

# STRATEGIC PLAN





INVESTMENT BOARD NEPAL

# STRATEGIC PLAN



GOVERNMENT OF NEPAL  
INVESTMENT BOARD NEPAL

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# Foreword

I am pleased to know that Investment Board Nepal (IBN) is going to introduce its five-year Strategic Plan (2078/79 - 2082/83 BS).

The Government of Nepal is committed to promoting Nepal as a favorable investment destination through significant policy and procedural reforms and has taken concrete steps to eliminate procedural hurdles by simplifying operational matters, expediting investment processing by enacting new laws, amending the existing laws and regulations and terminating obsolete laws.

Against such a background, IBN has prepared its first five-year Strategic Plan (2078/79 - 2082/83 BS) with a roadmap to steer activities in garnering quality investment in Nepal which I firmly believe that will substantially contribute to materializing the government's commitment to attain an upper-middle-income status by achieving the Sustainable Development Goals (SDGs) by 2030.

Since its establishment in 2011, IBN has been instrumental in attracting quality investment to Nepal by providing facilitation to investors. IBN has provided investment approvals to 27 projects that worth Rs. 833 billion and is also facilitating the other projects with total investment of Rs. 576 billion. These projects are likely to set new standards for the delivery of Public-Private Partnership (PPP) initiatives in Nepal. Apart from contributing substantially to reform regulatory framework through pro-active policy advocacy to foster a more conducive business environment, IBN has also been active in identifying the key bot-



lenecks in Foreign Direct Investment (FDI) and address them in Nepal. Similarly, it is co-ordinating with various agencies, including the private sector, to introduce appropriate policy reforms. The government therefore wholeheartedly supports IBN in its initiatives to attract private sector investment in Nepal's priority sectors.

I congratulate the IBN for publishing its Strategic Plan and extend my best wishes for the effective implementation of the Plan.

A handwritten signature in black ink, appearing to read "Sher Bahadur Deuba".

**Sher Bahadur Deuba**  
Prime Minister and Chairperson,  
Investment Board Nepal  
Government of Nepal



# Message

The Strategic Plan of the Investment Board Nepal (IBN) comes at a critical juncture when Nepal is aspiring to become a high-income country and increase its per capita national income from USD 1,047 to USD 12,100 by 2043. Nepal's 15th Periodic Plan estimates an investment of over USD 79 billion (Rs. 9,246 billion) for the Plan period, of which 55.6 percent is expected from the private sector including FDI. Nepal thus needs an average annual investment of approximately USD 17.45 billion (Rs. 2,025 billion) over a decade to attain the Sustainable Development Goals by 2030.

Considering the resource crunch in the public sector, the government has noted the crucial role the private sector can play in fulfilling the resource gap and has conducted policy, legal, and institutional reforms to incentivize and facilitate investment from the private sector. Owing to the government's persistent efforts, the investment climate in Nepal is improving steadily as reflected in the economic indices.

In view of the global competition for FDI and the economic challenges induced by the COVID-19 pandemic, the need of the hour is to effectively implement the policies, Acts and regulations developed by the government and garner the much-needed private sector investment including FDI for large infrastructure development. In that regard, the govern-



ment shall leave no stone unturned to translate such challenges into opportunities to adopt innovative solutions.

I feel confident that IBN's Strategic Plan shall be a useful guide in realizing its vision, mission, and goals. As the high-level agency of the government, IBN can render quality service to investors as a 'Center of Excellence'. I wish it all success in this endeavor.

A handwritten signature in black ink, appearing to read 'Janardan Sharma'.

**Janardan Sharma 'Prabhakar'**  
Minister for Finance and  
Vice-Chairperson, Investment Board Nepal  
Government of Nepal

# Preface

Established as a high-powered Board to ensure faster development and implementation of mega-projects by mobilizing private investment including Foreign Direct Investment (FDI), Investment Board Nepal (IBN) has achieved notable success in its ten-year journey. The enactment of the Public Private Partnership and Investment Act (PPPIA) 2019 expanded IBN mandate and scope providing a strong legal framework for managing infrastructure projects. As a nodal agency for managing Public Private Partnership (PPP), IBN is responsible for promoting quality investment for the development of critical infrastructure and service sector in Nepal. The initiatives needed to strengthen the Office of the Investment Board Nepal (OIBN) have been undertaken to render quality service including policy advocacy for improving the investment climate of the country.

The long-term vision of Nepal is to become a high-income country by 2043. Similarly, the 15th Periodic Plan has the target to graduate from a least developed country to an upper-middle-income country by attaining the Sustainable Development Goals (SDGs) by 2030. To realize these objectives, substantial investment is required on infrastructure development. Developing modern, sustainable, and reliable infrastructure is essential for socio-economic development as it provides access, mobility, and market integration, creating new economic opportunities, facilitating the quality of life of people and of public service to its citizens. The private sector has to play a



crucial role in leveraging government resources to deliver more quality infrastructure and industrial development in the country and significant FDI is required to complement the national resources. The COVID-19 pandemic has made financing in infrastructure and service sector development more imminent and has left far-reaching impacts in all aspects of life, all people, and in all countries of the globe and most countries are now in search of large amounts of foreign financing in the post-pandemic period for revival of the economy. Nepal, too, has to strive seriously to attract and mobilize foreign investment in world's competitive environment.

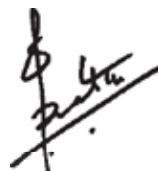
In such a changing scenario, IBN, as a high-level government agency for promoting and accelerating private investment, including FDI in the country, realized the need of a Strategic Plan as a

blueprint to drive the agency toward achieving the goals set at the national level. Accordingly, the 45th Board Meeting of IBN, chaired by the Rt. Hon. Prime Minister, directed the OIBN to formulate a Strategic Plan for IBN.

The IBN Strategic Plan provides a road-map for developing Nepal as an attractive investment destination. As per the mandate of PPPIA 2019, IBN has to act as a PPP Center of Excellence (CoE), for developing and managing PPP projects in the country in all the stages of PPP project lifecycle. The Plan adheres to the modern principles of strategy formulation to attaining the organizational goals outlined in the Plan, with a clear vision and mission. A pragmatic framework is inbuilt in the Plan to align the strategic objectives toward attaining the goals through four Strategic Pillars, namely Project Development and Management, Investment Promotion, Institutional Development and Coordination, and Collaboration and Partnership. It aims at bringing in significant changes in doing things in a transparent manner with a strong and effective system in place for the outcomes desired. Further, a five-year business plan

has also been developed for operationalizing strategies. This Plan has been developed with the active involvement of and consultations with the Office of the Prime Minister and Council of Ministers, concerned line ministries, National Planning Commission, development partners, development and financial institutions, and private sector associations.

With a clear road map provided in this Strategic Plan, IBN is committed to realizing the goals and strategic objectives and moving to the next level of economic development by developing IBN as a PPP CoE and accelerating private investment, including FDI. I look forward to receiving support and cooperation from all stakeholders in the successful implementation of the Plan.



**Sushil Bhatta**

Chief Executive Officer  
Investment Board Nepal

# Acknowledgements

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This Strategic Plan has been prepared as per the mandate and guidelines provided by the 45th meeting of the Investment Board Nepal (IBN). The Strategic Plan Formulation Committee (SPFC) was formed under the leadership of the Chief Executive Officer, Sushil Bhatta.

The members of the IBN provided guidance in the course of formulation of this Plan. The members of the SPFC representing various government agencies were: Bhupal Baral (Office of the Investment Board Nepal-OIBN), Dhruba Ghimire (Office of the Prime Minister and Council of Ministers), Yam Lal Bhusal (Ministry of Finance), Balaram Rijyal (Ministry of Industry, Commerce, and Supplies), and Ramesh Adhikari, Member-Secretary (OIBN).

All government officials and the embedded consultants of the OIBN participated in the Plan formulation process through the Strategic Task Forces (STFs), representing four Strategic Pillars, namely Project Development and Management, Investment Promotion, Institutional Development and, Collaboration, Coordination and Partnership.

IBN expresses its sincere gratitude to the IBN members for the support extended in preparation of the Plan and the inputs

provided. IBN also acknowledges the suggestions offered by the members of the SPFC and OIBN Under-Secretaries Sagar Raj Goutam and Raju Guragain.

Special thanks go to Jayandra Shrestha for providing his insightful guidance during the preparation of the Strategic Plan. For their substantive inputs and coordination, the contributions of Ghanashyam Ojha, Dilip Raj Bhatta, Shriju Dhakal, and Sourav Dhungana are gratefully acknowledged. They worked closely with the SPFC, STFs, private sector, development partners and other stakeholders to develop this Plan. IBN appreciates Ganesh Acharya for handling the design of the Plan. IBN also appreciates Govinda Nepal and Krishna Gyawali for the feedback offered on the document.

IBN is grateful to the Office of the Prime Minister and Council of Ministers, line ministries, National Planning Commission, development partners, development and financial institutions, and private sector associations for the feedback and suggestions offered. The preparation of this document was funded by the Government's internal resources, with valuable support from the Foreign, Commonwealth and Development Office (FCDO) of the United Kingdom.

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# Glossary of Terms

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**CORE VALUES:** Define what the IBN believes in and how staff of the OIBN are expected to behave with the relevant stakeholders.

**DESIRED OUTCOME:** The intermediate result(s) that strategies aim to attain in realizing the set strategic objectives.

**GOAL:** The purpose-driven, forward-focused, and long-term measurable objectives indicative of the long-term vision that provide a basis for measuring the performance of IBN during the Strategic Plan period. Within the Strategic Plan, "Goals" articulate larger outcomes or societal impacts that IBN aims to achieve.

**MISSION:** The purpose why IBN exists and provides a strategic direction on how the organization shall serve to attain the vision.

**OUTPUT INDICATOR:** The immediate results that strategies aim to deliver and the basis for measuring success that the planned activities are intended to create.

**STRATEGY:** Plan of action to achieve the institution's strategic objectives and

goals and express cause-and-effect relationships between the desired state and existing state.

**STRATEGIC OBJECTIVES:** Support goals and reflect more focused policy or operational areas where IBN plans to make significant improvements.

**STRATEGIC PILLARS:** The essential dimensions that define the activities and initiatives directing the organization to achieve its long-term goals, devised around the Strategic Pillars.

**STRATEGIC PLAN:** A road map that describes the overall direction of IBN as well as how the IBN achieves its Strategic Goals and Objectives.

**TRANSFORMATIVE INFRASTRUCTURE:** Projects with the potential for large-scale impact to achieve the nation's socioeconomic goals.

**VISION:** A clear picture that IBN strives to achieve in the distant future, i.e., during the Strategic Plan period.

# Executive Summary

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Established in 2011 the Investment Board Nepal (IBN) is a high-level institution under the chairmanship of the Rt. Hon. Prime Minister tasked with attracting and facilitating private investments, including Foreign Direct Investment (FDI) and managing Public Private Partnership (PPP) in Nepal. As per the Public-Private Partnership and Investment Act (PPPIA) 2019, IBN is mandated to approve projects with an estimated project cost of Rs. 6 billion or above. IBN is responsible for implementation of PPP projects with an estimated project cost of Rs. 6 billion or above and hydropower and energy projects above 200 MW. The PPPIA 2019 has expanded the scope of IBN and strengthened the institution with more authority, functions, and duties. To achieve the objectives of and function in accordance with the Act, IBN realized the need to formulate a well-elaborated Strategic Plan, and the need was further enhanced by the requirement of securing a large amount of private sector investment including FDI to achieve the goals of the 15th Periodic Plan (FY 2019/20 - 2023/24) and the Sustainable Development Goals (SDGs).

The FDI inflow to Nepal has increased over the decade, however, it is not sufficient to meet the financing requirements. Given the overarching financing needs tied to the 15th Periodic Plan and the SDGs, the private sector is being encouraged to contribute 55.6 percent of the total investment requirement amounting to Rs. 9,246 billion in the Plan Period. IBN will facilitate progress

towards Nepal's economic development targets by supporting enhancements in the investment climate, legal and regulatory environment and diversification of the nation's economic base. The COVID pandemic has increased competition among emerging economies worldwide to attract FDI; however, this Strategic Plan will allow IBN to play a significant role in improving Nepal's competitiveness in the global arena. To formulate the Strategic Plan, the 45th Board Meeting of IBN, chaired by the Rt. Hon. Prime Minister, formed a Strategic Plan Formulation Committee (SPFC) headed by IBN Chief Executive Officer and comprising members from the key line ministries.

The main purpose of the IBN Strategic Plan is to a) guide IBN in delivering on its mandate; b) determine IBN priorities; c) devise suitable strategies to achieve its Strategic Goals for attracting quality investments and streamlining the key functions of IBN; and d) provide efficient and effective services to investors in facilitating project development and management. Over the period covered by the Plan, the vision is to position Nepal as an attractive investment destination. IBN shall accelerate investment in transformative infrastructure in the priority sectors by promoting and managing PPP projects and facilitating private investment in infrastructure. IBN's Goals for the Strategic Plan (FY 2021/22 - FY 2025/26) shall be to garner quality investment in Nepal through approval of at least USD 10 billion, manage PPP projects of at least USD 6 billion, contribute to generating

employment opportunities to at least 100,000 people and improve the investment climate in Nepal. Further, IBN strives to develop as a PPP Center of Excellence (CoE) over a period of five years.

The strategy development process adopted a result-driven approach and began with the development of a set of Strategic Goals for the period covered by the Strategic Plan. These Goals are aligned with the overall vision of IBN and intend to operationalize the vision in specific and understandable terms. After the formulation of the Goals, four Strategic Pillars (key focus areas) have been identified: Project Development and Management; Investment Promotion; Institutional Development; and Coordination, Collaboration and Partnership, representing the key dimensions around which strategic objectives are defined and strategies devised. They support IBN's vision and represent the priority areas for the next five years. Four specific Strategic Task Forces (STFs), comprising members of the Office of the Investment Board Nepal (OIBN) staff and embedded consultants, worked separately on each Strategic Pillar to set out the strategic objectives and desired outcomes, devise suitable strategies and define success measures, and prepare action plans. A series of meetings, workshops, discussions, and review sessions were further held under each Strategic Pillar to consolidate, harmonize, and finalize the Strategic Plan. Separate consultation workshops were also organized with government agencies, development

partners and the private sector to solicit inputs on the draft Strategic Plan.

The strategic objectives and associated strategies developed and devised are based on the findings of a review of private sector investment in Nepal and IBN's ten-year performance, including situation analysis, lessons learnt, and the priorities and targets set out in the 15th Periodic Plan. The situation analysis was carried out through SWOT, PESTEL, and stakeholder analysis.

There are four Strategic Pillars, nine strategic objectives and 13 strategies defined and devised for the Strategic Plan required to achieve the Goals. Each of the Strategic Pillars comprises strategies that support the attainment of the key strategic objectives and, eventually, IBN's goals in different but complementary ways.

The first pillar, 'Project Development and Management', is associated with the development of credible market-ready and bankable projects, strengthening the existing procurement system and effective facilitation and monitoring. The Pillar has the target to develop at least 75 Project Idea Notes (PIN) and list them in IBN Project Bank Management Information System (PBMIS) over a period of five years. It has also targeted to carry out at least 25 pre-feasibility and 14 feasibility studies to create a credible project bank during the period. The project development and management action plan has also targeted to collaborate

with the Ministry of Industry, Commerce and Supply (MoICS) for development of strategic brownfield projects. For this purpose, IBN has set a target to conduct studies of at least 10 brownfield projects together with the MoICS and move them forward for development. IBN has also planned to develop a list of at least 25 private investment projects in collaboration with the relevant agencies, including federal, province and local governments and the private sector over a five-year period. On the solicitation of PPP projects, IBN has planned to select developers for at least 16 projects over the five-year period and has planned to sign at least 15 PDA/PIA over the period. This will result in a fair, transparent and robust project procurement system and facilitate reliable delivery of projects in terms of predetermined timeframes, cost and quality, while complying with the terms and conditions agreed in delivering the agreed benefits.

devised are: establish Nepal as an attractive investment destination; position IBN as a first reference point for investment in Nepal; and identify and target strong leads including development of partnerships with Nepal's diplomatic missions abroad. It has adopted a policy toward encouraging green infrastructure in addition to partnering with national, regional and international organizations, as development partners for improving investment climate in Nepal.

The third Pillar, 'Institutional Development', holds critical significance in service delivery, institutional sustainability, and enhancement of human resource competency to further develop IBN as a PPP CoE. The strategic objectives are: establish IBN as a National PPP CoE and ensure institutional development and sustainability of IBN. For this purpose, IBN shall develop as a result-oriented agency by adopting the best PPP practices, devise a robust institutional framework securing institutional and financial autonomy and operational independence to allow it to outperform on the functions of project development, management and investment promotion. Similarly, IBN shall establish PPP Knowledge hub, PPP Database, and develop guidelines, tools and templates for identification, structuring and management of PPP Projects. The focus shall be placed on providing advisory service to federal agencies and sub-national government as well as capacitating them on PPP. It shall ensure that the staff are well capacitated to render quality services through appropriate skill-building, training and workshop participation. The focus will be on development and implementation of systems such as PBMIS, Knowledge Management Portal (KMP), the web based One Stop Service (OSS) and Investors Information System, while strengthening institutional

**The strategic objective is to develop IBN as a result-oriented agency by means of adopting best practices of international PPP and IPA agencies.**

The second pillar, 'Investment Promotion', is concerned with undertaking promotion initiatives and providing high-quality services in all phases of the investment cycle. A 3R – Reach, Retain and Regain – approach has been adopted for effective investment promotion. As the central agency for foreign investment promotion and generation, IBN needs to develop a comprehensive, investor- and service-oriented approach. The Strategic Objectives are: reach out to investors, retain investors, and regain investors to achieve which the strategies

memory, service automation and generating investment leads.

The fourth pillar, 'Coordination, Collaboration and Partnership', has a cross-cutting function to ensure the relevant stakeholders of IBN in collaborating and promoting partnership. The strategic objective is to enhance strategic relationship with national and international organizations, including development partners, government agencies and the private sector for fostering effective partnership. For this purpose, functional and strategic relationship will be established with diverse stakeholders, including federal agencies, provincial and local governments to attract investments.

To monitor and review the performance of Strategic Plan, a review and learning mechanism has been developed using a MEAL (Monitoring, Evaluation, Accountability, and Learning) framework which provides the basis for measuring progress against the Plan; i.e. how effectively the objectives and targets have been achieved, and how the feedback recording mechanism has incorporated learnings into the Plan and decision-making process. Further, the performance of the entire office has been strategically linked to the Plan by integrating the strategy into the performance indicators of the OIBN staff at both vertical and horizontal hierarchies. Learning and communication systems are also developed for continuous improvement. The feedback obtained from M&E will be incorporated into a yearly review of the Business Plan to re-prioritize actions for the succeeding years.



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# Abbreviations and Acronyms

CEO	Chief Executive Officer
CoE	Center of Excellence
CNI	Confederation of Nepalese Industries
Dol	Department of Industry
DPR	Detailed Project Report
FDI	Foreign Direct Investment
FITTA	Foreign Investment and Technology Transfer Act
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FS	Feasibility Study
FY	Fiscal Year
GDP	Gross Domestic Product
GoN	Government of Nepal
IBN	Investment Board Nepal
ICT	Information, Communication, and Technology
IEA	Industrial Enterprise Act
ILO	International Labour Organization
ISS	Investors Information System
KMP	Knowledge Management Portal
LDC	Least Developed Country
MEAL	Monitoring, Evaluation, Accountability, and Learning
MoIICS	Ministry of Industry, Commerce, and Supplies
MoU	Memorandum of Understanding
MW	Mega watt
NCC	Nepal Chamber of Commerce
NIS	Nepal Investment Summit
NPC	National Planning Commission
NRB	Nepal Rastra Bank
OIBN	Office of the Investment Board Nepal
OSS	One Stop Service
PBMIS	Project Bank Management Information System
PCN	Project Concept Note
PDA	Project Development Agreement
PESTEL	Political, Economic, Social, Technological, Environmental, and Legal
PFS	Prefeasibility Study
PIA	Project Investment Agreement
PIN	Project Idea Note
PMU	Project Monitoring Unit

PPP	Public-Private Partnership
PPPIA	Public-Private Partnership and Investment Act
PPPIR	Public-Private Partnership and Investment Regulation
PRP	Project Review Panel
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SPFC	Strategic Plan Formulation Committee
STF	Strategic Task Force
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollars
VGF	Viability Gap Funding
WAIPA	World Association of Investment Promotion Agencies





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## CHAPTER 1

# Introduction

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This chapter provides background information about the Investment Board Nepal (IBN), its mandates, provisioned in PPPIA 2019, and its institutional framework. The chapter also provides a brief analysis on the rationale for developing the IBN Strategic Plan, its key objectives, IBN strategic vision, mission, and goals as well as the key factors for formulating the Strategic Plan.

## 1.1 Background

Established in 2011 the Investment Board Nepal (IBN) is a high-level institution under the chairmanship of the Rt. Hon. Prime Minister for attracting and facilitating private investment including Foreign Direct Investment (FDI) and managing Public Private Partnership (PPP) in Nepal. It was established through the Act of Legislature Parliament in 2011 under the Investment Board Act 2011 with mandates revised later after the introduction of the Public Private Partnership and Investment Act (PPPIA) in 2019.

The Office of Investment Board Nepal (OIBN) is a secretariat to the IBN that implements the decisions of the IBN board in addition to carrying out the day-to-day functions of IBN. As a dedicated investment promotion arm for

the government, IBN leads promotion of investment, provides handholding facilities to investors, signs fair and bankable contractual agreements with developers, and collaborates with government agencies to facilitate execution of such agreements.

## 1.2 Mandate

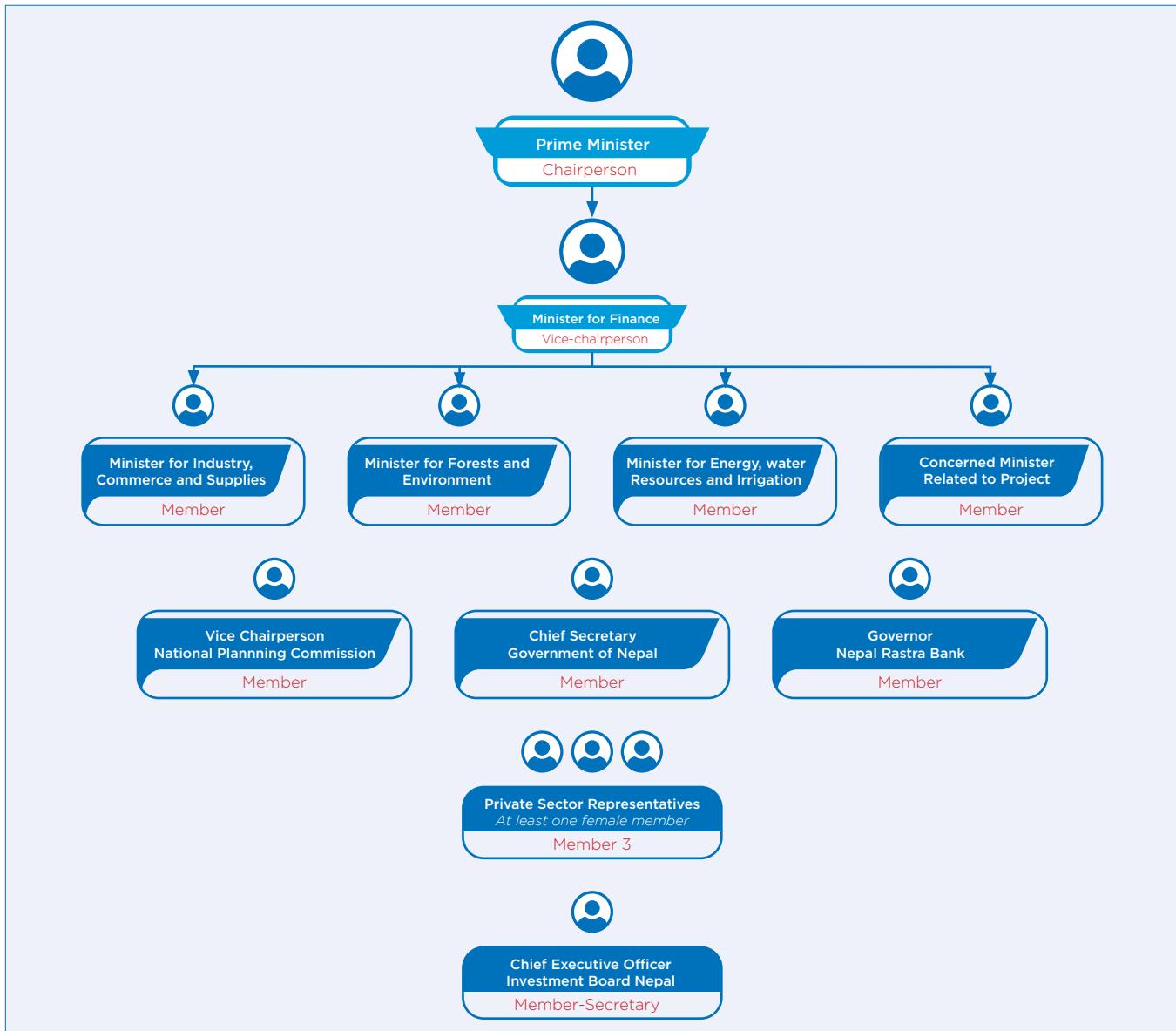
IBN functions as a central fast-track government agency to facilitate private investment in Nepal. It is a nodal agency for managing PPP projects. As per the PPPIA 2019, IBN is mandated to approve projects with an estimated project cost of Rs. 6 billion or above. IBN is responsible for implementation of PPP projects with an estimated project cost of Rs. 6 billion or above and hydropower and energy projects above 200 MW. The key objectives of the IBN as per the PPPIA 2019 are:

- i. To contribute to the economic prosperity of Nepal through investment by domestic or foreign private sector representatives in infrastructure building and services sectors; and
- ii. To manage the projects to be implemented under the PPP arrangements.

The following are the key functions, duties, and areas of authority of IBN as per the PPPIA 2019:

- To formulate policies relating to PPP or projects to be conducted through the public private partnership or projects to be carried out through private investments;
- To identify potential projects, study them and prepare a list of bankable projects;
- To prioritize projects for public private partnership or private investments, and market them to credible investors;
- To select projects to be implemented through PPP or through private investment;
- To conduct studies of the approved projects ;
- To facilitate the construction, operation and management of projects to be implemented through the PPP and through private investment;
- To recommend financial or non-financial incentives to project developers to enhance project bankability;
- To carry out the functions of selecting the developer for identification, survey, and implementation of the projects under PPP and carry out functions including monitoring;
- To write to the concerned agency of Government of Nepal for permission, license or approval required according to the prevailing law for the implementation of the approved projects;
- In case of requiring permission relating to forests and environment, to grant or cause to be granted permission having fulfilled the prescribed procedures;
- To approve concession agreements including project development agreement and project investment agreements;
- To conduct studies, research on matters relating to PPP;
- To conduct monitoring of projects implemented through the Board;
- To make available necessary expert services and coordinate and facilitate Government of Nepal and other government agencies with regard to construction, operation, restoration or upgrading of infrastructure structure to be constructed through FDI or PPP or delivering public services;
- To maintain coordination amongst various ministries, concerned provinces, local levels or government and private sectors for project development, investment promotion and projects implementation; and
- To fast-track decisions on approvals of project-related activities and provide transparent and professional services to investors.

**Figure 1:** Institutional Structure of IBN



### 1.2.2 Institutional Framework

IBN is chaired by the Rt. Hon. Prime Minister and the Hon. Minister for Finance acts as its Vice Chairperson. Other members are Ministers from the Ministry of Industries, Commerce and Supplies; Ministry of Forest and Environment; Ministry of Energy, Water Resources and Irrigation; Minister representing the relevant pro-

ject, Governor of Nepal Rastra Bank, the Central Bank of Nepal; Vice Chair of National Planning Commission (NPC); Chief Secretary of the Government of Nepal (GoN); and three sectoral experts including a female. The Chief Executive Officer (CEO) is the Board's Member-Secretary appointed through a competitive process for four years.

<sup>1</sup> [https://npc.gov.np/images/category/15th\\_plan\\_English\\_Version.pdf](https://npc.gov.np/images/category/15th_plan_English_Version.pdf)

### 1.3 Rationale

The Constitution of Nepal 2015 envisions strengthening of the nation's economy through participation and development of the private sector with maximum utilization of means and resources available. Furthermore, it focuses on encouraging and utilizing foreign capital and investment in technology for infrastructure development. The GoN has developed the 15th Periodic Plan (FY 2019/20 - FY 2023/24), as a roadmap for Nepal's graduation from a least developed country to middle-income country by 2030. The Periodic Plan of Nepal has estimated an investment of over USD 79 billion (Rs. 9,246 billion) in the Plan period, out of which 55.6 percent of the investment is expected to be derived from the private sector, including FDI.<sup>1</sup> Nepal needs an average annual investment of approximately USD 17.45 billion (Rs. 2025 billion) over a decade to attain Sustainable Development Goals (SDGs) by 2030.

velopment. Since its establishment, IBN has been attracting and facilitating both Domestic Direct Investment (DDI) and FDI in infrastructure projects and service sector. As of July 2021, IBN has successfully approved investment of 27 projects worth Rs. 833 billion.

Over the period, IBN has realized the need to formulate a Strategic Plan for developing an institutional roadmap. The 26th meeting of IBN Board, on 1st June 2017, led to the formation of a high-level Steering Committee, headed by IBN Vice Chair, to develop and finalize the 5-year Strategic Plan for IBN. On 2 July 2017, the OIBN formed a task team, headed by IBN Joint Secretary to prepare a draft of the Plan. The task team was mandated to prepare the draft in coordination with the IBN CEO and present it to the Board. The five-year document was prepared and submitted to IBN CEO but was not taken to the Board due to new developments related to the introduction of PPPIA. After the formulation of the new Act and subsequent regulations, IBN needed to formalize its Strategic Plan. The 45th Board Meeting of IBN, on 11 November 2020, chaired by the Rt. Hon. Prime Minister approved the concept note on the Strategic Plan and formed a Strategic Plan Formulation Committee (SPFC).

**“As a part of Nepal's journey toward economic prosperity, IBN came into existence in 2011 to attract large-scale investment in infrastructure that would promote rapid economic growth.**

In the past, Nepal's economic performance remained poor owing to perpetual political turmoil and policy instability. With promulgation of the New Constitution in 2015, followed by elections of the three tiers of government, Nepal has stepped into a new era of peace and development. As a part of Nepal's journey toward economic prosperity, IBN came into existence in 2011 to attract large-scale investment in infrastructure that would promote rapid economic growth and de-

Considering the IBN role in mobilizing investment in the private sector, including FDI as entrusted in the new legislation, and the challenges faced in attracting private investment under the ongoing COVID-19 regime, there is a need to develop a robust Strategic Plan to achieve the objectives of PPPIA. The strategies and actions devised in the Plan are crucial to successfully attract quality investment and to create a positive impact on Nepal's economy.



## 1.4 Objectives

The main purpose of the Plan is to guide IBN in delivery of its mandate in the next five years (FY 2021/22 - 2025/26). The Plan will provide IBN with a clear direction in attracting quality investment, streamlining the key functions of IBN, provisioning efficient and effective services to investors, and facilitating project development and management. The specific objectives of the Plan are:

- Review the IBN's achievements since its establishment, assess its current situation and consolidate gains; and
- Determine priorities and Strategic Goals and develop a roadmap by devising strategies and actions for the next five years toward realization of the Strategic Goals and Objectives.

## 1.5 Vision, Mission and Core Values

IBN aspires to provide state-of-the-art services to investors and contribute to realizing the objectives of socio-economic development in the country via promoting and mobilizing private investment. To chart out the short, mid, and long-term priorities and strategies, IBN has developed the vision and mission statements, and adopted core values. With a vision of developing Nepal as an attractive investment destination, the Plan has developed strategies that ensure mutual prosperity of both the country and investors and aims at accelerating private investment in the key transformative infrastructures and mobilizing investments through PPP to attain the stated vision. The Plan, which envi-



sions development of IBN as a professional, transparent and result-oriented agency, has identified professionalism, innovation, integrity, transparency, team spirit, accountability, collaboration and excellence as IBN's core values.

## 1.6 Strategic Goals

The overall Goal of the IBN Strategic Plan is to garner quality investments for the socio-economic development of Nepal. The specific Goals set out for the Strategic Plan period are as follows.

**GOAL 1:** To approve investment of at least USD 10 billion over the five-year period. Such approval includes projects managed by IBN. IBN, as per its mandates, also approves investments for projects separately managed by relevant agencies.

**GOAL 2:** Managing PPP Projects worth at least USD 6 billion by FY 2025/2026. The IBN project list under different stages is included in Annex 6.

**GOAL 3:** Based on IBN experience of its existing projects, IBN aims to contribute to generating of at least 100,000 employment (direct, indirect, and induced) by FY 2025/2026. This can be generated by the development of at least 15 Project Development Agreement (PDA)/ Project Investment Agreement (PIA) projects and projects under different study stages over the Plan period.

**GOAL 4:** As an apex Investment Promotion Agency, IBN shall contribute to improving investment environment through effective investment promotion. IBN shall conduct activities of investment generation, image building, after care and policy advocacy to attract FDI.

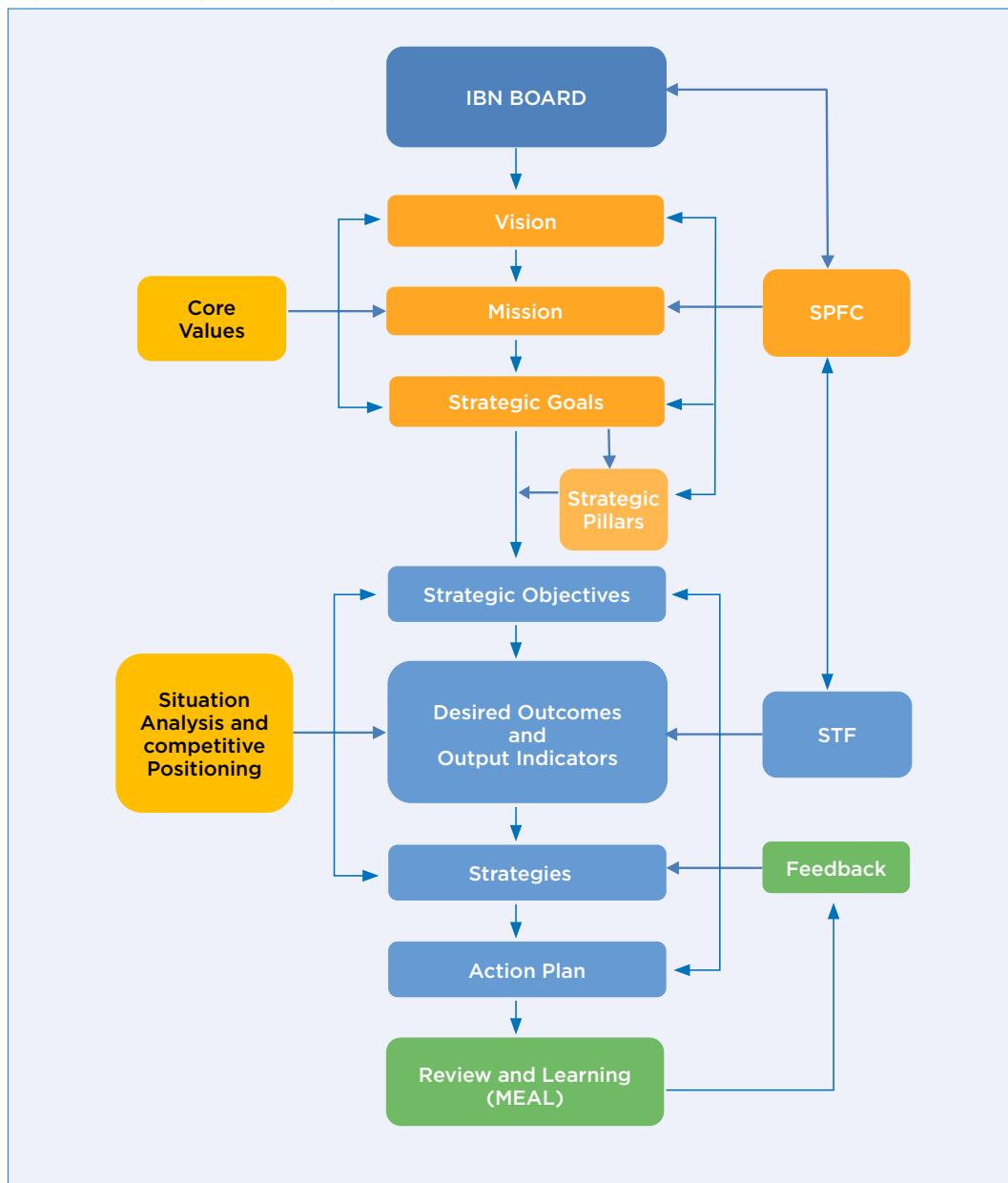
**GOAL 5:** In line with the spirit of the PPPIA 2019, IBN shall be developed as a PPP Center of Excellence (CoE) in Nepal. It shall internalize best PPP practices to develop and manage PPP in the country.

## 1.7 Approach for Formulation of the Strategic Plan

The Plan formulation process adopted both top-down and bottom-up approaches. Defined by the SPFC in consultation with the IBN Board, the Vision, Mission, and Core Values of the IBN are

guided by the PPPIA 2019. The SPFC set out Goals to be achieved during the Plan period and identified Strategic Pillars representing the key dimensions to focus on. The four Strategic Task Forces (STFs), consisting of members from OIBN Staff and embedded consultants (refer Annex 2), worked separately on each Strategic Pillar to lay out strategic

**Figure 2:** Strategic Planning Framework



objectives and desired outcomes, devise suitable strategies, define success measures, and prepare action plans. A series of meetings, workshops, discussions, and review sessions were also held under each Strategic Pillar to consolidate, harmonize, and prepare the Plan. A validation workshop was, moreover, conducted with government agencies, development partners, and private sectors incorporating suggestions from the key stakeholders (refer Annex 3 and 4).

The strategy development process adopted a results-based approach, starting with the development of Goals for the Plan period, aligned with the overall vision which operationalized the Vision in specific understandable terms. After the formulation of Goals, four Strategic Pillars (key focus areas) were identified, representing the key dimensions around which strategic objectives were defined and strategies were developed.

The desired outcomes and output indicators (key performance indicators) were next defined and set out for each strategic objective. Accordingly, strategies were devised to achieve the strategic objectives. These strategic objectives and the associated strategies were developed and devised based on the findings of a review of private sector investment in Nepal and IBN's ten-year performance, situation analysis, and lessons learnt. The situation analysis was carried out through SWOT analysis, PESTEL, and stakeholder analysis.

For effective execution of strategies, action plans<sup>2</sup> were conceived with the action matrix, framed in terms of actions

and prioritized activities, KPIs, and targets. Learning and communication systems are also developed for continuous improvement. The feedback obtained from M&E will be incorporated into a yearly review of the Business Plan and reprioritize actions for the succeeding years.

The flowchart of IBN Strategic Planning Framework is presented on Figure 2.

## 1.8 Factors Considered in Formulating the Strategic Plan

IBN's Strategic Plan needs to align with the national development agenda, including the vision and mission of the government, constitution of the country, and priorities of the federal, provincial, and local governments. Apart from IBN's legal mandate, the key bases considered for the Strategic Plan are:

### 1.8.1. Government Vision, Targets and Objectives

Nepal has made significant progress with the adoption of a new Constitution in 2015, transitioning from a unitary to federal state, and concluding three levels of election process. With the development goals well documented in the 15th Periodic Plan (FY 2019/20 - 2023/24), the Government has targeted initiatives to realize its goal of gradually becoming an upper middle-income country by 2030. In order to attain the status of a middle-income country, Nepal is trying to catch up with the wider regional pace of development through significant commitments in investment, especially in the sectors of energy, transport, tourism, Information, Communication and Technology (ICT),

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<sup>2</sup> The action plans are part of the IBN Business Plan.

**Table 1:** Key Targets of 15th Periodic Plan

National Goals, targets and Indicators	Status in FY 2018/19	Target for FY 2023/24
Economic Growth Rate	6.8%	10.3%
Per Capita GNI USD	1047	1595
Absolute Poverty	18.7%	9.5%
Literacy (Above 15 years)	58%	95%
Life Expectancy at Birth (Years)	69.7	76
Labor Force Participation Rate (Above 15 years)	38.5%	49%
National and provincial highways (up to 2 lanes) KM	7794	20200
Per Capita Energy Consumption (KWh)	245	700
Expenditure per tourist (USD)	48	100
GDP Contribution in Agriculture	27%	22.3%
GDP Contribution in Industry	15.2%	18.8%
GDP Contribution in Services	57.8%	58.9%

Source: National Planning Commission, 2020

and agriculture infrastructures. Table 1 shows the key targets of the 15th Plan.

To realize this, the country needs to attain a double-digit growth soon. Accordingly, the Government has set a target of achieving 10.3 percent economic rate by FY 2023/24 (average 9.6 percent) in the 15th Periodic Plan. The country needs huge investment in infrastructures, connectivity, tourism, and energy, which can push economic growth to double digit level, ending all kinds of poverty.

The total investment required for the 15th Plan period is estimated at Rs. 92 trillion 229 billion 290 million.<sup>3</sup> In this context, Nepal needs to put immense effort into attracting private investment, especially FDI, into the country to achieve the desired targets and bridge the gaps in Nepal's existing capital and technology. IBN therefore has an immense role to play in attracting private investment as articulated in PPPIA 2019.

### 1.8.2. Sustainable Development Goals

Nepal aspires to attain the SDGs by 2030. It is estimated that on average annual investment of Rs. 2025 billion is required to realize SDG targets by 2030. The NPC's Report "Need Assessment, Costing and Financing Strategy for Sustainable Development" states that the public sector is expected to contribute 55 percent of the total SDG requirement while private sector contribution is anticipated at 36 percent, the rest covered through cooperative and non-government organizations and the household sector. The average annual investment required is around 48 percent of the country's GDP. In this context, the average financing gap on an annual basis is estimated to Rs. 585 billion until 2030 where the SDG investment required is 30.3 percent for transport, industry, and ICT; 12 percent for energy; 8.1 percent for urban infrastructure; and 15.1 percent for the education sector respectively.<sup>4</sup>

<sup>3</sup> [https://npc.gov.np/images/category/15th\\_plan\\_English\\_Version.pdf](https://npc.gov.np/images/category/15th_plan_English_Version.pdf)

<sup>4</sup> [https://www.npc.gov.np/images/category/SDGs\\_Costing\\_Final\\_Version.pdf](https://www.npc.gov.np/images/category/SDGs_Costing_Final_Version.pdf)



### 1.8.3. The Economic Challenges from COVID-19

The turn of 2020 has brought a number of challenges as well as opportunities for investment - related activities worldwide. UNCTAD's World Investment Report (2021) stated that COVID-19 pandemic induced a sharp fall in global FDI in 2020 to the level witnessed during 2005. It was projected that the global FDI fell by 35 percent, i.e., from USD 1.7 trillion to USD 1 trillion.<sup>5</sup> The adverse impact of the pandemic was mainly on greenfield investment projects in the industrial and infrastructure projects. In order to cope with the problems, the focus should be on post-COVID recovery strategies that are more sustainable and more resilient to future shocks. Hence quite a few countries have shifted to inward-looking strategies prioritizing self-reliance and self-sustainability. FDI flows all over the world are on decline and Nepal is no exception; but the impact of the pandemic on Nepal is at a deeper level than anticipated. While it was initially estimated that the GDP would grow by 2.27 percent in FY 2019/20, the prolonged lockdowns in 2020 resulted in a downward readjustment of the growth -1.99 percent.<sup>6</sup> The economic growth for the year 2021 is projected at 2.7 percent.<sup>7</sup> Internation-

The pandemic is posing a unique challenge to Nepal's efforts at achieving its economic development goals. Yet, for the less developed countries like Nepal it is also an opportunity to attract FDI.

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al Labour Organization (ILO) estimated that the pandemic was likely to bring back home 127,000 migrant workers due to job losses and mental health issues, with additional 400,000 in the mid-term due to visa and contract-related issues.<sup>8</sup>

The pandemic is thus posing a unique challenge to Nepal's efforts at achieving its economic development goals. Yet, for the less developed countries like Nepal it is also an opportunity to attract FDI as business enterprises globally are looking for new opportunities to diversify their component production and assembly because of the rising labor costs and growing uncertainty about market access due to trading tensions.

<sup>5</sup> [https://unctad.org/system/files/official-document/wir2021\\_en.pdf](https://unctad.org/system/files/official-document/wir2021_en.pdf)

<sup>6</sup> <https://cbs.gov.np/wp-content/uploads/2020/04/CBS-GDP-Press-Release-2077-1-17-new.pdf>

<sup>7</sup> <https://www.worldbank.org/en/news/press-release/2020/10/08/COVID-19-impact-on-nepals-economy-hits-hardest-informal-sector>

<sup>8</sup> [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/briefingnote/wcms\\_748917.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/briefingnote/wcms_748917.pdf)





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## CHAPTER 2

# Situation Analysis

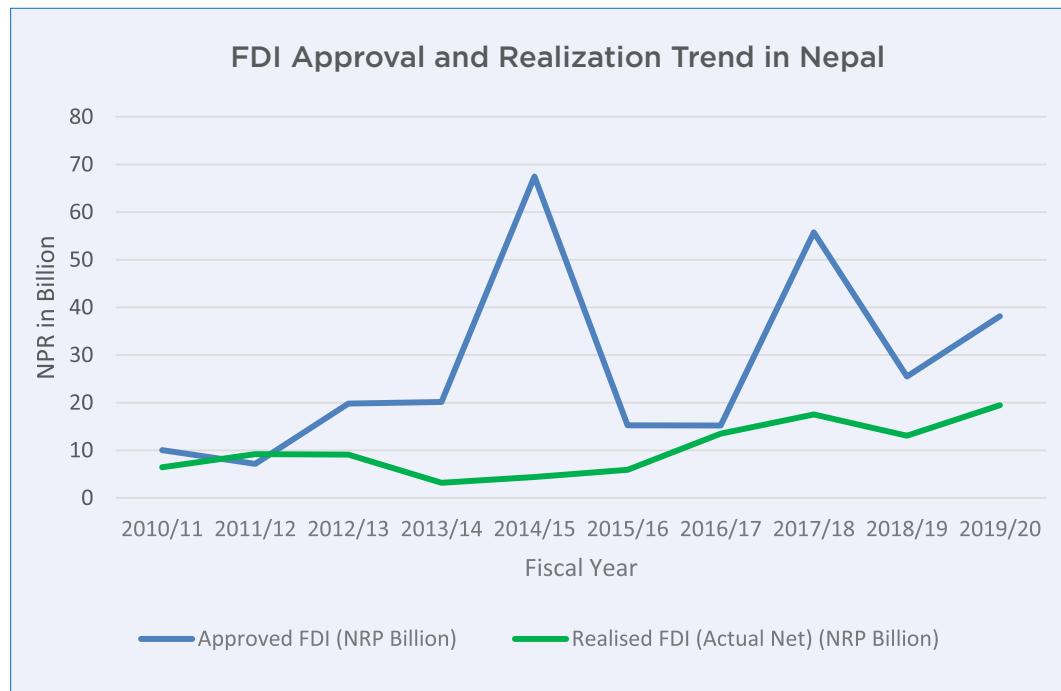
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This chapter focuses on a situation analysis of the operating environment in which IBN functions. Starting with the review of private investment in Nepal, a stock-taking exercise of IBN's achievements in the ten years since its establishment in 2011 has been done. Further, the internal and external conditions that affect IBN have been analyzed using SWOT, PESTEL, and stakeholder analysis. The chapter concludes with lessons learnt, focusing on the key areas of IBN functions. The findings of this chapter are useful in devising strategies to achieve the goals set for the period covered by the Strategic Plan and elaborated in subsequent chapters.

## 2.1 Private Investment in Nepal

Private investments, domestic as well as foreign, have emerged as a reliable alternative in emerging and developing economies to fill the gaps in development financing and have contributed significantly as facilitators of economic development. Their contribution is vital for accessing new technologies, finances, business practices, and markets. With increased global integration and liberalization, FDI flows are now on an increasingly upward trend.

**Figure 3:** FDI Approval and Realization Trend in Nepal (FY 2010/11- 2019/20)



Source: Ministry of Industry, Commerce and Supplies and Nepal Rastra Bank, 2021

## 2.2. Foreign Direct Investment

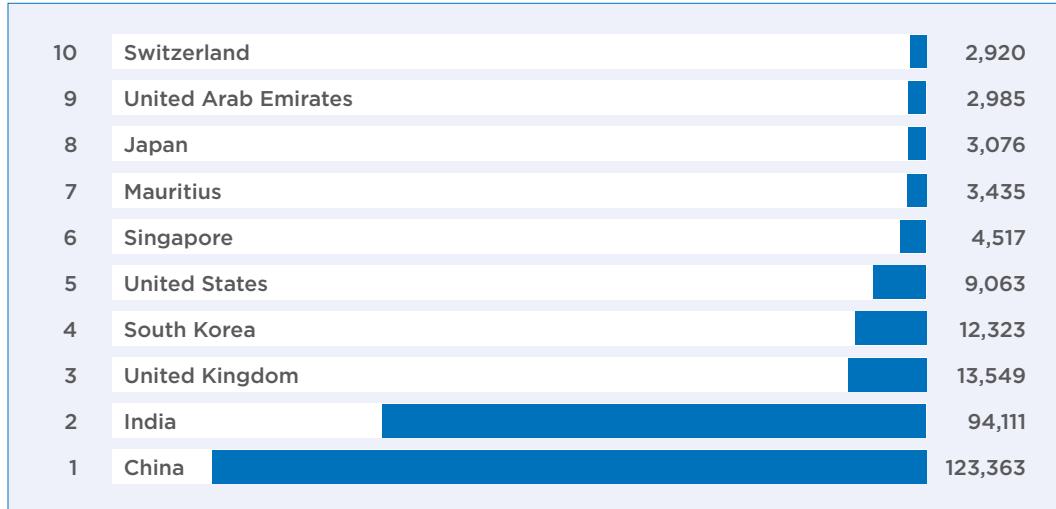
FDI inflows to Nepal have improved over the years. The country experienced, on average, an increasing trend in its FDI inflows from FY 2010/11 to FY 2019/20 (Figure 3). FDI achieved a steady rise from FY 2013/14 to FY 2017/18, reduced slightly in FY 2018/19, and picked up again in FY 2019/20. Still, FDI levels remain weak, and the country has not been able to secure substantial foreign investments compared to countries with similar economies in the region.

Realization of FDI remains poor in the past compared to the commitments made or interest shown. For instance, FDI approval in FY 2017/18 and 2018/19 stood at around Rs. 56 billion and 25 billion, respectively, but the amount received was just around Rs. 18 billion and 13 billion, respectively. On average 52.24 percent of FDI commitment was materialized over

the last decade (Figure 3) which means more efforts are needed to deliver on the intents stated and investments agreed through the Memorandum of Understandings (MoUs) and the like.

The potential and priority areas for investment in Nepal are energy, transport, agriculture, tourism, ICT, mining, health and education, manufacturing, and financial institutions. With economic diversification as a strategy for economic robustness, it is high time Nepal encouraged diversification of FDI into other sectors such as transport, tourism, ICT, agri-business, urban infrastructure, and management.

Statistics show that the majority of investment is coming from China, India, UK, USA, and South Korea. Statistics from the Department of Industry (DoI) reveal that China has been the top source of FDI followed by India, UK, South Korea and USA, respectively (Figure 4).

**Figure 4:** FDI Source Countries (Rs. in Million)

Source: Industrial Statistics 2076/77 B.S., Department of Industry

## 2.3 Domestic Direct Investment

Domestic private investment in Nepal has played an important role in bridging the investment gap and the investors from within the country have become great investment ambassadors in facilitating commitments from foreign partners who bring their own resources, skills and technology. The total investment contri-

bution from the domestic investors from FY 2015/16 to 2020/21 is Rs. 1,212,632.88 million. Domestic investments increased steadily between FY 2015/16 and FY 2017/18, but from FY 2018/19 there has been a decline in investment (Table 2).

The current levels of both FDI and domestic investments are not sufficient to achieve the goals set in the 15th periodic plan or SDGs.

**Table 2:** Domestic Direct Investment in Nepal

FISCAL YEAR	NO. OF INDUSTRY	TOTAL CAPITAL (Rs. in million)	FIXED CAPITAL (Rs. in million)	WORKING CAPITAL (Rs. in million)	NO. OF EMPLOYMENT
2015/16	408	120,377.78	103,960.39	16,417.39	18737
2016/17	508	162,952.01	144,907.26	18,044.75	26478
2017/18	498	349,851.23	328,544.61	21,306.63	27544
2018/19	439	283,352.61	264,169.53	19,183.08	23043
2019/20	277	152,625.28	140,392.03	12,233.26	17388
2020/21	176	143,473.97	131,493.61	11,980.35	10,369
TOTAL	2306	1,212,632.88	1,113,476.43	99,165.46	123,559.00

Source: Department of Industry Industrial Information System Dashboard (June 2021)

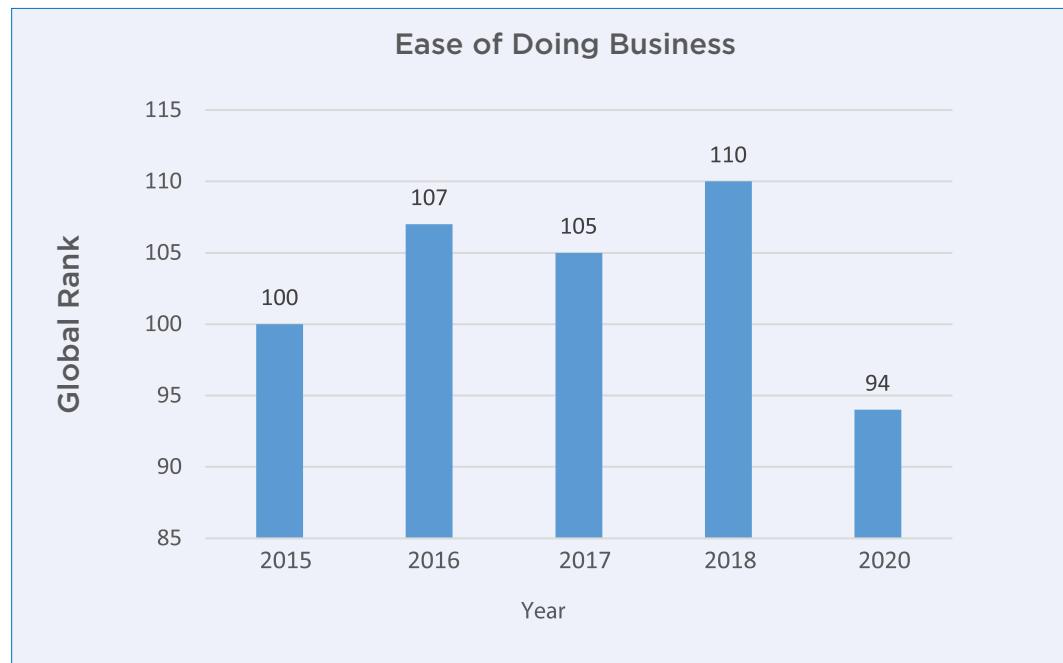
## 2.4 Investment Climate

Ease of Doing Business Index and the Global Competitiveness Index reflect the investment climate in Nepal.

The Ease of Doing Business Index of Nepal has been improving since 2015 (Figure 5). As per the Doing Business Report 2020, Nepal has leapt to the 94th position out of 190 economies across the world scoring 63.2 points. As per the report, Nepal has improved in indicators, such as securing construction permits, accessing electricity and credit, trading across borders, and securing contract enforcement<sup>9</sup>.

The Global Competitive Report 2019 ranks Nepal on 108th position out of 141 economies in terms of investment competitiveness<sup>10</sup>. Despite low rank, Nepal has performed better in indicators such as macro-economic stability, road connectivity, and electricity access and supply. Competitiveness rank needs to be improved (Figure 6). To address this situation, IBN is undertaking initiatives from investment promotion to facilitating private investment and managing PPP projects as discussed in the Section below. With this Strategic Plan, IBN aims to enhance Nepal's investment competitiveness in regional and global markets to become a preferred destination of choice for investment for all investors.

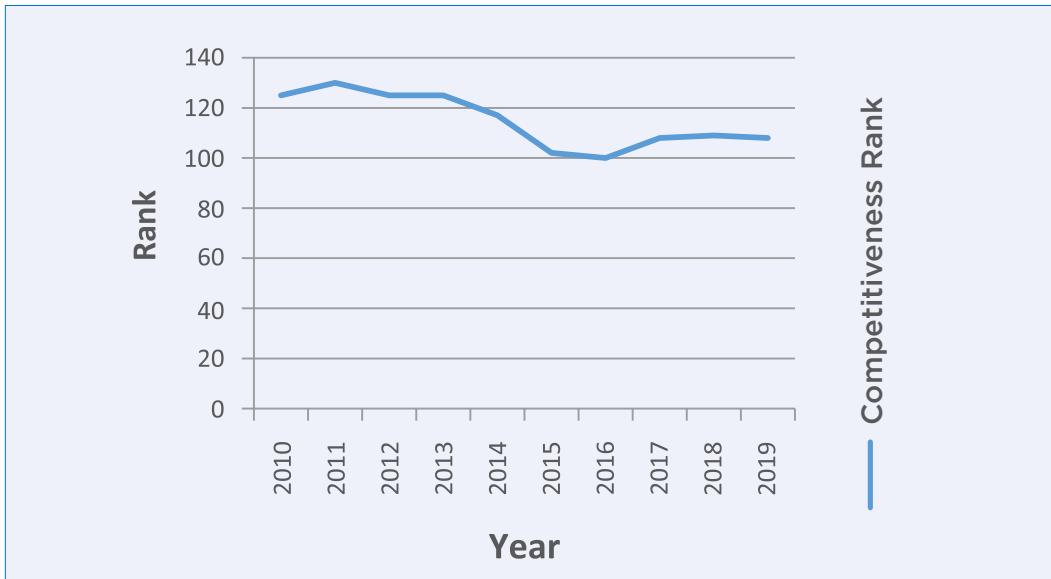
**Figure 5:** Ease of Doing Business in Nepal



Source: The World Bank Group's Doing Business Report

<sup>9</sup> Doing Business Report 2020, World Bank

<sup>10</sup> Global Competitive Report 2019, World Economic Form

**Figure 6:** Competitiveness Rank of Nepal

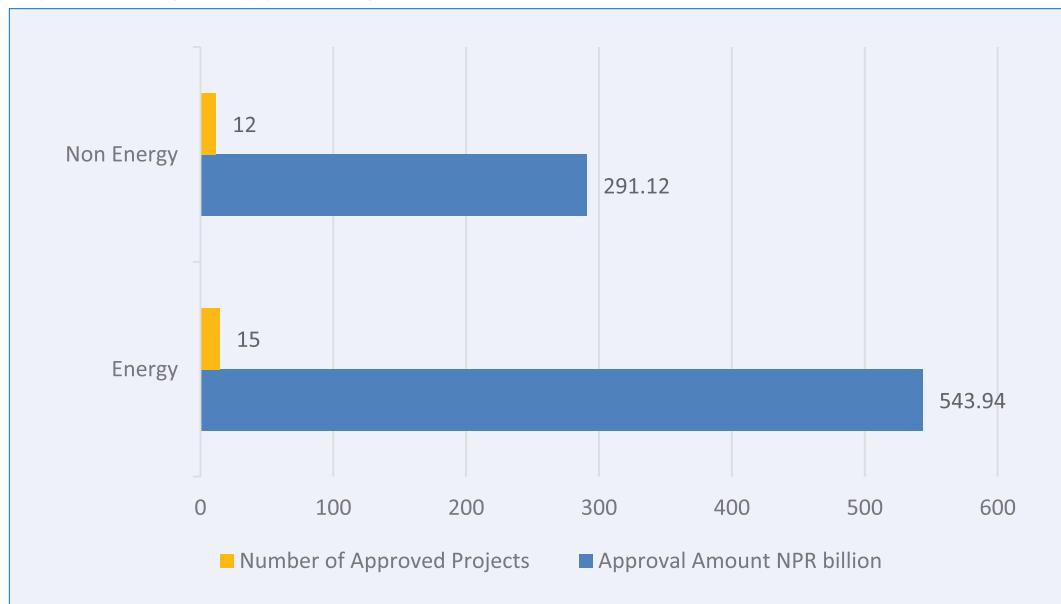
Source: World Economic Forum, 2019

## 2.5 Overview: Ten Years of IBN Achievement

In its decade-long existence IBN has evolved as a leading agency attracting and facilitating private investment and managing PPP in the country and it provided investment approvals for projects from a variety of sectors, in both PPP and private investment.

Figures 7 and 8 show IBN has approved a total of 27 projects worth investment of about approx. Rs. 833 billion in energy and non-energy sector to date (refer Annex 5 for detail information). The energy sector witnessed the highest levels of approval, followed by tourism, and mines and minerals. The list of projects initiated by IBN at different stages of project development are included in Annex 6.

**Figure 7:** Major Highlights

**Figure 8:** Project Approval by Sector

Source: Investment Board Nepal

In the arena of private direct investment, IBN has been able to facilitate completion of the first development phase (6,000 tons of cement production per day) of the Hongshi Shivam Cement plant, a Chinese-Nepali joint venture worth approx. USD 360 million. The company, as the first of its kind for Nepal, introduced Waste-to-Heat technology with a capacity of providing 12-megawatts of electricity through capture of pollutants that would have been discharged into the air. In the second phase of development, Hongshi aims to further upscale its production capacity to 12,000 tons of cement per day. Another cement project, Huaxin Cement Narayani, also a Chinese-Nepali joint venture, totaling USD 140 million of investment will produce about 3,000 tons of cement per day and is in the final stage of construction. The project is expected to start commercially soon.

IBN has already signed two PDAs of international standard—for development of the 900 MW Arun-3 (total estimated cost of Rs. 144 billion) and the 900 MW

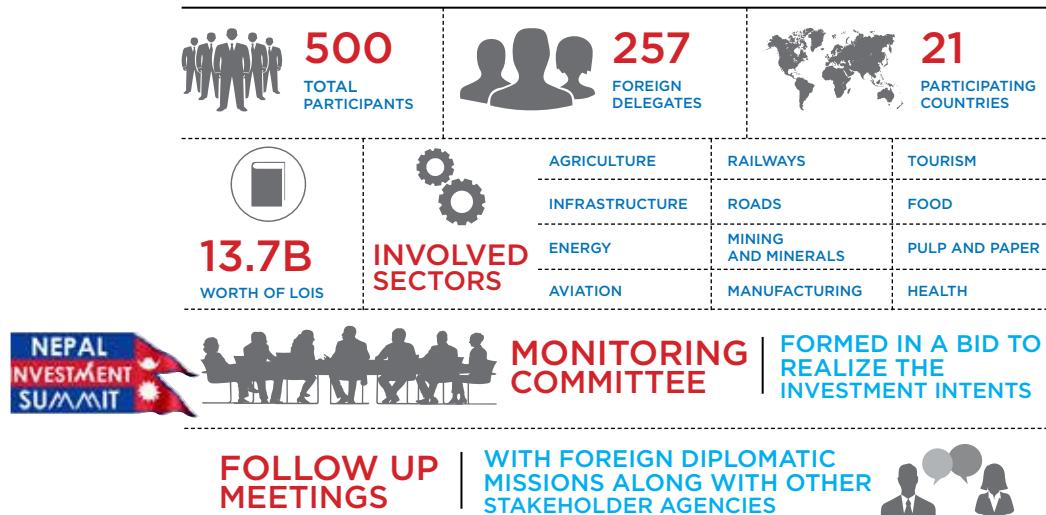
Upper Karnali (total estimated cost Rs. 116 billion) hydropower projects. The former has completed around 40% of its construction work and is planning to begin its commercial operation from 2023, and the latter project is awaiting its Financial Closure.

The PPPIA 2019 has addressed some of the concerns of the private investors and is trying to create a positive environment for PPP investment in Nepal. Some of the provisions of the PPPIA enhancing PPP project development include provision for Viability Gap Funding (VGF), unsolicited project procurement, process efficiencies and clearer criteria for project selection and appraisal, and provisions related to incentives and risk allocations.

### Nepal Investment Summit

IBN organized the Nepal Investment Summits (NIS) in 2017 and 2019 in collaboration with other government agencies and umbrella organizations of the private sector, namely Federation of Nepalese Chamber of Commerce and Indus-

**Figure 9:** Achievements of NIS 2017



try (FNCCI), Confederation of Nepalese Industries (CNI), and Nepal Chamber of Commerce (NCC). NIS 2017 was the first of its kind, organized by a government agency after a gap of over 25 years, and was attended by over 500 participants comprising 257 foreign delegates from 23 countries (Figure 9). It steered a positive momentum by stimulating interest in the investors that yielded Letters of Intent secured from foreign investors worth USD 13.74 billion.

Building on the experience of the NIS 2017, the NIS 2019 was organized in which more than 735 foreign delegates from 40 different countries and over 600 Nepali participants attended. This event was successful in attracting investors from different countries and showcasing legal and regulatory reforms undertaken by the government. Altogether, a total of 77 projects (50 from government agencies and 27 from the private sector, representing various sectors) were showcased. A total of 16 MOUs and joint venture agreements were signed and 70 applications for 30 projects from the energy, tourism, and infrastructure and oth-

er business sectors were received during the Summit. These proposals were screened by the technical committee of OIBN out of which 14 have been selected for the next stage of procurement.

## 2.6 Operating Environment

A SWOT analysis, carried out to scan the internal and external environment of IBN, identified IBN's strengths to take advantage of and weaknesses to act on, as well as the opportunities for success in the organization's Mission, as well as threats (Table 3). The findings of the analysis were used to identify areas for improvements and enable IBN to better overcome the challenges by capitalizing on strengths and opportunities.

To get insights into the external situation of IBN and identify macro-environmental factors affecting IBN, a PESTEL analysis was also conducted. The analysis acknowledges the role of political stability for financial policy and improved investment climate in Nepal. The detailed findings of the PESTEL analysis are provided in Annex 1.

A stakeholder analysis was then carried out in the course of formulation of the IBN Strategic Plan to identify stakeholders essential for supporting IBN in fostering a conducive environment for private sector investment and realizing of the Strategic Goals. Since IBN works closely

with stakeholders to fulfil its mandate and achieve the goals, this analysis helped in identifying stakeholders' expectations from IBN and vice-versa. Details of the stakeholder analysis has been included in Strategic Pillar 4 (Coordination, Collaboration and Partnership) of this Plan.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ High-powered Board, chaired by Rt. Hon. Prime Minister</li> <li>■ Provision of high level 'Monitoring and Facilitation Committee', chaired by Hon. Finance Minister for smooth implementation of projects</li> <li>■ Proven experience of 10 years in attracting and realizing large scale FDI in priority sectors</li> <li>■ Strong legal and regulatory framework with provision for PPP unit, investment unit, OSS, project bank, VGF, transaction advisory, etc.</li> <li>■ Unique organization culture focused on service delivery with combination of seasoned bureaucrats and sectoral experts</li> <li>■ Strong collaboration and partnership with DFIs, DPs, diplomatic missions and private sectors associations</li> </ul>	<ul style="list-style-type: none"> <li>■ Ambiguity on some provisions mentioned in the PPPIR 2020</li> <li>■ Lack of repository of bankable projects</li> <li>■ Reliance on multiple stakeholders on project development and management</li> <li>■ Need for more effective coordination and collaboration with Nepal's diplomatic missions abroad.</li> <li>■ Coordination challenges among relevant agencies</li> <li>■ Limited experience for managing complex and mega projects</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Policy stability</li> <li>■ Abundance and under utilized natural resources, particularly water resources, mines &amp; minerals</li> <li>■ Demographic dividend (57 percent working age population)</li> <li>■ Favorable policies, mechanisms, and legal framework for private sector, including bilateral trade and other agreements</li> <li>■ Strong government commitments for operationalizing VGF, hedging and blended finance</li> <li>■ Prospect for third-country energy trade</li> <li>■ Proximity to emerging potential markets</li> <li>■ Possibility to access innovative financing mechanisms and Credit Guarantee Facilities</li> <li>■ Willingness of DFIs and DPs to support IBN on investment promotion, PPP, private investment, and institutional strengthening</li> </ul>	<ul style="list-style-type: none"> <li>■ Competition in FDI inflow in the post-COVID scenario</li> <li>■ Slow development of required physical infrastructure for project development</li> <li>■ Lack of skilled and semi-skilled human resources to meet market demand</li> <li>■ Delay in service delivery can distract foreign investors</li> <li>■ Low economy of scale</li> <li>■ Increasing competitiveness of neighbouring countries such as India, China, Bangladesh, and Pakistan in attracting investment</li> </ul>

## 2.7 Lessons Learnt

Since its establishment in 2011, IBN has undoubtedly contributed to the nation's economic development, securing large-scale investment in infrastructure projects and has been providing transparent professional and handholding facilitation services to investors, which has raised investment flow in Nepal. The lessons learnt are varied, which provide a basis for strengthening IBN as a sustainable and result-oriented agency to achieve its objectives. Some of the key lessons reflected through the SWOT analysis are:

**Service to Investors:** Many of the IBN's services to investors and deliverables regarding project development depend on support from its counterpart agencies. For instance, to qualify for investment, an investor needs to obtain clearance from a multitude of government agencies fulfilling statutory legal and regulatory provisions. Board decisions have to be implemented by the counterpart agencies, which takes time to secure due to weak coordination and collaboration among and within the government agencies. In some cases, it takes a long time to fulfill government commitments made during the time of investment agreements. Such delays act as a disincentive to investors to continue. To address this, effective support and timely response from line-ministries and relevant agencies are required. One solution is effective implementation of the web-based automated One-Stop-Service (OSS), which digitizes pro-investor/investment services delivered by all relevant government agencies and provides a faster, more efficient service. OIBN has been working on developing this system.

**Managing the role of IPA and PPP Agency:** Acting as an IPA and PPP agency, IBN needs to streamline its functions of investment promotion and management of PPP and private investment projects.

Most importantly, necessary regulation for human resource and financial autonomy, and sustainability should be in place.

### Repository of Credible and Bankable Projects:

As mandated by PPPIA 2019, IBN needs to develop a list of credible and bankable projects which hold enormous potential to unleash the nation's economic development. However, due to lack of readiness to kick off projects with completed preparatory works such as feasibility studies (PFS, FS & DPR), land acquisition, environmental clearances, and resettlement, investors are not attracted to the prioritized list of projects. Well-developed guidelines and manuals of project development for PPP and private investment projects are needed for this purpose, apart from detailed sector-wise guiding provisions for allocation of risks and rewards between parties and development of attractive incentive packages.

### Need for and Importance of a National PPP CoE in Nepal:

Though the essential role of private sector for infrastructure development in Nepal was highlighted in the eight periodic plan (1992-1997) and subsequent periodic plans, Nepal could not develop PPPs as expected though it built infrastructure through private capital over the past 30 years. Nepal's performance in the identification, structuring and development of PPP approach could not flourish over the period as there was a lack of clarity in PPP programs, policies and necessary guidelines, institutional frameworks, and HR capacity to undertake PPP projects at all levels of government, among others. Nepal has witnessed limited success in PPP, particularly in the BOOT model, in the hydropower sector and in some cases municipal services, such as solid waste management. The absence of a nodal agency for exclusively handling PPP business and the weak performance of PPP called for an action to resolve the problem of ambigu-

ties concerning PPP management. Such a need was realized and consequently PPPIA 2019 was introduced as a major legal framework, strengthening IBN to develop, implement and monitor large PPP infrastructure projects as a national nodal agency. IBN is mandated to manage PPP in Nepal, including approval and facilitation of PPP project in Nepal.

In line with the spirit of the PPPIA 2019, IBN shall be developed as a PPP CoE in Nepal. It shall identify and internalize best PPP practices to develop and manage PPP in the country. Developing IBN's as a PPP CoE is essential to adopt best PPP practices to provide state-of-the-art facilities to investors, identify, structure and develop PPP projects, develop pipelines of bankable PPP projects, develop policy, guidelines, directives, standards, and tools related to PPP, establish PPP knowledge hub, PPP database and enhance capacity of federal and sub-national agencies, and provide advisory support for institutionalizing PPP at sub-national level.

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**Equally important is that laws are updated timely in accordance with the globally accepted best practices and standards.**

**Harmonized and Updated Policy, Legal and Regulatory Arrangements:** Investment policies must be aligned properly with each other to create a conducive investment environment. Equally important is that laws are updated timely in accordance with the globally accepted best practices and standards. Investment-related Policies, Acts, and Regulations must

clearly indicate that investment in Nepal is protected with a clear provision for entry, operation, and exit from Nepal.

The Government has taken significant steps to improve the legal environment by enacting PPPIA 2019 and its Regulations, also amending Foreign Investment and Technology Transfer Act (FITTA), Special Economic Zones (SEZ) Act and other related Acts and regulatory arrangements. Despite these efforts, key gaps and bottlenecks in the investment related policies still persist, and the investment competitiveness of Nepal has not been improved as expected. There are still barriers in terms of policy, legal, and regulatory arrangements and therefore such laws need to be amended, consolidated, modified or replaced with laws that are investment-friendly and support expediting of the investment climate in Nepal.

**Investment Promotion:** Over the period, IBN has learned lessons on aspects of investment promotion. It is often criticized for not capitalizing the outcomes of strategic investment promotion events, particularly NIS 2017 and NIS 2019, respectively. The critical remarks pointed at IBN are only partially true owing to the absence of a robust follow-up mechanism to reach, retain, and regain investors. The establishment and implementation of an Investors Relationship Management System (IRMS) can be a solution to address the problem providing pre-care and after-care services that attract and retain investors.

Also, Summit-type events should not be a one-time or irregular affair. There must be regularity and continuity in terms of organizing strategic investment events so that potential investors are convinced that the government remains committed to encouraging investment with the result that genuine investors take these ini-

tiatives seriously. Another very important factor to ensure that such events is both productive and successful is the showcasing of bankable projects to potential investors. IBN should understand and decide in advance what the key messages are to be delivered, and the relevance of any investment themes being promoted and supported by the Government. It is also important to use appropriate communication channels to deliver such messages; the identification of appropriate speakers whom potential investors find credible and encouraging is very important.

It is essential that investment promotion initiatives be interlinked. The smaller or individual activities and efforts delivered around the year should culminate in a large-scale showpiece event or Summit which will be the most important platform for the Government to showcase its commitments and efforts at supporting investment activity. There is a need to undertake focused investment promotion initiatives that are sustainable and effective in garnering quality investments to Nepal. IBN can play a significant role in shaping these activities to capitalize on potential partnership arrangements with the counterpart investment agencies and pro-private-sector representative organizations.

### **Economic Diplomacy for Investment Promotion:**

Diplomatic agencies and trade missions are a good source to reach out to and engage with to raise awareness among the potential investors of market-ready investment opportunities while also promoting the home country. One major function of the diplomatic agencies in recent times has been to promote economic diplomacy in the typical form of 'aid for trade'. Partnership with private sector organizations, foreign and Nepali diplomatic agencies, and trade

missions and other concerned stakeholders will help at the minimum to share information about the upcoming events and help facilitate invitations to interested potential investors while also increasing the confidence of potential investors to explore opportunities in Nepal. IBN has not been able to use diplomatic agencies as expected to promote Nepal, but the institution will play its part in building partnerships with these bodies, reaching out to credible investors and facilitating match-making initiatives. Thus, economic diplomacy can be used effectively for investment promotion.

**Use of Web-based and Digital Platforms:** Web-based online systems and digital platforms are mediums for pro-

**Diplomatic agencies and trade missions are a good source to reach out to and engage with to raise awareness among the potential investors of market-ready investment opportunities while also promoting the home country.**

viding speedy services to investors and they remove various barriers such as time-consuming bureaucratic processes. FITTA 2019, PPPIA 2019 and Industrial Enterprise Act (IEA) 2019 allow government agencies to use web-based online systems and digital mediums such as the OSS Center for supporting investment initiatives with business-like and efficient related services. However, in practice, investors are still required to present

themselves physically and submit their documents. Improving the use of these platforms not only provides greater efficiencies in service provision to investors, but also reduces the financial and administrative burden of the government agencies. Efficient and well-organized online service provision has also been demonstrably more important to ensuring continuity of service as has been seen recently in times of natural crisis, as seen in the aftermath of the recent earthquake and COVID-19 pandemic.

**Land Acquisition:** Land acquisition for large projects remains one of the major problems for project development in Nepal. For private investment and PPP

projects, it is even more critical. IBN has been closely working with line agencies to identify and secure land for the projects under its purview. One solution is the establishment of a land bank. IBN needs to begin to establish a land bank as provisioned in the PPPIR, 2020. Apart from this, the SEZs and Industrial Districts provide an attractive option for project construction, although partnership arrangements with the relevant agencies and interested authorities need to be elaborated and secured.

**Realizing Committed Investments:** As discussed earlier (Section 2.1), the commitment to realization rate of FDI is unsatisfactory in Nepal. FDI inflows have



been mainly centered in a few sectors such as in energy and construction materials. IBN will initiate effective marketing initiatives to retain and regain investors in Nepal as well as promoting diversification of FDI interest in the country. IBN will encourage FDI in different sectors; improve policy; enhance legal and regulatory arrangements for entry, operation and exit for investors in Nepal; and promote FDI into other productive sectors such as transport, urban infrastructure and management, tourism, ICT, and agri-business.

**Institutional Capacity:** PPPIA 2019 increased the scope of IBN and strengthened OIBN with more responsibility and power. In these 10 years IBN has evolved and learnt as it navigated the function of large-scale investment implementation. For garnering quality investment and developing large scale infrastructure projects in competitive environment, IBN needs to improve its institutional capability by creating a more dynamic and robust organizational structure, facilitating HR development, with increasing exposure to and learning from international best practices. Similarly, the implementation of an effective project development system, a Knowledge Management Portal (KMP), the OSS and an Investors Information System (IIS) will expedite its services, strengthen institutional mem-

**From investment approval to decisions made on facilities, incentives, and commitments to investors, there is a need for an evidence-based decision-making and action-response mechanism.**

ory, and ultimately enhance investors' confidence and satisfaction.

**Evidence-based Decision-Making and Action:** The decisions made by the IBN Board and OIBN are crucial in garnering private investment and managing large PPP projects. From investment approval to decisions made on facilities, incentives, and commitments to investors, there is a need for an evidence-based decision-making and action-response mechanism. OIBN needs to conduct relevant studies and research on investment promotion and facilitation, project development, and project monitoring and evaluation. Further, research-informed appropriate policies, guidelines, and tools and templates shall be developed for effective project development and management. Better informed projects will deliver the benefits expected and deliver results in a timely manner.





## CHAPTER 3

# STRATEGIC PILLARS, OBJECTIVES, AND STRATEGIES

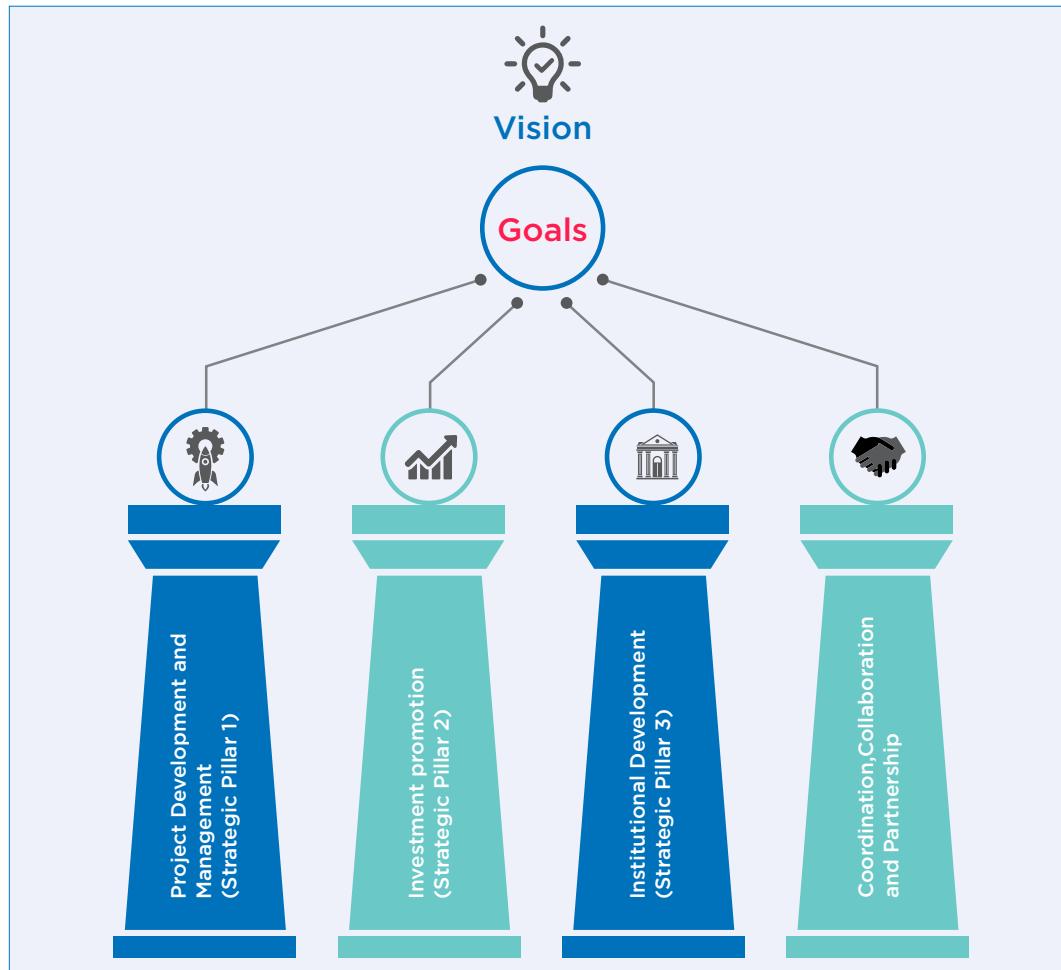
This Chapter focuses on the Strategic Pillars, objectives and strategies, identified to attain the IBN vision, mission, and goals. The chapter provides a comprehensive description of the strategies, which have been qualified by the key performance indicators and have been aligned in each Strategic Pillar. The Strategies and desired outcomes have been defined for performance monitoring and evaluation of the Strategic Plan.

The observations and findings from the assessment of private investment in Nepal and IBN's ten-year achievements, situation analysis, lessons learnt, and priorities and targets set out in the 15th Periodic Plan serve as a basis for identification of Strategic Pillars and to devise effective strategies to achieve the set Goals and ultimately the IBN vision. Four Strategic Pillars have been identified to support the IBN's vision:

- Project development and management;
- Investment promotion;
- Institutional development; and
- Coordination, collaboration, and partnership.

These represent the priority areas for the next five years Strategic Plan (Figure 10). Strategic objectives have been defined for each Strategic Pillar with relevant strategies to attain these objectives in line with the Goals set (Table 4). The desired outcomes of the strategic objectives are also defined for performance monitoring and evaluation of the Strategic Plan.

**Figure 10:** Strategic Pillars



Four Strategic Pillars, nine strategic objectives, and thirteen strategies have been developed to realize the Strategic Goals (Table 4). Each Pillar comprises strategies for attainment of strategic objectives and, eventually, IBN's Goals. For instance, the first pillar, Project Development and Management, is associated with development of bankable and credible projects, strengthening the existing procurement system, and effective facilitation and monitoring. Identification of projects will be guided by the government's overall development goals and sector priorities outlined in Government's 15th Plan, and the respective sector development plans relevant to the IBN in accordance with its mandate in the PPPIA.

After projects are listed in IBN Project Bank, IBN will need to attract investors for project development and implementation. For this purpose, IBN will design and implement activities aimed at promoting Nepal and its comparative investment advantages. Comparative advantages will be identified by conducting country, sector, and project research to ascertain how well Nepal performs in comparison to competitor investment destinations and advise Government on areas to strengthen Nepal's global position with respect to large-scale infrastructure investments. IBN will also conduct research to identify potential investors for each priority sector (Pillar 1) and to reach, retain, and regain investors. This will include conducting

**Table 4:** Overview of Strategic Pillars, Strategic Objectives, Strategies, and Desired Outcomes

Strategic Pillars	Strategic Objectives	Strategies	Desired Outcomes
1. Project Development and Management	1.1 Develop Bankable and Credible Projects	Establish IBN Project Bank	IBN Project Bank established and kept up-to-date with viable investment projects; successful project solicitation
	1.2 Strengthen project procurement agreement and award with reference to PPPIA, 2019 and PPPIR, 2020	Develop Standard Project Procurement and Award Manual and Standardize Implementation Agreement Templates	A fair, transparent and robust project procurement system that accords with national laws and international best practices
	1.3 Effectively Facilitate & Monitor Project Development and Implementation	Strengthen Facilitation Services for Project Development & Implementation Strengthen Project Monitoring Systems for Project Development & Implementation	Projects completed on predetermined time, within the contract budget/cost and as per the specified quality standards; Projects deliver agreed benefits and compliance with agreed terms and conditions; PPP projects are handed over to GoN in good operating condition at the end of the concession period.
2. Investment Promotion	2.1 Reach out to Investors	Position Nepal as an attractive investment destination	<ul style="list-style-type: none"> <li>▪ Nepal promoted and recognized as an attractive investment destination.</li> <li>▪ IBN promoted and recognized as a first reference point for investment in Nepal</li> <li>▪ Identify strong “Leads” (high -potential investors)</li> <li>▪ Increased interest and investment in IBN projects</li> </ul>
		Position IBN as A First Reference Point for Investment in Nepal	
		Effectively Utilize Economic Diplomacy to Identify, Reach, and Attract Investors	
		Promote IBN Projects	
3. Institutional Development	2.2 Retain Investors	Ensure Investor Satisfaction through Efficient Services & Facilitation	Strong leads converted into actual investments; Large-scale investors retained in the face of competition from other investment destinations; Investors satisfied with investment promotion and facilitation services provided.
	2.3 Regain Investors	Policy Advocacy for Improvement of Investment Policies and Systems	<ul style="list-style-type: none"> <li>▪ Improving policies, laws, systems, regulations and administrative services on investment promotion;</li> <li>▪ Investors attracted due to clearly created competitive investment advantages.</li> <li>▪ Investors choose to further reinvest in Nepal.</li> </ul>
4. Coordination, Collaboration, and Partnership	3.1 Ensure Institutional Sustainability of IBN	Ensure IBN Institutional Development, Sustainability and Strengthen Systems	IBN developed as a result-oriented institution providing state-of-art services and as a self-sustainable institution
	3.2 Establish IBN as a National PPP CoE	Institutionalize PPP Center at IBN	IBN developed as a PPP CoE
4.1 Develop & Strengthen Relationship with Key Stakeholders for Undertaking Strategic Initiatives and Leveraging Resources	Establish & Strengthen Coordination, Collaboration, and Partnership Mechanism with Strategic Stakeholders	Access to a wide range of resources; IBN outreach increased and recognized; Joint initiatives with strategic stakeholders taken	

market sounding to assess the perception of investors toward showcased projects, and advocate for an improved investment regulatory environment (Pillar 2, Investment Promotion).

Similarly, IBN shall also provide efficient and effective professional services to investors in the areas of investment facilitation and project delivery to enhance investors' confidence. Furthermore, IBN shall be developed as a CoE for PPP (Pillar 3, Institutional Development). IBN aims to develop an optimum operational environment where the Office can respond without undue constraints to the needs of investors. IBN recognizes that developers have a choice of investment destination and once their interest has been raised in investment opportunities in Nepal, IBN has to act swiftly and effectively to secure that investment and facilitate commencement and delivery of the project.

An important consideration for all investors doing business in other countries is the ease and efficiency with which they can negotiate viable projects, register a new business in the destination country, and then the ease with which they can deliver the project. Delays in commencing a project cost an investor money. Equally, delays in bringing their project(s) to operational status can delay and possibly reduce their return on investments. In order to provide reliable and speedy services to investors, IBN shall therefore establish effective coordination and collaboration between and within government agencies (Pillar 4, Coordination, Collaboration, and Partnership).

The Strategic Pillars, strategic objectives, desired outcomes, and associated strategies are described in detail in the following sections. The actions and output indicators have also been set for each strategy to reflect the desirable achievements to be used for measuring performance of the strategies adopted. IBN Strategic Plan will be implemented through a Business Plan<sup>11</sup> and annual work/operational plans developed by the respective units of OIBN.

### **3.1. Strategic Pillar 1: Project Development and Management**

IBN is a central fast-track agency responsible for attracting large-scale investments in mega projects with the scope to unleash the nation's economic potential. Financial resources from the private sector (domestic and foreign) can be secured only when investors are convinced projects are bankable and credible, and that investments can be made with manageable levels of risk. IBN will establish a project bank comprising conceptualized (potential) projects that fulfill the criteria set out in the project bank framework/guidelines prior to their inclusion in the bank. The provision for establishment of IBN project bank has already been enshrined in PPPIA 2019.

IBN shall focus on developing projects based on the national priority. According to the Foreign Investment Policy 2015, the major sectors for the FDI are: a) Hydroelectricity (Production and Transmission); b) Infrastructure related to Transportation (Fast Track, Railway, Tunnel, Cable Car, Metro Rail, Flyover and Inter-

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<sup>11</sup> The Business Plan is an execution roadmap for the IBN Strategic Plan, developed as a separate document which comprises action plans with strategies, actions, and activities as well as output indicators, targets, and budget.



national Airport); c) Agricultural, Food Procession and Herbs; Procession Industries; d) Tourism Industries; and e) Mineral and Productive Sector Industries.

Secondly, focus will be on strengthening IBN's project procurement award and agreement processes and procedures with reference to PPPIA 2019 and PPPIR 2020 by developing a fair, transparent, and robust project procurement system for both PPP and private projects.

After project agreements are signed, project construction has to be completed on predetermined time, cost, and quality and should deliver the benefits agreed upon during the service period and comply with stipulated terms and conditions. Also, the PPP projects have to be handed over to the government in the good operating condition. This shall be ensured by an effective project monitoring framework to assure quality and expedite service delivery.

## Strategic Objectives



### 3.1.1 Strategic Objective: Develop Bankable and Credible Projects

Development of bankable and credible projects requires rigorous analysis from the stage of project conceptualization to project prioritization. With development and implementation of IBN project bank guidelines, IBN will streamline development of bankable projects through structured and systematic project identification, screening, appraisal, and selection and prioritization processes. The IBN project bank framework, which will thus ensure an evidence-based project development approach to make informed and logical decisions, will be based on GoN's own development goals

and sector priorities. Once approved by the IBN Board, the projects will be listed in the IBN Bank, a repository of viable and bankable projects. The list of IBN projects under different stages is included in Annex 6. Similarly, IBN will also promptly implement IBN Project Bank Management Information System (IBNPBMIS), which is a web-based platform to inform potential investors on the data related to project investment opportunity.

### Desired Outcomes

IBN Project Bank established and kept up-to-date with viable investment projects; successful project solicitation.

## Strategies

### Establish IBN Project Bank

Actions	KPI (Output Indicators)
Develop Project Idea Note (PIN) for all PPP project identified	At least 75 PIN logged in IBNPBMIS
Select, screen, rank, appraise and prioritize PPP projects & carry out project studies	<p>Approved project selection, screening, ranking, and appraisal framework and guidelines</p> <p>At least 25 procurements for pre-feasibility studies done</p> <p>At least 14 procurements of feasibility studies done</p>
Update studies of brownfield & other projects	<p>At least 15 long list of brownfield project developed</p> <p>At least 7 brownfield project study reports prepared</p> <p>At least 10 project studies updated</p>
Develop project idea note for private investment	<p>PIN template developed</p> <p>At least 25 PI Projects in Long List</p>
Develop IBN Project Bank MIS (IBNPBMIS)	IBNPBMIS operationalized
Develop standard procedures for unsolicited proposals	<p>Standard Checklist developed for submission of proposal</p> <p>Improved standard framework of proposal evaluation</p> <p>At least 20 proposals submitted to IBN Board</p>

### 3.1.2 Strategic Objective: Strengthen Project Procurement Award and Agreements with reference to PPPIA, 2019 and PPPIR, 2020

The right approach to procurement system is critical for project realization. IBN can improve its project procurement and award processes by developing procedures consistent with the international best practices of transparency, fairness, and competitiveness during the procurement stages. For unsolicited projects, internationally recognized standards or

screening and evaluation shall be identified and adopted. Secondly, IBN will develop standardized documents such as PDA, PIA, and other concession agreements to enhance the overall quality & independently audited on a periodic basis.

#### Desired Outcomes

A fair, transparent, and robust project procurement system that accords with national laws and international best practices.

#### Strategies:

##### Develop Standard Project Procurement and Award Manual and Standardize Implementation Agreement Templates

Actions	KPI (Output Indicators)
Standardize project study procurement process	Project study procurement guidelines developed Standard project procurement documents such as EOI and RFP templates developed Evaluation criteria and evaluation committee (Technical Advisory Group) formed
Develop standard project procurement and award procedures for project solicitation based on PPPIA, 2019 and PPPIR, 2020	Project procurement guidelines approved Standard project procurement documents such as EOI and RFP templates developed MoUs and survey license standard templates developed
Standardize PDA, PIA, and other concession agreement documents on the basis of PPPIA, 2019 and PPPIR 2020	PDA, PIA, and other concession agreement documents standardized
Procure PPP Project (solicited)	At least 16 EOI notices published Short list of eligible applicants submitted to Board No. of developers applied for RFP Developers selected for 16 projects MoU signed for 16 projects
Procure PPP Project (unsolicited)	Unsolicited project screened and evaluated MoU signed for at least 10 projects signed
Private Investment Project	Private investment project proposal evaluated MoU signed for at least 5 private investment projects
Investment Approval (solicited, unsolicited, Private Investment and Direct Negotiation)	Investment approval of at least 20 projects
Sign PDA/PIA	15 PDA/ PIA signed within 5 years

### 3.1.3 Strategic Objective: Effectively Facilitate and Monitor Project Development and Implementation

Efficient project monitoring and facilitation are the core functions of IBN. IBN will review the existing arrangements to facilitate and monitor projects and, via its Facilitation & Monitoring (F&M) Committee, coordinate with the respective ministries, departments, and agencies to ensure projects are implemented in compliance with the agreed terms and conditions. Where appropriate, F&M Committee will also coordinate with the relevant sector regulator to ensure price, quality, and reliability standards are being met. IBN will coordinate closely with the respective line ministries to maximize efficiency of facilitation services and effectiveness of project development, implementation, and operations.

A Monitoring, Evaluation, Accountability, and Learning (MEAL) framework will be developed and implemented to enhance

project monitoring activities and increase project compliance rate. Various monitoring mechanisms such as Project Monitoring Unit (PMU), Project Review Panel (PRP), Handover Committee, etc. shall be established. A web-based monitoring system shall also be developed for data/information collection and analysis and generation of evidence for effective decision-making. The monitored information shall be communicated and disseminated through the communication channels to promote transparency and evidence-based decision-making for project implementation.

#### Desired Outcomes

Projects completed on predetermined time, within the contract budget/cost and to the specified quality standards; Projects deliver agreed benefits and compliance with agreed terms and conditions; PPP projects are handed over to GoN in good operating condition at the end of the concession period.

#### Strategies

##### Strengthen Facilitation Services for Project Development and Implementation

Action	KPI (Output Indicators)
Develop effective facilitation mechanism for project development & implementation	Effective facilitation mechanism established Project coordination committee formed

##### Strengthen Project Monitoring Systems for Project Development and Management

Actions	KPI (Output Indicators)
Strengthen & develop effective monitoring mechanism	Effective operationalization of Project Review Panel & Project Monitoring Unit MEAL framework developed Standardized checklist and template for periodic reporting developed Monitoring dashboard operationalized
Effectively communicate & disseminate MEAL information	M&E - related publication materials developed and shared with relevant stakeholders

### 3.2 Strategic Pillar 2: Investment Promotion

Promotional activities are often used as important platforms to showcase what the country has to offer by conveying the message about improved business climate through policy amendments, structural changes, and showcasing of projects to attract investment. It takes years of continuous promotion of a country through events and other initiatives for an agency come to contact with genuine investors with actual intent and then convert the intent into real investment.

IBN has been fulfilling these responsibilities since its short existence, as a focal agency for investment promotion. As stated earlier, IBN organized two mega

national summits in 2017 and 2019 and continues to collaborate with foreign and Nepali diplomatic missions and private sector organizations to organize such activities to sensitize and attract potential investors in Nepal. In addition, OIBN has successfully produced various types of promotion materials that provide a good overview of the investment opportunities in Nepal, the first of its kind by any government agency in Nepal.

It is imperative for IBN to reach out to potential investors through various promotion channels and secure project deals. In the competitive world of FDI market there is a need to rise to the levels of our neighboring countries in terms of receipt of inward FDI. As the central agency for foreign investment promotion and gen-



## Strategic Objectives



eration IBN needs to develop a comprehensive, investor-, and service-oriented approach. It is crucial to showcase that IBN has the appetite and capacity to attract and retain investors and assure the investors derive optimum benefit from their investments. There is a rising need to provide relevant, standardized services to the investor at every stage of the investment cycle, i.e., attraction, entry and establishment, retention, and expansion and set examples and success stories of effective investment implementation.

This Pillar focuses on adoption of a concentrated and proactive approach to generate actual investments. Investment promotion activities at OIBN shall focus on branding Nepal as an attractive investment destination and IBN as a "First Reference Point for Investment" in Nepal. The Focus is upon mobilizing diplomatic missions and consulates to identify and reach out to the potential investors and establish an effective mechanism for co-ordination between the diplomatic missions and IBN for investment promotion. Emphasis will also be given on effective

service delivery and facilitation to convert the interest into actual investments. Investment promotion at IBN will work on continuous improvement of the business climate through policy advocacy.

### 3.2.1 Strategic Objective: Reach out to Investors

The first strategic objective of investment promotion activities is to reach out to investors with a strong investment potential which requires building the country's and IBN's image. It shall try to reach out to a larger investors' circle and make them aware about the potential areas for investment in Nepal through promotion documents such as investment guide, audio-visual materials, and participation in promotional events.

### Desired Outcomes

Image of Nepal created and promoted as an attractive investment destination; Build image of IBN as a "First Reference point for potential investors"; Identify strong "Leads" (high-potential investors); Increased interest and investment in IBN projects.

## Strategies

### Position Nepal as an Attractive Investment Destination

Action	KPI (Output Indicators)
Build Nepal's image through promotional activities & programs	<p>At least 3 study reports drafted to identify comparative advantages of priority sectors/sub- sectors</p> <p>Publication of Information, Communication and Promotion (ICP) materials</p> <p>Organizing at least 14 promotional events in different countries</p> <p>15 Interviews/articles and adverts published in international media</p>

### Position IBN as A First Reference Point for Investment in Nepal

Action	KPI (Output Indicators)
Brand IBN in national & international arena	<p>12 promotional events organized in Nepal in collaboration with private sector, BFIs, federal/provincial government, &amp; other agencies</p> <p>15 Interactions held with media persons/media houses</p> <p>Increased presence in digital marketing platforms</p> <p>Revamped and redesigned IBN website</p>

### Effectively Utilize Economic Diplomacy to Identify, Reach and Attract Investors

Action	KPI (Output Indicators)
Mobilize effectively Nepalese diplomatic missions & consulates through MoFA's Economic Diplomacy	<p>20 promotional events organized in collaboration with Nepalese Diplomatic Missions</p> <p>At least 10 interactions/meetings with foreign investors facilitated via diplomatic agencies, missions, and consulates</p> <p>At least 15 business missions hosted</p> <p>Sovereign funds attracted for sustainable and competitive investments in Nepal</p> <p>At least 3 regional investment desks established</p> <p>At least 275 high value investors identified</p>
Organize promotional events in collaboration with Nepalese diaspora	At least 5 programs organized in collaboration with NRNA & Nepalese diaspora

### Promote IBN Projects

Action	KPI (Output Indicators)
Market sounding	<p>Project Sheets prepared</p> <p>At least 10 events/interactions organized with targeted stakeholders such as BFIs, developers, DFIs, and others</p>

### 3.2.2 Strategic Objective: Retain Investors

The decision of investor to make an investment takes multiple interactions and meetings between the agency and the potential investor. Ensuring a potential investor converts into an actual investor OIBN needs using the full spectrum of instruments that range from providing target group-specific marketing materials with key information, to reaching out at trade fairs and building a relationship and keeping in touch through systematic follow-up procedures. The comparative investment advantages of Nepal will be constantly reviewed vis-à-vis primary competitors to convert the initial interest into actual investment decision and also to retain the existing investors by ensuring they are satisfied that their investments are in the optimal location.

#### Desired Outcomes

Strong leads converted into actual investments; Large-scale investors retained in the face of competition from other investment destinations; Investors satisfied with investment promotion and facilitation services provided.

#### Strategies

##### Ensure Investor Satisfaction through Efficient Services and Facilitation

Action	KPI (Output Indicators)
Strengthen Investor Facilitation Services to Retain Investors	Creation of company profile Classification of investors Listing of FAQs in investor portal Time to respond to queries Reduction in number of days required for investment approvals and licenses Record of correspondence/follow-up with investors

### 3.2.3 Strategic Objective: Regain Investors

Regaining investors requires dedication toward creation of a conducive investment climate. It includes interacting with the existing investors to identify grievances and gaps in the system and advocating for policy and procedural reforms to make them investment friendly. This strategic objective aims to improve the economic and business environments to contribute to an increase in foreign direct investment and domestic investment. The reformed investment climate would further encourage reinvestment and ensure that the investor that once enters the Nepali market continues to invest in the country leading to long-term development impacts.

#### Desired Outcomes

Policies, laws, systems, regulations, and administrative services on investment promotion improved; Investors attracted due to clearly created competitive investment advantages; Investors choose to further reinvest in Nepal.

## Strategies

### Policy Advocacy for Improvement of Investment Policies and Systems

Action	KPI (Output Indicators)
Create Conducive Investment Climate to Regain Investor	At least 15 policy studies conducted for review of investment related laws and policies Number of policy amendments Proceedings of 10 PPD forums' meetings Proceedings of CEO club meetings
Promote Green Infrastructure Policy	At least 3 study conducted to study the best practices related to green and climate-resilient infrastructure At least 5 workshops/meetings organized on green and climate-resilient infrastructure in collaboration with national & international agencies
Lobby for signing BIPPA and DTAA with other countries	At least 5 workshops/seminars conducted to advocate for signing of BIPPA and DTAA

### 3.3 Strategic Pillar 3: Institutional Development

The mandates of PPPIA 2019 require IBN to perform as a central agency for PPP while executing the roles of an investment promotion agency as well. While IBN as a PPP agency concentrates on identifying and developing bankable and credible projects and managing them through different stages of project lifecycle, it focuses on rendering high-quality and relevant services to investors in various stages of investment lifecycle as an IPA. As mandated by the PPPIA 2019, IBN needs to evolve as the PPP CoE while providing state-of-the-art facilitation services to investors for attracting private investment as well.

The global picture of FDI is today constantly changing with economies increasingly competing for attracting FDI. Only countries that develop a robust institutional framework and render effective services can outperform others. Various studies have indicated that a business-like structure with institutional and financial autonomy and opera-

tional independence is more successful in attracting investors.<sup>12</sup> For attaining its goals and objectives to become a self-sustainable agency, IBN has to ensure a high degree of flexibility in adjusting its internal structure and resources as it greatly impacts the quality and quantity of staff, range of activities and operations performed at various levels. At the same, developing, managing, and facilitating PPP projects require a large pool of highly professional technical and non-technical resources.

Furthermore, for a service-oriented agency as IBN, it is imperative that the staff are well-performing and highly motivated and work with a team spirit. They are required to develop a private sector mindset for meeting private sector aspirations in delivering their services. For this purpose, IBN shall devise a proper human resource development plan. Apart from capacitating staff, it is necessary for IBN to develop and effectively implement systems to provide quality service vis-à-vis managing long-term relationship with investors.

<sup>12</sup> <http://documents1.worldbank.org/curated/en/499971594008431029/pdf/State-of-Investment-Promotion-Agencies-Evidence-from-WAIPA-WBG-s-Joint-Global-Survey.pdf>



#### Strategic Objective



#### 3.3.1 Strategic Objective: Ensure Institutional Sustainability of IBN

The major motive for stressing institutional development is to ensure that a robust institutional framework is developed, focused on high-quality service delivery through professional staff. IBN shall develop and implement effective and efficient institutional structure that gradually evolves as a CoE for PPP with

a sustainable organization. Adopting best practices of PPP on project identification, project development and implementation providing excellent facilitation services to investors, IBN shall focus on both capacitating professional human resource and capitalizing on technical resources through implementation of systems associated with service automation and investment promotion. In addition, IBN's Standard Operating Procedure (SOP) shall be developed and implemented to ensure efficient internal operations and investment service. IBN shall adopt best practices of developing, managing, and implementing PPP projects while simultaneously strengthening its institutional capacity on providing

state-of-the-art services to investors. Evidence-based decision making shall be enhanced through research and study and knowledge management. An equal focus shall also be put on equipping OIBN with modern infrastructure that brands OIBN image and woos investors offering modern amenities.

### Desired Outcome

IBN developed as a result-oriented institution providing state-of-art services and as a self-sustainable institution.

### Strategies

#### Ensure IBN Institutional Development and Sustainability and Strengthen Systems

Action	KPI (Output Indicators)
Develop and implement Organization and Management (O&M) structure	At least 2 HR need assessment studies conducted IBN HR independence secured IBN roster of experts developed
Develop IBN Autonomous Fund	All the sources identified listed IBN Fund Guideline approved by IBN Board and IBN Autonomous Fund operationalized
Strengthen & develop IBN Management & Information systems	Investors Database Management System developed Query Management System developed Web-based OSS developed Knowledge Management Portal developed IBN PBMIS developed and upgraded Procurement process for selecting the external vendor completed and legal guidelines and user manual prepared PIMS in operation Web-based Project Monitoring System developed IBN Board Decision and Implementation Tracking System developed
Strengthen ICT infrastructure & its application	Hardware requirement prepared Relevant IT infrastructure in operation according to the 5-year purchase plan Project development and management software procured
Build OIBN Physical Infrastructure	OIBN building developed with corporate-like structure IBN Brand image with modern amenities enhanced
Prepare and implement HRM plan in line with developing IBN as a PPP CoE	Hiring policy finalized and approved Guidelines for performance appraisal finalized and approved Gender friendly workspace manual approved
Build HR capacity	Capacity development activities identified and updated every year Indicators to measure progress developed and updated every year Number of trainings and workshop conducted
Foster continuous learning environment	Establishment of a library in the office Membership for online resources subscribed and renewed annually Number of exposure visits per year
Promote team building	At least 2 team building events conducted in a year

### 3.3.2 Strategic Objective: Establish IBN as a National PPP Center of Excellence

The PPPIA 2019 gives the Investment Board a key mandate to fulfill the role of a PPP agency. In line with the spirit of the PPPIA 2019, IBN shall be developed as a PPP CoE in Nepal. It shall internalize best PPP practices to develop and manage PPP in the country. This includes, but not limited to, identifying, structuring and developing PPP projects, developing

pipelines of bankable PPP projects, developing policy, guidelines, directives, standards, and tools related to PPP, establishing PPP knowledge hub, developing PPP database, building capacity of federal and sub-national agencies, and provide advisory support for institutionalizing PPP at sub-national level.

#### Desired Outcome

IBN developed as a PPP CoE.

#### Strategies

##### Institutionalize PPP Center at IBN

Action	KPI (Output indicators)
Develop Framework for PPP Center of Excellence	Report on framework and institutionalizing PPP CoE developed
Advocacy of PPP framework and policy	Report on PPP Policy revision Advocacy of PPP Policy framework PPP concept and modalities promoted
Develop relevant guidelines, manuals, and directives, SOP and standards	At least 8 guideline/manual/directive developed SOP for PPP development and management developed PPP sectoral standards developed
Develop Standard Transaction Documents related to PPP	Standard EOI, RFP, RFQ, concession agreements developed
Develop PPP Knowledge hub at IBN	At least 10 research and study conducted in a year At least 10 workshops/seminar/webinar conducted
Capacity building of federal, province and local governments on PPP	At least 14 capacity building activities conducted
Provide support and advisory service to federal government agencies	Federal government agencies supported in PPP project development and management
Provide support and advisory service to province and local governments	Sub-national government agencies provided with advisory services
Develop PPP Database	PPP database developed



### 3.4 Strategic Pillar 4: Coordination, Collaboration and Partnership

IBN to identify, build, and maintain effective coordination, collaboration, and partnership across stakeholders to identify the key-value added services and capitalize relationships for leveraging on resources and its outreach. The broad mandate of IBN requires it to proactively synergize action to attain the deliverables set avoiding duplication of resources and secure a high level of output with fewer inputs.

An analysis of IBN's strategic stakeholders has been carried out to identify common areas of interaction (Table 5).

The stakeholder analysis has identified stakeholders, their expectations from IBN, and vice-versa. For instance, the strategic plan intends to proactively

strengthen the relationship with line ministries not just for project identification and development, but also on aspects of efficient service delivery and investment promotion.

IBN shall ascertain support of sub-national government, i.e., provinces and relevant local level governments, and capacitate them through visioning workshops on a perennial basis. It shall also secure sustainable and strategic relationships with the private sector and development partners and project-affected communities. Strong emphasis shall be put on attracting financial resources in IBN infrastructure projects through bilateral and multilateral lending agencies and other bank and financial institutions. IBN strategically intensifies its international and national media engagement for securing media support and increasing outreach in IBN initiatives.

**Table 5:** Stakeholder Analysis

Stakeholder	Stakeholder's Expectations	OIBN expectations from stakeholders
Private Investors	<ul style="list-style-type: none"> <li>■ Timely delivery of services</li> <li>■ Competitive return on investment</li> <li>■ Transparent procedures</li> <li>■ Professionalism</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased investment</li> <li>■ Job creation</li> <li>■ Transfer of technology &amp; skills</li> <li>■ Complete documentation for processing of investor applications</li> <li>■ Disclosure of information</li> </ul>
Government	<ul style="list-style-type: none"> <li>■ High impact investments through IBN in the country</li> <li>■ Economic growth &amp; development</li> <li>■ Job creation</li> <li>■ Technology Transfer</li> </ul>	<ul style="list-style-type: none"> <li>■ Enacting proper policies</li> <li>■ Supporting institutional development</li> </ul>
Federal Line Ministries, Departments and Agencies	<ul style="list-style-type: none"> <li>■ Support in investment promotion &amp; facilitation</li> </ul>	<ul style="list-style-type: none"> <li>■ Timely response to IBN proposals &amp; requests</li> <li>■ Timely processing of approvals, licenses, permits</li> <li>■ Support in policy, administrative, regulatory and legal interventions</li> <li>■ Support in identification of bankable projects</li> </ul>
Staff	<ul style="list-style-type: none"> <li>■ Decent work environment Personal development, training &amp; mentorship and career progression</li> </ul>	<ul style="list-style-type: none"> <li>■ Result-based service delivery</li> <li>■ Good governance &amp; integrity</li> </ul>
General Public	<ul style="list-style-type: none"> <li>■ Information dissemination</li> <li>■ Increasing job creation &amp; economic growth</li> </ul>	<ul style="list-style-type: none"> <li>■ Support for IBN projects</li> </ul>
Project Affected Community/ families	<ul style="list-style-type: none"> <li>■ Information dissemination</li> <li>■ Increasing job creation &amp; economic growth</li> </ul>	<ul style="list-style-type: none"> <li>■ Support in project development</li> <li>■ Good relationship with the developers/ contractors</li> </ul>
Private Sector Organizations	<ul style="list-style-type: none"> <li>■ Improved investment climate</li> <li>■ Efficient service delivery</li> </ul>	<ul style="list-style-type: none"> <li>■ Collaborate in creating conducive business environment and addressing bottlenecks in investment climate</li> <li>■ Encourage investments in country</li> </ul>
Provincial and Local Governments	<ul style="list-style-type: none"> <li>■ Collaboration in investment promotion, project profiling, information sharing &amp; facilitation</li> </ul>	<ul style="list-style-type: none"> <li>■ Support in project development, investment facilitation</li> <li>■ Develop and share data/information on investment projects</li> </ul>
Regulators and Facilitators	<ul style="list-style-type: none"> <li>■ Proper documentation for processing of investor applications</li> <li>■ Information disclosure/ due diligence</li> </ul>	<ul style="list-style-type: none"> <li>■ Timely processing of approvals, licenses, permits</li> <li>■ Transparent procedures</li> <li>■ Effective coordination &amp; Communication</li> </ul>

Stakeholder	Stakeholder's Expectations	OIBN expectations from stakeholders
Nepal Embassies, Diplomatic Missions, Consulates	<ul style="list-style-type: none"> <li>■ Information sharing on investment opportunities: bankable projects</li> <li>■ Investment information</li> <li>■ Professional handling of investor delegations</li> </ul>	<ul style="list-style-type: none"> <li>■ Promoting investment opportunities in Nepal</li> <li>■ Generate business contacts</li> <li>■ Linkage with private sector organizations &amp; potential investors</li> <li>■ Liaison with potential investors</li> <li>■ Due diligence on prospective investors</li> <li>■ Collaborate in follow-up with investors in pipeline</li> </ul>
Foreign Missions and Embassies in Nepal	<ul style="list-style-type: none"> <li>■ Information sharing on investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>■ Information sharing</li> <li>■ Generate business contacts</li> <li>■ Disseminating information to their nationals</li> <li>■ Linkage with private sector organizations and potential investors</li> <li>■ Assisting with due diligence on prospective investors from countries</li> </ul>
Development Partners & International Organizations	<ul style="list-style-type: none"> <li>■ Partnership &amp; liaison</li> </ul>	<ul style="list-style-type: none"> <li>■ Technical and financial support</li> <li>■ Capacity building</li> </ul>
Media	<ul style="list-style-type: none"> <li>■ Information sharing</li> <li>■ Timely communication on new investment issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Accurate reporting of investment issues</li> <li>■ Publicity on investment opportunities</li> <li>■ Branding</li> </ul>
Research Institutions & Policy Think Tanks	<ul style="list-style-type: none"> <li>■ Collaboration &amp; partnership in research/ study</li> </ul>	<ul style="list-style-type: none"> <li>■ Information sharing</li> <li>■ Policy guidance</li> </ul>

## Strategic Objective



### Strategic Objective: Develop and Strengthen Relationship with the Key Stakeholders for Undertaking Strategic Initiatives and Leveraging Resources.

The strategic pillar of coordination, collaboration, and partnership in IBN acts as a cross-cutting function of the organization. Achieving IBN's deliverables depends largely on how the institution will

coordinates and collaborates with the stakeholders and strengthens relationship with them. Hence, IBN should strategically include partners at every stage of project development and implementation, investment promotion and policy reform, and other areas relevant. The establishment of functional relationships and increased engagement with partners shall create allies and champions among the critical stakeholders. It shall also largely clarify boundaries and responsibilities among the counterparts to enhance collaboration rather than competition with each other.

### Desired Outcomes

Access to a wide range of resources; IBN outreach increased and recognized; joint initiatives with strategic stakeholders taken.

### Strategies

#### Establish and Strengthen Coordination, Collaboration, and Partnership Mechanism with Strategic Stakeholders

Action	KPI (Output indicators)
Develop mapping of IBN's strategic stakeholders	IBN relationship with strategic stakeholders identified & areas of coordination, collaboration and partnership recommended
Strengthen strategic working relations with federal government agencies	Investment promotion programs and activities organized in coordination, collaboration, and partnership with MoFA, MOICS and others  Projects identified & developed in coordination and collaboration with relevant govt. agencies  Relevant policy reform initiatives taken  Efficient Service Delivery  At least 10 study visits, trainings, observation visits & other visits organized  Inter-agency mechanism established to expedite project implementation
Establish strategic working relations with provincial & local government agencies	MoUs signed with 7 Province government  At least 5 visioning workshop organized with Provincial Chief Minister, Mayors and other stakeholders
Strengthen relationships with Private Sector & apex bodies	At least 10 workshops and interaction programs organized/participated with private sector and apex bodies engagements/initiatives with private sector for policy reform and capitalization of resources  Collaboration with BFIs and international lending agencies increased on investment promotion, project financing, project development and others
Nominate Investment Ambassadors in major FDI-source countries	Investment Ambassadors in major FDI-source countries nominated for promotion of Nepal's investment climate
Establish and Strengthen relationship with national and international media	IBN reach out to international media platforms established for Nepal's investment image promotion  At least 15 workshops/briefings and programs organized with media and apex bodies of media  At least 10 visits and trainings for media persons to enhance knowledge of media persons about IBN & its activities
Enhance strategic relationship with development partners	Areas of IBN collaboration with DPs identified & support extended for institutional development and investment promotion  At least 5 common interactions organized to strengthen relationship  Coordination strengthened with development partners

Action	KPI (Output indicators)
Establish and Strengthen IBN Collaboration and Partnership with research institutions & policy thinktanks	<p>Areas of IBN collaboration with research institutions and thinktanks identified</p> <p>MoUs signed with at least 5 research institutions and thinktanks to support evidence-based decision-making</p>
Establish and Strengthen IBN Collaboration and Partnership with international IPA and PPP Agencies	<p>MoUs signed to establish with relevant IPAs and PPP Agencies</p> <p>At least Membership with WAIPA and WAPPP obtained to share learnings on investment promotion, PPP, and other aspects</p> <p>MoUs with international IPAs updated to strengthen relationship</p>
Strengthen OIBN communication	Communication policy document updated and implemented
Coordinate and Collaborate with IBN Project Stakeholders	<p>18 visits for mapping of stakeholders and proper identification influence and interest in projects</p> <p>At least 50 interaction and facilitation events organized for activities like public hearing, financial awareness, project monitoring, project updates, project implementation &amp; others</p> <p>24 meetings &amp; visits coordinating with project stakeholders, media &amp; government authorities</p>





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## CHAPTER 4

# MONITORING AND EVALUATION

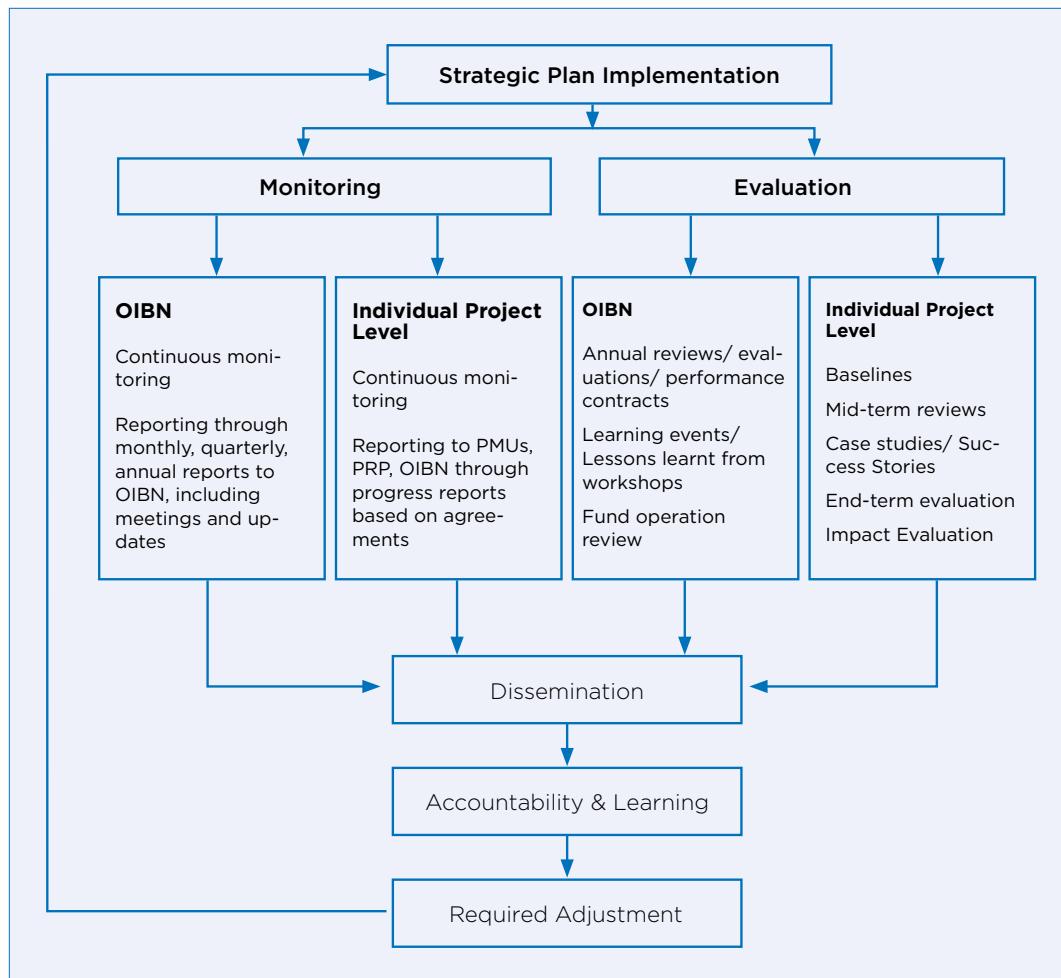
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This chapter focuses on the monitoring and evaluation of the Strategic Plan to keep track of the activities outlined in the Plan and undertake learnings to further improve the strategies to achieve the desired objectives. The chapter presents the MEAL framework, which comprehensively demonstrates how the strategies are aligned with OIBN, its staff as well the projects under its jurisdiction. The learnings, obtained from the monitoring and evaluation of the Plan are important to further improve IBN's undertakings and develop IBN as a result-oriented institution.

## 4.1 Strategic Plan MEAL Framework

Monitoring and Evaluation is an important aspect to gauge successful implementation of the IBN Strategic Plan. Without effective monitoring, evaluation, accountability, and learning (MEAL) mechanism, it would be difficult to track progress, identify and implement corrective measures, and assess the impacts of the plan. The Strategic Plan MEAL framework (Figure 11) provides the basis for measuring the progress of the Strategic Plan, how effectively the objectives and targets set in the plan are achieved and the feedback mechanism to incorporate learning into the Business Plan and evidence-based decision-making, and continuous improvement.

**Figure 11 :** Strategic Plan MEAL Framework



## 4.2 Performance Review Plan

Monitoring and Evaluation shall be carried out at different stages of the Strategic Plan period. Performance monitoring shall be done to determine if the strategic initiatives are progressing according to the Plan and to obtain regular feedback on the progress being made in achieving the Strategic Plan Goals and objectives. Table 6 outlines the various kinds of performance monitoring and evaluation to be done during the Plan period.

Apart from this, the performance of the entire office has been strategically linked to IBN Strategic Plan by integrating the strategy into the performance indicators of OIBN staff at both the vertical and horizontal hierarchies.<sup>13</sup> The Strategic objectives, desired outcomes, and outputs indicators shall be integrated into the performance contract of OIBN staff. For this purpose, a separate performance agreement of each staff with their supervisors shall be developed to

<sup>13</sup> Such performance contract templates shall be developed accordingly.

**Table 6:** Performance Review Plan

M&E	Purpose	MEAL Event with Data Collection Methods	Frequency	Expected Product	Responsibility
Routine Process Monitoring	To track progress on targets in the individual activities	Regular monitoring, visits & use of monitoring tools	Monthly	Periodic reports/Field visit reports	PMUs, OIBN
Financial Monitoring	To ensure resources/budget prepared in the planning stage does not outweigh or fall behind during implementation phase.	Monthly Reporting	Monthly, Quarterly, Annual	Financial data/report	OIBN
Compliance Monitoring	To ensure project/program is in line with the agreed standard, quality, existing rules, and regulations.	Regular field sites monitoring visits & use of monitoring tools	Periodic	Compliance report	OIBN
Results-Oriented Monitoring	To see progress on results and targets	Field site visits & review of reports submitted by project developers	Periodic	Report	OIBN
Annual Reviews/Evaluation	To assess progress over past 12 months against planned activities and output milestones set out in the strategic action plan	Meetings, Consultations, & Review of reports	Annual	Annual reviews/ Evaluation report	PMUs/ independent assessors with guidance & oversight from OIBN
Mid-Term evaluation	To assess mid-term progress, & assist with any course correction that the implementation of the Plan requires	Use of evaluation methods	Mid-Term	Mid-Term Evaluation report	OIBN
End line Survey/Impact evaluation	To assess change as a result of implementation of Plan	Use of evaluation methods	After end of Plan Period	Evaluation Report	OIBN

integrate the staff's performance into the Strategic Plan. The evaluation and measurement of the performance contract shall result in the success of the Strategic Plan.

In order to share the lessons obtained from the M&E results, the following learning sharing activities (Table 7) will be conducted in collaboration with the key stakeholders.

Table 8 shows the reporting and dissemination plan for the MEAL products which includes M&E products and objectives, responsibility assigned to develop M&E product, frequency of reporting and dissemination, target recipients, and strategies for dissemination.

**Table 7:** Learning Sharing Activities

Learning Sharing Activities	Purpose	MEAL Event with Data Collection Methods	Frequency	Expected Product	Responsibility
Biannual review & Lessons Learnt Workshops	Review progress and share experiences on what works & what does not and why	Workshop	Biannual	Review of lessons learnt from workshops report	PMUs, OIBN
Learning Analytics	To learn, provide evidence & inform decision-making processes	Secondary and primary data analysis & generation	Periodic	Knowledge products	PMUs/ independent assessors with guidance & oversight from OIBN

**Table 8:** Reporting and Dissemination Plan for MEAL Products

M&E Products	Objective	Responsibility	Frequency	Reporting to	Target Recipients/ Audience
Progress Report	Monthly progress with bottlenecks	Project Developer	Monthly	OIBN	Relevant stakeholders
Field monitoring visit reports	Monitor field level works	Field Mission Team	After every site visit	OIBN	Relevant stakeholders
Knowledge products	Research findings, investment survey, investors, satisfaction, case stories	OIBN	Periodic	OIBN	Public
Annual Report	Annual review of Strategic Plan & Compilation of annual activities	OIBN	Annual	OIBN	Public
Dispatch	IBN ongoing activities	OIBN	Monthly	OIBN	Public
Lessons learnt workshop reports	Share lessons	OIBN	Periodic	OIBN	Relevant stakeholders

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## ANNEXES

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## Annex 1:

# PESTEL Analysis

Political Factors	
Political Stability	<p>Political stability has been ensured with promulgation of Constitution of Nepal 2015 and 3-tier election of governments</p> <p>The Constitution of Nepal clearly demarcates rights and responsibilities of 3-tiers of the governments</p> <p>The Constitution enhances political and economic governance and strengthen accountability and public service delivery at local levels</p> <p>The Constitution clearly recognizes the role of private sector investment including FDI for economic development</p>
Political commitment	Political parties express commitment to support private sector investment
Investment treaties and agreements	<p>Bilateral Investment Promotion and Protection Agreement (BIPPA) with 6 countries</p> <p>Treaty of Trade and Treaty of Transit with India</p> <p>Transit and Transport agreement with China</p> <p>Double Taxation Avoidance Agreement (DTAA) with 11 countries</p> <p>Member country of UN, WTO, SAARC, BIMSTEC, WTO, MIGA, UNESCAP, UNCTAD, BRI and World Intellectual Property Organization</p>
Peace and Security	Remarkable improvement in peace and security in the country
Governance	GoN has adopted "Zero Tolerance Against Corruption" policy

Economic Factors	
Macroeconomic Stability &	<ul style="list-style-type: none"> <li>■ Stable economy with macroeconomic stability</li> </ul>
Economic Growth	<ul style="list-style-type: none"> <li>■ Targeted economic growth rate of 10.3 percent and national per capita income of USD 1,595 by FY 2080/81 (as per 15th periodic plan)</li> <li>■ Rs. 9200 billion investment required during 15th plan period, around 55 percent of it expected from private sector</li> <li>■ Prone to Post-COVID economic vulnerabilities</li> <li>■ Economic vulnerability subjected to high foreign exchange risk (heavy reliance on remittance) and inflation</li> </ul>
Strategic Location	<ul style="list-style-type: none"> <li>■ Nepal can develop itself as a "Regional Economic Hub" through its strategic location between two emerging world economies</li> <li>■ Challenges in transforming from "landlocked" to "land-linked" economy</li> </ul>

Economic Factors	
Favorable Fiscal & Financial Policy	<ul style="list-style-type: none"> <li>■ Competitive corporate tax policy to attract private investment with no discrimination between foreign and private. (20% in priority sector – energy, transport infrastructure, and manufacturing; General: maximum 25%)</li> <li>■ Tax holidays for some sectors/locations up to 10 years</li> <li>■ Priority to export sector and export-oriented products</li> </ul>
Improved Investment Climate	<ul style="list-style-type: none"> <li>■ Nepal has improved in World Bank's Ease of Doing Business Index</li> <li>■ Country's credibility enhanced in repatriation of dividends and debt payments.</li> <li>■ Absence of country sovereign credit rating</li> </ul>
Low Cost of Labor	<ul style="list-style-type: none"> <li>■ Low cost of labor in Nepal compared to South Asian countries.</li> </ul>
Underdeveloped Financial Markets	<ul style="list-style-type: none"> <li>■ Underdeveloped financial markets have limited access of investors in project financing</li> </ul>
Social Factors	
Demographic Dividends	<ul style="list-style-type: none"> <li>■ Nepal possesses demographic window of opportunity comprising 57 percent of working age population</li> </ul>
Friendly Attitude toward Private Investment	<ul style="list-style-type: none"> <li>■ Public have maintained friendly attitude toward private sector investors</li> <li>■ Infrastructure projects have faced public resistance due to lack of proper mechanism on collaboration and coordination with local communities</li> </ul>
Progress toward achieving SDGs	<ul style="list-style-type: none"> <li>■ Nepal made significant progress in the SDG indicators related to poverty reduction, per capita income, health, access to electricity, and sanitation<sup>14</sup></li> <li>■ Devolved health care and free maternal health care at all public health facilities &amp; improved health care outcomes</li> <li>■ Interventions and increased spending on health &amp; education shall pay dividend</li> <li>■ Nepal has made significant efforts toward creating a peaceful, inclusive, and just society with strong policy commitment and focused programs<sup>15</sup></li> </ul>

<sup>14</sup> Nepal: National Review of Sustainable Goals 2020, NPC.

<sup>15</sup> Ibid.

### Technological Factors

ICT	<ul style="list-style-type: none"> <li>■ Increased internet and communication infrastructure</li> <li>■ Adoption to mobile technology</li> <li>■ larger room for adoption of advanced technology and IT systems, resulting in increase in productivity and cost efficiency</li> <li>■ Increased technical awareness among youths</li> </ul>
Digital Nepal Framework Initiative	<ul style="list-style-type: none"> <li>■ Nepal has promoted Digital Nepal Framework Initiative to leverage potential of digital technologies to drive accelerated growth</li> </ul>
R&D and innovation	<ul style="list-style-type: none"> <li>■ Nepal has poor R&amp;D culture for technological innovation</li> <li>■ Incentives for technical innovations poor.</li> <li>■ Threshold of Rs. 50 million restricts foreign tech-startups to invest in Nepal.</li> </ul>

### Environmental Factors

Environmental Conservation	<ul style="list-style-type: none"> <li>■ Nepal is signatory to international treaties such as Convention on International Trade in Endangered Species (CITES) and Ramsar Convention on Wetlands of International Importance</li> <li>■ Environment Impact Assessment (EIA)/ Initial Environmental Examination (IEE) compliance for development works</li> <li>■ As of 2018/19, 44.74 percent of total land found covered by forest area, targeted to be maintained at 45 percent</li> <li>■ Nepal has high prospect for carbon trading and green economy</li> </ul>
Difficult Terrain	<ul style="list-style-type: none"> <li>■ Mountainous terrain and poor infrastructure increase cost of transportation of raw materials and finished goods</li> </ul>
Climate Change	<ul style="list-style-type: none"> <li>■ Nepal falls in high-risk category to bear the impact of climate change</li> <li>■ Green and sustainable projects to be prioritized to manage climate change risks</li> </ul>
Natural Disasters	<ul style="list-style-type: none"> <li>■ Nepal is highly vulnerable to natural disasters, particularly earthquake, flash flood, landslides among others</li> <li>■ Disaster resilient infrastructure needs to be prioritized</li> </ul>
Natural Resources	<ul style="list-style-type: none"> <li>■ Nepal has abundance of natural resources such as water resources, mines, and minerals</li> </ul>

Legal Factors	
Private Sector-friendly Laws	<ul style="list-style-type: none"> <li>■ PPPIA 2019 integrates all aspects of investment to create an investment-friendly business environment and proper management of PPP with provision of a “one-stop solution.” for projects above Rs. 6 billion and above 200 MW for energy projects</li> <li>■ Provision made for formulation of Viability Gap Funding (VGF) Guidelines and Unsolicited Project Proposal Guidelines</li> <li>■ Improved legal framework through FITTA 2019, Industrial Enterprise Act (IEA) 2020, and Special Economic Zone (SEZ) Act 2016</li> <li>■ Hedging Fund Regulations 2075 enacted to arrange stable foreign currency exchange rate</li> <li>■ Repatriation fully allowed</li> <li>■ Policy inconsistency, a major impediment to building private sector confidence</li> </ul>
Property Rights	<ul style="list-style-type: none"> <li>■ Intellectual property rights need to be strengthened</li> </ul>
Provision for Land Acquisition	<ul style="list-style-type: none"> <li>■ Acquisition of land still a challenge for investors. There is an urgent need to introduce provision for expediting land acquisition in infrastructure projects</li> </ul>

## Annex 2:

# Strategic Plan Formulation Committee and Thematic Committees

### Strategic Plan Formulation Committee

Mr. Sushil Bhatta, CEO, IBN	Chair
Mr. Bhupal Baral, Joint Secretary, OIBN	Member
Mr. Dhruba Ghimire, Joint Secretary, OPMCM	Member
Mr. Yam Lal Bhusal, Joint Secretary, MoF	Member
Mr. Balaram Rijyal, Joint Secretary, MoICS	Member
Mr. Ramesh Adhikari, Under Secretary, OIBN	Member-Secretary

### Strategic Plan Development Core Team

Mr. Jayandra Shrestha
Mr. Ghanashyam Ojha
Mr. Dilip Raj Bhatta
Ms. Shriju Dhakal
Mr. Sourav Dhungana

### Strategic Task Force

Project Development and Management	Investment Promotion
Coordinator: Ms. Nisha Tripathee and Mr. Vijaya Sharma  Members: <ul style="list-style-type: none"><li>■ Mr. Hari Krishna Uprety</li><li>■ Mr. Bidur Gautam</li><li>■ Ms. Pragya Adhikary</li><li>■ Mr. Bipin Basnet</li><li>■ Mr. Hemant Tiwari</li><li>■ Ms. Sujita Raut</li></ul>	Coordinator: Mr. Punya Prasad Bhattarai  Members: <ul style="list-style-type: none"><li>■ Mr. Anup Shrestha</li><li>■ Mr. Ganesh Acharya</li><li>■ Mr. Tapendra Chand</li><li>■ Mr. Bishnu Pokharel</li><li>■ Ms. Shova Rijal</li></ul>
Institutional Development	Coordination, Collaboration and Partnership
Coordinator: Mr. Manoj Raut  Members: <ul style="list-style-type: none"><li>■ Mr. Prem Prasad Niraula</li><li>■ Mr. Neelesh Shrestha</li><li>■ Mr. Abhaya Sigdel</li><li>■ Mr. Axit Poudel</li><li>■ Ms. Ranjita Acharya</li><li>■ Ms. Aayushi Koirala</li><li>■ Mr. Surya Prasad Belbase</li></ul>	Coordinator: Mr. Prakash Sigdel  Members: <ul style="list-style-type: none"><li>■ Mr. Ujjwal Gajurel</li><li>■ Mr. Kshetra Bhandari</li><li>■ Mr. Prabhakar Ghimire</li><li>■ Ms. Suvechha Nepal</li><li>■ Mr. Binit Rana Magar</li><li>■ Mr. Sunil Shrestha</li><li>■ Mr. Amar Bahadur Shahi</li></ul>

**Annex 3:**

# List of Organizations Providing Inputs on Strategic Plan

GoN Agencies	Development Partners	Other Agencies
Office of the Prime Minister and Council of Ministers	Foreign, Commonwealth and Development Office	NIFRA
Ministry of Finance	The World Bank	FNCCI
Ministry of Energy Water Resources and Irrigation	Asian Development Bank	Nabil Bank
Ministry of Industry, Commerce and Supply	Swiss Embassy	
Ministry of Foreign Affairs	UNCDF	
National Planning Commission	GIZ	
	JICA	
	IFC	
	CLDP/USA	
	UNDP	

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**Annex 4:**

# Plates Illustrating the Strategic Plan Formulation Exercises

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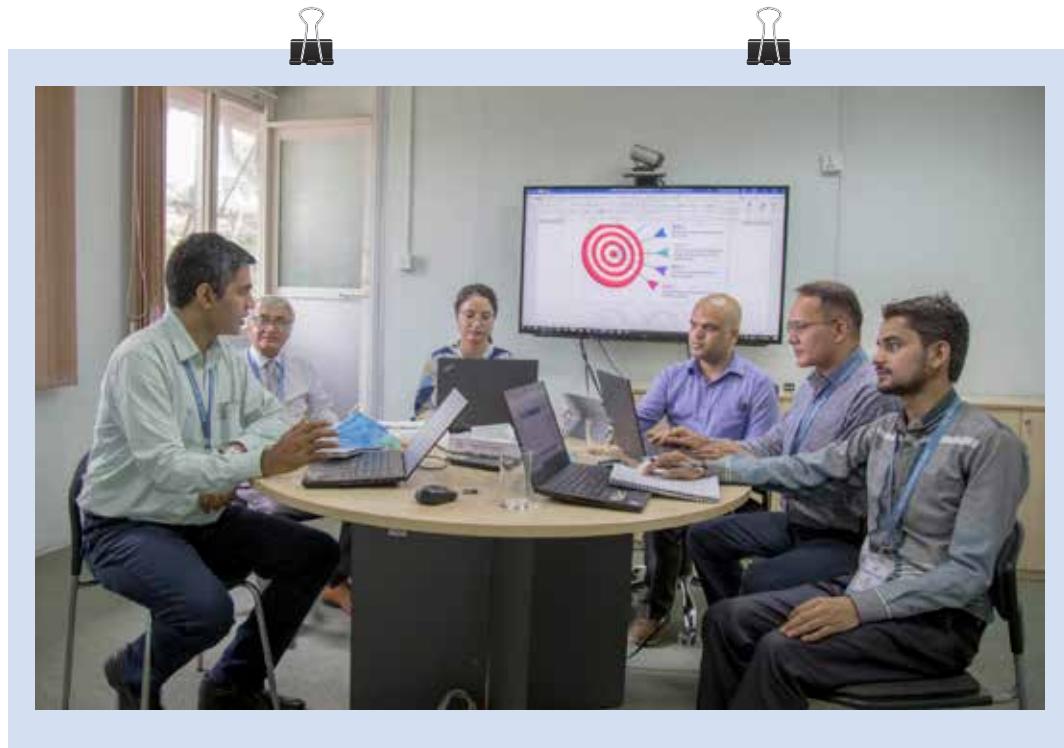
A meeting of SPFC chaired by IBN CEO.



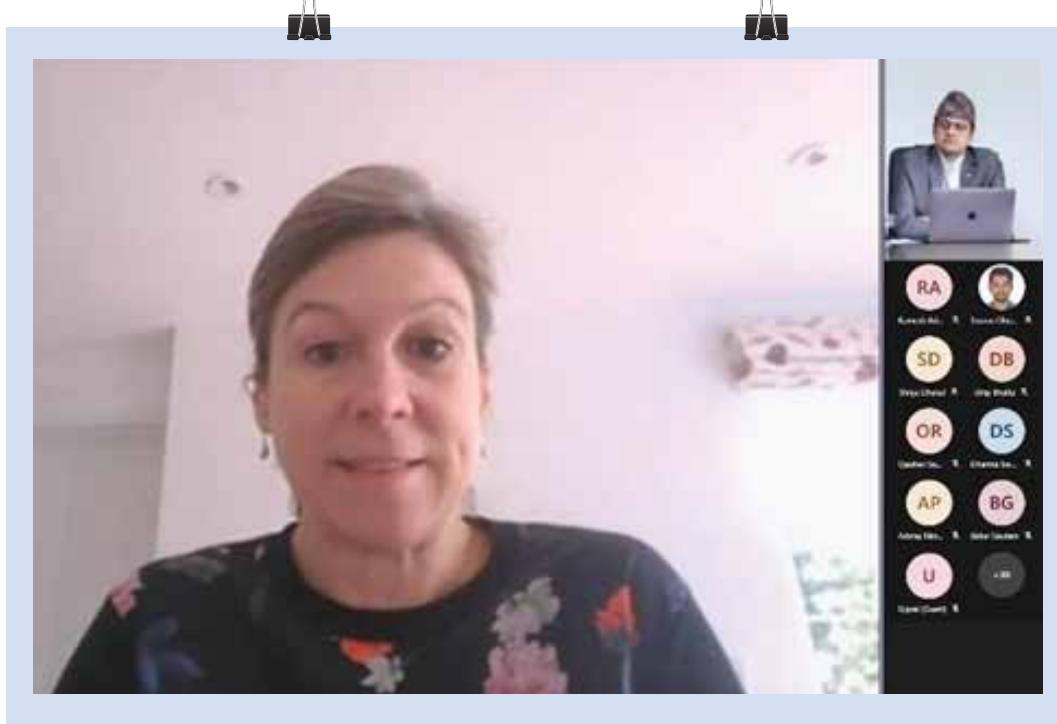
IBN, APPIIC team and experts discussing IBN Strategic Plan and Business Plan.



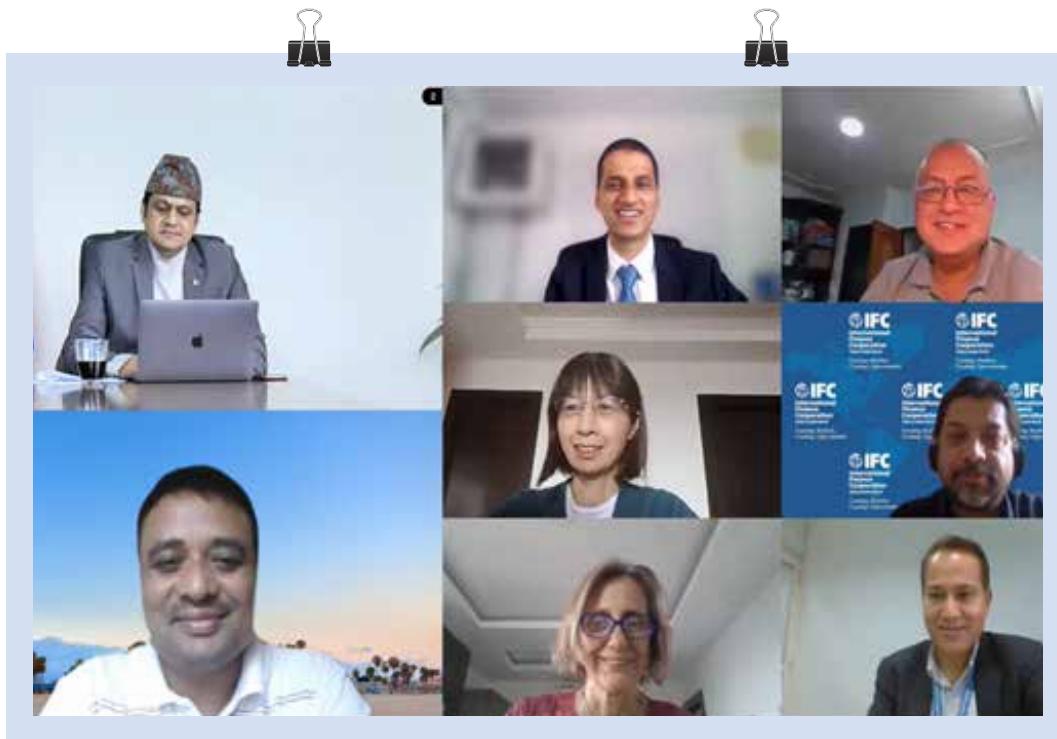
Senior management of IBN and APPIIC after a discussion on Strategic Plan.



Core team of IBN Strategic Plan and Business Plan.



Her Excellency Ms. Nicola Pollitt, British Ambassador to Nepal delivering remarks at a virtual consultation meeting with development partners on IBN Strategic Plan.



Representatives of development partners sharing their perspectives on the draft IBN Strategic Plan and Business Plan on a virtual meeting.

## Annex 5:

# List of Projects Approved by IBN

SN	Projects	Sector
1	Ankhu Khola Hydropower	Hydro
2	Dudh Khola Hydropower	Hydro
3	Ghunsa Khola Hydropower	Hydro
4	Himchuli Dordi Hydropower	Hydro
5	Ishuwa Khola Hydropower Project	Hydro
6	Kaligandaki Gorge Hydropower	Hydro
7	Manang Marsyangdhi Hydropower	Hydro
8	Marsyangdhi Besi Hydropower Project	Hydro
9	Myagdi Khola Hydropower	Hydro
10	Upper Marshyangdhi-2 Hydropower Project	Hydro
11	Upper Tamor HEP	Hydro
12	Upper Trishuli-1 Hydropower	Hydro
13	Upper Trishuli-3B Hydropower	Hydro
14	West Seti	Hydro
15	Dang Cement Industry, Dang	Cement
16	Dangote Cement	Cement
17	Hongshi Shivam Cement	Cement
18	Huaxin Cement Narayani	Cement
19	Reliance Cement	Cement
20	Samrat Cement Industry, Lamahi	Cement
21	China-Nepal Friendship Industrial Park, Damak Jhapa	Industry
22	Mortex Vehicle Assembly Plant	Industry
23	Grid Connected Solar PV plus Battery Storage	Solar
24	Japan Club International	Tourism
25	Kathmandu Solid Waste Management Package 1	Urban Development
26	Kathmandu Solid Waste Management Package 2 & 3	Urban Development
27	Venture Waste to Energy, Dharan	Urban Development

## Annex 6:

# Projects at IBN under Different Development Stages

Projects	Sector	Progress Stage	Remarks
Arun 3 Hydro Power Project	Hydro	Construction Stage	40 percent construction works completed
Lower Arun HPP	Hydro	Study stage	MoU signed and survey license issued, DPR to be presented within 18 months
Sunkoshi-II Storage HPP	Hydro	Project stalled due to various reasons, can be moved for solicitation	Showcased in NIS 2019, Selection of developer and RFP process yet to complete
Sunkoshi-III Storage HPP	Hydro	Project stalled due to various reasons, can be moved for solicitation	Showcased in NIS 2019, Selection of developer and RFP process yet to complete
Tamor Storage HPP	Hydro	FS Stage (by Private Party)	Under study
Upper Karnali Hydropower Project	Hydro	PDA Completed/FC Stage	PPA with Bangladesh and consensus with Indian Govt for Power Trading going on, Land Acquisition & FC on process
Upper Marshyangdi 2 (327 MW)	Hydro	Project Negotiation/PDA Stage	Investment approved by Board/ PDA; Negotiation stage
Upper Tamor Hydropower	Hydro	PDA negotiation	Preparation for PDA negotiation
Upper Trishuli 1	Hydro	Construction Stage	Implementation by GoN agency
West Seti and SR 6 HPP (1200 MW)	Hydro	Project stalled due to various reasons, can be moved for solicitation	Project development and investment modality under study
Dang Cement Industry, Dang	Cement	Under share transfer process	Investment approved by Board
Hongshi Shivam Cement	Cement	Operation Stage	1st phase Completed through IBN and in operation
Huaxin Cement Narayani	Cement	Construction Stage	85 percent construction works completed
Samrat Cement Industry, Lamahi	Cement	MoU to be signed	IBN implementing the project
Integrated Herbal Processing	Agriculture/ Industry	Preparation for study procurement for prefeasibility	Relevant documents under preparation
Dhulikhel Medicity Project	Health/ Urban Infrastructure	Preparation for study procurement for feasibility	Relevant documents under preparation
Gautam Buddha Maternity Hospital Project	Health/ Urban Infrastructure	Preparation for study procurement for prefeasibility	

Projects	Sector	Progress Stage	Remarks
Chemical Fertilizer Project	Industry	Study stage	Comparative study on available technology is under progress
China-Nepal Friendship Industrial Park, Damak Jhapa	Industry	PDA preparation in process	DPR approved, Land Acquisition completed, Chinese Government Company
Vehicle Manufacturing and Assembly Plant	Industry	Project Negotiation/PIA Stage	Initial PIA Signed; two phases proposed - 1st electric vehicles and 2nd diesel vehicles
Multimodal Logistic Park, Biratnagar	Industry/Logistics	DFS Stage (by Private Party)	Detailed Feasibility Study under evaluation
Railway Link Private Freight Terminal, Janakpur	Logistics	Board Decision	MoU pending
Railway Linked Private Freight Terminal, Bhairahawa & Birgunj	Logistics	DFS Stage (by Private Party)	Detailed Feasibility Study under evaluation
Dolma Solar Project	Solar	Survey License to be issued for new proposed sites	Developer has identified potential site for project in Dang and Kanchanpur
Solar Power Project, Kohalpur, Banke & Banganga, Kapilvastu	Solar	FS Stage (by Private Party)	Under process to issue survey license
Film City in Dolakha	Tourism	Preparation for study procurement for prefeasibility	Relevant documents under preparation
Janaki Heritage Hotel and Culture Village, Dhanushadham, Dhanusa	Tourism	Preparation for study procurement for prefeasibility	Relevant documents under preparation
Khaptad Integrated Tourism Project	Tourism	Preparation for study procurement for prefeasibility and master plan	Relevant documents under preparation
Tal Talaiya Multipurpose Tourism Project, Itahari	Tourism	Preparation for study procurement for prefeasibility and master plan	Relevant documents under preparation
Muktinath Cable Car	Tourism/Transportation	DPR under evaluation	
Nijgadh International Airport	Transportation	Project stalled due to various reasons, can be moved for solicitation	Board agenda prepared for procurement
E-Bus Rapid Transit (E-BRT) Project	Transportation	Preparation for study procurement for feasibility	Relevant documents under preparation
Interstate and Intrastate Public Transportation in Sudurpashchim Pradesh	Transportation	Preparation for study procurement for prefeasibility	Relevant documents under preparation
Kathmandu Outer Ring Road Project	Transportation	Study stage	RFP preparation underway
International Convention Center, Bijaypur, Pokhara	Urban Infrastructure	Preparation for study procurement for prefeasibility	Relevant documents under preparation
Venture Waste to Energy, Dharan	Urban Infrastructure	Construction Stage	Construction completed, under tests





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