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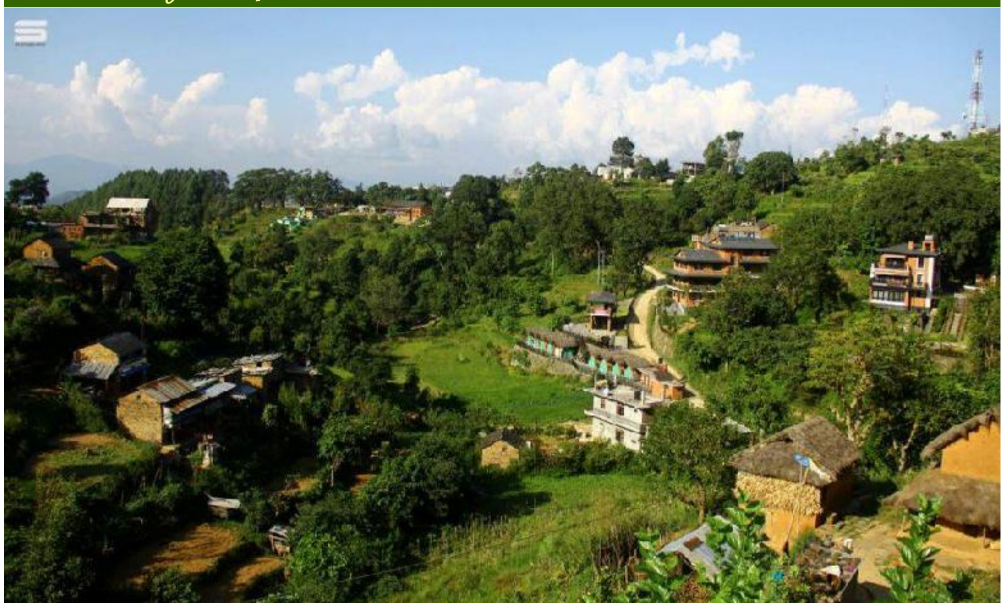
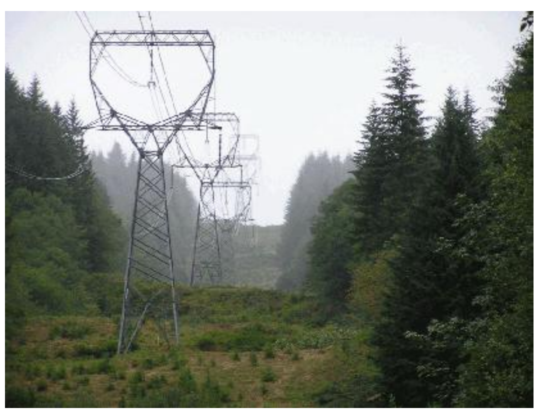
Naturally Nepal



An astounding village in western Nepal ………. Bandipur …..

Nepal-India 2nd Cross Border 400 KV Transmission Line

ADB to give US$ 140 million



For the construction of Nepal-India 2nd inter-country cross border transmission line which is taken as the main option for ending load shading, Nepal's Development Partner Asian Development Bank (ADB) will assist Nepal. This is a 400 KV transmission line project.

Governments of Nepal and India are jointly taking ahead this transmission line project and ADB to provide US$ 145 million (Approx 14 billion Nepali rupees as per the current exchange rate) for the construction of transmission line in Nepal side. The ADB mission, who is in Kathmandu for the last one week, has agreed to assist the transmission line.

There was a Joint Meeting among the members of ADB mission, representatives from Ministry of Finance, Ministry of Energy and Nepal Electricity Authority (NEA) on last Friday. ADB Chief at Nepal, Kenichi Yokonam, Director of South Asia Energy Division, Yon Ping Jhai along with Energy Economist Tika Limbu, Environment Specialist Jhyang Lee, Energy Specialist Minakshi Ajmera were present at the meeting. Likewise Jt. Secretary Madhu Kumar Marasini of Ministry of Finance, Foreign Aid Coordination Division, Jt. Secretary Keshav Dhoj Adhikari of Ministry of Energy, Policy Division, Executive Director of Nepal Electricity Rameshwor Yadav were also present at the meeting.

According to Yadav, mission came from ADB head office, Manila have agreed to complete the financial arrangement by the month of December for the 2nd transmission line.

In absence of transmission line in different corridors outside & inside the border, and uncertainty in construction of 400 KV transmission line, investment in hydropower was sluggish despite confirmed demand and supply in India and Nepal. Due to lack of infrastructure to import electricity from India in winter and to export/ exchange of extra energy to India during summer, country has been facing load shading from decades. Now there would not be scarcity of fund for construction of main transmission line (including line to connect India also) said Yadav after the meeting. Yadav further said that all the work of transmission line will go ahead smoothly and be completed within 3-4 years if there is no intervention or obstacles from the local people.

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Nepal-India 2nd Cross Border ……….

Both countries have been giving top priority for second transmission line. In the last Secretary level Nepal-India Joint Committee of Water Resources (JCWR) also, both the countries had agreed to expedite construction of this transmission line.

According to Yadav second transmission line will be extended from Dana of Kaligandaki corridor to Gorakhpur of India. Few weeks ago, Embassy of India had also sent a letter to Ministry of Energy asking for concept paper. NEA has also submitted the concept paper through Ministry of Energy. NEA has proposed Bhardaghat for the second transmission line. It costs US$ 105 million for Dana to Gorakhpur.

ADB has also agreed to assist the construction and capacity upgradation of the corridors facing difficulty in electricity transmission. According to Yadav ADB will invest for the Marshyangdi-Bharatpur 220 KV and Marshyangdi-Kathmandu 220 KV also. Yadav further said that the cost of these transmission lines along with at outside border to be constructed is US$ 335 million. Apart from the fund being financed by ADB, it has agreed to make available of shortfall funds from other bilateral and multilateral authorities. Nepal Govt. has to invest US$ 58 million in this project. Agreement will be done within the month of December. Rs. 45 billion is being spent in the field of transmission line by the 5 years from now, and this will be a milestone and big turning point in energy sector said Yadav.

Meanwhile, ADB has also agreed to provide the technical assistance of worth US$ 20 million for the study of Sunkoshi-II with 1106 MW reservoir based hydropower project and Sunkoshi-III with 536 MW hydropower project.

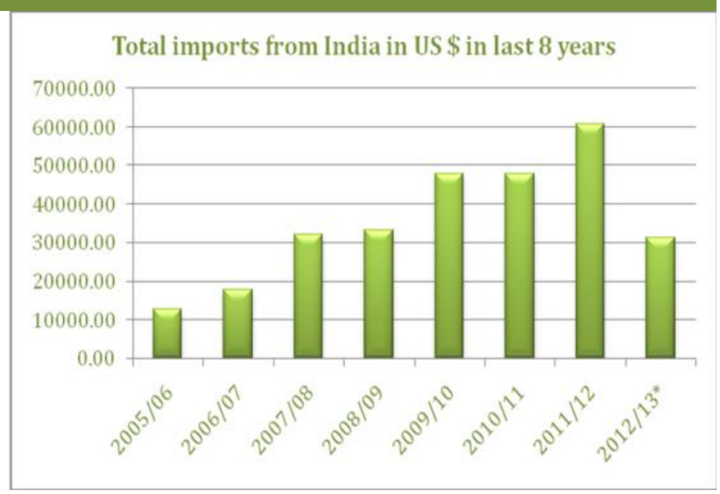
Imports from India against Payment in US Dollar fall

Total imports from India in US $ in last 8 years

Rs in Million

Mid-Month	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*
Total	12,805.88	17,720.93	32,016.37	33,126.80	47,702.92	47,768.05	60,678.96	31,410.90

**10 months data for FY 2012/13, Source : NR Bank.*



There has been a substantial decline in imports from India against the US dollar payment. As of the first 10 months of this fiscal year, such imports came down by Rs 16 billion. Nepal imported goods worth Rs 31.41 billion from India by paying the dollar over the review period. According to the Nepal Rastra Bank (NRB). the figure was at Rs 47.46 billion during the same period last fiscal year.

The NRB has allowed import of 161 products—a majority of them industrial raw materials—from India against the US dollar payment.

Experts pointed out three combined factors responsible for the decrease in imports from India against the payment of the greenback—less use of industrial raw materials due the country's bad industrial environment, the strengthening of the US dollar compared to the domestic currency and the scrapping of the Duty Refundable Procedures.

NRB Executive Director Min Bahadur Shrestha said low capacity utilisation of industries could be the reason behind the slump in the import of goods from India by paying US dollars. "A majority of goods to be imported against the dollar payment are raw materials," he said.

According to an NRB study in eight major industrial cities, the average capacity utilisation of the industrial sector stood at 44.7 percent in the first half of this fiscal year. The study was carried out in Kathmandu, Biratnagar, Janakpur, Birgunj, Pokhara, Siddharthanagar, Nepalgunj and Dhangadhi.

The Economic Activities Study Report cited political transition, poor security, energy shortage, increased labour cost, lack of raw materials, strikes, and bad labour relations for industries' low capacity utilisation. The average capacity utilisation of the industries was at 58 percent in the last fiscal year.

Former Commerce Secretary Purushottam Ojha attributed the slump in the imports against dollar payment to the strengthening of the US dollar and scrapping of the DRP provision since the last fiscal year. He said a stronger dollar means importers have to pay more domestic currency to purchase the dollar for import purpose. And, after the scrapping of the DRP provision, the incentives Nepali traders were getting for purchasing goods in US dollar terms do not exist anymore.

Before the scrapping of the DRP system, the Indian government would not charge excise duty on goods purchased by Nepali importers by paying US dollars. "Following scrapping of DRP, those importing goods by paying US dollar lost incentives and were discouraged to import goods in US dollar terms," said Ojha.

Nepal to grow 1500 metric tones of coffee from 2018

Coffee production in Nepal will witness a whooping growth of around 1500 metric tones (green beans coffee) annually by 2018.

The five-year Strategic Plan prepared by the Central Coffee Cooperatives Union Limited (CCCUL) aimed at increasing the coffee production in line with the increasing demand of Nepali coffee both in home and abroad by exploiting the potential of coffee production in the country. Due to favourable climatic condition, coffee can be grown commercially in as much as 30 hilly districts of Nepal.

The CCCUL is the central level apex body of coffee producers' cooperatives functioning across the country. Currently, around 400 metric tones green beans are produced annually in Nepal.

However, the demand for Nepali coffee is said to have increased to over 4,000 metric tones annually. For this, the CCCUL has proposed to expand the coffee producing area as well as the productivity of the land involving more and more people in commercial coffee farming.

Govinda Barakoti, chairman of the CCCUL, said that they have envisioned increasing the annual production of coffee to at least 1500 metric tones.

Stating that there was a huge potential of expanding the coffee producing areas in the country and there was high demand for Nepali coffee both at national and international markets, Barakoti said that the CCCUL would work to increase the production so as to upgrade the livelihood of the farmers by bringing foreign currency to Nepal.

"Presently, the coffee is commercially produced in around 16 districts. The hilly range of Nepal spread from east to west at the altitude of 800-1600 metres is suitable area for coffee production," and said that the CCCUL would work to expand the coffee production area.

Barakoti added that as the youths were migrating abroad searching for jobs and there was no one to work in the villages, coffee could be a vital means to bring them back to villages.

"Coffee needs quite less care and investment compared to other crops. However, the return it gives is much higher," he said asking the government and non government organizations to extend their support in its endeavour.

The CCCUL would form at least 300 coffee producing cooperatives in 30 hilly districts and provide necessary technical, financial, educational and other supports to them.

Drop in output forces Nepal to import rice worth Rs 11b

Nepal imported Rs 11.60 billion worth of rice from the global market in the first 10 months of the fiscal year largely due to a fall in paddy output. According to the Trade and Export Promotion Centre, the country imported 420,490 tonnes of rice during the review period, up from 286,995 tonnes in the same period last year.

Nepal's rice imports have been far higher than the projection of the Food and Agriculture Organization of the United Nations (FAO). The rice market monitor report of the FAO had estimated Nepal's imports to reach about 300,000 tonnes in 2013.

The stats show that Nepal's total cereal imports in the first 10 months jumped 72.09 percent to Rs 16.16 billion. Out of the total imports, rice imports amounted to Rs 11.60 billion, up 85.30 percent. The country imported cereals worth Rs 9.39 billion in the same period last year.

The massive imports follow a projected food deficit this year. The Ministry of Agriculture Development has estimated that Nepal will face a shortage of 900,000 tonnes of rice this year despite a likely surplus in the total food grain reserves.

The country's paddy production fell 11.3 percent to 5.07 million tonnes. Rice is a major staple food for Nepalis, and is also known as the economic backbone of almost 66 percent of the country's population.

Senior economist Bishwamber Pyakurel said food insecurity was common in many rural parts, but the alarming import of food grains in particular will affect the country's rapidly growing urban population. Experts said that urban areas rely on food produced in rural areas, and based on supply and demand, if rural areas produce more, urban areas experience decreased food prices.

"As Nepal is witnessing a huge farm labour shortage, particularly due to migration of youths, the agriculture sector is gradually becoming isolated," said Pyakurel. The result, according to him, can be seen in the annual growth rate of agriculture which has slumped to 1 percent from 5 percent. "In such a scenario, besides making policy interventions, there should be special arrangements for the farm sector in the next budget."

A number of experts said that the country's surplus cash reserves should be spent on mechanization and commercialization of the farm sector. Pyakurel said that Nepal had been importing food grain for the last five years; and considering the growth rate, it does not look like the market will be corrected soon even if there were to be bumper harvests for the next two to three years. "But production of high-value crops could play a major role in reducing the trade deficit to some extent."

Nepal-India Chamber of Commerce & Industry

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India to lift FDI cap in some sectors by July 3rd week: Chidambaram

India could lift foreign direct investment caps for various sector by the third week of July, finance minister P Chidambaram has said, marking a big reform in making the country more attractive to investors. Chidambaram also said there is no room for pessimism on rupee and foreign capital will flow back into the country.

"Mayaram panel has already submitted a report on revising FDI caps in different sectors to the department of industrial policy and promotion...The DIPP will now hold consultations with stakeholders including all ministries before bringing a note to the cabinet," he told reporters on the sidelines of a conference.

The Mayaram panel has recommended raising FDI caps in a number of sectors including multi-brand retail to upto 74%, defence production to up to 49% and telecom to up to 100%. It has also suggested that a number of sectors be put on automatic route.

"The rupee is very stable. A large amount of money flowed into India. Between January and May alone, I think a little over $ 5 billion flowed into India. (But) following Fed chief Ben Bernanke's statement, $5 billion flowed out of India in a matter of two weeks. This is unfortunate. There should be no room for pessimism as fundamentals of the economy were intact and the government is committed to moving ahead on the reforms path. ", he said.

"Among the large emerging economies, we are the fastest growing economies next only to China and therefore I am confident that money will flow back into India. Investors will find India a safe destination to invest. And this temporary phase should pass. There is no need for pessimism", he said. Besides reviewing the FDI caps, the government will be taking some key decisions in the coming days, Chidambaram said. " ET Bureau-New Delhi

Widely used drugs to cost up to 50% less in India

Prices of widely used medicines like painkillers, anti-infectives, antibiotics and anti-cancer and cardiovascular drugs are slated to come down by up to 50% by July-end in India. The drug pricing regulator, National Pharmaceutical Pricing Authority (NPPA) of India, on Monday issued a notification to regulate prices of 150-odd essential medicines.

The notification follows the drug pricing control order, mandated under the national pharma policy, being cleared last month. According to the national pharma policy, prices of 652 formulations under 27 therapeutic areas like anti- infectives (cetrizine), cardiac (aten), gastro-intestinal medicines (ocid), painkillers (paracetamol) and anti-diabetic drugs (insulin) are expected to go down.

Others in the national list of essential medicines include anti-fungal, anti-tuberculosis, anti-leprosy, anti-hypertensives and cancer drugs. Once implemented, it will result in prices of drugs coming down by nearly 15-20% on an average.
The changes in prices will be effective after 45 days from the date of issue (of the NPPA notification) to allow the trade to liquidate stocks with existing prices and give time to manufacturers to revise the prices on packs. Over the next few weeks, the NPPA will issue ceiling prices, capping more drugs according to the policy. This was the first notification issued by the NPPA.

According to the NPPA notification, prices of popular pain and fever medicine paracetamol will go down by nearly 40%, antibiotics (azithromycin) by 40%, cardiac drugs (losartan and atorvastatin) by 45%. Cancer medicines, which are the one of most expensive therapies, will drop by up to 50%. For instance, the NPPA has fixed the ceiling price of doxorubicin 50 ml injection, used in cancer, at Rs 1,145, 50% cheaper.

The government notified the Drug Prices Control Order (DPCO) 2013 on May 15, replacing the 1995 order, which empowers the NPPA to issue ceiling prices of 348 essential drugs, while the existing policy controls only 74 bulk drugs. The policy was cleared by the Cabinet in November last year, but was delayed due to the absence of the DPCO being issued. The DPCO 2013 will regulate prices of drug formulations on the basis of a market-based mechanism, as against a cost-based system which existed till now.

Manufacturers will have to reduce the prices where they are selling the drug more than the ceiling price fixed by the regulator, while those priced below the cap, would not be allowed to hike prices. TNN-Mumbai

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