

CNI Pre-Budget Discussion

Demands Cut in Corporate Income Tax



CNI acting President Narendra Kumar Basnyat with Finance Minister, Finance Secretary and Chief Advisor at ministry of Finance (MoF) during the Pre-Budget Discussion

CNI, the umbrella body of the private sector, has stressed the need for ensuring economic independence of the government. CNI acting President Mr. Narendra K Basnyat, expressed this view in the Pre-Budget discussion with Finance Minister Mr. Barsa Man Pun in Singha Darbar on 1st July, 2012.

During the discussion Mr. Basnyat submitted CNI Suggestion on FY 2069/70 budget to the minister, also urged all political parties to introduce a mechanism to ensure timely budget even if there is a change in the government. He also request the government to raise the development budget and enhance the pace of development spending.

Main suggestions of CNI to the government in the budget are as follows;

- The donation and endowment to the different political parties and groups should be made through only receipt and it should be allowed to credit as expenses by the industries.
- Double cost of diesel should be removed
- Arrangement of uninterrupted supply of electricity through a separate feeder to those industries that is providing employment to more than 50.

- In the context of changing political scenario, message of well and good investment opportunities to the physical infrastructure projects in the country, a special economic relief program should be launched.
- The present corporate tax to be decreased to 10 and 15 percent from 20 and 25 percent.
- The liquidity ratio of the banks should be decreased to 15 from 20 percent.
- A strategy should be taken for harmonization on commercializing agriculture, industrialization and trade.
- The role of government should be made more effective to make the environment to use the remittance in more productive sector.
- Tourism profession should be accredited as a national industry.
- The government should provide sufficient attention to
 - Closing down of Production industries
 - Non competitive domestic products
 - Pending of SEZ act
 - Instable share market and real estate business
 - Nepali Investors to be allowed for Foreign Investment.

Continue 3 Page ▶

Labor and Employment Conference Focus on Industrial Climate



CNI Acting president Narendra K Basnyat, second from left along with the other participants during the inauguration session of third national labor and employment conference.

The third National Labor and Employment Conference held during 9-11 July in Kathmandu urged for the introduction of social security schemes in both the formal and informal sectors as well as formulation of the final draft of the new labor law

within next four months. The conference also issued a 15 points declaration endorsed by all stakeholders of the labor market - trade unions, employers' organizations and the government.

Continue Page 3 ▶



Message



Binod K Chaudhary
President, CNI

Finance Minister Mr. Barsa Man Pun brought a budget of Rs 161.24 billion through ordinance largely focusing on election and distribution but not to facilitate the economic expansion.

According to the interim constitution, in the absence of Parliament what the government announced as budget is just an interim public expenditure arrangement.

Because it just includes election expenses, second installment for UCPN-Maoist combatants' voluntary retirement and expenses for the proposed directorate at the army headquarters to end the army integration and peace process.

The private sector is totally discouraged as the government was committed to bring investment as well as growth friendly full fledged budget to make success the already announced Investment Year 2012/13. The private sector was expecting that the government will focus on reducing cost of business and bureaucratic hassles with tax-payer friendly environment to encourage private sector. However, the private sector is not satisfied with the programless one-third budget as it could not help to expand the economy, encourage investment and to create employment in the country.

The finance minister briefly discussed on what would have the real fiscal policy for upcoming fiscal year looked like if the incumbent government were allowed to launch full-fledged budget.

This includes plans to attain double digit economic growth based on social justice, aid industrialization based on use of domestic resources, expand road networks, come up with detailed designs of potential hydropower projects, reduce trade deficit by encouraging production of agro products, ensure employment of at least 100 days to unemployed people, extend basic health services free of cost and launch drinking water projects in drought affected areas etc.

There is no meaning of such populist speech that the finance minister had deliberately included the content of his dumped fiscal policy in his speech to create an archive in the ministry's library. The private sector already suggested for at least minimum consensus among the political parties to introduce the full-fledged budget but the government presented just the partial budget. Thus Confederation of Nepalese Industries (CNI), the apex body of manufacturing and business community urged the government to bring full budget along with forging consensus among political parties focusing economy of the country.



INSIDE ▶

2 ▶ CNI and HCI to Put Nepal on a low Carbon Path

3 ▶ Labor and Employment Conference Focus on Industrial Climate

4 ▶ CNI Pers's Interaction with EU Parliamentarians

CNI and HCI to Put Nepal on a low Carbon Path

Confederated of Nepalese Industries (CNI), an apex organization of country's manufacturing as well as service enterprises, signed a Memorandum of Understanding (MoU) with Himalayan Climate Initiative (HCI), a Non-government Organization working for green economy in Nepal, at July 15, 2012. The MoU was signed by CNI president Mr. Binod K Chaudhary and HCI CEO Mr. Prashant Singh in the presence of Dr. Keshab Man Shakya, Minister at Ministry of Environment, Science and Technology (MoEST).

The MoU, which is considered as a first bold step of Nepal's business leaders for putting Nepal on a low carbon and green economy path, brings CNI and HCI together, according to the signatories. Dr. Keshab Man Shakya, Minister at Ministry of Environment commended the MoU saying, "This is the way to go forward. The private sector, NGOs and the Government must work hand in hand to create a win-win environment for all in the issues of climate change and carbon trading." Mr. Binod K Chaudhary, President of CNI emphasized on the need for the Government and all sectors to come together through a cohesive platform and to create incentives through



CNI president Binod K Chaudhary and HCI CEO Prashant Singh shaking hands while signing the MOU in the presence of Dr. Keshab Man Shakya (Center) and Krishna Gyawali (Left), Minister and Secretary at MoEST respectively.

practical plans to help the Nepalese industries at this formative stage when they are struggling to move towards a greener path. "The association would help in building the capacity of CNI members on the issues related to climate change and carbon financing with the purpose of putting the private sector in leadership role," said Mr. Chaudhary.

The CEO and founder of HCI, Mr. Prashant Singh highlighted the

benefits of going green for the Nepalese industries and the economy as a whole. "This partnership will bring concrete results in a relatively short span of time," said Mr. Singh, adding that the MoU has been signed in the backdrop of the threat Climate Change is posing in the Nepalese economy. Mr. Anil Chitrakar, chairman of HCI urged the temperature increase in Nepal stands many times over that of the globe. "Its manifestation to be seen across the

Private Sector, NGOs and Government must work hand in hand to create Win-Win environment for all in the issue of climate change and Carbon trading

**- Binod Chaudhary
President, CNI**

country," he said, adding that now it has thrown open challenges to private sector and the government.

"The collaboration has laid down a path of moving towards a green economy which would not be just good for the society, but highly profitable for Nepal's economy and private businesses too," said CNI vice president Anuj Agrawal. The function was attended by the representatives of Government, members of CNI and HCI as well as important civil society members and members of the press.

Chitwan Udhog Sangh Held 13th AGM



CNI VP Hari Bhakta Sharma, Industry Minister Anil Kumar Jha and CUS president Krishna Adhikari respectively from right to left along with other participants during the inauguration session at Bharatpur

Chitwan Udhog Sangh (CUS), a Chitwan based industrial association and institutional member of Confederation of Nepalese Industries (CNI) held its 13th Annual General Meeting (AGM) in Bharatpur on July 9, 2012. The AGM was inaugurated by Hon. Mr. Anil Kumar Jha the Industry Minister in the presence of CNI vice president (VP) Mr. Hari Bhakta Sharma.

Addressing the inauguration ceremony Minister Jha said the continuous and increasing dependency on Remittance to finance the import of all kinds of goods and on custom based revenue to finance the recurrent government expenditure may be harmful. "The only alternative to move towards the self sustained economy is to promote the industrialization with in the country and there by creating more employment opportunities," said Minister Jha. At the mean time, CNI VP Mr. Hari Bhakta Sharma said Nepal should make effort to be recognized as the technologies and service exporting country rather than labour exporting country. "This is possible only through the industrialization as well as research and development with in the country," said Sharma. At the program President of CUS Mr. Krishna Adhikari focused on harnessing the huge potentialities of Chitwan in varieties of sectors such industry, service, agriculture, trading and so on. "The Ministry of Industry should take lead as well as ownership to transform the Chitwan's potentialities in to reality," said Adhikari.

Industrialists urged for Optional Laminated Cement Bag



Atma Ram Murarka
president
Cement Manufacturers
Association of Nepal

Cement producers and concerned industrialists urged the government to relax the compulsory use of laminated plastic bag for the use cement and clinker products. Government of Nepal through the Department of Industry (DoI) issued a directive and made it mandatory for the cement, limestone producers and importers to supply and market their products in laminated bags in May.

According to the Mr. Atma Ram Murarka, CNI Governing Council Member and President of Cement Manufacturers Association of Nepal, the mandatory use of laminated bags for cement and related products in Nepal is not possible right now. "The government on May 28 enforced a provision of using laminated bags over synthetic sacks, saying laminated bags were environment friendly, waterproof, reduced dust pollution and health hazards to laborers giving the due time of 91 days,"

Murarka Said, adding that it sounds nice but is not practical because of lack of domestic production of such bags and due to law in India where laminated bags are not compulsory and Nepal has to import clinker and ready made cement from there.

If the industrialists forced to use the imported laminated bags in the domestic market the consumers will have to bear additional cost, according to experts.

Again the use of non laminated bags will not be controlled totally because of the import from India. "Thus the best option is to make the use of laminated bag optional not to hurt the domestic industries as well as customer," said Murarka, adding that as the awareness on necessity and benefits of laminated bags increases, and the bags will start to be produced domestically at reasonable price then automatically the laminated bags replaced the currently used synthetics bags.

Partial Budget Disappointed Private Sector



Finance Minister Barsa Man Pun unveiling the budget for FY 2012/13 at Singha Darbar.

The government announced one-third budget of Rs 161.02 billion for the fiscal year 2012/13 on July 15, 2012 through an ordinance. After failing to forge political consensus for the full budget, the government was compelled to bring partial budget, which has disappointed private sector including Confederation of Nepalese Industries (CNI). During the budget speech Finance Minister

Mr. Barsa Man Pun said that there was no alternative to a complete budget. According to him, if a political consensus on launching full-fledged budget were forged, the fiscal policy would have included special programs based on ethnicity, gender and region to deliver social justice to all. However, he said that the government sacrificed its stance and released only one-third of the budget for the sake of agreement

with other parties. Prime Minister Dr. Baburam Bhattarai, ministers and senior government officials were present on the occasion of budget speech.

During the budget speech Finance Minister Mr. Barsa Man Pun said that there was no alternative to a complete budget. According to him, if a political consensus on launching full-fledged budget were forged, the fiscal policy would have included special programs based on ethnicity, gender and region to deliver social justice to all. However, he said that the government sacrificed its stance and released only one-third of the budget for the sake of agreement with other parties.

CNI had urged the government to come up with a full-fledged budget stating that incomplete fiscal policy would destabilize the entire economy. Despite of the private sector concern, the one third budget is unfortunate for the investment and industrial promotion of the country, although it had advised several options for consensus on minimum issues between the government and political parties but this budget failed to create conducive environment for the Nepal Investment Year.

This budget had saddened the business community as there is nothing in the budget to help to boost investor's confidence and it is must to keep the economic sector away from the politics.

Continue from Page 1

FSME-Nepal and CNI Tie-up



Federation of Small and Medium Enterprises Nepal (FSME-Nepal) tied up with the Confederation of Nepalese Industries (CNI) on July 22, 2012. The confederation has granted institutional membership to the federation. On the occasion, CNI president Mr. Binod K Chaudhary said that the membership was granted according to CNI's expansion plans. "Apart from the expansion of CNI we would like to contribute to promote the small and medium enterprises of Nepal," Mr. Chaudhary said, adding that it will build the confidence of small and medium enterprises.

In the occasion, FSME-Nepal President Mr. Jung Bahadur Shrestha cheered that the association with CNI will be pivotal to FSME-Nepal. "Now FSME-Nepal has a network in 65 districts of the country," said Shrestha, hoping that it will be more vibrant and conducive in the future. The members of CNI as well as FSME-Nepal were present in the occasion.

CNI Pre-Budget...

During the discussion Vice President and other members of CNI urged the government to bring full scale budget on time, stressing that consensus on economic agenda should be made with political parties.

In the response minister Pun said that the preparation to bring full-fledged budget by incorporating aspirations of all political parties is in the final stage. The full-fledged budget would be presented by drawing up minimum common economic agendas based on a consensus among all the political parties, Minister Pun added. Finance Secretary Krishna Hari Baskota promised to incorporate positive recommendations provided by the CNI office-bearers in the budget of Fiscal 2012/13 and added that the budget would come in favor of industrialists and entrepreneurs paying tax to the state regularly.

Labor and ...

Addressing the conference, the minister for Labor and Employment Kumar Belbase asked the employers and employees, both, to create investment friendly environment through mutual understanding. "We have to develop domestic industrial sector to retain youth labor force — in the country — those are currently compelled to join foreign jobs due slow industrial growth in the country," he said, adding that the conference will guide the ministry to develop future plan to reduce labor disputes, which is considered as one of the major factors for slow industrial growth and create better industrial environment. According to him, the conference is also aimed at finalizing the draft of proposed new labor law and social security law. Similarly, it will also explore potential mass employment sector inside the country.

Addressing the conference, CNI Acting President Mr. Narendra Kumar Basnyat urged the government to implement 'Hire and Fire' and 'No Work: No Pay' to enhance productivity of workers. "We can't afford extra burden at the time, when the industrial sector is in crisis due to power crisis, high interest rate and low productivity," said Mr. Basnyat.

In the address Mr. Basnyat stressed on the following points also;

- Workers wages should be tie up with the productivity.

- Informal sector should be excluded for Labor Law
- Management flexibility should be included (job-cut)
- Effectiveness on labor administration
- Easy exit policy for management

15- Points of Declaration

- Labor law is fundamental law
- Ensure social security to workers
- Timely amendment of labor and trade union law
- Set times for collective bargaining
- Strengthen labor administration
- Build investment/industry friendly atmosphere
- Build confidence among government agencies, employers and trade unions
- Set scientific criteria for minimum wage
- Improve industrial safety
- Promote gender friendly environment at work places
- Abolish Child labor
- Explore alternatives to foreign employment
- Develop integrated labor information system
- Endorse minimum wage agreement (March 24, 2011)
- Organize national level labor conference every three years

Information Portal

'Invest Nepal' is all set to Launch

The information portal 'Invest Nepal' jointly developed by Ministry of Industry (MOI) and CNI in cooperation with United State Agency for International Development (USAID) NEAT activities for the purpose of guiding and facilitating potentials investors especially for foreign direct investment (FDI) in Nepal is almost ready for operating. Confederation of Nepalese Industries (CNI) as a developer as well as manager of the portal 'Invest Nepal' has finished more than 90 percent work of the portal. The 'Invest Nepal' is first of its kind of information portal aiming to facilitate the potential investors in Nepal by providing authentic as well as reliable sector specific information.

Once the remaining task is finished the information portal 'Invest Nepal' can be accessed in the name of www.investnepal.gov.np. The advisory committee meeting held on July 17, 2012 in the presence of CNI senior vice president Mr. Narendra K. Basnyat approved the some major text to be placed in the given website and forwarded to the review committee headed by Mr. Anil Kumar Thakur, joint



Out look of proposed information portal 'Invest Nepal'

secretary at Ministry of Industry (MOI). The committee also instructed the project implementation unit (PIU) to complete the task of 'Invest Nepal' in time. The

portal is planning to launch in the month of August, one month later than the previous planned date, July.

The review committee of the 'Invest Nepal' already finalized the operation and management modality of the portal and formed a coordination committee in the participation of 16 different representatives from government agencies as well as private sector. Mr. Anil Kumar Thakur, joint secretary at MOI and chairman of review committee said, "the guidelines for the 'Invest Nepal' has been finalized and approved only some technical tasks of website construction is remained," adding that after completion of the website construction the portal will be launched. Mr. Anuj Agrawal, CNI vice president and advisory committee chairman said that the portal 'Invest Nepal' will be launched by organizing a public ceremony in August. "Once the portal will be operating FDI will be attracting on those sectors which has comparative advantage in global markets," he said, hoping that the portal 'Invest Nepal' would be very instrumental for both domestic as well as foreign investors to obtain reliable and authentic information.

CNI Pers's Interaction with EU Parliamentarians

CNI President and former Constitutional Assembly (CA) member, Mr. Binod K. Chaudhary participated in an interaction with the members of the European Parliament in Brussels, capital city of Belgium on 27th June 2012. In the interaction Mr. Chaudhary provided a good remark on the history of Nepal's effort to promulgate the statute through CA. He also presented an analysis of the problems surrounding the formation of the constitution as well as causes for demise of CA.

The program was attended by the members of European Parliament including Mr. Nirj Joseph Deva, who is also the Vice President of the Development Committee of European Parliament, Mr. Roger Helmar and Mr. Charles Tannock. Also a number of secretariat members, the Charge D'affair from the Nepalese Embassy in Brussels Mr. Kumar Raj Kharel and the foreign Minister of the Maldives even showed up to hear the debate.

The embassy of Nepal at Brussels was coordinated the attendance of Mr. Chaudhary in the interaction. During the discussion Mr. Chaudhary shared about the different investment sectors of Nepal which has tremendous potentialities and comparative advantage in the world markets and welcomed the European Investors to be a part of the development of Nepal through Foreign Direct Investment (FDI).



CNI president Mr. Binod K Chaudhary third from left interacting with EU parliamentarians at Brussels

CNI VP's Interaction with WCO General Secretary



CNI Vice- President Mr. Anuj Agrawal had an interaction with the General Secretary Dr. Kunio Mikuriya of World Custom Organization (WCO) in Kathmandu at 11th July 2012. The interaction was held in the presence of Department of Custom (DoC) Director General (DG) Dr. Mukti Narayan Poudel, secretary at Ministry of Finance Mr. Krishna Hari Baskota, other government officials and private sector's representatives. Dr. Mikuria was here in Kathmandu for three days in an invitation of DoC's DG Dr. Poudel.

During the interaction Mr. Agrawal said Dr. Mikuria's visit will play an instrumental role to strengthen the relations and cooperation between the WCO and DoC of GON, which in turn would enhance the Nepal's trade facilitation and would help to reduce the trade deficit. Private sector in Nepal has been vibrant and active in enhancing the economic activity by involving in manufacturing, tourism, trade and export. "Nepal is predominantly an import based economy," said Mr. Agrawal, "A part from the finished consumer and capital goods, we have

to import most of the raw materials as well as semi finished industrial materials from abroad."

Secretary at MOF Mr. Krishna Hari Baskota said the government of Nepal is committed to create business friendly environment by implementing New Industrial Policy, establishing Investment Board and bringing new Industrial Enterprise Act to attract foreign direct investment to promote the industrialization with in the country and to reduce the ever increasing trade deficit. At the mean time, DoC DG Dr. Poudel said, "the department of custom has been attempting to upgrade and modernized the custom system in Nepal so far." However, the custom in Nepal is still conventional in comparison to the global standards. In the one side, we lack fundamental physical infrastructures as well as technologies at custom points and there are various ambiguities in the custom valuations, implication of HS Codes, post clearance audit and so many issues in the other.

In response, Dr. Mikuriya focused on the need for the Customs community world wide, to be responsive to sustain confidence in the global trading system under WTO framework. "It is important to avoid the introduction of new barriers to trade, or measures that will increase costs and generate additional delays at the border," he said adding that the WCO would work more efficiently in this regard.