

Economic Corridor Development, Regional Cooperation and Integration: Nepal's perspectives

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Kathmandu
काठमाडौं

Pokhara
पोखरा

Policy framework

- ✓ The Constitution of Nepal
- ✓ Commerce Policy
- ✓ Nepal Trade Integration Strategy
- ✓ Trade Logistic Policy and Action Plan

Long-term goals and strategies

- Domestic and cross-border interconnectivity and sustainable cities/settlements.
- integrated transportation/electricity transmission system.
- road networks, tunnels, fast tracks, railways, waterways, and airports.
- Knowledge-based economy for modern IT infrastructures
- Modern, safe, and sustainable cities and integrated settlements.
- Dense modern cities, urban corridors, specialized and hill towns.

Long-term goals and strategies

- industrial areas, Special Economic Zones (SEZs), economic corridors, and industrial villages for operating industries at their full capacities
- Formulating integrated urban development plans in all municipalities.
- Basic urban infrastructure development in 70 municipalities and district HQ.
- 10 new cities alongside the Mid-Hill Highway/ smart cities development
- Development of new cities in four places within Kathmandu Valley.
- Land acquisition for construction of the outer ring road in Kathmandu valley.
- Drainages, corridor roads, and green belts on both sides of city rivers

ADB SASEC projects in Nepal

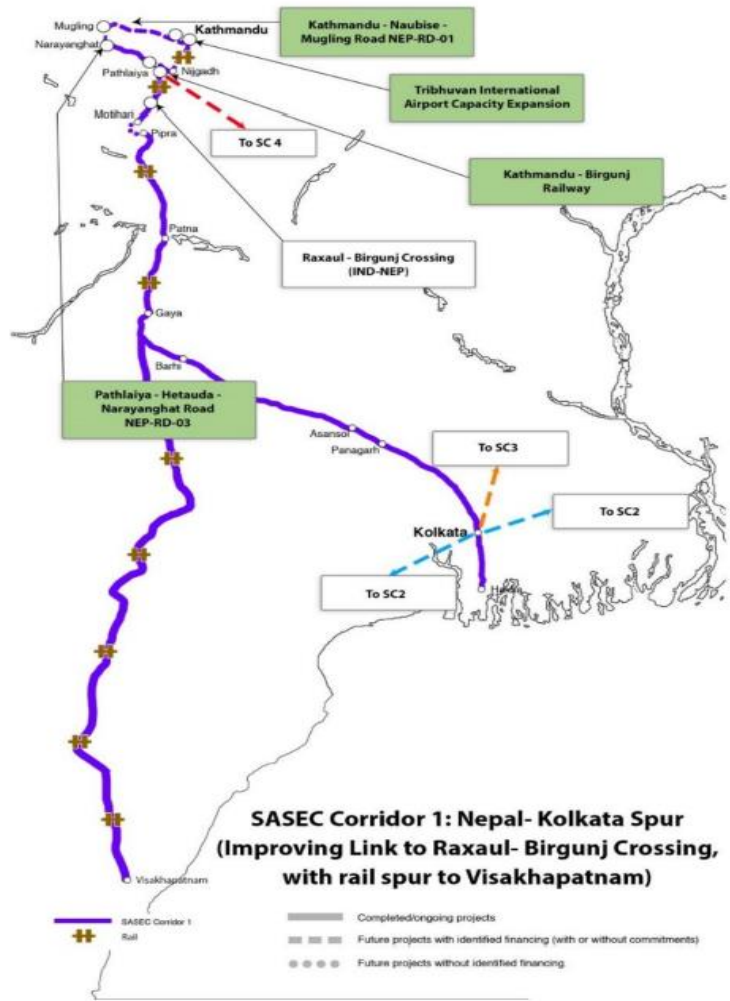
There is long list of ADB supported SASEC projects in Nepal. Currently about 25 SASEC projects are ongoing. Following are major connectivity related projects

1. ***East-West Highway Improvement Project:*** focused on upgrading Nepal's East-West Highway, a vital trade route, to enhance transportation efficiency and connectivity.
2. ***Kathmandu Valley Town Development Project:*** aimed at improving urban infrastructure and services in the Kathmandu Valley for enhancing living conditions
3. ***Power Transmission and Distribution Efficiency Enhancement Project:*** to improve reliability and efficiency of power transmission and distribution systems for reliable electricity supply.

ADB SASEC projects in Nepal

4. ***SASEC Road Connectivity Project:*** to enhance road connectivity in Nepal, particularly along key trade routes, to promote trade and economic integration within the subregion.
5. ***Nepal-India Regional Trade and Transport Project:*** to improve cross-border trade infrastructure, including customs points and trade facilitation measures, between Nepal and India. The world bank has invested in this project

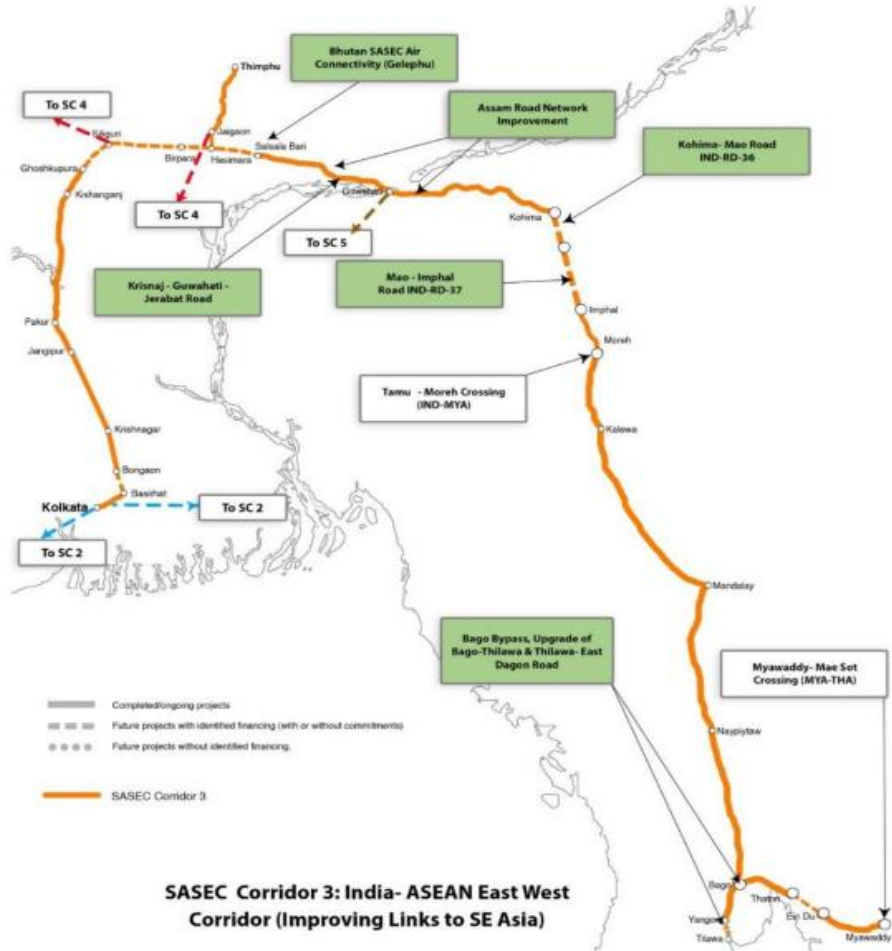
SASEC Corridor-1



The Kathmandu-Kolkata via Birgunj route serves as the key trade route for Nepal linking with India (its largest trading partner) as well as with other countries passing through Kolkata and Visakhapatnam ports. Birgunj is the major land customs- a gateway to Nepal from where 45% of its total trade cross this border by road and rail.

Source: ADB/SASEC Asia website

SASEC Corridor-3

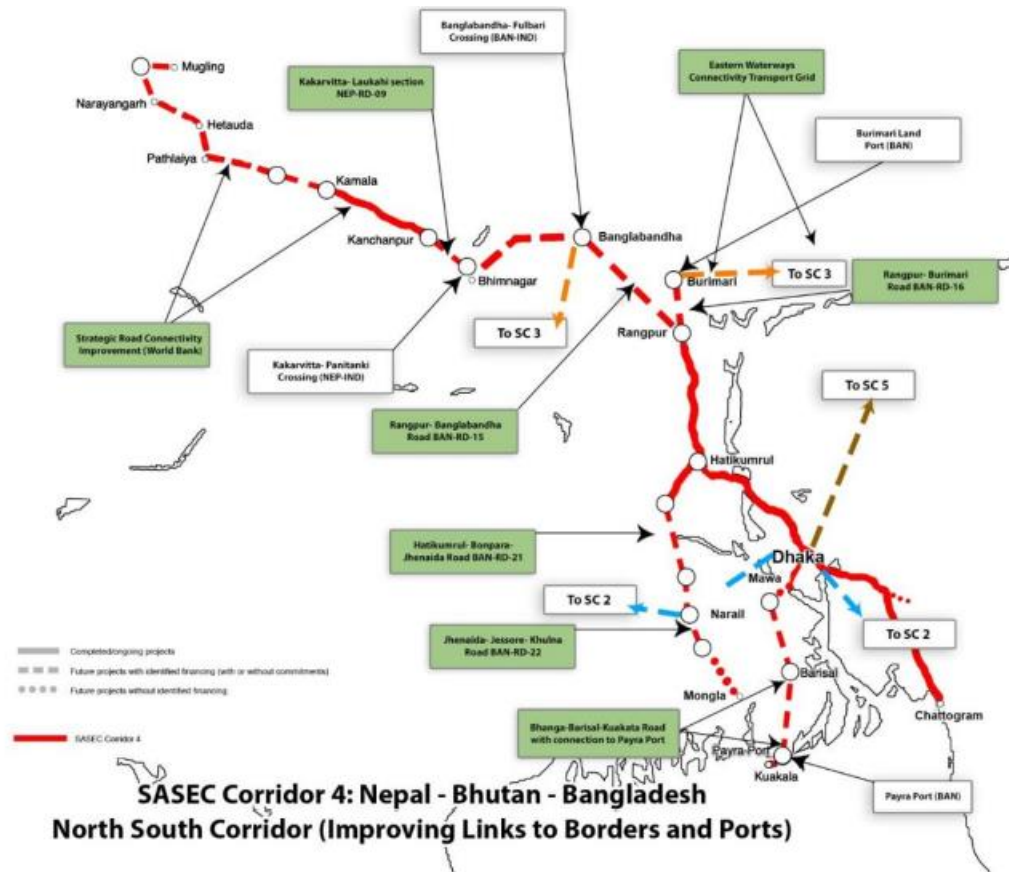


serves as the main gateway for greater economic integration between SASEC countries and Southeast and East Asia. Within SASEC, the corridor serves to connect Bhutan and eastern Nepal with India's East–West Corridor.

Source: ADB/SASEC Asia website

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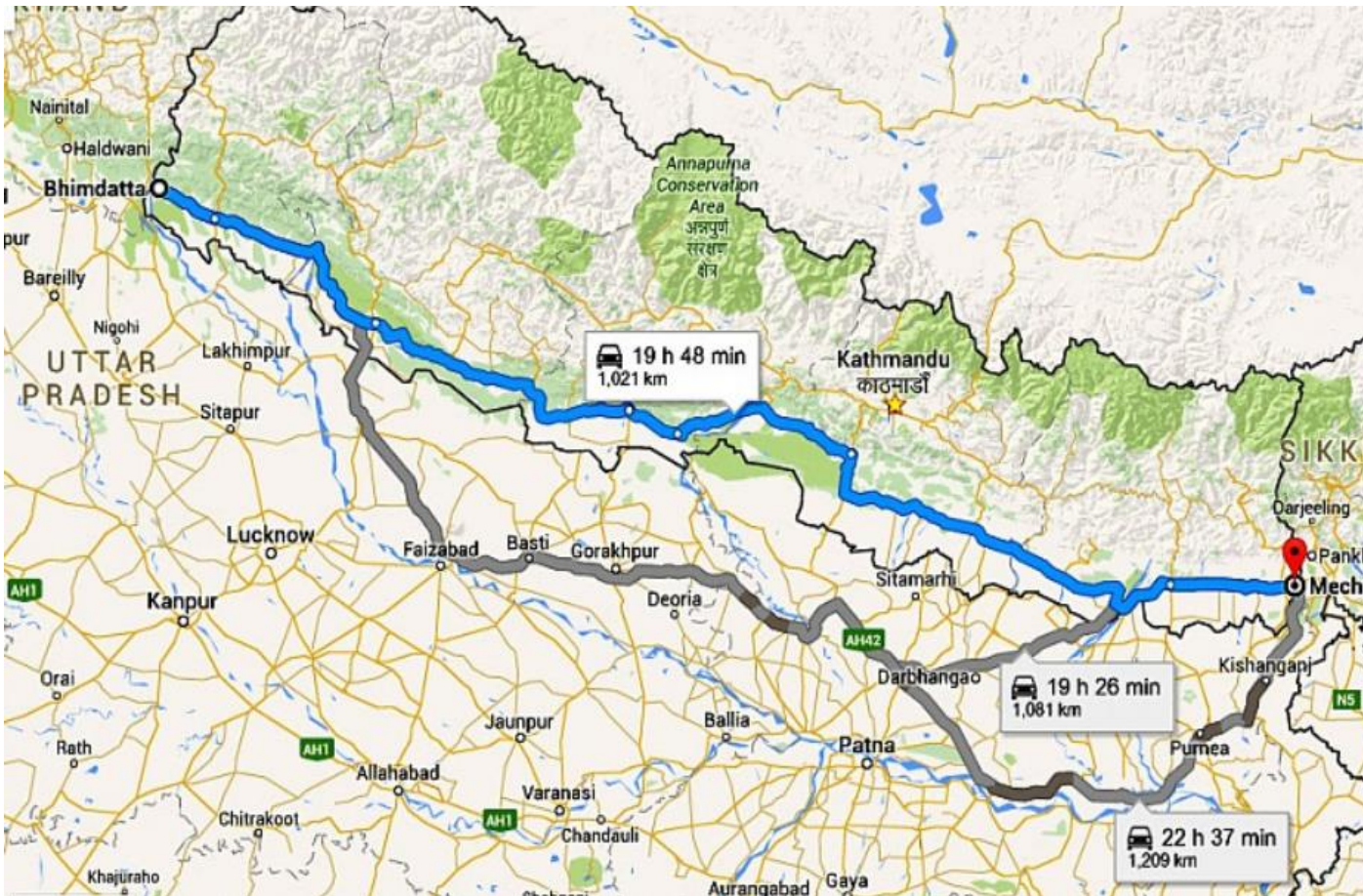
SASEC Corridor-4



Source: ADB/SASEC Asia website

In Nepal, expansion of a section of the East–West Highway between Dhalkebar and Pathlaiya is being financed by the Nepal Government with World Bank support for bridges. ADB is financing the upgrading of Kanchanpur- Kamala section (87 km) to 4- lanes, which commenced in 2020; detailed engineering for upgrading Dhalkebar- Pathlaiya section is ongoing

East-West Highway



A crucial transportation corridor that spans the entire length of Nepal from east to west. It connects major cities and towns and facilitates the movement of goods and people.

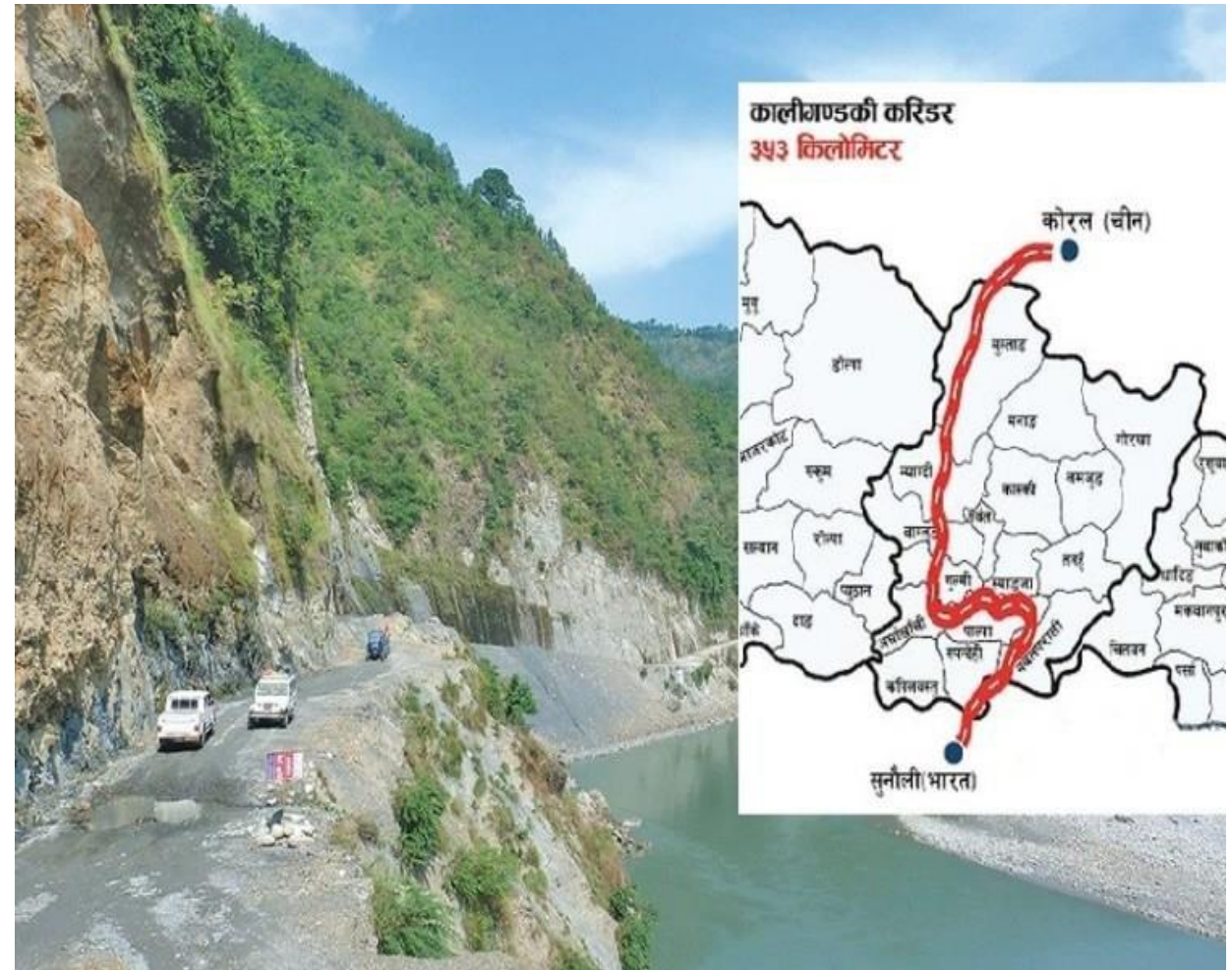
North-South Economic Corridors



Nepal has also been exploring the development of north-south economic corridors to improve connectivity with neighboring countries. Projects need to upgrade and expand road networks in these directions.

Kaligandaki Road Corridor: National Pride Project

- 435 KM - along Kaligandaki river- connecting Indian Border (Sunauli) to Tibetan Border (Korala)
- Connecting major industrial cities of Lumbini and Gandaki Province, including Bhairahawa, Butwal and others.
- 1 million people of 10 district directly benefitting from the road connectivity with reduced transportation cost.
- Helping foster market linkage, investment, supply chain.



Kathmandu Valley Road Expansion



The Kathmandu Valley, being the economic and administrative hub of Nepal, has seen road expansion projects aimed at reducing congestion and improving transportation within the valley.

Major regional projects with WB support

- ***Nepal-India Electricity Transmission and Trade Project:*** Focused on enhancing Nepal's electricity transmission capacity and facilitating cross-border electricity trade with India, this project can contribute to regional energy cooperation and power exchange.
- ***Nepal Second Rural Access Improvement Project:*** rural transportation infrastructure, improving road connectivity in Nepal's rural areas contribute to regional development by promoting trade and mobility between different regions within the country.
- ***Nepal-India Regional Connectivity Project:*** aimed to improve road infrastructure and connectivity along the Terai road corridors in Nepal, enhancing trade routes and regional linkages.
- ***Digital Nepal Acceleration:*** Expanding access to broadband.
- Improving the capacity of individuals to engage in the digital economy.
Enhancing the foundations of digital government

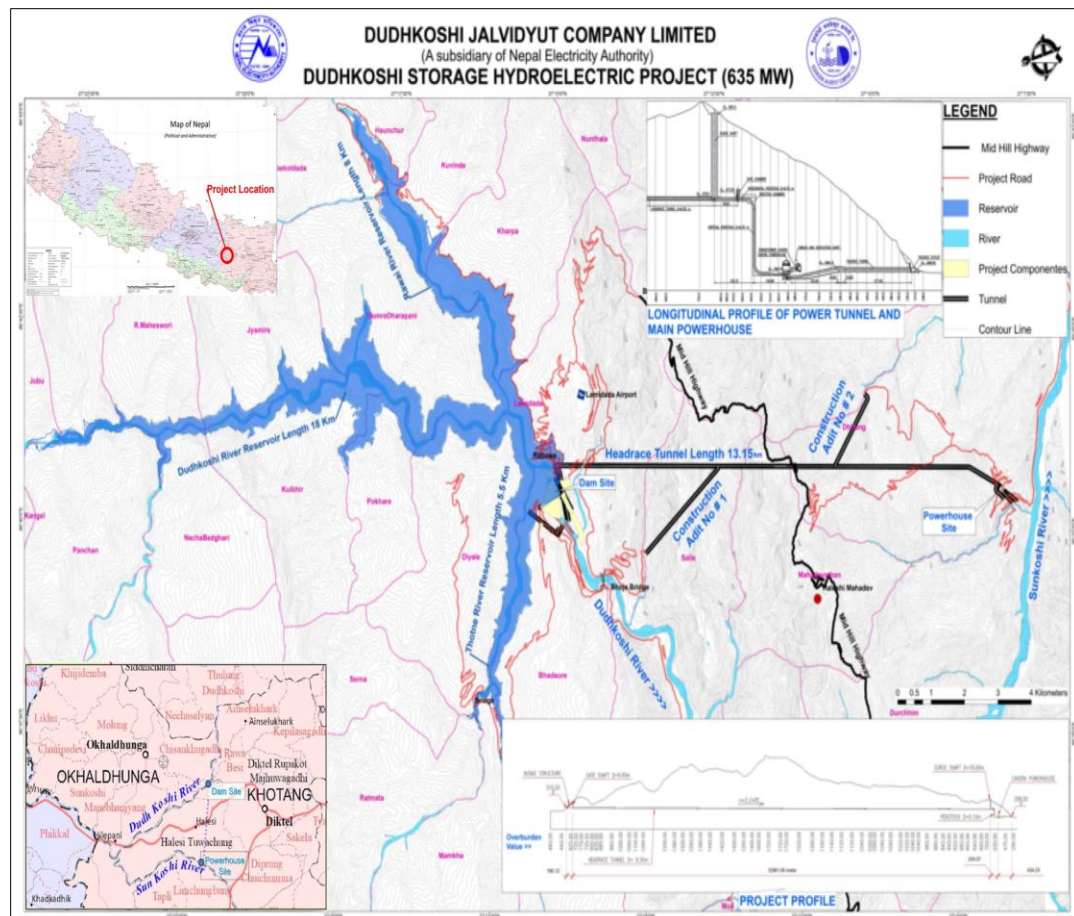
Some projects with regional implications

- **BRI:** Nepal signed in BRI MOU, which includes infrastructure development projects like railways and roads. This could potentially enhance Nepal's connectivity with China and beyond.
- **MCC:** Nepal signed compact in 2017 and launched EIF in Aug 2023 for 315 Km 400 Kv TL from Lapsiphedhi -Ratmate- Hetauda and New Damauli to New Butwal crossing Nepal India border to Gorakhpur and 40 Km road from Shivakhola to Lamahi using climate friendly and sustainable technology
- **Cross-border Trade Facilitation:** Alongside infrastructure development there have been efforts to streamline customs and trade procedures at border crossings to facilitate cross-border trade

Nepal's initiatives to contribute to RCI

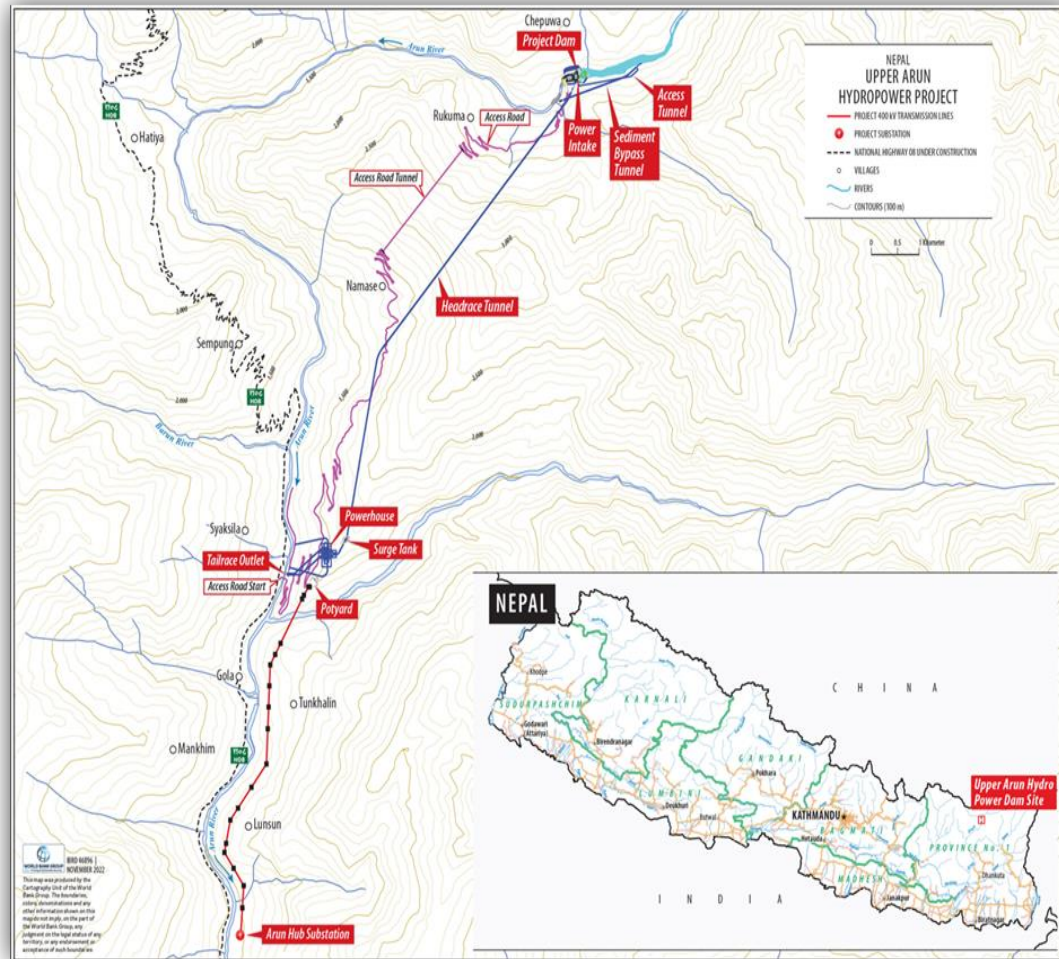
- ✓ ***Participation in Regional Organizations:*** Nepal is a member of various regional organizations such as SAARC and BIMSTEC. These platforms provide opportunities for Nepal to engage with neighboring countries and promote regional collaboration.
- ✓ ***Trade and Transit Agreements:*** Nepal has signed trade and transit agreements with India. These agreements aim to facilitate cross-border trade, transit, and transportation, promoting economic connectivity and integration.
- ✓ ***Energy Cooperation:*** Nepal's hydropower potential can be a significant source of clean energy for the region. Initiatives to export electricity to neighboring countries.

Dudhkoshi Hydropower Projects (Pipeline)



- 635 MW (2.2 Billion USD) Storage Hydroelectric Project to meet dry-season demand and wet season export
- significant benefits to Nepal and the South Asia region through power trade.
- displace expensive thermal plants in India and Bangladesh
- the absorption of variable renewable energy sources (such as solar).
- a catalyst for a green energy transition in South Asia.

Upper Arun Hydroelectric Project (Pipeline)



- 1060 MW (1.7 Billion USD), semi-storage HEP- meet dry-season demand and export in wet season.
- significant economic benefits to Nepal and the South Asia region through power trade.
- displace expensive thermal plants in India and Bangladesh
- the absorption of variable renewable energy sources (such as solar).
- a catalyst for a green energy transition in South Asia.

Other initiatives to contribute to RCI

- ✓ **Transboundary Water Management:** As a country rich in water resources, Nepal's cooperation with downstream countries like India and Bangladesh in managing transboundary rivers contributes to sustainable water resource utilization and regional cooperation.
- ✓ **Natural Disaster Management:** Nepal collaborates with neighboring countries on disaster preparedness and response, recognizing the shared vulnerabilities to natural disasters in the region.

Potential challenges and way forward

- Difficult geographical terrain/ natural disaster
- Geopolitical issues/Security concerns/ regulatory hurdles
- Infrastructure gap/ financing gap / Capacity constraints
- Sharing of data/information
- However, there are ample opportunities to explore areas of common interest and develop projects of mutual benefits.
- Heritage and cultures related connectivity through pilgrimage circuits projects could have converted into economic corridors in the long run

Thank you