

Source: The Himalayan Times; 16 April, 2014

## **IFC to give \$6bn for hydro projects**

The International Finance Corporation (IFC) has pledged financial support worth \$6 billion to develop 3000 MW hydropower projects in Nepal.

IFC Executive Vice President Jin -yong Cai expressed the IFC's willingness in assisting Nepal during his meeting with Finance Minister Ram Sharan Mahat at the World Bank Headquarters in Washington DC.

During the discussion, Cai revealed that IFC is particularly interested in supporting the construction of hydropower projects that will cater to the domestic consumption demand as well as generate enough electricity for export to neighbouring countries.

"For this, IFC is expecting the government's support in facilitating the process, including PDA agreement by Nepal Investment Board for the implementation of power projects," said Cai.

Both sides acknowledged the progress made in the construction of Kabeli Power Project of 38 MW, the project started by IFC, a private sector developer and government's participation.

Moreover, Cai showed interest in financing projects in other competitive sectors such as in tourism and telecommunication.

In the meeting, the finance minister assured IFC that the government will take all necessary decisions to facilitate the IFC investment in Nepal.

"The government is willing to provide fiscal incentives to hydro projects," said Mahat, citing the example of recent government decision to allow IFC to issue local currency bond.

Source: Karobar; 17 April, 2014

## Soft loan sought for West Seti transmission line

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Baburam Khadka

Nepal has sought soft loan from the Chinese government to construct transmission line to transfer electricity generated from the reservoir based West Seti Hydropower Project (750 MW) to distribution centers.

The Finance Ministry, on recommendation of the Investment Board (IB), has written to the Chinese government to formally request for soft loan as US\$ 400 million (around Rs 40 billion) is required to construct the 400 KV transmission line deemed necessary to transmit electricity according to a study. The Memorandum of Understanding (MOU) states that CWE Investment Corporation of the China Three Gorges Corporation will help in making financial arrangements for construction of transmission line but the Nepal government should invest in it. The estimated cost of the project to be constructed for domestic consumption is Rs 200 billion excluding the cost for transmission line. It will generate 3.33 billion units of electricity annually. "We have not stated the amount though we have sought soft loan from China. We have not included the amount now as the actual cost will be determined only after additional study," Joint Secretary at IB Mukunda Prasad Poudyal said. He revealed that soft loan has been sought according to recommendation of CWE.

The MOU states that Nepal will do the works for infrastructure development, resettlement and land acquisition. The schedule mentioned in the MOU signed last year has already been affected. Though the project is scheduled to be completed by the end of 2020 it has been delayed. Formation of a joint company, that was scheduled to be formed within six months of MOU, has also been affected due to the delay. Poudyal stated that CWE is currently taking domestic permission, and formulating budget and plan for the project. The company will come to Nepal immediately after completion of those tasks. The company was set to start work from March.

CWE has already submitted the financial and technical reports to IB. The financial report states that the project is financially attractive. The estimated financial analysis of CWE states that the rate of PPA should be 5.40 cents during the rainy season and 9.50 cents during the dry season for the project to be

financially lucrative. CWE has concluded that the annual inflation should be three percent, and loan period 18 years out of which six years have to be grace period for the project to be financially viable. CWE and IB had signed an 18-point MOU at the end of August incorporating the directives of the then parliamentary committee on natural resources and means.

The project will be built in Public Private Partnership (PPP) model. The locals will be provided up to 10 percent shares in the project that will have 65 percent shares of CWE and 25 percent of Nepal government, according to the MOU. The project will be constructed in Doti, Dadeldhura and Bajhang districts of the far west region.

IB has already expressed commitment on resolving the issues of resettlement of the displaced, land acquisition, rate for Power Purchase Agreement (PPA) for a reservoir based project, return and construction of transmission line for the project.