



**SASEC Sanitary/Phytosanitary and Technical Barriers to Trade
Diagnostic Study for Nepal**

31 October 2017

Kathmandu, Nepal

SUMMARY OF PROCEEDINGS

1. A National Validation Meeting on the SASEC SPS/TBT Diagnostic Study, jointly organized by the Ministry of Commerce, Government of Nepal and the Asian Development Bank (ADB), was held in Kathmandu, Nepal on 31 October 2017. The initiative was funded through ADB's Technical Assistance Special Fund. The Agenda and List of Participants is in **Annex 1**. Soft copies of the presentations are in **Annex 2**. The Comments Matrix is in **Annex 3**.
2. Mr. Manoj Acharya, Under Secretary, Ministry of Commerce and Convener of the Core Group for the SASEC SPS/TBT Subgroup delivered the welcome remarks and program highlights in the opening session. Mr. Acharya noted that rise in NTMs has led to missed opportunities for SASEC countries to capitalize on potential advantages arising out of falling trade tariffs. In this context, he mentioned, it is necessary for Nepal to understand the nature of NTMs prevalent in the region to better exploit the immense market potentials that SASEC regions provide. Mr. Shyam Dahal, regional cooperation expert, ADB, highlighted the role of SASEC Vision 2025 in transforming economies of SASEC region and pointed out that SPS/TBT facilitation is a priority area of the Operational Plan of the SASEC Trade Facilitation Strategy Framework. Similarly, Professor Dr. Selim Raihan, international consultant, ADB, presented the participants with the methodology followed in the study and explained that national studies will be collated to form a regional study on SPS/TBT constraints prevalent in the SASEC region. Dr. Raihan further emphasized that developing the national capacity in meeting the SPS/TBT requirements and improving national negotiation skills will be vital in mitigating the effects of SPS/TBT measures in the future. Representing the private sector, Mr. Manish Kumar Agrawal, Chairman, Export Promotion Centre, FNCCI, provided several areas of research that could be incorporated in the study and congratulated the study team on a timely study on SPS/TBT issues. Chair of the session, Mr. Toya Narayan Gyawali, Officiating Secretary, Ministry of Commerce, Government of Nepal thanked ADB and SASEC for their efforts in improving trade and transport facilitation in the SASEC region. He also noted that several of SASEC's operational strategies align with Nepal's national requirements prioritized by Trade Policy 2015 and Nepal Trade Integration Strategy 2016 and therefore, Ministry of Commerce will welcome any initiatives by ADB and SASEC in this regard.
3. In **Session One**, Dr. Posh Raj Pandey, Executive Chairman, SAWTEE, and ADB national consultant on SPS-TBT, discussed the patterns of Nepal's import and export trade with other SASEC countries, based on data from 2001-2016. He also explained the methodology to identify the 100 products with export potentials from Nepal to SASEC countries and highlighted the incidence of SPS/TBT measures in those 100 products when exported to SASEC member countries. Dr. Pandey further identified top 10 potential export products from Nepal to other SASEC countries for the year 2016. Chair of the session, Mr. Sarad Bikram Rana, Executive Director, Trade and Export Promotion Centre, observed that providing an accurate assessment will be difficult in the context of poor quality of trade data available in Nepal. Similarly, some participants noted the need for harmonization of products at 8 digit level of HS Codes remain one of the major challenges for exporters in Nepal. The participants also noted that lack of provisions for issuance of Certificate of Origin to traders (for e.g. handicraft) is prohibitive and therefore should be recognized as procedural obstacle.

4. In **Session Two**, Mr. Kshitiz Dahal, Research Officer, SAWTEE and research team member, provided an overview of the legal structure governing the SPS/TBT regime in Nepal; institutions responsible for enacting those laws and their major roles; physical infrastructure capacity at major institutions; and capacity of non-state actors in providing quality certification services. Participants from the floor commented that SPS/TBT measures are important mechanisms of protection of human/plant/animal health, but arbitrary implementation of these regulations has led to discouragement amongst Nepal's exporters. Participants also noted that enlisting parameters whose quality certification is available in Nepal and which are not in the study will be very useful to exporters. Chair of the session, Mr. Biswo Babu Pudasaini, Director General, Nepal Bureau of Standards and Metrology, suggested that inter-agency coordination, among concerned government bodies responsible for quality certification, is necessary to promote Nepal's exports in the future.

5. **Session Three** identified various SPS and TBT related constraints in Nepal, and explored the gaps in comparison with an international practice (e.g. EU) as well as SASEC countries. Mr. Kshitiz Dahal highlighted various standards, regulations, and procedural obstacles that could impede trade of the identified potential export commodities from Nepal with each of the other given SASEC countries. He further emphasized barriers at infrastructure and institutional level pointing out absence of gaps in human resource and legislative framework in Nepal. Examples of domestic barriers were also shared, including inter alia, lack of domestic accreditation body, delays due to procedural obstacles, inadequate testing facilities and poor infrastructure at the customs; a high number of inspections; and inconsistent classification of products. Participants from the floor pointed that issues related to poor state of pest risk analysis infrastructure in Nepal, frequent turnover of staff in the quality-assurance agencies, and inconsistent and arbitrary application of SPS/TBT standards should be further reinforced and emphasized in the report. Chair of the session, Dr. Manita Joshi Vaidhya, Deputy Director General, Department of Food Technology and Quality Control (DFTQC), enlightened the participants with several SPS/TBT related initiatives currently being taken by DFTQC which include accreditation of the agency's laboratories to satisfy several food quality and safety related parameters, development of GMP standards for certain food items, and developing the guidelines for certification for "fit for human consumption".

6. In **Session Four**, Mr. Manoj Acharya, Under Secretary, Ministry of Commerce, and Convener of the Core Group for the SASEC SPS/TBT Subgroup presented the recommendations shared in the diagnostic study, group around the following topics: infrastructure upgradation, institutional reforms, legislative reforms, addressing information gaps, and harmonization of standards. The session was chaired by Mr. Toya Narayan Gyawali, Officiating Secretary, Ministry of Commerce, Government of Nepal. Some of the major recommendations included Mutual Recognition Agreements (MRAs) among SASEC countries; promoting establishment and upgradation of accredited laboratories; formation of National Accreditation Body; creation of separate autonomous bodies for formulation of standards, their implementation, monitoring and conformity assessment; accelerating legal and policy reforms; ensuring effective dissemination of information on SPS and TBT requirements; and expediting ongoing process of regional harmonization of standards through SARSO. The presentation also included potential sources of assistance from development partners to carry out these reforms. Suggestions from the floor included making recommendations product specific as far as possible, and to emphasize on development of private sector capacity across various stages of value chain. Closing the session, Dr. Posh Raj Pandey welcomed all important suggestions and feedback from the participants and pledged to incorporate them in the final report to the extent possible.

7. The participants agreed that the draft final diagnostic study reflects the current realities of SPS-TBT measures and barriers in Nepal, and that the Summary of Proceedings reflects the nature of discussions. ADB was

requested to continue support to Nepal through the SASEC platform to address SPS-TBT obstacles to trade under its trade facilitation agenda.

Closing of the Meeting

8. Mr. Toya Narayan Gyawali, Officiating Secretary, Ministry of Commerce, Government of Nepal, highlighted the key takeaways from the National Validation Meeting. He acknowledged that the current SPS/TBT scenario as well as the legislative gap, institutional gap, and infrastructure gap pointed out by the study will greatly aid the Ministry of Commerce and hoped that the suggestions provided by the participants will make the report even more instructive. Lastly, he thanked the ADB, SASEC, and researchers for doing an important study that could be very important for the Ministry of Commerce.

9. In closing the Meeting, ADB thanked the Government of Nepal and all participants for their support and active participation.