

# NICCI e-Newsflash

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*Holi.....the Festival of Colour*



*The Common Festival of Nepal and India*

## India willing to sign PTA, proposes joint mechanism for energy cooperation

Visiting Power Secretary of India, Mr. Pradeep Kumar Sinha, has proposed to form a joint-mechanism for effective communication on the issues of energy cooperation between the two countries. Citing progress in energy cooperation between India and Bangladesh, Mr. Sinha stressed the need for instituting similar mechanism with Nepal to increase cooperation in energy sector.

There already exists Joint Committee on Water Resources (JCWR) between Nepal and India that work to promote mutual cooperation on water resources. Secretary at Nepal's Ministry of Energy and Secretary at India's Ministry of Water Resources represent their respective governments in the committee. However, there is no such bilateral body looking af-



*Right to Left- Secretary, Ministry of Power, GoI Mr. PK Sinha, Indian Ambassador Mr. Ranjeet Rae, Secretary at Ministry of Energy, GoN Mr. BP Pandit*

ter energy issues. Speaking at a talk program on 'Growth of Indian Power Sector' organized by the Embassy of India in Kathmandu in association with Nepal India Chamber of Commerce and Industry on Tuesday, Sinha said there was no communication between ministries of two countries looking after energy issues so far.

Similarly, India has expressed interest to sign Power Trade Agreement (PTA) with Nepal. Mr. Sinha said Nepal can sign PTA with any state-level power companies of India

or central Power Trade Corporation (PTC) as per its requirement.

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New Delhi showed interest to sign PTA at a time when Nepal is waiting for exchange of power to fulfill energy deficit through 'energy banking'. Energy banking is a concept of exporting surplus energy during wet season and importing energy to fulfill requirements during dry seasons. High-level officials at the Ministry of Energy have termed the Indian offer 'positive'. Nepal had proposed to India to sign MoU for power trade couple of year before.

Mr. Sinha also suggested for policy intervention including a fast-track procedures for hydropower developer to speed up energy development in Nepal.

Stating that liberal policy of 2003 embraced by India expedited hydropower production in his country, Mr. Sinha said Nepal should also encourage the private sector. Energy generation by private sector has doubled in India after the policy was implemented in 2003.

"Not only India, Nepal can export energy to other neighboring countries as well," added Mr. Sinha. He also said energy exchange will be possible only after the completion of the Mujaffarpur Dhalkebar 400 KV cross border transmission line. The project is expected to complete in December, 2015. Mr. Sinha also underlined the need to construct additional cross border transmission line for better energy cooperation.

Bishwa Prakash Pandit, secretary at the Ministry of Energy, said he was excited with the Indian proposal. During a meeting on the sideline of BIMSTEC meeting in Myanmar with Nepal's Prime Minister Sushil Koirala on Monday, Indian Prime Minister Singh said, "We always stand ready to expand the cooperation in hydropower projects in Nepal."

In the program, welcome remarks was delivered by Mr. Ashish Sinha, First Secretary (Commerce) of Embassy of India with objectives and introduction to the series of talk program . Vote of thanks was delivered by Mr. Shyam Kumar Lohia, Vice President of NICCI.

### **Excerpts of the speech by Mr. Pradeep K Sinha, Secretary, Ministry of Power, GoI**

Let me begin by saying that power generation, growth of power generation is very very vital to economic development. If you don't have a growth in power generation you can take it that the economic development will not happen whether it is agricul-

ture, industry any sector of economy if it has to grow it will ask for power. If you see, there is almost direct co-relation of power in growth of all sectors of our economy and society. Now I was looking at the numbers in Nepal against the requirement of about 1100, 1200 MW of power to installed capacity is only about of 750 MW. And there is almost the shortage picking shortage of 30 percent in the country now this I think is must be the problem number one for the government and the people of Nepal. Irony of the situation is that you are sitting on hydro-power resources of the 83,000 MW and whatever exploitation has so far happened is absolutely minimum in terms of the potential that you have. So therefore I think it is an inclined need for Nepal to fast track hydropower development in whatever way they want but they must fast track hydropower development if they want the power shortages is to vanish from the country and if they want the economic growth.

Now if they look at the Indian context, we have hard shared our problems over the years and we have learnt to swim while being in the water. When we got independence in 1947 the installed capacity of India was only 1300 MW and power generation was confined to local city base generation through diesel they were supplying all the roads and cities in India. But today the installed capacity of power is 234 thousand MW and we add about 20,000 MW every year. We have achieved this over the years through various policy initiatives, government interventions that had happened.

When the country got independence, state electricity boards were created who were given the responsibility of generation, transmission and distribution of electricity within that state. And till about mid 70s the entire responsibility remained with state electricity boards. But the country was really facing power shortages and, the central government thought that we need to do something.

The State Electricity Boards were not able to add capacity to the extent that the central government decided to set up, National Thermal Power Corporation (NTPC) was set up in 1974/75, Power Grid Corporation of India was also set up in 1989 to plan, design and construct and operate the transmission lines in length and breadth across the country. To the efforts being made by the State Electricity Boards, the central generating stations started contribute it. Soon they became big companies and their shares of contribution in total installed capacities in the country started increasing.

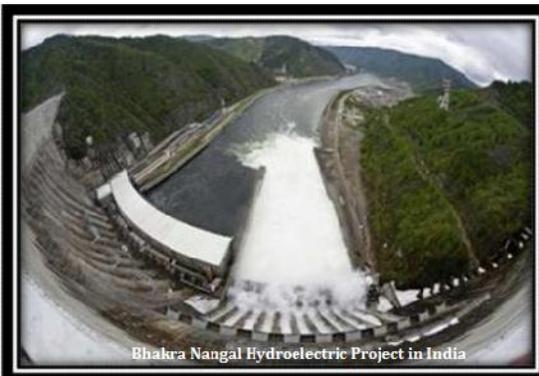
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But still the country was grueling with two questions - main question at that time I remember as I was in the part of that ministry in the 80s. The main question in front of us was how to raise resources for the power projects because they are highly capital intensive and the state was not able to give those kind of resources in the budget and state electricity boards were in fact cumulating losses rather than making revenues, so they were not able to finance for power generation. So the government of India thought two policy intervenes- first one to bring in the private sector. Second one, remove state electricity boards' tariff setting roles from the state government as the state governments are of political nature which will try to keep the tariff low. If the tariff is kept low the organization will make losses and there will be no money for setting up new projects. These two things happened in 90s.

Government decided to bring in the private sector and government came out with this along with Central Electricity Rate Commission and State Revenue Regulatory Commissions Act. Thereby the tariff setting role was removed from its state from the government and this regulatory commissions started working on the setting the tariff. But the private sector struggled for almost 10 to 15 years because we were trying to introduce models, experimenting but the private sector was just not finding it attractive enough because there was still licensing, there were fixed returns in the model that was presented before the private sector. There was fixed returns, initially it was 15 percent then it became 16 percent but private sector didn't find it attractive. The turning point really came in 2003 when the Electricity Act 2003 was introduced. And there was no license required for the generation and there was no fix returns they could make their money and this revolutionized power generation in India. In 2005 when the private sector came in a big way, the installed capacity of India had reached only 107000 MW. But in less than 10 years, today it is 234000



MW, more than doubled. Why this happened, how could this happen? This happened because the private sectors came in a big way.

In 2005 the share of private sector in total generation in India was 11.5 percent. But today the share of private sector in total generation is 25 percent. Today we have 20000 MW every year. So the above mentioned steps revolutionized the generation part in the country. Currently we are going to add 88000 MW in twelfth plan. I mean we are in the first two years, second year is not yet over because the second year will be over in March 31st. We have already added 31000 MW out of the 88000 MW. Therefore, now we are in the situation where some of our thermal plants actually have to back down. They are operating in less than capacity because there are no buyers.

When you talk about coal base generation, the fossil fuels are finite and they are getting expensive. India has huge coal reserve but still we import lot of coal which requires foreign exchange. Other than that, coal base thermal generation needs a carbon footprint which has its own implications for the future generations. I would say those states of India which are hilly states and Nepal as a hilly country I think they are very lucky that they don't have to relieve the carbon footprint because hydro-power resources are clean, renewable, eco friendly and have multi faceted benefit like not only just power generation but you can create canals for irrigations, you can meet your drinking water needs, it can do flood moderation, it has so many multifaceted benefits and no carbon fragment. Because it can run for 100 years or even more maybe through upgradation, modernization, renovation, operating, the cost virtually become zero after sometime.

I always get the example of Bhakra Nangal Hydroelectric Project in India which was developed soon after independence in India, very green project, favourite project of our first prime minister Pandit Jawahar Lal Nehru who used to call it a temple of modern India. This project took a long time to get ready really and Prime Minister of India at that time Pandit Jawahar Lal Nehru visited the project 13 times during the projects were going under construction. Now this project today virtually is producing at no cost, 3 paise per unit, and look at the four states which over the year served by this project- Panjab, Haryana, Rajasthan, Himachal. This project became the reason for green revolution.

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Now Punjab and Haryana State alone can feed the entire country of India. Thanks to the irrigation canals which were constructed out of this project. So the hydro project has multi faceted benefit.

Starting from 11 KV which is the distribution voltage level (as it is called) to 132 KV, now these are between the states of Bihar, UP and Nepal. Power exchange is taking place with Nepal, arrangements between the state distribution called utility. 400 KV transmission line is under construction- Mujaffarpur Bihar to some location in Nepal and that also will be ready in December 2015. There are two joint venture companies on either side and which is constructing these lines and once these lines are operational larger volume of power exchange and power import can take place to Nepal from India. But, the Hydro projects which are at various stages of planning and development in Nepal I think we need to really fast track them in the interest of Nepal and the only interest that India really has in that is that if there is surplus India can also import the hydro power from that as it does from some other states and some other countries in the region. And so depending upon some projects I don't need to talk about individual projects which are either under implementation in Nepal through SJVNL or through some private companies or they are under DPR preparation or PDAs have to be signed, these projects really needs to be fast tracked and you can have mix of both public sector and private sector coming in, just like in India we have a mix, there are public sector agencies also which are developing projects. There are private sector agencies also which are developing projects. It's always good to have a mix so I think the government of Nepal needs to do whatever it can to fast track the projects. It will not only transform the power supply situation in the state but it will also transform the economic situation because they are expected to make huge revenues out of the power exports that can happen not only to India but even to other countries in the region like Bangladesh. Bangladesh has been requesting for this. There can be other regions, also to export. Now, as far as the transmission lines are concerned, depending upon the generation projects that are getting implemented in Nepal transmis-



sion lines, high voltage transmission lines between Nepal and India or even regional transmission lines can go to other countries through India, like Bangladesh can be planned and implemented that's not a problem. We have a power grid corporation in India which is very big company and has lot of experience, expertise and competent in implementation of transmission lines. So I think these were the few things which I wanted to mention and I can only hope that in the years to come, in the months to come there will be substantial and

solid progress in terms of the projects, in terms of the PDAs getting signed, in terms of the DPRs for new projects getting completed, identifying agencies whether public sector or private sector for implementation of hydro projects in Nepal. In terms of the surplus power or export of power that can happen to India or other countries in the region, all options are open to

Nepal, they can sell directly to UP, Bihar as they are doing right now, they can sell directly to government of India if they want. Or they can even sell directly to the power exchanges that we have in India. All options are open whatever you feel comfortable with.

Now coming to the transmission link between India and Nepal there are already some of you may know 12 transmission lines which exists be-

tween India and Nepal.

As you know we are already having very good relationship with other countries of the region also. Bhutan needs a special mention for years now we have been assisting Bhutan in development of hydro power projects and they have quite comfortable power generation and power consumption and also they export to India thereby earning lot of revenue making their economy comfortable. Then Bangladesh, you know we have established interconnection in recent years. Since October 2013, for a long term contract we are giving them 500 MW of power which have made their requirements also to the extent comfortable. And as we speak tomorrow a delegation from Pakistan is visiting India, again to explore the possibility of grid interconnection with Pakistan and importing power from India into Pakistan because Pakistan also is suffering from huge power shortages.

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Sri Lanka again, we are there with interconnection between Indian state Tamilnadu and the Jafna region of Sri Lanka and there is also an agreement between NTPC and Srilankan Authorities to set up the Thermal plant in Sri Lanka which is in under implementation. In Bangladesh also, NTPC and Bangladesh Authorities are setting up Thermal Power Plant of 1320

MW which is called the Bangladesh India Friendship Power Company and the project is already under implementation. So the possibilities are immense that can be explored between not only India and Nepal but between all the countries of the region. With these words I close my speech. ♦

## India, Nepal set to sign landmark tourism deal

India and Nepal are all set to sign a landmark tourism deal which is expected to boost tourism bilaterally and create an environment for injecting more investment in this sector in a big way. The draft for the proposed memorandum of understanding (MoU) on bilateral tourism investment and cooperation prepared by the two sides is in its final stages with a joint working group giving it a final shape.

“Though we are so close and we have enormous opportunities to bring investment in the tourism sector, we felt the need to have such an avenue so that we can bring investment, boost tourism and provide better facilities to tourists traveling to both countries,” Mohan Krishna Sapkota, spokesperson of Nepal’s ministry of tourism and civil aviation, said. “Keeping in a mind that there are enough areas to work together for mutual interest and benefits, we are considering signing a pact in this respect with the Indian side very soon,” he added. Sapkota said a technical team comprising experts in the travel and tourism sectors from both countries has prepared a draft MoU. It is a government-to-government pact which will explore and identify areas of cooperation on mutual basis, he added.

The draft suggests that both sides should facilitate overland travel by tourists, create hassle-free transport movement at major crossing points, and ease border formalities at the customs points. It also urges both sides to create a sense of security for travelers which only can create an environment that can expand the market. The joint panel also suggested that Nepal cash in on the travel benefits provided to Indian holiday-

makers like leave travel concession.

It called for effective coordination and cooperation with and among the India Railways and airlines to boost the market on both sides and opening of the Banbasa bridge over Sarada/Mahakali river on the India-Nepal border in western Nepal. The panel also suggested that landing and parking charges be transacted in Indian currency. At present, Indian currency notes of denominations Rs.1,000 and Rs.500 are prohibited in Nepal which many tourism entrepreneurs term as a “stumbling block”. Similarly, both sides also called for settling the confusion relating to debit and credit cards issued by Indian banks which are not valid for foreign exchange in Nepal and Bhutan.

To promote tourism-related activities, the joint technical team also suggested holding an annual India-Nepal forum meeting for joint tourism promotion. “We are hopeful that such an arrangement would definitely boost investment in the tourism sector,” said Sapkota. In line with the new pact, Nepal has also proposed its readiness to revise the air service agreement with India if the existing air seats facility proves inadequate in catering to increasing movement of travellers.

Visitors from India, the largest tourist source market for Nepal, spent 9.34 days per visit per person on an average last year compared to 7.99 days a year before. According to the Nepal Tourism Board, at least 694,136 Indian tourists visited Nepal in 2012 via air and surface routes. ♦

## Cancelling cheques may lead to CIB blacklisting

Ordering stop payment after voluntarily issuing cheques to the bearer will make the account holder liable of getting blacklisted. Any individual or firm that asks a bank or financial institution to cancel a cheque or payment after writing a cheque will have to justify their stop payment request or else the issuer can be blacklisted, according to a new decree of Nepal Rastra Bank.

A circular issued by NRB has directed financial institutions — commercial banks, development banks and finance companies — to recommend the names of account holders who maliciously cancel payments of cheques to the Credit Information Bureau (CIB) for blacklisting. However, NRB has asked the financial institutions to validate the stop payment only in cases of thefts, loss and unauthorised drawings.

“We have been hearing complaints of a large number of acts in

which the cheque issuer asks the banks for stop payment, only to avoid paying someone money, which is why NRB decided to consider this malevolent act as bouncing back of cheques,” pointed out an official at NRB’s regulation department. “There might be a genuine reason for account holder to cancel the cheque. However, the issuer has to provide believable testimonies and consent of the bearer as well,” added the official.

Being blacklisted makes the borrower — any person or firm — ineligible to acquire or reschedule a new loan from financial institutions, not even for a credit card. Moreover, such blacklisted persons also become ineligible to be appointed as director of any public listed company or even contest in local or general elections. ♦



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## Indian Railways tickets from Nepal SBI Bank

Nepali people can now book tickets of Indian Railways through Nepal SBI Bank. The bank formally started accepting booking for Indian Railways tickets from Friday. Indian ambassador to Nepal Ranjit Rae launched the service amid a function.

Speaking on the occasion, Rae said information technology has tremendously changed the world and lifestyle of people. He said Nepali people can save time by booking tickets through Internet platform of the bank.

Bank Chairperson Hasana Sharma said ticket booking utility is at a nominal cost of Rs 19 for a maximum of six passengers. ♦

## Dry port to be constructed in Kanchanpur

The Ministry of Commerce and Supplies has said that the feasibility study of the Dodhara-Chandani dry port in Kanchanpur district has been completed. At a news conference organised at Mahendranagar on Sunday, Secretary at the Ministry Madhav Prasad Regmi said that the feasibility study was completed and the construction of the dry port would be started.

Earlier, a team of office-bearers of the Ministry had reached Kanchanpur for study visit of the business situation of the Far-western development region. Secretary Regmi said that the Ministry's officials have carried out the studies of New Delhi and other mega cities of northern part. Regmi said that the dry port would be very important route once the motorable bridges were constructed in Jogbudha and over Mahakali River.

"Diplomatic dealings with India are required for the construction of dry port," he added. The total construction cost of the dry port is estimated Rs 11 billion. ♦

## Nepal, India to discuss ways to ease transshipment

Nepal and India will discuss ways to facilitate transshipment of Nepal-bound cargo from third countries after the southern neighbour agreed to allow customs clearance to be done at the customs points on the border. Currently, all the imports from third countries are required to clear Indian customs in Kolkata. India had agreed to simplify the transshipment process to help Nepali importers cut costs during a commerce secretary-level Inter-Governmental Committee (IGC) meeting held in December in Kathmandu.

A delegation from the Commerce Ministry is scheduled to visit the southern neighbour in the second week of March to discuss the modality of clearance of goods at the customs points on the Indian border. "We have started preparing a format of the modality in coordination with the Department of Customs before heading for negotiations," said an official of the Commerce Ministry.

Nepali importers have been complaining that they are being forced to wait in a long queue at Kolkata port to clear their cargo through customs. Delays in clearance mean that they

have to pay hefty amounts as demurrage. If customs clearance is allowed to be done at points on the Nepal - India border, it is expected to shorten time-consuming procedures and reduce the costs for Nepali traders. It could also help boost competitiveness of Nepali goods.

Chandra Kumar Ghimire, Nepal's consulate general in Kolkata, said that high-level government officials from India and Nepal would be meeting in Kolkata shortly for the purpose. According to Ghimire, they will discuss developing a proper modality of transshipment.

Recently, the Indian government has started implementing a number of agreements including developing infrastructure at border customs points to facilitate bilateral trade. The two countries have amended the transit treaty enabling re-export of goods from Nepal to third countries through India. This provision will facilitate Nepal's genuine third country exports of goods imported for the purpose of displaying them at fairs and exhibitions. ♦

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