



CNI Pre-Budget Discussion

Calls Industry-Friendly Policy Reforms



Hon'able Finance Minister Shanker Prasad Koirala and Chief Economic Advisor, MOF Dr. Chiranjivi Nepal in an interaction with CNI officials.

Confederation of Nepalese Industries (CNI) organized a pre-budget discussion program with the Minister of Finance, Industry, Commerce and Supply as well as high ranking government officials from concerned ministries and departments on June 19, 2013.

The program was organized with an aim of providing inputs and suggestions on the budget of Fiscal Year 2013-14 from

the side of private sector. The program was chaired by CNI President Narendra K Basnyat and Hon'able Finance Minister Shanker Prasad Koirala was the chief guest. CNI Office Bearers, Governing Council and National Council members as well as representatives from member enterprises/institutions and media personnel were present in the interaction.

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Message

The government has announced budget for Fiscal Year (FY) 2013-14 on time. In the budget, the Government has accepted that the private sector is an engine of growth and backbone of the economy. Accordingly, set the priorities, objectives and strategies of the budget in order to achieve economic growth of 5.5 percent in FY 2013-14. Energy, infrastructure and agriculture have fall under the high priority sectors of the budget. It has also allocated sizeable money for existing power projects and transmission lines. These are the welcome steps of the budget.

Although the size of budget is reasonable and is not far from ceiling of National Planning Commission (NPC), the target for economic growth and inflation is hard to meet provided the socio-political situation of the country. Despite allocating a huge amount for social security, there is doubt on how that would be spent effectively. The budget focuses on health insurance, commitment not to allow shortage of health practitioners in needy areas are good, but how it will do that is questionable. Funds have also been allocated for local-body elections in addition to the CA poll; it will affect the implementation of budget as the government employees will be busy in the elections. If there remains non-spending of budget allocated for local elections that may hit the economy. Similarly, governance-related problems could affect the implementation of the budget.

In a nutshell, there is no major policy departure and it is a normal budget without new programs. However, as the country's economy is suffering for the last several years, the government should have dared to introduce some powerful measures that would boost the economy. As the Government alone may not be enough to complete the mission of Budget, it should work hand in hand with private sector, political parties, civil society as well as development partners.



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Energy Audit of CNI Members

The Confederation of Nepalese Industries (CNI) along with International Finance Corporation (IFC) conducted a preliminary 'Energy Audit' program for its member industries and organizations. The energy audit has been conducted with the technical support from International Finance Corporation (IFC), a private sector financing wing of World Bank group.

For this an international team of energy experts was deployed for the observation and audit of its member industries. The team studies the energy use situation of industries, their sources of supply, energy leakage and possibilities of reducing energy use as well as possibilities for switching to renewable energy from conventional one.

In the first phase, audit of 8 industries is

the pilot project of energy audit indicates that there is possibility of energy efficiency through process upgradation and switching to alternative sources of energy, CNI will start the energy audit programme for other members industries in larger scale. Name of Industries participated in energy audit.

Name of Industries participated in energy audit

| | |
|---|----------------------------------|
| 1 | Jagadamba Synthetics Pvt. Ltd |
| 2 | Shiva Shakti Chemoplast Pvt. Ltd |
| 3 | Canapati Vanaspati Pvt. Ltd |
| 4 | Ghorahi Cement Pvt. Ltd |
| 5 | Shivam Cement Pvt. Ltd |
| 6 | Avinash Hatchery Pvt. Ltd |

CNI Helps Flood Victim School

Confederation of Nepalese Industries (CNI), the apex body of Nepal's industrial and service sector, has granted more than Rs. 0.3 million to the Shree Omkar Lower Secondary school of Dodhara Village Development Committee (VDC) of Kanchanpur District, Far-Western region of Nepal. The Physical Infrastructures and educational instruments of the school were run off with the flood of the second week of June, which caused loss of billions of property and made millions of people homeless.

The grant was mobilized from the Citizen Relief Fund (CRF), created in cooperation with CNI & MAHA Sanchar. Chief District Officer (CDO) of Kanchanpur District handed over the Cheque on behalf of CNI to the Principal of school Krishna Ram Sunar in a program organized at the office of CDO of Kanchanpur district.

In the handover program, CNI Kanchanpur-Kailali chapter convener Mr. Hem Bikram Thapa hope that the small grant from CNI will be utilized to construct the school building that would be



CDO of Kanchanpur district handing over the grant to the Principal of School in the presence of CNI Kanchanpur-Kailali Chapter Convener Mr. Hem Bikram Thapa

helpful to continue the study of students. In the mean time, principal of the school Sunar assured that the contribution of CNI will be optimally utilized for the essentials reconstruction of school. He also thanks CNI for providing this

valuable grant to the flood victim school. CNI also expressed aggrieve to the devastating incident and called its member institutions to provide any kind of helps to the flood victims.

CNI Welcomes Budget

Confederation of Nepalese Industries (CNI) has welcomed the Government budget of Fiscal Year (FY) 2013-14 with an expectation that the timely budget will help to stimulate development process in the country. A meeting of CNI office bearers held on its secretariat endorsed that the budget has targeted energy sector, industrial sector, infrastructure, labor relation and export promotion; therefore it is supportive to the private sector.

The budget has mentioned the demands of private sector and has targeted economic growth; said CNI President Narendra K Basnyat, adding that plans and programs in the budget are encouraging to the private sector. "The budget has laid the high priority on infrastructure development, hydro power development, commercialization of agriculture, East-West railway, Mid Hill Highway and upgrading of strategic roads," Basnyat said, adding that these are the actual need of the country.

The budget has allocated Rs 1.23 billion for extending road network, electricity lines and sub-station to cement industries. The government aims to make available road access to at least five cement industries in this fiscal year. Sensing the need of an international-standard exhibition centre in Kathmandu, the government plans to allocate a space in Chobhar for this purpose. The government has also acknowledged the concept of CNI for developing Nepal Industrial Centre for Excellence (NICE) in Kathmandu and allocated budget. The NICE will be developed in collaboration with the private sector. "The agenda of setting up Excellence Centre was demanded by CNI. This is a positive sign," said Hari Bhakta Sharma, CNI vice president.

However, the most unpleasant part is only 16-17 percent of the total budget has been allocated for capital expenditure, Sharma said, adding it should have been at least 30-35 percent. The budget has announced development of Cottage Industry Exhibition and Auction Point in Kathmandu. Also, the government has unveiled a plan to construct SAARC Handicraft and Design Centre and establish Handicraft Village and Collection Centre in five development regions. The budget has also announced measures such as forming various

CNI Pre-Budget

Speaking at the program, CNI President Narendra K Basnyat said that the government's focus should not be only on revenue collection alone rather it has to put effort on increasing development expenditure and inject new investment in infrastructure development.

President Basnyat said, "Delayed budget, failure in development budget spending, weak law and order situation and political parties' apathy towards economy has hit economic growth, though it has a huge potential in the country."

Similarly, President Emeritus of CNI Binod K Chaudhary, on the occasion, urged the government to take a bold step to revive the economy. "Since the last six years the economy has been performing poor," Chaudhary said, adding that remittance-fuelled import that has boosted revenue has made successive governments self-satisfied.

The rising dependency on remittance may push the country more vulnerable. "As the more than 1 thousand youths leaving the country everyday for foreign employment, there is no additional investment as there was no pressure on the government to generate employment," said Chaudhary.

goal," Sharma said, adding that it should also encourage domestic industries to 'produce more' of what they can to substitute imports and promote exports. He further argued that the government should immediately bring long due laws related to the industrial sector to facilitate industries and create investment-friendly environment. Similarly, CNI Vice President Satish More, while delivering a vote of thanks asked the finance minister to either outlaw donation from industries or let them write it in their books. "It is high time, the government brought a policy on donation," More said, adding that donation is one of the key factors that has been discouraging the private sector.

In response, finance minister Shankar P Koirala assured the private sector representatives that the Government will bring the laws that are ready through ordinance. "The government will also concentrate its development expenditure, in the budget for fiscal year 2013-14, in capital formation," he said, adding that the government will focus on development, besides prioritizing energy, connectivity like roads and railways, tourism, and commercialization of agriculture as the incumbent government is an

commissions for tax reforms. Some measures on tax exemptions and government employees' salary increment are also welcome steps of the budget. However, CNI revealed that the size of the budget to infrastructure development is too low when compared to the total budget, so it will be hard to stimulate economic growth targeted by the government. CNI has asked the government to enforce the budget in good spirits. It said that the government must timely enforce the programs mentioned in the budget. CNI has thanked the government for allocating budget for Nepal Industrial Centre for Excellence.

adding that revenue mobilization cannot be a measuring rod for any government's success. In the mean time, CNI Vice President Hari Bhakta Sharma said that the country needs an investment of Rs 75,000 billion to achieve \$3,000 per capita income. "The government should come up with a 'Vision-2080' with strategic plan to achieve the

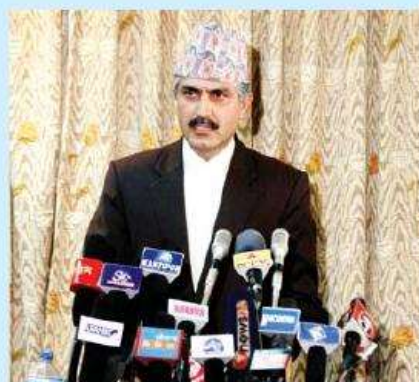
the incumbent government is an apolitical one. Koirala further added that the Government will promote liberal market economic policy — with a vital role for the private sector — through the coming budget. It will bring a private sector-friendly fiscal policy that can boost investment and create employment, Koirala said.

Government Unveils Private Sector Friendly Budget for FY 2013-14

Private Sector is the Backbone of Economy and an Engine of Growth – FM

Finance Minister Shankar Prasad Koirala on July 14, 2013 presented a budget of Rs 517.24 billion for the Fiscal Year (FY) 2013-14. This is the first time after 2 years that the country got full budget in the beginning of FY. The budget allocated Rs 353.42 billion for recurrent expenditure, Rs 85.10 billion for capital expenditure and Rs 78.72 billion for financing purposes. While focusing on energy and the agriculture sector, the budget also allocated Rs 16 billion for the Constituent Assembly (CA) elections scheduled for November 19 and extra funds for local elections.

The budget has laid emphasis on infrastructure development, including hydropower projects, transmission lines, Industrial infrastructure, irrigation projects, and promotion of export oriented industries. Programs to promote FDI have also been included in the budget through policy reforms and simplification of revenue administration. Emphasis has been given for drafting and endorsement of the acts related to the industrial sector such as Foreign Investment and Technology Transfer Act (FITTA), Industrial Enterprise Act (IEA), Special Economic Zone Act etc. The government has added Pashupati and Lumbini Area Development Trust, President's Chure Conservation Program, and Bheri-Babai Diversion Projects to the list of national pride projects.



Finance Minister Mr. Shankar P. Koirala Presenting the Budget for FY 2013-14 in Singha Darbar

The government has prioritized public private partnership (PPP) policy citing the private sector as an "Engine of Economy" to develop physical infrastructures and increase private sector investment. For this, the government is providing additional resources to the Investment Board Nepal, which has been formed to channelize investments for big projects.

The Government increases the salary of government employees by 18 percent along with an additional monthly allowance of Rs

1,000. Budget also tried to address the issue of middle class people by increasing the income tax ceiling for natural person. The budget plans to provide employment orientation for 50,000 youths and skill training for 10,000 youths Youth Self Employment Programme.

As far as promotion of the private sector is concerned, the budget announced to assure the regular power supply for industrial areas even during load-shedding hours by making a certain timetable. It also plans to reward investors making an investment of above Rs 1 billion with the Prime Minister Entrepreneur Award. As a result, the budget has cheered the entire business community and private sector. As the budget has focused on attracting big investments, expansion of industrial areas and commitment to resolving labor problems and creating business-friendly environment, it is expected to further boost the morale of private sector.

The government has planned to bring into operation the SEZ in Bhairahawa in this FY and planned to develop infrastructures for SEZ in Panchkhaal, Biratnagar and Simara. Similarly, feasibility study for developing industrial estate in Nawalparasi, Kailali, Dang and Surkhet are also included in the budget. The government also committed to attract investment by simplifying legal and procedural hurdles.

Economic Survey: 2012-13

Industrial Sector is the Least Performer

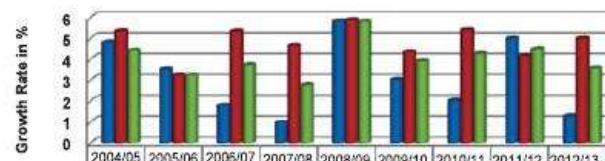
Ministry of Finance (MoF) unveils the Economic Survey-2012-13 on the second week of July, 2013. This is an annual publication of MoF, which includes the detail of all economic activities taken place in the country during the Fiscal Year (FY) 2012-13. The survey revealed that the growth of country's industrial sector is decreasing gradually and so is the contribution to the Gross Domestic Product (GDP). Delayed budget, energy crisis and political instability continued to hit the industries, with a dismal growth of 1.5 percent for the sector in the FY 2012-13. It is the sector's lowest growth rate in the last four years. The sector grew by an average of 1.7 percent

discouraged new investment, is also responsible for the low growth in the sector. Although the labor unrests in the sector have been

decreasing, industrialists said rising wage of workers has affected industrial production. The minimum daily wage in Nepal is higher than what a labor receives in India and the whole south Asia. In such a situation, industrialists are worried that how industries can

industries are under construction. In the same period, 52 industries shut down. A combined 3,873 Ropanies of land was provided on lease across the

Last decade's GDP Growth of Nepal (at Base Price)



The sector grew by an average of 2.7 percent rate annually in the last five years, which shows its disappointing status. Although the industrial growth rate was relatively better at 4 percent in 2009-10 and at 4.4 percent in 2010-11, it started to decrease since the last fiscal year, with the figure standing at 3 percent. As a result, the contribution of the industrial sector to the GDP decreased to 6.2 percent in FY 2012-13 from around 10 percent a decade ago.

The survey attributed the slowdown in the sector to the downfall in the production of soybean, edible oil, liquor, GI pipe, animal feed, noodles and light beverages. At the same time, production of tea, brick, soybean oil, textile, paints, beer and medicines are expected to go up. Industrialists termed load-shedding as the biggest contributor to dismal industrial growth. Political instability, which

that now industries can run for a long period of time under such a wage structure.

According to the survey, in the first eight months of FY 2012-13, total 183 industries with Foreign Direct Investment (FDI) were registered, which are expected to create 9,505 jobs. The energy sector received the largest FDI share — 34.2 percent of the total FDI coming in. It is followed by industrial production, construction industries and service sectors, which received 31.7 percent, 13.9 percent and 10.7 percent of the total FDI, respectively.

The survey showed in the review period 1,711 trademarks were registered, 498 industries entered into operation in 11 industrial estates, while 72

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-------------------|---------|---------|---------|---------|---------|---------|
| ■ Agriculture | 4.81 | 3.5 | 1.78 | 0.97 | 5.82 | 3.02 |
| ■ Non-Agriculture | 5.33 | 3.24 | 5.32 | 4.63 | 5.88 | 4.34 |
| ■ Total | 4.41 | 3.23 | 3.73 | 2.75 | 5.8 | 3.9 |

11 industrial estates to industries.

However, registration of cottage and small industries witnessed a sharp decline in FY 2012-13, with 9,702 industries registered at Department of Cottage and Small Industries, as of mid-March 2013. A total of 18,008 such industries were registered in FY 2011-12. Of the total 9,702 small industries registered, 8,411 were registered as private firms, 547 as partnership business, and 744 as private limited. Collectively, Rs 11.97 billion has been invested in cottage and small industries in FY 2012-13.

SAARC-TPN, WG-RTF 2nd Meeting Concludes



Participants of SAARC-TPN, WG-RTF Coordination Committee in a Meeting at Kathmandu

The second coordination meeting of Working Group Regional Trade Facilitation (WG-RTF) under South Asian Association for Regional Cooperation (SAARC) Trade Promotion Network (SAARC-TPN), supported by GIZ (Nepal) held in Kathmandu on June 27-28, 2013. Mr. Horst Amman, Project Manager of GIZ SAARC-TPN (Nepal) chaired the meetings and Dr. O.J Kureck, lead consultant of the project moderated them. WG members from Pakistan, Bangladesh, Bhutan and Nepal were participated in the deliberations. Similarly, officials from SAARC Chamber of Commerce and Industries (SCCI-Islamabad), Trade and Export Promotion Centre (Nepal), NTM study team leader SANEM (Bangladesh) and NTM market analyst (ITC-Geneva) were also present. SAARC-TPN is a constellation of 28 key public and

private-sector institutions responsible for trade-related matters from all eight SAARC member countries. The programme aims to strengthen the content-specific structure of regional trade-related agreements, to promote their implementation at state level and support the resulting private sector potential for intra-regional trade through five working groups in the areas of trade information portal, business-to-business (B2B) approaches, quality, infrastructure and trade.

Working Group, Regional Trade Facilitation (WG-RTF) is one of the working groups of SAARC-TPN. The WG-RTF is comprised of private and public stakeholders from different SAARC countries. Confederation of Nepalese Industries (CNI), a leading trade/investment support institution of Nepal, as the convener of this WG has been

coordinating the activities of the same. The first coordination meeting (CM) of WG-RTF was held in Kathmandu on July 03, 2012. The first meeting had assigned the Metropolitan Chamber of Commerce and Industry (MCCI)-Dhaka and South Asian Network on Economic Modeling (SANEM)-Bangladesh for a comprehensive study on "Analysis of Prevailing Non-Tariff Measures (NTMs) in SAARC Countries".

The overall objective of this Coordination Meeting was to focus on finalizing the report of the current study "Analysis of Prevailing NTMs in SAARC Countries" conducted by MCCI and SANEM. At the same time, the meeting was focusing on identification and finalization of the future working areas and modalities for the WG.

In the first day of meeting, the study team gave presentations on the findings of NTM study in a very comprehensive way. The meeting deliberates that the final report of the NTM study would have been published through a reputed publishing house in the SAARC region, which would make it available to all the partners, governments and related organizations. By doing this, the key findings of the study would be instrumental for all the policy makers of the respective countries in facilitating the intra regional trade as well as the regional economic integration of SAARC.

The meeting also decided to establish pilot NTM desks in three SAARC countries i.e. Nepal (CNI), Pakistan (PBCCI) and Bangladesh (FBCCI). For the desks officers, a detail Terms of References (TOR) will be developed and finalized by SAARC-TPN. Based on that TOR NTM desks will start operating by August 2013. The meeting also proposed the December 05, 2013 and Thimphu-Bhutan as date and venue for next WG-RTF meeting.

CIA Planning Workshop Concludes

CNI institutional member Chitwan Industries Association (CIA) has organized its Planning and Implementation Workshop on Jun 28-29, 2013. This workshop has prepared a strategic plan of ACI for coming two years. This plan will be enacted by newly elected executive body. In the inauguration programme the chairperson of the organization, Mr. Krishna Prasad Adhikari, highlighted the importance of the programme. There was participation of newly elected executive committee members, past presidents, immediate past executive committee members, other well wishers and the personnel of secretariat. The workshop has forwarded the proposals for establishment of Industrial Expo

Center in Chitwan. The Expo center will be milestone for promotion of industrial products in the national as well as international market through organizing Industrial Expo that in turn would promote the industrialization of the country. Similarly, workshop focused on establishment of new industrial Estate in Chitwan in an initiative of private sector as one of its top priority projects. At the end of the programme senior vice chairperson of the association, Mr. Bishnu Hari Adhikari, thanked all the participants and resource person for their active involvement throughout the programme. The programme was organized in Hotel Star Banquet, Ratna Nagar Municipality, Chitwan.



CIA President Mr. Krishna Pd. Adhikari and Officials inaugurating of the workshop