

IBN DISPATCH

Monthly Newsletter

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Crucial Decisions at IBN's 18th Meeting



- **FDI worth 359.18 million USD by Hong Kong Red Lion No. 3 Ltd of Hongshi Holdings Approved**
- **Joint Consultation with ADB and IFC to Explore Appropriate Modality to Upgrade TIA and Build SIA**
- **Investment Summit by November this year**

KATHMANDU: The 18th meeting of the Investment Board Nepal (IBN) was held on 28 July (12 Sawan) under the chairmanship of the Prime Minister Sushil Koirala. At the meeting, IBN approved USD 359.18 million (NPR 36 billion) in foreign direct investment (FDI) by Hong Kong Red Lion No. 3 Ltd of Hongshi Holdings to establish a cement factory in Nepal. The factory will be a joint venture with Shivam Cement of Nepal, with the Chinese company holding a 70% stake and the remaining 30% owned by Shivam Cement. The venture has the capacity to produce 4.4 million tonnes of cement annually and is expected to generate employment for as many as 1,000 people. A couple of months back, Hongshi Holdings had applied to the Investment Board Nepal for approval of FDI. The

Chinese firm and Nepal's Shivam Cement signed an agreement for a joint venture worth USD 300 million in March.

Hongshi Holdings is the third foreign firm to receive FDI approval through IBN for cement production in Nepal, the first two being Dangote Group of Nigeria and Reliance Infrastructure Company Ltd of India.

In relation to other matters, the Board decided to organize a joint consultation meeting with the International Finance Corporation (IFC), a private sector arm of the World Bank Group and Asian Development Bank, to explore an appropriate modality for upgrading Tribhuvan International Airport (TIA) and developing the Second International Airport in Nijgad, Bara. It was also decided to form a committee headed by



Crucial Decisions....

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the CEO of IBN to conduct an Organization and Management Survey of the IBN Office. The Office of the Prime Minister and Council of Ministers or the Ministry of General Administration will forward the survey proposal once the committee prepares its report. Furthermore, a decision was made to host an Investment Summit in Kathmandu by November this year to sensitize local and international investors about investment opportunities in Nepal. Permission was also granted to the IBN Office to sign an MoU with Kathmandu University to form an Investment Facilitation Coordination Committee.

The Board approved the amended timeline of way

forward activities to implement the 750-MW West Seti Hydropower Project and granted permission to the developer of Tamakoshi-3 to conduct a Ground Stability Assessment (GSA) to test the geological conditions in the project site post-earthquake. The meeting also instructed the IBN Office to move ahead with the process of studying the prospect of developing the Lower Arun Hydropower Project under a public private partnership (PPP) model. Finally, Prime Minister Koirala took the opportunity to launch the official IBN website (www.ibn.gov.np). IBN has already launched its official Twitter Account @IBNoffice.

IBN Interacts with Parliamentary Committee Chairs



KATHMANDU: On 7 July (Asar 22), the Investment Board Nepal (IBN) organized a comprehensive interaction with the chairs of seven parliamentary committees at the IBN Office in New Baneshwor. The purpose of the interaction was to update the law makers on the projects being implemented by IBN, as well as to sensitize them about their role in improving the investment environment in the country.

IBN's CEO, Radhesh Pant, gave an overview of the status of various IBN projects and the current investment climate in Nepal. Pant also shed light on the challenges and opportunities involved in implementing big-ticket infrastructure projects in Nepal. He sought the cooperation of the committee chairpersons in amending the laws and policies that are hindering the smooth implementation of large-scale projects. He pointed to inadequate land acquisition laws, lack of coordination among government agencies in executing decisions taken by IBN and cabinet, political opposition, high expectations of project stakeholders and ambiguous legal provisions as the key challenges in infrastructure development in Nepal. He also asked parliamentarians to play a greater role in managing local stakeholders' expectations, sensitizing the public in favour of economic development, driving legal reform, and forging inter and intra-party coordination to facilitate the implementation of large-scale projects.

After this overview, a discussion ensued in which the committee chairpersons gave their feedback and views. Most identified bureaucratic red-tape, vested political interests, and irrelevant legal provisions as the key obstacles in executing development projects. They also cited a lack of bold decision making capacity among policy makers, the meddling of foreign forces and absence of political will, as well as the conventional working style of bureaucracy, for the slow progress in infrastructure development. They suggested to the IBN officials that projects be selected and implemented properly, assessing the impact on the environment, the prospect of employment creation, and the impact on national revenue, as well as local development.

Those participating in the programme were Ganga Chaudhari of the Legislature Committee, Prakash Jwala of Finance Committee, Prabhu Sah of the International Relations and Labour Committee, Bhisma Raj Angdambe of the Industry, Commerce and Consumer Interest Relation Committee, Sushil Kumar Shrestha of the Social Justice and Human Rights Committee, Rabindra Adhikari of the Development Committee, Ranju Kumari Jha of the Women, Children, Senior Citizens and Social Welfare Committee and Dil Bahadur Gharti of State Affairs Committee.

IBN Updates Global Media Reporters on Investment Prospects

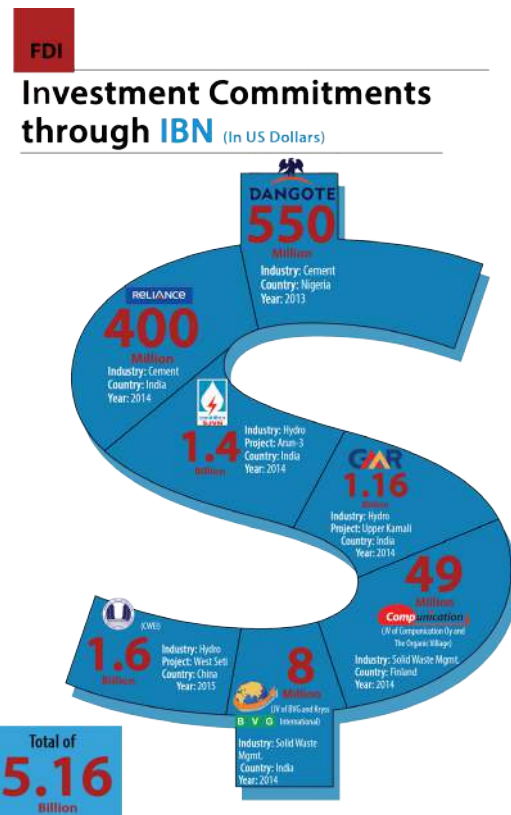
KATHMANDU: The Investment Board Nepal organized an interaction with Kathmandu-based international media representatives on 17 July (1 Sawan) to brief them about status of foreign direct investment in Nepal. A dozen correspondents from influential global media houses participated in the two-hour discussion at which senior officials of IBN official were also present.

This is the second interaction with journalists working with foreign media as part of IBN's efforts to promote Nepal as a favourable destination for FDI. On the occasion, Radhesh Pant, CEO of IBN, briefed



journalists about the current status of FDI and the opportunities and challenges facing investors in Nepal. Pant highlighted various comparative advantages for investing in Nepal, adding that Nepal's liberal tax regime, significant progress toward promulgating new a constitution, legal reforms, cheap labour costs, and proximity to the vast markets of India and China make Nepal an attractive investment destination.

He also said that the recent earthquake has created opportunities to integrate reconstruction, new construction, and mega projects together with joint efforts from public and private sectors. He requested the media to support IBN's efforts by sensitizing the public on the significance of economic development and disseminating positive messages abroad about investment opportunities in Nepal. "We need your help to support our efforts to showcase Nepal as an ideal destination for investment, even after the recent earthquake," he said. Most of the participants suggested that the government should speed up legal



reforms, simplify the rules for doing business and launch fresh initiatives to ensure investment security in Nepal.

Those participating at the interaction were Subina Shreshtha of Al-Jazeera TV, Sanjaya Dhakal of BBC, Dipak Adhikari of Anadolu Agency (Turkey), Gopal Sharma of Reuters, Binaj Gurubacharya of Associated Press, Shirishballav Pradhan of PTI, Bikash Sangraula of Kyodo News Agency, Ammu Kannampilly of AFP, Prakash Babu Paudel of China Radio International, Yangrong Zhao the Thailand-based correspondent for China Daily, Shristi Kafle of Xinhua and Anil Giri of IANS.

Solid Waste Management: Firms Demand Term Extension for DPR

KATHMANDU: Two joint-venture firms selected for preparing detailed project reports (DPR) for solid waste management in Kathmandu Valley have sought an extension of their deadlines until April next year. The Investment Board Nepal had issued a work order for 11 February to two joint venture firms: Nepwaste Pvt Ltd (a joint venture of Communication OY and The Organic Village) and Clean Valley Company Pvt Ltd (a joint venture of BVG, Greenfield Waste Management and KRYSS international) to prepare a DPR. Nepwaste is assigned to prepare a DPR for Kathmandu Metropolitan City and surrounding Village Development Committees under Package 1 of the project, whereas Clean Valley will prepare a DPR under Package 2 (Lalitpur Sub-metropolitan City, Kirtipur Municipality and adjoining VDCs)

and Package 3 (Bhaktapur Municipality, Madhyapur Thimi Municipality and nearby VDCs).

The 16th meeting of IBN in November last year had authorised a committee led by IBN's CEO to issue permission to firms to prepare a DPR and undergo evaluation of it. As per the agreement, the firms were supposed to complete the DPRs in 6–11 months from the date of issuance of the work order. The DPRs are required to include an evaluation of environmental, financial, legal, institutional and technical aspects of the projects.

Meanwhile, IBN has received expressions of interests (EOIs) from 11 international consulting firms to review the DPR. Consulting firms will be picked by October after evaluating the EOIs.

Mumbai Conference on Investment in Nepal

KATHMANDU: Speaking at an international conference on 'Rebuild Nepal: Trade and Investment Opportunities in Nepal', Nepali officials urged international investors to benefit from the emerging investment opportunities in Nepal. The conference was held in Mumbai, India's financial capital, on 9 July and was jointly organized by the Nepalese Embassy in New Delhi and the Federation of Indian Chambers of Commerce and Industry (FICCI).

In an elaborate presentation on 'Invest in Nepal', Radhesh Pant, CEO of IBN, drew the attention of international investors to the positive political developments in Nepal. Stating that Nepal is in dire need of infrastructure development, Pant called for international investment to back the Government of Nepal's reconstruction and new construction work in the country after the 25 April earthquake. He stated that the Government's initiative to introduce new

laws and amend existing laws governing economic sectors and recent progress in drafting the constitution have improved the investment environment and encouraged investors. He added that the Power Trade Agreement with India and the project development agreements for two big hydropower projects signed last year are positive steps forward in power development in Nepal.

On the occasion, Deep Kumar Upadhyaya, Nepali Ambassador to India, outlined the sectors with investment potential in Nepal stating that Nepal is committed to creating a favourable environment for foreign investment. Industrialist Binod Chaudhary talked about the scope for investment in the country, stating that investment avenues have improved, even after the earthquake. He said that positive progress on drafting the constitution is a major step forward in improving the investment environment.

Making connections

By ZHAO YANRONG in Kathmandu



Foreign investment for small economies is always important, and this is especially true for a nation that has recently suffered a devastating natural disaster. So it is no wonder that Radhesh Pant, chief executive officer of Investment Board Nepal (IBN), is kept extremely busy.

He regularly gives talks to local and foreign journalists as well as consultants from all fields, including engineering, legal, finance and government relations. Before speaking to China Daily Asia Weekly, Pant gave a 45-minute presentation to potential investors and the press, but such was the interest that questions continued to fly long past the official finish time.

But his overall message to the audience was crystal clear: Nepal needs foreign investment, now more than ever.

When he eventually is free to talk, the devastating earthquakes of April 25 and May 12 and what can be learned to help his country in the future are foremost in his mind.

“The earthquake is a disaster for our country,” Pant says, “but it also creates opportunities for investing in Nepal. Infrastructure, energy, agriculture, tourism ... almost every industry.”

Established in early 2012, IBN is a high-level agency headed by the prime minister. It was initiated with a vision of providing a one-window solution for large investors, by mobilizing and managing public-private partnerships for both domestic and foreign investors. For the first couple of months after his appointment as CEO, Pant was also the only person on the staff of IBN. But this situation did not last long.

Infrastructure has been the dominant sector of IBN since the board was established, Pant explains. He uses Nepal's neighbors to illustrate why infrastructure is so important for the country's development.

“China has made such tremendous achievements in economic growth over the last three decades with its strong infrastructure capability. And our other neighbor India is also working on connectivity. We have many experiences we can borrow from those two countries,” he says.

With its beautiful scenery, rich history and culture, as well as access to the Himalayas, Nepal is a popular tourist spot. However, it is also on the United Nations list of the world's least developed countries, which is holding it back from becoming a world-class location for travelers.

“We need more infrastructure to make strategy in adopting economic transformation.”

Out of all the planned and hoped-for infrastructure projects, Pant believes that hydropower is the most important to crank up Nepal's economic engine.

He explains that despite having enormous hydro potential, Nepal still does not have a reliable electricity supply. About 98 percent of the country's 40,000 megawatts of economically viable hydro potential remains untapped, and only 46 percent of the population has access to electricity.

“Nepal now has an enormous opportunity to not only fulfill its own domestic demand but also sell electricity to its southern neighbor

“We have big offices and more young and energetic people to make sure large-scale projects are considered from all perspectives, such as the legal side, technological side, capital funding side and so on.”

Pant says changes have also been made at the administration level. For example, the Ministry of Industry will open online registration for companies, and a one-stop service will be available for immigration affairs.

He says more changes are needed, but he expects the climate for overseas investors will continue to improve in the near future.

“At least 25 to 30 articles of law and regulations are going to be amended to make sure they are investment friendly,” he says.

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“We need proper infrastructure to make more places in Nepal accessible and to take good care of travelers in Nepal,” he says.

Pant cites the Pokhara airport project as an example. Pokhara, the second-largest city of Nepal, attracts many international visitors every year to enjoy its stunning lake view and access to the Himalaya mountain area. Upgrading the city’s airport has been a key project for the government, and Chinese investment is playing a major part in making that project a reality.

Last year, China CAMC Engineering Company won the bid from the Civil Aviation Authority of Nepal to build the new Pokhara Regional International Airport. And early this year, China Exim Bank agreed to extend a \$215 million soft loan to the Nepali government to build the airport.

The project is intended to provide better services for domestic flights and to open more international routes, helping to create a bigger tourist market.

Pant also says that better infrastructure will push trade growth. “Ideally, we will have the North-South Corridor between China and India, which we could use to get our products into markets in the largest and second-largest populations in the world.”

He also believes that investing in infrastructure could help attract young and skilled Nepalese currently working overseas back to the country.

“We have a large number of young people working in other countries in the construction sector. They have experience in those areas,” he says.

“We now have more work opportunities, and getting those workers back will be one strategy in adopting economic transformation.”

Out of all the planned and hoped-for infrastructure projects, Pant believes that hydropower is the most important to crank up Nepal’s economic engine.

He explains that despite having enormous hydro potential, Nepal still does not have a reliable electricity supply. About 98 percent of the country’s 40,000 megawatts of economically viable hydro potential remains untapped, and only 46 percent of the population has access to electricity.

“Nepal now has an enormous opportunity to not only fulfill its own domestic demand but also sell electricity to its southern neighbor in return for billions in revenue, taxes and royalties,” Pant says.

In April, before the first earthquake, IBN cleared China’s Three Gorges Corporation to build a long-delayed \$1.6 billion hydropower project, the single

biggest foreign investment in the country. The dam, to be built on the West Seti River in northwest Nepal, will generate 750 MW of power when completed, according to a Reuters report.

In 2014, China overtook India as Nepal’s biggest foreign investor, funding power plants, noodle factories and meat-processing units. Trade is also booming: Nepal’s commerce with China has outpaced that with India by 17 times since 2006, eroding the influence of New Delhi.

“In the infrastructure sector, hydropower and connectivity projects are the priority among priorities. Chinese construction companies have specialties in those projects,” Pant says.

“China’s construction companies have the experience developing overseas projects, such as in Pakistan and Myanmar, which makes China a good partner in Nepal’s development.”

He also highlights the efficiency of Chinese contractors, who tend to hand over projects on time, giving the example of the Three Gorges Dam on the Yangtze River which was completed ahead of schedule.

“In large-scale projects, issues like time delays or cost overruns happen all the time, but Chinese companies can realize many things others cannot,” he says.

In addition to the large-scale infrastructure projects, which have been contracted with Chinese State-run companies, there are many smaller Chinese entrepreneurs investing in Nepal’s tourism industry.

“No matter the background of Chinese investors, we consider them all as entrepreneurs. We are driven not only by the interests of Nepal, but also the benefits of our investors,” Pant says.

Before the earthquakes, flights between China and Nepal were up to eight a day. He believes that future cooperation between the two countries will develop and more common interests will be created.

“We hope Chinese companies learn well about Nepal’s investment regulations and policies before taking action. And I suggest they should have more interaction with IBN, for more first-hand and authorized investment resources,” Pant says.

He also expects China’s financial sector to enter the market. Banks from China, especially the State-owned banks, would help facilitate matters for Chinese investors and make them feel more comfortable investing in Nepal, he says.

“We welcome Chinese investors,” he concludes.

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