

# Background on Nepal Trade Integration Strategy

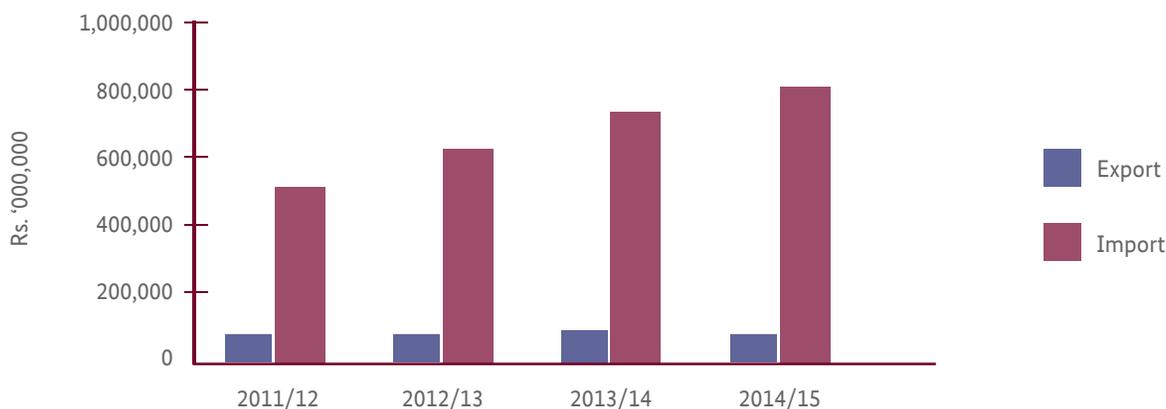
The Nepal Trade Integration Strategy (NTIS) was launched by the Government of Nepal (GoN) with the aim of promoting trade focused economic growth of the country. Over the years, the GoN has taken a series of initiatives to promote exports so as to achieve sustainable and inclusive economic growth - focused on poverty reduction and upgrading the living standards of the Nepali people.

The first Diagnostic Trade Integration Studies (DTIS) as the Nepal Trade and Competitiveness Study (NTCS) was validated in 2004. The study analysed Nepal's trade regime and performance, and identified products with comparative and competitive advantage.

In 2010, Nepal adopted Nepal Trade Integration Strategy (NTIS) 2010 as an updated version of the NTCS 2004. The NTIS 2010 focused on development of 12 goods and 7 services for making trade inclusive and equitable – contributing also to the poverty reduction goal adopted by the Government.

While significant progress have been made with regards to implementation of sectoral policies and measures to support trade development, persistent deficit in trade in goods have posed challenges in achieving inclusive sustainable economic growth of the country.

## Nepal's Export Import Trend



Source: TEPC data

## About Nepal Trade Integration Strategy 2016

Nepal Trade Integration Strategy (NTIS) 2016 is Nepal's third generation trade integration strategy. The NTIS 2016 charts a course for the development of the country's export sector over the next five years, together with possible development measures focused on crosscutting areas of reform. The strategy seeks to address the outstanding trade and competitiveness challenges confronted by the country's export sector. The updated strategy is in line with GoN's Trade Policy 2015 that sets concrete goals to promote economic growth including improving business and investment climate, enhancing competitiveness of Nepali products and reducing trade deficit.

## Development Goal of NTIS 2016

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

## Objectives of NTIS 2016

The NTIS 2016 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

## Priority Export Potential Sectors

The NTIS 2016 has recognized twelve priority export goods and services on the basis of world market condition, export performance, domestic supply condition and socio-economic impact in terms of

inclusive growth and sustainable development. The priority export sectors identified are:

- i. **Agriculture and forest products** (cardamom; ginger; tea; and medicinal and aromatic plants)
- ii. **Craft and manufacturing products** (leather; footwear; chyangra pashmina; knotted carpets; and all fabrics, textile, yarn and rope)
- iii. **Services** (skilled and semi-skilled professionals at various categories; Information Technology and Business Process Outsourcing (IT & BPO); and tourism - leisure, business, education, medical)

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

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

## NTIS 2016 Action Matrix

An Action Matrix with 190 short and medium-term actions has been devised with the aim of achieving the goals and targets set out in the NTIS 2016. The Action Matrix specifies the line ministries and agencies responsible for implementing the actions

to be completed between 2017 (short term) and 2020 (medium term). In addition, concerned private sector entities are entrusted to carry out assigned activities to facilitate the implementation of the Strategy.

Overarching Targets of the NTIS 2016	
<b>Indicator 1:</b> FDI in trade and industry sector increased by 15% per annum	
<b>Indicator 2:</b> At least 80% of NTIS 2016 Action recommendations are implemented	
<b>Indicator 3:</b> Attain a Logistic Performance Index Score of 3	
<b>Indicator 4:</b> Increase share of export of NTIS 2016 products (9 goods) in GDP up to 4% by 2020	
Targets for 7 Cross Cutting Issues	
<b>Outcome 1: Trade Capacity including Trade Negotiation</b>	<ul style="list-style-type: none"> <li>• Highly effective institutional mechanisms to implement NTIS 2016</li> <li>• Enhanced trade negotiation capacity at multilateral, regional and bilateral level</li> </ul>
<b>Outcome 2: Trade and Investment Environment</b>	<ul style="list-style-type: none"> <li>• Effective implementation of Trade Policy 2015, FDI policy 2015 and NTIS 2016</li> <li>• Completion of legal and regulatory reforms</li> <li>• Export-import management act and rules in place</li> </ul>

<b>Outcome 3: Trade and Transport Facilitation</b>	<ul style="list-style-type: none"> <li>Number of days required for Inland transportation and handling for exports and imports reduced by 25% by 2020</li> <li>Cost of customs clearance reduced to median cost for Bangladesh, India, and Sri Lanka</li> </ul>
<b>Outcome 4: Standards and Technical Regulations</b>	<ul style="list-style-type: none"> <li>200 potential exporters receive ISO 9000, ISO 14000, SA 8000, OHS 18000 or ISO 17000</li> </ul>
<b>Outcome 5: Sanitary and Phyto-sanitary Standards</b>	<ul style="list-style-type: none"> <li>At least 30 exporters receive HACCP or ISO 22000 certification</li> <li>Implement traceability schemes in five agro-based export sectors</li> </ul>
<b>Outcome 6: Intellectual Property Rights</b>	<ul style="list-style-type: none"> <li>GIs of relevant NTIS 2016 products registered in Nepal and abroad</li> <li>Minimum of 35 designs registered by Nepali producers and designers</li> <li>Utility Models registered by Nepali producers and innovators</li> </ul>
<b>Outcome 7: Trade in Services</b>	<ul style="list-style-type: none"> <li>Service export and inflow of remittance grown on an average of 20% annually</li> </ul>
<b>Targets for 12 Priority Products and Services</b>	
<b>Outcome 8: Large Cardamom</b>	<ul style="list-style-type: none"> <li>6,500 MT of large cardamom produced</li> <li>Price (US\$/MT) of Nepali export increased to 75% of that of Indian exports</li> </ul>
<b>Outcome 9: Ginger</b>	<ul style="list-style-type: none"> <li>Price (US\$/MT) of Nepali export increased to 75% that of unit price of Chinese ginger exports</li> </ul>
<b>Outcome 10: Tea</b>	<ul style="list-style-type: none"> <li>At least 4,500 MT of Orthodox tea produced</li> <li>Export value of Orthodox Tea increased to about \$6 million</li> </ul>
<b>Outcome 11: MAPs</b>	<ul style="list-style-type: none"> <li>Export value of MAPs increased to US\$20 million</li> <li>Processing industries using modern technologies established</li> </ul>
<b>Outcome 12: Fabrics, Textile, Yarn and Rope</b>	<ul style="list-style-type: none"> <li>Export value of synthetic yarn, synthetic woven fabrics and jute fabrics and bags grown to approximately \$200 million</li> </ul>
<b>Outcome 13: Leather</b>	<ul style="list-style-type: none"> <li>Production of raw hides increased to at least 30 million sq. feet and value of exports increased by 20%</li> <li>Export value of Bovine and Goat leather increased to US\$20 million</li> </ul>
<b>Outcome 14: Footwear</b>	<ul style="list-style-type: none"> <li>At least 45 million pairs of footwear produced and around 12 million pairs exported annually</li> </ul>
<b>Outcome 15: Chyangra Pashmina</b>	<ul style="list-style-type: none"> <li>Export value of Chyangra Pashmina products increased to \$50 million</li> </ul>
<b>Outcome 16: Knotted Carpets</b>	<ul style="list-style-type: none"> <li>At least US\$ 100 million worth of Knotted Carpets exported</li> </ul>
<b>Outcome 17: Skilled &amp; Semi-Skilled Professionals Services at various categories</b>	<ul style="list-style-type: none"> <li>At least 40% of migrant workers work as skilled and semi-skilled professionals in destination countries</li> <li>At least 40% of returning immigrants engaged in their own business</li> </ul>
<b>Outcome 18: IT Services and BPO</b>	<ul style="list-style-type: none"> <li>Export value of IT &amp; BPO increased to at least US\$100 million</li> </ul>
<b>Outcome 19: Tourism</b>	<ul style="list-style-type: none"> <li>Foreign visitors increased to at least 1,344,000</li> <li>Length of stay increased to 15 days with per capita expenditure of US\$ 2049</li> <li>2 million foreigners visiting Nepal in 2020</li> </ul>

## Implementation Mechanism of the NTIS 2016

Enhanced Integrated Framework National Steering Committee (EIF NSC) has been constituted under the chairpersonship of the Minister of Commerce to ensure effective coordination of the through policy and strategic guidance and resource mobilization. EIF NSC determines the performance of the Thematic Committees (TC) and Product-Specific Focal Points (FP). The EIF NSC assembles a minimum of two times annually, normally in February and August, to review progress and provide necessary guidance to the TC and FP.

Six Thematic Committees led by Joint Secretaries from relevant line ministries are formed to facilitate implementation of recommended actions primarily on cross-cutting issues in collaboration with other agencies and stakeholders.

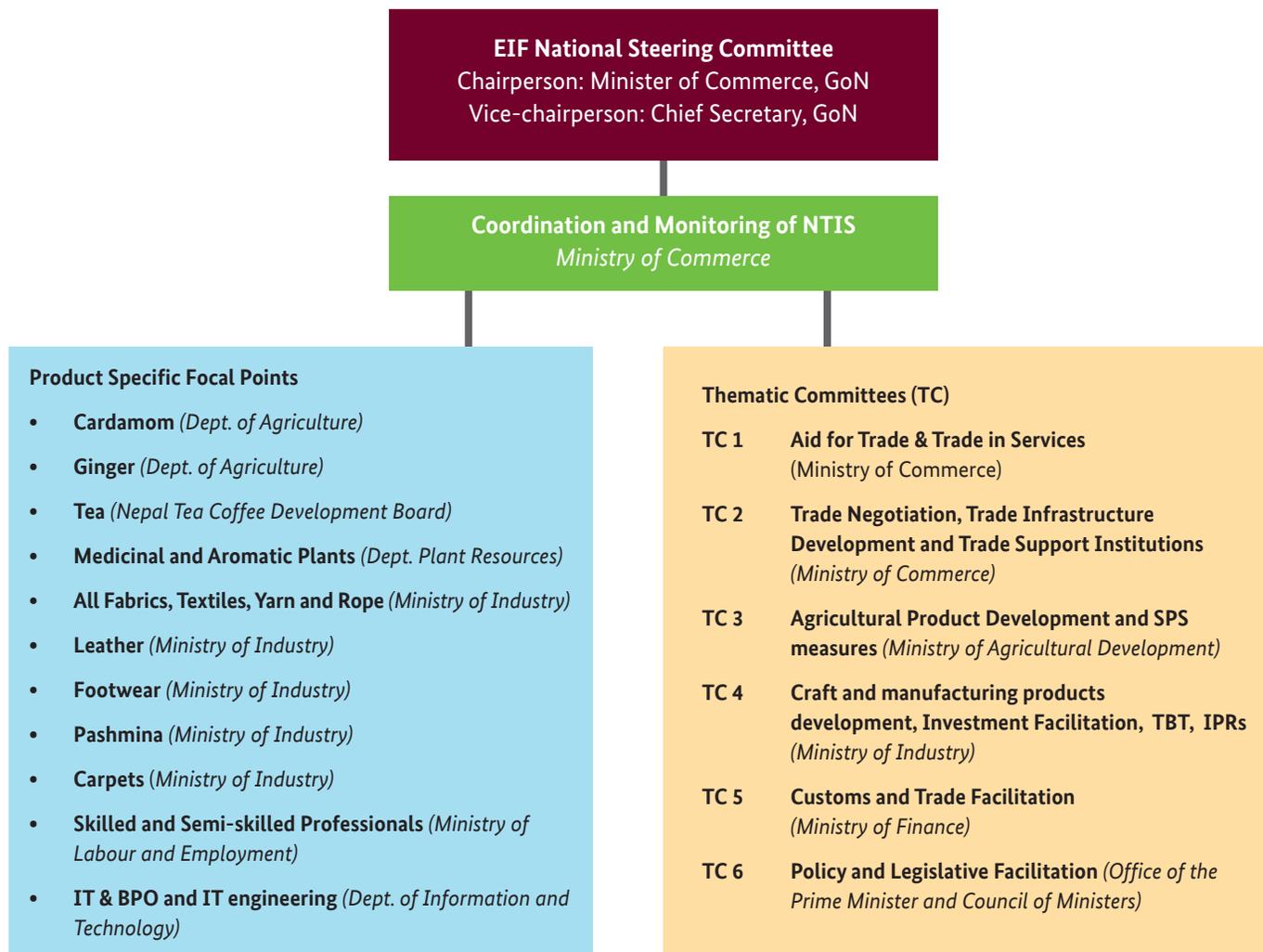
Product Specific Focal Points have been designated roles and responsibilities to coordinate with other agencies concerned to ensure

progress on each identified priority product and services sector.

Support of Development Partners to achieve the Outcomes of NTIS 2016 is harmonized through a donor group on Aid for Trade (Aft).

The Ministry of Commerce monitors the implementation of NTIS 2016 and shares findings in line with the targets and actions of the Action Matrix with the EIF NSC: Thematic Committees will submit progress reports to the Ministry of Commerce 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.

## Implementation Structure of the NTIS 2016



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