



# MONITOR

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News Letter

## “Entrepreneurship - Engine of the Nation?”

# YES-2012

**CNI** Young Entrepreneurs Forum (CNI-yef) --- a forum for young entrepreneurs under the Confederation of Nepalese Industries (CNI) in cooperation with Nepalese Young Entrepreneurs' Forum (NYEF), Entrepreneurs for Nepal (E4N), Samriddhi-The Prosperity Foundation and Association of Youth Organization Nepal (AYON), has organized Young Entrepreneurs Summit (YES) 2012. A two-day summit of Nepali young entrepreneurs kicked off on 16 August and concluded on 17 August in the capital in a bid to explore new business opportunities amid adverse business climate in the country.

Around 350 promising entrepreneurs along with more than 50 management students across the country were gathered in the summit to share their ideas, knowledge and experiences to exploit the untapped business potential, according to Mr. Amit Begani president of CNI-yef. “The summit aims at creating a platform for aspiring young entrepreneurs to explore business opportunities within the country,” said Begani. Different sessions were organized to enhance skills and give inspirational inputs to the young participants during the conference with the theme, ‘Entrepreneurship: Engine of the Nation?’ covered a wide range of topics on business prospects.

In the occasion, giving special address CNI president Mr. Binod K Chaudhary, highlighted the importance of young entrepreneurs in leading the country to economic prosperity. “YES 2012 is a testimony to the fact that all



CNI President Mr. Binod K Chaudhary giving the special address on YES-2012

the ever increasing remittance inflow from the migrants' workers abroad,” said Chaudhary, adding that this is the sign of mounting domestic demand for goods and services, which has to be fulfilled by the local production. “Therefore listen to the people's demands, introduce innovative ideas and then start a business. You will never have to look back.” He advised the young



hope is not lost for Nepal,” said Chaudhary, adding that Nepal can expect a lot from its young breed of entrepreneurs. It is the positive vision and enthusiasm of the young generation of entrepreneurs that Nepal can hope on, he adds. “The responsibility to build new Nepal now rests on your shoulders and we, the seniors, are always there to grow you to the juncture and to make you able to deliver,” said Chaudhary, citing the examples of some successful young entrepreneurs in the world market. At the same time president Chaudhary advised the young entrepreneurs to concentrate on innovation, the only way to be successes in their respective area of business.

Many young entrepreneurs echoed

entrepreneurs and the students gathered in the summit.

However, Mr. President criticized government policies, programs and the bureaucracy for the failure of developing an entrepreneurial mindset among the youths. “If you seen one positive news in a news paper about the business, you would seen another five negative news in a day,” he said, adding that is the evidence that the government and bureaucracy are not supportive about developing entrepreneurship but we do not have to stop our efforts and to be unite and pressurize them. In the program CNI-yef vice president Mr. Amit Kumar Moore advised the young entrepreneurs to extensively discuss opportunities for investment in different



### Message



Binod K Chaudhary  
President, CNI

Country's private sector that failed to get any incentives and priorities from the fiscal policy due to lack of full-fledged budget was hopeful of getting some breathing space from the Monetary Policy. When NRB, the central bank of Nepal, launched its monetary policy for FY 2012/13, the private sector realized that hopes were not merely wishful thinking. Because, some welcome moves have been incorporated in the monetary policy.

The most welcome move of the monetary policy is to think about the outbound investment by the Nepalese. In the present context of globalization, which advocates the free flow of final goods and services as well as the factors of production including labour, capital and technologies, the step of NRB is very pivotal that confederation of Nepalese Industries (CNI) has been demanding continuously since its establishment. To address the demand of CNI, in this particular issue, the monetary is not only sufficient unless the government come up with a practical law, regulation and scientific operational modality of outbound investment from Nepal.

In a bid to support the productive sector, the Policy reduced the refinancing rates for sectors like agriculture and hydropower by 50 and 100 basis points respectively. NRB has also made it mandatory BFI's to issue loans on rates not more than 9% - a move welcomed by the businesses. The monetary policy has also allowed commercial banks to invest up to 30 % of the amount parked in agency banks abroad in low risk instruments such as call deposit and certificate of deposit.

Likewise, the policy has raised the one-time ceiling of USD on payment settlement for goods imported from third countries against draft and telegraphic transfer as well as for individuals and firms, who were earlier entitled to very limited foreign exchange facility from BFI's. Similarly, the monetary policy keeps the refinancing rate at as low as earlier with some additional schemes. That might contribute to boost Nepal's export sector at a time when the government failed to bring out a full-fledged budget. The central bank has also promised to simplify the lending process by recognizing buying-selling contract between importers and exporters, in place of existing mandatory provision of producing LC by exporters for loan purpose.

However, we have to be cautious about the effective and sincere implementation of the commitments made in the monetary policy. As the private sector association, CNI would like to ask the NRB to instantly circulate the new guidelines among commercial banks to ensure prompt implementation of the policy.



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Second High Level Meeting of NBF concluded

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National Economy at a Glance



the call of the senior industrialist and CNI president, confidently responding the slogan of the YES-2012, "Entrepreneurship-- Engine of the Nation?" "Consumerism has been growing in the country due to

sectors such as agriculture, tourism and information & technology in which Nepal enjoys a competitive edge and accordingly to invest on these sectors as per own interest as well as expertise.

# Second High Level Meeting of NBF concluded

Nepal Business Forum (NBF), which includes almost all ministers and government secretaries, CNI, other umbrella bodies in the private sector in a single platform for public-private discourse chaired by Prime Minister Babu Ram Bhattarai, held its second high level meeting in Kathmandu on August 17, 2012. The meeting calls for official single trade union in an industry and to establish a technology development fund for research and development from the private sector, citing that the labor-related problem as the biggest intimidate on to steady industrial and economic growth in the country.

NBF, as a single platform for industrial development and economic prosperity of the country, has recommended the government to come up with a new labor law as soon as possible to contain the labour unrest and boost the confidence of investors. Prime Minister Dr. Babu Ram Bhattarai while addressing the NBF meeting said the government is very keen to the economic prosperity of the nation, which is possible only through huge investment either by domestic or foreign source in the country's industrial sector. "Keeping this reality in mind the government is planning



to ensure the investors irrespective of origin that their investment is protected against discriminatory measures like policy inconsistencies

## CNI raises the following issues in the meeting

- Establishment of separate industrial feeder for industries.
- Ensure implementation of the research and development policy.
- Formulation of private sector development policy.

and labour unrest," said Bhattarai, adding that the provision of single official trade union may be a tool to give legal teeth to investors while dealing with the labour issues.

PM Bhattarai also argued that nationalism is not about protecting the territory rather about giving a pick up to the economy. Mean while, he also said the society and conservative

mentality of the Nepalese were the biggest hurdles in the way of promoting entrepreneurship in the country. "Rent- or commission-seeking culture is still prevalent in the upper class of the society, while people at the bottom want to make a living either by finding a job in or outside the country," said Bhattarai, adding that as long as this situation prevails and

positive steps. However, he criticizes the delay in the implementation of the issues identified in different meetings of NBF. "Labor-related problems, political instability and power shortage are root causes that are disturbing the industrial development in the country," said Basnyat. To contain the situation, according to him, government should enforce the policies identified by the NBF. "Provision of dedicated electronic feeder for industries, effective implementation of research and development policy and formulation of private sector development policy in cooperation of private sector organizations are most for industrial development of the country," said Basnyat.

The NBF has also suggested the government to create a technology development fund for research and development (R&D) activities to promote knowledge and technology based businesses from the private sector. "Lack of R&D has rendered Nepali industries with inferior technology and equipment, which deteriorated the competitive power of Nepali industries in the global market," CNI vice president Hari Bhakta Sharma Share his idea in the meeting, urging the government to allocate a sum of Rs 10 million for creation of the fund.



**Tej Kuma Pathak**  
President RIA

Once the

## Private Sector to Build Industrial District

As the government has not been able to establish new Industrial districts, which is considered as one of the fundamental infrastructures for industrialization in the country, the private sector has come up with a jell to build new industrial area in Rupandehi district, one of the major industrial and business hub of Nepal. The private sector of Rupandehi in

their own investment in cooperative model. For this purpose they have been established a cooperative named Naveenatam Audhyogik Bikas Sahakari. "Currently we are trying to find a suitable location where there is enough land and other infrastructures for the industrial district," said Mr. Tej Kumar Pathak, president of RIA, adding that once the location is finalized we

government for an industrial district in their area since more than two decades. But the government who is continuously loosing its efficiency even to manage the already established industrial districts could not meet the demand of local industrialists.

"Finally we decided to establish the cooperative for the purpose of collecting money for the Rupandehi



Industrial district is established, this will encourage the local as well as other industrialists to set industries in the well equipped industrial area.

an initiative of Rupandehi Industrial Association (RIA), one of the oldest industrial associations of the country and institutional member of the Confederation of Nepalese Industries (CNI), is preparing to establish an industrial area.

RIA in association with local chambers as well as industrialists has been planning to build an industrial district having world class infrastructures and technologies with

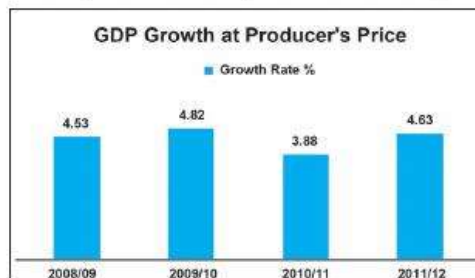
will immediately start construction of physical infrastructures.

According to Mr. Pathak, there is a piece of land having 544 Ropani areas, in which the government was planning to establish the industrial district decades ago. "Besides that we are planning to procure more land in the surrounding to increase the area of industrial district up to around 1000 Ropani," he said. Industrialists in Rupandehi have been demanding the

Industrial Area project," said Pathak. There are 216 shareholders of the cooperative who have already deposited Rs. 22.5 million and each of them agreed to deposit Rs. 25,000 per month regularly. The estimated cost of project is Rs. 100 million. "Once the industrial district is established, this will encourage the local as well as other industrialists to set industries in the well equipped industrial area," said Pathak.

# National Economy at a Glance

As per the data release by ministry of finance (MoF), the gross domestic product (GDP) of Nepal in fiscal year (FY) 2011/12 is estimated to grow at 4.5 percent at the base price and 4.63 percent at producers' price against the targeted rate of 5.0 percent. In the previous fiscal years 2010/11 and 2009/10, the country's GDP growth rate stood at 3.81 percent and 4.26 percent at the base price



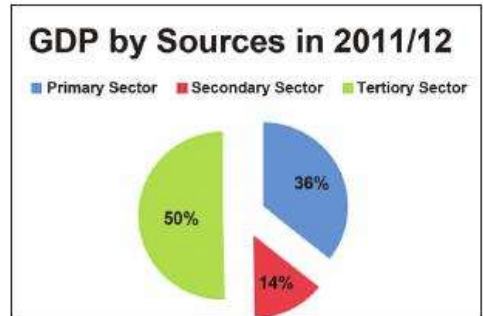
respectively. Similarly, GDP at current prices is estimated to grow by 13.8 percent reaching Rs. 1.558 trillion in FY 2011/12 compared to its preceding year's growth of 14.7 percent totaling 1.369 trillion.

In the FY 2011/12, non agriculture GDP registered a growth of only 4.27 percent due to ever extending political transition, problems in industrial environment, lack of additional investment, and energy crisis, while the growth of agriculture remained at 3.18 percent. Because of this reason the overall GDP of the country could not meet the targeted growth rate, according to MOF. From GDP growth perspective, the past decade was not encouraging for Nepal. Annual average GDP growth rate for the decade hovered around 3.51 percent.

The GDP structure of Nepalese economy has been changing gradually. Since last decade the contribution of primary sector (agriculture) and secondary sector (industry) to GDP has been decreasing and that of the tertiary sector (services) is increasing apparently visible. Primary sector's contribution to GDP in FY 2011/12 at current prices is estimated to 35.68 percent, a 1.75 percent lower than that of the previous year. Share of this sector

in GDP was 37.01 percent in the FY 2000/01, which gradually came down in succeeding years. Reason for this decline in contribution of primary sector to GDP is comparatively higher growth in the service sector despite the growth in agricultural production.

Contribution of the Secondary sector to GDP has also been gradually coming down from 16.86 percent in FY 2000/01 at current prices, which is estimated to be contained at 14.02 percent in FY 2011/12. Reason of such decline is attributable to decline in the industry and construction activities in the country. Share of secondary sector in GDP averaged at 15.31 percent in preceding five years. However, contribution of the Tertiary sector to GDP is gradually increasing, which was 46.13 percent in FY 2000/01 at current prices, grew to 48.28 percent in FY 2010/11 and reached 50.31 percent in FY 2011/12. Reason for this increase in the share of GDP, according to MOF, is due to growth in outputs of wide ranging sub-sectors



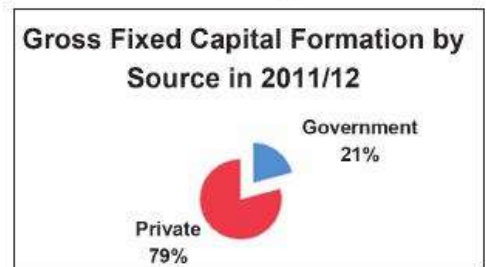
including business, hotel and restaurant, transport, communications, financial intermediation, real estate transaction, public administration and defense, education, health, and other community social and personal services.

### Capital Formation and Investment

Capital formation (CF) of the country in the FY 2011/12 is estimated to grow by 14.6 percent at current prices reaching Rs. 510.59 billion. Likewise, gross fixed capital formation (GFCF) of the country is

estimated to grow by 5.1 percent totaling Rs. 305.68 billion in 2011/12. However, in the FY 2010/11, GFC and GFCF decreased by 8.6 percent and 0.2 percent totaling Rs.220.69 billion and Rs. 127.50 billion respectively. The share of GFCF in CF is slides from 57.9 percent in FY 2010/11 to 54.4 percent in 2011/12.

The share of gross investment to GDP in the FY 2011/12 is estimated at 32.8 percent, which was at



19.2 percent in FY 2000/01. The remaining portion of GFCF (including statistical error) is covered by change in reserves. In gross capital formation, contribution of the private sector and the government is estimated at 77.97 percent and 22.03 percent respectively. Such contribution, which was 78.69 and 21.31 percent in FY 2000/01, stood at 76.99 and 23.01 percent in the previous fiscal year.

### Income Per Capita

The Per capita income of Nepalese has risen gradually in recent years. Per capita GDP and GNP at current prices have increased by 12.2 percent and 12.7 percent reaching Rs. 57,726 and 58,274 respectively in the FY 2011/12. Such growth in per capita GDP and GNP, however, had been 3.2 percent and 3.3 percent reaching Rs. 24,908.0 and 25,393 respectively in FY 2000/01. At the same time, disposal income of Nepalese has been on increasing trend since past few years. Such income in FY 2011/12 is estimated to grow by 17.2 percent totaling Rs. 1.974 trillion at current prices. This growth is due to increase in remittance income for the last few years.

## NRB Unveils Monetary Policy



bank of the country, unveiled its Monetary Policy for the fiscal year 2012/13 on July 26, 2012 focusing on controlling inflation, stimulating credit to productive areas, monitoring the trend of interest rate, increasing outreach of financial services and ensuring financial stability. The monetary policy has allowed commercial banks to invest up to 30 % of the amount parked in agency banks abroad in low risk instruments such as call deposit and certificate of deposit. NRB through this monetary policy has said to open the outbound investment by Nepalese investors, though yet to finalize the modality of investment.

instruments of the past years, the NRB also introduced new measures for attaining the broad policy objective of facilitating economic growth and financial stability. "The major challenges we face are controlling inflation, credit to productive sectors, expanding financial outreach to the unbanked area of the country and financial stability," said Dr. Yuba Raj Khatiwada, Governor of NRB, adding that the overall goal is to create an enabling environment to facilitate economic growth of 5.5 %. The policy primarily focusing a



gradually through an Interest Rate Corridor Policy to maintain short-term market rates within a band. To enhance transparency in lending rates and strengthen monetary transmission mechanism, base rate system is proposed, which requires banks and financial institutions (BFIs) to establish and announce the base rate. The bank rate has been aligned to standing liquidity facility (SLF) and reduced at 8 % from 10 %. The central bank has lowered the rates for refinancing from existing 6.5 % for agriculture

7 % for other productive sectors, to a single rate 6 %. The refinance rates for sick industries, cottage and small industries, export oriented businesses, and foreign employment remains unchanged at 1.5 %. NRB has increased the directed lending to deprived sectors by 0.5 % to 4 %, 3.5 % and 3 % of total credit respectively by commercial banks, development banks and finance companies by the end of this FY. Further, taking into account the increased liquidity position of BFIs, it has also revised the mandatory cash reserve ratio (CRR) from 5 % to 6 % for 'A' class, 5.5 % for 'B' class and 5 % for 'C' class financial institutions.

# Chinese Envoy Meets CNI Officials

Confederation of Nepalese Industries (CNI) held an interaction program with the Ambassador of the People Republic China to Nepal Mr. Yang Houlan on 17 August. In the program organized at CNI secretariat CNI President Binod K Chaudhary, vice president Hari Bhakta Sharma, CNI EDC convener Sujit Acharya including CNI members and members of Chinese delegation as well as entrepreneurs from both of the countries were presented. Addressing the program CNI president Chaudhary supposed the visit of Chinese Ambassador and the interaction held with him will play a pivotal role to strengthen economic relations and cooperation between Nepal and the China in general and the private sector in both of the countries in particular. "CNI has considered your Excellency's this visit as an opportunity for fostering the bilateral economic relationship between Nepal and the People Republic of China," he said, "we are very keen to expand the business to business

relation, which is expected to expand not only the business relation among the entrepreneurs of both the countries but will definitely be able to enhance the future cooperation and investment in development initiatives taken by Nepal." In the mean time, ambassador of

poised to take initiative to materialize the potentialities. "We see distinct possibilities to cooperate in Hydro power projects, waste management, water solution, tourism and services," he said, "we shall do more in these areas, which will enable business communities

of Nepal and bilateral trade volume has reached as much as 1.2 billion USD. Hari Bhakta Sharma, CNI vice president argued that private sector in Nepal has been vibrant and active in enhancing the economic activity in the country. There are vast areas of potentiality waiting to be exploited in agriculture sector as a commercial venture. So is the case with industry and services sector which contribute around two third of the country's GDP. "Private sector is overwhelmingly involved in manufacturing, tourism, trade, export these happen to be major sources of foreign exchange earning of the country as well," said Sharma, adding that CNI in collaboration with the government of Nepal has been preparing information portal-"Invest Nepal", which is expected to come in operation soon. Sharma assured that this portal would be very useful to those foreign investors who are willing to invest in Nepal and the Chinese would also gain from this information portal.



Chinese Envoy Yang Houlan and CNI President Binod K Chaudhary (center) with other participants.

People Republic of China to Nepal Mr Yang Houlan stressed that Nepal and China have vast scope of cooperation in areas of trade, commerce and investment which in turn will be helpful to facilitate the development effort of Nepal. According to him, China is

of both the countries to work together more closely," adding that however the prolong political uncertainty in Nepal has been discouraging the Chinese to put more money in this land. Now there are more than 20 Chinese enterprises involving in the constructing projects

## Bangladesh to Give Zero Tariff Facility



Secretary Mohammad Gulam Hussein had inked an agreement to resolve the issues of the transport operation modalities by the end of 2012. The agreement

## Exporters Benefit from Cash Incentive

An increasing number of export-oriented industries have benefited from a cash incentive package that the government introduced since the last year. According to the department of industry (DOI) data, by the end of last fiscal year 2011/12, total 57 out of 111 industries, who filed application

fund of Rs 650 million for the purpose of the incentives. The government had mark down Rs 330 million to promote the export oriented industries through cash incentive in last fiscal year's budget. "However, DOI could not distribute the rest of the amount as



Bangladesh, a fast growing economy of the south Asia and one of the members of South Asian Free Trade Area (SAFTA) agreed to provide zero tariff facility to Nepali products to expand bilateral trade and transport facilities between them. During the fourth Nepal-Bangladesh commerce secretary-level talks that concluded here in Kathmandu on 30 July, Bangladesh agreed to provide zero-tariff facility in some 100 Nepali agriculture and other products. The two-day meeting led by Secretary at the Ministry of Commerce and Supplies Lalmani Joshi from Nepal and Bangladeshi Commerce

is expected to boost export of Nepal after simplification in the operation of Chittagong and Mongla route, said Ministry of Commerce and Supplies. "Bangladesh has expressed commitment to improve and simplify the transport connectivity in the border areas to boost bilateral trade activities between the two nations. Both the countries have also agreed to give final touch to Kathmandu-Dhaka bus service operation agreement," the ministry said in a statement. Bangladesh also agreed to provide on arrival Visa to Nepalis along with promoting tourism of both the nations, offering tour package.

Out of 111 industries, who filed application demanding incentive, have received the amount after they met the set criteria. Industries related to coffee, tea, pulse, carpet, textile and leather received cash from the DoI after they met the required eligibility criteria, says the DoI who has got authority of distributing the incentive amount. According to the DoI data, government has provided a sum of Rs 100 million to the industries for their export in last fiscal year. The government had announced the cash incentives to the exporter one-and-a-half years ago. The working procedure developed by the Department of Commerce (DoC) has made value addition as the main basis for such cash incentives. As per the procedure, the government had promised 2 percent cash incentive on the export of goods having a 30-50 percent value addition. The cash incentive is 3 percent on the exports of goods that generate 50-80 percent value addition and 4 percent on those having more than 80 percent value addition. The government has set aside a

not distribute the rest of the amount as more than 50 percent of the industries that approached the department did not submit the required documents," said a source at DoI.

### Beneficiary Industries

Industry	Number
Yarn and related	4
Textile	3
Pashmina	1
Pulse	24
Carpet	11
Handicraft	3
Leather	2
Noodles	2
Coffee	4
Others	3
Total	57

Source: department of industry