

Source : My Republica, May, 16, 2014

World Bank Group approves financing for Kabeli-A hydropower project

KATHMANDU, May 16 :The World Bank Group on Friday approved a US\$ 84.6 million in financing for the Kabeli-A Hydroelectric Project, paving the way for Kabeli Energy Limited (KEL) to start construction of the 37.6-megawatt capacity project.

Officials of Butwal Power Company, the main promoter of KEL, said construction works would begin soon. The project is said to be of strategic importance for eastern regional industrial hub and load center.

The financing includes \$40 million credit and \$6 million grant from the International Development Association (IDA) and a \$19.3 million loan from the International Finance Corporation (IFC).

Additionally, the package includes a \$19.3 million loan from the Canada Climate Change Program (CCCP) for which the IFC acts as the implementing agency.

The project located in Panchthar district is the run-of-river type project. The company plans to connect the energy generated from the project to the national grid via Kabeli Corridor Transmission Line -- a separate project financed by the World Bank.

The government had offered the project on Build, Own, Operate and Transfer (BOOT) model to Kabeli Energy Ltd, following international bidding in 2007. Kabeli Energy Ltd will invest \$23 million in the project which is estimated to cost \$108.6 million.

According to the revised decision, KEL will receive 60 percent of the energy payment from Nepal Electricity Authority (NEA) in US dollar and remaining in Nepali currency.

Source : The Himalayan Times, May 19, 2014

Govt to prioritise energy sector

HIMALAYAN NEWS SERVICE

KATHMANDU: Minister for Finance Ram Sharan Mahat has said that the government is coming up with a substantial plan to increase investment in the energy sector through the budget for next fiscal year. The sector has been given priority to end load-shedding within the next three years and help achieve healthy economic growth.

Addressing a pre-budget discussion programme on Sunday, Minister Mahat said that the government is giving priority on increasing economic growth rate through the development of hydropower, the leading sector. "The government will be doing major investment in high voltage transmission lines in corridors like Karnali and Marshyangdi," he said.

Lack of transmission lines has been a major problem for potential local and foreign investors in the hydropower sector. Mahat said that since energy was the main bridge to reduce the trade deficit and increase growth rate, there has been a need for investment in hydropower with focus on storage type of hydropower projects from the government, private sector and foreign investors, to address the demand during the dry season and export to India.

Achieving seven-eight per cent growth rate has become a must to graduate from the present status of least developed country (LDC) to a developed nation. This year, the government has projected 5.5 per cent economic growth. However, the present growth rate is not adequate to gain the status of a developed country by 2022 as targeted by the government.

"We must nearly double the growth rate to eight per cent to graduate as a developed country within the next seven years," the finance minister said. According to him, upgrading highways, irrigation projects and airports are also in high priority of the government in the upcoming budget. A recent study of the World Bank states that only Nepal and Afghanistan will remain an LDC from South Asia by 2020.

Newly appointed Vice Chairman of National Planning Commission (NPC) Govinda Raj Pokhrel, in the programme, said that the government has to focus on mainly three sectors — energy, agriculture and tourism — in the budget. "Since we have witnessed good investment in hydropower in the last couple of years, the budget has to focus on creating an environment for investment."

NPC has fixed the size of the budget for next fiscal year at Rs 596 billion. However, Deependra Bahadur Kshetri, former vice chairman of NPC said that the ceiling was inadequate as people had more expectations from the government. "The budget should be of Rs 650 billion and include new plans that will help generate employment opportunities at the local level."

Private sector representatives said that electricity shortage was a major hurdle causing low industrial output, which subsequently leads to fewer exports and huge trade deficit. They have suggested the government to increase investment in infrastructure sector. "Of the total investment in infrastructure, private sector should contribute at least 10 per cent," said Pradeep Jung Pandey, president of the Federation of Nepalese Chambers of Commerce and Industry.

Amid failure to see satisfactory performance in Priority One (P1) projects, participants at the programme asked government to review list of P1 projects. Of the total projects being carried out by the government around 90 per cent of them are in the P1 list. Around Rs 58 billion has

remained surplus at Nepal Rastra Bank in first nine months of current fiscal due to failure to increase capital expenditure.

Source : The Himalayan Times, May 21, 2014

Work starts at Hewa-A power project

HIMALAYAN NEWS SERVICE

PHIDIM: After obstruction lasting almost a week, work resumed at Hewa-A hydropower project today after an agreement was signed between agitating locals and the company.

Earlier, work at the 15.5 MW power project being developed by Panchthar Power Company in Yangnam VDC, had halted after locals created hurdles accusing the company of cheating them by backtracking on its promise to work in the affected area, as it had pledged before starting the project.

Panchthar Chamber of Commerce and Industry intervened to settle the dispute. "The work resumed after we struck a seven-point deal with the agitating locals," said company Director Basanta Kumar Nembang.

The project, worth over 2.5 billion rupees, which was funded by Sanima Bank, is almost half complete. It aims to come into operation by the end of 2015.

Source : The Kathmandu Post, May 21, 2014

Pvt sector's priority: Energy, agriculture and infra

KATHMANDU, MAY 20 -

Trade and industry leaders have urged the government to focus on developing energy, agriculture and infrastructure as it gets ready to present the budget for fiscal 2014-15 next month.

Commending the effort to introduce an early budget since there has been a history of delays, chiefs of the private sector said that the government should implement the priority sector projects properly. The government is expected to unveil a Rs 600-billion annual financial plan due to greater demand for funds from different quarters although the National Planning Commission has fixed the budget ceiling at Rs 596 billion.

"The best thing happening this time is that the budget is being tabled on time," said Pashupati Murarka, senior vice-president of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI). "The government should focus on implementation of the plans and policies on time and carry out the development expenditure as mentioned in the budget." Murarka stressed the need to emphasize the energy sector as power shortages have prevented industry from operating at full capacity besides crippling normal life. He demanded increased funding and tax cuts for the sector.

Due to lack of preparation, the government's budget allocations in the energy sector could not be utilized adequately this year. Funds were set aside even before the issue of land acquisition had been resolved, and a lot of money allocated for transmission lines has been lying idle. The government has allocated Rs 30 billion for the energy sector this year.

"Energy is one sector which can solely drive the economic development of the country." A recent World Bank study has found that Nepal suffered a funding gap of \$ 5.3-7 billion in the energy sector from 2011-20.

The Nepali Congress, which heads the present government, had pledged in its election manifesto to eliminate load-shedding within three years and produce 5,000 MW within five years.

Similarly, the CPN-UML, which is a major partner in the coalition government, had said that it would complete a number of ongoing hydropower projects like the Upper Karnali, West Seti, Budhi Gandaki, Upper Marshyangdi, Lower Arun, Tamakoshi III, Arun III and Upper Tamor within 10 years through proper coordination with the private sector.

Murarka said that agriculture was another sector that needed to be accorded priority in the upcoming budget. "We can reduce the huge trade deficit by focusing on the agriculture sector," said Murarka. "We have fertile land as well as manpower. However, we have not been able to capitalize on the potential."

The FNCCI is currently collecting suggestions from district chambers and representatives for the upcoming budget. "We have already received feedback from around 17-18 districts. We will submit a set of recommendations in writing to the government in the next two weeks," said Murarka.

Likewise, Hari Bhakta Sharma, senior vice-president of the Confederation of Nepalese Industries (CNI), said that the government should offer stimulus packages to the manufacturing sector for achieving sustainable economic growth.

"It is not just about providing money," said Sharma. "During the last budget presentation too, we had suggested that the government offer some benefits like a 5-10 percent waiver on corporate tax for manufacturing industries and quantified benefits for industries generating employment," said Sharma. Currently, manufacturing industries have to pay a corporate income tax of 25 percent.

According to him, the budget should put on more focus on development of energy sector and infrastructure. "These are the bases for the development of industries," said he adding that country can only narrow down the trade deficit by increasing its focus on industrial development and development of export oriented products.

Suresh Kumar Basnet, president of Nepal Chamber of Commerce (NCC) said that new budget should ensure that the industrial zones would get on permanent basis. "For this, there needs to be some arrangement to import more electricity from India," said he. Due to energy demands exceeding output, Nepal has to import power from India. The Morang-Sunsari Industrial Corridor is almost fully dependent on imported energy which has put it in a vulnerable position.

Basnet also asked for the introduction of new laws necessary to stimulate an economic revival in the country.

Source : The Kathmandu Post, May 22, 2014

Budget 2014-15: Govt to focus on infrastructure development

KATHMANDU, MAY 21 -

New budget will focus on infrastructure development, with a significant allocation of resources to the development of hydropower plants and transmission lines, Finance Ministry officials revealed on Wednesday, three weeks before the presentation of the next fiscal spendings.

Expansion of road connectivity, improving rural infrastructure and agriculture development will be other key components of the budget.

This was also echoed by Finance Minister Ram Sharan Mahat when he met with representatives of the donor community during a government-donor meeting at the ministry on Wednesday. "Our policy and priority for the next year will focus on attracting investments to accelerate economic growth, particularly through investments in infrastructure," said Mahat.

The government has accorded top priority to infrastructure development, stating that infrastructure gap and policy barriers have remained bottleneck to country's growth despite significant improvement in social indicators.

A recent World Bank study has suggested that Nepal would need \$13-18 billion from 2011-2020 to bridge the investment gap in infrastructure, with the energy sector requiring a bigger chunk worth \$5.3-7 billion.

According to the Finance Ministry, Nepal needs to make an additional Rs 160 billion capital investment annually to achieve 8 percent annual growth—a growth rate essential to attain the status of developing country.

"As the government has limited resources, the focus will be on attracting more domestic and foreign investments in the sector by creating an investor-friendly environment," said Finance Secretary Yubaraj Bhusal.

He added that international institutions like European Investment Bank and China Construction Bank are interested to invest in Nepal's energy sector.

Other infrastructure such as roads, irrigation, agriculture and tourism will also feature prominently in the new budget, with a focus on increasing youth employment in the agriculture sector.

"Policy related to contract farming and land banking will be adopted to encourage youths to engage in commercial farming," said Bhusal. Increasing production, farm mechanization and expansion of farm technology will be other priorities in the sector.

The government will prioritise the promotion of backward regions for tourism, including mid-western and far-western regions. On Wednesday, the government decided to open 104 new peaks—most of them from the two regions—for commercial climbing. The government is mulling to promote Nepali section of Great Himalayan Trail, the longest alpine walking track. The trail extends from Darchula and Humla in the west to Kanchanjunga in the east and it would take around 157 days to trek.

The government is taking a number of measures to improve the implementation rate of development projects through better mobilisation of capital expenditure. As of May 20, only 36 percent capital budget has been spent. Bhusal said the new budget will also talk about introducing a new Public Procurement Act and controlling contractor-related problems. There is a growing tendency among contractors of taking 20 percent mobilisation fund in advance to add up to their profits while starting project works late.

The government will also make a policy statement on the second generation economic reforms through the budget, Bhusal said. The reforms will incorporate issues, including proper regulation of financial, education and health sectors and law and order related problems.

