

Current Issues of the Economy and FNCCI initiatives



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Political Instability continues

- CA extended for another 3 months
- New Prime Minister but cabinet yet to take shape
- Sense of uncertainty and insecurity in business fraternity



But without development and enhancement of economy, no problems will be solved, After all 'Politics is concentrated expression of economics'



Present Economic Situation

- GDP growth remains at about 3.5 percent
- In the first eleven months of the last FY:
 - Government's capital expenditure was only **26** percent of the total budget allocated
 - only 67 percent of revenue mobilization target was achieved
 - Nepal's total export was recorded at 58 billion rupees while import of petroleum products was 69 billion rupees
 - about 178 billion rupees worth convertible foreign exchange has been used to buy Indian Rupees.





- Total saving rate is 10 percent of the GDP
- Trade deficit over 300 billion
- Balance of payment, in first eleven months of the year, is in surplus of Rs 249 billion
- Foreign exchange reserves sufficient for financing merchandise & service imports of 7.3 months.
- Energy crisis continues expected up to 18 hours power outage in next dry season
- Inflation – just below 10 % in the first eleven months of this FY but
- Food and Beverage inflation about 14%

Nepal's position in the Global economy



Global Competitiveness Report 2009/10, World Economic Forum

- Nepal ranked in 125th position out of 133 economies
- Nepal is one of the least competitive countries .
- Nepal ranked in 147th position out of 155 economies in logistic performance index
- Nepal is at the Bottom 10 logistic performers in 2010
- Nepal ranked in 116th position out of 183 economies in ease of Doing Business. (112)
- Nepal ranked 146th in 2010 out of 178 countries in Global Corruption Ranking





So overall economic situation is?





- Lack of confidence among investors
- Do not know to which direction country is going
- Export stagnant
- Import growing
- Remittances increased by 10.1 percent

The economic journalists know it well



Our election agendas

Slogan: Change for Prosperity
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- Provide better service to FNCCI members.
- Take leadership on the economic issues of this country
- focus on energy development
- Focus on partnership with China and India
- Work with the trade unions as partners
- Brand the nation as a potential investment destination.



FNCCI MOVING AHEAD





FNCCI's Strategy

- We cannot resolve all problems at once, focus on main issues
 - FNCCI's institutional development
 - National Economic Agenda
 - Responding to Energy Crisis
 - One District - One Identity
 - Industrial Peace, good labor relations



1. Institutional Development of FNCCI- Reform of its Secretariat

- Reengineering of FNCCI Secretariat
- Focus on establishment of Research and Analytical Unit
- Commencement of generating status paper, survey
- Focus on exploring new avenues of income source- preparing project proposal is in the pipeline



2. Leadership on the economic issues

- Prepare medium term strategy, Identify priority sectors
- Policy Advisory Group formed
- Professional support to prepare the draft of the medium term strategy taken
- Consultation with stakeholders in various sectors going on
- Try to develop a consensus among major political forces in the economic agenda/strategy



3. Budget

- Have a constitutional provision of a fixed day for budget
- Pass the budget with more focused expenditure plan (do not spread resources)
- Have a monitoring team for monitoring of the spending program

4. Energy Crisis



- Welcome recent initiatives of the government but little to cherish as there is no policy to tackle the crisis of the day. Next winter load shedding may go up to 18 hours
- What are the plans to handle the crisis in next 5 years
- We are ready to pay higher rate if stable and uninterrupted supply is ensured
- Why not take initiative at political level to import energy from India
- Government mobilized resources should also go to the private sector projects thru commercial banks

5. One District - One Project



- Identification of unique identity of each place
- Development of commercial agriculture, mining, hydropower, services and utilization of resources (For gaining economy of scale)
- Regional balance

6. Advantage of strategic location



- Nepal should focus/concentrate on her neighbors (do not need to go beyond)
- Major potential sources of FDI/technology for Nepal- China and India
- JEC formed and first meeting in October in India,
- Nepal China Non governmental cooperation Forum (ACFIC and CCPIT) meeting in China in February.



7. Industrial Relations and Peace

- Cooperation with Trade Unions - we have agreed with three main unions, We are ready to increase minimum pay to the level government has notified(in spite of the court stay) provided all other points of the 11 point agreement are accepted by the government.
- Regular Meetings and establishment of Industrial Relations Forum
- Joint lobbying with Government
- Reformation in Labor Act (Labor Flexibility and Social Security should go together)



Thank You

