



EU-NEPAL BUSINESS FORUM 2023

Unleashing the opportunities for trade and investment in Nepal:

**Policy and Infrastructure Priorities for Export
and Investment Promotion**

Policy legal priorities and Infrastructure to support for Export and Investment led growth

- Nepal made significant changes in trade and investment regime in early 1990s, which led to remarkable increase in exports and foreign direct investments into the country.
- A strong private sector emerged in the industries with inefficient government monopoly, such as, banking, financial services, aviation, mass media, manufacturing, telecommunication, etc.
- Between 1991 and 1997, export of goods and services increased from 11.49 percent to 26.33 percent of GDP. Since 1998 export consistently declined.

Policy and institutional reforms since 1991

- In preparation to and following Nepal's accession to WTO agreements in 2004, several policy reforms in trade and investment were made.
- Particularly after the accession, Nepal started developing and implementing strategy to promote trade integration.
- These strategies—NTIS 2010 and NTIS 2016—focused on policy and institutional reforms for better trade facilitation, improvement in trade logistics, quality infrastructures, enforcement and compliance of plant health and sanitary standards. In addition, these strategies specifically targeted products and services with competitive edge for exports.

The achievements fell short of expectations

- In spite of strategic approach, exports in real terms did not increase during these periods of NTIS 2010 and 2016.
- Nevertheless, there were several improvements particularly in the area of:
 - Border points trade infrastructures,
 - Trade facilitation,
 - Development of inland container depots
 - Strengthening of enforcement of standards, improvement in laboratories and quality infrastructures.

Proposed policy and infrastructure priorities: Macro-policies-1

- Macro-policies, such as monetary, fiscal and sectoral development policies need to be conducive to the promotion and development of exports and investments.
- Monetary policy orientation is certainly in right direction with supportive measures for facilitating trade payments and investments. Nevertheless, there are some areas where improvement is desirable:
 - Making deferred payment system supportive to manufacturing industries and ICT businesses,
 - Introducing special financing arrangements for export promotion
 - Improving banking ties with China
 - FOREX provision for offshore business operations

Proposed policy and infrastructure priorities: Macro-policies-2

- Fiscal policy orientation:
 - Ensuring adequate allocation for the improvement of trade infrastructures, special economic zones and the development of trade ecosystem,
 - Providing fiscal incentives to export of select goods and services with clear indication of phaseout timeline,
 - Mobilizing foreign aid for export and investment promotion through a sector-wide approach,
 - Simplifying duty drawback system,
 - Revisiting import duty and excise duty regime with a view to promote manufacturing industries.

Proposed policy and infrastructure priorities: Macro-policies-3

- Most of the development policies related to agriculture, forestry, mining, hydropower development, ICT and science and technology are generally good, but implementation is weak. Need improvement in institutional capacity to implement.

Proposed policy and infrastructure priorities: **Building trade capacity in changed context-1**

- In the context of federal governance, LDC graduation and changing role of diplomacy, new priorities have emerged.
- It is necessary to leverage federal system of governance to building domestic supply chain and promoting value chain.
- Local governments can be instrumental in product specialization and compliance/enforcement of sanitary and phytosanitary standards
- Adopt good production practices (GAP, GHP and GMP at food processing industries) at the primary stage of production for Agricultural, Livestock and food products of good hygiene and quality.

Proposed policy and infrastructure priorities: **Building trade capacity in changed context-2**

- Sign and ratify all conventions (particularly ILO convention 81, 87 and Cartagena protocol) so as to be eligible for GSP+ and GSP Enhanced Framework regime.
- Take steps to conclude additional bilateral FTAs and examine possibilities of joining RCEP
- Continue to proactively engage with LDC group in WTO to secure preferential market access

Proposed policy and infrastructure priorities: **Building trade capacity in changed context-3**

- Prepare and follow country-specific economic diplomacy strategy and provide adequate financial resources for economic diplomacy related activities,
- Accelerate engagements with Nepali missions abroad and honorary consuls for the promotion of exports and investment,
- Negotiate and sign BIPPAs and DTAAAs with all trading partner countries

Proposed policy and infrastructure priorities: Labor, Gender and Social Inclusion

- Strengthen skills testing system and get National Skills Testing Board ISO certified,
- Make Employment Management Information System functional

Proposed policy and infrastructure priorities: Trade logistics development and facilitation

- Prepare and implement Trade Logistics Master Plan,
- Develop consolidation facilities, full service common facility center and guidelines with a view to enabling SMEs to access international market,
- Develop cargo storage, dedicated corridor for transportation and other infrastructures in customs and international airports to comply SPS measures for plant, animal and food products(perishable)
- Develop postal services e-commerce
- Develop and implement paperless clearance system in all custom points
- Establish International Exhibition Center for trade promotion and Development

Proposed policy and infrastructure priorities: Food quality and plant health standards

- Develop and update standards for exportable food items in line with international standards,
- Develop Diagnostic Protocols for pests,
- Strengthen e-Phyto system,
- Develop and implement additional 24 National Sanitary and Phytosanitary Manuals (NSPMs, 31 currently existing),
- Prepare performance standards for surveillance of pest risks,
- Operationalize Central Phytosanitary and Diagnostic laboratory,
- Enact new law on food safety and quality
- Implement Nepal GAP

Proposed policy and infrastructure priorities: Quality infrastructures, standards and enforcements

- Formulate quality policy and laboratory policy and establish accreditation body
- Develop database on NTBs
- Train producers, traders, and exporters to use tools like ITC's standards map, trade map, market access map, market analysis tools, UNIDO's LABNET and to understand requirements about processing, packaging and transportation,
- Strengthen NBSM as the primary QI service provider
- Conclude at least six G2G MRAs
- Commence certification of persons as per ISO 17024

Proposed policy and infrastructure priorities: Enabling regulatory environment for investments-1

- Revise the minimum FDI amount on the basis of sectoral analysis,
- Institute automatic repatriation of dividend that is in compliance of Companies Act and Income Tax Act,
- Institute online services for FDI approval,
- Remove timeline requirements for bringing in approved foreign investment,
- Harmonize FITTA, PPPIA, IEA, FERA and other relevant laws on FDI

Proposed policy and infrastructure priorities: Enabling regulatory environment for investments-2

- Ratify Madrid Treaty (Madrid System of International Registration of Marks) and Patent Cooperation Treaty
- Enact and enforce new Intellectual Property Act,
- Strengthen One Stop Services Center.

Proposed policy and infrastructure priorities: Integrating concepts of Industry 4.0 and 5.0

- Implementation of Industry 4.0 and 5.0 concepts can help increase productivity, maintain quality consistency and improve supply chain effectiveness.
- Nepal needs to have a strategy to implement these concepts.

Proposed policy and infrastructure priorities: Product development-1

- Nepal has competitive advantage in products from following four clusters:
 - Agriculture (Cardamom, Ginger, Lentils, Jute, Tea),
 - Forestry (MAPs, Handmade Lokta paper, Rojin and Turpentine),
 - Large Industries (Iron and steel, Yarn and textiles, Footwear, Readymade garments)
 - SMEs (Carpet, Jewelry, Pashmina, Pasta, Woolen products)
- In addition, there are several emerging products (Vegetables and fruits, spices, coffee, Essential oil, Forest based fabrics, PPC Cement, Himalayan spring water, Hard cheese)

Proposed policy and infrastructure priorities: Product development-2

- Policy and institutions should support these products to improve quality, consistency of supplies and gain better market access.

Proposed policy and infrastructure priorities: Service trade

- Following sectors have higher potential for export:
 - Tourism
 - IT IT-enabled services and BPO,
 - Hydroelectricity,
 - Construction services, and
 - Skilled and semi-skilled professionals
- Efforts should be made to improve quality of infrastructures for these services to be able to generate higher trade.

Unleashing the opportunities for trade and investment in Nepal

Thank you