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NICCI e-Newsflash

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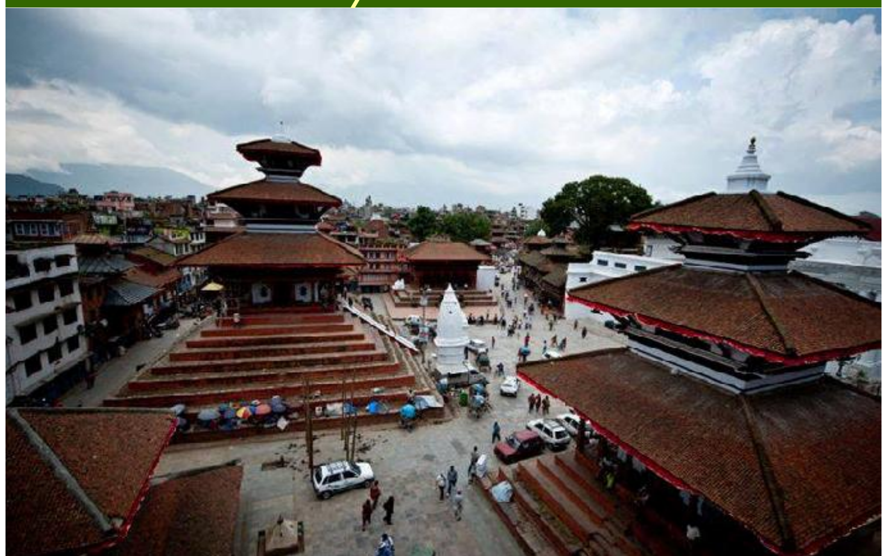
Architectural Nepal



Kathmandu Durbar Square, a world heritage site with spectacular architecture showcase of the skills artists and craftsmen over several centuries...

Nepal India BUSINESS CONCLAVE
a monthly talk series

Embassy of India in association with Nepal-India Chamber of Commerce and Industry (NICCI) has launched "Nepal-India Business Conclave : a monthly talk series" based on the relevant trade, transit and custom issues. The objective of these talk series is to generate awareness and also to find a possible solution for t he day to day problems in Indo-Nepal trade. The first event of the series was launched on 26th July 2013 in Hotel Annapurna on the "Overview ofIndia-Nepal Trade Relations".

The next issue of our Newsflash will be dedicated to this events with details.

Govt launches WB funded $99m project Nepal-India Regional Trade and Transport

The government has launched an ambitious Nepal-India Regional Trade and Transport Project (NIRTTP) which is expected to considerably reduce the transport time and logistical costs for bilateral trade between the two neighbours Nepal and India and transit trade along the Kathmandu-Kolkata corridor.

Funded by World Bank (WB), the $99 million five-year project has three major components—modernising transport and transit arrangements between Nepal and India, strengthening trade-related institutional capacity in Nepal and improving selected trade-related infrastructure.

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Govt launches WB funded $99m project ………..

The project will upgrade and expand the 33km section of the Narayanghat-Mugling road to the Asian Highway standard and address road safety, axle load control and environmental sustainability issues along the trade corridor. The Narayanghat-Mugling section experiences the heaviest traffic load, accounting for 90 percent of Nepal's total international trade traffic. According to Mahesh Raj Timsina, the project coordinator, the section will be expanded to double lane road with a width of 9-11 metre.

In a bid to maintain the road, an axle load control system system will be installed in at least two points between Birgunj and Kathmandu. The system will measure the weight of vehicles that ferry imported goods to Kathmandu.

Under the project, the inland container depots (ICDs) in Birgunj and Bhairahawa will also be improved. There is also a plan to establish a container freight station (CFS) in Chovar, Kathmandu to facilitate the loading and distribution of goods in the Valley. It will contain facilities such as a parking lot and warehousing, and possibly customs clearance.

Similarly, under the component of strengthening trade-related institutional capacity, the project will focus on two programmes: to set up a standardized lab and a single window trade facilitation centre.

Ministry officials said due to the lack of standardized lab, traders are forced to send some of the items to Haldiya for testing and certification. "It will bring a relief to the traders once a world standard sanitary and phytosanitary (SPS) lab is set up in the country," said an official.

The WB has extended a total of $99 million, which includes $69 million soft loan and $30 million grant for the project. Timsina said that $48 million alone would be invested in the improvement of the Narayangadh-Muglin road and $51 million for other components.

Trade expert Ratnakar Adhikary said infrastructure has been the major bottleneck of country's foreign trade. "Projects like this will help address the infrastructure-related problems, both immediately and on long term basis," he said.

Bhairahawa SEZ plans 100pc corporate tax relief

Once the Special Economic Zone (SEZ) in Bhairahawa comes into operation, it will allow hundred per cent relief on corporate tax to industries within it for seven years, states the Ministry of Industry.

"Industries within the Bhairahawa Special Economic Zone will receive hundred per cent corporate tax relief," said executive director of SEZ Shankar Man Singh.

According to officials at the ministry, industries within SEZ will be able to enjoy hundred per cent tax relief for seven years and subsequently the charges might change.

"Though the physical infrastructure has been built, it needs a special Act, and working modality so that it is easy to select and monitor industries within the Special Economic Zone," Singh said. "Along with the relief on corporate tax, industries will also receive uninterrupted power supply and adequate safety and security," he said.

According to the ministry, it is preparing to announce proposal requests from industries that want to shift to the Special Economic Zone.

According to Pradeep Jung Pandey. vice president of Federation of Nepalese Chambers of Commerce and Industry, the operation of the Special Economic Zone depends on how early the government brings the SEZ Act. The government should ensure facilities such as bank finance, lease facility and special Labour Act for effective operation of industries.

The budget for this fiscal year has mentioned about the formation of a legal provision for the Special Economic Zone to promote exports by providing special facilities to export oriented industries.

The budget also mentions about the construction of infrastructure in Panchkhal and Biratnagar after the land acquisition process is over and also about developing infrastructure in Simara.

It is estimated that the Bhairahawa Special Economic Zone, whose construction started in 2008, can generate 9,100 jobs over a decade. However, in a progressive scenario it can generate around 13,300 jobs and employ 20,500 people in the best case scenario.

A dozen companies are interested in shifting their base to the Bhairahawa Special Economic Zone but it depends on the government's policy, which will decide on what type of industries will be located in the SEZ, though earlier, it had planned to house only export oriented industries.

NEA to supply up to 56 MW power through dedicated feeders

Nepal Electricity Authority (NEA) is preparing to supply electricity up to 56 MW through dedicated feeders to industries. In a bid to address the demand from the industrial sector that has been hit hard by extended power outage hours, the state-owned power utility said it would supply energy through dedicated feeders from its six corridors. The NEA tabled this proposal to the Electricity Tariff Fixation Commission (ETFC) on Tuesday.

On May 27, the NEA had proposed the ETFC to hike tariff for the electricity supplied through dedicated feeders by up to 100 percent. In reply, the ETFC had sought a detailed programme from the NEA in this regard. NEA Managing Director Rameshwor Yadav said the NEA is committed to serve the interest of the industrial sector and will soon introduce the system once the proposal is endorsed by the ETFC. Of the 56 MW electricity to be supplied through dedicated feeders, the NEA will manage 30 MW through diesel plants in Hetaunda and Duhabi and import 26 MW from India, it said in the proposal.

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NEA to supply up to 56 MW power ……………

"The NEA will supply uninterrupted energy through dedicated lines for up to 20 hours a day," he added. ETFC chief Ganesh Prashad Subba said although the proposal aims at offering some relief to the industrial sector, it needs to be discussed extensively to make sure the provision will not put domestic consumers in difficulty.

As per the submitted proposal, the NEA will supply 12 MW from Sunsari-Morang Corridor, 25 MW from Simara-Birgunj and Hetaunda-Bharatpur Corridor, 4 MW from Janakpur-Sagarmatha Corridor, 2.5 MW from Pokhara Corridor, 5 MW from Kathmandu Corridor and 7.5 MW from Butwal Corridor through dedicated lines.

NEA said it supplies 25 MW to Balaju Industrial Estate, Nepal Telecom, Ncell, Tribhuvan International Airport (TIA), and Om Hospital, among others, through dedicated feeder lines.

Central bank bars MFIs from multiple lending

The central bank has adopted a policy of discouraging multiple lending in all types of banks and financial institutions in the new monetary policy. Based on the new policy, Nepal Rastra Bank (NRB) has banned micro-finance institutions (MFIs) from lending to multiple loanees against single collateral. The central bank has directed MFIs to take credit information of loanees from their peers, but the absence of an institutional mechanism like Credit Information Bureau on credit history sharing has worsened the situation. "This has raised the chances of multiple lending and has increased credit risks," said an NRB official.

However, the unified directive issued by the central bank has allowed transfer of loans among members of the same family. This provision was adopted after recovery problems were created due to the loanees' departure for foreign employment, according to the official. "After the loanees move abroad, it creates problems in loan recovery," said the official.

The NRB has reduced the penalty on MFIs failing to meet the cash reserve ratio (CRR) requirement. If the CRR is inadequate for the first time, an MFI will be charged a fine equivalent to the bank rate on the CRR deficit amount. If the situation repeats for the second time, the fine will be one and half times of the deficit amount. The fine will be double the deficit amount in the third time.

Earlier, the penalty provision was same for the first CRR deficit, but the fine would be double the deficit amount in the second time and triple the deficit amount in the third time.

MFIs which do not collect deposits from the general public have to maintain 0.5 percent of their deposits as CRR, while those collecting public deposits have to maintain 2 percent CRR.

The central bank has banned subsidiary MFIs of A, B and C class financial institutions from maintaining deposit accounts in parent BFIs for interest earning purpose. The central bank has allowed professors and lecturers of collages to sit on MFI board.

IBN to assign Nepal Metro to conduct study for metro rail

Investment Board Nepal (IBN) is planning to order Nepal Metro to prepare a detailed project report (DPR) for the proposed Kathmandu Metro Railway Project. The board has been working on finalising the terms of reference (TOR) for the study.

Last year, the government had assigned the metro railway project to the IBN, and the Cabinet had decided to give the DPR job to Nepal Metro. The company has submitted a proposal to conduct a detailed study and build a mass rapid transit system in collaboration with international firms.

"We have sought comments over the draft TOR from the Ministry of Physical Infrastructure and Transport," said IBN CEO Radhesh Pant. He added that once the TOR was ready, the IBN would sign an agreement with Nepal Metro to do the DPR. Meanwhile, the government is reluctant to assign the construction work to Nepal Metro despite its desire for the contract. According to Pant, the IBN will call for transparent global bidding to select a contractor for the Kathmandu metro.

Since the project requires a huge investment, a global tender is a must to build it under the build-own-operate-transfer (BOOT) modality, according to Tulasi Prasad Sitaula, secretary at the Physical Infrastructure Ministry. "Nepal Metro too would be able to participate in the bidding," he added. However, Nepal Metro CEO Deepak Timilsina said they wanted the contracts for both the DPR and the construction.

Last year, the government had hired consultants consisting of a consortium of Korean and Nepali firms to prepare a feasibility report for the project. The Korean companies in the consortium were Chungsuk Engineering Company, Korea Transport Institution, Kunhwa Consulting and Engineering Company and Korea Rail Network Authority while the Nepali companies were Research Management Consultant Environmental and Building Design Authority.

The study showed that five metro lines - four lines inside the Ring Road and one 27.35 km line running around it - would be feasible. A feasibility study for the metro railway prepared by the government had concluded that the railway system in the Capital would costs US$ 3.88 billion (Rs 330 billion).

Timilsina said that the Maharajgunj-Satdobato and Kalanki-Airport lines among the five lines would be viable for the operation of an elevated metro service. "After signing the contract for the project, we will be able come up with the DPR within eight to 12 months," he added.

Nepal-India Chamber of Commerce & Industry

Dissemination

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Andhra Pradesh government lifts 6-year-old ban on bulk-drug plants

TheAndhra Pradesh government has lifted a ban on the expansion of bulk drug manufacturing facilities, and it comes as a major relief to the pharmaceutical industry of India. The ban was imposed six years ago to curb pollution. The AP pharma industry, which currently contributes about 35% to Indian pharma exports, hopes the move will help it increase bulk drug manufacturing capacity by at least 25% over the next couple of years.

Indian pharmaceutical exports grew 9.9% last year to $14.6 billion (Rs 79,500 crore), of which bulk drug accounted for some 40%. "It is a positive development and encourages the industry to do the right thing," said GV Prasad , chairman of the largest Indian drugmaker Dr Reddy's Laboratories. There are over 200 bulk drug units spread across Hyderabad and four neighbouring districts. The key drugmakers with facilities in the region include Dr Reddy's Laboratories, Aurobindo Pharma, Divi's Laboratories, Hetero Drugs and Natco Pharma. The AP government had in September 2007 imposed a ban on setting up of new units and expansion of existing bulk drug units in and around Hyderabad following a Supreme Court directive to ban all the polluting units in the region.

K Nityananda Reddy, president of the Bulk Drug Manufacturers' Association (BDMA) and vice chairman of Aurobindo Pharma, said the lifting of the ban will help the industry to expand its capacities by at least 25% over the next 12-18 months. While clearing the decks for expansion of existing bulk drug units, the state government has prescribed strict pollution control norms.

"The industry has already spent some Rs 300 crore on pollution control measures in the past two-three years and the results were acknowledged by the authorities . The industry is willing to invest further," said Reddy. ET Bureau –HYDERABAD

Railways to run 60 heavy haul trains to augment loadings

Stepping up efforts to increase freight loadings, the railways of India is planning to run 60 heavy haul trains on the existing path, a move which will also help to decongest the busy trunk route.

Heavy haul trains at present comprise about 118 wagons instead of the convention 59 wagons. These are achieved by joining two freight rakes, thus enabling railways to double up the carrying capacity in a single trip.

Our aim is to make railway financially and technically viable and to generate more revenue and create additional capacity, newly-appointed Railway Board Member (Traffic) Debi Prasad Pande said here today.

Currently 25 such trains are being operated across the network, transporting raw materials like coal, iron ore and fertilisers to ports, power houses and steel plants. With the new technology and improved track position, efforts are on to run about 50 to 60 heavy haul freight trains to increase the loading capacity, Pande said.

Several countries including South Africa, Australia and the US have made great strides in running this type of trains. Railways have set the target of nine per cent growth in the freight loading and eight per cent increase in passenger traffic in the current fiscal.

Though there will be two engines of 4,500 horse power (HP) each at both end to haul the train, it will be run with a single loco pilot with the help of remote control system as there is no need of deploying drivers at two locomotives, Pande said. He also said currently there are no shortage of wagons and all power houses have adequate coal supply. On passenger sector, he said said "The cross subsidy of Rs 36,000 crore has been reduced to Rs 32,000 crore for running passenger trains after the recent fare hike in fares."

Railways have effected about 21 per cent hike in passenger fares this year. Pande said, "We are running additional trains, adding more coaches in the existing trains to cater the growing demand of travellers." PTI—New Delhi

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