

Government of Nepal
Ministry of Industry, Commerce and Supplies
Nepal-India Regional Trade and Transport Project (NIRTTP)

Terms of Reference
of
Preparation of Strategies for Export Promotion to the European Union (EU)
(National)

Activity Reference: NIRTTP/PCO/S/IND-72

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GOVERNMENT OF NEPAL
Ministry of Industry, Commerce and Supplies (MoICS)
NEPAL- INDIA REGIONAL TRADE AND TRANSPORT PROJECT (NIRTTP)
Project Coordination Office (PCO)

Terms of Reference of
Preparation of Strategies for Export Promotion to the European Union (EU)
Consultancy Services

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1. Background

Nepal is a landlocked and least developed country with mountainous geophysical situation and is located between two highly populated emerging economies - The EU and China having an enormous opportunities as well as threats to the Nepali economy. The trade competitiveness is yet to improve with better logistics performance, well built infrastructure network, business enabling climates, proper value chains development system, harmonized regulatory and procedural provisions, and reduced transport and transit time and costs. Additionally urgency is felt in reducing heavy dependency on the products, services and facilities and also in improving market access conditions in neighbouring and major trade partner countries with prudent commercial diplomacy.

Contribution of export to GDP is declining gradually that recorded at 2.8 per cent in 2017 as against 7.3 per cent in 2008. In the past four decades country witnessed a continuous increase in merchandise total trade by more than 13.8 folds from Rs. 96 billion in 1995/96 to Rs.1,326 billion in 2017/18. However, merchandise export increased only by 4 folds from Rs.20 billion to Rs.81 billion while import surged by 13.4 times from Rs. 93 billion in 1996/97 to Rs.1245 Billion in 2017/18¹. Consequently, trade deficit escalated by 16 folds sluggish export growth recording export import ratio ever lowest at 1:15 in 2017/18.

The EBA system applicable to LDCs provides an extremely high scope for exporting anything-but-arms to the EU countries from Nepal. However, only about 15 per cent of Nepal's trade is focused to the EU member countries. Overall export of Nepal stagnated during the past decade irrespective of gradual depreciation of Nepalese Rupees as against hard currencies. Major exports to EU countries are woolen garments, carpets, tea, coffee, woolen garments, tanned and crust hides, handicrafts, handmade papers, jewellery, etc.

Three apparent factors behind low performances of export are (a) **supply side constraints**, due to low levels of production and productivity of industrial as well as agricultural sectors; (b) **market entry barriers** are high due to restrictive trade regulatory measures, including SPS and TBT measures adopted by the major markets for Nepali products, and (c) **poor trade facilitation and infrastructure** with awkward and time taking procedural and documentations resulting high trade transaction costs. Against this backdrop, the government has realized an urgency to reduce the negative impacts of overall trade deficits through enhancing trade competitiveness and trade diversification with several measures including institutional coordination for improved trade consciousness, mainstreaming of trade, supply side and value chains developments, commercial diplomacy, foreign direct investment promotion, and trade-related infrastructural development.

For this purpose the Ministry of Industry, Commerce and Supplies (MoICS) is planning to hire a consultant to prepare a document on Strategies for Export Promotion to The EU including Plans of Action (POA) for the enhancement of export trade of Nepal.

¹Nepal Foreign Trade Statistics, Trade and Export Promotion Centre, Nepal

2. Objective and Vision

Immediate objective is to prepare a document on Strategies for Export Promotion of Nepal to the EU including Plans of Action (POA) to provide a roadmap to improve export competitiveness through strengthened policy and institutional supports for the promotion of export with the provisions of product research & development and market promotion support services. The vision is "to achieve sustainable export competitiveness to the EU through product development and market promotion strategies and policy and negotiations initiatives with a view to deepening socioeconomic gains and strengthen bilateral economic relations".

3. Scope of Work and Methodology

In carrying out of the duties the Consultants will work in close cooperation with the Joint Secretaries of the Ministry of Industry, Commerce and Supplies (MoICS). The Consultant will also involve frequent participation of the officials and consultants of the MoICS and NIRTTP and relevant trade related agencies. Based on the above background and objectives the consultant will be particularly responsible:

- I. **Review of Trade Performance**: to conduct a brief factual review and assess trade performance between Nepal and the EU taking account of trade history, current and prospective contributions of trade with the EU to national economy and urgency to reduce trade deficit.
- II. **Current Issues**: to identify internal and external current critical issues of trade and investment. This should include market access conditions like tariff and NTMs of major existing and identified potential Nepali export products with a view to providing concrete recommendations and Plan of actions.
- III. **Assessment of Prospects of Export Development**: to identify the long term export prospects including innovative ideas such as the prospects of the development of regional as well as global value chains, encouraging FDI in setting up of 60 to 100 % export oriented industries in Nepal, etc.
- IV. **Review of Policy, Strategies, Regulations and Institutional**: to conduct a brief critical review of the present policies, strategies, and regulatory measures and institutional structures that forms the base for trade with and investment from the EU with a view to recommending way out in core areas for trade and investment development in the economic interest of Nepal;
- V. **Analysis of Existing Commercial Diplomacy and Mechanisms**: to review the impacts of external trade relations on Nepal's economy through autonomous (like EBA), bilateral (trade and investment) and multilateral arrangements (WTO etc.) with a view to recommending the strategic positions Nepal has to follow in each of these forums in the interests of the country;
- VI. **Review and analysis of any other aspects of trade**: as directed by the high level officials and NIRTTP/PCO during the preparatory phase of this assignment.
- VII. **Measures and Strategies**: to suggest measures to address identified internal and external issues and coordination and cooperation mechanisms required for the development of quantity and quality of exportable merchandise and services.
- VIII. **Preparation of Documents**: Based on the above studies and analysis the consultant will prepare a draft documents on **Strategies for Export Promotion to the EU** with recommended Plans of Action for a period of five years focused on export Promotion. Coverage of the document should also include tables and descriptions as annexed to this TOR.
- IX. In carrying out of the above duties and responsibilities of the Consultant will use appropriate tools and also consider appropriate methodologies including:
 - i. Meet the Working Committee members and discuss the important issues, findings and recommendations as appropriate.

- ii. Refer secondary information and data: such as (a) publications of the MoICS like Trade Policy 2015, NTIS 2016, Sector Export Strategies 2017 for four products, etc. (b) trade, investment and service related data from sources like: TEPC, DoI, Government Websites, Nepal Rastra Bank, WB, ITC/MAT, UNCTAD, OECD, ADB, IMF, FAO, etc.
- iii. Conduct interaction meetings: with stakeholders including trade experts, pertinent government agencies, private sector chambers and product associations to collect subjective information and discuss on the issues and strategies.
- iv. to conduct a brief study on prospects in trade-in-services and trade in IPRs with the EU.
- v. to conduct **consultation meetings** with the private sector organizations and individual business leaders, trade experts and industries having knowledge and directly involved on internal and external trade transactions on as needed basis.
- vi. to present the draft document in a **validation meeting** for discussion, comments and suggestions.
- vii. Finalize the document with plans of action incorporating the comments and inputs received from the validation meeting and from the pertinent government officials.

4. **Qualification and Experience:**

- A master degree in economics, commerce, business administration or international trade. Professional credentials in the field of international trade and/or international economics.
- At least ten years working experience in South Asia on planning, analyzing and formulating programs and projects in trade and investment aspects.
- Track records of successful completion of at least two research projects in the related field during the past ten years with clear descriptions of the outcomes and clients of such research works.
- Demonstrated excellence in verbal and written communication.
- Effective cross-cultural interpersonal skills and demonstrated ability to resolve higher-level work and issues with senior national counterparts, donor representatives, and senior-level Government staff

5. **Location, Duration and Commencement of Service**

This assignment will be located in Kathmandu, Nepal, with travel requirements within the country on as needed basis. The total level of effort will be 45 days to be spread over 2 months. The service will be commenced as soon as possible.

6. **Deliverables and Reporting**

All deliverables will be considered satisfactorily completed upon incorporation of comments and approval from the client. The Consultant will work under direct guidance of the Joint Secretaries of the MoICS and he/she will also work in close cooperation with the National Project Director of NIRTTP/PCO:

S N	Description of Deliverables	Tentative schedule
1.	Inception report including brief notes on findings so far made and detailed methodology including a draft contents of the report	10 days
2	Conduct interviews with the executives and high level officials at pertinent institutions that are directly related to trade sector of Nepal.	30 days
3.	Organize 3 discussions with the Working Committee	40 days
4.	Conduct 3 consultative meetings at MoICS and NIRTTP	45 days
5.	Submit draft strategy document with Plan of Actions for 5 years	50 days
6.	Conduct, participate and facilitate a validation meeting of all stakeholders to validate the draft document	55 days

7	Final report incorporating all feedbacks received from the MoICS, NIRTTP/PCO and private sector stakeholders.	60days
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7. Client's Input and Counterpart Personnel

It is primarily the responsibility of the Consultant to collect all reference materials and primary and secondary information. The NIRTTP/ PCO will provide available such information and relevant reference documents that are available at the office of NIRTTP. Conducting individual meetings, focus group meetings and stakeholder meeting are also the responsibility of the Consultant. However, the NIRTTP / PCO will help the consultant on as needed basis to organize meeting/ seminar/workshop with stakeholders. Project coordinator and technical advisers at the PCO will be closely monitoring and supervising the consulting services so far as technical matter is concerned.

8. Selection Method

The Consultant will be selected by using the Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers-Jan 2011(revised on 2014) using Individual Consultant Selection method. The basis of selection will be the relevant knowledge, experience, qualification, and capability to carry out the above stated tasks. The project office will negotiate with the best candidate on terms and conditions of contract including the reasonable fee and other expenses that will be normally in line with the fee applied to the local Adviser s in similar projects. Short listed candidates are required to make a presentation on the methodology and make work plan to perform this studies.

9. Consultant's Obligation

Consultant is fully responsible to conduct the study and prepare outputs as specified above in this TOR including the time schedule of the study. All the required office facilities, field visits, logistics, and mobility for carrying out the assignment to be managed by the consultant. Consultants are also required to organize and manage the necessary consultation meetings and stakeholder's workshop where required. The Consultant is responsible to keep the confidentiality of the document and document will be the property of the MoICS.

10. Payment Method-

The procurement shall follow the World Bank guidelines for individual consultants and contract be a lump sum contract. The total contract amount shall include the necessary income tax and VAT amount, as applicable. Payment to the consultant shall be after deduction of the income tax as per prevailing law of the country during payment of each instalment to the consultant. Payment schedule proposed will be as follows:

20 % after of submission of Inception report.

50 % upon the submission of the draft report.

30% upon the satisfactory completion of the task ie; upon submission and approval of Final report.

Annex Coverage of the Document should also include:

1. Country background and trade scenarios - in the context of global trade
2. Comparison of economic indicators of Nepal and the EU
3. Nepal's bilateral trade – total, export & import for 10 years
4. Nepal's export – major export product-wise for 10 years
5. Export products that can be exported to this country and their brief profiles
6. Major import products of this country that can be developed and exported from Nepal
7. Import tariffs (MFN) in the EU for selected products and existing provisions of tariff preferences or concession to Nepal

8. Major NTMs of this market applicable to major Nepali products
9. Nepal's import product from this country - product wise data for 10 years
10. Major imports from this country that can be produced and supplied in Nepal
11. Proposed provisions of bilateral trade negotiation, if to suggest with any country in the region
12. Analysis of pros and cons of the proposed provisions
13. Descriptions of Nepal's requests during trade negotiations in an immediate future
14. Current status of bilateral investments, if any.
15. Important provisions of bilateral investment agreements, if any
16. Analysis of pros and cons of such provisions from Nepali economic prospective
17. Recommended strategies and positions in investment negotiations with the EU for the best economic interest of Nepal
18. Descriptions of Nepal's requests during investment negotiations in an immediate future