Forward

It is well understood that infrastructure development is a prerequisites for socio-economic development of any country. The role of private sector is vital in this regard. However in the present Nepalese scenario, private investment in infrastructure attributes a very small portion of the country's GDP. The private sector involvement in infrastructure can be driven through the mechanism of Public Private Partnership (PPP) where private sector can use its resources and expertise in developing and managing infrastructure projects in collaboration with the government. Private investment, whether domestic or foreign, needs the right environment including business friendly policies, laws and regulations for infrastructure sector. Similarly, those laws and regulations must be enforced effectively to ensure the security of investment.

It is with this context that CNI had organized Nepal Infrastructure Summit 2014 to set the foundation for sustainable policy dialogue between government and private sector on infrastructure development so that policies, regulations, networks, know-how, financing and expertise on infrastructure development can be pooled and deployed in the years to come. CNI believes that this will help address the needs and demands from different sectors concerned with infrastructure development and management.

The Summit brought lessons from Nepal's past experience into wider discussion. There was an opportunity to hear the experiences of our Chief Guest, distinguished Ministers and especially from our Guest of Honour and keynote speaker Hon'able Mr. Nitin Gadkari whose experience on planning, thoughts and initiations have brought a drastic transformation on infrastructure development in India. Likewise, distinguished speakers and experts highlighted their perspective on the related sectors on the summit. The proceedings report is a summation of these key inputs and valuable insights that CNI has tried to compile with a forward looking outlook of creating resolute recommendations and taking concrete actions towards the development of the infrastructure sector.

The report is also a testament to the overwhelming support received for the Nepal Infrastructure Summit and CNI would like to extend our gratitude to the Government of Nepal especially the Ministry of Physical Infrastructure and Transport, Ministry of Urban Development, Ministry of Energy and Investment Board Nepal for their association as co-organizers of the Summit. The involvement of Youth Community for Nepalese Contractors working as our co-organizer has also been instrumental in translating this idea into action. On behalf of all the organizers, we would like to thank our partners, companies and every individual who has supported the organizers in making the summit a grand success. My gratitude extends to the members of organizing committee, steering committee, CNI members and officials, sponsors, knowledge partners and media personnel for their dedication and kind support for the Summit.

It is our belief that through the collaborative efforts of the government and private sector working jointly towards infrastructure development we can create a poverty-free, prosperous, and peaceful Nepal. This will require exemplary and visionary leadership as well as firm and unflinching commitment, which I am confident Nepal is eminently capable of providing.

Narendra Kumar Basnyat
President
Confederation of Nepalese Industries(CNI)

Contents

BACKGROUND

Infrastructure development has long been viewed as essential component for the economic development and poverty reduction. Under the right conditions, infrastructure development can play a major role in promoting growth and equity – and, through both channels, help reduce poverty and create economic prosperity.

Paradoxically, in spite of this universally acknowledged attributes and importance, Nepal has trailed behind significantly in comparison to other countries in the region in infrastructure development. About 84% of Nepal's population still lives in rural areas and agriculture is the mainstay of the rural population. However, Nepal is one of the most rapidly urbanizing countries in the South Asia. In next 20 years, more than 35% people will be living in urban areas with Kathmandu valley's population alone being over 60 lakh from the present 10 lakh. Massive urbanization has resulted in Kathmandu's built up area increase to about 16% and experts fear that depletion of agricultural land will be so much that none would be left by 2050.

There is economic backwardness with the GNI per capita income still looming at around $731 annually. But Nepal has done very well in terms of social indicators. Child mortality ratio is down from 150 in the 1990s to 36 and is declining further, population growth rate which used to be one of the highest in the world at 2.6% in 1990s is now at 1.2%, there is 99% enrolment in schools and the literacy rate has gone up.

Now, with the vision of graduating to Developing Country status by 2022, it has become of paramount importance for Nepal to revisit its infrastructure development strategy - one which in the past had been driven solely by the Government. Lending credence to this view a World Bank report published in 2013 shows that private sector investment commitment in infrastructure in Nepal has lingered at 0.66% of GDP from 2007-12, ranking at the bottom in comparison to the neighbouring countries in South Asia.

Today, evidence from various countries in the Asian region has shown that through regulatory and institutional reforms, they have been able to utilize managerial, financial and technical capabilities of the private sector in infrastructure project execution. This has led to efficient completion of projects, which, in turn, has helped spur on rapid economic development- using the Public-Private Partnership (PPP) approach. Fast growing countries have openly welcomed the concept of private-sector engagement in infrastructure with the majority demonstrating political consensus around the need and Nepal looks to follow suit.

It is against this background of Nepal's gap between potential and realities which can be bridged through private sector partnerships that Confederation of Nepalese Industries had hosted Nepal's first ever Infrastructure Summit through partnership with the Government of Nepal. And with the country's economy looking up and a consensus among political parties to push investments, Nepal beckons investors.

The Summit

A stable government, booming economy, a fast growing urban middle class population and a country that provides unlimited opportunities for investors along with safety, security and multiple returns on investments – these have been key takeaways of the first-ever Nepal Infrastructure Summit that successfully managed to showcase the rising Himalayan nation that has rolled out the red carpet for global investors.

Organized by the Confederation of Nepalese Industries (CNI) in association with the Government of Nepal (GoN) and the Youth Community for Nepalese Contractors (YCNC) in Kathmandu on November 11-12, 2014, the Summit's primary theme was Accelerating Investment in Infrastructure.

With attendance from more than 600 participants from Nepal and abroad and association of national and multilateral partners, the summit managed to generate considerable enthusiasm amongst the global investor community and had in attendance top business houses from India, China and Europe.

Developed around the PPP model, the summit aimed at starting and sustaining a national conversation on infrastructure development so that in future years, working closely with the government and the private sector, policies, regulations, networks, know-how, financing and expertise on infrastructure development could be pooled and deployed in Nepal.

It looked at identifying key constraints such as policy hurdles, lack of financing instruments, difficulties related to land acquisition issues, and sought undeterred commitments from all stakeholders to address those constraints. Likewise, through sharing of learning from other countries' experience, it sought to develop a framework for sustainable infrastructure development in Nepal.

Experiences from other countries have shown that drafting policy reforms alone does not contribute to positive economic growth. Regulating, implementing and monitoring these reforms, in tandem with product, service and technology innovations by the private sector drives economic growth. As such, the summit was developed around five thematic areas which was discussed through five session revolving around the theme of Accelerating Investments in Nepal.

The Thematic Areas included at the Nepal Infrastructure Summit were:

1. Transportation – roads, air, railway and water
2. Agriculture – irrigation

3. Energy – hydropower, wind, natural gas, geothermal, solar etc.
4. Tourism infrastructure – heritage conservation, environmental infrastructure, hospitality, and recreational infrastructure
5. Urban infrastructure – housing, water & sanitation, and urban transport

The above-mentioned themes were discussed in the following five sessions:

Session 1:	Outlook and opportunities
Session 2:	Framework for sustainable infrastructure development for socio-economic growth
Session 3:	Investment climate in Nepal
Session 4:	Infrastructure Financing Mechanisms
Session 5:	Enabling Policy Initiatives

Besides these sessions, there were parallel sessions of discussions on:

Parallel Session 1:	Green Infrastructure for Biodiversity Conservation
Parallel Session 2:	Investment Decision in Urban Infrastructure
Parallel Session 3:	Private Sector Investment in Air Transport Infrastructure
Parallel Session 4:	Sectoral Reform Post PDA and PTA

The thematic sessions at the summitemphasized on the need for Nepal to rise above the culture of only discussing policy reforms, which has produced no tangible result as of now, and move into ways of improving a credible, predictable and reliable climate to attract investment for infrastructure.

On its part, CNI believes the hosting of the summit to be the start in aligning all infrastructure-related conversations, networks, policies, incentives, investment and regulations in the direction of sustainable growth. It sees the summit as an integral component of the overall infrastructure development plan for the country, which by way of an Investment Cell at the CNI, will work on following up on the recommendations and findings of the summit in working together with the government to drive the agenda of infrastructure development forward.

The summit aims to be a regular feature in Nepal's development discourse, helping build the confidence of local investors while attracting foreign investors. In this way, helping address the funding gap between Nepal's demand for infrastructural services and the supply of it.

2.1. Partners and Associates

Recognizing the importance and need for the initiative, the Nepal Infrastructure Summit organized on a PPP model was supported by various multilateral partners, associations and private sector organization. It is undoubtedly the most encouraging sign with regards to forwarding the infrastructure development to have the support of the Government of Nepal as co-organizor reflected through the association of the various lines ministries including, Ministry of Physical Infrastructure and Transport, Ministry of Urban Development, Ministry of Energy and Investment Board of Nepal.

The keen interest of the international community was also reflected through the partners which included the European Union, Asian Development Bank, Japanese International Cooperation Agency, World Wildlife Fund, International Finance Cooperation, Australian Government Department of Foreign Affairs and Trade and Federation of Indian Chamber of Commerce and Industries.

Support from the knowledge partners included Nepal Engineers' Association, Institute of Chartered Accountants Nepal, Federation of Contractors Association of Nepal, Independent Power Producers' Association, Nepal, Society Of Consulting Architectural And Engineering Firms, Hydroelectricity Investment and Development Company Ltd. and private sector sponsorships through MAW Enterprises Pvt. Ltd., Shanker Group, Himal Hydro and General Construction Ltd., Nepal Investment Bank Ltd., Nepal Life Insurance Co. Ltd., Nabil Bank Ltd., NIC Asia Ltd. and Global IME Bank Ltd.

SUMMIT PROCEEDINGS

3.1 Inaugural and opening plenary session

The two day summit was inaugurated by Rt. Honorable Prime Minister Mr. Sushil Koirala on November 21, 2014 in which Honorable Union Minister of Road Transport, Highways and Shipping of Government of India Mr. Nitin Jairam Gadkari was the Guest of Honor and delivered Keynote Address on the theme of the summit. Similarly, Honorable Ministers of Government of Nepal – Dr. Ram Sharan Mahat, Minister of Finance and Mr. Bimalendra Nidhi, Minister of Physical Infrastructure and Transport also addressed the summit highlighting the importance of the summit. The inaugural and opening plenary session of the summit was chaired by Mr. Narendra Kumar Basnyat, President of Confederation of Nepalese Industries (CNI), who also welcomed the dignitaries in the inaugural and opening plenary session in which Mr. Hari Bhakta Sharma, Senior Vice President of CNI shed light on the need and scope of the summit. Mr. Binod Chaudhary, President Emeritus of CNI spoke on various aspects of infrastructure investment in Nepalese context and at the end of the session Mr. Vishnu Kumar Agarwal, Co-Chair of the Steering Committee, Nepal Infrastructure Summit 2014 proposed the vote of thanks.

Rt. Hon. PM. Mr. Koirala officially inagurating the Nepal Infrastructure Summit 2014.

3.1.1 Address by the Right Honorable Prime Minister Mr. Sushil Koirala

Opening Address by the Right Honorable Prime Minister Mr. Sushil Koirala

Addressing the opening plenary, the Chief Guest of the program, Prime Minister Sushil Koirala emphasized the government's commitment in encouraging investments from domestic and foreign investors in areas including railway, hydropower, tourism and agro-based industries. With the country targeting to graduate from Least Developed Country to Developing Country by 2022, the government's commitment towards identifying and resolving the bottlenecks of doing business and improving the investment climate in Nepal was brought to focus. Highlighting on Nepal's rich natural resource endowments, market reach, proximity to two emerging global economies and access to an industrious and intelligent work force, Mr. Koirala pointed out at the huge untapped potential for investments and market capitalization in Nepal, especially in the hydropower sector where current production lags at 1% of total production capacity of 83 thousand megawatts. Mr. Koirala emphasized on the availability of quality infrastructure as being a pre-requisite for poverty reduction, delivering services to people, ensuring a basic standard of living, and accelerating economic growth.

3.1.2 Keynote Address by the Honorable Minister for Road, Transport and Highways, Mr. Nitin Jairam Gadkari, GoI

Hon'ble Minister Mr. Nitin Gadkari delivering his keynote address

The guest of honor as well as keynote speaker of the program Indian Minister for Road, Transport and Highways, Nitin JairamGadkari, in his key address suggested on the adoption of the Public Private Partnership (PPP) model for infrastructure development in Nepal. Reflecting on his experiences on the development of the Mumbai-Pune expressway, India's first access controlled toll road, Mr. Gadkari pointed out at the need for a strong political will and clear vision from the political leadership to drive forward with infrastructural development. Having built roads and flyovers in Mumbai through issuance of bonds in the absence of government funds, Mr. Gadkari was of the belief that raising capital would not be an issue once public confidence is won through sound policies and transparent operations. He reiterated the role of the government in controlling its policies with transparency and vision stating, "you can donate an eye but you can not donate a vision". He stated that the provision on part of the Indian government to provide 10 to 40 per cent viability gap funding to the projects had made the projects commercially viable under the PPP. According to Mr. Gadkari, Nepal's focus should be on development of mainly water, power, transport and communications by focusing on increasing employment, employment potential and raising the GDP to eradicate poverty.

Opening Plenary of Nepal Infrastructure Summit 2014

Dr. Ram Sharan Mahat, Minister, MoFin., GoN

Mr. Bimalendra Nidhi, Minister, MoPIT, GoN

Mr. Narendra K. Basnyat, President, CNI


Mr. Binod K. Chaudhary, President Emeritus, CNI

Mr. Hari B. Sharma, Sr. Vice President, CNI

Mr. Vishnu Agarwal, Co-Chair, Steering Committee, NIS 2014

3.2 Session 1:
Outlook and opportunities

It is the high time that Nepal focuses on the Outlook and Opportunities of infrastructure development. Nepal's vision of graduating from least developed country's status by 2022 requires substantial investment in infrastructure. A fact also reflected in a working paper by ADBI arguing the need for Nepal to start investing eight per cent of its GDP or $1.3 billion to $2 billion on infrastructure annually driven through both government and the private sector to meet its growing demands for services and development goals by 2022.

Making a strong pitch for foreign investments, Finance Minister Dr. Ram Sharan Mahat in his keynote address reassured investors that Nepal remains a friendly country as far as private investment is concerned. Citing examples of hydropower projects which started primarily during the period of insurgency, Dr. Mahat reiterated the vitality and resilience of Nepalese economy which remained stable with manageable deficits even during a politically tumultuous period.

Panel List

Session Chair

Dr. Govind Raj Pokharel, Hon. Vice Chairman, National Planning Commission (NPC)

Chief Guest and Keynote Speaker

Dr. Ram Sharan Mahat, Hon. Minister of Finance, Government of Nepal

Members

- Dr. Shankar Sharma, Former Vice Chairman, NPC
- Mr. Upendra Mahato, Founder President Non Resident Nepali Association (NRNA)
- Mr. Yogendra Shakya, Former President Hotel Association of Nepal (HAN)
- Mr. Anuj Agarwal, Vice President, CNI
- Prof. S. D. Muni, Professor, Jawaharlal Nehru University

Moderator

Mr. Ashutosh Tiwari, Columnist, Nepali Times

Government of Nepal has also initiated a number of pro-industry reforms. It has given permission to International Finance Corporation and Asian Development Bank to issue local currency bonds up to $1 billion – a move that can help avoid the need to borrow foreign exchange component from the international market. An agreement is also being worked out between all parties on the type of labor laws, Special Economy Zones and Electricity Act are also being developed.

Key decisions in the Hydro sector have also been taken in the form of Power Trade Agreement (PTA) with India which will allows free trade of power in equal footing and Power Development Agreement (PDA) of Upper Karnali

Dr. Ram Sharan Mahat, Hon. Minister of Finance delivering his keynote speech

has been signed with Indian hydropower developer company GMR and Arun 3 (900 Mw) and Upper Trishuli are on the pipeline. Dr. Mahat assured that Nepal would overcome whatever shortages it had in energy supply in the next three years and that it was investing Rs. 1 billion in transmission lines for supplying electricity within and outside the country.

Opportunities in hydropower development for Nepal still remain immense with the hydropower potential of Nepal's river systems being about 83,000 MW. Hydropower utilization is currently less than one per cent of the proven potential. The total installed hydroelectric generation capacity is around 650 MW.

At present there are 11 major hydroelectric plants, 16 grid connected small hydroelectric plants, 23 isolated small hydroelectric plants, 22 Private Sector Hydro Projects known as Independent Power producers (IPPs) connected to Integrated Nepal Power System (INPS) in operation in the country. There are 4 major hydro power projects under construction and 8 small scale hydropower projects under 10MW being developed by IPPs.

Dr. Govind Raj Pokharel, Vice Chairman, Nepal Planning Commission believes that the current change in mindset of Nepalese towards investment is a very positive scenario and believes that forward looking initiatives on part of the Government working for the development of International Airport in Nijgadh, Bhairahawa and Pokhara have been encouraging signs for local and foreign investors alike. "Rather than old mindset of blaming the government, we should work together", said Dr.Pokharel.

Session Chair, Chief Guest and Panellists of Session 1: Outlook and Oppurtunities

As per Mr. Anuj Agarwal, Vice President, CNI, "Nepal is probably among the most outperforming countries in the world in terms of returns on Foreign Direct Investment. Annualized returns are around 50-60%. Data speaks for itself that Nepal has been a very successful FDI destination whether it is banking, telecom or hydro, the returns have been astronomical,". Foreign investments of MNCs such as Uniliver Nepal which through investments of 150 million US dollar in Nepal been able to cash returns of 60 million dollars is a prime example of Nepal's investment prospects.

The government however, the panelists felt, needed to come up with a clear policy on attracting investments. "In the next ten years, it has been estimated, that we will need $8 trillion for investment in the Asia Pacific region in the areas of infrastructure and out of that $7 trillion will come from multilateral agencies government and banking sector. So government should give priority to the infrastructure sector," Dr. Shankar Sharma, Former Vice Chairman, National Planning Commission said. Financial arrangements also need to be extended beyond just partnerships to subsidies for private sector. Giving the example of India, Sharma said that the government can reduce risks in projects that are not financially viable for the private sector by providing fiscal incentives. These initiatives as noted by Dr. Sharma, however, need to extend beyond just electricity and telecommunication sectors.

Creating project banks and identifying pipe line projects has also become the need of the hour. Having pipe line projects and project banks in the country can help encourage foreign investment in feasible projects with stable returns and having proper risk management policies created by the government. These projects can then be brought to negotiationsbetween the multinational companies and the government in consultation with national and foreign experts. Mr. Upendra Mahato, Founder President, Non Resident Nepali Association opined that, "Nepal is rich in qualified experts but lack the necessary exposure. Hiring qualified experts from multinational countries can provide exposure to foreign investors markets and dealings and can be a good learning for local experts." Streamlining of the process and prompt decisions are of utmost importance if Nepal is to look towards attracting foreign investors.

The summit exemplified the marked interest and optimism among the private sector and with the current political consensus in working towards national development, Nepal's prospective of Infrastructure development remains bright.

As Mr. Agarwal said, "Nepal boasts of one of the healthiest and most stable economies in South Asia with a large growing and young population. We have been blessed with incredible natural and cultural assets across energy, tourism, agriculture, minerals to name a few and these assets will be the economic drivers going forward. Perhaps what is not as well understood especially internationally is the incredible opportunity that Nepal offers to global investors".

Dr. Mahat also pointing out a recent IMF report had said that Nepal had the best macro balance in the sub-continent and was the least borrowing country, "Inflation is under control, our foreign exchange reserve is comfortable and the only thing we lack is investment,".

Recommendations

- Financing mechanism should be both a partnership and subsidy from the govern ment side in infrastructure projects like highways, railways, airport construction
- Strengthening negotiation capacity of Government with Multinational Companies should be strong, for which experts can be hired from international community
- Approval process for FDI projects should be made faster and easier
- Technology should be transferred from other countries

3.3 Session 2:

Sustainable infrastructure development for socio-economic growth

The Government's allocation of 48% of the total budget into infrastructure, an increase of 22% from the previous fiscal year is a clear indication of the government's emphasis on the need to develop robust infrastructure for sustained human development. The changing developmental needs of a rapidly growing urban population, with increasing rural-urban disparities, have resulted in increasing demand for high quality, resilient infrastructure that can support the socio-economic growth of the country.

The investment made into infrastructure through utilization of the taxpayer's money has to ensure accountability for its long term impact and societal gains. Essential parameters need to be identified for both, sustainable infrastructure development and enhancement ofthe sustainability of already developed infrastructures. Infrastructure development has to encompass visions of:

- social inclusion
- economic growth and
- impacts on the environment and allied issues

Panel List

Session Chair

Mr. Mahesh Basnet, Hon. Minister of Industry

Chief Guest and Keynote Speaker

Dr. Swarnim Wagle, Hon. Member, NPC

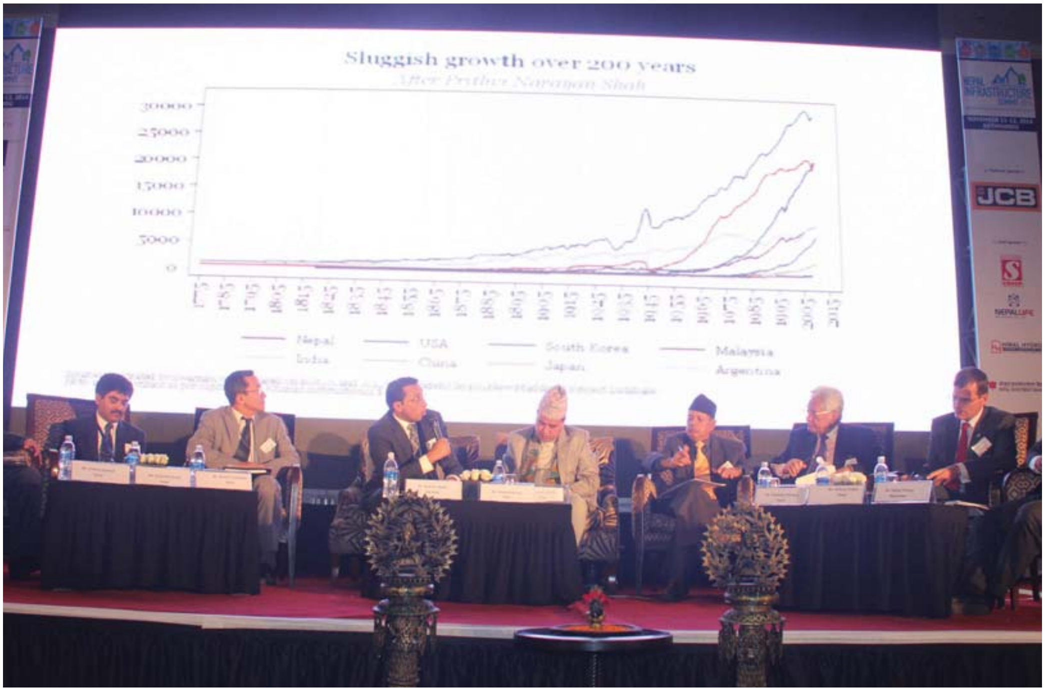
Members

- Mr. Krishna Gyawali, Former Secretary GoN
- Mr. Purna Kadaria, Former Secretary GoN
- Mr. Baikuntha Aryal, Chief – Budget and Program Division, Ministry of Finance
- Mr. Kenichi Yokoyama, Country Director ADB Nepal Resident Mission
- Mr. Andreas Rottger, Counsellor European Union (EU)
- Mr. Prabhakar SJB Rana, Chairman Emeritus Soaltee Hotel Ltd. and Tara Management Pvt. Ltd.

Moderator

Mr. Sujeev Shakya, Chairman
Beed Management

Addressing the plenary, the keynote speaker for the session, Dr. Swarnim Wagle, Member, Nepal Planning Commission provided an overview on the historic development of economic growth of the world to shed light on its significance to Nepal's current development. Comparisons were made on the timeframe of economic



Dr. Swarnim Wagle, Hon. Member, NPC delivering his keynote address

development between Nepal and United States of America (USA). The development works in the USA had started around 1775 AD. Around the same period, systematic study of economic development had also begun with the publication of wealth and poverty of nations by Adam Smith and also marked the start of Nepal's modernization after the unification of Nepal by Prithivi Narayan Shah. Economic growth has however varied drastically – In 1775 AD ratio of per capita income of Nepal and USA was 1:3, a stark contrast to present ratio of 1: 30.

According to the growth commission report led by Novel Oriet Michal, Spain, 13 countries grew at a very fast rate after the Second World War. These countries grew at an average economic growth rate of 7% which sustained for at least 25 years, something Nepal would also need to aspire for in order to make the notable economic growth.

Many countries have caught up with development rapidly after the Second World War. Korea and Japan in 1960's, India and China in 1980's, but Nepal's growth during this period has remained almost flat which Dr. Wagle has attributed to the grossly sub-optimal allocation of resources and investment in productive capital.

The investment into development of the constituents of productions such as electricity, roads and telecommunications have a direct impact on reducing production costs and increasing competitiveness of the local industries. On larger scale, strong investment from the public sector in infrastructure can also lead to indirect benefits through crowd-in of private investments resulting in increased rate of returns and number of users. Highlighting the need to increase investment in infrastructure, Dr. Wagle believes that there is currently an under-investment in infrastructure with present allocation being only 5% of GDP. The allocation in investment as

Mr. Andreas Rottger, Counsellor, EU at the second session of the Summit

Mr. Kenichi Yokoyama, Country Director, ADB Resident Mission sharing his views in the discussion

Session Chair, Mr. Mahesh Basnet addressing the plenary in the second session of the Summit

per Dr. Wagle needs to be increased by a minimum of 8-12% in order to bring about substantial positive changes; a view also shared by Mr. Kenichi Yokoyama, Country Director, Asian Development Bank (ADB) Nepal Resident Mission.

Addressing the plenary, Mr. Yokoyama stated that ADB sees the present capital expenditure of 3.3% as a major constraint and emphasized the need to increase the capital expenditure to 12%. ADB has been working closely with NPC to formulate clear strategy of reaching the targeted 12% investment of the GDP in infrastructure. However, Mr. Yokoyama believes that the major challenge lies in improving the procurement systems and creating effective implementation plans.

Government bodies whose capacities have not been augmented over the years have been unable to implement projects, even if funds are available. Due to continued lack of capacity, public investment in infrastructure development has faced significant time and cost overruns. As per Mr. Baikuntha Aryal, Chief – Budget and Program Division, Ministry of Finance, even at best, ministries have only been able to utilize 70% of the allocated budget of which only 50% has been utilized effectively. Problems of underutilization of budgets have plagued ministerial level works since the 8th plan and are still prevalent in the 13th plan.

Session Chair, Chief Guest and Panellists of Session 2

Rectification of these problems have been initiated and as per Mr. Aryal, the government now targeting 90% utilization. These require efforts and actions to create effective budget allocations and much needed capacity building and training of government officials in undertaking projects and working in partnership with the private sector. The panellist suggested the needs for reforms to the bureaucracy through changes in the modality of operations which include need for:

- clearly set out the mandates for management of resources and projects
- flexibility and authority to handling the operations, and
- accountability for actions taken

Mr. Krishna Gyawali, Former Secretary, Government of Nepal, believes that the primary concern with regards to infrastructure development has not been the availability of resources but rather the ability to use these resources. "Accountablity and responsibility is lacking in both the public and private sector. We should be vigiliant hold those not performing accountable," said Mr, Gyawali. Mr. Prabhakar SJB Rana, Chairman Emeritus, Soaltee Hotel Ltd. and Tara Management Pvt. Ltd., also emphasized on the need for building trust on the private sector and providing them opportunities to handle larger scale projects. The mindset of the private sector needs to change from trading towards investing and for that it needs to be backed by concrete policies, plans, acts, regulations and "rule of law" that everyone can abide by.

Mr. Andreas Rottger, Counsellor, European Union (EU) while agreeing with view that the investment climate, mindset and rule of law all need to work hand in hand however highlighted the need to look for an inclusive growth model, ensuring that the benefits of activities undertaken have an expansive reach and effect on the local population. The priority should be on mobilization of local resources including local employment opportunities and local capacity building. Proper utilization of resources at the country's disposal, including productive usage of remittance income can help Nepal decrease its dependence on international donor agencies for investment and create sustainable mechanisms for infrastructure development.

It is however an encouraging scenario for Nepal with the hydro sector expected to be producing1200 MW within the next three years, more than what has been developed in the last 100 years. As mentioned by Mr. Mahesh Basnet, Minister of Industry,in his closing remarks, infrastructure development is now one of the top priorities of the government's agenda, emphasis has been on road construction, airport construction and hydropower projects. The government also sees Public Private Partnership (PPP) and Public Private Community Partnership (PPCP) as viable modalities of operation to work with the private sector.

Nepal now has the opportunity to take advantage of its current backwardness and leap forward with investments in green technology. Learnings from advanced nations can be incorporated into creating infrastructural development models that integrate modern techniques and methodologies. Through optimization of portfolios, streamlining delivery channels and proper maintenance up to 40% savings can be made on investment in infrastructure.

Recommendations:

- Reforming of the bureaucracy by the government is required
- Prioritization of the investment in industries
- Proper planning of infrastructure projects

3.4 Session 3:
Investment Climate in Nepal

Recent Survey of 185 countries globally puts Nepal at 100 in terms of the ease of doing business. The statistics are equally dismal in terms of the economic freedom index where Nepal falls under 147 out of 179, 97 out of 185 in dealing with permits, 114 out 185 in tax compliance, 137/185 in dispute resolution, 70 out of 185 in obtaining credit, 121 out of 185 in business exitand ranks high only in property rights ranking at 21 out 185.The World Bank/ IFC report clearly states that the biggest bottleneck to the investment climate is infrastructure.

Dr. Yuvaraj Khatiwada, Governor, Nepal Rastra Bank, starting the panel discussion, remarked on evident deficiencies of investment climate in Nepal – lack of institutional trust, weak governance, huge investment gap and lacking infrastructures.

These current infrastructure gaps however are also future opportunities. There is immense scope for investment in infrastructure but require equally large capital investment, one which cannot to be sourced through the government alone. Mr. Arjun Kumar Karki, Secretary, Ministry of Urban Development, stated that during the present fiscal year, the government plans to increase investment in urban infrastructure to NRs. 400 crore of which 25% investment will sourced from the government and 75% from the private sector. The government will need to look at possible models for investments to leverage its budget utilization for which Public Private Partnership can be considered, another alternative would be in utilizing the government budget to cover the viability gap of projects.

Panel List

Session Chair

Dr. Yuvaraj Khatiwada, Governor, Nepal Rastra Bank

Members

- Mr. Arjun Kumar Karki, Secretary, Ministry of Urban Development, GoN
- Mr. Khadga Bahadur Bisht, President, Independent Power Producers' Association, Nepal
- Mr. Ramesh Sharma, Advisor, Federation of Contractors' Associations of Nepal
- Mr. Anuj Agarwal, Vice President, CNI
- Mr. Rakesh Sood, Former Indian Ambassador to Nepal
- Ms. Barsha Shrestha, Deputy CEO, Clean Energy Development Bank
- Mr. Deepak Rauniar, CEO, Hydroelectricity Investment and Development Company Ltd.

Moderator

Mr. Anil Chitrakar, Consulting Partner, Siddhartha Inc.

Session Chair, Chief Guest and Panellists of Session 3: Investment Climate in Nepal

The country boasts of a very liberal economy but issues pertaining to solvency and market exits stand as impediments to improving the investment climate. The investment climate while reasonably sound are not developed enough to be attractive to large foreign investors. As pointed out by Mr. Karki, there is an urgent need to revisit prevailing laws affecting investment such as the Labour Laws and Acquisition Laws. Fragmented government operations have resulted in prolonged and unduly slow decision making and project implementation. Streamlining of operations and introducing stronger regulatory measures to induce responsibility and accountability from bureaucrats for timely project executions are of prime concerns that need to be addressed.

The responsibility of carrying forward the development of the investment climate lies on the shoulders of both public and private sector. Private sector accountability needs to be ensured through transparent operations, standardization of processes and fair accounting system. The private sector image has been negatively influenced by performance and cost overruns. The private sector panellist have raised concerns over the sudden changes in the policies that have resulted in the lack of trust and subsequent decline in performance in the quality of work of the private sector. A conducive business environment based on proper consultation between the government and private sectors is essential to formulating policies and events like the summit can work in creating an environment of open and regular communication between the government and private sector.

Providing an overview of the private sector involvement in infrastructure development, Mr. Anuj Agrawal, Vice President, CNI, mentioned that broadly the private sector has been comparatively successful in implementing smaller projects, Nepal's track record in terms of implementing projects in the global arena has also been very good but lacks the finance and expertise to execute larger projects. The hydro sector has come at the forefront of recent infrastructural development. With PDA and PTA with India signed, the momentum has to be maintained through continuous reforms and work forward with the establishment of a Power Trade Company. Mr. Khadga Bahadur Bisht, President, Independent Power Producers' Association, Nepal, emphasizing the major role that FDIs will play in hydropower sector investment stated the need for transparent market price reflection for PPA.

In understanding investment, it is important to look beyond just financial capacity and in corporate the value of knowledge, skills and expertise. For infrastructural development, both consulting and construction sector has to grow with expertise coming not only from outside but also developed within the country. The investment climate needs to look at the whole ecosystem and not just piece meal reforms. There is a need to assess core competencies of the nation and work and assess gaps that facilitate growth within the country.

Overall, there is need for Nepal to adopt a result-oriented development modelwith set objectives and criteria geared for development through proper monitoring and evaluation mechanisms. Business and government operations alike need to develop a corporate culture where focus is on delivering results with efficient performance and quality of work as tangible outcomes. The country needs to look beyond private companies towards public limited companies and through industrial development, focus should be on replacing imports and diverting the savings to more export oriented businesses.Mr. Khaitwada concluded the session said, "Nepal is in a comfortable position in terms of its financial parameters, the macro indicators are good overall and both the public and private sector should move away from blame games to leverage on this and work forward collaboratively".

Recommendations:

- Need to develop newer and better skills/tools for negotiation at all levels
- Overall corporate culture must be nurtured
- Government decision making process needs to be streamlined
- Need to assess core competence and assess gaps so that local capacity can be built up that helps investment

3.5 Session 4:

Infrastructure financing mechanisms

A World Bank report recently concluded that Nepal needs to spend USD 13-18 billion from 2011-2020 to bridge the investment gap in infrastructure, out of which, USD 3.7-5.5 billion is required in transport infrastructure alone. Capital investment in infrastructure lies at the heart of whether infrastructure projects traverse from concept to reality. The inevitable question then becomes - what are the successful mechanisms under which such large funds can be mobilized in Nepal?

A realization that had been internalized during the summit was the need for Nepal to more than double its investments in infrastructure from the current 3% to 8-12% of GDP. This is an overwhelming figure which does not look possible in the current scenario unless there is a commitment for an immediate and drastic reform in the policies and practice. Ultimately, the stark reality is that there are limited options and therefore there is a need to focus on those that are possible, and make them successful.

Panel List

Session Chair

Dr. Minendra Rijal, Hon. Minister of Information and Communications, GoN

Key Note Address

Mr. Radhesh Pant, CEO,
Investment Board of Nepal (IBN)

Member

- Mr. Wu Chuntai, H.E. Ambassador of People's Republic of China to Nepal
- Mr. Maha Prasad Adhikari, Deputy Governor, NRB
- Mr. Anand Kumar, Managing Director National Highways Infrastructure Development Corporation Ltd, India
- Mr. Kush Kumar Joshi, Chairman, Nepal PurbadharBikash Company Ltd.
- Mr. Deepak Rauniar, CEO, Hydroelectricity Investment and Development Company Ltd.
- Mr. Sashin Joshi, CEO, NIC Asia Bank

Moderator

Mr. Sanjay Poudyal, Principal Consulting Manager,
Infrastructure Program Development, IBN

At present of the 6% capital expenditure, only 6% is on infrastructure development. The financing capacity of the financial institutions is also relatively small with around $ 226 million allocated for infrastructure development . Contemporary banking practices in Nepal are not best suited to deliver infrastructure financing. Nepal's banks and financial institutions held combined deposits of NPR


Session Chair, Dr. Minendra Rijal with his opening remarks in the fourth session of the Summit

1.1 trillion (USD 11.3 billion) as of April 2014. Unfortunately, majority of these funds are of short-term nature and are oriented towards floating rate short term loans focused on retail and trade financing, backstopped by strong collateral and personal guarantees.

Financing infrastructure projects requires lending practices that utilize long tenure lending instruments in a fixed and stable interest regime. Infrastructure financing, the world over, is conducted on the principle of optimal risk allocation, where lenders, along with project sponsors and Governments, take a modicum of risk for the stable long term yield that infrastructure financing offers. This form of lending is known as non-recourse or limited-recourse financing, where the recourse to the lenders are limited. In such financing arrangements, the lenders conduct a strong due diligence of the project's financial viability and its ability to generate enough cash flows to service the debt and earn profits. If the due diligence results are positive, lenders accept that the project cash flows are the only collateral to them. If an adverse outcome were to occur, the project sponsors take the first losses but losses are limited to the extent of their equity investment. Any loss beyond the amount are borne by the lenders. This form of infrastructure financing arrangement was first conceptualized in the developed economies, but since then has been adopted as the standard infrastructure lending practices even in the developing countries, unlocking their true economic potential.

H.E. Mr. Wu Chuntai, Ambassador to the People's Republic of China sharing his views in the session

Mr. Radhesh Pant, CEO, IBN making his keynote address for the fourth session

The current banking regulatory framework in Nepal, known as the Banks and Financial Institutions Act (BAFIA) 2006, does not directly address the legal status of limited recourse financing in Nepal. BAFIA grants lenders sweeping powers to recover assets from borrowers' personal possession in addition to any pledged collateral, a regime that is a total contrarian to non-recourse financing. As a result, the credit appraisal practice has been to focus more on assessing the quality of posted collateral than the robustness of the business proposal. This may have contributed to the fact that the private sector investment commitment in infrastructure in Nepal has been one of the lowest even in South Asia at 0.66% of the GDP commitment in Infrastructure from 2007-12.

While the intent of the drafters of the Act may have been to protect the interest of depositors, the provision has unintended consequences. For instance, infrastructure investors are reluctant to work with Nepali banks knowing that their liability to the bank is potentially unlimited.

Mr. Sashin Joshi, CEO, NIC Asia Bank Ltd. remarked that the banking sector does not have enough capital to invest in long term projects. The retail profile of commercial banks prevents them from large exposures in infrastructure financing. Even financing a 50-80 MW hydropower project requires a consortium of 5-6 banks to diversify each of their risks. In such a context, they cannot be expected to contribute significantly to infrastructure spending gap of USD 13-18 billion that needs to be immediately filled. Several regulatory reforms are therefore required as an immediate intervention. To begin with, Nepal desperately needs a large infrastructure financing institution, with available capital not emanating from short-term retail deposits but rather long term institutional deposits, equity and leverage.

Addresing the summit, Mr. Radesh Pant, CEO, Investment Board of Nepal, remarked that even if the banking sector were to invest 10% of their deposit which would amount to 1 billion Nepalese Rupees per annum, it would still not suffice in decreasing the investment gap. The long term finances in infrastructure have much larger gestation periods than agriculture, real-state and manufacturing. Infrastructure projects are capitalized by non-recourse or limited recourse financing, lenders can only be repaid by the revenue generated from the projects, thus the market and commercial risk including uncertainty of demand forecast assume greater significance for lenders.

Besides the usual project risk investment, infrastructure has other unique risks because of the public interest, nature of most projects and interface with regulators and government agencies. These include tariff increase reversal due to public unacceptability of tariff determined, core challenges of environmental clearances and non-payment by monopoly of public utilities; as a result of which complex risk arises and allocations arrangements are embedded in the financial and contractual agreement among multiple parties namely; project sponsor, commercial banks, domestic and international financial institutions and government agencies.

Session Chair, Chief Guest and Panellists of Session 4: Infrastructure Financing Mechanisms

Nepal desperately needs a large infrastructure financing institution, with available capital not emanating from short-term retail deposits but rather long term institutional deposits, equity and leverage. Mr. Maha Prasad Adhikari, Deputy Governor, Nepal Rastriya Bank (NRB) mentioned that the amendment to BAFIA bill includes a provision for such an institution. An institution of this kind would not only be able to lend to infrastructure projects but could also create a refinancing facility intended to mitigate the asset-liability mismatches of retail commercial banks. This facility would also borrow long-term funds in international markets to mobilize in infrastructure financing. The other thing that an agency like this could do is to purchase, and repackage infrastructure loans originated by banks for sale to domestic insurance companies and pension funds that otherwise would not be easily persuaded to purchase these securities on a large enough scale.

An argument maybe made that there is no alternative to Foreign Direct Investment (FDI) to bridge Nepal's alarming gap in infrastructure investments given the constraints with domestic capital. Aspirations aside, there are severe challenges that Nepal needs to overcome before it can think of becoming a lucrative FDI destination. To begin with, Nepal does not have a sovereign rating that assesses country risk, without which pricing the debt for an international lender is difficult. Sovereign credit ratings gauge a country's ability to repay its outstanding by taking multitudes of economic and political factors into account. It reduces debt pricing uncertainties, thereby increasing the likelihood of FDI in infrastructure financing. It is likely that the rating may not be what is referred to as "investment grade", but it is still a start. The Ministry of Finance and NRB need to work to get this expedited.

International commercial lenders are very cautious when investing in a country such as Nepal with perceived high levels of country risk emanating from fluid political environment, energy crisis and high labor risks. Best practices in project finance in other markets already have sufficient provisions to protect the interest of lenders against various risks. As such, global commercial lenders will seek political risk coverage from multilaterals such as the World Bank and others, before committing to lend in Nepal. There are several guarantee products available from the multilaterals to provide coverage for such risks but they do require some form of counter-guarantee from the Government before they can be put in practice. The Government must understand that such counter-guarantees are a reflection of risks that it has already agreed to take under the principle of "allocation of risk to the party best able to manage that risk", while signing infrastructure project concession agreements with private developers.

Given that reforms are put in place there is huge opportunities for attracting investment from international partners in Nepal. Hon'ble' Ambassador of the People's Republic of China to Nepal, Mr. Wu Chuntai sees great opportunities for Nepal in context of the growing Asian region and Nepal working as a linkage between the AEPC and the South Asian countries. The Chinese Ambassador remarked on the growing interest among Chinese investors in Nepal and urged towards developing strategic partnership between Nepal and China.

As has been done in other frontier markets such as India and Pakistan, without the Government agreeing to take on some extent of foreign exchange currency risk, large FDIs in infrastructure will remain remote. Once a few projects are successfully executed, and Nepal establishes a track record, international lenders will be more comfortable lending in Nepal even in the absence of multilateral guarantees and Government counter-guarantees.

Mr. Anand Kumar, Managing Director, National Highways Infrastructure Development Corporation Ltd, India advocated largely for the need for viability gap funding (VGF) in Nepal. Another crucial enabler in comparable frontier markets for private investments in infrastructure has been the Government commitment to VGF for projects that are economically and socially transformative for the country, but not necessarily financially feasible for private investors. This has proven to be a great confidence booster for private investors and commercial lenders, opening the doors for large FDIs in infrastructure.

Concluding the session, Dr. Minendra Rijal, Hon. Minister of Information and Communications, talked about the need to look at creative financing mechanism. There are huge opportunities for Nepal with the Asian Infrastructure Investment Bank and despite past political failing, the investment climate is still very lucrative. With the country's forward looking outlook and positive attitude towards economic reforms there is much to be desired with regards to the development of infrastructure within the country.

Recommendations:

- Need to define the infrastructure clearly by the National Central Bank (Nepal Rastra Bank)
- Need to categorize the infrastructure projects
- Need to make policies to fill the financial gaps of the partially viable projects

3.6 Session 5:

Enabling policy initiatives

The correlation between infrastructure and economic growth cannot be overemphasized. Good infrastructure is a cornerstone of rapid growth and there is an abundance of scholarly research and anecdotal evidence to buttress this point. Given the poor state of Nepal's infrastructure, it is hardly surprising that the economy has struggling and growth estimates are frequently revised down. Learning from national, regional and international experiences, Nepal needs to put effort on enabling policy initiatives to attract private sector investment in Infrastructure by identifying key policy impediments in investment in infrastructure and demonstrating its commitment for creation of an investment friendly environment.

Panel List

Session Chair

Mr. Leela Mani Poudel, Chief Secretary, GoN

Key Note Address

Dr. Govind Raj Pokharel, Hon. Vice Chairman, NPC

Member

- Mr. Gokarna Bista, Former Energy Minister, GoN
- Mr. Shankar Koirala, Former Finance Minister, GoN
- Mr. Gagan Thapa, Hon. Member of Parliament and Chair, Agriculture & Water Resource Committee, GoN
- Mr. Bharat Upreti, Ex Judge of Supreme Court of Nepal
- Mr. Jayaram Lamichhane, President, Federation of Contractors' Associations of Nepal

Moderator

Mr. Ashutosh Tiwari, Columnist, Nepali Times

In his keynote address, Dr. Govinda Raj Pokharel, Vice Chairman, National Planning Commission (NPC), statedthat policy measures should be aimed at breaking the viscous cycle of poverty through review, research and reforms at macro level. According to Mr. Pokharel, principally, there are five major challenges that needs to be addressed – a need for sustainable rate of growth which in Nepal's context has lingered below 5%. Bringing about drastic transformations to the overall economy would require sustained growth rate of 7-10% for at least another 10 years. Secondly, the overall climate should be made investment friendly through reforms ranging fromamendments to business regulation, access to finance and labour reforms. Private sector investment also needs to be effectively managed including shifting remittance into productive investment. Reviving manufacturing and textile industries which have collapsed since 1996/97 will also provide added support in the infrastructural development. Nepal needs to take advantage

Dr. Govinda Pokharel, Hon. Vice Chairman, NPC delivering keynote address for Session 5

of the geographic proximity and regional growth both in Western China and Northern India. Investment in sectors with gaps in the current value chain and international production networks will help integrate Nepal's growth with that of its regional partners. Nepal should capitalize on India's target of being the biggest auto manufacturing hub by 2020, opportunities exist in producing accessories and parts required for the auto industries.

Mr. Shankar Koirala, Former Finance Minister, GoN remarked that in recent years the government has given due priority to infrastructure development and the national budget has been allocated accordingly. However there is still a huge investment gap with the country requiring 8 billion additional investment per year to target double digit growth. The private and public sector contribution amounts to only 3 billion, 5 billion short of the required investment level. The capacity of the capital market is still limited. While issuance of local currency bonds has been a positive development, reforms are still required in areas of financial regulations like non-recourse financing which is integral for bigger projects.

There is still a need to mobilize multilateral and bilateral development agencies to raise the additional funds. The response from agencies such as the World Bank, Asian Development Bank, ICFC and European Investment Bank in the energy sector has been very encouraging. But there is a need to look beyondjust hydropower projects towards other infrastructure projects like roads, airport construction, for which the government requires to make amendments tothe policies and laws.

Opening address by Session Chair, Mr. Leela Mani Poudel, Chief Secretary, GoN

The legal system in Nepal has lagged behind compared to its neighbouring countries. The need for jurisdictional reforms was cited by Mr. Bharat Upreti, Former Judge, Supreme Court of Nepal,taking examples of rifts between the Ministry of Energy and IBN and abuse of authority by the CIAA, Mr. Upreti raised concerns regarding the jurisdictional overlaps and lack of coordination among various governmental ministries arising out of laws not being clear and concise and having loopholes. Mr. Gagan Thapa, Hon. Member of Parliament and Chair, Agriculture and Water Resource Committee, remarked that there are 4 line ministries and 24 divisions playing a role in the development of Kathmandu with each associated party playing an active role in the process but none working as a regulator of the process. Mr. Thapa emphasized the need to look at it as a single ecological system rather than fragment parts of a whole. A system of clear, transparent and predictable laws is required to encourage investments and reduce conflict of interest.The infrastructure development can be further facilitated through the creation of an independent judiciary body to address dispute resolution specifically for investment and infrastructure development.

The chair of the session, Mr. Leela Mani Poudel, Chief Secretary, GoN, while acknowledging the current limitations remarked that the situation is not as abysmal as it seems and that the situation has been evolving with the country entering a new phase in development. Mr. Poudel remarked that the civil servants do not have a business oriented mind set and that the government has initiated training for over 500 civil servants during the year to build the capacity of civil servants on business and investment related activities.

Session Chair and Panellists of Session 5: Enabling Policy Initiatives

Recent struggles with Nepal's infrastructure development has been due to the myopic vision leading to over emphasize short term gains. There has been no national planning done which looks at consolidated national level policy making. Key performance indicators need to be developed that can track and monitor national economic growth,and can be reviewed and revised as per the situation. Having a high level commission doing a serious study on conflicting, obstructing laws and identifying new law requirements can push forward the momentum of infrastructural development.

There are rising aspirations with regards to the infrastructural development of the country. The government is now seeking out to international agencies for learning what is achievable in Nepal's context is a gradual evolution looking at the foreign trends. The civil service body is not matured and is still evolving. There is a need to start from the basics in rectification and slowly work towards enhancing the confidence of the investors, private sector and the civil officials. Reforms need to encourage not only investments but also help retain and grow resources within the country. The effects of manpower movement outside the country has had adverse effect on the local resource utilization and capacity building activities. As per Mr. Jayaram Lamichhane, President, Federation of Contractors' Associations of Nepal, out of 44 million working in Middle East and Malaysia, 3 million are working in the construction industry, a lot of investment in both time and cost are required to make the present human resources capable to handle current job assignments and given the vast scope for growth outside the country retaining trained manpower has become a challenge moving forward.

Given the current state of the infrastructure sector in Nepal, it is hoped that the government would be able to show the proverbial light at the end of the tunnel for this sector. The PTA and PDA have been positive initiatives.The government is working on providing access to roads and electricity to support the cement industry growth.Reforms are being made to 35 rules and policies. The land acquisition law reform is also underway, PPP is in the drafting process. Government envisions the economy in Nepal after 2030 as a Zero-Carbon economy. And with the creation of an environment of predictability within the sector attracting foreign investment will also become easier.

Recommendations:

- Need to rectify and enforce necessary policies and laws for friendly investment environment
- Decision process should be quick
- Identify and fix the basics for big changes in investment in infrastructure
- To develop infrastructure, construction industries should be strengthened inside the country

3.7 Parallel session 1:

Investment decision in urban infrastructure

Globally, more than half of humanity already lives in cities and expected to increase further to over two thirds by 2030. Furthermore, much of this urbanization is happening in developing countries which do not have adequate resources to address the needs of a growing urban population, including the need for basic urban infrastructure and services. There is also an urgent need to invest in sustainable urban development or green economies that promote economic development together with social equity and environmental sustainability. As urban areas tend to have a large ecological footprint that go beyond their boundaries, there is also a need to integrate urban systems with their hinterlands.

According to the 2011 census, 17% of Nepalese population lived in 58 municipalities. However, since then 72 more municipalities have been added in the country and if the population of these new municipalities is taken into consideration, the urban population goes up to 27% and the urbanization rate goes up to 8% per year. By 2030, estimated figures of the urban population will be above 30%. The population density in cities are increasing exponentially with the capital Kathmandu

Panel List

Session Chair

Mr. Yogeshwar Parajuli, Development Commissioner, Kathmandu Valley Development Authority

Guest Speaker

Mr. Peter Vogelmann,
Area Manager Southeast Asia,
Doppelmayr Seilbahnen GmbH

Member

- Mr. Saroj Basnet, General Secretary, Society of Consulting Architects and Engineering Firms (SCAEF)
- Mr. Kanak Dixit, Publisher/Editor/Writer and Chairman, SajhaYatayat
- Mr. Sushil Gyawali, Executive Director, Town Development Fund
- Mr. Jagadish Kharel, Image Chanel

Moderator

Mr. Bhusan Tuladhar,
Regional Technical Advisor, UN Habitat

Session Chair and Panellists of Parallel Session 1: Investment Decision in Urban Infrastructure

having population above 1 million and another 7-10 cities with more than 100,000 population. Many of these municipalities lack basic infrastructure and services for water supply, sanitation, transportation, energy and housing to cater to the needs of the rapidly growing urban population. And the newly formed municipal governments have very limited human and financial resources to deal with these issues.

Although rapid urbanization is a major challenge, the fact that most of the future cities and the related infrastructure have not been built yet, can also be seen as an opportunity. There is an opportunity to decide what kind of cities we want to build or the kind of cities that we and our children want to live in and invest in them. Economic development will not result in good cities but the inversely good cities will propel economic growth. Studies have shown that cities currently contribute for only one third of the GDP and about 60% from VDC adjoining those cities. Three attributes are of great significance for development for urban cities - the demographics, spatial setting and impact on the economy. In context of urban development in Nepal, six basic issues have been highlighted - unbalanced urban structures, lack of effective land use planning tools, weak linkages between rural and urban area, degradation in environment, weak policies and acts and poverty.

At present Infrastructure development has been concentrated around 3.5 km periphery of areas with road access. While water supply and sanitation systems have been developed to a greater extent with 80% of the population having access to pipelines in the hilly region, the population is still plagued by water scarcities and lack of access to clean water. Only 56% of the urban population have access to basic sanitation.

The session chair, Mr. Yogeshwar Parajuli, Development Commissioner, Kathmandu Valley Development Authority (KDVA) highlighted that while infrastructure is considered as a major bottleneck to investment climate, 'Land' is a very important basis for accelerating investment in infrastructure. Land constraint directly affects the urban infrastructure development cost; there is an urgent need for preserving public land parcels not only for urban infrastructure development (areas for water treatment plants, waste water treatment, land fill sites etc.), but also for post disaster needs, and utilization of such areas as urban lungs/health parks. Mr. Parajuli remarked that KVDA is looking at how to maximize utilization of public space.

In terms of connectivity, the city can be improved through wider roads and better public transportation. The investment in present road widening projects in Kathmandu Valley needs to be further justified by encouraging proper transportation and traffic management system. In Nepal's context, public transportation systems have developed without governmental investment but are also among the most heavily mismanaged. As per Mr. Kanak Dixit, Chariman, Sajha Yatayat, income levels will rise by 20-30 % if there is coordinated bus transport system. Public transport is the economic vitality of the nation and to rightly identify the best mode of public transportation system, study should be done for Mass Rapid Transit Systems by exploring options in metro rails, gondolas and bus rapid transit systems.

Mr. Peter Vogelmann, Area Manager Southeast Asia, Doppelmayr Seilbahnen GmbH, made a strong case for ropeway technology as an alternative that Nepal can look at to tackle land restrictions. Given the fast realization times, low emissions, minimal footprint, high safety level, low investment and operating cost and high sustainability of up to 20-25 years, Mr. Vogelmann suggested that ropeway technology should be further explored as alternate transportation medium.

The issue of food insecurity is also another major concern, particularly in context of urban areas. As per the trend at which land depletion has taken place in Kathmandu valley, by 2050 it is expected that there will no agricultural land left within the valley. The investment in food security sectors (vegetable markets, urban farming etc) is however at an increasing rate and the current return on investment is above 30%. Hence, sectors involving food security within the Kathmandu Valley could be addressed through special regulation on land. Directives on "Guthi" land for agricultural purpose could be an option in case of Kathmandu Valley. These areas should only be used for agricultural purpose and categorized as Agricultural Zone as per National Land Use Policy and imposing blanket ban on subdivision.

There is a huge gap in investment for urban development. The money sourced from local taxes, central government transfers, debt financing, Town Development Fund (TDF) and private sector are still largely insufficient for urban development. As per Mr. Sushil Gyawali, Executive Director, TDF, investment in sewerage, water supply and road in 130 cities in Nepal would require an investment of around 400 billion rupees. Government's currents investments at present is only 5 billion rupees. TDF currently invests 1 billion and has plans to increase its investment up to 3 billion per year. Therefore, substantial investment would be required to be sourced from the private sector. Private sector investments are ultimately driven by profit margins and investment security for which strong regulatory frameworks needs to be established that ensure returns on investment for private sector.

Planning needs to be at the forefront of urban development. Planning has for far too long taken a back seat and it is of utmost importance that it be reconsidered to ensure sustainable development. Mr. Parajuli reassured that the government is working on developing a 20 years master plan (called, Strategic Development Plan) which will include implementation plans and priority sectors for urban development. 13 agencies are also currently working in coordination for demolition projects. But the solution is not just by the government, learnings from international governments have shown that Government is only the mediator for private sector to investment. Decentralization is necessary. Urbanization will be driven by private sector but until and unless there is stable politics, proper implementation of law, sustainable development cannot occur. Private sector involvement needs to be supported by strong regulatory framework and risk management.

Recommendations:

- Urban planning should be highly emphasized in National development plans, programs and policies to create an environment for investment in infrastructure
- Need to develop clear cut guide lines to encourage investment from Public and private sectors in infrastructure
- Present regulation for land development practices such as land pooling should be revised to encourage the investment from Government/ Public and private sectors
- Investment in Urban Infrastructure (water supply, waste water, transportation) should follow the Physical Development Plan, thus, reversing the present trend of "Infrastructure follows Urban development"
- Coordination among agencies should start from planning; Kathmandu Valley Developing Authority should act as a major coordinating agency in context of Kathmandu Valley

3.8 Parallel Session 2:

Green Infrastructure for Biodiversity Conservation

Nepal's rapid infrastructure development will undeniably make a big contribution to the country's economy and people's wellbeing. However, this development may come at a cost which needs to be accounted for. Nepal is at a crossroad when it can choose to develop a system of 'smart' green infrastructure that can serve well for many years or rush for rapid development of unsustainable projects with huge repercussions to the future safety and adverse effects on the people and environment at large.

Panel List

Session Chair

Mr. Sharad Chandra Paudel, Secretary
Ministry of Forest and Soil Conservation

Speaker

- Dr. Christy Williams, Coordinator
  AREAS, WWF International
- Dr. Ashley Brooks, Land Use Specialist
  TAI Malaysia
- Mr. Ugan Manandhar, Deputy Director
  WWF Nepal

Many of the development of hydropower, irrigation, roads, railways and airports are occurring in sensitive biodiversity areas and in some cases inadequate attention has been paid to environmental and social issues. There are a range of robust policies covering many different types of infrastructure, at implementation level there are some major knowledge and capacity gaps. These include poor communication between the implementing and enforcement agencies, inadequate environmental impact assessments (EIA) and low priority for mitigation of adverse impacts or even cancelling projects if impacts are unacceptable. Climate change vulnerability is not well understood by developers and planners. Project design and management does not account for environmental impacts. The challenge therefore lies in developing sustainable green infrastructures without hindering development while at the same time accounting for ecological and environmental functions.

Infrastructure development has occurred to a greater degree in an uncoordinated and piecemeal fashion, with shorter life spans of individual projects and major impacts on people and environment. There are many possible and adverse effects of infrastructural development if environmental sustainability is not considered. Possible impacts of hydropower projects can include flooding, loss of land, and loss of access. Large-scale irrigation schemes may cause soil erosion, landslides, sedimentation, underground water depletion and disturbance to wetlands. Sand and boulder extractions in river beds can result in upstream river erosion, and greater downstream silt loads, sedimentation, river cutting and flooding, with damage to wetlands and aquatic resources. Direct results of unplanned road constructions can cause loss of wetlands, grasslands and farmer's fields. Unrestrained use of explosives to open roads may also disrupt water tables, affecting local water supplies and drainage, while destabilizing natural slopes.

Many infrastructure developments are being planned without taking into account possible effects of climate change. In addition to rising temperatures, climate change is expected to bring more extreme weather events, including drought, abnormal monsoons and more intense precipitation, causing more frequent and intense foods and unreliable dry season stream flows affecting hydropower and irrigation. While there are policies have been created, monitoring of activities provided in the policies have either been very weak or improperly implemented. There is a need to be 'Climate-smart' about the development which means being able to learn, adapt and create resilience towards climate change.

The need for ecological balance should not be overlooked in going forward with the infrastructural growth. Coming up with correct guidelines will ensure that wildlife and biodiversity conservation are properly practices in conjunction with infrastructure development.

Nepal has been a leader in wildlife conservation efforts. It is the world leader in Rhino conservation and also in Tiger Conservation wherein tiger population has increased by 63 percent from 1998 to 2013. It is time to take lead in green infrastructure development as well through government lead initiative to create effective coordination between stakeholders and institutionalization of mechanisms for wildlife conservation.

There is a need for strategic environmental assessment, which would make EIAs more effective. The EIAs are in many cases not done and if done are not implemented as they lack transparency. EIAs should be a priority and climate change should be accounted for during the planning process.

In order to develop sustainable infrastructure, action needs to be taken at multiple levels. The government should ensure sound and transparent practices in developing and implementing Initial Environmental Examinations (IIE) and EIA practices and should introduce strategic environmental assessments in complex situations. To compliment the existing policies, strong enforcement and mitigative actions should be taken through effective monitoring.

3.9 Parallel Session 3:

Private Sector Investment in Air Transport Infrastructure

Following the liberalization wave in international markets, countries today have welcomed private sector participation (PSP) in air transport infrastructure (ATI). Today, through regulatory and institutional reform, these countries are utilizing managerial, financial and technical capabilities of the private developers to construct, operate and manage major airports, using the Public-Private Partnership (PPP) approach.

In these markets, involvement of reputed private sector airport developers has enhanced service quality and passenger experience through contractually enforced performance standards and through natural commercial incentives. Furthermore, it has also been seen that the enhanced commercial revenues at the airports operated and managed under PSP has offered opportunities to the Government authorities to have better cash flows – through a combination of avoided capital expenses, avoided operational and maintenance expenses, revenue share and saving of financing costs.

Panel List

Session Chair

Mr. Suresh Man Shrestha, Secretary
Ministry of Culture, Tourism & Civil Aviation

Member

- Mr. Ratish Chandra Lal Suman,
  Director General, Civil Aviation Authority of Nepal
- Mr. Jose Perpetuo M. Lotilla, Chairman –
  Civil Aviation Board, The PhilippinesAlternate Chairman, Manila International Airport Authority
- Mr. Santiago Gomez, Aviation Planning Advisor to the GoN, INECO Consulting
- Mr. Waleed Youssef, Director, Middle East Region, TAV Airports Holdings, Turkey

Moderator

Mr. Moazzam Meakan, Manager Europe and Central Asia, International Finance Corporation

By 2021, the annual traffic at Tribhuvan International Airport (TIA), the single international gateway airport in Nepal, is expected to reach eight million passengers, a figure deemed too big for the airport to handle. The underlying premise behind this observation is that TIA handled approximately five million passengers last fiscal year, reflecting a compounded annual growth of 13% over the last five years. Even at this traffic level, its infrastructure appears no longer able to cater to the volume, as the airport now frequently suffers from serious congestions and service lapses even during non-peak hours. To accommodate such remarkable increase in air traffic volume in the foreseeable future and to significantly upgrade its service quality, it is certain that the airport requires a major up-gradation. But, capacity enhancement options at TIA have a restricted ceiling because of various constraints such as limited landside and airside space. As per Mr. Ratish Chandra Lal Suman, Director General, Civil Aviation Authority of Nepal, the first phase of upgrading of the TIA is currently ongoing with investment of 100 million allocated for it. Mr. Suman believes that at max the capacity of TIA can be increased up to 50 million which as per current international passenger growth rate of 7.4% per annum will be saturated by 2023. Therefore, it is evident that capital investment at TIA has more to do with transforming it into a modern world class airport and less to do with its long term viability as the only international airport in the country.

Contextually, development of a new Greenfield airport, namely the Second International Airport (SIA), approximately 80 KMs south of the capital city, has been discussed as the ultimate long term solution to address the country's growing traffic and tourism aspirations. It has been said that with the inevitable saturation that TIA will meet in the medium term, development of SIA is perhaps the most important long term airport strategy consideration for Nepal. Therefore, it appears that SIA, in addition to its purpose as the long term solution, also presents a strong long term alternative to reduce traffic at TIA and lengthen TIA's life. The combined capital cost of addressing TIA up-gradation and SIA development is large, with preliminary estimates around USD 1 billion or more, which is currently equal to the Nepal Government's annual capital expenditure allocation for the entire country. It is therefore unrealistic to expect much, if any, Government capital here, given so many other different competing infrastructure needs in the country.

Based on analysis, there is likelihood of a reduced scope infrastructure intervention at TIA with a view of bringing SIA online at the earliest possible timeframe. However, this needs to be substantiated with further studies.

Focusing only on SIA and not addressing TIA does not seem to be an option, because, even if SIA development activities begin now, it will take at least 10 years for it come into operation. Acquisition of required land for the airport, development of a fast-track highway that links the capital city to the airport, are activities that have yet to begin. TIA cannot sustain till then in an as-is condition with small congested terminal buildings, non-conformance to ICAO safety standards, and traffic volume beyond its capacity.

The Government has recently approved decisions to upgrade Gautam Buddha domestic airport in Lumbini into an international one (GBIA) and build a brand new Greenfield regional international airport (PRIA) in Pokhara. These decisions have imposed a total additional liability of approximately USD 295 million for the Government, and have made it even more unlikely for any further Government capital to be available for TIA and SIA. Estimated international air traffic diversion from TIA to these new airports is not expected to be significant, with analysis showing 8-10% of total traffic diversion. This at best is expected to add two years of life into TIA, and therefore, these airports do not appear to address long-term capacity constraints at TIA. However, PSP considerations at GBIA and PRIA are required in the operations & management (O&M) stage, for them to offer contractually enforced high quality customer service and for the Government to avoid O&M expenses.

Today, through regulatory and institutional reform, countries are utilizing managerial, financial and technical capabilities of the private developers to construct, operate and manage major airports, using the Public-Private Partnership (PPP) approach. Reflecting on PPP models used in construction of airports in Philippines, Mr. Santiago Gomez, Aviation Planning Advisor to the GoN, INECO Consulting, emphasized the need for the PPP to have a win-win situation derived through strong regulations and transparent pricing and price control mechanisms. Risk allocation he stated was a decisive factor wherein the regulatory risk should borne by the government and commercial risk should by the private sector.

Mr. Waleed Youssef, Director, Middle East Region, TAV Airports Holdings, said that the success of PPP will come down to regulations. 40-60% of the charges are derived from regulatory charges. So it is critical to understand the ground rules of influence of government intervention to collect these charges. It is important to have clarity and simultaneously not to over complicate matters. Mr. Youssef believes that the role of private sector at this stage in Nepal will be to promote proper solutions.

In these markets, involvement of reputed private sector airport developers has enhanced service quality and passenger experience through contractually enforced performance standards and through natural commercial incentives. Furthermore, it has also been seen that the enhanced commercial revenues at the airports operated and managed under PSP has offered opportunities to the Government authorities to have better cash flows – through a combination of avoided capital expenses, avoided operational and maintenance expenses, revenue share and saving of financing costs.

Private capital, which brings with it the aforementioned service quality, world class operations and management, is therefore a legitimate alternate option to raise the necessary financing for new ATI in the country, focusing on TIA and SIA.

Addressing both of these large airport projects is an agenda that has been discussed at length between the Investment Board (IBN), Civil Aviation Ministry (MoCTCA) and Civil Aviation Authority (CAAN). It is planned that a high level project steering committee formed by the Investment Board under the chairmanship of the prime minister will take the project forward in an integrated manner, addressing both the much needed up-gradation of TIA and development of SIA through private capital.

3.10 Parallel Session 4:
Sectoral Reforms post PTA and PDA

Session Chair, Chief Guest and Panellists of Parallel Session 4: Sectoral Reforms post PTA and PDA

Nepal embarked on liberal market economy immediately after the restoration of democracy in 1990; it was almost in line with the path India had taken in 1990s. Nepal invited private participation in hydropower and made commendable changes in many sectors. However, the changes fell short of addressing the complete supply chain so the electricity market remained distorted. Added to this was a decade long internal insurgency and very long transition period that took toll on the efficacy of state machinery at the center and delivery in the ground. India took a second phase of market reform with Electricity Act 2003 that fundamentally revolutionized the sector and now is about to take the third phase of reform.

Nepal has now recently entered into bilateral Power Trade Agreement (PTA) with India and also completed a concession agreement (known as Project Development Agreement or PDA) for a 900 MW Upper Karnali Hydroelectric Project with the GMR of India and another 900MW Arun III project with Sutluj Jalvidut Nigam Limited (SJVNL).

There now is a marked optimism among investors with regards to hydropower development in the country. Recent undertaking by government for the development of the hydropower sector was highlighted by the Chair of the session, Mr. Rajendra Kishore Kshatri, Secretary, Ministry of Energy. The new Electricity Act is being taken up in parliament in January 2015 and in the wake of PTA and PDA, amendments to the regulatory and electricity bills is also being made, prior to the submission at the parliament. The grid codes been developed but currently lacks a supporting agency/ authority for which steps are being initiated in establishing a company focused on transmission lines development at a national level. The regulatory agency will be able to resolve issues related to the PTA. The PDA template has also been developed and common issues have already been agreed upon including extensive coverage on force majeure.

Mr. S G Tempe, Sr. Vice President, Business Development and Market Operations, Power Exchange India Ltd. (PIXL), the keynote speaker for the session highlighted on the development of the market of electricity in India citing learnings that Nepal can take in its process of development of the electricity sector of the country given the new Electricity Act being tabled in the near future. Citing similarities in the development of the Nepal and India's electricity sector, Mr. Tempe highlighted on some of the salient features of India's Electricity Act 2003 such as:

- De-licensing of electricity generation
- Development of multi-buyer – multi-seller framework
- Introduction of tariff based competitive bidding for procurement of power
- Provision of non-discriminatory open access
- Provision of parallel license in distribution

Some recent developments in the sector for India

also included the State Electricity Regulatory Commission (SERC) being made mandatory and development of National Electricity Policy and National Tariff policy subsequently. The National Power Committee was established in 2013 for overseeing and coordination of the state power committees. Mr. Harvinder Manocha, Chief Operating Officer, GMR India, said that at the crux of the matter lies time bound mechanism for implementation of projects and capturing learnings from what India did, Nepal has the opportunity to learn in a way that the learning (both positive and negative) from the neighbouring countries can be captured.

Mr. Gerard Szabason, Director, South Asia Pacific, Electricite de France, emphasized that the successful implementation of the PTA/PDA will be determined by both the quality of the project and the regulatory framework. The project needs to be technically sound, with common benefits for the country, the community and all stakeholders involved. The regulatory framework needs to have clarity, long term strategy incorporating targets of all the beneficiaries involved in the project.

A common refrain among panel members was the need for accelerating the passage of the new Electricity Act and formation of the regulatory body so that the potential benefits of the Power Trade Agreement can be operationalized. Development of a National Electricity policy, Transmission and Tariff policies, Transmission Master Plan, Power Grid Plans, National transmission agencies were also among the recommendations forwarded by the private sector representatives. Mr. Khadka Bahadur Bisht, President, Independent Power Producers; Association Nepal, cited a need for a system of transparent pricing moving away from the monopoly where prices are determined enabling beneficiaries to know the distribution of prices so that the buyer can choose from different suppliers.

The private sector panel members called attention to the need for new policies and reforms of existing ones, the government needed to undertake. Mr. Sher Singh Bhat, Deputy Managing Director, Nepal Electricity Authority, stipulated the need for an independent regulator. Given the deficiencies in open access to transmission, tariff regulations, wheeling charges, allocation of losses among others reforms need to be taken at both policy level and institutional level. Mr. Bhat believes that creation of an Independent transmission service providers and effective tariff regulation mechanism may be key going forward. Land acquisition reform, social and local benefits policy, payment security mechanisms and NEA restructuring are among a few critical areas that need to be addressed in present context.

RESOLUTION OF THE SUMMIT

Session Chair, Chief Guest and Respected Members at the photo session of the Closing Plenary

A closing plenary was held to mark the end of the two day summit on November 12, 2014. The session was chaired by Mr. Narendra Kumar Basnyat, President, CNI and Ms. Radha Gyawali, Energy Minister was the respected Chief Guest of the closing plenary. In her closing address, the Chief Guest and Hon'ble Energy Minister acknowledged the evident constraints in the present infrastructure development but highlighted on the huge investment opportunities that existed in infrastructure development including the hydropower sector. The development of infrastructure, especially power projects, Ms. Gyawali stated was instrumental for socio-economic growth of the country and that the government was committed to bringing in national and international investors into the country by working on removing policy hurdles to ensure smooth inflow of investment. Mr. Tulasi Prasad Sitaula, Secretary, Ministry of Physical Infrastructure and Transport delivering his remarks commended on the holistic approach to infrastructure development that the Summit had undertaken and emphasized on the need for all government ministries and private sector to work forward collaboratively in pushing forward the agenda of socio-economic development of the country. Mr. Sitaula believed that being able to showcase Nepal at the global scale and address the growing interest among foreign investors about opportunities and avenues for investment in Nepal was an equally important feat of the Summit. Mr. Birendra Pandey, Vice President, YCNC presented the valedictory note and Mr. Nicholas Pandey, President of YCNC proposed vote of thanks.

Chief Guest of the session, Ms. Radha Gyawali, Minister of Energy giving her closing address

Mr. Tulasi Sitaula, Secretary, MoPIT with his closing remarks.

Mr. Nicholas Pandey, President, YCNC giving the vote of thanks.

The conclusion of the first ever Infrastructure summit 2014 also marked reaching of certain understanding and resolutions derived from the presentations of the speakers and discussions held in the sessions and grouped into four categories as (a) general consensus, (b) the Government, (c) private sector, and (d) way forward.

A. General consensus

The general consensus among the summit were:

1. For socio-economic development of any country, robust and sustainable physical infrastructure is the backbone for such development.

2. The evidence suggests that Nepal has high prospects for infrastructure development and therefore opportunities exist for investment in infrastructure.

Among potential physical infrastructures, hydropower and road transportation are identified as the major sectors and are considered as major contributor for creating employment opportunity and raising standard of living of the people in the country. Nevertheless, other important infrastructure projects such as upgradation of Tribhuvan International Airport (TIA), development of Gautam Buddha International Airport and Pokhara International Airport through PPP should also be explored and given due priority.

B. The Government of Nepal

Review and analysis of the presentations made by the dignitaries representing Government of Nepal show that the Government is aware of and is putting its effort on following matters:

1. GoN is fully aware of the prevailing situation in the country influencing investment in physical infrastructure therefore, the government:

   a. has now identified the shortcomings in its existing policies and practices,

   b. has started reviewing its existing legal framework hindering private sector investment in infrastructure and already initiated policy reforms to create conducive environment for investment in physical infrastructure development in the country,

   c. is committed to resolve the present power shortage within next three years and as a basis for power exchange Power Trade Agreement (PTA) has been signed. Furthermore, Power Development Agreement (PDA) framework has been developed and approved,

2. Marketing for mega infrastructure projects such as International Airport at Nijgadh are in progress,

3. The Government understands that its role of "controller" has to be changed as "facilitator" and the effort has now been directed towards bringing a change in mindset,

4. Issuance of local bonds is in place, and

5. The Government is realizing the need for separate institutional framework to carryout specialized functions such as establishment of Infrastructure Financing Institution and a separate transmission company.

C. Private sector

The summit also witnessed the expectations of the private sector. Followings are the commonly expressed major expectations of the private sector:

There is a need for conducive environment for investment in infrastructure in the country reflecting on:

1. project clearance and implementation process
    a. social and environmental clearances
    b. transparent tendering process
    c. Timely approval of government programs and allocation of yearly budget
2. Reforms in the banking sector for strengthening capacity of domestic banks
3. Clearly spelled out roles and deliverables of the private sector including proper allocation of risks based on the nature, types and size of the investment.

D. Way forward

From the discussions and interactions based on the presentations of different speakers in the summit, some subject matters are identified to move forward for attracting private sector along with investment in physical infrastructure. Some of the major subject matters covered under discussions are:

1. A clear definition of the term "infrastructure" has become vital for clear and common understanding among public entities so that the term can be used in similar spirit by the public bodies and the private sector for interpretation and explanation.

2. The government should bring clarity on the roles and responsibilities of its agencies/departments making the concerned agency/department accountable and responsible for designated tasks. The government should also review the overlapping, ambiguous and conflicting roles and responsibilities of its agencies/departments so that proper inter-agencies/departmental cooperation and coordination can be demonstrated while inviting private sector for investment in infrastructure.

3. Government's commitment towards infrastructural development should be corroborated by substantial budget allocations for infrastructure development in the upcoming fiscal year

4. The summit also recommended for establishment of Project Bank incorporating all the potential, prioritized and economically viable projects the government intending to carry out through private sector financing.

5. The arrangement through which Public Private Partnership can be forwarded needs to be formalized by means of development of a working mechanism and PPP policy

6. There is a requirement for widening of existing lending framework along with clear policy on viability gap funding.

7. Private sector is also called for becoming proactive with entrepreneur quality substantiated by innovation and creativity for investment in potential infrastructure development.