

Source: My Republica, August 9, 2020

Govt asks industrialists to settle dues of electricity use through dedicated feeders for 28 months

KATHMANDU, Aug 9: The government has waived the charge for the use of electricity through dedicated feeders and trunk lines of eight and a half months out of the total dues under the heading that the industrialists have been denying to pay for a long time.

A Cabinet meeting on Thursday came up with this decision, validating the recommendations put forth by a task force formed to study the issue that has remained hung in balance since long. With the fresh decision, the industrialists concerned now have to settle the dues of 28 months and 11 days for using the special service provided by Nepal Electricity Authority (NEA). The state-owned utility supplied electricity to around 300 manufacturing companies through dedicated feeders and trunk lines even when the country was reeling under up to 18 hours of load-shedding.

Under the dedicated feeders service, a factory that needs high voltage lines is permitted to receive direct electricity from a nearby substation, while those using trunk lines can receive regular electricity through two substations. In June 2015, a board meeting of the NEA had set the premium charges for factories using electricity through dedicated feeders from August that year.

Citing power outage problems at that time, the NEA had decided to impose additional fees on industries consuming high amounts of energy. Under the scheme, 231 production businesses were provided electricity through

dedicated feeders, while another 67 companies received power through trunk lines.

However, the industrialists have been disagreeing with the decision, claiming that it was not appropriate for the NEA to levy additional fees even after the power utility announced the end of load-shedding in 2016. In this regard, the government last January formed a five-member task force led by Secretary of the Ministry of Energy, Water Resource and Irrigation to study the matter.

The panel that was mandated to complete the work within 15 days from the date of its formation, submitted its final report to the government only last week. The Cabinet meeting has directed the energy ministry to implement the recommendations forwarded by the task force.

Source: My Republica, August 10, 2020

NEA will cut power supply to consumers not paying electricity bills for two months

The power utility brings in automated system for electricity metering and billing

KATHMANDU, Aug 10: Nepal Electricity Authority (NEA) will disconnect the electricity supply, without issuing any prior notice, to those customers who fail to clear their electricity bills for two consecutive months.

The NEA has come up with the new provision by enforcing a new bylaw to regulate the use of smart meters that the state-owned power utility launched for its customers on Sunday. According to the authority, the provision came into effect from July 16, the commencement of the current fiscal year.

Inaugurating the first installation of smart meters in the Valley, NEA Managing Director Kul Man Ghising said the installation of smart meters is a part of NEA's plan to upgrade and strengthen electricity distribution systems in both rural and urban areas. According to him, using smart meters also allows NEA customers to manage their expenses on energy consumption.

The use of the smart meters will allow both NEA and its customers to receive real time data of electricity consumption. Through the system, the power utility makes all information available to consumers in real time on their mobile phones so that consumers can monitor and know their bill or account balance and can control their use. Similarly, the energy utility

sends bills and other important notifications to their consumers to the mobile app.

In the absence of smart metering and billing, the NEA has also faced a setback in its revenue collection during the complete lockdown imposed by the government to contain coronavirus. Similarly, the power utility has been facing huge financial losses from electricity theft almost every year. In 2019/20, the NEA was able to reduce electricity leakage by a significant amount, saving more than Rs 10 billion from energy loss.

According to the NEA, the system also enables it to pinpoint disruptions in the distribution system. The device helps the NEA to retrieve data of distant consumers without visiting the place physically and also helps in monitoring possible leakages through electricity theft.

After the centralized online bill payment system comes into effect, the NEA has planned to enforce variable tariff rates based on flush and off seasons for power production and peak hour and off-peak hour on a day. With the system in place, the NEA said it will completely waive the demand charge and monthly minimum fee in case the customers are unable to utilize the electricity due to the disruption of power supply for the entire month.

Source: The Rising Nepal, August 10, 2020

NEA Starts Replacing Household Meters With Smart Ones

Kathmandu, Aug. 10: Nepal Electricity Authority (NEA) has started replacing existing household single-phase meter of its customers with smart ones. Minister for Energy, Water Resource and Irrigation Barshaman Pun inaugurated the smart metre installation programme by replacing the single-phase meter in the Ward office of Bhudhanilkantha Municipality-9 on Sunday. According to the NEA, around 5 million customers are now using the single-phase meters. In the first phase, the NEA is planning to install around 100,000 smart metres replacing the single-phase and the three-phase metres of the customers under Ratna Park and Maharajgunj distribution centres. With the starting of installing smart metering machines, the NEA's plan to go digital has entered into the implementation phase. After the installation of the smart meters, the employees of the NEA need not to visit the houses of customers for meter reading. As the smart metre flows the data of electricity consumption to both NEA office and customers metre, it will enable the NEA to cut the line of the customers from its office for not paying bill. It will also enable the NEA to control electricity theft as it informs any attempt made by customers to steal the electricity bypassing the meter. Moreover, it will also help control demand leakage by allowing only the use of metre-integrated loads. On the occasion, Minister Pun said that the installation of smart meters would be a milestone to realise the objective of the government to make the service of the government authorities efficient and modern. "We are also working to maintain the beauty of capital city and other major cities

and make the supply system reliable and effective by carrying electricity wires underground,” Minister Pun, who is also the chairman of board of directors of the NEA, said.

“We have reduced the electricity tariff for the first time in history and establish the NEA as one of the highest profit earning institutions for two years,” Pun said.

Secretary of the Ministry Dinesh Kumar Ghimire said that the progress on implementation of the smart grid and smart meter installation project of the NEA included in the white paper issued two years ago was encouraging.

Kulman Ghising, executive director of NEA, said that the use of smart metre would help reduce the number of staff by around 2,500 to 3,000 in the future.

Ghising said that installation of smart meters would enable the NEA to charge different tariff to its customers based on the peak, off-peak and normal hours. “As we are soon going to be in surplus production during monsoon, we could encourage the consumption by reducing tariff during the season while we can charge high tariff during the dry season,” Ghising said.

He said that smart meters could be made pre-paid and post-paid and its tariff could be paid online from anywhere.

In the first phase, the NEA has converted 8,222 time of day (TOD) meters into smart meters and the process of converting 125,000 three-phase whole current meters into smart ones is in progress. The authority has started installing smart metres to the new customers of three-phase.

The cost of installation of smart metres in place of single-phase meters is estimated to be Rs. 1 billion. Asian Development Bank is funding the project by providing a soft loan. The NEA has forwarded a bidding process for the replacement of 400,000 single-phase meters in the Kathmandu Valley with smart meter.

Source: The Rising Nepal, August 12, 2020

Nepali Economy: Issues And Prospects

Nepal has historically been among the poorest and most remote countries in the world. Nepal evolved with series of reforms in 1990's decade during when the level of development upgraded with the use of foreign aid and advice. Earlier, the country had induced 1st Periodic Plan in 1956; presently Nepal is on the threshold of 15th Five Year Plan. Nepal had agrarian economy till 1990's with its contribution to GDP was 50 percent above. With the Nepalese government's commitment on the development of industry and service sector through reform measures; Nepal's dependency on agriculture sector gradually declined; by the mean time industrial and service sector grew rapidly and thereby its contribution to GDP rose promisingly. Nepal adopted liberalization policy measures with the restoration of multiparty democracy in 1990s. The accession of Nepal in WTO further accelerated the process of globalization.

Non Agro Sector

During the three decades of an autocratic system (1961-1990), i.e., single party Panchayat rule of the past, the real GDP of Nepal grew annually 3%, while annual population grew by 2.4%. In 1990's agriculture sub-sector's contribution to Nepal's GDP was 54% while manufacturing's share had remained at just 4.9%. Similarly, the share of service, finance construction and transport/communication was 8.0%, 7.7%, 6.7% and 5.2% respectively. In 2004/05 agriculture subsector share to Nepal's GDP dropped to 40% while industry, construction, trade/ transport, finance increased to 9.5%, 10%, 11.5% and 10.6% respectively.

This mean, by 2000 onwards, the contribution of non-agriculture sector

(industry, transport, banking/finance, trade, etc) to the generation of Nepal's GDP played a promising role over the years. Contribution of agriculture sector to Nepalese GDP is thus gradually decreasing every year, while that of non-agricultural sector is increasing consequently. The contribution of agricultural and non-agricultural sector to Nepali GDP is estimated to stand 27% and 73% respectively in 2019. Nepal's GDP growth trend has found to be erratic, for example in 2007 Nepal's GDP per annum was 4.7% which increased by 6.9% in 2019. It is projected that Nepal's economy will grow by 7% in 2020; but due to ongoing pandemic (COVID-19), Nepal's GDP growth could fall around 3%. In 2019, annual inflation rate of Nepal remained at 4.2%. With the growth of Nepali service sector, remittance inflow was NRs 543.3 billion (\$4.5 billion) in 2013 which ballooned up to NRs 755.1 billion (\$6.7 billion) or ratio of remittance received by Nepal stood to 28.0% in its GDP. Nepal is primarily an agricultural country providing employment for more than two-thirds of population (29 million) and is contributing one-third to the Gross Domestic Product (GDP). Agriculture represents the larger sector of Nepalese economy and provides principal livelihood for more than 60% of working adults. More dependence on agriculture makes Nepali economy sensitive to climate change.

Economy

Shifting

Away

Slowly the structure of Nepali economy is shifting away from agriculture with significant migration from rural to urban areas and overseas. An estimated four to seven million Nepali workers work abroad, primarily in Gulf countries, Malaysia and India. There are more or less 45000 Nepali working in South Korea too formally or informally; they are remitting money to Nepal. Political instability, widespread corruption, landlocked location, difficult

topography, poor infrastructure, poorly trained and educated workforce and a weak policy and regulatory environment have been some of the key hindrance to economic growth. In Nepal it appears that the economic growth at present is driven by labour migration. This leads to increased incomes for the lower middle class in villages that send migrants to Gulf, Malaysia, South Korea, Japan etc; instead of urban classes employed in the modern sector. For example, in 1995 Nepal's poverty level was 41.8% of the total population which dropped to 30.8% in 2003 and 25.2% at present. Nepal had per capita income US\$ 403 in 1995 which also rose up to US\$ 1000 plus in 2019. Poverty is still highest in the remote Western Karnali hills of Nepal. The national goal is graduating from the status of Least Developed Country (LDC) to a developing one by 2022. For this to become reality, Nepal still requires some proactive economic activities with the current per capita income of US\$ 1000, which is still a farfetched dream.

Liberlisation	Takes	Effect
<p>From the late 1980's; with the initiation of financial sector liberalisation by Government of Nepal, the number of joint-venture banks and private banks and financial institutions increased rapidly. By the mid-April of 2019, there were all together 175 banks and financial institutions in operation in Nepal including 28 commercial banks, 32 development banks, 24 finance companies and 91 microfinance institutions. Financial access and monetization of Nepalese economy have been increased. The number of bank and financial institutions branches has stood to 4701 till mid-March 2019. One bank branch serves 6214 population in Nepal. Nearly 20% population has access to co-operatives functioning</p>	<p>in</p>	<p>Nepal.</p>
<p>Nepal's economic freedom score is 53.8, marking its economy as 136th freest in</p>		

the 2019 index. Its overall score has decreased by 0.3 point, with lower scores for trade freedom and government spending exceeding improvements in labor freedom and monetary freedom. Presently, Nepal is 34th among 43 countries in Asia-Pacific region. The combined value of exports and imports is equal to 51.8% of Nepalese GDP. The average applied tariff rate is 12.3%. Nepal's static approach to economic management and development has been a serious drag on trade and investment activities.

Trade with India, China

Despite trade diversification efforts in the past, Nepal has still more trade with India and China 2019. India and China's share on Nepal's total trade scenario is 65.5% and 12.5% respectively; with other countries trade is 22.5%. Nepal imports more and exports less; thereby facing trade deficit with the majority of the countries of the world. Nepal exported US\$ 782.2 million worth of goods, mainly woolen carpets, polyester yarn, spices, textiles, jute goods, readymade garments, other apparel items in the year 2018/19. Nepal's annual imports were about US\$ 11.9 billion, mainly from India, China, France, UK, South Korea in the year 2018/19. The main imports are: petroleum products, gold, rice, telecommunication equipment, construction equipment, and vehicles, iron ores, etc. Till March 2019, Nepal received NRs 107.18 billion (\$ 0.95 billion) worth foreign assistance commitment from bilateral and multilateral donors. By this time, Nepal succeeded to utilize NRs 50.84 billion (\$ 0.46 billion) worth of foreign assistance in different socio-economic spheres. As Nepal has low level of saving from its GDP portion, saving-investment (fiscal) gap has been mitigated by foreign aid and foreign exchange earning obtained from tourism and remittance.

China, India, UK are the first, second and third top most investors in Nepal. Their investment amount in different enterprises has stood at NRs 11145.8 million (\$ 98.88 million), NRs 9349.6 million (\$ 82.94 million) and NRs 1350.9 million (\$ 11.98 million) respectively. South Korea's investment (proposed) has stood at NRs 1225.1 million (\$ 10.86 million) with 350 enterprises. Its investment in Nepal is found to be concentrated in service sector (hotel, restaurant, travel etc.) followed by agriculture and hydropower. International investors are asking Government of Nepal to make visa process hassle-free.

Growth of Tourism

From 1990's onward, Nepal witnessed promising growth of tourism businesses. Nepal's mighty mountain ranges, fauna/flora, cultural heritages, rivers, glaciers, lakes, etc., attracting more tourists of different countries of the world. In mid-January 2019, the number of tourists visited Nepal stood at 1173072 persons, of which Indian and Chinese tourists were 194323 and 153633 persons respectively. By this time, the number of South Korean tourists visited to Nepal was 41402 persons. Foreign exchange earnings from tourism sector were NRs 67.09 billion (\$ 0.6 billion) which is nearly 3% of Nepalese GDP in 2019. Out of total number of tourists visited Nepal in 2019, more than two third of them visited for vacation/entertainments, trekking and mountaineering. Similarly, out of total tourists arrived, 60% tourists visit Nepal with the purpose of entertainment, 16% for trekking and mountaineering, 14.4% for pilgrimage and 9.6% for other purposes. 2020 was marked as "Visit Nepal Year 2020" by government of Nepal to robust the tourism. With the outbreak of COVID-19 from the last week of December in China, and then becoming a pandemic now, like most of the countries of the world, Nepal's tourism sector has also been gravely impacted with all the travel restrictions imposed by government and other countries, and airlines cancelling flights. Hotel

booking are found to be down by 60% in five stars hotel. Robust economic growth could enhance welfare of Nepali people and prosperity of the nation. Nepal has abundant resources such as water, forest, mineral, rich soil, etc. With the manipulation available water resources; Nepal could generate more renewal energy. With the sales of such energy to southern neighboring country India; Nepal could earn more foreign currency that could be used for having better infrastructures (road, bridge, rail link) which is needed for speeding up industrialization and tourism business promotion. Nepalese agriculture is priority sector with high incident of poverty and its contribution is around 28% on GDP.

Reliance on Foreign Aid

Additionally, Nepal could use increased labor force in hydropower projects, road construction, river taming initiatives, mining, etc. Nepal is in between emerging economies, China in the North and India in the South. Thus Nepal should venture to tap spill over development which is happening in India and China; this also adds on the generation of more GDP for Nepal in the years to come. Furthermore, due to COVID-19, more Nepali people working and studying abroad returned back to Nepal temporarily or permanently. They are bringing knowledge, skills as well as money. Thus, Government of Nepal should formulate a concrete road map at the earliest to tap their skills, knowledge and use their money on productive sectors of the economy.

Nepal's over reliance on foreign aid for development is not good sign itself; such practices should be reduced gradually. Nepal should seek Foreign Direct Investment instead of aid and should work for the expansion of trading activities through suitable policy measures. Sacrifices and economy of thrift on the part of

Nepali citizen also paves the way for an additional national capital formation desirable for further economic development.

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