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OPINION IN LEAD

Neighbours may rescue Nepal's chronic fertilizer shortage

Besides dealing with COVID-19 pandemic, Nepali farmers in 2020 monsoon cropping season had to struggle with acute fertilizer shortage. Delayed fertilizer procurement is even expected to create shortages well into the winter cropping season. However, the recent agreement signed between Nepal's state-owned fertilizer distributing agency and Bangladesh's government-owned chemicals factory to import urea from Bangladesh may help tackle the imminent shortage.

The repeated failure of Nepal's government-backed apparatus in procuring and distributing the vital agriculture inputs has created an urgency to look for alternative solutions to work as stop-gap measures to prevent crippling shortages. Having a government-to-government purchase mechanism in place as a back-up option through putting them in the bilateral or regional treaties could be a viable step. The absence of any institutional mechanism in place between Nepal and Bangladesh with regard to such government-to-government procurement had delayed the purchase despite the process being started in late August.

Nepal is fully dependent on imports to meet fertilizer demand. In Nepal, any enterprise can import fertilizer but only two state-owned companies—Agriculture Inputs Company Ltd (AICL) and Salt Trading Corporation (STC)—are granted a subsidy for the cost of transportation by the government. This subsidy on transportation means only the public sector authorities are able to bring fertilizer to Nepal and then distribute them through their own depots and via agricultural groups and cooperatives across Nepal.

Delays in fertilizer procurement and inefficient distribution leading to shortages of essential fertilizers–urea, diammonium phosphate (DAP) and potash—during the major cropping season are regular occurrences, making it just another instance of the inefficiency in agricultural policy delivery. On top of the existing bottlenecks, this year's pandemic and the measures such as lockdown aggravated the shortages.

According to official estimates, Nepal requires about 700,000 MT to 800,000 MT of these fertilizers annually. Nepal imports less than half of the estimates. The government had planned to buy 450,000 MT fertilizer in the fiscal year 2019-20. The amount is estimated based on the plans prepared a year earlier and announced during the annual government budget announcement held in July 2019. Despite the AICL and STC inviting bids from private suppliers for the urea and DAP supply by the beginning of 2020, farmers could not get the required fertilizer, especially urea, during the entire monsoon cropping season of paddy. Paddy is the major crop in Nepal as rice 20 percent of Nepal's agricultural gross domestic product and accounts for about 53 percent of the total food grain production.

Considering the time required to conclude the procurement contract and the arrival of the shipment, the AICL and STC should have started the process at the end of 2019. However, according to the press statement issued by MoALD, the lockdowns imposed in late March 2020 caused delays in procurement resulting in the shortage. Some reports blame the AICL awarding fertilizer import contracts to inexperienced importers for the delays. The contracts awarded to Nepali contractors were later cancelled for their inability to get the consignments delivered on time. This meant restarting the process all over again. However, COVID-19 related disruption and cyclone in India did affect the transit and transport of Nepal-bound fertilizer. For example, cyclone Amphan and lockdown in India's West Bengal forced the ship carrying 21,000 MT of urea and 20,000 MT of DAP for STC to reroute to Kandla Port in Gujarat from Kolkata Port. The shipment had to be moved to Kolkata again since Kandla Port is not authorized to process Nepal-bound cargoes.

This year's fertilizer shortage caused by COVID-19 related disruptions was felt more acutely by Nepali farmers living in areas close to the border with India. Since they are dependent on the informal supply of fertilizer from India, the closure of the border to contain the COVID-19 spread had shut off all the major border points, making informal imports quite difficult.

Despite the fertilizer shortage, MoALD update on paddy production for 2020 monsoon season shows that production has slightly increased compared to last year. Although paddy production increased by 1.2 percent to 5.3 million MT, the yield had increased slightly by 0.28 percent. This year's increase in paddy production is attributed to an increase in the area of cultivation, ample monsoon, use of improved seeds and, importantly, availability of labour as the lockdown measures caused reverse migration from cities to villages. Hence, it can be expected that the timely availability of fertilizer could have improved yield and production significantly.

Recurring fertilizer shortage is one of the major issues debated in the policy circle in Nepal. The government is promoting the idea of establishing a fertilizer plant to address the shortage. However, it appears that fertilizer plant will be resource-intensive requiring an enormous amount of energy. On the other hand, considering the limited demand for fertilizer in Nepal and the need to produce a large quantity of it to make fertilizer production financially viable, fertilizer production in Nepal may not be a sound decision. Instead, the focus should be on improving the existing mechanism with alternative sources to prevent crippling shortages like the one experienced this year.

The agreement to bring fertilizer from Bangladesh shows that strengthening regional cooperation could be one way to go about it. Similarly, the existing mechanism with India, based on Nepal-India Trade Treaty, which has the provision of India supplying a certain quantity of fertilizers to Nepal at import parity price (technically extending a subsidy), was helpful in meeting the demand during peaks. However, the arrangement was discontinued in the last couple of years for India is not willing to sell fertilizer at the subsidized rate to Nepal. This issue needs to be included in the ongoing negotiations between the two countries regarding the renewal of the trade treaty. An arrangement needs to be decided so that Nepal can access a certain volume of fertilizer from India at the rate acceptable to both the countries. Timely availability of fertilizer at a reasonable rate can also help in dealing with the informal import of fertilizers from India. Although essential, the widespread practice of informal imports of fertilizer from India has weakened Nepal's position at the negotiating table with India and could be one of the reasons for India unwilling to provide Nepal fertilizer at a lower rate. A similar formal arrangement needs to be made with Bangladesh. This will ensure that farmers will be able to access essential agriculture inputs on time.

However, regional and bilateral procurement mechanism should not be taken as the go-to arrangement for the fertilizer procuring agencies in Nepal but as back-up preparation when in need. Since the advantage of awarding short-term contracts to the commercial procurer allows the state to buy the fertilizer at the best prices. The repeated shortage is the result of inefficient management of buffer stocks and imprudent procurement decisions by the state authorities. Unless these issues are resolved by the state and the public procurers, fertilizer shortage will persist, affecting overall agriculture productivity.

REPORT

Tough road ahead for LDCs

The world economic crisis brought by the COVID-19 pandemic may affect the previously planned graduation of LDCs, i.e. the exit of some countries from the group of least developed countries (LDCs), according to the latest UNACTAD report on LDCs.

The LDCs that have better weathered the COVID-19 pandemic from a health policy perspective are those with a broader and more sophisticated base of productive capacities in their economy. More generally, the same reasoning also applies to their capacity to respond to other shocks (e.g. medical, economic or natural disasters). Countries that have been able to develop a denser and more diversified fabric of productive capacities have shown greater resilience and have been better prepared to weather different types of shocks.

The COVID-19 pandemic is estimated to contract the GDP per capita LDCs by 2.6 percent in 2020 from already low levels, as these countries are forecast to experience their worst economic performance in 30 years. At least 43 out of the 47 LDCs will likely experience a fall in their average income. Similarly, extreme poverty in LDCs is projected to expand by 32 million in 2020, to reach 377 million people. The poverty rate will rise from 32.5 percent to 35.7 percent in 2020, due to the COVID-19-induced economic crisis.

While the pandemic had (at least initially) a less than catastrophic health impact, its economic repercussions have been ruinous. In 2020, the COVID-19 pandemic led to LDC economies experiencing their strongest economic shock in several decades; this, in turn, resulted in a sharp economic downturn, brought about by the combined effects of a deep world economic recession, and the consequences of the domestic containment measures adopted by LDC governments. Worse still, these consequences are likely to linger in the medium term.

Between October 2019 and October 2020, the economic growth forecast for LDCs was revised sharply downwards from 5 to -0.4 per cent. This revision is expected to lead to a 2.6 per cent reduction in per capita income in LDCs in 2020, with 43 out of 47 LDCs experiencing a fall in their average income levels.

This is the worst economic outcome in 30 years for this group of countries, and represents a significant reversal of the economic and social progress achieved in recent years, including in terms of poverty and social outcomes. It also makes reaching the Sustainable Development Goals by 2030 a more distant prospect.

A protracted recession could lead to permanent job destruction, threaten enterprise survival – with related losses in terms of productive capacities and tacit knowledge – and could have a long-term effect on potential output. Avoiding this dramatic outcome will be particularly crucial in LDCs because of the structural characteristics of the entrepreneurship that are prevalent in these countries. A prolonged crisis would further deteriorate an already weak LDC entrepreneurial landscape as currently characterized by a plethora of mainly informal traditional and non-innovative businesses; a structure of firms largely skewed towards micro, small and medium-sized enterprises (MSMEs); and a private sector with limited access to credit.

The impact of the world economic recession on LDC economies has probably been stronger than the domestic demand shock. This, in turn, brought about a sharp downturn in the external demand for LDC goods and services; depressed the prices of their main exports; and caused a slump in inflows of external resources (e.g. remittances, capital). The widening trade deficit in goods and services and the contraction in remittance receipts in 2020 are expected to lead to a further expansion of the total current account deficit of LDCs as a group; this is forecast to deepen sharply from 4.6 per cent of their combined GDP in 2019 to 6.8 per cent of GDP in 2020. This will be the highest ever (or second highest) collective current account deficit for LDCs, and will continue the sequence of swelling current account deficits experienced by the LDCs since the last global financial crisis.).

The long-standing development challenges faced by LDCs predate the COVID-19 crisis. While the economic, social and political context which gives rise to extreme forms of vulnerability and poverty are complex, these phenomena have a common underlying factor, namely the low level of development of LDC productive capacities. Expanding, upgrading and better utilizing productive capacities result in overcoming the structural features which are at the origin of vulnerability. These imperatives have only been strengthened by the COVID-19 pandemic. Against this background, it is all the more vital to highlight the continued relevance of the LDC category, not only during the "great lockdown" and its immediate aftermath, but also importantly for the new decade, which will witness the overlap between the remaining horizon of the 2030 Agenda for Sustainable Development and the next programme of action for LDCs.

*This piece is excerpted from UNCTAD's [The least developed countries report 2020: productive capacities for the new decade](). *

NEWS

Nepali traders shift to exporting soybean oil as palm oil loses lustre after India's restriction

Soybean oil has become the largest export of Nepal displacing palm oil as traders changed tack to keep exploiting trade preferential loopholes after the Indian government squeezed palm oil imports.

According to the Department of Customs, soybean oil export increased four and a half times year-on-year to NPR 13.5 billion from NPR 3 billion in the five-month period from mid-July to mid-December in the current fiscal year. In the whole of the last fiscal year 2019-20, Nepal's soybean oil exports amounted to NPR 12.69 billion, the statistics show.

Nepal produces very little soybean oil of its own, and the heady growth is achieved by importing raw oil and re-exporting it after processing.

Tariff exemptions on Nepali exports to India under the South Asian Free Trade Area agreement give domestic traders an advantage. Countries outside of South Asia are slapped with tariffs of 54 percent on palm oil and 45 percent on soybean oil.

The figures show that Nepali traders imported crude soybean oil worth NPR 14.67 billion in the review period—mostly from Argentina, Brazil and Paraguay. An examination of the import and export values shows that the overall value addition of the product is just over NPR 1 billion.

The South Asian Free Trade Area agreement, to which Nepal is a party, stipulates that goods with preferential origin are eligible to be imported and re-exported with lower duty rates or at zero rates if the requirements are met.

For Nepali exports to India to be eligible for tariff exemptions under this treaty, imported goods need to have at least a 30 percent value addition. Nepali trade experts have been saying that Nepali traders do not meet the 30 percent value addition requirement.

Source: https://kathmandupost.com/, 27.12.2020.

Climate change could create 63 million migrants in South Asia by 2050

The growing impacts of climate change have already pushed more than 18 million people to migrate within South Asian countries, but that could more than triple if global warming continues on its current path, researchers have warned.

Nearly 63 million people could be forced from their homes by 2050 in the region as rising seas and rivers swallow villages, and drought-hit land no longer supports crops, said ActionAid International and Climate Action Network South Asia in a report.

The projection does not include those who will be forced to flee sudden disasters such as floods and cyclones and so is likely an under-estimate.

Many will head from rural areas to towns and cities in their own countries, in search of work. There they often end up living in slum areas exposed to flooding and with very limited access to social services, doing precarious jobs such as rickshaw-pulling, construction or garment-making.

If governments meet a globally agreed goal to limit warming to below 2°C, the number of people driven to move in India, Bangladesh, Pakistan, Sri Lanka and Nepal could be cut almost by half by 2050, the report said.

The report called on South Asian governments to do more to prepare for worsening displacement linked to climate change. It recommended strengthening social protection systems to provide cash and work for those affected by climate extremes and improving essential services for migrant workers in cities - now hit doubly by the COVID-19 pandemic, with many left jobless.

Source: https://uk.reuters.com/, 18.12.2020.

MoU signed to import chemical fertilizer from Bangladesh

A memorandum of understanding has been signed between the state-owned companies of Nepal and Bangladesh to procure 50,000 MT of chemical fertilizer from Bangladesh.

The Ministry of Agriculture and Livestock Development said that Agricultural Inputs Company Limited of Nepal and Bangladeshi Chemical Industries Corporation signed the MoU on 17 December.

The Ministry said that the MoU was signed to import chemical fertilizer to Nepal in four different phases through bulk and cargo within three months.

A four-member team had left for Bangladesh to sign the MoU to procure chemical fertilizer on the basis of government to government modality between Nepal and Bangladesh.

The Agricultural Inputs Company Limited has already selected a UAE-based company to transport the fertilizer to Nepal from Bangladesh.

Meanwhile, the ministry said it was working on short, midterm and long-term strategies not to continue the crisis of chemical fertilizer in the coming days while adding that the country has enough urea, DAP and potash for this season.

Source: https://thehimalayantimes.com/, 17.12.2020.

India, Bangladesh ink seven pacts

India and Bangladesh on 17 December sealed seven agreements to expand cooperation in diverse areas, and restored a cross-border rail link which was in operation till 1965.

The restoration of the Chilahati-Haldibari railway link and signing of the pacts, providing for cooperation in areas of hydrocarbons, agriculture and textiles among others, came at a virtual summit between Prime Minister Narendra Modi and his Bangladeshi counterpart Sheikh Hasina.

The inauguration of the Chilahati-Haldibari rail link is expected to enhance connectivity to Assam and West Bengal from Bangladesh. It was part of the broad gauge main route from Kolkata to Siliguri till 1965.

Source: https://economictimes.indiatimes.com/, 17.12.2020.

Gwadar port huge trade opportunity for Central Asia, Afghanistan

Adviser to Prime Minister on Commerce and Investment Abdul Razak Dawood has said that Gwadar Port will provide energy-rich Central Asian Republics (CARs) and Afghanistan huge opportunities for regional trade connectivity.

He said that the Pakistani government is prioritizing the economic integration to promote regional trade and connect important regional trade players with the deep sea port.

The PM’s advisor said that Gwadar’s geostrategic location, making it a possible railway link to Kandhar and other parts of Afghanistan, multiplies its economic importance.

He also informed that Afghanistan has requested Pakistan to provide a Cross-Stuffing Facility at the port.

He said that Pakistan is actively participating in regional forums of Central Asia Economic Cooperation (CAREC) and Quadrilateral Traffic in Transit Agreement (QTTA) so that the country can maximize on benefits once Gwadar Port begins operating at full capacity.

According to Dawood, improvement in Trans-shipment facilities at Gwadar will change the dynamics of regional connectivity as it is a strategic location giving China and Central Asia access to the Gulf region and the Middle East. The port will also act as the main sea gate for Central Asia, making it easier for Xinxiang and Central Asian countries to send products to other regions.

Replying to a question, he said that the port is likely to reduce transport time for goods from Gwadar to Western China and CARs by 60pc to 70pc, respectively.

Source: https://profit.pakistantoday.com.pk/, 17.12.2020.

Nepal, India to amend bilateral transit treaty to expand trade and connectivity

Nepal and India on Monday agreed to amend the bilateral transit treaty in a bid to boost trade and connectivity during a meeting of the Inter-Governmental Committee (IGC) on Trade, Transit and Cooperation to Control Unauthorised Trade.

As of now, only government-owned railway services transport cargo to Nepal, and under the proposed amendment, private operators will also be allowed to serve in Nepal, said Baikuntha Aryal, Commerce Secretary at the Ministry of Industry Commerce and Supplies.

The amendment will also allow Nepali railway to be used for trade purposes. We had a comprehensive review of the transit treaty that includes the use of waterways and railway services between the two countries. The date for signing the amended agreement was yet to be fixed as it had to be endorsed by the cabinets of the two countries.

According to the ministry, the Indian side announced that the construction of an Integrated Check Post (ICP) in Nepalgunj had already started, and that work on the facility in Bhairahawa would begin soon.

Nepal requested the Indian side to extend railway services up to the ICPs in Birgunj and Biratnagar, both of which were constructed with the support of the Indian government.

According to the ministry, the Nepali side also requested its counterpart to allow Nepali traders to use Asian Highway 2 of India for trade with Bangladesh as the existing Phulbari-Banglabandha trade route had become congested.

Source: https://kathmandupost.com/, 08.12.2020.

Bangladesh, Bhutan sign preferential trade deal

Bangladesh and Bhutan on 6 December signed the first ever preferential trade agreement (PTA) to boost bilateral trade.

The agreement comes at a time when the two South Asian countries are also marking the 50th anniversary of diplomatic ties. Bhutan recognized Bangladesh's independence on 6 December 1971, becoming the first country in the world to accept it as a sovereign nation.

Under thes agreement a range of products from Bangladesh [100] and Bhutan [34] can find duty-free entry into each other's markets."

In his address, Bangladesh Foreign Minister AK Abdul Momen said the agreement is a new chapter in bilateral ties, urging businessmen of both the countries to take advantage of the accord.

He said there is a possibility of "robust trade" and cooperation in many areas including education, health, shipping, information technology, and agriculture in the near future.

According to official figures, trade between Bangladesh and Bhutan was US$12.77 million in the fiscal year 2008-09, which rose to US$49.65 million in 2018-19.

Source: https://www.aa.com.tr/, 06.12.2020.

EVENT

Awareness workshops on gender dimensions of trade facilitation

SAWTEE organized two workshops across Nepal to create awareness among women entrepreneurs. The workshop in the western region was organized on 13 December in Surkhet, Karnali Province. In association with Manav Adhikar tatha Grameen Bikas, Surkhet. FCA Arun Raut, General Secretary, Association of Chartered Accountants of Nepal, provided insights into managing accounts, calculating taxes and becoming credit-worthy; Mr. Rajan Sharma, former President, Nepal Freight Forwarders Association, shared information on entering new markets and product categories, improving product quality and becoming export-ready; and Ms. Kalpana Khatri, Officer, Ministry of Industry, Tourism, Forest, and Environment, Karnali Pradesh, shared information on the firm registration and ongoing support provided by the Province to the women entrepreneurs.

SAWTEE, in partnership with Federation of Nepalese Chambers of Commerce and Industries-Province 1, organized a workshop with the women entrepreneurs in Biratnagar on 29 December 2020. The objective of the workshop was to help women entrepreneurs engaged in micro and small enterprises understand the tax liabilities, bookkeeping, becoming export-ready and looking for the new markets, among others. FCA Arun Raut, General Secretary, Association of Chartered Accountants of Nepal and Mr. Rajan Sharma, former President, Nepal Freight Forwarders Association, provided insights into managing accounts, calculating taxes and becoming credit-worthy and improving product quality and becoming export-ready. Ms. Durga Bhandari Baral, Under-Secretary, Ministry of Social Development, Province-1 and Ms. Sabita Koirala Poudyal, Micro Entrepreneurship Expert, Ministry of Industry, Tourism, Forest, and Environment, Province 1, shared information on the facilities and programmes of the province and local level governments for women entrepreneurs and how to accrue those facilities. About 30 entrepreneurs participated in the event.

An interaction on an exploratory assessment of Sudurpashchim province's export potential organized in Dhangadi

SAWTEE, in association with Ministry of Industry, Tourism, Forests and Environment, Surdurpashchim Province and Kailash Sacred Landscape Conservation and Development Initiative (Ministry of Forests and Environment, Research Centre for Applied Science and Technology (RECAST) and International Centre for Integrated Mountain Development (ICIMOD)), organized an interaction to discuss the findings of an exploratory assessment of Sudurpashchim province's export potential on 24 December 2020 in Dhangadi. The preliminary analysis centred on three clusters of products with plausible export potentials: MAPs, including spices; industrial derivatives based on non-timber forest products (NTFPs) (rosin, turpentine, catechu and cutch); and handicrafts made from non-timber forest products (handmade paper and allo fibre-based products. The event saw the participation of representatives of the private sector, policymakers, academics and development partners.

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