

POLICY AND TECHNICAL ASSISTANCE MATRIX (A)
TOP PRIORITY MEASURES RECOMMENDED FOR IMMEDIATE IMPLEMENTATION

* Immediate = next 6 months

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/legislation change	Technical assistance	
Strengthen trade policy capacity; rationalize institutions and practices	<ul style="list-style-type: none"> ▪ Continue activities of the National Steering Committee with the ToR to monitor implementation. ▪ Appoint national and international advisors to set up an apex trade policy evaluation, promotion and negotiations unit based on audit of existing trade policy expertise. ▪ As an interim measure, strengthen capacity in two trade divisions of the MOICS. 	Yes	Yes	No Yes Yes	HMGN HMGN, Development Partners (DP) MOICS, DP/WTO MOICS/FNCCI/DP
Move toward WTO compliance	<ul style="list-style-type: none"> ▪ Identify service-related bottlenecks that increase costs, and liberalize these sectors. 		Yes	Yes	HMGN, DP
Reduce transaction costs and improve market integration	<ul style="list-style-type: none"> ▪ Complete legal review of Draft Nepal India Rail Agreement; finalize and implement. ▪ Appoint a terminal management operating company for Birgunj through competitive tender. ▪ Operationalize and fund Roads Board activities and expenditures, including fuel levy transfer; implement APP budget for rural roads. ▪ Fund customs and ASYCUDA training. ▪ Review passbook scheme for duty drawback; implement or replace by exemption. ▪ Introduce One Spot Export Clearance Arrangement in major customs points. ▪ Review constraints to market access, especially in EU. ▪ Introduce on the spot resolution of issues. 	Yes Yes Yes Yes Yes Yes Yes	Yes Yes Yes Yes Yes	No No No No No No Yes	HMGN MOICS MOF, Roads Board MOF DOC, DP MOF, DOC MOICS, DOC, MOF, DP MOICS, Export related agencies, DP, Private Sector MOF/MOICS/FNCCI
Reform labor market mechanisms	<ul style="list-style-type: none"> ▪ Review the Income Tax Act 2002, with a view to clarifying tax credits for accredited training to employees. 		Yes	No	MOF MOLTM
Reform institutions and regulations, targeting investment	<ul style="list-style-type: none"> ▪ Review functions of BOI, IPB, OWC, Fast Track Committee, and TPC, with a view to rationalization to three bodies dealing with approvals, concessions, and facilitation. 		Yes	Yes	HMGN, DP

Note: DP = Development Partners

**POLICY AND TECHNICAL ASSISTANCE MATRIX (B)
SUPPORTING MEASURES**

Short term= within 12 months, Medium term = within 2 years, Longer term = 2 to 5 years

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/legislation change	Technical assistance	
TRADE POLICY AND WTO ACCESSION					
Institutional rationalization	<ul style="list-style-type: none"> ▪ Set up public-private funded Trade Promotion Agency to replace TPC/EPB. ▪ TRIPS: finish drafting laws to bring Nepal into formal compliance; initiate extension services to educate SMEs on commercial benefits of trademarks and branding; construct facilities to hold confiscated counterfeit goods. ▪ TRIPS: Establish inquiry point (for non-agro. Products); build capacity in judicial system to handle IP disputes; conduct public-education campaign on commercial benefits of patents, geographical indications, and commercial value of traditional knowledge; promote the private provision of intellectual property legal services to SMEs. ▪ SPS/TBT: Introduce legislation to base domestic regulations on international standards; accept, on reciprocal basis where needed, any goods bearing certificates of conformity assessment issued by other WTO members (e.g., the EU's "CE" mark); establish an inquiry point for SPS measures. ▪ Establish infrastructure and strengthen organization for implementing TRIPS/SPS/TBT legislation. 		Yes	Yes	Medium term HMGN, FNCCI
WTO accession			Yes	Yes	Medium Term HMGN, MOICS, DP
			Yes	Yes (extend TA)	Medium Term HMGN, MOICS, DP
			Yes	Yes	Medium Term HMGN, MOICS, DP
			Yes	Yes	Medium term MOICS DP
Tariff and duty drawback and tax reforms		<ul style="list-style-type: none"> ▪ Analyze impact of moving to a reduced tariff bands on effective protection, trade flows and revenue impact. ▪ Broaden tax base to compensate for selective phasing out of ODCs and reduction of customs duties through removing exemptions, and extending VAT base. 	No	Yes	Medium term MOICS, MoF DP
			Yes	Yes	Long Term MOF, DOC

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/legislation change	Technical assistance	
TRADE FACILITATION THROUGH CUSTOMS AND LOGISTICS REFORM		Implement existing policy	Policy/legislation change	Technical assistance	
Customs procedure	<ul style="list-style-type: none"> ▪ Amend Customs Act and Rules to accommodate valuation compliance and other WTO compliance requirements. ▪ Develop selectivity criteria for risk-based management of Post Entry Valuation and Audit; implement ASYCUDA selectivity module and train staff. Introduce Direct Traders Input Module into system. ▪ Simplification and Harmonization of Trade and Transport Related Procedures and Documents. ▪ Align transit documentation with EDIFACT System. 	Yes	Yes	Yes	Medium Term DOC, WCO.
Customs Governance and Institutional reform	<ul style="list-style-type: none"> ▪ Introduce voluntary customs compliance and clearance facilitation. Develop Code of Conduct specific to DOC employees. ▪ Develop customs clearance, non-compliance audit and investigation capability within DOC. Provide training in Post Entry Audit, Investigations and Intelligence. ▪ Create a Post Entry Valuation section. 	Yes	Yes	Yes	Medium Term DOC/DP
Customs infrastructure	<ul style="list-style-type: none"> ▪ Study benefits of amalgamating DOC into a revenue authority. ▪ Correct weighbridge, X-Ray, laboratory testing, quarantine and refrigeration facility deficiencies at major border points. ▪ Extend computerization and wide area network to major customs points ▪ Undertake benefit cost appraisal of a dry port/Container Freight Station at Kathmandu, Tatopani, and Kakarbhatta. 	Yes	Yes	Yes	Medium Term DOC/MOF, DP
					Medium term DOC, DP
					Medium term MOF, DP
					Medium term DOC, DP
					Medium Term DOC, DP
					Medium Term MOICS, DOC, DP
					Medium Term MOICS, DOC, DP

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/legislation change	Technical assistance	
Improving transport and logistics					
	<ul style="list-style-type: none"> ▪ Pass Carriage of Goods by Rail, Carriage of Goods by Road, Multimodal Transport Acts, and Marine Insurance Act or promulgate through Ordinances. ▪ Improve physical infrastructure to operationalize Kakarvitta-Phulbari-Banglabandh corridor. ▪ Conduct evaluation of other transit corridors, especially those accessing Mumbai port, and Singhabad-Rohanpur with a view to communicating and negotiating these with the Government of India and Bangladesh. 	Yes Yes	 Yes	No Yes	Short Term MOICS MOICS Medium Term MOICS, MOLTM, DP
Ease labor market rigidities					
	<ul style="list-style-type: none"> ▪ Legislate labor law consistent with a contracts-based legal framework for the labor market; alternatively, consider amending laws to allow dismissal with compensation. 		Yes	Yes	Medium term HMGN, MOLTM, Private Sector, Trade Unions, and DP
Regulatory framework and FDI					
Rationalize institutions	<ul style="list-style-type: none"> ▪ Create a maximum of three bodies with representation from MOICS, MOF/Department of Revenue to deal with investment approval, concessions, and trade/investment promotion. 		Yes	No	Medium term MOICS, MOF, Private Sector
Enhance Implementation	<ul style="list-style-type: none"> ▪ Clarify and refine <i>cottage industry</i> and other broad category definitions that cause confusion among investors. 		Yes	No	Medium term, MOICS, FNCSI, Private Sector
Improve business/government relations	<ul style="list-style-type: none"> ▪ Legislate Insolvency Bill and new Companies Bill and proceed with implementation. ▪ Consider alternative to current assessment of tax liabilities, including self-assessment and greater selectivity. 	Yes	Yes Yes	No No	Short Term MOICS, NRB FNCCI Medium term MOF, FNCCI

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/legislation change	Technical assistance	
EFFICIENCY IN KEY MANUFACTURING EXPORTS – GARMENTS AND CARPETS					
<p>Carpets: rationalizing regulations</p> <p>Garments: reducing finance and transactions costs</p>	<ul style="list-style-type: none"> ▪ Review purpose and costs of floor price scheme for carpets, with a view to its abolition. ▪ Introduce quality certification and labeling. ▪ Conduct benefit/cost assessment of restrictions on importation of various wools, use of machine-spun yarn and foreign investment. ▪ Review and Accept alternatives to Letters of Credit. ▪ Rationalize quota allocation system to promote efficient firms ▪ Eliminate requirement for business credibility license and two separate certificates of origins. ▪ Prepare carpets and garment development action plans and implement these 		<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>No</p> <p>Yes</p> <p>Yes</p> <p>No</p> <p>No</p> <p>No</p> <p>Yes</p>	<p>Short term MOICS</p> <p>Short Term MOICS, DP</p> <p>Short Term MOICS/DP</p> <p>Short term NRB, MOICS</p> <p>Short Term MOICS, GAN</p> <p>Short Term, MOICS, NCC, GAN,</p> <p>Short and Medium Term MOICS, Private Sector</p>
EFFICIENCY IN A POTENTIAL GROWTH INDUSTRY - TEA					
Institutional strengthening and rationalizing regulations	<ul style="list-style-type: none"> ▪ Involve private sector participation and funding of Tea Board. Strengthen professional capacity and clarify terms of reference of the Tea Board. ▪ Allow large-scale contract farming, including by FDI. 		<p>Yes</p> <p>Yes</p>	<p>No</p> <p>No</p>	<p>Medium term MoAC, MOICS, Ag Ent. Centre, NTCB</p> <p>Short Term MoAC, MOICS, NTCB</p>

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/legislation change	Technical assistance	
EFFICIENCY IN A POTENTIAL GROWTH SECTOR - AGRICULTURE					
Improve productivity and market access	<ul style="list-style-type: none"> ▪ Build agriculture extension services, with a view to SPS and TRIPS application in agriculture. ▪ Support agriculture market development and commercialization with APP roads funding and improved PIP implementation at village/district levels. ▪ Promote large scale contract farming. 	Yes		Yes No Yes	Long term MOAC, AEC, DP Medium Term, MOAC Roads Board, DP MOAC, MOland Refroms
Address credit market imperfections	<ul style="list-style-type: none"> ▪ Sustain agricultural credit growth by restructuring of ADBN and other related institutions. 		Yes	No	Medium Term NRB, MOF, NPC
EFFICIENCY IN KEY SECTORS -TOURISM					
	<ul style="list-style-type: none"> ▪ Create stabilization fund for the NTB with its own revenues and private sector support. ▪ Improve industry's ownership of the NTB and make NTB more independent from Government. ▪ Conduct independent review of finances, and management of RNAC before privatization with a view to promoting tourism. 	Yes	Yes Yes	No No Yes	Medium term MOCTCA Short term MOCTCA MOCTCA Short term DP
EFFICIENCY IN KEY SECTORS – HYDROPOWER					
	<ul style="list-style-type: none"> • Activate and strengthen Power Exchange Committee to conduct discussions with India. • Facilitate Nepal-India direct private sector agreements on power trade. • Remove inefficiencies in transmission and distribution, and rationalize generating capacity through internal unbundling. ▪ Establish independent licensing authority. ▪ Open competitive bidding for IPPs. New agreements need to be coordinated with NEA's expansion plans, with early consideration given to licensing agreements for transmission and grid operations. 	Yes Yes	Yes Yes Yes	No No No No Yes	Short Term MOWR, NEA Short Term MOWR, NEA, private sector Short Term MOWR, NEA Medium term HMGN, DP