

IBN DISPATCH

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Quake Rocks Nation; Paralyzes Economy

KATHMANDU: Following the April 25 dreadful earthquake that killed thousands of lives, the parliament on recently passed a resolution motion committing numerous action plans, including rescue, relief and rehabilitation of those affected by the earthquake. The 27-point motion, tabled after a consultation among all major political parties, includes programs that are aimed at providing reliefs, compensation and rehabilitation to badly affected people and reconstruction of infrastructure and historical monuments destroyed by the quake.

Historical places listed as the world heritage sites, transport infrastructures such as bridges, highways and schools, government buildings are among the key structures badly damaged by the shocks. The resolution motion also envisages forming National Reconstruction Counselling Committee led by Prime Minister with representation from experts.

A powerful earthquake measuring 7.8 Richter-scale rocked central Nepal on April 25 (Baishakh

12) killing thousands of people and devastating individual and commercial houses along with crucial infrastructures. The deadly tremor of this scale was felt after more than eight decades. A major aftershock of 7.4 (epicenter Dolakha) halted the normal life of many people. Besides human casualties, the quake has badly paralyzed economic activities rendering disruption in transportation, education, financial transactions, and industrial operations, among others sectors. The government has planned to set up a fund of Rs. 200 billion for reconstruction and rehabilitation activities, and has appealed to all to contribute to the fund.

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Interaction with Korean Investors



KATHMANDU: A South Korean team of high-level business executives based in India interacted with senior officials of Investment Board Nepal (IBN) on investment opportunities in Nepal.

At the program organized on March 25, Radhesh Pant, CEO of IBN had briefed the delegation about projects under IBN's mandate and potential sectors of investment in Nepal. Members of the delegation were eager to know about the process to go through for foreign investment and the incentives being offered to foreign investors by Nepal government.

Those visiting the IBN are Hyeok Sang Park, Managing Director of Daewoo International India,

Geun Hong Jeong, Managing Director of Samsung C&T Corporation India, Dong Seok Choi, Chief Director General India and South Asia of Korea Trade-Investment Promotion Agency, Jin Yeob Hwang, Managing Director of Posco E&C India and Dong-Sung Pak, CEO & Managing Director of Hyosung Corporation India. Requesting Chinese business officials to invest in hydropower, tourism, agriculture, IT, road and railways, among other infrastructures, CEO Pant expressed commitment to facilitate investors on behalf of the government. Pant also stated that Nepal government has been seriously working on creating investment friendly environment in the country by undergoing legal and administrative reforms.

RFP Submitted

KATHMANDU: Three firms have submitted the Request for Proposal (RFP) documents to IBN to conduct Detailed Feasibility Study (DFS) to set up a chemical fertilizer plant in the country.

IBN had set a deadline of April 10 (Chait 27) to short-listed four companies to RFP documents. Those submitting the RFP documents are Projects and

Development India Limited, India in association with PSA Consultants for Nepal, Infrastructure Development Corporation (Karnataka) Ltd., India (iDeck) in association with Institute of Agricultural Technologist ("IAT") and Feedback Infrastructure Service Nepal Ltd and JACOBS Consultancy in association with Taylor DeJongh and Eversheds

Tower Bridge Court, United Kingdom. One of the short-listed companies----TATA Consulting Engineers Limited, India and SILT Engineers and Consultant Pvt. Ltd., Nepal--- did not submit the proposal. IBN has started the evaluation process from April 12 with the targets of selecting the consultant within 1-2 months.

IBN Briefs Youth Leaders on Indian Power Market

KATHMANDU: Investment Board Nepal (IBN) organized a dialogue with youth leaders of major political parties on April 3 (Chait 20) to update them about the power market scenario in India. Energy researcher Bishal Thapa, delivered a presentation on 'Evolving Future Scenarios and their impact on Nepal's Hydro Plant'.

Thapa said total capacity of India, which is the key market for Nepal's power---- to produce energy by 2018 will stands at 318,000 MW with share of coal being 191,000 MW. It is also projected that total capacity of India to produce power by 2031 will hit 706,000 MW, which includes 367,000 MW to be generated from coal.

Thapa stressed on the need for Nepal to develop hydropower as soon as possible stating that changing power market in the southern neighbor might not be favorable to Nepal after seven or eight years.

"We should not take India market for granted for indefinite period. We have to explore strategies to cope with the Indian market, where price of alternative power is going down," added Thapa. India is the fourth largest power producer in the world.

He categorically stated that demand, transmission, coal supply, environmental concerns and performance of developer companies as the key drivers of Indian power market.

"We have to take into consideration of changing power market phenomenon in India which is our key market. Current scenario shows that electricity produced in Nepali is all set to face immense stress in price due to various players in the market," said Thapa, who has been researching on India energy market for last one decade.

Thapa highlighted the current composition of power sources and demands in India. Thapa informed to the participants that India has been relying on coal (both domestic and imported from Indonesia) to fulfill around 60 percent of total coal demand in the country. Similarly, nuclear, solar, wind and electricity are other sources of energy in India.

Participating youth leaders underlined the need to speed up process of developing new hydropower projects at the earliest to tap vast market of India, which has been witnessing rapid changes in consumption and supply phenomenon. They also urged the government to integrate domestic power transmission line into Indian and regional power networks so as to facilitate the trade of power.

Those taking part at the dialogue are Pushpa Bhusal, Gururaj Ghimire and Ram Hari Khatiwada of Nepali Congress, Devi Khadka of UCPN (Maoist), Krishna Bhakta Pokharel, Bikash Lamsal, Madhav Dhungel, Surya Thapa and Sher Dhan Rai of CPN (UML), Ghanashyam Neupane of Rasstriya Janamorcha, Shivaji Yadav of MPRF-Nepal and Prakash Rimal of RPP-Nepal.



IBN Updates Lawmakers on Hydropower projects

KATHMANDU: The IBN briefed Parliamentary Committee on Agriculture and Water Resources on recent progress on implementation of hydropower projects under its mandate. At a meeting with the committee members held at Sighadurbar on March 16, IBN CEO Radhesh Pant made a presentation on progress achieved so far on IBN projects; particularly on Upper Karnali, Arun-3 and West Seti Hydro Power Projects. On the occasion, Energy Minister Radha Gyawali said the ministry was

CEO Pant argued that the project should be moved as early as possible paving the way for CWEI to develop the project. “We can review a number of issues during PDA negotiations with the company”, he said. CA members Laxmi Prasad Pokharel, Bir Bahadur Balayar, Man Bahadur Khatri, Lal Bahadur Rawal, Damodar Bhandari, Kashinath Adhikari, Gyanendra Bahadur Karki, Prakash Saran Mahat, Anand Pokharel and Chairman Gagan Thapa expressed their views. The lawmakers demanded that 750-MW West Seti



committed to supporting development initiatives; particularly hydro power development activities in the country.

Energy Secretary Rajendra Kishore Kshetri stressed on the need to make review on agreement with CWEI, the developer of West Seti Project. He said the MoU signed with CWEI needs to be reviewed as the domestic context has significantly changed since it was signed in 2012.

Project should move ahead as early as possible. CWEI has applied at IBN for foreign investment worth US\$ 1.5 billion to develop the project.

The government has planned to develop the project in Bajhang, Baitadi, Doti and Dadeldhura districts of Far Western Nepal.

RAP Completed

KATHMANDU: GMR ITD, the developer of Upper Karnali Hydro Power Project, has recently completed a field study for Resettlement Action Plan (RAP) for project affected people as envisaged in the Project Development Plan (PDA). The RAP will be in line with International Finance Corporation (IFC) Standards or Asian Development Bank Safeguards.

The company conducted field survey in two affected districts-- Dailekh and Achham-- from March 3 to March 26 (Fagun 19-Chait 12). The developer had assigned the task to consulting firms ERM India and NESS.

The team conducted more than 600 surveys including land and asset surveys in Bhairavsthan (Accham), Sattala and Sigaudi VDCs (Dailekh),



which are going to lose land and households due to the project.

Similarly, GMR ITD carried out 75 focus group discussions across all affected VDCs including the dewatered zone with community forest user groups, women's groups and fishing communities, among others. Similarly, market valuation exercise was also undertaken on the occasion. Representatives from IBN were also involved through the survey period.

This survey was conducted to make sure that the affected communities are fairly compensated for their lost land and assets, and livelihoods are restored for those losing income and other resources. A full report is expected by June this year.

IBN Team Visits BoI of Sri Lanka and Cambodia

KATHMANDU: A delegation from IBN visited the Board of Investment (BoI) in Cambodia and Sri Lanka from April 1st to 9th, for a case study visit with a support from the Japan International Cooperation Agency (JICA). The program aimed to observe good practice of BoIs of respective regions, Southeast Asia and South Asia, in mobilizing foreign investment, as well as to establish collaborative relationship among BoIs.

On April 6th, IBN's delegation and the CEO, Radhesh Pant had a meeting with the Chairman of the Board of Investment of Sri Lanka, Mr. Upul Jayasuriya, and discussed the possible efforts bringing in more foreign investment into South Asia, and how the BoI could support the investors and create investor friendly environment. Also, the two BoIs confirmed mutual support and cooperation going forward.



Interaction with Arun-3 Stakeholders



KATHMANDU: Investment Board Nepal (IBN) and SJVN-- developer of 900-MW Arun-3 hydropower project-- jointly organized public interaction with project affected people on April 20-24. The program was aimed at sharing the highlights of Project Development Agreement (PDA) signed between SJVN and IBN few months back, to the local stakeholders in Sankhuwasabha district. Total four

interactions including one in district headquarters Khandbari-- were conducted during the period. Senior officials of IBN including it's CEO Radhesh Pant, representatives of the developer company, CA members representing Sankhuwasabha, Surkhet, Dailekh and Achham had participated in the program. Around 1,000 stakeholders had participated at the five-day programs.

Investors Need to See That The Government is Committed



Radhesh Pant, CEO, Investment Board Nepal

MAR 30 - Last year, Nepal signed a Power Trade Agreement (PTA) with India, providing much-needed headway to hydropower development in the country. It was followed by the signing of a Project Development Agreement (PDA) on Upper Karnali with two Indian companies—GMR-ITD Consortium, a private sector developer, and on Arun III with the Satluj Jal Vidyut Nigam Limited, a government entity. Investment Board Nepal (IBN), a government entity established to facilitate economic development by attracting investment, has been a key stakeholder in the signing of these landmark deals. Akhilesh Upadhyay and Prithvi Man Shrestha spoke to Radhesh Pant, CEO of the Investment Board Nepal, about the possibility of completing these projects soon, progress on the West Seti hydropower project, political interference at the IBN, and calls to ensure local equity in large projects.

The last few months were very important for the IBN, as it was able to secure two much talked-about hydropower projects—Upper Karnali and Arun III. Do you think the projects will actually go ahead given our political volatility?

I am pretty sure the projects will go ahead. We are abiding by obligations laid down by the PDA. As for GMR, the International Finance Corporation (IFC) has joined it, which would possibly ease

financing for the project. Arun III, on the other hand, will receive funding from the Indian government. They have already started their resettlement action plan and have tendered out bridge works. Completing the project will not only boost our as well as the developers' confidence but also that of the locals. I am very sure they will go ahead on time for two reasons. First, there is government obligation and second, there is enough local support.

One criticism of these large projects has been that there is a lot of disgruntlement about locals not getting enough stakes. There has been some positive activism towards that end and some not-so-positive activism. How do you address that call for local equity?

One of the things we are currently working on is what sort of framework should be in place for locals to participate in the project. We need to make sure that locals get and keep equity shares. In many places, what is currently happening is that locals get shares for Rs 100 and they sell for Rs 120. We need to educate these people and have a modality for it. There is a study currently underway for Upper Karnali and Arun to establish the criteria. Should it be the number of people affected vis-à-vis the project over the entire district? Should it be based on the people's socio-economic background? One of the things we are trying to do in these two projects is maximise the chances of the affected people getting employed. We are also thinking of asking the developers to deduct 20-30 percent from the salaries of the employed locals and place that in a fund so that by the end of the construction, say five to six years later, people will have enough money to buy shares.

So you are mindful of the fact that in large-scale projects, local stakes should be internalised?

Definitely. But having said that, it shouldn't be politicised. There has to be mechanism whereby one allows the developer to continue working.

Edited version of Interview published in The Kathmandu Post dated March 30, 2015:

<http://www.ekantipur.com/2015/03/30/oped/investors-need-to-see-that-the-government-is-committed/403426.html>



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