

IBN DISPATCH

Monthly Newsletter

19th Meeting of Investment Board Concludes



KATHMANDU: The 19th meeting of the Investment Board Nepal was held on 21 December under the chairpersonship of the Prime Minister of Nepal and Board chairperson, KP Sharma Oli. The Board's meeting is the first since the formation of the Oli government.

At the meeting, which was held at IBN's Office at New Baneshwor, it was decided to approve a proposal for foreign direct investment worth USD 140 million (approximately NPR 14 billion) by Chinese company Huaxin Narayani Investment (Shanghai) Co Ltd to establish a cement factory in Nepal.

The meeting also acknowledged that the Investment Board Act, 2011

needed to be amended now that the country has promulgated the new constitution with federal set up and directed IBN to undertake the necessary homework in this regard. On the back of the deepening energy crisis in Nepal, the meeting also decided to put a proposal to cabinet to authorise IBN to move ahead with the necessary process for responding to an application by The Gurkha's UK Ltd seeking permission to generate 3,000 MW of wind energy within three years (300 MW in the first phase). The Board also directed IBN to provide the necessary technical support to the Budhi Gandaki Hydropower Project. It was decided

to form a high-level committee to be headed by the Vice Chair of the National Planning Commission with representatives of IBN and concerned ministries to conduct a study on the current and future energy demand in the country. IBN will be the secretariat of the Committee.

On the occasion, Prime Minister Oli urged IBN and the concerned ministries to work on a war-footing to end load shedding within one year. Oli also directed the concerned agencies to adopt a rapid process of approval for projects including speedy EIAs and to resolve any problems that arise through legal and policy means. He also vowed to

19th Meeting...

...continued from page 1

exercise zero tolerance toward the activities that create obstacles and sabotage projects.

IBN's CEO, Radhesh Pant, apprised the meeting of the activities being carried out by IBN. Pant said that strong and serious commitment from all was required to develop energy, hydropower and other potential sectors of the economy to lead the country to prosperity. Deputy prime ministers, Bijay Kumar Gachchhadar and Top Bahadur Raymajhi, Finance Minister and Vice-Chair of the Board, Bishnu Prasad Poudel, concerned ministers, Vice Chair of National Planning Commission, Dr Yuba Raj Khatiwada, Chief Secretary of Nepal Government, Dr Som Lal Subedi, Nepal Rastra Bank Governor, Dr Chiranjibi Nepal and high-ranking government officials were present at the meeting. •

IBN Snippets

- Office of the IBN has accelerated the process of preparing a draft amendment of the IBN Act, 2068 to make it relevant in line with the proposed federal set up.
- Office of the IBN has forwarded a proposal to the council of ministers for necessary decision regarding a proposal from The Gurkha's UK Ltd for generating.
- IBN Office is facilitating Memorandum of Understanding (MoU) between the Department of Road (DoR) and Satluj Arun Project Development Company (SAPDC) scheduled for January 5 for constructing an access road for Arun-3 hydro power project.
- IBN Office is organizing study visits for lawmakers of the Legislature-Parliament's Agriculture and Water Resources Committee to different hydropower project. The first of its kind has been scheduled on 8-12 January to West Seti project. IBN Office is organizing similar visits to Arun-3 and Upper Karnali projects soon.
- IBN office has initiated the consultations with the Security Board of Nepal (SEBON)- security market regulator—to formulate a national policy on shares to be allocated to the project affected people in large-scale projects.



HSC Gives Presentation

KATHMANDU: Hongshi-Shivam Cement Pvt Ltd (HSC) representatives gave a presentation on 16 December to the Investment Facilitation and Coordination Committee (IFCC) on the project's progress, operation time-line, corporate commitments, and the issues and challenges faced by the developer during project implementation.

At the 5th meeting of IFCC, representatives from HSC said that the lingering process of securing approval for the environment impact assessment (EIA), difficulties in getting connected with electricity and transmission lines, restrictions on the purchasing of land above the set limit, and lack of clarity of taxation laws are pressing problems facing the company. On the occasion, representatives from the different

government agencies assured the developer that they would give priority to IBN projects.

The HSC project is one of the largest in-coming foreign investment projects and is expected to be one of the largest cement/clinker production plants in Nepal, with a capacity of 12,000 tpd over two phases (6,000 tpd in each phase). •

Rapid Response Team (RRT) Visits Sankhuwasabha to Investigate SAPDC Fire



KATHMANDU: A Rapid Response Team (RRT), led by the Under Secretary of the Office of Investment Board (IBN), Khagendra Prasad Rijal, visited Sankhuwasabha district on 16 December to examine the office of the Satluj Arun Project Development Company (SAPDC) after an unidentified group set fire to it on 9 December. Taraman Gurung, a parliamentarian from Sankhuwasabha constituency-1, and IBN consultants Ghanashyam Ojha and Prem Khanal were members of the team.

The RRT facilitated an all-party meeting, convened by the Sankhuwasabha Chief District Officer, Ganga Bahadur Chhetri at Khandbari, to discuss the incident with the district heads of political parties, civil society groups, the Federation of Nepalese Journalists, Sankhuwasabha Chamber of Commerce and SAPDC. During the meeting, SAPDC representatives claimed that the incident was carried out by the CPN Maoist (Biplav faction) and estimated the damage at NPR 4 million. The

RRT held separate meetings with representatives of the SAPDC and security agencies to investigate the incident.

Representatives of the political parties, however, claimed that they need to further investigate whether or not the incident was carried out by the CPN Maoist (Biplav faction). Likewise, they agreed to coordinate with local actors to create a conducive atmosphere for the developer. CDO Chhetri said that the local authorities are committed to providing security to SAPDC. •

CONNECT WITH IBN



info@ibn.gov.np



www.ibn.gov.np



Follow
@IBNOffice



Government of Nepal
Investment Board of Nepal

Correspondence:
Government of Nepal
Office of the Investment Board Nepal
East building of ICC Complex, New Baneshwor, Kathmandu
Phone: +977-1-4475277, 4475278

Email: info@ibn.gov.np
Website: www.ibn.gov.np



Dr Yuba Raj Khatiwada is the newly appointed Vice Chair of the National Planning Commission and a member of Investment Board Nepal. Talking to IBN Dispatch, the former Governor of the Nepal Rastra Bank, Khatiwada shared his views on the current state of the Nepalese economy after the earthquake and given the ongoing blockade of its Southern border.

How do you assess the current economic situation of country?

We have faced two unprecedented shocks: the earthquake and the ongoing blockade of the southern border. These unexpected events have disrupted economic activities in our country. However, the current adverse economic slowdown is a temporary phenomenon. Supplies of fuel and industrial as well as construction raw materials have been disrupted. We have lost industrial production. Tourism has also suffered setbacks. But agriculture is missing key input crucial interventions in winter seasons. Even though we are not performing so well this year due to these hardships, we will keep the momentum going for the next fiscal year, as we did not lose any big infrastructure in earthquake and the basic conditions for economic activities are still intact.

What will be its overall implications of slow growth and double digit inflation in economy?

Our expectation of 2% growth is optimum given the situation. However, some are talking about negative growth. I don't buy the idea of negative growth. There are three reasons for the current low growth: bad performance of the agriculture sector, the earthquake and the broken market linkages due to the disruption of supplies along the southern border. In addition, our manufacturing and construction industries have suffered, and even

reconstruction works after the earthquake have not been taken up, leading to low spending due to the lingering blockade. We have seen spill-over effects in other sectors such as tourism.

Nepal is placed in 146th position in Human Development Report, down from 145th position last year. What are the major reasons behind the deteriorating performance of Nepal in human development?

Human development has three dimensions: per capita income, schooling rate and the longevity of people. Our performance in longevity and schooling is not bad. However, our poor performance in per capital income pushed our position down by one place, compared to last year.

Demand for electricity is said to have jumped by 400 MW amid the shortage of fossil fuels in the country. What are some alternative sources of energy that could be used until supplies of electricity increase?

Our Prime Minister has already addressed the nation saying that load shedding will end in one year. To meet that target we need to generate at least 400 MW within the next 12 months. However, ongoing hydropower projects can only deliver 100 MW plus of electricity. There is little likelihood that we can end load shedding with electricity only. So, we are looking at other sources of energy. We have to move to alternative energy, so we are talking about solar and wind energy. We have made some progress in this direction. Recently, the Investment Board also decided to work more in wind energy and the Center for Alternative Energy has been asked to look at alternative energy sources. We have been also working on a regulatory and operating system to bring alternative energy into



the grid system. We are working towards preparing the procedures and modality for power purchase agreements, and conducting a feasibility study for linking alternative energy with the regular grid system.

Lack of coordination among government agencies hampering project implementation. How can we make sure that projects will be implemented in a coordinated manner?

We have seen problems in large-scale projects with the timely completion of land acquisition, environment impact assessments, and the clearance of trees, among other things. Problems have also arisen in relation to taxation, financial closure, power purchase agreements and some administrative processes. Even Cabinet decisions are not complied with by respective ministries because of misunderstandings and misperceptions about projects. Decisions taken by the Investment Board are also not executed properly by line ministries. There

'Action Needed Against Those Not Implementing Government Decisions'

Dr. Yuba Raj Khatiwada
Vice-Chairman, NPC



should not be any kind of impunity for such behaviour. To overcome these problems we need to put in place a system for proper follow up and monitoring of project implementation. Necessary action should be taken against such individuals or institutions.

What are the programmes that NPC would prioritize in upcoming budget to tackle the grim economic situation created by the earthquake and Indian blockade?

The first task for the upcoming budget is to bring the economy back onto its normal economic growth path. The budget will focus on undertaking massive construction and reconstruction work and addressing the economic setbacks that have resulted from the earthquake and the blockade of the southern border. The budget will also expedite the implementation of infrastructure projects with high priority given to national pride projects. As we are embarking on the federal set up, our priority will also be to link

provincial headquarters by roads and air, along with the development of other administrative infrastructure. We will also prioritise diversification of foreign trade and strengthening connectivity between northern and southern borders, including developing north-south corridors, Mid-hill Highway, postal highways and other strategic roads.

Foreign investors are in a 'wait and see mood'. How can we boost their confidence given the setbacks from the earthquake and Indian blockade?

The ongoing blockade is a temporary phenomenon that should not derail the possibilities and opportunities for foreign direct investment in Nepal. What we need to do to attract more foreign investment is to set rule of laws. Foreign investors need to be convinced that law prevails, courts are independent, victims can get justice, no investment can be nationalized and confiscated, and arbitration can be done in fair way.

Our court system is already there and separation of power has been reinforced in our constitution, which is good. The protection of physical and financial intellectual property rights in the country is also crucial for foreign investment. The second aspect is business administration - which relates to governance. We have to improve bureaucratic processes by delivering fast services for business registration, the approval of projects through to licencing, EIAs and addressing social aspects. Finally, the exit from business needs to be looked at, as investors are not here forever. Therefore, we need to put in place exit and bankruptcy policies. We are trying to change bankruptcy laws and simplifying repatriation processes. If we sincerely put these arrangements in place, investors need not to stay back from doing business in Nepal. For IBN, this is a window of opportunity to promote FDI. So, IBN should be more proactive in soliciting investors to come to Nepal with capital and more FDI, rather than borrowed funds. After projects are approved, IBN should also take action to ensure their timely implementation and monitor progress and report to the Prime Minister if there are delays in the implementation of projects. We are not going to implement projects if we spend a long time on detailed studies, financial closure and the construction period. •

Full Interview on www.ibn.gov.np

GMR Briefs Parliamentarians



KATHMANDU: On 9 December, GMR Ltd, the developer of the Upper Karnali Hydropower Project, briefed members of parliament representing the project-affected districts on progress in the implementation of the project. Harvinder Manocha, Country Representative of GMR in Nepal, appraised parliamentarians about ongoing activities in the project sites and the problems faced by the developer due to the ongoing blockade imposed by India.

Manocha said that the prolonged fuel crisis and frequent threats to GMR staff from the Netra Bikram Chand-led Maoist faction have affected the company's activities in the project site. Manocha also said that the company was going to miss the deadline for some activities because of the unfavourable situation in the country. However, he expressed commitment to following international norms on dealing with the environment and social issues in line with the International Finance Corporation (IFC) standards.

Dipesh Bista, environment expert

from GMR, gave a presentation on ongoing and planned activities, social progress on formulating a Rehabilitation Action Plan (RAP), the local benefits plan for project-affected people, the disaster management plan, and the EIA for the proposed transmission line for power evacuation from the project. Parliamentarians representing the project-affected districts of Surkhet, Dailekh and Achham stressed the need to ensure that maximum benefits from the project accrue to the local people. Tapta Bahadur Bista, a lawmaker who represents Surkhet-3, said that the tunnel road to be constructed in the project districts should follow the route from Surkhet-Jangalaghat via Baldev, which is shorter in term of distance as well as economically more preferable to both the developer and local people than other routes. Bista suggested that GMR and IBN officials organise a field trip to the project site for lawmakers to appraise them of the problems that have emerged during project implementation. Khadga Bahadur

Basyal, another parliamentarian from Surkhet, said that the process for the implementation of project should not be hampered by the ongoing fuel crisis.

Janaki Saud Rawal, a parliamentarian from Achham district, asked GMR officials and the Government to give high priority to local development, employment opportunities and other social benefits to local people, especially those from underprivileged groups, while constructing the project. At the programme, IBN officials also requested lawmakers to not apply the 'land for land' compensation (as suggested by Shanta Chaudhari, then chair of the parliament's Agriculture and Water Resources Committee) to the Upper Karnali Project and Arun-3 Project. As per the recommendation of the committee, the hydropower project should develop the forest area or provide forested land in compensation for the loss of the same quantity of forest land to the project. •

IBN, iDeck Sign Pact on Detailed Feasibility Study

KATHMANDU: The Investment Board Nepal and the consulting firm Infrastructure Development Corporation (Karnataka), or iDeck, signed an agreement on 18 December to conduct a detailed feasibility study to establish a chemical fertilizer plant in Nepal. Padmanabhan Nair, International Business President of iDeck, and Radhesh Pant, CEO of IBN, signed the pact on behalf of their respective organisations.

As per the agreement, iDeck has to complete the study within 12 months from the date of signing the deal. The study will include an economic and financial analysis before and after the establishment of the fertilizer plant, appropriate technology for Nepal, employment generation, suitable location, necessary raw materials, the supply and demand situation for chemical fertilizers, the necessary power to run the plant, the modality for running the plant and an environment impact assessment. •

Kick-off Meeting



KATHMANDU: The process to conduct a feasibility study for establishing a chemical fertilizer plant in Nepal was formally initiated on 22 December. Officials of iDeck, the consulting firm selected to conduct the study gave a presentation on the project implementation timeline and chemical fertilizer production technology at a kick-off meeting, which was held at the Ministry of Agriculture Development. Dr Suraj Pokharel, Joint Secretary of the Ministry committed to extend every support for the implementation of the project. Officials from IBN were also present on the occasion. •

CONNECT WITH IBN



info@ibn.gov.np



www.ibn.gov.np



[Follow](#)

@IBNOffice



Government of Nepal
Investment Board of Nepal

Correspondence:

Government of Nepal

Office of the Investment Board Nepal

East building of ICC Complex, New Baneshwor, Kathmandu

Phone: +977-1-4475277, 4475278

Email: info@ibn.gov.np

Website: www.ibn.gov.np



SEZ Review Meeting Held



KATHMANDU: The annual meeting of the Special Economic Zones (SEZs) Development Committee was held on 9 December in Kathmandu. Chandika Bhatta, Executive Director of the Committee gave a presentation on recent progress in construction of SEZs and the activities of the Committee. The meeting was held to discuss the current challenges in SEZ development and how to deal with them. The Minister for Industry, Som Prasad Pandey, underlined the need to boost the contribution of the industrial sector to

gross domestic product. The State Minister for Industry, Megh Raj Nepali, also said that the timely construction of SEZs is a top priority of the Government. The Government plans to construct 14 SEZs across the country in a bid to promote industrial production and exports by providing special incentives to entrepreneurs. Ministry of Industry Secretary, Surya Silwal, said that the Government was evaluating the different models for developing SEZs and that public-private partnerships have emerged as one of the best options. Most of the participants in the programme acknowledge that the delay in endorsing the SEZ Act by parliament, confusion about the SEZ development model, and scarcity of reliable resources to develop and maintain the SEZs are key problems. •

