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NICCI e-Newsflash

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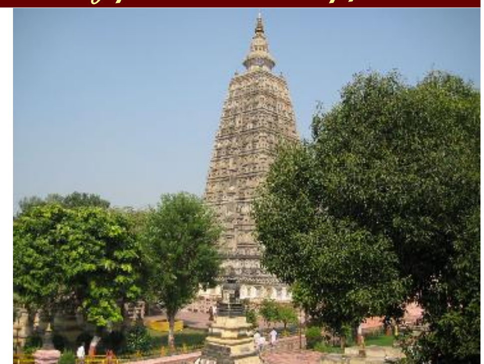
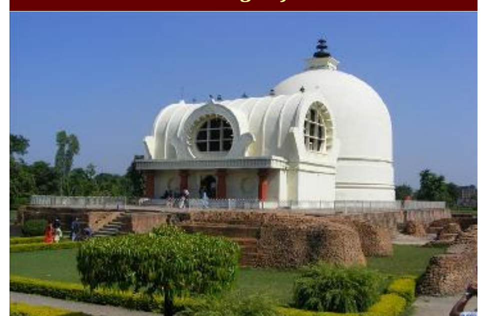
Buddha Jayanti, the Auspicious day for all lovers of peace

Lumbini, Nepal, where Lord Gautam Buddha was born 2556 years ago



Bodhgaya, India, where Lord Gautam Buddha was enlightened 2521 years ago at the age of 35

Sarnath, India, where Lord Gautam Buddha first taught Dharma few years after his enlightenment



Kushinagar, India, where Lord Gautam Buddha attained pahaparinirvana 2476 years ago

'Country should attract FDI in priority sectors'

Experts on Friday suggested the government to seek foreign direct investment (FDI) in sectors that the country needs for its development. "The country must prepare a foreign direct investment policy according to the needs of the country, and based on what benefits it needs to take from which country," they suggested, adding that the country should accept FDI in those sectors that will generate employment.

"Since the country needs to generate massive employment — to check youth leaving for foreign employment — Nepal should accept foreign direct investment in hydropower, agriculture and tourism."

Addressing the Public Private Dialogue on 'Foreign Direct Investment Policy Draft 2013,' in Kathmandu on Friday, industry minister Shankar Koirala, who is also minister for Finance, Commerce and Supplies, agreed with the experts and the private sector. "The country is getting foreign direct investment in sectors that are not prioritized by the government," he said, adding that the country must learn lessons from its past experiences. "However, we need to reform the legal and policy level hurdles to attract foreign direct investment."

The Foreign Direct Investment Policy Draft 2013 has also opened up investments abroad by domestic business people, though it had been banned by the budget a couple of years back to check the outflow of foreign reserves. "However, we have to thoroughly discuss on its advantages and disadvantages before implementing it," the minister said, urging for a study on foreign direct investment policies of neighbouring countries and adopting the best practices from global experiences. "Otherwise, policy alone cannot help boost investment, if there is no protection of investment."

Industry secretary and Chairperson of the event Krishna Gyawali, on the occasion, said that the country has been able to frame credible policies but has failed to implement them. "Unified Industrial Information Centre could help increase coordination among government agencies," he said.

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Country should attract FDI ……

The foreign direct investment policy draft has noted geographical condition, political instability, poor security management, lack of skilled manpower, unnecessary demands by locals and lack of implementation of one-window policy as major reasons for the country not being able to attract foreign direct investment.

The draft policy has suggested active economic diplomacy and transparency of FDI to attract more foreign direct investment in the country.

Similarly, it has also prioritised hydropower, infrastructure development, agriculture and herbs processing, tourism, mines and minerals related industries for foreign direct investment. Fast track, railway, tunnel way, cable car, metro, flyover and international airports have been identified under infrastructure heading for foreign direct investment.

Acting President of NICCI Sashi Raj Pandey addressing the gathering

The draft has also fixed a minimum ceiling of $200,000 for foreign direct investment, whereas a minimum of 30MW of hydropower can also attract foreign direct investment.

Speaking on the draft policy, vice president of Federation of Nepalese Chambers of Commerce and Industry Bhawani Rana said that attracting foreign direct investment is a challenge at a time when industrialists are closing down their businesses due to bandhs and strikes.

Speaking in the program, Sashi Raj Pandey, Acting President of Nepal-India Chamber of Commerce & Indsutry (NICCI) said "In order to flourish investment, industries and trade, the major factor is the size of market. The next factors are infrastructure, industrial and trade policies, labour policies etc. Though our own domestic market is small, we have the biggest markets of the world around us. If we have investment friendly environment in the country and could give such an atmosphere at this extremely strategic location, where they can create cost effective products and services at competitive rates, Indian and Chinese markets, where there at 2.5 billion population, are more than sufficient for us for a prosperous Nepal. Besides, there are other highly populated countries in Asia with 4.2 billion population out of 7 billion, which accounts 60% of the world population and have remained attractive markets for the western countries as well."

Likewise, president of the Confederation of Nepalese Industries and Nepal-USA Chamber of Commerce & Industry Narendra Basnyat complained that labour and economy has been defined separately, which has become a problem.

President of the Federation of Small and College Industries Suresh Pradhan and other private sector players suggested the government to take the private sector into confidence for the fruitful implementation of the policy. ⧫

Nepali industry operating at 44.7pc capacity, says NRB

A recent report of the study done by Nepal Rastra Bank (NRB) and entitled Economic Activities Study Report has revealed that manufacturing units at the country's major industrial hubs struggled to utilise their full capacity in the first half of this fiscal year in a reflection of the poor state of the country's industrial sector. The study was carried out in eight major cities — Kathmandu, Biratnagar, Janakpur, Birgunj, Pokhara, Siddharthanagar, Nepalgunj and Dhangadhi.

According to the report, the beer industry has the highest capacity utilisation of 77.5 percent, while the sugar industry has the lowest capacity utilisation of 11.2 percent. The average capacity utilisation of the industrial sector in the first half of the current fiscal year was 44.7 percent. Though capacity utilisation was better than in the first half of the last fiscal year, industrialists say it is still below ideal levels. The report cited political transition, poor security, energy shortage, increased labour cost, lack of raw materials, strikes and bad labour relations as reasons for the low capacity utilisation.

"The study found that production of soybean and mustard oil, dairy products, wheat flour, biscuits, animal feed, noodles, liquor, soft drinks, pashmina, garments, paper and plastic products, cement, GI and electric wire and processed leather has increased while production of vanaspati ghee, rice, yarn, synthetic textiles, jute products, soap, bricks, iron rods and corrugated sheets and chemical items including drugs has declined," said the report.

The NRB report states that attracting local and foreign investment by creating a conducive investment environment by improving industrial security and reforming labour relations would be a major challenge.

Despite weak capacity utilisation, lending by banks and financial institutions (BFIs) to industrial enterprises surged 8.7 percent to Rs 252.34 billion in the first six months of this fiscal. Of the total industrial loans, the manufacturing sector has the share of 56.8 percent, followed by the construction and service sectors. Mining received the least amount of loans with 4.4 percent.

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Nepali industry operating at 44.7pc capacity…….

Industrialists pointed to the low competitiveness of Nepali products compared with Indian products as another reason for the low capacity utilisation.

"Most Nepali industries cannot compete with Indian industries due to which they have lost their once extensive Indian market. This has led to factories concentrating on the local market," said Anand Bagaria, managing director of the Nimbus Group.

Economist Bishamber Pyakurel said the growth in industrial loans show that investors were still investing money in establishing factories or enhancing their capacity despite the gloomy situation. "The fact that a major chunk of bank loans has gone to the manufacturing sector is a positive sign because it not only helps to replace growing imports but also helps to generate employment at home," he said.

According to the report, industrial units in and around Kathmandu got the maximum amount of industrial loans (66.6 percent) followed by Birgunj and Biratnagar. Dhangadhi was at the bottom of the list with 1.2 percent. ⧫

NPBC gets permission for construction of KTM-Hetauda Tunnel Highway

A week after signing the concession agreement, the Ministry of Physical Infrastructure and Transport on Tuesday issued the letter of permission to Nepal Purbadhar Bikas Company (NPBC), paving the way for the latter to start the construction of Kathmandu-Kulekhani-Hetauda Tunnel Highway. Tulasi Prasad Sitaula, secretary at the Physical Infrastructure Ministry, handed over the letter to NPBC Chairman Kush Kumar Joshi.

The 58-km highway is estimated to cost Rs 34 billion. NPBC said the length and investment increased after the government asked the former not to overlap the highway's alignment with Kathmandu-Tarai Fast Track road. As per the PPA signed on May 14, 2012, the tunnel highway that links Kathmandu with Hetauda via Kulekhnai was expected to be around 51 km long and the cost was estimated at Rs 20 billion. However, the project work had stalled with the government delaying the concession agreement, expressing reservations over the alignment and project financing.

NPBC has targeted to complete the construction of 58-km Asian standard Highway within four years, making Hetauda only an hour's drive away from Kathmandu. The highway that will start from Balkhu in Kathmandu will have three tunnels with a distance of 4.5 km in Chobhar (392 m) , Kulekhani (4.42 km) and Bhaise (735) to reach Hetauda and will have a four-lane expressway that will not only save time and fuel but also create new economic hubs at the sides of roads, besides helping shift population pressure from the valley. The tunnel stretch alone will need an investment of over Rs 10 billion.

"This has become the first project to be implemented under the BOOT Act," said Situala. He said the operation of the highway would cut the travel distance and help save around Rs 15 billion a year, reducing fuel consumption. He directed NPBC to present a financial closer within a year as per the concession agreement.

Joshi said the project is a "challenge as well as opportunity" as it is the first road project being developed using local resources and expertise. "We will be able to pay back to the investors within 8-12 years," he said, adding the toll rate has been fixed in the range of Rs 160 to 3,000 per vehicle depending on their types.

The Federation of Nepalese Chambers of Commerce and Industry, Federation of Contractors Association of Nepal, bank and financial institutions, Nepal Association of Foreign Employment Agencies, Non-resident Nepalese, around 200,000 general people and local government bodies of Kathmandu, Lalitpur and Makawanpur are investing in the highway. NPBC said they will start the construction within a month. Earlier NPBC had targeted to start the construction work four months ago.

The highway will be handed over to the government after 30 years (in 2043) of operation based on the BOOT Act, although the company had proposed a 35-year operation period.

Tulsi Sitaula further said the government will continuously monitor the project and provide support. The highway is the second large-scale highway project after the Kathmandu-Tarai Fast Track road, which is also planned under the BOOT modality. If the company keeps its promise, it will be the first to float shares of an infrastructure project in the country. ⧫

Kathmandu-Terai (Nijgadh) Fast Track updates

The ministry is also working to select investors for the Fast Track road. The bid submission date for the Fast Track which is expiring on May 21, has been extended upto June 21. The date has been postpone on request of the shortlisted firms. This is the second extension since February.

Three Indian firms—Reliance Infrastructure, Infrastructure Leasing & Financial Services (IL&FS) and Larsen and Turbo (L&T) Infrastructure Development Projects—have been shortlisted as eligible firms and invited to submit the request for proposal to develop the project. The Indian firms had been asking for more time to complete a detailed engineering survey to prepare their proposals for the project. Officials of the Physical Infrastructure Ministry said that only L&T among the three short-listed firms was serious about the project. They said that Reliance was out of contact and IL&FS seemed to have lost interest considering its activates. ⧫

Powerful authority to be set up to regulate dry ports

The government has finalized the Dry Port Authority Act, which envisages establishment of an independent body to oversee registration, construction and management of dry ports in the country. The draft Act was designed by the Ministry of Commerce and Supplies (MoCS) amidst rise in the number of dry ports in the country. It will soon be forwarded to the Cabinet for approval. It is still unknown whether the Act will be promulgated in the form of ordinance.

In the absence of such an authority, the Department of Commerce and Supplies Management (DoCSM) and the Nepal Intermodal Transport Development Board (NITDB) are overseeing dry ports´ operation, management and revenue collection. Existing Multimodal Transportation Act and regulations framed under it have given limited power to the DoCSM to issues license to operators of dry ports, while the Development Committee Act has provided authority to the NITDB to oversee management of dry ports. “The DoCSM and the NITDB do not have authority to oversee activities of dry ports in a full-fledged manner,” Sarad Bikram Rana, executive director of the NITDB, said on Saturday.

The proposed Nepal Intermodal Transport Authority, a dry port regulatory body, will end the practice of delegating authority to the DoCSM and the NITDB to regulate dry ports, making it the most powerful body to oversee activities of dry ports. “Such a body will have the power to grant permission to any firm to construct and operate dry port and fix criteria for service charge at dry ports in the country,” Rana said.

Former Commerce Secretary Purushottam Ojha said the proposed act will pave the way for establishment of the powerful port authority to grant permission for opening of new dry ports, overseeing leasing process and administering operation and maintenance of ports. Currently, four dry ports are operating in Kakarvitta, Biratnagar, Birgunj, and Bhairawa.

A dry port is under construction in Larcha of Sindhupalchowk district under financial and technical assistance of the Chinese government. Similarly, the government is also preparing to construct a dry port in Dodhara-Chandani area of the far-western region in a bid to boost trade in the country´s most backward region.

Different countries, including India, have already established dry port regulatory body. ⧫

GMR seeks generation license for Upper Karnali

GMR Upper Karnali Hydropower Company Limited, a subsidiary of Indian infrastructure developer GMR, has applied for power generation license for Upper Karnali (900 MW) hydropower project as the validity of its survey license is expiring soon. The company has submitted application for generation license at the Investment Board Nepal (IBN). The application for generation license will keep the company in a safe side.

"The IBN will now lead the company towards project development agreement (PDA) negotiation," the source further revealed. "Before that, the IBN has asked the company to sign the project negotiations agreement (PNA)." According to the source, the IBN has asked GMR to sign PNA as soon as possible so that they could enter in the PDA negotiation process. “Officials of GMR have informed us that the company was holding discussion about signing PNA with the authorities concerned,” the source said. The government had first granted survey license to GMR for the Upper Karnali in May 2008.

Himtal Hydropower Company, another subsidiary of GMR in Nepal, is involved in the development of Upper Marsyangdi (600 MW) hydropower project. ⧫

FICCI, textile cos laud West Bengal's draft textile policy

FICCI had submitted detailed policy suggestions to the West Bengal chief minister Mamata Banerjee in December 2012 and since then has been consistently working with state government on the policy.

"While the State has a long history and tradition in textiles, but there was a need for a policy roadmap which will revive, modernize and broad base the West Bengal textiles industry and integrate it with the global market", said Mr Sidharth Birla, senior vice president, FICCI.

Other states have come up with very competitive textile policy and attracted significant investments as a result in the last few years and it was important that the state comes up with an ambitious policy to attract investments and revive this sector, Mr Birla added.

"This sector holds lot of potential in terms of employment and can provide jobs to millions in the State. The policy would help the State in achieving inclusive growth." noted Mr Birla.

Mr Sanjay Jain, managing director of the textile firm TT Ltd said that this was a very big step which has been taken by the Government and could propel the textile industry into a completely new orbit. "Already many states like Maharashtra, Gujarat have come out with very aggressive policies over the last 18 months. West Bengal has a huge potential to become the next knitwear capital of the country. This policy if finalised would change the landscape of the industry in Bengal," he added.

Textile industry is one of the few industries which has a very favourable man-land ratio, which makes it suitable for densely populated states like West Bengal. It would help in the development of the entire state and lead to inclusive growth through employment and skill development of the workforce. ⧫

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India retains fifth position in global wind energy market

Despite poor pace of capacity addition in the states like Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra , India retained its position in top five world wind energy markets in 2012 . India remained third largest market for new turbines in 2012 with capacity addition of 2441 mw, revealed World Wind Energy Report 2012. World's wind turbine capacity addition grew at 19% to 44,609 mw, which is lowest in more than a decade.

"The Indian wind market has a very good future potential, however, policy uncertainties and unpaid electricity bills have damaged investors' confidence," noted World Wind Energy Association, which is expecting China, India, Europe and North America to drive the growth in coming years. India added 2827 mw of wind power generation capacity in 2011.

Indian Wind Power Association is claiming that withdrawal of accelerated depreciation benefit has resulted in lesser attraction for wind energy among the investors. Earlier, high networth individuals including filmstars and cricketers invested in wind turbines enthusiastically to avail relief in tax payments.

Last year, Iceland joined the club of wind power producers as 100th member. Out of world's 2,82,275 mw of wind power installations spread across 100 countries, 73% of the turbines are located in top five countries - China, USA, Germany, Spain, and India. Denmark has highest installed wind power capacity per person. Per inhabitant, it has an installed wind capacity of 752 watt. USA ranks 12th, with close to 200 watt per person, and China ranks 36th, with 56 watt per person and India is 52nd with 15 watt per person, which is below the global average. ♦ ET Bureau-New Delhi

Rank in 2012	Country	Total Capacity in 2012 (mw)	Capacity Added in 2012 (mw)	Growth Rate	Rank in 2011	Total Capacity in 2011 (mw)
1	China	75324	12960	20.8%	1	62364
2	USA	53882	12999	27.6%	2	46919
3	Germany	31038	2415	6.8%	3	29075
4	Spain	22796	1122	5.2%	4	21673
5	**India**	**18321**	**2441**	**15.4%**	**5**	**15880**
6	UK	8445	1897	40.3%	8	6018
7	Italy	8144	1273	20.9%	6	6737
8	France	7473	757	14.1%	7	6549
9	Canada	6201	936	17.8%	9	5265
10	Portugal	4525	145	10.8%	10	4083

Source: World Wind Energy Association

Tout-free, property registration system

In a major revamp of existing property registration system, Delhi Government will put in place a transparent mechanism by end of the year under which people will be able to access hassle-free services in all 13 sub-registrar offices without any jurisdictional issue.

The aim of the ambitious project -- first of its kind in India -- is to offer people a tout-free and seamless property registration experience through a highly secured online platform, which will replace the six-decade-old current system and offer "great relief" to people who often faced lot of hardships in getting their properties registered.

Under the new mechanism, people from any area of the city will be able to get their properties registered in any one of the 13 sub-registrar offices and they will even be able to check genuineness of the properties as well as ownership details and past transactions.

The online portal will have an online fee calculator besides having details about stamp duties and other required documents for property registration.PTI –Delhi

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