

IBN DISPATCH

Monthly Newsletter



Thank You



We are pleased to announce that IBN Dispatch, a monthly newsletter of Investment Board Nepal (IBN), has successfully completed one year of its publication. During its past 12 issues, IBN attempted its best to effectively communicate information on IBN activities and scores of other development issues. We are encouraged by the continued support from policy makers, media persons, politicians, government officials and general public. We feel proud that the IBN Dispatch has become a major source of information and knowledge. On this occasion, IBN would like to express commitment to further improve on its content in the future, and we thank you all for your trust and support.



IBN Presents on Investing in Nepal

KATHMANDU: The Prime Minister and chairman of the Investment Board Nepal (IBN), KP Sharma Oli, urged international investors to tap the vast investment potential in energy and infrastructure sectors across the country. "Our door are open for investment in almost every sector, including manufacturing, hydropower, transport infrastructure, tourism, services, IT, mining and agro-based industries. Hydropower is a prime choice," Oli said while delivering a speech at a high-level meeting with the Indian business community in New Delhi during his five-day state visit to India in February. Oli also invited the Indian business community to reap the benefits of the favourable investment climate in Nepal, which is backed by liberal legal and tax systems, a growing domestic market, many comparative advantages, improved industrial relations, simplified administrative procedures and liberal trade rules.

IBN CEO Radhesh Pant urged investors to leverage the favourable business environment in Nepal. In his presentation, entitled 'Invest in Nepal: Trade and Opportunities', Pant highlighted the various investment opportunities in Nepal for Indian business people and high-ranking Indian government officials. The presentation was made in New Delhi on 22 February at an exclusive business meeting of Indian business people with PM Oli, jointly organised by the Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industries (CII) and Associated

Chambers of Commerce and Industry (ASSOCHAM). During this presentation, Pant shed light on the scope for investment in energy, roads, urban transport, agriculture, tourism, health, education, and information and communication technology. He also explained the Special Economic Zones (SEZ) being set up by the government and their benefits for investors. He stated that the stabilising political situation in the country, recent legal reforms and government commitment to boost foreign direct investment form a strong basis for investment in Nepal. Pant also offered views on economic transformation as part of the political transition. On the occasion, Sushil Gyawali, CEO of Reconstruction Authority of Nepal also made a presentation on the 'Reconstruction of Nepal after the Recent Earthquake'.

IBN's CEO Pant gave another presentation at an exclusive meeting with the business community in Mumbai on 23 February. The meeting was organised at the initiative of the Nepalese business community in an effort to promote Nepal's investment potential.

A special edition of the investment guidebook jointly prepared by IBN and Ministry of Industry was distributed at both meetings. Eminent business people from India and Nepal, high-level government authorities, senior representatives of the FICCI and CII, experts and other stakeholders participated in both occasions. •



SAPDC and Locals Agree on RAP

KATHMANDU: The SJVN-Arun 3 Power Development Company signed an agreement with the project-affected local people in the presence of officials of IBN and the local administration on the proposed Resettlement Action Plan (RAP). Two separate programmes were organised in Khandbari on 24 and 25 February to secure the signing of the RAP by representatives of the project-affected people and the developer company. The company plans to complete the land acquisition process before the monsoon starts in June/July. A public notice freezing land transactions will be issued soon, before initiating negotiations with the affected people. The Compensation Determination Committee headed by Chief District Officer of Sankhuwasabha will facilitate negotiations between landowners and project developers to fix land prices. The local people are excited by the fresh development in the land acquisition process and expressed hope that the RAP will pave the way for better living standards. Prior to the signing between developer and affected people, the developer had completed disclosure of the draft RAP to project-affected local people. A joint team from IBN and the developer conducted 10 days of interactions in different villages (Num, Yaphu, Diding and Pathibhara VDCs) in Sankhuwasabha district to share the RAP with local people. The team disclosed the RAP to affected people in Besi in Diding VDC on 9

February, Yaphu on 10 February, Num Bazaar of Num VDC on 11 February and Gadhibazar of Pathibhara VDC on 13 February. The developer has also presented the draft RAP to a high-level committee for project implementation led by National Planning Commission Vice-Chair Dr Yubaraj Khatiwada, parliamentarians representing project-affected people in Sankhuwasabha district, local government officials and local political parties.

With the support of IBN, the Arun-3 RAP has been prepared in line with the Asian Development Bank's Safeguards Policy, which ensures the scientific determination of compensation and the judicial resettlement and rehabilitation of affected people, among other things. The RAP comprises a scientific survey of households including an assessment of socioeconomic impact in affected areas and the loss of individual and public property and crops. The modality for compensation distribution to affected people and the process of land acquisition are incorporated in the plan.

The IBN team interacted with local journalists in Khandbari on 15 February about the implementation of the Arun-3 project and proposed RAP. A total of 15 local journalists representing radio, TV, newspapers and online were present at the interaction. •



'EIAs/IEEs can be Outsourced to Reduce Time and Cost'

- Suryaman Shakya, EIA Expert

Surya Man Shakya is an expert on environment impact assessments (EIAs) in development projects. Shakya is also a former Member Secretary of the Environment Protection Council and currently visiting-faculty in Kathmandu University. IBN Dispatch caught up with Shakya recently to discuss a wide-range of issues surrounding EIAs in large-scale projects.

What is an environmental impact assessment (EIA) and an initial environmental examination (IEE)?

Development projects have to go through a certain process before they can be implemented. In the name of project development, we cannot ignore environment aspects. While implementing projects, we must know what potential problems lie ahead. Development projects have to pass through either an EIA or an IEE, which provide crucial information about the viability of a project on environmental grounds. EIA/IEEs are required all over the world as a mandatory process. The process for EIA and IEE are very similar. EIAs are designed for larger projects, while IEEs are for smaller projects. EIAs

require the involvement of the concerned ministry and Environment Ministry in the approval process, while IEEs can be approved directly by the concerned ministry.

Although EIAs and IEEs are mandatory for development projects, developers regard them as a burden. Why?

It is wrong to perceive EIAs and IEEs as a burden. As EIAs and IEEs are both comprehensive study documents, they naturally take time to prepare and approve. Definitely, we need to explore ways to make the EIA/IEE process simple, we cannot make it as simple as developers want. We cannot ignore international norms and practices in the name of simplification, as demanded by developers. The government has its own limitations, rules and regulations to follow. Limited human resources in the ministries has lengthened the period for approval of EIA/IEEs. However, developers ultimately benefit from conducting an EIA/IEE, as these reports provide crucial information on whether the particular project is viable or not. So, it protects their investment. I would say that a developer should initiate such a process on their own,

even if the government did not require an EIA/IEE for project development.

How do you assess Nepal's EIA provisions?

The EIA process practised in Nepal is more scientific than in our South Asian neighbours, such as India, Pakistan, Sri Lanka and Bangladesh. In India, the EIA process must go through central and state-level governments for approval. Over 15 years, we have significantly improved the EIA process, keeping in mind international practices and the ground reality in Nepal. However, there are some procedural hurdles in the EIA/IEE process. We need to mitigate such problems, but we also need to be pragmatic in dealing with the various development projects. We should not treat all projects equally in the EIA/IEE process. We need to give priority and fast-track approval of EIAs for national priority projects. The government has begun the process of simplifying EIAs. I hope, within the next couple of years, that the EIA will not be a burden to developers.



How can we simplify the EIA and IEE process?

We can reduce time by introducing a system where EIAs for hydropower, roads, and other infrastructure are approved separately by separate units or sections. The arrangement of sufficient human resources is also necessary to speed up the process. We can outsource to experts or consulting firms if necessary to reduce the work burden in the government agencies due to insufficient human resources. EIA should be required to be approved before the project is approved by the government so that only environmentally viable projects move ahead. Arrangements should have a specific timeline for completion of the EIA approval process.

What is your take on the mandatory compensatory provision for the loss of forest in the process of project implementation?

The government has been enforcing compensatory provisions for the loss of forest due to project development in order to maintain at least 40% of the total land in the country as forest. However, this provision cannot be applied in every project, especially

in projects that need a large swathe of forest land. How can the developer of such a project compensate for the number of trees lost by the project? How can a developer search for the land to be developed as forest? The developer should not be forced to concentrate on developing trees rather than completing the project on time. So, we should be pragmatic in such situations. We can utilise Forest Ministry officials to maintain the forest in the project area so that the developer can focus on development of the project. The expertise of forest officials at the Ministry of Forest can be used to develop forest to replace the lost forest due to project development.

What do you say about the mandatory provision for a Complementary EIA?

In some infrastructure projects it is relevant. While developing hydropower projects, the gap between project construction and the EIA can be huge. Design and generating capacity tend to change over time in hydropower projects. In this situation, an EIA has to be updated if a significant variation in forest area is identified. But, we should not make it mandatory for the developer to conduct a Complementary EIA if small changes are found since the earlier EIA. To make the process clear and simplified, we have to develop a set of guidelines to specifying when a Complementary EIA is required.

Do you see any best practices in any other country that can be replicated in Nepal for EIA/IEE purposes?

Concerned ministries can decentralise the process of approving the IEE using the network of government agencies in the districts across the country so that developers don't have to crowd in the capital. Similarly, we can hire consulting firms or experts outside the government to undertake some of the tasks being carried out by the concerned ministries and the Ministry of Science, Technology and Environment. As practised in some other countries, the outsourcing of approval of EIA to experts and consulting firms would not only reduce the cost, but also bring down the time for approval. We should continue reforming the EIA/IEE system as per the changing situation. • [Full Interview on www.ibn.gov.np](http://www.ibn.gov.np)

IBN and NASC Organize PDA Implementation Training for Local Officials



KATHMANDU: IBN and the Nepal Administrative Staff College (NASC) jointly organised a five-day training for local senior government officials on the implementation of project development agreements (PDAs).

The training, which was the first of its kind in Nepal, was designed to enhance the knowledge of local officials about different aspects of project development, identify the major bottlenecks and find solutions to any problems. The training is expected to improve the understanding of local officials of the PDA process and issues and secure greater support from them in PDA implementation. A total of 20 officials, including the chief district officers, local development officers, and heads of district forest offices, district land reform offices, district land survey offices of Upper Karnali project districts (Surkhet, Dailekh and Achham) and Arun-3 project district (Sankhuwasabha) were invited for the training, which ran from 14-18 February at NASC.

The Prime Minister and chairman of the Investment Board, KP Sharma Oli inaugurated the training on 14 February. On the occasion, Oli stressed the need for the effective communication of project benefits to local people so as to avoid disruption in project implementation due to misunderstandings about the project. Oli also stated that local government staff can play a greater role in the timely implementation of development projects. The National Planning Commission Vice-chair, Dr Yubaraj Khatiwada said that the over politicisation of development projects has hampered the implementation of infrastructure projects, slowing down the economic development of the country.

IBN CEO, Radhesh Pant said that the project, which is being implemented under a public-private partnership (PPP), should be treated as 'owned' by the local people, because private developers are partners of the government. The Chief Secretary of Nepal Government, Dr Som Lal Subedi, said that the role of lawmakers and local officials was significant in settling any local problems that emerge in the course of project implementation.

At the training, around 18 working papers were presented by IBN's experts and other external experts on various issues in project development. The training covered topics such as PPPs and project financing, the importance of private sector investment in overall development, hydro projects and the regional power market, Nepal's hydro projects and national market, environmental impact assessments (EIAs), EIAs in IBN projects and local benefits, PDAs and legal provisions, International Finance Corporation (IFC) Performance Standards and ADB Safeguards, cases in PDAs, PPPs and project financing.

The training also included interaction sessions between participants and secretaries from concerned ministries such as the Ministry of Land Reform and Management, Ministry of Forests and Soil Conservation, Ministry of Science, Technology and Environment, Ministry of Home Affairs and Ministry of Energy. The training was concluded by Radhesh Pant, CEO of IBN on 18 February. IBN organised a visit to the Kulekhani Hydropower Project in Makawanpur for participants on 19 February. •

IBN Officials Participate in Hydro Study Trip To Bhutan



KATHMANDU: A high-level delegation from Nepal involving IBN officials participated in a Hydropower Study Tour to Bhutan from 31 January to 5 February. USAID's South Asia Regional Initiative for Energy Integration, the US Energy Association, organised the six-day tour with the objective to develop a common template for technical and commercial aspects of power exchange among South Asian countries.

The delegates visited the 1200 MW Punatsangchhu-1 hydro project, participated in an Energy Conference and attended high-level meetings during the five-day tour. Delegates from Bangladesh and Pakistan also attended the programme.

The 15-member team included lawmakers Amar Bahadur Thapa, Bharat Saud and Laxmi Pokharel, IBN's CEO Radhesh Pant, Under-secretary Khagendra Rijal, section officer Rita Regmi, and consultants Sophia Tamot, Satish Joshi, Ghanashyam Ojha and Ganesh Acharya. Other delegates included Baburaj Adhikari, Bishworaj Joshi, Deepak Rauniyar, Khadga Bahadur Bisht and Om Prakash Rathi. •



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GOVERNMENT OF NEPAL
OFFICE OF THE INVESTMENT BOARD



GOVERNMENT OF NEPAL
MINISTRY OF INDUSTRY

Special Edition of Nepal Investment Guide Published

KATHMANDU: Investment Board of Nepal and Ministry of Industry jointly published a special edition of investment guide for the Prime Minister of Nepal's Visit to India (Feb 19th-24th 2016). This guide is intended to be used as a promotional material of the Government of Nepal to mobilise investment into Nepal. The document can be used by potential investors to learn about investment opportunities and processes in Nepal, as well as by government agencies and organisations working to promote investment in Nepal. The guide can be downloaded from the official website of Office of the Investment Board Nepal, www.ibn.gov.np •



IBN CEO with Liu Yunxia, Vice President of Huaxin Cement Co., Ltd, China at a meeting at IBN office.

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