

# IBN DISPATCH

Year:1, Issue:1, Magh 2071 (Jan-Feb 2015)

*Monthly Newsletter*



Government of Nepal  
**Office of the Investment Board**





*Page 2*

## PROCESS BEGINS TO IMPLEMENT UPPER KARNALI PROJECT

*Page 4*

## IBN SPEEDS UP DISCUSSION WITH STAKEHOLDERS AND DEVELOPERS OF ARUN-3



*Page 5*

## DPR PROCESS FOR SOLID WASTE MANAGEMENT BEGINS

# Investment Board, Nepal



**Rt. Hon. Sushil Koirala**  
Prime Minister/Chairperson



**Hon. Dr. Ramsharan Mahat**  
Minister for Finance/Member



**Hon. Mahesh Acharya**  
Minister for Forest and Soil  
Conservation/Member



**Hon. Mahesh Basnet**  
Minister for Industry/Member



**Hon. Dr. Govind Raj Pokhrel**  
Vice Chair-NPC/Member



**Leela Mani Paudyal**  
Chief Secretary- GON/Member



**Dr. Yuba Raj Khatriwada**  
Governor-NRB/Member



**Radhesh Pant**  
IBN CEO/Member-Secretary

## Permanent Invitees



**Hon. Bimalendra Nidhi**  
Minister for Physical  
Infrastructure and Transport



**Hon. Radha Gyawali**  
Minister for Energy



**Hon. Dr. Minendra Rijal**  
Minister for Information and  
Communications



**Hon. Deepak Chandra Amatya**  
Minister for Culture, Tourism  
and Civil Aviation



**Shanta Raj Subedi**  
Secretary, GON/OPMCM





## CEO MESSAGE

work to maximize local benefits through training, jobs, use of local labour and local materials.

Similarly, the process of Integrated Solid Waste Management (ISWM) project to best-manage the waste of Kathmandu Valley has moved forward with a recent Board decision to award the project DPR responsibility to the developer. IBN is also working to call for an Expression of Interest (EOI) for a feasibility study to set up a Chemical Fertilizer Plant through private-public-partnership in Nepal.

Thanks to the above developments, we continue to witness growing interest among national and international investors to do business in Nepal. In order to build on the momentum and capitalize on the positive atmosphere and fast-pace our development activities, we look for continued support from you-government agencies, political parties, local people, investors, donors, civil society groups and the general public - for the successful execution of these mega projects. It is only by working together that we can make Nepal's long cherished dream of economic development come true. Here, I would like to mention a note of thanks to all our well-wishers including DFID, World Bank, and The Asia Foundation for their valuable support towards the institutionalization of the Board.

Sincerely,  
Radhesh Pant  
Chief Executive Officer  
Office of the Investment Board Nepal

*A*s part of our communications strategy aimed at widening dissemination and outreach, I am pleased to share the first edition of our Monthly Newsletter entitled IBN Dispatch that contains an update on all IBN project-related activities. I hope you will find this newsletter useful.

The Investment Board, Nepal (IBN), led by the Right Honorable Prime Minister, was created through the Legislature Parliament in 2068 B.S. IBN's mandate is to mobilize private investment for large-scale infra projects, including hydropower projects of 500MW and above, airports, roads, agriculture and others.

Despite protracted political transition and ambiguous legal provisions, the Office of the Investment Board has been making sincere efforts to attract private investment in mega projects. The Board has recently signed Project Development Agreements (PDAs) with the developers of 900MW Upper Karnali Hydropower Project, 900MW Arun-3, and has been in talks with the developers of 750MW West Seti, 600MW Upper Marsyangdi 2 and 650MW Tamakoshi 3, negotiations for which are expected to kick off this fiscal year. From the first two projects alone, Nepal is expected to receive financial benefits of around Rs. 800 billion during the 25-year concession period through taxes and royalties. Likewise, the projects will generate thousands of employment opportunities at the project districts (Achham, Dailekh and Surkhet, and Sankhuwasabha). Based on the PDA, IBN will



## Upper Karnali Project Implementation Underway

**KATHMANDU:** The 900MW Upper Karnali Project (UKHPP) has been making good progress since the signing of its Project Development Agreement (PDA) in September 2014. With two years to achieve financial close, both Government as well as the Project Company have been moving quickly to fulfill their respective and joint obligations under the PDA.

### Local Shares Study

The Investment Board is in the process of selecting a local firm to study and recommend possible mechanisms for the sale of shares to locals in UKHPP. An Expression of Interest (EOI) for the same was called on November 7, 2014, and four firms out of eight have been shortlisted for the study. The Board has recently asked the four firms to submit a Request for Proposal (RFP). The study is expected to be complete by April 2015.

### JDA between GMR and IFC

International Finance Corporation (IFC), a member of the World Bank Group and GMR Group, developer of Upper Karnali Hydropower Project (UKHPP) have recently signed a Joint Development Agreement (JDA) to develop the 900 MW Upper Karnali hydropower plant and associated transmission line project in Nepal. Along with injecting 10% equity into the project, IFC will be

the lead arranger to help gather financing for the project, which has a total investment outlay of approximately USD\$1.7 billion. The Upper Karnali Hydropower plant is expected to generate at least 3,000 jobs and help reduce greenhouse gas emissions by nearly 2 million tons of carbon dioxide equivalent annually. IFC's involvement will help the project achieve timely financial closure, construction, and operational milestones.

### Bridge Gap Loan

A bridge loan worth NPR 500 million has been agreed for Pre-construction activities of UKHPP. This has paved way for the project developers to initiate pre-construction activities at the project site, crucial to ensure timely achievement of project milestones.

### ToR on Downstream Impact Study Finalized

The Terms of Reference (ToR) for the study of downstream impacts of Upper Karnali Hydropower Project have

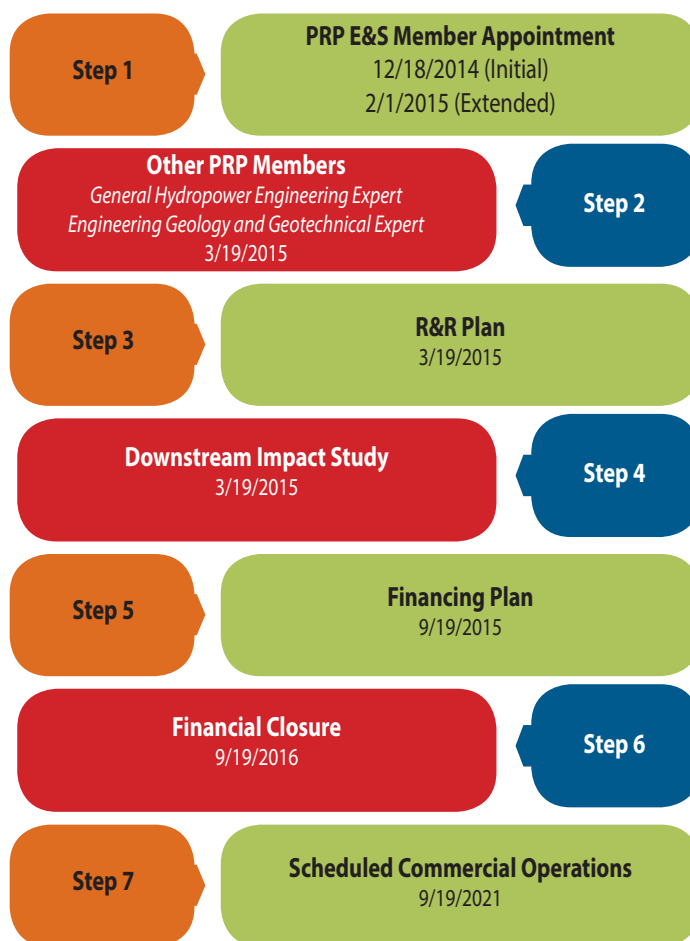


been finalized between the Irrigation department and GMR Ltd. Further works on modelling will rely on data obtained from cross-section and flow studies. The analysis is expected to be completed by March 19, 2015. The Upper Karnali PDA requires the developer to complete the Cross Section study under the direction of the Ministry of Irrigation.

### JVA Amendment

An amendment to Joint Venture Agreement (JVA) with Nepal Electricity Authority (NEA) Pursuant to Clause No. 14.5 of the Project Development Agreement (PDA) of Upper Karnali Hydropower Project (UKHPP) and Karnali Transmission Co. Pvt. Ltd has been made. Under the JVA, interest on shareholder loans not to exceed 250 bps over the Senior Debt and Ratio of JVC's D:E Ratio has been fixed at 75:25 at Financial Close and 80:20 at all other times (for funding cost overruns). Similarly, JVA also states that at least 2/3rd of the distributable profits have to be paid as dividends to shareholders every year. This amendment negotiated by the Investment Board protects Nepal's interests as a shareholder in the Upper Karnali Project.

## PROJECT TIMELINE







## IBN Accelerates Arun-3 PDA Implementation Process

Kathmandu: The Investment Board Nepal (IBN) has accelerated the process of implementing the provisions, stated in the Project Development Agreement (PDA) of 900MW Arun-3 Hydropower Project. Issues of land acquisition, Environmental Impact Assessment (EIA), downstream impacts study and appointment of Project Review Panel (PRP) members have been discussed with the Satluj Jalvidhyut Nigam (SJVN) and various government agencies.

IBN has set up a committee of Government agencies at the local level to fast track activities relating to land acquisition. The SJVN will have to acquire around 180 hectares of land, of which 82 hectares are private. IBN has also been in continuous dialogue with the local concern groups.

SJVN Arun Power Development Company (SAPDC) -- the developer of the 900-MW project -- has submitted a revised EIA to IBN incorporating the comments of the Ministry of Environment, IBN and other Government agencies. Similarly, Terms of Reference (ToRs) for the downstream impact study have been submitted to the Ministry of Irrigation for final approval. The SAPDC will conduct the study within May 2015.

### PROJECT TIMELINE



Some of the company obligations such as the submission of performance guarantee, legal opinions from the respective parties have been completed on time and both parties are currently on track to meet other obligations outlined in the PDA.

*SJVN is expected to achieve financial closure by late 2016. The project is expected to take 5 years to construct with a target date to achieve commercial operations by November 25<sup>th</sup>, 2021. Nepal will receive 21.9% of the total electricity generated from the project, equivalent to 197 MW, free of cost for the entire concession period. The PDA was signed between the Investment Board Nepal (IBN) and SAPDC on 25 November 2014.*

## Bidders for Solid Waste Management Preparing DPR

Kathmandu: Bidders selected for the preparation of Detail Project Report (DPR) of the Kathmandu Valley Integrated Solid Waste Management (ISWM), have started their activities.

JV of Compunication OY (Finland) and The Organic Village (Nepal) in association with Poyry and Biotse have been selected for preparing DPR of Package I (that includes Kathmandu Metropolitan city and selected VDCs). Likewise, JV of BVG (India), Greenfield Waste Management Company (India) and Kryss International Pvt Ltd (Nepal) will prepare DPR for Package II & III (that includes Lalitpur Sub-metropolitan city, Kirtipur Municipality and selected VDCs, and Bhaktapur Municipality, Madhyapur Thimi Municipality and Selected VDCs, respectively).



The Ministry of Local Development had issued a global tender for the management of Kathmandu Valley Solid Waste in Dec 2009. In response to the call, 18 companies registered Expression of Interest (EoI), and 11 of them were shortlisted for Request for Proposal (RFP). Then, Eight out of the 11 shortlisted companies responded to the RFP call within the set deadline. Technical and financial assessments of the eight companies' RFP have been completed by an evaluation committee.

## PROJECT TIMELINE

Step 1

**DPR by successful bidder/s**  
Within 6-11 months

Step 2

**Negotiation and Finalization of PDA/ Concession Periods**  
Next 4-6 months

Step 3

**Financial Close**  
Based on Negotiations



# RFP for Chemical Fertilizer Plant Soon

KATHMANDU: The Investment Board Nepal (IBN) is preparing to issue Request for Proposal (RFP) to the recently short-listed firms for a detailed feasibility study of a chemical fertilizer plant in the country.

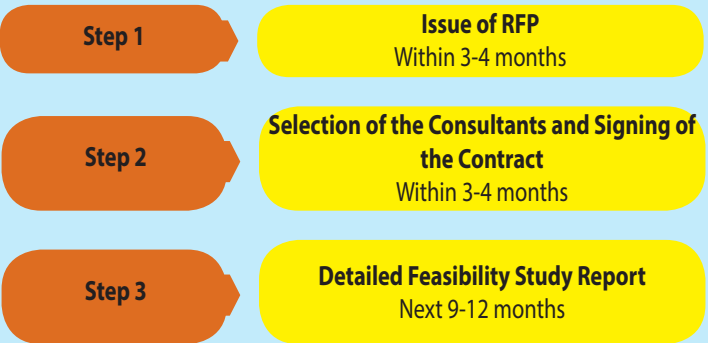
JACOBS Consultancy in association with Taylor DeJongh and Eversheds Tower Bridge Court (UK), TATA Consulting Engineers Limited, India and SILT Engineers and Consultant Nepal, Project Development India Limited & PSA Consultants for Nepal, and Infrastructure Development Corporation (Karnataka) – iDeck in association with Institute of Agricultural

Technologist (IAT) and Feedback Infrastructure Service Nepal Limited (IDC/Feedback) have been short-listed for the task. The Board is planning to issue the RFP within 4 months and the study will be completed within 12 months from the date of RFP issuance.

IBN published an Expression of Interest (EoI) on September 03, 2014 through a global tender to carry out a feasibility study for the plant. Five national and international firms expressed interest to conduct the study.



## PROJECT TIMELINE





## Update on West Seti, Upper Marsyangdi 2, and Tamakoshi 3

KATHMANDU: CWEI, the developer of 750MW West Seti Hydro Power Project (WSHPP) is conducting a study on the potential energy market, land acquisition and related policies to help inform an investment decision of the Company's Board.

The first draft of the study is expected by the end of January 2015 and the final report in early March 2015. IBN has been facilitating the study by collecting and providing necessary data by liaising with National Planning Commission and Nepal Electricity Authority

Similarly, the process of Project Development Agreement (PDA) negotiations with the developers of Upper Marsyangdi 2 and Tamakoshi 3 have started. IBN has shared PDA drafts tailored to the respective projects with the developers. Formal negotiations are expected to kick by the first quarter of 2015.



## Other Projects

1. Tribhuvan International Airport Upgrade
2. Second International Airport
3. Kathmandu-Terai Fast Track
4. Five 5-Star Hotels
5. Infrastructure Development Bank
6. Kathmandu Metro Railway
7. North-South Corridor



**Gautam Buddha Airport expansion plan launched**

The Kathmandu Post (Money)

January 16, 2015

Bhairahawa, Jan 16 - The long-planned upgradation at Gautam Buddha Airport in Bhairahawa was formally inaugurated on Thursday with Prime Minister Sushil Koirala laying the foundation stone for the project that will transform the domestic airfield into a regional international airport .

The importance of the improvement plan lies in the airport 's being the front door to Lumbini, the birthplace of the Buddha which has been rapidly gaining popularity as an international pilgrimage but suffers from poor access which has hindered further growth.

The project has been on the drawing board for the past two decades. The proposed airport is expected to come online by December 2017.

<http://www.ekantipur.com/2015/01/16/business/gautam-buddha-airport-expansion-plan-launched/400419.html>

**GMR Infrastructure begins roadshows for DIAL's maiden bond issue**

The Economic Times

13 January

Mumbai [India]: GMR Infrastructure has started roadshows for unit Delhi International Airport Ltd's (DIAL) maiden overseas bond issue, two people with knowledge of the matter said. The Bengaluru-based company has plans to raise about \$290-300 million (Rs1,800-1,864 crore) in dollar bonds, said one of the people. The funds will be used to retire debt on the airport's books, he added.

Citibank and Standard Chartered are the global coordinators and joint book managers for the bond issue. Other banks dealing with the issue are HSBC and JP Morgan. The roadshows will conclude on Friday. "DIAL has commenced a series of fixed income investor meetings in Asia and Europe, and a

US dollar-denominated senior secured notes offering may follow subject to market conditions.

We are not in a position to comment on the size or tenor of the offering as we are seeking feedback on this through various investor meetings scheduled this week," said a spokesman. GMR's airports business had total debt of Rs 6,323 crore (Rs4,523 crore by DIAL and Rs1,800 crore by its Hyderabad airport venture) as of June last year.

The bond issue is part of GMR's overall plans to raise funds, strengthen its balance sheet and be asset-light. GMR in November got market regulator Securities and Exchange Board of India's approval for a rights issue of Rs1,500 crore.

<http://economictimes.indiatimes.com/news/economy/infrastructure/gmr-infrastructure-begins-roadshows-for-dials-maiden-bond-issue/articleshow/45862976.cms>

**Nepal nods for Reliance to invest billions in cement**

The Economic Times

22 November

KATHMANDU: Two prominent Indian business houses have received Nepal government's approval to invest NRs 144 billion for setting up cement and hydropower projects in the country.

The Nepal Investment Board (NIB), headed by Prime Minister Sushil Koirala, has cleared the decks for Anil Ambani-led Reliance Group for an investment of NRs 40 billion (USD 400 million) in southern Nepal.

The NIB has approved the Indian company's proposal for setting up the multi-billion dollar project in Nepal yesterday, according to a statement by the board today.

The Reliance Group will soon conduct the study for constructing the plant in central or eastern Terai region of the southern plain.

[http://articles.economictimes.indiatimes.com/2014-11-22/news/56362206\\_1\\_nrs-hydropower-satluj](http://articles.economictimes.indiatimes.com/2014-11-22/news/56362206_1_nrs-hydropower-satluj)





Public engagement about Upper Karnali Project in Dailekh



A local women from Sankhuwasabha sharing her concerns



PDA Signing of Arun-3 Project with SJVN



PDA Signing of Upper Karnali Project with GMR



Public engagement about Arun-3 Project in Sankhuwasabha



IBN's CEO along with CA members during public engagement about Upper Karnali Project in Dailekh

### Correspondence:

Government of Nepal

Office of the Investment Board Nepal

East building of ICC Complex, New Baneswor, Kathmandu

Phone: +977-1-4475277, 4475278

Email: [info@investmentboardnepal.gov.np](mailto:info@investmentboardnepal.gov.np)

Website: [www.investmentboardnepal.gov.np](http://www.investmentboardnepal.gov.np)

