86)	6993.5 (11.91)	20209.04 (23.69)	16878.76 (17.27)	24208.59 (17.15)
Tobacco and Beverages	0.4 (0.04)	5.0 (0.18)	11.3 (0.06)	31.6 (0.05)	2346.7 (2.75)	184.83 (0.19)	248.31 (0.18)
Crude Materials, Inedible Except Fuels	213.3 (23.98)	486.8 (17.76)	485.5 (2.75)	881.6 (1.5)	3274.19 (3.84)	3459.58 (3.54)	4447.71 (3.15)
Mineral, Fuels and Lubricants	1.5 (0.17)	1 (0.04)	0 (0)	4.2 (0.01)	0.14 (0)	0 (0)	0 (0)
Animal and Vegetable Oil and Fats	2.4 (0.27)	57.1 (2.08)	214.1 (1.21)	5070.3 (8.64)	111.23 (0.13)	31196.88 (31.93)	55959.12 (39.65)
Chemicals and Drugs	0.9 (0.1)	1.2 (0.04)	302.3 (1.71)	3677.6 (6.26)	4872.62 (5.71)	4018.66 (4.11)	5880.91 (4.17)
Manufactured Goods Classified Mainly by Materials	28.1 (3.16)	649.1 (23.68)	9260.3 (52.5)	28590.6 (48.7)	41078.4 (48.15)	31025.93 (31.75)	37258.87 (26.4)
Machinery and Transport Equipment	2.1 (0.24)	33.7 (1.23)	37.1 (0.21)	207.6 (0.35)	386.19 (0.45)	937.16 (0.96)	842.35 (0.6)
Miscellaneous Manufactured Articles	111.3 (12.51)	513.4 (18.73)	5765.8 (32.69)	13239.6 (22.55)	13040.52 (15.28)	10007.31 (10.24)	12276.85 (8.7)
Commodity and Transaction not Classified According to Kind	12.1 (1.36)	1.2 (0.04)	0.1 (0)	9.1 (0.02)	0 (0)	0 (0)	1.36 (0)
Total	889.6 (100)	2740.6 (100)	17639.2 (100)	58705.7 (100)	85319.08 (100)	97709.11 (100)	141124.08 (100)

Source: Nepal Rastra Bank, 2022) (Numbers in the parenthesis are percent share)

Main trade partners

Nepal's main partners in international trade, and the changes that have occurred in their share is provided in the table below. In the 5-6 years after economic liberalization, the share of India had decreased to 20.4 percent and now it is 69 percent and the share of trade with developed countries has decreased. The main reason for this is the gradual loss of developed markets for the inability to use new technology, and the ease of doing business with India under the trade treaty.

Table 10.3: Change in share of Nepal's exports to major trading partners

Major Trading Partners	1996	2020
India	20.40%	68.73%
US	29.08%	10.25%
Germany	34.61%	2.95%
UK	1.48%	2.31%
France	0.90%	1.26%
Japan	0.40%	0.97%
China	0.00%	1.89%
Others	13.12%	11.64%
Total	100.00%	100.00%
Export Concentration Index	0.26	0.50

Source: Trade Map, ITC

Export Concentration Index of some products

Agricultural products have high density in the index. The destinations for these products are India and Bangladesh.

Table 10.4: Export Concentration Index of selected exports of Nepal

HS-4	Product Details	Export Concentration Index
5509	Yarn of synthetic staple fibers (excluding sewing thread and yarn put up for retail sale)	0.64
5701	Carpets and other textile floor coverings, of textile materials, knotted, whether or not made	0.32
0908	Nutmeg, mace, and cardamoms	0.99
0902	Tea, whether or not flavored	0.83
5310	Woven fabrics of jute or of other textile based fibers of heading 5303	1
2009	Fruit juices, incl. grape must, and vegetable juices, unfermented, not containing added spirit,	1
1404	Vegetable Products	0.84
5702	Carpets and other textile floor coverings, woven, not tufted, or flopped, whether or not made.	0.54
	All products	0.54

Source: Trade Map, ITC

9.1 Identification of products with export potential

The Export Potential Index has been used to identify products with potential. The basis for calculating the index is the export situation of products under the six-digit HS Code of the International Trade Centre (ITC). The World Demand Index has been provided a weightage of 0.35 and Export Performance Index has been assigned 0.65. The assignment of the weightage is as follows:

Table 10.5: Weightage of export potential index

Details	Weightage to Calculate World Demand Index and Export Performance Index	Weightage to Calculate Export Potential Index
World Demand Index		0.35
Share in World Demand	0.5	
Change in Share of World Demand	0.5	
Export Performance Index		0.65
Export Size	0.16	
Export Growth	0.16	
Trade Balance	0.16	
Change in Trade Balance	0.16	
Revealed Comparative Advantage (RCA)	0.16	
Growth of RCA	0.16	

Products with export potential

The list of products with potential, emerging products and those with future potential have been listed in the tables below after excluding metal scraps, oil cakes and byproducts from food processing industries from the 50 products that were able to obtain high scores based on the index. The six-digit HS Code was used for preparing the list and the products have been listed in four categories for providing policy and program based recommendations.

Table 10.6: Existing products with export potential

Items	HS-6
Agriculture	
Cardamom	090831
Ginger	091011
Lentils	071340
Jute	531090, 630510
Tea	090220, 090240
Forestry	
Medicinal and aromatic plants (MAPs)	121190
Handmade paper products of <i>Lokta</i>	480210
Rosin and Turpentine	380610, 380510
Large Industry	
Iron and steel*	72, 73
Synthetic textile and yarn	540720, 550921, 550932, 550951, 551012
Footwear	640419
Readymade garments	620432, 620442, 62042, 630790
SMEs	
Carpets	570190, 570490
Jewelry	7113
Pashmina, sweater, and shawl	611012, 621420
Pasta	190219, 190230
Woolen products (including felt products)	611011, 611610, 620432, 620442, 620462, 630790, 5602
* HS-2 in Iron and Steel.	

The analysis of demand for existing and emerging products in the global market, the production situation in Nepal, trend in export growth, the possible impact they could have on Nepal's trade balance, availability of natural resources for sustainable supply, availability of skilled human resources and use of new technology, and necessary investment has resulted in the following situation:

Table 10.8: Assessment of existing and emerging export products

Items	World Demand Condition	Production of Nepal	Nepal's Export Growth	Nepal's Trade Balance	Natural Endowment	Skill Manpower and Technical Innovation	Investment
Existing							
Agriculture							
Cardamom	High	Medium	Medium	Positive	High	Medium	Low
Ginger	High	High	Medium	Positive	High	Medium	Low
Lentil	High	Medium	Medium	Negative	High	Medium	Low
Jute	High	Medium	Medium	Positive	High	Medium	Low
Tea	High	High	Low	Positive	High	Medium	Low
Forestry							
MAPs	High	Medium	High	Positive	High	Medium	Low
Handmade paper products of <i>Lokta</i>	Medium	Medium	Medium	Positive	High	Medium	Low
Rosin and Turpentine	High	Medium	Medium	Positive	High	Medium	Low
Large industry							
Iron and steel	Medium	Medium	Low	Negative	Low	High	High (with many in pipeline)
Yarn and textile	Medium	Medium	Medium	Negative	Low	Low	Medium
Footwear	Medium	Medium	Low	Negative	Low	Medium	Medium
Readymade garments	High	Medium	Low	Negative	Medium	Medium	Medium
SMEs							
Carpets	Medium	Medium	Medium	Positive	Medium	Medium	High
Jewelry	Medium	Medium	High	Negative	Low	Medium	Medium
Pashmina	Medium	Medium	High	Positive	Medium	Medium	High
Pasta	Medium	Medium	High	Negative	Medium	Medium	High
Woolen products (including felt)	High	Medium	High	Positive	Medium	Medium	Medium
Emerging							
Agriculture							
Vegetable and fruits, and processed products	Medium	Medium	Not Relevant	Negative	High	Medium	Medium
Spices	High	Low	Not Relevant	Negative	High	Medium	Low
Coffee	Medium	High	Not Relevant	Negative	High	Medium	Medium

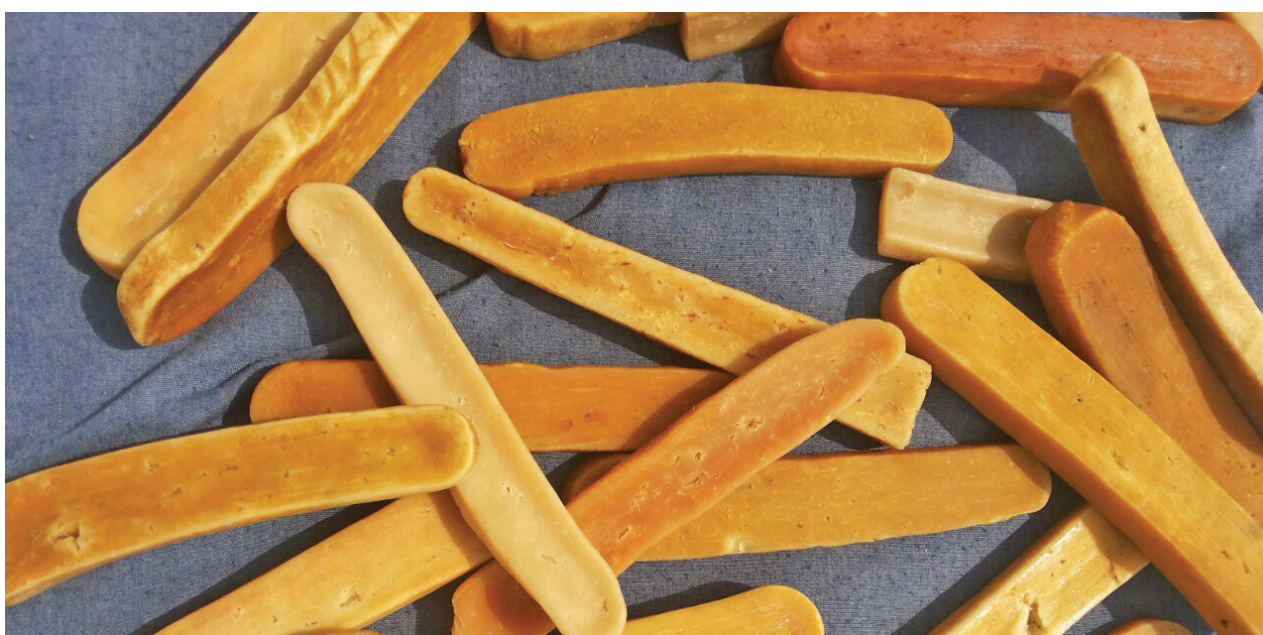
Items	World Demand Condition	Production of Nepal	Nepal's Export Growth	Nepal's Trade Balance	Natural Endowment	Skill Manpower and Technical Innovation	Investment
Forestry							
Essential oils	Medium	Low	Not Relevant	Positive	High	Low	Low
Forest based fabrics	High	Low	Not Relevant	Negative	High	Low	Low
Large Industry							
PPC Cements	High	Medium	Not Relevant	Negative	High	Medium	Medium
SMEs							
Himalayan Spring Water	High	Low	Not Relevant	Positive	High	Medium	Low
Honey	High	Low	Medium	Positive	Medium	Medium	Low
Hard cheese (<i>Chhurpi</i>)	High	Medium	Medium	Positive	High	Medium	Low

9.2 Capacity assessment of product clusters

Existing products in the export portfolio, and the capacity of emerging products for increasing export, overall trade promotion based on product clusters have been analyzed and presented as follows:

Capacity assessment of agricultural products

Primary agricultural products have historically been Nepal's main export. The portfolio of these goods have changed over time. There was a time when foodgrains were the main export, which in recent years have been cash crops. Some cash crops are among those with special qualities globally owing to the country's climatic conditions. But owing to low hygiene, inconsistency in quality, and lack of accredited testing facilities, agricultural products are mainly exported to India. In recent years, products like vegetables, fruits, spices, and coffee have been exported to international markets with some value addition.



Dog-chew (*churpi*).

Table 10.11: SWOT Analysis of existing export potential agricultural products

	Strength	Weakness	Opportunities	Threats
Cardamom	<ul style="list-style-type: none"> ♦ Major exporting country ♦ Growing global demand ♦ High-value cash crop ♦ Good source of income for small farmers and marginalized communities ♦ Appropriate for Hill districts ♦ Benefits women, as roughly half the labor force is female. ♦ Contributes to soil erosion prevention 	<ul style="list-style-type: none"> ♦ Limited skilled human resources ♦ Dependent on a single country for export (as much as 90 percent) ♦ Degradation of land and lowering yield due to fungal and viral diseases ♦ Low value addition beyond farm production due to lack of modern processing and storage ♦ Inadequate supply of imported seeds and seedlings ♦ Poor farm management leading to diminishing yield 	<ul style="list-style-type: none"> ♦ Possibility of increasing production by expanding beyond Koshi Province ♦ Possibility of increased production with improved irrigation, use of improved seeds and fertilizers ♦ Possibilities of value addition by expanding processing facilities ♦ Export market exists beyond India 	<ul style="list-style-type: none"> ♦ Lack of research on plant diseases ♦ Drought and environmental degradation causing fungal infections ♦ Price volatility in world market ♦ Lack of cooperation among farmers for commercial farming ♦ Poor transport facilities ♦ Lack of technical human resources ♦ Lack of processing units and market infrastructure
Ginger	<ul style="list-style-type: none"> ♦ Good source of income and employment for small farming families ♦ Fourth largest producer of ginger globally ♦ Possibility of inter-cropping with other agricultural crops ♦ Favorable geo-climatic conditions for cultivation in the hills ♦ Nepali ginger regarded as high quality in world market 	<ul style="list-style-type: none"> ♦ Inadequate quality seeds ♦ High crop loss due to diseases ♦ Limited storage and processing facilities ♦ Lack of internationally accredited laboratories for testing all parameters ♦ Shortage of skilled human resources 	<ul style="list-style-type: none"> ♦ Increasing global demand ♦ Potential of raising productivity and area expansion ♦ Due to richness in oil and oleoresin, high potential for value addition ♦ Rising demand in Ayurvedic medicines and other uses 	<ul style="list-style-type: none"> ♦ Attacks by pests like rhizome rot and rhizome fly ♦ High price fluctuation ♦ Risk of market share loss owing to production of cheaper ginger in neighborhood
Lentil	<ul style="list-style-type: none"> ♦ Good reputation of Nepali lentils in South Asia and the Gulf countries ♦ Use of modern technology (color sensing, de-stoner, etc.) ♦ Long experience in export ♦ Eighty percent of national production in 10 districts, ease of collection ♦ Higher productivity compared to India ♦ Low cost in tillage, fertilizer, and irrigation as it can be grown after harvesting rice ♦ Beneficial for small farmers 	<ul style="list-style-type: none"> ♦ Shortage of skilled technicians ♦ Shortage of labor ♦ Shortage of quality seeds ♦ Weak road access ♦ Poor condition of roads to farming areas ♦ Lack of easy and reasonable availability of containers for shipment ♦ Lack of well-organized domestic market 	<ul style="list-style-type: none"> ♦ Geographical proximity to emerging and large markets ♦ Productivity can be raised by using simple technology 	<ul style="list-style-type: none"> ♦ High labor costs ♦ High susceptibility to pests and diseases ♦ Low quantity available for export after meeting domestic demand ♦ Competition with Australian and Canadian produce in South Asian markets ♦ Requirement of meeting standards in destination markets



© Prahakar Ghimire



© International Trade Center

	Strength	Weakness	Opportunities	Threats
Jute	<ul style="list-style-type: none"> ♦ Terai climatic condition appropriate for jute cultivation ♦ Historical commodity because Jute processing is the first modern industry of Nepal ♦ Environment-friendly packaging material ♦ Favorable access to processed products in Indian market 	<ul style="list-style-type: none"> ♦ Limited supply of agricultural inputs ♦ Limited skilled workers and technical development ♦ Limited irrigation ♦ Low productivity compared to neighboring countries ♦ Low attention to international market other than India ♦ Low attention to marketing despite being the oldest cash crop 	<ul style="list-style-type: none"> ♦ Increasing demand in India and South Asian countries ♦ Possibility of use in other countries as eco-friendly packaging material ♦ Good source of income for Terai farmers 	<ul style="list-style-type: none"> ♦ Risk of market shrinking after India raises production under is “Self-Reliant India” ♦ Possibility of decrease in food crops is cultivation increases
Tea	<ul style="list-style-type: none"> ♦ Geography and climate suitable for tea cultivation ♦ Active farmer groups and cooperatives ♦ Stress on organic tea production and on value addition ♦ Organized agency exists for tea development ♦ Separate government policy and agency for tea development ♦ Reliable source of employment for Koshi Province and women 	<ul style="list-style-type: none"> ♦ No brand identity in global market ♦ Ineffective marketing and publicity ♦ Lack of internationally-accredited laboratories ♦ Limited technical schools, training centers and R&D ♦ Lack of transparency in green tea price determination ♦ Inconsistent quality of product to meet buyers’ demand 	<ul style="list-style-type: none"> ♦ Scope to expand production area ♦ High employment generation ♦ Increasing global demand for Nepali tea ♦ Expansion of organic-certified areas ♦ Attractive price for organic tea in global market ♦ Scope for product diversification and selling in specific markets in premium prices 	<ul style="list-style-type: none"> ♦ Competition with major tea producers, e.g., China, India, Bangladesh, and Sri Lanka ♦ Price volatility ♦ Difficulties in meeting requirements of quality and maximum residue limits of destination markets, and supply ♦ Labor issues ♦ Risks arising from India-centered exports

Capacity assessment of emerging products

Table 10.12: SWOT Analysis of emerging export potential agricultural products

	Strength	Weakness	Opportunities	Threats
Vegetables	<ul style="list-style-type: none"> ♦ Low initial investment ♦ Commercial farming also possible in small land parcels ♦ Climatic condition fit for seasonal as well as off-season vegetables ♦ Farmers more aware of benefits from vegetable cultivation ♦ Grading is being gradually introduced ♦ Engagement of farmer cooperatives in marketing 	<ul style="list-style-type: none"> ♦ Limited and interrupted supply of agricultural inputs ♦ Limited skills of farm labor and technical innovation ♦ Limited irrigation ♦ High seasonality of prices ♦ Lack of appropriate storage ♦ Poor quality control 	<ul style="list-style-type: none"> ♦ Increase in vegetable consumption in South Asia due to improved living standards ♦ Increase in income of small farmers ♦ Possibility of forward linkage with hospitality and processing industries ♦ Potential of export to neighboring and Gulf countries 	<ul style="list-style-type: none"> ♦ Shift to vegetable farming might have adverse impact on cereal production ♦ Competition with cheap Indian vegetables due to its subsidies, and high productivity

Fruits	<ul style="list-style-type: none"> ♦ Climatic condition fit for seasonal as well as off-season fruits ♦ Farmers aware of benefits of fruit farming ♦ Road expansion and storage development has eased marketing ♦ Cooperative marketing is gradually being developed 	<ul style="list-style-type: none"> ♦ Lack of adequate cold storages in Himalayan region ♦ Expensive and unreliable domestic transport ♦ Limited skills and technical knowledge among farmers ♦ Limited irrigation ♦ Poor quality control 	<ul style="list-style-type: none"> ♦ Improved living standards in Nepal as well as South Asia ♦ People more conscious of health leading to more consumption ♦ Source of rural employment and livelihoods ♦ Possibility of forward linkages with hospitality and processing industries (like juice, jam, confectionary, and others) 	<ul style="list-style-type: none"> ♦ Shift to fruit farming might have adverse impact on cereal production ♦ Difficulties in competing with fruits from neighboring countries
Coffee	<ul style="list-style-type: none"> ♦ Favorable climatic conditions for specialty coffee along the mid-hills ♦ Brand reputation of Nepali coffee ♦ Producer cooperatives actively engaged in marketing 	<ul style="list-style-type: none"> ♦ Lack of technical capacity among farmers and trainings for motivating farmers ♦ Limited quality control ♦ Lack of certification required for accessing European and American markets in country ♦ High production cost 	<ul style="list-style-type: none"> ♦ Increasing demand in international markets ♦ Generates employment and livelihood options in rural areas 	<ul style="list-style-type: none"> ♦ High possibility of adverse effect on cereal crops ♦ Risk of reputation loss due to adulteration of low-grade imported coffee
Spices	<ul style="list-style-type: none"> ♦ Suitable ecology ♦ Increasing global demand for spices ♦ Possibility of using both private farms and forest land commercial farming 	<ul style="list-style-type: none"> ♦ Constraints of improved seeds and fertilizer, and year-round irrigation ♦ Post harvesting, constraints of storage, packaging, and grading ♦ Limited processing industries, and need to compete with India 	<ul style="list-style-type: none"> ♦ Possibility to expand market beyond India and South Asia ♦ Opportunity for creating alternative employment opportunities through commercial spice farming 	<ul style="list-style-type: none"> ♦ Limited knowhow on commercial farming and market promotion ♦ Limited technical knowhow on quality standards ♦ Limited Government focus on spices other than ginger and cardamom

Capacity assessment of existing and emerging forest-based products

Forest-based products have remained Nepal's major export for a long time. India was the main destination for Himalayan medicinal herbs used for medicinal and aromatic products. Generally, medicinal herbs were exported without processing. Even today, a large share of medicinal herbs are exported without processing. In recent years, small and medium scale industries have begun processing medicinal herbs. Nepali entrepreneurship making traditional paper and handwoven textiles using forest resources have in recent years begun producing new designs and using modern technology to produce quality products. The analysis of existing and potential forest resources based-products is provided below.

{

SWOT Analysis of existing and emerging export potential forestry products

	Strength	Weakness	Opportunities	Threats
MAPs	<ul style="list-style-type: none"> ♦ Organic and unique, as most of them are collected from the wild ♦ Most species unique to the Himalayan region and valuable ♦ Diversity of MAPs ♦ Opportunity for employment creation in remote regions ♦ Substantial studies available on benefits and value chain 	<ul style="list-style-type: none"> ♦ Inadequate legal and institutional frameworks to protect Nepal’s genetic resources ♦ Lack of policy and system to implement Good Agriculture and Collection Practices (GACP) ♦ Few products currently being cultivated compared to potential ♦ Lack of storage and processing facilities ♦ High dependency on exports to neighboring countries ♦ Lack of accredited quarantine facilities at customs points ♦ Inadequate pest risk analysis, and insufficient fumigation facilities 	<ul style="list-style-type: none"> ♦ Expanding world market for MAPs ♦ High potential for expansion ♦ Potential to capture greater share of value in the global value chain through improved collection, storage, and processing facilities 	<ul style="list-style-type: none"> ♦ Limited knowledge of sustainable collection practices ♦ Unsustainable harvesting threatening the existence of some species unique to Nepal ♦ Risk of losing rights over local knowledge due to weak Intellectual Property protection
Hand Made Lokta paper products	<ul style="list-style-type: none"> ♦ Nepali high-altitude <i>Lokta</i> has distinct identity due to strength of the fiber ♦ Unique indigenous paper production technology is an important selling point ♦ Value added through unique artworks ♦ Availability of skilled artisans and entrepreneurs 	<ul style="list-style-type: none"> ♦ Capacity constraints to meet large orders ♦ Low attention on design and product development for new markets ♦ Lack of training in design and product development ♦ Lack of proper marketing and promotion efforts, market information, and market contacts ♦ Lack of management skills in MSMEs 	<ul style="list-style-type: none"> ♦ High domestic market demand for <i>Lokta</i> paper ♦ Demand for value added paper products in foreign markets 	<ul style="list-style-type: none"> ♦ Price competition with similar products from China PRC, India, and Thailand ♦ Risk of counterfeit products due to lack of product design protection



Paper made from a shrub found in the hill regions.

	Strength	Weakness	Opportunities	Threats
Essential Oil	<ul style="list-style-type: none"> ♦ Availability of a diversity of herbs and medicinal plants in Nepal ♦ The MAPs collected in the high Himalayas have strong therapeutic properties and 100% purity. ♦ Customer appeal due to use of traditional technology for production of essential oil ♦ Possibility of price advantage in international markets 	<ul style="list-style-type: none"> ♦ Difficulty in sourcing good quality seeds for cultivable herbs ♦ Shortage of skilled workers ♦ Inability to develop overseas market linkages ♦ Early stages in export due to quality inconsistency and other reasons ♦ Excessive brokers in the supply chain 	<ul style="list-style-type: none"> ♦ Increasing interest in foreign markets on the significance of essential oils in Nepali tradition and culture ♦ Rising potential in China due to increasing cosmetics use among its middleclass ♦ Sustainable source of employment for women and persons with different abilities in rural areas ♦ Increasing information of Nepali herbs and essential oil in the West and China ♦ Use of domestic essential oils in Nepali beauty products 	<ul style="list-style-type: none"> ♦ Need to meet SPS standards to access advanced markets ♦ Difficulties for Nepali companies due to Indian companies marketing of essential oils with the Himalayan tag ♦ Need to compete with countries like India, China, Indonesia, Sri Lanka, Vietnam, etc. in advanced markets ♦ Need to compete with cheap synthetic fragrances due to depletion of natural resources
Rosin and Turpentine	<ul style="list-style-type: none"> ♦ Available in Nepal's forests ♦ Increasing industrial use of Rosin and Turpentine in production of paper, paint, and chemicals ♦ Pine resin collection is good source of employment and livelihood for people in hill and mountainous areas 	<ul style="list-style-type: none"> ♦ No export beyond India, discontinuance of exports to China ♦ Unable to establish Nepal's identity in international markets as a producer of natural Rosin and Turpentine ♦ Difficulty in quality control of finished products 	<ul style="list-style-type: none"> ♦ Possibility of increasing production owing to increased forest density ♦ Potential to increase greater share in global value chain through market promotion ♦ Product eligible for carbon market payments 	<ul style="list-style-type: none"> ♦ Low market expansion despite 50 years of industrial history ♦ Need to use modern borehole technology ♦ Challenges resulting from increasing production, and competition from other Asian countries that use new technology

	Strength	Weakness	Opportunities	Threats
Forest Based Fibers	<ul style="list-style-type: none"> ◆ Indigenous knowledge and traditional skills on weaving forest-based fibers ◆ Abundant raw material for fiber extraction ◆ Environment friendly fibers. ◆ Possibility of rural employment creation 	<ul style="list-style-type: none"> ◆ Mostly produced for consumption in rural areas, lacking market information ◆ Local producers lack modern skills for value-added production ◆ Difficulties for quality control and cost reduction owing to use of traditional methods ◆ Lack of knowledge on product diversification ◆ Fixed season for harvesting raw materials ◆ Inadequate raw materials for large scale production 	<ul style="list-style-type: none"> ◆ Possibility of expanding cultivation in community and private forests ◆ Possibility to expand market by enhancing quality and designs ◆ Niche market opportunities due to unique quality 	<ul style="list-style-type: none"> ◆ Lack of technology development for commercial cultivation ◆ Inadequate publicity ◆ Adopted technology is reason for high cost of production



© International Trade Center

Yarn produced in Nepal.

Capacity assessment of existing and emerging large industries

The main products of large industries are threads and textiles, and iron and steel. Shoes are manufactured by large and medium-scale industries and the larger industries lead in terms of export. New products have yet to demonstrate the ability to be competitive in international markets. In recent years, many cement industries have been established and the main raw material is readily available domestically. There have been improvements in access to mines, and because of improvements in electricity supply, the production capacity has increased. The production capacity is higher than required for domestic consumption and there is possibility of exporting cement to north India and Bangladesh due to proximity benefits. Therefore, cement is an emerging product among large industries. The capacity assessment of various products is given below:

SWOT Analysis of existing and emerging export potential large industries' products

	Strength	Weakness	Opportunities	Threats
Yarn and textiles	<ul style="list-style-type: none"> ♦ Low labor cost ♦ Use of high-quality machines ♦ Good relationship with importing countries 	<ul style="list-style-type: none"> ♦ High cost and low efficiency of production process ♦ Export to limited countries 	<ul style="list-style-type: none"> ♦ Expanding international market of Nepali yarn due to tariff advantage ♦ Possibility of diversification through third-country exports 	<ul style="list-style-type: none"> ♦ Possibility of decline in exports due to loss of preference after LDC graduation
Iron and steel	<ul style="list-style-type: none"> ♦ Substantial investment from the private sector ♦ Up-to-date technology for producing quality products that meet market requirements ♦ Long experience in production and export ♦ Strategic location for trade with India and Bhutan ♦ Several factories certified by the Indian Institute of Standards (ISI) ♦ Several factories approved for quality standards by Power Grid Corporation of India ♦ Cooperation by Indian zinc companies for supply ♦ Capacity available for timely supply of required quantity ♦ Product costs slightly lower than in India 	<ul style="list-style-type: none"> ♦ Dependency on transport provided by Indian companies ♦ Weak industrial relations ♦ Low labor productivity 	<ul style="list-style-type: none"> ♦ Nepal-India Trade Treaty provides duty-free access to Indian markets ♦ Bhutan and Bangladesh gradually reducing import tariffs ♦ High demand in India, Bhutan and other South Asian countries due to large-scale infrastructure expansion ♦ Possibility to improve labor productivity 	<ul style="list-style-type: none"> ♦ Problem of regular supply of energy and high cost ♦ Competing with Indian companies becoming difficult due to industrial incentives and subsidies provided by some state governments

	Strength	Weakness	Opportunities	Threats
Footwear	<ul style="list-style-type: none"> ♦ Significant number of footwear manufacturers ♦ Labor intensive, high employment creation ♦ Low labor cost ♦ Female worker-friendly ♦ Skill development and training opportunities for youth 	<ul style="list-style-type: none"> ♦ Higher import tariffs on some raw materials compared to finished goods ♦ Low investment in high-tech machinery ♦ Lack of common facility center for quality and laboratory 	<ul style="list-style-type: none"> ♦ Increasing demand in global market ♦ Growing use of diversified footwear ♦ Expanding domestic market ♦ Increased confidence in quality and awareness of Nepali footwear among domestic consumers ♦ Easy access to raw material (approx. 20% domestic and 80% from India and China). 	<ul style="list-style-type: none"> ♦ Competition with China and India on price, quality, and volume ♦ Control of imported counterfeit brands ♦ Shortage of trained workers ♦ High dependency on imported raw materials
Portland Pozzolana Cement (PPC)	<ul style="list-style-type: none"> ♦ High and growing demand in country ♦ High availability of inexpensive skilled and un-skilled workers ♦ Opening up access to Indian markets 	<ul style="list-style-type: none"> ♦ Weak quality control ♦ Difficulty of maintaining sustainable production ♦ Poor transportation infrastructure ♦ Shortage of highly skilled workers ♦ Problems in energy supply 	<ul style="list-style-type: none"> ♦ Possibility of pre-fabricated construction materials 	<ul style="list-style-type: none"> ♦ Price undercutting ♦ Interference of labor associations ♦ Large customers bargain for low price ♦ Unreliable energy supply
Readymade garments	<ul style="list-style-type: none"> ♦ Important place in Nepal's export for a long time ♦ Sector of high potential due to labor intensive nature and comparatively low investment requirement ♦ Major share of export to countries other than those in neighborhood 	<ul style="list-style-type: none"> ♦ Low use of new technology ♦ Inadequate industrial incentives ♦ Reliance on imported raw materials 	<ul style="list-style-type: none"> ♦ Year-round market and increasing demand due to fashion preference ♦ Confidence of consumers on Nepali products ♦ LDC preferences 	<ul style="list-style-type: none"> ♦ High competition with large exporters such as Bangladesh and India ♦ Possibility of exports to decline due preference loss and stringent RoO for market entry after LDC graduation

Capacity assessment of existing and emerging small and medium-scale industries

The products of micro, small and medium industries (MSMEs) such as carpet and pashmina have differentiated themselves in international markets. In recent years, export of pasta and goods made of wool have also begun increasing. Besides this, MSMEs have begun producing and exporting pure drinking water, Himalayan spring water and jewelry of gold and silver. The capacity assessment of these products are given below:

SWOT Analysis of existing and emerging export potential MSMEs' products

	Strength	Weakness	Opportunities	Threats
Carpet	<ul style="list-style-type: none"> ♦ Strong socio-economic impact ♦ Strong brand image in international market ♦ The quality of Nepali carpet is considered to be higher than that of its competitors (carpets above 150 knots are rarely produced elsewhere) ♦ Nepali designs are appreciated worldwide ♦ Availability of carpet design software in the country ♦ Ease of customized production to orders 	<ul style="list-style-type: none"> ♦ Nepali carpets relatively costlier compared to competitors ♦ Lack of quality testing and certification ♦ Long lead time for delivery compared to competitors ♦ Low labor productivity ♦ Insufficient market diversification ♦ Price fluctuation of imported inputs 	<ul style="list-style-type: none"> ♦ Possibility of expansion in new markets of the Gulf countries and Asia ♦ Establishment of a collective trademark can ensure protection against misuse of Nepali brand ♦ Significant room for improvement in labor productivity ♦ Possibility of producing unique carpets due to availability of fibers like <i>Allo</i> and hemp ♦ Preferential market access as an LDC 	<ul style="list-style-type: none"> ♦ Declining global demand in existing markets of Nepali carpets owing to slowdown in world economy ♦ Emergence of cheaper alternatives ♦ Misuse of Nepali brand name by manufacturers of other countries ♦ Possibility of exports to decline due to preference loss after LDC graduation
Pashmina	<ul style="list-style-type: none"> ♦ Branding in destination markets with the introduction of collective “Chyangra Pashmina” trademark ♦ Traditional manufacturing methods, quality and designs are unique selling points for Nepali products in niche markets ♦ Possibility of domestic yarn production by increasing Himalayan goat farming ♦ Ability to handle high value orders ♦ Beneficial to farmers in Himalayan region, processing industries, producers, exporters, etc. 	<ul style="list-style-type: none"> ♦ Lack of modern yarn dyeing facilities for product diversification ♦ Difficulties to adapt to changing market demand due to use of traditional technology ♦ Import of wool at higher price due to lack of yarn processing plants in the country ♦ Weak networking in international market for entering new markets 	<ul style="list-style-type: none"> ♦ Significant spare capacity to increase production and export to new regions ♦ Potential to increase Himalayan goat farming and invest in domestic yarn production ♦ Demand for diversified Pashmina products (beyond shawls and stoles) is increasing 	<ul style="list-style-type: none"> ♦ Increasing price competition with India and China ♦ Threat of counterfeit goods

	Strength	Weakness	Opportunities	Threats
Pasta	<ul style="list-style-type: none"> ♦ Availability of skilled human resources ♦ Adequate production capacity owing to high investment in the latest technology ♦ Well-developed domestic supply chain 	<ul style="list-style-type: none"> ♦ Capacity to penetrate new markets ♦ Requirement of quality certificates in each consignment by India ♦ Difficulty in sourcing wheat flour, palm oil, and seasonings ♦ Lack of Halal certification for exporting to some Muslim and Arab countries 	<ul style="list-style-type: none"> ♦ Expanding market in Indian border and third countries ♦ Increasing domestic market 	<ul style="list-style-type: none"> ♦ High competition in domestic market ♦ Difficulty controlling food adulteration
Woolen products	<ul style="list-style-type: none"> ♦ Production of fine designs and quality goods owing to good infrastructure and sufficient investment ♦ Capacity for timely delivery ♦ Established consumers and world market, particularly good prospect in the USA 	<ul style="list-style-type: none"> ♦ Lack of information on modern technology ♦ Seasonal business ♦ High dependence on wool importers for quality and grade assurance ♦ Weak knowledge of marketing, IT-based market information and business networking ♦ High transportation costs ♦ Lack of high-breed sheep farming in country 	<ul style="list-style-type: none"> ♦ Prospective new buyers in the US and the Netherlands, and possibility in Japan ♦ Promising market for natural fiber products 	<ul style="list-style-type: none"> ♦ Continuously changing fashion products require continuous investment in product design and development ♦ Competition with China, Ecuador, Colombia, and Peru in the US market ♦ Protection of IPR of design
Himalayan Spring Water	<ul style="list-style-type: none"> ♦ Abundance of pure natural springs ♦ Environmentally safe sources 	<ul style="list-style-type: none"> ♦ Low technical capacity of freshwater processing ♦ Limited knowledge about freshwater trade 	<ul style="list-style-type: none"> ♦ Increasing water scarcity in several countries ♦ Gulf countries interested in fresh water of Nepal 	<ul style="list-style-type: none"> ♦ Possibility of environmental imbalances in some areas ♦ Availability of sea water and other sources as cheaper alternatives
Honey	<ul style="list-style-type: none"> ♦ Extensive grazing area for bees ♦ Possibility of production and branding of unique honey products ♦ Promotional policies of government for honeybee farming 	<ul style="list-style-type: none"> ♦ Lack of commercialization of bee farming ♦ Expansion of modern technologies in rural areas ♦ Lack of reliable data on honey production 	<ul style="list-style-type: none"> ♦ Increasing demand in global market ♦ Increased interest of some European countries in Nepali honey 	<ul style="list-style-type: none"> ♦ Lack of quality infrastructure to meet requirement of importing countries ♦ High competition with prominent exporting countries of the neighborhood in global markets

	Strength	Weakness	Opportunities	Threats
Dog-chew	<ul style="list-style-type: none"> ♦ Indigenous product produced for a long time ♦ Entirely based on domestic raw materials ♦ High quality as it is a cold climate dairy product 	<ul style="list-style-type: none"> ♦ Limited production ♦ Lack of modern production process 	<ul style="list-style-type: none"> ♦ High demand from US, Canada and EU markets ♦ Consistent high export growth ♦ Low competition compared to other exports ♦ High possibility of identification as Nepali brand 	<ul style="list-style-type: none"> ♦ Supply management to match market demand ♦ Meeting standards of importing countries by maintaining quality
Jewelry	<ul style="list-style-type: none"> ♦ Easy access to imported gold, silver and precious stones. ♦ Availability of skilled and efficient artisans ♦ Expertise for unique design ♦ High value addition (40-50 percent) ♦ Extensive exposure to international markets ♦ Joint efforts to develop designs with buyers ♦ Well-established markets, e.g., silver products for Japan ♦ Product specialization and regular design development 	<ul style="list-style-type: none"> ♦ Lack of sophisticated modern technology such as laser machine for soldering and computer-aided design ♦ Lack of support for design and product development ♦ High costs of imported raw materials and packaging materials ♦ High cost in developing market linkages ♦ Lack of policy and institutional support to build competitive strength ♦ No institution to certify product authenticity 	<ul style="list-style-type: none"> ♦ High potential in EU market for new designs ♦ Potential of expanding market in Russia, South Korea and South Africa ♦ Promising Japanese market with new customers and demand for new products ♦ Possibility of increasing skilled workers by providing training 	<ul style="list-style-type: none"> ♦ Rising metal prices ♦ Competition with India, Thailand, Indonesia, and Mexico ♦ Risk of imitation of Nepali designs by foreign companies ♦ Trade volumes do not support high costs of market penetration ♦ Incidents of mixing cadmium in silver has affected Nepal's reputation



Jewelries.



Woolen products.

9.3. Trade in services

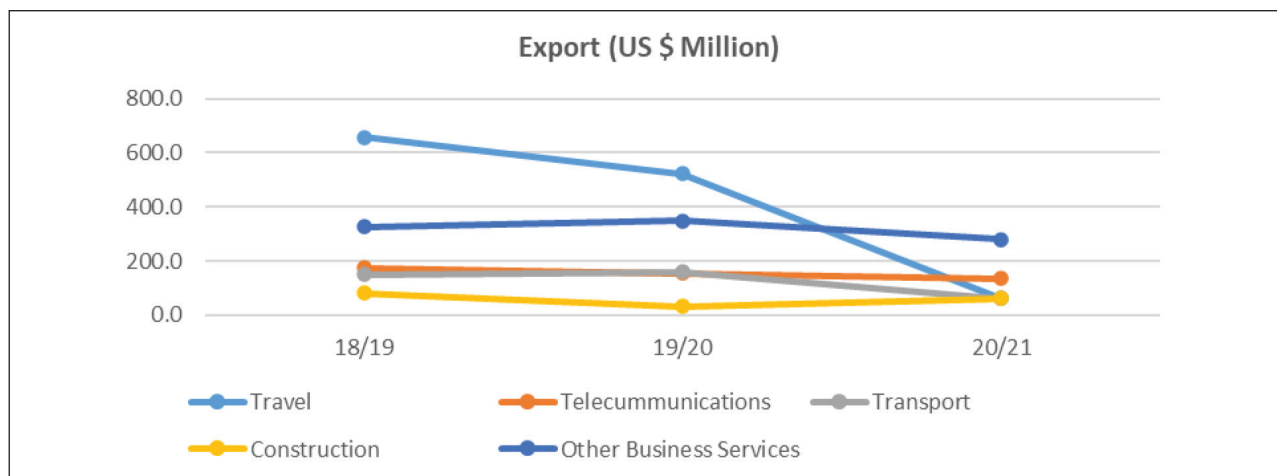
Major services exports

Services trade has an important role in Nepal's export. Since fiscal year 2012/13 export volume of services has remained higher than that of goods. However, owing to the COVID-19 pandemic, in 2020/21 foreign exchange received from tourism declined and the export volume decreased.



Source: Nepal Rastra Bank

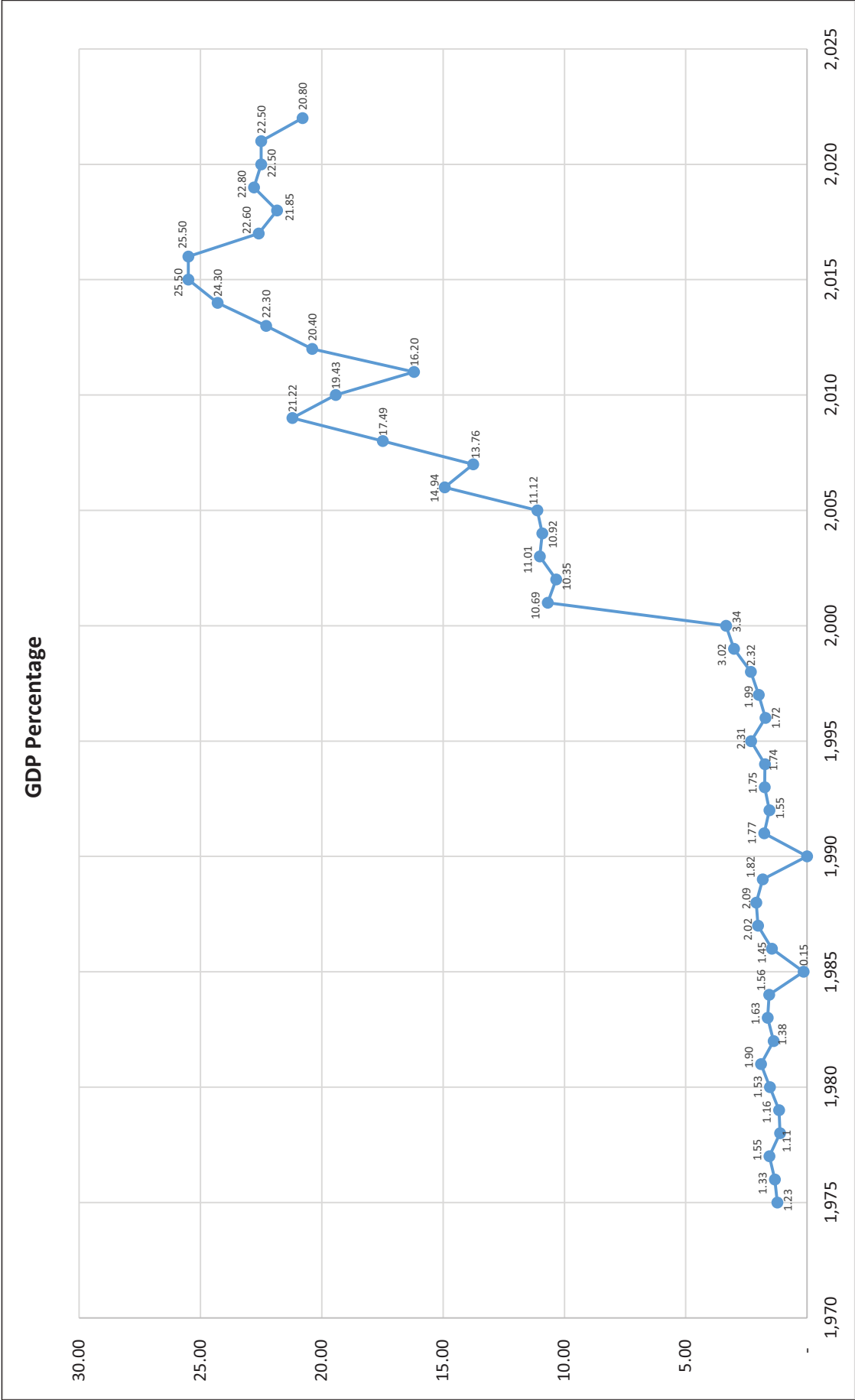
Based on analysis of the contribution of the services sector to export in the past three years the main services are tourism, IT and construction services.



Source: Nepal Rastra Bank

The size of Nepal's tourism industry is small compared to its potential. Still tourism's contribution to foreign currency earnings is substantial. Tourism arrivals that had been increasing until 2019 were affected the following year by the COVID-19 pandemic. Two years later there has been some improvement. It is expected that tourist arrivals will increase substantially in the next five years because two new international airports are now operational in Bhairahawa and Pokhara, there has been increased private investment in tourism infrastructure, and tourist destinations and attractions have been added.

Both IT and Internet-based services and Business Process Outsourcing (BPO) are established exports. But



Source: Nepal Rastra Bank

for various obstacles, payments for services provided from Nepal takes place abroad; and many organizations perform the service from Nepal but they issue bills in the name of the centre located abroad as result of which funds received from exports appear to be low. If a conducive environment is built, and some financial incentives are provided, it is possible to develop IT-based services to become the most exported service.

Because export of electric energy to India is becoming easier, capacity of crossborder transmission lines have been increased, and more electricity production than that used domestically has begun to take place, Nepal has begun to transform from a net importer of electricity to a net exporter. The present installed capacity of hydroelectricity projects is 2410 megawatts (MW). There are 227 projects of about 8500 MW in different stages of construction. In the next five years, the electricity generation capacity will be many times the internal demand. This is why electricity exports can be at par with that of IT based services in the next five years.

In the past two decades, construction businesses have grown at a rapid pace. This is evidenced by the contribution of this sector to the GDP. Taking into consideration projects under construction in-country can lead to conclusions about the weak capacity of the sector. But it is evident that Nepali construction businesses have been enhancing specialization and institutional capacity. Nepali construction companies – a few of them – are being selected through international competition and are already working abroad. The availability of skilled workers and technology is sound. Construction services export can be promoted to take advantage of the situation.

Remittances have been historically important to the Nepali economy. Remittances that were around 1.5 percent of GDP in fiscal year 1999/2000 (2056/57) increased in the years that followed, and reached 25.5 percent of GDP in fiscal year 2020/21 (2077/78). Previous trade integration strategies had listed labor as a service export to be prioritized. The country's long-term strategy would need to reduce labor export and use the youth workforce for expanding the national economy. The number of people heading for employment abroad, and remittances, will decrease as economic activities increase in-country, and the employment rate grows. The trend has been demonstrated in recent years where as the GDP began growing, the rate of growth of people heading abroad for employment began decreasing. Remittances have continued to increase but have been decreasing in terms of the percentage contribution to GDP. Remittance flows are likely to continue for some more years because of the inability to develop industry in-country and to increase investment in commercialization of agriculture and other productive sectors. Therefore, the approach adopted during preparation of this strategy has been to encourage seeking work in-country and enhancing skills and capacity through trainings, and searching for high-income destinations for making remittances more effective.

9.4. Services with export potential

Based on the analysis above, the following services need to be prioritized for export.

- a. Tourism
- b. IT and Internet-based services
- c. Water resources
- d. Construction services
- e. Skilled and semi-skilled labor services (Remittance generating services)

10. NTIS implementation, monitoring and evaluation

10.1. Institutional mechanism for implementation

There is no need to make major changes in the institutional mechanism for implementing this strategy. Major changes take time to institutionalize and can delay implementation raising the risk of failure, which is why focus has been on effective changes while proposing the institutional mechanism.

There are two divisions at the MOICS for overseeing trade-related matters, (a) Multilateral Trade and International Trade Cooperation, and (b). Bilateral Trade and Regional Trade Division. Under the existing arrangement, NTIS implementation responsibility rests with the Multilateral Trade and International Trade Cooperation Division. This Division is centred around trade policy and strategy formulation and implementation, WTO-related activities and multilateral trade, and mobilization of aid for trade.

What stands out is that there is no arrangement for service export promotion in the existing arrangement at the MOICS. Sectorally tourism, water resources, communication and IT, and labor, employment and social services need to undertake export functions at the concerned ministries. Since services exports are matters related to economic diplomacy, the Ministry of Foreign Affairs (MOFA) also seems to be doing some related work. It is necessary to build a mechanism capable of promoting services export because the growth rate of service exports is likely to be higher than goods, and services exports are comparatively likely to be more sustainable.

In addition, for effective implementation of activities in NTIS 2023, a proposal has been made for adopting a sectorwide approach (Trade SWAp). The human resources already working at the two Divisions at MOICS will be adequate for the purpose.

In this context, staying within existing positions at the MOICS it is appropriate to add a new unit for effective implementation of NTIS, promotion of goods and services export, and trade facilitation by making general changes in the existing organizational set up. It would be appropriate to name the unit Market Intelligence and Export Promotion. This unit would need to have positions for one person from the administrative group, one Under Secretary, two section officers and one statistical officer.

After the Market Intelligence and Export Promotion unit is formed under the Multilateral Trade and International Cooperation Division, it would be appropriate to add the following activities to the existing tasks performed by the Division.

- a. Policy coordination for export promotion.
- b. Supporting development of new products and services with export potential.
- c. Assisting exporters to comply with RoO, standards, quality and hygiene.
- d. Standardization and simplification of export procedures.
- e. Developing domestic value chains for goods and services export.
- f. Facilitate goods and services export.
- g. Implementation of the WTO Trade Facilitation Agreement, and trade facilitation and coordination.
- h. Conduct studies and assessments of bilateral, regional and multilateral trade, transit and double taxation agreements and provide recommendations to the ministry, as required.
- i. Study customs rates, non-tariff charges and technical barriers to trade and provide recommendations and comments for talks related to trade.
- j. Regularly collect, study, and analyze information/ data on goods and services imports and exports and

- undertake trade and market intelligence related tasks for import management and export promotion.
- k. Coordinate and facilitate with Nepali missions and honorary consuls abroad, and foreign honorary consuls based in Nepal.
 - l. Coordinate with commodity trade organizations, national level industries, and commerce and trade associations.
 - m. Implement activities or get implemented export promotion policies and the NTIS.

National Steering Committee

A National Steering Committee has been recommended for effective implementation of NTIS, monitoring and evaluation, coordination and direction. The major responsibilities of this committee will be as follows.

- a. Approve the annual program and budget for NTIS implementation.
- b. Amend the approved annual program and budget.
- c. Review, monitor and evaluate NTIS implementation and provide directions.
- d. Undertake any other task as required by the Government of Nepal.

The National Steering Committee will be formed as follows:

- | | |
|--|------------------|
| a. Minister, MOICS, | Chairperson |
| b. State or Assistant Minister, MOICS, | Member |
| c. Chief Secretary, GON, | Member |
| d. Secretary, Ministry of Finance, | Member |
| e. Secretary, Ministry of Foreign Affairs, | Member |
| f. Secretary, Agriculture and Livestock Ministry, | Member |
| g. Secretary, Communication and Information Technology Ministry, | Member |
| h. Secretary, Energy, Water Resources and Irrigation Ministry, | Member |
| i. Secretary, Culture, Tourism and Civil Aviation Ministry, | Member |
| j. Secretary, Forest and Environment Ministry, | Member |
| k. Secretary (Industry), MOICS, | Member |
| l. Secretary, (Commerce and Supply), MOICS, | Member |
| m. Secretary, National Planning Commission, | Member |
| n. Deputy Governor, Nepal Rastra Bank, | Member |
| o. President, Federation of Nepalese Chambers of Commerce and Industries, | Member |
| p. President, Confederation of Nepali Industries, | Member |
| q. President, Nepal Chamber of Commerce, | Member |
| r. President, Nepal Cottage and Small Scale Industries, | Member |
| s. President, Federation of Women Entrepreneurs, | Member |
| t. Representative of Development Partners, | Member |
| u. Joint Secretary, Multilateral Trade and International Cooperation Division, | Member secretary |

The National Steering Committee will meet twice every year and as required. The Member secretary will call the meeting in accordance with the direction of the Chairperson. Development partners participating in the Trade SWAp will nominate a representative to the Committee. The Committee may invite any official or expert to its meetings. The Multilateral Trade and International Trade Cooperation Division will serve as the secretariat of the Committee.

National Program Implementation Unit

It is proposed that a National Program Implementation Unit be formed at the MOICS for implementing and coordinating NTIS implementation. The Coordinator will be the Joint Secretary at the ministry's Multilateral Trade and International Trade Cooperation Division. The Unit will meet as required and will have the following functions.

- a. Prepare annual program and budget based on the budget ceiling received.
- b. Prepare annual workplan and decide the fund for which authority needs to be delegated to the implementation agency.
- c. Monitor strategy implementation and prepare quarterly and annual progress reports.
- d. Discuss problems faced in the work, seek resolutions and assist the implementing agency.
- e. Coordinate with development partners.
- f. Undertake other tasks as required by the Steering Committee.

One Under Secretary level staff from concerned government agencies mentioned with the activities in the strategy will be the contact person and member of the Unit.

Program budget and implementation approach

This strategy will be implemented under a sectoral SWAp. It is proposed that a separate budget sub-heading be arranged for NTIS implementation. This sub-heading will provision the budget received from the Government of Nepal and development partners. It is proposed that the annual program prepared based on the strategy be managed through this sub-heading and that arrangements be made for delegating spending authority to the implementing unit. The Unit will delegate spending authority to the agency responsible for implementing the approved activities.

The National Program Implementation Unit will request concerned agencies to propose activities based on the budget ceiling while preparing the budget for the implementation of the strategy. Based on proposals received, the Unit will prepare an annual program and budget and obtain approval from the Steering Committee before sending the proposal to the Ministry of Finance. The National Program Implementation Unit will participate in discussions on the program and budget for strategy implementation.

Monitoring and evaluation

All agencies implementing programs under the NTIS will monitor and evaluate activities undertaken by their agencies. Further, all agencies will need to prepare budget implementation progress reports in the required format within seven days after the end of every quarter, and the annual progress report within 10 days after the end of the fiscal year and send it to the Program Implementation Unit.

The National Steering Committee and the Program Implementation Unit will review the progress, as necessary.

The National Planning Commission and the Office of the Prime Minister and Council of Ministers may, as required, monitor and evaluate NTIS implementation.

A mid-term review will be undertaken three years after the implementation of the strategy. The conclusions

and recommendations from the evaluation can be adjusted in the strategy. An independent expert will undertake the final evaluation of NTIS implementation after the end of five years.

Role of supportive agencies to be made effective

For implementation of this strategy, the collaboration, support and coordination needs to be made effective among autonomous agencies under the MOICS, umbrella organizations of the private sector and associated organizations, Nepali missions abroad, honorary consuls and Nepal-based honorary consuls of foreign countries, and development partners. It is necessary to focus attention on the following issues.

- a. It is necessary to define the roles of agencies under the MOICS such as Trade and Export Promotion Centre (TEPC), National Productivity and Economic Development Centre, Industrial District Management Limited, Nepal Transit and Warehousing Management Company Limited, Nepal Intermodal Transport Development Committee, and the Special Economic Zone Authority in relation to export promotion, domestic value chain development and trade facilitation. It is necessary to enhance the institutional capacity of the TEPC for close monitoring of developments in international markets and providing quality market information to companies exporting goods and services.
- b. It is necessary for the National Productivity and Economic Development Centre to identify obstacles in productivity enhancement, continuously research resolution measures, and disseminate the knowledge acquired for enhancing capacity in trade. Other agencies need to enhance efficiency to undertake actions to support not just goods, but also services export.
- c. It is necessary to remain in continuous dialogue with different private sector commodity associations and organizations, such as Federation of Nepalese Chambers of Commerce and Industries (FNCCI), Confederation of Nepalese Industries (CNI) and Nepal Chamber of Commerce (NCC) to establish a mechanism to immediately seek resolutions and resolve problems as they emerge.
- d. It is necessary to organize consultations with Nepal's Consulate General and honorary consuls abroad on export promotion opportunities and situation in the countries they represent at least twice every year.
- e. It is necessary to organize consultations with Consulate Generals and honorary consuls of other countries in Nepal on export promotion opportunities and situation in the countries they represent at least twice every year.
- f. Organize consultations and meetings with Development Partners working on trade in Nepal to mobilize additional financial and technical support for the implementation of the strategy. This initiative would need to be taken by the MOICS.

11. Strategic Framework of the Nepal Trade Integration Strategy (NTIS) 2023

Vision	<ul style="list-style-type: none"> ♦ Robust external sector stability 	<p>The vision is to build a successful and competitive export base for economic growth, job creation and foreign exchange reserves. A stronger and resilient export base can certainly strengthen domestic production and productivity. Current account deficit beyond a manageable level and associated exchange rate risks generally cause deterioration in trade and investment environment. Therefore, external sector stability, mainly represented by optimum current account balance and stable foreign exchange rate, is important for a sound trade and investment environment. This can then be the basis for higher and sustainable production.</p>
Mission	<ul style="list-style-type: none"> ♦ Creating sound ecosystem for product development and trade. ♦ Continuously improving competitive strength. ♦ Diversifying markets and products capable of sustaining economic shocks. 	<p>Trade is in fact a cross-cutting issue. For a stronger trade performance, all development policies and programs must be aligned, and agencies should work in tandem. Countries that achieved export-led growth could do so by using monetary, fiscal, labor, infrastructure, natural resources, agriculture, and a host of other policies as enablers for increasing productivity and competitive strength.</p> <p>Competitive strength is not a position permanently achieved. Technological advancements, changing market preferences, regulatory environment and various other factors can erode competitive strength. It is for this reason, there should be a system of continuous assessment of competitive strength and improvement.</p> <p>Periodic external shocks are a reality of global trade. In order to ensure stability and minimize the negativities arising from external shocks, there should be a diversified portfolio of products and destination markets.</p>
Core Values	<p>All institutions and partners involved in production and trade will comply the following values in their policies and actions. These values have been taken into account while formulating the Nepal Trade Integration Strategy (NTIS).</p>	
	<ul style="list-style-type: none"> ♦ Quality ♦ Cost-effectiveness ♦ Consistency ♦ Innovation ♦ Timeliness ♦ Commitment to environment protection 	<p>Quality refers to maintain the total quality at every stage in product development, design, production, distribution, presentation and entire trade ecosystem.</p> <p>Cost-effectiveness refers to achieving higher value for money as compared to cost in external market during implementing the strategic actions.</p> <p>Consistency refers to continuity of good policies and programs. It also refers to consistency in the quality, quantity and timeliness of products and services delivered in the market.</p> <p>Innovation is essential for maintaining competitive strength in production and trade.</p> <p>Timeliness is a capability to promptly address market demand and emerging situation.</p> <p>Commitment to environment protection requires attention not only at every stage of production and distribution of goods and services but also while implementing strategic activities.</p>

	♦ Gender and social inclusion	It covers addressing issues on gender and social inclusion while formulating and implementing the trade related policies, strategies and programs.
Strategic Pillars	<ol style="list-style-type: none"> 1. Building a supportive environment for trade 2. Improving trade-enabling infrastructures, logistics, processes, and regulatory environment 3. Developing competitive products and expanding export market 	
Strategies	1. Building a supportive environment for trade	<ol style="list-style-type: none"> 1. Supportive macroeconomic and development policies with consistency and predictability 2. Engaging subnational governments in trade ecosystem development 3. Maximizing opportunities and minimizing threats after LDC graduation 4. Strengthening economic diplomacy and expanding trade-enabling bilateral/multilateral treaties and agreements 5. Improving labor motivation and productivity 6. Ensuring meaningful gender empowerment and social inclusion in sharing the benefits of trade
	2. Improving trade-enabling infrastructures, logistics, processes, and regulatory environment	<ol style="list-style-type: none"> 7. Developing integrated trade logistics and improving trade facilitation 8. Strengthening food quality enforcement and plant health standards 9. Improving quality infrastructures and enforcement of industrial standards 10. Improving investment environment 11. Integrating advance concepts of Industry 4.0 and 5.0 in production process
	3. Developing competitive products and services and expanding export market	<ol style="list-style-type: none"> 12. Building strength in goods export 13. Strengthening service sector export
Major Targets	Trade to GDP ratio is 48.1	The ratio will be reached to 55 percent in FY 2027/28 from 48.1 percent in FY 2021/22.
	Export of goods and services to GDP ratio is 6.61	The ratio will be reached to 20 percent in FY 2027/28 from 6.3 percent in FY 2021/22.

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
Strategic Pillar I: Building a supportive environment for trade					
Strategy 1: Formulating trade supportive macroeconomic and development policies with predictability and consistency					
1	Formulate and adopt sector-wide approach (SWAp) for international trade promotion and development	SWAp does not exist in trade sector.	Trade SWAp implemented	MOICS MOF	None
2	Introduce special arrangement for export financing	Limited arrangement through commercial banks	New instruments for export financing introduced	NRB	None
3	Introduce special arrangement for export financing.	Limited arrangement through commercial banks	New instruments for export financing introduced	NRB	None
4	Promote production and exports of potential exportable goods by developing trade related infrastructures	<ul style="list-style-type: none"> ♦ SEZs at Simara and Bhairahawa are partially operating ♦ 15 Industrial Zones are in operation and 135 Industrial Villages are in process of operation ♦ ICP at Biratnagar and Birgunj and six ICDs are in operation 	<ul style="list-style-type: none"> ♦ Industries producing exportable goods made operational in Industrial Zones, SEZs and Industrial Villages ♦ Two additional ICPs and four ICDs made operational to facilitate international trade 	MOICS MOF	2,000
5	Provide cash incentives for major exportable products, IT based goods and services, and construction services	Cash incentives schemes exist for goods but not for service exports	Cash incentives for major exportable products along with IT based goods and services, and construction services provided	MOICS MOF	4,000
6	Provide deferred payment facilities for the import of bulk raw materials and machinery items by ITE/BPO, tourism and export-oriented businesses	Arrangement does not exist	Deferred payment facility to export-oriented businesses made available	NRB	None
7	Provide foreign exchange facility to businesses exporting ITE/BPO services for the import of equipment and software to be installed in third countries on the recommendation of relevant regulatory authority	Arrangement does not exist	The unified foreign exchange guidelines of NRB to provide payment for offshore installation of equipment and software amended	NRB	None
8	Provide cash incentives for emerging exportable products using domestic raw materials	Provision of cash incentives up to 8percent for 36 agricultural and industrial goods	The list of goods for cash incentives reviewed and new items included every year	MOICS MOF	As mentioned in SN 5
9	Differentiate at least one level of tariffs between import of industrial raw materials and finished goods	Exists in policy understanding but not fully implemented	At least one level of tariffs differentiation between import of industrial raw materials and finished goods fully implemented	MOF	None
10	Implement flat rate duty drawback system and simplify the mechanism of claiming drawback from the exporter's bank	Policy exists, but not implemented	Flat rate duty drawback system fully implemented	MOF	None

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
11	Remove excise duty on manufactured items other than alcohol and tobacco	1,393 excise duty lines exist	Number of excise duty lines reduced	MOF	None
12	Strengthen border security and improve scrutiny at the customs checkpoints	<ul style="list-style-type: none"> ♦ Under-invoicing and smuggling have negatively affected domestic production of shoes, textiles, and consumable goods ♦ Some agriculture, food and livestock products being imported without complying legal procedures ♦ No uniformity in office hours among offices at border points 	<ul style="list-style-type: none"> ♦ Domestic industries producing shoes, textiles, and other consumable goods operated over 70 percent of capacity ♦ The competitiveness of local products improved and market access ensured ♦ Office hours among border agencies made uniform ♦ The presence of concerned regulatory agencies at customs points ensured 	MOHA MOF MOICS MOALD	None
Strategy 2: Engaging subnational governments in creating trade-friendly ecosystem					
13	Build necessary infrastructures and facilitate development of supply/value chain of main products in every province.	<ul style="list-style-type: none"> ♦ Supply/value chain for major commercial products such as tea, cardamom, ginger, MAPs, vegetables, coffee, fruits, milk and milk products, meat and meat products, fish, egg, hard cheese, etc. does not exist ♦ Well-managed and dedicated packing houses for these commodities does not exist 	<ul style="list-style-type: none"> ♦ Study on identifying necessary infrastructures and procedures for efficient value chain development connecting production pockets to market or export points for major products of each province conducted ♦ At least two dedicated packing houses compatible with international standards for phytosanitary (plant health) established ♦ Based on the study of SPS at the initial phase of production, infrastructures development and procedural reforms made 	MOICS MOALD Province Governments	100
14	Construct and operate wholesale market for agricultural and forest products in each province	Existing wholesale markets are inadequate	<ul style="list-style-type: none"> ♦ Existing markets well managed and strengthened ♦ Wholesale market of agricultural and forest products in each province established 	MOALD and Provincial Governments	250
15	Incentivize 'One local level, One product' program for product specialization at local levels	Some local levels have announced such programs but they are less effective	'One local level, One product' program implemented in at least 10 local levels of each province	MOICS MOALD Province Governments Local levels	500

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
16	Adopt good production practices (GAP, GHP and GMP at food processing industries) at the primary stages of quality production of agricultural goods, live-stock, and food products	NEPAL GAP accreditation is in operation under DFTQC	Hygiene quality and GMP practiced 150 industries 50 commercial agricultural farms practiced NEPALGAP/ GHP	MOALD Province Governments Local levels	500
17	Strengthen capacity and regulate food safety standards in restaurants and food processing businesses	<ul style="list-style-type: none"> DFTQC and its offices, provinces and local levels have been monitoring food safety but it is not adequate Inadequacy of knowledge and skills in food safety at restaurants and food processing businesses 	<ul style="list-style-type: none"> Restaurants and food processing industries/ business capacitated through trainings, awareness programs and workshops Effective monitoring ensured through regulatory agencies 	MOALD MOICS DFTQC and subordinate offices Province Governments Local levels	10
18	Make necessary arrangements for sustainable access to Mega data digital library for accessing PRA software that has universal data of harmful pests	PRA is being performed through temporary access made available by CABI	Sustainable access to online PRA tools secured by obtaining membership of CABI	MOALD	–
Strategy 3: Maximizing opportunities and minimizing possible threats of graduation from LDC status					
19	<ul style="list-style-type: none"> Sign and ratify ILO Convention No. 87. Ratify the Cartagena Protocol on Biosafety. Undertake a detailed assessment on the possibility of ratifying the ILO Convention No. 81 and ratify it if appropriate. 	<ul style="list-style-type: none"> Nepal has signed and ratified 25 conventions and signed but not ratified one convention out of the existing requirements of 27 conventions for preferential access to EU Regarding the 32 conventions in the proposed new GSP+ for 2024-2034, Nepal has yet to sign and ratify one more convention besides the two in the current GSP+ scheme 	After negotiations with EU, Türkiye, and the UK for inclusion in the GSP+ and GSP Enhanced Framework schemes, necessary conventions signed and ratified	MOFE MOLESS MOICS MOFA	1.8
20	<ul style="list-style-type: none"> Conclude bilateral FTAs with major destination countries including the US, China, Australia and Japan Undertake a detailed study to assess the appropriateness of joining Regional Comprehensive Economic Partnership (RCEP) 	<ul style="list-style-type: none"> Nepal has TIFA with the US Bilateral trade negotiations with some countries including Bhutan, Bangladesh and Australia are underway 	<ul style="list-style-type: none"> Bilateral FTAs with the US and countries concluded for securing trade preferences and facilities Based on the recommendations of study, membership of RCEP obtained, if appropriate 	MOICS MOFA MOF	1.8

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
21	Take initiatives, together with Bangladesh and Bhutan, for continuation of LDC-specific trade preferences to graduated LDCs in the Agreement on SAFTA and BIMSTEC FTA	SAFTA and BIMSTEC FTA do not have provisions for continuation of trade preferences for recently graduated LDCs. However, Maldives is enjoying such preferences under SAFTA.	Necessary amendment in SAFTA and BIMSTEC FTA made for continuation of trade preferences for graduated LDCs for a specified time.	MOICS MOFA	None
22	<ul style="list-style-type: none"> ♦ Continue to proactively engage with the LDC group in the WTO to secure interests of graduating LDCs as reflected in the different requests made in the WTO ♦ Together with the LDC group, persuade the EU, Türkiye, and the UK to apply increased domestic value addition requirement gradually in GSP+ and GSP Enhanced Framework 	<ul style="list-style-type: none"> ♦ Nepal has been engaging with the LDC group in the WTO and some proposals have been submitted in this regard. ♦ No significant initiatives have been made to review the value addition criterion in GSP+ and GSP Enhanced Framework provided by the EU, Türkiye, and the UK 	Negotiations concluded with the EU, Türkiye, and the UK on reviewing the domestic value addition criterion in GSP+ and GSP Enhanced Framework	MOICS	None
23	Organize regular interactions with exporters and concerned stakeholders at sectoral levels for raising awareness on specific issues of LDCs	Most of the exporters, especially SMEs, are not aware of the implications and necessary preparation of Nepal's LDC graduation	<ul style="list-style-type: none"> ♦ Impacts of LDC graduation such as Loss of Trade Preferences, Increased tariffs, stringent RoO made aware ♦ Competitiveness of exportable goods enhanced 	MOICS	1.5
Strategy 4: Strengthening economic diplomacy, and reviewing and expanding multilateral and bilateral treaties and agreements for trade promotion					
24	Formulate a separate document on economic diplomacy strategy and update it periodically	No economic diplomacy strategy exists	Economic diplomacy strategy formulated, regularly updated and implemented by all diplomatic missions	MOFA	9
25	Revise/rewrite country-specific economic diplomacy strategy as required, and share with concerned stakeholders	Country-specific economic diplomacy strategies are outdated, brief, and shallow; and not implemented	Country-specific economic diplomacy strategies updated and implemented	MOFA MOICS MOCTCA	5
26	Establish a monitoring and evaluation mechanism to ensure that respective diplomatic missions are implementing the economic diplomacy strategy	In the absence of an economic diplomacy strategy, no evaluation mechanism exists	A monitoring and evaluation mechanism to assess the performance of diplomatic missions as per the economic diplomacy strategy established	MOFA	1

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
27	Set up a permanent mechanism involving concerned agencies for regular discussions and monitoring on matters related to economic diplomacy	Coordination among the agencies related to economic diplomacy remains insufficient	Economic diplomacy strategies and activities carried out by public and private sector agencies coordinated	MOFA	5
28	Make it mandatory for diplomatic missions to simultaneously report to MOICS and MoCTCA along with MoFA in trade and tourism-related matters that need to be brought to their attention	A simultaneous reporting mechanism does not exist	Trade and tourism-related matters simultaneously reported to MOICS and MOCTCA by diplomatic missions	MOFA	2
29	Organize interactions, at least twice a year, with honorary consuls of other countries based in Nepal and Nepal's honorary consuls based in other countries	There is no such provision and practice	<ul style="list-style-type: none"> ♦ Regular interactions with the honorary consuls organized ♦ Trade- and tourism-related issues of countries having diplomatic relations with Nepal informed 	MOICS MOCTCA MOFA	2.5
30	Establish a dedicated investment, trade and tourism desk at diplomatic missions that are important for investment, trade, and tourism	Officials at diplomatic missions have weak responsibility and accountability on investment, trade, and tourism-related matters	<ul style="list-style-type: none"> ♦ Export-potential Nepali products and tourist attractions displayed at the diplomatic missions ♦ Nepali business person and related organizations received support for investment, trade and tourism 	MOFA MOICS MOCTCA	2.2
31	Depute officials with relatively better knowledge of trade and economic issues at MOICS and ensure that they are not transferred for at least five years	Knowledge and experience on trade and economic issues is not considered while transferring officials to MOICS and officials are frequently transferred	MOICS officials retained for at least five years	MOFAGA	None
32	Undertake detailed study on the possibility of joining new FTAs such as RCEP to better engage with world players in today's multi-polar world	Nepal is a party of bilateral treaties such as Nepal-India Trade Treaty, Transit Treaty, regional agreements such as SAFTA, BIMSTEC and multilateral trade agreements under the WTO	Detailed study on Nepal's participation in new FTAs undertaken and FTAs with new and emerging countries and regions signed, if appropriate	MOICS	9.0
33	Extend the duration of training and orientation, especially on trade and economic issues for MoFA officials	Training courses for MoFA officials are less focused on trade and economic matters compared to international relations	Trade and economic matters receive more weightage in training courses for MoFA officials	MOFA	5

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
34	Impart country-specific, comprehensive knowledge on trade and economic matters to officials before assignment at Nepali diplomatic missions abroad	Most officials deputed at Nepali diplomatic missions abroad lack sufficient knowledge on the host country's trade and economic affairs	Officials deputed at diplomatic missions abroad demonstrated thorough understanding of trade and economic affairs of host country, and prospects of enhancing Nepal's exports	MOFA	10
35	Develop and implement a system of performance evaluation of all diplomats, including ambassadors, consul generals and honorary consuls, in relation to Nepal's export promotion	A format for reporting by ambassadors to MoFA exists but not implemented	Promoting Nepal's exports included in performance evaluation criteria of diplomats	MOFA	1
36	Provide additional budget for economic diplomacy to diplomatic missions based on export growth in the country concerned resulting from the mission's promotional activities	Performance evaluation system including reward and punishment of diplomats based on efforts and regular inputs on export promotion does not exist	Additional budget for economic diplomacy provided to each diplomatic mission contingent on export growth to the particular country resulting from the mission's promotional activities	MOFA	3,500
37	Establish stronger economic ties with major trading partners by signing BIPPA for investment promotion	Nepal has BIPPA with Finland, France, Germany, India, Mauritius and the UK	Negotiation and signing of BIPPA with major trading partners such as Australia, Bangladesh, Canada, China, Japan, Norway, Russian Federation, South Korea, Switzerland, Thailand, UAE, the USA concluded	MOICS	12
38	Sign DTAA with different countries based on the intensity of investment and trade relations	Nepal has DTAA with Norway, Thailand, Sri Lanka, Mauritius, Austria, Pakistan, China, South Korea, Qatar, India and Bangladesh	Negotiation and signing of DTAA with Australia, Canada, France, Finland, Germany, Japan, Russian Federation, Switzerland, UAE, the UK and the USA concluded	MOICS	12
39	Conduct export promotion programs including participation in international trade expos and fairs in collaboration with the private sector	MOICS and TEPC are participating in international trade expos and fairs in collaboration with the private sectors to some extent	Promotional activities including trade expos and fairs, conferences, etc. in collaboration with diplomatic missions, NRNA and bilateral private sector chambers carried out	MOICS	100
Strategy 5: Enhancing labor motivation and productivity					
40	Redesign courses on vocational education, training, and skills in accordance with market demand	There is a mismatch between the demand and supply of workers with required skills	<ul style="list-style-type: none"> ♦ Vocational education and training courses redesigned in consultation with prospective employers ♦ Supply of skills as per the market demand ensured 	CTEVT	2
41	Strengthen the skills testing system and obtain the NSTB ISO certification	The testing system of NSTB lacks third party conformity assessment	The NSTB accredited with ISO 17024	CTEVT	1.5

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
42	<ul style="list-style-type: none"> Expedite the task of making the EMIS fully functional Regularly update the data-base on market demand of labor with requisite skills 	<ul style="list-style-type: none"> EMIS is partially functional The labor requirement portal is under construction 	<ul style="list-style-type: none"> Fully functional EMIS in place EMIS served as an effective means of information exchange between employers, training providers, employees, and relevant stakeholders 	DOL	2
43	Facilitate and provide incentives for adoption of modern technologies in agriculture, non-agriculture, and services sectors	Some incentives are provided to promote the use of technologies, such as cash grant in the establishment of cold storage for agricultural products, and rebates in customs duties in the import of industrial machineries	Incentives in the form of subsidies, matching grant, tax rebate in place for purchase and use of appropriate modern technologies and adoption of Industry 4.0 technologies such as Blockchain, IoT and 3D printing	MOF	500
44	Increase the proportion of formal employment in total employment by gradually formalizing informal jobs	Proportion of informal employment is substantially high	Proportion of formal employment increased by 20 percent	DOL	5
45	Study the possibility of signing and ratifying the ILO conventions necessary for the eligibility in the GSP+ schemes of the EU and Türkiye and GSP Enhanced Framework scheme of the UK	Nepal has not signed the ILO Convention on freedom of association and right to organize (No 87) and Convention on labor inspection (No 81)	A detailed study undertaken to examine the costs and benefits of signing the conventions, and a decision taken accordingly	MOLESS MOICS	1.8
Strategy 6: Ensuring meaningful women empowerment and social inclusion in benefit sharing					
46	Conduct a study on interlinkages between socio-economic policies (those related to trade and investment) and their impact on disadvantaged communities	Lack of broader understanding of the socio-economic policy interlinkages	<ul style="list-style-type: none"> An in-depth study on the interlinkages between socio-economic policies (related to trade and investment) and their impact on disadvantaged communities conducted Trade and investment activities ensuring women empowerment and social inclusion implemented 	MOICS MoOWCSC Private sector	13.4
47	Make trade-related information widely available to women and marginalized communities through trade portal as well as capacity-building programs	Poor access to trade-related information due to weak dissemination of such information	Information made available in trade portal and local media (print, audio/visual) with simplified text, graphics and images	MOICS MOCIT Province Governments TEPC	3.5
			Orientation on trade-related information for around 2,100 MSMEs in all provinces conducted	MOICS FNCCI CNI NCC FNCSI FWEAN	13.6

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
48	Motivate all government agencies and research centers for publishing GESI disaggregated data on trade	Trade statistics are available up to MSMEs only	GESI disaggregated data on exports, customs, ecommerce be available	MOICS DOC NSO Research Institute Trade related national and international organizations	2.5
49	Undertake GESI auditing in at least two priority sectors identified by the NTIS 2023 each year	Inadequate GESI lens on NTIS identified priority sectors	10 GESI assessment studies conducted and action plans covering different aspects of business development, trade and capacity building activities for women and marginalized communities in 10 priority sectors identified by the NTIS 2023 formulated and implemented	MOICS Sector-related agencies Research institutions Development partners	5
	Yearly 100 MSMEs from marginalized communities involved in the 5 priority sectors trained		5.1		
	Mobilize development assistance to enhance the capacity of women and marginalized communities involved in trade of goods and services		Capacity of export oriented MSMEs in entrepreneurship development, technology transfer, market information and value chain integration enhanced		None
50	Establish and operationalize GESI desk in the NTIS implementation unit	No provision	A specific Trade GESI desk established to ensure GESI on NTIS implementation	MOICS	3.1
Strategic Pillar 2: Improving trade-enabling infrastructures, logistics, processes, and regulatory environment					
Strategy 7: Developing integrated trade logistics and improving trade facilitation					
51.	Prepare Trade Logistics Master Plan to facilitate seamless movement of cargo for export promotion	Trade Logistics Master Plan does not exist	National trade related transport network	MOICS	20
52.	Develop trade infrastructure standard	Standard does not exist	Trade infrastructure standard developed	MOICS MOALD	3
53.	Harmonize and consolidate the provisions of non-transport trade infrastructure	There is no harmonization	Non-transport trade infrastructure harmonized	MOICS MOF MOCIT NRB	5
54.	♦ Develop dedicated corridors and other necessary infrastructure for cargo storage and transportation at custom points and international airports to comply with SPS measures for plants, animals and food products (perishable)	There are no such provisions	♦ Dedicated corridor for cargo storage and transportation constructed and operated to comply with SPS measures for plants, animals and food products (perishable)	MOICS DOC CAAN NITDB	10,000

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
	♦ Make compulsory provision of quarantine related onboard self-declaration for passengers at international airports		♦ Onboard self-declaration for passengers at international airports made operational		
55.	Develop trade related consolidation facilities and formulate directives for products of small and cottage industries to access international market and enhance export of quality products within specified time	Trade related consolidation facilities and directives do not exist	Infrastructure for consolidation facilities developed and directives formulated	MOICS Private sector	1,500
56.	Develop postal services for e-commerce to ensure smooth supply of products of small and cottage industries to domestic and international markets	An initial study on the feasibility of use of postal service for e-commerce has been conducted by DoPS	♦ Postal regulation amended to operate e-commerce ♦ Infrastructure for e-commerce developed at DoPS ♦ e-commerce activities performed by DoPS	MoCIT MOICS DOPS DOCSCP	1,000
57.	Develop Trade Information Portal also by incorporating information about trade related infrastructure	Trade information portal has limited information on trade logistics	Trade Information Portal updated and made operational	MOICS TEPC	500
58.	Develop paperless clearance system at customs points	Paperless clearance system has started at major customs points	Electronic clearance system made operational at all customs points	DOC	200
59.	Enhance capacity and skills of trade logistics service providers and regulatory bodies	Trainings for logistics service providers and regulatory bodies do not exist	Capacity of trade logistics service providers and regulatory bodies enhanced	MOICS	20
60.	Amend trade related regulations and guidelines for facilitating export	Trade related regulations and guidelines are not harmonized	Trade related regulations and guidelines harmonized	MOICS MoALD MOFE MOF	30
61.	Establish international exhibition centers for supporting trade promotion and development	Annual budget and trade deficit reduction strategy have mentioned the development of such infrastructure but not yet implemented	♦ Construction of international exhibition center at Chovar, Kathmandu and the Koshi and Far Western provinces started ♦ International trade exhibitions in different parts of the country organized after the establishment of international exhibition centers	MOICS TEPC	6,000

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
62.	Develop common facility centers for different products in different parts of the country through public private partnership by involving micro, cottage, and small industries producing exportable goods and collectors of producing raw materials	Such common facility centers do not exist	6 common facility centers established and made operational for promoting exportable products of micro, cottage and small industries based on domestic raw materials	MOICS TEPC	180
63.	Sign MOUs with private sector associations for providing skill development trainings and export promotion on cost sharing basis by digitization, transfer and generation shifting of traditional skills related to handicrafts products as per the demand of international market	The digitization, transfer and generation shifting of skills related to traditional handicraft products (precious metal jewelry, wood, metal, stone, clay, fine arts, etc.) is limited	<ul style="list-style-type: none"> ♦ Export and employment enhanced through 5 skills development trainings ♦ Digitization, transfer and generation shifting of skills institutionalized 	MOICS TEPC CTEVT	100
64.	<ul style="list-style-type: none"> ♦ Provide high security with priority for the transport of exportable goods and their raw materials even during the period of disasters ♦ Make necessary arrangement for customs clearance of such products with high priority 	Export could not be continued during disasters due to lack of such arrangements	Exports continued during disasters	MOHA MOICS TEPC	None
Strategy 8: Strengthening food quality and plant health standards					
65.	Amend and formulate laws related to plant quarantine and protection, pesticides management, animal health, animal feed, slaughterhouse, foods and seeds	Plant Quarantine and Protection (First Amendment) Act, 2007, Seeds Act, 1988, Animal Health and Animal Services Act, 1998, Animal Slaughterhouses and Meat Inspection Act, 1999, Pesticides Management Act, 2019 have been enacted	<ul style="list-style-type: none"> ♦ Animal Health and Animal Services Act, Animal Feed Act, Animal Slaughterhouse and Meat Inspection Act enacted with amendment ♦ Plan Quarantine and Protection Rules and Seeds Rules amended ♦ Pests Analysis Directives formulated 	MOALD	4

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
	a. Formulate new laws for food safety and animal welfare	Import of such species is restricted except for research by Plant Quarantine and Protection Act, no other legal provisions exist	<ul style="list-style-type: none"> ♦ Import management and protection of biodiversity assured through formulating laws ♦ Necessary provisions to recruit personnel in the positions created in Crop Treatment and Pesticides Management Sub-cluster, Plant Quarantine Sub-Cluster, and Laboratory service Sub-Cluster under Crops Protection Cluster of Nepal Agriculture Service for prompt and effective crop protection and plant quarantine services arranged 	MOALD	
	b. Impart trainings to security agencies to provide dedicated security services for SPS border control	No such provision exists	Trainings on dedicated security services for SPS border control for security agencies organized and dedicated security services made operational	MOALD	
	c. Ensure uniformity in office hours, holidays and other facilities of concerned regulatory agencies with customs offices for providing 24 hours SPS services for international trade	It is difficult to work out of office hours due to SPS service not listed as an essential service	SPS services at border points enlisted as essential services and office hours, holiday and others provisions uniformed among agencies serving at border points	MOALD MOF	
	d. Prepare performance standards of survey surveillance and PRA services to integrate it in the performance-based incentive system	No such provision exists	Performance standards for survey surveillance and PRA services to integrate it in performance-based incentive system prepared	MOALD	
	e. Based on the export data from border crossings, make necessary arrangement of administrative structure of customs and quarantine offices at border check-posts where mirror check-posts exist in neighboring India and China, and gradually remove the check-posts through which only import exists	<ul style="list-style-type: none"> ♦ 175 entry points under DoC exist but export trade is possible only from 7 border posts with plant quarantine services ♦ Goods are only imported due to the lack of counterpart offices at the border points 	Presence of necessary number of relevant offices ensured after reviewing the border points; border points having only imports reduced, and only border points having both export and import remained operational	MOF MOICS MOALD	

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
	<p>f. Designate specific customs points for imports of specific goods regulate the specified standards and quality</p> <p>Introduce seasonal tax system based on the import data and domestic demand</p>	No such provisions exist	<p>Specified goods imported only from designated customs points</p> <p>Seasonal tax system started</p>	MOF MOICS MOALD	
66.	Operate Central Phytosanitary and Diagnostics Laboratory after getting approval of organogram and recruitment to positions at the laboratory	Laboratory is not fully operational because of insufficient human resources in relation to workload	Organogram with new positions of the Central Phytosanitary and Diagnostics Laboratory approved and laboratory made fully operational	MOALD MOFAGA	0.5
67.	Formulate laws on food safety and quality	Food Act, 1966 is in force	Food Safety and Quality laws formulated and enacted	MOALD	2
68.	Formulate rules for NTFPs, including medicinal plants	Rules do not exist	Rules on NTFPs including medicinal plants formulated	MOFE	1
69.	Strengthen, designate and accreditate SPS related food safety, plant and animal hygiene for reference and other laboratories	National Food and Feed Reference Laboratory (NFFRL) exists at DFTQC	At least four international standard laboratories established under DFTQC for testing exportable agricultural products	MOALD DFTQC	15
70.	<p>Conduct capacity building programs on SPS measures and standards such as Codex standards (Codex MRLs/MCLs and national standards)</p> <p>Disseminate information on Code of Conduct and GAP for tea, coffee, vegetables, and fruits (Citrus)</p> <ul style="list-style-type: none"> ♦ Training for farmers, food processors and packagers ♦ Training on traceability for value chain stakeholders ♦ Training on risk assessment, and management inspection ♦ Pest risk analysis, including risk analysis of weeds species and GMOs 	<p>Few short-term trainings are conducted</p> <p>Risk assessment and inspection process is weak</p>	<ul style="list-style-type: none"> ♦ Trainings to implement Nepal GAP, GMP, HACCP, and other good practices to obtain certification for exported products and ensure domestic compliance to safety standards conducted ♦ Training and guidance on implementing a traceability system, particularly for export-oriented businesses conducted ♦ Support to farmers for development and implementation of Code of Conduct/GAP extended for food safety practices in high value cash crops ♦ Training for staffs and inspectors at border-points conducted 	MOALD DFTQC	14.7
71.	Implement Nepal GAP after its promotion and accreditation	Nepal GAP has been developed and its accreditation is assigned to DFTQC	Nepal GAP for at least 21 commercial agriculture firms in seven provinces accredited	MOALD DFTQC	10

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
72.	Develop and implement traceability system on exportable agricultural and animal products	Traceability system does not exist. However, it is mandatory while exporting agriculture products to the EU, China, USA and other developed countries	Traceability system for at least 5 crops/food and animal products implemented	MOALD DFTQC PQPMC DOLS	2.5
73.	Conduct awareness programmes among different stakeholders on availability and use of SPS information	Lack of knowledge on SPS measures among farmers and traders	Trainings, workshops, study visits organized	MoALD DOA DFTQC PQPMC DoLS	1.5
74.	Provide trainings for producers/ businesspersons involved in export oriented agricultural products on SPS issues by enhancing capacity of concerned training centers	SPS specific trainings divisions and centers exist under respective departments	A training center to provide trainings on SPS matters for government officials and private business persons established	MoALD DoA DFTQC PQPMC DOLS	10
75.	Formulate National Sanitary and Phytosanitary Measures (NSPMs) Directives	Thirty-one NSPMs and internal guidelines have been formulated	Additional 24 NSPMs directives developed	MOALD DOA DFTQC PQPMC DOLS	5
76.	Adopt good production practice systems in production and processing of exportable agricultural and livestock products for enhancing their competitiveness	Separate good production practices systems (GAP, GVP, GMP) do not exist for enhancing competitiveness of exportable agricultural and livestock products	<ul style="list-style-type: none"> ♦ Directives and manuals for capacity building of entrepreneurs of exportable agricultural and livestock products prepared, approved, and implemented ♦ Accreditation system developed and implemented ♦ Risk based regulation provisioned for inspection and monitoring through capacity enhancement and resources mobilization ♦ Internationally accredited services provided by enhancing capacity of food safety and quality testing laboratories 	MOALD DOA DFTQC DOLS	1
77.	Strengthen survey, surveillance and inspection programs	<ul style="list-style-type: none"> ♦ Surveillance system exists for few crops ♦ Surveillance conducted for 5 MAPs 	Programs on information surveys of pests and diseases for all priority crops conducted annually	MOALD MOFE PQPMC	30

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
78.	Develop and update standards for exportable food products in line with international standards	Food standards are in practice in according to food act and rules	Regular participation in Codex meetings to determine international food standards ensured Standards for exportable food products in line with international standards developed and updated	MOALD DFTQC	0.5
79.	Develop diagnostic protocols for pests	No diagnostic protocol for pests exists	At least 10 diagnostic protocols for pests developed	MOALD PQPMC	0.5
80.	Develop methodology and procedures to coordinate stakeholder agencies related to SPS	<ul style="list-style-type: none"> ♦ Existing procedure is very old ♦ Guidelines for SPS coordination committee does not exist 	Methodology and procedures to coordinate agencies concerned to SPS developed	MOALD	0.5
81.	Strengthen e-Phyto system	The system is in operation through Nepal National Single Window system but some issues yet to be addressed	e-Phyto system strengthened and fully implemented	MOALD PQPMC	1.5
82.	Establish post entry quarantine facilities at 5 customs points	Such facilities do not exist	Post entry facilities established at Nepalgunj, Bhairahawa, Birgunj, Biratnagar and Kakarvitta	MOALD PQPMC	5
83.	Produce hygienic crops by managing pests through Systems Approach in selected areas producing exportable goods	Surveillance conducted for controlling Fruit Fly in orange orchards of Syangja and Sindhuli districts	Orange fruits in Syangja and Sindhuli districts and Hellige and meat produced in Chitwan, and other places adopting Systems Approach exported and same procedure adopted for other species	MOALD	2.5
84.	Develop SPS Compliance Strategic Model	Strategic plan formulation process has been initiated	Strategic Model for SPS compliance implemented	MOALD DFTQC PQPMC DOLS	1
85.	Manage transboundary diseases by establishing risk-based inspection system	Risk-based system does not exist	Risk-based system established to implement SPS activities	MOALD DFTQC PQPMC DOLS	1
86.	Formulate information management system on animal health	System does not exist	Information management system developed and implemented	DoLS	0.5
87.	Construct holding yard facilities for livestock quarantine	There are no physical facilities available	5 holding yards constructed	DOLS	0.7

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
88.	Formulate agricultural biodiversity related laws for protection and proper utilization of agricultural biodiversity	Despite the policy to control and restrict GMO and products that have negative impacts in biodiversity, environment, and human health, it is not implemented fully because of absence of proper laws	Study on agricultural biodiversity conducted Laws for regulating GMO and its products with probable effects on agricultural biodiversity formulated	MOALD MOLJPA	–
Strategy 9: Improving quality infrastructures and enforcement of industrial standards					
89.	Formulate quality policy and laboratory policy and establish accreditation body	Concerned policies and bodies do not exist	Quality and laboratory policies formulated Accreditation body established	MOICS	12.5
90.	Establish information center to help exporters in identification and understanding the market access requirements of export destination markets	Information services partially available at TEPC and NBSM	Information center established	MOICS NBSM TEPC	2.5
91.	Prepare database on NTBs such as voluntary sustainability standards specific to products, group of products, geography and generic nature that have been continuously asking from the private sector in the importing countries	Lack of database of voluntary sustainability standards at national level	Database on NTBs such as voluntary sustainability standards developed	TEPC	7.5
92.	Explore NTBs caused by sustainability and private standards and formulate national standards to address such NTBs	A few standards for market access of organic and Halal products are being developed	Organic and Halal standards developed	MOICS/ NBSM	10
93.	Standardize production, storage, transportation, packaging and labeling of export potential products	Few standards exist and few are being developed	Standards for all export potential products developed	NBSM	12.5
94.	Conduct trainings for producers, traders and exporters to use tools like ITC's standards map, trade map, market access map, market analysis tools, and UNIDO's LABNET, and to understand processing, packaging and transportation requirements for ensuring safe and quality products	Lack of knowledge to use online access tools, specifically tailored for different actors along the value chain for enabling them to make informed decisions, have better understanding the sustainability initiatives landscapes, and to connect with like-minded business partners	70 trainings organized	TEPC	35

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
95.	Conduct awareness training programs for producers, traders and exporters about certification processes for different voluntary standards of product, geographical identification, sustainability standard and their implementation mechanism	No planned and organized training provision exists	70 trainings organized	MOICS NBSM	35
96.	Organize awareness programs for SMEs, cottage industries and handicrafts producers to motivate for quality enhancement	<ul style="list-style-type: none"> ♦ About 35 trainings were conducted by then DoCSI and this activity has been transferred to the provinces, where it has yet to start ♦ Some trainings are being conducted by private consulting firms 	<ul style="list-style-type: none"> ♦ 70 Training / workshops/ seminar organized ♦ Incentives for implementing quality enhancing measures provided to 175 industries 	MOICS NBSM DFTQC Province Governments	85
97.	Make necessary arrangements for accreditation for recognition of conformity assessment results carried out locally in export destinations and sign G2G MRA	<ul style="list-style-type: none"> ♦ Some understandings have been made with BIS and BSTI ♦ Initiatives have been taken for multilateral arrangements at regional level ♦ Few products and few testing parameters have been accredited ♦ G2G MRAs are not concluded yet 	<ul style="list-style-type: none"> ♦ Accreditation of testing, inspection and certification completed for at least 10 products ♦ At least six G2G MRAs concluded 	All QI institutions (NBSM DFTQC DPPR DDA Public and private laboratories)	50
98.	Strengthen NBSM as the primary QI service provider by upgrading physical and human resources	Insufficient level of human and physical resources to provide QI services	Adequate laboratories, equipment and human resources related to quality ensured	NBSM	1,500
99.	Develop testing and accreditation facilities for export potential products	There is parameters of limited products, but they do not fully cover all export potential products	Testing equipment installed Testing parameters accredited	NBSM MoALD	1,000
100.	Commence certification for persons as per ISO 17024	Skilled and semi-skilled human resources in the service and industrial sectors are not receiving appropriate compensation and recognition	System for accreditation of persons on the basis of skills established	NBSM / CTEVT	20
Strategy 10: Improving investment environment					
101.	Review the FDI limit on the basis of sectoral analysis	The thresholds of FDI in all sectors is NPR 20 million	The minimum threshold of FDI reviewed on sectoral basis	MOICS MOF	0.5
102.	Make arrangement for FDI approval within the defined timeline through simplified documents and digitization of procedures	The DoI commenced online services on June 2022	All FDI approvals granted within 7 days from the application date	MOICS NRB	2

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
103.	Grant automatic route of entry for FDI in permitted sectors after introducing operational guidelines	Budget of FY 2022/23 has the provision of foreign investment up to NPR 100 million to be granted entry through automatic route	<ul style="list-style-type: none"> ♦ FDI in permitted sectors granted through automatic route ♦ Procedures for automatic route made clear through an amendment in the FITTA 	MOICS	0.5
104.	Allow repatriation of dividend through an automatic route without prior approval on the basis of comply with the Company Act and the Income Tax Act	Dividend repatriation is subject to the prior approval of the DoI and the NRB	Automatic repatriation for dividend implemented by issuing appropriate notice under FITTA and NRB bylaws	MOICS NRB	0.5
105.	Digitize the company and industry administration services with adequate infrastructure and screening by replacing the provision of submitting physical documents and manual screening with introducing online filing and screening process	The DoI commenced piloting of online services on 29 June 2022 but the submission of physical documents is still required	Company and industry administration services fully delivered online	MOICS MOCIT	2
106.	Remove timeline requirements for bringing in FDI	FITTR has provisioned investment timeline for bringing in FDI after its approval	Foreign investors allowed to bring foreign investment as per the project's capital requirement	MOICS	0.5
107.	Harmonize FITTA, PPPIA, IEA, FERA and other relevant acts to eliminate legal controversies on FDI	These acts have different contradicting provisions	FITTA, PPPIA, IEA, and FERA amended	MOICS IBN NRB	1.5
108.	Harmonize NRN Act and FITTA for attracting NRN's investment in Nepal	Budget for FY 2022/23 has provision for legal and procedural reforms, and open security market for NRN, and reservation of 10 percent of IPO to Nepali involved in foreign employment	No investment threshold required for NRNs	MOICS MOFA	0.12
109.	Make arrangements for receiving all foreign loans of private sector under the Foreign Investment Bylaws of NRB	Foreign Investment Bylaws of NRB has categorized foreign loan including project finance into different categories	All foreign loans related matters administered by the Bylaws of NRB	NRB	0.5
110.	Reduce mortgage fees applicable to foreign lenders for the registration of mortgage security of fixed property	Arrangement does not exist	Mortgage fees applicable for foreign lenders reduced	MOF Province Governments	1.4

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
111.	Remove the provision of restricting collateral against land above the land ceiling for project financing purpose through amendment of Section 32(6) of IEA	Budget of FY 2022/23 has provisioned to allow borrowing against land as collateral for industries holding more than specified limit, and to repay the government revenue and loans of banks and financial institutions by selling such lands	Restriction on collateral against land above the ceiling removed	MOICS MOLMCPA	0.5
112.	Ratify the following international treaties on intellectual property to make intellectual property registration process in several jurisdictions cost-effective and hassle-free: <ul style="list-style-type: none"> ♦ Madrid System for the International Registration of Marks (Madrid Treaty) ♦ Patent Cooperation Treaty (PCT) 	Nepal is a signatory to various intellectual property treaties such as the Paris Convention for the Protection of Industrial Property, 1883, the Agreement on Trade-Related Aspects of Intellectual Property Rights, 1995 and the Berne Convention for the Protection of Literary and Artistic Works, 1886. Nepal is also a member country of WIPO	Madrid Treaty and PCT ratified	MOICS MoFA	3
113.	Enact new IP Act with following features: <ul style="list-style-type: none"> ♦ Ensure strict timeline for the swift adjudication of IP disputes ♦ Reduce the IP registration time ♦ Remove the provision of IP Review Committee ♦ Make provision for compensation mechanism to discourage habitual offenders ♦ Maintain a digital repository of IPs for easy accessibility 	IP Bill is in formulation process	IP Act enacted	MOICS	1.2
114.	Formulate necessary guidelines for the implementation of new forms of IP such as Trade Secret, Geographical Indication provisioned in the IP Bill	Arrangement does not exist	Necessary guidelines regarding registration and maintenance procedures for all forms of new IPs formulated	MOICS	0.5
115.	Strengthen the OSSC to provide integrated services to industries and businesses without hassles	Services provided by the agencies represented in the OSSC at DoI is not effective	Investment promotion and business environment made conducive through efficient and effective services from the OSSC	MOICS All other concerned agencies	100

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
Strategy 11: Integrating advance concepts of Industry 4.0 and 5.0 in production process					
116.	Formulate and implement Industry 4.0 Strategy	No provision exists	<ul style="list-style-type: none"> Industry 4.0 Strategy formulated and implemented High bandwidth internet services made available at cheaper rates for companies 	MOICS MOCIT	450
117.	Develop and implement investment plan on Industry 4.0 in all provinces	No investment plan exists	Investment in Industry 4.0 in certain sectors in each province ensured	MOICS Province Governments	1,400
118.	Develop and implement Industry 4.0 technology and exploration management program	No program exists	Industry 4.0 technology and exploration management program implemented	MOICS	140
119.	Establish National and Local Data Depository and Reporting Centers	No provision exists	Community data centers established across the country	MOICS MOCIT NSO	200
120.	Establish research and development center for Industry 4.0 and 5.0	No provision exists	National research and development center on Industry 4.0 and 5.0 established	MOICS MOCIT	200
121.	Develop systems related to Industry 4.0 and establish interface with the central system	Standalone systems exist but interface does not exist or is weak	Systems with mutual interface developed	MOCIT	17
122.	Develop digital modelling system	Provision does not exist	Digital modelling system developed and operated	MOICS MOCIT	130
123.	Purchase necessary equipments and functionalities related to Industry 4.0	Existing equipments and functionalities are not sufficient	System drivers, procurement of equipments for communication and interoperability developed	MOICS MOCIT	10
124.	Develop national payment gateway	Payment gateway system does not exist	International payment gateways (e.g., PayPal) services to Nepal in use	MOICS MOCIT MoF NRB	–
125.	Develop national as well as cross border information sharing system	The system does not exist	Internal and external integrated information sharing system developed	MOICS MOCIT MoHA MOF MOFA	100
126.	Provide services on industry administration through automated system	Automated system has been developed at DoI and is in the pilot phase	Industry administration services provided through automated system	MOICS MOCIT DOI Province Governments	10
127.	Strengthen DoIT through IT solution center and system development	No provision exists	IT solution center operated at DoIT	MOCIT	–
128.	Develop data analysis and usage system for Industry 4.0	National system does not exist	Data analysis and usage system developed	MOICS MOCIT NSO	5

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
129.	Conduct capacity building trainings on Industry 4.0 and 5.0	Such programs do not exist	Capacity building trainings on Industry 4.0 and 5.0 conducted	MOCIT MOICS	100
130.	Carry out legal and policy reforms for development of startup business and for creating conducive business environment	There is no provision of startup business in Industrial Enterprises Act	<ul style="list-style-type: none"> ♦ Appropriate legal arrangements for startup business made ♦ Supportive institutions such as incubator centers and accelerator centers established ♦ New financial service mechanism such as Challenge Fund, Venture Capital and Private Equity Fund made operational 	MOICS	500
Strategic Pillar III: Developing competitive goods and services and expanding export market					
Strategy 12: Expanding the capacity in exports of goods					
Market access					
131.	Negotiate with the US to extend time period of Nepal Preference Program expiring in 2025 and include Nepal's exportable product ready-made garments	Nepal Preference Program started in 2017 but Nepal couldn't utilize it optimally due to Covid-19 pandemic	Nepal Preference Program with the US extended for next five years and ready-made garments included in the list	MOICS MOFA	None
132.	Negotiate with India and other countries on additional duty being levied on primary products, import control and other restriction imposed by India	India levies 4 percent additional duty on primary imports from Nepal	Import restriction and additional duty imposed by India removed	MOICS	None
133.	Strengthen institutional capacity in trade and market intelligence to provide information on market entry requirements of potential export destination countries	Weak institutional capacity to provide information on market entry requirements	Institutional capacity to provide necessary information for export promotion of Nepali goods enhanced	MOICS TEPC	50
Cross-cutting areas					
134.	Increase participation in international trade fairs and exhibitions in order to promote international markets of export potential products	Insufficient participation in international trade fairs and exhibitions	Export promoted by participating in 40 international trade fairs and exhibitions	MOICS TEPC	200
135.	Provide price support to export potential products that have faced increase in excise duty	Excise duties of emerging export potential products like citrus fruits, tomato, cucumber, and mineral water have been increased	Price support received by exporters	MOF MOICS	2,650
136.	Conclude Comprehensive Economic Partnership Agreements with major trade partner countries	Nepal has trade agreements only with few major trade partner countries	Export-based foreign investment increased	MOICS	None
137.	Implement safeguards, anti-dumping and countervailing law	Safeguards, Anti-dumping and Countervailing Act, 2019 has not been effectively implemented	Major anti-dumping cases reported and investigated	MOICS DOCSCP	None

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
Agriculture sector					
138.	Make necessary amendments in procurement act, strengthen institutional capacity and carry out policy reforms to ensure regular supply of fertilizer	Only 40 percent of required quantity of fertilizer is being imported and the procurement process is cumbersome	Institutional capacity strengthened and Procurement Act amended by policy reforms	MOALD MOF	4.8
139.	<ul style="list-style-type: none"> ♦ Develop capacity of producing chemical and organic fertilizers within the country ♦ Establish and operate chemical fertilizer industries 	<ul style="list-style-type: none"> ♦ 100,000 MT organic fertilizer is being produced annually ♦ Chemical fertilizer industry does not exist 	<ul style="list-style-type: none"> ♦ 200,000 MT organic fertilizer produced annually ♦ Chemical fertilizer industry established and smooth supply of chemical fertilizers ensured 	MOALD MOICS IBN DOA Province Governments	10,000
140.	Expand irrigated area	1.531million-hectare land (40 percent of arable land) has irrigation facility	Irrigation facility in 1.766 million-hectare land (50 percent of arable land) achieved	MOEWRI	172,000
141.	Strengthen capacity of local levels in agricultural market development, and minimizing losses in post-harvest handling, storage and transport	Most of the local governments have allocated budget for agricultural roads	<ul style="list-style-type: none"> ♦ At least 50 percent of agricultural budget at local level allocated for controlling post-harvest losses and market promotion ♦ At least one harvest collection center and one storage facility established in each local level 	MOALD Province Governments Local levels	19,000
142.	Enhance post-harvest handling, storage and transport capacity	Post-harvest handling, storage and transport technology is weak	Post-harvest losses reduced by half through storage, transportation, grading, cleaning and proper packaging	MOALD Province Governments	1,500
143.	Provide incentives to agricultural processing industries	Growth rate of agricultural processing industries is only 19 percent	Growth rate of agricultural processing industries increased to 25 percent	MOICS MOALD	1,500
144.	Enact Agriculture Market Act	Legal provision to regulate agriculture market is weak	Agriculture Market Act enacted	MOALD	2
145.	Adopt and monitor plant health strategy to maintain food safety by reducing the use of chemicals in agriculture	Regulation of pesticides and other chemicals in agriculture is in practice based on Pesticide Management Act, Food Act, Phytosanitary Act and GAP, Regulation of pesticides/veterinary drugs in foods is in practice based on Food Act, and regulation of livestock drugs is in practice based on Drug Act	Plant health strategy adopted and use of agricultural chemicals in crops and livestock reduced	MOALD	1,500

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
146.	Establish cardamom drying plants with modern technology	Most farmers are using traditional <i>Bhatti</i> (kilns) for drying cardamom	At least two modern cardamom drying plants established	MOALD	20
147.	Incentivize commercial farming of spices, fruits, vegetables and jute for their export promotion	<ul style="list-style-type: none"> ♦ Export of spices except cardamom and ginger is negligible ♦ 90 percent export of cardamom and ginger and 85 percent export of jute and its products is concentrated to India ♦ Only 5 percent export of fruits and vegetables is in non-SAARC countries 	<ul style="list-style-type: none"> ♦ Production of spices, fruits, vegetables and jute increased in double digits ♦ Export of these products to third countries increased by 30 percent annually 	MOALD MOF	500
148.	Enhance capacity along with export infrastructure of vegetables, fruits, jute, tea, coffee, dog-chew, pashmina, leather, etc. to comply with necessary requirements for entering international markets	There are no internationally accredited laboratories	Internationally accredited laboratories operated for special agricultural products	MOALD	500
Forest sector					
149.	Adopt necessary measures to enhance commercial farming of MAPs and expand their markets	<ul style="list-style-type: none"> ♦ MAPs are generally collected from forest and exported primarily to India without processing ♦ Commercial farming of MAPs has not materialized yet 	<ul style="list-style-type: none"> ♦ Commercial production of MAPs increased in double digits ♦ Export of these products to third countries increased by 30 percent 	MOFE DOFSC DOPR FECOFUN	1,000
150.	Strengthen DoPR to issue internationally recognized certificates of MAPs and their products, and enhance capacity of MAPs producers and exporters on entry requirements of international markets	<ul style="list-style-type: none"> ♦ DoPR has been capacitated with high-quality equipment ♦ DoPR is accredited by National Reference Laboratory of India for six parameters ♦ Chromatography Mass Spectrometry machine has been installed in Banke 	Internationally accredited laboratories established for all forest products	MOFE MOALD DOFSC DOPR	1,000
151.	Strengthen institutional capacity on collection and primary storage of MAPs	<ul style="list-style-type: none"> ♦ MAPs collection method from forest is traditional ♦ Lack of adequate storage facilities from production areas to major export points 	<ul style="list-style-type: none"> ♦ Modern technology adopted in MAPs collection ♦ Storage losses reduced by half ♦ Transport time reduced, and grading, cleaning and packaging improved 	DOPR	1,000

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
152.	Expand MAPs and essential oils processing capacity	Only 5 percent aromatic plants are processed for essential oils and rest are exported in raw form without processing	Investment in MAPs processing industries doubled and at least 30 percent of annual collection of MAPs used by processing industries	MOFE	1,000
153.	Enhance capacity for expanding production of handmade Lokta paper and forest-based fabrics and meeting entry requirements in international markets	There is no proper management of Lokta paper and forest-based fabrics	Lokta and forest-based fiber production increased in double digits, and their export to third countries increased by 40 percent annually	MOFE	1,000
Industrial sector					
154.	Provide opportunity for formal education and vocational training to workers of export potential industries	Low productivity of industrial workers exists due to their weak access to technical education and vocational training	Labor productivity of Nepal increased at par with the average of South Asia	MOICS MOLESS	1,250
155.	Encourage competitive wage rate above the minimum wage	Current minimum wage is NPR 15,000 per month	Minimum wage reached at par with the average of South Asia	MOICS	None
156.	Minimize existing barriers and facilitate for optimal use of industrial production capacity and market expansion	<ul style="list-style-type: none"> ♦ Average industrial capacity utilization is only 57 percent ♦ There are obstacles in mineral extraction and natural resources collection, and various problems in importing raw materials ♦ Export of industrial products except carpet and hand-knitted woolen products is below 30 percent 	Industrial investment increased by 25 percent annually, capacity utilization reached to 80 percent and 40 percent of industrial products exported to third countries	MOICS	1,500
157.	Incentivize to attract technological innovation	Share of medium and high-technology activities in manufactured exports is 19.6 percent only	Number of enterprises using medium and high-technology increased in double digits and the share of such enterprises reached 50 percent	MOICS	1,500
158.	Make necessary arrangements to issue internationally recognized certificates of industrial products and build capacity of exporters for meeting entry requirements of international markets	Technical capacity is limited	Internationally accredited laboratories operated for quality testing of exportable products	MOICS NBSM	1,000
159.	Adopt strong antipiracy measures against counterfeit products	There is piracy in different industrial products such as footwear products but control mechanism is not effective	Number of piracy cases decreased by 50 percent	MOICS DFTQC	5
160.	Ensure effective monitoring of quality of imported raw materials	Monitoring mechanism is limited to food, agriculture, and livestock related goods	Number of cases of product adulteration decreased by 50 percent	NBSM DFTQC	5

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
Small and Medium Enterprises (SMEs)					
161.	Strengthen institutional capacity for direct export market linkages of SMEs	66 percent of exporting SMEs use indirect channels to export	Number of SMEs exporting directly increased in double digits, and their share reached to 60 percent	MOICS	1,500
162.	Provide concessional loan to SMEs	60 percent of micro and small enterprises and 47 percent of medium sized enterprises have no access to credit	At least 60 percent of MSMEs got access to concessional loan	MOICS MOF NRB	65,000
163.	Amend laws to allow contract manufacturing of industrial goods	Industrial Enterprises Act allows Industries to manufacture products except its main product by contract/subcontract	Law amended to allow any industry to contract/subcontract even for the main product of the industry	MOICS	None
Strategy 13: Strengthening service exports					
164.	Simplify the procedures for foreign investment	<ul style="list-style-type: none"> ♦ There is no automatic approval system ♦ FDI process in ITE/BPO services is same as other sectors ♦ NRNs do not have special privileges for investment 	<ul style="list-style-type: none"> ♦ FITTA amended to allow automatic approval of FDI except for service sectors in which FDI is restricted ♦ FDI threshold for IT sector reduced 	MOICS	2
165.	Support innovations and start-up businesses	There are no support provisions for service sector start-ups at the federal and provincial levels	Strategy to support innovations and start-ups in the service sector implemented at the federal and provincial levels	MOICS Province Governments	3,500
166.	Improve the quality of TEVT and develop human resources as per market demand	Institutional mechanism of TEVT is not aligned with the federal structure and is not market-oriented	<ul style="list-style-type: none"> ♦ TVET Act enacted ♦ NVQF Act enacted ♦ Roles of the three tiers of government on skills development defined and Federal Government's support to provincial and local levels provided 	MOEST Province Governments Local levels	2
167.	Develop cooperation and coordination among vocational training institutions and industries	There is minimal interaction and cooperation between the training institutions and industries	<ul style="list-style-type: none"> ♦ Sectoral skills councils established for key sectors with the participation of private sector ♦ ToRs for the sectoral skills councils developed 	MOEST MOICS CTEVT Private sector	None

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
168.	Increase the earnings of Nepali migrant workers	Nepali migrant workers are predominantly working in low-income destinations and jobs	<ul style="list-style-type: none"> ♦ Destinations with high-income potential identified and bilateral MoU signed with 5 such destinations ♦ Skills training made mandatory for the workers migrating first time ♦ Agreements for the recognition of Nepali skills certificate signed with Gulf countries, Malaysia, Korea etc. 	MOLESS	1
169.	Enhance skills of migrant workers	The skills level of migrant workers is low	<ul style="list-style-type: none"> ♦ Skills levels of migrant workers defined and aligned with the skills levels of CTEVT/ NSTB ♦ An integrated Education and Skill Strategy for migrant workers developed and implemented 	MOLESS	2
170.	Develop human resources for ITE/BPO sector	ITE/ BPO sector related human resources are not developed	<ul style="list-style-type: none"> ♦ ITE/BPO Sector Skills Council formed with the participation of the private sector and market-based trainings provided ♦ Integrated Education and Training Strategy for IT/IT-enabled services and BPO sector developed 	MOEST MoCIT	2
171.	Improve the efficiency and competitiveness of the Nepali ITE/ BPO sector	There is little information in the public domain regarding the Nepali ITE/ BPO sector	<ul style="list-style-type: none"> ♦ Regular surveys of the ITE/BPO sector carried out ♦ Digital Nepal Framework, 2019 implemented 	MOCIT	10
172.	Provide cash incentives to companies and freelancers based on export earnings through formal channels	Only a small portion of actual earnings of the ITE/ BPO companies is received through formal channel	Cash incentives based on export earnings by ITE/ BPO companies and freelancers provided	MOF	Proposed on SN 5
173.	Improve the resilience of the Nepali tourism sector	Nepali tourism sector has been affected by Covid-19 and external shocks	<ul style="list-style-type: none"> ♦ Strategy for recovery of tourism sector from the impact of Covid-19 developed ♦ A robust plan to promote domestic tourism implemented 	MOCTCA	3

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
174.	Improve the efficiency of tourism marketing	Tourism marketing efforts are not effective	<ul style="list-style-type: none"> ♦ Strategies targeted to the Indian, Chinese, and Bangladeshi markets implemented ♦ Regional tourism promoted in coordination with regional forums such as SAARC and BIMSTEC 	MOCTCA Nepal Tourism Board	10
175.	Enhance coordination and partnership among government agencies, diplomatic missions, NRNA and private sector for tourism promotion	Inadequate coordination and partnership among institutions engaged in tourism promotion	Tourist arrival increased through expansion of coordination and partnership among tourism-related government agencies and private sector	MOCTCA Diplomatic missions NTB NRNA Private sector	10
176.	Improve tourism infrastructure	Tourism related infrastructure are weak and public investment is insufficient	<ul style="list-style-type: none"> ♦ Management of Pokhara and Bhairahawa airports contracted to private sector ♦ At least four-lane highways constructed to connect key tourism destinations (Kathmandu-Chitwan, Kathmandu-Pokhara, Pokhara-Lumbini, Chitwan-Lumbini, Bhairahawa-Bardiya) ♦ Airports in tourism potential hill areas improved ♦ Cleanliness, safety, and hygiene maintained in domestic and international airports ♦ Cartelling in public transport sector ended 	MOCTCA MOFIT	100,000
177.	Identify, develop and promote new tourism destinations	Tourism destinations are not well developed	<ul style="list-style-type: none"> ♦ Investment of Local levels including PPP in tourism infrastructure expanded ♦ New tourism destinations identified and tourism promoted 	MOCTCA Province Governments Local level	5
178.	Improve the quality of human resources in tourism sector	The quality of human resources in tourism sector is weak	<ul style="list-style-type: none"> ♦ Integrated tourism and hospitality education and training strategy developed ♦ Tourism Sector Skills Council established with the participation of private sector for market-oriented skill development in the tourism sector 	MOCTCA	2

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
179.	Improve health and hygiene standards in tourism sector	The health and hygiene standards in the tourism sector are weak	Health and hygiene standards in tourism sector implemented	MOCTCA DFTQC	50
180.	Formulate necessary policy, and negotiate and sign agreements with neighboring countries for power trade	<ul style="list-style-type: none"> ♦ Institutional infrastructures for international power trade with cross-border and third countries does not exist ♦ There is no legal provision of international power trade by NGOs 	<ul style="list-style-type: none"> ♦ Institutional roles (including creation of new institutions if needed) for cross-border and trans-border power trade defined ♦ 400 kVA Butwal-Gorakhpur cross-border transmission line constructed ♦ 400 kVA Inaruwa-Purniya and Naya Lumki - Bareli cross-border transmission lines constructed ♦ Sale of hydropower produced by the Nepali projects to India on the same terms and conditions as Indian hydropower projects ensured ♦ Long-term power purchase agreement with India, Bangladesh and other countries to ensure market for surplus electricity concluded ♦ Electricity Act amended and Manual/Directives for international power trade formulated 	MOEWRI	30
181.	Ensure regular and quality supply of electricity	Electricity service is not qualitative	In order to develop reservoir-based projects by the private sectors, Manual for Viability Gap Funding prepared and implemented	MOF MOEWRI	3
182.	Ease rules for sending foreign currency out of Nepal to start construction services for construction companies that are awarded contracts outside Nepal	It is not easy for construction companies to send foreign currency outside Nepal	<ul style="list-style-type: none"> ♦ Construction companies winning contracts outside Nepal allowed to send foreign currency upto 10% of the contract amount ♦ Bank guarantee provided to Nepali construction companies while borrowing loans related to their contracts abroad 	MOF NRB	None

S.N.	Key Actions	Baseline Indicators (2021/22)	Performance Indicators (2027/28)	Responsibility	Estimated Cost (NPR mil.)
183.	Simplify the process for allowing Nepali construction companies to take construction machinery/ equipment to countries where they are awarded contracts	There is difficulty in taking construction machinery/ equipment to countries where they are awarded contracts	Amendments in relevant acts and regulations made to ease the process for Nepali construction companies for taking construction machinery/ equipment to countries where they are awarded contracts	MOF MOFA	None

Note: Total estimated cost of NTIS 2023 implementation is NPR 463.25 billion.



Government of Nepal

Ministry of Industry, Commerce and Supplies

Singha Durbar, Kathmandu

Tel: +977 01 4211455 | Email: info@moics.gov.np | Website: www.moics.gov.np