



# NICCI e-Newsflash

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## Investment Board Regulation 2012: Govt to give equal treatment to local, foreign investors

Investment Board, which has been established to facilitate local and foreign investors, will offer tax exemption and capital support to foreign projects, apart from facilities provided by the existing industrial laws.

According to the Investment Board Regulation 2012, the government will give equal treatment to local and foreign investors. Incentives will be provided to projects such as railway (over 200 km), infrastructure, hydro power, petroleum extraction and agriculture, among others.

The recent board meeting of the Investment Board approved the regulation. "No foreign investors will be ready investing in Nepal until the government offers them equal treatment and provides special sup-

port," said Investment Board Chief Executive Officer Radhesh Pant.

The regulation has enlisted projects including railway (over 200 km), petroleum refinery plant, fast-track roads and modernised hospitals (over 500 beds), among others, under the government priority.

The regulation has also envisioned providing similar facilities to other projects such as underground railway (over 10 km), storage-based hydro projects (over 500 MW) and projects creating employment opportunity for over 5,000 individuals.

Investment Board officials said the board will soon begin negotiations with foreign investors.

## Ministry of Energy speeding up to complete draft of PDA

The Ministry of Energy (MoE) has expedited work on finalising a draft of the power development agreement (PDA).

"Work related to drafting the PDA is almost at the final stage," said Energy Secretary Hari Ram Koirala. He added that the draft would be ready by Saturday and then forward it to the Investment Board on Sunday, 10<sup>th</sup> June.

The ministry said that the draft would be sent to the board so that it can make preparations to sign PDAs

with hydropower companies, who are waiting for PDA for the last three years.

The MoE has been conducting a workshop to finalise the format of the PDA in Dhulikhel from Wednesday, 6<sup>th</sup> June. Representatives from the Ministry of Finance, Nepal Electricity Authority (NEA) and the Department of Electricity Development (DoED) are participating in the workshop to give their input.

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## Ministry of Energy speeding up .....

Two months ago, the ministry had prepared a draft of the PDA and sent it to the concerned authorities including the Finance, Law and Environment ministries, among others. "We will be incorporating the views of the ministries in the draft. We want the text to be perfect so that there will be no confusion or difficulty in the future," said Koirala.

Investors seek a government assurance through the PDA that helps avert any possible social, economic or policy-level uncertainties during construction. Generally, issues related to taxes, licence period, free energy, royalty, repatriation right and parties' obligations are included in the PDA. After the PDA is approved, the DoED will issue generation licences to the projects.

Delays in preparing the text of the agreement have been preventing the government from concluding a deal with the power developers so far. The delay has prevented developers from going into the construction phase.

He added that once the PDA was ready, the ministry would call interested investors among

the eligible ones to sign the agreement. Meanwhile, the Investment Board will simultaneously negotiate with the five hydro power projects with which it has been assigned to conclude PDAs.

On May 25, Prime Minister Baburam Bhattarai had asked the board to develop five mega hydro projects including the 650 MW West Seti, 900 MW Upper Karnali, 600 MW Upper Marsyangdi, 900 MW Arun III and 880 MW Tama Koshi III in line with the IB Act that states that any hydro power project with a capacity of more than 500 MW will come under the purview of the board.

Apart from these projects, delays in finalising the text of the PDA has also prevented three other hydropower projects — Lower Arun (400 MW), Balefi (450 MW) and Likhu (120 MW) — from entering the construction phase.

"Once the PDA is completed,, we will begin negotiations with the five hydro power projects that the government has entrusted us to develop, including China Three Gorges International to sign an agreement for West Seti, that it was eager to invest in Nepal" said IB CEO Radhesh Pant.

On April 21, Prime Minister Bhattarai had directed the MoE to give the work of drafting the PDA to the Investment Board as it had been slow in doing the job. As the PDA being drafted by MoE is for export oriented-projects, the board has also been working on PDA for projects which will be developed for local consumption including West Seti Hydropower Project.

## Govt revises Investment Year schedule

The government has rescheduled its much-hyped plan to bring US\$ 1 billion worth of foreign investment in the first six months of Investment Year 2012/13. As per rescheduled plan, the first half of the next fiscal year will be 'preparatory period' following which it will aim to bring in the targeted USD 1 billion foreign investment in the country.

The government readjusted its plan for the Investment Year, starting from mid-July 2012 after political deadlock pushed the program into jeopardy. The board is yet to make an official decision in this regard though.

The Investment Board (IB), assigned to realize the government's ambitious plan said it would completely change the timing of the Investment Year. "Unlike the past announcements, the IB will now use the first six months (of 2012/13) to complete all necessary preparations, including enactment of various investment friendly laws and policies," a source at the Prime Minister's Office (PMO) said.

If the source comments are anything to go by the Investment Year will now begin from January 2013 and not from mid July, 2012 as earlier announced. Radesh Pant, CEO of the IB confirmed that the time to unveil the Investment Year 2012/13 has been readjusted.

While launching the Investment Year, Prime Minister Babu Ram Bhattarai had promised amendment and formulation of various Acts and policies to make the country's investment regime more investor friendly. But the whole plan has been affected due to the political situation since May 27, the readjustment will be more practical given the country's political situation," said the source.

Meanwhile, the three leading multilateral and bilateral development partners - International Finance Corporation (IFC), Department for International Development (DFID) and Embassy of Japan have extended their commitments to provide technical assistance to the Investment Board, as per a source at the Prime Minister's Office (PMO).

## Govt, NEA to own 90pc of National Grid Company

The government has decided to hold a majority stake in the proposed National Grid Company (NGC). The government and the Nepal Electricity Authority (NEA) will own 90 per-

cent of the shares and the rest will be sold to the general public.

Anup Prashad Upadhyaya, joint secretary at the Ministry of Energy said "Currently, the major concern is to set up the company as soon as

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## Govt, NEA to own 90pc of National Grid .....

possible. We haven't mentioned the names of the ministries and agencies which would own shares in NGC as the process is lengthy and complex and might become an obstacle to setting up the company." "Once the documents are approved by the Finance Ministry, government agencies will be able to acquire shares," he added.

"Once the documents (articles of association and the articles of memorandum) to establish NGC are endorsed by the Finance Ministry, we will register the company," said Sher Singh Bhat, NEA director heading the committee to finalize legal documents.

The proposed company would have an authorised capital of Rs 25 billion, issued capital of Rs 5 billion and paid-up capital of Rs 2 billion. NGC will operate all the transmission lines in the country

having a capacity of more than 33 KV. As the source of income, it will levy a wheeling charge on all the power producers for use of the lines.

But, Independent power producers (IPPs) doubt the company will be formed as the Nepal Electricity Regulatory Commission Act 2008 which envisions the formation of a separate transmission company is yet to be endorsed. However, ministry officials say it will not make much difference as the company will be established as per the Company Act.

IPPs have long been demanding that the NEA be unbundled into separate transmission, production and distribution companies. "The unbundling of the NEA into three separate companies is crucial as the NEA alone cannot focus on the development of transmission lines, production process and distribution system," said Subarna Das Shrestha, president of the Independent Power Producers' Association of Nepal.

## 'Norway interested in hydropower' Norwegian Minister

Norway has shown interest to invest in hydropower projects in Nepal as the country is facing acute power shortage. Norwegian investors are interested to develop hydro-power projects in Nepal, Norwegian Minister for International Development Heikki Holmas said in a meeting with caretaker finance minister Brashaman Pun here at this office last week. "Norwegian have special interest in Kirne (68 MW) and Tamakoshi III," he said, adding that peace along with law and order is prerequisite for the development. Holmas also suggested Pun to develop a General Electricity Planning to accelerate energy projects.

In the meeting, Pun thanked Norway for its support in hydropower, education and establishment of peace in the country.

Finance Secretary Krishna Hari Bastoka informed the visiting minister of Investment Year 2012-13 and asked help in attracting foreign direct investments. "We have investment law and policy to attract foreign investors," he said, giving examples of hydropower sector and Investment Board that has been set up to attract investors as an one-

window solution.

Norwegian Minister Heikki Holmas made an on-the-spot inspection of the Khimti-I Hydropower Project at Lamabagar, in the last week and also acquired information about the project's power house at Khimti, Head Works at Palati and the Jhakre Rural Hydropower Project.

Chief of the project Ishwar Man Dosar informed the minister about the project, which has been developed by Himal Power Limited and Norwegian company SN Power.

The team included Energy Secretary Hariram Koirala, the Ambassador of Norway to Nepal and Country Director of the SN Power Dr. Sandeep Sah.

At an interaction organised at Kirne, Minister Holmas also learned about the progresses of 650-MW Tamakoshi-III and the 65-MW Kirne Hydropower Project. Norwegian company, SN Power is planning to develop those projects.

Speaking at the gathering, Minister Holmas said that Norway will extend additional assistance for Nepal's hydropower development.

## Entrepreneurs seek cheaper loans

Entrepreneurs have urged the central bank to make loans cheaper for cottage industries and the agriculture sector in the next budget.

During a pre-budget interaction programme organised by Nepal Rastra Bank (NRB) here last week, entrepreneurs asked the central bank to make a provision for interest-free or minimal interest loans to cottage industries to promote its growth. They also suggested simplifying agro loans so that investment in agriculture can be propelled and the sector becomes more professional and scientific. Participants in the interaction included representatives of the private sec-

tor, bankers, entrepreneurs, traders and economists. Microfinance bankers expressed the need for incentives for microfinance institutions to opt for mergers.

Likewise, the participants expressed the need for reducing interest rates for loans floated to tea and coffee plantation and processing firms to promote the sector that has high potential for exports. Similarly, tourism entrepreneurs and hoteliers also asked for tax concessions to cope with the high the cost of running businesses due to loan shedding and high wage rates.

Governor Dr Yubaraj Khatiwada assured that NRB will take up the issue with the ministry and the committees that NRB is involved with.

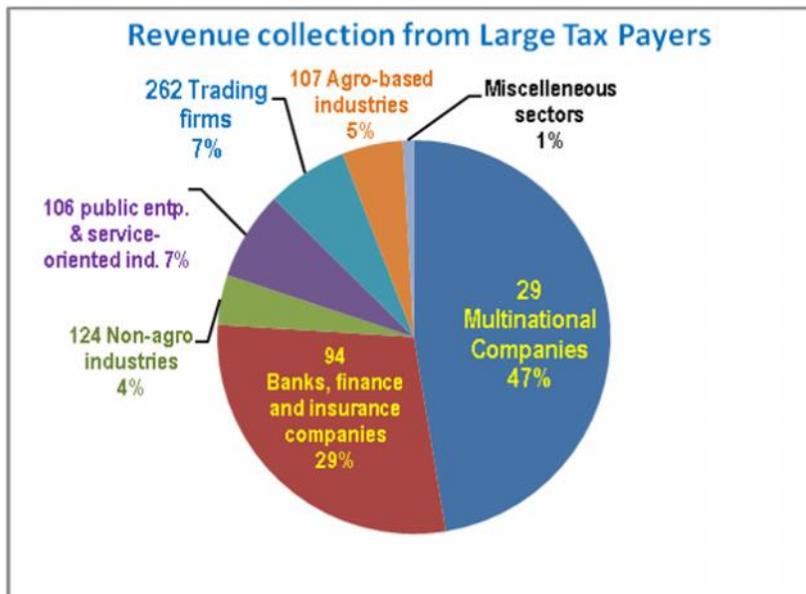
## Multinationals are major tax contributors

Multinational companies contribute almost half the revenue among the large taxpayers. It has been revealed from the statistics of Large Taxpayers Office.

Some 94 banks, finance and insurance companies are listed under the office and they contribute 28.6 per cent, whereas 124 non-agriculture industries contribute 4.1 per cent to the total revenue mobilisation of the office.

According to the Large Taxpayers Office, some 722 large taxpayers are listed under the office. Among them, some 29 multinational companies contribute 47.4 per cent to the office's total revenue mobilisation. "The office has been able to mobilise Rs 37.68 billion from the large tax payers by the end of the 10th month (mid-May) of the current fiscal year," accord-

ing to the office that has set a target to mobilise Rs 49.74 billion in the current fiscal year, which the office believes in meeting in the remaining two months.



Similarly, some 106 public enterprises and service-oriented industries also come under the large taxpayers office. These entities contribute 7.3 per cent and 262 trading firms contribute 6.7 per cent, whereas 107 agro-based industries contribute five per cent to the total revenue mobilisation of the office, informed chief tax administrator Ananda Prasad Dhakal during a surprise inspection of the large taxpayers office by the finance secretary Krishna Hari Baskota last week.

The office is planning to mobilise Rs 2.74 billion in the 11th month and Rs 9.25 billion in the last month of the current fiscal year to meet its target, said Dhakal, adding that the office has audited 208 large taxpayers, completed the investigation of 26 and finalised arrears worth Rs 307.4 million, which is 46 per cent of the total arrears.

## Govt exploring ways to disburse soft loans to hydel projects

A High-Level Financial Sector Reform Coordination Committee, headed by Finance Minister, on Wednesday, June 6, decided to form a taskforce to study ways to ensure necessary resources for the hydropower projects that are at the final phase of construction under the coordination of Nepal Rastra Bank (NRB) Deputy Governor Maha Prasad Adhikari with joint secretaries from the Finance and Energy Ministries and directors of the Nepal Electricity Authority and Department of Electricity Development as members.

Introducing Load Shedding Reduction Action Plan in February, the government had announced four types of incentives, including availability of loans at concessional rate. Hence, the committee decided to form the taskforce to suggest on how to provide the pledged support. The Action plan had also raised the power purchase agreement (PPA) rate, waiving value added tax on construction materials and delay charges.

The government has pledged loans upto Rs 20 million per megawatt to independent power producers at the rate that has so far been reserved to the NEA. The NEA has been taking loans from the government at an average interest rate of 8

percent. Finance Ministry sources say there has been understanding of providing Rs 2 billion to these projects

Finance Ministry Spokesperson Rajan Khanal said, the Energy Ministry has already recommended the names of seven such hydropower projects for the pledged resources and exemption in VAT on construction materials. "Energy Ministry has informed us that other projects are also seeking the pledged support," he said. The government has given exemption on VAT on imports of machinery for hydropower projects through the budget.

A total of 26 such projects will get waiver on VAT on construction materials and the delay charge if they complete the projects within April 2015. However, the Finance Ministry has some reservations over providing VAT exemption on construction materials on ground that similar incentive was misused in the past when the government provide such facility to some foreign aided projects.

## Govt forms panel to hold feasibility study for handicraft village

The government has formed a three-member task-force to conduct feasibility study for establishing handicraft village, aimed at promoting handicraft products at the leadership of joint secretary at the Secretariat of Council of Ministers, with representatives from the Ministry of Commerce and Supply and the Federation of Handicrafts Associations of Nepal (FHAN). The team has been asked to submit its report within the next three months.

The handicraft village will bring together industries producing metal craft, handmade Nepali paper, woolen and silk carpets, gems and jewellery, gold and silver, woodcarving, paubha and modern paintings, pottery and ceramics, stone carving, pashmina and handloom products and garments made of natural fabrics, among others within the village.

FHAN President Bikash Ratna Dhakhwa said the village would help put in place the infrastructure required to promote handicrafts business. "It will facilitate the production process as well as promote the handicrafts market," said Dhakhwa. The government has committed to establish the village in the budget for the current fiscal year.

"Handicraft village, commodity development centre, and cottage industry villages will be established in appropriate places to ensure and facilitate necessary supplies of materials for large industries," states the budget. FHAN will set up the village after the government makes land available.

Handicrafts hold a major share in the country's exports, mainly in export to third countries. According to FHAN, Nepal exported the handicrafts worth Rs 2.96 billion in the first nine months of the current fiscal year.

## Handicraft fair in November

Federation of Handicraft Association of Nepal (FHAN) in coordination with the Ministry of Commerce and Supplies (MoCS) and Trade and Export Promotion Centre (TEPC) is organizing handicraft trade fair from November 22 to 26, supported by Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Federation of Nepal Cottage and Small Industries (FNCSI), Micro Enterprises Development Program (MEDP), district handicraft associations, among others.

According to FHAN, the event is expected to develop as business hub for the SAARC region's handicraft entrepreneurs as there will be 20 participants from Bangladesh and

15 each from India and Pakistan. Attempts are being made for participation of Maldives, Bhutan and Sri Lanka in the event, according to the statement.

According to FHAN, there will 250 stalls of handicraft and 12 pavilions and others individual handicraft booths of pashmina along with Nepali handmade paper, leather products, natural fiber products, wood products, ceramics and many more other handicraft.

FHAN has estimated that the fair would draw more than 300,000 visitors. "A turnover of Rs 50 million is expected during the event," read the statement.

## Dept of Customs begins restructuring drive

The Department of Customs (DoC) has started a homework for establishing five regional offices restructuring its current organisational structure, to improve efficiency by bridging the existing gap between the department and custom offices.

Laxman Aryal, deputy director general of the department said that the restructuring process is being carried out in assistance of the United States Agency for International Development (USAID), which has commissioned an independent agency to do a survey for the restructuring of the department. "Once we study the survey report submitted by the USAID, we will include the task of custom department's structural change in the upcoming budget," added Aryal. The task force on Revenue Administration Reform, led by Narayan Raj Tiwari, had also recommended the need for regional offices five years ago.

Currently, the custom offices handle works that include clearance of import & export cargoes, clearance of passengers and their baggage, trade simplification, risk management and post clearing audit (PCA) among others.

The DoC officials say the works of trade simplification and customs' inspection should be given to regional offices and custom offices should be given tasks of trade simplification, clearance of import and export cargoes, clearance of passengers and their baggage. "This would boost the quality of custom service," said an official.

Currently most of the major customs offices have not been able to perform all the assigned tasks as they are always under pressure to meet the customs collection target. The DOC Spokesperson Shyam Dahal said "As a joint secretary level staff can head the regional offices, it will help to maintain check and balance,"

## Kathmandu Valley's Ring Road widening, works to start next year

The widening of the Kathmandu Valley's Ring Road will start from the next year under the assistance of People's Republic of China. In the first phase, the current four-lane road of the Koteshwor-Kalanki stretch will be upgraded to eight lanes, according to the Ministry of Physical Planning, Works and Transport Management.

Third Railway Survey and Design Institute Group Corporation, a consultant hired by China, has completed a preliminary design for the Koteshwor-Kalanki section of the road. China has also sought suggestions in the design work from Nepal. Currently, the Department of Roads is studying the design report for the necessary inputs.

"A team will review it at the earliest and suggest inputs to be incorporated into a final design."

The design report, submitted to the Ministry of Physical Planning about a month ago, has asked for suggestions within 20 days of their submission. Nepal and China had signed an agreement to widen the ring road under grant assistance from China in February last year.

Out of the upgraded eight lanes, central four lanes will be highway on fast track concept, a four-lane carriageway that will also include a two-way relief road, two-way bicycle track and two-way pedestrian path, including bus stations and parking lots. The road-widening project is expected to be completed by 2015. Tulasī Prasad Sitaula, secretary at the Ministry of



Physical Planning said that Chinese government was doing the final preparation to call tender for the selection of a contractor for the project. "Improvement work will start from the next fiscal year and it would take three years to complete the entire project," he added. After upgradation, this section of the ring road will be in international standard. Right now the Tinkune-Bhaktapur road is the only one international standard highway.

Under the Ring Road improvement plan, the current 27km-long Ring Road will be upgraded in three phases. Apart from the plan for the main road, according to the Ministry of Physical Planning, the detailed design on improvement will also devise plans for management of public utility services lines such as drinking water, electricity, telecommunications wires and demolishing or incorporating roadside physical infrastructure affecting the road widening work.

According to Ramesh Raj Bishta, Chief of the Foreign Cooperation Division, the first phase upgradation plan covers 10.4 KM from Kalanki to Koteswar will cost about Rs 5 billion, and the project will be in full grant assistance from the government of China. The Kalanki section of this high way will have an underground road and 3 overhead bridges as well.

Similarly, the report had also asked the government to arrange enough space, mainly for the construction of an interchange at the Kalanki junction. "As per the preliminary design, 0.8 km interchange is planned for smooth operation of vehicles at the junction," said the official at the department. In the road engineering term, an interchange is a road junction that typically uses grade separation, and one or more ramps, to permit traffic on at least one road to pass through the junction without directly crossing any other traffic stream.

According to Mr. Bishta, for this upgradation project, there will be no headache for acquisition of land and 25 meter each side from centre of the road is already available. As soon as starting of construction of the first phase, necessary processing for agreement will be started for next phase of this upgradation project, he added.

## NEA started Highway signal survey

Nepal Telecommunications Authority (NTA) started the highway signal survey to check Quality of Service (QoS) of telecom service providers from Friday, 8th June. After carrying out a signal survey in the major highways last year, the authority will basically check the strength of the signal in link roads and sub highways this year, said spokesperson of the authority Kailash Prasad Neupane.

Telecom service providers should meet Quality of Service according to the parameters set by the regulator in the link roads and other road sections as well, he said, adding that the authority itself will carry out the survey. Different link roads connected to east-west highway is the first priority this time, he said, adding NTA will check

Quality of Service in Taplejung-Panchthar, Birgunj-Kalaiya, Pokhara-Baglung-Myagdi, Butwal-Palpa and Dhangadi-Dadeldhura-Dipayal road sections. Similarly, the regulator will also carry out a survey in the different roads linked to the Arniko Highway too, he informed.

It had conducted the survey in the Narayanghat-Kakadbhitta section of east-west highway, Kathmandu-Pokhara section of Prithvi Highway and Narayanghat-Kanchanpur section of east-west highway and Kathmandu-Tatopani section of Arniko Highway, last year. The QoS of almost all telcos was unsatisfactory.

## Fresh EoI for Ktm-Tarai Fast Track

The Ministry of Physical Planning, Works and Transport Management (MoPPW) plans to call fresh expressions of interest (EoI) within a week to build the much talked about Kathmandu-Tarai Fast Track highway.

Following two years of delay, the project gained momentum after the government formed a high-level committee to expedite construction under the build-own-operate-transfer (BOOT) model in March. The committee, led by former secretary Birendra Bahadur Deuja, was entrusted with the job of preparing the procurement documents within three months.

"The committee is currently giving the final shape to the bidding documents, based on which the government will call for global tenders for the project," added Sitaula. The ministry will hand over the project to the Investment Board once it completes the EoI process that includes listing potential investors.

In March 2011, the ministry had scrapped the EoIs received in response to its second invitation

to bid after the parliamentary Public Accounts Committee (PAC) directed the government to ensure that Nepali investors have a minimum 10 percent stake in the project.

The government had cancelled the ministry's first call for EoI since there were only a very few takers. Only three companies including Landmark Worldwide Company (South Korea), Reliance Infrastructure and Larsen and Toubro of India had submitted their EoI. "The process this time, however, will go smoothly as the EoI will be called in accordance with the government's set criteria," said a member of the committee. "Moreover, the project will be further developed by the IB." The government on May 25 had assigned the IB to develop 14 national pride projects, including the Kathmandu-Tarai Fast Track.

Once the MoPPW calls for EoI, the IB will handle the rest of the task. "The board will receive the EoI proposals from interested investors, short list reliable developers among the applicants and hand over the project which ensures maximum benefit to the country," said IB CEO Radhesh Pant.

The road project is estimated to cost around Rs 80 billion. Meanwhile, the Nepal Army has opened 52 km of track of the proposed Fast Track road. The government has fixed a budget ceiling of Rs 1 billion for the project for the next fiscal year.

## Govt starts designing 400 bridges

The government has started the process of designing 400 bridges to be built in the next fiscal year in around five dozen districts.

According to the Department of Roads (DoR), 70 percent of bridges are for local roads and rest for the Strategic Road Network (SRN). As the government could not carry out design work in the last and current fiscal years, the number grew significantly this year. Generally, DoR designs 100 bridges a year on an average.

As per the DoR plan, the bridges' feasibility study, detailed engineering survey, soil investigation and complete designs of bridges will be carried out in 40 packages after hiring eligible consultants. Each consultant will preparing

designs of 10 bridges. The department on June 5 invited technical and financial proposals from six shortlisted consultants.

A DoR official said the increased demand for bridges fuelled by road expansion across the country and political pressure for building bridges too have pushed the number of bridges whose designs are to be carried out.

However, as per past trends, only a few designs are executed no matter how many designs are done due to the lack of budget. The official said it takes up to 10 years to build a bridge after the completion of design work, while some plans are dumped after government changes.

## Eco-friendly town: Ilam shows how

Ilam municipality is making remarkable strides in its effort to set itself as an eco-friendly town, putting up a tough competition for other cities that have embraced the green mantra of late.

As the first ever town to ban the use of polythene bags —the government is set to declare Ilam as a green town— Ilam is now preparing to raise the bar on the concept of sustainable, healthy and green living. Coinciding with the World Environment Day 2012 on Tuesday, Ilam municipality issued a code of conduct for



its denizens that include regulations like keeping one's locality clean and discouraging public smoking.

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## Eco-friendly town: Ilam shows .....

"We've tried to include the aspect of holistic development for the municipality and its adjoining areas in our green town concept," Agni Adhikari of Ilam Municipality said. "We've prepared the action plan and we plan to implement it with the beginning of the coming fiscal year."

The municipality is also set to introduce a concept of issuing 'green card' to promote public participation in making Ilam an eco-friendly



town. The green cards would be issued to the members of the society making notable contribution in the task of environment conservation and keeping the town healthy and clean.

"The green card recipients would enjoy special discount under various services offered by the municipality," said Adhikari. The townsfolk are equally enthusiastic and supportive of the green concept which is quite obvious seeing the growing number of houses getting fresh coat of green paint. Ilam is going green, literally.

## Govt to issue new licence for international flight operation

The government, with an aim to promote new private companies and the existing ones, has announced the application to issue licence for the establishment of airlines or extension of domestic airlines for international air service operation by private airlines.

"We are trying to promote the existing domestic airline companies and at the same time also trying to introduce new private companies to start airline services," said joint secretary at the Ministry of Culture, Tourism and Civil Aviation Suresh Acharya.

The ministry is planning to issue two licences — one for cargo service and the other for passenger service. The ministry on May 25, 2012 had announced for proposals requesting for International Airlines Operating Licence by interested companies.

International companies currently have 94 per cent market share of the Nepali airline sector. "There are a number of private companies interested and through this announcement we are planning to provide them the

opportunity," he said.

According to a decision of the Council of Ministers on December 8, 2009, registered private companies can apply for a licence for operating international flights. At the same time, existing private airlines in Nepal can also apply for international flight operation licence.

There are 28 international airline operators, 10 fix-wing operators and five rotary-wing operators. According to the Civil Aviation Authority of Nepal (CAAN), Kingfisher Airlines has postponed its flights among the 28 different international operators.

Meanwhile, three different international operators — Malaysian Air, Air Asia and BB Airways — will soon start flights from Tribhuvan International Airport. Malaysian Air will start its flights from June, Air Asia from June 3 and BB Airways is preparing for its flight from September. BB Airways is promoted by TBI Group — an investment company led by Non-Resident Nepalese Association treasurer Bhanu Bhatta.

## BIMSTEC meet in Dhaka in June

A Joint Secretary level meeting of Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is scheduled for June 27-28 in Dhaka to finalize necessary preparations to set up BIMSTEC Secretariat in Bangladesh.

Nepalese delegation comprising officials from Ministry of Foreign Affairs and Finance Ministry will be led by MoFA Joint Secretary Arjun Bahadur Thapa in the meeting. "The meeting

will discuss in detail the issues involving the establishment of BIMSTEC Secretariat," Thapa said.

Though there has already been agreement to set up a secretariat in Bangladesh, the BIMSTEC member countries are yet to settle issues including the matter concerning expenses for running the secretariat, staffing, perks and facilities of the staffs and representation of member countries in the regional body.

Meanwhile, the BIMSTEC member countries have agreed on the name of former Sri Lankan Ambassador to Nepal, Sumith Nakandala, to head the BIMSTEC Secretariat for the first term.

## Indian Cabinet approves IRs 6.32 billion capital infusion in regional rural banks

The government of India on Thursday, June 7th, approved IRs 6.32 billion capital infusion in cash-starved regional rural banks (RRBs) to improve their capital adequacy and lending capacity to the agriculture sector.

Following recommendations of Reserve Bank deputy governor K C Chakrabarty, the government had initiated recapitalisation process in 2009-10 for 40 financially weak RRBs, which mainly provide



credit to rural and agriculture sectors. However, till March 2012, capitalisation was done in 16 banks as several states did not provide their contribution.

In order to complete the process of recapitalisation, the Cabinet has decided to extend the scheme by two years.

"The Union Cabinet Thursday approved the release of 50 per cent share of the central government for recapitalisation of the remaining RRBs to improve their capital to risk weighted assets ratio (CRAR)," an official statement said.

## India's Reliance to invest \$18 bn in coming years

India's largest private company, Reliance Industries, said on Thursday, 7th June, will invest \$18 billion over the next four to five years to expand in the country and more than double operating profit.

Mukesh Ambani, India's richest man, also told the firm's annual general meeting in Mumbai that he had faith the nation's economy, which is struggling with slow growth and high inflation, would beat its woes to "emerge stronger". "The current difficulties faced by the Indian economy in my belief are temporary," he said.

Energy giant Reliance in April said consolidated net profit fell 21.2 percent to 42.36 billion rupees (\$830 million) in the three months ended March, from 53.76 billion rupees a year before.

The firm blamed the weak results on declining output from its offshore gas fields. And last month, India's oil minister said production from the Reliance's main gas fields was expected to fall to a record low. However, while announcing the 1 trillion rupee (\$18 billion) investment move Ambani told the AGM the firm planned to achieve production of 60 million cubic metres of gas a day at the

fields in the next three to four years.

Reliance has held talks with India's upstream regulator about how to lift production, seen as vital both for the company and to fuel the country's economic growth.

In other business, Ambani said plans to offer nationwide digital services were being finalised, while retail would be an important growth engine in the coming years.

Shares in the Reliance rose 1.60 percent to 725.50 points on the benchmark 30-share Sensex after the AGM. However, the firm's stock, which lost 30 percent in 2011, continues to underperform the index this year.



*Reliance Industries chairman Mukesh Ambani in the company's AGM in Mumbai*

## India's fertilisers demand seen falling in FY13: Tata Chemicals

Tata Chemicals expects India's demand for fertilisers such as diammonium phosphate (DAP) and muriate of potash (MoP) to fall 15-20 percent this year as a weak rupee and lower government subsidy push up prices, a company official said.

Indian farms consumed 10.8 million tonnes of DAP in the past fiscal year that ended in March, while raw MoP consumption was 3 million tonnes, according to government data.

"This year, fertiliser (business) is certainly see-

ing pressure because of the depreciating rupee," said P.K. Ghose, chief financial officer at Tata Chemicals that gets about half its revenue fertilisers.

The rupee has depreciated nearly 19 percent over the last 12 months, ballooning the cost of fertilisers the company imports from Canada, Russia and the Middle East.

"If you need to make your operations viable, you need to increase price," Ghose said in an interview

Facing a burgeoning fiscal deficit, India has also slashed by a fifth the subsidy it gives to phosphate and potash-based fertilisers in 2012/13.

## Agritech Exhibition in Tel Aviv 2000 farmers from India visited Israel to learn agriculture technology

With the aim of learning about new agriculture technology, as many as 600 farmers from Gujarat have travelled to Tel Aviv, Israel in the middle of last month to attend the Agritech Exhibition to learn about technologies that help farmers increase output, enhance efficiency, and make the most of water resources. The 18th international agricultural exhibition, which is held once every three years, saw this year a participation of more than 2,000 farmers from India, including 600 from Gujarat.

The farmers from Gujarat are eyeing better quality of crop as well as more produce with lesser use of water and pesticides. "It is for the first time that such huge participation of farmers from India including Gujarat has seen at the Agritech Exhibition in Israel. From Gujarat and Maharashtra alone, over 1,200 farmers - 600 from each state - participated participating," said CEO of Radeecal Communications, Sanyal Desai. Radeecal Communications is one of the companies who represented India at the exhibition.

Meanwhile, at the Agrivest Summit held on earlier day in Tel Aviv, agriculture experts and economists of Israel said that India has a lot to learn about agri-technology from Israel. India and Israel can both learn a lot from each other, said Eugene Kandel, head of National Economic Council — Prime Minister's Office, Israel.

"Israel has transformed itself into a green country from a desert. We have faced huge issues including scarcity of water, food and en-

ergy. But by making efficient use of agriculture technology, Israel, spread across 22,000 sq km area with 4,20,000 hectare arable land, the country pacing ahead in terms of agriculture," said Kandel while addressing the Agrivest Summit.

Talking about economic ties between Israel and India, Kandel said that there is much more potential in trade growth between the countries.

"Israel can learn about entrepreneurship skills from India. India handles a different set of issues such as size of the country, needs and demands, and cost of labour, which Israel can learn from. So the collaboration of the two has a huge growth potential," said Kandel.

This year's AgriTech event featured over 250 exhibitors, and nearly 30,000 people visited during the two-day show at the Tel Aviv Exhibition Grounds. Altogether, there were 80 official delegations from foreign countries, with the biggest from India, which sent 2,000 farmers to the show, with over 1,200 alone from the western Indian states of Gujarat and Maharashtra.

In attendance were CEOs and entrepreneurs of companies large and small working in all areas of agritech, including climate systems, hybrid seed production, cattle and poultry monitoring and control, genetics, packaging and storage to enhance freshness, and more.

One significant Israeli agricultural accomplishment is technology to enhance milk production. "Israeli cows are the world's most productive, with cows able to yield up to 12,000 liters of milk annually," said Meiri. "Farmers come from all over the world to learn how we do it, and we export that technology as well. Right now we have a huge project in Vietnam, where we are working to improve production of 32,000 cows."

In 2011, Israel exported \$3.4 billion in agricultural products, the Israel Export Institute announced this week, an increase of 18% over the previous year. Over half of those exports went to Asia, the institute said.

## Warren Buffett: U.S. recession is unlikely

Billionaire Warren Buffett has said that it's unlikely that the U.S. economy will fall into another recession, calling the chances "very low." "There won't be a recession in the U.S. 'unless events in Europe' develop in some way that spills over here big-time," The Telegraph quoted Buffet as saying.

Buffett, the chairman and CEO of investment firm Berkshire Hathaway, also criticised the 'half in, half out' European Union structure and called for greater fiscal union, and said "They have to reconcile these things."

When asked whether the euro would dissolve, Buffett said "that's the big question."

"They're in on a common currency, but they're not in on a common fiscal policy or a common

culture or common labour practices," Buffett said.



"It can't be half slave and half free. European leaders need to resolve some of the union's weaknesses," Buffet added.

The eurozone members share the same central bank, currency and interest rate policies, but have national sovereignty over

tax and budget policies. The members do not have a system of internal transfers from strong to weak states as in the US.

Buffett has been building Berkshire's portfolio of shares and making capital investments at the company's railroad and utility units as he bets on growth in the US. (ANI)

## Three Months to Save the Euro: George Soros

Euro-zone governments have around three months to ensure the survival of the single currency, billionaire investor George Soros said in a speech on Saturday, 9<sup>th</sup> June.

"We are at an inflection point. After the expiration of the three months' window, the markets will continue to demand more but the authorities will not be able to meet their demands," he warned in a speech at the Festival of Economics in Trento, Italy.

The European Union is "like a bubble" – not a financial bubble but a political bubble - that could pop as a result of the euro -zone crisis, Soros said. "In retrospect, it is now clear that the main source of trouble is that the member states of the euro have surrendered to the **European Central Bank** (ECB) their rights to create fiat money. They did not realize what that entails – and neither did the European authorities," he said.

The euro zone needs a European deposit insurance scheme for banks, Soros said, as well as direct financing by the European Stability Mechanism (ESM) for banks, which "must go hand-in-hand with euro-zone-wide supervision and regulation."

Soros believes Germany will eventually do what it takes to keep the euro zone going because of the large losses German banks would suffer if it broke up and the damage to exports which could be caused by a return to the Deutschmark, which would likely be substantially stronger than the euro.

"In my judgment, the authorities have a three months' window, during which they could correct their mistakes and reverse the current trends," Mr Soros said at an economics festival in Trento, Italy.

"In a crisis, the creditors are in the driver's seat and nothing can be done without German support," he said, noting that public opposition to austerity in the euro zone "is likely to grow until the policy is reversed". The remarks were posted on his website.

Greece is heading to the polls for a second time in six weeks after an inconclusive vote on May 6.

And with the radical leftist Syriza party, chief opponent of a massive EU-IMF bailout accord, tipped to win this time, the election could lead to Greece quitting the single currency. "I expect that the Greek public will be sufficiently frightened by the prospect of expulsion from the European Union that it will give a narrow majority of seats to a coalition that is ready to abide by the current agreement," Mr. Soros said, referring to June 17 polls in the debt-stricken state.

The "crisis is liable to come to a climax in the fall" of the year, he said. "By that time, situation will be even more difficult than today to persuade the German public to accept any additional European responsibilities," Mr Soros said. "That is what creates a three months' window."

Mr Soros, a Hungarian-American investor and philanthropist, says austerity measures are having a disastrous effect on the global economy. "The authorities didn't understand the nature of the euro crisis; they thought it is a fiscal problem while it is more of a banking problem and a problem of competitiveness," he added. (CNBC)



## Spain Will Receive a 100 Billion Euro Bailout

The eurozone will grant Spain financial assistance targeted for bank recapitalisation, the Eurogroup announced on Saturday, June 9<sup>th</sup> evening after an hour and a half conference call among the finance ministers. The government is expected to submit a formal request shortly that is going to be respected. The money will be provided by the two eurozone rescue funds to the Spanish Fund for Orderly Bank Restructuring, acting as an agent of the government. In turn, it will sign a memorandum of understanding the conditions of which will focus primarily on financial sector reforms.

Both the Spanish government and the Eurogroup are investing great efforts to ensure that this is not a classic bailout, as in the case of Greece, Ireland and Portugal, but only targeted aid to banks. Therefore, the memorandum will focus only on the financial sector, and will not impose additional austerity measures and structural reforms on the country. The statement of the Eurogroup underlines

that "Spain has already implemented significant fiscal and labour market reforms and measures to strengthen the capital base of the Spanish banks." The Eurogroup believes that the country will honour its commitments to reduce the excessive deficit and to correct macroeconomic imbalances, noting in the same time that "progress in these areas will be closely and regularly reviewed also in parallel with the financial assistance."



The IMF will participate with funds in the rescue programme and will only monitor its implementation. According to a European official, quoted by The Financial Times, the Fund's rules prevent it from lending to financial institutions and to provide aid that is not linked to a full-scale macroeconomic adjustment programme. In a statement, IMF Managing Director Christine Lagarde said that the amount of 100 billion euros would fully cover the capital needs of the Spanish banking system.

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**50 Nepali Mustang Vehicle sold in current fiscal year.**

After having used as an official vehicle of Prime Minister of Nepal Dr. Babu Ram Bhattarai Nepalese Vehicle Hulas Mustang Max became famous and sold 50 vehicles in this current fiscal year. According to Mr. Surendra Golchha Managing Director of the Vehicle Company Hulas Motors Company 50 numbers of vehicles have been sold by the 3rd week of Jesth 2069 where as only 36 numbers of vehicles were sold last fiscal year.

Mr. Golchha expressed happiness for carrying it out in to publicity by the Prime Minister when the company was just about to shut down for ever. Critics have been received against the decision taken by Prime Minister for using a cheaper Nepali vehicle, it has given a re-life to company. But Mr. Golchha is worried that government did not bring in investment friendly policy for those who want to produce vehicles in Nepal. Government should bring the policy keeping the Nepali production on priority and give special consideration.

Meanwhile, company is preparing for new small vehicle "Mini G". Golchha said it will be brought into the market latest by one year.

Though the manufacturers are demanding for a concession on taxes on the vehicle produced in Nepal, it was not heard by the government, said Mr. Golchha. If a concession as requested is considered, Hulas Mini G could be sold on 6 Lacs, otherwise it will cost about 9 Lacs, he said.

Till last year there were only 5 dealers, in the current fiscal year the company has appointed two additional dealers in Mahendranagar and Kathmandu. Producing Power Cart in a very initial stage of production the company had been producing SHERPA, SHERPA 46 D, SHERPA E-DRIVE, MUSTANG, MUSTANG V2, and among these, production of SHERPA, SHERPA 46 D, SHERPA E-DRIVE were already closed. Coming to the present Mustang Max, company has informed only Pick Up and Van are being produced.



Manager and Engineer of the Hulas Motor Company Mr. Prafulla Das says that Nepali manufacturers could not gain desired momentum as the government didn't split the policy for vehicles made in Nepal and imported ones. because Govt. has same vision for those who make vehicles in country and import from the other countries.

Extending gratefulness to Prime Minister, Mr. Golchha said, if he did not use the Mustang, the company would have already been closed. Now Mustang Vehicle are being used for carrying goods in Gorkha, Tanahu, Lamjung, Surkhet, Bhojpur, Baglung, Palpa and other parts of the country.

***We solicit suggestions/feedback from all members and readers for NICCI e -Newsflash at [secretariat@nicci.org](mailto:secretariat@nicci.org)***

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