NEPAL TRADE INTEGRATION STRATEGY 2016

EXECUTIVE SUMMARY AND ACTION MATRIX

Government of Nepal
Ministry of Commerce

Kathmandu
2016

Nepal Trade Integration Strategy 2016
(NTIS 2016)

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GOVERNMENT OF NEPAL

Message

Trade has been considered as a powerful engine of economic growth across countries. Trade sector development is an important means of poverty reduction and socio-economic development of countries, particularly for the least-developed countries (LDCs) like Nepal. The Government of Nepal has taken various initiatives for achieving high economic growth and reducing poverty, and also envisioned to graduate from LDC status by the year 2022.

Nepal is fully committed to the initiatives taken by the WTO with regard to enhancing export capacity of the LDCs. The Government has incorporated trade agenda as a main strategy in previous as well as the current Development Plan. Trade policy and strategy of the Government of Nepal have been formulated and updated regularly for enhancing the country's trade performance, and as per the changing scenario of international trade. In this context, Nepal Trade Integration Strategy (NTIS) has become a common platform for the Government, private sector, civil society, development partners and other stakeholders to buy-in and own the trade agenda in development process of Nepal. The Government has been allocating budget under a separate heading since its launch in 2010. The ownership, including the implementation and monitoring, of the NTIS lies with the Ministry of Commerce.

The Trade Policy, 2015 along with NTIS 2016 would be instrumental in increasing the contribution of trade in the national economy, particularly in achieving export-led-growth. The third generation trade integration strategy - NTIS 2016 - is expected to address the rising trade deficit, outstanding trade and competitiveness challenges confronted by the country's export sector. I am happy to acknowledge the growing partnership between the Government, development partners and private sector in trade sector development of Nepal. Finally, I would like to congratulate the officials of the Ministry of Commerce as well as the Enhanced Integrated Framework (EIF) at the WTO and its NECTRADE Project in Nepal for successfully updating the NTIS, and urge all the stakeholders to join hands in making this Strategy a huge success.

August 2016

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Message

Nepal has come a long way since the validation of its first Trade and Competitiveness Study in 2004.Taking into consideration the changes in regional and international trade, the country adopted Nepal Trade Integration Strategy (NTIS) in 2010.This Strategy had aimed to overcome constraints of trade sector, seize opportunities of trade liberalizationand integrate Nepalese economy at regional and multilateral level.

NTIS 2016 has been developed as a continuance of the past efforts to integrate and mainstream trade in national development goals and to overcome challenges and constraints.The Trade Policy, 2015 formulated by the Government of Nepal has made provisions to enhance the competitive capacity of Nepalese products with comparative and competitive advantage. The Policy also guarantees support for value chain development to enhance competitiveness of products, including those identified by the NTIS. Moreover, the Government has been working towards harmonizing the sectoral policies of various line ministries with the NTIS, a step crucial for successful implementation of the Strategy.

An EIF National Steering Committee has been established to ensure effective coordination for implementation of NTIS 2016 through policy and strategic guidance and resource mobilization. Focal Points have been designated and assigned in line Ministries with specific roles and responsibilities to ensure to achieve targeted outcomes in product specific activities for which the Ministry of Commerce will coordinate and monitor the entire implementation of NTIS 2016.

Notwithstanding various efforts over the years to improve its trade performance, there remain a number of significant challenges and constraints to export development and improving trade competitiveness.In addition to its efforts, the Governmentwould require some external assistance to strengthen trade capacity implementing NTIS 2016 to the fullest.On behalf the Government, I look forward to an active participation of all stakeholders including our development partners to join hands with the private sector and Government agencies to make NTIS 2016 a success for the greater development of Nepal.

July 2016

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GOVERNMENT OF NEPAL
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Foreword

Integration of Nepalese trading system to the global economy is a crucial process in achieving enhanced competitiveness and linking trade with poverty reduction and inclusive economic growth as envisaged in 2030 Agenda. Export trade is at high priority in the Trade Policy 2015 of the Government of Nepal. The Policy follows the principles and norms of the WTO and also outlines market-oriented reforms towards better integrating into global economic networks, moving up the value chain, and increasing trade competitiveness.

I have pleasure to present the Nepal Trade Integration Strategy (NTIS) – 2016, which follows the Trade Policy and is also the third in successive trade integration strategies of Nepal. It aims at enhancing export competitiveness by addressing cross-cutting issues, and improving value chain development of priority products. It also plans to resolve supply capacity constraints by implementing product development elements with value chain management. Trade facilitation measures as reflected in the Strategy will help bring down the trade transaction costs and time. The NTIS 2016 is imbedded with actions and measures in nineteen strategic areas, covering seven cross-cutting and twelve product-specific sub-sectors, targeted to achieve by 2020. I am pleased to state that attempts are made to implant vibrant issues related to policy and regulation, trade facilitation, supply capacity development, institutional supports and trade logistic and infrastructural facilities. Furthermore a strong institutional mechanism is set up for the implementation of the strategies and action plans.

I am hopeful that the NTIS 2016 will also be supportive in contributing to the effective implementation of and follow-up of the 2030 Agenda for Sustainable Development. Successful accomplishment of the NTIS 2016 entirely depends on the enthusiasm, seriousness and genuine efforts of the stakeholders and beneficiaries. The Ministry of Commerce sincerely requests for and looks forward to full cooperation, collaboration and involvement of relevant ministries and government agencies, development partners, private sector, civil society, media, and other stakeholders in sustaining the implementation of this Strategy.

Preparation of this document would not have been possible without cooperation and sincere efforts of various institutions, line ministries, development partners and individual experts. I would like to express sincere words of appreciation to the Enhanced Integrated Framework (EIF) Secretariat at the WTO for providing technical assistance to prepare this Strategy. I am grateful to the officials of the Embassy of Germany, Kathmandu for their crucial contributions as Donor Facilitator during the implementation process of the NTIS 2010 and also in preparation of this document. I am also grateful to Dr. Somlal Subedi, Chief Secretary, former Chief Secretary Mr. Leela Mani Paudyal, all members of EIF National Steering Committee and NTIS Review and Update Steering Committee for valuable guidance and contributions extended during the preparation of the Strategy. Concerned officials including Mr. Toya Narayan Gyawali, Joint Secretary and Mr. Buddhi Prasad Upadhyaya, Under Secretary, among others, deserve my special thanks for their meticulous efforts and contributions to this initiative.

June, 2016

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Abbreviations and Acronyms

ABS	Access and Benefit Sharing
ADB	Asian Development Bank
AEO	Authorized Economic Operators
AfT	Aid for Trade
ASYCUDA	Automated System for Customs Data
BPO	Business Process Outsourcing
CAAN	Civil Aviation Authority of Nepal
CDC	Cardamom Development Centre
CMMI	Capability Maturity Model Integration
CRMSAP	Customs Reform and Modernization Strategies and Action Plan
CTEVT	Council for Technical Education and Vocational Training
DADO	District Agriculture Development Office
DFID	Department for International Development
DFTQC	Department of Food Technology and Quality Control
DLS	Department of Livestock Services
DoA	Department of Agriculture
DoC	Department of Customs
DoFE	Department of Foreign Employment
DoI	Department of Industry
DoSCI	Department of Small and Cottage Industries
DPR	Department of Plant Resources
EIF	Enhanced Integrated Framework
EU	European Union
FDI	Foreign Direct Investment
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FY	Fiscal Year
GACP	Good Agricultural and Collection Practice
GDP	Gross Domestic Production
GIs	Geographical Indications
GIS	Geographical Information Systems
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoN	Government of Nepal

HACCP	Hazard Analysis and Critical Control Points
ICD	Inland Clearance Depot
IEC	International Electro-technical Commission
IPRs	Intellectual Property Rights
ISO	International Organization for Standardization
IT	Information Technology
LDCs	Least Developed Countries
LFGMAN	Leather Footwear and Goods Manufacturing Association of Nepal
LIAN	Leather Industries Association Nepal
MAPs	Medicinal and Aromatic Plants
MoAD	Ministry of Agricultural Development
MoC	Ministry of Commerce
MoCTCA	Ministry of Culture, Tourism, and Civil Aviation
MoF	Ministry of Finance
MoI	Ministry of Industry
MoLD	Ministry of Livestock Development
MoLE	Ministry of Labour and Employment
MoU	Memorandum of Understanding
MRLs	Maximum Residue Levels
MT	Metric Tons
NABCB	National Accreditation Board for Certifying Bodies
NABL	National Accreditation Board for testing and calibration Laboratories
NAC	National Airlines Corporation
NARC	Nepal Agricultural Research Council
NATHM	Nepal Academy of Tourism and Hotel Management
NATO	Nepal Association of Tour Operators
NBSM	Nepal Bureau of Standards and Metrology
NEPLAS	Nepal Laboratory Accreditation Scheme
NGPTA	Nepal Ginger Producers and Traders Association
NIU	National Implementation Unit
NPC	National Planning Commission
NPIA	Nepal Pashmina Industries Association
NRB	Nepal Rastra Bank

NSC	National Steering Committee
NSCDP	National Spice Crop Development Programme
NTCDB	National Tea & Coffee Development Board
NTIS	Nepal Trade Integration Strategy
NTMs	Non-Tariff Measures
OHS	Occupational Health and Safety
OPMCM	Office of the Prime Minister and Council of Ministers
PCA	Post Clearance Audit
PDTA	Patent, Design and Trademark Act
PPP	Public–private partnership
PVPFRA	Plant Variety Protection and Farmers' Rights Act
SAARC	South Asian Association for Regional Cooperation
SOTTO	Society of Travel and Tour Operators
SPS	Sanitary and Phyto-sanitary
SWOT	Strengths, Weaknesses, Opportunities and Threats
TBT	Technical Barriers to Trade
TEPC	Trade and Export Promotion Centre
TFA	Trade Facilitation Agreement
TIA	Tribhuvan International Airport
WTO	World Trade Organization

Mt Everest Base Camp trekking route

1. Introduction

Trade has been well recognized globally as an important driver of economic growth and inclusive development. Over the years, Nepal has taken a series of initiatives to promote exports so as to achieve sustainable and inclusive economic growth, poverty reduction, and improvement in the living standard of the Nepalese people.

Nepal validated its first Diagnostic Trade Integration Studies (DTIS) as the Nepal Trade and Competitiveness Study (NTCS) in 2004. The study analysed Nepal's trade regime and performance, and identified products with comparative and competitive advantage. The country developed and adopted Nepal Trade Integration Strategy (NTIS) 2010 as an updated version of NTCS 2004 that basically focused on development of 12 goods and 7 services areas for making the trade inclusive and equitable and contributing to the poverty reduction goal adopted by the government. NTIS 2010 also charted out actions and interventions in cross-cutting areas and priority export potential sectors aimed at increasing exports.

Despite efforts to implement sectoral policies and measures supportive of value chain development, trade mainstreaming and enhancement of export competitiveness, Nepal's trade performance over a decade remained less satisfactory, resulting in a huge deficit in trade in goods. Poor performance of Nepal's trade is mainly attributed to supply-side constraints, low investment, inadequate trade infrastructure and trade facilitation measures, among others. Persistent deficit in trade in goods and deteriorating terms of trade have posed challenges in achieving inclusive and sustainable economic growth.

Nepal Trade Integration Strategy (NTIS) 2016 is Nepal's third generation trade integration strategy. NTIS 2016 seeks to address the outstanding trade and competitiveness challenges confronted by the country's export sector. This Strategy, thus, focuses on identifying actions to address protracted constraints in a number of cross-cutting areas. They include:

i. Institutional capacity building for trade, including capacity for trade negotiations
ii. Business environment for investment and trade
iii. Trade and transport facilitation
iv. Standards and technical regulations
v. Sanitary and phyto-sanitary measures
vi. Intellectual property rights
viii Issues related to trade in services

Moreover, NTIS 2016 recognizes potentials for product and value chain development in the following priority export sectors:

i. Agro and forest products (cardamom; ginger; tea; and medicinal and aromatic plants);

ii. Craft and manufacturing products (all fabrics, textile, yarn and rope; leather; footwear; chyangra pashmina; and, knotted carpets); and

iii. Services (skilled and semi-skilled professionals at various categories; Information Technology and Business Process Outsourcing [IT and BPO]; and tourism [including leisure, business, education, and medical]).

Similarly, fruit and vegetable juices; all fabricated steel and metals; lentils; silver jewellery; instant noodles; paper products; wool products; honey; readymade garments; coffee; semi-precious stones; and hydro-electricity have also been identified as other potential sectors.

NTIS 2016 has been formulated in close complementarity with the Trade Policy 2015.

2. Lessons and Challenges to Nepal's Export Development and Trade Competitiveness

As part of its initial task to formulate NTIS 2016, GoN conducted a thorough review of progress and shortfalls following the implementation of NTIS 2010. The review noted:

- The implementation of NTIS 2010, including the work of the several inter-ministerial committees responsible for various priorities and actions, has helped mainstream trade priorities in the policies, programmes and activities of line ministries and agencies;
- The implementation of NTIS 2010 has provided a forum to enhance collaboration among Government, private sector, Development Partners, civil society and other stakeholders on trade-related matters;
- NTIS 2010 has helped create greater awareness among farmers, producers and product associations about priority export potential products;
- There has been reasonable progress in areas of trade facilitation and capacity development on various trade-related matters;
- GoN has been allocating budget for the implementation of NTIS 2010 Action Matrix;
- Support from the Enhanced Integrated Framework (EIF) has been mobilized for value chain development of Pashmina, Ginger, and Medicinal and Aromatic Plants (MAPs); and
- Technical and financial support from Development Partners, including World Bank, Asian Development Bank, European Union, GIZ, DANIDA, DFID, and USAID, was mobilized to focus on a number of the key actions

LESSONS AND CHALLENGES TO NEPAL'S EXPORT DEVELOPMENT AND TRADE COMPETITIVENESS

identified in NTIS 2010 Action Matrix, mainly but not exclusively in areas of trade-related infrastructure and capacity development.

Despite such achievements, the detailed review of NTIS 2010 and the analytical work conducted as part of NTIS 2016 revealed number of significant challenges and constraints to export development and trade competitiveness of Nepal as follows:

- Adoption of key legal and regulatory reform measures to create trade and investment enabling environment remains rather slow due to the prolonged political transition in the country. Delays in revising or adopting necessary Acts and rules often held back implementing business supportive plans and policies.
- Nepal has been facing difficulties in addressing key transportation and energy infrastructure constraints. Limitations in supportive physical infrastructure trigger a negative impact on export sectors as they erode price competitiveness. The absence of an integrated multi-modal transport plan often leads to uncoordinated attempts at fixing current weaknesses rather than efficiently addressing the issues. Moreover, the difficulties are further compounded by Nepal's landlocked position and absence of a regional transit agreement in South Asia. The potentials for significant hydropower expansion have long been identified, but yet to be optimally harnessed due to various reasons. The Power Trade Agreement signed with India in October 2014, followed by the announcement of investment by India in two hydropower projects, could be game changers. Still, surplus hydropower may not be available for export until the end of 2017. Seasonal power trade with India will begin if the power generation and distribution projects are completed successfully.
- Non-Tariff Measures (NTMs) have been serious bottlenecks for Nepalese products to get easy access to international markets. Nepal configured regulatory and institutional frameworks. However, it lacks comprehensive architecture for mobilizing resources to fulfill Sanitary and Phyto-sanitary (SPS) and Technical Barriers to Trade (TBT) requirements.
- Inadequate legal framework to protect Intellectual Property Rights (IPRs), along with the limited use of existing protections by the Nepalese producers and exporters, has negative impacts on product competitiveness. Sectors such as medicinal and aromatic plants (MAPs) with rich natural endowment and strong export potential have been hugely affected due to this reason.
- Nepal lacks clear, well-coordinated, and institutionalized value chains to maximize value addition in potential export sectors. For instance, different stages of value chain of leather products, from animal farming to slaughtering, slaughtering to processing of hides and skins, and manufacturing of finished products, are governed by various policies and strategies in uncoordinated manner. The same can be referred to Chyangra

Pashmina and knotted carpets, where possibility of linking mountain goat and sheep farming to wool processing and then to finished products remains mostly underutilized. Engagement of private sector is crucial to implement actions that have been identified to promote value chain integration and development.

- Nepal lacks sufficient investment in modern technologies for processing of priority export potentials. Attracting foreign investment to expand manufacturing base and technology transfer to ensure quality products remains an additional challenge to the trade sector development.
- As most commodities are being exported unprocessed, Nepal has missed the opportunity of exporting high value finished products to the neighbouring countries and beyond due to the lack of a product development plan.
- Agro and forest-based products with high export potential lack supportive investment in modern storage and processing technologies.
- NTIS 2016 indicates opportunities for expanding cultivation of a number of potential agro commodities such as tea, ginger and medicinal plants to new geographical areas. Yet, constraints in the physical infrastructure, including inadequate road connectivity and transportation, are limiting the expansion of cultivation areas.
- Exports of remittance-generating services are valued for their significant contribution to poverty reduction. However, the sector is also ascribed to creating domestic labour shortages, especially shortages of semi-skilled human resources. In most cases, returnees come back with better skills and some capital to invest. There is a challenge to increase the contribution of returnees by providing employment opportunities in existing industries and by encouraging and supporting them to establish own business.
- Most of the service sectors lack focus on international trade and service sector policies are mostly oriented towards fulfilling domestic requirements rather than export.
- Given the context of limited institutional capacity and inadequate resources, large number of priority export products was observed to be rationalized while updating the Strategy so as to ensure focused activities on product and value chain development.
- The implementation of NTIS 2010 fell short of expectation mainly because of partial execution of recommended Actions, especially in the area of product development. This was mainly due to agencies not being specified for product-specific recommendations; sector associations not being strong enough for adequate advocacy; inadequate resources; and absence of a result-based monitoring mechanism.

- Coordination among line agencies remains bleak due to lack of clear accountability mechanisms to ensure effective implementation of the Results-based Management and Reporting System.
- Technical and financial support from Development Partners has been mobilized, mainly but not exclusively, in areas of trade-related infrastructure and capacity development. However, there is a need for extending additional support mainly in the area of product and value chain development of priority export potential goods and services, and trade-related infrastructure. In this regard, NTIS 2016 needs strong buy-in from Development Partners to promote value chain development and integration, as well as to strengthen trade infrastructures.

3. Objectives of NTIS 2016

To substantially enhance trade sector's contribution to GDP through trade-centred growth and to overcome the constraints and challenges associated with trade development and export promotion, the NTIS aims at achieving the following objectives:

1. Strengthen trade and export enabling environment;
2. Focus on product development and strengthen supply capacity of priority products;
3. Strengthen institutional capacity, trade negotiation and inter-agency coordination; and
4. Build and enhance trade-related infrastructures.

4. Strategic Outcomes of NTIS 2016

To address the challenges and constraints of Nepal's export promotion and trade competitiveness, NTIS 2016 identifies Actions organized under 19 strategic Outcomes. The 19 strategic Outcomes and their respective Actions will guide the implementation of NTIS 2016 in the coming months and years. The 19 strategic Outcomes are summarized in Table 1:

Table 1: Development Goal and Strategic Outcomes of NTIS 2016

Development Goal
Development Goal: Increase the contribution of export potential goods and services to the national economy through improved trade enabling environment and strengthened value chain development of priority export potentials
Strategic Outcomes
Cross-cutting Issues
Outcome 1: Trade Capacity, including Trade Negotiation A strong capacity supportive of trade development including in areas of trade negotiation in place
Outcome 2: Trade and Investment Environment Supportive policy and business environment for trade and investment in place
Outcome 3: Trade and Transport Facilitation Nepal's export competitiveness increased through improved trade and transport facilitation
Outcome 4: Standards and Technical Regulations Increased competitiveness of the Nepalese exporters through strengthened laboratory and testing facilities
Outcome 5: Sanitary and Phyto-sanitary Standards The competitiveness of the Nepalese exporters of agro-based products increased through enhanced capacity to meet international standards
Outcome 6: Intellectual Property Rights Increased number of the Nepalese producers using IPR protections as a competitiveness factor
Outcome 7: Trade in Services Competitiveness of the Nepalese service sector increased
Potential Export Sectors
Outcome 8: Large Cardamom Volume and value of export of Large Cardamom increased
Outcome 9: Ginger Volume and value of exports of Ginger increased
Outcome 10: Tea Export of Tea significantly increased
Outcome 11: MAPs Exports of MAPs increased through the improvements in value chain development
Outcome 12: All Fabrics, Textile, Yarn and Rope Exports of synthetic yarn, synthetic woven fabrics and jute fabrics and bags steadily increased
Outcome 13: Leather Production of raw hides and exports of processed hides increased rapidly
Outcome 14: Footwear Production and export of Footwear significantly increased
Outcome 15: Chyangra Pashmina Exports of Chyangra Pashmina products expanded significantly
Outcome 16: Knotted Carpets Exports of Knotted Carpets regained a strong footing through market and product diversification

Outcome 17: Skilled and Semi-skilled Professionals at Various Categories (Remittance-generating Services) Proportion of skilled/semi-skilled professionals in total out-migration increased and remittance inflow efficiently utilized
Outcome 18: IT Services and Business Process Outsourcing New market for IT and BPO sector developed and export increased significantly
Outcome 19: Tourism Number of foreign visitors, their average duration of stay, and per capita expenditure increased significantly

5. Recent Trade Performance and Market Access Conditions

Growth of merchandise exports of Nepal during 2009/10 to 2012/13 remained marginal at an annual rate of 2.09 per cent. Meanwhile, services exports grew at an annual rate of 12.42 per cent during the period and inflow of remittances grew at an even larger annual rate of 16.16 per cent. In the meantime, imports of goods rose at an annual rate of 15 per cent and import of services grew at an annual rate of 6.73 per cent (Table 2). In short, trade in services outperformed trade in goods during the reported period and steady growth of remittances contributed to maintaining the balance of payment. However, the deficit in trade in goods increased continuously and posed a challenge to achieving trade-led sustainable economic growth.

Table 2: Exports, Imports and Inflow of Remittance 2002/03-2012/13 (in USD Million)

Year and Growth	2003/04	2006/07	2009/10	2012/13	Average Annual Growth Rate (%)	
					2002/03-	2009/10-
Categories					**2008/09**	**2012/13**
Goods Export FOB	748.35	872.18	848.02	977.16	5.88	2.09
Service Export	464.99	455.02	686.18	1081.71	14.72	12.42
Inflow of Remittance	793.87	1420.49	3110.41	4938.43	26.83	16.16
Total	**2007.21**	**2747.69**	**4644.61**	**6997.30**	**17.45**	**12.93**
Goods Import CIF	1800.95	2701.24	4922.05	6219.25	15.27	15.00
Service Import	342.02	573.85	906.12	995.51	22.79	6.73
Total	**2142.97**	**3275.08**	**5828.17**	**7214.76**	**16.40**	**13.33**

Source: NRB, Multiple Years (adapted)

Analysis of the destination markets for the Nepalese goods exports shows varying results (Table 3). There has been slight increment in the share of export to India between 2003/4 and 2012/13, still covering nearly two-thirds of Nepal's export. The USA and the European Union are the two other large markets for the Nepalese exports and rate of growth of

exports particularly to the USA has been encouraging. Similarly, rapid growth in emerging economies like China, Turkey, and Thailand is promising for Nepalese export. However, the share of exports to these three countries as well as other emerging economies in Asia seems relatively low. Therefore, focused and country-specific export promotional programmes are required in view of such prospects available in the region.

Table 3: Nepal's Goods Export by Major Destination (in percentage)

S.N.	Country	2003/04	2006/07	2009/10	2012/13	Growth# (Pre-NTIS 2010 Period*)	Growth# (NTIS 2010 Period*)
1	India	57.05	70.81	65.47	66.95	6.32	2.88
2	USA	17.97	9.45	6.34	7.43	-13.55	10.20
3	Germany	6.61	4.37	3.92	3.57	-5.61	1.60
4	China	4.35	0.64	1.65	2.81	-5.46	22.08
5	United Kingdom	3.11	1.69	2.02	2.05	-3.94	9.42
6	Bangladesh	0.78	0.88	5.54	3.53	60.74	-16.90
7	France	1.08	1.53	1.89	1.36	13.56	-3.44
8	Turkey	0.49	0.30	0.45	1.36	11.37	36.05
9	Japan	0.97	0.95	0.91	1.24	0.90	9.24
10	Italy	1.09	1.16	1.18	1.02	6.76	1.27
11	Canada	1.01	1.01	1.26	0.83	6.91	-4.99
12	Australia	0.18	0.35	0.55	0.54	33.86	6.31
13	Netherlands	0.53	0.42	0.42	0.48	-3.52	9.13
14	Thailand	0.19	0.05	0.04	0.52	-27.02	92.09
15	UAE	0.15	0.25	0.42	0.38	46.71	2.16
16	Switzerland	0.57	0.54	0.61	0.26	-4.62	-7.12
17	Spain	0.38	0.65	0.30	0.30	-0.04	10.94
18	Hong Kong	0.14	1.40	0.61	0.46	30.47	-8.92
19	Belgium	0.48	0.32	0.44	0.26	2.88	-3.38
20	Other countries	2.85	3.21	5.99	4.64	14.62	-0.57
Total Goods Export		**100.00**	**100.00**	**100.00**	**100.00**	**4.06**	**3.03**

Source: TEPC, #Growth rate calculated using actual data from ITC
Note: *Pre-NTIS 2010 Period means FY 2003/04 to 2008/09. NTIS 2010 Period means FY 2009/10 to 2013/14

Most of the Nepalese products enjoy more favourable access to international markets. Nepal ranked 3rd among 138 countries in 2013 in terms of market access and 2nd in terms of margin of preferences. This fact indicates that tariffs are not a significant deterrent market access factor for the Nepalese products in international markets (Table 4).

Table 4: Nepal's Foreign Market Access Indicators

Indicators	2008		2011		2013	
	Rank/125	Value	Rank/132	Value	Rank/138	Value
External environment	124					
MATTRI applied tariff (%) (including preferences)		17.5				
ROW applied tariff (%) (including preferences) - trade weighted average		5.3				
Foreign market access index (1-7)			5	4.9	3	4.7
Tariffs faced (%)			20	5.1	20	4.9
Index of margin of preference in destination markets (0-100)			3	67.9	2	80.6

Source: World Trade Indicators 2009/10, World Bank; The Global Enabling Trade Report 2014, World Economic Forum

The primary reason for favourable market access through tariffs is the result of various multilateral, regional, and bilateral trade agreements to which Nepal is a party. For instance, the Treaty of Trade between Nepal and India provides access to the Indian market for Nepalese products at a zero tariff rate, except for a small negative list, and as long as they meet specific rules of origin. Market access to other SAARC member countries is facilitated under the South Asian Free Trade Agreement (SAFTA). Similarly, as Least Developed Country (LDC), Nepal is eligible for preferential treatment under Generalized Systems of Preference (GSP) and, therefore, enjoys lower tariffs than the Most Favoured Nation (MFN) tariffs. Nepal enjoys duty-free quota-free access to European market under its 'Everything but Arms' (EBA) initiative, as well as to the Chinese market, as long as the goods meet rules of origin and technical requirements, including SPS standards.

6. Non-Tariff Measures and Other Cross-cutting Issues

Despite Nepal's access to various preferential schemes, it has not been able to take full advantage of benefits of these schemes mainly due to difficulties in meeting the stringent non-tariff measures (NTMs) requirements of the importing countries. Various non-tariff as well as para-tariff measures pose challenges for easy access to destination market. Similarly, domestic constraints and challenges are hindering the Nepalese traders from accessing international markets. Furthermore, the reducing gap between

preferential and non-preferential tariffs in the importing countries has negatively affected Nepalese exports. Preference erosion over the years can only be offset by increasing competitiveness of exportable goods and services. Most of the export products, including the priority products identified by NTIS 2016, face NTMs-related problems, especially SPS-related barriers on agro and forest-based products, TBTs on craft and manufacturing products, and legal and regulatory requirements on trade in services.

As discussed under Lessons and Challenges to Nepal's Export Development and Trade Competitiveness section, Nepal has been slow in amending trade and investment-related legislation and regulations both to comply with its WTO obligations and to create conducive business environment, new investment, and growth of exports. NTIS 2010 identifies a list of about one hundred trade-related legal reforms to be completed. Out of these, about 25 reforms have been completed by the end of 2014, while others are in the process of being completed. The lag in adopting such reforms significantly impacts the ability of line ministries in implementing the policies due to the absence of supportive legislation, among others.

Given the critical role of transport and trade facilitation in the overall trade performance of Landlocked and Least Developed Countries (LLDCs), Nepal needs to continue to modernize and reform in a number of trade facilitation areas, including the modernization of customs operations. Significant progress has been made in this regard and Nepal has a well-designed plan for continued customs reform. Priorities are well-identified and understood; so, the focus is primarily on further implementation of relevant reforms.

Equally, if not more important, is the need for Nepal to strengthen its domestic transport system and border infrastructure in order to reduce the cost of transportation and transaction. Key indicators of trade and transport facilitation in terms of quality of transport infrastructure and cost of trading across borders are presented in Tables 5 and 6. They show that Nepal lags significantly behind its South Asian neighbours on a great many of the indicators, save perhaps Bangladesh.

Table 5: Comparative Analysis of Quality of Transport Infrastructure of Nepal

Indicators	Nepal	Bhutan	Bangladesh	India	Sri Lanka
	Rank	Rank	Rank	Rank	Rank
Quality of roads	115	56	117	76	32
Quality of air transport	129	110	127	71	56
Quality of rail transport	N/A	N/A	75	27	42
Available airline seat millions km/week	80	141	59	12	55
Overall Quality of Transport Infrastructure	126	53	130	90	37

Source: World Economic Forum, The Global Competitiveness Report 2014-2015

Table 6: Competitiveness of Nepalese Trade Facilitation (Export) within Region, 2013

Stages (Export)	Nepal		Bhutan		Bangladesh		India		Sri Lanka	
	Days	$ Cost	Days	$ Cost	Days	$ Cost	Days	$ Cost	Days	$ Cost
Customs clearance and inspections	4	300	3	180	6	150	2	130	2	160
Documents preparation	14	295	16	350	14	225	8	365	9	135
Inland transportation and handling	18	1650	13	1350	4	350	3	400	2	115
Ports and terminal handling	4	300	6	350	5	600	3	225	3	150
Total	**40**	**2545**	**38**	**2230**	**29**	**1325**	**16**	**1120**	**16**	**560**

Source: World Bank, 2014
Note: Days and US$ costs required for moving one 20 ft container

NTIS 2016 has identified a detailed list of areas on Trade and Transport Facilitation requiring attention, including but not limited to:

a) Introduction of a multi-modal transport plan;

b) Development of a domestic railway system;

c) Increased spending for road maintenance and investment in new highways and transport infrastructure;

d) Continued modernization of customs procedures and facilities, including the introduction of a Single Window System;

e) Rationalizing and lowering expenses at the Birgunj Inland Container Depot (ICD) in order to make it price competitive for exporters and traders;

f) Registering Birgunj ICD with the World Maritime Organization as a dry port in order to recognize the Bills of Lading issued at the ICD; and

g) Negotiating a South Asian Regional Transit Agreement.

Most, if not all, priority export sectors identified in NTIS 2016 must meet the SPS standards in the case of agro and forest-based products or technical requirements in the case of craft and manufacturing products. This largely requires adoption of internationally-harmonized standards and the development of appropriate quality infrastructure or easy and cost-competitive access to quality infrastructure for testing and certification. Nepal is making progress in getting accreditation of some of the Government laboratories for some parameters useful for agricultural and industrial products. Still, the range of accredited parameters falls short of what is needed for full international certification for

a large number of export products. Many producers must secure testing and compliance certification from overseas laboratories raising their cost of doing business and affecting their price and time competitiveness. In the area of SPS, it is important to recognize that quality assurance is a value chain issue and not something that is solely controlled at the end of the manufacturing process at central laboratories.

Going forward, continuing to improve the quality assurance infrastructure available to Nepalese producers requires progress on several fronts, including but not limited to:

a) Improve the legislative and institutional frameworks for the enforcement of quality assurance;

b) Accelerate the process of international accreditation of national testing procedures and certifying national laboratories;

c) Strengthen inspection and testing facilities, as well as specialized human resources at central and provincial levels; and

d) Introduce traceability schemes in agro export sectors and increase efforts to encourage producers and processors to adopt HACCP, ISO 22000 FSMS and ISO 14000 standards.

Another critical area of NTMs is the protection of Intellectual Property Rights (IPRs). As part of its commitment of accession to the WTO, Nepal is bound to meet the obligation under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO. Various key Intellectual Property legislation need to be updated and/or made compliant with WTO obligations, starting with amending the existing Patent, Design and Trademark Act 2022 (BS) or promulgating a new Industrial Property Act permitting the use of utility models, Geographical Indications (GIs), and other rights included in the aforementioned agreement.

Nepal lacks a number of critically important intellectual property laws to protect its genetic resources, including medicinal and aromatic plants (MAPs), in which Nepal is richly endowed with and highly demanded in international markets.

The Intellectual Property (IP) chapter in the full report points to a number of Actions to be taken, including but not limited to:

a) Amend extensively or replace the current Patent, Design and Trademark Act;

B) Finalize and adopt the Plant Variety Protection and Farmers Right Act as well as the Access to Benefit Sharing Act;

c) Amend the Seeds Act;

d) Establish an IP Board or a separate IP Authority integrating all IP responsibilities. At present, IP responsibilities are scattered among several ministries, which tends to undermine the ability of Government to bring strong focus and resources to this important area;

e) Organize more effective campaigns to explain the importance of and encourage the use of IP protections, including collective trademarks or other tools, among priority export sectors; and

f) Make use of the preferential treatment opportunities for LDCs included in the WTO TRIPS Agreement. Nepal has yet to draw benefits from any of the preferences open to it under TRIPS.

Furthermore, the performance of MoC as the lead agency to develop overall trade sector has been affected due to lack of skilled and motivated human resources, experienced trade negotiators and a functional institutional mechanism to effectively mobilize domestic resources and development assistance in a coordinated manner. Additionally, as trade sector development requires involvement of various government agencies at different stages, the individual and institutional capacities of such agencies, and inter-agency coordination among them are not adequate for the growth of this sector. Similarly, the performance of the private sector is also held back due to inadequate human and institutional capacities. In addition to the trade negotiations capacity constraints, there is a dearth of skilled negotiators with a clear understanding of international laws and conventions, including the rights of access of land-locked states to the sea and freedom of transit while dealing with trade and transit-related issues, among others.

With a view to improving the institutional development and trade negotiation capacity, there is a need to focus on, but not limited to:

a) Strengthen the individual capacity of the officials of the MoC and other government agencies to deal with various trade-related matters;

b) Improve inter-agency coordination among government agencies, private sector and Development Partners;

c) Monitor and evaluate the implementation of trade-related policies and strategies at regular intervals; and

d) Enhance the representation of MoC in strategic forums and mainstream trade as one of the priorities of Nepalese missions abroad.

Finally, despite the service sectors outperforming the trade in merchandize goods, enough attention has not yet been given to enhance the sector and exploit its full potential. The capacity of domestic service providers to meet the requirements of the importing countries is limited. Also, the priorities of the government agencies related to services are mainly in fulfilling domestic demands rather than focusing on exports. As remittance has been playing a major role in maintaining balance of payments, it is necessary to shift the focus from unskilled to semi-skilled and skilled professionals to create sustainable growth in services exports.

In order to improve the services exports, the following issues could be focused on, but not limited to:

a) Take necessary actions for the recognition of qualifications, skills and experiences of Nepalese service providers by the importing countries;

b) Negotiate to relax economic needs and labour market test requirements being faced by Nepalese services and service providers in importing countries;

c) Take necessary legal and regulatory reforms related to service trade in order to facilitate Nepalese service providers to explore and exploit potential market; and

d) Utilize the provision of services waiver that has already been notified by more than 20 developed and developing countries.

7. Priority Export Potentials

NTIS 2016 has identified priority export potential goods and services based on two broad criteria: i) export performance and ii) inclusive and sustainable development. The criteria applied for the selection of priority export potential goods and services are mostly similar to those of NTIS 2010 with some additional parameters complemented by inputs from various stakeholders provided through consultations. The details of the criteria and the respective weightage are shown in Table 7:

Table 7: Criteria and Weightage for Selecting Priority Export Potential Goods and Services

Criteria/Parameters	Weightage (%)
I. Export Performance	
Export size	15
Export growth	20
Export potential index	20
Potential value addition	15
Potential destinations diversification	10
Sub-total	80
II. Inclusive and Sustainable Development	
Geographical regions	4
Environmental impact	4
Employment generation	4
Gender impact	4
Skills intensity and income generation	4
Sub-total	**20**
Total (I + II)	**100**

PRIORITY EXPORT POTENTIALS

The 12 sectors with the highest scores were selected as priority export potential sectors and the focus of in-depth analyses in the Strategy. Based on the scoring approach described above, nine goods sectors (four agro-based and five craft and manufacturing-based) and three services were selected, as shown in Table 8. It should be noted that fewer priority sectors were identified for NTIS 2016 compared to NTIS 2010. The reason for the further prioritization from 19 to 12 sectors is a lesson learnt from the implementation of NTIS 2010. It is important to focus the attention of stakeholders on a manageable set of priority value chains to ensure that sufficient capacity and resources are available for the complex tasks of realizing the desired outcome of sustainable export growth, benefitting poor and marginalized groups.

Table 8: Priority Export Potential Sectors

Priority Export Potential Sectors		HS Codes
Agro-based products	Cardamom	090830
	Ginger	091010
	Tea	0902
	Medicinal and Aromatic Plants	1211
Craft and manufacturing products	All Fabrics, Textile, Yarn and Rope	5509, 5407, 6305
	Leather	4104, 4106
	Footwear	6404
	Pashmina	6214
	Carpets	5701
Services	Skilled and Semi-Skilled Professionals at Various Categories (Remittance Generating Services)	
	IT and BPO and IT Engineering	
	Tourism (including leisure, business, education, and medical)	

All agro-based goods and Pashmina in the list of NTIS 2016 priority export potentials were in the list of priority sectors in NTIS 2010. Likewise, skilled and semi-skilled professionals at various categories, IT and BPO, and tourism services were also selected in NTIS 2010. Yarn, footwear, leather products, all textile products, and knotted carpets are new products selected in the priority list of NTIS 2016.

Table 9: Export Performance and Inclusive Sustainable Development Impact

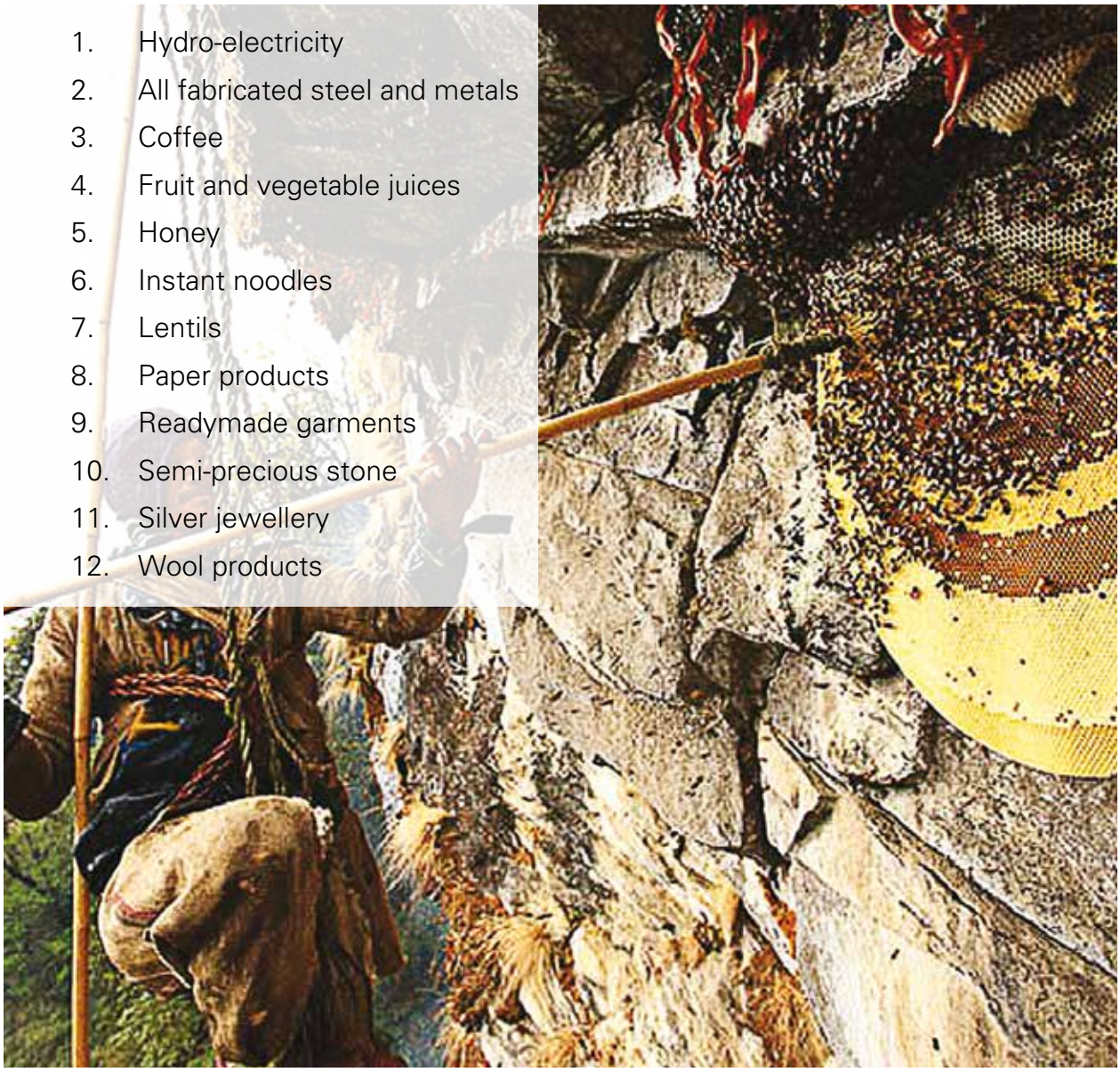
Sectors	Export Size	Export Growth	EPI	Potential Value Addition	Potential Destination	Regions	Environment	Employment Impact	Women	Skills+ earning
Agro-Based Goods										
Cardamom	Medium	Medium	High	High	Medium	Low	Medium	High	Medium	Low
Ginger	Low	Medium	High	High	Medium	High	High	High	Medium	Low
Medicinal Plants	Low	Low	High	Medium	Medium	Medium	High	Medium	High	Low
Tea	Low	Low	High	High	Medium	Medium	Low	High	High	Medium
Craft and Industrial Goods										
All Fabrics, Textile, Yarn, and Rope	High	Low	High	Medium	Medium	Medium	Low	Medium	Low	Medium
Carpets	High	Low	High	Low	Medium	Low	Low	High	High	Low
Pashmina	Medium	Low	High	Medium	Medium	Low	Low	Medium	High	Low
Footwear	Low	High	Medium	Medium	Medium	Low	Medium	Low	Low	Medium
Leather	Low	Medium	High	High	Medium	Medium	Low	Low	Low	Medium
Services										
Skilled and Semi-Skilled Professionals	High	High	High	Medium	Medium	High	Low	High	Low	High
Tourism	High	Low	Medium	Medium	Medium	Medium	Low	High	Medium	High
IT and BPO and IT Engineering	Low	Medium	High	High	High	Low	Medium	Low	Low	High

In addition to receiving in-depth focus in the analysis presented in NTIS 2016 Full Report, the 12 sectors will receive priority attention for implementation of Actions in the coming years.

Other Export Potentials and Continuation from NTIS 2010

It needs to be ensured that the implementation of sector-specific actions identified in NTIS 2010 should continue for sectors no longer included in NTIS 2016 priority list. In addition, stakeholders consulted during the formulation of NTIS 2016 indicated additional interest for a short list of sectors not included among the 12 sectors identified through the scoring approach. The result is a hybrid list of other export sectors deserving new or continued attention:

1. Hydro-electricity
2. All fabricated steel and metals
3. Coffee
4. Fruit and vegetable juices
5. Honey
6. Instant noodles
7. Lentils
8. Paper products
9. Readymade garments
10. Semi-precious stone
11. Silver jewellery
12. Wool products



8. Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) of Priority Export Potential Goods and Services

SWOT analysis was developed based on in-depth study of each of the 12 priority export sectors identified in NTIS 2016. The SWOT and the detailed sector analyses presented in the Full Report were used to identify required course of action for value chain development and promotion of the priority export potentials. Those actions are reflected in the Action Matrix of NTIS 2016.

SWOT Analysis: Large Cardamoms	
Strengths	**Weaknesses**
• Nepal is one of the largest producers and exporters • High value agro product with increasing demand in global market • Significant source of income and employment for farming households, including women • Suitable geographical and climatic conditions, mainly in hilly districts • Cardamom production helps to prevent soil erosion	• Inadequate specialized manpower • Weak linkages of Research and Extension • Limited value addition due to lack of modern processing and storage facilities • Inadequate supply of improved seeds and seedlings • Inefficient internal quarantine facilities • Limited supply of tissue culture seedlings and high price
Opportunities	**Threats**
• Possibility of production area expansion along hilly region • Possibility of productivity enhancement • Possibility of establishing processing facilities for value addition • Development of disease-free seedlings • Higher demand in third country	• Managing diseases/pests • Pricing mechanism • Higher dependency on a single market • Climate change

SWOT Analysis: Ginger	
Strengths	**Weaknesses**
• Significant source of income and employment for small farming families • Fourth largest producer of ginger in the world • Possibility of inter-cropping with other agriculture crops • Favourable geo-climatic conditions • Nepalese ginger regarded as high quality in world market	• Inadequate quality seeds • High crop loss due to diseases • Limited storage and processing facilities • Lack of internationally accredited laboratories with sufficient test parameters • Limited skilled human resources
Opportunities	**Threats**
• Increasing global demand • Potentiality of higher productivity and area expansion • Due to richness in oil and oleoresin, high potential for value addition • Rising demand in Ayurvedic medicines and other uses	• Incidence and control of disease- pest (Rhizome rot, rhizome fly) • High price fluctuation • Cheap and quality ginger being produced in neighbouring countries may result in loss of market share

SWOT Analysis: Tea	
Strengths	**Weaknesses**
• Special and unique geography and climate suitable for tea cultivation • Strong and functional farmer cooperatives • Most of large tea estates produce organic tea • Strong tea associations and related organizations with capacity to lobby and advocacy • National Tea Policy already in place • Supportive policy of the Government	• No brand identity in global market • Ineffective marketing and publicity • Lack of internationally-accredited laboratories • Limited technical schools, training centres and R&D • Lack of transparent mechanism to determine price for green tea • Inconsistent quality of product to meet buyers' demand
Opportunities	**Threats**
• Scope of production area expansion • Good opportunities for employment creation • Increasing global demand for Nepalese tea • Organically certified areas are expanding • Attractive price for organic tea in the global market • Scope for product diversification and brand value in niche markets	• Competition with major tea producers, eg. China, India, Bangladesh, and Sri Lanka • Price volatility • Unable to meet delivery requirements, including quality control such as meeting MRL regulations in destination markets • High dependency on a single market • Problems due to labour unions

SWOT Analysis: Medicinal and Aromatic Plants (MAPs)	
Strengths	**Weaknesses**
• Organic and unique, as most of them are collected from wild • Most of the species are endemic to the Himalayan region • There is a huge variety of MAPs found in Nepal • Source of employment and income to significant number of population in remote regions • Well-documented sector, with large number of studies done on potentials as well as benefits in all stages of the value chain	• Incomplete legal and institutional frameworks to protect Nepal's genetic resources • Lack of policy and system to implement Good Agriculture and Collection Practices (GACP) • Very few products currently being cultivated • Lack of storage and processing facilities • High dependency on exports to neighbouring countries • Lack of accredited quarantine facilities at the customs points • Inadequate Pest Risk Analysis for major products, and insufficient fumigation facilities
Opportunities	**Threats**
• Expanding world markets for organic herbs • High potential for expansion • Potentials to capture greater share of value in the overall global value chain through improved collection, storage and processing facilities	• Lack of knowledge of sustainable collection practices • Unsustainable harvesting is threatening the very existence of some species unique to Nepal • Weak Intellectual Property protection is leading to loss of rights on indigenous knowledge

SWOT Analysis: All Fabrics, Textiles, Yarn, and Rope	
Strengths	**Weaknesses**
• Competitive labour available • Good quality equipment and machinery available • Stable market in India (except for jute products) • High quality products • Good relationship with importing countries	• Higher costs and inefficient production process • Insufficient and irregular supply of electricity • Lengthy customs procedures • Insufficient domestic production of jute • Lack of market diversification
Opportunities	**Threats**
• Growing international markets • New and emerging markets with low tariffs for Nepal • Growing preference for organic packaging (in case of jute)	• Lack of demand for jute products in the Indian market due to existing regulations • Falling jute production in the country

SWOT Analysis: Leather	
Strengths	**Weaknesses**
• Well accepted in the world due to unique grain, fibre structure and texture of buffalo hides and goat skins • Expansion of the meat and dairy sector is a Government priority • Some tanneries capable of producing high exportable quality leather • Growing domestic market for footwear and leather articles	• Weak management of raw material collection • Difficulty in maintaining quality of output hides and skins due to poor practices in animal grazing and slaughtering • Poor supply chain • Trend of consuming meat with skin hindering the supply of raw material • Poor technical know-how to produce quality finished leather • Weak institutional capacity for technology innovation, human resources development and R&D • Customs duty on the import of raw hides and skins for processing in Nepal
Opportunities	**Threats**
• Value addition potential for growth and diversification • Opportunities for large employment generation • Potential to grow as capacity utilization of leather tanning industries • High demand for wet blue leather in international market due to export ban by neighbouring countries • Growing demand in the international market • Good use of byproducts of growing meat industry	• Competition from other countries with higher quality products • Lack of a strategy to mitigate environmental impact

SWOT Analysis: Footwear	
Strengths	**Weaknesses**
• Significant number of footwear manufacturers • High employment opportunity due to labour-intensive nature • Low labour cost • Good quality • Female worker-friendly • Skill development opportunities for the youth in short period of time (three to six months)	• Higher import tariffs on some of the raw materials compared to import taxes on finished products • Low investment in machinery and equipment due to high costs • Lack of common facility centre for some machines like imported leather measuring machine, logo embroidery machine, lasting machine, stitching machine and quality test laboratories
Opportunities	**Threats**
• Increasing demand in global market • Growing use of diversified footwear products in the market • Growing domestic market with potential of expansion • Growing awareness of domestic consumers for cheap, durable and good quality Nepalese footwear • Easy access to raw material (approximately 20% domestic and 80% from India and China)	• Competition due to price, quality, and volume from China and India • Insufficient control over imported pirated brands • Shortage of trained labour due to out-migration • High dependency on imported raw materials

SWOT Analysis: Chyangra Pashmina	
Strengths	**Weaknesses**
• Successful introduction of the "Chyangra Pashmina" mark for branding by Nepalese producers • Traditional manufacturing methods, quality and designs are unique selling points for Nepalese products in niche market • High employment opportunities • Ability to handle small high value orders • Low labour cost • Excellent long-term relationships with buyers	• Lack of modern yarn dyeing plants and facilities hampering 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 wool-producing regions • Lack of silk production in Nepal necessitates import of silk at higher prices from India • Weak networking in international market, thereby limiting ability to explore new markets or further penetrate existing ones
Opportunities	**Threats**
• Significant spare capacity to increase production and export to new regions • Potentials to expand in existing and new markets • Potential to increase goat farming and invest in domestic yarn producing to increase import substitution in wool • Demand for diversified Pashmina products are (beyond shawls and stoles) increasing	• Price competition with China and India • Shortage of skilled labour due to very large outmigration • Counterfeit products harming image

SWOT Analysis: Knotted Carpet	
Strengths	**Weaknesses**
• Strong socio-economic impact • Strong brand image in international market • The quality of Nepalese carpet is considered to be higher than that of its competitors (carpets of 150 knots are rarely produced elsewhere) • Nepalese designs are appreciated worldwide • Availability of carpet design software in the country • Customized production and no restriction on minimum order quantity (MOQ) as in machine-made carpets	• Cost of Nepalese carpets is relatively high than its competitors • Lack of quality testing and certification mechanisms • Long lead time compared to competitors • Low labour productivity • Insufficient market diversification • Price fluctuation of imported inputs
Opportunities	**Threats**
• Emerging markets in the Middle East and Asia • Establishment of a collective trademark can ensure protection against misuse of Nepalese brand name • Significant room for improvement in productivity of workers • Items like *Allo* (*Girardina diversifolia*) and hemp are unique to Nepal; so, carpets made of them have niche market opportunity • Preferential market access as an LDC	• Declining global demand in existing markets of Nepalese carpets owing to slowdown in world economy • Emergence of cheaper alternatives • Misuse of Nepalese brand name by manufacturers in other countries • Labour shortages owing to out-migration

SWOT Analysis: Skilled and Semi-skilled Professionals at Various Categories (Remittance-generating Services)	
Strengths	**Weaknesses**
• Nepalese human resources are cost competitive in the global market • High supply potential of Nepalese human resources • Crucial role of remittance in poverty reduction through income generation • At macro-economic level, remittances provide valuable foreign exchange and, therefore, mitigate the possible effects of trade in goods deficit • Low cost of remittance transfer • Returnees bring skills back to Nepal and are major potential of entrepreneurship	• Limited or no skills • Poor support and protection system for migrant workers • High costs of migration • High social cost for families • Inadequate support and incentive for returning migrants
Opportunities	**Threats**
• Well-established social networks help new migrants identify employment opportunities • Training future migrant workers can improve their skills and income potential • Role of Migrant Workers' Welfare Fund can be expanded to make it a potential source of investment • Existing popularity of hard-working and disciplined nature of Nepalese professionals	• Fall in oil prices and economic slowdown might reduce demand and wages in the Middle East • Shortages of workforce in the domestic market due to out-migration • Conflict and crisis in major labour-importing countries • Low levels of investment of income generated from migration

SWOT Analysis: IT and BPO and IT Engineering	
Strengths	**Weaknesses**
• Significant cost advantage of human resources as compared to competitor countries • Demographic advantage (young population in employable age bracket) • English language proficiency • Improved connectivity	• Lack of a coherent sector strategy in terms of target clientele and market segment • Insufficient strategy for skill development • Relatively high cost of broadband Internet • Insufficient and irregular electricity supply • Poor IPR, data and privacy protection regime
Opportunities	**Threats**
• Growing global demand for IT and BPO services • Growing emphasis on trade in services by GoN • Conducive international trade regime, including WTO services waiver for LDCs • Fast developing telecommunications sector, including competitive broadband development • Nepalese diaspora providing IT footprint in overseas markets	• Limited domestic opportunities for skilled human resources leading to brain drain • Unstable labour relations and strikes limiting ability to scale up the sector • Disruptive technological changes, especially automation, impact entry-level opportunities in BPO markets

SWOT Analysis: Tourism	
Strengths	**Weaknesses**
• Abundant existence of natural and cultural attractions, religious sites, World Heritage sites • Established image of adventure and cultural interest in emerging markets • Hospitable and welcoming nature of Nepalese as destination hosts • Operation of air services by foreign airlines connecting numerous cities in emerging market • Priority of the Government for the development of sustainable tourism • Favourable policies and institutional arrangements • Private sector investment fairly mobilized for tourism services and facilities	• Lagging capacity expansion relative to targeted volume of tourists • Limited capacity of a single international airport in the country (TIA in Kathmandu) to accommodate growing national and international traffic • Poor surface transport infrastructure and limited road networks • Congestion at tourist sites due to absence of destination site management • Lack of local travel industry's capacity to penetrate international market directly • Lower quality of tourism services in hotels, restaurants, local transport and others • Absence of hygiene codes for health safety • Limitation of supply of utilities such as electricity and water
Opportunities	**Threats**
• Booming outbound market of neighbouring countries • Niche in adventure tourism, eco-tourism, community-based tourism • Strengthening inter-sectoral linkages • Emergence of new segments such as Meeting Incentive Convention Event (MICE), education, health wellness, meditation and others • Gradual opening up of new tourist sites for expedition and trekking • Stability in the country with enhanced safety and security • Establishment of Bhairahawa airport as international airport provides additional air connectivity	• Over and unplanned development around sites of tourist interest degrading attractions • Competition from emerging regional destinations (Bhutan, Myanmar, Tibet, India)

9. Implementation Mechanisms for NTIS 2016

To facilitate the process of reviewing and updating NTIS 2010, MoC constituted a Steering Committee under the leadership of the Secretary of the Ministry. The Steering Committee included representatives from line ministries and agencies, the private sector, Development Partners, and experts. A Technical Committee, led by a Joint Secretary of MoC, was formed to facilitate the day-to-day process and to support the team of experts recruited by MoC. In addition, six Thematic Working Groups led by Joint Secretaries from relevant line ministries were constituted to contribute to the analyses of different sectors and cross-cutting issues. Finally, a large number of consultations were held at central and local levels involving line ministries, private sector, Development Partners, civil society and media.

Going forward, the Government of Nepal is committed to building on the mechanisms in place to implement NTIS 2010 and those set up to assist with the formulation of NTIS 2016 to ensure strong national ownership and robust commitment for effective implementation. The GoN is committed to allocating adequate resources and taking up required policy reforms to implement the recommended actions and activities proposed in NTIS 2016.

Enhanced Integrated Framework National Steering Committee (EIF NSC) has been constituted under the chairpersonship of the Minister for Commerce with a view to ensuring effective coordination for implementation of the Strategy through policy and strategic guidance and resource mobilization. The composition of the EIF NSC is as follows:

EIF National Steering Committee:

Minister, Ministry of Commerce, Government of Nepal	Chairperson
Chief Secretary, Government of Nepal	Vice-Chairperson
Secretary, Ministry of Finance	Member
Secretary, Ministry of Industry	Member
Secretary, Ministry of Law, Justice and Parliamentary Affairs	Member
Secretary, Ministry of Agricultural Development	Member
Secretary, Ministry of Foreign Affairs	Member
Secretary, Ministry of Commerce	Member
Secretary, Secretariat of the National Planning Commission	Member
Deputy Governor, Nepal Rastra Bank	Member
President, Federation of Nepalese Chambers of Commerce and Industries	Member
President, Confederation of Nepalese Industries	Member
President, Nepal Chamber of Commerce	Member
Joint Secretary, Planning and International Trade Cooperation Division, MoC	Member Secretary

SIX THEMATIC COMMITTEES

The EIF NSC meets a minimum of two times annually, normally in February and August, to review progress and provide necessary guidance. Going forward, it will assess annually the performance of each Thematic Committees and Product-Specific Focal Points assigned for implementing NTIS. The terms of reference (ToR) and composition of the Thematic Committees are the prerogatives of the EIF NSC.

Six Thematic Committees, as presented in Table 10, will be responsible for facilitating implementation of recommended Actions through the lead agencies in collaboration with other agencies and stakeholders:

Table 10: Six Thematic Committees

Thematic Committees	Thematic Areas	Lead Agencies	Coordinators
Thematic Committee 1	Aid for Trade and Trade in Services	MoC	Joint Secretary, Planning and International Trade Cooperation Division, MoC
Thematic Committee 2	Trade negotiation capacity building, trade infrastructure development, and trade support institutions	MoC	Joint Secretary, Export Promotion, Trade and Transit Division, MoC
Thematic Committee 3	Agricultural products development and SPS measures	MoAD	Joint Secretary, Agri-Business Promotion and Statistics Division, MoAD
Thematic Committee 4	Craft and manufacturing products development, Investment facilitation, TBT, and IPRs	MoI	Joint Secretary, Industrial Promotion Division, MoI
Thematic Committee 5	Customs and Trade Facilitation	MoF	Joint Secretary, Revenue Division, MoF
Thematic Committee 6	Policy and legislative reforms	OPMCM	Joint Secretary, OPMCM

The line ministries and agencies, as specified in the Action Matrix, will be responsible for implementing respective activities. In addition, concerned private sector entities are entrusted to carry out assigned activities to facilitate the implementation of the Strategy.

The review of NTIS 2010 suggests limited results in implementing product-specific actions as compared to cross-cutting activities, due to the absence of a clear allocation of responsibilities to individual agencies for product-specific activities, insufficient coordination, and lack of resources, among others. As a result, Focal Points have been designated and assigned with specific roles and responsibilities to ensure high level of progress in product-specific activities (Table 11). The Focal Points will coordinate with other agencies concerned (Government, private sector and Development Partners) while implementing respective action recommendations of the Strategy.

Table 11: Focal Points for Priority Export Potential Goods and Services

Priority Export Potential Sectors		Focal Point
Agro-based products	Cardamom	Director, Vegetable Development Directorate, DoA, in coordination with Programme Director, National Spices Crops Development Programme
	Ginger	Director, Vegetable Development Directorate, DoA, in coordination with Programme Director, National Spices Crops Development Programme
	Tea	Executive Director, NTCDB
	Medicinal and Aromatic Plants	Director General, DPR (in collaboration with Department of Agriculture)
Craft and manufacturing products	All Fabrics, Textile, Yarn and Rope	Joint Secretary, Industrial Promotion Division, MoI (in coordination with DoSCI, DOI, and other agencies)
	Leather	Joint Secretary, Industrial Promotion Division, MoI (in coordination with DoSCI, DOI, DLS, and other agencies)
	Footwear	Joint Secretary, Industrial Promotion Division, MoI (in coordination with DoSCI, DOI, and other agencies)
	Pashmina	Joint Secretary, Industrial Promotion Division, MoI (in coordination with DoSCI, DOI, DLS, and other agencies)
	Carpets	Joint Secretary, Industrial Promotion Division, MoI (in coordination with DoSCI, DOI, and other agencies)
Services	Skilled and Semi-skilled Professionals at Various Categories	Joint Secretary, Foreign Employment and International Labour Relation Division, MoLE
	IT and BPO and IT Engineering	Director General, Department of Information Technology
	Tourism (including leisure, business, education, and medical)	Director General, Department of Tourism

The Ministry of Commerce will coordinate and monitor the entire implementation of NTIS 2016. Thematic Committees will submit progress reports to the Ministry in January and July. The progress reports will be discussed at a meeting chaired by the Secretary of MoC prior to the corresponding meeting of EIF NSC. The meeting will provide guidance and direction to the Thematic Committees for effective implementation of the Strategy, and refer and recommend to the Steering Committee on matters requiring higher-level interventions.

Recognizing the role of the National Implementation Unit (NIU) in facilitating and coordinating the implementation of the Strategy, the NIU will be further strengthened through capacity building

and other required administrative adjustment. The NIU will coordinate the mobilization of Aid for Trade (AfT) and capacity enhancement of the WTO Focal Points in line Ministries and private entities.

The Action Matrix identifies 190 Short- and Medium-term Actions to be completed between 2016 and 2020. To ensure effective implementation of the Action Matrix, both domestic and international resources need to be mobilized. A donor group on AfT will harmonize the support of Development Partners to achieve the Outcomes of NTIS 2016. The Donor Facilitator is expected to play a key role in leveraging resources to implement the Strategy. In addition, the GoN will adopt a Sector-wide Approach (SWAp) or similar modality for effective implementation of the Strategy through coordination and mobilization of domestic resources and AfT.

10. Monitoring and Evaluation

The Ministry of Commerce will monitor the implementation of NTIS 2016 and share findings with the EIF NSC every August. Inputs and output will be monitored against the indicators and targets of the Strategy reflected under the Action Matrix. An independent mid-term review and evaluation will be carried out by MoC in coordination with agencies concerned and the EIF. The GoN will update the Strategy in five years.

Other Export Potentials and Continuation from NTIS 2010

NEPAL TRADE INTEGRATION STRATEGY 2016

Action Matrix

Priority Export Potential Sectors of NTIS 2016

11. NTIS 2016 Action Matrix

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Development Goal: Increase the contribution of export potential goods and services to the national economy through improved trade enabling environment and strengthened value chain development of priority potential products			
Indicator 1	FDI in Nepal was US$1.1 billion in 2014	FDI in trade and industry sector increased by 15% per annum	MoI, MoF, MoC
Indicator 2	38 out of 253 Actions identified in NTIS 2010 implemented in 2014	At least 80% of NTIS 2016 Action recommendations implemented	GoN, Private sector
Indicator 3	Logistic Performance Index (Score): 2.59	Logistic Performance Index (Score): 3	GoN, Private sector
Indicator 4	Share of export of NTIS 2016 products (9 goods) in GDP was 1.93% in 2012/13	Share of export of NTIS 2016 products (9 goods) in GDP reached 4% in 2020	MoC, MoI, Line ministries, Private sector
Cross-cutting Issues			
Development Impacts, Outcomes, Actions	**Key Performance Indicators**		**Responsible Agencies**
	2014 Baseline	**Target by 2017 (Short-term) and by 2020 (Medium-term)**	
Outcome 1: Trade Capacity, including Trade Negotiation A strong capacity supportive of trade development, including in areas of trade negotiation in place	GoN implements trade capacity building programmes, including trade negotiation capacity development with support from development partners Capacity of institutional mechanisms to implement NTIS remains limited Trade negotiations capacity also remains limited	Institutional mechanisms to implement NTIS 2016 are highly effective Trade negotiation capacity at multilateral, regional and bilateral levels further enhanced	MoC and Line ministries
Short-term Actions: 2016–2017			
Action 1: Conduct capacity development need assessment of NIU, MoC, Thematic Committees, concerned agencies and Private sector involved in export trade	A draft capacity development strategy for enhancing capacity of NIU and MoC has been prepared with support from GIZ but not yet officially approved	A comprehensive capacity development needs assessment developed and approved	MoC

NTIS 2016 ACTION MATRIX

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Conduct trade negotiation training in country with special focus on multilateral, regional and bilateral trade	Few training in trade negotiation have been conducted; however, such training at wider level not yet conducted	At least two training in country at each level of trade negotiation (multilateral, regional, bilateral) conducted	MoC
Action 3: Send MoC officials to participate in advanced-level trade negotiation training programmes abroad focusing on bilateral trade	Few officials trained in bilateral negotiations abroad	MoC officials participate in at least two training programmes on bilateral negotiations abroad	MoC
Action 4: Send MoC officials to participate in advanced-level trade negotiation programmes abroad focusing on regional and multilateral trade from Nepalese perspective (also from LDCs and LLDCs perspective)	Few officials trained in regional and multilateral negotiations abroad	MoC officials participate in at least three training programmes on regional and multilateral negotiations abroad	MoC
Action 5: Assign roles and responsibilities to all concerned institutions and committees	ToR for EIF Technical Committees have been assigned by the EIF NSC	Clear-cut role, responsibilities, and ToRs of Thematic Committees, Product-specific Focal Points and WTO Focal Points assigned	EIF NSC
Action 6: Conduct periodic monitoring of the implementation of the Strategy	Monitoring of the implementation of the NTIS 2010 conducted but not institutionalized well	Yearly monitoring of the implementation of the Strategy conducted and feedback adjusted as per the instruction of the EIF NSC	MoC
Medium-term Actions: 2018–2020			
Action 1: Implement recommendations of the capacity development strategy	A draft capacity development strategy for enhancing capacity of NIU and MoC has been prepared with support from GIZ but not yet officially approved	Comprehensive capacity development strategy implemented	MoC, Line Ministries, Private sector

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Develop and introduce Sector-wide Approach in Trade Sector Development (Trade SWAp) or similar modality for effective resource mobilization	A draft implementation modality of Trade SWAp has been drafted but not yet finalized	Effective Trade SWAp implementation modality or similar modality finalized and being implemented	MoC
Action 3: Prepare trade negotiation strategy paper at multilateral, regional and bilateral levels and institutionalize such practices	A few strategy papers developed in the past but such practice not yet institutionalized	Trade negotiation strategy paper prepared before negotiations and such practices institutionalized	MoC
Action 4: Incorporate trade, especially export-related matters in the role and responsibilities of concerned Ministries and Agencies	Trade not yet incorporated in the role and responsibilities of the concerned Ministries and Agencies	Trade, especially export trade-related matters, incorporated in the role and responsibilities of the concerned Ministries and Agencies	MoC, OPMCM, concerned Ministries and Agencies
Action 5: Mainstream trade in national and sectoral plans, policies, programmes and activities	Trade agenda has been incorporated in periodic national development plan but not effectively mainstreamed in sectoral plans, policies, programmes and activities	Trade agenda in national and sectoral plans, policies, programmes and activities fully mainstreamed	OMPCM, MoC, NPC, Line Ministries
Action 6: Enhance inter-agency coordination for export sector development	Inter-agency coordination has been improved to some extent but requires further improvement	Inter-agency coordination for export trade development further enhanced	OPMCM, MoC, Line Ministries
Action 7: Maximize benefit from the WTO Services Waiver provision	Some initiations have been taken to benefit from the provision	Nepal's priority export potentials of services being benefited from the provision	MoC
Outcome 2: Trade and Investment Environment Supportive policy and business environment for trade and investment in place	Trade Policy 2015 introduced A draft export–import management act prepared NTIS update initiated	Trade Policy 2015 implemented effectively Export–import management Act and rules in place Updated NTIS implemented	MoC, Line Ministries and Private sector
	Foreign Direct Investment (FDI) Policy 2015 adopted A new Foreign Investment and Technology Transfer Act (FITTA) is being drafted Legal and regulatory reforms initiated	FDI Policy 2015 implemented effectively Legal and regulatory reforms completed	MoF, MoI, MoC

NTIS 2016 ACTION MATRIX

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Short-term Actions: 2016–2017			
Action 1: Complete all trade-related (goods and services) legal and regulatory reforms	25% of the 101 trade-related legal and regulatory reforms identified in NTIS 2010 have been completed	At least 40% of trade-related legal and regulatory reforms identified in NTIS 2016 completed	OPMCM, MoC, Line ministries
Medium-term Actions: 2018–2020			
Action 1: Complete all legal and regulatory reforms related to trade (goods and services)	25% of the 101 trade-related legal and regulatory reforms identified in NTIS 2010 are completed	At least 80% of trade-related legal and regulatory reforms identified in NTIS 2016 completed	OPMCM, MoC, Line ministries
Outcome 3: Trade and Transport Facilitation Nepal's export competitiveness increased through improved trade and transport facilitation	Cost of customs clearance for imports in Nepal in 2013 is twice as high as the median cost for Bangladesh–India–Sri Lanka	Cost of customs clearance reduced to median cost for Bangladesh, India, and Sri Lanka	DoC, MoC
	Inland transportation and handling is 18 days for exports and 14 days for imports for a 20-foot container	Number of days required for inland transportation and handling for exports and imports reduced by 25% by 2020	DoC, MoPIT
Short-term Actions: 2016–2017			
Action 1: Improve domestic transportation system	Lack of integrated intermodal transport system	An integrated intermodal transport plan in place Multimodal Transport Act and Regulation effectively implemented	DoR, CAAN, MoPIT, MoCTCA
Action 2: Upgrade infrastructure at airports	TIA is in the process of being upgraded No plans to upgrade other domestic airports Two regional airports and an international airport in Nijgadh are underway	Plan for improving domestic airport facilities adopted and implemented	MoCTCA, CAAN, MoF
Action 3: Make the transport sector competitive by eliminating cartel and syndicate in transport sector	Syndicate exists in practice in the trucking sector and the sector is non-competitive	Competitive trucking and transportation sector through effective enforcement of legal and regulatory provisions	MoPIT, MoC

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 4: Improve road conditions and networks	Limited road connectivity and poor maintenance Programmes to extend road networks up to rural areas are underway	Effective road network linking production areas of priority export potential sector and regular maintenance ensured	MoPIT, MoC, MoF
Action 5: Expand road network using PPP model	The Kathmandu–Kulekhani–Hetauda tunnel has been initiated in PPP model	Road connectivity being developed in PPP model	MoPIT, MoFALD, MoC, MoF
Action 6: Simplify customs procedures in line with Revised Kyoto Convention (RKC)	Major customs are implementing advanced customs clearance procedures, including ASYCUDA++	Customs procedures reformed as outlined by RKC Customs using ASYCUDA World Single Window System for Customs procedures implemented	MoC, DoC, CAAN
Action 7: Make required interventions to meet WTO TFA obligations	DoC's CRMSAP not yet aligned with WTO TFA	Customs reforms and modernization actions are identified and implemented in compliance with the three categories (A, B, C) in WTO TFA	DoC
Action 8: Develop an effective AEO system	There is no AEO system in place as of 2014	An effective AEO system established	DoC
Action 9: Train customs brokers to make them able to use key features of recent reforms in customs procedures	Customs brokers are not equipped to use and understand many of the new customs procedures	Customs brokers trained to use the new customs procedures	DoC
Action 10: Publish average release time for all key border crossings	DoC does not have a system to establish and publish average release time for all key borders crossings	Average release time for all key border posts system established and published	DoC
Action 11: Make updated data base available to customs officers on customs valuation and importers on DoC's website	Insufficient database on customs valuation	Updated database available on customs valuation	DoC
Action 12: Ensure fully functioning PCA offices	PCA offices are in place but capacity of staff is weak	Functional PCA offices in place	DoC

NTIS 2016 ACTION MATRIX

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 13: Make ICD, Birgunj fully operational	ICD, Birgunj is not price competitive and needs to be registered with the World Maritime Organization (WMO)	Fully operational ICD, Birgunj in place along with its registration with the WMO	MoC, DoC, NITDB
Action 14: Ensure required infrastructure and operational modalities to utilize additional ports of India, Bangladesh and China	Access of Nepalese traders to competitive sea ports in India is very limited	Additional ports utilized and export volume increased	MoC, MoPIT, NITDB
Action 15: Introduce electronic data interchange system at port customs and land border customs	Electronic data interchange system at port customs and land border customs not in place	Electronic data interchange system at port customs and land border customs introduced	DoC
Action 16: Finalize the Export–Import Management Act (draft) and get approval from the Parliament	A draft of Export–Import Management Act has been prepared	Export–Import Management Act enacted	MoC
Medium-term Actions: 2018–2020			
Action 1: Initiate measures for developing an effective railway network in Nepal	Nepal has no railway network and railway policy as of 2014	Railway policy under implementation and construction programme initiated	MoPIT, Dept. of Railways
Action 2: Implement full-fledged ASYCUDA across all major customs points	ASYCUDA installation remains partially completed in terms of modules and limited to key border posts The web access has yet to be installed Duplicate manual procedures continue parallel to ASYCUDA procedures	A full-fledged web-based ASYCUDA in all major customs points fully implemented	DoC
Action 3: Develop functional National Single Window (NSW) system	Some initiatives taken for development of an NSW system	A fully developed NSW system implemented	DoC, MoI, MoAD, MoC, NITDB
Action 4: Strengthen infrastructure at customs points	There is no clear-cut plan to invest in much needed infrastructure in customs points	Clear-cut investment plan for infrastructure development in customs points in place and being implemented	DoC, MoI, MoAD, MoF

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 5: Negotiate for South Asian Regional Transit Agreement to lower transit cost in the region	No concrete transit agreements in the region	Regional Transit Agreements negotiated	MoC, DoC
Outcome 4: Standards and Technical Regulations Increased competitiveness of Nepali exporters through strengthened laboratory and testing facilities	Seven producers (potential exporters) have received ISO 9001 certifications	200 potential exporters received ISO 9000, ISO 14000, SA 8000, OHS 18000 or ISO 17000	MoI, NBSM, Private labs
Short-term Actions: 2016–2017			
Action 1: Amend Nepal Standards Act and Regulations	Cabinet approved initial draft; MoI yet to complete revisions and receive comments from WTO	Nepal Standards Act and Regulations amended	MoI, MoC, NBSM
Action 2: Make Nepal Accreditation Act and Regulations	Cabinet approved initial draft; NBSM yet to complete revisions	Nepal Accreditation Act enacted	MoI, MoC, NBSM
Action 3: Enforce WTO-TBT Agreement Code of Good Practice and notify ISO NET	Enforcement of WTO-TBT Agreement Code of Good Practice not yet initiated	Code of Good Practice adopted and work plan notified to ISO NET regularly at six-month interval, as required	Nepal Council on Standards (NCS), MoI, MoC, NBSM
Action 4: Strengthen WTO-TBT Enquiry Point	WTO-TBT Enquiry Point established but weak in capacity; limited coordination with MoC on notifications	Interactive WTO-TBT Enquiry Point website in place, at least five awareness programmes for Nepalese exporters organized	NBSM
Action 5: Sensitize exporters about product and process standards	NBSM and DFTQC hold periodical workshops for producers but are not sufficient	Private sector sensitized about product and process standards	NBSM, DFTQC with product associations

NTIS 2016 ACTION MATRIX

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 6: Accelerate the process of securing international accreditation for private and public laboratories, including NBSM and DFTQC, for product and test certification	NBSM chemical laboratory for 61 parameters of 9 products and mass calibration laboratory for 23 parameters are internationally accredited by NABL India DFTQC chemical laboratories internationally accredited for 27 parameters by NABL, India Two private laboratories internationally accredited for some medicines, food items, and water 12 laboratoties accredited by NEPLAS but NEPLAS is not internationally accredited	NBSM's scope of accreditation expanded to include volume, temperature, force, pressure calibration, mechanical, textile, electrical, and additional chemical parameters DFTQC's scope of accreditation expanded to include MRL and microbiology Another 3 private laboratories internationally accredited for some products and test parameters	NBSM, DFTQC, Private sector
Action 7: Ensure international accreditation of several private and public certifiers for ISO 9000, ISO 14000, SA 8000 and OHS 18000	NBSM accredited by NABCB, India for ISO 9001 only	NBSM accredited for ISO 14000 SA 8000 and OHS 18000 Five private certifiers accredited for at least one of the four international standards	NBSM, Private sector
Action 8: Ensure international accreditation of several private and public certifiers for HACCP and ISO 22000	DFTQC cannot provide system certification under Food Act NBSM provided HACCP certification and ISO 22000 certification are in process	5 public and private certifiers for HACCP and ISO 22000 accredited	NBSM, DFTQC, Private sector
Action 9: Prepare and implement Quality Infrastructure Development Strategy	No national policy and strategy for quality infrastructure development	National policy and strategy for quality infrastructure development prepared and being implemented	MoI, MoAD, NBSM, DFTQC
Action 10: Establish national training centre on quality infrastructure	NBSM conducts training programmes on quality on annual basis only for awareness creation	A well-functional National Training Centre established	NBSM, DFTQC

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Medium-term Actions: 2018–2020			
Action 1: Establish Nepal Accreditation Board with adequate staffs	Nepal Accreditation Board not yet established	Nepal Accreditation Board fully established and staffed; capacity development plan in place; affiliation to international accreditation bodies established; accreditation process in Nepal started; mutual recognition agreement concluded	MoI, MoAD
Action 2: Establish additional specialized product laboratories on a PPP basis and ensure accreditation of laboratories	Specialized laboratories for handicraft and textile established on PPP basis No laboratory internationally accredited	Three specialized laboratories established on PPP basis and accredited internationally	NBSM, DFTQC
Action 3: Formulate additional standards and technical regulations for non-food export products harmonized with ISO/IEC/Codex	25 standards for export products yet to be fully harmonized with ISO/IEC/ Codex	35 standards for non-food export products formulated and harmonized with ISO/IEC/ Codex	NBSM
Action 4: Harmonize technical regulations for food products with Codex	115 technical regulations for food products exist, only few are harmonized with Codex	Two-thirds of the technical regulations for food products harmonized with Codex	DFTQC
Action 5: Develop and maintain inventory of products/system certifiers operating in Nepal	Nepal Accreditation Board does not exist; no such inventory available	Inventory developed and transferred to Nepal Accreditation Board once established	NBSM followed by NAB
Outcome 5: Sanitary and Phyto-sanitary Standards The competitiveness of Nepalese exporters of agro- based products increased through enhanced capacity to meet international standards	As of early 2015, 20 manufacturing establishments have received HACCP or ISO 22000 certification	At least 30 exporters received HACCP or ISO 22000 certification	DFTQC, NBSM, Private sector
	As of early 2015, traceability scheme available only in the milk sector in a limited way	Traceability schemes in five agro-based export sectors implemented	MoAD, DFTQC, commodity associations

NTIS 2016 ACTION MATRIX

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Short-term Actions: 2016–2017			
Action 1: Improve SPS-related legal framework	Food Act 1966, Animal Health and Livestock Act 1991,Veterinary Council Act 2000,Pesticide Act 1991 and Pesticide Rules 1994 still not amended	Food Act 1966, Animal Health and Livestock Act 1991,Veterinary Council Act 2000, Pesticide Act 1991 and Pesticide Rules 1994 amended	MoAD, OPMCM
Action 2: Strengthen surveillance capacity of MoAD at field level	Surveillance capacity of MoAD at field level is weak, including in mishandling of chemicals and pesticides on crops and use of veterinary medicine	Registration and licensing system for suppliers and sellers of chemicals, pesticides, veterinary medicines at district level established	MoAD, DoA, DLS
Action 3: Enhance inspection and enforcement capacity for food hygiene and safety at central and regional levels in food processing and catering	There is very limited capacity in DFTQC and at regional level to implement and enforce food hygiene and safety in food processing and catering establishments (including hotels and restaurants); insufficient trained staff and lack of clear regulations	Inspection and enforcement capacity for food hygiene and safety at central and regional levels in food processing and catering establishments, including hotels and restaurants, enhanced	MoF, MoGA, DFTQC
Action 4: Establish a framework to implement traceability schemes in value chain of agro-based products	There is no robust framework to implement traceability schemes in value chain of agro-based products	A robust framework for the implementation of traceability schemes in value chain of agro-based products in place	MoAD, DFTQC
Action 5: Establish internationally accredited laboratories for MRLs	There is no laboratory that is internationally accredited for MRLs and other key food safety parameters	DFTQC chemical laboratory internationally accredited for MRLs	DFTQC
Action 6: Make the National SPS Coordination Committee functional	The National SPS Coordination Committee is practically not functional as expected	Functional National SPS Coordination Committee	MoAD, MoC, MoI,
Medium-term Actions: 2018–2020			
Action 1: Strengthen laboratories and quarantine facilities at regional centres and customs points	High turnover of trained SPS staffs in regional centres and customs points Lack of basic testing equipment in regional centres and customs points	Laboratories and quarantine facilities at regional centres and customs points strengthened with trained SPS human resources and adequate equipment	MoAD, DFTQC, DoA, DLS

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Establish a training institute for SPS	SPS training and awareness raising is mostly supported by donor programmes and MoAD has limited resources at its disposal	An SPS training institute established with dual mandate to train SPS professionals and assist in awareness raising about food hygiene and safety in the private sector (preferably, using PPP model)	MoAD, DFTQC, Private sector
Outcome 6: Intellectual Property Rights Increased number of Nepalese producers using IPR protections as a competitiveness factor	Use of GIs for Nepalese products not yet implemented	GIs of relevant NTIS 2016 products registered in Nepal and abroad	MoI, MoAD, MoFSC, IPR authority/ office, Private sector
	No Utility Models registered by Nepalese producers and innovators	Utility Models registered by Nepalese producers and innovators	MoI, MoAD, MoFSC, IPR authority/ office, Private sector
	There were 17 designs registered by Nepalese producers and designers in 2011	A minimum of 35 designs registered by Nepalese producers and designers	MoI, MoAD, IPR authority/ office, Private sector
Short-term Actions: 2016–2017			
Action 1: Amend PDTA by incorporating Utility Models, GIs and other IPR-related provisions	PDTA 1965 last amended in 2006 A new IPR policy is being drafted	PDTA amended or a new Industrial Property Act adopted by including Utility Models, GIs, and other IPRs	OPMCM, MoI, MoC
Action 2: Protect farmers' rights (plant variety)	Draft for Plant Variety Protection and Farmers' Rights Act (PVPFRA) prepared in 2004	PVPFRA enacted	OPMCM, MoAD, MoFSC
Action 3: Protect farmers' rights (seeds)	The Seeds Act/Rules do not protect farmers' rights in the local seed varieties	The Seeds Act/Rules amended and adopted to allow certification of seeds produced by farmers and farmers' rights to sell and benefit from the sale of local varieties	MoAD
Action 4: Protect access and benefit sharing rights	Draft for Access to Genetic Resources and Benefit Sharing Act (ABS Act) prepared in 2002	Access to Genetic Resources and Benefit Sharing Act enacted	OPMCM, MoFSC

NTIS 2016 ACTION MATRIX

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 5: Establish mechanisms to protect the rights of local communities	There is no adequate mechanism for pre- and post-grant challenges of IPRs	Mechanism in place	IPR Office and NCOR
Action 6: Establish a dispute settlement mechanism for IPR	There is no proper forum in Nepal to settle IPR disputes	A dispute settlement mechanism for IPR established	MoI
Medium-term Actions: 2018–2020			
Action 1: Ensure adequate human and institutional resources to implement IPRs	Two offices are responsible for implementing IPRs; there is no sufficient coordination and staffs are also not well-trained in IPR	An integrated IPR office/ authority well equipped with trained human resources and adequate equipment in place	OPMCM, MoI, MoC
Action 2: Provide incentive package to encourage Nepalese firms, innovators, and creators for protecting IPR	There are no incentives to encourage Nepalese producers, innovators, and creators to protect IPR	Incentive packages such as tax holidays, other fiscal support measures to encourage Nepalese producers, innovators, and creators in place	MoF, MoI, IP office
Outcome 7: Trade in Services Competitiveness of Nepalese service sector increased	Service exports of Nepal in year 2012–13 were US$1.08 billion and the inflow of remittance was US$4.94 billion in the same year	Nepal's service exports and inflow of remittance grown on an average of 20% annually	MoC, Line Ministries and Private sector
Action 1: Strengthen Trade in Services inquiry point	WTO Commitment Fulfillment Section of MoC is assigned as Service Inquiry Point The Inquiry Point has not been able to collect, provide and disseminate required service trade-related information effectively and efficiently	Fully functional Service Inquiry Point in place	MoC
Action 2: Maintain and update efficient data system of trade in services	Currently, the service trade data is fully acquired through balance of trade data of Nepal Rastra Bank There is a lack of service trade data system	Separate service trade data management system in operation	TEPC

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 3: Mainstream trade in services in the policies, programmes and activities of the Ministries concerned	Trade in services has not received much attention in national development process Ministries and other agencies related to service trade have not prioritized trade in their policies and programmes	Trade in services fully mainstreamed in national development process and prioritized by the concerned Ministries and agencies	MoC, MoF, NPC, NRB and other line Ministries
Action 4: Improve payment mechanism for export of services	The payment of service exports and inflow of remittance are not fully received through formal channels	About 90% of payment of service export and inflow of remittance received through formal channels	MoC, NRB
Action 5: Initiate negotiations at various bilateral and multilateral forums to include the movement of 'skilled and semi-skilled professionals at various categories' under Mode 4	Semi-skilled human resources are not included under Mode 4	Semi-skilled human resources included under Mode 4	MoC, MoFA
Action 6: Assess and explore market potentials and promote Nepalese service sectors through diplomatic missions abroad	Service trade promotion has not been a priority of diplomatic missions abroad	Priority service sectors promoted through diplomatic missions abroad	MoFA, MoC
Priority Export Sectors			
Outcome 8: Large Cardamom Volume and value of export of large cardamom increased	5,750 MT of large cardamom were produced in 2012/13 Price (US$/MT) of Nepalese export is 50% of that of Indian exports due to low value addition	6,500 MT of large cardamom produced Price (US$/MT)of Nepalese exports increased to 75% of that of Indian exports	MoAD, DoA, NSCDP, CDC, NARC, farmers MoAD, MoC, MoF, CDC, NARC, Cooperatives, Private Sector
Short-term Actions: 2016–2017			
Action 1: Adopt a clear road map for cardamom development	No Cardamom Promotion Strategy is in place	Cardamom Promotion Strategy 2015–2019 adopted and being implemented	MoAD, MoC,

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Establish international accredited laboratory testing system to support the sector	There is no internationally accredited laboratory to test and certify exports from the sector	Internationally accredited laboratories to test and certify exports established	DFTQC, DoA, private sector
Action 3: Improve irrigation system	There is a lack of modern irrigation system	1,000 hectares of land cultivating large cardamom equipped with adequate irrigation system	DoIr, DoA
Action 4: Implement traceability system	The sector lacks traceability systems increasingly demanded in the international market	Traceability systems formulated and being implemented	MoAD, DoA, NSCDP, DFTQC
Action 5: Improve branding in the sector	The sector lacks collective trademark and representative sales offices in key markets	A collective trademark adopted and registered in target destinations, and sales offices established in those destinations	MoC, MoI, TEPC, MoAD, NSCDP
Action 6: Increase the number of cooperatives to scale up and improve farming techniques	There are limited number of cooperatives in the sector	Multi-functional and increased number of cooperatives	MoAD, CDC, private sector
Medium-term Actions: 2018–2020			
Action 1: Conduct extensive skill development training to the farmers	DoA/NSCDP lacks skilled technicians to train large number of farmers in the use of appropriate farming techniques, disease mitigation, semi-processing techniques	At least 25,000 farmers trained	DoA, CATC, NSCDP, CDC
Action 2: Ensure better seedlings to farmers to increase production and productivity	64 nurseries are in operation NARC lacks a research programme on disease-resistant seedling	At least 100 nurseries in operation NARC involved actively in research programme on disease-resistant seedlings	DoA, NARC, NSCDP, CDC, Private sector
Action 3: Establish modern processing and storage facilities for value addition in the sector	There are very few modern facilities for value addition	At least 100 new collection centres and processing centres, and one modern processing and storage facility being operated	MoAD, MoF, DoA, NSCDP, CDC, Private sector
Outcome 9: Ginger Volume and value of exports of ginger increased	235,000 MT of ginger were produced in 2013, 65% were exported	At least 300,000 MT of ginger produced and 70% of it exported	MoAD, NARC, NGPTA
	The export price of US$217/MT for Nepali ginger is 20% that of China and 60% that of India	Price (US$/MT) of Nepalese export increased to 75% that of unit price of Chinese ginger exports due to increased value addition in Nepal	MoAD, Private sector, MoF

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Short-term Actions: 2016–2017			
Action 1: Adopt a clear road map for ginger sector development	MoAD has drafted a Nepal Ginger Promotion Strategy The National Spice Crop Development Programme has developed a Five-Year Strategic Plan	Unified plan/strategy for the ginger sector development adopted and being implemented	MoAD, NSCDP
Action 2: Enhance capacity of Nepalese producers and exporters to meet international SPS standards	There are some Nepalese standards for ginger focusing mostly on compositional parameters Nepal does not have an internationally accredited laboratory for testing and certifying parameters such as MRLs, moisture content	A full set of internationally harmonized standards (consistent with Codex) including focusing on MRLs, moisture, etc. adopted Internationally accredited laboratories to cover the full range of testing parameters requested by importing countries in place	DFTQC, NBSM, Private sector
Action 3: Strengthen surveillance capacity of MoAD at field level	Surveillance capacity of MoAD at field level is weak, including in application of chemicals and pesticides on crops	Registration and licensing system for suppliers and sellers of chemicals and pesticides at district level established	MoAD, DoA
Action 4: Introduce a strategy to diversify products and export destinations	Nepal lacks a market study for the purpose of export product and destination diversification	Product and market diversification strategy being implemented	MoC, MoAD, TEPC
Medium-term Actions: 2018–2020			
Action 1: Conduct extensive training to farmers	DADOs' extension services for ginger are limited	DADOs' extension services for ginger expanded and extensive training programmes to farmers conducted	MoAD, DoA, DADO, NGPTA
Action 2: Provide better seeds to farmers	NARC lacks a research programme on disease-resistant seeds/varieties	Active research programme on disease-resistant seeds being conducted by NARC	NARC
Action 3: Establish collection centres, and warehousing and processing facilities	There are no formal collection centres and fumigation facilities There is no processing centre, except one modern washing facility which is under construction	At least 100 modern collection centres established At least three fumigation chambers established at three border points At least three additional modern washing and processing facilities built	MoAD, MoC, MoF, NGPTA, Private sector

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Outcome 10: Tea Export of Tea significantly increased	Export of Orthodox tea was approximately US$2.7 million in 2013	Export of Orthodox tea reached about US$6 million	NTCDB, MoAD, MoC, producers
	3,000 MT of Orthodox tea was produced in 2013	At least 4,500 MT of Orthodox tea produced	NTCDB, MoAD, MOC, producers
Short-term Actions: 2016–2017			
Action 1: Attract foreign buyers through direct auction in Nepal	There is no auction market in Nepal	An auction house/market operated	NTCDB
Action 2: Promote tea for foreign buyers in Nepal	There are no tea promotion centres in Nepal	At least two tea promotion centres established (in Ilam and Kathmandu)	NTCDB, CFTC
Action 3: Promote Nepalese tea overseas	Collective trademark is in the final stage of registration in Nepal and abroad There is no GI for Nepalese tea	A collective trademark for Orthodox tea established and registered overseas A GI for Orthodox tea established and registered overseas	NTCDB, MoC, MoAD, HOTPA, TEPC
Action 4: Strengthen surveillance capacity of MoAD at field level for appropriate application of chemical and pesticides	Surveillance capacity of MoAD at field level is weak, including application of chemicals and pesticides on crops	Registration and licensing system for supply and sale of chemicals, pesticides, veterinary medicines effectively implemented	MoAD
Action 5: Establish internationally accredited laboratories in Nepal for MRLs	No internationally accredited laboratories for MRLs and other key food safety parameters	DFTQC chemical laboratories internationally accredited for MRLs Other laboratories accredited or on their way to be accredited	DFTQC
Action 6: Adopt export standards to support organic cultivation, collection and processing in Nepal	There are no Nepali standards for Orthodox tea	Export standards for Orthodox tea developed	DFTQC, NBSM, NARC,
Medium-term Actions: 2018–2020			
Action 1: Increase acreage for tea plantations and gardens	8,800 ha plantation for Orthodox tea in 2012/13	At least 12,000 ha plantation for Orthodox tea	MoAD, CTDS,NTCDB, private sector

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Increase acreage of certified organic tea plantations and gardens	1,200 ha of plantation was certified for organic tea in 2012/13	At least 5,000 ha of plantation certified for organic tea	MoAD, private sector, NBSM, DFTQC
Action 3: Record existing and potential acreage for tea cultivation	No GIS mapping for tea potential acreage	GIS mapping for existing and potential tea acreage completed	NTCDB, MoAD, NARC
Action 4: Increase number of cooperatives for tea processing	There are 50 tea producer cooperatives	Number of tea producer cooperatives reached 100	MoAD, MoPAC, CFTC, NTCDB, HIMCOOP,
Action 5: Increase processing capacity	Private sector is reluctant to invest in processing facilities Inadequate technology for processing	Private sector investment in processing facilities increased through support measures Processing technology enhanced	MoAD, MoF, NTCDB, NRB, ADB
Action 6: Conduct research on product development of tea	There is no research and development activity in tea sector	A tea research centre established for product development A tea research laboratory established in Fikkal	MoAD, NTCDB, NARC
Action 7: Strengthen human resources capacity	There is a shortage of trained human resources, including tea technicians Skilled labour for plantations and gardens Junior technicians for providing extension services to small holders	Officials in tea sector trained At least 125 technicians trained by Mechi Multiple Campus (MMC) At least 5,000 tea producers trained At least 200 junior technicians trained by CTEVT to provide extension services	MoAD, MMC, CTEVT, NTCDB, Private sector
Outcome 11: MAPs Export of MAPs increased through the improvements in value chain development	Export value of MAPs was US$14 million in 2013	Export value of MAPs reached US$20 million	MoFSC, MoAD, DPR, MAPs Exporters associations, Private sector
	There are 60 to 70 processing industries using mostly traditional technologies	Processing industries using modern technologies established	MoFSC, MoF, DPR, Private sector
Short-term Actions: 2016–2017			
Action 1: Implement GACP widely	MoFSC has developed GACP for a very limited number of MAPs	GACP developed and being implemented for a variety of MAPs	MoFSC/DPR, MoAD,

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Ensure easy availability of Pest Risk Analysis (PRA) for major MAPs	There is no PRA for MAPs	PRAs easily available for major MAPs	MoFSC, DPR, MoAD,
Action 3: Ensure robust legal provisions to protect indigenous rights and IPRs	There is no Access and Benefit Sharing (ABS) Act in place There is no Act on Protection of Plant Varieties and Farmers' Rights (PPVFR) There is no GI legislation	The ABS Act, PPVFR Act and GI legislation enacted	MoFSC, MoAD, MoI
Action 4: Ensure benefit to the indigenous population from the ABS Act	There is no system in place to distribute income that could be collected as a result of the ABS Act	A system to access and share the benefits arising from the ABS Act in place	MoF, MoFSC
Action 5: Develop policy environment to encourage better collection and extensive processing of MAPs	Policies have not been able to encourage and promote investment in processing of MAPs	Reformed policy environment to encourage investment in domestic processing, including elimination of multiple taxes, limits on days associated with collection permits, restrictions on location of processing industries and others in place	MoF, MoFSC, DPR
Action 6: Empower DPR to issue internationally recognized certificates for cultivated MAPs	Capacity of laboratory is not sufficient	Internationally accredited testing facility for MAPs established	DPR
Medium-term Actions: 2018–2020			
Action 1: Promote MAPs cultivation	There is no strategy for developing cultivated MAPs	A plan of action to develop cultivated MAPs being implemented	MoAD, MoFSC, DPR
Action 2: Establish proper storage facilities at collection and trading areas to reduce wastage of MAPs	There are no proper storage facilities for MAPs built at collection and trading areas	Proper storage facilities for MAPs built at collection and trading areas (preferably, on a PPP model)	MoFSC, Private sector
Action 3: Establish proper storage facilities at key customs points to reduce wastage of MAPs	There are no proper storage facilities for MAPs at key customs points	Proper storage facilities for MAPs built at key customs points	MoFSC, DoC

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 4: Establish testing facilities for MAPs at key customs points	There are no testing facilities for MAPs at key customs points	Testing facilities for MAPs in quarantines at key customs points in operation	DPR
Outcome 12: All Fabrics, Textile, Yarn and Rope Exports of synthetic yarn, synthetic woven fabrics and jute fabrics and bags increased steadily	Exports of synthetic yarn, synthetic woven fabrics and jute fabrics and bags were worth approximately US$164 million in 2013	Exports of synthetic yarn, synthetic woven fabrics and jute fabrics and bags grown to approximately US$200 million	MoI, MoC, TEPC, Private sector
Short-term Actions: 2016–2017			
Action 1: Negotiate with Turkey to eliminate all tariffs for synthetic yarn	Synthetic yarn from Nepal was subject to tariffs in Turkey in 2013	All tariffs for synthetic yarn in Turkey eliminated and Nepal benefiting from zero tariff	MoC, MoI
Action 2: Negotiate with India to open public tender to Nepalese producers for jute bags	Nepal is unable to bid on public tenders for jute bags in India	Nepalese jute producers allowed to bid on public tenders for jute bags in India	MoC, MoI
Action 3: Ensure access to market information in growing importing markets for synthetic jute fibre and fabrics	Nepalese producers lack good market information on opportunities in growing import markets for synthetic jute fibre and fabrics	An export potential assessment and market intelligence on opportunities in growing import markets for synthetic jute fibre and fabrics developed	TEPC
Medium-term Actions: 2018–2020			
Action 1: Develop and implement product development plan to increase production of jute	Jute production remains low	A product development plan developed and implemented for increasing production of jute	MoAD
Outcome 13: Leather Production of raw hides and exports of processed hides increased rapidly	Nepal produces around 16–20 million sq. ft of raw hides and of which around 14 million sq. ft is exported Exported US$13 million worth of bovine and goat leather in 2013	Production of raw hides increased to at least 30 million sq. ft and value of exports increased by 20% Export of bovine and goat leather increased to US$20 million	MoAD, MoI, TEPC, LIAN, Private sector

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Short-term Actions: 2016–2017			
Action 1: Ensure effective implementation of Animal Slaughter-house and Meat Inspection Act 1999	Poor slaughtering practices followed in the slaughter houses damages hides	Hides of animals slaughtered undamaged and intact	MoI, DFTQC
Action 2: Provide training to employees in slaughter houses and tanneries	Damaged hides have resulted in low yield and export of raw hides	Raw hides, processed production and value addition increased	CTEVT, MoE, DSCI
Action 3: Ensure enforcement of quality certification by NBSM	At present, testing facilities under NBSM are not utilized by private sector	All exports certified by NBSM	NBSM, DoC, Private sector
Action 4: Develop a separate sector policy and strategy	The leather sector lacks separate policy and strategy	A clear value chain strategy for the sector developed	MoAD, MoI, TEPC, LIAN
Action 5: Ensure easy access of tanneries to financing and credit facilities for investing in machinery	Small producers cannot access bank financing to invest in equipment	A credit programme established to support investment financing for small producers	MoF, NRB
Action 6: Ensure incentives for investment in technology and machinery on par with neighbouring competitors	Incentives for investment are not comparable with those offered by India, Bangladesh, Pakistan, Sri Lanka or China	Incentives to support investment in the sector in place on par with neighbours	MoF, MoI
Action 7: Empower Leather Industries Association Nepal (LIAN) to provide useful business intelligence to the private sector for both domestic and export markets	LIAN capacity to provide business intelligence is weak	LIAN capacity in the area of business intelligence and marketing enhanced	LIAN, TEPC
Medium-term Actions: 2018–2020			
Action 1: Explore new market of the sector	China and India are the main markets for Nepalese leather	Leather being exported to European, Asian and other emerging markets	TEPC, Private sector

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Campaign to influence consumers to practise skinless meat consumption	Nepalese consumers mostly eat meat with skin	Practice of consuming skin reduced by 25%	Private sector, DLS
Action 3: Incentivize leather processing industry (prioritizing clean technology)	Only 10% of raw hides are processed in Nepal	Processing of raw hides increased to at least 25%	NRB, MoI, MoF
Action 4: Develop a leather and footwear sector plan	Lack of coordination among various stages of value chain has led to poor quality and inadequate produce of leather in Nepal	Harmonization of various value chains will be achieved through the plan	MoI, MoC
Action 5: Increase domestic supply of raw skins/hides by increasing number and developing capacity of modern slaughter houses	There is only one modern slaughter house in operation in Nepal	At least three modern slaughter houses in operation	MoAD, DFTQC, DLS
Action 6: Establish a leather research institute to support the sector	The sector lacks the support of a leather research institute	A strong research institute established to support technological development and innovation A pilot production plant embedded in the institute, which provides vocational training to improve production and quality	MoI, MoC
Action 7: Address negative environmental impact of tanneries through common infrastructures/ facilities, including waste water treatment	Tanneries cause significant environmental damage	One or more industrial parks established to cluster leather industries with core facilities including common infrastructure for waste water treatment	MoI, MoC, MoAD
Action 8: Ensure favourable business environment to encourage FDI and technology transfer	Laws on FDI and on Technology Transfer are yet to be enacted	Proper legal provision on FDI and Technology Transfer in place	MoI

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Outcome 14: Footwear Production and export of footwear significantly increased	Nepal produces around 30 million pairs of footwear annually and exported around 7.8 million pairs in 2013; current export earnings is estimated at US$21 million	At least 45 million pairs of footwear produced and around 12 million pairs exported annually	MoI, TEPC, LFGMAN, Private sector
Short-term Actions: 2016–2017			
Action 1: Conduct regular trade fairs and markets surveys	More than 90% of Nepalese footwear exports are to India	Export of footwear diversified, thereby share of export to India dropped to about 70%	TEPC, LFGMAN
Action 2: Incorporate footwear (and also other NTIS products) in CTEVT training courses	Workers are given on-the-job training, which is expensive for companies	Workers provided training in footwear by CTEVT	CTEVT, MoE, MoI
Action 3: Take strong anti-piracy measures against import of counterfeit footwear	Cheap pirated shoes have been major competitors to Nepalese brands	Pirated footwear controlled and effective competition established	MoI, MoC
Action 4: Rationalize tariff rules	Tariffs on raw material imports are higher than those on finished goods	Tariffs on raw materials imported rationalized	MoF, DoC
Action 5: Develop a separate sector policy and strategy	The footwear sector lacks sector policy and strategy	Separate sector policy and strategy developed	MoI, TEPC, LFGMAN
Action 6: Establish a a strong supply chain of the sector	The sector lacks a well-developed supply chain	A supply chain strategy developed and implemented	MoI, TEPC, LFGMAN
Action 7: Ensure easy access to finance for investing in machinery and technology	Small producers cannot access bank financing to invest in equipment	A soft loan programme established to support investment financing for small producers	MoF, NRB
Action 8: Provide incentives for investment in technology and machinery on par with neighbouring competitors	Incentives for investment are not comparable with those offered by India, Bangladesh, Pakistan, Sri Lanka or China	Incentives to support investment in the sector on par with neighbouring competitors ensured	MoF, MoI
Action 9: Empower LFGMAN to provide useful business intelligence to the private sector for both domestic and export markets	LFGMAN capacity to provide business intelligence is weak	LFGMAN capacity in the area of business intelligence and marketing developed	LFGMAN, TEPC

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Medium-term Actions: 2018–2020			
Action 1: Establish a footwear research institute to support the sector	The sector lacks support of a footwear research institute	A strong research institute established to support technological development and innovation	MoI, LFGMAN
Action 2: Establish common production/ processing facilities	There is no common facility to provide small producers access to production equipment	Common production/processing facilities set up with support from GoN	MoC, MoI
Outcome 15: Chyangra Pashmina Exports of Chyangra Pashmina products expanded significantly	Exports of Chyangra Pashmina products were nearly US$30 million in 2013	Exports of Chyangra Pashmina products reached to US$50 million	NPIA, Private sector, MoI, MoAD, MoC
Short-term Actions: 2016–2017			
Action 1: Ensure an internationally recognized Quality Mark from NBSM for Nepalese Pashmina	The sector lacks clear quality standards, although work has started on it An MoU is in place between MBSM and NPIA for testing NBSM can test for some parameters on fibre, yarn and fabric, but has yet to be accredited; work has started on international accreditation	A Nepali quality standard developed NBSM been capable to test and internationally accredited for full scope of fibre, yarn and fabric testing NBSM able to issue a Quality Mark in conjunction with the use of the Collective Mark	NBSM
Action 2: Ensure internationally recognized certificate from NBSM confirming use of non-harmful Azo dyes	NBSM lacks capacity to test for presence of restricted Azo dyes	NBSM capable to test presence of restricted Azo dyes and able to issue internationally recognized certificate of conformity to Pashmina exporters	NBSM, NPIA
Action 3: Develop a clear plan of action to promote Nepali Pashmina in new markets	NPIA and GoN lack a plan to promote Nepali Pashmina in potential markets	A concrete plan of action for promoting Nepalese Pashmina in new market developed and being implemented Exports of Nepalese Pashmina in new markets being grown	NPIA, MoC, TEPC, Private sector
Action 4: Promote Chyangra Pashmina collective mark in international markets	NPIA has registered the Chyangra Pashmina collective mark in 40 markets but there is little promotion of the brand	An explicit campaign developed to advertise and promote the Chyangra Pashmina collective mark in key target markets	NPIA, MoC, TEPC

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Medium-term Actions: 2018–2020			
Action 1: Develop and implement a plan to expand domestic production of Chyangra wool significantly	There is no clear Government plan to expand domestic Chyangra wool production for pashmina There were approximately 70,000 Chyangra raised as of 2014	About 150,000 Chyangra raised in 2020	MoLD
Action 2: Promote investment in yarn processing and spinning	There are few Chyangra wool collection and yarn processing centres in the hills and mountains Chyangra farmers sell their wool to Tibet, where it is processed and exported back to Nepal	More than 50% of Nepal's Chyangra wool production processed within the country	MoLD, MoI
Outcome 16: Knotted Carpets Exports of Knotted Carpets regained a strong footing through market and product diversification	US$71 million worth of Knotted Carpets exported in 2013	At least US$100 million worth of Knotted Carpets exported	MoI, MoC, Private sector
Short-term Actions: 2016–2017			
Action 1: Promote collective trademark for the sector in major destination markets	The sector lacks a collective trademark	A collective trademark established, and registered and promoted in major destination markets	Nepal Carpet Exporters Association (NCEA), TEPC
Action 2: Strengthen NBSM to issue internationally recognized Quality Mark for Nepalese carpet	The sector lacks clear quality standards (preferably, internationally harmonized)	Nepalese quality standard developed A testing facility in PPP model established to issue Quality Mark in conjunction with the use of the Collective Mark	NBSM, NCEA
Action 3: Strengthen NBSM to issue internationally recognized certificate confirming non-harmful Azo dyes in Nepalese carpet	The sector lacks clear standards for the use of environment-friendly dyes, preferably internationally harmonized	A Nepalese standard for the use of non-harmful Azo dyes adopted A testing facility in PPP model established to issue internationally recognized conformity certificates	NBSM, NCEA

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 4: Monitor Quality of imported inputs effectively	The sector does not have a rigorous system to monitor quality of inputs (such as import of recycled wool)	Systems in place to check the validity of COs and test the quality of inputs	NBSM, NCEA
Action 5: Promote the sector especially in emerging importing markets	The sector lacks a rigorous approach to target emerging and fast growing markets	A rigorous approach and intervention to target emerging and fast growing markets in place	NCEA, MoC, TEPC
Action 6: Improve market access in emerging and fast growing importing markets	Nepali carpets tariff preferences in a number of emerging and fast growing importing markets are limited	More favourable tariff preferences negotiated in key emerging importing markets such as Saudi Arabia, United Arab Emirates, Mexico, Brazil, Malaysia and Indonesia	MoC, NCEA
Medium-term Actions: 2018–2020			
Action 1: Develop and implement a plan to grow domestic production of sheep wool significantly	There is no clear Government plan to expand domestic sheep wool production for carpets Number of sheep stock as of 2014 were 789,216	A plan to promote sheep farming developed and implemented Number of sheep raised increased by 20%	MoAD, DLS
Action 2: Provide adequate training for product development	Training in design and weaving is mostly informal on-the-job training	A carpet weaving curriculum developed by the CTEVT and being implemented by the sector with Government support	CTEVT, NCEA,
Outcome 17: Skilled and Semi-Skilled Professionals Services at Various Categories Proportion of skilled/semi-skilled professionals in total out-migration increased and remittance inflow efficiently utilized	Based on Economic Survey, 2015, about 26% of migrant workers work as skilled and semi-skilled professionals in destination countries	At least 40% of migrant workers work as skilled and semi-skilled professionals in destination countries	MoLE, Foreign Employment Agencies Association of Nepal CTEVT
	Approximately 22% of returning immigrants own their own business	At least 40% of returning immigrants engaged in their own business	MoLE, MoI, MoYS, MoF,
Short-term Actions: 2016–2017			
Action 1: Negotiate with destination countries to improve work environment for Nepalese workers	Nepal has signed bilateral agreements/ MoUs with 5 destination countries as of 2014	Additional 7 bilateral agreement/ MoUs signed with destination countries	MoFA, MoC, MoLE

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Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 2: Provide soft loan to semi-skilled human resources for foreign employment	Migrant workers are forced to borrow from informal moneylenders to finance their travel at high rates because of lack of formal channels	Semi-skilled human resources benefiting from soft loan provided by formal channel while going abroad for foreign employment	NRB, MoLE,MoF
Action 3: Improve government assistance to Nepalese workers employed overseas	Nepal has deployed Labour Attachés in 8 Nepalese Embassies in key destination countries	Labour Attachés in additional 5 destination countries deployed Additional relevant training received by all Labour Attachés deployed overseas	MoLE, DoFE
Medium-term Actions: 2018–2020			
Action 1: Provide relevant vocational training and orientation to semi-skilled human resources going abroad for foreign employment	Nepal lacks a robust system to train new migrant workers before departure	A training system for migrant workers established at district level Returnees been utilized as trainers	MoLE, CTEVT
Action 2: Utilize skills gained by returnees for national development	Skills gained by returning migrant workers are underutilized; only 22% of returnees start their own business	Entrepreneurship loans made available to returnees at affordable rates	NRB, MoLE, MoI
Outcome 18: IT Services and Business Process Outsourcing New market for IT and BPO sector developed and its export increased significantly	Exports of IT and BPO services are estimated at US$30-35 million in 2014	Exports of IT and BPO increased to at least US$100 million	MoIC, MoSTE, MoF, IT and BPO Private sector
Short-term Actions: 2016–2017			
Action 1: Ensure a clear oversight structure to support the sector	Mandates and responsibilities of MoIC and MoSTE in the sector are not defined properly and overlapping	Clarified mandates and a single government agency defined responsible for supervising the sector	MoIC, MoSTE, OPMCM
Action 2: Provide incentives to attract investment in the sector	Robust and competitive investment tax incentives for the sector are lacking	A strong set of investment incentives in place for the sector, including (1) corporate income tax holiday until 2020; (2) 0% excise tax on imported telecom and computer equipment; (3) 100% ownership and dividend/ capital repatriation for foreign investors	MoF, MoI, NRB

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 3: Improve labour market for IT and BPO sector as per the needs	Labour market not adapted to needs of sector	BPO services recognized as a 24-hour business employing large number of women for customer support Provisions introduced to allow for night shifts by classifying sector as "public utility" or "essential service" and women safety ensured	MoLE, MoHA, MoI
Action 4: Lower the cost of bandwidth	The cost of bandwidth is 30% higher than in India	The cost of bandwidth reduced to make it on par with India	MoIC, MoSTE
Action 5: Increase supply of IT and BPO trained personnel	University-level computer science programmes do not produce graduates with skills demanded by IT and BPO sector	"Market ready" graduates with right set of skills made available	MoE, Universities
Action 6: Ensure quality and security certification measures for clients	Only two firms have received CMMI certification	A significant number of firms in the sector received CMMI certification; output-based subsidies to support certification provided	MoF, MoI, Private sector
Action 7: Conduct annual economic survey of the sector	There is little or no economic data collected by GoN on the IT and BPO sector	An annual economic survey of the sector conducted	CBS, TEPC
Medium-term Actions: 2018–2020			
Action 1: Improve legal framework for FDI in the sector by making necessary changes in FDI and Technology Transfer Act and Rules	Foreign Investment and Technology Transfer Act 1992 and Rules not yet amended as per WTO requirements	Foreign Investment and Technology Transfer Act 1992 and Rules amended taking into account the needs of IT and BPO sector	MoI, MoC
Action 2: Strengthen legal framework for privacy protection and addresses needs of IT and BPO overseas clients	Nepal lacks a modern legal framework for data and privacy protection	A comprehensive legal framework for data and privacy protection adopted and being implemented	MoLJPA, MoSTE, OPMCM
Action 3: Update legal and regulatory framework for IPR supportive of IT and BPO sector	PDTA 1965 last amended in 2006	PDTA amended or a new Industrial Property Act adopted; Utility Models, GIs, and other rights incorporated in the amended Act	MoI, OPMCM, MoSTE, MoLJPA
Action 4: Strengthen IT and BPO sector through well-structured and enhanced sector association	The sector lacks well-structured and enhanced sector association	A sector association formed and functioning well with enhanced capacity	Private sector

NTIS 2016 ACTION MATRIX

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 5: Strengthen IT Park and make it functional	The Park remains unoccupied due to lack of fiscal and policy incentives	The IT Park declared a specialty SEZ with fiscal and policy incentives and several firms relocated to it	MoIC, MoSTE, MoI, NIB
Outcome 19: Tourism Number of foreign visitors, their average duration of stay and per capita expenditure increased significantly	797,616 international tourists arrived in 2013 and spent US$42.8 per day per capita staying for around 12 days	Foreign visitors reached 1,344,000 Length of stay increased to 15 days with per capita expenditure of US$2049; 2 million foreigners visiting Nepal in 2020 (as per goal of Vision 2020)	MoTCA, NTB, NAC, TIA, CAAN, NATHM, HAN, NATO, SOTTO, NMA and other Private sector
Short-term Actions: 2016–2017			
Action 1: Encourage intra-regional tourism (within SAARC and with China)	Nepal lacks a policy to encourage intra-regional tourism	Proper provision in Aviation Policy to encourage intra-regional tourism in place	MoCTCA, CAAN
Action 2: Register unlicensed tourism service providers after careful appraisal	Significant number of tourism service providers are operating without government licences	No unauthorized tourism service providers functioning	NTB, Private sector
Action 3: Develop new tourism circuits	Existing circuits are overcrowded causing social and environmental pressures	Detailed outline of new circuits as well as early operationalization of new circuits completed	MoTCA, NTB
Action 4: Decentralize operations (programme and activities) of NATHM	NATHM conducts its programme and activities only in Kathmandu	Regional branches (at least 3) of NATHM opened in major tourist hubs	NATHM, MoTCA, NTB
Action 5: Develop a new Tourism Investment Regulation	FDI in the sector is low and Nepalese firms cannot operate outside	FDI in tourism increased significantly and Nepalese firms established their commercial presence abroad MoTCA, MoF, MoI	
Action 6: Assign Tourism Attaché in Nepalese missions abroad	There are no Tourism Attachés in Nepalese missions abroad	Tourism Attaché assigned in important tourism markets	MoFA, MoTCA
Action 7: Design and implement Hygiene Code for Hotel and Restaurant Operators	There is absence of a health and hygiene code that meets international standards	Hygiene Code developed and Hotel Restaurant Rules 2036 B.S. amended accordingly MoTCA, NTB	MoTCA, NTB

Development Impacts, Outcomes, Actions	Key Performance Indicators		Responsible Agencies
	2014 Baseline	Target by 2017 (Short-term) and by 2020 (Medium-term)	
Action 8: Enhance capacity of Nepalese missions abroad to promote tourism	Personnel in overseas embassies and missions lack capacity to promote tourism in Nepal	Tourism promotion included in economic diplomacy of Nepal and a significant number of personnel working in mission trained about this sector	MoFA, MoCTCA
Action 9: Develop and implement an overseas commercial presence policy and plan	Nepalese tourism operators lack overseas presence	A policy and plan to encourage overseas commercial presence of Nepalese tourism operators in place	MoCTCA, MoF, MoC, NTB, Private sector
Action 10: Open new mountain peaks for climbing	Nepal offers access to only 326 peaks out of 1,310 peaks above 6,000 metres, at high fees, for climbing	New peaks opened for climbing and the fees lowered At least 500 peaks opened for climbing	MoCTCA, MoF, NTB
Action 11: Ensure food safety and international standards of three-star and above facilities	Hotel and Restaurant Rules 2036 B.S. not yet amended	Hotel and Restaurant Rules 2036 updated to include hygiene code and international standards of operation	MoCTCA, OPMCM, DFTQC
Action 12: Grant Nepalese visa to tourists visiting India and China easily	Securing visas for short-term visits at borders is cumbersome and expensive	Short-term visa easily granted to encourage third country tourists visiting India and China to extend their visits to Nepal	Department of Immigration
Medium-term Actions: 2018–2020			
Action 1: Enhance capacity of human resources engaged in tourism sector	Nepal lacks quality human resources for the tourism sector	NATHM's operations expanded to regional level	MoCTCA, MoE, NATHM
Action 2: Incentivize investment in the sector	New and additional investment in the sector is low	Tourism Economic Zones with various incentive packages to attract higher investments created	MoF, MoTCA
Action 3: Develop community- based tourism products	There are few community-based tourism products in rural setting	A policy to develop community-based tourism products, including eco-tourism in rural setting, adopted	MoCTCA, NTB
Action 4: Adopt and implement a plan to support Vision 2020	A ten-year strategic plan to implement Vision 2020 is being developed by MoCTCA and NTB	The ten-year strategic plan to implement Vision 2020 adopted and being implemented	MoCTCA, NTB
Action 5: Develop new sites and activity products jointly by NTB and local government bodies	There is limited cooperation between NTB and local authorities to develop new sites, products and activities	NTB collaborating with a number of local authorities to develop new tourism products	NTB, Local Government

High Mountain Pashmina Goats known as "Chyangra"

Government of Nepal
Ministry of Commerce