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Naturally Nepal

River Dudh Koshi from Himalayas

Broader South Asian connectivity must to reduce poverty

Development partners are encouraging broader connectivity in South Asian countries for poverty alleviation. “Lack of trade and cooperation is costly and it has an adverse impact on income and poverty,” said lead economist of the South Asia Region at the World Bank David Gould on Sunday in Kathmandu.

Overall, the poor benefit in the transition to freer trade, as net consumers of those products which experience price declines and prices of net producers of goods increases, he said, adding that the non-poor will experience a reduction in welfare. “In Nepal, prices of wheat products, milk, some meat products, edible oils, non-durable goods, carpets and textiles will increase by six to 65 per cent, whereas prices of eggs, sugar, cheese, poultry, motor cars, motorcycles, fuels and lubricants will decrease by three to 40 per cent,” he said, citing the study of the World Bank ‘Breaking Down Barriers to Regional Trade and Cooperation in South Asia’.

Likewise, tweaking institutional relationships, broadcasting the costs of lost opportunities and taking actions — policies and investments — to build coalitions for change will have an impact, Gould added.

The report has highlighted rail networks like Birgunj-Raxaul-Katihar-Rohanpur-Chittagong with links to Jogbani and Agartala as landlocked states like Nepal, Bhutan and Afghanistan have no rail network. “Likewise, landlocked Nepal, Afghanistan and Bhutan also have limited road network and lower levels of access apart from non-tariff and tariff barriers that are blocking economic integration of the region,” it said, adding that a common vision for energy trade and service trade will boost trade in the regional bloc.

However, trade experts argued that historical baggage and political domination coupled with bureaucratic mentality have blocked regional economic integration in South Asia despite a huge intra-regional trade potential.

“Bilateral economic and trade relations have been guided by political relations rather than bilateral and multilateral agreements,” according to former commerce and supplies secretary Purushottam Ojha. If the political relations between two countries are good, trade flourishes, otherwise, the bilateral agreements are also useless as the countries find various ways to block trade, he said.

“There has been various incidents of blockage of Nepali goods by different states, despite bilateral agreement between two countries of south Asia,” said senior economist Prof Dr Bishwhambher Pyakuryal.

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Broader South Asian connectivity ………..

"Despite bilateral and multilateral trade agreements, politicisation in the countries has been the key reason for low trade and investments in the South Asia," said commerce and supplies secretary Lal Mani Joshi.

Lack of regional transit agreement, weak institutions and infrastructure and policy-induced regulatory barriers have hurt trade in South Asia, according to executive chairman of South Asia Watch on Trade, Economics and Environment Dr Posh Raj Pandey.

The report also seeks to understand the reasons for low trade and cooperation in the South Asian region and attempts to measure the costs and economic consequences of this low cooperation. The findings have benefited from extensive data analysis and consultations with a wide range of stakeholders in almost all the countries of the region.

Next budget to focus on productive sectors like energy, agri, infrastructure

Finance Minister Shankar Prasad Koirala on Monday directed the officials of Finance Ministry and National Planning Commission to prepare budget for the next fiscal year with focus on energy, agriculture, road and irrigation.

"Unlike earlier years, the budget will not be distributive and focus less. Focus will also be on financial discipline and good governance," said Koirala at Monday's joint meeting of the Finance Ministry and the NPC for the preparation of the budget. In a statement released later on the day, the NPC said that the Finance Minister also urged not make the budget distribute-oriented. The NPC has advised the government not to exceed the ceiling of Rs 506 billion while preparing a budget for the next fiscal year.

"The government is planning to sign performance agreement with the project chiefs of the priority projects to make them more responsible and accountable for the better output," the minister added. There is also a need for a separate mechanism to stop corruption in the budget for the local bodies, Koirala said.

"With the nation deciding to graduate to developing country status by 2022, the finance minister also directed to prepare the budget to achieve that goal," said Chiranjeevi Nepal, chief economic advisor at the Finance Ministry.

Nepal said that the finance minister has directed to identify the sectors that would help us achieve an economic growth rate of at least six percent the next fiscal. The NPC has said that the country needs to achieve average growth of seven percent to graduate to the developing country status in 2022 from the current least developed country status.

Despite enough resource allocation for the local bodies in recent years, the budget has been misused in the name of all-party mechanism. The budget must focus on better resource mobilisation, said senior economic advisor to the Finance Ministry Dr Chiranjivi Nepal.

"As better growth in agriculture sector is fundamental for high economic growth, irrigation will be big focus of the next budget," said Nepal. "Energy and infrastructure are other focus areas that contribute to growth."Nepal said that there had been discussion about merging similar projects to consolidate the fund for specific projects. During the meeting, participants also raised concerns over non-productive expenditure in public enterprises.

The budget must encourage in reducing rising financial crimes, Nepal suggested, asking the officials to channel budget to the productive sectors. "There is no alternative to more investment in agriculture to bridge the ballooning trade deficit."

However, National Planning Commission secretary Yubraj Bhusal and chief of Budget Department under Finance Ministry Lokdarshan Regmi said that the current budgetary system could not bring any changes.

Likewise, experts, on the occasion, showed serious concern on output less investment in public enterprises and security.

WB appoints new country director

The World Bank (WB) has appointed Johannes Zutt as its new country director for Nepal and Bangladesh. Zutt joined the World Bank office in Kathmandu on.Tuesday. Zutt, a Dutch national, has wide experience in development since 1990, as he had joined the World Bank in 1999 and has since then held managerial positions of increasing responsibility.

Most recently, prior to the new appointment, Zutt had served as the country director for Eritrea, Kenya, and Rwanda. He has also worked as the country programme coordinator for a number of countries, including Angola, China, Malawi, Mongolia, Mozambique and Zambia, as well as the team leader for numerous country strategies and projects.

Zutt will guide the World Bank's engagement in Nepal, aiming to help reduce poverty and promote shared prosperity. His priorities will include supporting the government in its efforts to promote sustainable development, inclusive growth and good governance.

The World Bank Group has been a partner to Nepal's development efforts for the past five decades.

Since 1969, the World Bank has provided more than $3.5 billion to support Nepal's efforts at sustainable development and poverty reduction. The bank's current portfolio in Nepal consists of 17 projects with a commitment of $1.3 billion.

Governor urges envoy to relax IC ban

The central bank governor has asked the Indian envoy to relax the ban on high denomination Indian currency (IC) notes in Nepal. In a meeting with Indian ambassador to Nepal Jayant Prasad at Nepal Rastra Bank, here, governor Dr Yubaraj Khatiwada said that a relaxation in the ban on Rs 500 and Rs 1,000 denomination IC notes would help solve the current problems of Indian currency shortage in Nepal.

"A limited and regulated relaxation on the ban of Rs 500 and Rs 1,000 denomination notes in the Nepal-India border could help solve the shortage of IC in Nepal," said Khatiwada, adding that facilitation of exchange of Nepali rupees with Indian rupees through banking channels at the Nepal-India border, and limited relaxation for air passengers to carry high denomination Indian currency notes would also help, though the central bank is, currently, consciously educating people on the ban.

"Due to the rising economy of India in the last one decade, Indian currency is on the way to becoming a regional currency," the governor said. "However, the long-term ban on high denomination Indian currency notes in the neighbouring country would not be practical," Khatiwada pointed out.

Thanking the Indian government and Reserve Bank of India for helping Nepal manage the demand for Indian currency and allowing to invest in Indian securities through Reserve Bank of India, governor Khatiwada apprised the Indian envoy of the problems of migrant Nepali workers in India, who have been facing difficulties in remitting due to lack of identity cards. "They have not been able to remit their earnings easily," Khatiwada said.

On the occasion, they also discussed on cooperation between Nepal Rastra Bank and Reserve Bank of India, demand and supply of Indian currency in Nepal, and payment system between the two neighbours.

As per an agreement between the two countries, the government has banned the use of Indian currency notes of Rs 500 and Rs 1,000 denominations for more than a decade to check smuggling and pushing of counterfeit Indian currency into India.

The Indian envoy, on the occasion, assured to raise the issues of smooth passage for remittance from India and troubles of Nepali traders due to the ban on high denomination IC notes.

The Indian ambassador to Nepal also promised to facilitate easy supply of cash through ATMs of Indian banks.

Work permit rules become stricter

The government has introduced a strict policy while issuing work permits to foreigners wishing to work in Nepal. In a bid to curb growing misuse of work permits, the Department of Labour (DoL) has begun interviewing the applicants. The department's move comes amid an increasing trend of foreigners visiting Nepal on a tourist visa and staying back to work, involvement of foreigners in criminal activities, unemployment in the country and losses amounting to billions of rupees in income tax and work permit fees.

The DoL charges Rs 10,000 a year for a work permit from foreigners and Rs 5,000 from Indian nationals coming to Nepal for employment.

Previously, any non-diplomatic foreign worker in the country used to receive a work permit from the department after fulfilling the set criteria. "Even though foreign applicants have fulfilled the criteria, we have begun interviewing them rigorously to make sure that they deserve to work here and do not have any ill intentions," said Krishna Hari Pushkar, director general at the department.

He added that every foreign national wishing to work in different offices and agencies in Nepal except for diplomatic agencies should go through the interview phase to receive a work permit. The department has set Mondays and Fridays for interviewing the applicants. Officials said that they had also arranged for volunteer interviewers according to the language or job nature of the interviewee.

Officials said the department had already interviewed more than two dozen foreigners since the provision was enforced some three weeks ago. After interviewing a number of applicants from the US, Germany, Italy, Korea, China and Bangladesh, the DoL has issued permits to only four individuals.

Earlier, the number of foreigners receiving work permits was higher. A high level official at the department said some 30-40 individuals used to receive work permits monthly from the department.

According to the department, there are an estimated 50,000 foreigners working in Nepal illegally in different sectors such as NGOs, INGOs, diplomatic missions, hydropower, construction, banking, telecom, airlines, hospitality and educational institutions. The department estimates that the government is losing around Rs 4 billion annually in taxes from them.

"There are a significantly larger number of foreigners who have been staying in Nepal with expired work permits," Pushkar added. According to him, most of the overstayers are from China, Bhutan, Korea, Europe, the US, Africa, Australia and Japan.

Department officials said that the interviewing process had been adopted as there has been a growing number of foreigners coming to Nepal for one purpose and stay here doing something else and occupying positions in different firms which Nepalis can handle themselves.

As per the Labour Act 1992, any organisation in Nepal can hire foreign workers for a maximum period of five years. The term can be extended for up to seven years if the post requires technical skills and Nepalis are hard to find for the specific job.

Employers for fixing pay on the basis of inflation, productivity of workers

Employers have stood firmly on their stand of reviewing salary on the basis of inflation calculated by Nepal Rastra Bank (NRB) even though trade unions are demanding cent percent raise in minimum remuneration of workers.

Inflation is hovering around 10 percent over the past few years. Employers representatives made clear their stance at the 4th meeting of Minimum Wage Fixation Committee (MWFC) held on Monday. However, they failed to fix the minimum salary.

Trade unions leaders had made a presentation in the meeting last week, attempting to justify their demands for monthly remuneration (salary plus allowance) of Rs 12,400.

“We are for increasing remuneration of workers on the basis of inflation rate made public by NRB as well as the paying capacity of employers firms, which are passing through slowdown in business,” said Uday Raj Pandey, representative of the employers in MWFC.

Pandey, who is also the executive member of the FNCCI, said workers´ remuneration has to be determined keeping in view their productivity and should be differentiated in line with the living cost in different geographical locations. “As productivity of workers determines how much remuneration they deserve, we are insisting that there should be relationship between salary and productivity growth,” Pandey added.

At the meeting, employers proposed establishing ´Wage Board´ - a permanent mechanism for automatic review of remuneration at certain interval - in the long run.

They also demanded that remuneration be treated as variable cost of enterprises and that separate remunerations be fixed according to sectors of employment. The employers have also suggested to the government to take load-shedding and rising bank interest rates that lead to low productivity into consideration while reviewing remuneration.

Trade union leaders, on the other hand, reiterated their demand of doubling remuneration to Rs 12,400, keeping in view the rising cost of living and monthly budget required for a four-member family. “Inflation alone should not be considered the base for reviewing remuneration as real inflation in the market is far higher than the figure calculated by NRB,” Hari Dutta Joshi, vice-president of General Federation of Nepalese Trade Unions (GFONT), said. Joshi, who is also member of MWFC, said employers should be more pragmatic to ensure better social security for industrial workers.

Joint Trade Union Coordination Center (JTUCC) -- a common platform of country´s seven major trade unions -- has nominated Joshi, Dhirendra Singh and Ganesh Regmi to the committee. Similarly Manish Agrawal, Ashok Todi and Uday Raj Pandey are representative of the private sector in the committee.

The government had formed the tripartite committee led by a joint secretary at the Ministry of Labor and Employment (MoLE) in the first week of April. The committee has been mandated to settle the issue regarding minimum salary of workers within three months.

Two years ago, employers, trade unions and government officials had agreed to fix minimum monthly remuneration of worker at Rs 6200, including allowance of Rs 2,650, and daily wage at Rs 231.

Separate rents for industrial, trading units being mulled

Industrial District Management Limited (IDML) is mulling imposing separate rental rates for industrial and trading units in industrial zones.

Although industrial estates were established five decades ago to provide facilities to factories in an integrated way, IDML has allowed trading units to be set up in the zones too. It is now considering hiking the rent almost two-fold for them.

“We have finalised a working guideline which has fixed the annual rent at Rs 28,000 per ropani for industrial units and Rs 48,000 per ropani for trading units,” said IDML general manager Gautam Man Shrestha. Currently, businessmen involved in both industrial and trading activities have been paying the same rent to IDML.

There are around 700 production and selling units at the 10 industrial estates situated in Balaju, Patan, Bhaktapur, Hetauda, Dharan, Nepalgunj, Pokhara, Butwal, Surkhet and Rajbiraj. Among them, 42 are non-production business like automobile showrooms, hospitals, banks and financial companies, cooperatives and petrol pumps, among others.

According to IDML, there are 20 such businesses operating in Balaju, nine in Hetauda, eight in Patan, three in Nepalgunj and two in Pokhara. They have been paying the minimum rent. IDML said it would send a draft of the working guideline to the Ministry of Industry soon after getting its board’s approval.

Due to lack of a proper policy at present, IDML has not been able to manage the rental charge properly. Moreover, those who have obtained space at the industrial estates on lease have been sub-leasing them at a higher rent. Meanwhile, IDML said that it had been forced to increase the rent as it has been suffering an annual loss of Rs 120 million. According to Shrestha, IDML’s annual income is Rs 33.3 million while its expenditure amounts to Rs 150 million. The IDML board recently decided to hike the rental charge by 560-960 percent. As per the new tariff, the monthly rent for land inside the Balaju Industrial Estate has increased to Rs 1,000 per ropani from Rs 400.

The FNCCI and the CNI accused IDML of ignoring the bilateral agreement that it signed with the Federation of Industries in Nepal Industrial Estate (FINIE) about three months ago. The accord has provisioned that the government body can increase

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State-run oil firms seek freedom to invest in new outlets

State-run oil firms, preparing for fierce competition from Reliance Industries, Essar Oil andShell, have urged the oil ministry to grant them freedom to spend heavily in setting up new petrol pumps and demanded that the government should lift the recent order banning such investment by the debt-ridden companies.

Indian Oil Corp (IOC), Bharat Petroleum Corp (BPCL) and Hindustan Petroleum (HPCL) have set up 10,236 retail outlets (ROs) in last three years and have purchased land at key locations along highways for new pumps, raising concerns in the oil ministry as their combined borrowings has soared to Rs 150,000 crore. Government officials also said that they want to verify if the declared expenditure on pumps is inflated. "Oil marketing companies used to invest between Rs 20 lakh and 2 crore on each pumps depending on location etc.

This money could be saved as people, mostly rich and influential queue for the dealership and are willing to invest," an oil ministry official said.

Last month, Oil Minister Veerappa Moily had rejected state oil firms' justification that the expenditure is an incentive for dealers to remain loyal to them. "The minister has instructed OMCs (oil marketing companies) to immediately stop providing financial incentives to private entities for setting up retail outlets because banks will give them loans if these outlets are commercially viable. And companies set up pumps only after ascertaining its viability," the official added.

The oil ministry spokesman confirmed that companies have again approached the ministry to reconsider Moily's decision. "The matter is under examination," he said.

ET Bureau– New Delhi

Top 100 Indian companies employee benefit liabilities rise to Rs 3.6 lakh crore

The amount of money to be spent by top 100 listed Indian companies towards employee benefits, including pension, climbed to a whopping Rs 3,60,000 crore, says a report.

The findings are part of professional services firm Towers Watson's 'Employee Benefits Accounting and Risk' study of the financial statements of BSE 100 companies.

"... the combined estimated liabilities for employee benefits covering 99 of the BSE 100 companies registered an increase of 24 per cent to approximately Rs 3,600 billion (during 2011-12 period) as compared to approximately Rs 2,900 billion in previous year (2010-11 period).

"This can largely be attributed to the public sector banks' liabilities, which are fully reflecting the impact of wage revisions and the second pension option," the report said.

The estimate of Rs 3,600 billion is based on analysis of financial statements of BSE 100 companies for the financial year ended March, 2012.

As per the study, pension continued to be the biggest contributor to total defined benefit liabilities at 52 per cent in the year ended March, 2012. This is followed by gratuity at 23 per cent.

Going by the report, if public sector banks are excluded 'Other' defined plans and gratuity were the biggest contributors at 42 per cent and 33 per cent, respectively.

"Increase in 'other' defined benefits liabilities over the past year can be attributed to greater disclosures by companies and particularly Provident Funds trusts," it added.

The report also noted that public sector banks continue to face higher business costs and liabilities risks as compared to other sectors largely due to the defined benefit pension liability. PTI– New Delhi

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