

Source: The Kathmandu Post; 30 March 2015

Investors need to see that the government is committed

Last year, Nepal signed a Power Trade Agreement (PTA) with India, providing much-needed headway to hydropower development in the country. It was followed by the signing of a Project Development Agreement (PDA) on Upper Karnali with two Indian companies—GMR-ITD Consortium, a private sector developer, and on Arun III with the Satluj Jal Vidyut Nigam Limited, a government entity. Investment Board Nepal (IBN), a government entity established to facilitate economic development by attracting investment, has been a key stakeholder in the signing of these landmark deals. *Akhilesh Upadhyay* and *Prithvi Man Shrestha* spoke to [Radhesh Pant](#), CEO of the Investment Board Nepal, about the possibility of completing these projects soon, progress on the West Seti hydropower project, political interference at the IBN, and calls to ensure local equity in large projects.

The last few months were very important for the IBN, as it was able to secure two much talked-about hydropower projects—Upper Karnali and Arun III. Do you think the projects will actually go ahead given our political volatility?

I am pretty sure the projects will go ahead. We are abiding by obligations laid down by the PDA. As for GMR, the International Finance Corporation (IFC) has joined it, which would possibly ease financing for the project. Arun III, on the other hand, will receive funding from the Indian government. They have already started their resettlement action plan and have tendered out bridge works. Completing the project will not only boost our as well as the developers' confidence but also that of the locals. I am very sure they will go ahead on time for two reasons. First, there is government obligation and second, there is enough local support.

Let's talk a bit about National Pride Projects and how much the IBN been able to deliver.

The Investment Board is currently working on the West Seti and the Second International Airport (SIA). In West Seti, we were directed by the Natural Resources Committee of the previous Parliament to make some amendments, which we did. We had a caretaker government then. Developers take such things into account as they would like to have decisions made by a strong government with a Parliament. Even so, West Seti is moving forward. In August 2013, it completed both its financial and technical evaluations. The chairman of the Three Gorges himself visited and we made sure he met with the prime minister, the finance minister, and the energy minister. There's commitment from both sides. They want to start drilling because they want to complete geological, tectonic, and hydraulic studies before the monsoon begins. The PTA signed with India and PDA signed for Upper Karnali and Arun-III also encouraged Chinese to invest in Nepal.

So you are essentially saying that instead of big Indian investments supposedly alienating the Chinese, it is working the other way round?

Our strategy should really be to diversify our portfolio. Of course, have the Chinese and the Indians come in but we should also try to get the Japanese, the Europeans. That is why I stress that investors are not going to come in until and unless they see a process like the PDA to which the government is committed. We have been blaming politics for too long. At the end of the day, the development mechanism of the government really needs to change. In many countries that are politically unstable, so to speak, things are happening. Just look at Ethiopia. Even until five or ten years ago, it would figure on the cover of Time or Newsweek for its poverty. Now, it is doing really well. In, we now have a window of opportunity.

What about the second international airport?

In the current situation, unless the government does it by itself, I do not think the private sector would be interested. First, it's a green field project and will not be profitable for the next 15, 20, or 25 years. For anyone to take up that project, they would need a guarantee that a fast track will be built by the time the airport is constructed. Or else, no one is going to fly there and take six hours to come to the Capital. Second, the viability gap funding would be extremely high because they won't make money. We will probably have to change our laws on the concession period too. Also, five tourism ministers have been changed during this period time, which is also the reason why decisions have not been made.

Can you elaborate on this?

First, we need investments for airports and I am not just talking about the SIA. We also need to upgrade the Tribhuvan International Airport (TIA). International investors/operators should look into both these projects. In other words, we need a competitive bid and these two projects need to be bundled together. The reason being, TIA is a brown field project, it already makes money. So the developer will have cash flowing in from the TIA, which can be invested in the SIA. Second, we don't want two different operators competing in the country. Third, I believe there are only a dozen or so operators in the world. By having them here, it will be their first priority to get more tourists into Nepal. For example, if the same operator manages Singapore Changi Airport, they can give discounts and attract tourists from Singapore.

You've been involved with IBN for a while. Give us a sense of the volume of foreign investment you have been able to attract and what's in the pipeline.

It takes some time to attract and realise large-scale investments. Basically, we look into anything above \$100 million. We have approved FDI close to \$900 million in cement industries and two hydro projects—Upper Karnali and Arun-III close to \$2.5 billion. We are in the process of approving FDI for West Seti worth \$1.6 billion. The SIA will cost about \$6.7 billion in three phases. The TIA upgradation should be about \$200-400 million. Then, there is \$40-50 million for waste management.

Earlier you said that despite political stability, a lot of large-scale development works have been able to proceed elsewhere. Has Nepal progressed despite political instability and how do we insulate ourselves against it?

An institution like the Investment Board should be apolitical. It should not look into any individual party interests. We have to be extremely fair and present things as they are in the country's best interests. For that to happen, we need extremely professional people and that's the way our consultants are. There has been a lot of criticism that the Board has young people who are not very experienced. Having young people is beneficial as they can think out of the box and accept new things as they are not influenced by anyone. We need to develop this young generation and instil some sort of excitement in them to challenge them. That's how I think we can develop.

That is fine, but there is also lot of talk of about political influence peddling within the IBN.

I don't think so. If you look at Investment Board Act, it is extremely powerful and can be misused. If we were politically driven, those powers would already have been misused.

So why do we keep hearing of the tussle between the IBN and ministries?

I really don't think it's a tussle. It is a way of life. If you have a new department even in a small bank, it will get no help from anyone. Once it begins making money, then others will be interested in getting into that department. It's the same thing.

You're essentially saying that that worst is over for this autonomous body in terms of defining its turf?

I am very clear about what our turf is. As the law says, 'to bring in investment'. We are the commercial face of the government. We are qualified people and look at intra-sectoral issues. We also need to focus on contract management, an area where the government is very weak. This leads to cost and time overruns.

Can you explain what kind of expertise the IBN has to our readers?

Right now we have about 27-28 consultants, all Nepalis, in various areas. Their expertise lies in project finance, basically looking into financial models; sustainable environment; social development as in the sort of framework we should have for large-scale projects; public-private partnerships; transport engineering; hydro engineering. These are our regular consultants. Apart from that, we have access to international consultants who have done these kinds of projects in other countries. Our job is to transfer their technical expertise to our people—not just the IBN but also to the Nepal Electricity Authority, the ministries.

One criticism of these large projects has been that there is a lot of disgruntlement about locals not getting enough stakes. There has been some positive activism towards that end and some not-so-positive activism. How do you address that call for local equity?

One of the things we are currently working on is what sort of framework should be in place for locals to participate in the project. We need to make sure that locals get and keep equity shares. In many places, what is currently happening is that locals get shares for Rs 100 and they sell for

Rs 120. We need to educate these people and have a modality for it. There is a study currently underway for Upper Karnali and Arun to establish the criteria. Should it be the number of people affected vis-à-vis the project over the entire district? Should it be based on the people's socio-economic background? One of the things we are trying to do in these two projects is maximise the chances of the affected people getting employed. We are also thinking of asking the developers to deduct 20-30 percent from the salaries of the employed locals and place that in a fund so that by the end of the construction, say five to six years later, people will have enough money to buy shares.

So you are mindful of the fact that in large-scale projects, local stakes should be internalised?

Definitely. But having said that, it shouldn't be politicised. There has to be mechanism whereby one allows the developer to continue working.

Source: The Kathmandu Post; 30 March 2015

To think hydro dams will resolve all problems is too naive

Last year, Nepal signed the power trade agreement with India ending a long hiatus in hydropower development in the country. It was followed by the signing of a Project Development Agreement on Upper Karnali and on Arun III, which had been stalled since the early 1990s. Many see hydropower as the next frontier in Nepal's development. [Imtiaz Ahmed](#), Professor of International Relations in Dhaka University, who along with Ajaya Dixit and Ashis Nandy wrote the South Asian Water Manifesto back in 1997, however, does not entirely subscribe to this view.

Akhilesh Upadhyay and *Darshan Karki* spoke to Ahmed about the alternative discourse on water resources, large hydropower projects and what the rise of Indian Prime Minister Narendra Modi and his vision of development could mean for Nepal and the region.

The water manifesto talks of issues such as equity, water-sharing and that the media instead of informing the people is peddling the mainstream view. But the fact is: the alternative discourse hasn't advanced much in our region.

One of the reasons for writing the manifesto was to challenge the land-centric view of things.

We wanted to make it water-centric, which is just picking up in Nepal. Though people talk of its hydro potential, given its terrain and the kind of activities required, how far is it feasible? Further, tectonic movements in the northern part of India have made people realise that not all is well in the land-centric understanding of things.

In case of Bangladesh, it is the soil or silt that flows through Bangladesh to the Bay of Bengal, which has made the country. It is a delta; so we are people of many rivers rather than many lands.

After two decades, people have taken up research on water commons and we have established a water museum. The first one was established in Kuakata, Bangladesh. In the beginning, people were sceptical. Now, Nepal wants one and so does India. Here is an opportunity to get away from a land-centric understanding of things and to realise that water is not only fluid but also sediments. Ajaya Dixit and I have come up with a formula: water is not just H₂O, but also P4 (pollution, power, politics and profit). Natural science will call water H₂O; social science H₂O and P4.

In Nepal, we have just signed agreements to develop Upper Karnali and Arun III with Indian firms. What would the water discourse that basically revolves around development projects these days be in an ideal world?

People talk of sharing water, for example, but they never talk about sharing silt. People say that blocking rivers for a while will not be a problem in hydropower projects because it is run-of-the-river. But the river has other dimensions—riverine forestry, fishery, and the whole civilisation tied up with it. An Indian hydrology expert Kalyan Rudra says that ‘run-of-the-river’ is a misnomer. In one of his books, Rudra shows on a map that the Farakka Dam in India built to save the Kolkata port not only failed in its purpose but, more importantly, the river has now shifted its course so drastically that the whole dam has become irrelevant.

So the point here is, megaprojects no doubt have the potential to make money and is the easy way out for electricity. But time and again, we have seen that it does not work. The locals do not get the benefits.

The Arun, for instance, was conceptualised in the early 1990s and the World Bank was ready to finance it. However, due to wide-ranging arguments such as that it does not help people, it was cancelled. Now, the fact is we have not moved ahead since; we have lost 20 years.

That is the sad part because we don’t invest in alternatives. An interesting way to look at it would be to ‘alter’ the ‘native’. But we keep on reproducing the same knowledge and argue ‘Well, there will come a time when the native will understand why it was so important’ and we go back. We have not invested in serious knowledge creation and production. We also need a climate for alternative thinking. Have our governments really invested in alternative and creative thinking?

I am not trying to rule out hydro dams entirely. But you don’t want to build something to end up with problems later on. If you say we don’t have alternatives, we need to challenge that thinking. What are the other ways of bringing electricity? In India, you will always see dams being built where marginalised people live. You don’t see a dam being built in Delhi or Dhaka. That is the other issue.

So who controls the hydropower discourse in the region?

It has always been petrodollars or dollars or the people with money/elite. I don’t only mean the political elite but also the economic elite, who are all together when it comes to the land-centric understanding of things. It’s not as though they are doing it connivingly all the time. Rather, they believe in it. The very fact that water can be H2O P4 has not registered. It is an elitism resulting from a Western discourse, though the debate has moved ahead even in the West where we see serious anti-dam campaigns. It is also a result of material gains which can be made out of dams.

How will it play out in the larger scheme of things with Modi’s arrival in India who is big on investment and hydropower in Nepal?

Well, Narendra Modi holds two important cards if you look at the elections. One is the ‘development card’, the promises of efficiency which has attracted many people. If I am not mistaken, he received 34 percent of the popular votes. The second card is ‘communal’ and he got elected due to this too. If the first card falters, then you end up banking on the second one. He

came to Nepal with the first card. But the second card could also be very problematic for Nepal. While Nepal may not be so diverse in terms of religion, in terms of ethnicity and language, it is a mosaic. So if you have a majoritarianism of one kind, it can filter into a majoritarianism of another kind.

Modi's talk of investment sounds exciting. But it gets stuck in 'developmentality'. It almost makes it look like the problems we have in South Asia are purely economic and if only we can build some hydro dams, everything will be resolved. That I think is too narrow and does not look back into our civilisational discourse.

India is greatly energy-starved while Nepal is cash-strapped but has the potential resources. So where do you see the pitfalls? It is a win-win situation, so to say.

This very idea of Nepal having the hydropower potential by looking at the mountains is problematic because somehow the mountains and the delta are bound together.

The point here is run-of-the-river does not make any sense. You make these large dams to almost shift the gods and goddesses—as all the rivers in South Asia are taken to be gods and goddesses—as if to say we can do better than you.

So the very idea that India is energy starved and Nepal is hydrorich is a very narrow way of looking at social science, development and the civilisation. I see no reason why Nepal cannot be cash rich otherwise or India could be energy rich in other ways. Bangladesh, for instance, is growing at six percent and we don't have hydropower. Readymade garment industry, migrant remittances, the NGOs and a little bit of peacekeeping help it grow. So there are other ways of developing because, at the end of the day, what creates value is human resource. I understand Modi's way of development but it cannot be universalised and Nepal should be very careful about that.

Source: The Kathmandu Post; 3 April 2015

Load-shedding cut by an hour a day

Nepal Electricity Authority (NEA) on Thursday slashed load-shedding by around an hour a day, effective from Saturday.

With the latest revision, load-shedding will decrease to 59 hours a week from the existing 67 hours, according to NEA. Household consumers will have to face power outage of seven hours once a week, eight hours twice a week, and nine hours for four days a week. On an average, there will be eight and half hours load-shedding every day.

Bhuvan Chhetri, chief of NEA's load dispatch department, said the decision to reduce outage hours was based on the rise in the level of water level at the Kulekhani Hydropower Project. As of Thursday, water level at Kulekhani stood at 1,526 metres above the sea level. "Normally water volume at Kulekhani reservoir remains at 1,485 metres," Chhetri said, adding load-shedding would go down further in the days to come.

The arrival of summer season marks an increase in the flow of water in rivers due to the melt down of Himalaya snow, increasing the output of run-of-the-river type project.

The Kulekhani reservoir, 7km long and 300 metres wide, was built to hold 1,530 metres of water as up to 1,484 metres of water can be used to generate electricity. NEA generates 60MW and 62MW electricity from Kulekhani I and II, respectively.

