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PDA negotiations for Upper Karnali, Arun 3 delayed

Negotiations with power developers GMR Energy and Sutlej Jal Vidyut Nigam over power development agreements (PDA) have been pushed back by a month. According to the Investment Board (IB), the two Indian companies have asked for additional time to make preparations for the planned talks. The much-talked about PDA negotiations will be held in early December, said the IB.

The Investment Board (IB) had unveiled the template of the PDA in June as its basis for negotiations with international power developers.

GMR and Sutlej are developing the Upper Karnali and Arun 3 hydel projects respectively. The two projects have a capacity of 900 MW each. The IB had planned to start negotiations with the two companies during the first week of November and sign the PDA by December-end after sorting out key issues.

"As per the request of GMR and Sutlej, we have given them a month's time to take care of their internal matters," said IB chief executive Radesh Pant. He added that negotiations would be held with the two companies separately starting from the first week of December.

IB sources said that the companies were analyzing the PDA template with the assistance of international experts after giving their preliminary comment on it. They added that one of the reasons for the delayed PDA negotiations was the changes made to the draft following the comments by the Indian companies.

The IB had prepared the PDA template in the middle of June with help from Herbert Smith, one of the world's leading legal firms. The template approved by Prime Minister Baburam Bhattarai during the IB board meeting was expected to provide much-needed impetus to begin negotiations with foreign hydropower companies.

However, the template could not impress the Indian investors, and they termed it "not bankable".

Following complaints by the two Indian investors, the IB has made some amendments in the PDA draft to make it more profitable and bankable for investors. "Negotiations will start once the amended draft is approved by the board meeting," said Pant. He added that the Indian investors had complained that the proposed format of the PDA was not bankable as it had been designed to give Nepal the maximum benefit. "Apart from this, the remaining issues will be sorted out during the negotiations," Pant said. The current PDA template was formulated after power developers and financiers rejected the old one in 2010 saying it was not bankable.

Apart from Upper Karnali and Arun 3, two other mega projects, Tama Koshi 3 (880 MW) and Upper Marsyangdi (600 MW) have been waiting for the PDA for the last few years.

Earlier, GMR, Sutlej Jal Vidyut Nigam Ltd (SJVN) and SN Power, three international power producers which are working on three hydropower projects with collective generation capacity of 2400 MW, have opposed the government´s new Project Development Agreement (PDA) template, saying that it does not guarantee policy consistency.

They have also raised concerns over the force majeure clause, arguing that it should be applicable not just in case of natural calamities, as provisioned in the template, but also in case of political instability and bureaucratic hassles.

However, the three developers said they have strong ´reservations´ about the PDA template. "Its provisions are weak and

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unacceptable," an informed source quoted the senior officials of the three firms as saying during their meetings with IB officials. During the meetings, they even asked the IB not to apply the template during their PDA negotiations. "Their argument is: their engagement in the country had begun long before the template was developed, and hence, the template´s provisions should not be imposed on them," stated the source.

Radhesh Pant, IB CEO confirmed the dissatisfaction of GMR, Sutlej and SN Power. "Yes, they have expressed concerns over the PDA template. But we have asked them to submit their concerns in detail and in writing so that we could discuss them officially," Pant said.

The source, though not divulged further details, however, said the developers have asked IB to categorically cite a provision warranting consistency of policies. "The PDA template must assure that income tax and bonus provisions, among other things, would remain the same for us throughout the project period. It must guarantee that in case of any change in the rules, it would not apply to us," the source quoted developers´ representatives as saying during the meeting.

The developers have even asked IB to extend the concession period, which is their span of ownership of the projects to be developed under build-own-operate-and transfer (BOOT), to 35 years from 30 years.

"Thirty years would be inadequate to recover the project cost," the developers have told the IB, according to the source.

SN Power, Norwegian power producer that developed Khimti I (60 MW), is working on the project concept of Tamakoshi III (estimated 600 MW) in cooperation with Indian developer TATA Power.

Sutlej, India´s state-owned power producer, which has got approval from the government to invest Rs 82.5 billion for the development of Arun III (900 MW), too has said that it wouldn´t be able to work under the provisions of the PDA template. "We have already invested so much in the project. The government can´t impose new provisions on us now," the source quoted Sutlej officials as saying.

IB entrusted to implement hydropower projects of 500 MW and above, had even invited a three-member team of Herbert Smith, British consultant that drafted the PDA template, to Nepal from London last week to convince the developers that the template is in line with the country´s law and international practices, and hence, is ´bankable´. However, the source said IB´s effort did not pay off.

Mistri Khola is 'good for investment'

The Risk Assessment Committee has okayed the planned 42 MW Mistri Khola Hydropower Project for investment after evaluating its risk factors. The committee submitted its report to energy secretary Hari Ram Koirala on Friday 19th October 2012.

Meanwhile, its green signal has increased the possibility of Hydroelectric Investment and Development Company (HIDC) financing the project located in Myagdi district.

HIDC has recently come into operation with the objective of investing in hydropower projects with a capacity of more than 25 MW.

Mistri Khola will be the first project to be financed by the company if the report submitted by the committee is approved by its board.

HIDC got off to a running start by holding talks with commercial banks on the possibility of joining them as a consortium partner. The central bank has allowed HIDC to finance hydropower projects identified by banks as a consortium partner initially while it gains technical expertise.

As per the report submitted to Koirala, no risk factor has been found in the development of the Mistri Khola project apart from uncertainty over timely construction of a transmission line to evacuate energy from it.

"As no proper study has been conducted with regard to the construction of a transmission line to connect the Mistri Khola to the national grid, there is some confusion over its timely completion," said Koirala who also chairs the HIDC board.

According to officials involved in the risk assessment study, a transmission line of 48 km is needed to evacuate power from the project to the national power grid. "Two separate transmission lines should be constructed," said a member of the study committee. "One will be 20 km long and it will link the project site to Rahughat, and another 28-km line link Rahughat to Modi."

According to HIDC, the company will have multiple partners to finance the project. Sources at the company said that it would put up Rs 1 billion while Nabil Bank has pledged Rs 1 billion. Similarly, Nepal Investment Bank has agreed to put up Rs 700 million, Nepal Bank Rs 500 million, Laxmi Bank Rs 400 million, Clean Energy Bank Rs 300 million and others Rs 340 million.

A company official said that the Employees Provident Fund (EPF) had also lately shown interest in investing in the project.

The rate of the power purchase agreement signed by the project with the Nepal Electricity Authority is Rs 5.40 per unit which HIDC has found attractive.

A senior Nabil Bank Official (who wanted to remain unnamed) said they were at the initial phase of discussions. "It is, however, good that an institution focused on hydropower development is ready to finance projects initiated by us," said the Nabil

Detailed study of Metro Rail to be done only if project financially viable

Stunned by a preliminary estimate of Rs 330 billion to build a metro rail service in Kathmandu, the government has said it will first determine the project's financial viability before going ahead with a detailed project report (DPR).

According to the Ministry of Physical Planning, Works and Transport Management, the DPR for the Kathmandu Metro Railway will be conducted only after ascertaining whether it is financially viable or not.

The consultants consisting of a consortium of Korean and Nepali firms are getting ready to submit a feasibility report within a month. A draft of the final feasibility report showed that it would cost US$ 3.88 billion (Rs 330 billion) to build a 77-km-long metro system in the Kathmandu valley. As per the consultant's report, it will take 10 years to build the Kathmandu Metro, and a ride will cost Rs 20 to Rs 30.

"We are thinking of going for a DPR only next year after studying the final feasibility report and the possibility of building the Kathmandu Metro under public private partnership (PPP) or build operate transfer (BOT) modality," said Tulasi Prasad Sitaula, secretary at the Physical Planning Ministry. He added that since the project would require massive resources, it was necessary to study the viability and modality before spending money on doing a DPR.

According to the consultant's preliminary inception report, the metro will consist of five lines with a combined length of 67 km. Four lines are planned for inside the Ring Road and there will be one line of 27.35 km running around the Ring Road. The metro will connect Kalanki, Koteshwor, Satdobato and Maharajgunj — four points on the Ring Road — to Rani Pokhari through a two-way rail track.

About 10 months ago, the Railway Department assigned the job of preparing a feasibility report to Chungsuk Engineering Company, Korea Transport Institution, Kunhwa Consulting and Engineering Company, Korea Rail Network Authority and two local companies, Building Design Authority and Environmental and Research Management Consultant.

A source at the Physical Planning Ministry said that the estimated fare of Rs 20-Rs 30 after 10 years for a ride on the metro was not realistic, and added that it would take a very long time to recover the investment. The source said that even though the project doesn't look feasible, the government had to make it possible keeping in view the need for future demand by adding commercial value to attract investors.

About two months ago, the Physical Planning Ministry had requested, through the Finance Ministry, the South Korean government and the Asian Development Bank to conduct a DPR for the metro. The Railway Department said it had not received any response.

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The study has recommended constructing two underground railway lines and three elevated lines. Ram Kumar Lamsal, director general of the Railway Department, said that it was possible to start the DPR for the Ring Road line in the current fiscal year. "This line is more attractive and feasible, and studies for the other lines can be done one at a time using the experience gained from it."

Govt to hold talks for full budget

With major political parties yet to find common ground for full budget, the Government is initiating a dialogue with stakeholders to create conducive environment for the purpose. The government is scheduled to hold discussion with stakeholders, including Prime Minister, economists, private sector representatives on Thursday.

Finance Minister Barshaman Pun and Finance Secretary Shant Raj Subedi are scheduled to make presentation about impact in the absence of full budget in order to attain necessary support for full budget presentation.

The stakeholder discussion program has been scheduled in line with the decision of the ruling parties on Monday29th October 2012 that the government will have to introduce full budget at any cost.

Meanwhile, the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) has asked the political forces to forge consensus for full budget as soon as possible, warning that failure to do so would lead the country to a failed state.

The apex body of the private sector asked both the government and the opposition parties not to make budget a political tool. Releasing a press statement, FNCCI urged all political forces to introduce budget as an all-party economic document in the current complex political situation.

Nepal, Bangladesh to sign DTAA in November

Nepal expects to sign a Double Taxation Avoidance Agreement (DTAA) with Bangladesh in November. A high-level Nepali team led by the director general of the Inland Revenue Department Tanka Mani Sharma is scheduled to leave for Bangladesh in the first week of November for talks on the pact.

The Nepal government moved to sign a DTAA with Bangladesh considering the traditional trade ties between the two countries and potential for growth in the future. Once the DTAA is signed, investors and traders in Nepal and Bangladesh will be freed from paying taxes twice in the two countries. This agreement is thus believed to play a vital role in the promotion and safety of investment.

The Ministry of Finance said that all the preparations for signing the DTAA had been completed, and that Nepal and Bangladesh, though signing date is yet to be finalized, would conclude the deal within a month. "The government's efforts to sign the agreement with Bangladesh will bear results soon," said Sharma.

Government of Nepal's plan to sign the pact with Bangladesh last year did not happen due to disagreement over a number of issues including tax waiver for Nepali students for which GoN has been pleading with the Bangladeshi government. However, "Such unsettled issues will be resolved during preliminary discussions with Bangladeshi officials, and once everything is cleared, we will sign the pact," said a Finance Ministry official.

Meanwhile, as learnt from MoF sources, the two countries have been exchanging drafts of the DTAA for many years, and the Bangladeshi government had approved Nepal's last draft sent some nine months ago. "Now, the Bangladeshi government has been positive towards our request for a tax waiver for Nepali students, and it has called us for talks," said Sharma.

According to FinMin officials, this is the right time to sign the pact with Bangladesh given the large number of Nepali students studying there presently, the agreement to open a direct route connecting Phulbari-Banglaband and the interest shown by Bangladeshi investors recently to finance Nepal's hydropower sector. Signing the DTAA will boost the confidence of traders in the two countries, they said.

Nepal has signed DTAAs with 10 countries so far. It renewed its DTAA agreement with India in November last year, replacing the one signed in 1987.

Flat cash incentives to exporters in 2 months

The government is planning to introduce a new cash incentive mechanism for exporters provide a flat 2-4 percent cash incentive on product basis, within the next two months, replacing the existing 'one under' incentive offered based on the value addition.

A high-level committee formed for making a simplified working procedure for the purpose is holding consultations with stakeholders. The committee was formed amid exporters' demand for simplification of the incentive distribution process and to come up with a new 'scientific' model.

According to Dipendra Bahadur Kshetri, vice chairman of the National Planning Commission, who also leads the high-level committee, the committee will submit its report to the Finance Ministry within a month. "Once the ministry approves the report, it will be forwarded to the Cabinet," he said.

According to the Department of Industry Director General Dhruba Lal Rajbanshi said the new provision was being introduced so as to minimise administrative hassles in the study of the value addition of exported goods. "We have figured out a tentative value addition of major exported goods and the flat incentive will be provided on that basis," said Rajbanshi.

According to him, the new mechanism will be much simpler for exporters as it will be based on products. The working procedure earlier developed by the Department of Commerce for the cash incentives announced by government one and half year ago to exporters earning convertible foreign currencies had made value addition as the main basis for providing such incentives.

Department of industry has already recommended cash incentive to more than 85 exporters or firms under the existing system. According to the Department, Industries related to coffee, tea, pulse, carpet, textile and leather have dominated the incentive recipient list.

Trade facilitation project being launched

The government will launch a separate project for trade facilitation and customs automation from the beginning of 2013, according to the Ministry of Commerce and Supplies.

Asian Development Bank has pledged to provide $15 million to implement the project. Ministry of Commerce and Supplies, and Department of Customs will be the implementing agencies for the project, according to spokesperson at ministry Deepak Subedi.

The ministry, department and the bank are conducting meetings to finalise the modality of the project, he said, adding project is aimed at enhancing the efficiency of customs points and customs officials.

Simplified clearance process and reasonable customs tariff are main issues of concern for international community to start any business, he said, adding project will help address those concerns.

Sick industries to get govt facility: Division

The Government, this time, will not fail in approving the recommended sick industries, claimed Industrial Promotion Division.

"We are confident that our recommended list of sick industries will receive the facility from the Government," said member of the sick industries expert committee under the Industrial Promotion Division Bishnu Dhakal.

The government has repeatedly formed task forces and committees to identify and revive sick industries but all the committees have failed to deliver.

In 1994, a team of representatives had studied sick industries in 13 districts, whereas in 2002, another high-level committee was formed. Similarly, in 2003, a Refinance Recommendation Committee for sick industries was formed and a similar committee was formed in 2009 to prepare standards and criteria for the facility to be provided to sick industries.

Currently, expert committee under coordination of the Industrial Promotion Division is sure about recommending the list of sick industries to the Government on time. It is also confident that the government will approve the list.

According to the division, an unclear Industrial Policy and instable political situation of the country might be reasons behind the list recommended by earlier committees not being approved

However, Dhakal said that with the new and liberal industrial policy, the division is quite positive about forwarding the list on time and its timely approval by the Government. "This time, the policy is quite flexible as it is more focused on the development and promotion of the private sector," he said.

A team of technical representatives formed by the expert committee recently completed visits of sick industries in Birgunj, Hetauda, Nawalparasi, Dhangadi and Nepalgunj.

MoF to split Economic Operations and Policy Analysis Division into two

The Ministry of Finance has finalized the decision to split Economic Operations and Policy Analysis Division into Economic Policy Analysis Division and Financial Sector Management Division in an attempt to expand research-oriented works and create policies for better management of economic and financial sectors once it is approved by the Council of Ministers.

Once the division is separated, the Economic Policy Analysis Division would entirely focus on research-oriented works and data analysis based on which projections on the economy and financial sector would be made.

"This division will also look over the debt market, make projections on domestic debt demand, prepare guideline for international financial institutions to raise debt in domestic currency and oversee all works related to domestic and foreign debt management until formation of the Debt Management Office," the official said.

The finance ministry has been mulling over splitting the Economic Operations and Policy Analysis Division into two for couple of years, as workload on the unit was piling up due to rise in the number of financial institutions and risks generated by sophistication in the economy.

At the same time, the division was also not being able to devote more time on research, which was affecting works related to policy formation and decision making.

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The Financial Sector Management Division, on the other hand, will focus on regulatory works and create policies for the financial sector, including financial institutions and the securities market.

Lately, growth of banks and financial institutions, number of which has reached close to 200, cooperatives involved in savings and credit activities, merchant banks and lately commodities and derivatives exchanges have not only increased the burden on the ministry but has also raised risks on the economy.

"Their activities need to be watched carefully in cooperation with regulatory bodies that are currently monitoring activities of these companies," the official said. "The Financial Sector Management Division will particularly look over these issues."

Although who will lead these two divisions is yet to be finalized, the finance ministry has said each of the division will be headed by a joint secretary. "The Economic Policy Analysis Division will further employ three under secretaries, while Financial Sector Management Division will have two under secretaries," the official said.

Donors to help enhance private sector capacity

Amid slowing industrial activity in the country, donor agencies have expressed readiness to help enhance the capacity of Nepali private sector to increase contribution of industrial sector to Gross Domestic Product (GDP).

Japan International Cooperation Agency (JICA), the Asian Development Bank (ADB) and International Finance Corporation (IFC), among others, have separately initiated homework to chart out the modalities of support to strengthen the Nepali business community.

Donor agencies are interested in extending support for formulation of Private Sector Development Policy (PSDP), establishing private sector development forum and strengthening relations between the private sector and other stakeholders. The Government is working to bring out a draft of PSDP with support from IFC after almost two decades after the country embraced open market economy.

According to Anil Kumar Thakur, joint secretary at the Ministry of Industry (MoI), the Government is closely working with representatives of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and Confederation of Nepali Industries (CNI) to chalk out PSDP.

Keshav Acharya, former senior economic advisor for Ministry of Finance (MoF), said it was encouraging that the donors are interested in enhancing the capacity of Nepali private sector at a time when the industrial output is slowing.

Meanwhile, ADB, a regional development agency in the Asia-Pacific, has also started ground work for identifying the absorption capacity of the Nepali private sector. Efforts aimed at enhancing the capacity of the country´s private sector are being taken at a time when the contribution of the manufacturing sector to the GDP has been decreasing constantly. According to statistics compiled at the MoF, the contribution of manufacturing sector to the GDP has just been 6.2 percent in the fiscal year 2011/12.

“The Government should be able to take optimum benefit from donors´ efforts,” said an official at MoI.

JICA is working to establish a private sector development forum. Embassy of Japan in Kathmandu has initiated talks with FNCCI, the apex body of the private sector, aiming to identify possible ways of cooperation.

“Embassy of Japan has expressed interest to facilitate private sector by establishing a bridge between Nepali and Japanese private sector through JICA,” said the FNCCI official. He added that the private sectors of the two countries would have extensive discussions and communications once the proposed forum is established.

Moreover, the Japanese Government has also announced that it would provide assistance to the Nepali private sector through its official development assistance (ODA).

At a recent meeting with senior representatives of the Nepali private sector, ambassador of Japan to Nepal Kunio Takahashi had indicated that Japan would initiate support especially to enhance private sector capacity through ODA.

MoCS mulls fuel import options

The Ministry of Commerce and Supplies (MoCS) has asked Nepal Oil Corporation (NOC) to study the possibilities of importing fuel from a third country.

A team from the Nepal Oil Corporation will visit India to study the options of importing fuel from third countries, said spokesperson at Ministry of Commerce and Supplies Deepak Subedi, adding that the team including acting managing director of the corporation Suresh Agrawal and director Sushil Bhattarai will meet concerned parties to identify options.

Importing fuel from third countries has been in discussion for a long time but successive Governments have failed to materialize the ambitious plan.

Bringing fuel from third countries is virtually impossible in the country, a source at Nepal Oil Corporation said, adding that a study on the possibility of importing fuel from third countries is nothing more than a populist move made by the Government. Direct import from third countries is difficult for Nepal because it does not have the necessary infrastructure required during transit, according to experts.

Employment Permit System, Nepali workers to get 5-yr work permit in S. Korea

Consequent upon the provisions of Memorandum of Understanding (MoU) signed by the two governments to extend the term of contract , Nepali workers heading for South Korea under Employment Permit System (EPS) will now be granted a work permit for five years with effect from 31st October 2012.

Earlier, the workers had to renew their contract in every three years despite having contracts for four years and 10 months. “Earlier, the workers were expected to extend a contract of one year and 10 months after initial three-year contract. Now on, we will give a five-year contract at once. Though the work duration is four years and 10 months, we have added two months considering the time it would take for processing and travelling.” said Purna Chandra Bhattarai, director general at Department of Foreign Employment (DoFE).

The MoU will provide workers with work permit, insurance, welfare fund and other documents for five years. Extension

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of the contract comes as an enforcement of a MoU signed on June 29 this year between Nepal government and EPS Korea to extend the term of contract.

The officials at the EPS Section of DoFE said many people had been facing difficulty as they had to return back just to get their contract extended. “Besides saving the travel cost, they will benefit from compensations in case of unforeseen accidents like death and accidents,” said an official.

The Labour Agreement between the Governments of Korea Republic and Nepal was signed by erstwhile Labour Minister Kumar Belbase and his Korean counterpart Lee Chan-woo and was reached through postal service.

About 13,000 Nepalese have been working in manufacturing and agriculture sectors in South Korea under the EPS. The EPS workers earn around $1,000 (Rs 88,000) a month, while the cost for job searching comes to about $970 (Rs 85,360), making it the most lucrative and popular destination among Nepali migrant workers since the process began in August 2008. According to official at the department’s EPS-section, a group of workers who are leaving to Korea on Nov 12 will go there with a five-month contract.

About 32,000 Nepali youths have applied for the jobs in 2008, which has increased to 42,000 in 2010 and 51,000 last year. Out of about 15,298 Nepalese, who had passed Korean language test in August 2011, around 5,000 have reached the destination in the last six months. South Korea has been planning to recruit 7,000 Nepalis in 2012 and the remaining in the following year.

IRD plans rent, market survey, To also provide electronic permanent account number

The Inland Revenue Department (IRD) is planning to conduct a house rent and market survey within this fiscal year with an aim to expand the tax net. “House rent surveys will be conducted in metropolitan and sub-metropolitan cities, municipalities and municipality-oriented areas by all offices in order to collect taxes on rental income,” said deputy director general at IRD Bishnu Prasad Nepal.

IRD has also planned to provide a separate personal electronic Permanent Account Number (e-PAN) during the survey, he added. The department has been failing to enforce house rental tax despite frequent attempts. It had given an ultimatum of mid-October to all landlords to come under the tax net or face legal action but could not implement its decision.

IRD’s plan to start house rental tax is not pragmatic because it will not be able to control under-invoicing of house rent at big commercial complexes, a source at the Finance Ministry said, **adding that collecting taxes from a general house means adding a burden on the general public, who are compelled to rent rooms.**

All officials at the department are familiar with the trend of under reporting of the rent charge of big malls, supermarkets and commercial complexes in Kathmandu, the source claimed, adding that **the ministry should first dare to control leakages from those big fraudsters instead of threatening small house owners and tenants.**

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Similarly, Inland Revenue Department has also planned to conduct a market survey in all metropolitan and sub-metropolitan cities, and municipalities by the end of the current fiscal year, Nepal informed.

The market survey will target persons and entities subject to be registered in income tax, excise, and VAT, he added. “Promotional and educational activities will be started to bring such non registrants into the tax net,” he said, adding that the move is aimed at widening the tax net.

Threshold defining large taxpayer raised to Rs 400m

The government has increased the minimum turnover that defines any industry and firm as a large taxpayer to Rs 400 million from Rs 250 million.

The ceiling has been raised considering the service delivery capacity of the Large Taxpayers´ Office (LTO) and also the demand of the entrepreneurs, particularly the large tax payers based outside the Kathmandu Valley, said the new Finance Secretary Shanta Raj Subedi.

Under the existing arrangement, the government has entitled large taxpayers with special services facility as its gesture of appreciation for contribution they make in the national treasury and country´s development.

But as the number of large taxpayers jumped to 722 from 522 just over the past year, LTO having capacity to best serve only around 400 large taxpayers had been facing difficulties in fulfilling its job.

Beside, owing to increased business activities in bordering cities, the number of large taxpayers outside the Kathmandu Valley has been growing more rapidly. As LTO is based in the Kathmandu Valley alone, large taxpayers outside the Valley were facing inconvenience for the tax related services as they were required to come to Kathmandu every time for filing their taxes and getting other services.

As a result, business community have been demanding with the government to either open the LTO services unit in major cities outside the Valley so that they could get tax related services locally or revise the turnover threshold upward so that they are evicted from the LTO net and could continue dealing with local the Inland Revenue Offices.

Federation of Nepalese Chambers of Commerce and Industry had pushed the Ministry of Finance to raise the threshold to Rs 500 million. “But we have reset it at Rs 400 million. Hopefully, this will ease the operations of both the LTO and taxpayers,” said a senior official at Inland Revenue Department (IRD).

The government preferred to hike the slab mainly because the other option of opening the LTO service units outside the Valley was not possible in the present regime of one-third budget. “So, we chose to eject some of taxpayers from LTO net by raising its threshold,” said the source.

With the decision, the IRD officials said some 125 industries and firms would now be evicted out of the large taxpayers´ net. “We are yet to get the exact number, but roughly it is expected to remain at around 600,” said Bishnu Nepal, deputy director general of IRD.

PAN, VAT registration must

The Finance Ministry and the Office of Company Registrar have agreed to collaborate to bring new companies into Permanent Account Number (PAN) and Value Added Tax (VAT) compliances in a more effective manner.

The ministry reached an agreement with the Office of the Company Registrar last week, making the provision of PAN or VAT registration compulsory for new companies who approach the office for registration, newly appointed finance secretary at the ministry Shanta Raj Subedi said, adding that the agreement will come into effect within a month. The provision will help expand the tax net, said secretary Subedi. “Similarly, the provision will discourage the trend of non-filers.”

Cooperation between the tax administration and the Office of the Company Registrar will help maintain a strong database of companies, and also help the tax administration track the transaction details of every single company if any is found to be involved in any suspicious activity, according to Subedi. A company, with annual transactions worth more than Rs 2 million, will automatically come under the VAT net after the implementation of the new agreement, he further said.

Secretary Subedi further said that the ministry will put its effort to reducing non-filers. “Most of the revenue fraud has been committed by non-filer firms,” he said, adding that the tax administration should develop a scientific database to track such non-filers.

Up to 35 per cent VAT registered firms have been found to be a non-filer, according to director general of the Inland Revenue Department Tanka Mani Sharma.

The tax administration has long been demanding for a reform in the existing VAT registration system to make the VAT-registered firms more reliable.

A total of 813,710 taxpayers are registered at the tax administration, the department said. Of the total, around 113,622 taxpayers are under the VAT net, 274,696 under Permanent Account Number net, and 539,014 taxpayers under the income tax net.

The number of taxpayers will further rise after the implementation of the compulsory provision of either VAT or PAN registration to open new companies, the ministry said.

Company Registrar Office to start online service by Dec-end

The Company Registrar Office (CRO) plans to start online service by December-end. The online system is expected to cut paperwork and save time and money in maintaining records of companies.

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According to the CRO, the system will enable companies wishing to get registered to submit the required documents through the internet. It will also allow online checking of the status of companies. Registrar at the CRO Damodar Regmi said that preparations to launch the online system had reached the final stages.

Presently, entrepreneurs from across the country who want to register a new company have to come all the way to the CRO at Tripureshwor, Kathmandu to submit their applications. The CRO has delegated authority to the district offices of the Department of Cottage and Small Industries in Lalitpur to provide services related to registration of companies. However, companies based outside the Kathmandu valley have been suffering due to the centralised system.

Once the online system is implemented, people from outside the valley can submit the related documents through the internet thus simplifying the registration process. "People can get their company registered in just seven steps compared to the 15 steps that are presently required," said Regmi. "However, applicants will still have to visit the CRO once to verify their signature," he added.

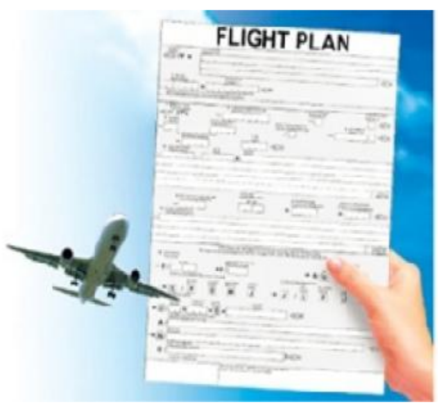
The CRO is implementing the automation system in association with International Finance Corporation (IFC) of the World Bank Group which is providing technical support worth US$ 500,000 under the project named "Business Process Reengineering and Automation Project."

As part of the automation initiative, the CRO has started assigning bar codes to various companies. According to Regmi, they have completed e-filing more than 20,000 documents of various companies. "It will also help the concerned entrepreneurs to find out the status of their companies instantly," he said.

Once the online service is up and running, the CRO plans open its branches in Biratnagar and Birgunj. The district offices of the Cottage and Small Industries located in these cities will represent the CRO.

More than 90,000 companies are registered with the CRO. Apart from registration, it renews the licenses of the companies and handles transfer of ownership. The CRO at Tripureshwor, Kathmandu receives 100 applications daily for registration of companies and other administrative matters related with companies.

Nepal to implement new flight plan from Nov 12



Nepal is scheduled to implement the revised flight plan 2012 for all international airlines from Nov 12, three days before the global deadline set by the International Civil Aviation Organization (ICAO) to replace the old format flight plan.

Mandatory amendments to the flight plan content were announced by ICAO in 2008 for worldwide implementation by Nov 15. According to the Civil Aviation Authority of Nepal (CAAN), the updated flight plan format meets the needs of aircraft with advanced capabilities and the evolving requirements of automated air traffic management systems.

Flight plan means a plan that describes a proposed flight. It involves three major aspects -- safety, security and efficiency. The plan includes fuel calculation to ensure that the aircraft can reach its destination safely and compliance with air traffic control requirements to minimize the risk of mid-air collision.

In addition, flight planners normally wish to minimize flight cost by appropriate choice of route, height and speed, and by loading the minimum necessary fuel on board. All this message and information should be dispatched by the airport and the airlines authority to all origin, en-route and final destinations 24 hours prior to the flight progresses that is displayed for controller reference.

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"The new changes will enable airlines to file their flight plan 120 hours in advance and make the airline and airport schedules more planned and easier," said Hans Raj Pandey, chief of communications navigation and surveillance (CNS) at CAAN.

According to Pandey, ICAO had informed aviation authorities worldwide in 2008 so that they could gradually replace their old format ICAO flight plans without hassles as changes in the plan have a major impact on all air navigation service providers and aircraft operators, among others.

The ICAO Asia Pacific regional office has decided to implement the new plan from Nov 12 in the entire region. Nepal has been conducting tests on the new plan since July 1. CAAN said it had improved the aeronautical fixed telecommunication network (AFTN) and computer system including others systems for the plan. Nepal's flight message and information is disseminated or communicated worldwide through the AFTN of India and China.

New frequency policy in offing

The government is preparing to introduce a new frequency policy to address issues related with spectrum allocation and pricing. The Radio Frequency Policy Determination Committee headed by the minister for information and communications is likely to hold a meeting soon to approve the policy.

Officials at the Ministry of Information and Communications and the Nepal Telecommunications Authority (NTA) are working to finalise a draft of the policy to be shown to the committee. The officials said that the new policy would try to sort out long standing issues of pricing, spectrum assignment and effective management for faster progress of the telecom sector.

The ministry has been trying to rush the new frequency policy through as it has been 10 months since the dissolved parliamentary Public Accounts Committee (PAC) ordered it to adopt it. PAC's direction focused on assignment of spectrum through auction so that the government could sell scarce resources to the highest bidder. "We are doing extensive homework to formulate a new frequency policy at the earliest," said Surya Bahadur Raut, CTO at the ministry.

The committee that gives a framework for spectrum management including allocation, pricing and assignment criteria for service providers includes secretaries from the Communications, Home, Tourism and Defence ministries and the NTA chairman. For the last 10 months, the NTA has not allocated frequencies to any operator due to government indecision over the policy.

NTA Director Ananda Raj Khanal said that the new policy would work as the principal guideline for spectrum management clearly determining the pricing and allocation criteria. He added that the NTA had allocated GSM frequency to mobile service operators as well as rural operators in the past in the absence of a clear guideline.

Meanwhile, delays in formulating a complete frequency policy have also affected introduction of 4G service in the local market. The big two, Ncell and Nepal Telecom, have been asking the NTA for 4G spectrum for a long time. Earlier, the NTA had proposed to the committee to formulate an interim frequency policy to deal with affairs related to telecom frequency after PAC's order. However, the ministry had refused to endorse an interim policy saying that it could result in a negative impact for allocation and pricing in the future.

CDSCL starts operation, albeit manually

The Central Depository System and Clearing Limited (CDSCL) has started its service operation on trading, clearing and settlement of securities. The state-owned company, however, is yet to provide a full-fledged electronic service as promised. The much-touted company has taken over the entire task of settlement and clearing related to share trading which used to be carried out at the Nepal Stock Exchange (Nepse). "On Tuesday, we settled the transactions conducted on Oct 17 at Nepse," said Subodh Sharma Sigdel, CEO of CDSCL. "However, settlement of all the transactions could not be done as stockbrokers did not submit the necessary paperwork citing a staff shortage because of the festival." Likewise, settlement of the transactions done on Oct 18 was carried out on Wednesday.

The takeover of Nepse's tasks by CDSCL will not make any difference in the way the capital market performs as settlement is done manually. However, clearing and settlement will be done faster compared to the time taken at Nepse. At CDSCL, clearing and settlement is done within three days following the trading day (T+3).

"Nepse has provided us login facility and brokerage firms visit our office to carry out the job of clearing and settlement," said an official at CDSCL. "This will make our staff familiar with the job before CDSCL goes electronic." Meanwhile, full fledged electronic operation of CDSCL is still in limbo as the Securities Board of Nepal (Sebon) is yet to approve the Clearing and Settlement Bylaws of CDSCL. The company had sent the bylaws to the board for approval in August and it was returned for amendments.

Sigdel said that the committee working on the Clearing and Settlement Bylaws had consulted a senior Sebon official and made the changes asked by the board. "We will submit the final draft to Sebon on Sunday," said Sigdel. "Since we have addressed the issues raised by them, we hope they will not take much time to approve the bylaws."

Sebon's major concern was a provision in Section 2 of the bylaws for the creation of a separate autonomous department within CDSCL for clearing and settlement. As per the board's view, the separate unit will invite a conflict of interest within the company in the near future. Sigdel said that they had removed the separate autonomous unit from the bylaws. Likewise, the board had also asked CDSCL to provide operational details of the settlement and guarantee fund mentioned in the bylaws. Clause 58 of Section 7 mentions such a fund but does not say anything about its operational details. The board has now agreed to scrap the idea of starting a settlement and guarantee fund.

"Although it is considered to be a very important element of the capital market throughout the world, the market is still very small and the risk of default by brokers is still very low," said Sigdel. "So we do not need such a fund presently." CDSCL plans to hire expert consultants from abroad to prepare the operational details of such a fund in the near future.

Contract Farming Act: Final draft to be submitted within a month

The final draft of the Contract Farming Act, which talks about increasing agricultural productivity through proper management of land leasing, is likely to be submitted to the government within a month.

The proposed act will be given a final shape after holding discussions with the private sector, according to the Agriculture Enterprise Centre (AEC), a division of the Federation of Nepalese Chambers of Commerce and Industry.

Pradeep Maharjan, chief executive officer at AEC and a member of the drafting committee, said discussions on the draft were in final stages. “We will submit the draft to the Ministry of Agriculture by the next month,” he said.

The draft, prepared under financial support from the Nepal Economic Agriculture and Trade (NEAT), a USAID programme, has targeted to improve agriculture productivity by addressing problems related to the leasing of agricultural land, among others.

For the purpose, the government had formed a seven-member committee led by the secretary at the Ministry of Agriculture Development. Other members of the committee include representatives from various other ministries and AEC.

The need for the new act was realised as the existing act does not address problems related to land leasing for agriculture purpose. The existing ‘contract act’ fails to address leasehold farming practices, Maharjan said, adding the current provision has made land owners reluctant to allow others cultivate their land, fearing the leasers might claim permanent tenancy.

The existing provision has been blamed to have left a large area of the arable land unused. “The proposed act will secure the rights of land owners even if they lease their land for cultivation,” Maharjan said. The current act also speaks nothing on leasing land belonging to Village Development Committees or other government agencies. “The proposed act has also provisioned leasing such land,” said Maharjan. “In addition, the new act also talks about insuring crop and livestock, subsidised credit facility and ensuring compensation for unexpected loss to farmers,” he added.

The proposed act is expected to increase land productivity through their optimum utilisation. It has also envisioned securing market accessibility for agro products. Maharjan said it would ensure subsidised loan to entrepreneurs who seek to invest in agro-based industries. Besides, it has also targeted increasing commercialisation in agriculture. “It (the new act) aims at attracting a large amount investment in the sector,” he said.

Farmers criticize agro strategy

Farmers and agriculture scientists have criticised the new Agriculture Development Strategy (ADS), saying it does not include interests of farmers. The government has incorporated the interests of multinationals, ignoring Nepali farmers, they said in a consultation meeting on the strategy held on Wednesday. The government had drafted the 20-year strategy to boost agriculture production and commercialise the sector. Strategy has a detailed plan for next 10 years, starting from 2015.

The government has been influenced by technical assistance agencies rather than the needs of the farmers and the country, said Dr Krishna Paudel while presenting a farmers’ perspective paper. “The strategy has included the interests of Asian Development Bank (ADB),” he blamed, adding that the country should adopt the ADB draft as reference and develop a new strategy. ADB and other donors including, International Fund for Agriculture Development, European Union, Food and Agriculture Organisation, Swiss Development Corporation, Japan International Cooperation Agency, DANIDA, USAID, and World Food Programme have been assisting the government in developing the strategy.

In 1995, ADB assisted the government to prepare the Agriculture Perspective Plan (APP), 1995-2015, as Nepal’s official agriculture sector framework. The government has decided to develop ADS after APP comes to an end to accommodate rapidly changing regional trade, climate change impacts, increasing food prices and food insecurity, and impacts of migrant labour and urbanisation.

Vice chairman of National Planning Commission Deependra Bahadur Kshetry said that the government needs to increase the budget for agriculture to ensure food security and commercialise the sector. “Without investment, the country cannot have a food safety situation,” he said.

Farmers and activists representing National Irrigation Water Users’ Federation, National Land Reform Forum, Community Forest Users’ Federation, and others also criticised the draft strategy for ignoring farmers. “It is not farmer-friendly, so it must be revised,” they said.

The Ministry of Agriculture Development has promised to include suggestions from farmers and their lobbying groups while revising the draft. “The interests of farmers will be incorporated in the draft. It will not ignore the major stakeholder,” said undersecretary of the ministry Suresh Paudel.

Rice import jumps tenfold in food surplus year

At a time when the country is enjoying record food surplus, imports of rice jumped by almost tenfold over the first two months of the current fiscal year compared to the same period last year.

The import data that the central bank released recently shows Nepal imported rice worth Rs 1.14 billon during the first two months of 2012/13, up from Rs 120 million in the same period last year. India is the largest supplier of rice to Nepal.

The Ministry of Agriculture Development had, a few months ago, announced that the country has recorded food surplus of 880,000 tons in 2011/12. This was expected to lower food imports.

“The latest import data has surprised us,” Narayan Bidari, director general of Department of Commerce and Supply Management (DoCSM) said.

Officials and traders attributed such disproportionate rise in imports to recent lifting of ban on export of non-basmati rice by India after a gap of more than three years.

“Rice import rose mainly because traders are presently feeling comfortable to import rice from official channel from India,” Satish Bohra, deputy general secretary of Association of Nepal Rice, oil and Pulse Industries, said.

During the 2008 food crisis in 2008, India had imposed ban on export of rice in a bid to ease the internal supply of foods.

“The present import surge shows lifting of ban by India prompted traders to switch to official trade," said an official.

Traders like Bohra attributed the rise in imports to increase in prices of rice itself. "The price of rice has increased by around 20 percent this year. It also jacked up the import figure (in monetary terms)," said Bohra.

Some of the traders and officials suspect that the rise in import could be due to recent decision of the government to open rice exports to China. "It is difficult to say for sure. But we cannot rule out its possibility," said the official.

Keeping in view food surplus and growing demand for rice in Tibet, the government in the last fiscal year had allowed traders to export 10,000 tons of rice to China through Tatopani and Rasuwagadhi customs points.

Following the decision, DoCSM in August granted permission to 65 firms to export rice to the northern neighbor on condition that they complete the export process within six months of issuance of export licenses.

MoCS , FNCCI to promote cardamom, ginger farming

Ministry of Commerce and Supply (MoCS) and the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and the will be making a joint effort to promote production of large cardamom and ginger in Taplejung and Bhojpur districts.

Under the programme, FNCCI will provide 25 cardamom processing plants each to the two districts. “Farmers in the two districts will be provided drying equipment used for processing cardamom,” said KN Adhikari, Project Manager at the Agro Enterprise Centre (AEC), an Agro division of the FNCCI.

According to the AEC, the number of beneficiaries of the program will be fixed by the district chambers. “The farmers will be provided the equipment through their local consumers' committees,” he said.

The AEC has been conducting similar programs in eastern Nepal for the last two years. According to Adhikari, the present effort is a continuation of the public-private partnership (PPP) programme targeted at promoting two agro products that have been identified as the main products in the region. The programme has distributed a number of processing plants in Panchthar, Sankhu-wasabha and Terhathum districts.

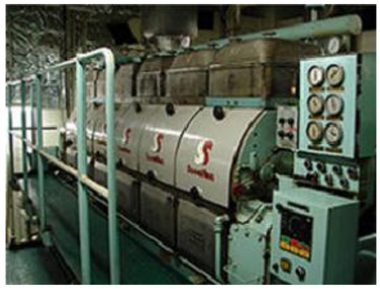
The programme has also targeted promoting ginger production. According to Adhikari, they will be distributing 500 kg of improved ginger seeds to local farmers in eight districts—Dolakha, Udayapur, Siraha, Morang, Sunsari, Jhapa, Bhojpur and Dhankuta. “The seeds will produce fruits containing a relatively smaller proportion of fibre,” said Adhikari. He added that the product was in high demand in the international market.

In addition, FNCCI will be installing a large ginger processing plant in Jhapa. According to the AEC, the World Trade Organisation has agreed to support the effort with a grant of Rs 120 million.

“The proposed plant will produce a variety of products made of ginger like paste, powder and dried ginger for export,” said Adhikari. According to him, they are working in alliance with the Ginger Producers' Association to fix the location for the plant.

Cardamom and ginger are among Nepal's major farm exports. According to the Trade and Export Promotion Centre, the country exported Rs 3.49 billion worth of cardamom and Rs 5.07 billion worth of ginger last Fiscal Year.

Diesel plant-purchase plan gains pace



The government's plan to purchase a diesel plant is gaining momentum, with the Ministry of Energy asking the Nepal Electricity Authority (NEA) to identify globally-renowned diesel plant manufacturing companies.

The government's plan to purchase a 25-MW diesel plant is aimed at containing load-shedding to 10 hours a day. Moti Bahadur Kunwar, joint secretary at the ministry, said the ministry was planning to purchase diesel plant through direct negotiation with manufacturers. "As the plant will be bought through direct dialogue, we are having thorough discussions with NEA," said Kunwar.

NEA officials said they have asked some companies to submit proposals along with quotation and technical details. "Once the companies submit the documents, negotiation will begin with them in mid-November," said a source, without mentioning the name of the companies approached for the purchase of the diesel plant. Purchasing a diesel plant is one of the measures that the government has proposed in the Load Shedding Reduction Action Plan that was recently approved by the Cabinet. In the action plan, the ministry has stated the diesel plant will be bought through direct negotiation with manufacturers and that no external tender will be called for the purpose. The plan has proposed that the Prime Minister's Office (PMO) play a key role in this direction and has named the energy and finance ministries to initiate the diesel plant purchasing process.

The government has prioritised diesel plant, considering it as a 'safe bet to address power shortage' in winter. However, there are questions over the government's move, given higher operation cost of diesel plants. "Given surging diesel price and high operation cost, the cost of energy generated by the diesel plant will reach Rs 35 per unit

Sunsari-Morang Industrial Corridor reeling under labour shortage

Arihant Multifibers in Sonapur, Sunsari, has offered transportation facility for its workers. Arihant's workers do not use public transport to reach the factory and return to their homes. The management of Reliance Spinning Mills in Khanar, Sunsari, has provided residence not only to its senior staff, but also to other workers.

These are a few steps taken by industries in the Sunsari-Morang Industrial Corridor to lure scarce workers. "Despite such facilities, getting trained workers is still a tough task," said Arihant's manager Govinda Bajgain."

While an increasing number of Nepalis going for foreign employment is bringing record remittances to the country, its impact is being seen in the domestic industrial sector.

With workers in short supply, industrial establishments in the corridor are now going extra mile to ensure they have enough workers at their factories by expanding services and benefits to employees. According to study carried out by the Nepal Trade Union Congress's (NTUC) Eastern Region Committee, the corridor, one of the country's major industrial hub, faces a shortfall of around 10,000 workers. According to NTUC's Jyoti Koirala, their study found youths around the corridor opting for foreign jobs in Gulf countries.

The industries are also employing workers from neighbouring districts like Saptari, Siraha and Jhapa. Moreover, labour shortage has forced them to recruit Indian workers, mainly from neighbouring Indian state of Bihar. However, with big infrastructure development taking place in Bihar, even Indian workers are not keen to come to Nepal, say industrialists.

The corridor houses around 500 industries of jute, biscuits, papers, soaps, iron and steel. Currently, these industries employ around 50,000 workers. Arihant Multifibres, Reliance Spinning Mills, Dhana Laxmi Synthetics, Asian Thai Foods, Kamala Iron, Aarti Strips are some of the leading industries based in the corridor. According to Basu Golyan of Dhana Laxmi Synthetics, workers come as unskilled and once they acquire skill, they opt for foreign employment. "This trend is increasing by the day," said Golyan.

FHAN to study reason behind drop in Handicraft exports

Export of handicraft products observed a decline in most destinations in fiscal year 2011-12, as compared to the previous fiscal year.

Currently, handicraft has been the largest overseas export item of the country, next to readymade garments and carpets. Handicraft products are exported to about 85 countries, and the US alone imported 25 per cent of the total handicraft exports last fiscal.

There are more than 20 handicraft products, mainly pashmina products, woollen goods, silver jewellery, Nepali handmade paper and paper products, metal craft, wood craft, and cotton goods that are exported to the US, UK, India, Canada, Germany, Japan, Italy, France, Australia, Netherlands and China.

Contd on page 14

FHAN to study reason behind drop in Handicraft………….

In the last fiscal, the top seven handicraft export destinations were the US, Germany, Taiwan, India, France, Japan and Italy that imported Nepali handicraft worth Rs 69 million, Rs 71 million, Rs 35 million, Rs 33 million, Rs 18 million, Rs 17 million and Rs 13 million, respectively.

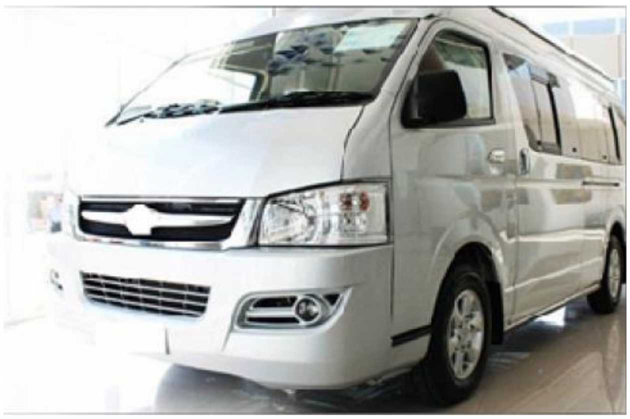
However, the figures of 2010-11 were more satisfactory than 2011-12. In 2011-12, total handicraft worth Rs 397.04 million was exported to the seven major destinations, whereas the value was worth Rs 521.93 million in 2010-11, states the Trade and Export Promotion Centre.

According to the Federation of Handicraft Associations of Nepal, last fiscal year's figure is unsatisfactory. "It will study the reason behind the drop," it said, adding that the decline might be due to illegal export of handicraft products due to which exact figures have not been recorded.

According to the officials, they are planning to develop new designs and new products for international market to face tough competition.

The new designs and new products might help create renewed demand for Nepali handicraft products in the international market, according to the association.

Euro III standard implemented for imports



The government has started enforcing the Euro III emission standard on imported vehicles after sorting out confusing specifications that had held up effective implementation for the last two months. From now onwards, only vehicles meeting the new emission standard will be allowed entry into the country.

According to the Euro III standards the maximum permitted emission rate of carbon monoxide, for example, is 2.0 gm per km for motorcycles and 2.3 gm per km for passengers cars. The new standards will not apply to motor vehicles already in the country.

Earlier in August, the government had enforced the Nepal Vehicle Mass Emission Standard 2012 which bars the import of vehicles that do not comply with Euro III and the National Ambient Air Quality Standard 2012. However, due to errors in the new emission standards published in Nepal Gazette, the Government could not implement the new standards effectively.

European emission standards define the acceptable limits for exhaust emissions of new vehicles. As a result of the error, many vehicles imported with an eye on festival sales were held up at customs offices.

"The new emission standard has been implemented from Monday October 18, 2012 after making the necessary corrections in the emission standard," said Sarad Adhikari, technical director at the Department of Transport Management. He added that the import procedure had also become normal allowing automobile dealers to import and release their vehicles from customs offices.

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The corrected new emission standard was published in the gazette on Monday October 18, 2012 for implementation. With the government not implementing the new emission standard effectively, last month the Supreme Court had also issued an interim order to implement the new provision. As a result of the confusion over the new rule, around 5,000 vehicles including two-wheelers were held up at the customs prior to the peak season, resulting in lost sales for dealers.

"Auto dealers have started releasing their imports from Tuesday 19th October 2012," said Shekhar Golchha, vice-president of the Nepal Automobile Dealers' Association (NADA). He added that uncertainty over the new emission standard had led to even vehicles meeting the Euro III standard being stopped at customs.

Among the 5,000 vehicles held up at customs in the last two months, 2,103 units failed the Euro III emission standards. However, the cars were allowed entry into the country as they had been ordered before the new rule went into effect. The rule is not applicable to tractors, cranes, dozers, power trailers, road rollers and excavators.

Nepal has been importing vehicles based on Nepal Vehicle Mass Emission Standard 1999 (Euro I) for the last 13 years. Dealers said that even though the decision of the Government to implement the new standard was laudable, it does not make any sense unless the Government also ensures the quality of fuel and installs appropriate equipment to test vehicles if they meet the standards.

Govt to lease out Butwal Spinning Mills

The government is preparing to resume operation of Butwal Spinning Mill (BSM), which has remained closed for the last five years.

The cabinet meeting on Tuesday 16th October 2012 decided to restart production by agreeing in principle to lease out BSM. “Various national and international groups have shown interest after the government decided to lease out the mill,” said BSM Chairman Dhruba Rijal. He also informed that the Government would invite a tender in early weeks of November.

The Government had paid Rs 474.5 million in gratuity, compensation and insurance to all the workers at BSM two years ago. Rijal said the government has directed BSM management committee to lease out the mill to resume the production as it would provide employment to over 500 workers.

Plagued by financial crisis, BSM had closed down operations in January 2008.

Following closure of the factory, a delegation of BSM workers had met Industry minister demanding that the factory resume operations. However, the government had then had ruled out the possibility.

Nepali-owned JV buys Summit Hotel

Summit Holdings has fully acquired the Summit Hotel located at Kupondol, Lalitpur. Nepali-owned Summit Holdings is a joint venture between Amrit Shakya and Subarna Shrestha.

The three-star Summit Hotel has been run by a Dutch group Foundation Nepal Holland House (FNHH) since 1978. Beed Management acted as advisors to the sellers and also a trustee to the transaction.

“It took almost one and a half years to complete the sale of the Summit,” said Sujeev Shakya, CEO of Beed Management. “The expertise within the Beed team contributed in reaching a good transaction result for both the Dutch shareholders and the new Nepali shareholders.”

Known as a Nepali-style hotel with Western comforts, the Summit offers 73 rooms and employs 150 persons. Its garden contains unique and special plants and trees which provide a home for birds and small animals. The hotel has been popular for meeting, incentive, conference and exhibition (MICE). It attracts adventure travellers besides executives from development organisation and the business community.

The Summit offers apartments like Himalaya View Wing Rooms, Garden Wing and Summit Towers for luxury travellers. It also provides facilities for budget clients through its Holland House rooms and Summit Apartments. The tariff ranges from 25 to 112 euros.

Cas Stopplelaar, chairman of FNHH, expressed his appreciation for being able to run a prime hotel founded by Dutch shareholders in Nepal, Beed Nepal said in a press statement.

Soon, petrol prices could be revised daily in India

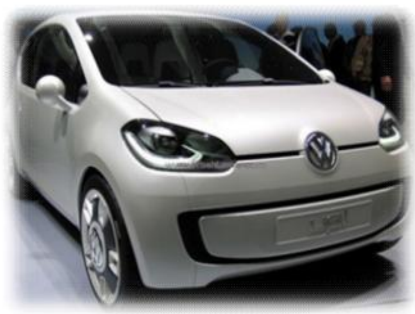
The oil ministry of India is considering the concept of daily petrol price revision in tune with rupee’s value against the U.S dollar. Just like in the U.S, Europe and Brazil where petrol prices are revised on a daily basis, a similar concept could be adopted in India in the coming months. The oil ministry is pushing state-run fuel retailers to revise the price every day in tune with the international rates and the rupee’s value against the American dollar.

Thought the idea is still in its first stages, the concept is being discussed at the top level of the ministry and the brass of fuel retail companies. The country’s largest fuel retailer, Indian Oil Corporations has been tacked to draw up a note on the concept. "The idea is very much on the high table. But a formal proposal is yet to be drawn up," a ministry source said.

In India, fuel retailers review the cost of petrol price on the 15th and on the last day of every month. The price then, is decided on the basis of average regional bulk market price of petrol and the rupee’s value against the dollar on the preceding fortnight.

A daily price revision of petrol would certainely make changes more acceptable to consumers as it would be in small doses. It would also allow retailers to pass on the benefit of lower international prices quickly without the fear of getting stuck in case of a rebound in global rates.

Volkswagen India plans to introduce new models to improve customer experience



Europe's largest carmaker Volkswagenplans to introduce new models in India from its global lineup to revive its fortunes in the country, a top executive said.

"We are checking the global portfolio to strengthen the Indian lineup of cars and SUVs. Some renewed focus on existing compact cars and the sedan segment is being worked out," Arvind Saxena, managing director, Volkswagenpassenger cars business, told ET.

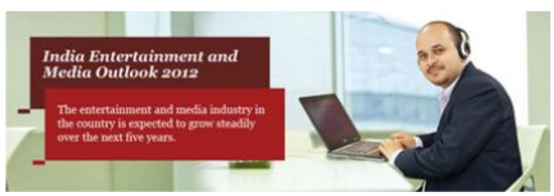
Volkswagen has recently unveiled a new compact SUV called Taigun in Brazil and its entry into other emerging markets like India is keenly awaited. Though the German carmaker has delayed plans to introduce its smallest car UP! in the Indian market due to pricing issues, the company is looking at refreshing its high-volume models such as Polo and Vento.

Unlike most carmakers, Volkswagen lost momentum in India after a decent start due to service issues with its dealers. Sales dropped 20% to 30,476 units for the first six months of the current fiscal and its market sharedropped to 2.38% after touching a peak of around 3.5% in early 2011. Volkswagen currently sells seven car models and a SUV in India, but its performance has been falling due to limited understanding of the Indian market by its expat executives. It has increased number of top-level Indian executives and analysts tracking the Indian automotive market stand convinced of a possible turnaround.

"Volkswagen is in a strong contention with its strong manufacturing capabilities and solid global products. What they really need is to understand the Indian market dynamics on pricing their cars and compete with rivals in every segment they are ruling in," said Deepesh Rathore, India MD of multinational consultancy IHS Global Insight. "It would be a right strategy to introduce a new low-cost brand for a price sensitive market like India," Rathore adds.

"We are looking at restructuring our operation and there is much scope in dealerships to improve customer interface and arrest dwindling sales. India plays an important role in Volkswagen's strategy to become world's largest carmaker by 2018. We will grow volumes irrespective of market conditions with some aggressive excitement in products and sharper focus on Indian customers," Saxena added.

India 's media, entertainment industry sees robust growth



Growing Annually at a robust pace of 17.1 percent over the next four years, India's media and entertainment industry is expected to top IRs 1.75 trillion ($33 billion) with reducing dominance of print and television mediums, says a new study.

The Indian media and entertainment industry is also the fastest growing segment globally with the expansion largely coming from the new media space, says the joint study by the Confederation of Indian Industry (CII) and Price Waterhouse Coopers.

"The growth is mainly coming from the burgeoning internet segment that has the potential to outshine the print sector by 2014" says the study titled "The India Entertainment and Media Outlook 2012" to be released here on Monday 29th October 2012 at the 'India Big Picture' Summit.

"Working to attain the target of $100 billion in the coming years will not only benefit industry but also create large-scale employment and help achieve India's goal of being a knowledge driven economy through effective media," said CII Director General Chandrajit Banerjee.

"Increased advertising, consumer spend will take the industry to desired heights. This will be fuelled by technological innovation leading to better quality of media content being consumed," added Smita Jha, Leader of entertainment and media practice at PWC. According to the study, advertising spend contributes some 35 percent of revenues. But compared to other countries, the advertising spend as a percentage of GDP is very low at 0.3 percent.

"We expect that with entertainment content being accessed through different mediums and innovation in digital content will drive the advertising spend," the study said, adding key consumer spends included TV subscription, film admissions and print circulation.

"The average annual spend per capita is at a low of $7 in India, as compared to $22 in China and $65 in Brazil. Rising disposable incomes in India, combined with some macro economic stability , will drive rapid growth in consumer spend," the study said. In 2011, the overall entertainment and media industry was estimated at Rs. 80,000 crore ($15.4 billion), an increase of 17.5 percent over the previous year. TV and Print were the largest contributors, accounting for 66 percent of total revenues. "Internet access also contributed a significant 14 percent driven by increasing adoption of mobile internet. However, the contribution from print and film segments have reduced marginally, as year-on-year growth rates have been lower than the industry average."

Internet access and gaming have been the fastest growing segments, with an annual growth rate of 57 percent and 33 percent respectively.

ADB to open Bhutan office in early 2013

The Asian Development Bank (ADB) will open an office in the South Asian nation of Bhutan in early 2013 to more efficiently manage a growing portfolio focusing on transport, energy and urban development.

"To understand Bhutan's needs, and the development challenges it faces, ADB needs an on-the-ground presence," said director general of South Asia Department Juan Miranda.

Bhutan has done well in achieving many Millennium Development Goals, but pockets of poverty still remain among its 720,000 people. As a landlocked nation, Bhutan needs to work closely with other countries to ensure it has efficient transport links, notably to seaports in Bangladesh, India, and elsewhere. Such regional cooperation is critical to ensuring the country's future

The Bhutanese government aims to achieve an economic growth rate of at least nine per cent each year to become a middle income country by 2020. Earlier this month, ADB estimated a growth rate of 7.9 per cent for the 2011-2012 fiscal year (ended on June 30), and forecast a growth rate of 8.4 per cent for the current fiscal year.

ADB's future activities in Bhutan will be aligned with the government's upcoming 11th Five Year Plan for 2013-2018, and will focus on transport, energy, and urban development.

Bhutan joined ADB in 1982. Since 1983, ADB has approved $ 381.37 million in loans and grants, $ 50.5 million in technical assistance, and $ 11.4 million in project grants from the Japan Fund for Poverty Reduction.

Some of the major projects Asian Development Bank has supported in recent years include the Green Power Development Project worth more than $ 100 million, to support the Dagachhu hydropower development and enhance renewable energy access for the poor, and the Road Network Projects I and II, totalling more than $ 65 million, to improve the country's main road network, including the Trongsa-Gelephu Highway and southern East-West Highway.

Penguin, Random House publishers agree to merge

British publisher Pearson said on Monday 29th October 2012 it had agreed to merge its Penguin books division with English-language rival Random House, owned by German media giant Bertelsmann.

"Our new company will bring together the publishing expertise, experience, and skill sets of two of the world's most successful, enduring trade book publishers," said Dohle.

Penguin and Random House will combine their businesses in a newly-created joint venture named Penguin Random House, said a statement. Bertelsmann would own 53 percent of the joint venture and Pearson 47 percent.

The tie-up was expected to complete in the second half of next year, subject to regulatory approvals. "The combination brings together two of the world's leading English language publishers, with highly complementary skills and strengths," the statement said.

"Random House is the leading English language publisher in the US and the UK, while Penguin is the world's most famous publishing brand and has a strong presence in fast-growing developing markets."

Bertelsmann was to nominate five directors to the board of Penguin Random House and Pearson four. John Makinson, currently chairman and chief executive of Penguin, was to be chairman of Penguin Random House and Markus Dohle, currently chief executive of Random House, its chief executive.

"In doing so, we will create a publishing home that gives employees, authors, agents, and booksellers access to unprecedented resources."

Marjorie Scardino, the outgoing chief executive of Pearson, added: "Together, the two publishers will be able to share a large part of their costs, to invest more for their author and reader constituencies and to be more adventurous in trying new models in this exciting, fast-moving world of digital books and digital readers."

The joint venture excludes Bertelsmann's trade publishing business in Germany, while Pearson was to retain rights to use the Penguin brand in education markets worldwide.

In 2011, Random House reported revenues of 1.7 billion euros and operating profit of 185 million euros, while Penguin revenues hit £1.0 billion and operating profit £111 million.

Britain set for official exit from recession

Britain was this week set to confirm its official exit from a deep recession, although a return to growth would fail to signal a rosy future for the country's fragile economy, according to analysts.

Economists' consensus forecast is for Britain, which is not part of the eurozone, to have returned to growth in the third quarter, or July-September period, after falling into a double-dip recession in late 2011.

Positive retail sales data published last week added to market belief that British gross domestic product (GDP) had turned positive heading into 2013. All will be revealed on Thursday, when the Office for National Statistics publishes its first estimate of third-quarter GDP.

"The release of the preliminary GDP data for the third quarter should see the UK officially exit recession after three quarters of contraction," said Howard Archer, chief UK economist at IHS Global Insight research group.

But he warned: "The UK still has a very tough job in developing significant sustainable growth given tighter fiscal policy, ongoing serious problems in the eurozone and generally soft global growth.

"In addition, there are still significant pressures facing consumers that are likely to limit the upside for their spending for some time to come," Archer added, citing rising inflation on higher energy and food prices and an uncertain jobs outlook despite recent positive employment figures as some of the reasons.

British annual inflation slowed to almost a three-year low at 2.2 percent in September, recent official data showed, but analysts warned that recent domestic energy price hikes would reverse the decline over the coming months.
With inflation falling for now, the Bank of England has left the door open for more stimulus in the form of quantitative easing (QE).

The bank's nine-strong Monetary Policy Committee (MPC) has underpinned the British economy with a total of £375 billion ($602 billion, 461 billion euros) in new money since March 2009.

"With any recovery currently looking feeble and fragile, we lean towards the view that a majority of MPC members will decide to give the economy a further helping hand in November through more quantitative easing," said Archer.

Under QE, the central bank creates new cash which is used to purchase assets such as government and corporate bonds to increase lending by retail banks and boost economic activity.

Double-dip recession

Britain escaped a deep downturn in late 2009 but fell back into recession at the end of 2011. The recent London Olympics and celebrations to mark Queen Elizabeth II's Diamond Jubilee on the British throne failed to deliver a major boost to growth.

"The economy is likely to continue to underperform in coming quarters, with roughly zero real GDP growth over 2012-13 combined," said Citi analyst Michael Saunders.

The Conservative-Liberal Democrat coalition government blames Britain's economic ills on the debt crisis in main trading partner the eurozone and on the high level of debt inherited from the previous Labour administration.

But the main opposition Labour party claims that Britain's downturn is mainly a result of rapid and hefty cuts to state spending by the coalition that have resulted in thousands of job losses across the civil service.

British GDP contracted by 0.4 percent in the second quarter after shrinking by 0.3 percent in the first -- and by 0.4 percent in the final quarter of 2011.

"The UK data week ahead may well prove to be noteworthy with UK third-quarter GDP figures... set to have a plus sign in front of them for the first time since the third quarter of 2011," said Victoria Clarke, an analyst at Investec financial group.

"Indeed, we expect that the forthcoming release... to show UK GDP having risen by 0.6 percent on the quarter, its strongest showing since the third quarter of 2010."

Germany: No to new Greek debt haircut

Germany's finance minister has dismissed the idea of governments and other public creditors taking a hit on their Greek debt holdings, arguing that it wouldn't be legally feasible.

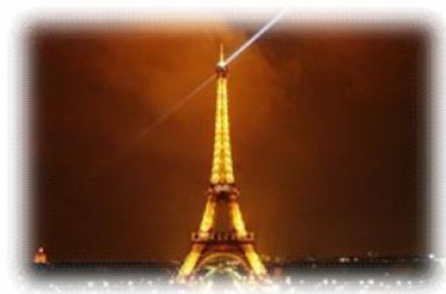
However, Wolfgang Schaeuble said in an interview with Deutschlandfunk radio broadcast Sunday that a debt buyback program — under which Greece would get loans that would allow it to pay off debts — might be possible. That, he said, "is not a trick; it is a consideration that can seriously be engaged in."

Greece is pushing for a two-year extension of the 2014 deadline to meet the terms of its bailout program, a move expected to incur substantial extra costs.

Germany, Europe's biggest economy and a lead lender in eurozone bailouts, has made clear that it wants Greece to stay solvent and stay in the 17-nation euro. However, it has kept pressure on Athens to implement reforms and get its finances in order while debt inspectors consider whether Greece has made enough progress to secure the next €31.5 billion ($40.7 billion) tranche of rescue loans. Associated Press -Berlin

French Jobless tops three million in 13 Years

The number of French unemployed has broken through the 3-million barriers for the first time since 1999, the country's leaders say.



The latest total adds pressure on President Francois Hollande, whose administration is under attack for doing not doing enough to fix the economy. France's unemployment rate is currently 10 percent.

Breaking the 3 million mark carries more symbolic importance than economic but it was covered extensively in the French media over the weekend. The Ministry of Employment says the 3-million threshold was crossed in 1996 and again in 1999.

Employment Minister Michel Sapin confirmed the tota1 on French radio on Sunday and warned that the numbers would likely get worse. Prime Minister Jean-Marc Ayrault called the numbers "very violent",

The government announced last week that it had counted more than 2.9 million unemployed people in July, so the threshold was expected to be passed in August. (AP)

Swiss Bank cuts 10,000 UK, US and Swiss staff

SWISS BANK UBS unveiled plans yesterday to fire 10,000 staff and wind down its fixed-income business, returning to its private banking roots as it adapts to tough capital rules that make it harder to turn a profit from trading.

Zurich-based UBS will focus on wealth management and a smaller investment bank, ditching much of the trading business that ran up $50 billion (€38.5 billion) in losses in the financial crisis.

Dozens of traders were stopped from entering the bank's London offices on end October. Some staff found their employee cards no longer worked at the turnstile and were then escorted to human resources, according to sources in the bank. They received their personal items in a bag with a letter saying they would get two weeks' paid leave, after which they were to pick up their redundancy package. Several tweeters revived "U've Been Sacked," an acronym for UBS that was devised in 1998 after it fired hundreds of staff following the merger of two big Swiss banks to form today's UBS.

Chief executive Sergio Ermotti, a former Merrill Lynch and UniCredit banker, is leading the three-year overhaul aimed at saving 3.4 billion Swiss francs (€2.8 billion), on top of cuts of 2 billion francs.

Former investment bank co-head Carsten Kengeter will lead the isolation and winding down of its fixed-income activities that are no longer profitable as a result of strict capital rules on riskier business introduced after the financial crisis.

The measures translate to a 15 per cent staff cut, taking UBS's overall staff to 54,000, from 63,745 now, already down from a 2007 peak of 83,500 as banks have shed tens of thousands of jobs globally since the financial crisis of 2008.

Of the job cuts, 2,000 will be front-office investment banking staff, the revenue generators. Cuts among support staff will bring the layoffs to more than 5,000 in the securities unit alone, Mr Ermotti said in Zurich. About 2,500 positions will go in Switzerland, slightly more than that in the United States, and the rest in Britain, he said.

Windows 8 phones out to stand apart from rivals

Microsoft on Monday 29th October 2012 set out to win over iPhone and Android gadget devotees with Windows 8 smartphones, new devices that emphasize individualism and unify digital lives in the Internet cloud.

The global rollout of Windows 8 phones, set to begin in Europe this weekend, is the final piece in a Microsoft operating system transformation aimed at harmonizing the technology titan's software and hardware for mobile lifestyles.

"It has been for us an exciting and energizing few days," Microsoft chief executive Steve Ballmer said while unveiling the slick new smartphones at a media event in San Francisco.

"Windows PCs (personal computers) really are the best PCs ever and today we are bringing phones into the Windows family with Windows 8."

Microsoft on Friday launched its latest generation Windows operating system, hit the market with Surface tablet computers and opened scores of temporary "pop-up" stores that have drawn crowds interested in Windows 8 devices.

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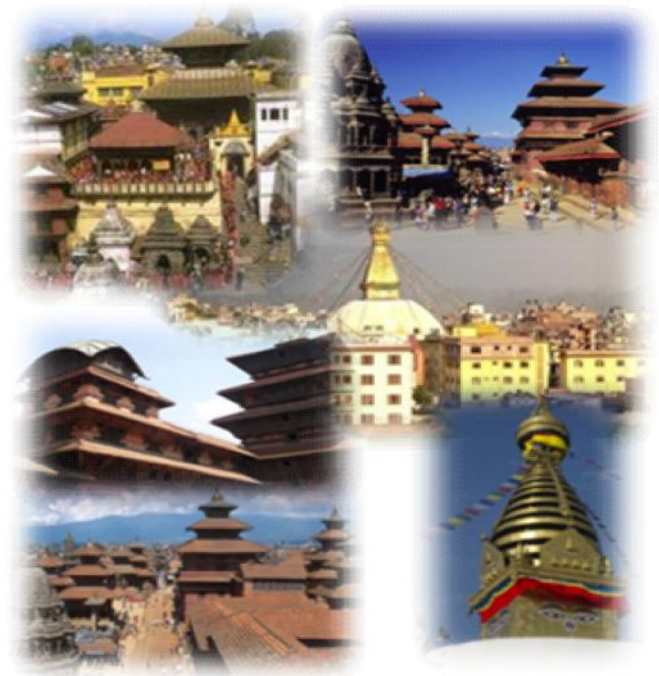
Kathmandu 60th in UN city prosperity ranking

Kathmandu has been ranked in 60th position among 95 cities across the world identified by the United Nations as those moving towards prosperity, a recently released UN report states.

'State of the World's Cities' report by the UN Habitat analyses the prosperity of the cities on various counts like productivity, quality of life, infrastructure, environment and equity and on all these five categories, the Nepali capital is rated just above Dhaka and Kampala. New Delhi has been ranked 58 (two position above Kathmandu) whereas Mumbai has been ranked in 52nd Position.



Austrian capital Vienna tops the list of 95 cities, followed by New York, Toronto, London and Stockholm.

Talking about Kathmandu, the report cites an example of the Vishnumati River. "Relentless urban sprawl of the Kathmandu Valley, the Vishnumati River is surrounded by suburbs which have sprung up in recent years. With few building regulations, the city keeps on growing, as many look for a better life in the city than in the countryside. The result is environmental chaos with severe noise, air and water pollution problems."

Some of the cities with rank identified by the United Nations Habitat

Rank	Country	City
1	Austria	Vienna
2	United States of America	New York
3	Canada	Toronto
4	Great Britain	London
5	Sweden	Stockholm
52	India	Mumbai
58	India	New Delhi
60	Nepal	Kathmandu
61	Bangladesh	Dhaka

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