



# NICCI e-Newsflash

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## Natural Beauty with business.....



*Kanyam , Illam Tea Garden, Eastern Nepal*

## Railway Ordinance: Prez clears deck for Railway Board

President Ram Baran Yadav endorsed the Railway Ordinance on Sunday, clearing the deck for forming the Railway Board, an autonomous body for development of the railway sector in the country. The board will develop, expand, operate and manage the sector. The ordinance enacted the Railway Act which is the amendment to the Railway Act 1963. The board to be chaired by the Minister for Physical Infrastructure and Transport will make policy level decisions for the railway sector in close collaboration with the government authorities.

Yogendra Rai, director general at the Department of Railways said that the Act would help speed up works for construction as the government was planning to carry out big railway projects. The government is currently working on railway plans like Mechi Mahakali Electrical Project, Metro Rail in the Kathmandu valley and cross-border railway links with India. Laws related to the railway service have not been updated since the time of the Nepal Government Railway in the mid 1960s.

According to the Physical Infrastructure Ministry, the Department of Railways would be transformed into the

Railway Board. Earlier, despite lack of proper legal framework, the government had formed the Department Railways, signed an agreement with India to build five cross-border rail links and expedited a detailed project report study of Mechi-Mahakali railway.

The government has also been considering carrying out a feasibility study on North-South railway links with a target to connect two neighbouring countries—India and China—as part of Trans-Asia Railway Network. In December 2011, Nepal had agreed to be a part of the railway network that will connect the country with railway networks in Europe, enabling uninterrupted movement of people and goods.



Experts said the new act and autonomous body would fast track railway works. “Roads have put other mode of transport in shadow,” said Lal Krishna KC, a transport sector expert. He said that it had been necessary to give railway interconnection to road networks like East-West Highway and North-South roads devising an integrated transport sector development plan.

## SN Power signs PNA with IBN for 650 MW Tamakoshi

The Investment Board of Nepal (IBN) has signed project negotiation agreement (PNA) with SN Power, a Norwegian power developer engaged in development of 650MW Tamakoshi hydropower project. SN Power is the first company to ink PNA, although the IBN has asked all hydro project developers to sign such agreement.



PNA sets a standard timeframe to complete project development agreement (PDA) negotiation for hydropower projects above 500 MW. According to the PNA document, developers and the government should sign PDA within one and half years of beginning PDA negotiations. The IBN had previously asked all the three developers-GMR, Sutlej and SN Power-to sign the PNA.

The GMR is engaged in development of 900 MW Upper Karnali and 600 MW Marsyangdi hydropower projects. Sutlej is working on developing 900 MW Arun III hydropower project.

The IBN, a high-level government entity that was formed

more than one and half years ago to facilitate development of large-scale infrastructure projects, last week formed a PDA negotiation team.

"The IBN has communicated with developers to start PDA negotiations by the end of May," the source said. "The IBN is hoping that GMR would sign PNA before that." According to the

PNA template, PDA negotiation with hydro project developers would be automatically terminated if PDA could not be completed within one and half years of commencement of PDA negotiations. It is said PNA will end the proclivity to lingering PDA negotiations for mega hydropower projects.

According to the source, the IBN developed PNA template through technical assistance of the Centre for Inclusive Growth (CIG), an organization that focuses on policy dialogues in the country and is funded by the Department for International Development (DFID) of the British government.

A high-ranking IBN official said: "The concept of PNA was coined to pass the ownership of the project to developers."

## FNCCI mulling to set up Nepal-India-China think tank

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) is planning to set up a think-tank comprising private sectors of three countries—Nepal, India and China. The proposed think-tank, according to FNCCI President Suraj Vaidya, will mainly focus on benefiting Nepal, being strategically located between the two emerging economic powers.

Making public the plan at a press meet held in the Capital on Sunday to mark its first two year at country's apex business body, the FNCCI leadership said that they would concentrate on results of the programmes that were announced in first two years. "We were in the planning phase in the first year and spent the second year for implementations of planned projects

and programmes," said Vaidya. "The remaining one year will be to see the results of our plans and programmes."

Talking on the recent commitment of political parties for the development of hydropower sector in the country, he said "We will now begin pressuring the parties to execute what they had signed," adding that the business community expects to see the party's commitment in their respective political manifesto.

According to the FNCCI, it has come up with the revised draft on common economic agenda after incorporating comments from stakeholders, including the political parties. "The revised draft has been forwarded to all political parties and we will soon make them sign the draft," said Vaidya

## Registration of new firms increase

Political instability and acute power shortage have not remained barrier to investors mood if we follow the latest data of Department of Industry (DoI). Registration of new industries has increased by more than 60% over the first nine months of fiscal year 2012/13, compared to figures of the same period of last year.

Statistics of DoI shows 298 firms were registered during the period, up from 184 registered in the corresponding period of the last fiscal year. "New investment commitment amount has

increased by 78 percent to Rs 81.32 billion during the period," the statistics shows.

Almost 50 percent of the newly registered firms are of small scale. "Only 86 large and 64 medium scale firms were registered in the review period," the statistics shows.

Industrialists, however, have termed the healthy rise in the registration of new firms as unnatural. DoI officials do not have any clue why registration of firms increased despite economic slowdown in the country.



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## Either be a banker or a businessman, not both: Governor

Nepal Rastra Bank (NRB) Governor Yuva Raj Khatiwada on Thursday advised bank directors "either to become a banker or a businessman", saying their dual role has been "self-contradictory".

First the directors complain about liquidity crunch and say interest rates cannot be slashed, but the same directors, presenting themselves as businessmen the next day, complain about higher interest rates, the governor said. "It is not necessary for a businessman to become a banker. It is better they part ways," he suggested while addressing the "National Directors Conference" organised by National Banking Training Institute.



Traditionally, proprietors of business houses hold crucial positions like chairman and board members in banks and financial institutions (BFIs) they have promoted. Against this backdrop, the governor said it is not necessary that the one putting in money should hold positions on the board. He suggested appointment of professional and capable persons on the board so as to maximise profits. "You must get out of the illusion that the company is yours," he told the directors. "Promoters have the mindset that why they can't get loans from banks they have promoted."

The governor flayed bank directors' tendency to 'lobby' for allowing them to sanction loans to a certain interest group even if the loan seekers are not eligible. He also hit out at promoters working as employees. "The practice of taking two benefits — bonus as an employee and dividend as an investor — must end," Khatiwada said.

The governor suggested bankers to study the existing laws which clearly define the roles and responsibilities of the board and the management. The Bank and Financial Institution Act has barred board members and promoters having more than 1 percent stake in a particular BFI from taking loans from the same BFI. He asked the bankers to understand that banks are not only their possessions, but also of employees and the society at large.

Asking bank directors not only to focus on making profits, the governor said: "Banking is not a business in which profit can be magnified within a short period, but by offering good services to customers."

Governor Khatiwada stressed on check-and-balance between the board and the management. "The situation of board members complaining about the CEO and the CEO complaining about the board must end," he said.

He requested BFIs to maintain strong internal control mechanism to minimise operational risks. Risks at operational levels have emerged as a big challenge in the banking sector. This is evident with recent incidents of unauthorised withdrawals from ATMs in collusion of bank staff.

Deputy Governor Mahaprasad Adhikari said BFI boards should not intervene much in day-to-day operation. "The best corporate practice can help increase the management's efficiency without making any intervention in their daily functioning," he said.

Adhikari added the board should hand over the job of devising strategic plans to the management and only take up the job of forming guidelines and giving necessary approvals to plans presented by the management.

Over 100 directors of listed companies attended the conference, aimed at creating a knowledge sharing platform. At present, there are 226 listed companies at Nepal Stock Exchange with a combined paid up capital of Rs 121 billion. There are more than 2000 board of directors governing these listed companies.

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

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