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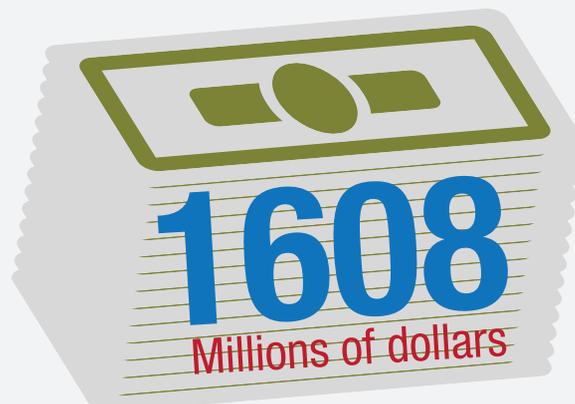
FDI INFLOWS IN NEPAL

2012-2017 (Millions of dollars)

DATA SOURCE: WORLD INVESTMENT REPORT 2018



FDI STOCK
IN NEPAL
2017



IBN TAKES IMPORTANT DECISIONS



KATHMANDU: The 31st meeting of the Investment Board Nepal (IBN) concluded on July 17 and took various decisions.

The meeting, held under the chairmanship of the Right Honorable Prime Minister and Chairman of IBN Mr. KP Sharma Oli, approved the Project Development Agreement (PDA) to implement Package-I of the Integrated Solid Waste Management Project in Kathmandu Valley. The PDA was finalized after holding a series of negotiations with the project developer, NepWaste Company Pvt. Ltd. Package-I covers Kathmandu Metropolitan City and nine municipalities - Dakhsinkali, Chandragiri, Nagarjun, Tarakeshwar, Tokha, Budhanilakantha, Gokarneshwor, Kageshwori-Manahara and Shankharapura in Kathmandu district.

The meeting also directed the Office of the Investment Board Nepal (OIBN) to coordinate with the Ministry of Finance and Ministry of Energy, Water Resources and Irrigation to make a final decision regarding the West Seti Hydropower Project within two months by holding discussions with the project developer – China Three Gorges International Cor-

poration (CTGI) to expedite the implementation of the project.

The meeting also endorsed the Project Investment Agreement (PIA) signed between OIBN and Huaxin Cement Narayani Pvt. Ltd. in China on June 17, 2018. Similarly, it also granted approval for Foreign Direct Investment (FDI) worth USD 200 million to implement a Solar Energy Production and Management Project proposed by Dolma Fund Management from Mauritius.

31ST BOARD MEETING

The meeting also formed a taskforce headed by a secretary of the Prime Minister and Council of Ministers and representatives from other related agencies to revise the amendment proposed by OIBN to make the IBN Act 2011 more relevant.

The Chief Executive Officer of OIBN Mr. Maha Prasad Adhikari presented the agenda for the meeting. Honorable Finance Minister and Vice-chair of IBN, Honorable Ministers, Honorable Chief Minister of Province 3, Governor of Nepal Rastra Bank, IBN members representing the private sector, and secretaries of the Government of Nepal were present on the occasion. ♦



DISCUSSIONS OF LOCAL BENEFITS PLANS

SANKHUWASABHA: The Office of the Investment Board Nepal (OIBN) organized interactions on the local benefit plan with local governments and government agencies in Sankhuwasabha district. The programs were conducted in rural municipalities affected by the Arun-3 hydropower project to share the highlights of the Local Benefits Distribution and Skills Training Plan to be implemented at the local level.

The final draft of the Local Benefits Distribution and Skills Training Plan was prepared by the OIBN and SAPDC, the developer of Arun-3 hydropower project, as per the provisions made in the Project Development Agreement (PDA) signed in 2014. It cover all six wards of Makalu Rural Municipality, three wards of Chichila Rural Municipality and one ward each of Silichyong Rural Municipality and Bhotkhola Rural Municipality. The plan's integrated policy includes the Nepal Employment and Skills Development Training, Local Industrial Development Plan, and Infrastructure Development Plan.

ARUN-3 HYDROPOWER PROJECT

Under the previous administrative structure, six VDCs- Pathibhara, Num, Yaphu, Makalu, Diding and Pawakhola were designated as project-affected areas after the developer acquired around 49 hectare of land belonging to 269 households of the then Pathibhara, Num, Yaphu and Diding VDCs. Two additional VDCs - Pawakhola and Makalu were later designated as project-affected.

The Local Benefits Plan is the first of its kind being implemented in Nepal in a project developed under the Public-Private Partnership (PPP) model. The plan will be implemented in collaboration with the developer, project-impacted people and local governments. The plan will formally be shared with people-affected by the project and representatives of 11 wards from the four rural municipalities affected by the project after incorporating comments received from the local governments and concerned government agencies. The OIBN will approve the plans once it is shared with them.



The constitution of Nepal envisions the distribution of benefits from the project to project-affected people and the region in return for the utilization of local resources. Such programs are also expected to establish cooperation between the project developer, local governments and the project-affected people during the development process.

The project-developer has already conducted surveys at the local level to identify the necessities and skills training required for local people. Under the Nepal Employment and Skill Training Plan, the developer of the Arun-3 project has offered a number of benefits that includes opportunities for acquiring basic skills training to 725 affected people, 3-year diploma courses for 39 people, and 4-year engineering courses for 20 people.

Under the Local Benefits Distribution and Skills Training Plan, the project is supposed to spend 0.5 percent of the project cost on the Project Area Development Plan in 11 wards of the four affected rural municipalities, mainly in enhancing road access and improving educational, health, drinking water and community infrastructures. All these benefits are in addition to the compensation being paid to people for the loss of their land and other assets.

The Local Benefits Distribution and Skills Training Plan also has a provision to implement rural electrification by providing 30 units of electricity to project affected-households free of cost on a monthly basis. It also provides project shares worth Rs. 1.6 billion to local people. Under the plan, a local industrial development program has been drawn to offer busi-

ness opportunities to local industries, suppliers and service providers.

Similarly, under the Local Infrastructure Development Program, the developer is spending Rs. 336.8 million to implement various development activities at the local level. The plan envisages enhancing road access, foot trail rehabilitation, developing community drinking water supplies in schools, building community irrigation, and constructing school and health infrastructure. It also includes plans for community infrastructure programs like the construction of cardamom storage units, community centers, supporting local cottage industries, upgrading communication towers, and promoting local tourism. ♦



Prithvi Subba Gurung
Honorable Chief Minister, Gandaki Province

“ TOURISM: MAIN DRIVER OF GANDAKI PROVINCE’S ECONOMY

Mr. Prithwi Subba Gurung is the Honorable Chief Minister of Gandaki Province. Mr. Gurung has previously served as the Minister for Culture, Tourism and Civil Aviation and is regarded as a visionary and dedicated leader. Mr. Gurung has been keeping a close watch on investment opportunities for the development of his Gandaki Province. Talking to IBN Dispatch, Mr. Gurung shared his plans and priorities for the economic transformation of Province 4 which has a lot of potential in tourism, hydropower and agriculture.

How are you assessing the economic status of Province 4?

In terms of geography, around 67 percent of Gandaki Province is covered by hills, 6 percent by plain areas and the remaining by the Himalayas. This province doesn't have a huge industrial base barring a couple of big industries. With a weak industrial base, revenue from this sector is very low. However, we stand first or second in different economic indicators. We command huge potential in solar energy, hydropower, wind energy, natural gas, copper, iron and uranium in addition to other natural resources. We are also not in a bad position for vegetable, fruit, dairy and other farm production. The culture of

this province is also very rich. Nepal Tourism Board collects around one billion rupees in revenue but this province is only getting a meagre 2 percent of that amount. A total of 747 MW of electricity is being generated in our province so far but our province is using very little of the electricity produced here. The main driver of this province's economy is tourism. We see further potential in tourism development in this region.

Among the host of different potential sectors, which are your top priorities?

Our top priorities are undoubtedly tourism, energy,

Despite limited budget allocations, we will make the maximum effort to attain visible results by drawing foreign as well as domestic private investment.

agriculture and industry. However, we can't achieve the development we desire in these sectors without developing infrastructure. Keeping in mind the significance of vital infrastructure, we have allocated around 40 percent of our total budget for this purpose. We have also formulated a five-year plan and policies that place infrastructure development at the center.

But how are you arranging for such a huge amount of money for infrastructure development given the limited resources with the government?

Personally, I had several meetings with investors from different countries including China, Japan and South Korea. They are very interested in investing in our priority sectors. I have proposed some crucial infrastructures such as a Korala-Pokhara-Dumkibas fast track, a modern stadium, an international conference hall, a Polytechnic University, among others. We have already drawn a modality for the Polytechnic University. We can also develop infrastructure by establishing sister relations between Pokhara and cities in developed countries. But, the present constitutional provision inhibits our ability to mobilize both domestic and foreign resources to arrange for the funding of our infrastructure development. We are clear that we cannot deliver major infrastructure without attracting Foreign Direct Investment (FDI). The federal government didn't allocate its budget to provinces in line with the spirit of a federal structure of governance. Without empowering provinces for effective implementation and monitoring of development projects, we cannot achieve economic prosperity. Despite limited budget allocations, we will make the maximum effort to attain

visible results by drawing foreign as well as domestic private investment within the existing authority given to the province in coordination with the federal government.

What are the challenges for investment in your province?

The federal government does not empower provinces with sufficient resources and the necessary legal provisions. This mentality will not support a sincere implementation of federalism. We also need to guarantee the security of investments and safety of investors. The acquisition of land is also a challenge for implementing infrastructure projects. We want to arrange necessary land for developers at concessional rates in coordination with the federal government. We are fully committed to simplifying the laws and processes for the acquisition of land.

What kind of support do you want from OIBN?

We are interested to work with OIBN to promote investments in large scale projects in Gandaki Province. In the coming days, we will also be in close coordination with OIBN to explore investment opportunities and to facilitate investments.

« Logon to www.ibn.gov.np for full interview.



OIBN PARTICIPATES IN NEPAL-AUSTRALIA BUSINESS FORUM

KATHMANDU: Recently, the Office of the Investment Board Nepal (OIBN) participated in various investment promotional events in Australia. A team from OIBN led by Mr. Maha Prasad Adhikari attended the 'Nepal-Australia Business Forum 2018' and the annual 'Nepal Business and Tourism Promotion Night 2018' in Melbourne on June 30.

The Nepalese Embassy in Australia organized the forum in association with the Office of the Consulate General of Nepal in Victoria. Honorable Minister for Finance and Multicultural Affairs of Victoria Robin Scott, Ambassador of Nepal to Australia Her Excellency Lucky Sherpa, and Honorary Consul General of Nepal to Victoria Mr. Chandra Yonzon inaugurated the event.

Speaking on the occasion, OIBN's CEO Mr. Adhikari said Nepal was open and ready to welcome foreign investment as stating that an investment friendly environment was building up. Mr. Adhikari highlighted the significance of foreign investment to Nepal, which needs billions of dollars of investment to achieve economic prosperity. Mr. Adhikari also shed light on various initiatives being taken by the Nepal Government to improve the investment climate in the county.

Mr. Ratish Basnyat, an OIBN consultant, gave a presentation on the investment climate, opportunities for investment, and process to invest in Nepal. Participants at the forum expressed their interest in exploring business opportunities in Nepal. More than 100 Nepali and Australian entrepreneurs including dig-



nitaries Ms. Fiona McKergow, Director, Department of Foreign Affairs and Trade of Australia, Mr. Shesh Ghale, Former President, Non-Resident Nepali Association - International Coordination Council (NRNA ICC), and Mr. Bhaban Bhatta, President, NRNA ICC were present at the event. The forum was followed by the Nepal Business and Tourism Promotion Night 2018, which featured Nepalese artworks, speeches, presentations and cultural performances.

The IBN team also met with the Honorary Consul General of Nepal to Sydney Mr. Deepak Kumar Khadka. During the meeting, Mr. Khadka, who is a renowned businessman in Australia, expressed his interest in investing in the education sector in Nepal. During the visit, the IBN delegation also held meetings with the Nepali business community in Sydney and the Deputy Chief of Mission as well as other officials from the Embassy of Nepal in Canberra. ♦



OIBN SHORTLISTS FIRMS FOR DFS



KATHMANDU: Office of the Investment Board Nepal (OIBN) has shortlisted six companies that responded to the call for Expression of Interest (EOI) letters to conduct a Detailed Feasibility Study (DFS) on the Dhulikhel-Koteshwor-Kalanki-Nagdhunga section of the proposed Metrorail Project. The OIBN had made a global call for EOI letters from qualified and interested national and international consulting firms on May 17, 2018. Around two dozen global firms participated in the EOI process.

KATHMANDU METRORAIL

The government is planning to implement the 37-km metro line through a Public-Private-Partnership (PPP) approach. The 28th meeting of the IBN held on November 13, 2017 had formed a high-level committee headed by a member of the National Planning Commission (NPC) to recommend a modality to implement the Metrorail system in Kathmandu Valley. The committee recommended a Build, Operate, Own

and Transfer (BOOT) model to develop the project. The 30th meeting of the IBN held on April 30, 2018 directed it to make necessary preparations to conduct the DFS for the project. The shortlisted firms will be asked to submit a Technical and Financial Proposal. A preliminary study for the Metro line was jointly conducted by the Department of Railways and Japan International Cooperation Agency (JICA) in 2012. The government is pushing for the metro line in an effort to resolve deepening problems in the public transport system in the capital. ♦



OIBN APPROVES 'NEPAL INDUSTRIAL BENEFITS PLAN' FOR ARUN-3

KATHMANDU: The OIBN approved the 'Nepal Industrial Benefits Plan' prepared by SAPDC, the developer of Arun-3 Hydropower Project, on July 29, 2018 in line with the provisions in the Project Development Agreement (PDA).

The plan was formulated in collaboration with the OIBN. Under the plan, the project developer can provide business opportunities to local producers and suppliers of locally made goods and services.

The developer had submitted the plan to OIBN after conducting comprehensive interactions with local industries and suppliers in Kathmandu.

The plan has offered opportunities for domestic businesses to supply goods in the quantity and quality specified by the project.

The plan aims to provide full and fair opportunities to Nepali industries and suppliers to maximize the benefits to Nepal's industrial sector from the project.

OIBN and SAPDC are holding disclosure meetings with local industries and suppliers in August and December in Biratnagar and Kathmandu respectively.

Similarly, as per PDA requirement, SAPDC has submitted the Local Benefits Sharing Plan, Nepal Employment and Skills Training Plan and Disaster Management Plan to OIBN for approval.

OIBN has already approved the Resettlement Action Plan (RAP) proposed by SAPDC. The RAP was formulated in line with the PDA to ensure better livelihoods for the project-displaced people. ♦



OIBN TO ACCELERATE INTERACTIONS WITH STAKEHOLDER MUNICIPALITIES FOR PDA

KATHMANDU: The OIBN is planning to accelerate interactions with stakeholder municipalities of the Integrated Solid Waste Management Project (ISWMP) before signing the Project Development Agreement (PDA) with the project developer of Package 1 of the project.

The 31st meeting of the Investment Board Nepal (IBN) held on July 17 had approved the proposed PDA to implement Package-I of the ISWMP in Kathmandu Valley.

The PDA was finalized after holding a series of negotiations with the project developer, NepWaste Company Pvt Ltd. Package-I covers Kathmandu Metropolitan City and nine municipalities - Dakhsinkali, Chandragiri, Nagarjun, Tarakeshwar, Tokha, Budhanilakantha, Gokarneshworm, Kagesh-wori-Manahara and Shankarapura of Kathmandu district.

OIBN and the developer of the project had initialized the PDA on 7 March 2018 for the scientific management of solid waste in the capital.

Package-1 requires an investment of around NPR 5 billion. The developer will hand the project over to the Government of Nepal after running it for 20 years under a public private partnership (PPP) model. During the period, the company is expected to pay around NPR 3 billion in royalties and other taxes to the government.

As per the proposed PDA, the developer company will be responsible for cleaning streets, river banks, public places and temples in addition to collecting household waste. It will also be responsible for the scientific management of medical waste, electronic waste and other hazardous waste.

The company plans to generate 4–5 MW of electricity from the waste in addition to gas, organic fertilizer, refuse derived fuel (RDF) and solid recovered fuel (SRF). As per the PDA, the company is required to reduce the volume of waste to 20 percent of that collected for disposing at the agreed landfill site at Bancharedanda in Dhading. ♦

SOLID WASTE MANAGEMENT

MY STORY...

'Japanese Dai' and his teashop



GOVERNMENT OF NEPAL
OFFICE OF THE INVESTMENT BOARD



Scan this QR code to watch
a video on Japanese Dai's
Story

Lets see, how it goes!

My name is Phurba Wangdi Sherpa, a resident of Num Bazaar of Sankhuwasabha district. I have travelled to Japan several times over the last 25 years. Therefore, everyone calls me 'Japanese Dai' or 'Japanese Brother'. I have heard about Arun-3 Hydropower Project for 20-30 years now. I bought this land (where this hotel is built) in 1984. I decided to start a small teashop on this plot rather than keeping it unattended. Now, the tea shop has been upgraded to Sherpa Hotel and Lodge. Since I started the teashop, I have been getting good responses from customers and other local people. I have been further encouraged as local people are demanding new dishes from my shop. Hence, I have started offering new dishes to my customers. Since the Arun-3 Project started, the flow of people to my shop has begun to rise. With the expansion of the road networks, the number of guests frequenting my hotel has increased impressively. However, the hotels in this area are not sufficient to accommodate the rising number of visitors. Many of my guests are from the Arun-3 Project. Since the project's dam site is hotter, most of the visitors prefer to stay at my hotel. Keeping in view the increasing number of guests, I have planned to expand the capacity of my hotel. Lets see how it goes. ♦



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