

# IBN DISPATCH

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# LOCAL BENEFITS FROM ARUN-3



**KATHMANDU:** The SJVN Arun-3 Power Development Company (SAPDC) and the Investment Board Nepal (IBN) are jointly developing a Local Benefit Sharing Plan, Employment and Skill Development Plan, and Industrial Benefits Plan for project impacted people. The development of these plans is mandatory under the Project Development Agreement (PDA) signed in 2014. The developer has hired two consulting firms, which are currently collecting socioeconomic data for the three different plans in six of the affected VDCs of Sankhuwasabha (the project host district).

Under the Benefit Sharing Plan, the project affected area is entitled to get a certain portion of the royalties generated from the project; local people will receive NPR 1.6 billion worth of shares in the project, along with free electricity of up to 30 units per family each month. Similarly, the Employment and Skills Development Plan will assess the required skills and number of workers needed for the project and provide the necessary skills development training. The project will provide skills development training for those who will be absorbed by the project and those who wants to run their own enterprises. Under the Industrial Benefits Plan, the project

will provide local industries with the opportunity to supply construction materials to the project.

After the plans are submitted by the consulting firms, SAPDC and IBN will jointly finalise the draft plans. The plans will then be approved by the CEO of IBN. ♦



# NEW GUIDELINES FOR FORESTLAND USE



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**KATHMANDU:** The government has come up with forestland leasing guidelines to facilitate the smooth implementation of infrastructure projects that need to lease forestland. Under the guidelines, a project developer seeking to acquire forest land for a project will have the option to either pay for the land to be leased or buy an equivalent area of forest land in a similar geographic location, develop a forest with a similar ecosystem and hand it over to the government. The Ministry will fix the lease fees based on the different ecosystems in the forestland to be acquired.

The guidelines were formulated to overcome delays in the implementation of crucial projects (mainly the Upper Karnali and Arun-3). The Arun-3 and the Upper Karnali hydropower projects each needs 49 hectares of private land. In addition, Arun-3 needs 125 hectares and Upper Karnali needs 273 hectares of forestland for project construction work and access roads.

The developers of the Arun-3 and Upper Karnali hydropower projects have been stating that they are not in a position to fulfil the requirement in the existing forestland lease guidelines, as their primary task is to develop their projects. However, the acquisition of land is crucial for both projects to achieve financial closure by September 2017. ♦



# “IT IS THE RIGHT TIME TO INVEST IN NEPAL

**BHAWANI RANA**

President, Federation of Nepalese Chambers and Commerce and Industry (FNCCI)

*Bhawani Rana was recently elected president of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), becoming the first woman to lead Nepal's private sector. Active in the tourism sector for the past several years, Rana was also one of the four members representing the private sector to the Investment Board Nepal (IBN) last year. Rana, talked to IBN Dispatch about the opportunities and challenges for investment in Nepal, as well as the role of the private sector in promoting investment.*

## **How do you assess the investment climate in Nepal ?**

The investment climate in Nepal is gradually improving. We see hydropower, agriculture, services and many infrastructure projects opening up for investment. The ongoing legal reforms and policy initiatives, the comparatively stable political environment, and the new constitution are key factors in creating this positive investment environment. Most importantly, the end of load shedding in major industrial areas, including the capital, has boosted economic activity. It is right time to invest in Nepal.

## **What are the indicators that Nepal is on a positive economic trajectory?**

The end of load shedding in economically significant areas has had a positive impact across the country. The industrial sector has benefited the most. With the improved supply of power, industries are running

for more hours, which has enhanced production and the supply of goods to domestic and international markets. The forecast for GDP by the government and international agencies for this year is in the range of 6.5–7.5%. A favourable environment has emerged to boost the industrial sector, whose contribution has dwindled to around 6% now, from over 15% a few years back. However, it will be challenging for us to sustain the growth that we are going to achieve this year. We are still behind in terms of policy and legal reforms. We need to do more in this regard.

## **In your experience, what are the major obstacles to improving investment in Nepal?**

Although the government has taken the initiative to remove legal and policy obstacles through reform initiatives, some of the government's policies and laws are still hurdles for investors. Even some of the new policies and laws have not been implemented

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sincerely to simplify the process of doing business in Nepal. Long overdue reforms to the Labour Act and Foreign Investment and Technology Transfer Act should be made quickly. Prospective investors and multi-national companies already operating in Nepal are also asking for reforms to existing policies and laws to facilitate a hassle-free process for doing business.

### **How do you evaluate the recently held ‘Nepal Investment Summit’?**

The Summit sent a positive message to local and international investors about Nepal’s investment potential. The overwhelming response from investors at the Summit was really encouraging. They can see that now is the best time to put their money here. We, on behalf of the FNCCI, have also been urging foreign investors at different global forums to invest in Nepal, and their responses are always positive. However, Nepal still lacks the systems, policies and laws to provide a one-stop investment service. We need to make sure that investors do not have to go through cumbersome bureaucratic process to get things done.

### **What role does Nepal’s private sector play in the country’s economic prosperity?**

The FNCCI has long been lobbying for legal and policy reforms, which we believe are vital to

accelerate infrastructure and industrial development. The government should heed these policy recommendations to create a favourable climate for industrial development. It is a fact that we can’t boost exports to reduce the trade deficit without increasing production. We urge all political forces to forge a common agenda for economic prosperity, rather than merely paying lip service to it in their speeches and election manifestos.

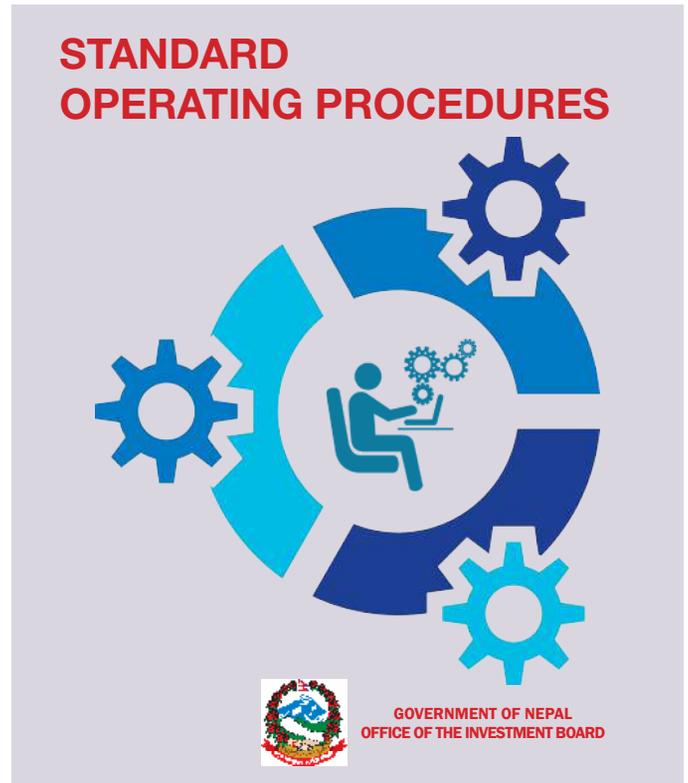
For the upcoming budget, we have suggested that the government institute scientific tax reforms in line with the proposed new federal structure. Similarly, we have been putting pressure on the government to give high priority to improving connectivity, including the development of transport infrastructure, which is crucial for industrial and tourism development. We can’t attract traders to industries in Nepal until we offer incentives in the industrial sector.

» Visit [www.ibn.gov.np](http://www.ibn.gov.np) for full interview.

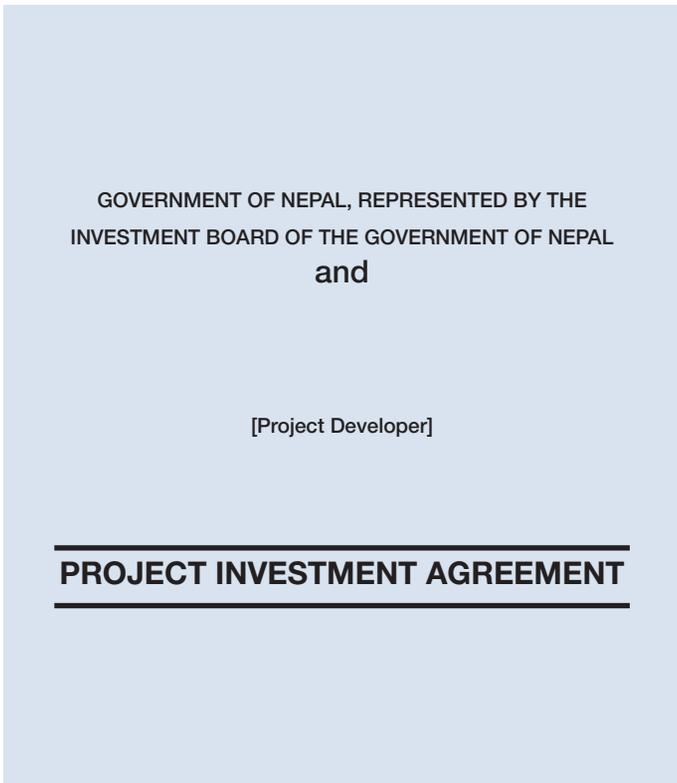
# IBN FORMULATES SOP

**KATHMANDU:** In an effort to smoothen its functioning, ensure effective service delivery and streamline its relationship with other agencies, IBN has formulated a Standard Operating Procedure (SOP). The SOP provides clear and transparent steps for investors seeking to start a new business in Nepal. It also sets out the specific roles and responsibilities of the various government agencies, including ministries, in relation to project development and implementation. The SOP stipulates that it is the responsibilities of the various divisions to provide adequate and accurate information to investors.

“We are trying to strengthen our relationship with various government agencies through the SOP”, explained IBN Chief Executive Officer (CEO), Maha Prasad Adhikari. He further stated that the SOP can be a guide for investors to start any business in Nepal: “Through the SOP we want to demonstrate that IBN is a professional, efficient and transparent government agency”. The SOP aims to serve IBN’s key objective of promoting private investment, particularly foreign direct investment, which is crucial to accelerate economic growth in Nepal. ♦



# IBN DEVELOPS PIA TEMPLATE



**KATHMANDU:** IBN has developed the final draft of a template for project investment agreements (PIAs) between the government and developers of infrastructure projects. Generally, PIAs are signed for the projects, which would not be handed over to the government by developers after certain period. The draft template has been prepared by IBN, after completing a series of consultations with developers, experts and stakeholders.

The template will be endorsed at a meeting of IBN before it comes into force. The PIA template clearly delineates the authorities as well as responsibilities of the government, and the responsibilities of the developer in relation to project implementation.

The PIA also envisages incentives on behalf of the government to project developers. The PIA will facilitate the smooth implementation of projects and boosting the confidence of foreign investors looking to invest in Nepal. ♦

## MINISTER JOSHI APPOINTED NEW VICE CHAIR OF IBN



**KATHMANDU:** On 17 May, the government appointed Minister for Industry, Nabindra Raj Joshi, as vice-chairman of the Investment Board Nepal. IBN organised a welcome programme on 18 May in Joshi's honour. Speaking on the occasion, Joshi underlined the need to establish IBN as a well-empowered government agency to attract and facilitate investment in large-scale projects. Joshi also opined that such projects would be more effectively implemented by forging close coordination with line ministries.

Speaking on the occasion, Secretary of the Ministry of Industry, Shankar Prasad Koirala said that the Ministry would continue its support for the smooth implementation of IBN-facilitated projects. Welcoming Minister Joshi to IBN, the CEO of IBN, Maha Prasad Adhikari, briefed him on the status of IBN-monitored projects. ♦



# IBN INTENSIFIES INVESTMENT FOLLOW UP



**KATHMANDU:** IBN is following up on letters of intent signed at the Nepal Investment Summit held a few months back in Kathmandu. At the two-day the Summit, 16 investors from 8 countries, as well as Nepal-based investors, signed letters worth USD 13. 52 billion relating to different sectors.

As part of the follow up process, IBN has circulated letters to interested investors through their respective embassies. In the letters, IBN has invited potential investors to submit their investment plans including timeline, sector of intended investment, and their expectations of the Government of Nepal, among other things. IBN has also requested organizations representing the Nepali private sector, such as the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and Confederation of Nepalese Industries (CNI), to facilitate the actualisation of investments by local

investors. Similarly, IBN has informed the concerned ministries of the sectors for intended investment and the necessary support to be extended to potential investors.

A 21-member High-Level Coordination Committee, led by the Minister for Industry, Nabindra Raj Joshi and comprised of different ministers and secretaries, has already been formed to help realise the investments contained in the Letters of Intent and to assist prospective investors. In addition, various sub-committees have been formed including: a Sub-Committee on Foreign Investment Policy (coordinated by the member looking after industry at the National Planning Commission), a Sub-Committee on Foreign Investment Promotion (coordinated by the Secretary of the Ministry of Industry) and a Sub-Committee on Foreign Investment Projects (coordinated by the CEO of IBN). ♦

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