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INSIDE THIS ISSUE:

Nepal ready to attract $6bn investment- Investment Board

The meeting of the Investment Board 14th June approved the new Project Development Agreement (PDA) template for hydropower projects above 500MW that will not only ensure investments worth $6 billion but also solve current power crisis and generate employment in the country.

The agreement - drafted by one of the world's leading legal firms - ensures balanced and bankable deals that fully benefit and protect Nepal's interests. The caretaker prime minister Dr Baburam Bhattarai, who chaired the meeting, expressed optimism at the accomplishment of the joint efforts of the Investment Board, the Ministry of Energy and related agencies to develop the PDA template, which will now provide a much needed impetus to enable negotiations on the current four priority projects, that will produce 3000 MW of electricity.

"Harnessing Nepal's hydro resources for Nepal's socio-economic transformation has always been my number one economic priority," said Bhattarai, adding that the new PDA template will now equip Nepal with the capability to negotiate good hydropower deals and ensure maximum benefits in terms of revenue, spending, industrial and employment benefits, and electricity.

"I would also like to assure investors that work on their projects will go unhindered," he added, asking the investors to invest. "Nepal is open for business and the current political uncertainty will not affect Nepal's economic activities." Due to lack of power, the engine for economic growth, the country is facing huge unemployment problems, he further added.

The new PDA template comes as a response to the previous PDA model that was rejected by developers and financiers in 2010 for not being bankable, according to chief executive of the board Radhesh Pant. "The new template protects the interests of both the people and investors," he said, adding that it will also ensure fair returns for investors to enable them to get financing at competitive costs, timely approval mechanism, and provide for due diligence oversight to ensure commitments are met.

It has also included best practices of international environmental and social standards, and will ensure model community benefits package and fair resettlement and rehabilitation though it is only an agreement template. But the individual agreements will also be negotiated and tailored to project circumstances and economics, local community needs and aspirations, he added.

The new template will currently be applicable to the four mega hydro projects — Tamakoshi III (650MW), Upper Karnali (900MW), Upper Marsyangdi (600MW), and Arun III (900MW).

Contd ... Page 2

Nepal ready to attract $6bn investment ………………...

"With the approval of the PDA template, we are now on a fast track to move on project agreements that will unlock the country's vast hydro potential and solve the load shedding problem," said Pant, adding that the board will present the PDA template to key developers in the next few days to enable both sides to lay the groundwork for intensive negotiations.

He also assured the developers that the board will be approaching the negotiations in a constructive and cooperative manner.

"We have the opportunity to bring in $6 billion in foreign direct investment, and create new opportunities for Nepali businesses and the labour force," the chief executive said, adding that it not only solves the load shedding problem, but also addresses the country's biggest obstacle to investment, business development and economic growth.

The Investment Board, as a leading agency representing the government, was set up in November 2011 as a one-window solution for foreign investors and developers investing in hydro projects above 500MW and other infrastructure projects above Rs 10 billion to fast track projects and cut through bureaucratic obstacles and delays.

MoE suggests MoF to give incentives to 7 hydro projects

The Ministry of Energy (MoE) has recommended the Ministry of Finance (MoF) to provide concessional loans and value added tax (VAT) exemption on construction materials to seven hydropower projects as pledged in the government's Load-shedding Reduction Action Plan.

The action plan has pledged four types of support, including concessional loans, VAT waiver on construction materials for projects that are in final construction phases, waiver of delay charge and hike in power purchase agreement rate.
The projects for which the MoE has asked for facilities from the Finance Ministry are Andhi Khola, Lower Modi, Lower Balefi, Madi Khola-1, Indrawati Khola, Jumdi Khola and Upper Madi Khola.

Currently the average cost for hydropower projects stands at Rs 140 million per megawatt. The action plan has pledged providing soft loans worth Rs 20 million per megawatt at an interest rate of around 7 percent.

"The ministry has received applications from 50 projects seeking the facilities," said Energy Secretary Hari Ram Koirala. "Once these seven projects will be approved for getting the facilities, the ministry will recommend other projects."

According to Koirala, projects that are in construction phase will be recommended first. Of the 50 projects that have applied for the facilities, 33 are currently under construction, while the remaining 17 have signed PPA with the Nepal Electricity Authority, but have not begun construction.

According to the MoE data, the 33 projects that are currently under construction will generate 250 MW electricity and the other 13 will generate over 100 MW within 2071.
Other projects claiming the incentives include Akhu Khola, Spring Khola, Middle Chaku Khola, Lower Chaku Khola, Chaku Khola, Upper Mailun A, Lower Chaku Khola A, Jiri Khola, Pikhuna Khola, Jhyadi Khola and Bhairavkunda.

Independent power producers had long been seeking the government's support, citing difficulties in completing construction such as high bank rates and low PPA rate.

"As the entire hydro development sector of the country is facing hardships due hydropower companies' poor financial health, the government's timely supportive measures are crucial," said Subarna Das Shrestha, president of Independent Power Producers Association of Nepal. He also asked the government to increase the loan payback period to seven years.

The plan, however, says if projects, after receiving the facility, fail to generate energy by 2014, they should pay a delay charge worth double the amount.

Finance Ministry officials said the ministry was positive about MoE's recommendations. They said the ministry has formed a taskforce to study ways to ensure necessary resources. The taskforce has been formed to explore ways to mobilise the pledged resources to hydropower projects to ensure their timely completion and help reduce load-shedding hours, said Finance Ministry spokesperson Rajan Khanal.

Khanal, however, said the ministry cannot give VAT waiver on construction materials as the tax law is against such a provision. Ministry sources say there has been an understanding to give Rs 2 billion to the projects.

WB to help Nepal boost trade with India and Bangladesh

The government, in its efforts to boost exports, has taken an initiative to develop a project that would facilitate outward trade by improving quality of laboratories, custom facilities and enhancing roads corridors in the bordering areas with an assistance of the World Bank.

"The World Bank is facilitating the establishment of a joint multi-functional lab between Nepal, India and Bangladesh to increase intra-regional trade," said senior operations officer at the World Bank South Asia region Diep Nguyen-Van Houtte here Wednesday, 13th June. "Discussions are still on but we have broadly agreed on setting up a joint multi-functional laboratory, something which will address long-running plight of the Nepali exporters," Houtte said.

Under the new project, fundamentally being designed to reduce the existing trade barriers to Nepal-India and Nepal-Bangladesh trade, the World Bank is also supporting the upgradation of roads and constructing new facilities along the border, as land transportation is key to intra-regional trade, and coordinating among trade related agencies to create a single window to remove bureaucratic hassles, she said, adding that market integration will help generate more employment in the region that has to create 1.2 million new jobs per month over the next two decades as the number of new job seekers is increasing rapidly in the region. Trade can be a powerful solution for landlocked countries like Nepal, she added.

The project, which is yet to take a concrete shape in terms of investment and duration, will mainly focus on implementing the Nepal Trade Integration Strategy (NTIS) 2010 - government´s blueprint to boost the export of the country. The project can serve as a strong back-up for us since most of the goods that are enlisted in the NTIS 2010 are agricultural products, said Jib Raj Koirala, under-secretary of the MoCS, confirming the preliminary developments made on the project.

In the absence of recognized testing facilities, Nepali exporters so far have been sending samples of their produces to Kolkata in India and waiting for as many as 15 days to get quality certification, which is a must for those produces to find entry into India. This has been raising the cost of doing business, and in most of the cases inflicting loss to the traders, particularly those exporting perishable agro-produces. Nepali manufacturers, farmers and traders have been asking for such a laboratory from the last decade to ease export trade, requiring a laboratory test just before export.

"Due to lack of connectivity, tariff structure and non-harmonisation of standards and natural resources, the regional trade pact that was supposed to boost intra regional trade has failed to deliver, establishment of laboratory will give a huge boost to Nepali exports. This will enable thousands of farmers producing exportable produces like ginger, tea, fruits and cardamom enjoy sound returns" said former commerce secretary Purushottam Ojha, who has long been associated with Nepal's International trade and transit sector.

To facilitate trade in the South Asian region, the World Bank is engaged in energy collaboration, trade facilitation and natural resources management, according to programme director, regional integration at the World Bank South Asia region Salman Zaheer.

One of the most impoverished regions in the world that houses some 1.5 billion people, South Asia is the least integrated region in the world due to poor logistics and trade barriers.

Govt to promote domestic garments, Textile Entrepreneurs ask for textile policy

Finance secretary Krishna Hari Baskota has said that the government has adopted a policy of purchasing local garments even if it is more expensive than foreign garments by up to 15 per cent. Speaking to garment entrepreneurs on Tuesday 13th June at the ministry, he said that government agencies can buy home-made garments worth up to Rs 2.5 million directly from the market.

"The government rebates 2 to 4 per cent cash based on value added if local garment manufacturers export garments in foreign currency," he informed.

He also suggested the entrepreneurs to initiate an awareness campaign to encourage public bodies to use garments manufactured by local garment producers. "School students and others will start wearing local garments if the manufacturers can convince that the local products are of quality," he added. The government has adopted a policy of rewarding government agencies who utilise home-made products, he informed.

Representatives from Nepal Textile Association demanded the government to exempt the income tax for garment manufacturers for five years. They also demanded for a tax exemption in the import of crude oil to run factories, refund of value added tax and discount in the use of electricity. The association also asked the government to formulate a separate textile policy.

Contd ….. Pg 4

Govt to promote domestic garments, …….

Meanwhile, the government is preparing to bring out the policy to provide at least 2 percent incentive of the total value added exports in convertible currencies in an effort to encourage export. The Ministry of Commerce and Supplies (MoCS) is soon forwarding the proposal to the Ministry of Finance for approval. MoCS officials say they will push the MoF to introduce the incentive scheme through the upcoming budget. As of now, the government has been providing incentives only to exports with at least 30 percent value addition.

"All exporters, who are earning convertible foreign currencies, from their value added exports will be eligible for incentive of at least 2 percent if our proposal is approved by the finance ministry," said Uday Raj Pandey, president of Garment Association of Nepal (GAN). Pandey also said existing hassles at Department of Industry (DoI) would be lessened if our proposal for 2 percent incentive is approved.

Due to bureaucratic hassles, only about half a dozen exporters have managed to get export incentives worth around Rs 50 million over the past two years while the government has provisioned Rs 600 million for the purpose. The government had introduced export incentives from fiscal year 2010/11, provisioning 2 percent incentives on exports with 30-50 percent value addition, 3 percent for exports with 50-80 percent value addition and 4 percent for exports with more than 80 percent value addition.

Pandey also said the MoCS has agreed to propose waive off the existing 25 percent amount of the total imports as refundable security deposit while securing bank guarantee by the exporters. The bank guarantee includes security deposit, amount equivalent to customs duty and VAT on imports in addition to the import amount.

Realizing the shortage of skilled workforce for the apparel industry, GAN and MoCS officials have also agreed to conduct training programs to produce garment workers. "Even a limited number of surviving garment factories is not getting sufficient number of workers. So, we have agreed to establish a fund of Rs 3.2 million to produce skilled workforce for the industry so that no factory has to face manpower shortage in the coming days," said Pandey. MoCS is providing Rs 1.9 million for the purpose, while GAN will contribute the rest.

Garment entrepreneurs are facing severe shortage of manpower amid growing opportunities for skilled workers in India and overseas job market. "Increasing outflow of skilled workers has forced us to produce new batch of workers. So, we have planned to conduct trainings for youths for the next two years with the target of producing at least 500 new workers each year," he added.

NEFFA urges govt to address concerns

Nepal Freight Forwarders Association (NEFFA) has urged government to address issues related to transport, trade and logistics. During the 'Regional Forum of Freight Forwarders, Multimodal Transporters and Logistics Service Providers' in Bangkok, Thailand, president of NEFFA Rajan Sharma said "Transport, trade and logistics should be developed by the government through its own expertise to be self sustainable in future."

During the programme in Bangkok, briefing the main achievements of the joint secretary level meeting in Kolkata, Sharma said, "Automation and EDI connection, simplification of procedures and reduction of documents were some achievements during the joint secretary level meeting in Kolkata. Another major success was the consideration of 'International Transshipment Facility' under the system of Transshipment Permit".

He further said India has asked Nepal to draft the procedure for necessary discussions and NEFFA hopes that international agencies will help them through the government in identifying best practices and in drafting the modality so that Nepal can benefit.

According to a NEFFA press statement, some achievements of the Railway Service Agreement with India are — permit to move refrigerator containers in fixed quantity, permission to operate different types of wagons including open top, and consideration on the issue of detention and demurrage of containers which consists of about 40 per cent of Nepal's logistic cost by looking into majors of procedure rectification.

NEFFA has also stated the transshipment module drafting needs funds and ideas. They seek support from international agencies to study the best practices and make an acceptable proposal to India. The capacity-building programme on logistics should be centred under the Ministry of Commerce and Supplies.

They also said Good Carriers Act needs to be passed, and the treaty on trade and transit with Bhutan needs to be materialised. NEFFA feels Rohanpur-Singhabad route for trade via Bangladesh and signing an agreement with India for Visakhapatnam port should be made. Formation of a high level committee on trade facilitation, single window dream fulfilled, MTO Act amended, new transport technology introduced, changing the transport fleet to containerised and articulated types, registration of dry ports of Nepal in UNEC and picture it in the global shipping map are some immediate, mid-term and long-term demands.

Regional Trade in South Asia

Despite some positive developments on regional economic cooperation amongst the South Asian nations, least developed countries (LDCs) in the region are facing a prospect of being marginalised from the South Asian economic mainstream. The main reason being the LDCs' overwhelming dependence on the South Asia's two largest economies—India and Pakistan—for their regional trade.

Between 2000-2010, the LDCs in South Asia, along with Sri Lanka, recorded a huge increase in their imports from the region but the shares of their exports shrunk. However, in the case of India and Pakistan, it is the reverse situation.

"If proper measures are not taken, there is a risk for LDCs being marginalised in the regional trade," said Ratnakar Adhikari, Secretary General of South Asia Watch on Trade, Economics and Environment (SAWTEE) at a Workshop on Regional Cooperation in South Asia organised by the World Bank on Wednesday. Adhikari added that the LDCs' participation in SAFTA has been disappointing, measured by their shares in overall regional trade, in particular exports.

There has been decline in share in intra-regional exports for countries like Nepal, Bangladesh, Sri Lanka, Maldives and Afghanistan during this period. For instance, Nepal, which had a share of 10.7 percent in intra-regional exports in 2000, now has a meager 3.23 percent.

However, there have been some positive developments in the recent past that gives some hope. A recent decision by Pakistan to provide "most favoured nation" status to India, and India's unilateral decision to reduce its sensitive lists to 25 items for the region's LDCs, while offering zero tariff access on those items removed from negative list, could contribute to greater regional trade integration.

According to Adhikari, there is a need for enhancing technology, institute and infrastructure related to trade, regional connectivity including rural areas and setting up testing laboratories and cold storage for trading of agricultural products in order to help these countries in benefitting from intra-regional trade.

He said that the establishment of an LDC Integration Fund is required to provide a much needed shot in the arm to spur the regional economic integration in South Asia. By helping them address critical supply-side constraints, it will also prevent marginalisation of the LDCs from the regional economic mainstream, according to him.

The World Bank (WB) has said that it will focus on reducing non-tariff barriers mainly the cross-border issues in the South Asian region in order to enhance the regional cooperation through trade promotion. Salman Zaheer, the Bank' programme director for South Asia Region, said that the WB was funding mainly in energy collaboration, trade connectivity and natural resource management, including water resources for the purpose.

Zaheer urged the private sectors to initiate promoting trade which could help enhance the regional cooperation. "There is a need to change the mindset to anchor the business community besides government in enhancing trade relation among the South Asian countries," he added.

The WB has initiated the transmission line in Nepal-India and India-Bangladesh region. Recently, the institution has agreed to extend US$ 99 million in support for India-Nepal cross-border energy cooperation. Besides, it is also initiating a project named CASA-1000 in Pakistan-Afghanistan region in order to promote the energy collaboration. The project is also expected to improve linkage among the South Asian countries and those from East Asia.

Citing an example of China and Vietnam, WB's Task Team Member Richard Spencer said they would give priority mainly to connectivity and road transport besides power trading for regional cooperation in South Asia.

'Tap Nepal-India tourism potential'

The Embassy of Nepal in New Delhi organized an interaction on economic diplomacy entitled "Tourism, Trade & Investment Opportunities in Nepal" in Mumbai, recently.

Shedding light on the age-old close and cooperative relations between Nepal and India, Khaga Nath Adhikari, Charge d' Affaires a.i., emphasized the important roles played by the business community of the two countries in further promoting such relations. He stressed the need for regular and extensive interactions in mutually beneficial sectors of tourism, trade and investment.

Mentioning that economic policies of Nepal have been directed towards creating business friendly environment and promoting private sector participation in development, called on business leaders and entrepreneurs from the Maharashtra State to explore new business opportunities in Nepal.

He also touched upon the important achievements made in political and socio-economic transformation of the country and the continued focus given toward economic and development activities, according to the embassy.

Contd..... Pg 6

'Tap Nepal-India tourism ....

Talking about the Visit Lumbini Year 2012, which is being marked, Lamsal urged potential Indian visitors to visit Nepal in order to enjoy her natural beauty and cultural diversity.

He described that Nepal's new trade policy introduced in 2009 takes a strategic vision of supporting the economic development and poverty alleviation through effective participation and enhanced contribution of the private sector into the national economy.

While encouraging the representatives from business and industrial community in Maharashtra for increased investment in Nepal, he also highlighted the Nepal Investment Year 2012/2013 announced by the Government of Nepal.

He informed that a high-level Investment Board chaired by the Prime Minister has been constituted to formulate policies and create a more investment-friendly environment in the country.

The programme, which was organized in coordination with the Confederation of India Industry (CII), was also addressed by Vice President of CII Maharashtra State Council as well as Managing Director of Maharashtra Tourism Development Corporation. They stressed on the importance of building business leadership and promoting interactions.

The programme was attended by representatives of business and industrial community, tourism entrepreneurs, and media representatives, among others.

GMR to spend Rs 1.44b to develop affected area

GMR Group, the Indian developer of the Upper Karnali Project, will spend Rs 1.44 billion for the development of the project-affected area, the company disclosed at Daub, the project site in Dailekh district, Sunday.

A 30-bed hospital, a higher secondary school and a technical school will be constructed in the affected area. Assistance will be provided for infrastructure and for procuring medicines necessary for increasing access by locals from the affected area to health services.

The company has also developed a five-tier criteria for priority in employment during the construction period. The company will give priority to people of badly-affected households, affected households, affected VDCs, affected districts and other Nepalis in descending order while providing jobs at the project.

Assistant Manager at the company´s Surkhet Office Pradeep Nepal said the project´s environmental impact assessment report will be ready within two months and construction of the proposed facilities would start once the government approves the report.

The company said that 46.85 hectares of private land has to be acquired for the project and 236 households will be affected. Fifty-five of the households will lose their homes while the others will lose their land.

The project will affect people of Sattala, Sagoudi, Layata, Nepa, Naulekatwal and Khadkawada VDCs in Dailekh, Raniban, Bhairavsthan and Rahaf in Achham, and Pokharikanda, Salkot and Chhapre in Surkhet district.

Finance Minister mulls over container cargo system

Department of Customs (DoC) is mulling over the introduction of the clearance of cargo based on container cargo system to stop irregularities at customs points.

The existing conventional cargo clearance method has many loopholes and traders have been taking advantage of it, a source at Finance Ministry said, adding that the introduction of the new cargo clearance system will help control revenue fraud.

"Department is currently carrying out a study regarding the implementation of the container cargo system," said deputy director general of DoC Laxman Aryal. "The department will complete the study in a few weeks."

Currently, Tatopani Customs Office has adopted the cargo clearance method by sealing the containers. The provision of sealing the vehicle is in practice in other customs offices too, the ministry source said. "But the system has not been implemented effectively."

The tax administration and other responsible agencies will be able to scan and search cargo scientifically after implementation of container sealing system, the source said. The trend of loading smuggled goods after customs clearance has surfaced due to the existing loopholes in clearance methods, he said. Traders will have to keep customs seal intact after the implementation of the new container cargo system, according to him.

Cross checking will be easier after the new provision is implemented, he said, adding traders will be cautioned if the customs seal on containers is broken or tampered with or some discrepancy is found in the number of seals once the new system comes into practice. Effective implementation will be based on the performance of concerned government agencies including DoC, concerned customs offices and Department of Revenue Investigation.

Nepal: The cheapest destination in South Asia

Nepal is one of the cheapest traditional holiday destinations in South Asia, said MyTravelCost.com basing its assessment on World Bank data. The website has compared travel costs across South Asia based on six major factors of tourist spending — hotels and restaurants, groceries, alcohol, clothes, entertainment and transport.

Travel trade entrepreneurs said that the "Freak Street and hippie" culture during the 1970s and 1980s had a profound influence on Nepal's travel trade. "It has made the country as the world's cheapest place to visit, and this hangover still persists in Nepal," said Yogendra Sakya, a travel trade entrepreneur. "The country's branding has remained the same."

According to MyTravelCost.com, hotels and restaurants in Nepal are 3 percent more expensive than in India. However, in comparison to Bangladesh, Sri Lanka, Bhutan, the Maldives and Pakistan, prices in Nepal are lower. Hotels and restaurants in the Maldives are 62 percent more expensive than in Nepal.

TRAVEL COST OF NEPAL COMAPRED TO OTHER COUNTRIES

Countries Parameters	India	B'desh	Sri Lanka	Bhutan	Pakistan	Maldives
Hotels & restaurants	3% cheaper	8% expensive	6% expensive	14% expensive	6% expensive	62% expensive
Groceries	0% expensive	12% expensive	25% expensive	21% expensive	18% expensive	85% expensive
Alcohol	18% expensive	40% cheaper	34% expensive	17% cheaper	14% cheaper	5% expensive
Transport	18% cheaper	11% cheaper	26% cheaper	20% cheaper	35% cheaper	16% expensive
Entertainment	9% expensive	27% expensive	28% expensive	34% expensive	1% expensive	67% expensive

Source: MyTravelCost.com

Despite high inflation, the tariff of five-star hotels is around US$ 70-80. "This indicates that Nepal can be considered to be that hoteliers had hiked the room rates marginally.

According to travel trade entrepreneurs, tourists coming to Nepal spend 60 percent of their total budget on their air ticket and the rest in Nepal. "In fact, Nepal is very cheap to stay, eat and entertain compared to other South Asian countries, but transport, particularly air transport, is very high among the nations due to poor performance of the national flag carrier," added Shakya. The website has showed that transport costs in Nepal are higher than in all the South Asian countries except the Maldives.

Groceries cost less in Nepal than in all the South Asian countries except India. In terms of entertainment, the website shows that Nepal has the lowest prices in South Asia.

CNI, AEPC together for energy

The Confederation of Nepalese Industries (CNI) and the Alternative Energy Promotion Centre (AEPC) have joined hands to promote and develop renewable energy in Nepal. The Energy Development Council (EDC) under the CNI signed a memorandum of understanding (MoU) with the AEPC on Tuesday for institutional collaboration to promote renewable and alternative energy technologies.

"We agreed to work together to expand the AEPC and the CNI-EDC's services with a focus on rural areas with the objective of enhancing energy access and employment while reducing poverty through the public-private partnership modality to foster growth of the country's industrial sector," said Binod Chaudhary, president of the CNI.

AEPC executive director Govinda Raj Pokhrel said that Nepal's rural areas were far behind in using cleaner energy sources, and that while modern forms of energy such as grid power and fossil fuels have only limited access to the rural areas of Nepal, very often these means were not affordable for the poor communities.

"Thus the private sector should come to renewable energy sources like solar, wind and biogas and expand these services to the poor households," said Pokhrel.

FCAN asks govt for policy to ensure participation of Nepali Contractors in big projects

Federation of Contractors' Associations of Nepal (FCAN) on Wednesday June 13 last week submitting an 18-point demand to caretaker finance minister Barshaman Pun, demanded the government to bring a policy of compulsory participation of Nepali contractors in projects which are carried out under the build–own–operate–transfer (BOOT) model and the government should bring a policy to ensure the participation of Nepali contractors in big projects which are often awarded to foreign contractors.

The contractors also raised concerns on the trend of releasing the budget towards the end of a fiscal year thereby creating many questions regarding the quality of the construction work, and suggested to correct this by opening a tender notice by mid-November (fourth month of Nepali fiscal year) to start the project by mid-December to end this trend.

They have also asked the government not to freeze the budget for multi-year projects. "The government should manage a revolving budget to ensure that the construction work is not halted."

Similarly, Contractors also urged the government to ease the process of paying taxes and suggested to amend the provision so that contractors can approach any Inland Revenue Office to correct the technical error during the e-submission of income and demanded the ceiling of the budget to be reduced to Rs 2 million from the existing Rs 6 million for projects carried out by various consumer groups.

Contractors are facing problems in payment at remote sites due to the existing ceiling of Rs 50,000 of payment in cash, according to the federation. "The government should scrap the provision of payment through cheques since the cheque payment system is not pragmatic in remote areas."

The government should manage the provision of cancellation of Value Added Tax registration within 15 days after the completion of a project if various contract firms have carried out projects jointly, the federation said.

"The government should adopt the provision of auto price system based on the Consumer Price Index of Nepal Rastra Bank to adjust the price of cement, iron, brick, sand, bitumen and other construction materials." Contractors also demanded for the introduction of an electronic system for submitting tender forms.

They also urged the government to introduce a system whereby the time allotted to complete a project can be expanded if the project is delayed due to the scarcity of petroleum products, strikes and protests.

Govt preparing to sign labour pacts with four additional countries

The government is preparing to sign labour agreements with at least four labour destinations in the next fiscal year.

The Ministry of Labour and Employment has sent drafts of the proposed agreement to Kuwait, Lebanon and Jordan through the Ministry of Foreign Affairs for their review. "We expect to hear from Kuwait, Jordan and Lebanon soon to sign the agreement to assure better working conditions for Nepali workers," said Budhi Bahadur Khadka, spokesperson of the ministry.

The government has so far signed labour agreements with the United Arab Emirates, Qatar and Bahrain. It has entered into an agreement with South Korea to send workers under the Employment Permit System and with Japan to send Nepali industrial trainees.

The ministry is currently drafting a fresh pact for Malaysia after it asked to make an amendment in the draft agreement sent last year.

The above accords have been signed with only a few countries despite the declaration that Nepal should have bilateral pacts with all the major labour destinations. As per the Foreign Employment Act, the government is required to sign labour pacts with all the major labour destinations to ensure the safety and rights of Nepali workers as set by the International Labour Organisation (ILO).

Nepal had requested Kuwait for a labour pact during the official visit of Mohammad Ahmad Al-Mujrin Al-Roomi, director of the Asia Department at the Kuwaiti Foreign Ministry to Nepal last month. Kuwait is one of the top five labour destinations for Nepali job aspirants. As of the first 10 months of the current fiscal year, a total of 59,789 persons have left the country to work in Kuwait

The government has long been considering signing labour agreements with Oman and Israel, a high-paying destination for women workers.

Bal Bahadur Tamang, president of the Nepal Association of Foreign Employment Agencies said that the workers who leave the country for work through personal contacts for domestic works were facing more problems compared to those who go through institutional channels. "The planned pacts should include a provision that allows local recruiting agencies to directly supply workers to companies without the involvement of agencies of the respective countries," he added.

Export industries want govt to set target

Exporters has asked the government to set a fixed target of annual export to boost the export sector of the country.

"Annual target of export worth Rs 100 billion can only help normalise the growing trade deficit," said president of Garment Association – Nepal (GAN) Uday Raj Pandey.

"On an average in five years time we have total export worth Rs 65 billion only whereas the trade deficit has increased by four folds in the same period," he said.

"Government should now seriously look for new plans and polices to control the declining exports of the country," he said. According to him, GAN along with 15 other export-based associations have submitted a memorandum to the government to do the needful to encourage the export sector.

"This is our joint approach unless the government sets a particular target we can never promote our exports," he said. The export – based associations have also forwarded some recommendations for the upcoming budget.

"We have suggested the government to continue its cash incentive facility in the new fiscal year budget and allow cash incentive for India exporters also," he said. Garment Association – Nepal has also suggested the government to make some necessary modifications in its refinancing facility.

"The process to get the refinancing facility through commercial banks is complicated," said Pandey. Under the refinancing facility, the central bank provides loan to the commercial banks at an interest rate of 2.5 per cent and the commercial banks grant the loan to exporters at 4.5 per cent interest rates. "The process is quite simple but the exporters have never tried to approach the commercial banks for refinancing as the banks have made the process very complicated," said Pandey, adding that the commercial banks are trying to discourage the exporters, therefore the central bank and the Finance Ministry should itself try to resolve the conflict.

According to the World Bank, report 2010 based on export situation and delivery Nepal ranks 147 out of 155 countries whereas India ranks 46 and China ranks 26, Pandey said.

Technology upgrades - NT to introduce cheaper broadband service by August

Nepal Telecom (NT) is preparing to offer broadband internet service at a cheaper rate across the country through its Internet Protocol-based Code Division Multiple Access (IP CDMA) project.

The state-owned telecom company has said it will start making the service, bundled with the voice service, available to customers by August.

IP CDMA is the next generation telephony service that offers simultaneous operation of voice and data services. NT has been promoting the service as 'Sky Pro', which it defines as the upgradation of the existing Sky Phone/CDMA mobile service.

The speed of the internet under this service will be up to 3.1 Mbps. Initially, NT will launch this service in the Eastern and Central regions. Under the IP CDMA project, NT aims to distribute two million lines across the country.

"This will be a high-speed internet service at lower price, having wide coverage," said Anoop Ranjan Bhattarai, deputy managing director at NT. He added that NT's already installed microwave links in 72 districts will help it maintain the cheaper rate. Generally, the use of microwave links for service expansion is less costly for service providers compared to satellite links. NT officials said they have begun testing the service.

Based on the Evolution Data Optimised (EV-DO) technology, NT has targeted to provide voice and data services with a single Removable User Identity Module (RUIM) card to customers from urban, semi-urban and rural areas. NT said the IP CDMA project would help it accomplish its target of taking the broadband internet service to all village development committees.

In wireless data service, NT is far behind its rival Ncell. "This project will help increase our market share in both voice and data service," said Bhattarai, who is also the director at NT's Wireless Telephony Directorate. The IP CDMA data service will enable users to send and receive large files, high resolution pictures, videos, watch videos and make video calls through their mobile handsets. However, customers will have to buy a different mobile set compatible with EV-DO technology.

According to Bhattarai, the RUIM card price has been set at Rs 600 and NT is preparing to make available the compatible handsets under the service bundling agreement with Samsung and Alkatel's local dealers.

South Africa wants business promotion with Nepal

South Africa has expressed interest in helping excavation of minerals and mineral related products in Nepal.

During a meeting held on Thursday, 15th June with representatives of the Federation of Nepalese Chamber of Commerce and Industry (FNCCI) on promotion of business between Nepal and South Africa, Ambassador of South Africa to Nepal, Geoffrey Doidge said that he was active in finding out areas of bilateral cooperation.

Expressing the view that role played by the businessmen of his country for Nepal during the constitutional void would be important, Doidge said that it would be suitable to exchange African experiences. He further said that mutual cooperation was indispensable for tourism promotion and to organize trade fairs and festivals for the development of industry and commerce sector of Nepal.

Informing about the efforts made by the Government of Nepal to attract foreign investment, Honorary Consular of South Africa to Nepal, Pradeep Kumar Shrestha said that it was necessary to utilize skills and efficiency of South Africa on excavation of mineral-related products.

Mentioning that around 50,000 tourists from South Africa visit India every year, Shrestha stressed on promoting tourism of Nepal also.

G20 says vigilant on oil, ready to take measures

The Group of 20 industrialized and developing economies will be vigilant on the movement of oil prices and take additional measures as needed, according to a draft communique at a G20 leaders summit in Mexico.

It said those measures would include producer country commitments to ensure appropriate supply, and the G20 members said they welcome ...

Brent crude prices earlier on Monday fell to 16-month lows and are now down 25 percent since early March, pressured by the euro-zone debt crisis, slowing economic growth and recent production hikes by Saudi Arabia.

Those declines have eased some concerns about high prices, but the G20 countries, meeting in the Mexican resort of Los Cabos on Monday and Tuesday, said in their draft communique they would remain vigilant on oil and other commodity prices. (Reuters)

Greek, Spanish savings flee eurozone crisis

Savers across Europe are fleeing the continent's debt crisis. In Europe's most economically stricken countries, people are taking their money out of their banks as a way to protect their savings from the continent's growing financial storm.

Worried that their savings could be devalued, or that banks are on the verge of collapse and that governments cannot make good on deposit insurance, people in Greece, Spain and beyond are withdrawing euros by the billions — behaviour that is magnifying their countries' financial stresses. The money is being hoarded at home or deposited in banks in more stable economies.

In Greece and Spain, two of the hardest-hit by the debt crisis in the 17 countries that use the euro, savers and businesses are already pulling money out of banks. They are either worried that their money could be converted into a new currency at a much lower value or because their bank might be on the verge of collapse.

It's a steady bank 'jog' at present than a full-bore run. But it threatens to undermine the finances of those countries' already-stressed lenders. And if it does turn into a full bank run after Greece's election on Sunday, it could hasten financial disaster in Europe and help spread turmoil around the world.

Since the Greek debt crisis broke in late 2009, deposits have fallen by 30 per cent, as savers have slowly pulled some 72 billion euros from local lenders, with total household and corporate deposits standing at 165.9 billion euros in April, according to the latest data from the Bank of Greece.

Spanish deposits have fallen about six per cent over the past year. The deposits dipped suddenly in April by about 3.1 billion euros to 1.624 trillion euros as the problems with the country's troubled banks started to grow to alarming proportions. (AP)

Greek legislative election, June 2012: New Democracy Wins

ATHENS, Greece — Fears of an imminent Greek exit from Europe's joint currency receded Sunday after the conservative New Democracy party came first in a critical election and pro-bailout parties won enough seats to form a joint government.

As central banks stood ready to intervene in case of financial turmoil, Greece held its second national election in six weeks after an inconclusive ballot on May 6 and the subsequent collapse of coalition talks.

With one party advocating ripping up Greece's multibillion-euro bailout deal, Sunday's election was seen as a vote on whether Greece should stay in the 17-nation group sharing the euro currency. A Greek exit would have had potentially catastrophic consequences for other ailing European nations, the United States and the entire global economy.

Asian stock markets climbed early Monday on the news.
Near complete results showed New Democracy coming first with 29.6 percent of the vote and 129 of the 300 seats in Parliament. The radical left anti-bailout Syriza party had 26.9 percent and 71 seats and the pro-bailout Socialist PASOK party came in third with 12.3 percent of the vote and 33 seats. The extremist far-right Golden Dawn party had steady support, getting 6.9 percent of the vote and 18 seats.

Sunday's results "will probably ease fears of an imminent Greek euro exit," said Martin Koehring of the Economist Intelligence Unit. "There will probably be a relief rally tomorrow in the financial markets. But the key question is how quickly can a government be formed?"

The United States welcomed the result. "We hope this election will lead quickly to the formation of a new government that can make timely progress on the economic challenges facing the Greek people," the White House said in a statement.

Greece's parties have starkly different views about what to do about the (EURO)240 billion ($300 billion) in bailout loans that Greece has been given by other European countries and the International Monetary Fund, and the harsh austerity measures that previous Greek governments had to accept in return for the loans.

With none winning an outright majority, the parties will have to seek coalition partners to form a viable government, needing a simple majority of at least 151 seats. New Democracy will get the first stab at brokering a partnership on Monday.

Germany – Europe's biggest economy – has been a major contributor to Greece's two multibillion-euro rescue packages and a key advocate of demanding tough, and highly unpopular, austerity and reform measures in exchange.

Greece has been dependent on rescue loans to operate since May 2010, after it was locked out of international markets following years of profligate spending and falsifying financial data. The country is mired in a fifth year of recession, with unemployment spiraling above 22 percent and tens of thousands of businesses shutting down.

Greece had to agree to austerity measures to get the loans, including deep spending cuts on everything from health care to education and infrastructure, as well as tax hikes and cuts in salaries and pensions. Anger at the measures has sent Greeks into the streets in frequent strikes and protests, some of them violent.

Eurogroup, EU leaders welcome Greek election results, say Greece must stick to austerity

Leaders of the European Union appeared relieved late Sunday at the prospect that a pro-austerity government might be formed following the latest elections in Greece. Top officials of the EU and of the group of 17 nations currently using the euro said the Greek elections should allow quick formation of a government that will continue the austerity program to which the country has committed itself.

"The Greek people have spoken," said a statement issued jointly but European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso. The Council is composed of representatives of the 27 EU countries; the Commission is the EU's executive branch. "We fully respect its democratic choice. We are hopeful that the election results will allow a government to be formed quickly," the joint statement said.

Early results showed pro-bailout New Democracy party coming in first in the Greek elections but needing to form a coalition with other parties.

Indian Investments Abroad

While Indian companies have flourished in their resilient domestic economy, they are now increasingly looking for opportunities to strengthen their foothold in foreign lands. With a motive to grow inorganically, India Inc is becoming highly transnational and trying to climb up the value chain and conquer larger share in global markets.

According to a survey by the Indian School of Business (ISB), while overseas penetration in developing or under-developed economies is majorly through greenfield investments, most of the Indian companies are adopting merger and acquisition (M&A) route to enter into developed countries. Business conglomerates under the Tatas, Aditya Birla, Reliance, M&M and Godrej account for over 60 per cent of the overseas acquisitions by value, stated the survey. The survey further pointed that the outward foreign direct investment (FDI) is majorly driven by the manufacturing sector, including petroleum, pharma and automobiles as well as non-financial services.

Recent Developments & Investments

Recent data released by the Reserve Bank of India (RBI) has stated that the Indian companies invested US$ 2.67 billion overseas across 478 deals in April 2012. Since January 2012, a total of US$ 8.25 billion has been invested by India Inc as outward FDI.

Of the total outward FDI for April 2012, guarantees amounted to be at US$ 1.77 billion while equity purchases and loans amounted around US$ 596 million and US$ 312.2 million, respectively.

Some of the April deals are :

- Adani Port and Special Economic Zone (SEZ) invested US$ 1.04 billion through its two wholly owned subsidiaries (WoS) in Australia that are involved into construction, community, social and personal services.
- Varun Shipping Co infused US$ 252.62 million through its joint-venture (JV) Varun Asia Pte in Singapore which is engaged in transport, storage and communication services.
- House of Pearl Fashions made an investment of US$ 136.5 million in Mauritius through its wholly owned Multinational Textile Group while Escorts Heart Institute and Research Centre invested US$ 89.89 million in Singapore in its WoS Fortis Asia Healthcare Pte.
- JSW Steel invested US$ 65.46 million through its JV JSW Steel Holding Inc in the US which is into manufacturing business.

Other recent transactions-

- Indian Information Technology (IT) services provider Wipro has inked a deal to acquire Australian analytics company Promax Applications Group (PAG) for US$ 36.5 million. The move reflects company's strategy to strengthen its capabilities in emerging technology areas.
- Data analytics and customised process solutions provider eClerx Services Ltd has acquired US based Agilyst Inc through its overseas subsidiary eClerx Investments Ltd. Agilyst is a knowledge process outsourcing (KPO) company and will now operate as a fully-owned subsidiary of eClerx. Founded in 2000, eClerx caters to global enterprise clients and currently employs over 4, 000 people across five delivery centres in India.
- In the largest overseas acquisition (since Tata Tea bought Glaceau in 2006) by an India-focused company in the food and beverages (F&B) segment, India Hospitality Corp (IHC) has bought UK's Adelie Food Group for US$ 350 million from Duke Street Capital. Adelie provides quiches, salads, sandwiches and assorted ready-to-eat food to retail chains such as Starbucks coffee and Sainsbury's supermarkets.
- Eyeing greater opportunities in West African economy, Indian banking software services and solutions provider JMR Infotech has opened a subsidiary in Nigeria. The firm already has a number of service centres in the African continent and plans to expand its reach and logistics flexibility across the region through this new one.
- Tata Power and South African diversified resources company Exxaro Resources have formed an equal JV to focus on power generation projects in that country. The JV, formed by Tata Power's subsidiary Khopoli Investments, will focus on the investigation of feasibility, development, ownership, operation, maintenance, acquisition and management of electricity generation projects in South Africa, Botswana and Namibia.

ROAD AHEAD

Industry experts are quite confident that outward FDI from India will increase exponentially, on the back of effective managerial skills, frontier technologies, free trade agreements (FTAs) and the Government's liberal approach. Indian companies are leaving no stone unturned to take advantage of the opportunities available in the international market. In fact, they are getting more diversified across counties with rising focus on developed ones.

Total outward FDI during 2011-12 was estimated at US$ 8.8 billion and it is expected that Indian transnational groups would further expand their presence in the near future.

(Exchange Rate Used: INR 1 = US$ 0.01868 as on May 11, 2012

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NEPAL-INDIA CHAMBER OF COMMERCE & INDUSTRY

GPO BOX 13245
ACE APARTMENTS,
NARAYANCHAUR, NAXAL
KATHMANDU, NEPAL.

PHONE: 977-1-4444607
FAX: 977-1-4444608
EMAIL: SECRETARIAT@NICCI.ORG

We're on web at
Www.nicci.org

We solicit suggestions/feedback from all members and readers for NICCI e - Newsflash at secrtariat@nicci.org

NRB plans for interest rate corridor from next year

Nepal Rastra Bank (NRB) is introducing interest rate corridor from next fiscal year, under which the central bank will set lending and deposit interest rates, known as ceiling and floor rates, and allow rates to fluctuate in between these bands to reduce the volatility in inter-bank rates, NRB Governor Yuva Raj Khatiwada said on Sunday, 17th June.

"The operation process of monetary policy from next financial year (which will begin in mid-July) will be guided by this principle (of interest rate corridor)," Khatiwada said at a press meet held in the Ministry of Finance.

The central bank, through its mid-term review report of the monetary policy, had envisaged the plan to introduce the corridor so that it can set rates keeping in view inflationary pressure and rates at Indian banks, among others, so that the monetary policy becomes more effective in reducing volatilities that can affect the country´s economy.

"In this regard, we have formed a team, which recently conducted studies on experience of India and Sri Lanka, which have introduced interest rate corridor," Governor Khatiwada said. "The team will soon submit their reports based on which we will introduce the system in Nepal."

Nepali trout reaches Hong Kong

Gandaki Rainbow Trout Farm of Kaski has started exporting dry trout fish to Hong Kong. The farm which started its operation a year ago in Sardhikhola, a village 17 km away from Pokhara, is a favorite destination for trout lovers.

Lakshin Gurung, proprietor of the farm said they started exporting fish a few weeks ago. According to Gurung, the demand for trout is high among Nepalis residing in Hong Kong and restaurateurs. "We are already overwhelmed with the local demand and the orders from abroad. This has encouraged us to further expand our business."

The farm has set an example at a time when Pokhara is importing fish worth hundreds of thousands of rupees on a daily basis.

In the initial months, fish business was limited to selling fish to wholesalers in Pokhara. However, with restaurants selling trout delicacies the trout business has now expanded beyond.

Trout are carnivorous fish. They require a high protein diet and grow best in cool, highly oxygenated water. They can grow from fingerling size to a marketable size in 6 to 8 months. Marketable size is in the range of 1/2 to 2/3 of a pound.

Trout fish farming requires continuously flowing water. Trout can survive in water as cold as 32°F (0°C) and as warm as 77°F (25°C). They are highly susceptible to diseases, so they must have very clean water. Trout prefer dissolved oxygen levels of 7 parts-per-million (ppm) but can survive with as little as 5 ppm.