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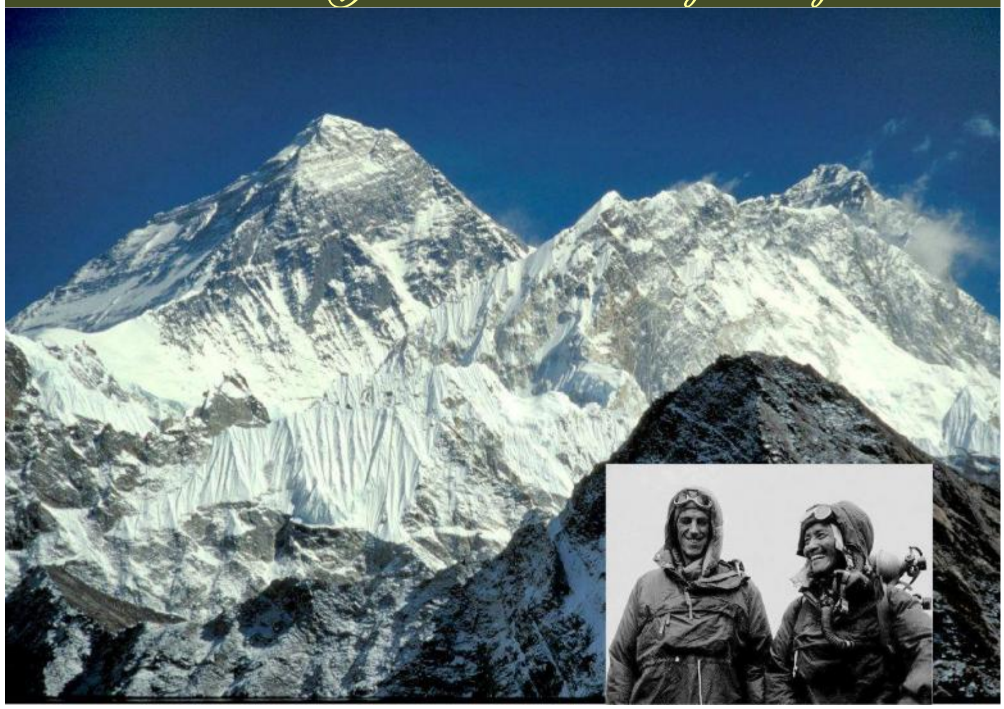

Tenzing Norgay, the Sherpa mountaineer from Nepal who climbed Mount Everest with Edmund Hillary from New Zealand 60 years ago on 29th May 1953

Govt to bring FITTA soon through ordinance

The government is mulling to bring the Foreign Investment and Technology Transfer Act (FITTA) immediately after the Foreign Investment and Technology Transfer Policy, through ordinance, to reverse the current trend of import-led economy, according to minister for finance, industry, commerce and supplies Shankar Koirala.

"Though the incumbent government has been formed with a sole aim to conduct a free, fair and peaceful election of the Constituent Assembly, it cannot turn its back on the pressing needs of the country like economic development," he said during a Public-Private-Dialogue on the draft of the Foreign Investment and Technology Transfer Act, jointly organised by the Confederation of Nepalese Industries and Ministry of Industry, with support from USAID-NEAT, in Kathmandu on Frdiay.

Foreign investment is key and a strong instrument for development, said Koirala, adding that the country has, however, received foreign investment of only around $84 million to $85 million till date, not due to lack of an Act but because of lack of implementation. Though the country had opened foreign investment in the country about three decades back, it was effectively implemented after the 1990 democratic movement that brought a liberal economic policy, he added.

"The proposed Act — that will help attract more foreign investment in the country — will be implemented effectively as it is being finalised with consultations from stakeholders," Koirala added. However, the effectiveness of the policy will depend on the Act, and that of the Act on implementation, pointed out Koirala.

Emerging countries have been competing to attract foreign investment with attractive packages, said president emeritus of CNI Binod Chaudhary, on the occasion. Nepal should offer more competitive packages to attract foreign investment, he said, adding that the current Act failed to attract foreign investment. "It failed to encourage foreign investment."

The draft Act — that will replace the current Act of 2049 BS — is expected to encourage foreign investment as it has offered various incentives and packages apart from prioritising sectors.

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Govt to bring FITTA soon ………….

What is in the draft Act and Policy ?

The proposed policy for foreign direct investment (FDI) has set down the five priority sectors for foreign investment as hydropower (generation and transmission), infrastructure (fast track highway, railway, tunnel, cable car, metro train, flyover and international airport), agriculture and herbs processing, tourism and mines and manufacturing industry.

The government is also planning to raise the minimum amount of capital foreign investors can invest in Nepal. As per a draft of the new Foreign Investment Policy 2013, investors will have to invest at least US$ 200,000 to start any venture in the country. The minimum investment had been hiked up to Rs 5 million from Rs 2 million last year by the Department of Industry as a check to fake investors and give space to domestic ones.

Likewise, foreign financiers in the hydropower sector will not be allowed to invest in projects smaller than 30 MW. Similarly, the minimum investment has been set at US$ 10 million for transport and other infrastructure projects. With regard to agro and herbs processing industry, export promotion and import substitution industry, the lowest outlay has been fixed at US$ 2 million. Foreign investors will have to put in at least US $ 2 million into mines and manufacturing industries.

Similarly, potential foreign investors in hotels will only be allowed to bankroll projects above the three-star category. However, the proposed policy has set no investment limits for the communication sector including information and technology parks.

Meanwhile, the Investment Board of Nepal (IBN) expressed satisfaction that the draft had accorded priority to the sectors it had recommended. “The draft has included the recommendations made by the IBN, and contains provisions that has given it a progressive character,” said the IBN’s chief executive officer Radhesh Pant.

The proposed new Act and policy has barred foreign investment in seven sectors including cottage industries, arms, ammunition, explosives and gunpowder industries, currency and coinage business, real estate business, multi-brand business having a fixed capital of less than Rs 5 billion, hotels of three-star and lower categories, and enterprises involving cooks, guides and porters related to tourism.

The existing policy does not permit foreign investment in more than two dozen sectors including the seven sectors mentioned above and other sectors like personal service businesses (hair cutting, beauty parlour, tailoring and driving training), motion pictures business, tobacco, internal courier service, poultry farming, fishery, beekeeping, local catering service and rural tourism.

The draft states that the government will provide foreign financiers all the facilities and incentives on par with local investors. “Any hydropower or infrastructure project operated under FDI will enjoy 100 percent income tax exemption for 15 years from the date it comes online,” states the draft.

Similarly, under the tax exemption facility, the draft has assured potential foreign investors a 25 percent tax exemption on the taxable amount if they wish to reinvest the profits from their ventures here. “The tax will be waived if foreign investors invest in research and development (R&D) in sectors like agriculture, minerals and technology,” the draft said.

According to the draft, no enterprise will be nationalized as long as it remains in operation. And in case an enterprise has to be nationalized for public welfare, the government will compensate the investor as per the prevailing market price.

The proposed Foreign Investment Policy 2013 has made separate provisions for NRNs and foreigners in this regard. If draft is okayed, NRNs can invest in the share market on both individual and institutional basis, while foreigners can invest only on institutional basis. Foreigners have to invest in the share market at least for three months, according to the draft policy.

Chief Economic Advisor at the Finance Ministry Chiranjeevi Nepal said foreign investment can be brought through mutual funds after their “strengthening”. “There should be an automated trading system before foreign investors enter the Nepali market,” he said.

Workers’ monthly pay hiked to Rs 8,000

After one-and-a-half month-long negotiations, a tripartite The Minimum Wage Fixation Committee consisting employers, trade unions and the government on Monday agreed to recommend minimum monthly wage of workers in the formal sector at Rs. 8,000 with an increase by Rs 1,800. The newly recommended remuneration includes Rs. 5,100 as salary and Rs. 2,900 dearness allowance. The Minimum Wage Fixation Committee has recommended the new wage structure to the government for its final approval. Earlier, the basic salary was Rs 3,550, while the dearness allowance was 2,650. Similarly, daily wage will be Rs 318 from current Rs 231.

After Monday’s agreement, workers’ basic monthly salary has been increased by 43.66 percent, dearness allowance by 9.44 percent and daily wage by 37.66 percent. “Overall, workers’ minimum monthly wages has been increased by 29 percent,” said Bishnu Rimal, president of the General Federation of Nepalese Trade Unions (GEFONT). The pay structure was last revised in March 2011 and was hiked to Rs 6,200 per month.

In the negotiations, the trade unions were represented by the Joint Trade Union Coordination Centre (JTUCC), a common forum of 11 trade unions.

“The Minimum Wage Fixation committee decided to this effect on Monday. The board will recommend the new wage structure to the Labour Ministry,” said Krishna Hari Puskar, director general of the Department of Labour. According to Puskar, the government is planning to implement the new wage structure within a week by publishing it in the Nepal Gazette.

Similarly, Rs 281 and Rs 158 had been fixed as the daily wage for agriculture workers and workers at tea estates, respectively. As per the Labour Act 1992, workers’ minimum salary is reviewed every two years.

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Workers' monthly pay hiked ……….

In Monday's agreement, employers and trade unions have agreed to give continuity to the agreement on social security. "We have agreed that the Social Security Act should be brought through an ordinance and should be implemented," said Rimal.

Manish Agrawal, vice-chairman of the Employers' Council at the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), said the new salary structure will be implemented in those enterprises where salary is below the limit. With the agreement, trade unions said they will start collective bargaining agreement (CBA) with enterprises making common negotiation committee.

Employers have been asking for a scientific method for salary and wage hike — based on annual inflation rate published by the central bank — that will end confusion and help employers concentrate on business expansion rather than having to fear every two years that employees might go on strike.

The government's move to automatically revise minimum salary and wage every two years from the beginning of the new fiscal year will give political parties little room for bickering in the industrial sector and disturb the business environment.

IBN, SN Power Hold PDA Talks

The two-day negotiation talks on project development agreement (PDA) between the government and SN Power, a Norwegian power developer, for Tamakoshi III (650 MW) hydropower project concluded in Kathmandu on Monday. Officials of the Investment Board Nepal (IBN) said the talks became successful in setting the ground for further discussion. Both the sides have agreed to hold next round of meeting soon, according to a source that attended the meeting.

Radesh Pant, CEO of IBN, had led the government side in the meeting while Dr Sandeep Shah, vice president and country director of SN Power, led the Norwegian firm in the meeting.

The IBN held the discussion based on the PDA template developed with the help of London-based legal consulting firm Herbert Smith.

SN Power is the first power development to sit in PDA negotiation for the development of large scale hydropower projects (above 500 MW). The PDA negotiation indicates that SN Power is serious about developing the project.

The IBN and SN Power signed the project negotiation agreement (PNA) a couple of weeks ago. As per existing rules, PDA talks should be finalized within one and half years of signing the PNA.

SN Power had received survey license of the mega hydropower project in 2007. It has already completed the environment impact assessment (EIA) of the project that is estimated to cost Rs 120 billion.

Meanwhile, the IBN is also trying to finalize PDA with two Indian power developers -- Sutlej Jal Vidyut Nigam and GMR. Sutlej is developing the Arun III (900 MW) project, while GMR is involved with Upper Marsyangdi and Upper Karnali projects.

Exports of CTC tea to India jump to Rs 1.5b

Exports of CTC tea to India through the eastern border jumped to Rs 1.5 billion in the first 10 months of the fiscal year. Shipments amounted to Rs 1.34 billion in the whole of the last fiscal, said the Mechi Customs Office in Kakkarbhitta. According to customs officials, rising demand in the international market has led to an increase in exports from Nepal. "Besides, production has also increased," said Bamdev Panthi, a customs official.

India is the largest buyer of Nepali CTC tea. Around 95 percent of the production is shipped to India. It exports its tea to Pakistan and other countries. Nepali traders said that Indian traders buy Nepali tea as demand outstrips supply in the international market. "Therefore, Indian traders depend on Nepali tea," they said.

Meanwhile, Nepali traders and producers have become concerned by India's declaration that it will only buy tea produced through the Integrated Pests Management (IPM) technique from 2013. IPM is an ecological approach to pest control in the tea gardens. It involves growing and producing tea with a sustainable approach to pest management so as to minimize health risks.

According to Ramesh Poudel, chairman of the Nepal Tea Producers Association, tea growers in Jhapa started implementing IPM in February to produce quality tea. Almost all the tea producers in Jhapa are implementing the environment-friendly pest control technique. "Tea producers are increasingly using bio-pesticides these days," said Poudel. "In fact, production has increased by implementing IPM."

Many tea producers in Jhapa have adopted the "zero investment natural farming method" to control pesticides at little cost. The new method has been applied in Mechinagar, Jalthal and other village development committees where tea is produced. The initiative was launched by the National Tea and Coffee Development Board.

"The zero investment natural farming method to control pesticides was developed by Indian agriculture scientist Subash Palekar. This technique benefits producers," said Indra Prasad Adhikari, regional chief of the board. "This low-investment method helps growers to produce healthy tea and also reduce pest hazards in the environment," added Adhikari.

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In a first for India, Gujarat plans 5-yr export policy

Gujarat, which accounts for about a quarter of India's total exports, is mulling a five-year export policy to focus on value-added exports in sectors such as textiles, agriculture and dairy. The move by the top exporting state in the country comes on the back of sagging efforts by the centre to boost dwindling exports.

The first state in the country to have an export policy, Gujarat plans to increase the share of exports from the state from 25% to 30% in five years. As a precursor to the policy, the Federation of Indian Exports Organization undertook a study for Gujarat on the state's export competitiveness and identified sectors with export potential. "We are working on improving exports from the state and will take steps to increase the share to 35% of total India's exports by 2020," said a state government official.

Given that over 90% of Gujarat cotton goes to other states for value addition, emphasis would be laid on readymade garments. The state already has potential in the textile sector, as nearly 23% of the state gross domestic product comes from textile and related industries. Other areas that Gujarat contributed to India's exports in 2011-12 include 70% in the gems and jewellery sector, 30% in pharmaceuticals, 20% in textiles, 12% in engineering and 18% in chemicals.

As of now, it has been supplying domestic and international markets with raw materials but with proper R&D and focused investments, Gujarat should introduce high value-added products of global standards. Only a quarter of export units have an export house or upward status for special benefits, the FIEO study noted.

The state has 41 minor and intermediate ports and 55 SEZs, involved in sectors like biotechnology, power, handicraft, gems & jewellery. Gujarat also has a comparative advantage in many commodities, like spices and seeds, mineral and metals and cotton.

India's IRCTC website to book 7,200 tickets per minute

With the aim of bridging the gap between demand and supply in e-ticketing category, IRCTC Monday spelt out its grand plan to book 7200 e-tickets per minute in the current fiscal. Currently, the ticketing site of the IRCTC is able to handle about 1.2 lakh concurrent connections on web servers and can book about 2000 tickets per minute.

In a detailed presentation of its upgrading, IRCTC Managing Director R K Tandon explained the action plan for capacity enhancement to the Railway Minister CP Joshi at a review meeting in New Delhi. It would cost about Rs 100 crore to Railways for strengthening the ticketing site.

A power point presentation was made before the Railway Minister about the plan to strengthen the website to enable it for booking 7200 tickets per minute, said a senior Railway Ministry official. Besides Joshi, Railway Board Chairman Vinay Mittal and CRIS Managing Director Sunil Kumar were also present. CRIS, the technical arm of railways, is involved in the upgrading of the IRCTC website.

The official said the upgrading of website is a continuous process as an average booking per day has been increased from 3.67 lakh in 2012 to 4.15 lakh now.

There are about 31 crore reserve tickets being booked in a year out of which 55 per cent tickets are sold through windows. While 37 per cent tickets are booked online, eight per cent are being booked by ticketing agents.

Tendering process for upgrading of software and strengthening of hardware is on as per the Rail Budget announcement, said the official.

Former Railway Minister Pawan Kumar Bansal had announced in his Rail Budget 2013-14 that the booking capacity will be enhanced to 7200 tickets per minute with the development of next generation software for the e-ticketing site.

Generally there is a huge load on the website at 10 AM, when booking of Tatkal tickets opens. The booking of ticket varies from time to time based on festival and vacations.

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