

Proposal for the 16th International Footwear Expo 2023
Of
Nepalese Footwear and Leather Goods
(5-7 January 2023)



Proposed by:

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Part 1: Introduction

1.1 Background

The promotion and development of Nepalese Industries is essential for the least developed country like Nepal. The industries have potentials in contribution of economic development of the country. In FY 2076/2077 the government of Nepal has declared that by FY 2080/2081 Nepal will be uplifted in a position of developing country. For this propose Nepal has set the longer term motto in the current 15th 5-year plan “**Prosperous Nepal, Happy Nepali**”. Nepal is further taking initiation to reach the middle income level country through the following the development interventions of SDG 2030.

To fulfill such vision initiations in line with SDG 2030, it is necessary of production of goods and services that has capacity to substitute the import and increase the export from the country. The production and development of Nepalese footwear and leather goods are more potential to fulfill such vision and reaching SDG 2030.

Currently there are around 1500 micro, cottage, small and large scale footwear and leather goods industries in Nepal who are producing 5,65,00,000 pairs of footwear. The industries have invested around NRs 3000 million with the bank loan of NRs 400 Million. The industries have production potentials up to 160000000 pairs of footwear. But because of imports in low valuation and illegal import through the open boarder and without custom rout is destroying the domestic market. Currently, most of the industries utilizing, in an average, 35 percent of their production potentials and covering 60% of domestic market. The industries are providing employment to 55,000 Nepalese workers with one third women employee.

It is estimated that the percept consumption of footwear in Nepal is 3 Pairs. Based on this it is further estimated that the demand of footwear is 90000000 pairs (base on the current population of 30000000) and domestic supply is still deficit of 33500000

Currently Nepalese footwear industries are organized with the Name of Footwear Manufacturers Association of Nepal (FMAN) with the motto of "**one for all and all for one**" They have branded their products and struggling for the further motto of "**Self dependency in domestic production is the basis of prosperity**"

As of mid-April 2022, the country's trade deficit has crossed Rs 1.3 trillion, according to government statistics. The Department of Customs says the amount of import, which had come down during the Covid pandemic, got back to normality, increasing the trade deficit.

Government of Nepal (GON) is taking initiation to reduce the trade deficit in several ways. Currently GON has made provision of LC for the import of footwear product. Such initiation is helping for the domestic footwear market.

Like other economic activities COVID-19 adversely impacted the footwear sector as well. But the Nepalese footwear industries tried hard to remained in production and marketing with full effort.

With hard effort of footwear industries, the export diversification is being held. The export data of FY 2077/2078 shows that 2764643 pairs of footwear have been exported to Gulf countries, Europe and USA besides of India. Similarly the export has been made 5131789 pairs in the first 11 month of FY 2078/2079.

Even at the amount of import the situation is still not at expected level. The import data of FY 2077/2078 shows 41146111 pair footwear is imported and at the same time the first 11 month of FY 2078/2079 the import is 23782286 pair.

For the survival in the domestic market, the Nepalese footwear industries applied the collective trade mark and time to time organizing the industrial exhibition and trade fair

Regarding the revenue generation, currently GON is generating good internal revenue annually VAT and and income tax from Nepalese footwear industries. GON has opportunity to generate annual import revenue amounting to NRs 26 billion but is limited to around 7 billion and loosing annually NRs 21.5 billion with under invoice and illegal import of footwear. If the environment is created to utilize the full capacity GON can generate more revenue as today's import revenue.

For the purpose of market expansion, know how on technology, development of business relationship, establishment of B to B linkage with National and International buyers and producers and suppliers of raw material and machinery, this international footwear exhibition planned.

1.2 The possibilities and Opportunities:

The 1500 Producers with the full production capacity of annual production of 160000000 pair, increasing choice and demand of Nepalese product, market expansion capacity of Nepalese footwear industries in domestic and international market are the future hope of Nepalese footwear industries.

If simple policy has been reformed, the market and illegal impart is controlled and right valuation in import is done, the import substitution and increase export of Nepalese footwear is possible.

On top of this the increasing of domestic production of raw material, increasing transportation facility in remote are of the country and the export diversification to gulf , Europe and USA are the good signs of this sector.

Nepal is still exporting semi-processed raw leather to India. If this is fully processed in Nepal the leather is sufficient for 5000000 pair of shoes. Nepal is open market for the meat with skin. As the data shows that annually Nepal consumes more than 15500000 goats and sheep. On top of this large number of goats and sheep are imported. If the skin of this number of is not sold as together or not consumed, then 60000000 pairs of shoes could be prepared. Similarly if the import duty of raw material of footwear production is less than 5 % there is doubt that this sector is quite potential for import substitute and increase of export. The revenue can be increased by drastically as of today and employment can be increase by three times. At the same if the following issues are settled, this sector can be drastically improved;

- Establishment of Footwear and Leather Development Authority with the support of private sector but with the ownership of GON. The authority need to be responsible for the Design Development, Product Development, Capacity Development, Skill Training, Leather Technology, Innovation
- Scaling-up and expansion of tanneries of Birjunj, Birtnagar
- Establishment of Footwear Cluster/Zones
- Implementation of safeguard, anti-dumping and countervailing Act 2076 in footwear sector
- Like several other countries, introduce of footwear related course at schools and colleges.
- Policy in marking MRP in each imported products
- Increase the participation of Nepalese footwear producers and exporters in international exhibition and trade fair for the access in keeping business relation with international buyers.
- Share the knowledge on custom rate of potential importing countries and support the Nepalese exporters about the market access strategy.
- Provide the forum for business meeting and interaction between foreign importers.
- Support for the establishment of Common facility Center in PPP model with high tech machine and technology.
- Form and joint market monitoring committee of GON representative and FMAN for the control of pirated brand of footwear product and overall market control.
- Promote collected trade mark for the hand made footwear.
- Enforce 30% import duty in final product, 15% in upper import and 5% for all types raw material.

- Provide support for annual regional level trade fare to approach more Nepalese customers for the Nepalese footwear products
- Control the Indian experts who are illegally producing footwear and marketing with any bill. They are creating tax haven to illegal producers in Nepal
- Control the illegal traders of uppers and soles who move from Industries to Industries and sale with bill and invoice.

Expecting the direct and indirect benefit as below, this exhibition being organized,

- More raw material based industries will be established
- The internal and external market of existing industries will be expanded and the capacity utilization will be increased.
- The collective branding will take place for the production of small producers
- The policy reform for this section will be done after the interaction with several industries, business organizations and GON representatives
- In total GON will be success to collect the revenue that is losing today from this sector
- Internal revenue will be increased
- The direct and indirect employment opportunity will increase
- Tourism sector will be motivated to visit Nepal
- The researchers, teachers and students benefit as they get Nepalese products and get also research issues.

1.3 Problems and Challenges:

As discussed above section, the 1500 number of different scale footwear industries (producers) invested NRs 3000 million and among the total investment 400 million is bank loan. Even is such large amount of investment, industries are running with their 35% of their capacity with the annual production of 56500000 pair of footwear. Because of such situation, the high tech machinery can't be installed and the small scale industries have almost no access to modern technology even with tremendous effort.

There are 55000 employees in this sector but there is always deficit of highly skill manpower. There is no any formal organization to provided footwear related skill and education whatever skilled manpower developed, it the effort of industry owner.

Another challenge for survival in domestic market is the uncontrolled footwear market with the pirated brand, low valuation in import and illegal import through the open boarder with India.

The import duty of raw material is another challenge. Generally 50 to 75% of cost in footwear production is raw material. Of the total requirement of raw material in Nepal 65 to 70% is imported mainly from India and other countries like south Korea,

Thailand, Singapore, Netherlands, Japan, Taiwan etc. The big industries import themselves and but the micro, cottage and small industries depending with other importers and suppliers. Very few industries are using domestic natural fiber instead of depending with imported raw material.

If export of semi-finished leather is controlled and processed in Nepal it is sufficient beyond out production capacity i.e. up to 50,00,000 pair. Similarly if the the meat with skin is prohibited, the skin is sufficient to produce other 60000000 pair of footwear.

The other problem is the Indian skill manpower who are initially invited by the Nepalese footwear producers and now they are doing illegal production of footwear in Nepal without registration and out of range of tax. They are destroying Nepalese market and creating **tax haven** in Nepal.

The other challenge is the illegal importer of uppers and sole. Such people are selling such illegitimate imported raw material door to door without any VAT and Tax.

1.4 New vision of footwear sector:

The Footwear Manufacturers Association of Nepal is doing its effort of the dealing and lobbying with related ministries, custom and producers for the increase of domestic production with the aim of substitute of import and increase of export of Nepalese footwear. Up to now a lot of improvement has been done in terms custom valuation of finished product and still to do lobbying for the raw material and other development initiations as stated in above sections. So for the coming 5 years the vision of FMAN will be **"Continuous increase of domestic production, internal consumption and export is the identification and steps of prosperity of Nepal"**

The carrier of vision:

1. Effort for no more footwear industries but more utilization of production capacity
2. Effort for the establishment of more raw material based industries in Nepal
3. Expansion of domestic market
4. Management of sales outlets of Nepalese footwear in suitable places in bigger cities of the country
5. Identification of international competitive beneficial locations and export diversification.
6. Achievement for the establishment of international level of B to B Linkage with the facilitation of GON

1.5 **Goal:** In coming 5 years, the market coverage of Nepalese footwear will be **90%** and export will be three times then now

"Self dependency in domestic production is the basis of prosperity"

1.6 Objective:

- The established industries are linked with modern technology and productivity is increased
- With the cost sharing basis between GON and industries, lot of effort will be done to develop skill human resource for footwear industries.
- Do lobbying for the minimization of custom duty for the imported raw materials for the footwear industries.
- Control the India Nepal border to stop the illegal import of footwear and intensification of joint market monitoring of GON and FMAN
- Lobbying for the mark of "Made For Nepal, Export For Nepal, Article Number" for the legally imported footwear
- Lobbying with GON for the control of market transition without VAT bill
- The export is more widely diversified
- Collective branding of the products of small producer will take place
- Internal and external market expansion

Part 2: The rational, objective of exhibition, potential participants and benefit of participation

2.1 The objective and rational of Exhibition: With 24 hours hard effort, over 1500 footwear industries that are scattered in different locations, are not running in their full scale because of the lack of business linkage in external markets of footwear and raw material. They are quite behind Customer Relationship Management (CRM). Because of such situation, some of the industries facing challenges of survival.

With the above context, FMAN is going to organize this exhibition and trade fair with the support of Federal ministry of Industry, commerce and supply, Trade and Export Promotion centre, ministry of tourism, Tourism board, Federation of Cottage and small industry, FNCCI, Chamber, the mobile service providers like Nepal Telecom and NCELL, and other interested business firms (Except the alcohol and Tobacco) The objective of exhibition will be,

- Interaction and clarification about the footwear and lather goods production technology, process, the existing associated rules, the norms and values
- Provide the opportunity of physical meeting and interaction among the producer and exporters.
- Provide interaction and business meeting between domestic producers and international buyers.

- Provide interaction and discussion opportunity between the domestic and international raw material/machinery producers, suppliers and footwear industries and establish business relation
- Keeping in the center of promotion of Nepalese footwear, raw material producers there will be intensive interaction and business promotion between several business companies and mobile service providers.

2.2 Date and place of exhibition and trade fair: The exhibition/trade fair will be organized from 5 to 7 January 2023 at Bhrikuti Mandap.

2.3 Scope of participation and potential participants: The following will be the participants in exhibition,

- The footwear industries and lather goods producers associated with FMAN
- The title sponser, golden sponcers, silver sponcers, sponcers and sub-sponcers
- Footwear and lather goods traders
- National and international raw material and machinery producers and suppliers.
- Other interested business companies (except alcohol and tobacco)
- The enabling and supporting agencies of footwear and raw material production and marketing like TEPC, FNCCI, Ministry of industry, commerce and supply, ministry of tourism/tourism board etc.

2.4 The benefit of the participation:

The participating industries, companies and enablers and supports will be benefitted as below,

2.4.1 Footwear and leather goods producers and suppliers:

These are the main organizer of the exhibition. During the exhibition, they have chance to meet other producers and domestic and international traders and share their experience about different dimensions of production to marketing. They can utilize the time for the establishment of B to B linkage. Similarly there will be high chance to maintain business relationship between domestic footwear producers and producers and suppliers of domestic and international raw material /machenary. Finally the domestic producers have chance to sale their products.

2.4.2 The sponcers:

1. Title sponcer: The title sponcer is highly visible during the exhibition. One of the brands of his production will be attached with the logo of exhibition. On top of this the brand or name is visible with tickets, pass, liflets, and gate togethr with every advertising material, digital display, radion zingle and TV as well. The title sponcer is right holder of biggest space in exhibition hall.

2. Powered by: This industry will also be highly visualized after the title sponsor. The brand or name is visible with tickets, pass, liflets, and gate togethr with every advertising material, digital display, radion zingle and TV as well just nex to title sponsor. The powered by sponcer is also right holder of biggest space in exhibition hall as nex to title sponsor.

3 Golden sponcer: The golden sopocer is another important actor and visible as next to powered by sponcer. Their brand of products will also display in each printed and digital displays in radio zingle and TV. They have right to mention their slogan in advertisement material. They are the second right holders to get second largest space in exhibition hall.

3. Shilver Sponcers: The silver sponcers are other important actors. They are also more visible in the exhibition and exhibition hall with bigger space then the sponcers. They get every right as second of the golden soncers except writing the slogan in advertising materials

4. Sponcers: The sponcers are next to shilver sponcers who get every benefit as a next to the shilver sponcers.They are also more visible in each advertisement and display of exhibition and exhibition hall with bigger space then the co-sponcers.

5. Co- sponcers: The co-sponcers are other important actors in terms of visibility in each advertisement and display of exhibition and exhibition hall with bigger space as next to the sponcers.

2.4.3 The domestic and international raw material and machinery producers/suppliers:

They have chance to meet and maintain their business relationship with several footwear and leather goods producers. They have also chance to sell their products.

2.4.4 The other business companies and firms (except tobacco and alcohol)

The companies has chance to maintain their customer relationship. They can expand their customers and can shale their products and services.

2.4.5 Center ministries of Industry, commerce and supply:

"Self dependency in domestic production is the basis of prosperity"

The ministries get chance to meet several industries, traders and companies to know their capacity and limitations. The ministries have chance to handle the several grievances of industries, business and companies. Similarly the ministries utilize this time to interact with domestic and international buyers of footwear and leather goods, the domestic and international producers and suppliers of raw material/machinery.

2.4.6 Trade and Export promotion centre (TEPC)

TEPC can utilize the exhibition time to meet and discuss with domestic exporters and international buyers of footwear and leather goods. The organizations can generate the idea for the export promotion of footwear and leather goods.

2.4.7 Central ministry of tourism/tourism board:

The exhibition at the lap of Himalaya is being held during the pick season of tourist flow. So the ministry/tourism board will get chance to interact with international buyers of footwear/leather goods and international producers and suppliers of raw material/machinery about the promotion of tourism in Nepal.

2.4.8 The overall viewers, scholars, students and traders:

The scholars has chance to the research and study about Nepalese footwear and lather good, teachers and students have chance to select good brad of products, the general viewers have chance to by good products in cheaper price and general traders have chance to create business relation with footwear and leather good industries.

2.5 The role of FMAN is International exhibition and trade fair:

The concept of organizing this exhibition came from Footwear Manufacturer's Association of Nepal (FMAN) so; the whole management responsibility of the exhibition has been taken by FMAN. The responsibility of total advertisement, information to the participants to searching budget, managing expenditure, managing visitors of different category, managing several events of meeting between several stakeholders and business committee is the overall responsibility of FMAN

Part 3: The cost and expected source of funding

3.1 Requirement of Budget:

It is expected that there will be a total of ----- participants in exhibition and trade fair. Therefore the expenses estimated as below table, **(detail in annex- I)**

S.NO	Expenditure headings	NRS	Remarks
1	Digital Advertisement	3200000	
2	Marketing through radio and television	2770000	
3	Marketing through journal and news paper	4271500	
4	Telecast about exhibition	5150000	
5	Hording board and digital display	1711250	
6	Camera and video	800500	
7	Transport management	450000	
8	Gate for advertisement	1250000	
9	Total for advertisement/digital marketing	19603250	
10	Rent for exhibition hall for 9 days	2250000	
11	Rent for other multi-use places (Flex Print, Bonting, Barogate etc)	1700000	
12	Ground rent for 9 days	945000	
13	Construction of entry gate and surrounding gates (total 8 gats)	550000	
14	Inauguration cost	400000	
15	Sound system of exhibition hall	850000	
16	Construction two ticket counters	100000	
17	Expenses on security guards and cleaning	1392500	
18	Food court at main entrance	1250000	
19	Epenses for several B to B meeting	1450000	
20	Preparation of VIP lounge	550000	
21	Construction and decoration of several stalls	3520000	
22	Electricity cost	750000	
23	The transport, food and accommodation cost of invitee traders and dealers	4620000	
24	The food and accommodation cost invitee from foreing buyers	3600000	
25	Stall rent and food/accommodation of micro entrepreneurs	1500000	
26	Miscellaneous expenses	1800000	
	Total expenditure	46830750	

3.2 Source of Funding

Generally it is assumed that the source of funding is the central ministries, industries and business committee. The participating industries in this exhibition are not in equal financial status. So there is positive discrimination in terms of funding based on the economic status of the industries. Some of the Micro entrepreneurs from the remote

part of the country are not able to pay anything. Besides of such entrepreneurs the other level of industries is allowed to ranging from 15000 to 30,00,000 as per their financial capacity. So the following the expectation of participation cost from different participants;

SN	The nature of Participants	Expected amount of Participation NRs
1	The footwear and leather goods industries/all category sponcers	7000000
2	Business companies and firms	3500000
5	Related enablers of GON	13000000
6	Sale of ticket	1500000
	Total	25000000
	Budget deficit	(125262)

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