

IBN DISPATCH

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INVESTO **GRAPH****FOREIGN DIRECT INVESTMENT IN 2018**

Global, Regional and Local Perspectives

GLOBAL INFLOWS DECREASED BY 13% TO USD 1.3 TRILLION

DEVELOPED COUNTRIES
 **-27%**
 USD 557 BILLION

DEVELOPING COUNTRIES
 USD 706 BILLION
 **+2%**

LEAST DEVELOPED COUNTRIES
 USD 23.8 BILLION
 **+15.1%**

INFLOWS TO SOUTH ASIA INCREASED BY 4% TO USD 54 BILLION
INFLOWS TO NEPAL INCREASED BY 24% TO USD 161 MILLION

Source: World Investment Report 2019, UNCTAD

39TH MEETING OF IBN CONCLUDES WITH CRUCIAL DECISIONS



KATHMANDU: The 39th meeting of Investment Board Nepal (IBN) took place on 2nd August under the chairmanship of the Right Honorable Prime Minister and the Board's chairman Mr. K P Sharma Oli. The meeting convened at the Sighadurbar, Kathmandu, approved Foreign Direct Investment (FDI) worth around NPR 64 billion for China-Nepal Friendship Industrial Park project in Damak, Jhapa. The meeting also decided to grant permission to Damak Clean Industrial Park Pvt. Ltd. (DCIP) to prepare Detailed Feasibility Report (DPR) for the project to be developed by Lhasa Economic and Technology Development Zone Jing-Ping Joint Creation Construction Project Development Company Ltd.

Similarly, the meeting also approved the proposed Multi Model Logistics Park project to be developed and operated in Biratnagar and gave permission to CG Logistics Pvt. Ltd. to conduct a study for the project without incurring any financial liability to Nepal government. At the Nepal Investment Summit held in last March, CG Logistics and Sharaf Group of United Arab Emirates had signed a Memorandum of Understanding (MoU) to develop the project. The meeting also gave approval to the proposed Railway Linked Private Freight Terminal project to be developed and operated in Janakpur and gave permission to Green Infrastructure Pvt. Ltd. to carry out a study in this regard.

The meeting also decided to demand sealed proposals

from Fuji Electric Company Ltd., Japan (a Joint venture with Nebras Power Qatar Holding LLC) and Power Construction Corporation of China Ltd. (a joint venture with HIDCL) which were short-listed in Expression of Interest (EOI) evaluation process for the development of Tamor Hydropower Project. The 756 MW project was one of the projects showcased during Nepal Investment Summit in March 2019.

Presiding over the meeting, Right Honorable Prime Minister Mr. Oli instructed concerned officials to take necessary measures for speeding up the process of procuring and implementing development projects. On the occasion, OIBN CEO Mr. Maha Prasad Adhikari presented updates on implementation of IBN-facilitated projects.

Honorable Minister for Finance and Vice Chair of IBN Dr. Yubaraj Khatiwada, Honorable Minister for Energy, Water Resources and Irrigation Mr. Barshaman Pun, Honorable Minister for Physical Infrastructure and Transport Mr. Raghbir Mahaseth, Honorable Minister for Federal Affairs and General Administration Mr. Lal Babu Pandit, Honorable Vice Chair of National Planning Commission Dr. Pushpa Raj Kandel, members representing private sector in the Board (Ms Bhawani Rana, Mr. Hari Bhakta Sharma, Mr. Balkrishna Siwakoti) and high ranking officials of Nepal government were present at the meeting. ♦

OIBN TEAM INTERACTS WITH HONGSHI-SHIVAM STAKEHOLDERS



KATHMANDU: Senior officials of Office of the Investment Board Nepal (OIBN) interacted with key stakeholders in an effort to resolve some outstanding issues regarding to Hongshi-Shivam Cement project in Nawalparasi East. The team led by OIBN's CEO Mr. Maha Prasad Adhikari, held an interaction with local people's representatives, political party leaders and government officials in the district. During the interaction organized at Bardaghat-Susta (East) District Coordination Committee Office, Nawalparasi East, participants discussed issues regarding acquisition of private and public land for a transmission line to the factory site and an access road to the mine site.

Chairman of the District Coordination Committee Office, Mr. Chesraj Rai said that the office will coordinate with all concerned authorities including local representatives, community forest and Nepal Electricity Authority to solve the issues at the earliest. The Chief District Officer Mr. Bishnu Kumar Karki and representatives from Nepal Electricity Authority, District Forest Office, and local political parties committed to extending their support for accelerating

the construction of the transmission line and access road.

OIBN's CEO Mr. Adhikari said Hongshi Shivam Cement project required cooperation from all at a time when the country needs to double the contribution of the industrial sector to GDP to meet desired economic prosperity.

Acquisition of land for the planned transmission line has been delayed in Bardaghat Area due to outstanding issues regarding community forest and private land acquisition process. The factory has been using diesel generators and waste-heat-to-power generation technology to cater the demand of 50 MW of electricity. The power generation from waste-heat-to-power technology stands at 12 MW. IBN Engineer Ms. Nisha Tripathy and consultants Mr. Ghanashyam Ojha, Mr. Ratish Basnyat and Mr. Ganesh Acharya were among members in the team. Similarly, the team inspected the plant site of Hongshi-Shivam Cement, Hulas Auto Craft; a 2-wheeler and 3-wheeler assembling plant in Parasi. ♦

MOU ON CARGO HANDLING FACILITY



KATHMANDU: A Memorandum of Understanding (MoU) was signed on July 17 between the Investment Board Nepal (IBN) and a consortium of Flash Freight Logistics Pvt. Ltd. and International Cargo Terminals and Infrastructure Pvt. Ltd. to prepare a Detailed Feasibility Study Report (DFSR) on a Private Freight Terminal and Bulk Handling Facilities in Birgunj and Bhairahawa. The MoU was signed by Mr. Maha Prasad Adhikari, CEO of Office of the Investment Board Nepal (OIBN) and Mr. Thomas Murray, Managing Director of Flash Freight Logistics Pvt. Ltd.

At the signing ceremony, Mr. Adhikari highlighted the significance of logistics parks for a land-locked country like Nepal. He said that logistics parks are integral to transforming the country to a land-linked one. Mr. Murray expressed his commitment to completing the DFSR within the designated period of nine months. The OIBN had received an application and proposal on April 29, 2019 from Flash Freight Logistics. Under

the MoU, the developer company will prepare a DFSR on various infrastructures needed for cargo handling. The company will carry out a study on developing a logistic park, a one-stop solution to provide a network of logistics services including various modes of transport access, warehouses facilities, specialized storage solution, material handling and freight terminals. Such infrastructures will be instrumental for timely, reliable and efficient delivery of goods and facilitate international trading.

The 38th meeting of IBN held on June 2, 2019 gave approval to Flash Freight Logistics to carry out the feasibility study on technical, economic and other necessary aspects of the Private Freight Terminal and Bulk Handling Facilities on the condition that it would not render any financial burden on the government. The meeting also granted authorization to OIBN to do needful tasks and instruct relevant agencies for necessary coordination, facilitation and assistance to complete the study of the project. ♦

OIBN PARTICIPATES IN AN INVESTMENT PROMOTION EVENT IN MADRID

KATHMANDU: The government organized an investment promotion event in Madrid, Spain on July 15, 2019. The Nepali Embassy in Madrid organized the one-day event specially targeting Spanish investors in an effort to promote foreign investment. Addressing the program 'Nepal a Safe Place for Investment' officiating Nepali ambassador to Spain, Mr. Harihar Kant Paudel urged Spanish business people to invest

in Nepal stating that the country was emerging as an ideal destination for investment. Mr. Sunil Paudel, Senior Divisional Engineer at the Office of the Investment Board Nepal delivered a presentation on investment opportunities in Nepal. Ms. Dipika Sitaula, section officer at OIBN, also participated in the event. ♦



Mr. Suraj Vaidya
National Convenor for Visit Nepal Year 2020

“GOVERNMENT AND PRIVATE SECTOR NEED TO JOIN HANDS TO HARNESS IMMENSE ECONOMIC POTENTIAL”

Mr. Suraj Vaidya is the National Convenor appointed by the Government of Nepal for the Visit Nepal Year 2020 tourism campaign. Vaidya is also the chairman of Vaidya's Organization of Industries and Trading Houses (VOITH). Mr. Vaidya is an advisor to the Prime Minister's Economic Council, a high-level advisory body. A former president of the Federation of Nepalese Chambers of Commerce and Industry, Mr. Vaidya is also the immediate past president of SAARC Chambers of Commerce and Industry. Talking to IBN Dispatch recently, Mr. Vaidya highlighted key challenges and opportunities for promoting Foreign Direct Investment (FDI) in Nepal. He is of the view that joint efforts between the government and private sector are necessary to reap the benefits of the country's economic prospects.

As a business leader, how are you assessing the overall investment climate in Nepal?

We have been passing through a long vacuum of uncertainty and transition. The recent elections show that Nepal wants a peaceful transition. As far as people are concerned, expectations are very high. This government and even forthcoming governments need to take strong action to invite foreign investment. Nepal is still in transition, therefore a lack of clarity exists on the roles and jurisdiction of local, provincial and federal governments. Investors are still in a wait and watch mood. We all know Nepal has immense potential for investment. However, we are lacking strong laws to translate that prospect into action.

Though we are on the right track, we need to do more in term of attracting FDI into Nepal.

To achieve the Sustainable Development Goals (SDG) by 2030, Nepal needs a huge amount of investment with significant contribution from the private sector. How can we encourage private investment to achieve desired economic performance?

The private sector of Nepal also needs to have strong leadership to boost its role in economic development. Expecting everything from the government is a wrong notion. The private sector should come up

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with short term, medium term and long term policy recommendations that would support economic prosperity. But, we find weaknesses in leadership in our private sector. I am also responsible for that weakness. Our private sector has failed to convince the government on sectors that should be a priority and have potential in Nepal. There must be policy reform recommendations from the private sector to the government. It is a fact that we have never witnessed policy and economy going hand in hand. Politics is still driving the economy. In this backdrop, firstly, the private sector should be proactive in taking a lead to promote FDI in potential sectors with a focus on the two neighboring countries – India and China. The private sector should sit with all three levels of government. But, I have found such initiatives and capabilities lacking in our private sector. Secondly, our private sector does not have the capacity for capital investment required for development projects. Hence, it is high time for us to make our banking and financial sector stronger. The private sector should join hands with the banking and financial sector to boost capital formation for equity investment. Thirdly, we have very good unskilled workers but there is a sharp mismatch between the demand and supply of skilled and semi-skilled workers. The private sector has an important role to fulfill the demand for skilled and semi-skilled workers through necessary capacity enhancement trainings. But, our private sector expects the government to act on this, which is wrong. To develop necessary human resources, we can run the Council for Technical Education and Vocational Training (CTEVT) under Public Private Partnership (PPP) approach. The government should also come up with a concrete policy to develop skilled human resources.

How can we develop Nepal as an ideal investment destination? What are the challenges and opportunities to promote FDI in Nepal?

The government abruptly changed the policy to increase the limit to USD 500,000, which is significantly higher than the previous limit of USD 50,000. The number of projects exceeding that limit is very small in Nepal. We need startups, especially in Information

Technology and the hospitality business which can be run with very limited investment. Startups are a huge potential sector. However, the newly introduced policy will affect this low-investment-high-potential sector. Arranging financing for large scale projects is challenging as the banking and financial sector lacks credit capacity. The government should know that small business can pave way for large investments also. Keeping in view the significance of small investments, the government should review the new policy. Even if we review the FDI minimum limit we should aim for a gradual increase. To lure more investment, the government should invest in industrial districts or tourism parks to provide land for private investors in a hassle-free manner. Our private sector should also play a leading role to promote the PPP model. At a time when cost of acquisition of land for infrastructure projects is very high, we can attract more investment by bringing down the cost for doing business if we develop such industrial infrastructure. Simultaneously, we have to improve our ranking in doing business and fight corruption to give a positive message to investors who are keenly watching the status of Nepal in terms of business climate. We need to establish strong coordination among government

We need to establish strong coordination among government agencies for effectively implementing a one-window service for investors.

agencies for effectively implementing a one-window service for investors. Though the Investment Board Nepal is established to offer a one-stop service, it is not happening due to ineffective coordination

among relevant agencies. The environment for doing business holds most significance for investors. Quick decision of the host country government is very important for any investors. Even the number of decisions made by Investment Board under the chairmanship of Right Honorable Prime Minister have not been implemented in time creating delay after delay in project implementation. The government has failed to live up to its commitment including developing necessary infrastructures for big industries. The government should be serious in fulfilling the commitments it made to investors.

What lessons we can learn from the countries that are becoming investors' first-choice destinations?

Nepal is not only the country for investment. There are many countries which are offering better investment

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opportunities. We have to compete with them to lure more investment. We are competing with the Indian states of Bihar, Uttar Pradesh, and Uttarakhand where investors are getting lucrative offers and facilities. We should provide full-fledged authority to the Investment Board for one-window service.

You are also the National convener of the Visit Nepal Year (VNY) 2020. Could you tell us about the preparation, target and expectation from the VNY 2020? And, what can the government and business people do to make VNY a grand success for overall tourism development?

Over 30 percent of the total population is below the age of 26. This energetic chunk of the population is leaving the country and making significant contributions to building other countries. The VNY 2020 will pave the way for new investment, new jobs and identify new investment in the tourism sector. In coordination with Investment Board, which has successfully organized Nepal Investment Summit 2019 recently, we are planning is to organize a Tourism Investment Summit in January 2020. We have already started preparations and are working with all seven provinces to explore investment potential under the PPP approach. At least, we have to develop new international airports in the Far West and Far East that would open up their tremendous potential. In terms of infrastructure, the public and private sector should work together. We are working with Investment Board, government agencies, World Bank and other different institutions for tourism promotion. We are also planning for road shows with the involvement of the private sector and government. My hope is that by the first quarter of 2020, we will sign agreements between government and private agencies. We found tremendous amount of interest from private sector and all provincial as well as local governments to support tourism investment. Hopefully VNY 2020 would create new opportunities. Though hydropower has the most potential in Nepal, it creates fewer jobs as compared to the tourism sector. Agriculture is the sector where the younger generation seems not interested to work in. The majority of young people leaving the country for overseas jobs are working in the hospitality sector.

If those young people come back to Nepal we will have skilled or semi-skilled workers. Investors in tourism sector can get the right kind of workers in Nepal.

You are also advisor to the PM's Economic Council, given the sky rocketing trade imbalance, what is your opinion on encouraging domestic production and accelerating industrial activities in Nepal?

A trade deficit is not a bad thing for a country which is growing fast. Nepal is a small country between large economies where cost of production is low and the industrial base is much stronger. Nepal has been facing a trade deficit for several years. Last year alone, we imported agriculture produces worth NPR 200 billion. The government should be a strong partner in promoting farm production. I see high potential in food processing given the different climates in Nepal. The government policy should be on how to make people consume more energy in their day to day life so

that economy will grow. We can promote electric equipment to discourage Liquefied Petroleum Gas (LPG) and support the manufacturing sector. We need to implement a long term strategy for narrowing down the

We need to implement a long term strategy for narrowing down the trade deficit rather than focusing on short term plans.

trade deficit rather than focusing on short term plans. Short term benefits will harm the economy in the long run. Nepal's strength is in energy. Domestic production of energy should also be used for the domestic economy so that economic activities will accelerate and imports of fossil fuel go down. We have a vast market in India and China. The government and private sector should work together to reap the benefits of their immense economic potential. The private sector should be proactive not reactive to any issue. Private sector should do serious homework and approach to the government to make plans for balanced trade, promote FDI, develop human resources, and not waiting for the government to do things for us.

« Visit www.ibn.gov.np for full interview with video.

OIBN AND TU SIGN MOU FOR MUTUAL COLLABORATION



KATHMANDU: The Office of the Investment Board Nepal (OIBN) and School of Management, Tribhuvan University (SoMTU) signed a Memorandum of Understanding (MoU) regarding mutual cooperation and promotion of various sectors including in research. Mr. Balaram Rijyal, Joint Secretary of OIBN and Prof. Dr. Mahananda Chalise, Director of SoMTU, jointly inked the MoU representing their respective organizations.

The MoU paves the way for OIBN and SoMTU to collaborate on various research, schedule lectures and different domestic and international promotional events. Students at SoMTU will also get internship opportunities at OIBN as per their academic needs.

At the signing ceremony, OIBN CEO Mr. Maha Prasad Adhikari said research by interns will be a

great support to Investment Board Nepal (IBN), in making crucial decisions regarding investment. OIBN joint secretary, Mr. Rijal, expressed his confidence that the MoU would be utilized for developing a knowledge base on FDI in Nepal. Prof. Dr. Chalise stated that joint efforts from both organizations will be instrumental in identifying and promoting investment related issues. OIBN has also signed a similar MoU with Kathmandu University. ♦

Draft PPP and Investment Regulation

OIBN HOLDS A SERIES OF INTERACTIONS WITH STAKEHOLDER AGENCIES

KATHMANDU: Office of the Investment Board Nepal (OIBN) held a series of interactions with key stakeholder agencies to draft the Public Private Partnership (PPP) and Investment Regulations. The regulations document was drafted after interactions with development partners, relevant government agencies in the capital, the private sector, experts and provincial governments.

Interaction with development partners



On July 8, 2019, OIBN organized an interaction with development partners to get feedback on the draft of the Public Private Partnership and Investment, Regulation 2019. During the interaction, representatives of development partners expressed hope that the new regulation would be instrumental in promoting foreign investment in Nepal. They also put forth suggestions on the effective implementation of the One Stop Service (OSS) for investors; and stressed the importance of inter-agency coordination and the role of IBN in the federal system for the implementation of various projects. The following representatives attended the interaction session: Mr. Anjan Pandey (Asian Development Bank), Ms. Claudia Hiepe, (German Embassy), Mr. Ayush Siddhi (German International Cooperation Agency - GIZ), Mr. Sharad B. Karmacharya (Norwegian Embassy), Mr. Markus Kirkerud (Norwegian Embassy), Mr. Sabin Raj Shrestha (World Bank), Mr. Mim Hamal (European Union), Mr. Rahish Shrestha (Japanese Embassy), Mr.

Sakiko Kurosaka (Japanese Embassy), Ms. Cynthia Rowe (Department for International Development – DFID), Ms. Eleanor Bainbridge (DFID), Mr. David Chambers (USAID), Ms. Shankar Khagi (USAID), Ms. Petra Sigrist (Swish Embassy), Mr. Richard Graig (DFID), Mr. Suraj Rana (IMC Worldwide), and Mr. Joel Cutting (IMC World Wide).

Mr. Maha Prasad Adhikari, OIBN CEO, outlined the proposed draft of the regulation which attempts to streamline services for investors and clarifies the bureaucratic process regarding investment. Mr. Adhikari also hailed the continued support from development partners in Nepal's development efforts for the last several years. Mr. Ghanashyam Ojha, OIBN consultant, delivered a presentation highlighting the key provisions incorporated in the proposed regulation.

Interactions with private sector and government agencies



Similarly, OIBN organized interactions with other stakeholder agencies on the drafting of the Regulation. These interactions helped collect inputs and suggestions from relevant agencies and secure their buy-in for the regulation. During the interactions, key issues on the draft regulation raised by concerned agencies were noted. Relevant regulations are vital for effectively implementing the provisions stipulated in the Act. The government recently introduced the Public-Private Partnership and Investment Act with

OIBN HOLDS...

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the objective of promoting private investment and providing better investor services.

OIBN organized a workshop in Nagarkot on May 18-19 which was attended by OIBN's CEO and other OIBN officials and stakeholder agencies. Similarly, another meeting was held on May 23-27 between OIBN officials and relevant government agency officials. Such discussions are instrumental in making the proposed regulation compatible with relevant Acts. Similarly, another meetings was organized on May 30 and was attended by representatives from the Ministry of Law, Justice and Parliamentary Affairs; Ministry of Home Affairs; Office of the Prime Minister and Council of Ministers; Ministry of Forest and Environment; Ministry of Industry, Commerce and Supplies; Ministry of Land Management, Cooperatives and Poverty Alleviation; and Nepal Rashtira Bank (central bank).

OIBN also conducted an interaction with the private sector on June 14. It was attended by representatives from the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Confederation of Nepalese Industries (CNI), Nepal Chamber of Commerce (NCC), Independent Power Producers Association (IPPAN), and different experts.

Interaction with province governments



Similarly, OIBN organized an interaction with province governments on draft of the Regulation on July 26. Secretaries from all seven province governments took part in the half-day interaction program. The participants emphasized on clear roles and responsibilities for provincial governments for developing and implementing large-scale

development projects and dealing with FDI. OIBN CEO Mr. Adhikari clarified that the PPP and Investment Regulation is being drafted to develop OIBN into a strong unit for implementing PPP and as a center for excellence in offering advisory services to other government entities. Mr. Adhikari also pledged to extend all possible support to all province governments. "We are open to providing any kind of support necessary to provincial governments regarding identifying, developing and promoting PPP projects," Mr. Adhikari said.

Mr. Hari Prasad Bashyal, Principal Secretary of Gandaki Province expressed his gratitude for explicitly mentioning the roles of provincial governments in the draft of the PPP and Investment Act 2019. Mr. Bashyal underlined the need for further clarification on the role of the provinces in the proposed regulations to avoid duplication of authorization processes. Mr. Jiwan Prakash Sitaula, Secretary of Ministry of Economic Affairs and Planning (Province 1); Mr. Prem Kumar Shrestha, Secretary of Ministry of Economic Affairs and Planning (Province 2); Mr. Laxmi Gautam, Secretary of Office of Chief Minister and Council of Ministers (Province 3); Mr. Madan Pokharel, Under Secretary of Office of Chief Minister and Council of Ministers (Province 3); and Mr. Manohar Prasad Khanal, Secretary of Ministry of Internal Affairs and Law (Gandaki Province) also offered their comments on the draft regulation. Similarly, Mr. Rajendra Thapa, Secretary of Office of Chief Minister and Council of Ministers (Province 5); Mr. Shanta Bahadur Sunar, Secretary of Ministry of Economic Affairs and Planning (Karnali Province); and Mr. Kishor Kumar Chaudhary, Secretary of Office of Chief Minister and Council of Ministers (Sudoor Paschim Province) also put forth their views on the draft. OIBN Consultant Mr. Ghanashyam Ojha delivered a presentation on the highlights of the draft. Upon completion of consultations with key stakeholder agencies, the draft regulation will be registered with the cabinet via the Office of the Prime Minister and Council of Ministers for approval. ♦

MY STORY...



My name is Rajiv Katuwal, a resident of Makalu Rural Municipality-5, Numbensi, Sankhuwasabha. I am 29 years old. I have been running 'Dajubhai Hotel and Lodge' near the dam site of 900 MW Arun-3 Hydropower Project. I am satisfied with what I am earning from my hotel since its commencement on April, 2019. To open the hotel, I spent NPR 500,000 which I earned during my four years of employment as a cook in Saudi Arabia. Since returning from Saudi Arabia in April last year, I was looking for a suitable business for investment in this locality. I passed SLC and I found the hotel business the most suitable for me. This hotel was opened keeping in view the increasing movement of people including project workers and other visitors around the project area. I am comfortably managing the expenses of my six-member family and making satisfactory savings out of the income from my hotel. I have been observing growing economic activities at the local level with the commencement of the Arun-3 Project. Many youths like me are benefiting from the project that has offered not only employments but also various business opportunities. As an entrepreneur, who is one of the beneficiaries from the project, I would like to suggest Nepali youth explore business opportunities within the country. We can earn more money living with our family members at home than what we earn in foreign countries.



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