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Newsletter

PPD on Draft Foreign Investment and Technology Transfer Act



Hon'ble Minister for Finance, Industry, Commerce and Supplies Mr. Shankar P. Koirala, CNI Office Bearers, high ranking Government officials, representatives from USAID/NEAT and IPRAD at the PPD meeting in Kathmandu.

Confederation of Nepalese Industries (CNI) and Ministry of Industry (MoI) in cooperation with USAID-NEAT activity conducted a series of Public Private Dialogue (PPD) on the Draft Foreign Investment and Technology Transfer Act (FITTA) in Nepalgunj (on 5th May), Butwal (on 6th May), Hetauda (on 10th May), Biratnagar (on 22th May) and Kathmandu (on 24th May). The PPDs held outside the valley were organized with an aim of collecting inputs and suggestions on the draft FITTA at regional level. The objective of PPD in Kathmandu was to compile the inputs and suggestions collected from regional level and forwarding the final suggestions to be incorporated in the

proposed FITTA. The draft of FITTA is being prepared by Institute of Policy Research and Development (IPRAD) in support of MOI and USAID-NEAT activity.

The national level PPD in Kathmandu was inaugurated by Hon'ble Minister for Finance, Industry, Commerce and Supplies Shankar Prasad Koirala. "The Government will bring the FITTA immediately after the Foreign Investment Policy, through ordinance, to reverse the current trend of import-led economy," said minister Koirala, adding that the foreign investment is a strong instrument for development.

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Message

Recently, Government of Nepal (GoN) in close coordination with the private sector is in the process of formulating and updating policies, acts and regulations, especially related to the country's economic sector. GoN has just completed Public Private Dialogues (PPDs) on Draft of Foreign Investment and Technology Transfer Act (FITTA) in cooperation with Confederation of Nepalese Industries (CNI) with support from USAID-NEAT activity. Similarly, GoN has organized a workshop in order to finalize the draft of Industrial Enterprises Act (IEA). CNI appreciated the initiative and happy to be the part in the formulation process. CNI is of the belief that such type of program will be helpful in creating investment-friendly environment and to prove the private sector as an engine of growth.

It is well known that the Nepalese economy continues to face slow economic growth, high inflation, widening trade gap, high unemployment and unstable financial system. This is not due to lack of proper policy, rules and regulations; but are mainly due to lack of effective implementation of the existing policies, acts and regulations. However, timely amendment in the exiting laws is a continuous process. CNI has been contributing regularly in the policy reforms initiatives of GoN since its establishment and also took lead role in the formulation of some policies and acts, especially related to the private sector development, investment promotion and the overall industrialization process in Nepal.

CNI in collaboration and cooperation with Government has conducted five PPDs—four at regional level and one in Kathmandu—on the draft of FITTA and forwarded valuable inputs to the draft committee, this time as well. In this regard, CNI would like to urge the Government to incorporate the comments, suggestions, adjustments and additional inputs received from the private sector while finalizing the final Act on FITTA and simultaneously approve the acts by concerned authority. Otherwise, the rationale of conducting PPDs and collecting suggestions from the private sector stakeholders will have little significance. Hence, CNI would like to suggest the Government, especially concerned ministries to incorporate the relevant issues raised by the private sector in the proposed FITTA and IEA and to assure timely approval as well as effective implementation.



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CNI Launched

CNI Interaction with Chief Secretary, GoN

Confederation of Nepalese Industries (CNI), the apex body of country's manufacturing and service industries, has organized an interaction program with the Chief Secretary of Government of Nepal Mr. Leela Mani Poudel and other top Government officials on security and investment issues in Kathmandu on May 03, 2013. The interaction was chaired by CNI President Narendra K Basnyat and Hari Bhakta Sharma-VP CNI, Satish More-VP CNI and Manoj Kedia-VP CNI, along with Governing Council members Chiranjil Agrawal, Tekchandra Pokhrel and members of CNI National Council were the other dignitaries at the program.

During the interaction, CNI officials and industrialists urged the Government to build better



CNI President Mr. Narendra K Basnyat, High Ranking Government Officials and CNI Office Bearers in an Interaction with Chief Secretary Leela Mani Poudel at CNI Secretariat.

order situation but wants to support the Government

CRF's CSR for Visibility Impaired

Citizen Relief Fund (CRF), a joint initiative of Confederation of Nepalese Industries (CNI) and a social movement Maha Sanchar, as part of its Corporate Social Responsibility (CSR) has granted 50 white sticks for visibility impaired people. The grant was jointly handed over by CNI President Narendra K Basnyat and Senior Actors duo Madan Krishna Shrestha and Hari Bansha Acharya in a program organized in Kathmandu on April 14, 2013. The grant was received by Prabindra Dhakal, President of Maitri Samaj- a non Governmental organization incorporated with an aim of working for visibility impaired people.

In the program CNI President Basnyat said, it is a great pleasure for CNI that the Nepali New Year has commenced with a token contribution for impaired people. "Although the amount of grant is small, the white sticks may be very instrumental for visibility impaired people to facilitate them in their day to day activities," said Basnyat, expressing his sincere gratitude to the Actors duo Shrestha and Acharya as well as the CNI members for their contribution.

In the mean time, Senior Actors duo Shrestha and Acharya said that despite the lack of external eyes, the inner eyes of visibility impaired people are



CNI Officials, Founder of Maha Sanchar and Officials of Maitri Samaj as well as Participants in CSR Program

very sensible and powerful. "The white sticks for visibility impaired are as important as torch light for the normal people," they said, adding that the small contribution of CRF will be very pivotal for them.

Similarly President of Maitri Samaj Dhakal assured that the white sticks contributed by CRF will be distributed to the visibility impaired peoples of

Karnali Zone. "The grants of CNI and Maha Sanchar will be utilized optimally and the progress report will be submitted to concerned authority," said Dhakal. The Shankar Lal Kedia Foundation of Kedia organization contributed Rs. 50,000 as grants and the remaining amount was managed by CRF.

Interaction with H.E Czech Ambassador to Nepal



CNI Officials in an interaction with H.E Ambassador of Czech Republic Mr. Stasek in CNI Secretariat

Confederation of Nepalese Industries (CNI) organized an interaction with the Ambassador of the Czech Republic to Nepal Mr. Miloslav Stasek on April 29, 2013. The program, held in CNI secretariat Thapathali, was concentrated in strengthening the economic and business relationship between Nepal and Czech Republic as well as technology transfer. In an interaction CNI President Narendra K Basnyat, Vice Presidents Hari Bhakta Sharma and Satish More along with Hon. Consul of Czech Republic in Nepal Bishnu Agrawal as well as CNI members and entrepreneurs from both the countries were also present.

In an interaction, President Basnyat emphasized on the strong economic relationship with Czech Republic, one of the emerging economies of the world, will play a pivotal role to achieve economic growth in the desired manner. "CNI has considered your Excellency's visit as an opportunity for fostering the bilateral economic relationship between Nepal and the Czech Republic," he said, "We would like to form a joint committee between Confederation of Czech Industries (CCI) and CNI, which will expand the Czech investment in the potential sectors of Nepal."

PPD...

Though the foreign investment is allowed in the country about three decades back, the country has, however, received only around \$84 million to \$85 million till date, not due to lack of an Act but because of lack of implementation, Koirala said, hoping that the proposed Act will be implemented effectively and will be able to attract more foreign investment in the country.

CNI President Narendra K Basnyat welcomed the distinguished guests and participants as well as invited practical and valuable suggestions on the proposed FITTA. "Investors whether they are foreign or domestic want conducive environment for easy entry, uninterrupted operation and easy exit," said Basnyat, adding that the proposed FITTA should address those issues. CNI President Emeritus Binod K Chaudhary while delivering the key note speech welcomed the Government initiative for bringing new and updated FITTA with provision of outward investment for Nepali entrepreneurs. "Emerging countries have been competing to attract foreign investment with attractive packages, said Chaudhary, adding that Nepal should offer more competitive packages to attract foreign investment, on which the current Act failed.

Officiating Secretary at the MOI Yam Kumari Khatiwada highlighted on the importance and relevance of

than controlling it as foreign investment is necessary for mega projects.

Similarly, Dr. Pushpa Raj Rajkarnikar, IPRAD Chairman; Prof. Prithivi Raj Ligal, Deputy Chief of Party, USAID-NEAT activity and Anita Mahat, CTRD, USAID-Nepal have highlighted on the need, importance and timely promulgation of the draft FITTA. At the PPD program, Government representatives, CNI officials, industrialists and entrepreneurs from various sectors, members from CNI Chapters as well as Industry associations along with the representatives from FNCCI, Women entrepreneurs and professional forum, University professors, lawyers and experts have commented and forwarded their suggestions. CNI Vice President Hari Bhakta Sharma, in a vote of thanks, urged the Government for effective implementation of the proposed Act.

Coordinator of FITTA draft committee and Former Secretary in GoN Uday Nepali Shrestha presented the draft of proposed Act, comparing the major provisions with the existing one. Nepali highlighted the inputs and suggestions collected from the previous PPD at regional level, and also called the inputs and suggestions on the same from the industrialists, entrepreneurs as well as stakeholders at national level.

As a panelist in the program, Dr. Chiranjibi Nepal, Senior Economic Advisor to Minister for Finance; Prof.

In the meantime, Ambassador Miloslav Stašek stressed that Nepal and Czech Republic have tremendous opportunities and scope of cooperation in areas of trade, commerce and development. "Czech Republic is poised to take initiative to materialize the potentialities in Hydro power projects, waste management, water solution, tourism and services," Stašek said, adding that the Double Taxation Avoidance Agreement (DTAA) with Nepal will pave way for the investment agreement in future. Similarly, Hari Bhakta Sharma-VP CNI and Satish More-VP CNI have said that the private sector in Nepal has been vibrant and active in enhancing the economic activity in the country. They further opined that the Czech technology is very advanced and requested the ambassador to promote the technology in Nepal.

FITTA for industrialization as well as economic development of a country, especially in the developing country like Nepal. "The draft FITTA — which will replace the current FITTA of 1992 — is expected to encourage foreign investment as it has offered various incentives and packages apart from prioritizing sectors that Nepal cannot invest in," Khatiwada said, adding that aligned with the Industrial Policy-2010 that the Government brought some three years back, the proposed FITTA aims at regulating foreign investment rather

Ramesh Chitrakar and Pawan Ojha commented on the FITTA and said that FITTA was essential, so it has to be amended in order to cope with the changing needs and expectations. They were of the view on curtailing capital flight and capital management technique should also be welcomed in Nepal as foreign technology. Finally, Jeet Bahadur Thapa, Joint secretary at MoI as well as the Chair of technical session summed up the technical session and also requested the participants to send their inputs (if any) in written form to CNI.

NBF in Capacity Building for Policy Reforms

Ministry of Industry (MoI) in association with International Finance Corporation (IFC), private sector wing of World Bank Group, organized a two-day capacity building workshop on Public Private Dialogue (PPD) in Kathmandu from May 8-10, 2013. The workshop was organized in an initiative of Nepal Business Forum (NBF) with an aim of enhancing the PPD capacity of Government as well as the private stakeholders who are directly involved in the policy reform activities through NBF.

Minister for Finance, Industry, and Commerce and Supplies Shankar P. Koirala, while inaugurating the workshop, said despite political transition, the Government has promised to support PPD as it has been effective model in bringing reforms to create an investment-friendly environment. "In order to insure the investment-friendly environment the joint efforts of Government and private sector are crucial for an accelerated economic growth," he said, adding that the Government on its part is ready to reform policies that have been raised at the NBF. As the PPD is critical and a must for improving 'Doing Business' in Nepal, Government has pledged budgetary support, Koirala added.

CNI President Narendra K Basnyat said that NBF has become a good mechanism to minimize disputes between the public and private sector, and between private-private



CNI President Mr. Narendra K Basnyat addressing the Capacity Building Workshop Organized by NBF

organizations which has been playing a catalytic role to improve the business environment and industrialization process. "CNI has shown and proved its commitment by implementing effectively and efficiently the PPD mechanism," said Basnyat, though it is not accelerating in the pace as expected due to various reasons. CNI, as the Private sector Co-chair of the Industrial Investment Promotion Working Group of NBF along with the Public Sector Co chair, has taken

up various issues and continues its efforts in future as well.

Likewise, Secretary at Ministry of Industry, Krishna Gyawali said that PPD is a trust building exercise. "We have to invest our resources, time and energy to make it lively," Gyawali said, adding that Government is a facilitator and it is not easy as its engagement is focused on investment promotion and improving business environment.

Government to Improve ease of Doing Business

CNI Vice President Mr. Hari Bhakta Sharma addressing at the Doing Business Workshop in Kathmandu



The Government reiterated its commitments in improving doing business environment in Nepal through regular policy revision and reforms. Secretary at the Office of the Prime Minister and Council of Ministers (PMO) Krishna Hari Banskota was saying while addressing a workshop on 'Doing Business in Nepal: Updates of Reforms undertaken in 2012-13 and Planned Reforms Initiatives,' jointly organized by the PMO and International Finance Corporation (IFC) of the World Bank Group.

"As the ease of Doing Business is one of the key benchmarks for reforms, Government has taken several measures in ease in the doing business in Nepal," said Banskota, adding that it will allow us to set targets and provide an objective measure of the progress. Banskota stressed that recently, there has been some remarkable reforms for easing doing business in Nepal. 'Introduction of online firm registration service in the Office of the Company Registrar to advance the process of business set up as well

as operations apart from tax reforms like a series of reforms to broaden the tax base and make tax compliance faster and easier for businesses,' He said.

CNI Vice President Hari Bhakta Sharma said that both the Government and private sector should work hand in hand to improve in doing business environments for socio-economic development of the country. 'Taking stock of the reform process over the last few years, both the private sector and Government should focus on future plans agreeing on to work continuously towards the common goal of addressing constraints to business as one of the ways to enhance economic growth in the country,' said Sharma. He also thanked the IFC for assisting Government on a comprehensive reform programs to ease doing business and attract private investments into the country.

'In order to spurring development and creating additional livelihood opportunities in Nepal IFC is committed to support the

Government in improving laws and business regulations governing private investment,' Head of IFC's Investment Climate Reform Program in Nepal Fred Zake, said. 'Simplifying the laws and business regulations relating to banking and financial institutions will help make investors doing business environment friendly and attractive, he said, adding that a lot, still, needs to be done to address the country's infrastructure needs and bring down high transaction costs.

Nepal ranks 108th among the 185 economies, according to the 'Doing Business' report 2013. Earlier a year ago, the country was ranked 107th on ease of doing business among the 183 economies in Doing Business 2012. The improvements in the ranking due to reforms will help attract FDI because the prospective investors' can decide on the basis of country's ranking as shown in the annual Doing Business report that covers 11 indicators that are key in doing business.

"EU Funded Go International Project"

CNI Launched Capacity Building Training for SDC Managers



CNI President Mr. Narendra K Basnyat delivering Key Note Speech at the Inauguration Program of Training

Go International, an export promotion project under Confederation of Nepalese Industries (CNI) in partnership with Centric Austria International (CAI) and World Vision Advocacy Forum (WVAF) in co-operation with European Union (EU) has conducted a five day export capacity development training from April 22 to 27, 2013. The training was organized with an aim of promoting the export and business advisory capacity, which include 25 participants from CNI, the project itself, WVAF and Service Development Centre (SDC) managers of five development regions. CNI has invited Johannes Weismann as the resource person from CAI Austria---European partner of the project.

The training was inaugurated by CNI President Narendra K Basnyat. In an inaugural session, Hari Bhakta Sharma- VP CNI, Anuj Agrawal-VP CNI, Satish More-VP CNI and Monoj Kedia-VP CNI along with Chairman of WVAF Dr. Tika Pokharel as well as the members of CNI

for its contribution in this trade and business advisory capacity building training and the local partner WVAF,' said Basnyat, adding that the 36 months project "Go International" will be very instrumental for internationalization of Nepali companies and products.

The project has selected 10 commodities and services among the listed commodities and services by NTIS as export potential items



Participants at the Training program with Instructor

and export capacity of small and medium-sized producers. 'This training is expected to be effective in the capacity development of SDC managers, project team as well as the exporters for Trade Advisory Services (TAS) and Business Development Services (BDS) including information sharing, networking, exchange of good practices and business opportunities,' said Sharma, hoping that the participants will be implementing the knowledge and good international practices learned from this training in their respective duty stations.

Similarly, Weismann representing from CAI termed that the project "Go International" is very unique as there are representatives from all the stakeholders including producers, exporters, Government agencies, international partners and the donors. 'I would like to thank CNI and the project team for providing me this opportunity to be here and for sharing knowledge and experience with SDC managers as well as various stakeholders,' said Weismann, 'in order to make this project successful and to internationalize the identified products, CAI would leave no stone unturned.' Weismann further stressed that as the Nepali products identified by NTIS have ample market in the international markets, especially in Europe, the overall objective of designing and implementing this project will definitely be attained. I think the project team is competitive enough to implement the project and this training will further add value to achieve the desired results of project, he added.

Meanwhile, CNI Director General Megh Nath Neupane urged the project team to be proactive in delivering the trade and business advisory services in line with the objectives of project. 'As the lead agency, CNI would be facilitating the partners as well as the SDCs and would make them able to deliver the predetermined export promotion services in

and partner organizations were also present. Addressing the opening ceremony CNI President Basnyat said that the main objective of this project is to promote the export of goods and services identified by the Government of Nepal (GoN) in its Nepal Trade Integration Strategy (NTIS) 2010 and Trade Facilitation and Economic Capacity Building Sector of EU Country Strategy Paper (2011-2013) for inclusive growth and employment. 'I therefore, would like to thank the donor-EU for its technical as well as financial support, partner from Austria- CAI

to be promoted in the international markets, especially in the European countries. The project is being implemented in five development regions of Nepal to promote the export of selected commodities. CNI Vice President Hari Bhakta Sharma said that the specific objective of this training is to create strong backward linkage of exports, which will help in developing the capacity of trade and business associations including SDCs to enhance the production, logistics; marketing

pre-determined export promotion services in desired manner,' said Neupane, adding that this project is guided by the CNI's philosophy of achieving steady economic growth through export promotion and industrial development. Similarly, coordinator of 'Go International' project Tej Thapa emphasized on the role of SDCs to be successful in the overall mission of the project. 'The motive of establishing SDCs in the export centre of five development regions is to provide the trade advisory and business development services at the door step of exporters, producers as well as processors,' said Thapa.

CNI Interaction...

"Government has not accorded investment and safety in its list of priority works despite the deteriorating economic indicators," said Sharma in his paper. The country needs to invest Rs 75,000 billion to increase per capita income to \$5,000, he added. In order to attract such huge investment, the Government should bring a comprehensive economic package

and should ensure in the international market that Nepal is most lucrative for investment with least corporate tax in South Asia and Nepal offers high industrial security for the industrial entrepreneurs among others.

In response, Chief Secretary Poudel assured the private sector saying the Government is fully aware of the situation of country's industrial community and would do its best to solve the issue. 'Although I have

been watching all the activities of private sector and analyzing precisely, I am here to share the best wishes and to boost the confidence of entrepreneurs,' said Poudel, hoping that such interactions would be more instrumental to solve any kind of problems through dialogue. If any issue can not be solved through dialogue, this is not an issue in reality, he added.

However, the private sector

should also be loyal to provide timely information to the concerned authority. 'If you do not want to be exposed with the Government authority about the problems you have been facing and the person or party by whom you have been suffering, then there will be uncertainty to get the timely actions from the side of Government,' said Poudel, adding that the entrepreneurs themselves have also be proactive and cautious.