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Jajarkot, Nepal

Govt to hand over Upper Arun hydel project to NEA

The Cabinet has decided to hand over the Upper Arun Hydropower Project to the Nepal Electricity Authority (NEA) for construction. The decision was taken as per the recommendation made by the Ministry of Energy (MoE). Prime Minister Baburam Bhattarai holds the energy portfolio as well. Earlier, the Cabinet led by the then Prime Minister Pushpa Kamal Dahal, had decided to develop the project through open competition.

Energy Secretary Hari Ram Koirala said his ministry had asked the Cabinet to hand over the 'attractive' project to the NEA as per the latter's demand. The state-owned power utility has also applied for the construction licence. The project, with installed capacity of 335MW, will add 2,050GWh energy annually to the national power grid. This is expected to play a crucial role in fulfilling the power demand of load centres of the eastern region, minimising transmission loss, according to the project's feasibility study report.

"As the government has to build a 68 km link road to the project site even if the project is awarded to other contractors through open competition, we decided to have the project developed by the NEA." Koirala said adding that MoE committee had recommended handing over the project to the NEA and the ministry tabled the proposal in the Cabinet on February 10.

He said the decision was also taken in order to minimise the project cost and delay in construction, which is likely if it is developed through open competition. MoE officials said the ministry will formally hand over the project to NEA, asking the latter to directly develop the project without forming a development company.

The cost for the run-of-the-river project located some 10km away from the Nepal-China border in Sankhuwasabha district is estimated at around $500 million ($1,500 per KW). NEA had completed the feasibility study in 1991 with help from the World Bank and United Nations' Development Programme. Even during the dry season, the project will generate not less than 250MW energy — 75 percent of the installed capacity.

The project is expected to complete within four and half years after the beginning of construction. NEA applied for the survey licence for generation on July 20, 2008. However, the licence has not yet been issued, forcing the NEA to delay the environmental and detailed engineering studies.

The government has requested the Chinese government to provide soft loans worth $633 million for the project. As per the MoE request, the Finance Ministry has written to the Chinese government asking for the help. The request for the soft loan was made as per the interest shown by the Chinese government for the same.

Nepal moving towards self-reliance on clinker

Local cement factories are increasingly using their self-produced clinker for cement production. Until a couple of years ago, three cement industries — Siddhartha, Bridge and Supreme — based in the Lumbini Industrial Corridor used to rely on clinker imported from India. Now, they produce more than 90 percent of clinker they require. This shows the country is slowly moving towards self reliance on clinker, the major raw material for cement production.

Argakhachi Cement, set up with an investment of around Rs 2 billion in the industrial corridor, has already started clinker production. “There are a lot of hassles while importing clinker from India,” said Rajesh Agrawal, managing director of Argakhachi Cement. “Another factor that motivated us to produce clinker ourselves is enough limestone quarries in the country.”

Agrawal says due to the high potential, investors are investing in clinker production. Argakhachi Cement, which currently produces 1,000 tonnes of clinker a day, is all set to increase its production capacity by an additional 400 tonnes a day in the next four months. Other clinker producers include government-owned Hetauda Cement and Udayapur Cement, and the private sector’s Maruti Cement, Shivam Cement, Arghakhachi Cement, Gohari Cement and Sonapur Cement.

With the setting up of more clinker producing cement factories, import of the raw material from India has declined, according Bidur Dhungana, manager at Jagadamba Cement. “Earlier, 12 freight train bogies of clinker used to be imported every three months,” said Dhungana, adding the import has come down to one bogie in three months.

According to cement producers, the country requires around 3 million tonnes of clinker annually. Of the total demand, 18 percent is fulfilled by domestic supply.

“If the industrial environment is improved, clinker import will not be required within the next three years, it will save Rs 36 billion annually.”

With huge demand, more domestic cement producers are getting into clinker production. Sarbottam Cement, promoted by Saurav Group, and another cement factory of Dugar Group are also planning to start clinker production. “If the industrial environment is improved, clinker import will not be required within the next three years,” Agrawal said. “It will save Rs 36 billion annually.”

In a bid to make the country self reliant on clinker, the government recently decided to ban the clinker import after five years. According to the Industrial Promotion Board, domestic cement producers should either produce clinker on their own or manufacture cement by using clinker produced by local manufacturers after the imposition of the ban.

31 project proposals valued at Rs 103b at NIB

The Nepal Investment Board (NIB), a high-level government entity for facilitating the implementation of mega projects and organising the celebration of Investment Year 2012/13, has received a total of 31 new project proposals valued at Rs 103 billion from the domestic private sector.

Different groups in the domestic private sector submitted business plans after NIB formally sought project proposals in early December, 2012. According to the NIB secretariat, the private sector has submitted 13 project proposals in the agricultural sector, two in energy, and six in health and education.

Similarly, the NIB secretariat has received two project proposals in the hydropower sector, one in information and technology, one in infrastructure and six in the tourism sector. "We are now assessing the project proposals submitted by the domestic private sector," Radesh Pant, chief executive officer at NIB, said on Thursday.

Elaborating on the process of project evaluation, Pant said that NIB would focus mainly on the financial viability of the projects and the economic returns from them. "Local development from the project and its benefit to the people will be one of the major yardsticks for assessing a project," Pant said.

Additionally, 20 different projects have been developed in the tourism sector in collaboration with the International Finance Corporation (IFC), a member of the World Bank Group, and tourism entrepreneurs.

"The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) has developed 20 different project proposals," an official at FNCCI said on condition of anonymity. "FNCCI also developed 10 different agricultural business plans."

NIB, which is already overseeing 14 mega projects including five hydropower projects, has unveiled a plan to identify viable projects from the total number of proposals submitted and move them forward for implementation jointly with the private sector.

Suraj Vaidya, president of FNCCI, said. "It has to make clear why a particular project is necessary in the country."Vaidya strongly opposed the government´s plan to develop international airports in four cities, namely, Pokhara, Bhairawa and Nijghad as well as Tribhuvan International Airport (TIA) in Kathmandu.

"What is the rationale of developing four international airports that are just 15 to 25 minutes from Kathmandu?" said Vaidya. "We have to act strategically while making such a huge investment."

Shipping firms ready to waive off detention charge

Shipping companies have said they are ready to waive off detention charges for Nepal-bound containers stranded at Kolkata port. Responding to request from Nepali Consulate General´s Office in Kolkata, shipping firms said they would extend grace period by 15 days if Nepali traders approach them with formal request.

Rajan Sharma, president of Nepal Freight Forwarders Association (NEFFA), said traders would benefit from the offer as that would save at least Rs 70 million. "Should that happen, accumulated detention charges to be paid by Nepali traders will come down by at least Rs 70 million," Sharma said Sunday.

Around 1,200 Nepali containers are still stuck in Kolkata customs, waiting for clearance. Shipping companies generally give grace period of 7 to 14 days. If containers are not cleared within the grace period, they charge anywhere between US$ 40 to $150 per day per container as demurrage fee. Around 15 shipping companies are involved in transporting Nepal´s third country imports.

Bangladesh to give duty free access to 108 Nepali products

The joint-secretary level trade officials of Nepal and Bangladesh, who met in Dhaka on Sunday, exchanged the list of products proposed by both sides for preferential access to each other´s markets. Bangladesh has agreed to provide duty-free access to 108 Nepali goods, mainly farm products, and sought preferential treatment for 153 Bangladeshi products in Nepal.

“Bangladeshi officials have handed us an offer list, agreeing to provide zero-tariff access to 108 Nepali products in their market. According to Naindra Prasad Upadhyaya, joint-secretary at the Ministry of Commerce and Supplies (MoCS), who led the Nepali trade delegation for the talks, Bangladesh has agreed to provide preferential treatment to Nepali lentil, vegetables, cereals, wheat flour, fruits, juice, dairy and handmade papers, among others. “This will help boost our exports to Bangladesh in the coming days,” he said.

The meeting was asked to finalize modalities to implement the agreement made during the commerce secretary meeting held in Kathmandu on July 30, 2012. “We will finalize the modality on implementing the zero-tariff facility at the upcoming joint-secretary level meeting to be held in Kathmandu,” Upadhyaya said. He also said the modalities could be set through Memorandum of Understanding (MoU), Nepal-Bangladesh Transit Treaty 1976 or any other bi-lateral agreement.

The Nepali delegation, however, is yet to decide on providing duty-free access to 153 goods proposed by Bangladeshi officials. The South Asian neighbor has sought preferential treatment for fish products, pharmaceuticals, textiles and electrical goods, among others, in the Nepali market. “We have received a list of products from Bangladeshi officials for duty-free access to Nepali market. We will finalize the list at the upcoming meeting as we need to do some homework before taking final decision,” he added.

Total export of Nepal to Bangladesh in 2012 was worth Rs 4.57 billion, states Trade and Export Promotion Centre. Meanwhile, total import was worth Rs 2.04 billion.

They also held discussions on the modality to operationalize Chittagong and Mongla ports for transit cargo for bilateral trade. The two countries also discussed on the proposed draft of modalities of Operating Procedure of Transport of Transit Cargos to operationalize Chittagong and Mongla Ports for bilateral trade benefits. “Both the sides have agreed to finalize the draft of the modalities in the next joint-secretary level meeting, including Kathmandu-Dhaka direct bus service .

Amid reports on denial of on arrival visas to Nepalis traveling to Bangladesh through land route, Bangladeshi officials assured the Nepali side that they would instruct immigration officials to ensure effective implementation of the facility.

At the Dhaka meeting, both sides also agreed to recognize quality certification issued by laboratories of both the countries for harmonization of quarantine under Sanitary and Phytosanitary (SPS) regime.

Nepal and Bangladesh will finalise the operational modalities of Kakarbhitta-Panitanki-Phulbari-Banglabandh corridor in the joint secretary level meeting, which is scheduled for mid-April in Kathmandu.

Nepal Rastra Bank extends Rs 382m export refinancing this fiscal year

Exporters have finally been able to get increased refinancing from the Nepal Rastra Bank (NRB) after the latter eased procedures for getting the funds at cheaper rates. Exporters get refinance at 4.5 percent interest rate through banks and financial institutions (BFIs), for which the central bank provides refinancing to the BFIs at 1.5 percent.

According to NRB, a total of Rs 382 million refinancing has been made available to exporters as of Thursday this fiscal year. “It is a significant amount of refinancing as such refinancing was almost non-existent until last fiscal year despite the central bank has long been offering the facility through the monetary policy,” said an NRB official.

Exporters also had to produce letters of credit along with other necessary export documents to be eligible to get the service. Now, the NRB has allowed getting the funds even if export is made against draft or T/T. Usually, export to India takes place through draft and T/T.

Nepal-India Chamber of Commerce & Industry

Dissemination
Marshal Rathour

Concept/Text / Research / Analysis/ Design /Edit
K M Singh

GPO Box 13245 Ace Apartments, Narayanchaur, Naxal Kathmandu, Nepal.

Phone: 977-1-4444607
Fax: 977-1-4444608
Email: secretariat@nicci.org

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Service sector gradually replacing manufacturing sector

Because of increasing load-shedding and labour unrest, manufacturing industries have lost their charm among entrepreneurs in the recent years. Whereas the service sector has attracted an increased number of entrepreneurs. The trend is clearly visible in the registration pattern of industries in these two categories at the Department of Industries (DoI).

The trend of manufacturing units being registered is in a downward trend over the last three years. There were 68 manufacturing firms registered at the DoI in FY 2010-11 and 78 in FY 2009-10. The number of service industries registered in FY 2010-11 was 175, while it was 149 the previous year. In the fiscal year 2011-12, the registration of service industries exceeded the manufacturing ones by 71 percent. While the service-oriented firms accounted for 201, only 59 were registered under the manufacturing category in the last fiscal year.

The department has considered workshop, printing, consultancy, cinema, public transportation, photography, hospital, nursing home, academic and training institutes, laboratories, aviation and cold-storage in the service business. However, banks, hydro, construction and tourism are under different segments.

Of the 4,831 firms registered with the DoI, 2,365 were service-related business ones as of 2011-12. These exclude the banking business. The number of service business exceeds the manufacturing companies, if the financial business is also included in the service oriented firms, DoI's statistics reveal.

The firms registered in the DoI account only for medium and large ones. The Industrial Enterprise Act 1992 considers firms with investment of upto Rs 100 million as medium ones, while the ones with over Rs 100 million investment are taken as large firms.

Entrepreneurs have been saying that a lack of investment friendly environment in medium and large production business is forcing them to switch over to service business. Manufacturing units that produce crude goods, semi processed and processed goods have been categorised under the manufacturing segment.

India to decide on sugar decontrol in 1 week

The Indian government in the next 15 days will decide on decontrolling the Rs.80,000 crore (around $15.5 billion) sugar industry as suggested by a panel headed by C. Rangarajan, the chairman of the Prime Minister's economic advisory council, Food Minister K.V. Thomas said Friday.

"I think within next 15 days we would be able to take a decision on all the issues like levy of sugar, release mechanisms and others which the committee has studied," Thomas said here at an event organised by the Associated Chambers of Commerce and Industry (Assocham).

Thomas said the food ministry has examined the Rangarajan panel recommendations and would take a final view on the decontrol of sugar industry soon.

In its report submitted to the government in October last year, the expert panel headed by Rangarajan recommended lifting all controls on the sugar industry, among the most regulated sectors in India, to balance the interests of farmers and mills.

India is the second largest producer of sugar at nearly 340 million tonnes and the annual output is worth around Rs.80,000 crore (around $15.5 billion).

The livelihood of 50 million farmers depends on the industry,

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