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Naturally Nepal

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Improved South-Southeast Asia connectivity key to boosting trade

Better connectivity between South Asia and Southeast Asia — through hardware and associated software — can unlock the full benefits of closer economic ties between the two sub-regions and help rebalance Asian growth toward domestic and regional markets, delegates at 46th annual meeting of Asian Development Bank (ADB) were informed on Sunday in Kathmandu.

'Connecting South Asia and Southeast Asia,' an interim report by the ADB and ADB Institute (ADBI), shows that South Asian and Southeast Asian economies have grown rapidly during an era of fragile world economic growth beset by risks. "The process has been fuelled by expanding regional production networks, integration into the global economy, foreign direct investment, falling trade and investment barriers, a commodity boom, and heightened demand from a rising Asian middle class," it says.

However, integration of trade and investment between the two sub-regions, while having made progress, has been relatively limited, hindered by various bottlenecks in trade infrastructure, residual trade barriers and insufficient regional cooperation.

"The time is ripe for a study of South and Southeast Asia connectivity," said dean and CEO of ADBI Dr Masahiro Kawai. The political reform process in Myanmar makes it possible to connect South and Southeast Asia, which was not feasible a few years ago.

This is particularly the case for land-based transportation — both highways and railroads — and energy infrastructure. The prospect of further liberalisation between ASEAN and major regional economies (including India) exists with the start of negotiations on a Regional Comprehensive Economic Partnership. It is particularly important in the context of India's 'Look East' policy. And many South and Southeast economies are contemplating second generation economic reforms to sustain inclusive growth.

Apart from a focus on connectivity — particularly cross-border infrastructure and trade facilitation — study also covers the critical issues of infrastructure financing, trade and investment reforms, and institutions for coordination.

The interim report sets out key issues in relation to improving connectivity between South and Southeast Asia and traces their implications. It first reviews evolving economic ties between the two sub-regions and identifies benefits and costs of greater connectivity, then identifies key issues and constraints to greater economic integration.

Finally, it explores implications for fostering better connectivity and closer economic integration, as well as the next steps for the study. Key preliminary findings and recommendations include identifying specific gaps in road, railroad, and economic corridor links between the two subregions; Myanmar's potential as an important source of energy trading with South Asia and promoting more automated approaches to trade facilitation.

Energy Ministry, Investment Board to work together on PDA

The Ministry of Energy (MoE) and the Investment Board of Nepal (IBN) have ended their protracted ego tussle and are preparing to make a collaborative effort to sign power development agreements (PDA) with projects designed for the local market.

The MoE was upset by the establishment of the IBN which relegated it to small hydro projects despite being the concerned ministry. This resulted in lack of cooperation between the two government agencies.

The Baburam Bhattarai-led government set up the IBN to help investors in mega projects, and gave it the responsibility for handling projects above 500 MW. The ministry got to deal with projects with a capacity of less than 500 MW.

In a bid to win the confidence of the MoE, the IBN has included Keshav Dhoj Adhikary, joint secretary of the ministry, along with Anup Kumar Upadhya, director general of the Department of Electricity Development (DoED), in its negotiation committee, which was formed recently to begin negotiations with power developers including GMR Energy, Jal Vidyut Nigam and SN Power.

Meanwhile, the ministry has asked the IBN to provide a copy of the draft of its PDA saying that it was more comprehensive than its own. Officials of the two institutions said they would work together in facilitating projects if they are being developed for the domestic market.

“Cooperation between the IBN and the MoE will not only help each other to work with more confidence but also help to encourage hydro power developers by addressing their concerns on time and with more efficiency,” said IBN chief executive officer Radhesh Pant.

Energy secretary Hari Ram Koirala said that there was no option other than working hand in hand. “We have technical expertise in the hydropower sector while the IBN has a strong negotiation team,” he said. “This will make a perfect team for us to begin PDA negotiations with projects that will cater to the local market.”

However, an MoE official said the MoE and the IBN would work separately with regard to export-oriented projects. The two have started cooperating in export-oriented projects.

“It will be effective to use a single PDA draft to negotiate with export-oriented projects of all sizes to prevent confusion,” said MoE joint secretary Adhikary. He added that as the IBN had sent a copy of the PDA, the MoE was now working to sign PDAs with a number of projects smaller than 500 MW.

So far, six projects including Upper Trishuli-A (216 MW), Upper Marsyangdi-A (50 MW), Middle Bhote Koshi-1 (40 MW), Budhi Gandaki-2 (260 MW), Kali Gandaki Gorge (164 MW), Lower Arun (400 MW) and Balephi (50 MW) have applied for PDAs at the DoED.

Pant said that though PDAs for projects like Upper Trishuli-A would be signed by revising the already prepared draft, a separate draft would be prepared soon in collaboration between the IBN and the MoE for domestic projects. The IBN and MoE are planning to come up with a new PDA draft before starting PDA negotiations with the West Seti Hydropower Project (750 MW) that CWE Investment, a subsidiary of China Three Gorges Corporation, has planned to develop.

Govts asked to devise separate policy to ensure more remittance inflows

The South Asian Institute for Policy Analysis and Leadership (SAIPAL), a think tank, has suggested all governments to devise a separate policy to bring more remittances on a formal channel.

The SAIPAL study ‘Assessment of Remittances Policies and Programmes in Nepal’ stressed the need for initiatives such as financial literacy programme, advisory services to migrant workers, investment in government bond, promotion of micro-finance institutions and identifying remittance as an industry rather than service.

“There is a need for developing a separate and coherent remittance policy integrated with foreign employment policy to attract remittance in the country,” said Devendra Prasad Shrestha, principal investigator of the study at a dissemination programme on Tuesday.

Addressing the programme, Nepal Rastra Bank (NRB) Governor Yuba Raj Khatiwada said that the government was putting in all its effort to bring in remittance through legal channel. “We have become successful to a large extent in bringing in the remittance through formal channel. While there has been a tremendous progress, there is still a lot of room for improvement,” said Khatiwada. “Financial institutions should reach out to new markets. Rather than overcrowding the same market, they should start filling the gaps.”

According to Khatiwada, three factors— agriculture, remittance and social transfer policies— play a fundamental role in the national economy and growth. Stressing the need to address venerability concerning foreign employment, Khatiwada urged the stakeholders to consider medium- to long-term effect of the remittance industry. United Nations Under Secretary-General Gyan Chandra Acharya said that remittance has played an important role in global economy and lessening the blow of economic crisis upon the LDCs. “Every LDC is today faced with more or less the same economic and social challenges. Remittance in LDCs has been increasing by around 10 percent annually and this is crucial in mitigating those challenges,” said Acharya, who also looks after the LDCs affairs at the UN.

International Migrant Remittances Observatory (IMRO) Director Eric ADJA stressed the need to bring remittance to productive sector. “Remittance is a private financial flow. The issue is how to go from personal to public good,” said Eric.

According to Prithvi Raj Legal, former vice chairman of National Planning Commission, around 79 percent of remittance has been used for the consumption purpose, four percent in education and four percent in the real-estate. “We are getting money but how to get it into the productive sector is the major challenge,” said Legal. IMRO is currently carrying out a pilot project titled ‘Assessment of Remittance Policies and Programmes’ in Nepal, Bangladesh, Lesotho and Haiti.

Indian Ambassador visits *Barahkshetra*

H.E. Ambassador of India Jayant Prashad visited *Barahkshetra*, the renowned Hindu pilgrimage in the eastern region of Nepal on May 2, 2013 on special invitation of NICCI, Biratnagar chapter, after his visit to Chatara same day, as he consented on 10th April, 2013 during his audience to NICCI Biratangar Chapter delegation at Embassy of India, Kathmandu to discuss on Jogbani Customs issues . After the visit, His Excellency was positive for further development of this area as a Hindu pilgrimage.

Photo Courtesy –

Bhoj Raj Ghimire, Reporter, Nagarik Daily

Nepal asks India to scrap 6pc countervailing duty

Nepal has requested India to scrap the 6 percent countervailing duty (CVD) that the southern neighbour imposes on Nepal-made garment products. Finance Minister Shanker Koirala made the request to his Indian counterpart P Chidambaram in New Delhi on Friday on the sidelines of the ongoing 46th annual meeting of the Board of Governors of the Asian Development Bank.

Until some two-three months ago, India levied some 12 percent CVD over the maximum retail price, according to Garment Association of Nepal President Udaya Raj Pandey. “Now, it has come down to 6 percent,” he said. The Nepali Embassy in New Delhi said in a statement: “He (Koirala) also requested India’s Finance Minister for removing countervailing duty on Nepalese garments and make Vishakhapatnam Port available for use by Nepal.”

In response to Nepal’s request, Chidambaram agreed to take the issue ‘seriously’, but he did not make any assurance, according to Nepal’s Acting Ambassador to India Khaganath Adhikari.

During his meeting with Chidambaram, Koirala also raised the matter of delay in operationalisation of Vishakapatnam Port in Andhra Pradesh.

India promised to allow Nepal to import goods from countries other than India via Vishakapatnam Port during the then Prime Minister Madhav Kumar Nepal’s India visit in 2009, and subsequent discussions were going positively regarding Vishakapatnam Port and other transit facilities, which was stuck at additional lock of Indian Customs in containers carrying Nepal’s consignments which was already in practice and proposed by Indian side to mention in the transit treaty itself, but opposed by Ministry of Foreign Affairs of Nepal at the time of last renewal of transit treaty despite repeated attempts from Ministry of Commerce and Supplies till last moment to clear the issue. Operationalization of this port is very crucial as it will give an option to Nepali entrepreneurs to the monopoly of Kolkata port. The Vizag port also has more automated process, which will reduce costs.

Process of constructing dry port begins

The process of constructing an International Trade and Transit Centre (dry port) at Banke district's border with India has been initiated as per the agreement reached between Nepal and India.

The two close neighbours had signed the agreement related to the construction of the dry port in the border some nine years back. The task of demarcation has begun after the completion of the land acquisition.

According to the District Administration Office, Banke, one third budget has been allocated for the protection of the land acquired for the construction of dry port at Jayaspur and Saigaun areas, west of the Nepalgunj Customs Office.

The process of calling a tender for the construction of dry port has started, said Administrative Officer of the Office, Basanta Kumar Kanaujiya.

As per the agreement, the Indian side shall take the responsibility of developing the infrastructures necessary for the construction of the dry port once Nepal manages land for the same.

Trishuli River becoming hydropower corridor

Trishuli River is set to become a major hydropower corridor in the country in the next three years if implementation of all the projects goes smoothly.

About a dozen hydropower projects are planned to be implemented along Trishuli River, between Rasuwagadhi of Rasuwa and Galchhi of Nuwakot, by the end of 2016. Upon completion, these projects are estimated to generate a total of 1,500 MW of electricity. Of them, Chilime, Trishuli and Debighat have already started power generation.

Similarly, other projects such as Bhotekoshi, Trishuli-3A and Thrishuli-3B are in the process of generating power.

"Investors are interested to put money in hydropower projects in Nuwakot. We only need to create environment conducive for investment and boost confidence of the investors," Saran Sapkota, president of Nuwakot Chamber of Commerce and Industry (NCCI), said.

Amlekhgunj-Raxaul oil pipeline : Govt mulling 'other alternatives' for project

The Nepal government has said it is considering other alternatives, including the establishment of an independent venture, to develop the much-touted Amlekhgunj-Raxaul oil pipeline. Finance Minister Shankar Koirala, who is in the Indian capital for the annual meeting of the Asian Development Bank, said on Sunday that the Nepal government has started considering other options as the construction process of the pipeline has been delayed although it was agreed, in principle, to be built by India and later transferred to Nepal under the Build, Own, Operate and Transfer (BOOT) model.

"We are working on two alternatives — first, Nepal and India build the parts of the pipeline that fall on their territories, and second, establishing an independent venture on agreement of both sides," Minister Koirala said.

Recently, there were reports in the Indian media that the Ministry of External Affairs (MEA) has sent a note to the Indian Oil Corporation (IOC) cautioning it not to make any commitment to build the oil pipeline. However, in an irony to the recent development, it was actually the IOC that first proposed to build this pipeline in 1995.

The proposed 40-km pipeline is crucial for Nepal as it is expected to reduce leakage considerably and address perennial problems of petro products' unavailability. The project is expected to reduce fuel transportation costs by over 50 percent, besides reducing leakage and facilitating cleaner and cheaper supply.

It will also water down the level of problems created by the owners of oil tankers who are indulged in serving their petty interests at the cost of the customers, ranging from frequent strikes to the demands for unnecessary commissions. Although the concept of the project was developed 17 years ago, it has not been realized so far.

After a series of on-again, off-again discussions, NOC and IOC brought up the topic of the pipeline during the signing of a new petroleum supply agreement in April 2012. The move followed the High-Level Petroleum Sector Reform Committee's recommendation to immediately start the project.

The pipeline is estimated to cost Rs 1.60 billion excluding the cost of land acquisition. A pre-feasibility study done in 2004 and a technical study done in 2006 had determined that the project would be economically viable if it is operated unhindered for 20 years.

Uttar Pradesh revamps Udyog Bandhu to attract funds

In order to have a more proactive approach in seeking investments for the state, the Akhilesh Yadav government has revamped the Udyog Bandhu, making it the nodal centre for industrialists seeking to set up projects in Uttar Pradesh. The Udyog Bandhu has been mandated to prepare a comprehensive strategy, seek consultancy from private players, and organise events to attract more investments.

Udyog Bandhu would also organise roadshows in India and abroad to highlight the benefits of investing in the state and various policy incentives of the government.

The Udyog Bandhu will have a three tier structure with the chief minister heading the apex high-level committee for big-ticket investments. The chief secretary would head a separate state-level committee and the executive director of Udyog Bandhu would chair a committee for other projects. The decision regarding this was taken at a Cabinet meeting on Tuesday. ET Bureau– Lucknow

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RBI committee favours differential tax regime for exporters

Seeking to boost exports and bridge the ballooning current account deficit, a RBI committee today suggested slew of measures like introduction of differential tax regime and increasing the scope of interest subsidy scheme for exporters. "The global trade environment may not improve in the immediate period. There is, therefore, an urgent need to boost India's exports so that the trade deficit is narrowed down and CAD stays within the projected cap," the RBI said.

The Reserve Bank had constituted a Technical Committee on Services/Facilities for the Exporters under the Chairmanship of RBI Executive Director G Padmanabhan to suggest ways for improving financial support from alternative sources.

Among others the Committee has made recommendations relating to review of Gold Card Scheme for extension of export credit to exporters, appropriate inclusion of export finance under the priority sector lending and raising of foreign currency loans on pool basis for extension of export credit to exporters.

The Committee has recommended for "inclusion of additional sectors, such as electronics and all engineering goods, especially automotive sector and all exports originating from domestic tariff area units to SEZs".

It said that like Singapore and Sri Lanka, which offer differential tax rates to promote exports, the Government may consider offering this facility to Indian exporters.

It also asked for early introduction of GST to make the tax structures more streamlined for exporters, who incur numerous levies, such as VAT, purchase tax, turnover tax, octroi, electricity duty, which are making the export pricing uncompetitive.

Further, the committee recommended continuation of export credit refinance policy for three years which would provide certainty in availability of funds to the banks for managing their asset liability positions and would also build confidence among the exporting community.

It asked for setting up of a nodal agency for borrowing in foreign currency from abroad on a pool basis and further lend to these companies in India at competitive rates.

"Borrowing on a pool basis will increase the bargaining power of this nodal agency with overseas lender thereby ensuring cost effective solution to exporters for its technological innovation/ upgrades/ capacity expansion," it said. It added that Exim Bank maybe nominated as the nodal agency for this initiative.

CAD, which is the difference between the inflow and outflow of foreign currency, had touched a record high of 6.7 per cent in the December quarter of last fiscal year.

India's exports declined by 1.76 per cent to USD 300.6 billion in 2012-13. The trade deficit during the period has touched an all time high of USD 190.91 billion.

The committee's report said that currently companies find it difficult to take up modernisation, technological upgradation due to high cost of the rupee financing and challenges associated with securing foreign currency financing.

The committee is of the view that technological upgradation to optimise the cost is critical to build competitive edge in the international markets.

On the Gold Card Scheme, it said there are implementation problems with the scheme at the level of banks and suggested for its review for greater facilitation to the exporters.

The Scheme envisages certain additional benefits based on the record of performance of the exporters. The Gold Card holder enjoys simpler and more efficient credit delivery mechanism in recognition of his good track record.

It also said 'Line of Credit' in foreign currency should be made available to exporters in order to provide flexibility to them.

"Buyers credit should also be made increasingly available, and the cap of USD 20 million for Trade Credit may be raised in deserving cases," it added. PTI– New Delhi

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