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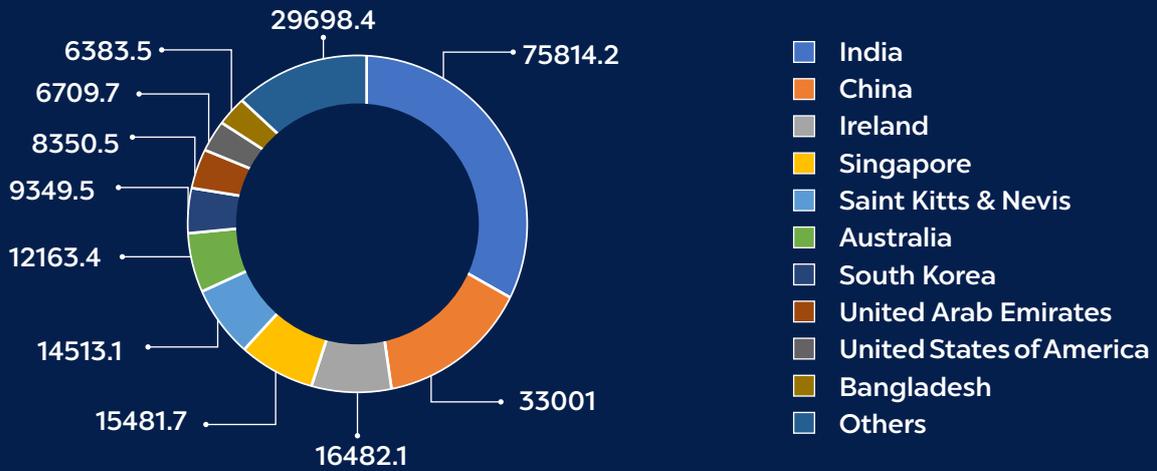
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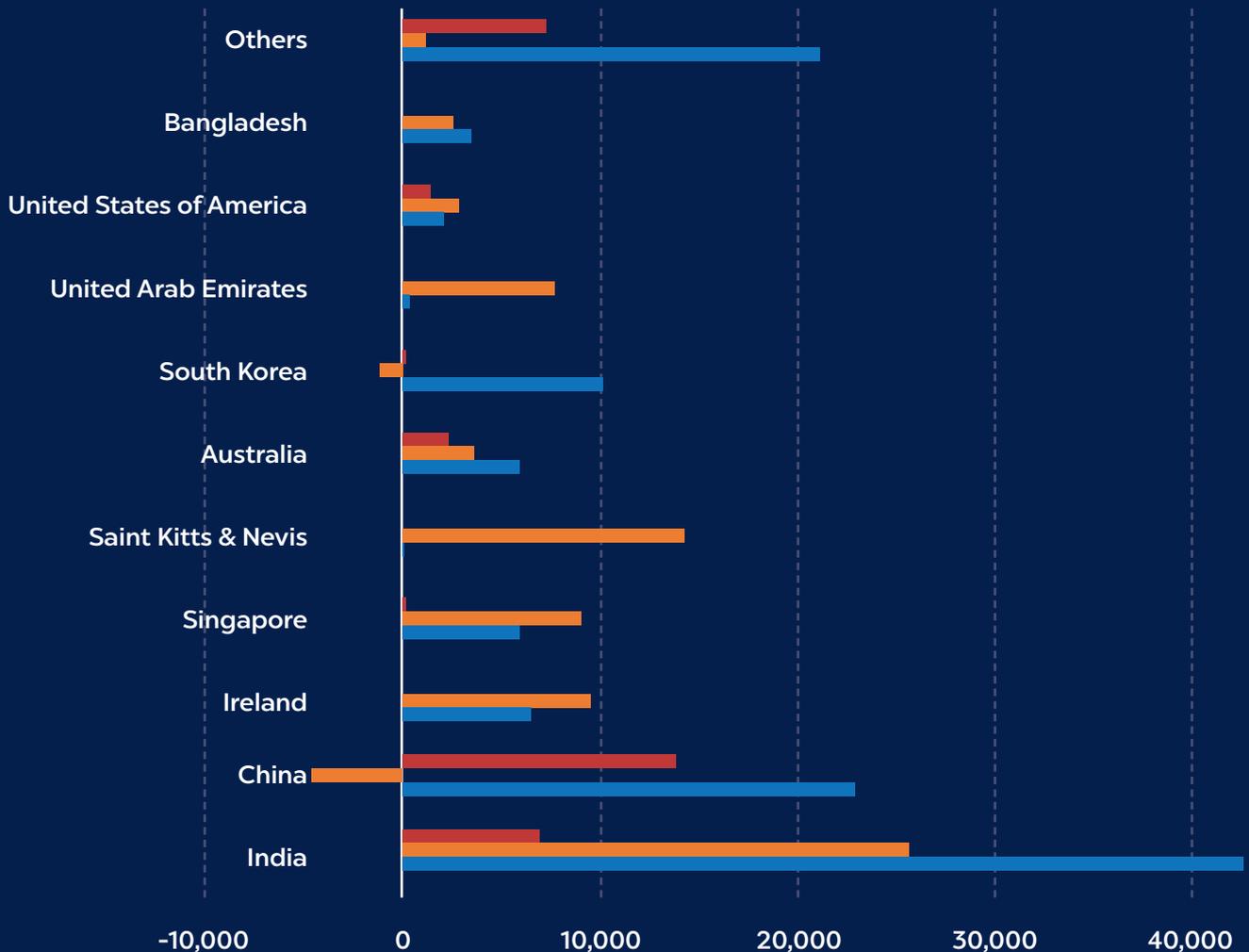
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# INVESTO GRAPH

## FDI Stock by Major Countries (Rs in million)



## FDI Stock (Paid-up capital, reserves and loan) (Rs in million)



Source: Nepal Rastra Bank Field Survey 2022

## MAJOR ACTIVITIES

# IBN Takes Part in PPP Consultation Program in Washington, D.C.



**KATHMANDU:** A delegation from the Office of the Investment Board, led by CEO Mr. Sushil Bhatta, comprising senior management team (SMT) and consultants take part in the Public Private Partnership (PPP) Consultation Program hosted by the Commercial Law Development Program (CLDP) under the US Department of Commerce in Washington, D.C on 1<sup>st</sup> November 2022.

The second day of the CLDP- U.S. PPP consultation for South Asia delegation was initiated with a visit to the United States Trade and Development Agency (USTDA), where presentations were made on Life cycle cost assessment (LCCA) and value-based bidding for best value procurement. During the meeting, discussions were held on various benefits of the Life-Cycle Cost Analysis method, which goes beyond the traditional low-cost analysis method and gives an overall analysis of the various project alternatives in terms of economic aspects of the project and successful procurement of PPP projects.

Likewise, there were meetings with Howard Country Court, Pennsylvania, Prince George County School and Districts of Columbia Streetlights PPPs. During the meeting held on 2<sup>nd</sup> November 2022, presentations were delivered regarding the successful PPP case study of construction and efficient operation of the newly built Howard Country Court of Pennsylvania in DBFOM (Design-Build-Finance-Operate-Maintain) model with a performance-based contract. Qualitative aspects of project LCCA and quality improvement and quantitative comparison of delivery models using VfM were stressed as prerequisites in the project preparation phase.

The presentation was made by George County School officials and Technical Advisors demonstrating the successful application of well structure DBFM model for the construction of needed new school facilities, which could not have been built with a regular fund and cash flow available to school management. LCCA and VfM including appropriate

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repayment guarantee was also highlighted during the session. Similarly, applicability of the PPP model for channelizing private sector funding for improving municipal services and facilities is presented in the District of Columbia Streetlight PPP.

The meeting with the Downtown Complex in Sacramento held on 3<sup>rd</sup> November 2022 has provided a successful case of how systematically structured PPP projects help in reducing the risk of cost overruns, accelerate project delivery, help to managed various risks associated with the project, provide contractual guarantees that aids in uninterrupted operation of the project life cycle management and helps in proper maintenance over the life of the public asset. A challenging project such as the Downtown Complex was able to adopt and share the responsibility and risk through the P3 DBFOM modality for the delivery and long-term management of the infrastructure asset to private partners.

The visit to the Sacramento Valley Railyards, California project gave an exciting outlook towards how unused and unutilized public assets (brownfield) could be transformed into the nation's largest transformative project with private sector involvement through mixed development approach (PPP and direct investment). This railyard project connects the dense urban residential neighborhood to a modern and innovative central business district where the city still preserves the historic infrastructure but also embraces the new vision of urban innovative industrial and commercial centre

development converts into a vibrant economic hub.

Similarly, during the visit to the USA, IBN CEO, Mr. Sushil Bhatta & senior management team had a meeting with consultants & principals of International Development Institute, a Washington, D.C.-based institute that provides capacity building and institutional strengthening program. In the meeting, discussions were held on various issues including PPP project development, capacity-building opportunities and avenue for institutional development along with possible future opportunities for collaboration.

Meanwhile, the U.S. Embassy in Washington, D.C. had welcomed the delegation led by IBN CEO in embassy premises. His Excellency Ambassador Mr. Sridhar Khatri, the embassy team and the IBN delegation had a fruitful interaction and discussion were held among the senior officials of the IBN, Embassy officials, representatives from the US State Department, CLDP- Department of Commerce, potential US investors, and PPP experts on strengthening the U.S.- Nepal diplomatic relation to attract investment in Nepal.

The delegation led by IBN CEO, Mr. Bhatta comprised of Joint Secretary Mr. Amrit Lamsal, Under Secretary Mr. Ramesh Adhikari, Senior Division Engineer Mr. Sagar Raj Goutam, Hydropower Engineer Mr. Vijaya Sharma, Technical Advisor to the CEO Mr. Jayandra Shrestha and Project Development and Management Consultant Ms. Pragya Adhikari.

# IBN CEO Addresses Expert Group Meeting in New Delhi



**KATHMANDU:** IBN CEO, Mr. Sushil Bhatta has shared his perspectives during the Experts Group Meeting on Enhancing the Role of Foreign Investment for Structural Economic Transformation in LLDCs (Landlocked Developing Countries) jointly organized by UN-OHRLLS and ESCAP-SSWA in India's capital New Delhi on 10<sup>th</sup> and 11<sup>th</sup> November 2022.

During the meeting, CEO Mr. Bhatta laid emphasis to focus on Global Value Chains (GVCs) and attracting their lead firms considering their efficiency, technology transfer and transfer of skillsets to enhance capacities of the LLDCs in the long run. Local firms will learn and develop some inventories, which is a must for their sustainability, according to Bhatta.

He further said that much attention has been given to attract FDI in manufacturing to transform and modernize the manufacturing, agriculture and service sector through leveraging information technology for

the expansion of the economy in the context of Nepal. Simultaneously, branding, marketing and consumer supports are being paid due attention considering limitations of the seamless connectivity caused by the landlocked status of the country," Bhatta said, adding "FDI in transport infrastructure often is a priority for the landlocked countries like Nepal as cost of domestic transportation has a significant chunk in cost of production."

IBN CEO Mr. Bhatta also underpins the requirement of trade facilitation through massive reform in customs procedures and lowering transportation costs for competitive exports and balance of trade. At the end of his address, Mr. Bhatta underscored that handholding for the investors during the entire lifecycle of the project boosts the confidence of the investors, however, it requires expertise, cross-agency coordination and cooperation, resources and a well-equipped investment promotion agency.

# OIBN Holds Meeting with Chinese Embassy Officials



**KATHMANDU:** A meeting with Chinese Embassy officials held at the Office of the Investment Board Nepal premises on 17<sup>th</sup> November 2022. Mr. Xie Yu, Economic and Commercial Counsellor and his team from the Embassy of the People's Republic of China in Nepal, paid a courtesy visit to the IBN CEO, Mr. Sushil Bhatta and discussed investment opportunities & investment policies for prospective Chinese investors with the senior management team (SMT).

Progresses made by several projects under the foreign direct investment (FDI) from China and issues to be addressed for their success are highlighted in the meeting. The meeting underscored that investment in large-scale infrastructure will leverage private investment including from China.

As the Office of the Investment Board Nepal (OIBN) is the nodal agency for facilitating large-scale investment including FDI, the meeting has underpinned the need for institutionalizing the

services being provided by the OIBN and expanding partnerships with a wide range of stakeholders including development partners, development finance agencies to seek the resources for exploring concessional financing to make cost intensive PPP projects viable. The Chinese delegates informed that the Government of China is always keen to support the Government of Nepal to achieve development aspirations through different means and tools as required.

The delegates have also expressed interest in collaborating with OIBN to strengthen its capacity for institutionalizing the services being provided by the investment promotion agency. Along with IBN CEO Mr. Bhatta, Joint Secretary Mr. Amrit Lamsal and Mr. Ramesh Adhikari were present in the meeting from the Office of the Investment Board. Likewise, Chinese Embassy delegation comprised Mr. Lyu Lichao, Second Secretary, Ms. Wang Yuqing were present along with Economic and Commercial Counsellor Mr. Xie Yu.

## Sudridh-NURP Explores Areas of Partnership with OIBN



**KATHMANDU:** The Sudridh-NURP delegation led by its Team Leader, Ms. Valentina Girotto paid a courtesy visit to IBN CEO, Mr. Sushil Bhatta and discussed with the senior management team regarding extending support to the local governments for framing investment policies, designing PPP projects in collaboration with the Office of the Investment Board Nepal (OIBN).

The meeting held at the OIBN premises on 23<sup>rd</sup> November 2022 was focused on exploring other areas of partnership between Sudridh-NURP and the OIBN.

The Sudridh – Nepal Urban Resilience Programme (NURP) is funded by UK Aid from the UK government and works with Nepal’s national, provincial and municipal governments to support green, resilient, and inclusive urban development. We enhance urban resilience by supporting inclusive economic growth, improving urban planning for green development, and increasing the effectiveness of institutions to support green investments.

## IBN CEO Delivers Keynote Speech in Nepal-India BFSI Partnership Summit

**KATHMANDU:** IBN CEO, Mr. Sushil Bhatta has addressed the Nepal-India BFSI Partnership Summit 2022 with a keynote speech titled “Investment Climate in Nepal” held on 25<sup>th</sup> November 2022 in Kathmandu. The event was jointly hosted by the Banking, Finance & Insurance Institute of Nepal (BFIN) in association with the PHDCCI (PHD Chamber of Commerce and Industry), New Delhi, India.

In his keynote speech, Bhatta highlighted Nepal as an emerging investment destination through a demonstrative effect by executing large-scale PPP projects through the Investment Board Nepal– a high-powered government agency chaired by the Rt. Hon’ble Prime Minister accompanied by the ministers from the key ministries and the private sector representatives– provides facilitation for the entire project cycle in coordination with concerned government agencies.



As per Bhatta, Nepal is driven by the spirit of continued reforms and competitively modernizing the services based on the requirement of investors, underlining that the Board is always consultative and supportive to the investors for securing their investment and fostering reinvestment opportunities in line with its 3R principle— reach, retain and regain investors.

“Around 70% of our total population is the working-age population, availability of skilled, semi-skilled and low-skilled labor force combined with the opportunity of availing credits from the local market along with concessional financing from the Development Finance Institutions; Nepal can offer the ground for foreign investors to invest and grow,” said Bhatta, adding, “Foreign investors in Nepal Dabur, Unilever, as well as other companies are garnering sound profit and we’re encouraged with their reinvestment proposals.”

He further said that Nepal is growing as a sizable market led by the private sector as well as a peaceful and open society nurtured by democratic values. Transparent and predictable legislations, round-the-clock (24/7) cheaper energy supply along with other fundamental facilities that Nepal offers to investors of the different verticals including areas of niche market advantage, according to Bhatta.

“Most importantly, Nepal welcomes investment in the infrastructure sector considering the importance of the seamless infrastructures that provide the necessary impetus for every sector to grow as well as enhance the public service delivery. In this regard, the Investment Board Nepal has been developing the pipeline of credible, bankable, sustainable and well-structured PPP projects eyeing the potential investors and laying serious efforts on making them commercially viable through concessional and blended financing or the viability gap funding.”

In his keynote speech Bhatta underscored that the country has tremendous potential not only in clean and renewable energy projects that have already led Nepal as a prospective future powerhouse of South Asia along with the commencement of selling Nepal’s hydroelectricity in Indian market but this is also an equally opportune time for the clean transport, manufacturing, agriculture processing, mining, transport infrastructures, fertilizer plants, production of automobiles, electric home appliances and others.

He has also underpinned that Nepal must leap forward along with neighbouring giants—India and China— the most populous as well as thriving economies attracting investment, technology transfer and exploring market opportunities.

# Congenial Policies are Key for the IBN to Succeed in Its Mission



**H.E. MR. SRIDHAR KHATRI**

Ambassador to the United States of America

**Nepal has a dire need for investment to achieve its economic development goals. How can we attract FDI from the world's largest economy, the United States of America?**

Like most of the other missions abroad, the Embassy in Washington D.C. is aware that aid

money alone is not sufficient to address the funding gap to implement Nepal's national economic agenda. There exists a major role for the private sector to attract Foreign Direct Investment (FDI) from countries around the world, including from the world's largest economy, the USA. Given the scale and openness of the US economy, and most importantly, the presence of a sizable and thriving Nepali Diaspora in the US, the possibility of tapping capital, technology, entrepreneurial and managerial skills, and experiences from the US through private sector investment is immense. As our Embassy has conveyed in its various reports to the government, the Nepali Diaspora in the US is one of the strongest assets we have in the US. Knowing how we can tap their expertise in a plethora of subjects is a major challenge that the Embassy and the government of Nepal faces. From my own cursory reading, some of the possible areas where the Diaspora and the US could contribute include information technology, energy, agriculture, financial services and insurance, manufacturing, and tourism.

Apart from the conventional US development agencies, newly established agencies such as Development Finance Corporation (DFC) and the United States Trade Development Agency (USTDA) have been supporting the private sector in other countries. Nepal also can tap such potentials in order to attract more investments from the US. DFC has already started investment in Nepal through equity investment funds for Nepal's private sector development. USTDA is also supporting capacity

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building and developing bankable feasibility studies in other countries, which Nepal also can readily take advantage of.

The Millennium Challenge Corporation (MCC) provides grant support for large-scale infrastructure development projects. The USD 500 million MCC Compact agreements for the construction of electricity transmission line and the upgradation of roads was signed on 14 September 2017 and was ratified by the Nepali parliament on 28 February 2022. Many people tend to forget that the MCC is a joint venture between Nepal and the US since Nepal has also contributed \$130 million to the scheme. The implementation of the compact from August 2023 will help create a more conducive environment for foreign investment in Nepal and boost the confidence of international development partners, financial institutions and private sector to undertake large-scale investment projects in Nepal. As of now, a significant step that needs to be taken from the Nepali side is to accelerate land acquisition so that the project can be implemented in a timely manner. Much will depend on how seriously we implement this agreement, as it has the potential for being a trendsetter for future development projects in Nepal.

I see a huge possibility of investment in Nepal from the USA not only through American multinationals and other companies, but also through government agencies, financial institutions, individuals, and the Nepali diaspora in this country. The Nepali Diaspora population in the USA has increased significantly in recent years. The Diaspora professionals and businessmen are doing very well and they have the capacity and willingness to bring US investment into Nepal, because of their strong emotional attachment to the country. Nepal can attract them by ensuring their economic rights as envisioned in the Constitution, and offering more incentives through more reforms in the domestic regulatory environment and by entering into relevant bilateral agreements with the USA such as agreements on

avoidance of double taxation, and investment protection. For instance, if Nepal could review the negative list for foreign investment in the tourism sector and could allow up to 49 percent ownership to the NRNs (if 100 percent ownership cannot be given to foreigners in the service sector), we could bring in new technologies and managerial knowhow in the tourism sector. Also, if Nepal could further review its minimum investment threshold of Rs. 20 million for foreign investment, more investment from the Diaspora could be attracted. Currently, we have the minimum capital requirement of Rs 20 million to open an IT company in Nepal, which could simply be done away with, or reduced to a nominal threshold, as is the case in many other countries including in South Asia.

**What is your observation on the role played by the Investment Board Nepal in attracting FDI and developing the institution as the knowledge/resource center? How would you advise the GoN for making a robust foreign investment regime?**

The IBN is performing well and is being developed as a credible platform to invite large-scale investment in Nepal. IBN is still in its infant stage, as it has just completed one decade of its existence. Now, IBN is responsible for the execution of public-private partnership projects too, which is quite a new field for Nepal. No matter what its scope is, its performance in the ongoing investment project is of critical importance to convince more investors to come through its channel. I appreciate the recent orientation of IBN towards focusing on quality rather than on quantity in terms of selecting new projects and implementing the existing ones. As it gains more experience and develops itself as the knowledge/resource center for foreign investment, over time more and more projects could be undertaken.

However, for the IBN to succeed in its mission further improvement in the overall policy and institutional environment in Nepal is desirable. The IBN should give utmost priority to satisfying the

existing investors by expediting their investment proposals and implementation of the projects already approved. The positive perception and experience of the existing investors are important to attract more investors on a bigger scale and within a diverse scope. In my view, if IBN can show a good track record of awarding FDI projects and maintaining a good relationship with investors, it could generate a chain of demonstrative effects on aspiring foreign investors. Equally important for the IBN is to learn from the best practices from around the world and apply them in Nepal for creating a more favorable environment for investment. IBN could also pursue efforts towards further improving the ease of doing business in Nepal by encouraging and coordinating with relevant agencies to further cut down processes/steps from business registration to deregistration. As we all know, reducing unnecessary documentation, creating a level playing field, fair and transparent regulatory mechanisms, and consistent policy regimes are the basic elements to attract foreign investment. As a resource center for foreign investment, IBN should continuously give feedback to relevant agencies to improve in these areas.

As I see it, parliament has entrusted IBN as an important entity to channel foreign investment in Nepal, but there are challenges for IBN to carry out this mandate due to various reasons. It's been decades since we started talking about establishing a "Single Window System" for Foreign Investment, but it has not yet fully materialized in its true sense. The Department of Industry also looks after foreign investments of less than Rs. 20 million. Foreigners are sometimes confused about whom to contact. Information regarding foreign investment and its processes needs to be transparent and well-circulated. It is good that the IBN has established a business lounge at the IBN office to facilitate foreign investors. The government has also launched "Single Point Service" to facilitate foreign investment, but we still need to make it more effective.

### What are the areas of interest (investment propositions) where the US investors would like to invest in Nepal? Could you please kindly advise how the Investment Board Nepal can reach out to them and offer?

According to the published data, major areas for US investment in foreign countries include financial services, insurance, and manufacturing. In Nepal's case, the US was the 3<sup>rd</sup> largest investor during FY 2020-21. In the previous fiscal year, a total of Rs. 13.3 billion FDI from the US was pledged by 417 different companies. These investments are directed towards the hospitality industry, and financial services including insurance, food and beverage, and ICT sectors. However, potentials in hydropower, agriculture, and infrastructure are the areas where US investors could be attracted. One of the most effective and practical ways to reach out to potential US investors is through the business community and relevant chambers on both sides. Nepali Diaspora businessmen are the best-placed source to reach out to interested investors. Participation in major business and investment forums organized in different cities across the country could be another way to establish contact with investors.

Given the immense potential in these and other sectors of Nepal, I would suggest thinking big, particularly focusing on investments in the Information Technology (IT) sector, which could be a game changer for Nepal. Nepal has long been left behind in the IT revolution from which other countries in South Asia have already benefited tremendously. Given the availability of a young workforce that has been educated in English medium and also given the uninterrupted supply of clean energy from hydropower, Nepal has competitive advantages in the IT sector. Moreover, due to our landlockedness and difficult terrains in most parts of the country, the services sector, particularly the IT sector, has great potential to transform Nepal's economic landscape through a digital economy.

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**As the USA and Nepal are located in different time zones, it is said that if US-based IT companies open their satellite offices in Nepal, they can be operated 24 hrs in a day. What should Nepal do to tap these potentials?**

US-based IT companies have been establishing their satellite companies in other countries including India. Such offices can be opened in Nepal due mainly to the opposite time-zone factor, and also the reasons I have already mentioned such as availability of a young educated workforce, reliable supply of clean energy, suitable climate, and friendly investment environment.

I have been in touch with many Nepali IT professionals in the US who have already made significant progress in their businesses and careers. I notice great enthusiasm among them to contribute to the IT revolution of Nepal and partner with interested entrepreneurs and professionals in the field in Nepal to open up companies and extend branches of their US companies. In my interaction with prospective investors in the IT sector, I have been highlighting several plus points for doing IT business in Nepal. Among such points are: high mobile penetration rate; surplus clean energy supply for maintaining better carbon footprint for big companies; suitable climate for data centers and for living; hospitable host community; rich, diverse, and tolerant culture; availability of young and talented IT professionals who are educated in the English language; affordable and reasonable labour cost; well networked 4G internet infrastructure. We have also been highlighting the fact that Nepal is a very secure place for investment with a relatively high rate of return on investment in almost every viable sector. The low corporate tax rate in Nepal among South Asian countries, which on average comes to around 20 percent, could be another attraction for investors. The Embassy has also shared with potential IT investors about the provision of a one percent tax on income for those who export software, and other digital services, business process outsourcing, or similar type of information technology-related

services abroad. Business process outsourcing could be another area where there is enough scope for investment in Nepal. The existing policy of providing discounts of 2 to 15 percent on the consumption of electricity for designated industries could further help in convincing prospective investors.

**Nepal is considered the pioneer for internalizing the GRID framework in its policies and programs. How can major development partners like the World Bank, IMF, and other multilateral and development finance institutions (DFIs) support Nepal in this new course of development?**

After the CoVID-19 pandemic, the World Bank Group announced in 2021 a new policy for development: the Green-Resilient and Inclusive Development (GRID) framework as a new tool for responding to the emerging global challenges and crisis, and recovering economies in the aftermath of such a crisis. For the success of this approach, Nepal needs more capital, technology, innovation, and investment through different channels including the private sector. In this context, Multilateral Financial Institutions (MFIs) such as the World Bank and International Monetary Fund (IMF) can upscale their financing to the Government. More creative way for them to help Nepal meet these challenges, in my view, would be to channel more funds to the private sector employing climate investment.

Transformative investments through the GRID framework can also be made by the MFIs through innovative investment schemes that strengthen cross-cutting enablers, support requisite policy reforms, contribute to institutional strengthening, and encourage technology innovation by mobilizing capital from many global funds already available for this purpose. From the investment point of view, MFIs should partner with the host government in policy reform to attract private sector investment in emerging green fields.

Nepal adopted the GRID strategy as the pioneer country to address its structural challenges of

unemployment, infrastructure gaps, vulnerability to climate change, and environmental issues. This requires a fundamental shift in risk and development management. The development partners have already committed around \$ 3 billion in resources in line with the GRID approach. The WB has just recently published the Country Climate and Development Report (CCDR), which is designed to achieve development goals in the context of climate change. So, this approach enables donors to support Nepal's GRID agenda. Apart from that, there are other different platforms and multi-donor trust funds which can be mutually used by recipient countries and donor agencies such as International Development Association (IDA), Private Sector Window, Global Crisis Response, Supply Chain Platform, Fragility, Conflict, and Violence (FCV) Strategy, among others. During his meeting with both the Vice President of the World Bank, Martin Raiser, and the Administrator of the USAID, Finance Minister Janardan Sharma spoke about the importance of climate change financing for Nepal, revitalization of the rural economy, and development of river-basin green corridors.

### **What are the gaps you have identified to make the PPP more effective in infrastructure projects and how can we address these gaps?**

In recent years Public-Private partnership is becoming popular in developing infrastructure projects where risk-bearing capacity in the project is enhanced by the presence of the public sector, whereas the private sector is invited for better performance and efficiency. However, there should be a proper balance between risk mitigation and performance. Availability of enough capital, technical know-how, managerial efficiency, and risk-bearing capacity of the private sector in Nepal are some of the gaps I can see from my perspective. Again, to avoid such gaps we need to avoid the mentality of 'privatization of profits and nationalization of debt'. So, there should be a proper mix of risk and profit-sharing mechanisms between the private and public sectors.

The World Bank's PPP Knowledge Lab defines a PPP as –“a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance”. As one of the PPP experts recently mentioned in a meeting, “we need to think big and focus on developing multiple projects which could be bankable and scalable”. Some other points to be considered are: developing a viable PPP project pipeline that is attractive to developers and investors; getting solid political support that should be constant; improving institutional capacity building; seeking opportunities for innovation, and educating bureaucrats on the value of PPPs are the points to be considered seriously.

### **The United States has been so generous to Nepal for a long time. How can we strengthen the economic partnership for the mutual benefit of the two countries?**

For the past seven decades, the United States has been one of the strongest partners in Nepal's development efforts. The ratification of the Millennium Challenge Corporation (MCC) compact by the Parliament in Nepal was a landmark event that signaled to the US and other development partners that Nepal was ready to move forward with large-scale infrastructure development in the country. With this demonstration that Nepal is willing to live up to its commitment, USAID has agreed to provide a \$659 million grant to Nepal for a five-year period, which is one of the largest amounts received by Nepal so far. In the current plan, USAID is planning to disburse an average of \$135 million grant each year for the next five years, and it is likely to be increased significantly from other windows if Nepal performs well in executing the projects efficiently. If we take both the USAID and MCC grant together, the US commitment for the five-year period will come to \$1.195 billion, which is a substantial amount. I might also add that in this

new spirit of partnership between Nepal and the United States, the US government, and in particular the USAID, have shown a willingness to support our country in the energy and IT sectors, among others.

As in all partnerships, one always needs to reach an understanding of how development projects can best be implemented between the donor and recipient countries. A major achievement in the recent grant agreement with USAID was the US decision to channel support through the government's budgetary system. On the donor side, there has also been some discussion on how foreign assistance can be made more effective. The "Effective Development Cooperation Summit" organized by the donors in Geneva from 12th to 14th December 2022 attempts to redefine the new parameters for development assistance. Among the crucial outcome of the summit noted by the USAID Administrator, Samantha Power, were the need for donors to rethink their roles to ensure local actors have ownership of development projects; develop long-term perspectives "to channel high-quality funding as directly as possible to local actors"; and engage consistently with local actors for locally-led development. The focus on locally-led development is consistent with the goals of federalism in Nepal, and the government needs to explore with the donors what type of mechanisms will be most suitable for the country.

### **How can Nepal conduct economic diplomacy effectively to boost trade, tourism, and investment?**

Economic diplomacy has been in our vocabulary for the last 30 years and we keep on repeating the same mantra without assessing how successful we have been in fully realizing the benefits for Nepal. Over the years, the government of Nepal has made a series of efforts to make economic diplomacy effective by suggesting structural changes in the concerned Ministries and strengthening our coordination mechanisms between, first, the Ministry of Foreign Affairs (MoFA) and the line Ministries, and also between MoFA and its missions

abroad. Among others, two High-Level Task Forces (in 1996 and 2018) have submitted their reports to the government to strengthen our mechanisms to implement economic diplomacy, but for various reasons, those very mechanisms today remain weaker than they ever were before. Talking about economic diplomacy without developing our own capacity to execute it at the international level opens the possibility of relinquishing economic diplomacy to rhetoric alone.

As far as how our economic diplomacy might relate to the United States, I believe several things need to happen if Nepal is to gain substantial benefits from the strongest economic power in the world. First, it is not enough to expect markets in, or seek investments from, the US without adequate preparation and commitments at home. There must be a clear thought-out strategy to do so, which is jointly endorsed by the government and the private sector together. Just having the product to sell does not guarantee that it will gain access in the competitive American market unless there is a clear-cut strategy to market the product with proper risk assessment. Second, the dialogue, or understanding, between the government and the private sector must go beyond the perfunctory exercise of consultations. It must include programs that can be implemented within a viable timeframe, as positive results become a self-propelling mechanism that will sustain not only the programs undertaken but also future endeavors. And third, Nepali missions abroad need to be kept in the loop with specifically delegated responsibilities that it is expected to fulfill to support such a strategy. This will require not only better coordination between the Ministries and the Embassies through MoFA, but also political and financial commitments to seriously execute the programs. Without these ingredients, economic diplomacy becomes a wish list with very little scope for implementation. These general principles apply to boosting trade, tourism, and investment. The possibilities are immense, and Nepal needs to think big in order to capitalize in all these sectors.

# JEPIC Explores Opportunities to Invest in Energy Sector



**KATHMANDU:** The delegation led by Mr. Satoru Yoshida, Research Director of Japan Electric Power Information Centre (JEPIC), an umbrella organization of Japanese power utilities, paid a courtesy visit to IBN CEO, Mr. Sushil Bhatta & interacted with the senior management team (SMT) on 1<sup>st</sup> December 2022. JEPIC has been exploring opportunities to invest in the power sector of Nepal including generation projects and power trading.

Representatives from the different power utilities of Japan including Tokyo Electric Power Company (TEPCO) were present in the meeting. They had

also expressed interest in cross-border power trading. The Electricity Regulation Commission Act, 2017 opened the private sector to come in each component of the electricity market to encourage a competitive electricity market in the country. Likewise, the private sector companies can also share infrastructure with Nepal Electricity Authority (NEA) for cross-border energy trading.

The meeting further discussed policies for investment promotion and incentives for investing in the power sector, and adequacy of transmission and distribution networks among others.

# U.S. Development Finance Institution to Expand Nepal Portfolio



**KATHMANDU:** Representatives from the DFC, the U.S. government's development finance institution, had a meeting with IBN CEO, Mr. Sushil Bhatta on 1<sup>st</sup> December 2022. The DFC expressed a keen interest to collaborate with the Office of the Investment Board in the areas of mutual interests through concessional lending, equity investment and technical capacity support.

During the meeting, DFC representatives informed about their investments so far in high-impact social enterprises with Dolma Fund Management. DFC's equity investment in Dolma Impact Fund II has been supporting investments in healthcare, renewable energy, and technology. DFC has planned to expand its Nepal portfolio worth \$ 160 million, and they are mandated to invest in climate change/clean/renewable energy, health care, SMEs in the agriculture sector and food processing among others, gender equality, infrastructure (renewable energy, roads, warehousing, dry ports and others).

Mr. Ajay Rao, DFC Attaché, U.S. Consulate General Mumbai India has said that the DFC provides loans and guarantees as well as political risk insurance and technical expertise. The DFC has expressed a keen interest to collaborate with the OIBN for its technical capacity enhancement and reaching out to investors.

During the meeting, Joint Secretary Mr. Amrit Lamsal opined that innovative financing sources

are important for the developers of large-scale PPP projects to avail concessional financing.

In the meeting IBN CEO, Mr. Sushil Bhatta said that the OIBN has been gearing up for developing a pipeline of credible, bankable and sustainable projects aligning with sectoral plans, policies and programs citing that the strategic fitness is crucial to enlarge the role of IBN in the national development. "Simultaneously, we must have credible study for de-risking the projects and ensure timely completion," he said, "I believe the credible study of projects is a stepping stone to achieve our goal of bringing in more PPP projects onboard."

In consideration of the CEO's remarks, the DFC has advised the Office of the Investment Board Nepal to approach the US EXIM Bank and the USTDA, which connects America's private sector to priority infrastructure projects in developing and middle-income nations, to avail funds for a quality feasibility study as well as project life-cycle cost analysis.

Along with IBN CEO Mr. Bhatta, Joint Secretary Mr. Lamsal and Under Secretary Mr. Ramesh Adhikari were present in the meeting. Likewise, the DFC delegation comprised Mr. Ajay Rao, DFC Attaché, U.S. Consulate General Mumbai India; Mr. Loren Rodwin, Managing Director, Social Enterprise Finance Team, DFC; Mr. Mark Henderson, Private Enterprise Officer, Economic Growth Office, USAID; Mr. Abhishek Basnyat, Commercial Consultant, from the US Embassy in Kathmandu.

# Japanese Entrepreneurs Keen to Invest in Nepal



**KATHMANDU:** A delegation of Japanese entrepreneurs paid a courtesy visit to Mr. Sushil Bhatta, CEO of the Investment Board Nepal on 2<sup>nd</sup> December 2022. The delegation arrived in Nepal to participate in the Nepal-Japan Friendship Summit initiated by Idea Studio Nepal. Idea Studio is a business incubator in Nepal located at the premises of Kathmandu University School of Management.

Representatives of 23 companies including ICT, education, spring water and management services were present at the meeting. Welcoming the delegation of Japanese entrepreneurs, Joint Secretary, Mr. Amrit Lamsal has briefed about the nature and functions of the Office of the Investment Board Nepal. “IBN is the nodal agency for PPP-related investments in the country. Our mandate is to attract and facilitate large-scale strategic investment in different verticals,” Joint Secretary Mr. Lamsal said in the meeting, “We have a good legal and administrative environment, and we ensure security and better return of the investors through providing handholding for the entire life cycle of the projects.”

IBN CEO, Mr. Sushil Bhatta has informed that the OIBN has received investment commitment worth \$9 billion and \$3 billion projects are under

implementation as well as in operation after completion in the last 10 years following the establishment of the institution to promote and facilitate large scale investments. He urged the delegation to explore the competitive edge and investment in Nepal for better returns citing that the foreign investment companies including multinational companies are garnering lucrative profits from their Nepal operation.

“We are continuously strengthening our legal and regulatory framework for screening, procuring and awarding the projects to the investors,” he informed, “As we consider that management skillsets, technology and quality products are strengths of the Japanese investors, I would like to welcome you to invest in Nepal.”

Mr. Taichiro Awai, General Manager of the Himalayan Spring Water; Mr. Kenji Utsunomiya, Investment Committee Member, The Stand; Mr. Yasuo Kawakita, General Manager and Leasing Business Department, Bengaluru Office of Japanese Trading and Investment Business Conglomerate Marubeni; Mr. Norihro Sugizaki, Director, Production Department of Mt. Fuji Spring Inc and Yutaka Shioozono of Inbound Tech were present in the meeting.

# OIBN Mulls Engagement with Investment Promotion Agencies



**KATHMANDU:** A virtual meeting between the Office of the Investment Board and the World Association of Investment Promotion Agencies was held on 7th December. The meeting was led by IBN CEO, Mr. Sushil Bhatta and Mr. Dushyant Thakor, Senior Vice President of Invest India and Senior Advisor to the World Association of Investment Promotion Agencies (WAIPA) on behalf of their respective organizations.

The meeting has discussed engagement with the WAIPA and strengthening relations between two promotion agencies—Office of the Investment Board Nepal and Invest India.

The WAIPA is an umbrella network of Investment Promotion Agencies (IPAs), established under the auspices of the United Nations Conference on Trade and Development (UNCTAD) in 1995 in Geneva as an Association under Swiss law. Reportedly,

IPAs of 129 countries are members of the WAIPA, which provides the opportunity for networking and exchanging best practices in investment promotion. Leadership is selected in every two years through a democratic process and currently, Invest India is the Chair of the global network of IPAs.

During the meeting, Mr. Thakor, Senior Vice President, of Invest India, and Senior Advisor to the WAIPA proposed the OIBN engage with the global platform as a member and avail multiple benefits including technical assistance, capacity building of the institution, promote investment through sharing opportunities available for the foreign investors as well as share the expertise.

In the meeting, IBN CEO, Mr. Bhatta acknowledged the importance of the global network and laid emphasis on partnership and collaboration between IPAs bilaterally as well.

## IBN Participates in Birat and Sudurpaschim Expo



**KATHMANDU:** Officials and consultants from the Office of the Investment Board Nepal (OIBN) brainstormed in the discussion session “Infrastructure Growth” along with distinguished panelists organized by Vrock & Co. in collaboration with various agencies at the Birat Expo 2079 on 17<sup>th</sup> December 2022 in Biratnagar, capital of the province 1 in eastern Nepal.

OIBN Joint Secretary, Mr. Amrit Lamsal consultant for Investment Promotion Ms. Mukta Pandey brainstormed on opportunities, challenges & ways forward for the PPP projects.

The main aim of the session, titled “Infrastructure Growth” was to provide a platform to bring together key stakeholders from the public and private sectors to discuss policies, processes and ways of setting and executing priority projects for Province 1. Similarly, the expo has set the objective to address the infrastructure gaps and attract investments in all verticals to accelerate economic growth. The session also focused on the discussion regarding the projects, the roles of the public and private sectors in designing and implementing such projects, and the identification of problems.

The session was led by Dr. Saroj Koirala, Chief Executive Director, Province Investment Authority, Province 1. He presented a brief description of the pipeline projects based on the priority list of provinces 1. It was followed by a presentation on PPP by the Chairman of VRock, Mr. Radesh Pant regarding the key concepts of PPP.



The panelist for the interaction session was Mr. Amrit Lamsal, Joint Secretary OIBN, Mr. Jaya Kumar Ghimire, Secretary, Provincial Planning Commission-Province 1, Mr. Rajendra Raut, Economic Advisor to Chief Minister-Province 1, Ms. Barsha Shrestha, Business Head-ICRA Nepal Ltd and Mr. Ghanshyam Ojha, Vertical Lead, NIFRA. As an investment promotion agency, the OIBN has given due priority to the forward-looking investment ecosystem in collaboration and partnership with various stakeholders including the provincial governments.

Prior to the Expo, Joint Secretary, OIBN Joint Secretary, Mr. Lamsal had a meeting with high-ranking officials of the Office of Chief Minister & Council of Ministers, Province1 in Biratnagar on 16<sup>th</sup> December 2022. Investment priorities, policies and areas of collaboration with the provincial government were discussed in the meeting. Mr. Purusottam Dhakal, Mr. Ishwor Kumar Giri, Mr. Kishor Kumar Chaudhary, Mr. Suresh Neupane, Mr. Bhes Raj Neupane and Dr. Saroj Koirala of the Office of Chief Minister and Council of Ministers, Province 1 were present in the meeting.

Meanwhile, the Office of the Investment Board Nepal as an investment promotion agency promoted during the Sudurpaschim Expo inaugurated by the erstwhile Rt. Hon’ble Prime Minister Mr. Sher Bahadur Deuba. Promotional materials, projects and flagship publications were displayed throughout the event held in Dhangadhi, capital of Sudurpaschim Province from 8<sup>th</sup> to 17<sup>th</sup> December 2022.

# OIBN, CNI Discuss to Promote Quality Investment



**KATHMANDU:** Office of the Investment Board Nepal and Confederation of Nepalese Industries (CNI) had a discussion on 22<sup>nd</sup> December 2022 for promoting investments and amplifying the catalytic role of the private sector to attract quality investments aligning with national priorities in a focused and collaborative manner.

A delegation of CNI led by its Vice President, Mr. Hem Raj Dhakal had a meeting with IBN CEO, Mr. Sushil Bhatta and Joint Secretary Mr. Amrit Lamsal. The meeting was concluded to explore a few areas that pave way for meaningful collaboration for promoting quality investment in the country through market sounding of the PPP projects and conducting baseline studies in certain areas including the legal reforms required to develop a favorable investment climate as well as forward-looking investment ecosystem to spur economic growth.

The CNI, an umbrella body of Nepal's leading industrialists has also been interested in establishing a research cell to operate jointly to conduct investment-related research as a part of the long-term partnership between the two institutions.

In response to the proposals floated by the CNI, IBN CEO Mr. Bhatta has said that the integrated approach for promoting the country as an emerging investment destination carries a significant message among investors across the world as the country's private sector is considered the catalyst for foreign investment. OIBN has also established a partnership with the Federation of Nepalese Chamber of Commerce and Industry (FNCCI)—an umbrella network of the country's private sector—to operate the reference centre for the FDI, as an extension cell beyond the OIBN premises. He urged the officials and consultants to prepare a covenant for meaningful partnership and collaboration with the CNI as well.

The CNI team led by Mr. Dhakal comprised Mr. Saibal Ghosh, country manager, Berger Paints; Mr. Chandra Tondon, managing director of City Express Money Transfer; Mr. Deepak Raj Joshi, Director General of CNI; Mr. Gaurav Goyal, deputy general manager of Hongshi-Shivam Cement and Himal Paudel, director of CNI.

# OIBN Sets a Culture of Continued Engagement with Developers and Stakeholders



**KATHMANDU:** Office of the Investment Board Nepal has established a culture of continued engagement with the developers with the CEO and the senior management team (SMT) in a bid to effective facilitation of projects through receiving comments, feedback and grievances from their end.

In this regard, Mr. Nand Lal Sharma, Chairman/ Managing Director of SJVN Ltd. India, paid a courtesy visit to IBN CEO, Mr. Sushil Bhatta on 28<sup>th</sup> December 2022 and discussed the hydroelectric projects in different stages of development in the Arun River basin of eastern Nepal with the OIBN Senior Management Team. Mr. Sharma has appreciated the role of IBN stating that the responsible authorities in India were surprisingly impressed with the pace of statutory clearances from Nepal through the Office of the Investment Board.

Similarly, the outgoing CEO of NWEDC, Mr. Hee Woong Kang paid a courtesy visit to IBN CEO, Mr. Sushil Bhatta on 19<sup>th</sup> December. In the meeting,

he expressed his deepest thanks to the OIBN for continued support to take the Korean footprint (UT1 HEP) forward and introduced the newly appointed CEO Mr. Tae Hak Yoon.



Meanwhile, Mr. Rajendra Prasad Goyal, Director (Finance), NHPC Ltd. paid a courtesy visit to IBN CEO, Mr. Bhatta on Tuesday, 19<sup>th</sup> December 2022. Ongoing survey works of the West Seti Hydroelectric Project, NHPC's long-term investment plan in Nepal's clean and renewable hydroelectricity were discussed in the meeting. In addition, Mr. Rajeev Gupta, General Manager In-charge (International Operations) and Mr. Anshu Bhatnagar General Manager (International Operations) from the BHEL (Bharat Heavy Electricals Limited) paid a courtesy visit to IBN CEO, Mr. Bhatta. BHEL is engaged with 900 MW Arun 3 and 2x20 MW Rahughat Hydroelectric projects in Nepal. The BHEL



Meeting with NWEDC

representatives have also discussed hydroelectric project opportunities in Nepal and briefly explained about the status of aforesaid projects.

## French Delegation Visits OIBN



**KATHMANDU:** A delegation from French Embassy, India led by His Excellency, Mr. Benoit Gauthier, Head of the Regional Economic Department for South Asia paid a courtesy visit to Mr. Sushil Bhatta, CEO of the Investment Board Nepal on 5<sup>th</sup> December 2022. The delegation discussed investment opportunities for prospective French investors and potential areas of cooperation during the visit.

Mr. Amrit Lamsal, Joint Secretary, Office of the Investment Board Nepal has informed the delegation regarding the objectives, functions and structure of the Board stating that the IBN is

a high-powered government agency led by the Rt. Hon'ble Prime Minister for investment promotion and facilitation serves as the PPP nodal agency as well as the first reference point for the FDI in Nepal. Joint Secretary Mr. Lamsal urged the delegation to convey the message among French investors that Nepal is favorable for business.

Mr. Gauthier was accompanied by Mrs. Sylvia Malinbaum, Deputy Financial Counsellor, and Mr. Hervé Millequant, Aeronautics and civil aviation counsellor.

# SAPDC Supports for Construction of School Building



**Mr. Raiman Rai, Headteacher,**  
Shree Singhadevi Basic School, Walung

Our school, Shree Singhadevi Basic School, was established long back on 23<sup>rd</sup> February 1974 in Makalu Rural Municipality-1, Walung, located in the northeast hill of Nepal. The school had lack of adequate infrastructure like school buildings, toilets, hostels, cafeteria, library and labs in place.

Previously, there was no concrete building to run classes. The building was made up of local construction materials, which was damaged partially due to the massive earthquake of April 2015. Later, the school approached the local government to reconstruct the building to ensure safer classrooms, which is a fundamental necessity for the school.

Considering our request, the Makalu Rural Municipality has talked to the SJVN Arun-3 Power Development Company (P.) Ltd. (SAPDC), developer of the 900 MW Arun-3 Hydroelectric Project as the project has been contributing 0.5% of their project cost for the community infrastructure of the project-affected area.

The project awarded the contract for the school building construction following the agreement with the Makalu Rural Municipality. A two-storied building with three rooms on each floor was constructed in the half ropani of land, however, it took a longer time for the construction than expected. Initially, the contractor had told us to complete the construction works within six months following the demolition of the old school building.

We'd shifted our classes to the tarpaulin tents temporarily, however, dillydallies from the contractor of the building compelled us to continue our classes in tents for a long time. Despite the adverse situation, the school has paid full attention to minimizing the impacts while running classes. In July 2022, the classrooms were placed in the newly built concrete building, where classrooms are hardly disturbed due to rain, wind or other reasons.

We have a computer lab, library and other facilities as well. However, we still lack compound fencing, a hostel and a good cafeteria. There are separate

restrooms for girls. Being a basic school, we also run early childhood development (ECD) classes in addition to Grade 1 to Grade 8. We've around 70 students in total coming from the neighboring villages, like, Singhadevi, Paruhang, Jimi and Beshi; however, we have the capacity to accommodate 30 students in each class; however, we have to delve upon the increasing number of teachers and instructors if the flow of students increased.

SAPDC has also promised to provide furniture, which is yet to be delivered. The new concrete building has enhanced the safety of the classroom and added value for effective teaching-learning activities,

improved attendance and interest in learning. It has motivated and attracted students to choose this school. Following the construction of this school, locals migrated to cities and district headquarters for employment opportunities and better education for their children also came back and started sending children to this school as the project has offered employment for at least one member from each family of the project-affected areas.

We're a beneficiary of the Arun-3 project and acknowledge this support for the community on a positive note. We expect to be electrified in the future and enhance facilities.

## Unique Experience for Students



**Ms. Sonika Tamang**

Grade 8 student, Shree Singhadevi Basic School

I'm Sonika Tamang, resident of Makalu-1, Walung. I'm studying in Grade 8 at Shree Singhadevi Basic School. I'm very happy that we have a new school building now supported by the developer of the Arun-3 project. Such development projects are instrumental for the country as they contribute to the community infrastructures and employment opportunities for the affected locals as well as the country's economy.

This is my last year in this school and I've to go to Num or Khadbari for my high school education. Due to the long time taken to construct our school building, our classes were conducted in tarpaulin tents and used to be disturbed for various reasons. The safer concrete building will help us to improve teaching-learning activities as classes run smoothly. It is a unique experience; the ambiance and atmosphere of the school are essential to motivate students. My junior students could spend more time in this school. As a senior student, I wish for a bright future for them.



## INVESTMENT BOARD NEPAL

Office of the Investment Board

ICC Complex, New Baneshwor, Kathmandu, Nepal

Tel: +977-1-4475277, 977-1-4475278 | Fax: +977-1-4475281

Email: [info@ibn.gov.np](mailto:info@ibn.gov.np) | Website: [www.ibn.gov.np](http://www.ibn.gov.np) | Twitter: @IBNOffice

