



CNI Interaction with Finance Minister

A delegation of Confederation of Nepalese Industries (CNI) held an interaction with the finance minister Mr. Barsa Man Pun at Ministry of Finance (MOF) on 30 May. The interaction was called by the MOF to discuss with the private sector in the changing political situation after dissolution of Constitution Assembly (CA). Addressing the program Mr. Pun said that the government will be bringing the economy related bills through ordinance to boost the private sector's confidence. "These bills will be brought through political consensus," said Pun, adding that more than a dozen bills related to the economy have been pending at the dissolved parliament.

The CNI delegation demanded a common understanding on economic agenda among the political parties as the CA dissolution may threaten business environment. "The government needs to come up with a common minimum economic agenda," said Hari Bhakta Sharma, acting president of CNI, adding that the government should maintain a single diesel price as the dual fuel price mechanism has hit industries hard. CNI also asked the government to ensure availability of electricity through separate feeder for industries employing more than 50 people. "If the government wants to attract the foreign investors, the corporate income tax should be reduced on manufacturing and other industries to 10 and 15 percent, respectively, from the current 20 and 25 percent," he added.

CNI governing council member and industrialist Mr. Bijay Shah asked the government to allow Nepalis to invest abroad. Responding to the requests, Pun said the government was opening outward investment but added the issue calls for wider consultations with major political parties. Acting president Sharma also urged the government to set up a



'Technology Development Fund' of up to Rs 1 billion to facilitate research and development which could also help in attracting foreign capital.

The Finance secretary Mr. Krishnahari Baskota, addressing the program, said the macroeconomic indicators of the country are in comfortable position. "The private sector needs not to be hesitated to invest more capital in Nepal because the MOF is considering to bring the bills related to Special Economic Zone, Banks and Financial Institutions, Industrial Enterprise and three bills on anti-money laundering (AML)," said

Baskota. At the meeting, NIC Bank CEO Sashin Joshi said the government should bring the three bills related to AML --- Mutual Legal Assistance, Organised Crime and Extradition Treaty—through ordinance at the earliest as further delay would be prove costly for banks and financial institutions (BFIs).

According to Joshi, the government's disinclination to offer corporate tax waiver

has discouraged BFI mergers the central bank's efforts. "There is need to give some waiver in corporate tax to encourage mergers," said Joshi.

Stating that banks' liquidity position has improved, convener of CNI governing council Mr. Chiranji Lal Agrawal asked the government to reduce the Statutory Liquidity Requirement (SLR) of banks from the existing 20 percent to 15 percent. "It could lower the interest rate which would boost investments in industries," he said.

CNI also asked to ensure availability of electricity through separate feeder



Binod Kumar Chaudhary
President, CNI

Message

It is unfortunate as the four years have lapsed and there is no constitution. It is titanic disappointment. The dissolution of the Constituent Assembly (CA) has disappointed the country's private sector and worried that the demise of the CA may further threaten business environment. Therefore, the Confederation of Nepalese Industries (CNI) has asked the government to come up with a common minimum economic agenda to protect the industrial sector and economy from the negative impact of the political crisis.

A huge sum of money—more than Rs 10 billions—has been spent in the last four years in the name of CA. It is well established that when uncertainty happens there is confusion in investment and business which private sector does not like. Hence, the current scenario is a set back and gives wrong perception about Nepal but the country is still a very attractive destination for investment. The biggest problem right now is we have not been able to raise the confidence of potential investors.

We want all the political parties to come and agree on this common minimum economic agenda. They need to understand that they are responsible to make sure that Nepal develops because they are giving hope of new Nepal which is prosperous. If it is a prosperous Nepal, than economic agenda should be a common agenda irrespective of ideology of political parties.

With CA election already been announced, many in private sector are worried about the donation drive of political parties. The CNI has talked about setting limit for the donation money. How strong is that fear and how important is to set the limit of donation?

To cope with the current situation, first of all, budget should come on time which is critical for all of us. Secondly, the government should be able to invest capital expenditure in large scale projects. Rather than spending money out for cheap popularity to get vote, we need to look at energy which is a national crisis at the moment. Therefore the budget must focus on improving the existing infrastructure and encourage private sector by giving more incentives to create more employment.

CNI helps fire victims

Confederation of Nepalese Industries (CNI) distributed bamboo and corrugated sheets worth Rs 1 million to the fire victims of Aurahi village development committee, Siraha district so that they can quickly construct their homes. CNI's Koshi chapter coordinator Basudev Golyan visited the site and distributed the materials. CNI had handed the essentials to the support

committee formed under the leadership of chief district officer of Siraha which will distribute the materials. The help was arranged by Citizen Relief Fund jointly established by CNI and Maha Sanchar, CNI's founding member Bishal Group, CNI's youth arm Youth Entrepreneurs Forum, Rupandehi Industry Association and national council member of CNI Ramesh Gupta.

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BRIEF

CNI Pres's Book on Economy



Finance Minister Barsa Man Pun (Center) unveiling the book with others.

A book entitled "Uddhyami Ka Aankha Ma Arthantra" written by Mr. Binod Kumar Chaudhary, president of Confederation of Nepalese Industries (CNI), an apex body of Nepalese manufacturing and service sector as well as Chaudhary Group, a leading business house of Nepal, was unveiled in Kathmandu on 13 June 2012. The book was jointly unveiled by Mr. Barsa Man Pun, the minister for finance along with the five former ministers for finance, former governor of Nepal Rastra Bank (NRB) and president of society of economic journalists of Nepal (SEJON). The book is a collection of articles and speeches by Mr. President over 25 years of his career as an industrialist and a business leader.

Addressing the book launching program, Finance Minister Barsa Man Pun described Chaudhary as a multi-talented personality who has played different roles and excelled on each of them. He assessed that Chaudhary's book has expressed a mix of hope and disappointment regarding the country's socio-economic status. Former Finance Minister Prakash Chandra Lohani said that major political parties had no time to discuss on common economic agendas that could have made the country prosperous. "Through this book, the writer has expressed grief on that account," said Lohani.

On the occasion, Mr. President remarked that the book is a collection of his expression in terms of write-ups in various newspapers and magazines as well as speeches at various formal and informal forums. "This book carries my emotions," he said. Chairman of Nepal Media Society Kailash Sirohiya, describing Chaudhary as a personality of 'multiple avatars, said: "His role as a leading industrialist, president of Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and Confederation of Nepalese Industries (CNI) and Constituent Assembly (CA) member were commendable."

Company Registration Ease for FDI

The government has eased the company registration procedures to simplify and shorten the approval of Foreign Direct Investment (FDI) in Nepal. For this the government has eliminated at least seven steps in the FDI approval process to create an investment-friendly climate, according to the Office of Prime Minister and Council of Ministers.

At a time when regular strikes, political and labour unrest have been hurting the business confidence of the private sector, the government has claimed that it is serious about improving the investment climate in Nepal. "The licensing reform is one of the efforts of government in improving investment climate," said joint secretary of the Economic and Infrastructure Development Division of the Office of Prime Minister and Council of Ministers Mahendra Man Gurung while addressing the 'Doing Business Workshop' organized in May 16 to discuss on how investment climate could be improved by reforming the laws to ease doing business.

According to Gurung, the government also planning to launch a licensing electronic portal by the end of this FY, which will be a one-stop-shop for all the licenses, permits, related laws and regulations and necessary documents. The portal will serve as an information hub for business people, and the government plans to make it more interactive in the future. Likewise, Inland Revenue Department under Ministry of Finance and Office of the Company Registrar under Ministry of Industry, have signed a memorandum of understanding to share data and provide permanent account number (PAN) during a company's registration reducing a lot of paperwork and hassles for businesses and industries.



CNI and AEPC to Work Together



CNI President Binod K Chaudhary & AEPC ED Dr. Govinda Pokharel exchanging the MOU, secretary at MOE Krishna Gyawali & CNI Senior VP Narendra K Basnyat.

Energy Development Council of the Confederation of Nepalese Industries (CNI-EDC) and Alternative Energy Promotion Centre (AEPC), Ministry of Environment, Government of Nepal (GoN) sign a Memorandum of Understanding (MoU) in Kathmandu on June 12, 2012. The MoU sets out the general terms and principles of the institutional collaboration between the Parties regarding implementation of renewable and alternative energy technologies promotion interfaced with poverty alleviation through industrial growth at rural location and environmental protection activities. On the MoU, both parties are agreed to guide, coordinate, lobby and harmonize the relationship and work on a private public partnership (PPP) modality

ceremony Binod Kumar Chaudhary, President of CNI said, "we agreed to work together to expand the AEPC and CNI-EDC's services with the objective of enhancing the renewable energy access to the employment generating industries to foster growth of industrial sector of the country". The energy is one of the vital inputs to livelihood and pre-requisites for socio-economic development of Nepal. "Nepal's rural areas are far behind in using cleaner energy sources, while modern forms of energy such as grid power, fossil fuels, etc. have only limited access to the rural areas of Nepal very often these means are not affordable for the poor communities," said Dr. Govinda Raj Pokhrel, executive director of AEPC. "Thus the private sector should come to the renewable energy sources like solar, wind,

"we agreed to work together to expand the AEPC and CNI-EDC's services with the objective of enhancing the renewable energy access to the employment generating industries."

between CNI-EDC that represents the private sector and AEPC that represents the government.

AEPC is a semi autonomous government institution mandated for promotion and development of renewable energy technologies in Nepal. "AEPC not only provides direct financial and technical support in terms of subsidy and capacity building support for managing renewable energy systems at the community level, it also encourages partnership with the community based organizations, private sector, non-governmental organizations and other institutions for maintaining energy systems at affordable level, meeting basic quality standards, and maximizing use of energy for income generation activities," said Mr. Krishna Gyawali, secretary at ministry of Environment.

Addressing the signing

biogas, etc. and expansion of these services to the poor households" Pokhrel added.

"Nevertheless, it has been widely recognized that expansion of sustainable energy services to the industries we can not foster economic growth and reduce poverty," said Mr. Chaudhary. CNI is a non-governmental, non-profit, corporate led and managed organization that plays a proactive and pivotal role in the country's private sector development process. "Considering the growing need of modern form of energy and technology for industrial growth as well as a potential growth sector for investment itself, CNI has given high priority to the energy sector with the establishment of a separate energy development council," said Mr. Narendra Kumar Basnyat, senior vice president of CNI.

Private Sector's Rally for Peace and Harmony



The business community under the leadership of Confederation of Nepalese Industries (CNI) and Federation of Nepalese Chambers of Commerce and Industry (FNCCI) organized a candle light rally on May 23, 2012 for the peace and national harmony. The non-political, non-religious and non-ethnic peace assembly was held at Kings Road Kathmandu. During the occasion, private sector requested all political and non-political groups to shun violence and refrain from calling general strikes while the country was caught by the continuous strikes organized by different political and ethnic groups to secure their vested interest in new constitution.

CNI and FNCCI have joined hands with other organizations of different sectors, such as hotel,

education, media, health, human rights, I/NGOs, media and civil society for the event. "The assembly is for peace, harmony and prosperity," told Binod K Chaudhary, president of the CNI, "We are neither in the favor nor against any groups. We are against the culture of bandhas and violence." Gently condemning the random attacks on media persons and vehicles of different media houses during the bandha by Nepal Federation of Indigenous Nationalities (NEFIN), Chaudhary said, "We oppose every kind of attack on business and media."

Bhaskar Raj Rajkarnikar, acting chairman of FNCCI, said "This is our endeavor to preserve the national harmony and establish peace in times of nation-wide tension due to violence." Bandha and violent strikes will serve no one's interest, rather

inflicted a huge loss to general public, wage earners as well as businesses said Rajkarnikar, adding that "At this juncture, we don't want to calculate our business in numbers, this is the time for national consensus and peace."

In the assembly, Nepal Chamber of Commerce, Lalitpur Chamber of Commerce and Industry, Bhaktapur Chamber of Commerce and Industry, all the commodity associations, associate member organizations of CNI and FNCCI, Nepal Federation of Cottage and Small Industries, Higher Secondary School's Association Nepal, human right organizations, engineers association, medical association, hotel associations and other organizations working in the public and private sector were also participated.

Talk on Access to Finance



WEPF convener Barsha Shrestha, CNI President Binod K Chaudhary & CNI Senior VP Narendra K Basnyat among others.

CNI Women Entrepreneur and Professional Forum (CNI-WEPF) held an interaction on access to finance and strengthening business capacity for women entrepreneurs in Kathmandu on June 14, 2012. During the interaction woman entrepreneurs recommended banks and financial institutions to take important initiatives to encourage women entrepreneurship by providing an easy access to finance.

The program was organized encourage woman entrepreneurs in Nepal's industrial and corporate sector. "The government along with banks and financial institutions should enhance women's access to financing," said CNI- WEPF convener Ms. Barsha Shrestha. "Banks and financial institutions do not discriminate against their clients on the basis of gender. The only necessity is that legal, regulatory and policy requirements for financing are fulfilled by the client," she said. "The level of initiative and inquires made by women regarding financing is very low," said CNI president Mr. Binod Kumar Chaudhary, adding that the number of businesses registered in the names of women is relatively higher. During the program, CNI senior vice president Mr. Narendra Kumar Basnyat urged women entrepreneurs to come up with business ideas so that banks and financial institutions can extend their support to help them develop their business. "Women entrepreneurs should be confident and competent to start a business," he said.

To Safeguard Local Industries

The government of Nepal (GON) has stepped up exercises to finalize a draft of Safeguard, Anti-dumping and Countervailing Act, aiming to provide protection to the local industries by imposing additional duty and quota restrictions for imported items that are sold at unfairly cheaper rates in the local markets. Though Nepal was liable to introduce such laws before 2004 July as per the commitment with World Trade Organization (WTO), government apathy and lack of pressure from business community delayed the process.

The finalization of the Act has been rushed mainly as local manufacturers complained that cheaper goods mainly from neighboring China and India have flooded the market unfairly and was threatening some domestic industries. Once the Act enforced the government will get the legal authority to impose 'anti-dumping duty' in case the import price of a product remained cheaper than its prices in the exporting country. Similarly, the draft Act envisages introducing an additional 'countervailing duty' and 'safeguard measures' that include safeguard duty or quantitative restriction if the dumped goods affected the domestic products, inflicting huge loss to the local producers.

"The draft act is essentially aimed at protecting the local industries at a time when the dumped goods has been eroding the competitive capacity of

domestic products and safeguarding the local goods by restricting the import quantity of competitor imported goods," said a senior official at the MoCS. "We are finalizing the draft after one round of discussion with stakeholders and line ministries within one month." Goods that are produced in the exporter countries with subsidy are also to be restricted with additional duty.

However, the act has provisioned that no safeguard duty will be imposed if the quantity of the dumped competitor goods is less than three percent of the total imports of such goods from a single least developed country. Similarly, safeguard duty would not be imposed if the dumped goods imported from more than one least developed country constitute less than nine percent of total imports of such products to Nepal.

Similarly, the government can execute anti-dumping and countervailing duties for five years each with provision to be extended to ten years if it is deemed necessary in case of growing threat to domestic industry from dumped foreign products. "The duty for the dumped products could be ascertained among the dumping margin, subsidy margin and loss inflicted to the concerned domestic producer whichever is lower," said the source.

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CNI on Vietnam Business Forum

CNI senior vice president Mr. Narendra Kumar Basnyat has participated on the working meeting of Vietnam Business Forum (VBF) held at Hanoi, the capital city of Vietnam, on 28 May to 1 June. Mr. Basnyat one of the members of the Nepalese delegation and Nepal Business Forum (NBF), was participating on the forum as a representative of Confederation of Nepalese Industries (CNI), an apex body of the country's manufacturing and service sector.



NBF is the country's first national platform for public-private dialogue established to deliberate on important investment climate issues and recommend measures to improve it. Chaired by the Rt. Honorable Prime Minister, NBF has 75 members including senior government policymakers, representative from the private sectors, civil society members, economists, academia and several development partners.

VBF held the forum to conduct meeting with the delegation of Nepal and Papua New Guinea to share the experiences in the field of economic development that Vietnam has gained through public private partnership (PPP) model during post war era. The delegation of both of the countries Nepal and Papua New Guinea held separate meetings with the different ministries, departments and authorities of Vietnam as well as with local business organizations.

The 14 member's Nepalese delegation was headed by Mr. Uma Kanta Jha, secretary at Ministry of Industry (MOI). The delegation was consisting the representatives from Ministry of Commerce and Supply (MOCS), Nepal Rastra Bank (NRB), office of the prime minister and council of ministers, Ministry of Finance (MOF), Federation of Nepalese Chamber of Commerce and Industry (FNCCI), Nepal Chamber of Commerce (NCC), Independent power Producers' Association of Nepal (IPPAN) and representatives from International Finance Corporation (IFC), a world bank group's Nepal office.

Nepal Climbs Three Steps in Doing Business

Topic Rankings	2012 Rank	2011 Rank	Change in Rank
Doing Business (Overall)	107	110	3
Starting a Business	100	95	-5
Dealing with Construction Works	140	161	21
Getting Electricity	99	102	3
Registering Property	24	23	-1
Getting Credit	67	64	-3
Protecting Investors	79	74	-5
Paying Taxes	86	90	4
Trading Across Border	162	161	-1
Enforcing Contracts	137	137	No change
Resolving Insolvency	112	113	1

Source: World Bank

The overall doing business environment of Nepal in 2012 has been improving marginally, shows the 'Doing Business report-2012' ---the World Bank publication. According to the report, Nepal has been ranked 107th on ease of doing business out of 183 economies, where as the country's Doing Business ranking was 110th in 2011. The office of the Prime Minister and Council of Ministers, Ministry of Industry (MOI) and Nepal Business Forum (NBF) jointly reviewed the progress on Nepal's performance against World Bank's Doing Business indicators, published by World Bank Group in a workshop held at Kathmandu on May 16 2012.

The annual Doing Business report ranks countries in terms of ease of doing business against the 10 major indicators defined by the World Bank Group. Improvement in the ranking due to reforms will help attract FDI because prospective investors decide on the basis of a country's ranking in the Doing Business report. The workshop also discussed on how to support the Investment Year 2012-13 by reviewing reforms in four major areas like Starting a Business, Dealing with

Construction Permits, Paying Taxes and Trading across Borders.

"The government would like to see how it can improve the country's ranking in the Doing Business report, said Mahendra Man Gurung, joint secretary of the Economic and Infrastructure Development Division of the Office of Prime Minister and Council of Ministers, adding that Nepal can create an investment friendly climate for both domestic and foreign investors by improving its ranking in the report. "Without the private sector's involvement, rapid economic growth that creates jobs and economic opportunities cannot take place," he added.

International Finance Corporation (IFC) representative Shyamal Shrestha, on the occasion, made a presentation on Doing Business 2012 and strategy for successful reforms while joint secretary at the MOI Anil Kumar Thakur lauded NBF's initiative for undertaking reforms. "Nepal is in a transition phase and the government has not been able to carry out reforms as anticipated but the scenario is encouraging," he added.

FICCI's Country Manager at CNI



Federation of Indian Chamber of Commerce and Industry (FICCI), the apex body of Indian business sector, has appointed Mr Kanishka Dasgupta as the country manager to Nepal at CNI. FICCI has already signed MOU with the Confederation of Nepalese Industries (CNI), the apex body of Nepalese manufacturing and service sector, and set its Nepal office in the premises of CNI. Mr. Dasgupta has formally started his work since 1st June 2012 and he will be working as a liaison officer for both of the

organizations. FICCI believed that the appointment of its representative in Nepal will play a pivotal role to further strengthening the economic relations and cooperation between Nepal and the India in general and the private sector of both the countries in particular in the areas of trade, investment and socio-economic development.

CNI is a non- government, not for profit and non-political private sector organization representing the manufacturing and service enterprises

of Nepal. In addition to FICCI, it is well connected with suitable regional and global organizations such as the World Economic Forum and the Confederation of Indian Industries (CII), Boao Forum for Asia (BFA) etc. Established in 1927, FICCI is the largest and oldest apex business organization in India. A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs.