Vol 3, Issue 11 Weekly March 14, 2013

NICCI e~Newsflash

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Camp One on Mount Everest into the infamous Khumbu Icefall

Govt prepares draft Integrated Investment Act aimed at attracting foreign investment

The government has drafted an Integrated Investment Act (IIA) comprising all the previous acts related to investment and industries in order to attract foreign as well as domestic investment in the country.

The IIA draft is based on three existing laws namely, Investment Board Act (IBA) 2012, Industrial Enterprises Act (IEA) 1992 and Foreign Investment and Technology Transfer Act (FITTA) 1992.

"The draft of the act envisages protection of foreign as well as domestic investment in the country," said an official involved in preparing the draft. "This act will specifically oversee investment in the country." The government in its mid-term review of the budget for the current fiscal year 2012/13 has categorically said that the government has prepared the draft IIA. "This act has said that the government would treat foreign investors at par with domestic ones," the official said on condition of anonymity.

The draft Act also has reduced the list of areas that have not been opened for foreign investment, a knowledgeable source revealed. However, the source expressed reluctance to divulge details.

The draft IIA, which is based on previous Acts, has devised ways of treating foreign as well as domestic investment in the country. "The new draft has certain provisions that are aimed at promoting foreign investment in the country," the official said.

The government so far has failed to endorse policies to create favorable environment for investment due to absence of parliament in the country. The government had announced to revise the existing IEA 1992, FITTA. Similarly, the government has been trying to endorse special economic zone (SEZ) Act in the country.

According to the official, the draft IIA is also not going to be endorsed at this time. "The draft has been formulated but it´s not going to be endorsed as other major important bills are still pending," the official said. The government that formed Investment Board of Nepal (IBN) more than a year ago to implement mega projects has prepared drafts of different Acts over the last one-and-a-half years. "But, we have not been able to get these Acts endorsed due to absence of parliament," said the official.

Experts seek regional supply chain

India and Nepal can join hands in developing a regional supply chain as it will benefit both countries, according to experts. Nepal can play a key role in enhancing the regional supply value chain, if Nepal and India join hands in service sectors like IT-based entertainment, business processing outsourcing, and insurance," said executive chairman of South Asia Watch on Trade, Economics and Environment (SAWTEE) Ratnakar Adhikari, presenting his paper on 'Facilitating Integration in Regional Supply Chains in South Asia Nepalese Perspective' in 'Brainstorming meeting on Integrating South Asia in Regional Supply Chains: New Directions for Research and Sharing Experiences,' in New Delhi, on 9th March.

"Nepal has comparative advantage in animation, and India is better in graphics, sound mixing and special effects," he said, adding that while the higher end of the value chain can be retained in India, the lower end — network management, payroll, call centres, accounting, and document management — for business process outsourcing can be sub-contracted to firms in Least Developed Countries including Nepal. "Likewise, insurance companies that are reinsuring through European and North American insurance companies have the potential to bring these businesses to the region." The two-day meeting also dwelt on various opportunities and challenges in regional integration of South Asia.

However, there are hurdles like trade barriers, supply capacity and lack of policy support, too, Adhikari said. "Most service sectors are restricted under General Agreement on Trade in Services and schedules of commitments under SAARC Agreement on Trade in Services (SATIS) are yet to be negotiated, apart from domestic regulations of various countries aimed at protecting consumers, maintaining services standards, and achieving other policy objectives could also become de facto trade restrictions," he said. He said lack of skilled human resources, limited internet penetration and bandwidth, political instability and inhospitable business environment are some other bottlenecks.

"Likewise, services trade is not the priority of trade negotiators in the region, coupled with lack of proactive policy initiative at national levels that are also blocking regional integration in South Asia," Adhikari added.

However, the region can benefit, if it harmonises customs procedure, brings uniformity in standards and collaborates on training, research and development and establishes institutes such as fashion design/technology institutes in goods trade, and liberalises hitherto protected services sector during SATIS negotiations and harmonises domestic regulations to facilitate regional value chain development in service trade facilitations.

Nepal, Japan sign Rs 14 billion loan for Upper Seti (Tanahun) hydel project

The Japan government on Wednesday signed a loan agreement worth US$ 184 million for the development of 140 megawatts Upper Seti Hydropower project. Joint secretary and chief of the International Economic Cooperation Coordination Division under the Finance Ministry Madhu Kumar Marasini and director general of South Asia Department at JICA Masataka Nakahara signed and exchanged the 40-year repayment — that also has a 10-year grace period — loan agreement that will attract 0.01 per cent interest annually, on behalf of their respective institutions.

The loan extended through Japan International Cooperation Agency (JICA) - an official agency of Japanese government for international development . The separate Company named Tanahu Hydropower Company has been formed for the construction of that project.

"JICA is happy to extend the loan for the development of storage type hydropower project," Nakahara said after signing the loan agreement. "This project can be helpful in removing development bottlenecks of the country that have resulted from acute power shortage." "I request the government of Nepal to ensure transparency and accountability while implementing the project," Kunio Takahashi, ambassador of Japan to Nepal said at the function organized to sign the loan agreement.

ADB, which is responsible for hiring consultants for the project, has already endorsed loan for the project a couple of weeks ago. "Tanahun Hydropower is the most promising project so far in the country," Takahashi said. "The Japanese government is happy to be a partner in Nepal´s hydropower development endeavor."

The project that would be developed by Nepal Electricity Authority (NEA) has already secured a total of US$ 434 million from various development partners.The project will be co-financed by Asian Development Bank(ADB), European Investment Bank (EIB) and Abu Dhabi Fund for Development (ADFD). Among them, JICA is the lead funding partner and the first to sign the loan agreement. According to Marasini, EIB has expressed commitment to provide a loan of US$ 70 million and ADFD US$ 30 million to Nepal for the development of the project.

The estimated cost of the project is US$ 505 million and is expected to get completed by October 2020. Shortfall amount for the project will be arranged by the Govt. of Nepal source said.

The Japanese government has also provided loan to develop the 60 megawatts Kulekhani Hydropower Project I, 32 megawatts Kulekhani II and 144 megawatts Kaligandaki ´A´ Hydropower Project in the past.

Budhi Gandaki Hydel Project-High-level study team reaches site

A high-level technical committee visited the 600 MW reservoir based Budhi Gandaki Hydropower Project site to carry out a study on its environmental and social impact. The 16-member team led by project chief Lila Nath Bhattarai will complete all preparatory works to begin the project construction. The team will also conduct a technical study of the project site and hold discussions with the stakeholders in two districts Dhading and Gorkha, where the project will be developed.

Having held discussions with the stakeholders in Gorkha on Monday, the team completed the site visit on Tuesday and held discussions with the stakeholders in Dhading on Wednesday.

Bhattarai said that his team along with representatives from France's Tractwell Engineering had begun the study on social and environmental impact from February 1. "The team has been deployed so as to access the project's challenges, preparation of resettlement and to learn the view of the locals in the project-affected area," he said. The project is expected to displace around 10,000 people.

According to him, the team will also conduct a feasibility study, detailed engineering design, model of resettlement and tender document, among others over the period of 30 months. The works at the site has been accelerated lately as the project has been recognised as a national pride project.

Although a feasibility study was completed in 1984, the project has failed to attract interests of potential foreign donors and private power developers. The project is one of the most desirable hydropower projects with high potential and proximity to the Capital. The reservoir of the Budhi Gandaki will have an area of 50 sq km. The government aims to complete the project by 2020.

18-month time frame for PDA talks

The government has endorsed a project negotiation agreement (PNA) that would set a standard time frame for the completion of project development agreement (PDA) negotiations for hydropower projects of above 500 megawatts.

The government has developed a PNA template that envisages completing PDA negotiations with power developers within a time frame of one and half years from the signing of the PNA. "A meeting of the board of directors of the Investment Board of Nepal (IBN) has already endorsed the PNA template," a knowledgeable source said. According to the source, IBN, which drafted the template, has forwarded it to three major power developers engaged in the development of four mega hydropower projects with a total installation capacity of 3,050 megawatts.

"The developers have so far not made any comment on the PNA template that IBN has shared with them for their constructive suggestions if any," the source disclosed.

GMR is engaged in the development of the 900 MW Upper Karnali and 600 MW Marsyangdi, and Sutlej is developing the 900 MW Arun III. Similarly, SN Power is developing the 650 MW Tamakoshi III project.

IBN was formed more than a year ago to give impetus to the development of mega projects and it is also working on the finalization of a PDA template.

Confirming the development, a high ranking official at IBN said that the PNA was mainly to bring developers within the time frame for sealing a PDA. "The PNA template is also meant to pass the ownership of the project to the developers," said the official.

IBN is in the process of forming a PDA negotiations team, having received a mandate from the IBN board of directors chaired by Prime Minister Dr Babu Ram Bhattarai.

Govt to spend Rs 65b on agriculture in three years

The government plans to invest Rs 65.77 billion in the agriculture sector over a period of three years (2013-14 to 2015-16) to boost productivity and spur economic growth. The National Planning Commission (NPC) has approved a ceiling of Rs 65.77 billion in the farm budget for the upcoming three-year interim plan, which is the 13th national periodic plan. The ongoing interim plan (2010-11 to 2012-13) will end by this fiscal year.

Under the next interim plan, the budget for the Ministry of Agriculture Development for the coming fiscal year 2013-14 has been jacked up to Rs 19.87 billion, up 41.72 percent, compared to Rs 12.4 billion, or 3.22 percent of the total budget in fiscal 2010-11 or 3.22 percent of the total budget and Rs 14.02 billion in 2011-12, of which only Rs 9 billion was spent.

The annual budget ceiling for fiscals 2014-15 and 2015-16 has been envisaged at Rs 21.85 billion and Rs 24.04 billion respectively. The government has envisaged raising the budget for the farm sector by 10 percent annually. Investments in the agriculture sector by both the government and the private sector has shrunk over the last two decades compared to outlays in other sectors.

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Govt to spend Rs 65b on agriculture ………….

Of the total budget approved for the next fiscal year, Rs 4 billion has been earmarked for subsidizing chemical and organic fertilizers.

The farm sector will receive Rs 3.33 billion from donors in the next fiscal, 68 percent of the amount will be grants and the rest loans, Pathak said.

The strategy for the agriculture sector in the new interim plan will be based on the Agriculture Perspective Plan (APP), since the Agriculture Development Strategy (ADS) is still at the drafting phase.

The government is currently preparing the ADS, a roadmap for a 20-year vision and 10-year planning horizon for the country's farm sector. The ADS will supersede the APP by 2015. The APP, which was issued in 1995 as a 20-year vision and strategy for agriculture-led growth, was implemented in 1997.

The purpose of the APP was to accelerate growth in the agriculture sector by raising the agriculture GDP from 2.96 percent of 1995-96 to 4.88 percent by 2011-15. The agricultural growth rate was as high as 4.7 percent in 2006-07, but dropped to 2.1 percent in 2008-09.

The new interim plan will be the third such plan in a row. After 10 five-year plans, the government started introducing interim plans after 2006.

Mechi-Mahakali Electric Railway- DPR contracts awarded for two more sections

The government has awarded the contract to prepare a detailed project report (DPR) of another two sections of the Mechi-Mahakali Electric Railway. The proposed rail link will extend along the length of Nepal from the eastern to the western borders.

The Railway Department has signed agreements with two consortium consultants to conduct the detailed survey and design of the two sections. A consortium consisting of Soosung Engineering of South Korea and a local firm Full Bright Consultancy has been contracted to do the DPR of the 114 km Simara-Tamsaria section. Likewise, another South Korean company Dohwa Engineering and Full Bright Consultancy has received the contract for the 109 km Tamsaria-Butwal-Bhairahawa section. The two consultants will carry out the DPR on the basis of the feasibility study report prepared by RITES in 2010.

According to the department, the consultants have a year to complete the detailed design, cost estimate and bid documents. The detailed design includes designs and drawings of all the infrastructure including railway tracks, electrical traction system, power supply system, signalling and emergency communication, bridges, culverts, station buildings, station platforms, sheds and workshops and other required structures and facilities for operation of the railway.

"We started working on it immediately after signing the agreement with the government," said Lal Krishna KC, project director of the consortium. He added that the main Korean officials had arrived to start work on the DPR, and that other professionals would be visiting Nepal regularly as required.

The winning contractors were selected based on an evaluation of their technical and financial proposals. A total of 19 global firms had submitted expressions of interest last year. After the applicants were short-listed and asked to submit requests for proposal (RFP), five of them — Soosung Engineering, Systra SA of France, Ineco Ingenieria y Economia del Transporte SA of Spain and URS Scott Wilson India and RITES of India — presented proposals to conduct the DPR of the Simara-Tamsaria section. Similarly, Dohwa Engineering, Systra SA, URS Scott Wilson India, RITES and Ineco Ingenieria y Economia del Transporte SA submitted proposals for the Tamsaria-Butwal-Bhairahawa section.

The government has accorded priority to these two sections as they will link Lumbini in the west with Bardibas thereby upgrading the existing Janakpur-Jayanagar railway to broad gauge.

According to the department, consortiums consisting of South Korean, Nepali and Indian firms are at the final stages of preparing DPRs of the Bardibas-Simara section and Simara-Birgunj section. They are expected to submit their reports within a month.

A draft report of the 136 km Bardibas-Simara-Birgunj section has showed that the rail link will cost a minimum of Rs 720 million per km. Trains running on this track will have a top speed of 160 km per hour.

Kathmandu Ring Road widening to begin in two months

Widening of the Kathmandu valley's Ring Road is slated to begin within the next two months with China's annual grant assistance. A team of Shanghai Construction Group Company Limited, the contractor, arriving in Nepal this week for preparatory work to select one of the government-provided locations and set up an office, housing facility for workers and a station for their machineries and equipment, according to the Ministry of Physical Planning Works and Transport Management. The team is arriving on March 15.

In December last year, the Department of Roads and the Chinese contractor had signed a pact for upgrading the 9-km Koteshwor-Kalanki stretch of the 27-km Ring Road. The existing four-lane road will be upgraded to eight lanes with a four-lane carriageway that will also include a two-way relief road, two-way bicycle track and two-way pedestrian path, as per the contract.

In the first phase, the Koteshwor-Satdobato-Kalanki section will be upgraded based on the design readied by the Third Railway Survey and Design Institute Group Corporation, a Chinese consultant. It will take 40 months for the completion of the first phase, Karki said. The project is estimated to cost Rs 4 billion.

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India fantastic success story, says World Bank president

World Bank president Jim Kim remains optimistic about the Indian economy growing at 6 per cent in the next fiscal year, beginning April 2013, despite the current "disappointing" 5 per cent growth this year.

"India has made just an extraordinary contribution to the global economy - its share in the global economy has almost doubled in the five years between 2005 and 2010. So, India, overall, is a fantastic success story," Mr Kim told reporters in his first visit to the country after taking over as the president of the World Bank Group in July last year.

The economy was likely to gather pace as exports increased, the World Bank president added. "The Indian economy like any other economy is subject to the global slowdown... as the export market starts doing better, we think India will do better as well."

The Indian economy grew at a worse-than-expected 4.5 per cent in the third quarter and is heading for a decade-low growth of 5 per cent in the current fiscal year ending March 31, 2013.

However, analysts think growth has bottomed out and the 'worst is over' for the Indian economy. According to global ratings agency Moody's, the December quarter was likely the bottom of the economic cycle and India is headed for better times. India is likely to growth at 6.2 per cent in 2013, the ratings agency has said.

On the Union Budget 2013, which saw Finance Minister P Chidambaram promise to bring down fiscal deficit to 4.8 per cent of the GDP in the next fiscal year, Mr Kim said: "I was very impressed with all the things done by the minister and his team to ensure that there is that growth in the future." -NDTV/PTI

Reliance to invest $27b in next four years

RELIANCE Industries (RIL) plans to invest about $ 27 billion in next four years across its core oil and gas and petrochemical busi-nesses as also new ventures like telecom.

According to a Deutsche Bank AG report issued after its analysts met one of the company's two joint chief financial officers (CFOs), "RIL is at the cusp of its next capex cycle as it invests $ 27 billion aver 2013-14 to 2016-17 fiscal."

About 85 per cent of the capex will be in its core business, the report said. RIL will spend $ 11 billion in oil and gas exploration including US shale gas venture and $ 4 bil-lion in refining business.

Another $ 8 billion is planned in petro-chemical projects while $ 3 billion would go into its yet to be launched telecom venture. The rest $1 billion would go into retail busi-ness, it said.

RIL Chairman and Managing Director Mukesh Ambani had last year announced plans to invest Rs 100,000 crore across energy, retail and telecom businesses in the ne five years to double operating profit.

·It is in the process of getting regulatory nod for putting to production newer and satellite gas fields to arrest the decline in output from the main fields on the KG-DB block.

RIL is investing $ 8 billion, the most since it completed a second oil refinery in 2008, in expansion of its petrochemical business to meet rising demand of plastics and polyester. –PTI-New Delhi

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