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FOUNDATION STONE LAID FOR ARUN-3 PROJECT



KATHMANDU: Right Honorable Prime Minister Mr. K. P. Sharma Oli and His Excellency Indian Prime Minister Mr. Narendra Modi jointly laid the foundation stone for the Arun III Hydropower on May 11. The program was telecast live simultaneously from Kathmandu and Faksinda Dovan, the dam site of the project in Makalu Rural Municipality, Sankhuwasabha.

The launch of the construction of the project was cheered by locals who have been waiting for the implementation of the project for several decades. More than five hundred locals including members of the federal and provincial parliaments, local representatives, media and government officials had gathered at the dam site braving adverse weather conditions to celebrate the event.

Both the Prime Ministers in Kathmandu pressed the button together and unveiled the plaque designed for the purpose of laying the foundation stone. The event was greeted with a standing ovation, applause and

cheers from a huge audiences.

Speaking as the Chief Guest at the dam site's function, Honorable Member of the Legislature Parliament Mr. Rajendra Gautam congratulated the Office of Investment Board Nepal (OIBN) and project developer SJVN Arun-3 Project Development Company (SAPDC) for bringing the project to this stage. Stating that the Project Development Agreement (PDA) envisions social, economic and other benefits to both the nation and its people, Mr Gautam hoped to see the timely completion of the project.

Honorable Provincial Assembly Members Mr. Purna Kumar Rai, Ms. Sarita Khadka, Mr. Tulsi Neupane, Ms. Padam Kumari Gurung, Former State Minister Mr. Taraman Gurung and former parliamentarian Mr. Deepak Khadka also wished for the successful implementation of the project. The event was chaired by the Chairman of the District Coordination Committee Mr. Suman Shakya.

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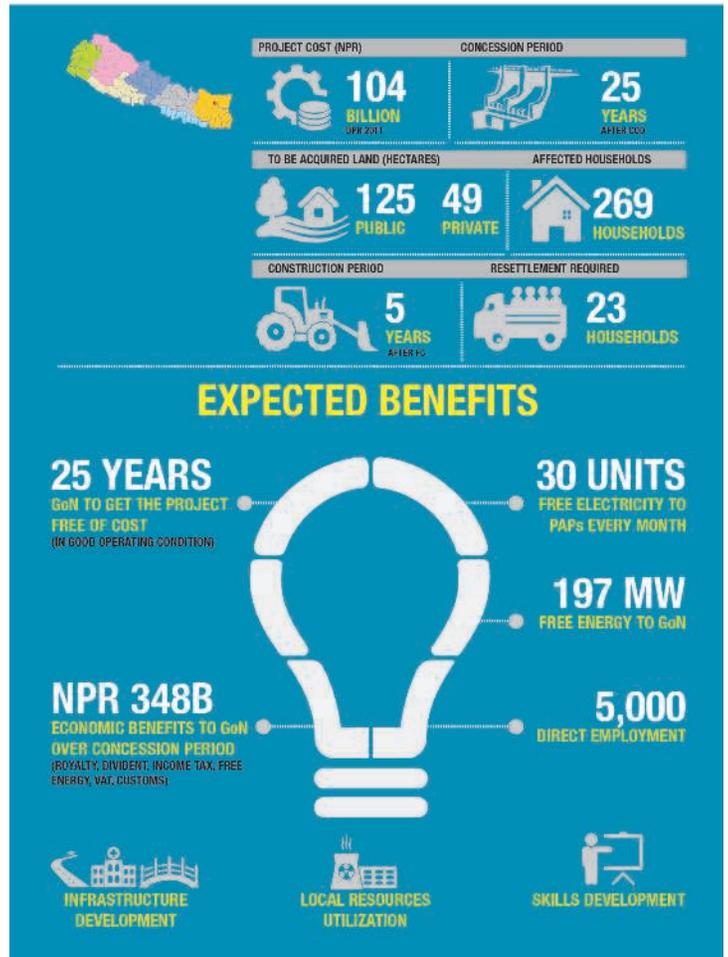
Presenting the project status at the function, the CEO of SJVN Arun-3 Power Development Company (SAPDC), Mr. Satish Kumar Sharma, requested concerned officials to upgrade communication services and access road to the dam site on time. Principal Secretary of Province 1, Mr. Suresh Pradhan assured unfettered support from the provincial government for the smooth implementation of the project, which is the biggest being implemented under the Build Own Operate and Transfer (BOOT) model. The Joint Secretary of the OIBN Mr. Uttam Bhakta Wagle, expressed his organization’s commitment for continuing its role as the facilitating agency for unhindered project implementation.

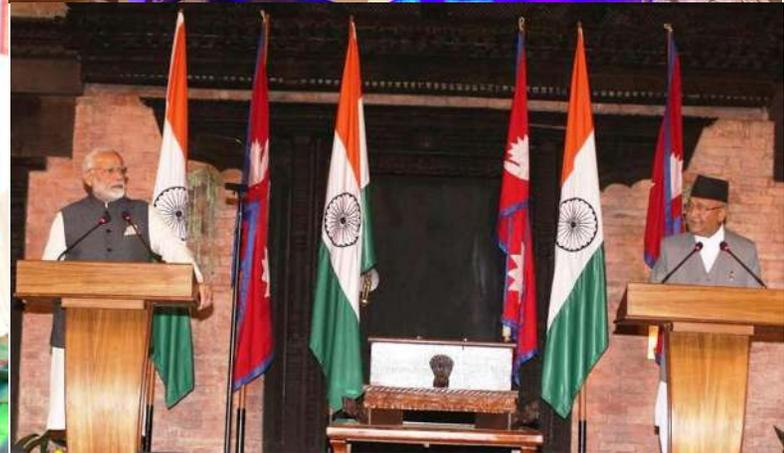
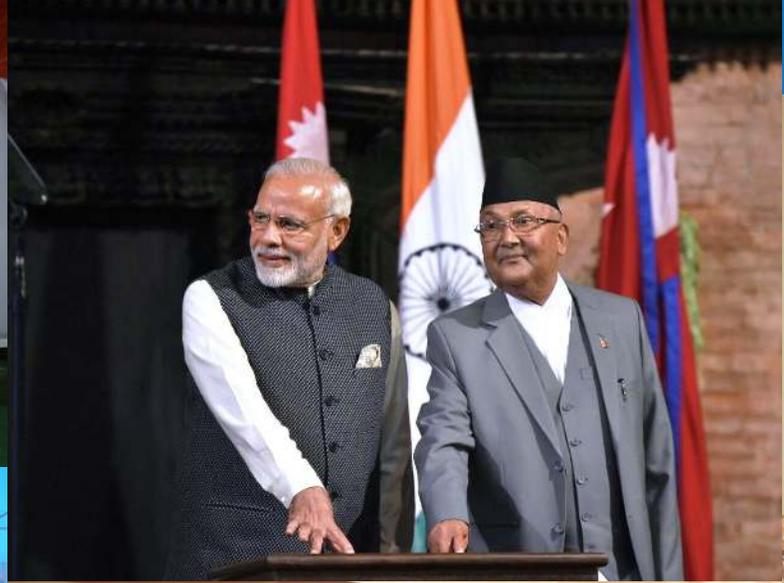
With the implementation of the 900-MW project, Nepal will get an estimated Rs. 348 billion in revenues and 21.9 percent of free energy in addition to generating employment opportunities and supporting local development. ♦

SALIENT FEATURES

Design Energy /Year	3,685 Ghw
Gross Head	287 meters
Reservoir (Gross Storage)	13.94 MCM
Dam Height	68 meters
Dam Type	Concrete Gravity Dam
Turbine	4x225 MW
Design Discharge	343.42 Cumec
Head Race Tunnel	9.5 meters diameter, 11.74km length

PROJECT INFOGRAPH







IBN TAKES CRUCIAL DECISIONS

KATHMANDU: The 30th meeting of the Investment Board Nepal (IBN) was held on April 28 under the chairmanship of the Right Honorable Prime Minister and Board Chairman Mr. K. P. Sharma Oli.

The meeting approved the Expression of Interest (EOI) for conducting a Detailed Feasibility Study (DFS) for Route 2 (Nagdhunga-Kalanki-Koteshwore-Dhulikhel) of a proposed metro-rail and mandated the Office of the Investment Board Nepal (OIBN) to move ahead with necessary procedures.

The meeting also approved the annual budget of the OIBN for the upcoming fiscal year 2018/19 (2075/76 BS). Similarly, the EoIs for conducting feasibility studies for five projects – Glass Manufacturing Industry, Shey-Phoksundo Luxury Resort, Integrated Agriculture Project, Ski Resort, and Heath, Education and Sports Cities in the country – were passed. It extended the financial closure timeline for the 900 MW Arun-3 Hydropower Project by six months up to September 28, 2018. It also allowed Muktinath

Darshan Pvt. Ltd. to conduct a feasibility study for the construction of a cable car from Birethanti to Muktinath of Mustang district without incurring any financial liability to the government.

Speaking at the meeting, Prime Minister Oli stressed the need for expediting the process of development for a vibrant and dynamic economy and urged everyone to unite for nation building. PM Oli also asked the OIBN to bring proposals for eliminating obstacles in the development process.

Other dignitaries present at the meeting included Board Members, Honorable ministers, the vice-chair of the National Planning Commission, the governor of Nepal Rastra Bank, secretaries from Nepal government, and board members representing the private sector. Mr. Maha Prasad Adhikari, the CEO of OIBN, gave a presentation on IBN projects and agenda for the meeting. ♦

IBN 30th Meeting



Honorable Bjiay Kumar Yadav
Minister for Finance and Planning, Province 2

“ AGRICULTURE IS THE KEY DRIVER OF PROVINCE 2 ECONOMY

Honorable Bjiay Kumar Yadav is the Minister for Finance and Planning in Province 2. Minister Yadav has been closely watching potential development prospects in his province for the last several years. Minister Yadav holds a strong conviction that agriculture can play a significant role in lifting the economic condition of this province, where an overwhelming majority of the population is engaged in agricultural activities.

How do you assess economic strength of Province 2?

I have found the economic health of Province 2 quite satisfactory. The province has been projected in the media and different forums as economically poor and weak in maintaining law and order. It is not so in reality. That judgment is made without analyzing and assessing the economic strength and development prospects of this province. This province is comparatively better off in terms of transportation infrastructure and industrialization. It boasts the country's largest industrial estate and largest customs point, Birgunj, that generates the highest customs revenue and a significant volume of other revenues. Our province is a leading producer of agro-products and a key source for food commodities. We are

committed to expediting development activities to achieve economic prosperity in our province because the long-drawn political transition has now ended.

Then, what are the potentials in the Province 2 ?

We all know the international airport in Kathmandu is too congested and too difficult for landing and take-off. Our province can offer an ideal geographical location for the next international airport. The planned Second International Airport (SIA) in Nijgadh, Bara in this province is an appropriate location for operating international flights. Besides this, our province is the best place for vegetables, fruits, meat production and other commercial farming. This province is very agro-based, almost all our people are engaged in some form of farming. We can also

utilize the vast forest products we have in a regulated way for economic benefits and enhance our revenue sources. The huge volume of river products that are deposited along different rivers in our province can also be used for commercial purposes. Keeping in view the growing market for river products in our neighboring Indian states, we can extract and export these products in a regulated manner. The sustainable utilization of river products will not only broaden our revenue base but also minimize the risk of floods.

How is the competition of Province 2 with other provinces?

We all know, we have potentials of hydropower in our country – as much as 83,000 MW. But, so far, this huge potential has been limited to slogans and speeches. Though, other provinces are rich in water resources, the harnessed amount is very limited. I recently read in a newspaper that we would have been able to create employment for all Nepali overseas job-seekers, if we had generated around 25,000 MW of electricity in our country. But, we have generated a negligible amount of electricity over the last seven decades. Since Province 2 is weak in hydropower potential compared to other provinces, we are focusing our plan on developing alternative energy sources such as solar power. As done by India in different states, we can develop solar energy as the main source of power in our province.

What are the sources of funding to implement the various development plans drawn up by the Province 2 Government?

Our country is coming out of a long political transition and is ushering in peace and stability. Given limited financial and human resources as well as technology, we need Foreign Direct Investment (FDI) to materialize our development dream. Peace and order are vital to create an investment friendly environment. Our province is not weak in peace and order as it has been projected by others. We are committed to providing any form of security to investors to run business in our province. We have no doubt that a huge investment is necessary to advance economic



development. Any investor who comes to Province 2 will command great respect. We are formulating new laws that will be favorable for foreign investors to operate business and secure returns on their investment.

What is your plan to increase your revenue base?

We are exploring new sources of revenue generation. Our top priority will be on checking tax evasion. We will put into place a dynamic revenue mobilization system by strongly enforcing taxes and giving no space for any form of leakage. We are formulating laws that will be instrumental to enhancing revenue for our province. We will need to transform our traditional revenue mobilization system and age-old laws that are not compatible with the changing business climate.

What are the sectors identified by Province 2 as having potential for investment?

The sectors we have identified as having potential in our province are education, tourism, construction and the upgrading of airports, petroleum refineries, industrial estates, glass production, solar power generation, and agriculture. We are ready to offer any kind of support to investors to attract investment into these crucial sectors. Basically, we have put a high priority in promoting commercialization in the agricultural sector, which is a key driving force in our province. We can also use the riverbeds of major rivers such as Koshi and Kamala, for growing water melons and peanuts. River sands, which are going wasted, can be used as a raw material for producing glasses. So, our prosperity largely depends on how we utilize our land and other natural resources.

Since Province 2 is weak in hydropower potential compared to other provinces, we are focusing our plan on developing alternative energy sources such as solar power



Interaction at Province 2

IBN INTERACTS WITH PROVINCE 2 AND PROVINCE 3

KATHMANDU: In an attempt to explore areas for collaboration in relation to foreign direct investments in Province 3, OIBN organized an interaction with the provincial government on 16th April. This half-day event was the second in a planned series of interactions to sensitize all provincial governments on the significance of investments and infrastructure development for economic prosperity. Such interactions are crucial in attracting FDI at a time when provinces are facing deficit in financial resources, technologies and human resources to implement development projects.

Speaking as the special guest the Honorable Minister for Finance and Planning of Province 2, Bijay Kumar Yadav highlighted lucrative sectors for investment in the province. Minister Yadav said, “The level of poverty and infrastructure deficit have been blown out of proportion. We have many potential sectors that can lift the economic standard of Province 2 and also contribute to the national economy.” Minister Yadav expressed a willingness to collaborate with OIBN for identifying and developing various projects in the

province.

The Honorable Minister for Internal Affairs and Law of Province 2 Gyanendra Kumar Yadav said that the provincial government has expedited the process of drafting policies and laws that will act as a catalyst to attracting and facilitating investment. “We have been drafting laws keeping investors at the center. Investor confidence will be boosted once these laws are enforced,” said Yadav. Similarly, Honorable Minister for Land Management, Agriculture and Cooperatives Shailendra Shah expressed his commitment to work with OIBN for the economic prosperity of Province 2. Minister Shah also stated that agriculture can be a key driver for the Province 2 economy if farming is commercialized and applied at a mass scale. The Principal Secretary of Province-2 Mr. Rajeshwor Man Singh, underlined the need to apply new technologies to accelerate infrastructure delivery. “Development can be achieved only with the application of new age technology,” said Singh. Chief Attorney of Province 2 Mr. Dipendra Jha said

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Interaction at Province 3

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Province 2 will become the most appealing investment destination with the formulation of investment friendly policies and laws.

Giving a presentation on potential projects in Province 2, OIBN's CEO Mr. Maha Prasad Adhikari underscored the need for collaboration between the province and OIBN and stated, "We should act together for project identification and implementation. OIBN is ready to extend any possible support for attracting and facilitating more investment into Province 2." Mr. Adhikari also highlighted the significance of FDI to achieve economic growth while the Joint Secretary of OIBN, Mr. Uttam Bhakta Wagle shed light on objectives of the event. Mr. Wagle said, "The discussion on the implementation of development projects and investments should not be always be limited to the center only. We should take the provinces on board in the development process." Provincial parliamentarians, senior officials, OIBN senior officials, private sector representatives, and journalists were also present on the occasion. OIBN had organized a similar interaction in March in Biratnagar for Province 1.

OIBN also organized a similar interaction in Province 3 in the provincial capital Hetauda on 22nd April. Speaking as a special guest of the program

Honorable Chief Minister of Province 3 Mr. Dorman Paudel emphasized the significance of foreign investment to attain the targeted economic growth rate. "Transport infrastructure is vital for the development of Province 3 and the nation as a whole. We are giving top priority to infrastructure development. We want to collaborate with IBN to expedite implementation," said Chief Minister Paudel.

Mr. Dinesh Shrestha, President of Federation of Nepalese Chambers of Commerce and Industry (FNCCI) of Province 3 expressed his commitment for supporting the government's development initiatives. OIBN CEO Mr. Adhikari gave a presentation on opportunities for investment in Province 3, where the federal capital is also temporarily located. Mr. Adhikari said, "Being the province which also houses the federal capital, Province 3 needs to perform differently in term of infrastructure development." Mr. Adhikari showcased about 2 dozens of potential projects of strategic importance. The Joint Secretary of OIBN Mr. Wagle highlighted the challenges and opportunities for project development in Province 3. Federal and provincial parliamentarians, senior government officials, OIBN senior officials, private sector representatives, and journalists participated in the event. ♦



BLENDED FINANCE CONFERENCE CONCLUDES WITH CRUCIAL DECLARATIONS

KATHMANDU: The OIBN in association with Standard Chartered Bank and Confederation of Nepalese Industries (CNI) organized ‘Blended Finance Conference 2018’ on April 20 in Kathmandu. The key objective of the one-day event was to sensitize potential investors and lending agencies about project to be developed under the Blended Finance approach, which seeks to mix investment from the government and private sector to deliver large-scale projects. The conference also aimed at establishing collaboration between the private and public sectors for enhancing investments in Nepal.

Speaking as the chief guest of the conference Honorable Minister for Finance Dr Yubaraj Khatiwada underlined the significance of the Blended Finance approach as a source for financing in Nepal to achieve its Sustainable Development Goals (SDGs) and to graduate to the status of a middle-income country by 2022.

“We want to attain development targets and overall

economic growth of the country by channeling private investment into crucial projects by applying the Blended Finance approach,” said Minister Khatiwada. Minister Khatiwada also shed light on initiatives taken by the government to create a conducive environment for foreign direct investment (FDI) in the country. “We have initiated the process of amending laws to facilitate the inflow of FDI,” he said.

He also said the government is committed to exploring new financial vehicles like Blended Finance to accelerate investments in infrastructures in Nepal. Stating that there is serious deficit in financial resources to meet SDG targets among developing countries, he stressed on a robust and concerted effort to bring the private and public sectors together for this purpose.

IBN Chief Executive Officer (CEO) Mr Maha Prasad Adhikari shed light on the objectives and expected outcomes of the conference. He further added that innovative strategies like Blended Finance can create

an enabling environment for the private sector to develop projects.

CNI President Mr. Hari Bhakta Sharma expressed commitment from the private sector to contribute for the overall development of Nepal. A total of six separate sessions were conducted at the event to facilitate in-depth discussions on Blended Finance. These sessions were on Strategic Projects & Sustainable Development Goals: Can Blended Finance Approach Work?; Practical Structures: Program versus Individual Project based Approach; Policy Guidelines Required for Blended Finance Structures in Nepal; Managing Currency Risk through Blended Finance; Sovereign Rating: A key determinant for Reviving Capital Flows; and Best Practices of Blended Finance Approaches.



Other dignitaries present on the occasion were Nepal Rastra Bank (NRB) Governor Dr. Chiranjibi Nepal, British Ambassador to Nepal Mr Richard Morris, UNDP Country Director Mr. Renaud Meyer, Standard Charter Bank's Global Head of Financial Market Sales Mr. Kevin Burke, Former Vice Chair of the National Planning Commission Dr. Shankar Sharma, Dr. Swarnim Wagle, Dr. Min Bahadur Shrestha and senior officials of the government. Similarly, Mr. Nirukt Sapru, CEO of Vietnam and South Asia Cluster Markets, CEO of Standard Chartered Bank Mr. Joseph Silvanus, Nepal Country Director of Asian Development Bank Mr. Muktor Khamudkhanov, senior representatives of IFC (International Finance Corporation), CDC Group, GuarantoCo, Frontclear, Sovereign Rating Asia Pacific - Fitch, International Monetary Fund, Allianz Investment Management SE, and Dolma Fund Management had also attended the event. The conference concluded issuing a declaration.

The conference decided to prepare a list of bankable projects and outline plans to bridge the gap in approvals, development and commercialization of project. The conference also took decision to develop sustainable initiatives and policies to ensure that the impact of grants, equity, debt and other interventions

are amplified while associated risks and transaction costs are reduced. Similarly, the declaration has also pledged to create an eco-system conducive for financial intermediation for first loss equity, hedging, credit and country risk mitigation and other interventions that will encourage a suitable policy for Blended Finance. The conference also decided to review, amend or enact technology transfer, private equity, Forex risks and other related legislations, demonstrate "fair risk- reward" for pioneering investment projects in sectors of strategic interest for Nepal, initiate the process of sovereign rating and promote local currency bond through multilateral, bilateral and local agencies. ♦

SAPDC PROPOSES DRAFT OF DISASTER MANAGEMENT PLAN



KATHMANDU: The SJVN Arun-3 Power Development Company (SAPDC), developer of the 900-MW Arun-3 Hydropower Project, presented a draft of their Disaster Management Plan (DMP) to OIBN on April 12. The plan was aimed at mitigating and managing various forms of disasters, which may

occur during the project construction. The plan was formulated in line with the requirements provisioned in the PDA signed between the project developer and OIBN in 2014. The plan has covered a host of measures for mitigating disasters, enhancing disaster resilience of communities, and timely recovery after the disaster. The plan prepares for various kinds of disasters including earthquakes, land erosion, landslides, floods, cloud bursts, and inundation. The plan also incorporates the provision of redressing grievances and trainings for local communities to enable them to cope with disaster-induced problems. The project has proposed to spend Rs. 224 million over this period. ♦

OIBN PARTICIPATES AT INVESTMENT PROMOTION EVENT

NEW DELHI: A team from OIBN participated in a capacity-enhancement program in New Delhi held on April 24-26. The three-day training was designed for imparting knowledge on various techniques to promote investment. Invest India, the investment promotion agency of India, had organized the event to enhance the skills of OIBN officials to identify and facilitate foreign investors, apply digital tools for investment promotion, and operationalize a one-stop service mechanism to facilitate investors, among others. Those participating at the event were OIBN consultants Mr. Ramkrishna Khatiwada, Mr. Ashish Gajurel, and Mr. Ganesh Acharya, and its section officer Mr. Ratnesh Shashi.

Speaking on the occasion Mr. Deepak Bagla, MD and CEO of Invest India, expressed his commitment for extending any necessary support to OIBN to



promote FDI in Nepal. The team also met with Mr. Mangu Singh, Managing Director of the Delhi Metro Railway Corporation and acquired knowledge about the various aspects of developing and operating a railway system. ♦



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