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TRAINING FOR LOCAL JOURNALISTS, POLITICAL ROUND-UP IN DAILEKH



Dailekh: Office of the Investment Board Nepal (OIBN), with the support of USAID's Nepal Hydropower Development Project (NHDP), organised a training on 'Hydropower Development Issues' for local journalists in Dailekh from 18–19 January. The training is the latest in a series of trainings planned for the first phase of training, which targets local media people in the districts impacted by the Arun-3 and Upper Karnali hydropower projects. OIBN has already conducted similar trainings in two affect districts in the Upper Karnali (Surkhet and Achham) and one Arun-3 affected district (Sankhuwasabha) over the last couple of years.

The two-day training, which was conducted in Dailekh Bazaar, the district headquarters of Dailekh, was aimed at enhancing the level of understanding among local journalists about different aspects of hydropower development, in general, and the Upper Karnali Project, in particular. Around 30 journalists representing various print, radio, TV and online media took part in the training. OIBN senior officials and external experts made presentations on various aspects of project implementation, such as the environment, stakeholder engagement, local benefits and land acquisition. The

training also covered OIBN's functions, the laws governing hydropower projects and the use of social media in news reporting.

Speaking as the chief guest at the inaugural function, OIBN's CEO, Maha Prasad Adhikari, highlighted the importance of hydropower development in the country. Mr Adhikari also gave updates on the implementation of IBN-facilitated projects and urged the journalists to report any issues regarding development projects. Mr Bisworaj Neupane, Chief District Officer of Dailekh, who was special guest at the programme, expressed his commitment to extend any form of support to ensure the seamless implementation of development projects, including the Upper Karnali project. Charka KC, President of the Federation of Nepalese Journalists (FNJ), Dailekh Chapter, extended his thanks to OIBN for organising the training. CEO Adhikari, OIBN Joint Secretary Madhu Prasad Bhetuwal, environment expert Suryaman Shakya, OIBN consultants Ghanashyam Ojha, Ramkrishna Khatiwada, and Ganesh Acharya, and NHDP Consultant Tilak Acharya were instructors at the training.

POLITICAL ROUND-UP



Dailekh: OIBN organised a political round-up meeting with newly-elected members of the Parliament, Provincial Assembly members, office bearers of local and rural municipalities, and political leaders in Dailekh district on 18 January. At the meeting, which was held at the District Administration Office in Dailekh, most of the participants underlined the need to expediting the process of implementing large-scale projects in line with the national agenda of achieving economic prosperity. They also expressed their commitment to supporting the government in the timely completion of the projects. Before the discussion, the CEO of OIBN updated participants on the implementation of OIBN-facilitated projects. ♦

GON APPROVES EIA FOR ACCESS ROAD TO HONGSHI-SHIVAM CEMENT



KATHMANDU: On 31 January, the Government of Nepal approved the Environmental Impact Assessment (EIA) report for the 40-km access road to the Hongshi-Shivam Cement project. Although the developer has been upgrading access roads on its own initiative, the government is responsible for constructing this particular access road, which will run from Dumkibas in Nawalparasi district to Jyamire in Palpa district. On 3 September 2017, OIBN and the developer signed a

Project Investment Agreement to implement the largest cement production project in Nepal. On 28 July 2015, OIBN approved foreign direct investment (FDI) worth NPR 36 billion for the project. The company, which is located in Sardi, Nawalparasi, is planning to commence production from early 2018 and is expected to produce 6,000 tonnes of cement per day in the first phase. The company provides employment to around 1,100 Nepalis, mostly local people, and around 500 Chinese workers. ♦



“**FEDERALISM IS AN OPPORTUNITY TO MOBILISE RESOURCES**”

Rameshwore Khanal
Former Finance Secretary

Mr. Rameshwore Khanal is a former Finance Secretary. Mr. Khanal has been closely observing Nepal’s macro-economic situation and was involved in the process of formulating crucial economic policies. OIBN Dispatch caught up with Mr Khanal at a time when Nepal is implementing a full-fledged federal structure after elections at the federal, provincial and local levels. While some are challenging the sustainability of federalism in Nepal, Mr Khanal strongly believes that federalism is an opportunity to accelerate economic development through mobilization of resources.

Implementation of federalism has already started in Nepal. How do you see the financial viability of federalism?

We got federalism after a long struggle. Any system per se is not right or wrong. A country as diverse as ours in terms of geography, population, culture and religion needs to ensure an equal playing field for all, as well as respect and recognition of identity. Even the demerits of federalism can be dealt through dialogue.

In relation to the financial aspects of federalism, I do not see any logic behind the claim that federalism will increase the financial burden on the nation. Under the federal set up, the number of local administrative units has gone down, not up (from over 3,900 units to 753 units). Therefore, the argument that federalism is going to be costly does not hold water. Instead, the provincial and local levels can now explore new avenues for mobilising revenue and resources for development. Local and provincial governments can increase their revenue-base and become financially stronger by fixing revenue leakages and expanding the tax net. Moreover, expenses in education and health sectors were already set

to increase in line with the plan to increase the number of health centres, schools, and universities, even if we did not have federalism.

But, increasing revenue is not an easy task, as elected representatives always refrain from expanding the tax net or raising tax rate. What is your take on it?

Those who are making such arguments do not seem to be aware of the ground reality in places beyond the capital. I have just participated in a programme organised by a municipality in the Terai. I found local people’s representatives keen to accelerate development activities. People are also hungry for development, which has been elusive for the past decade and a half. Federalism is an opportunity to mobilise financial, human and natural resources. People are fine with paying more tax if the government ensures better roads, sewage, drinking water, schools, health institutions and social security. Some municipalities have increased land tax by up to ten times and people are not protesting. However, they may vent their anger if development is not delivered in line with the objectives of the tax hike. Incidents of ill-practices and misappropriation of funds have been

reported in some municipalities, while others are doing an exemplary job. If we use our resources properly, we can achieve the desired development without raising the tax rate or expanding the tax net. Municipalities' and rural municipalities have reserve authority over their natural resources, along with the right to raise royalties to shore up their income sources.

So, how can we expect the existing bureaucracy to deliver the desired development under the federal set up with the capacity that they have?

Under the unitary system, taxpayers, revenue officials and implementing authority were distant from each other. Most of the political leaders were based in the capital, while revenue officials and those responsible for the execution of programmes were at the local level. Now, under the federal system, the people's representatives, tax officials and taxpayers are together. Tax paying citizen can easily access their people's representatives at the local and provincial level and raise their concerns with them. Therefore, government officials cannot commit irregularities easily due to the close scrutiny of the people's representatives and the public. In the absence of locally-elected people's representatives our development was stalled. The newly-elected people's representatives will be able to focus on rapidly executing development programmes, which have been overdue for the past decade and a half. People are in a position to register their complaints at the local level, unlike in the past when people had to travel all the way to Singh Durbar to put forward their concerns. Therefore, there is room to be optimistic about the timely delivery of development. However, sporadic incidents of corruption and irregularities in this process cannot be ruled out. In democracy, those who are responsible for wrongdoing are punished through periodic elections.

What will be the role of OIBN in the provincial and local governments in relation to the execution of big infrastructure projects under the new federal set up?

First, we need to create an investment friendly environment in the country. Luckily, over the last year, the investment climate has gradually become more favourable. Business people are also upbeat about the business climate. However, we still have some problems. No country in the world is without problems. Our business people seem to be ready to invest, undeterred by these problems. Not only at the federal level, the people's representatives at the provincial and local units are restless to welcome investment and they seemed to be committed to extending any kind of support to promote investment. Local and rural municipalities can attract domestic investment by organising investment roadshows, investor conferences and other promotional activities. For foreign direct investment, provincial and local governments may not have international linkages



with investors. OIBN should approach the provincial and local governments to offer support in arranging FDI in the sectors identified by them. If possible, OIBN should reach out to all 753 local units of all provinces and interact with governments to explore the investment potential there. OIBN should organise promotional events at home and abroad after properly identifying the potential projects that need FDI. Such engagement with provincial and local governments would not only establish their working relation with OIBN, but also minimise the trend of non-cooperation with OIBN by different government agencies. Frequent interactions at the provincial and local levels would also support the execution of projects being facilitated by OIBN.

Some government agencies are not cooperating with OIBN in the execution of even nationally-significant projects. What is your take on this?

I would suggest that OIBN use its authority as an institution chaired by the Right Honorable Prime Minister. If there is any problem in coordination or deliberate disobedience by some government agencies, OIBN should take the initiative to settle the problem through dialogue. With such engagement, problems that come to the fore can be discussed. OIBN should be proactive in settling misunderstandings with line agencies. It is time for OIBN to prove its value as a key agency of the government for attracting FDI and for the delivery of large-scale infrastructure projects.

Economic prosperity is central in the election manifestos at all levels of government and features prominently in the public speeches of political leaders. The newly-elected Prime Minister has also stressed the need for economic prosperity. OIBN should take the lead in formulating programmes and executing projects that are instrumental in achieving economic prosperity. If OIBN really faces any problems in the process of facilitating the execution of projects, it should bring them to the notice

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of the Prime Minister. If OIBN convinces the Prime Minister properly about the problems, they can be easily resolved.

But, some say that our bureaucracy is not fully capable of boosting capital spending for accelerating development activities. Is this true?

We have been witnessing the deep influence of politics within the bureaucracy. Government employees have used their political clout to secure lucrative positions. And there is no incentive for them to perform well in such posts due to political protection. The role of the bureaucracy is very important in driving capital expenditure. Politicisation of the bureaucracy has weakened the performance of government institutions, in term of capital expenditure. Even recurrent expenditure has not reached the desired level in some sectors such as health and education. Hence, the main cause of miserable performance in the spending of the government budget is the placement of weak performers in key positions. However, we do have some examples where merit-based appointments to key government position have produced good results. We must appoint capable persons in leadership positions of government agencies and public enterprises to boost our capacity to ensure the prompt delivery of development activities.

Even the private sector of Nepal is weak in service delivery. What do you say about this?

Of course, the private sector is not strong in our country. The real growth of the private sector in Nepal

started only in the early 1990s, breaking the tradition of only influential people getting business licences. By nature also, the private sector is less dominant than the government. The government should play a supportive role in creating a conducive business environment by putting in place favourable policies and laws. The government should take the lead in investment to create confidence in the private sector to invest. We should use the expertise of the private sector in certain sectors. Government regulatory mechanisms should be in place to check ill-practices, such as cartels and syndicates. However, we must appreciate the contribution of the private sector to the development of tourism infrastructure and cement industries, without significant support from the government.

How are you assessing the challenges and opportunities in federal system?

Under the new federal system, provincial and local governments have the opportunity to use local resources such as mines, forests and water. Those governments can also use expertise and remittances from Nepali human resources and migrant workers abroad. We have seen tremendous opportunities for investment in agriculture, tourism, hydropower, and infrastructure development in Nepal, which is also aspiring to become a transit point between India and China. I cannot see any problems in achieving prosperity if we resolve the internal political conflicts. We should not repeat the mistake made in the past, when we appointed the wrong people in crucial positions. If we resolve these key challenges, other challenges are minor. ♦

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FAR WESTERN PEOPLE EXPRESS CONCERNED OVER DELAY IN WEST SETI PROJECT

KATHMANDU: The people of Province 7 in the Far West of Nepal have demanded that the 750 MW West Seti Hydropower Project be moved ahead at the earliest, stating that the delay in project implementation has hampered the economic prosperity of the Province. At an interaction with senior officials of OIBN on 4 February, office bearers of the Far-West Concern Forum – a loose organisation of people from Province 7 – expressed concern over the uncertainty about the project's future.

Handing over a memorandum to OIBN's CEO, Maha Prasad Adhikari, Vice-chairman of the Forum, Bahadur Singh Bista, floated two options to materialise the project. Firstly, OIBN should endeavour to convince the China Three Gorges International Corporation (the project developer) to expedite the project without further delay and, secondly, the project should be implemented by the government with its own resources, allocating a certain

percentage of the shares to project affected people. Bista also informed the meeting that the Provincial Assembly of Province 7 has made the project a top priority and will create an environment conducive to its implementation.

At the interaction, Mr Adhikari expressed OIBN's commitment to leaving no stone unturned to push the project forward. Mr Adhikari also appraised the Province 7 delegation of the efforts made by OIBN in the run up to the signing of the Joint Venture Agreement on 16 November 2017, as well as the work done by the Nepal Electricity Authority for the project. The joint secretaries of OIBN, Uttam Bhakta Wagle and Madhu Prasad Bhetuwal, as well as other senior officials were present at the interaction. On the occasion, Mr Bibhu Bikram Shah, OIBN's consultant overseeing the West Seti project, briefed the delegates about project updates and challenges, as well as way forward. ♦

INTERACTION ON FEDERALISM



KATHMANDU: On 20 February, OIBN organised an interaction with legal experts on ‘Legal Issues Under Federal Structure’. Prominent constitutional lawyer, Dr Bipin Adhikari, and former lawmaker, Mr. Rebati Raman Bhandari (who was a member of the constitution drafting committee) spoke at the half-day interaction.

The programme was organised to address confusion over the authority of the federal, provincial and local government units under the new federal structure. On the occasion, guest speakers suggested that the OIBN Act

be expanded and OIBN’s role made clearer regarding investment promotion and facilitation at the federal, provincial and local levels. Mr Adhikari, CEO of OIBN, shared OIBN’s upcoming plans to reach out to the provincial and local level governments. Mr Adhikari also stated that OIBN was ready to collaborate with provincial and local level governments to arrange FDI. ♦

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SAPDC PRESENTS DRAFTS OF FOUR PLANS TO OIBN



KATHMANDU: In line with the Project Development Agreement (PDA), SJVN Arun-3 Power Development Company (SAPDC), the developer of the Arun-3 Hydropower Project, presented three draft plans on the benefits to project affected people. The developer unveiled the drafts of the Local Benefit Sharing Plan, Nepal Employment and Skills Training Plan, and Nepal Industrial Benefits Plan to officials from OIBN, on 14 February. OIBN will review and approve the plans prior to their implementation by the developer.

The Local Benefit Sharing Plan includes enhancing access to roads, foot trails, and water supply; upgrading infrastructure and the facilities of education institutions; supporting community activities and community infrastructure such as community centres; and enhancing livelihoods by promoting agriculture, tourism, and cottage industries. The developer is planning to spend NPR 250 million on implementing the plan. The Nepal Employment and Skills Training Plan comprises training and capacity enhancement programmes for local project affected people and was drafted after assessing the

demands and requirements for such training at the local level. The Nepal Industrial Benefits Plan is aimed at providing full and fair opportunities to Nepali industries and suppliers, improving the supply of goods and services, and maximising the benefits of the project to Nepal's industrial sector. In a bid to assess the capacity of Nepal's industrial sector to supply quality goods and services to the project, the developer plans to organise workshops for local industries and suppliers in Biratnagar and Kathmandu in June and December, respectively. ♦