



MONITOR

Talking Business, Talking Change

Monthly

Year 6

Issue 5

Bhadra, 2069

August-September, 2012

Page 4

News Letter

CNI and ICC Ink MOU

Confederation of Nepalese Industries (CNI), the apex body of Nepal's large as well as medium size manufacturing and service enterprises has signed a Memorandum of understanding (MOU) with Istanbul Chamber of Commerce (ICC), a Turkey's business organization recognizing immense possibilities of improving economic and commercial ties between Turkey and

development of Turkey and Nepal to open up further change for increasing exchange of trade between the concerned countries," said CNI President Binod K Chaudhary, adding that the economic and trade relations forced within the framework of laws and regulations in the concerned countries will be honored.

According to Chaudhary, this activity will serve to expansion of economic and industrial



CNI President Mr. Chaudhary and ICC President Dr. Murat Exchanging the MOU

Nepal. CNI president Mr. Binod K Chaudhary and ICC president Dr Murat YalcAntas have inked the MOU in a ceremony organized by CNI at

Kathmandu on August 22, 2012. In the signing ceremony, Prof. Dr. F. Gunseli Malkoc, honorary Consul of Turkey to Nepal, CNI VPs Mr. Hari Bhakta Sharma and Mr. Anuj Agrawal including CNI member entrepreneurs were also present.

In the MOU both of the parties agreed to work together for development of both the countries through sharing of information as well as conducting trade and investment exhibition regularly to promote the investment and business potentialities of both the countries. "Both the organisations will exchange regularly market information about the economic



ISTANBUL CHAMBER OF COMMERCE

cooperation between the business enterprises and organizations of Turkey and Nepal, which will benefit both of the countries. "The parties will organize joint

meetings of their representatives in Turkey and Nepal respectively, the MOU will help visits of commercial and economic delegations between Turkey and Nepal," said Dr Murat YalcAntas, president ICC, adding that the parties will do their best for the realization of business contacts. The parties in the interest of their members, will exchange market information, publication on the existing laws and regulations about foreign trade and investment should be provided by both parties, reads the MOU.

Continue Page 3



Message



Binod K Chaudhary
President, CNI

The government of Nepal (GoN), through department of commerce and supply management (DCSM), has decided to fix the maximum retail price (MRP) of 15 essential commodities. This is the first attempt of the GoN to fix the MRP of goods and traders to follow these prices in a proposition to prevent artificial price hikes and to exercise it as a landmark for effective market monitoring. Generally, what GoN trying to do now, to determine the MRP of goods is the job of market forces of demand and supply in a free market economy, which Nepal has been adopting since more than two decades.

In this sense, the government's move to fix the MRP of essentials goods such as sugar, rice, pulses and edible oil is totally against the philosophy of free market economy and consumerism. Thus, the government decision has not gone down well with the private sector and consumer groups. This step of government compels the proponents of free market economy to remember the Panchayat regime where the government used to fix MRP of goods and services time and again. If this law came into practice and established the tradition to follow the MRP fixed by the government that does not allow prices to fall below the 'fixed' price thereby promotes the closed economic system.

It is essential for the government to know the difference between the MRP and actual price of the goods. The MRP is inclusive of all taxes and a retailer can sell at a price below the MRP. In fact consumers always look for retailers who sell below the MRP because the MRP is the maximum retail price allowed for that commodity and not the actual price and a retailer can well reduce his margin built into the MRP. But in the context of Nepal where there is low production capacity of domestic industries, which is unable to meet domestic demand and the supply chain of the economy is not as efficient as it has to be. This is due to low road connectivity, rampant syndicate in transportation, frequent strike by the political parties and unfavorable geographical situation of the country.

Therefore, without improving the productivity and supply chain in the economy only fixation of MRP can not support the government wish to contain price hike. Thus, CNI, as a representative of private sector and advocate of free market economy, would advise the government to resume the decision of fixing MRP of goods and let function the market forces.

Trade Symposium in Biratnagar

CNI Koshi chapter in association with Indian Embassy held a Border Trade Symposium in Biratnagar on August 30, 2012. In the symposium government officials as well as traders of Nepal and India were gathered to discuss and forward suggestions on trade related problems.

CNI Koshi chapter president Bashudev Golyan reported some issues related to bulk cargos from Kolkata and Haldia ports to Jogbani, railway yard from Kathari to Duhabi and establishment of a food test lab at

Golyan, adding that the extension of the railway to Sunsari of Nepal is very essential for the benefit of the industries lying in the Biratnagar - Itahari Industrial Corridor.

Government officials of both the countries agreed that establishment of a food test lab at Jogbani Customs would minimize the heavy detention cost for the entire cargo incurred during the Lab test being done at Raxaul. They had also forwarded a letter to HE Mr. Jayant Prasad, ambassador of India to Nepal, demanding to delegate more



INSIDE

2

Money Expo-2012 Concluded

3

Laminated Cement Bags no More Mandatory

Jogbani Customs. "A covered railway yard in Jogbani should be set up so that all types of loose materials can be unloaded and stored safely in all seasons without damage," said

authority to the Indian Embassy Office in Biratnagar so that, the day to day border issues and problems can be resolved from the Biratnagar office itself.

Money Expo-2012 Concluded



CNI Vice President Mr. Hari Bhakta Sharma Addressing the Inaugural Ceremony at Money Expo-2012

The second edition of Money Expo, inclusive show of money, banking, financial markets and investment, concluded in the capital on September 2, 2012. The expo was organized by Arthik Abhiyan daily and Jamb Technologies in association with Minds Nepal and Morningstar Investment Services. The expo as a unique business networking event for companies and financial institutions was inaugurated by Finance Minister Barsha Man Pun and visited by president Dr. Ram Baran Yadav among others.

Addressing the inaugural ceremony, Minister Pun admired the effort of the private sector to hold such events. "The expo would be very success to inform all interested investors about the new and emerging investment opportunities in the country," said Pun. Madan Lamsal, Chairman of the Money Expo claimed that the expo was organized following the impressive success of its first edition in 2011. "The expo had designed as one of the great supporting tools to the government's proclamation of FY 2012/13 as the Investment

Year," said Lamsal, adding that such events are a must for the promotion of the business and commerce in the country.

Speaking at the inaugural session, CNI vice president Mr. Hari Bhakta Sharma expressed his compliment to the organizers for hosting such event from the private sector. "Private investors are eager to invest in the country provided that there is the right investment environment," said Sharma, adding that, the government to come up with clear policies to increase investment. Similarly, vice-president of Nepal Bankers' Association (NBA) and CNI banking and finance committee convener, Upendra Paudel opined that the expo provided a common platform for the investors to openly discuss the new investment opportunities in the country.

Chief Executive Officer of Investment Board, Radhesh Pant said, "we need is the creation of conducive investment climate in the country," adding that, there is an urgent need for the mobilization of the available means and resources for economic development.

CNI on Market Profile Preparation Training

Confederation of Nepalese Industries (CNI) has participated in 4 days market analysis workshop conducted by the International Trade Centre (ITC), a subsidiary organization of the World Trade Organization (WTO) and the United Nations Cooperation of Trade and Development (UNCTAD). This workshop was organized in cooperation with GIZ at hotel Yak and Yati, Kathmandu during 10-13 September 2012. "This 4-day workshop for trade adviser institutions, exporters, trade ministries, chambers working in SAARC region builds the capacity of participants to use ITC's market analysis tools and other trade information sources

said Ms. Helen Lassen, instructor from ITC, adding that emphasis should be placed on identifying a market within the SAARC region. Another instructor from ITC Mr. Samidh Shrestha expressed that the objective of this workshop is to get participants to position their export products in the minds of customers and to analyze options to customize their product to the market demand. "This course focuses on how to screen for the most promising markets," said Shrestha, adding that it also helps to define the characteristics of the chosen markets and develop strategies that companies can use.



Participants of ITC Training on Market Profile Preparation

to think strategically," said Programme Manager at GIZ Horst Ammann, adding that it will promote research and develop on a particular product/market opportunity and prepare customized reports on these opportunities.

In the closing ceremony of workshop, instructors from ITC argued that the workshop would be very instrumental on identifying opportunities for promoting intra-regional trade potential within the SAARC region. "The workshop provides participants with a structure to think strategically about the demand for an export product (or group of similar products) in a target market,"

CNI deputy director Mr. Hom Nath Gaire was participating in the workshop representing the apex body of Nepal's manufacturing and service enterprises. CNI is committed to enhance the market analysis capacity of its member producers and exporters through the use of ITC statistics as well as tools such as trade map, market access map including other various models. "CNI has been organizing interaction and training in regular basis for promoting export capacity of members," said CNI director general Mr. Megh Nath Neupane, adding that ITC's market analysis training would be one of the most effective one.

CNI Interaction with PUM Country Coordinator

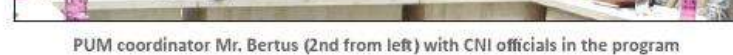
Confederation of Nepalese Industries (CNI) held an interaction with the Netherlands Senior Experts Program (PUM) country coordinator for Nepal and Bangladesh at Kathmandu on 7th September 2012. The interaction program was organized at CNI secretariat in the presence of CNI vice president Mr. Raj Kumar Agrawal, CNI Industry Committee chairman Mr. Sulav



country," said Agrawal. At the mean time, CNI industry committee chairman Mr. Sulav Agrawal said "CNI would be a best platform for PUM to achieve its Mission." CNI WEPF convener Ms. Barsha Shrestha said that the PUM, a Netherland government supported senior expert program will be very helpful for entrepreneurship development and job creation for women thereby reducing

Agrawal, CNI Women Entrepreneurs and Professional Forum (CNI-WEPF) convener Ms. Barsha Sharestha, CNI Young Entrepreneurs Forum (CNI-yef) convener Mr. Amit Begani, among others.

In the program PUM country coordinator Mr. Bertus V Heugten highlighted about the advisory supports and expertise what PUM provides to private sectors in Nepal in a wider range by sending Netherlands Senior Experts. "I have been active in this program for the past several years in



PUM coordinator Mr. Bertus (2nd from left) with CNI officials in the program

different developing countries," said Bertus. "I there, would like to introduce this program to CNI members as well as young Entrepreneurs." Currently PUM covers wider range of the fields to promote entrepreneurship in Chitwan, Biratnagar, Kathmandu Valley, Pokhara, Butwal, Hetaunda etc. "We have been helping in many private companies in Nepal for the past several years," said

Bertus, "CNI members can also be benefitted from PUM."

CNI vice president Mr. Raj Kumar Agrawal expressed his compliments to PUM for providing advisory support and expertise to facilitate the Nepalese private sector. "Hope the PUM will further been contributing in the development effort of Nepal by helping entrepreneurship development in the

dependency of women in Nepal. Similarly CNI-yef convener Mr. Amit Begani argued that PUM would be a support for promoting self employment program on which CNI-yef is working. "We would like to share and highlight the success examples of PUM's help in other developing countries, which may be references and can be replicated in Nepal," said Begani, adding that CNI-yef is also planning to introduce youth entrepreneur development program as one of its corporate social responsibility initiatives.

Laminated Cement Bags no More Mandatory



Hon. Anil Kumar Jha, Industry Minister (Centre) along with CNI officials in the interaction program

Amid growing opposed from the woven sacks and cement manufacturers, industry minister Anil Kumar Jha had said that if the cement producers agreed to switch to laminated bags to package cement within two years, they will be allowed to continue using woven sacks during that period. While addressing by the minister on August 27, 2012, in an interaction program organized by Confederation of Nepalese Industries (CNI), cement manufacturers had asked the government to make the system optional or defer the decision for at least three years. "The government should honor the consumer sovereignty and let them choose the quality as well as packaging of goods they consume," said CNI president Mr. Binod K Chaudhary, adding that this is only the best way of solution. CNI senior VP Mr. Narendra Kumar Basnyat, while giving vote of thanks, urged the government to end the controversy by addressing the genuine demand of the private sector.

In the mean time, the Supreme Court on August 29, 2012, issued an interim order against the government's decision making laminated

bags mandatory for cement manufacturers. Mr. Narendra Dahal, a representative from Agni Cement, filed a writ to the Court against the implementation of the government's decision, terming the move illegal and impractical. Publishing a notice in the Nepal Gazette on May 28, the government was directing the cement producers to switch their packing system from existing woven sacks to the laminated one. The cement producers had been

anomalies from the side of concerned ministers of the government. "No industries have been established in the country for the production of laminated packs so far. In this pretext, the government's decision is impractical and illegal," reads the court verdict. It also states that giving a 91-day deadline for cement manufacturers to comply with the rule is unlawful, especially when it takes about one-and-a-half years to establish an industry for production of laminated sacks in the country.

Cement manufacturers said that despite the government's controversial decision, the Supreme Court has understood the difficulty of the country's industrialists. "The decision has brought

a great relief to us. We can now continue our production and supply without any panic," said Atmaram Murarka, the president of Cement Producers' Association Nepal. He also said that the cement makers now have enough time to prepare themselves to switch over to the laminated package system. There are 40 cement factories in the country that need around 80 million sacks per year. At present, 12 sack factories have

been producing woven fabric sacks to address the demand of the local manufactures. The industry, established with the investment of Rs 5 billion, employs over 2500 individuals.

According to sack producers, laminated bags are being widely used in others countries, including neighboring India, however, it has not been made mandatory there. "Since the technology was expensive, it would be difficult to see such

The industry, established with the investment of Rs 5 billion, employs over 2500 individuals.

Government initiative for PSDP



Government of Nepal

The Government of Nepal- Ministry of Industry (MOI) has taken an initiative for formulation of Private Sector Development Policy (PSDP) with an aim to promote and intensify the capacity of the country's private sector. This is a welcome move by the government after more than two decades of accepting free market economy, which Confederation of Nepalese Industries (CNI) - a leading private sector organization focusing on manufacturing and service industries has been demanding for PSDP since one year of the Nepal Business Forum.

The government, in this connection, has started consultation meetings with umbrella organizations of the private sector such as CNI to prepare a draft of the PSDP. Presently, the industrial promotion division under MOI has been taking initiative for coordination with the private sector organizations and asking CNI to submit the TOR and action plans for drafting the PSDP. There is also an understanding that International Finance Corporation (IFC) - a private sector lending arm of the World Bank for providing financial as well as technical support to prepare the draft of PSDP. This preparation to formulate the PSDP indicates that the Government has realized the importance of the private sector in strengthening the industrial sector and ultimately achieving sustainable economic growth in the economy.

Under the PSDP, the government should formally recognize and honor the importance and contribution of the private sector to the national economy, give emphasis and pledge support for the capacity development of the private sector. It should also cite responsibility and accountability of the private sector apart from incorporating aspects in which the government and private sector can work together for country's development. "Referring

announced one. The cement producers had been opposing the government decision, arguing that it was introduced unilaterally without any consultation with the stakeholders.

The apex court also said that the notice, published with an intention to make the provision compulsory, hints at the financial interest and

was expensive, it would be difficult to see such factories being established any time soon," said Basudev Golyan, president of the Nepal Woven, Fabric and Sack producers' association, adding that the government should have conducted the Initial Environmental Examination before coming up with such decision.

together for country's development. Referring to the slowdown of the industrial sector and its contribution in the gross domestic product (GDP) the government is working to identify the ways for reviving the industrial sector," said source at MOI.

According to the latest statistics, the contribution of industrial sector was limited to just 6.2 percent in the fiscal year 2011/12. The contribution of industrial sector in the GDP is constantly decreasing from fiscal year 2001/02. "Fresh investment could not take place from domestic as well foreign investors," said the source, adding that the new policy we are working on will give new direction to private sector growth and strengthen their capacity to contribute more to the national economy. According to source, the policy will incorporate provisions to protect private sector and also pledge necessary incentives in order to make it more vibrant.

Continue from Page 1 ▶

CNI and ICC...

"The parties shall inform each other about national and international fairs, specialized exhibitions when this agreement comes into force," said CNI vice president Mr. Hari Bhakta Sharma, hoping that the relation will be valid for an indefinite period and renewable with the consent of both parties. According to Sharma, though Nepal is a land locked country, its cost of production especially in Information and Communication

Technology (ICT), commercial agriculture and tourism is considerably low, which makes the Rate of Investment (RoI) on those sectors very high.

Mr. Anuj Agrawal, another vice president of CNI argued, as the economic development of Nepal is in embryonic stage, foreign investors can get immense potentialities in every sectors of the economy. "In such a situation, if Turkish investors put their capital in Nepal, they should not wait for longer period to get back their money," said Agrawal.

Nepal Need to Focus on GSP Facility

A high level US representatives and trade experts urged that Nepal should focus on Generalized System of Preferences (GSP) facility provided by the US government to developing countries, to take benefit from the trade with USA. Addressing a program at Kathmandu chairman of the GSP sub committee of the US Trade Policy Staff Committee, William D Jackson argued that Nepal should focus on GSP to get benefit from trade with developed countries. "If Nepali exporters can use GSP as a marketing tool, their exports can have 2-13 per cent cost benefit," Jackson said, suggesting them to make aware the US importers to claim GSP treatment. According to him, Nepali exporters should identify the products with GSP advantages to increase duty free exports to the US market.



CNI Sr. Vice President Nagendra K Basnyat and Secretary at MOCS Mr. Lal Mani Joshi (Centre) in the Program

President of Nepal-USA Chamber of Commerce and Industry (NUSACCI) and senior vice president of CNI Mr. Narendra Kumar Basnyat said, if used rightly, GSP

can create more export opportunities in US markets. "Nepal is eligible to export 4,975 products to the US under the GSP facility that is aimed at assisting developing

countries to increase foreign exchange earnings," said Basnyat, adding that government of Nepal should give emphasis to utilize the GSP facility and accelerating overall economic growth.

To increase the utilization rate of GSP facility, the private sector must be proactive, said commerce and supplies secretary Lal Mani Joshi. "The government is committed to supporting the private sector as a facilitator," he said, adding that periodic review could also help increase the utilization rate of GSP. They forwarded their view in an interaction program on 'Expanding and Diversifying Nepal's Exports to the US under the GSP,' organized by NUSACCI in association with Ministry of Commerce and Supplies (MOCS) and USAID/NEAT-Nepal at capital on August 23, 2012.

Fifth SAES Concludes

The fifth South Asia Economic Summit (SAES), with the theme 'Making growth inclusive and sustainable in South Asia,' concluded on September 13, 2012 calling for enhanced regional cooperation. The summit held at Islamabad Pakistan during 11-13 September 2012, attended by more than 100 foreign delegates — was organized by Sustainable Development Policy Institute, Islamabad and South Asia Watch on Trade, Economics and Environment (SAWTEE) was one of the co-organizers.

Speaking at the summit, regional experts urged that an integrated South Asia can mitigate the risks posed by the global economic crisis. The goal of the event was to provide inputs to the 18th SAARC Summit that is scheduled to be held in Nepal. Executive chairman of SAWTEE, Dr Posh Raj Pandey said, "latest global economic crisis has also provided an opportunity to enhance regional cooperation," adding that the recent positive developments that have taken place in the region would strengthen the regional integration.



NRB Permits BFIs to Invest Abroad

Nepal Rastra Bank (NRB), the central bank of the country, has allowed commercial banks and national level development banks to invest in foreign countries. Issuing a circular on September 12, 2012, NRB said class 'A' and 'B' financial institutions can invest as much as 30 percent of their foreign currency deposits at agency banks abroad in low risk financial instruments issued by the international financial institutions (FIIs) and foreign governments. "The maturity of such investment should be for a maximum of two years," read the circular.



The circular states that banks can only park 25 per cent of their total foreign exchange liabilities in



The chief guest at the summit and foreign minister of Pakistan Hina Rabbani Khar said that the solutions to the numerous problems of the region can only come through confidence and trust among SAARC member states. She also expressed Pakistan's commitment to address issues of food insecurity and climate change through regional approach. Discussing the development agenda, chairman of

Centre for Policy Dialogue-- Dhaka, Prof. Rehman Sobhan said, "growth in South Asia has never been inclusive, therefore, to make the growth process inclusive, people's access to assets is necessary," adding that the one way of doing so would be getting people engaged in value addition process.

Similarly, executive director of Institute of Policy Studies of Sri Lanka Dr. Saman Kelegama identified three opportunities for South Asia in next few years — a demographic dividend, rising middle class, and surging remittance. Chief economist of United Nations Economic and Social Commission for Asia and the Pacific Dr Nagesh Kumar and chief economist of the World Bank Dr Kalpana Kochhar, on the occasion, argued as the gravity of the world economy is shifting towards Asia, including South Asia, the region's growth strategy should be based on policies to boost investor sentiments, attract foreign direct investment, and advance regional cooperation in energy trade, goods and services trade, and transit trade.

The circular states that banks can only park 25 per cent of their total foreign exchange liabilities in agency banks abroad. At the same time, banks have to keep a minimum balance of \$200,000 to meet foreign exchange payment at contingences. In the monetary policy of fiscal year 2012/13, NRB had announced that BFIs would be allowed to invest a part of their foreign exchange balance in minimum risk instruments such as foreign government issued bonds, call deposits and certificate of deposit. "Banks will be able to make some money by investing instead of keeping their balance idle in foreign banks," said the NRB source, "however, they cannot take loans from foreign banks for investment purposes."

Moreover, NRB has opened a door for banks to hedge the foreign exchange rate risk through derivatives instruments such as forward, futures, options and swaps to cover their

liabilities in
agency banks
abroad.

forwards exchange contract in their agency banks as deposits. Going by the directives, Nepalese BFIs would be able to mitigate the risk associated with various types of risky instruments like currency, bullions and commodities.

However, those investments should be made from convertible currency reserve and deposits that they hold in the foreign agency banks. In a bid to facilitate such investments, the central bank has also allowed the commercial banks and national-level development banks to park all their convertible currency deposits in foreign agency banks as reserve. They, however, need to have a forward exchange contract with the foreign agency banks.