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How does the Trade Facilitation Agreement benefit Nepal?

What is trade facilitation?

Trade facilitation has been widely used to cover all sorts of non-tariff measures that impede the mobility of goods and services. While there are various definitions of trade facilitation, in a nutshell it can be described as simplification, modernisation and harmonisation of trade procedures in order to move goods, and to make cross-border trade more efficient.

What is the WTO Trade Facilitation Agreement all about?

The WTO Trade Facilitation Agreement (TFA) came into force through ratification of the agreement by two-thirds of the WTO members on February 22, 2017. The premise of the TFA was the understanding that reducing transaction costs, time, and process of doing business and trading is no longer just a policy choice. It is a fundamental aspect of increasing the competitiveness of an economy and attracting investment.

Therefore, the objective of the WTO Trade Facilitation Agreement (TFA) is to **boost the global trade by expediting the movement, release, and clearance of goods.**

Why is the TFA good for Nepal?

- Nepal gets better access to markets through improved transit mechanisms
- Households have better access to a greater variety of goods at reasonable costs
- Companies gain access to inputs at lower cost and improved entry to foreign markets
- Small and medium enterprises especially in agro-based industries benefit from procedural improvements
- Through transparency, public confidence in the government's performance is improved
- Increases attractiveness for foreign direct investment and domestic job prospects

Benefits for traders	Benefits for governments
<ul style="list-style-type: none"> ■ Increased predictability and accountability in dealing with exports/imports ■ Reduced compliance, and clearance time and costs ■ Reduced complexity and administrative hassles ■ Increased opportunities for internationalisation 	<ul style="list-style-type: none"> ■ More informed decision-making ■ Effective legislation, regulations, systems and procedures ■ Increased efficiency of government agencies ■ Better alignment with modern business practices ■ Improved control of fraud ■ Formalisation of the informal trade sector ■ Improved revenue collection

ESTIMATED GAINS OF THE TFA

Per annum, TFA gains are expected to be between **US\$ 750 billion** and **over US\$ 1 trillion**

Developing countries exports are expected to grow by between **14%** and **22%**

Least Developing Countries (LDCs) likely to see an increase in exports of up to **35%**

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How does Nepal rank in terms of trade facilitation performance?

Doing Business Rank 2017: 69 (Up from 72 in 2016)

Indicator	Nepal		South Asia		OECD high income	
	Time (hours)	Cost (USD)	Time (hours)	Cost (USD)	Time (hours)	Cost (USD)
Border compliance: export	56	288	59	376	12	150
Border compliance: import	61	190	116	645	9	115
Documentary compliance: export	19	85	78	183	3	36
Documentary compliance: import	48	80	106	348	4	26

What is in the Trade Facilitation Agreement?

The WTO TFA consists of 40 technical measure set out in 12 articles; separated into 3 sections.

Section I: This section refers to the new border-related procedures, processes and other obligations that governments will be required

to implement. This is expected to provide transparency of laws, rules and procedures, fairness in border agency decisions, streamlined clearance procedures, and help reduce administrative constraints on transit.

Articles	Relevance to private sector
1. Publication and Availability of Information	Ease of access to relevant information on trade and to the established enquiry points
2. Comments and Consultations	Involvement of private sector in consultation on any new or amended laws and regulations
3. Advance Rulings	Facilitates advance declaration and consequently release and clearance process, provided all required information is provided
4. Procedures for Appeal or Review	Guarantees right to an administrative appeal or review to anybody who receives an administrative decision from customs
5. Other Measures to Enhance Impartiality, Non-Discrimination and Transparency	Clear guidance on border controls especially related to food, beverage, and feedstuffs
6. Disciplines on Fees and Charges	Access to information of published fee and charges
7. Release and Clearance of Goods	Defined procedures for the release and clearance of goods for import, export or transit
8. Border Agency Cooperation	Coordination between authorities and agencies responsible for border control and import/export
9. Movement Under Customs Control	To extent possible allowed goods intended for import to be moved under custom control from one customs office to another within the territory
10. Import, Export and Transit Formalities	Minimised complexity and formality on trade/transit documentation requirements
11. Freedom of Transit	Aims at improving existing transit rules
12. Customs Cooperation	Obliges countries to share information to enhance custom coordination across borders

Section II: Section II elaborates the special provisions in the TFA that allows developing and least developed country members to implement the Agreement at their own suited pace. Each member is allowed to determine when it will implement each of the technical provisions. These are categorised as

- **Category A** provisions that the member will implement by the time the Agreement enters into force
- **Category B** provisions that the member will implement after a transitional period following the entry into force of the Agreement
- **Category C** provisions that the member will implement on a date after a transitional period following the entry into force of the Agreement and require the acquisition of assistance and support for capacity building.

Nepal's gap assessment and alignment to the TFA articles

Category	Fully aligned	Substantially aligned	Partially aligned	Not aligned	Total
Category A	2 provisions	-	-	-	2 provisions
Category B	-	11 provisions	4 provisions	-	15 provisions
Category C	-	-	12 provisions	7 provisions	19 provisions

Section III: Under Section III, a permanent committee on trade facilitation has been established at the WTO, and a national committee will similarly be set up in each member countries to facilitate domestic coordination and national implementation of the Agreement.

The Nepal Trade Facilitation Committee has already been established under the chairmanship of the Secretary, Ministry of Commerce.

What are some major consideration in implementing the TFA?





What is the role of the private sector?

The implementation of the TFA is primarily the responsibility of the Government. Many provisions apply to the customs administration; the majority of provisions apply to all border agencies that deal with trade in goods. However, businesses play a critical role in the consultative process to advise authorities as to how the Agreement is best applied in the national environment. It is essential to ensure that the needs and interests of private sector stakeholders are taken into account in the implementation of the Agreement in national law and administrative practice.

Where are we now?

In January 24, 2017, Nepal became the 108th country to ratify the TFA. Much of the preparatory work with regards to the implementation of the Agreement has already been completed, and a roadmap is being worked on with the support of various associated Ministries, primarily the Department of Customs.

Some key accomplishments

- ASCYUDA WORLD installed in three custom points
- Goods declaration submitted electronically
- Plan for 10 customs points to have ASCYUDA WORLD
- Risk-based compliance management system being developed



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Source: *The WTO Trade Facilitation Agreement – Potential Impact on Trade Costs, Trade and Agriculture Directorate of the OECD, 2014*;
<http://www.doingbusiness.org/data/exploreeconomies/nepal#trading-across-borders>;
Easing the Flow of Goods Across Borders: Trade Facilitation Agreement, WTO Trade Facilitation Webpage (www.wto.org/tradefacilitation);
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