

IBN DISPATCH

Monthly Newsletter



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IBN Organizes High-Level Meeting on Hydropower Project Security in Surkhet

SURKHET: On 17 March, the Investment Board Nepal (IBN) coordinated a meeting in Surkhet of security heads representing the Mid Western and Far Western development regions to discuss security for the Upper Karnali Hydropower Project (UKHP). IBN has recognised an urgent need to develop an integrated security mechanism for the security of the project and its staff. With the huge amount of explosives required for the project, a special security mechanism is also needed for the security and management of the explosives.

The Regional Administrator of the Far Western Development Region, Mukunda Raj Prasad Ghimire, Acting Regional Administrator of the Mid Western Development Region, Narayan Prasad Sapkota, and the chief district officers (CDOs) of Achham, Dailekh

and Surkhet (the project districts) attended the one-day meeting. The heads of the Nepal Army, Armed Police Force, Nepal Police and National Investigation Office for the Mid Western and Far Western regional offices also attended.



During the meeting, the Far Western Development Region Regional Administrator, Mr Ghimire, stressed the need for an integrated security mechanism to ensure uninterrupted project activities in the UKHP. "We must make sure that investors feel

confident to invest in Nepal", Ghimire said. He added, "For this to happen, the most important factor is security and we have to provide full security to investors for their investments in Nepal".

He also claimed that the government security agencies in these two regions are capable of providing security to the project. "GMR [the project developer] should feel



confident that the local security agencies will sincerely cooperate with them and provide the required security for the project and their staff”, he said.

IBN Chief Executive Officer (CEO), Radhesh Pant, gave an update on IBN projects and underscored the urgent need to provide security to all projects in Nepal. “Foreign Direct Investment (FDI) has been a lifeline for Nepal, and we must create a conducive environment for investment,” Pant said. He added that “Without full confidence in security, potential investors won’t have any incentive to come and invest in Nepal”.

Pant said that FDI has become much more competitive in the 21st century and countries seeking to attract FDI should make an enormous effort to invite investors. “Investors have multiple

destinations for investment and may not necessarily come to Nepal without an appropriate, investment-friendly environment”, he said. He also stressed that the security agencies in the Mid Western and Far Western development regions should come together to devise a suitable security mechanism for the Upper Karnali Hydropower Project.

During his presentation, Pant said that the project developers of the Upper Karnali and Arun3 hydropower projects are committed to meeting the financial closure deadlines. “Both of the project developers [GMR and SJVNL] are committed to moving into project construction

by the end of this year”, he said.

The CDOs of Achham, Dailekh and Surkhet said that the district-level security agencies are confident of being able to provide security to the project and project staff. “The project developers need to regularly coordinate with us about their security concerns and the movement of their staff,” said Yam Prasad Subedi, CDO of Achham, as “it helps us to strategically mobilize our security personnel”. He also said that his office will soon set up a small unit of around 30 police personnel at the project site.



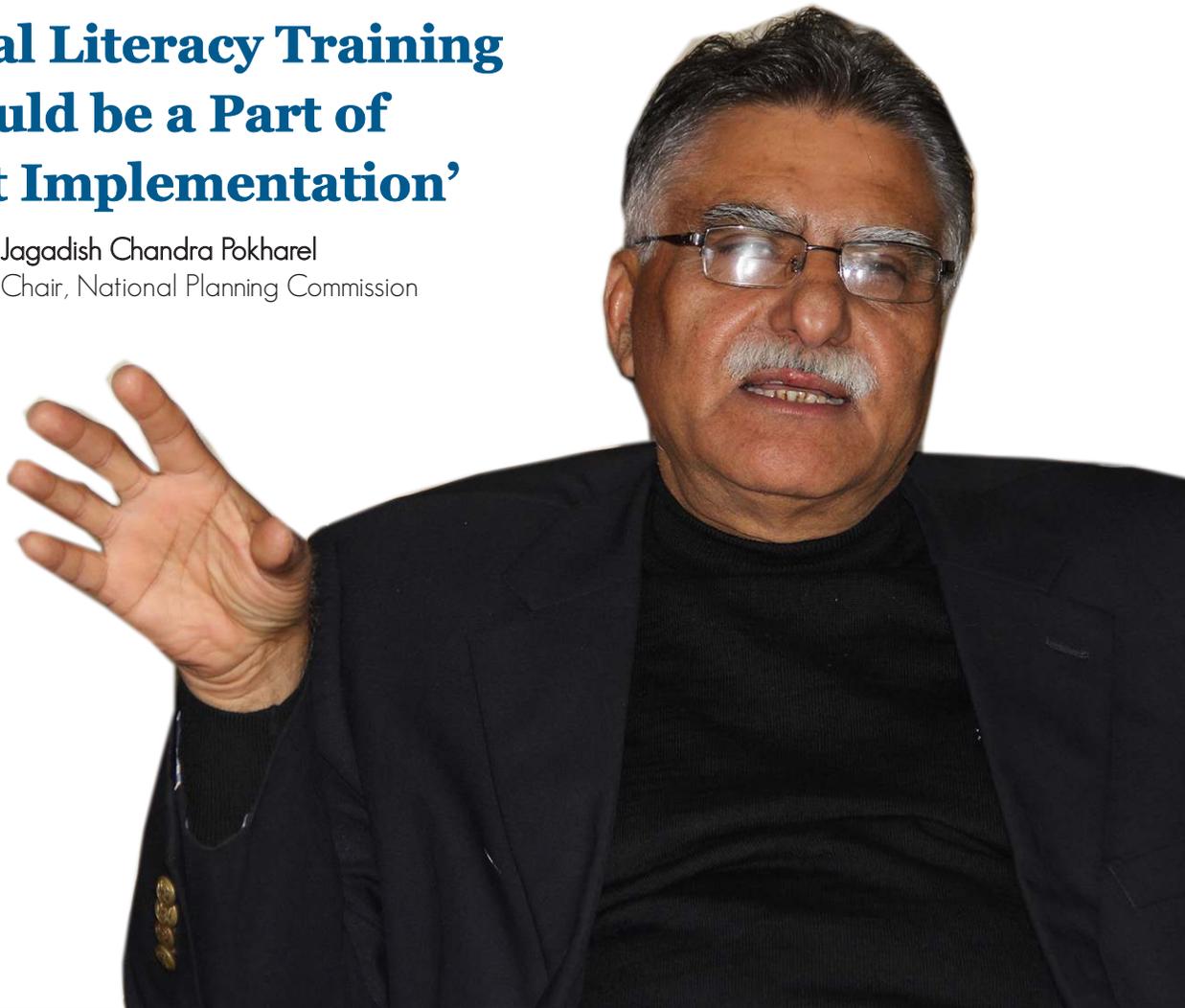
Kulmeet Sharma, UKHP manager, said, on behalf of GMR, that the company is committed to constructing the project on time. “We need support from all to make the project happen on time,”

Sharma said.

Following deliberations by the heads of security agencies, the meeting decided to recommend to the national security committee that an integrated security mechanism, or any other suitable security arrangement, be established for the security of the UKHP and its staff. A 70-member unit of the Armed Police Force is currently stationed at the UKHP office at Dab in Dailekh. Likewise, the Nepal Army has taken the charge of the explosives that will be used during construction of the UKHP. •

‘Financial Literacy Training Should be a Part of Project Implementation’

Dr. Jagadish Chandra Pokharel
Former Vice-Chair, National Planning Commission



Dr Jagadish Chandra Pokharel is former Vice-chair of the National Planning Commission (NPC), an apex policy making body of the Government of Nepal. Mr Pokharel has been closely watching the implementation of various development projects in the country. Some three decades back, he conducted an extensive study on the impact of cash compensation on project-affected people in Kulekhani. IBN Dispatch caught up with him to discuss the pros and cons of cash compensation and ways to mitigate any harmful effects on project-affected people.

You have been involved in formulating development policies and closely monitoring the project implementation process. You have also conducted research on cash compensation. What do you think are the key problems in distributing cash compensation to project-affected people?

The settlement of compensation is a crucial task in the process of project implementation. We have faced a host of problems in determining the price of the land and property of project-affected people. Generally, the prevalent market rate is the basic standard for price determination.

However, projects are offering higher than market price to affected people for their land. The price of land also tends to differ depending on the land category based on quality. We have also faced difficulties in

determining who the actual project-affected people are. Furthermore, the impact of the project on affected people can differ. It is challenging to give justice to actually affected people, because we cannot guarantee a better livelihood for them. Poor and marginalised people are at risk of becoming worse off in terms of livelihood, as they do not have sufficient knowledge of cash management and some have to spend the money to meet their daily needs.

In most of the cases, project-affected people prefer cash compensation. Why is that?

Generally, cash compensation is preferred to compensation in kind or 'land for land', because displaced people can use it to buy land or other property in the way they like. The study showed that

cash compensation is better for those who can mobilise cash in beneficial ways. If people receive a large amount of cash compensation and make proper plans to use it to, their livelihoods can improve. However, there is a risk of project-affected people becoming worse off if they receive little compensation and lack the financial literacy to enable them to use the cash properly. There is no hard and fast approach to choosing a compensation modality. Whether cash or 'land for land' or a mixed approach is appropriate depends on the economic and educational status of the recipients.

Could you give an example to support your argument?

In the case of the Modi Hydropower Project, most of the displaced people from Patichaur in Parbat were able to benefit from cash compensation, as they bought land and property in better places, like Pokhara. However, cash compensation proved to be detrimental to some people affected by the Kulekhani project, who were left destitute due to lack of knowledge about cash management. Those who receive little compensation usually end up spending all the money to meet their daily needs.

What lesson can be learned from the Kulekhani case?

People were displaced from the Kulekhani project area back in 2032-2034 BS when the government did not have a plan to resettle and rehabilitate project-affected people, nor did we give people any training on how to use the compensation amount. We used the Land Acquisition Act, 2034 BS, which is biased against landowners.



The then government was also autocratic and had little concern for project-affected people. The government used force and arrested those who resisted their eviction from the project area. Most of the displaced people were from ethnic communities in which drinking alcohol is part of the culture. Some people spent huge amounts of money on alcohol, gambling and other such activities, losing their money very quickly. Those who invested their cash in land and entrepreneurship saw their livelihoods improve.

The case of Kulekhani is a lesson to the government and developers. We have to impart financial literacy training as part of project implementation when we provide recipients with cash compensation to ensure that they have profitable and secure options for the investment of their money. To make sure that the use of the compensation money is maximised, a pre-study is necessary to determine the options for distributing compensation (e.g., in cash, kind or both). In Kulekhani, the local people lost their livelihood for a long time after displacement. In a bid to restore the livelihoods of some of them, the government has provided them with the opportunity to operate boats and fish in the Kulekhani reservoir.

What about cases in other projects?

In the Kaligandaki Hydropower Project, the Bote people, who had depended on fishing in the river for generations, were unable to benefit from the cash compensation, as they did not know how to best utilise the money to create an alternative livelihood. Similarly, cash compensation given to the people affected by the Marsyangdi Hydropower Project has not appeared to benefit them. The Mid-Marsyangdi project-affected people were displaced from the bustling market of Bhote Odar to Udipur village in Lamjung district. After finding no opportunity to start a business or any other source of livelihood in Udipur village, they moved on to other places in search of greener pastures. In both projects, people who lacked the skills for entrepreneurship ended up worse off after displacement. However, the relocation of around 1,600 people from old Padampur, located inside the Chitwan National Park, about one decade ago to Jutpani (now New Padampur) in Chitwan was successful because it took a mixed approach to compensation (cash and kind). In that case, a certain amount of land was provided for the relocated people in New Padampur, so that they would not become landless, in addition to cash compensation.

For full interview logon to www.ibn.gov.np

Nepal Urges Global Investors to Invest in Nepal

KATHMANDU: Prime Minister of Nepal and Chairperson of IBN, KP Sharma Oli, called on international investors to invest in Nepal, where the climate for doing business is improving. During his 8-day visit to China with a high-level Nepali delegation, Prime Minister Oli addressed a number of high profile events, including the Boao Forum for Asia. On these occasions, Oli highlighted foreign investment opportunities in various lucrative sectors.

Radhesh Pant, CEO of IBN, who was also a member of the delegation, gave a comprehensive presentation on investment potential in Nepal at international business and investment forums in Beijing, Chengdu and Xian. Addressing the 'China-Nepal Investment Forum', which was organised by the China Council for the Promotion of International Trade in Beijing, Pant shed light on how the investment climate in Nepal is improving and



outlined ongoing initiatives by the Government of Nepal to facilitate foreign investment. "Various sectors such as hydropower, tourism, roads, and agriculture, among others, are ripe for investment in Nepal. Political stability and gradual reforms in the laws and bureaucratic procedures have created a favourable environment for investment", said Pant. In presentations at other events in Chengdu and Xian, Pant highlighting Nepal's competitive advantages, such as its lucrative market, cheap labour, and political stability since the promulgation of the new constitution. •



Dialogue on Nepal-India-China Water Politics

KATHMANDU: As a part of its planned programs to stimulate debate on public issues, Office of the Investment Board Nepal (IBN) invited senior journalist Rajendra Dahal to deliver his views on Water Resources Politics on Nepal-India-China, on March 25. The dialogue was aimed at highlighting the hidden issues surrounding geopolitics between the three close neighbors on development of hydropower in Nepal. At the dialogue, Dahal, also a pioneer in hydropower reporting, shared his experience on how the top interest groups, bureaucrats and politicians of India, China and Nepal were engaged themselves in the issues of Nepal hydropower to serve their interests that led to negligible generation of electricity in our country during last several decades.

The former editor of Himal Magazine and former press advisor to then President Dr Ram Baran Yadav, he also stressed on enhancing our institutional capacity in bureaucracy for skills on better negotiation on water resources issues with our neighbors for greater benefits to Nepal.

His presentation was followed by a floor discussion when participants had put-forth their queries on reason behind weakness of Nepal for failing to properly utilizing the vast potential of water resources and the way forwards for rapid development of hydropower in the country. Total 30 people from IBN office and Millennium Challenge Nepal Office had taken part at the two-hour dialogue. •



IBN Participation in Lao Conference

KATHMANDU: At the 'Asia 2016, Sixth International Conference and Exhibition on Water Resources and Hydropower Development in Asia' in Vientiane, Lao on 1-3 March, Radhesh Pant, CEO of IBN, called on international investors to invest in Nepal's various sectors, including infrastructure and hydropower.

The three-day conference was organised by the International Journal on Hydropower and Dams in an effort to sensitise people about the issues surrounding the harnessing of water resources in the region. Lao's Minister for Energy and Mines, Dr Khammany Inthirath, opened the event. During his presentation on 'Lesson Learned from Nepal' from a government perspective, Pant said that "Energy demand from Nepal's hydropower resources has never been better", adding that all macro indicators point to a very healthy future for the industry. Pant predicted that the country will commission around 6,000 MW of new hydro capacity by 2030, requiring an investment of about US\$ 10

billion. Pant outlined developments in Nepal's power sector, including project development agreements for hydropower projects and fresh initiatives taken by the Government of Nepal to develop Nepal to make it more attractive to foreign investors.

A total of 825 high profile delegates from 47 countries took part in the event, which featured a wide range of discussions and trainings. A total of 22 parallel sessions, panels and workshops took place over the three days, covering a broad range of technical, financial, economic, and environmental topics. Structuring projects and managing hydropower contracts; project finance, legal aspects, concession agreements and risk management; transboundary issues; assessing and dealing with environmental impacts; climate resilience; dam and power plant safety; and innovations in technology for large and small hydro plants and dams were some of the issues discussed at the conference. •

Joint Meetings On Project Implementation



KATHMANDU: On 21 March, IBN facilitated a joint meeting of the developers representing the Upper Karnali Hydropower Project (UKHP) and Arun3 to discuss progress in both projects.

During the meeting, Harvinder Manocha, country representative of GMR (the project developer for the UKHP), said his company is on track with all project development agreement (PDA) requirements for financial closure. He also said the potential lenders

have committed to provide at least US\$ 1 billion as loan for the construction of the UKHP. Likewise, the SJVNL representative (the project developer for Arun3) said that his company is planning to start construction by the end of this year. "We have no issues with financial closure and are aiming to start the project construction work from November this year", he said. IBN regularly organises such project implementation meetings with project developers to discuss issues related to the projects. •

Interactions With Parliamentarians on Upper Marshyangdi-2

KATHMANDU: From 24-26 February, IBN interacted with lawmakers representing the districts affected by the Upper Marsyangdi-2 Hydropower project. The interactions were held on one-on-one basis and aimed at collecting local concerns regarding the 600 MW project to be developed in Manang and Lamjung districts.

Jamindra Man Ghale of UML from Lamjung-1, Chandra Bahadur Kunwar of Nepali Congress from Lamjung-2, Tek Bahadur Gurung of Manang, and Dil Bahadur Gharti from Lamjung (proportional representatives) participated in the meetings. During the meetings, lawmakers asked IBN about the causes of the delay in implementation of the project and about the benefits to the people. •

Joint Meeting of Three Parliamentary Committees to Resolve Development Issues

KATHMANDU: A joint meeting of three parliamentary committees - Parliamentary Agriculture and Water Resources Committee, Development Committee and Environment Protection Committee - took various decisions regarding replenishment of forest land and Environmental Impact Assessment (EIA) and Initial Environmental Examination (IEE) for development projects on April 3.

The meeting was coordinated by the Agriculture and Water Resources Committee on a request by Office of the Investment Board Nepal (IBN). The decisions were taken to simplify and facilitate existing legal and structural complexities in development projects

In regards with the forest land that a project developer will potentially have to acquire, the meeting decided to let the developer choose on either providing land for land or paying cash to the government for the acquired forest land at a price fixed by the government. It also decided to let the developer deposit necessary amount required for planting trees at 1:2 ratio for the trees



impacted by the project. The meeting also asked the government to establish a separate agency under the Ministry of Forest to oversee the mobilization of such fund.

Chair of Development Committee Rabintra Adhikary said the meeting was coordinated to resolve the pertinent problems in development projects. On the occasion, IBN CEO Radhesh Pant gave a presentation on problems facing development projects- mainly in Arun-3 and Upper Karnali hydropower projects regarding acquisition of forest land and EIA/IEE. The meeting was also attended by high ranking officials of line ministries. •

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