

# IBN DISPATCH

*Monthly Newsletter*

## IBN and KU Sign MoU



*Provide Internship Opportunities to KU Students to Conduct Research.*



*Create Opportunities for Youths in IBN's Project Districts to Participate in Vocational and Technical Trainings.*

**KATHMANDU:** The Investment Board Nepal and Kathmandu University (KU) have signed a memorandum of understanding (MoU) for research on the infrastructure sector. IBN CEO Radhesh Pant and KU Registrar Prof. Dr. Bhola Thapa signed the MoU on 18 August in the presence of KU Vice Chancellor Prof. Dr. Ramkantha Makaju Shrestha. KU is the first educational institution to sign such an MoU with IBN. Under the agreement, IBN will provide internship opportunities to KU students to conduct research on various projects under IBN's mandate.

Similarly, KU will create opportunities for youths in IBN's project districts to participate in vocational and technical trainings so that they can be absorbed in related projects. Speaking on the occasion, IBN CEO Pant expressed his confidence that the skilled human resources developed through the internship and trainings will contribute to nation building. Prof. Dr. Ram Kantha Makaju said that the MoU paved the way for short-term and long-term collaboration between KU and IBN in the development of human resources in Nepal. ■

# IBN, NICCI

## Organise Interaction with Investors



**KATHMANDU:** The Investment Board Nepal (IBN) and Nepal-India Chamber of Commerce and Industry (NICCI) jointly organised an interaction with Indian investors and senior Government of Nepal officials in Kathmandu on 10 August. The three-hour programme was held to discuss the investment climate and post-earthquake opportunities, taking into consideration the rebuilding and reconstruction agenda and constitution drafting process.

On the occasion, Budhaditya Mukherjee, Vice-president of NICCI, gave a presentation on the investment climate, Indian business in Nepal, the issues faced by joint venture companies and ways to make Nepal a preferred destination. Mukherjee highlighted that the major Indian joint venture companies operating in Nepal command an annual turnover of USD 600 million and generate employment for more than 30,000 families in Nepal. He suggested that Nepal formulate investor-friendly labour laws, reduce power shortages and ensure beneficial duties for the import of raw materials to attract more foreign direct investment (FDI). He pointed to tourism, infrastructure, agriculture, IT, the medical and health care sector, social media and, meat and milk processing as areas with high potential for investment in Nepal.

Speaking as chief guest, the Minister for Industry, Mahesh Basnet, called on international investors to invest, stating that Nepal is moving ahead with legal as well as procedural reforms to encourage investment. “We have recently tabled the Industrial Enterprises Act and Special Economic Zone Act in the parliament for endorsement”, said Basnet, adding that “Other laws are also in the process of being amended with more incentives for investors to attract FDI”. Basnet also informed those gathered that the government was making preparations for an Investment Conference to be held in Nepal later this year.

Ranjit Rae, India’s Ambassador to Nepal, reaffirmed India’s commitment to support Nepal’s post-earthquake reconstruction work. Stating that Nepal and India have made significant strides, bringing in huge amounts of FDI with the signing of project development agreements for two big hydropower projects and the Power Trade Agreement. Rae also showed interest in bring in Indian investment for the development of national pride projects, such as the Kathmandu-Tarai Fast Track road and the Second International Airport at Nijgadh, Bara.

Radhesh Pant, IBN’s CEO, said that IBN is promoting Nepal as an attractive investment destination and stressed the need for joint efforts from the government and private sector to promote investment in Nepal. Pant also highlighted the need to align policies with acts to facilitate investment. He stated that the upcoming Investment Conference to be held later this year will be vital in sensitising international investors to the situation post-earthquake. Ministry of Industry Secretary, Jay Mukunda Khanal; President of the Independent Power Producers’ Association Nepal (IPPAN), Khadga Bahadur Bisht; President of NICCI, Sashi Raj Pandey; and Vice-president of NICCI, Shyam Kumar Lohia also spoke about the investment opportunities and challenges in Nepal. ■

# GMR gives RAP Presentation to IBN

**KATHMANDU:** GMR ITD, developer of the Upper Karnali Hydropower Project, gave a presentation on the proposed Resettlement Action Plan (RAP) at the Office of the Investment Board Nepal on 17 August. During the presentation, GMR officials said that company was committed to incorporating the provisions of International Finance Corporation Performance Standards and Asian Development Bank Safeguard Policies while implementing the RAP for the 900-MW project. The company has planned to disclose the RAP report to local stakeholders in Surkhet, Dailekh and Achham in the third week of September.

The RAP is a comprehensive programme for ensuring the relocation of project-affected people with compensation and a package of benefits. The company had commissioned a month-long RAP study through two consulting firms – ERM India Pvt Ltd and NESS Pvt Ltd. The study encompassed household surveys and land and asset surveys, as well as discussions with community forest users'



groups, fishing communities, women's groups and marginalised communities. The market valuation of private land and other assets in the project areas was also conducted under the RAP and was completed in March 2015. Representatives from GMR ITD and IBN have been closely monitoring the RAP study. ■

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## Ministry Approves Arun-3 EIA



Arun-3 Dam Site

**KATHMANDU:** The Ministry of Science, Technology and Environment approved the revised Environment Impact Assessment (EIA) report for the Arun-3 hydropower project on 6 August. After a series of revision, the SJVN- Arun Power Development Company (SAPDC) – the developer of Arun-3 project – submitted the EIA report to the Ministry through the Investment Board Nepal on 18 June. The SAPDC had initially submitted the EIA to the Ministry on 31 July 2013, followed by the submission of the first revised report on 9 June 2014. The developer revised the report based on the comments received from the EIA Review Committee formed by the Ministry of Science, Technology and Environment. ■

## IBN Team Visits Arun-3 Project Area



**KATHMANDU:** An IBN team visited the Arun-3 hydropower project area and monitored baseline survey conducted by the SJVN, the developer of Arun-3 hydropower. The SJVN conducted the week-long baseline survey in all four project-affected VDCs to update Rehabilitation Action Plan (RAP). The developer of 900-MW hydropower is planning to disclose the RAP, which will detail compensation and rehabilitation packages, among others, for projects affected people by September end.

During the visit, the team met with government officials and apprised them on recent developments related to the project. Similarly, the team also met with local leaders of political parties and other stakeholders, and held discussions on issues of mutual interests. ■





## IBN Interacts with KUSOM Students

**KATHMANDU:** The Office of Investment Board of Nepal (IBN) organized an interaction with graduate students of Kathmandu University School of Management (KUSOM) on August 28 (Bhaddra 11), Friday in Kathmandu. Around 50 students pursuing Masters in Business Administration degree participated at the two-hour interaction.

On the occasion, IBN's CEO Radhesh Pant gave a presentation on current status of the Foreign Direct Investment (FDI) in Nepal.

Pant also touched upon existing challenges and opportunities of FDI as well as sectors where Nepal can enjoy competitive advantages. He also highlighted the activities being carried out by IBN to promote and implement large-scale infrastructure projects in the country. IBN was established in 2011 with the prime objective of promoting foreign investment by providing one-stop services to investors.

Hydropower project with capacity 500 MW or more and other infrastructure project with investment worth NPR 10 billion or more, fall under the jurisdiction of IBN for arranging FDI under the Public Private Partnership (PPP). Senior officials of IBN and management faculties of KUSOM were present at the program. On the occasion, participating students raised queries mainly on FDI prospects and recent initiatives taken by IBN in investment promotion. ■



# Two Firms Technically Qualified

**KATHMANDU:** Two firms-- Projects and Development India Limited (PDIL) and Infrastructure Development Corporation (Karnataka) Ltd, India (IDECK) have technically qualified for conducting detailed feasibility study to establish Chemical Fertilizer Plant in Nepal.

Three consulting firms- PDIL, IDECK and JACOBS Consultancy had submitted their Request for Proposals (RFPs) documents to the Office of Investment Board of Nepal (IBN). A committee led by CEO

of IBN Office had conducted the technical evaluation of the submitted RFPs as per the Public Procurement Act 2063 (2006) and Public Procurement Regulations 2063 (2007). IBN Office has requested the qualified firms to participate at financial proposal opening event scheduled for September 7.



Financial evaluation of the proposals will be conducted once the opening of the financial proposals completes. The committee will pick one firm with highest combined score in technical and financial proposals. IBN Office has planned to sign an agreement with a selected firm by the

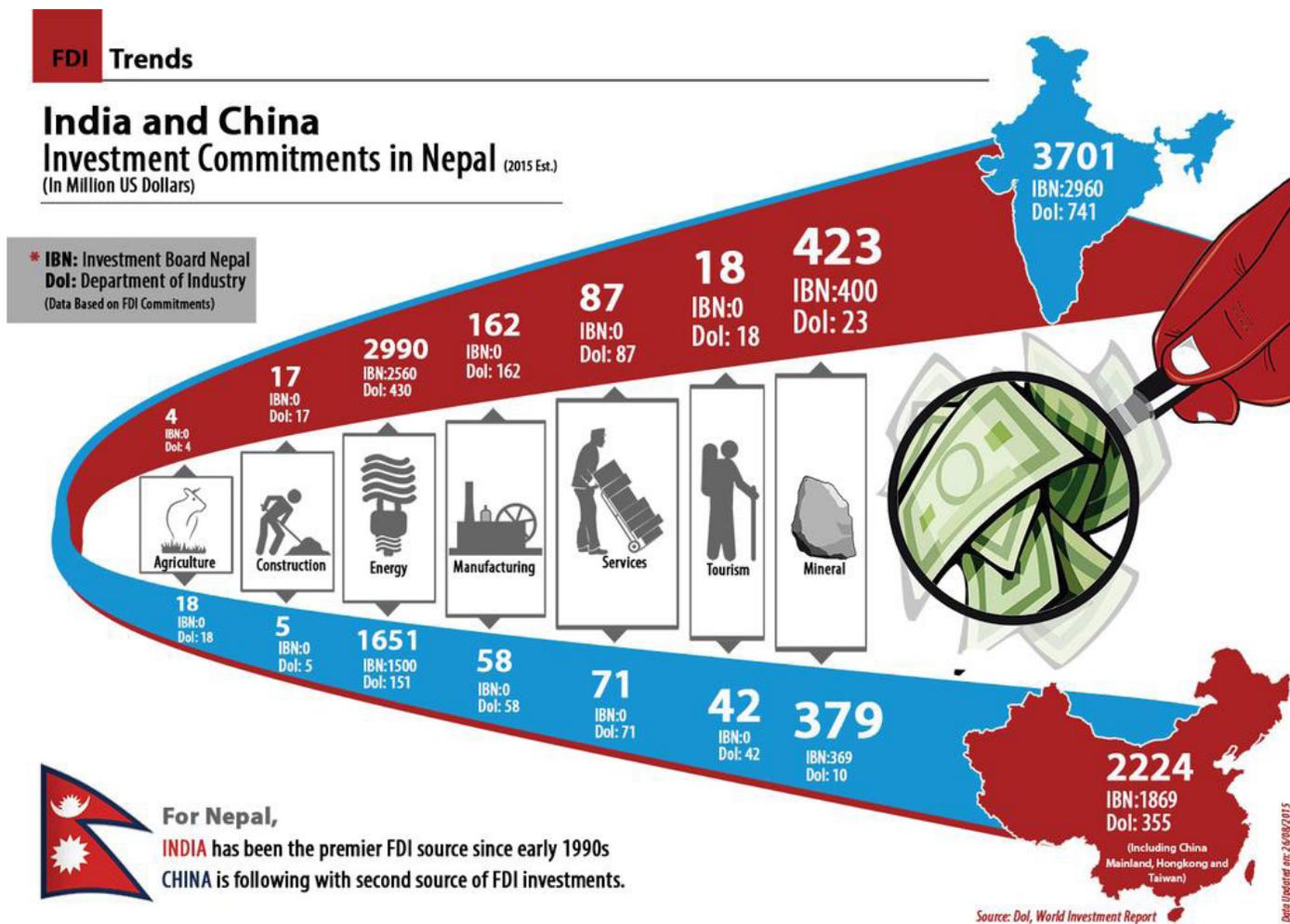
## SAARC's SDF to be Mobilised for Infrastructure

**KATHMANDU:** The member countries of the South Asia Association for Regional Cooperation (SAARC) have agreed to mobilise the SAARC Development Fund (SDF) to support infrastructure development in the region. The 7th meeting of the SAARC Finance Ministers in Kathmandu on 20 August reached an agreement to use the Fund to accelerate infrastructure development in its member countries. The Fund currently contains USD 350 million. Under the Fund, a total of nine projects covering the social sector have been launched in member countries. The Fund can be mobilised for infrastructure development in sectors such as energy, transport, telecommunications, the environment, and tourism, among other sectors. Extensive discussions were also held on enhancing financial integration among countries in the region, removing non-tariff barriers and reducing the 'sensitive list' to boost intra-regional trade. Inaugurating the meeting, Prime Minister Sushil Koirala stressed the need for stronger cooperation among member countries for economic prosperity through infrastructure development in the region. ■

# IBN Infograph

India and China are the major Foreign Direct Investment (FDI) sources of Nepal. India is the prime source of FDI, and China is following India with second place.

Here's the illustration on their comparative FDI commitments:

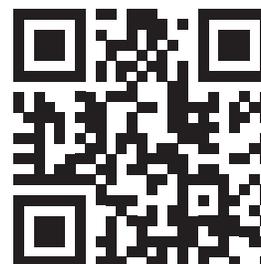


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# ‘We Have to Showcase Projects Clearly to Investors.’

- **Khadga Bahadur Bisht**  
*President, IPPAN*



**Khadga Bahadur Bisht**, President of the Independent Power Producers' Association Nepal (IPPAN), has been involved in research on Nepal's hydropower sector for the past couple of years. Bisht talked with IBN Dispatch about various aspects of hydropower development in Nepal. He suggests that Nepal demonstrate potential projects for investors, clearly specifying the project features, during the upcoming Investment Conference.

## Could you sum up the current investment climate in Nepal?

The overall investment scenario in Nepal is good. The impact of the recent earthquake on the hydropower sector has been minimal. We have had no report of any foreign investor withdrawing from Nepal due to the quake. The Government's announcement to set up a National Transmission Company, the signing of the Power Trade Agreement with India and of the two project development agreements with Indian companies to develop large-scale hydropower projects are significant steps for the development of hydropower in the country. Although the Government has announced various incentives for power developers, the implementation of these incentives has been difficult. The Government should show its seriousness in implementing policies and incentives targeted at supporting developers.

## What are the obstacles facing hydropower producers in Nepal? Also, how can these problems be resolved?

One of the main challenges is the slow delivery by the Government in providing the incentives announced in its policies – which is mainly due to the prolonging political transition. Although the Government has announced various rehabilitation programmes in the Post-Disaster Needs Assessment (PDNA) for quake-hit hydropower projects, the delivery of such programmes is yet to be seen. In the absence of a proper network of transmission lines, existing hydropower projects are facing problems in power supply and upcoming projects are going to meet the same fate. Another problem is that there is no guarantee of a power market in the wet season. So, the government should establish the National Transmission Company as well as a Transmission System Operator to manage

the power supply and facilitate developers to explore markets within and outside the country. If we take these initiatives, developers will respond positively.

## Could you tell us about power generation and supply in Nepal?

We lost around 67 MW of power due to the earthquake, which has pushed up the load-shedding hours. Although current demand for power hovers at around 1,200–1,300 MW, electricity from our existing plants is less than 700 MW during the wet season. In the dry season, power generation goes down to almost half that generated in the wet season. If the government is serious and the political situation improves, I am hopeful that Nepal can generate at least 8,000 MW more with investment of at least NPR 16 billion over next decade. The coming decade will be crucial for the development of hydropower in Nepal. If the political situation is settled, big hydropower projects – including the Budhi Gandaki, Arun-3 and Upper Karnali – will start operating within the next 10 years.

## Do you have any suggestions for how to make the upcoming Investment Conference more meaningful?

During the conference we need to showcase our potential projects, clearly defining their features. The conference is happening at a time when Nepal has an infrastructure deficit, coupled with the earthquake disaster. We have to be more specific in our project offers, while sensitising investors at that time. We have to formulate project profiles, categorising different scale projects and clearly specifying their capital requirement and incentives to developers, along with the nature and features of the proposed projects on sale. Only inviting and discussing the investment agenda is not sufficient to attract investors.

(For full interview log on to our website: [www.ibn.gov.np](http://www.ibn.gov.np)) ■