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## Record grain output of 9m MT projected

Nepal is expected to record an all-time high production of food grain of over 9.457 million tonnes in fiscal 2011-12, driven mainly by higher output of paddy, wheat and maize. According to the Ministry of Agriculture, annual cereal production is expected to increase by almost 10 percent in the current fiscal year. The record output will give the country a food surplus of 600,000 tonnes.



Out of the total production, the output of summer crops — paddy, maize, millet and buckwheat — is expected to jump 13.72 percent, 5.4 percent, 4.08 percent and 13.34 percent respectively. The output of winter crops — wheat and barley — is estimated to grow 5.7 percent and 14.9 percent respectively.



"Timely monsoons and winter rain along with the distribution of improved seeds have helped the country to achieve an all-time high food output this year," said Hari

Dahal, spokesperson at the Agriculture Ministry.

According to Dahal, fewer natural disasters also contributed to the bumper harvest. This year, only 15,017 hectares of farmland were affected by natural disasters. Even though the area under cereal production grew a mere 0.2 percent, output surged 9.6 percent. This year, food crops were grown on 3.48 million hectares.

The ministry said that the contribution of food grain to the Agriculture Gross Domestic Production (AGDP) has increased to 36.36 percent.



National Planning Commission (NPC) vice-chairman Dipendra Bahadur Kshetry said that increased output would push the country's economic growth besides assuring good supply in the market and helping to control food inflation. "Adequate food supplies will keep prices down which are still very high," Kshetry said. Despite the potential of the agriculture sector, Kshetry said that the government still had been neglecting it. "We still have to ensure irrigation among other extensions and research in the agro sector for its sustainability," he added.

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NEPAL ART SHOP

## Freshly-designed paper products wow importers

Manufacturers of Nepali paper products have been leaving out traditional designs and going for new styles and fusion types. According to traders, vibrant colours and designs with cultural images or dried plant products with a natural look are the current

Nepali paper products worth Rs 400 million is exported. The US, Japan and Europe are the major markets for Nepali handmade paper products.

According to FHAN, exports of Nepali paper and paper products surged 50 percent to Rs 312.54 million in the first nine months of the fiscal year. With growing demand for multicoloured paper, manufacturers have shifted to enhanced production methods. They have started using pulp, chemical and vegetable dyes to produce paper in varied colours.

Pure Handmade Paper from Nepal



favourites.

Bikash Ratna Dhakhwa, president of the Federation of Handicraft Associations of Nepal (FHAN), said that demand for these kinds of products had risen mainly in the US market. Mohan Krishna Manandhar, secretary of the Nepal Handmade Paper Association (Handpass), said they were exporting paper products printed in different designs. "Paper

"Paper products coloured with vegetable dyes are in high demand as they have a natural look and are free of foul odours," said Bhakta Bahadur Basnet, executive member of Handpass and proprietor of Tiwari Hate Kagaj Udhyog. "However, the colour lacks uniformity due to the difficulty in composing it."

In addition to the usual export products made of Nepali paper like notebooks, lamp shades, pen holders and credit card holders, traders have begun exporting new products like ornaments, clothes and shoes. Manandhar of Handpass said they had started exporting ornaments made of Nepali lokta paper. "Products like necklaces, earrings, bracelets and rings made of paper are attracting European importers," he said.



printed in leaves of various plants are among the desired products of importers," he said. "These papers are used as wall paper and in gift packing."

Nepali paper and paper products are one of the country's important exportable goods. About 80 percent of the annual production of

Similarly, apparels made of Nepali paper are also among the newly designed products. "As the outfits made of Nepali lokta are durable, washable and look more stylish, people are attracted towards them." Manufacturers have also started exporting shoes made of Nepali paper. Manandhar said fusion products were mainly exported to Japan.



NEPAL ART SHOP

## Record grain output .....

Economist Economist Bishwambher Pyakurel said that the increased output could control the uncertainty of food prices in the market to some extent. The impact of the rise in production is likely to be visible in the market later. "However, if the government fails to monitor and regulate food prices, the growth in output will not have any significant impact in the market," Pyakurel said.

However, economists said that the boost in production might cheer the government and the traders, particularly middlemen than to the farmers. They further said, as the government does not procure agro products from the farmers timely and at reasonable rate, all the benefits are enjoyed by other than the farmers who fix the prices of the commodities.

## MoU signed to build Ktm-Hetauda Tunnel Highway

The government of Nepal has assigned the task of constructing the Kathmandu-Hetauda Tunnel Highway to private sector. The Ministry of Physical Planning and Works and the Nepal Purbadhar Bikash Company Limited have signed the preliminary agreement to construct the tunnel road on 14<sup>th</sup> May at the presence of Prime Minister Dr. Baburam Bhattarai at the NPC hall.

The NPBC has set a target to bring the highway, which is estimated to cost Rs 20 billion. The much-talked about road will connect Kathmandu with Hetauda via Kulekhani in an hour.

Addressing a gathering organised to sign an agreement, Prime Minister Dr. Bhattarai said that it was one of the projects being constructed under the public-private partnership with the people's mobilization and also assured the private sector that there would be no problem while implementing the project.

He also urged the government officials, private sector and the people to make the project a landmark project that could help boost the investment climate in the country and also help enhance the morale of foreign investors.

NPBC has set a target to construct the tunnel highway based on a new concept of '4P'—Private, Public, People Partnership—model. Similarly, local government bodies and interested Nepalis living abroad and banks, too, can invest in the project.

"The tunnel highway will come into operation within next three and a half years," said Kush Kumar Joshi, who signed the MoU on behalf of the NPBC. Joshi, who is also the Chairman of Kathmandu-Hetauda Tunnel Highway Stakeholders' Committee, said that the DPR would be completed within the next six months. He further said that the construction of the Kathmandu-Hetauda road would turn out to be economic, efficient and life line of the country if completed within the stipulated time-frame.

The NPBC shareholders include FNCCI, Federation of Contractors Association of Nepal, Non-resident Nepalis, and 50,000 locals from 26 village development committees of Kathmandu, Lalitpur and Makawanpur. The lo-



Highlights of the Highway	
Project:	Kathmandu-Hetauda Tunnel Highway
Assigned to:	Nepal Purbadhar Bikash Co. Ltd.
Total Length of the road	50 km
Total Estimated cost	Rs 20 billion
Tunnel Length	3 KM
Tunnel Cost	Rs 10 billion, i.e. Rs 3.30 billion per km
Cost of Remaining portion	21.3 Crore per km
Project Model	'4P' Private, Public, People Partnership
Project phase	4 years (Including DPR)

icals would invest Rs 10,000 each in the project, according to the company.

Of the total length 50 km of the project, a 3km long tunnel road will be build between Bhimpheedi and Kulekhani in Makawanpur that can be crossed in three minutes, according to the NPBC. The tunnel stretch

alone will need an investment of around Rs 10 billion,

With the completion of the road, it will take around one hour to reach Hetauda from Kathmandu. There are two to three alternative ways at present to reach Hetauda from Kathmandu. All these roads take around 7-8 hours. Fulbright Consultancy, a consultant that prepared proposal for the Kathmandu-Hetauda Tunnel Highway, said that the road was planed to reduce the travel time to Hetauda. Currently, people travelling to Hetauda have to take either the 133km long Tribhuvan Highway or the Kathmandu-Mugling-Hetauda route that is 227 km long. Once it comes into operation, the planned four-lane tunnel highway will serve a daily traffic of 6,000 vehicles. The Tribhuvan Highway, which was built 55 years ago under the India grant assistance, is used by around 200 vehicles for travelling to Hetauda every day in these days.

Lal Krishna KC of the Fulbright Consultancy said that Prithivi Highway, Tribhuvan Highway, Kulekhani road that connect Kathmandu with Tarai are narrow despite high traffic movement. "It will be a fast-track alternative road to link the Capital with Tarai," KC said.

## Trade policy expert wing in MoCS

Acknowledging the fact that handling issues related to trade and its dynamism is beyond the capacity of civil servants, government has decided to set up Trade Policy Analytical Wing (TPAW) in the Ministry of Commerce and Supplies (MoCS).

"Analyzing the trade issues and policies is definitely beyond the capacity of administrative staffs," Toya Narayan Gyawali, joint secretary of the ministry said. "It was decided to establish the TPAW in order to fill that gap."

The wing comprising experts on trade policy and development will support the World Trade Organization (WTO) division and trade related issues at the MoCS.

According to Gyawali, the United States Agency for International Development (USAID) has agreed to assist the ministry in this regard. "The wing will be completely under the WTO division of the ministry," he said, "The purpose of establishing the wing is to be more efficient and prepare ourselves for bilateral and multilateral negotiation."

Nepal which became a WTO member in 2004 has no such body in the ministry till the date. Referring to the frequent transfer of the staffs in the ministry, Gyawali said, "The wing

of experts will always be there to support anyone that comes to work here." The wing will have a maximum of 3 people, according to Gyawali.

Government prepared a Nepal Trade Integration Strategy (NTIS) 2010 - a blueprint to boost the country's export - is looking forward to various bilateral and multilateral trade talks in different forums.

"We also need feedback from experts to know the trend of global trade before sitting for negotiations with different countries and agencies," said Gyawali, who is also the chief of the WTO division. "Wing's main responsibility will be to make a sound base for negotiation and provide feedback for decision making."

MoCS has said that the government is preparing to have regular bilateral talk with countries like the US, China and Bangladesh in the near future.

"The wing will be established now in the temporary basis," Gyawali said, "We might think of making it a permanent body of the ministry after some time." The government has completed the trade policy review of the country under WTO norms in March.

## Three Chinese firms submit bid for Pokhara regional intn'l Airport

Three Chinese firms have submitted bids, expressing their interest to design and construct a regional international airport in Pokhara.

Though altogether ten companies had purchased bid document from Civil Aviation Authority of Nepal (CAAN), the three companies who have submitted their bids are China CAMC Engineering Company Limited, China International Water and Electric Corporation and Sinohydro Corporation.

Triratna Manandhar, director general of CAAN, said the aviation regulator's board meeting will award the tender to the lowest bidder after conducting technical and financial evaluation of the proposal.

Following the instruction of Public Accounts Committee (PAC) and repeated requests by Chinese companies, CAAN had extended the tender deadline for additional 45 days which expired on May 4. Despite the extension, as per CAAN, "the number of companies purchasing the bid document didn't exceed 10".

The government is preparing to use the soft loan of around \$145 million from Export-Import (EXIM) Bank of China for the execution of the project.



The airport, which is targeted to be completed within three years of the commencement of the project, will be able to handle single aisle jet aircraft. In 1975, the government had acquired 3,106 ropanis of land at Chhinedanda in Pokhara for the construction of international regional airport.

## Nepal invites Georgian investment

Nepal has invited Georgian investment in hydropower, tourism and agriculture.

"The government has created a conducive environment for investment in the country," said chief executive at the Investment Board Radhesh Pant during an interaction with the visiting Georgian investors on 'investment opportunities in Nepal,' organised by the International Chamber of Commerce (ICC) in Kathmandu last week.

"The investors can also expand their market to the largest markets in the world — China and India — from Nepal," he said, adding the government has formed the Investment Board as a single window solution for the for-



Georgian investors expressed their optimism regarding investment in Nepal.

Lately many countries have shown interest to invest in Nepal as the recent political developments have been encouraging.

eign investors. "The board will facilitate the investors as it is working on packages to attract investments."

On the occasion, the visiting deputy foreign minister of Georgia Levan Davituliani said that they are interested in investing in Nepal. "The progress in Georgia was due to effective administration and control of corruption," Davituliani said, adding that a favourable and one-window policy for investors that helped in making quick decisions helped Georgia attract invest-

## Czech Republic seeks DTAA with Nepal

The Czech Republic delegation visited last week has asked Nepal to sign Double Taxation Avoidance Agreement (DTAA) that will pave way for the investment agreement in future.

"A delegation of Nepali businessmen should visit Czech Republic to discuss possibilities of cooperation with Czech companies," the visitors said during an interaction with the Confederation of Nepalese Industries (CNI) here on 7th April.

"The Czech Republic is ready to sign a Cooperation Agreement with CNI," they said, adding that based on the agreement a Joint Committee on Economic Cooperation will be established.

"Nepal and Czech Republic have vast scope of cooperation in areas of trade, commerce and development," said the Czech Republic's ambassador to Nepal Miloslav Stašek, who led the diplomatic team to Nepal. Czech Republic is poised to take initiative to materialise the potentialities, he said, adding that they see distinct possibilities to cooperate in hydro power projects, waste management, water solution, tourism and services. "A Memorandum of Understanding (MoU) between the CNI and CCI will enable business communities of both countries to work together more closely."

Welcoming the envoy senior vice president of CNI Narendra Kumar Basnyat said the visit of Czech ambassador and interaction will play a pivotal role to strengthen economic relations and cooperation between the two countries especially the private sectors of both the countries

in particular. "CNI has considered the visit as an opportunity for fostering the bilateral economic relationship," he added.

Similarly, vice president of CNI Hari Bhakta Sharma, on the occasion said that private sector in Nepal has been vibrant and active in enhancing the economic activity. "There are vast areas of potentiality waiting to be exploited in agriculture sector as a commercial venture," he said, adding that the government is also committed to create business friendly environment by implementing New Industrial Policy, established Investment Board and is bringing new Industrial Enterprise Act to attract foreign direct investment.

In the programme where Honorary Consul of Czech Republic in Nepal Bishnu Agrawal and CNI members, entrepreneurs from the both countries took part, head of commercial and economic section of embassy of Czech Republic India Jiri Janick presented a paper on the socio economic scenario of Czech Republic including its export and import as well as possibilities of expanding trade with Asia Pacific and Nepal.

The volume of trade between Czech Republic and Nepal has been increasing gradually but it is in favour of the Czech Republic. Nepal exports mainly readymade garments, handicrafts, hand-knotted woolen carpets, tea and medicinal herbs to the Czech Republic. Imports from the Czech Republic mainly constitute medicine and medical equipment, electrical goods, machinery and parts, glass beads, motor cars, bulldozer, crane and parts and foodstuffs. Nepal exported goods worth \$1.593 million in 2011 while Czech Republic exported goods worth \$3.166 million in 2011.

## Nepal fastest urbanizing country in South Asia

Nepal might be the least urbanized country in South Asia, but it is also the fastest urbanizing country in the region, and unless the government makes serious attempts to better manage urbanization, the country could fail to attain economic efficiency from urbanization, cautions a new World Bank study.

The findings of the study - Urban Growth and Spatial Transition: An Initial Assessment - which the WB disseminated on 8th May says urban population in Nepal has grown at more than 5 percent on average since 1970s, mainly as people moved rapidly to areas of jobs and better economic opportunities.

While that has led some 20 percent of Nepal's population to presently live in urban areas, the urban areas are together generating about 65 percent of gross domestic product. Given that urban areas serve as powerhouse of economy in any country, the report says Nepal can tap the potential of its cities to leverage their comparative advantages and turn them into competitive advantages.

However, Elisa Muzzini, Urban Economist at the World Bank who led the study, said Nepal's urban centers, particularly the Kathmandu Valley, are already facing serious challenge due to multiple issues.

For instance, she said household access to piped water supply in urban Nepal has declined from 68 percent in 2003 to 58 percent in 2010. While the Kathmandu Valley suffers from unplanned construction, infrastructural bottlenecks in coming years are feared to hit the city's productivity.

As a result, the Valley has failed to turn its comparative advantages on areas like cultural tourism, handicrafts and agro

-processing into competitive advantages, says the report. As unmanaged urbanizing could also lead other fast growing urban centers to similar situation, it has urged the government to give immediate priority to urban planning and development.

"It is always easy and cost effective to address these issues while urbanization has just started. Once the urban centers grow into full-blown unplanned congested cities, it will be pretty difficult and costly to bring in efficiency in them," said Muzzini.

The report has strongly advocated the government to prioritize investment in infrastructure, connect cities internally and externally, and make growth inclusive in order to foster growth and sustainability of urban areas by adopting three-prong approach -- institutional, infrastructural and incentives development -- to attain sustainable economic growth.

In case of the Kathmandu Valley, it has asked the government to strongly promote the development and regeneration of the Valley. "The government should strengthen and implement planning in the Valley, develop an infrastructure policy and plan for the Valley and regenerate the historic city," said Muzzini.

Likewise, the report has urged the government to enhance competitiveness of the strategic urban clusters by promoting sustainable cultural tourism, modernizing the handicraft sector and improving agro-processing competitiveness - three areas that have been mainly creating jobs for the migrants.

## Fiat targets 20 showrooms in India by end-2012

Fiat SpA(FIA.MI) plans to open 20 exclusive dealerships in India by the end of 2012, a spokesman for its India unit said, as the car-maker starts to rebuild its network after ending a distribution agreement with Tata Motors. The Italian carmaker opened its first Fiat-only showroom this week in the southern city of Hyderabad. Fiat cars were previously sold in Tata showrooms.

Fiat's solo push comes after years of disappointing sales, in a country where foreign produc-



ers such as Ford (F.N), Honda (7267.T) and Nissan (7201.T) have recently acted to take more control of their own operations. The company, which sells 20,000 cars per year in India, has not disclosed how much it will invest in developing its dealer network in India.

Fiat, which will continue to manufacture cars and engines in collaboration with Tata, currently sells the Linea, Palio and Punto models in India, and is in the process of draw-

ing up a new product line for India.

## Upper Tamakoshi Hydel Project: PAC to UTHEP: Clear all hassles within a week

A meeting of the Public Accounts Committee (PAC) under parliament on Tuesday instructed the government to forward the construction work of the Upper Tamakoshi Hydropower Project for completing the project at a cost price on time. Realizing that the project has been delayed due to managerial weaknesses, the meeting also directed the Ministry of Energy, Nepal Electricity Authority (NEA), investors and other concerned bodies to hold a meeting of board of directors within a week to solve the existing disputes concerning appointment of management and declaration of the terms of reference. Similarly, PAC meeting also asked the government to submit the monthly progress report to the committee by implementing the earlier PAC instruction.

Similarly, PAC also directed the government to depute the employees, experts, consultants and contractors in the field within a week. During the meeting, the lawmakers underscored the need for paying due attention to



the completion of the construction of national pride projects being built with domestic funding.

The 456-MW hydropower project based in the Dolakha district is the first large project to be constructed with internal resources. The construction of project had begun almost a year back. The project is expected to be completed by 2017. The total estimated cost of the project is around Rs.31.8 billion.

The government, financial institutions and public enterprises, including Nepal Telecom, Employees Provident Fund, Rastriya Beema Sansthan, and Citizen

Investment Trust have pledged investment in the project.

Officials and shareholders of the project said that the delay in board meeting has created funding problems with the board unable to approve the funding to the contractors. Facing a disturbing trend of project directors being appointed and ousted, the project lacks a much-needed stability.

Hari Ram Koirala, secretary at the Energy Ministry, admitted that delays including in funding has stalled the progress in the construction of a tunnel. "It would be a big challenge to meet the target on tunnel construction this fiscal year," he said.

According to him, the project had set a target to complete a 4km of tunnel by the end of this fiscal year, but the progress so far has been discouraging—achieving only 2.4 km so far. Koirala, however, assured the PAC that the MoE would make an effort to remove the ongoing distrust between the ministry and the project.

## Govt, EIB sign pact for capital investment

The government of Nepal and European Investment Bank (EIB) - the European Union's long-term financing institution - last week signed a Framework Agreement, under which the bank would start financing capital investments in Nepal. Finance Secretary Krishna Hari Baskota and the EIB Vice-President with special responsibility for Asia, Magdalena Álvarez Arza signed the agreement on Monday.

"This is a very significant moment. I am confident this first milestone in the cooperation between Nepal and the EIB will soon result into the implementation of projects, especially in the area of renewable energy and energy infrastructure," said Arza at the sign-

ing ceremony.

With the agreement, Arza said EIB can help Nepal develop further its hydropower potential and improve economic prosperity and quality of life for the Nepalis.

Dr Alexander Spachis, Ambassador, Head of the European Union Delegation to Nepal, stated that the agreement has opened up additional avenues for the government to acquire funds for further pursuing development initiatives on important social, economic and development sectors.

"The agreement is in line with the EU's recent initiatives designed to assist developing countries in achieving inclusive

economic growth, including providing access to sustainable energy to their populations," he stated.

The EIB finances projects in countries which have concluded cooperation agreements with the European Union. In Asia, the Bank has so far signed Framework Agreements with Bangladesh, China, India, Indonesia, Laos, the Maldives, Mongolia, Pakistan, the Philippines, Sri Lanka, Thailand, Vietnam and Yemen.

Following the signing of the agreement, the EIB vice-president also called on Prime Minister Dr Baburam Bhattarai at his office and discussed the future role of the EIB in supporting Nepal's sustainable development, reads a press statement of EIB.

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Treasury Secretary Timothy Geithner said that China had made "important steps" that would translate "into greater opportunities for U.S. workers and companies."

Federal Reserve Chairman Ben Bernanke also participated in last week's discussions in Beijing. The approval by the Fed board, which oversees U.S. bank holding companies, came on unanimous votes. The Chinese applications had been pending for as long as nearly two years.

China's state-owned banks have played a key role in the country's growth in recent years as they lent record sums of money after the global financial crisis.

At the same time, some critics in the US have also raised concerns about accounting practices used by Chinese firms. However, the Federal Reserve said that it was satisfied with the operations of ICBC and also with the overall regulations in the Chinese banking sector. "China's largest banks, such as ICBC, use the 'big four' accounting firms, there is no evidence that Chinese accounting methods or practices at the large Chinese banks, such as ICBC, are unreliable." the Fed

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## ICBC gets approval to take over US bank

The Fed board announced last week it was approving the application of the Industrial and Commerce Bank of China Limited, China's largest bank, and two other Chinese firms to purchase The Bank of East Asia U.S.A., located in New York City.

The Fed also approved an application by the Bank of China to set up a branch in Chicago and an application by the Agricultural Bank of China Limited to establish a branch in New York City.

All three applications were approved after high-level talks last week between the United States and China.



said in a statement.

Analysts, meanwhile, called the unprecedented approval a "landmark step" for regulators that could have global implications.

Banking lawyer Chris Daniel told the Wall Street Journal, "It's a significant milestone for China and the Chinese banks, which will allow them to engage in further business in the U.S. and Europe as well."

The Industrial and Commerce Bank, China's largest bank with total assets of approximately \$2.5 trillion, is 70.7% owned by the government of China. The government of China holds similarly large stakes in the other two banks.

The Fed gave the Industrial and Commerce Bank and its two partners approval to acquire up to 80 percent of The Bank of East Asia U.S.A. This bank has 13 branches in New York and California and deposits of approximately \$621 million.