

South Asia Sub-regional Economic Cooperation Program

## Session 2: SASEC SPS-TBT National Diagnostic Study for Nepal

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SASEC Sub-regional Workshop on Sanitary-phytosanitary and Technical Barriers to Trade Diagnostic Studies

11-13 April 2018, New Delhi, India



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### STRUCTURE OF PRESENTATION

1. Nepal's trade patterns
2. Legal, institutional and infrastructural frameworks for SPS and TBT measures in Nepal
3. Bird's eye views on Nepal's trade relations with SASEC countries
4. Review of the analysis of potential export products to SASEC countries
5. Key SPS and TBT inadequacies
6. Key findings of field survey
7. Recommendations for prioritized actions



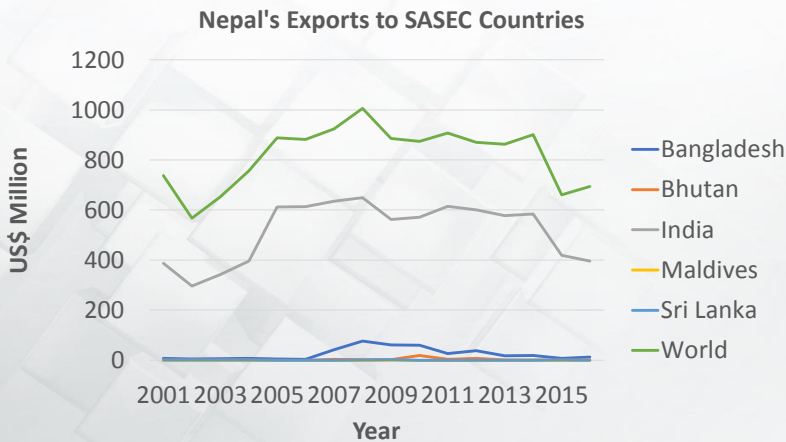
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# Nepal's trade patterns and potential exports to SASEC countries



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## NEPAL'S EXPORTS TO SASEC COUNTRIES

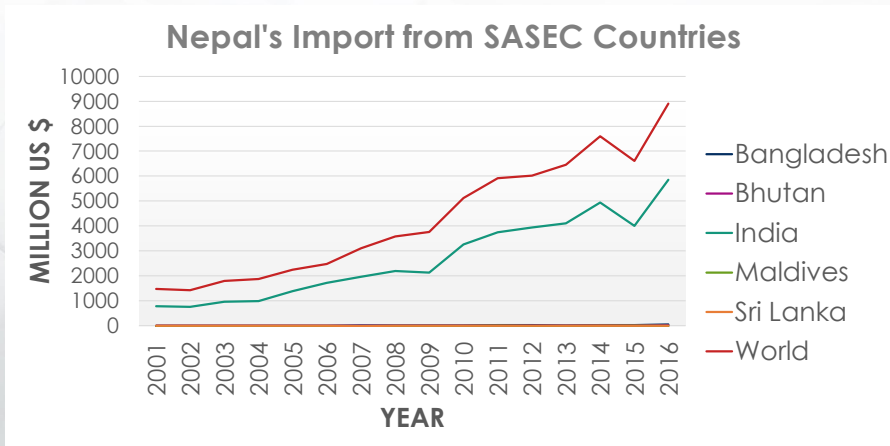


DATA SOURCE: UNCTAD AND TEPC



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## NEPAL'S IMPORTS FROM SASEC COUNTRIES



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## COMPOSITION OF NEPAL'S EXPORTS



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## POTENTIAL EXPORTS FROM NEPAL TO SASEC

	No. of potential exports	No. of products attracting at least one SPS/TBT	Main HS categories
<b>Bangladesh</b>	129	35	Coffee, tea, maté and spices ; Residues and waste from the food industries; prepared animal fodder
<b>Bhutan</b>	98	32	Plastics and articles thereof; Meat and edible meat offal
<b>India</b>	93	93	Articles of apparel and clothing accessories, not knitted or crocheted; Articles of apparel and clothing accessories, knitted or crocheted; Preparations of cereals, flour, starch or milk; pastrycooks' products
<b>Maldives</b>	108	N/A	N/A
<b>Sri Lanka</b>	101	37	Coffee, tea, maté and spices; Electrical machinery and equipment and parts thereof

## Brief overview of SPS and TBT measures in Nepal

## SPS LEGAL FRAMEWORK IN NEPAL

### Human life/health

- Food Act, 1967 and Food Rules, 1970
- Animal Health and Livestock Service Act, 1999 and Animal Health and Livestock Service Rules, 2000
- Animal Slaughterhouse & Meat Inspection Act, 1999 and Animal Slaughterhouse and Meat Inspection Rules, 2001
- The Pesticides Act, 1991 and Pesticide Rules, 1994
- Consumer Protection Act, 1998 (2054) and Consumer Protection Rules, 1999 (2056)

### Animal life/health

- Feed Act, 1976 and Feed Regulation, 1984
- Animal Health and Livestock Service Act, 1999 and Animal Health and Livestock Rules, 2001

### Plant life/health

- Plant Protection Act, 2007 and Plant Protection Rules, 2010
- Seeds Act, 1988 and Seeds Regulation, 1997
- The Pesticides Act, 1991 and Pesticide Rules, 1994



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## INSTITUTIONAL SETUP AND SPS MEASURES IN NEPAL

Ministry of Agricultural, Land Management and Cooperatives

### PLANT PROTECTION DIRECTORATE

- **Plant Protection Act, 2007 (2064) and Plant Protection Rules, 2010 (2066)**: Special authorization requirement), Hygienic requirements, Testing requirements, Inspection requirements, Certification requirements, Tolerance limits for residues or contamination
- **Pesticides Act, 1991 (2048) and Pesticides Rules, 1994 (2050)**: product registration; prohibition for SPS/TBT reasons

### DEPARTMENT OF FOOD TECHNOLOGY AND QUALITY CONTROL

- **Food Act, 1967 (2023) and the Food Rules, 1970 (2027)**: Tolerance limits for residues of or contamination; restricted use of certain substances in food; labelling requirements; microbiological criteria;
- **Feed Regulation, 1984 (2041)**: Tolerance limits for residues; Microbiological criteria; Food and Feed Testing and certification services

### DEPARTMENT OF LIVESTOCK SERVICES

- **Animal Health and Livestock Act, 1995 (2055)** : Special authorization requirement; Storage and transport conditions; Certification requirement; Quarantine requirement

### SEED QUALITY CONTROL CENTRE

- **Seeds Act, 1988 (2045) and Seed Regulations, 1997 (2054)**: Special authorization; Registration requirement for seeds import; Seed quality; Seed Testing services



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## TBT LEGAL/INSTITUTIONAL STRUCTURE

### Nepal Bureau of Standards and Metrology (NBSM)

Technical regulations, Standards, Conformity Assessment Procedures

- *Standard Measurement and Weight Act, 1968 (2025)*
- *Nepal Standards (Certification Mark) Act, 1980 (2037) and Nepal Standards (Certification Mark) Rules, 1983 (2040)*

### Department of Drug Administration (DDA)

Protection from abuse or misuse of drugs

- *Drugs Act, 1978 (2035) and Drugs Registration Regulation, 1981 (2038)*

### Ministry of Forests and Environment:

Protection of the environment

- *Environment Protection Act, 1997 (2053) and Environment Protection Rules, 1997 (2054)*

### Department of Commerce and Supply Management

Protection from deceptive practices

- *Consumer Protection Act, 1998 (2054) and Consumer Protection Rules, 1999 (2056)*

### Ministry of Industry, Commerce and Supplies

Miscellaneous protections

- *Export and Import (Control) Act, 1957 (2013) and Export and Import (Control) Rules, 1978 (2034)*



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## SPS/TBT INFRASTRUCTURE IN NEPAL

**Accredited Government Laboratories:** NBSM & DFTQC (not all parameters), Central Seed Testing Laboratory

- ✓ **Accredited private laboratory:** Zest Laboratory in few parameters for some food products, drinking water, and some drugs & pharmaceuticals
- ✓ **Non-accredited government laboratories** (except DFTQC and NBSM):
- ✓ **Non-accredited testing facilities** provided by an NGO and 8 private laboratories



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# Identification of SPS/TBT barriers facing Nepal's exports



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## KEY SPS INADEQUACIES IN NEPAL

### INFRASTRUCTURE:

- Limited accredited testing laboratories and certification bodies ;
- Non-accredited Microbiological Laboratories, Food Contaminants/Additives Laboratories, Food and Feed Laboratories;
- Non-accredited soil, seed, fertilizers, pesticides, quarantine related services, veterinary and animal quarantine related tests

### LEGAL AND INSTITUTIONAL:

- ✓ Traceability requirements, HACCP not addressed;
- ✓ Food Act more focused on quality than safety;
- ✓ Inadequate capacity to conduct Pest Risk Analysis;
- ✓ Lack of quality human resources, frequent transfer of employees, stagnant number of employees.



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## KEY TBT INADEQUACIES IN NEPAL

### INFRASTRUCTURE:

Lack of testing laboratories, metrology and calibration services;

Non-accredited testing services: electrical testing, paper testing, pipe testing, textile testing, environmental testing, drugs testing etc.

### LEGAL AND INSTITUTIONAL

- ✓ No national accreditation body
- ✓ Legislative deficiencies
- ✓ Conflict of interest : lack of decentralization of standards formation, implementation, conformity assessment and monitoring (all done by NBSM)
- ✓ Lack of human resources

### OVERALL POOR NATIONAL QUALITY INFRASTRUCTURE



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## PRIVATE SECTOR CAPACITY CONSTRAINTS

- ✓ Lack of capacity to promote the goods to a new market;
- ✓ Lacks information regarding testing facilities available in Nepal;
- ✓ Doesn't communicate necessary information to government laboratories regarding the most important accredited testing facilities needed.



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## SPS/TBT GAPS RELATIVE TO SASEC COUNTRIES

**Bangladesh:** Radioactive materials; melamine, mandatory certification for some products etc.

**Bhutan:** No significant gaps observed, but not enough data

**India:** Melamine, good manufacturing practice (GMPs), irradiated food products, strict labelling requirements, hazardous wastes, CITES(endangered species), mandatory certification for some products, etc.

**Sri Lanka:** Irradiated foods, GMOs, food contact materials (FCMs), mandatory certification scheme for certain products

**Maldives:** Not enough information



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## SURVEY OF EXPORTERS 29 FIRMS/COMMODITY ASSOCIATIONS SURVEYED

Product category representation in survey of exporters



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## MAJOR SURVEY FINDINGS: PROCEDURAL OBSTACLES ARE PERVASIVE

- ✓ High burden of SPS/TBT and related procedural requirements in terms of cost and time;
- ✓ Testing and certification requirements cause substantial delays in shipment, which is especially severe for perishable food items;
- ✓ There are other procedural obstacles such as arbitrary and inconsistent behavior, requirement of informal payments and misclassification of products (e.g. ginger)
- ✓ Lack of market and SPS/TBT information: Exporters seriously lack of information regarding other SASEC market as well as their SPS/TBT requirements.
- ✓ **PROCEDURAL OBSTACLES (EXTREME INSPECTION, DOUBLE TESTING, DOUBLE CERTIFICATION, ARBITRARINESS OF BEHAVIOR) ARE MORE TRADE RESTRICTING THAN GAPS IN STANDARDS**



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## PROCEDURAL OBSTACLES IN EXPORTS

- ✓ Inconsistent manner in which procedures, regulations and requirements are applied;
- ✓ Excessive documentation;
- ✓ Substantial delays in obtaining authorization/approval;
- ✓ Approval from several entities required;
- ✓ Lack of coordination among quarantine posts and customs check point;
- ✓ Insufficient use of ICT and lack of automation;
- ✓ Requirement of informal payment.



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# Recommendations for future actions



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## 1. IMPLEMENT KEY INSTITUTIONAL AND REGULATORY REFORMS

### Regulatory reforms for SPS:

- ✓ Implement systems approach (GAP, GMP, HACCP, traceability requirements)
- ✓ Adopt a risk-based preventive approach to food safety
- ✓ Focus on food safety parameters while forming technical regulations
- ✓ Update and harmonize SPS requirements with international standards

### Regulatory reforms for TBT:

- ✓ Develop regulatory framework for establishing Accreditation Body
- ✓ Develop regulatory framework for National Quality Policy
- ✓ Establish separate autonomous bodies for standardization, conformity assessment, accreditation, market surveillance, and evaluation
- ✓ Improve technical regulations regime (e.g. mandatory standards for exports)



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## 1. IMPLEMENT KEY INSTITUTIONAL AND REGULATORY REFORMS (CONTD..)

### Institutional Reforms for SPS:

- ✓ Enhance institutional capacity to conduct pest risk analysis and implement integrated pest management;
- ✓ Increase institutional capacity for food surveillance;
- ✓ Allow SPS agencies to hire workers on demand and prevent constant transfers/rotations;
- ✓ Strengthen training programme, technical support, and knowledge sharing

### Institutional Reforms for TBT:

- ✓ Allow NBSM to hire workers on demand and prevent constant transfers/rotations of employees
- ✓ Trainings, technical support, increasing awareness, knowledge sharing, etc.

**CURRENT LEGISLATIVE INITIATIVES SHOULD (i) ENSURE "FARM TO FORK TRACEABILITY AND ENSURE SYSTEMS APPROACH (ii) ENSURE THAT GLOBAL BEST PRACTICE IN TBT IS MANDATED**



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## 2. ESTABLISH A NATIONAL ACCREDITATION BODY

- ✓ Establishing an internationally recognized National Accreditation Body, certified to issue accreditation to the laboratories;
- ✓ Essential parameters that needs accreditation body:  
Microbiological, Chemical, Pesticide residues, ISO 9001, ISO 14001, ISO 22000



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### 3. HARMONIZE STANDARDS

- ✓ Radioactivity levels for all edible products;
- ✓ Melamine levels;
- ✓ Antibiotic in meat, meat products, and fish, poultry, and animal feed;
- ✓ Pesticide residues standards;
- ✓ Hormonal Treatment in dairy products;
- ✓ Labelling standards;
- ✓ FCMs standards;
- ✓ Mandatory technical regulations for some processed agriculture and manufactured products (juice soap, glassware, tubes, pipes wire, electrical appliances)

**SARSO has been developing SAARC standards but the progress is slow**



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### 4. CONDUCT MUTUAL RECOGNITION AGREEMENTS

- ✓ Conduct bilateral Mutual Recognition Agreements (MRAs) to start with for perishable products and where Nepal has the required technical competence;
- ✓ Conclude MoU between NBSM and SASEC countries' conformity assessment bodies authorizing NBSM to issue the required mandatory certification for products under mandatory certification scheme;
- ✓ Operationalize SAARC Agreement on Multilateral Agreement on Recognition of Conformity Assessment (MARCA).



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## 5. UPGRADE TESTING AND CALIBRATION LABORATORIES

- ✓ Strengthen existing test laboratories;
- ✓ Introduce facilities of chemical and microbiological tests;
- ✓ Explore Public –Private Partnership (PPP) Model;
- ✓ Mobilize development partners

## 6. DEVELOP NATIONAL QUALITY POLICY

- Formulate National Quality Policy (NQP) that clearly delineates roles of different government agencies and spells out coordination mechanism;
- Strengthen overall National Quality Infrastructure (NQI).

## 7. IMPLEMENT TARGETED HUMAN RESOURCES DEVELOPMENT

- Develop strategic framework for human resource development
- Create a pool of skilled SPS-TBT related workforce and experts;
- Increase budgetary allocation on human resource development;
- Explore financial and technical assistance from international organizations

## 8. ENHANCE SPS-TBT DIPLOMACY

- ✓ Bilateral- learning from and collaboration with India's Single Window Interface for Facilitating Trade (SWIFT)
- ✓ Regional and sub-regional – SAFTA, BIMSTEC, BBIN
- ✓ Multilateral- WTO and other standard setting bodies

## 9. REDUCE INFORMATION GAP

- ✓ Disseminate information on the potentials SASEC markets;
- ✓ Disseminate information on SPS and TBT measures in SASEC countries and procedural requirements;
- ✓ Dissemination information to the private sector on the testing services provided by national agencies;
- ✓ Integrate NTM measures in trade portal.

**TEPC, SPS Enquiry points, TBT Enquiry Points, and SPS-TBT Core Groups can play a proactive role.**

**COUNTRY-SPECIFIC DETAILED PRIORITIZED RECOMMENDATIONS WITH TIMELINE ARE PRESENTED IN THE REPORT**



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# THANK YOU!

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