

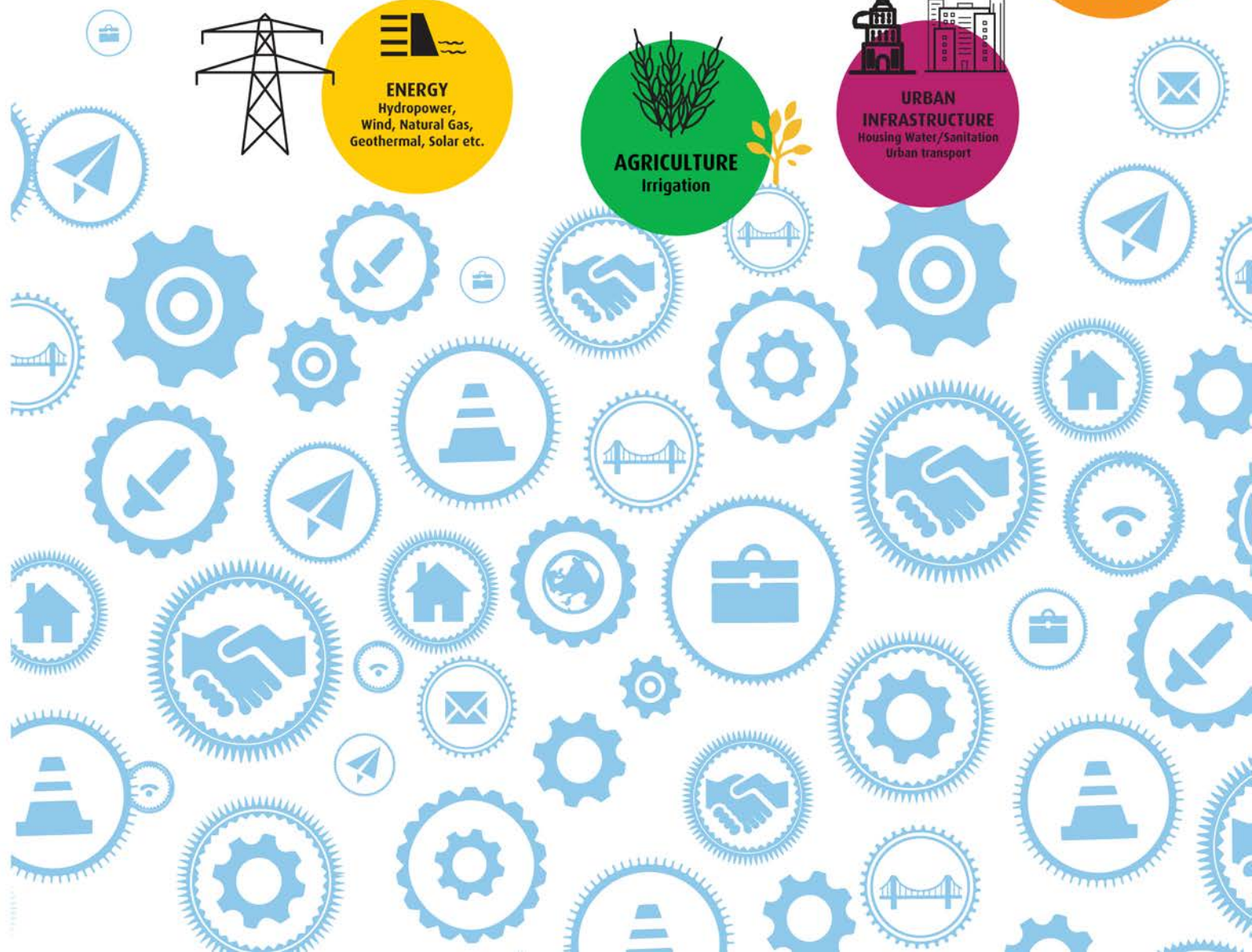
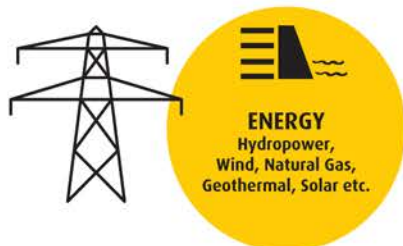


NEPAL INFRASTRUCTURE SUMMIT 2017

'Private Sector as an Indispensable Partner'

19-20th Feb 2017, Soaltee Crowne Plaza, Kathmandu

PROCEEDINGS



Foreword

It gives me an immense pleasure to confirm that Nepal Infrastructure Summit 2017 (NIS 2017) was a resounding success. NIS 2017 was organized with the theme – “Private Sector as an Indispensable Partner” and it saw participation from industrialists, experts, bankers/financers as well as decision makers on thematic issues pertinent to infrastructure development in the country.

NIS 2017 gave us the opportunity to examine current practices, helped identify and establish the key action areas and secured commitments towards Nepal's infrastructure development from the key stakeholders. The Summit helped in stimulate and highlight the importance of Public Private Partnerships (PPP) and the role that private sector plays as an indispensable partner in the country's ambitious mission for furthering development and delivering prosperity to the common people.

This report seeks to capture the essence of this milestone event in which our aspirations, hopes and commitments from all stakeholders are attached. The overwhelming support we have received from stakeholders - both public and private sector institutions in Nepal; CNI associates; development partners and partner institutions both from Nepal and abroad - shall help in finalizing the required policy changes in Nepal and also converging into action for the implantation of various Infrastructure Projects for delivering the economic activities, improved connectivity and enhancing industrial development in Nepal.

With those thoughts in mind, I would like to take this opportunity to extend my appreciation to the Government of Nepal for their support in co-organizing this event. Furthermore, I would like to express my gratitude to Ministry of Railways, Government of India for their support in making this event a grand success. The involvement and contribution of Youth Community for Nepalese Contractors (YCNC) as a co-organizer has been instrumental in the success of this event. My special appreciating goes to Mr. Vishnu Kumar Agrawal, the VP of CNI in facilitating and organizing this event to such a grand manner. On behalf of all those in CNI, I can't thank enough to our institutional partners, sponsors, CNI officials, Siddharthinc media personnel for their untiring efforts – as it has been instrumental in organizing this event.

It is our belief that Nepal will realize sustainable infrastructure development, only through continuous and collaborative action, on commitments taken by the collective efforts of the public and private sector.

As such, we would like to reiterate our commitment to the efforts of all stakeholders towards it.

Hari Bhakta Sharma
President,
Confederation of Nepalese Industries (CNI)



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VOTE OF THANKS

Private Sector as an Indispensable Partner

I. The Insights

Nepal's prosperity, the retention of the young at home, and taking full advantage of the economic growth in the neighborhood is going to depend on how quickly and how well Nepal develops its infrastructure. Nepal has lost a lot of time due to the decade long conflict, political transition and lack of capacity in building and managing infrastructure. Nepalese from all walks of life are today exposed to the kind of infrastructure that is enjoyed by people all over the world and hence aspirations and expectations are very high. The transition to a federal system could provide a chance to have multiple investment and growth centers as well. For this to happen at a rapid pace, the mindset must be changed to thinking 'big'. The export of 'manpower' is shameful and must be managed for building infrastructure and other development works in Nepal.

Nepal has a remarkable achievement in terms of social sector development in the past couple of decades, and it is the time to focus our attention on infrastructure. We must also stop distributing the resources available to development projects. The administrative system must also be enabled to implement and manage large projects. The newly declared municipalities require new infrastructure. Land acquisition and management by category are key variables in speeding up infrastructure development in Nepal. Nepal can and will become a middle-income country by 2030, but this will require that we change the way we do business. The current budget allocation for infrastructure development is very low, and needs to go up to 25% of the GDP.

II. Indispensable Partner

The private sector aspires to become the indispensable partner in modernizing the country through massive infrastructure development. For this, a value proposition is being developed and nurtured so that this partnership can flourish as the country develops. The approach to enabling full-scale engagement of the private sector in infrastructure development is still fragmented and there is still a large trust deficit. Politics requires that a people-centered development has to be non negotiable. Sustainability and working in Nepal's fragile ecosystems require proper due diligence and management. Transparency, accountability, use of new and modern technology, efficiency and use of the best available human resources, all need to form an integral part of the value proposition that the private sector brings to the table.

"We must all firmly believe that today's poor are the ones who will ride high-speed trains in the future." We must also improve on the 'doing business' index to attract foreign as well as domestic investment. There is a need for innovative financing including Viability Gap Funding (VGF). The private sector must have its eyes on the mega trends and must adopt the concept of 'smart' infrastructure in all its practices. For this, good and accurate data is going to be the key input. We

often forget to include the cost of maintenance in design and implementation of infrastructure. There is a need for everyone to “think beyond Singha Durbar for the enabling environment, and beyond banks for the money.”

III. Way Forward

The infrastructure summit 2017 has clearly identified the following areas where follow-ups and decisions are required to attain the desired results:

1. It is time to move the PPP (Public Private Partnership) model forward with the act, the PPP center, the needed regulations and human capacity in place. There is need to have the priority list of projects to be built under PPP as well. These should be vetted with clear roles for the public and private sectors.
2. If Nepal is to become a middle-income country by 2030, we need strategic vision for infrastructure, the pipeline of projects and its reflection in the annual budget. There is no time to lose on this.
3. There are commitments to finance infrastructure projects in Nepal. We simply need to accelerate the process and stop any delays. The administrative set up needs to become more investor friendly and internalize that profit is the incentive that drives investments. There is a need to ‘streamline’ fragmented laws, regulations, by-laws, institutions, and investments related to infrastructure.

IV. Follow-up Plan Matrix:

Follow-up Plan Matrix:			
Priority areas of follow-up work	Moving the PPP model forward with the act, the PPP center, the needed regulations and human capacity in place. There is need to have a priority list of projects to be built under PPP as well. These should be vetted with clear roles for the public and private sectors.	If Nepal is to become a middle-income country by 2030, we need strategic vision for infrastructure, the pipeline of projects and its reflection in the annual budget. There is no time to lose on this.	There are commitments to finance infrastructure projects in Nepal. We simply need to accelerate the process and stop any delays. The administrative set up needs to become more investor friendly and internalize that profit is the incentive that drives investments. There is a need to 'streamline' fragmented laws, regulations, bylaws, institutions, and investments related to infrastructure.
Objectives	<ul style="list-style-type: none"> To bring PPP model into implementation To build projects under PPP model To ensure the private sectors' role in larger projects with the public sector 	<ul style="list-style-type: none"> To make Nepal middle income country by the end of 2030 To build strategic vision owned by all major political parties for infrastructure development To implement the vision through the national annual budget with the commitment indicated as the percentage of GDP 	<ul style="list-style-type: none"> To accelerate the infrastructure development projects To reduce steps, permissions required, approvals Removing hurdles To draw technically trained Nepalis back to build Nepal To make Nepal an attractive place to invest

Follow-up Plan Matrix:

Activities	<ul style="list-style-type: none"> • Select a challenging project to be built under the PPP model • Define clear roles in the selected project for the public and private sector and define the modalities of the partnership • Form an oversight & knowledge capture team • Learn from projects in the neighborhood • Share lessons as implementation proceeds 	<ul style="list-style-type: none"> • Conduct an analysis to determine the link between poverty and infrastructure • With mid-income Nepal by 2030 as the goal, work backwards to visualize the task at hand • Prepare pipeline of projects that will get us to 2030 & beyond • Clearly define role for the private sector - domestic as well as international 	<ul style="list-style-type: none"> • Establish what the banks can fund and determine a 'Beyond Banks' strategy • Validate the appetite for infrastructure projects among the DPs and private sector in their home countries. These may include large INGOs as well • Establish method and tolls to determine viability gap in infrastructure projects • Strengthen public audit systems for confidence building • Establish a mechanism for regional cooperation with all the neighbours on infrastructure projects including benefit sharing. • Explore the feasibility and market response to an infrastructure fund or dedicated bank.
Timeline Roles and Responsibilities	CNI with the NPC PPP center, Parliamentary Development Committee, MOF, DPs	Larger consultations across Nepali society, political parties, neighbors	CNI with MOF, NPC

OPENING PLENARY



Chief Guest

Rt. Hon'ble Mr. Pushpa Kamal Dahal, Prime Minister of Nepal

Key Note Speaker & Guest of Honor

Hon'ble Mr. Suresh Prabhakar Prabhu, Union Minister of Railways, Government of India

Guest Speakers

- Hon'ble Mr. Jivan Bahadur Shahi, Minister for Culture, Tourism and Civil Aviation, GoN
- Hon'ble Mr. Ramesh Lekhak, Minister for Physical Infrastructure and Transport, GoN
- Mr. Wencai Zhang, Vice President, Asian Development Bank
- Mr. Hari Bhakta Sharma, President, CNI
- Mr. Vishnu Kumar Agarwal, Vice President, CNI
- Mr. Nicholas Pandey, Co-Chair, Steering Committee, Nepal Infrastructure Summit 2017

Rt. Honourable Mr. Pushpa Kamal Dahal Prime Minister of Nepal



I am really glad to address this summit attended by distinguished personalities from home and abroad. I am happy to welcome, among others, minister of railways of India; your presence attests to the facts that our close neighbor India is very much committed to supporting our efforts in infrastructure development. I want to thank you very much for your very concrete and encouraging statement you just made. I would like to commend CNI partners for creating such platform to share ideas, innovations and solutions regarding infrastructure development. This is a timely and initiative. I also thank the organizer for the excellent arrangement made for this summit.

Back in 2014, CNI along with its partners came up with a first edition of Nepal Infrastructure Summit. This was the testimony of the willingness and commitment of private sector in infrastructure development. That event provided us with an opportunity to have an informed discourse in infrastructure development. The most resounding consensus of that summit was for the economic progress, development of infrastructure was a must. For infrastructure development, partnership between public and

private sector was a must. Useful observations were made; valuable reference points emerged. CNI has collaborated with the Government of Nepal along with other partners for the second Infrastructure Summit. I would like to convey my thanks to all those who have worked to realize this cause of paramount importance.

It is quite clear that the infrastructure is the backbone of development. It is the very foundation of development. Through robust infrastructure, cost of production is minimized. Productivity of workforce is enhanced. Economic and industrial growth is propelled and ultimately the welfare of society is boosted. The significance of infrastructure development to drive overall development is very important. In the development landscape, Nepal is lagging behind due to the lack of adequate infrastructure. Lack of basic infrastructure has forced us to witness an average of below four per cent economic growth over the last two decades. The infrastructure gap has directly hurt the development activity as we are aspiring to reach middle income country by 2030.

Infrastructure development is our topmost

priority. The public sector gears to develop basic infrastructure, but that responsibility is not exclusive. Private sector is an indispensable partner in this endeavor. To address the existing infrastructure gap, PPP or mobilization of the private sector is not a luxury. Aware of this, government of Nepal is committed to work in partnership with the private sector to bridge the infrastructure gap. Infrastructure development in Nepal has been constrained by many factors: geography, limited capital and investment gap, and among these lack of adequate investment is a major bottleneck.

A World Bank estimate says that we need to invest between 8 to 12 percent of national income this decade to address the infrastructure gap. This investment need can only be made possible by the involvement of private sector. The role of financial institution is equally important. As domestic resources are limited to meet the investment gap, foreign investment is an essential source. Despite being landlocked, Nepal has a vast development potential; our advantage lies in our natural resources, location and growing population of youth. To tap this potential, adequate infrastructure is a key enabler. Our water resources, biodiversity and human resources can be utilized to meet our developmental aspirations. If harnessed properly, they can contribute to our economy. Last year when I was there in one of the summits on clean energy in UAE, I was encouraged to appeal the foreign investor to invest in this country for clean and green energy. Here, I would like to recall it.

Our neighbors are two of the fastest growing economies; their economic progress is remarkable. This provides us with a unique opportunity to benefit from that progress. I also want to recall when there was a serious and fruitful interaction with two executive leaders of our neighbors. At that time, I tried to convey our concerns particularly about the trilateral economic cooperation. It was positively responded by leaders of our neighbors. To realize these potentials, cross-border

connectivity of infrastructure is a key. Various development partners have played helpful role in our infrastructure development. The support that our neighbors provided has been valuable in addressing our infrastructure need. This is the world of interconnectedness. It is my belief that we can realize sheer success through sheer efforts. Partnership between the governments to develop cross-border infrastructure can be a remarkable fruit of development. Moreover, collaboration among the private sector entities can be a multiplier in infrastructure development.

Regional initiatives to connectivity can propel the transmission infrastructure development. Development of infrastructure such as airports, railways and waterways as well as telecommunication and water supply sincerely promote economic development. According to my judgment, among them connectivity is the most essential and of prime importance. Development of infrastructure in only one sector will not be enough to advance holistic development. All forms of infrastructure must be developed and networked to propel faster, comprehensive and sustainable economic development.

To start with, we have given top priority to energy and transport connectivity as the key components of infrastructure development. Our efforts to make the country load shedding free have begun to give good results, and we want to maintain the momentum. To generate required energy needed to increase our agriculture products, connectivity and expand industrial base as well as and promote most of the sectors. I hope that we would see enhanced collaboration with our international development partners as well as foreign private partners in the days to come. As we are in the nascent stage of development, investment in infrastructure is full of potential. We have liberal policy in foreign investment and we remain committed to further improve it. Our labor policy is market friendly. Abundance of cheap labor is another asset. The devastating earthquake of 2015 and a series of aftershocks

have damaged various infrastructures. We have an important task of rebuilding the damaged infrastructure. Moreover, learning from the experience, we are committed to build sustainable and resilient infrastructure in public and private sector. It is my belief that international community will continue to support in these efforts. Coming from a decade of political transition, we have now led ground for lasting peace and stability. Now, our priority is inclusive growth. This goal cannot be realized without infrastructure development. We all political parties in Nepal have one voice that development agenda should be national

priority beyond and above party interest. We are committed to ensuring an environment conducive to the investment in infrastructure development by establishing industrial peace and ensuring law and order. This is our firm assurance and we remain steadfast to honour this. Finally, as I look at the quality of the participation in the conference, I can confidently claim that this gathering of eminent personalities will come up with innovative and practical ideas and suggestions to address the gap in infrastructure development. I again would like to thank the organizer for taking an important initiative.

Honourable Mr. Suresh Prabhakar Prabhu Union Minister of Railways, Government of India



Let me congratulate CNI for organizing the event in such a magnificent way. This is something which is a major foundation for tomorrow's Nepal that brings together almost all possible stakeholders to accountable group of Nepali investors. We all agree that infrastructure is a prerequisite for growth. Today's infrastructure investment is going to bring in a huge development. Anywhere in the world, it happens when you are building human capital, people themselves contribute to the growth. Their hard work, entrepreneurship and their ability to be more productive are important factors for economic growth. Honesty, hard work, sincerity and dependability are better in Nepalese

people than anywhere in the world. The other capital that requires is natural resource. Again, I think natural capital is available to such an extent that can reach the height of Mt. Everest. The other important factor is necessary for growth is infrastructure. It should not be forgotten that infrastructure investment on its own has to do something. Nepal is spending a billion dollar while it should have been spending 10 per cent of GDP in infrastructure. It will surely cause growth if you make that investment. If you invest in a fully developed country, that's good, but if you invest in some other places, you are not investing for today's world, but also in future human capitals. Thus, this is double

benefit if you invest in a country which is not fully developed. In fact, Nepal is very poised for the highest level of business in the years to come. To make financial growth, Nepal is a safe place. I congratulate you that you have come to a right place at a right time to make an investment choice. Nepal is a country where you can get a maximum growth in the years to come.

I am here today as a representative of my government which is fully committed to make Nepal not only a favoured partner, but also to express that commitment. I was very fortunate to handover a letter to the minister of Physical Infrastructure that we commit to make 340 million dollars investment only in roads. This will not go to any other areas except roads. This is the commitment from India for Nepal's growth. We are there to make Nepal's full potential realized by supporting investment in infrastructure.

Nepal has uniqueness in the world. Himalaya is the water tower of the world. How to develop infrastructure that is something a great opportunity? I can see that green infrastructure will mean more and more railways. Railways are definitely cleaner form of infrastructure rather than road transport. So, we must make sure that we build this infrastructure that will create linkage between us. I make sure that it will happen as soon as possible.

As I suggested that the Himalaya is one of the most fragile, and at the same time most important ecosystem in the world. We are suffering from the adverse impact of climate change for no fault of ours. Neither India nor Nepal has emitted carbon for the climate change. Despite this, Nepal is suffering from climate change impacts. So, can it not be possible to think that we make a project covering the entire Himalaya region? Can we develop some strategies which will ensure a long term sustainability of livelihood of millions of people living around this area? That again is something we should seriously think about. To make Nepal an integral part of such global

exchange, India will definitely be helping. This is definitely a part of long term infrastructure development in the long run. At the end of the day, the big challenge is that the growth has become and has to come, but along with growth, how do we create job? I know we are trying to do something typical in railways in India. Since Modi has become Prime Minister, the investment in railways has increased manifolds. Railways are good to make a good investment. In the next five years, I make sure that this network of railways that is developed in India will help Nepal to be properly connected because going to India is not going there alone, but somewhere beyond India. So, the development of railways within the country has helped to develop other infrastructure in India. Let's have a broader vision for infrastructure development in partnership with India.

I would also like to share with you that the technology we are using now can be transferred to Nepal, or we can develop infrastructure together. Such infrastructure will benefit the people of both India and Nepal. But the bottom-line of any project should be the benefit of people here. The project we develop should benefit the host country as well as contribute to the whole region. To give an example, India helped Bhutan develop hydropower and entire electricity is purchased by India. As a result, the per capita income in Bhutan is the highest in South Asia. I look forward to working together in such ideas.

I think we should think of making some climate finance to Nepal. It is something which can really contribute to a country like Nepal as it is really vulnerable to climate change. This will help the global community and Nepal in some ways. I am here today to put our full commitment behind our good friend Nepal to make sure that Nepal develops and grows ensuring the full potential of the country. Finally, thank you for the opportunity and all the very best wishes.

Honourable
Mr. Jivan Bahadur Shahi
Minister for Culture
Tourism and Civil
Aviation, GoN



It's my great honor to be here in the Nepal Infrastructure Summit organized by the CNI in collaboration with the Government of Nepal and YCNC with the main theme of private sector as an indispensable partner. In any sector, private investment in Nepal will strengthen and build stronger network aligning for the connectivity and raising awareness on the importance of investment in infrastructure.

I would like to extend my warm congratulations to CNI and YCNC on this special occasion for this second Infrastructure Summit 2017. Similarly, I would like to congratulate them for their outstanding contribution towards escalating economic growth through promoting investment in infrastructure development by exploring public private partnership concept. As you know that Nepal is endowed with attractive landscape, varied bio-diversity and religious cultural heritage, and the combination of this unique resources has created immense potentiality for diversified tourism activities in the country. They are our strengths and major tools as a destination for tourists all over the world. Therefore, some people like to call Nepal as a unique museum.

Tourism as such is a private sector activity, so private sector plays vital role in making tourism environment in the country, but poor infrastructure has been one of the hindrances in Nepal's tourism competitiveness. So, there is a clear need for investment in infrastructure and other basic services in the country. Only the government investment and involvement in infrastructure and public services is not enough. So, this implies for the need for a greater role of the private sector by believing PPP as a way of developing the country's infrastructure. So, the government of Nepal has adopted the policy of encouraging and promoting the private sector participation in the national economy. In the 1990s, during Nepal's liberalization, there had been attempts to promote PPP. We identified some potential areas of infrastructure development in the PPP model.

United Nations World Tourism Organization is observing this year as an International Year of Sustainable Tourism Development. This requires an increased investment in the tourism sector and we focused on developing sustainable tourism infrastructure in Nepal. The Government of Nepal has adopted PPP model in tourism

development. For example, engineering procurement and construction (EPC) model is implemented in building Pokhara Regional International Airport. There are other models that can be used in tourism infrastructure development and operation of tourism activities.

The Ministry of Culture, Tourism and Civil Aviation has taken recent initiative in the implementation of National Tourism Strategic Plan with special focus to the private sector such as construction of international airport -SIA (second international airport), GBIA (Gautam Buddha International Airport) and Pokhara Regional International Airport. There are a lot of tourism activities going on, such as upgrading of domestic airport, capacity enhancement of NAC, increasing number of aircrafts, study of the potential heritage sites and preparation of master plan, preparation of trekking trail, reconstruction of heritage, standard implementation of great Himalayan trail, and declaring 2018 as the Nepal Tourism Year. There has also been revision of tourism acts and guidelines, but financing community engagement versus procurement process in the tourism industry has been seen as a major bottleneck. Nepal currently needs to upgrade its eco-friendly infrastructure such as eco trails, view points, hotels, parks, lodges and home stays. We want to promote tourism business in an environmentally sustainable manner through market driven sustainable tourism development linkage program with a stronger mechanism for the private sector to collaborate with government. So, the partnership with the private sector is predictable for infrastructure development in tourism.

Nepal has recently witnessed a great epoch in the history of world politics by becoming a federal republic. With this political change, people wish for development.

The constitution of Nepal, 2015 has accepted the new political framework for

Nepal to steer the nation towards political stability and socioeconomic prosperity. So, it is an appropriate time to gear up our efforts collectively for sustainable tourism development by taking account of this current and future socio-economic and environmental impact. As a result of this event, more focus will be given on strategic vision of the country. I believe that it would be able to attract private investment in areas of building stronger network and will be a milestone in the development of basic infrastructure providing the avenues opportunities.

Honourable
Mr. Ramesh Lekhak
Minister for Physical
Infrastructure and Transport,
GoN



It is my great pleasure to talk about the infrastructure development of Nepal. The development of a country depends very much on its infrastructure. Our honourable guest Mr. Suresh Prabhu correctly mentioned that it is the prerequisite for development. Due to the insufficient infrastructure development the pace of development in developing countries is slow. They do not have sufficient resources to be used for development work. Infrastructure development, particularly transportation is a pre-condition for national economic development. However, public financing on infrastructure has not been possible as desired. Nepal has been investing substantial proportion of its budgetary allocation in the development of infrastructure such as roads, bridges and other structures. It has recently felt the necessity of increased investment in infrastructure and other basic services. Huge investment is required in infrastructure development to graduate Nepal to a middle income nation by 2030.

Here among us we have Honourable Mr. Suresh Prabhu, Union Minister of Railways, Government of India, and I am happy to note

that I had an opportunity to welcome him at the Ministry of Infrastructure and Transport today morning. In addition, discussion on bilateral cooperation on infrastructure development was held in a cordial atmosphere. As honourable Mr. Suresh Prabhu mentioned, I would like to say that we both Suresh and Ramesh are committed to enhance the economic cooperation between Nepal and India. It is clear that only the public sector investment in infrastructure development is not enough. In this context other modes such as private sector investment, investment from development partners and PPP help a lot in achieving developmental goals. Even though the South Asian region has been described as being among the PPP market, PPP model is yet to be developed to its full potential. We promulgated new constitution which has adopted the liberal economic policy. Lots of legislation has promulgated to support the private investment and some are in process, too. The situation of law and order is better, government policies are in favor of investment, electricity availability is being better and we are trying to enhance the quality of electricity.

This afternoon there was a session where I mentioned the four powers of Nepal. I would like to call these power the four 'Ja's: *Jal* (Water resources), *Jameen* (land resources), *Jungle* (forest) and *Janashakti* (human Resources). As our Honourable guest Mr. Prabhu correctly mentioned that we have very laborious, honest and energetic manpower that is spending its energy abroad for minimum wages. Hence, we need to make an environment to engage this manpower in our own country. I'd also like to say that Nepal is a very safe and good place for investment and these fours Ja's are awaiting your investment. As we understand such a partnership between public and private sector provided superior performance in both cost and time dimensions and that the advantage increases with the size and complexity of projects.

There is still lack of confidence and trust between public and private sector, and there is a need of clear policy guidelines. In addition, it is necessary to create enabling environment

through the review of procurement procedures and related legislation. There is a need for the introduction of clear, consistent and transparent procedures and development of strong contractual agreements as well. The government is committed to provide conducive atmosphere for investment. Recently GoN has prepared a policy document on PPP. In this regard, the government is planning to prepare some projects in the PPP model. It can also offer an alternative funding option for financing on reconstruction of physical infrastructure damaged in the 2015 earthquake in Nepal. This two-day infrastructure summit held in Kathmandu will focus on different challenges in infrastructure development, gives an opportunity to share experiences and also finds a way to enhance the PPP.

Finally, I would like to express my sincere thanks to the organizers especially CNI, distinguished guest and participants from different countries. I hope you have a wonderful stay in our beautiful city Kathmandu.



Mr. Wencai Zhang
Vice President,
Asian Development Bank

It's a great honor for me to join this important Nepal Infrastructure Summit 2017. At the outset, on behalf of ADB, I would like to pay tribute to Nepal's political leaders for the sincere effort to implement the new constitution by forging political consensus.

We are safe on taking concrete steps to open the new era towards economic prosperity which this summit aims to facilitate. ADB had its fiftieth year anniversary last year since its establishment. Asia's developing economies

grow fast in the world with rapid growth by investing in high level infrastructure and human capital and improving business environment. Adequate investment in quality infrastructure is a pre-requisite to raise and sustain country's economic growth and improve the life of citizens. These are the important lines for investment. Even today, Asia's developing countries require huge infrastructure investment to develop towards high income levels. We are assuring resilience against the natural disasters. In Nepal, we have seen a remarkable progress in social development, but economic growth has lagged behind with an annual average rate of four percent in the past decade. There is a wide gap to reach middle income level. Growth has to be increased to a standard rate to 7 to 8 percent to achieve government's goal of reaching that level by 2022 and achieving the Sustainable Development Goals by 2030. The government has taken recent initiative led by Right Honourable Prime Minister Pushpa Kamal Dahal Prachanda to prepare a long term development strategy and vision toward 2030. In this sense, we consider quality and resilient physical infrastructure as one of the most important pillars of development.

Numerous studies have shown that Nepal's infrastructure investment must grow from 4 percent of the GDP in the last fifteen years to 8 to 12 percent of the GDP. This would be the required resources for Nepal to complete key infrastructure milestone; Nepal should do a lot to provide quality municipal service. This can fully unleash Nepal's development potential. Achieving this will also require significant improvement in a system and capacities to prepare and implement larger projects in time with good quality. More financial resources must be mobilized from both public and private resources. Toward this end, we know that steps are taken. Specifically, this include the new constitution mandating primary budget approval and establishing project banks to prepare a map of the investment ready projects and amending procurement laws to streamline the process. The Prime minister himself leads the monitoring

and the enforcement system. To attract private investment, the new PPP policy was approved in 2015. The PPP act has been drafted and PPP center has been established to implement that policy, but these are yet to deliver visible results, and calls for further efforts by the government and other stakeholders.

ADB has been working with Nepal since its establishment in 1966 and has provided more than 5 billion dollars in financial and technical assistance for which some 75 percent has been provided in building infrastructure in energy, transport, and irrigation sub-sectors. The major projects include 144 MW Kali Gandaki Hydropower and Melamchi Water Supply Project that is near completion. In recent past, ADB has announced to provide about 300 million dollars annually. We are expecting that this can be increased to 1.2 billion dollars in 2017 to 2019 subject to national project and to improve implementation performance. We are also assisting to build efficient and timely quality implementation of transport sector reform. To this end, ADB is partnering with the government to build project implementation capacity.

The ADB supports Nepal to integrate in the regional and international community through economic corridor development, cross border road connectivity, trade facilities and power trade agreement. Working closely with the partners, ADB is assisting government to prepare counter development strategy in which it will be defined that for accelerating infrastructure investment is more critical.

This summit is indeed timely and will provide an opportunity to the external community to discuss a range of agenda to boost public and private infrastructure. I am grateful to the summit organizers who provided me an opportunity to convey this information. ADB is glad to make a contribution to this direction and ready to help implement the recommendation of the summit with concerned parties of the government and other stakeholders.



Mr. Hari Bhakta Sharma President, CNI

It is a great honor for me to welcome you on this much awaited second series of Nepal Infrastructure Summit 2017. As you all know Nepal is a nature bound and people centered country. I also know that we have many brothers and sisters who live one of the hardest lives in this part of the world. Still we smile daily. That is the reason we want to change our fate, so that we bring change on the ordinary citizens life through new infrastructure in this country. This program tries to revisit a vision, which I have always been repeating on the public forums.

The vision of my generation of entrepreneurs and those younger than me to change this country, to contribute to make Nepal a better place to live for us and probably for our children and grandchildren. We don't want to leave our responsibilities of making Nepal a better place to the next generation of people. That would be an injustice to them. We want to deliver that in our own lifetime. That's the reason we wanted to join hands together with the government, and we do appreciate the government of Nepal getting involved, along with development agencies/ partners and many other associations from the private sector – and extending their support in organizing this infrastructure summit. Please accept our very humble welcome to this program.

For many of you who are outside from Nepal, we want you to stay around one or two extra days, take the majestic views of the Himalayas that you probably would enjoy looking at. If you are from warmer countries, please enjoy a cold bath in the morning, don't take a hot water bath. You will have good health; that is what is typical in Nepal.

I am very aware about the type of discussion we would like to do. This morning and afternoon we concluded three sessions where we discussed about what types of infrastructure opportunities are available in Nepal; what type of investment opportunities in terms of infrastructure sector are being offered for developers or investors and what type of infrastructures this country probably needs. We had debates & discussed in the past six decades about what type of political system we should have in this country. The time has come to discuss about what type of prosperity we want to deliver and what type of living standards we want to achieve in coming days. We must discuss about what type of country we want to build and in particular, what type of future we want to give to our younger generations and our grandchildren.

Nepal is a country where the common people are very honest and hardworking and they want better dignified life. Given an opportunity, they will give their best in whatever they do, at the same time Nepalese are also very emotional people – as we are mostly guided by our emotions. We lack the experiences of an economically prosperous country, one which is industrious and we have yet to learn how the poverty could be tackled. We want to take Nepal down this route so that we build a country where people would love to come to live, not only to see our mountains and our simple life. We want to entice people to come to live in this part of the world. We should be the first country of choice for anyone who wants to come and live. I have been talking with many other friends; I have travelled to many other countries and I have found that we have everything it takes here itself.

Kathmandu is the only city in the world which has such a beautiful climate, such a mountainous backdrop and some of the best culture and scenery. Where else can you find these conditions on earth? But we as a people have not realized the natural endowment that we have today. That's another reason we have not been able to proceed with investment in infrastructure, improvement in employment opportunities, investments in the industrial sector, which itself needs improved infrastructure in the country, and take action so that our children would not run behind permanent residencies in some of the greener pastures in the western world. We should give them sufficient inspiration, abilities and opportunities to remain in the country - dedicated, entrusted to work and live in this part of the world.

Whether we like it or not, Your Excellency Mr. Suresh Prabhu, we are connected by land, geography, and culture; the same is the case with China. These two economies are some of the greatest economies in the world today and what is leaving us behind is a lack of

determination, desire, vision and the type of mental ability that we need to induce in the future to make Nepal a better place. That is what we would like to debate, start a discussion and open up investment opportunities. It is where we need to focus on more in future and make sure that my generation of entrepreneurs will join hands together with the government. I have seen a lot of enthusiasm in our present Prime Minister and government. Our political system has realized now that Nepal needs another sort of hard work for economic prosperity that has to be realized in the near future and for that we need to open up investment opportunities for the private sector. We encourage the government to invest whenever and wherever the government has resources and wherever government has policy objectives. But where there are gaps, wherever there is insufficiency of funds or project implementation skills, please provide that opportunity to the private sector. Today, the world is connected such that we must not only find investment from within Nepal, but also from abroad as well. We have countries like China and India as neighbors and companies from there can invest here provided we provide them good investment climate with right support, benefits and the profits. We have to understand how profit needs to be respected and how the profit should be celebrated. Once we see this, I do not see any problem for global investment coming to Nepal. Every investor would love to come to Nepal if we give them good terms. The reason I say this is because we have very successful foreign direct investments in Nepal.

You meet any companies who have made investments in Nepal in the past 15 to 20 years, and you will see that they are the most profitable. They are more profitable than in India and China. If the companies are from Britain, they are far profitable than they are in Britain. For example, Dabur is more profitable here in Nepal than in India. Surya Nepal is doing extremely good, which is also an investment from India; SBI bank has higher profits in Nepal

than in India. They have the highest returns on investment in all categories. If you understand correctly than Nepal is not a dead zone, but a hotbed of opportunities. Ask me for I am an entrepreneur; I have not seen any better return of investment in any other similar size markets than in Nepal. Foreign Investment in Nepal is extremely profitable.

I encourage you to come to us and join hands together with us so that we can probably provide you better opportunities of working together and making good profit. We have a 22 Billion USD economy, but the type of opportunity it extends is enormous. See the example of one small company who invested 800,000 UD dollars about eight years ago & has taken profit of 1.5 billion dollars this year within a short span of 8 years.

It is the best profit that this country has provided - a meager 800,000 US dollar investment returning a profit of 1.5 billion US dollars. Where on earth can a small company perform like this? This is the type of opportunity we are offering; so invest here, join hands with Nepal's Private Sector. Our prime minister and infrastructure minister will give you further highlights.

Specially, I would like to address this to his

Excellency Suresh Prabhu sir; I see you as one of the most intelligent, passionate, hardworking yet very simple leader in India. I want to share my vision, my dream with you as well as I want to travel to Delhi from Kathmandu in a fast train, leaving at 6:30 from my home in the morning, and would like to reach Delhi around 11 via the Fastest Train in this region, have lunch with my friends, chat with them and come back to home on the same Train at 7:30pm and join my family and friends without breaking a sweat. Today, with your presence Excellency - it seems that it's going to be a possibility sooner.

Before I die, I would like to travel in this type of train to Delhi and I encourage all of you to join with us in bringing this vision into reality. Two years ago, when we invited in similar a forum to this country, I shared the same vision, my dream with Honorable Nitin Gadkari, Union Minister of India during the first Infra Summit in Kathmandu.

Thank you for your presence, and I specially thank all the institutions including CNI, the government of Nepal, YCNC and everyone else involved in this particular event. I welcome all of you; and wish you a wonderful stay in Nepal.

Thank you for being very close to our heart!



Mr. Vishnu Kumar Agrawal Vice President, CNI

We all know that infrastructure is the backbone of any economy. Our neighboring countries, China and India have focused on infrastructure and they have achieved high economic growth. Investment in infrastructure means better prices of its products to farmer, market access for its products to an industrialist, job opportunity for a service holder, access to school for student in the village, electricity to a household and overall improvement in the standard of living for general public. In case of Nepal, there is a big gap in between required and actual infrastructure which is also a great opportunity for investment. Awareness about infrastructure has increased spending of government in this sector. However, it is not enough. But as Nepal has sought to develop the country from least developed country to a developing country by 2022, Nepal has to invest ten trillion Rupees, out of which two thirds is expected to come out of private sector, and achieve the economic growth of 6 to 7 percent annually. This shows the need for high and sustained investment especially in the infrastructure sector. Experience of successful countries has shown that it is only through participation and investment from the private sector that development can be boosted. It is not a choice. Private sector is an indispensable partner in nation building. That is the theme of this particular summit as

well. Since the government is in driving seat and they are the policy makers and enforcer who also define rules and regulations, it is their responsibility to develop private sector. When we take our responsibility in our businesses, we are responsible to create right involvement of people and motivate them and give them direction to achieve business goal. Whenever they are lagging, we support them for success. We consider them as an integral partner of our team and handhold them. So, it is the responsibility of the government to create right environment. Improved private sectors capability aligns with the objectives of development and motivates them to achieve our national goal. The nations who have understood this small truth have progressed and those who have undermined it have suffered and blamed each other.

The objective of the summit is to bring all the policy makers, bureaucrats and enforcers, business people, experts, consultants and all the concerned stakeholders together in one group and discuss how we achieve development and investment in infrastructure sector for better tomorrow. How private sector can play an important role by bringing expertise, professionalism and investment to fill the gap? We have to create awareness as to how the development of infrastructure needs support by everybody in economy. In two days of this

mahayagya, we have six major sessions where we will be capitalizing on what we have achieved up to now and the way forward. The first session was on the theme of public private partnership. In our last summit in 2014, it was very clear that there is a need for a new policy to expedite private investment in infrastructure project and in the month of October 2015, thankfully government came along with a PPP policy. New PPP policy introduced in 2015 has made provision for land acquisition, viability gap funding and project implementation facility fund which could address private sectors. However, the act is yet to come. The theme of session two was infrastructure epic picture. I think all major infrastructure project should be assessed on their contribution to the national and local economy and society. The session was aimed at highlighting the vision of infrastructure development in the country with idea about infrastructure projects needed.

When they are needed? Why they are needed? And how they can be achieved? Session three was on the key enablers for accelerating investment in infrastructure. In the last summit, major bottlenecks were growth of infrastructure, involvement and policy clearance and land acquisition for infrastructure projects. The session discussed on necessary policy changes needed to create more efficient climate and provide certainty and clarity to investors on key processes in the investment and development of infrastructure projects. We also have business forum and infrastructure bazaar. In the last summit, the need for a project guide was highlighted so that potential projects could be shown to the investors. We are very pleased to inform you that in our business forum, investment board of Nepal will be presenting new projects setting investment. I consider this initiative of Investment Board of Nepal as one of the major achievements of our earlier summit. I would also like to applaud the investment board of Nepal for this initiative.

Similarly, we want to tap into the creativity of Nepalese people to find fellowship and ideas. Hence, we have infrastructure bazaar that 10 brilliant ideas, chosen from hundreds of ideas, will be competing with each other and would be presented in front of this august gathering. The theme of session four is value proposition. In this session, we will discuss how price of private sector can add value to overall infrastructure development. The obstacles that are holding us and how we can overcome them will be discussed. The private sector must clearly communicate its capacity to invest in large infrastructure projects. The project should be designed with maximum value for government, society and private sector. The session five will be on financing resilient infrastructure. In this session, we will discuss on the constraints for generating resources infrastructure projects and how to tackle them. The first Nepal infrastructure summit had indicated that financing for infrastructure was one of the key bottlenecks for infrastructure development. The demand of CNI for infrastructure bank has also been addressed in the government budget but it is still a distant dream. This session will discuss possible solution for this. It has brought solutions from all over the world shaping the experience of public private partnership. This last session of PPP global and regional experiences will reflect on how it will guide the participation of the private sector. The very glaring example of this is India. In 2000, under the minister ship of power Mr. Suresh Prabhu, India came with a policy to enable the participation of the private sector in power sector in India. The capacity of power production jumped from 100,000 megawatts to 300,000 megawatts within the period of ten years. This is the power of private involvement in infrastructure development. I am sure that this summit will pave way for prosperous Nepal.

Mr. Nicholas Pandey
Co-Chair,
Steering Committee,
Nepal Infrastructure Summit
2017



To all the honourable guests in the panel, as promised in 2014 we are back again this year with Nepal Infrastructure Summit. This is the second time CNI in association with the GoN and YCNC Nepal, has organized this event. This year we have a different theme which is called 'private sector as an indispensable partner' for the development of infrastructure. Some of us here believe that infrastructure is a sector that should be handled by the government and we agree to this. However, through this summit, we wish to explore the opportunities and synergies between the private and the public sector.

On behalf of the organizers I would like to thank the chief guest, the keynote speaker who is also the guest of honor, and all the dignitaries on the

stage and in audience. I hope it was an insightful first day and that we will be back tomorrow for more productive sessions. However, we will also like you to sleep on it and come back tomorrow for the final day. Finally, I would also like to thank the members of the organizing committee for their immense hard work building up the event, we still have a day to go but many years to come. Thanks to the governing council of CNI, many more thanks to the Ministry of Physical Infrastructure and Planning, especially honorable minister Mr. Ramesh Lekhak for his support. And last but not the least, the board committee for YCNC who has done their bit for this mega event, all our partners, sponsors, friends, press who were present tonight and will be with us tomorrow.



'Private Sector as an Indispensable Partner'

19-20th Feb 2017, Soaltee Crowne Plaza, Kathmandu

BUSINESS SESSION 1

Expediting Public Private Partnership



Chair

Hon'ble Mr. Krishna Bahadur Mahara, Deputy Prime Minister and Minister for Finance, GoN

Keynote Speaker

Prof. Dr. Govinda Raj Pokharel, CEO, National Reconstruction Authority

Panelist

- Hon'ble Er. Hirendra Man Pradhan, Member, National Planning Commission
- Dr. Gail Marzetti, Head of Mission, DFID
- Mr. Birendra Bahadur Deoja, Chairperson, Nepal Council of Arbitration
- Mr. Saurya SJB Rana, President, Sipradi Trading Pvt. Ltd. & NICCI
- Ms. Isabel Chatterton, IFC
- Mr. Nihar Nayak, Researcher, India
- Mr. Khadga Bahadur Bisht, IPP, IPPAN

Moderator

Mr. Ashutosh Tiwari, Nepali Times.

Mr. Ashutosh Tiwari, Moderator

We have gathered here to talk about the ways to speed up Public Private Partnership for infrastructure development in Nepal. Before our distinguished panelist share their views on this topic, let me give you a quick capsule of history of how we have got here to talk about PPP on Infrastructure. We can say that for the last five decades (from 1951 to 2011), much of what we knew about doing development was important but stuck to relatively small scale projects. For instance, providing water and sanitation in villages, offering literacy classes, building schools, training teachers, making sure that our health centers have birthing facilities, ensuring the farmers have information about inputs of fertilizers and other technologies, giving voice to the voiceless and so on. This is how our development process moved on. All these were important works; slow and steady but yet essential for the development of the nation. It was made possible with the leadership of the government and assistance of external donors, bilateral and multilateral institutes such as IFC and DFID, NGO, INGO, civil society, media; they all played their part to speed up the development in the country. And by any measure, results have been of outstanding success.

In 2010, UN praised Nepal for being among the handful of countries that have made fastest development gain in terms of Human Development Index in the past 4 decades. It is true that Nepalese are now living up to the age of 70 or longer. We are a very young country because 1/3 of our population is below the age of 14. All these are news to be celebrated. But whatever has worked in the past cannot work forever because time has changed, and we as Nepali, our ambition and aspirations have changed. We may be healthier and better educated than our grandparents but the

collective income of our country is very low. We are still a poor country. The physical infrastructure (highways and roads, water system, transport system, electricity) necessary to sustain and grow the ambition and energy of our young people are nonexistent, severely inadequate or crumbling at the state of destruction.

Putting all these in terms of sports, we may have won the first round of development games we played from 1951-2011 but can we now move up the value chain and take a systemic view of development where alongside government, donors and NGOs, we recognize the value of another key player - the private sector. If we take such a view, we have to think boldly in terms of system, finance, collaboration and understanding of who does what, who is responsible for what, scale, inclusion, rule of the game and so on for creating a resilient infrastructure platform for sustainable development. So, in such collaboration, government should lead and show the way while the private sector assumes the risk (operational, technical), technical knowhow and provides expertise.

We always knew about the value added by the private sector in the development of the country. 10 yrs ago, in 2007, PPP rules were modified in order to motivate the private sector's involvement in infrastructure development but in the past decade except for one project, Kathmandu – Hetauda tunnel road, there is not a single major project in the entire country that we can point and say that was made possible by PPP. So today, we will discuss about the challenges that hindered us from developing PPP model for infrastructure development and the solutions to overcome those challenges.

Dr. Govinda Raj Pokharel CEO, National Reconstruction Authority



Before I start with my keynote speech on expediting PPP model for infrastructure development, I would like clarify that these are my personal views and does not reflect the view of the institution I am heading. In the beginning, I would like to mention that I am convinced that if you create an entrepreneur in the country, he/she will do three things for the nation. Firstly, he/she will not be burden for the government and survive on their own. Secondly, he/she will manage to pay taxes. And lastly, he/she will create more jobs for others. Hence, creating an entrepreneur or promoting private sector has three of these advantages for the nation. And if we could manage to create as many entrepreneurs in this country as we have god/goddesses, then our path to prosperity will be much smoother.

Talking about the need for the PPP in this country, even though we have liberalized our economy and development sectors since 1990s, the achievement so far is quite moderate. Public institutions in our country are facing three constraints - capacity, finance and information. There is misaligned incentive to perform effectively and efficiently within the system. Therefore, private sector can assist the

government in terms of handling these issues as they have the required management capacity, strength and knowledge. But they need coherent and enabling environment to operate and assist the government in the development process. It is the responsibility of the government to create such environment. Hence, government and private sector should perform and prosper together and enhance the economic growth. We also need to be clear about the sectors where we want to promote PPP as some of the private sector are well managed and need no further intervention like, poultry farming. But for the sectors like health, where there are lots of social merits but commercially not viable, PPP can be a promising model.

Many of us in Nepal do not have a proper understanding of the public private partnership. It is not contracting out but the partnership between the government entity and private investors; it is collaboration and coordination between two parties. We need to revise the provision that puts the burden of operational and technical risks in a project on the shoulders of the private sector and make arrangement for sharing of such risks. We need to ensure long term, healthy and successful partnership between the partners in every project

implemented under the PPP model. To add on, PPP is not outsourcing of functions or privatization of public assets and liabilities or commercialization of public functions. It is also not as simple as donation by private entity. Results of the various PPP initiatives in the past are not satisfactory. This proves that there are gaps within our system and processes that are hindering us from fully utilizing the PPP model.

If we look at the major challenges that we face in terms of expediting PPP, we can find that capacity to prepare and implement such projects is weak in our system. There is no harmonization within the rules, acts and policies formed in this context. Land acquisition and environment clearance is a big hurdle and many projects are still struggling because of this particular issue. Regarding the BOOT Act, there are certain limitations as article 24 does not allow government to invest more than 25% of the equity including loan. There are lots of loopholes in the existing Act that needs to be amended. The private sector lacks confidence to invest in infrastructure projects because of the policy uncertainties. Hence, clarity is required in new government policies and there are high hopes on the PPP Act that is in the process and will hopefully be implemented soon.

We have had many international experiences in this regard, we need to consider both positive and negative experiences and define what we expect from PPP in Nepal. Similarly, implementation and facilitation mechanism should be made more effective. The Investment Board is doing a good job in this context. But we need to make sure that the potential investors need not knock on the door of dozens of ministries and other government agencies as it demotivates them and make the process unattractive. Single door approach should be implemented at the earliest. The challenges regarding approval and procurement mechanism should also be immediately addressed. Likewise, we need to balance

between risk and reward and be clear about the fact that private sector is profit seeking entity and will only be interested to form partnership if both risk and reward is clearly defined.

While analyzing projects, we prioritize those projects that have more social benefits and alongside consider the affordability, bankability and financial module. Three years ago, the government has also announced to provide viability gap funding to the investors with an aim of promoting the PPP model. The major sectors we need to promote PPP model are transport, water supply and sanitation, solid waste management, health center, recreation centers, etc. The PPP is not a simple structure; it has many complexities involved. And as per our goal of graduating to middle income country by 2030/35, we need huge investment.

The expected government capital expenditure of approximately Rs. 311 billion will not be sufficient if we don't leverage and attract the private sector funding whether domestic or FDI. It is high time we work towards the infrastructural development as without it there will be no prosperity and economic growth (which will be a huge injustice to our future generations). And in the absence of economic prosperity and growth, the youth of the nation will get frustrated and act rebelliously which will further threaten the development and stability of the nation. Hence, we need to mobilize more investment and adopt PPP model. We can begin with small projects as they are easier and help to gain experience to mature the system. We need to involve private sector from the initial stage so as to have good relationship among the partners and have same understanding of the project. With the success of some PPP projects, it will be easier for the system to adapt and public to accept such projects.

Our society is not investment friendly, they do not have positive view about the private sector

but perceive it as a profit-seeking entity. But we need to change that mentality and look at the positive value addition that the private sector brings in as we discussed in the beginning. We also need to win the confidence of the political institutions as well for private sector participation. As the views that advocate that the government can handle the development work on their own are still strong, it is of utmost important that we recognize the important role that private sector can play as we have already lost a large amount of time in terms of development goals. At last, I would like to say that there are many opportunities in various

sectors where we can adopt PPP in development projects in Nepal. And also appeal to all of you that we need to move forward by engaging private sector and adapting PPP and addressing the issues that the private sector is facing.

Mr. Ashutosh Tiwari, Moderator

Moving forward towards the global view on the PPP, what lessons can Nepal draw from the countries that IFC has worked especially in the Asia Pacific region, which would help to speed up the rate of PPP in Nepal's infrastructure projects?

Ms. Isabel Chatterton Manager, Asia-Pacific, Public Private Partnership International Finance Corporation (IFC)



From our experience of supporting 102 countries in preparing the structure of PPP transaction, there are five major lessons that I would like to share with you. The first one is that you need a simple and clear framework for PPPs. Nepal, today, is much more advanced than many of the countries the IFC has worked with. You started 25 years ago with the help of various acts; you also had the PPP Act in 2015 to expedite PPP policy. You are far more advanced than many of those countries

we worked with. Secondly, there is so much you can do in terms of setting up the framework, but you have to act. And the best signal you can give to the private sector is by actually doing demonstration projects. In my opinion, there is no reason for Nepal to delay that as you have a complete framework for it. I would encourage you to go to the market and signal you are open for business.

The third one is you need a very clear and

well-structured payment security mechanism to cover payment risk. It isn't something you are going to be able to legislate nationwide as this is something that varies from sector to sector, project to project. But there are a lot of innovations that we are seeing that can be brought to Nepal. For instance, the recent news about India solar reach grid parity is an example and we were honored to help the Indian government in this project. For this particular project we had a 3-tier security payment mechanism. So, there are many such innovations that can be implemented to make a more resilient mechanism as per the demand of the project.

Furthermore, you need strong institutional capacity of developers and consulting side. We like to call it on-the-job training rather than generic institutional capacity building. We very often find that our government officers are trained out in generic PPP procedures. But translating that training in project basis requires concerted effort. We have found that training government officials who will be the one actually managing and implementing a project goes a long way. So, on the job training is required in addition to the generic umbrella capacity building that is normally taking place.

And lastly, in addition to signaling the market about you being open for business through project demonstration, you also need to be able to show the private sector that there are such other projects in the pipeline. It will force the investors to take the projects seriously.

Another very important element would be expedition of decision making from the government side. I cannot remain to tell you how quickly we are able to do projects in some of the other countries where government is supporting thoroughly. We have cases where the projects have been completed five months earlier. For us to move forward

with the process, it requires the ability of the government to take decisions to expedite the project.

So, to summarize, Nepal is ready and ripe to open the market for private sector to do it in a professional manner, where the private sector can say that genuinely this is an incredible effort by the government. And once you signal that you are open for business, the business will definitely come.

Mr. Ashutosh Tiwari, Moderator

Even though Nepal has many of the elements in place such as laws, policies, awareness and government's willingness, something is not working right. So, if Dr. Marzetti can tell us about how can bilateral donors, such as DFID, play a role in strengthening the capacity of both private and public sector?



**Dr. Gail Marzetti,
Head of Mission,
Department For International
Development, UK**

Department of International Development (DFID) is very engaged in this area because we are here to support government of Nepal to reach its own goals of prosperous, inclusive Nepal graduating to a middle income nation by 2030/35. To achieve that, it requires significant economic growth to create jobs and opportunities for everyone including the poorest in the society. And to grow the economy of Nepal, significant investment by both private and public sector is needed.

Mega infrastructure projects are considerably new for Nepal. So the laws, capacities are not in place as it is something that is just starting. And as my other panelist just mentioned that Nepal is now ready and I think it is important not to be too gloomy in the first instance on the PPP. The amount of investment is too low than what is required. But compared to other low income countries, Nepal is not doing badly at all. As per the World Bank, Nepal is 8th in the low income country but if some of these big investment that are on the cards actually come to existence like Upper Carnal and Arum 3 hydropower projects, they will each bring dollars and bring Nepal into a very healthy position. So, it is not all doom and gloom. Regarding the question on what can be done to build the capacity, I would discuss from the point of view of public sector as this is the area the DFID has been interested in. To

promote serious investment every country needs a specialist technical body which has legislative and bureaucratic expertise to facilitate these projects. And for that Nepal has the IBN, which is doing very well in supporting the PPPs. They have been an extremely technically strong institution and I am always very impressed when I speak to the members of the IBN. And what they have been able to do is to negotiate difficult project development agreements. Those agreements are important because they give a long term prospective and mitigate the risk of uncertainties. Long term development projects like Buddha Bandai and Upper Carnal have resulted in free electricity one for 22 years & other for about six years. They are going to create jobs, 7000 jobs just in the building not including supply chain and functioning jobs. Here we shouldn't forget that these projects will be passed over to Nepal after 30 years. And historically, large hydropower schemes last longer than 30 years. Like, the Harping hydropower scheme was built somewhere around 1911 and is still working. Hence, when the 30 years are over, the project will have owned by the Goon and 100% profit will be available for Nepal. It is really important to remember that these are not only going to have demonstration effect which is incredibly important but also they last long time in the future bringing long term benefits.



Mr. Birendra Bahadur Deuja Chairperson, National Council of Arbitration

We have not yet faced any major dispute regarding the PPP projects. But in context of the contracts the trend of making claim and disputes is rising. Since 2000, I have been involved in framing the PPP policy in Nepal and I have been actively involved in promoting private sector participation since 1990. I was the one who initiated the drafting of BOOT Policy and BOOT Act. So, with my experience, I can say that we started to work on the PPP module since long. However, the sad part is for these 20 years, we have not produced a single mega project with the PPP model. Thus, it is not the question about theories and developing system about PPP as we have already done a lot of work. What we can learn from last 15 years are the mistakes like the lack of continuity, commitment and governance. These have been the major factors behind the failure of the PPP in major projects. For example, in terms of fast track projects, the government says they are going to build a toll free road at the same time government has another PPP project, Kathmadu-Hetauda tunnel road, which is purely supposed to be a private sector project. Both of these will be

parallel roads. This shows that there is inconsistency in planning.

Transparency in procurement is another issue. This is more of government's commitment issue and the continuity and handling of PPP project by dedicated expert organizations. I suggest, firstly we have to handle these major project like Kathmandu-Nijgadh fast track and the international airport. These are the basic needs of the nation which eventually pave way for such other projects. And you do not need to be an expert to realize this. If we successfully construct Kathmandu-Nijgadh fast track road, we will be able to save 300 km per round trip from Kathmandu to Terai. Similarly, tourism in Nepal contributes only 2% to the GDP. We have to plan for millions of tourists' movement and for that we must have a standard international airport. The existing one is already saturated; safety concerns are a big issue. We have already realized the need for the second international airport at Nijgadh more than 20 years ago at. A lot of work has also been done but no complete action was taken to move ahead in a tangible way. Again, this project did not happen because of lack

of commitment. Since, last 15 years we have been making policy framework and talking about institution and capacity but we are not producing anything tangible. Now is the time to get into action and learn from the past.

Our government has unlimited authority, so, we should aim at accelerated development and see how private sector can be involved in mega projects. There are so many hurdles even in the existing projects. We need to concentrate on resolving them rather than just talking about theoretical aspects of these mega projects like the fast track roads and international airports. The private sectors in Nepal cannot invest more than 10-15 percent in the mega projects as they need enormous investment. Therefore, we

need to prepare a mechanism where we can adjust the private sector and define its role. For other relatively small PPP projects, private sector can provide a huge value addition. At last I'd like to say that we are yet to face the major disputes on the PPP projects but it is evident that they will eventually occur and we should handle it efficiently.

Mr. Ashutosh Tiwari, Moderator

What is the government's commitment when it comes to promoting the PPP in Nepal? The laws are there, private sector is willing and expertise is available, then what is really holding us back?

Honourable
Mr. Hirendra Man Pradhan
Member,
National Planning Commission



When we talk about private sector they are always looking for profit but on the other hand government is more interested in providing service to people. So, we need to strike balance between these two entities. We are all here to work towards the progress of the country. We know that

government alone cannot invest, so we have already recognized that the private sector participation is vital in developing infrastructure which is fundamental to every other development. I hope all of us agree with this. I have always believed that once you identify the problem, 80% of it is solved.

We are all eager to play our part towards the development of the nation and the people so we need to work together to make our efforts more effective. As our keynote speakers have already said we have rules and regulations but lack coordination among the concerned agencies. We need to stop blaming each other, and private and public sectors need to work alongside for overall development of the nation and profitability of private sector as well. Let us work and succeed together. Let us know the rules and regulations that are not suitable. We have always tried to set up policies in a broader way, feeling that it should work but if it does not work, government is open for suggestions wherever applicable. What I have seen in Nepal is that the private parties want to make money very quickly. We also have to recognize our potentials where private and government sectors can exploit. I personally think that the water resources are our major strength where we can maximize our profit. When I say maximize, it is the use of water for drinking, irrigation and hydropower.

Since there is a need for huge investment, Nepalese people and government do not have enough money to invest in such mega projects

which is why we need to look at the FDI. We have to have at least one mega project which is generating profit. This will attract the foreign investors to invest in our market. So far we are not able to come up with viable solution because of lack of trust. So, if we can sit together for due deliberation and discussion, I am quite sure that we can come up with solutions which will benefit both the public and private sector.

Lastly, I'd like to say that we have rules and laws in place. Now, we need to work in coordination with each other for achieving our developmental goals. Here we must not forget that we have to be clear about our goals.

Mr. Ashutosh Tiwari, Moderator

Let us take a quick view from our neighboring country. Dr. Nayak is associated with Institute of Defense Studies and Analysis in Delhi and his sole focus is Nepal. So, Dr. Nayak what steps should Nepal take for infrastructure development?

Mr. Nihar Nayak Researcher, India



Nepal has been struggling to have a sustainable PPP since 1990. And if Nepal is looking for the best model/ framework for moving forward in context of infrastructure development, the best example is India because whatever you see in India today be it the economic growth or other development is because of its booming infrastructure sector and the contribution of private sector in collaboration with public sector. The PPP has played an instrumental role in the economic development of India.

Regardless of any political party that comes in power in India, the leaders have always supported PPP because of which the success rate of PPP in India is very high. As per the 12th plan of India, 30% of Infrastructure investment is coming from the private sector. Current 5-year plan targets to have more than 50% contribution for the infrastructure development from the private sector.

This shows the volume of contribution from the private sector is very high in India. Talking

about the international investor's participation in this front, as per the World Bank's data, such PPP model in infrastructure development has placed India second in the world i.e. next to China. Hence, India is a very suitable model that Nepal can take inspiration from. If you take any major project like Delhi International Airport, Delhi Metro, Mumbai Airport, sea ports or highways, most of them are based on the PPP model and all of them are doing very well. Therefore, Nepal can take lessons from India regarding the PPP framework, the challenges faced, the way forward and take benefit from it.

Mr. Ashutosh Tiwari, Moderator

We talked about the problems and discussed the challenges. Given then, as dynamic private sector entrepreneurs, what will be some of the solutions that government can take forward to break the barrier faced by the PPP in infrastructure projects? If Mr. Rana and Mr. Bisht could provide three of such solutions, we will have total of six solutions by the end.



Mr. Saurya SJB Rana President, Sipradi Trading Pvt. Ltd. & Nepal-India Chamber of Commerce & Industry

I think what we need is overarching PPP Act. There are too many laws, policies and guidelines that are inconvenient for the investors therefore and we need to work on that and implement in the PPP policy document 2072. The National Planning Commission also requires a PPP center.

In relation to major political problem, investors are not interested in Nepal because of the political instability. That is a major problem. Similarly, the other hurdle that needs to work upon is the land acquisition challenges. We have to figure out the solutions to resolve this problem. With my personal experience, there are already several hindrances in terms of landslides, earthquake and so on. But if people start asking for the compensation of Rs. 10 million per house then that is a

problem, and government needs to resolve such issue.

The similar issue exists with forest clearance. Bureaucratic hurdles are also there. There are many investors willing to invest in Nepal. For instance, the Chinese investors have the capital to invest in Nepal but they say they have not got the encouraging environment in Nepal. So, we have to focus on that as well. Similarly, there are too many ego clashes between the IBN and ministries which need to be let go off. And lastly, the IBN is coming out with eight projects in March this year and five of them are in railway transport. While they normally are demand forecast model and may not have direct relation to profit, is PPP a right model for such projects?

Mr. Khadga Bahadur Bisht, IPP, Independent Power Pro- ducers' Association Nepal



Since I am from hydropower sector, I would be focusing on it. One of our keynote speakers discussed how hydropower sector is not the infrastructure sector, so I would like to talk a little about it. In a developing country, the input from hydropower is vital for the economic growth and other industrial development. So, we should consider hydropower as an infrastructure sector.

As we talk about the PPP, it has a wide spectrum from private sector to public sector and in between is a BOOT model. Nepal has matured in BOOT Model. Government is supportive of BOOT Model and it even holds equity in some of the projects. Even though there are several difficulties as highlighted by other speakers,

BOOT model has been doing pretty well in the context of Nepal.

In case of various projects under the PPP model, like the highways and recreational parks, there is an underlying difficulty in the way of implementing the PPP model. In government's project, there is a contractor and owner relationship i.e. clientele relationship and government doesn't want to give away their rights to be an owner in the project. But in the contrary, PPP is about the partner relationship. Because of these differences, there is synchronization mismatch. Hence, government has to consider the PPP as a partner relation and create policies and framework to strengthen the same.

Mr. Taranath Sapkota, MD, High Himalayan Hydropower

We have talked about development and PPP along with sustainable development. But the things are not moving swiftly and we are not effectively spending our capital budget i.e.

below 20%. Dr. Pokharel might be able to answer what are the action plans going on to engage the private sector in PPP?

Prof. Dr. Govinda Raj Pokharel, CEO National Reconstruction Authority

The budget structure prepared last year had many flaws because Rs. 617 billion is current expenditure and approximately Rs. 300 billion is development expenditure. Major fund for the development expenditure is coming from the development partners, multinational banks and bilateral partners. Because of the capacity and existing rules and regulation, the government alone may not be able to spend that much money. We know there are many constraints. Governments are not being able to take their own decisions as they are guided by the laws and procedures. We have prepared modality and guidelines in a way that there is no space for bureaucrats to take their own decisions. So, action plan is prepared in collaboration with the private partner. For example, government comes up with equity in transport and hydropower sectors where private sector can invest a large sum of money but these sectors are performing poorly in terms of development expenditure due to many reasons. One of the main reason is we plan our

project without preparation.

Budget is allocated without feasibility study and detailed engineering design. So how can people working in road, bridge department spend money since project is not well prepared? Another reason is lack of logistics and human resources. We have requested the government to hire technical human resources for the entire project period. In Jhapa, there are 248 projects under the Department of Roads. There are few engineers and their time is consumed in just tendering and evaluating them.

There are many flaws we need to improve. We need to involve private sector and enhance logistics and human resources then only we can spend money else the situation will not be improved. We have requested the government to support these infrastructure related projects adequately. There are many action plans but we need to concentrate on few of them which will give immediate and required results.

Mr. Avneet, Student, Economics

Your organization has worked in expediting PPPs. How effective is viability gap funding in promoting private sector interest?

Honourable Mr. Hirdendra Man Pradhan Member, National Planning Commission

People in villages as well as cities want lots of projects and they pressurize their leaders. The leaders are not able to subsidize those demands so they put it in the budget. We lack preparation and hence we are unable to spend the capital budget. The problem is from the beginning when the political leaders fail to

convince people. Likewise, it is difficult to increase the manpower. Manpower that was introduced 10 years ago cannot work properly now. Therefore, politicians, citizens and the NPC have to work together to resolve such issues, only then we can spend allocated budget on time.

Dr. Isabelle Chatterton, IFC

Viability gap funding can be a very effective mechanism. It can be regressive if used in the wrong sector. For example, the first question referred to the expansion of the capital budget of the government. The beauty of PPP is not all the PPPs require an expansion of capital budget. It is actually enabling the government to minimize the subsidies that the infrastructure will require and optimize the way the subsidies get allocated. Right now we are helping seven different governments with seven different airport projects. We did a few airport projects in Saudi Arabia and Jordan. In both the cases, the government did not have to provide any capital subsidy.

They actually received 56% of the gross revenues that the operator gets during the duration of the concession. So, that enabled the government to move that potential capital expansion to sectors where it can be needed where private sectors cannot commit like rural spaces etc. So, viability gap funding can be an adequate instrument when it is indeed required to reach a viability gap. There are various tricks to understand whether the

project will need viability gap funding or not. My recommendation is that the viability gap funding will serve its purpose at particular bonding time like 20 years ago when the government was starting their road development project. But very often what we can help the government to do is creating that optimal competitive tension whereby the sponsors and developers are willing to pay the price in the bids.

If you have well structured, transparent competition you may end up in situations where the viability gap funding is not required. Viability gap funding has been given as part of the 2015 PPP Policy. It is very useful instrument and will be needed sometimes depending on the projects. The best thing is to allow the viability gap funding to come in but make sure that you use it in a project in clear and transparent way. Sometimes you might end up with negative viability gap funding in projects where the bidders and market are actually willing to pay the fee to the government. This is the beauty of competitive and transparent process as it brings resource to the government not leaving money on the table.

Mr. Ajit Narayan Singh Thapa, Former MD Nepal Electricity Authority

The problem with the public and private sectors is that the political appointment of the CEO. The CEOs are not capable to perform properly but are still handling the job. Why are we still

vying for the political appointments? What is hindering the government form bringing in PPP model in the public enterprises?

Honourable Mr. Hirendra Man Pradhan Member National Planning Commission

Actually, we know what is right and wrong. We should ask ourselves whether we're doing the right things. We know that we have political instability and it plays a greater role in the appointment of the CEO. The most important thing is we need to have

a transparent rules and regulation. Only in some cases, there are advertisements and transparencies. Once we appoint CEOs by rules and regulation, the system will be more effective. We need to think about the position and responsibility it carries.

Prof. Dr. Govinda Raj Pokharel, CEO National Reconstruction Authority

If we do not perform it is one's moral duty to leave the post in both private and public sector. We need to have the right attitude, right culture and right capacity. If everybody binds in these three words, then issue will be solved. It is an individual's professional ethics to leave the position if one is not performing task well even though you are appointed politically or promoted. should ask ourselves whether we're doing the right things. We know that

we have political instability and it plays a greater role in the appointment of the CEO. The most important thing is we need to have a transparent rules and regulation. Only in some cases, there are advertisements and transparencies. Once we appoint CEOs by rules and regulation, the system will be more effective. We need to think about the position and responsibility it carries.

Honorable
Mr. Krishna Bahadur Mahara,
Deputy Prime Minister and
Minister for Finance.



The discussions we have had in this session were very productive. We had the opportunity to hear the perspective of the distinguished panelists and get important suggestions from them. I would like to assure you that we will take positive feedbacks from all these suggestions regarding government's commitment, trust and transparency as well as work towards it diligently. Regarding the issues raised in the context of various sectors, like roads, transportation, hydropower, I would like to assure you that the government will take the criticism very positively and make efforts to resolve them.

Nepal is in transitional phase. But gradually it will have political stability and will have

greater concentration on economic development. I am positive about the progress we are making to stabilize the political environment and hopefully this will expedite the development process in the country. We shall also work towards creating conducive environment for doing business and encourage private involvement in development projects. Likewise, we are committed to pass the bill of the PPP Act at the earliest.

There are some complexities in this process but with constructive discussion and agreement, we will come to a solution. We have had many discussions regarding the PPP model and the current government is committed to creating encouraging environment for it.



NEPAL INFRASTRUCTURE SUMMIT 2017

'Private Sector as an Indispensable Partner'

19-20th Feb 2017, Soaltee Crowne Plaza, Kathmandu

BUSINESS SESSION 2

Infrastructure: “The Big Picture”



Chair

Dr. Baburam Bhattarai, Former Prime Minister of Nepal

Keynote Speaker

- Hon'ble Dr. Swarnim Wagle, Member, NPC
- Mr. Hari Bhakta Sharma, President, CNI

Panelist

- Hon'ble Mr. Surendra Pandey, Former Finance Minister, GoN
- Mr. Barsa Man Pun, Former Finance Minister
- Er. Uma Kant Jha, Former Minister for Science, Technology and Environment, GoN
- H.E. Ms. Yu Hong, Ambassador of People's Republic of China to Nepal
- Mr. Radhesh Pant, Senior Managing Partner, V Rock & Company

Moderator:

Mr. Anil Chitrakar, President Siddhartha Inc



Dr. Baburam Bhattarai Former Prime Minister of Nepal

Nepal is in new phase of politics where development and prosperity have become buzzwords. So, let me make a few remarks at the outset as I am very passionate about development and I have initiated a new political formation which is dedicated to the development and prosperity. The topic of the discussion today is quite exciting, “Infrastructure: The big picture”. In my opinion, infrastructure is the key element in the development agenda especially for the country like ours, which is transiting from the backward agrarian economy to an industrial economy. The massive development of infrastructure is a must while we don’t have time like the developed industrial countries to go through incremental development process. In order to catch up with the developed nation within a few decades, we have to leapfrog in our developmental efforts. We are envisioning Nepal, whereby we want to graduate to the status of developing country in 7 years; to a status of middle income group within 15 years (by 2030) and a developed country within 25 years (by 2040). With this goal, we need to have a double digit growth for the next few decades. For that the first thing is development of infrastructure.

Nepal is a bridge between East and South Asia and it also links two huge states- India and China. Therefore, infrastructure development connecting with both South Asia and China is the key for the development of Nepal. So this big

picture must start with the geo-political positioning of Nepal. Internally, with our diverse geography: mountain, hill and the plain, infrastructure development of Nepal should have its own specific feature. How do we connect with the rest of South Asia and China? How can we become a vibrant bridge between these economic power houses of Asia? This is the opportunity as well as challenge for Nepal. With this in mind, we will have to build north-south fast track roads and east-west express ways. We need to build big hydro power projects; regional international airports in every federal state and irrigation projects to modernize our agriculture. We also need to work out a plan for the capital investment for all these projects.

I think we can manage this. With about \$6 billion of remittance entering in the country every year and most of it getting wasted in conspicuous unproductive consumption, a large part of it could be saved and mobilized for infrastructure development. Secondly, our debt-GDP ratio is below 30% that provides us space for fiscal management with borrowing internally and externally. And, since we have huge capital surplus especially in China and India, we can invite big foreign FDIs from these countries. The private sector has to act as a bridge to bring this investment.

Mr. Hari Bhakta Sharma President, CNI



In my perspective Nepal lacks long term strategic planning, along with the studies done to understand how Nepal can develop in terms of infrastructure. There is a gap in vision, designing, and bringing better ideas to the country and that has been the main problem for us, not the resources or execution of the projects. We need to design our infrastructure in the correct way, in a way that serves us best for a long period of time.

In terms of infrastructure investment, there is a lot of opportunity. Despite all the challenges, Nepal's economy is indeed growing. Our income is improving so is our education. I am amazed to see figures that suggest Nepal is the nation that sends the 9th largest number of students to US for higher education. Based on this, we can imagine there are high numbers of qualified Nepalese people looking to grab opportunities in the country and contribute in the development of the nation. We are also connected to some of the largest economies in the world, in the north we are connected to China and in the south with India. Yet, remittance is a huge factor contributing to our economy, making it tick in today's date.

Nepalese companies have not gone bankrupt for so many years in spite of political instability and natural calamities like the earthquakes. This

shows that the private sector is very resilient in Nepal. However, it is not robust enough or strong enough compared to other nations to propel national growth, and that sets back considerably in economic prosperity.

We need to dream high and be ambitious while we envisage our infrastructure's development. Currently, we are spending the least amount both from Government and from private sectors investment on infrastructure in South Asia. I would like to suggest my plans for the country: build a railway link to India immediately and with China in the future; think about hydropower projects like the Koshi High Dam Project, which will be a game changer. Then we can aim for super highways that connect Kathmandu to Delhi via Lumbini and in the future we would want to connect Kathmandu with Beijing of China through Rail and Road network.

I would like to conclude by saying that Nepal should think of a future based on airports, railways, highways and other physical infrastructures that can provide opportunity to people and the private sector to work with and invest in so that our citizens have more to aspire within the country than migrating to other developed countries.



Honourable Dr. Swarnim Wagle Member, National Planning Commission

I would like to talk about where we stand in terms of core infrastructure area, then will briefly discuss on what we have and what we don't, and finally conclude with what are some of the big-ticket reform ideas and ambitious agenda we all should be embracing while we go forward. Firstly, where do we stand? Nepal has the worst quality of infrastructure in Asia, according to the World Economic Forum's latest report on global competitiveness. Similarly, according to various studies, inadequate electricity and transportation facility was the second biggest hurdle after political instability as the binding constraint to the expansion, growth potential and diversification process of the enterprises in Nepal. However, there has been some good news in the electricity sector which shows with the determination and positive leadership, one can catch up pretty fast in Nepal. And there are some glimpses of hope in this front.

On transportation, even amongst peer countries (Cambodia, Sri Lanka), our road density lags behind. Likewise, number of vehicles is increased by a million (14% annually) in the last 5-6 years, while the number of black topped/*pakka* road has only increased by 4%. This explains the reason for ongoing traffic jams in the Kathmandu Valley. We have been talking about railways since 1927, like *Raxaul- Amlekhgunj* Railway, *Janakpur- Jaiynagar* Railway and we are fairly aware about

their condition. But finally, we have started to contemplate about big projects and IBN is doing a great job and has announced that we need cross border linkages with the vast Indian railway network. Electrified east west railway is something we can really hope for as our energy surplus increases in the next decade or so, we can contemplate a Nepal which is clean energy built and operated. These are the ambitious programs we can take off with.

As for national pride project, there are two progresses that have been dismal and we are deeply looking into what kind of criteria, concession could be given to national pride projects in the immediate future. But the record so far has been very poor, it has only been a public relation exercise and nothing substantial has been undergoing for such projects in terms of the criteria and concessions. In transportation, there is a big room to fill.

In the context of water and sanitation, water access has improved, thanks to democratic pressures and channels of accountability. But, talking about quality, 82% of water supplied in Nepal is contaminated by e-coli bacteria and only 15% is potable water. At least in terms of the expansion network of water pipelines, more

than 90% of people can claim to have modicum access to the water resources. While only 40% have the access to decent sanitation facilities. By 2030, coinciding with the Sustainable Development Goals, we would expect that at least 99% of our people will have access to potable water, sanitation, and open defecation will be completely eliminated. These are the basic goals which are even embarrassing to hold as goals in 21st century. But that is where we stand.

However, some of the transformative engagements can really be done in the irrigation area. If we can get some of the big irrigation projects in Terai which is fully built and operational then it could be quite transformative. We need to work further in this area. And I agree with Mr. Hari Bhakta Sharma when he said we are not being too ambitious so even in the threeyear plan that has just been launched, the ambition is to just irrigate 84,000 hectors of the land additional to what we already have. And less than 20% of our cultivable land is irrigated throughout the year. This shows where the potential investment needs to go.

We've been talking about tourism since last 100 years and have had hundreds of projects, and what we have is about 1,000 hotels that are of tourist grade, less than 37,000 beds. And the ambitions are pretty modest. 2015 was an unusual year because of the earthquake and the border blockade but still there were less than a million tourists who stayed for less than 12-13 days and spent around \$60-\$70 per day. I think that model has to be flipped. We should look at China and India, the growth of the middle class and think about diversifying our products so that these beds can get occupied throughout the year. We need to have that kind of ambition. In Nepal, the contribution on GDP through tourism is only 2-3%, so even if we quintuple our capacity, we are barely at Cambodian level which is 13%. This is an area where there is a huge need for private and foreign investment.

With Information and Communication

Technology (ICT), there is some good news as the total cellular subscription has exceeded the size of Nepal's population. It is important to emphasize this sector because unlike physical transport, tourism where it is impossible to make a dramatic leap, here we can jump to the frontier. So, how do we leapfrog and take advantage of modern technology like this to skip all the mundane stages of development. Having said that, there is no reason why Nepal can't expand on a mammoth scale in this area and also there is no reason why our cost of internet use is 4 times higher than that of India.

So, this is another reform area that we should look into. However, on the positive side, fiber optic network has been built, backbone along the east-west mid hill segment of the country has been completed, and connectivity with India and China has been forged. Still there is a long way to go and we have a lot of room for investment in this sector.

Finally, the big-ticket item for Nepal's prosperity is energy. We've been deeply frustrated by the slow pace of progress. Chandra Shamsheer built a first hydropower plant in 1911 and more than 100 years later, we are still struck with the 900 MW. But as we know, there is light at the end of the tunnel, and if things go as plan over the 2-3 years, we should be able to double our capacity. Some of the forecast on energy by Water and Energy Commission (WECs) has range of 9000-13000 MW energy consumption assuming at different scenarios of economic growth while NPC and IBN foresee a need of at least 8000 MW over the next 10 yrs.

Let us now look at what do we have. In terms of skill, there is a striking data that suggests out of 1.5 million enrollees in our university system, less than 4% are qualified engineers. In addition, there is an epic out-migration that is ongoing in the country. Now, do we have enough funds? There is huge gap between what we have and what we need. Our commercial banks, insurance companies, Employment Provident Fund are

constrained by various respective bodies. Lot of our deposits is short term. With our forecast, we need \$20 billion just for 10,000 MW hydropower project. Hence, there is a huge gap in terms of skills, financial resources, and a lot of hurdles.

Discussing about the way ahead, there are 5 things that will make a transformative impact in the problems that were mentioned earlier. The first measure would be to attract huge FDIs. Without international resources to complement domestic financing, we can't even make a dent in so many of the sectors that we discussed. Secondly, we need to improve our competitiveness. Similarly, the perusal of second generation reforms is very important.

We also need to build a world class PPP environment. Finally, we need to integrate regionally with China and India.

This constant emphasis on build, build and build will also have to be assessed from different angle. The non-financial reforms also have to be taken into account: prioritization of projects, selecting criteria, streamlining delivery of projects, maintaining existing

infrastructure. In conclusion, there is a realistic achievable path where Nepal can aspire to become a middle income country by 2030 where our overarching ambition could be one of the just and lasting prosperity that builds in equity, sustainability as well as its dynamic economic growth. We need to make our way out of poverty by capital formation, pumping in resources, and foreign and domestic investment. So, the state we are in is dismal but looking from the bright side, there is a lot of space for investment but we need to be really welcoming to the private sector both domestic and foreign to meet the glaring gap that exist. And if we can get 7-10% economic growth over the next decade, we will double our GDP and that creates this positive sentiment that things are happening and the Diasporas we have all over the world will return and I think this is the virtuous circle that we need to work upon.

Mr. Anil Chitrakar, Moderator

Are you happy with the big picture, the two presenters led out? What is your idea of a big picture for Nepal?

Er. Uma Kant Jha, Former Minister for Science Technology & Environment, GoN



It's the right time that we have seated to talk about infrastructure. Let us think about why we are not achieving the growth rate that we plan for our infrastructure development. After every 3 or 5 years we have a plan prepared by NPC. I am not sure if these plans are based on real demand of the people or it is just the decision of the Finance Ministry and NPC. There are a lot projects listed in the Red Book, but many of the projects are without proper investigation and study on validity and feasibility. Most of the project come from political commitment, will of the politicians or the political parties that is in the government. Such exercise does not give the real output. Also, most of these projects are never completed on time and also the beneficiaries are not being able to gain the benefits as projected. So, the absorption ratio of the government institution is also very low.

Therefore, before planning a project, let us take into account the views of beneficiaries and

find out which are the projects beneficial for the local people and the country even though our investment increases substantially. We have been talking about projects like east-west highway, Hulaki Sadak (Postal Highway), Madhya-Pahadi Rajmarg (Mid Hill Highway) and other hydropower and irrigation projects which should be implemented in coordination with many government agencies. It should not be the case that in a same river, there is irrigation and hydro power being constructed. We need to build the projects in integrated manner. And we should go for mass infrastructure development.

Mr. Anil Chitrakar, Moderator

Do you agree with the big picture? And if Ministry of Finance (MoF) is making such long list of projects and mentioning it in the Red Book, will we ever get to the red picture?



Honorable Mr. Surendra Pandey Former Finance Minister GoN

In my opinion, we are trying to do a lot of things but without a starting point, it does not lead us anywhere. We need to dream big but we need to know where to start from. Until we are specific with our goals and vision, we cannot progress. Let me share one of my experiences, I went for an official visit to India and China with the prime minister.

Before the visit, we discussed the issues we wanted to highlight during the visit and prepared a list of things we would ask for from our neighboring countries. However, our priorities were not set and we were talking different issues at different times. This led to them not taking our issues sincerely as they thought we were unclear about our own priorities and agenda.

So let's start with a few projects and show the results. Like, let us construct a fast-track road (Kathmandu-Nijgadh- Birgunj) that connects the capital city with the southern plains in just 1.5 hours and enhances our business potentiality and secondly, let us construct Kathmandu–Rasuwagadhi tunnel road. If these two projects are carried out, Nepal's business and economic strength will change dramatically because money saved is time saved.

Our next priority should be the Mid-Hill Highway,

1000 km connecting east to west via tunnel, and build 10-15 beautiful cities along the highway. It will eradicate the problem of in-country migration. Let us create 4-5 major cities in Terai, too. So, let's confine ourselves and select some prioritized projects and work upon them.

In addition, I would like to highlight the point that politicians are showing us the big dreams while bureaucracy is dreaming very small. There is a mismatch on this. When I was in the government, I proposed categorization of land into 6 major sections: agriculture, residency, industry, forest, public and commercial. But the way bureaucracy operates now, they need to think beyond and expand their capabilities to overcome the hurdles like the land issue.

Mr. Anil Chitrakar, Moderator

How can Nepal come out of small picture and move to the big picture?

H.E. Ms. Yu Hong Ambassador of The People's Republic of China to Nepal



In China, we believe, if you want to be rich, you need to build the road first. If the economy wants to be developed, the transportation needs to be fixed first. Many people know that in the past few decades, China has made tremendous development in highways and high speed railways. Till the end of last year, the total mileage of highway in China has over passed 130,000 km and for the high speed railway, the total length has reached 22,000 km. Basically, China has completed transportation network covering the entire country and this has provided the great contribution to people's movement, connectivity among regions and coordinated development and provides good environment for foreign investors. This extensive infrastructure development has made a solid foundation for the economic development of China. It also tremendously changed the life and work style of people in the country. So, nowadays with the development of economy and improvement of the living standard of people, infrastructure in China has gone beyond the basics and extended towards new fields like environmental protection and information network.

With one belt one road initiative of the Chinese

president, we want to build silk roads and 21st century maritime silk roads. We want to revitalize the old connection and boost new connections. Through this the aim is to deepen cooperation among Asian countries and to realize the common development. We are also working on setting up of Asian Infrastructure Investment Bank (AIIB) and Nepal is also supporting it. The total purpose of all these initiatives is to foster the community of shared interest, destiny and responsibility featuring mutual political trust, economic integration and culture inclusiveness to develop a kind of economic cooperative partnership with countries along the region. The AIIB is an intergovernmental, regional and multilateral development agency, and the major task of this bank is to support infrastructure development. So, Nepal is an important country of this region and founding member of AIIB. Chinese government think positively about the need and development of Nepal and we also put forward actively in the projects aided by the Chinese government, and we encourage Chinese enterprises with the capability and good reputation to come to Nepal to take part in the infrastructure development.

With the joint efforts of the two governments,

China has cooperated with Nepal in different projects and has achieved remarkable progress like maintenance of Arniko Highway as well as Upper Marsyangdi and Upper Myagdi hydropower project. Also, there are 10 hydropower projects in Nepal, 9 infrastructure projects like road, bridge, etc. and 12 projects in telecommunication sector where Chinese enterprises have been involved. So with the

implementation of above mentioned projects, I believe there will be a tremendous contribution to the improvement of the people's life in Nepal.

Mr. Anil Chitrakar, Moderator

What are your thoughts on the big picture and how we can move ahead?



It is always good to have a big picture. But I believe there has to be some rationale on how are we going to do it. At the end of the day, our goal is to make these projects happen. It does not mean anything by just announcing that certain project is happening. Without going to the nittygritty, I would like to mention certain things that we need to treat private sector like partners because no one is going to spend billions of dollars unless the government is like a partner who is going to help the private sector in the processes, timely approvals, land acquisitions and provide an easy environment for them to function. As I see it, most of the large scale projects are going to be Nepal's project after 25-30 years. Secondly, we need a lot of FDIs. We need around \$10 billion of FDI every year for us to reach the middle income nation's category by 2030.

The idea is when we get to these projects we need to make sure we have effective process and

Mr. Radhesh Pant Senior Managing Partner, VRock & Company

transparent mechanism. Good companies will not come to Nepal until we implement this. So, government should assure to provide such environment for the investors.

In addition, I would like to suggest that we need one authority for large scale projects which has its own authority, which is going to be transparent and make decisions without knocking the doors of 30-35 institutions for getting approval. We should identify the projects we want to give to the private sector as that is bearing all the risks. We need to focus on one project and show the results which will make the investors confident while investing. To conclude, I think government needs to take the initiatives in fulfilling the requirement of the stakeholders. The PPP is not that easy. It is about risk allocation, legality, financial structuring and organizing equity.



NEPAL INFRASTRUCTURE SUMMIT 2017

'Private Sector as an Indispensable Partner'

19-20th Feb 2017, Soaltee Crowne Plaza, Kathmandu

BUSINESS SESSION 3

Enablers for Accelerating Investment



Session Chair

Hon'ble Mr. Ramesh Lekhak, Minister for Physical Infrastructure and Transport, GoN

Keynote Speaker

- Dr. Chiranjivi Nepal, Governor, Nepal Rastra Bank
- Mr. Wencai Zhang, Vice-President, Asian Development Bank

Panelist

- Er. Dipendra Nath Sharma, Secretary, Ministry of Urban Development, GoN
- Mr. Shanker Prasad Koirala, Secretary for Ministry of Industry, GoN
- Dr. Upendra Mahato, Founding President, NRNA
- Mr. Jaya Ram Lamichhane, Past President, FCAN
- Mr. Semanta Dahal, Partner, Abnihawa Law Chambers

Moderator

Er. Suman Basnet, Independent Consultant



Dr. Chiranjivi Nepal Governor, Nepal Rastra Bank (NRB)

It's my great pleasure to be here in this august gathering on the business session of "Enablers for Accelerating Investment." I congratulate the organizers for organizing this summit at a time when Nepalese economy is striving to move ahead towards sustainable development. Currently, there are good prospects of higher economic growth. The performance of agriculture, industry and service sector is encouraging. Inflation is contained. The external situation is sound. Our balance of payment situation is comfortable and country has adequate foreign exchange reserve. The micro-economic indicators support Nepal's huge growth potential.

Nepal has gone through the planned development efforts for the last six decades. Thirteen periodic plans have been implemented with the major focus on infrastructure development so far. Along with prioritizing the infrastructure development and poverty reduction, the ongoing fourteenth Development Plan has accorded higher priority to the private sector in managing the investment. Of the total investment requirement of Rs. 22,425 billion for the three years period of the fourteenth plan, around 55 per cent is expected from the private sector.

In the country like Nepal, road transport has a

dominant role as the backbone for the overall socio-economic development. Nepal has a wider scope in developing hydro-power, irrigation, health, sanitation, education, industrial states, urban development, electricity, transmission lines, and agro-processing as well as herbal industries. Sincere efforts in these areas will accelerate the phase of socio-economic transformation.

Nepal has a tremendous potential for raising the cheapest and cleanest source of energy. We have competitive edge in the area of hydropower as the great Himalayas provide huge water running in river and large waterfalls. Of late, increased momentum is taking place to develop hydropower project in Nepal. The Upper Tamakoshi Hydropower Project with the installed capacity of 456 MW is expected to come into operation by June 2018. Efforts are on mobilizing the additional resources to develop the large hydropower projects.

private developer GMR to develop the 900 MW Upper Karnali Hydropower Project. IBN has also signed another Power Trading Agreement (PTA) with an Indian governmental entity for

the development of 900 MW Arun III Hydropower Project. The negotiations are moving ahead to develop 750 MW West Seti Project in the western part of the country. Also, the signing of the PTA with India has cleared way for the free flow of electricity across the border. Almost 80 mines and 53 minerals sites have been identified across the country. About 29 stone mines and six gems sites are in operation. The mines and minerals based industries contribute about 2.5 percent to the GDP. So far thirteen cement factories with 8,450 metric tons per day capacity are in operation while 10 such factories are under construction. Total FDI in the cement sector till date is approximately 4.1 billion NPR.

Nepal is open in mobilizing foreign resource for infrastructure development. In this regard, we are in constant touch with our multilateral and bilateral donors. We are expecting major funding from international donor agencies such as World Bank and Asian Development Bank to accelerate the infrastructure development in Nepal. Additional avenues to make infrastructure financing will be available from the recently established Asian Infrastructure Investment Bank. However, we further need to complement these avenues by the private sector investor.

Nepal's financial system is sound and self-regulatory. Low level of non-performing loans, wider network of banks and financial institutions and ongoing initiative of increasing the paid up capital of BFIs will be supportive in promoting the infrastructure financing. The banking industry which is in phase of reconsolidation is further enhancing its capacity to finance large projects. Further, we are in the process of laying the ground work to establish specialized Technology Transfer for infrastructure development. A legal framework for establishing Infrastructure Development Bank has already been drafted. The infrastructure bank will also encourage the private sector to participate in nation building.

Constitutional arrangement has been made for tabling Annual budget of the government in the first week of June every year. This is prior to 45 days from the beginning of the new fiscal year. It is expected to increase the phase of public spending of the development budget. The country also has high level investment facilitating and coordinating agencies. The legal reforms are taking place in the areas of investment, and recent amendment of the acts relating to the foreign investment, and Repatriation of profit will encourage more infrastructures financing in Nepal. The Public Procurement Act has already been amended and new labor act is under discussion, these reforms will be an enabling factor for the industrial and the infrastructural development. It is important to mobilize additional resources to develop much needed infrastructure for higher sustainable economic growth. Equally important is to boost the quality and quantity of infrastructure spending by eliminating the project implementation barriers.

Last but not the least, I take this opportunity to extend my sincere thanks to the organizers and distinguished guests. I would also like to express that surpassing the challenges of our economic growth in the phase of global uncertainties requires close coordination between government and private sector. I am confident that this summit will further fortify our efforts in this regard and create better understanding about the large scale infrastructure investment in Nepal.



Mr. Wencai Zhang Vice President, Asian Development Bank

I am honored to be here. I still remember that I was here last year to attend a high level workshop on country's long term strategy. I appreciate the invitation of CNI to deliver a key note speech. In my address, I would like to draw some evidence of correlation between level of infrastructure investment and economic growth, and nine essential enablers for boosting infrastructure investment.

Regarding the relationship between infrastructure investment and economic growth in Asia's developing countries, Recent ADB study shows two important factors. The economies that have grown faster tend to be the ones with high infrastructure investment relative to the GDP. But infrastructure alone is not sufficient for growth; factors such as strong human capital and conducive business climate are also very important. Some countries stand up in terms of investment in infrastructure, such as People's Republic of China that invested 20 percent or more of GDP for human capital formation while Malaysia invests 10 percent. They are among the fast growing economies in Asia. On the other hand, Nepal's per capita income is only at 2.3 percent annually over the last decade. Infrastructure investment remains low at some 4 percent of the GDP. The recent study has

shown that infrastructure is one of the most critical abiding constraints, and that Nepal needs to invest over 8 to 12 percent of GDP annually to resolve the context within a decade, meaning Nepal needs to double or triple the investment.

The critical question is what the key enablers are? It is another point of my speech. We saw ADB's experience in Asia and the Pacific and in Nepal, I would like to present nine most essential enablers to accelerate public sector. First, government should have a clear vision and strategy to initiate a rapid economic growth and structural transformation. In many Asian countries, the government has played important role by clearing pathways to build infrastructure and human capital, and improve business climate. The success of China, Singapore and Malaysia are testament to this. We know that the Government of Nepal has started to prepare such a vision Nepal 2030, with a clear programs and reforms to set up public and private infrastructure investments. Second, it is crucial for the government to have project banks, or a system to build large stocks of investment-ready projects following sector plans, including a detail design and

procurement plan. In fact, the lack of ready projects in Nepal is one of the fundamental reasons behind low capital expenditure.

Third, timely budget approval and release has been a challenging job. The new constitution of Nepal has obliged budget to be endorsed one month before the start of fiscal year, which is a major step forward. There is also need of strong mechanism for systematic project preparation and execution. Fourth, the country's procurement system should ensure timely contractor selection with sufficient competition and discipline. The procurement act of Nepal has been progressively amended, with streamlined process and decentralized authority. However, its effective implementation is essential. Fifth, any developing country should ensure stringent compliance with contractual provisions. The best practices in the world advocate integrated external audit of procurement, contractual compliance, and financial management. Sixth, in many countries, they have accelerated effective monitoring, support and control by top management. Nepal has also started monitoring system led by the Prime Minister. Seventh, any country with ADB operation has shown that highly competent project directors and

strong team are extremely important. Eighth, the effective policy, legal and institutional framework for the PPP investments is necessary. Nepal has established Investment Board of Nepal with the mandate to support mega projects. Ninth, the concerned sectors of the PPP investments must provide confidence to the investors.

Moderator: Er. Suman Basnet, Independent Consultant

One of the points Mr. Zhang highlighted was that issue of vision and strategy and I am very happy to know that law ministry has a very clear vision to have clean and beautiful cities with the required infrastructure and facilities. Given the rapid urbanization that is happening in Nepal, I think this is going to be very vital. My question is what is the Ministry's roadmap to achieve this- roadmap for public investment? Do you see private investment in meeting your vision?



Er. Dipendra Nath Sharma Secretary, Ministry of Urban Development, GoN

The vision is clear and we haven't proposed legal framework as well to implement our vision. For me human capital is the most important thing to bring about positive changes. There is a difference between the human capital prepared by the public and private schools, colleges and universities. We do not have technical human resource to take an advance in technology. As educated people are opting for going abroad to reside permanently in Europe, America and Australia, the investment that we make in creating capable human resource goes to the developed countries. We seriously lack competent human resource at all levels whether blue or white colour, and across all institutions whether public or private including consultants.

In fact, urbanization is an accepted venture in Nepalese context. With the declaration of 217 municipalities, about 42 percent of Nepal's total population lives in what we call urban areas though most of them have rural characteristics. So, there is a lot to invest. We have done financing gap analysis of 217 municipalities recently in order to support the implementation gap of national urban development strategy and it shows that there is a huge funding gap. While we are investing about 30 billion Nepalese rupees per year to meet only 60 per cent of infrastructure needs of these 217

municipalities, they need about 150 billion rupees annually.

It's a gap of 120 billion rupees annually for the next 15 years. So, how to address this gap? One way is to increase the governmental fiscal transfer; the government should invest more. The second is to increase the capacity of the municipalities to increase their own source of revenue. The third is the sub-national government which we are trying through the Town Development Fund and the plan is to update it into urban development plan within next ten years. So, these are the ways we want to finance the urban sector. As far as I see the best example of the PPP which has not been highlighted till date in Nepal is land pulling. In this system 65 percent of the total land goes back to the owners of land while 35 percent is used for public purpose and infrastructure. We are thinking only at the settlement level not at the city level. This year we have a plan of a satellite city in the Kathmandu Valley with five thousand hectares of land.

Likewise, Outer Ring Road will also follow the land pulling system. I believe that if the government invests one rupee, private sector invests four rupees. That is at the housing

level, but if we are talking about the city level, we think that the funding from private sector would go as high as ten times the funding from the public sector. This is the sector with huge opportunity for mass transportation system. In Nepal we don't have a clearly defined policy as how much should be invested in planning and detailed engineering and design in reference to the project costs. When I was Managing Director

of Nepal Electricity Authority, government provided 250 million rupees to do the detail engineering design of the Budhi Gandaki Hydropower Project which is about 7.5 percent of the total project cost. Can you imagine a robust design with that cost? Thus, we need to invest more on planning and we need to have norms for that.

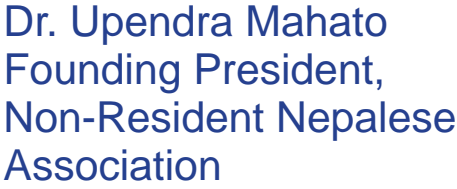
Mr. Shanker Prasad Koirala Secretary, Ministry of Industry GoN



Ministry of Industry is trying to develop conducive environment to invest in Nepal. I am glad to share that there are policy reform initiatives at various stages: such as company act, intellectual property policy, etc. Several noble provisions have been made in those acts and policies to provide service to the investors and facilitate domestic and foreign investments. One of the noblest provisions that the act has made is one-door system. In the absence of one-door system, the investors had to knock the door of many institutions. With the view of this in mind, it is very important to establish a mechanism where all the investors can get the service at one place. The Industrial Enterprise Act, article 35(1) has made a provision of one-door system. It comprises different departmental works. To make more personalized system, we have already made a

decision and it is in the process of publication in the gazette. The one-door system is not limited to the Kathmandu Valley only but has been extended to the other local bodies too.

Our main objective is to make this system more effective and efficient. In the past, we had to do environmental impact study before establishing an industry. Now, the new act has a provision whereby the environmental impact assessment could be conducted after the establishment of the industry. This will create good environment for industrial development and employment generation. These are the highlights I would like to share. Processes are ongoing to reform some policies as well, especially to facilitate the large-scale industries and to attract FDI as well as to protect and grow cottage industries.



However, I would like to ask our Nepalese friends: what is our problem? When we have some problems, we speak very loud, but when we achieve something very important, we hide it. So, please

speak up those achievements as well. Today, Nepal really needs very big investment and I do not think there is a problem of money in this regard. But the government and the private sector should realize their responsibility and start working. So, I would like to request my Nepali friends to start because the country needs you now. When everything is good, you may be late for that investment because investors are waiting to come to Nepal. If you start now, foreign friends will come later on to join hands with you. Every sector in Nepal is in starting point at the moment. So, you can do small or big investment in any sector of the country. I have done big investments and I never regretted, but my foreign friends who were not so optimistic at the beginning have come to me asking for new projects. I want to reassure that Nepal is the best place to make an investment.

Mr. Jaya Ram Lamichhane Past President, FCAN



In Nepal, construction technology depending on the construction equipment is going on very slowly. Most of our construction work depends on construction workers. For over the last decade, about 1.1 or 1.2 million people have been engaged in the construction industry. At the moment, construction companies are also enhancing their capacity in technology with the adoption of latest technology. Unfortunately, there is no government or officially certified schools for the vocational education except CTEVT in Nepal.

Construction workers are the people who come from village and directly join their work in the construction companies. They work for two or three years and finally get passport and fly to Malaysia and other gulf countries. At the moment, we are facing the shortage of

construction workers in Nepal. To increase the number of skilled workers necessary for construction, government should introduce vocational education that addresses the need of the construction works and companies. The private sector should work with the government. While we have to establish vocational education center in Nepal, we should find out ways to retain the workers in Nepal. I think the social security for the construction workers is not enough. For instance, there is job for six months and no job as such for another six months.

We know that we don't produce petroleum products in Nepal, so we have to have two ways: road connectivity with China just as it is with India; and exploring petroleum fields in the country. In this case, hydro-power could be a better alternative.



Mr. Semanta Dahal
Partner,
Abnihawa Law Chambers

In the last one and half years, it is seen that the Department of Industry has been major window for approving investment in Nepal. Things are streamlined. There are examples of foreign investors getting approval as fast as in three days. As a result, the foreign investor has observed that the environment is conducive, and working procedures and modalities in getting approval are easier and faster. Although what we have don't is not enough, investors were quite satisfied. Apart from Department of Industry, the foreign investors have to regularly interact with the central bank, i.e., Nepal Rastra Bank. I think interaction is taking place at three levels at Rastra Bank: one, when the fund actually coming to Nepal; second, when you have to pay for your consultants and contractors who are working outside Nepal; and third, making repatriation. The investors are facing some constraints at all these three levels. Probably, Rastra Bank is required to put some constraint, but I think those constraints need to be streamlined. Rastra Bank might be diluting foreign investors for money laundering or it might be examining investors for tax or tax evasion in Nepal. If that is the case, all that is required. That is the role the Rastra Bank needs to play as a foreign exchange regulatory. But at the same time, I think there needs to be some processes that should be streamlined to facilitate the foreign investors get quick approvals. I think apart from that what we are looking at is how much privately financed structures have we developed in Nepal

so far? I think apart from hydropower projects and a few cable cars, I don't think there are any large privately financed large investment in Nepal. We try to procure private financing for Kathmandu-Terai Fast Track highway but couldn't move ahead. The rhetoric we have to change in Nepal is that the government of Nepal will build this project. What do you mean by this? It means government will involve in the project which can't be built without the private sector participation - be the private sector financier, actor, developer, etc. The government of Nepal should stop repeating the rhetoric. The mindset that the government can execute large infrastructure projects with the participation from the private sector should be changed as soon as possible.

Legal frameworks in terms of giving substantive rights to foreign investors, such as protection, allowing entry of investment, repatriation and exempt, are adequate to some extent. What needs to be done in streamlining these approval processes? One of the points I need to harp on is the jurisdictional overlap between two or three government agencies in implementing a project. The sense of belonging to the project in the part of the ministry needs to be changed. We also need to have an agreement that is financeable. I think we were able to achieve financeable hydropower project agreements

because of which we had investors from abroad. What needs to be done is to have similar financeable agreements in other sectors, and we could begin with having such agreements in road project. I think we need to hook on the investors in the road sector. And for that the PPP

center should come up with bankable projects and contracts. The reason the finance is not coming to the Kathmandu Hetauda Road Project is that the contract signed with the government is not considered financeable. So, we need to have a financeable agreement as well.

Honorable Mr. Ramesh Lekhak Minister for Physical Infrastructure and Transport, GoN



It is my great pleasure to be here on this august gathering. I would like to thank organizer of the session for giving me the opportunity to chair this session. I am very happy to hear from key note speakers and panelists for their very encouraging key notes and comments. I can say that we spent one and a half hours this afternoon for this session. After hearing from key note speakers and the panelists, I can say that Nepal is a good place for investment. The situation is good to invest in Nepal. I would like to make a few points regarding the issue. First, our economic policy is investor friendly. We promulgated new constitution and adopted the policy of liberal economy. A lot of legislations consistent to constitution have been promulgated supporting the liberal economy; some policies and legislations are under process and will be in course soon. The government of Nepal is committed to provide all types of facilities which will be helpful for investors to invest in Nepal. The law and order situation is conducive; the quality of electricity is good. We are upgrading the standard of highways, roads, bridges, and

sub-railways linking are under construction. We have very energetic, honest and hardworking people who are spending their energy abroad for a meager wage.

Nepal is very rich in language, tradition, culture, literature; it is naturally beautiful and Nepalese people are friendly. We have very robust PPP policy that has been promulgated and good rules and regulations are in process of amendment. E-procurement, e-bidding are in use in public procurement to promote the transparency and accountability.

I would like to thank all friends, key note speakers, Governor of Nepal Rastra Bank, respected Zhang from ADB, Secretary of Urban Development Ministry, Secretary of Ministry of Industry, Dr. Mahato, Mr. Jayaram from private sector and young and energetic lawyer advocate Semanta Dahal. Finally, I would like to share that we have four powers in Nepal: water, land, jungle and people. These four powers are waiting for your investment.



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PARALLEL SESSION 1

PARALLEL SESSION 1

Business Forum



Chair

Mr. Dipendra Nath Sharma, Secretary, Ministry of Urban Development

Keynote Speaker

- Mr. Maha Prasad Adhikari, CEO, Investment Board Nepal
- Mr. Madhu Prasad Bhetuwal, Joint Secretary, IBN

Panelist

- Mr. Birendra Raj Pandey, President, Youth Community for Nepalese Contractors

Moderator:

Mr. Ghanshyam Ojha

Ghanshyam Ojha, Moderator

You may have heard a lot about economic prosperity and development of Nepal. We have also been talking about how FDIs are instrumental for the infrastructural development of the country and especially in the case of Nepal it is very important to graduate to a middle income nation. So, Investment Board Nepal is playing a key role to bring in FDIs in Nepal. Today, we will hear about all the projects that IBN is working on for the development of infrastructure of the country.



Mr. Maha Prasad Adhikari CEO, Investment Board Nepal

In this session, I would be talking about Investment Board Nepal (IBN), its mandate, process, ongoing and approved projects. We are very well aware about the infrastructure deficiency in the country which cannot be fully supported by the government fund. Due to globalization and active participation of private sector, it is now well acknowledged that even public infrastructure can be a key business prospect for the private investors. Similarly, we have also accepted the fact that domestic private investment will not be sufficient for the infrastructure deficiency we are facing. So the GoN has realized that we need a dedicated agency to support the need of investment for the infrastructure deficiency in our country. With this strategy in mind, the GoN has developed a special wing called IBN in 2011 which is mandated to the inviting the funding for mega projects. This initiative of the GoN shows clear political will for welcoming the FDIs and private sector investment in infrastructure projects. The basic idea of this institution was to provide services to potential foreign and domestic investor as a one window solution. It has a mandate to approve FDI,

and it is working towards project document which can be saleable to international financing. There are ample opportunities. Every large project where FDI is required, it should go through the IBN.

The structure of IBN can be described as a high power board which is chaired by Rt. Honorable Prime Minister, there are 13 members including advisors and experts from the private sector. It has the mandate of negotiating and making agreement for the projects like fast track roads, railways, rope ways, tunnels, trolley bus and any other project related to transportation prescribed by the GoN. Likewise, the investment required for the construction of new international and regional airports, modernization of existing airports, solid waste management, chemical fertilizer production industry, petroleum refinery plants, major bridges as prescribed by the GON are also under the jurisdiction of IBN. Adding on, in case of bank and financial institutions, if the ownership of international investors is more than 50 per cent, the approval is given by the IBN. Investment for the projects like medical

colleges and state of art hospitals or nursing homes having more than 300 beds should also come through the IBN. Hydropower projects with the capacity of more than 500 MW, development of SEZ, export refinement and promotion zone, special Industrial Zone are also in purview of the IBN. The manufacturing or service industry that has a paid up capital of more than Rs. 10 billion and any foreign investment in a productive industry that has paid up capital of 10 billion or more is also in the mandate of IBN. Any investment required to the projects prescribed by the GoN can also be facilitated by IBN.

The IBN has initiated some projects since its establishment. It has applied the PPP model in some of the hydropower projects, like the Arun III with the capacity of 900 MW. The progress of this project is quite good. One of the most challenging part i.e. acquisition of private land is completed and the compensation for the same is almost finished. Financial closure and other preparations are under way.

Another strategic project is Upper Karnali Hydropower project which also has the capacity of 900 MW. Its progress is also encouraging. We have signed the PDA with the GoN and GMR in September 2014. The financial closure for this project will be expired in September 2017. The IBN is taking up another project, West Seti Hydropower – 750 MW, located in Far Western region. This project is awarded to China Three Gorges Corporation (CGTC) subsidiary and is the joint venture project with the GoN. Likewise, another project in the pipeline is Upper Marsyangdi Hydropower Project with the capacity of 600 MW.

We are also working on chemical fertilizer plant, which is just been placed at project bank and is under the process of being studied for the viability. Recently a detailed feasibility study was completed and modality of development is being prepared. Another important project

carried forward by the IBN is the Kathmandu Valley Solid Waste Management Project. Project negotiation is under way and hopefully it will take off by the end of this fiscal year. For some of the cement industries we permitted for FDI, investments are unsolicited proposition. There are four such permissions provided by the IBN. So far the progress is highly encouraging.

The IBN with its initiatives and through the political will and commitment, is trying its best to support the investors through promotion, incentive and facilitation of a project during various steps. We are keen and ready to support every kind of investment.



Mr. Madhu Prasad Bhetuwal Joint Secretary, IBN

Continuing on the projects of the IBN, I would now like to talk about some of its salient features and the steps involved in implementing an investment. Firstly, we require identification of effective projects that can contribute to the economic development of the nation. We need to have a detailed study for its viability in term of environment and financing. After identifying these projects, the next procedure is promotion or marketing through private or governmental agencies. This is followed by negotiation with the prospective developers. After that, IBN provides facilitation to the investors like visa, land acquisition and so on and also oversees the project. We have a specified time frame for the whole process. Minimum time for EOI submission is 21 days. When the prospective developers submit their EOI, it is evaluated as per the approved guidelines, and list of potential developers is prepared. Once the list is prepared, the investors are requested to submit the proposal for the same. The minimum time for the submission of the proposal is 45 days as per the law. The received proposal will be evaluated according to the approved criteria and the

developer who submits the best proposal will be awarded the project. Further they will be connected with the concerned ministry to define the roles and responsibilities. After the investor is selected, negotiation is started to share the risk and responsibilities of the projects, the benefits to the locals will be planned, and monitoring modalities for the project will be mapped out. Project monitoring unit will include officers from the IBN and the concerned ministry. After the signing of the project development agreement, investment permission will be provided, and accordingly license and permits will be granted to the developers. After completing all these processes, the project company has to be registered at the Company Registers Office and the Department of Industry.

The other approach to award project to investors is through unsolicited route. If we do not have a potential investor for a project or if it involves new technology to implement the project, it is awarded to the developer on unsolicited basis. Though EOI is not required in such cases, negotiation and other procedure are

similar and as important. In this way IBN is procuring private sector investment in the infrastructure projects to be developed in the country.

There are around 122 promising projects in various sectors that the IBN has identified, and out of those 8 projects have been approved by the IBN. For the rest of the projects, we have sent it to the respective ministries for further evaluation, and are waiting for their comments and suggestions on them. Out of the 8 approved projects, one is Chemical Fertilizer Plant. The feasibility report for this project is almost completed and we have already received the final draft for the same. As per the three proposed modalities, the cost of this project is estimated to be around \$600 million to \$1300 million. We are implementing this project as per the PPP model and also planning to provide viability gap funding so that the investors are encouraged.

The second project is Kathmandu Valley Metro Project; we are working on the feasibility study for this project. As per the current analysis, these projects are not financially feasible so we are finding ways to provide the developers with certain incentives so that they can earn a reasonable rate of return.

Third approved project is the East West Electric Railway project which is around 945 km long. Likewise, another project is East West Railway Link to India project and the total cost of the project is 227 million dollars. The total length is 113 km. This railway line will help to connect major cities like Attariya, Nepalgunj, Bhairahawa, Biratnagar, Janakpur and others directly with the Indian cities. This is also a PPP project.

Similarly, we also have approved Kathmandu-Kulekhani-Hetauda Tunnel Road project which is of 58 km with 4.5 km tunnel. The estimated investment is \$348.7 million and the

concession period is 30 years. The proposed model for this project is PPP. Further, there is Kathmandu-Pokhara Railway Project costing about \$2,830 million. The total length of the project is 187 km 107 km long tunnel. It is estimated that it requires about 330 hectares of forest.

The next project is second international airport which will be constructed in three phases. It will cost \$545 million in the first phase, \$2553 million in the second phase and \$3467 million in the third phase. The total cost of the project is estimated 6,565 million dollars. It is proposed to be built in BOOT (Build, Own, Operate and Transfer) model which is a form of PPP. Finally, our last approved project is Tamakoshi 3 Hydropower project having the capacity of 650 MW and requires 929 hectares of land. The estimated cost of the project is \$1000 million and we have proposed to develop this project with the domestic investment.

Talking about way forward, we need to expedite the process of mobilizing foreign and domestic investment for the development of infrastructure in order to achieve economic prosperity. We need to set up project monitoring unit consisting of the various ministries and the IBN so that we feel ownership on the projects. We also need to market the identified projects and develop these projects through transparent international competitive bidding processes. Similarly, we need to streamline foreign policies to create an attractive and encouraging environment for investment. We also want the IBN to grow as the centre of excellence.

Mr. Ghanshyam Ojha, Moderator

So far IBN has secured around \$6 billion FDI commitments and is working further to encourage more investment. Now, I would like Mr. Birendra Raj Pandey to briefly comment on our journey towards economic development and IBN projects.



Mr. Birendra Raj Pandey
Convener,
CNI Infrastructure Cell and
President, YCNC

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We in private sector believe that the country has to set a strategic vision for the development of the country. The Government should also concentrate on the regulatory framework and provide comfortable and predictable environment for investment for the private sector. So, if we have those two elements in place, we can definitely see the rise in value addition from the private sector. Similarly, there has to be trust between public and private sector in order to work together for

the advancement of the nation and build the way towards national prosperity.

The second thing I would like to mention is that along with the large infrastructures, we should also focus on smaller infrastructures which have equally large opportunities in various sectors. So we should also identify those prospects and encourage domestic investors to participate in them.

Mr. Yagya Sharma, Nabil Bank

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I would like to raise questions regarding the complexities associated with land acquisition. Even with the existence of various policies regarding the issues of clearance of government land, forest land and so on, our project developers, especially in the case of hydropower, are facing tremendous difficulties. There arises lot of debate on clearance of such lands while the private land owners demand huge

compensation due to which many of the projects are delayed. This ultimately discourages the investors. So I request you to highlight what are the progresses being made for resolving the issues related to acquisition of private and forestland? And, how the prospective investors can be assured about the timely approval of forestclearance and land acquisition process to facilitate timely progress of the project?

Mr. Devendra KC

My question is to the honourable minister. Are you happy with the coordination between the IBN and the government? As we have earlier faced issues regarding proper coordination between various concerned organizations.

Chinese Participant

We are interested to make some investment in Nepal and I have some questions related to PPP model in Nepal. First, if we invest, are there any incentives or tax benefits for the foreign investors? Secondly, there is political instability in Nepal; so how do we foreign investors deal with such big issue, if we develop a project here?

Mr. Darshan Bhattarai, Project Analyst, Employee Provident Fund

My question is to Mr. Maha Prasad Adhikari. How are you planning to use pension and social security funds to make investment in infrastructure projects? I see a lot of discussions going on about private investors, FDI and others, and I would like to remind you that even we do exist as one of the largest available funds in Nepal.

So how IBN can accommodate entities like us? What kind of role, do you believe, such pension fund and social security fund should play in terms of infrastructure development of the country?

Chinese Participant

Thank you for the interesting questions. Regarding the query related to the ministerial coordination, I agree that there are certain complexities with respect to coordination among the ministries and IBN. As per my understanding, when we talk to ministries on concerned projects, we see that our objectives are pretty much in sync. And to remove certain bottlenecks, we try to add on some policies. So yes, there might be some issues but it can be resolved. I am satisfied with most of the ministries, their support and facilitation. For any complications, we can discuss and resolve it as IBN is also an integral part of the government. In context of land acquisition and forest clearance, we are working on resolving the issues related to it. There are certain directives from different parliamentary committees and guidelines which are slightly confusing and time consuming. However, I am hopeful that the new propositions that are initiated will be investment friendly and will contribute on resolving such clearance issues in the days to come. In terms of land acquisition, we have achieved some milestones. For instance, although the private

land acquisition is the most challenging, negotiations with the local people about land acquisition for the Upper Karnali and Arun III have been successfully completed. So, if the project developers are open to hear about the issues of local people and share some profits with them, such deals can be done easily.

I fully agree with the fact that the pension and social security fund can be productively utilized for any infrastructure development program. IBN is also in consultation with the local funds and domestic resources and I think pension and social security funds can be used independently or in collaboration with other financial institutions. Here, I would like to encourage all the developers to utilize such funds. Talking about the incentives to foreign investors, we have been providing various incentives and tax benefits. While negotiating with the developer, our attempt is that it should be beneficial and there should be proper risk sharing among all the parties. Our effort is to make the project attractive and viable to both the private sector and the foreign investors, and provide them financial comfort and help them reach the payback time at the earliest. Hence, various provisions can be made but it depends upon the negotiation. In the context of political instability, we are hopeful that things will get better since we have set up our constitution and election will be held soon, law and order will be improved, policies will be stabilized.



Mr. Dipendra Nath Sharma, Secretary, Ministry of Urban Development

I would say this session fits well into the overall theme of the entire summit. We have been listening and discussing about infrastructure needs of Nepal and we are aware that the funding gap is huge. It is obvious that the government investment alone cannot fulfill this gap. So the government is encouraging more and more private sector investment. It is also well known that domestic investment can't cater to all the infrastructure investment needs which are why the government is promoting FDI through different policies. One of the major steps taken in that direction is the establishment of IBN. The IBN could have done much but the progress it has made during the phase of political transition is commendable. They were able to bring in \$6 billion investment within last 6 years.

To motivate investment in infrastructure development in Nepal, I think, we need to ensure trust and we have to showcase the real cases and projects that have been well negotiated, implemented and are yielding successful results. The confidence of other investors will rise when they see real cases doing well. Hence, we have to work on presenting such projects to encourage investors. In the meantime, we can see that there are opportunities everywhere in Nepal. Tourism,

transportation, energy and various other sectors have tremendous potential. We need to leverage on all these opportunities and work towards the development of the nation. I agree with the political instability that exists in the country but with the promulgation of constitution, now we are heading towards the political stability and peace process which is the right way forward. Also our policies are investment friendly. Along with the policies, the foreign investors need to have confidence in the local partners. And I would like to inform you that Nepalese people are well known for their honesty, integrity and commitment to their work. So you can find good partners within Nepal who can help you throughout the project.

With regard to the coordination issue, IBN is headed by the prime minister himself. So, it is a high power body. We have a coordination committee led by the Chief Secretary which can meet at any time with all the stakeholders and concerned ministries whenever there arise issues pertaining to forest clearance or land acquisition. Hence, it can be taken up to that level and sorted out in a short time. At last, I encourage private sector and foreign investors to invest more in infrastructure sector in Nepal.

PARALLEL SESSION 2

Infrastructure Bazaar



Chair

Hon'ble Mr. Rabindra Adhikari, Chairman, Development Committee, Legislature Parliament, Nepal

Panelist

- Er. Dhan Bahadur Tamang, Secretary, Ministry of Physical Infrastructure & Transport, GoN
- Er. Hareram Shrestha President, Nepal Engineers' Association
- Er. Kamal Pande Infrastructure Expert, Former Joint Secretary, GoN
- Mr. Guru Prasad Neupane, NC Member, CNI
- Dr. Tshering Lama, Chairperson, Idea Studio Nepal

Moderator

Ms. Malvika Subba, CEO, Idea Studio Nepal.



Ms. Malvika Subba CEO, Idea Studio Nepal

During this session, we will be presenting top ten ideas of Infrastructure Idea Hunt organized by the CNI, co-organized by government of Nepal, YCNC and Idea Studio Nepal as Idea Hunt Partner. So, Idea Studio Nepal is a platform that turns policy ideas into solutions and ultimately brings social change and unlocks youth potentials. It is an entrepreneurship development platform that welcomes and supports new ideas, start-ups or business that requires expansion and investment with no barriers regarding race, ethnicity, gender, religion, income and sexuality.

Idea Studio is not-for-profit company which provides encouragement, resources, space and network for the entire life cycle of socially conscious business idea. The initiative encourages social innovators to come forward with reactive and innovative ideas that can address social issues faced by local communities. We started reality show based on entrepreneurship in 2014; it was the first reality show on entrepreneurship. In 2014, we partnered with the UNICEF and Kathmandu University School of Management. Out of more than four hundred ideas, we managed thirty ideas and helped and mentored them. The same year a business incubation center was set up in KUSUM because of the part of this partnership.

Our partnership with KUSUM continues to flourish. In 2016, we are fortunate to partner with Rural Access program of the DFID and we will continue to work with them for the next two or three years. In 2016, we received more than six hundred business ideas and our journey continues in 2017.

Now with this expertise in hand, we are working as Idea Hunt partner with the CNI for infrastructure idea hunt and we would like to thank CNI for this platform. The objective of this event is to encourage Nepalese from all parts of communities to come up with creative and innovative infrastructure ideas to solve the existing epic infrastructure deficit and address the possible future need of our country's development. Furthermore, the event envisions raising awareness on the negative impact on overall human development and importance of active participation from all sectors of communities to identify problems or make suggestions for possible innovative solutions. Our top ten ideators, as we like to call them, received three days of incubation training at KUSUM and additional mentoring for the presentations. We also had the honor of presenting these ideas at the Development Committee of Legislature Parliament chaired by Honourable Rabindra Adhikari. And we had an amazing kind of interaction with members

of parliament. That was a golden opportunity. As there is public participation, we have considered it to have been successful in some ways.

After the judgment has been done, we will be announcing the three of them during the closing session today and will be awarding them at the same time.

The top three ideas will get a direct entry to our television show session three which we will be starting shooting on August 11 to 16. Today, we have a jury panel of five members

to judge our ideators which is as below: Er.

Dhan Bahadur Tamang, Secretary, Ministry of Physical Infrastructure and Transport, GoN; Er. Hareram Shrestha, President, Nepal Engineer's Association; Er. Kamal Pande, Infrastructure Expert, Former Joint Secretary, GoN; Mr. Guru Prasad Neupane, NC Member, CNI and Dr. Tshering Lama, Chairperson, Idea Studio Nepal. Each participant is given seven minutes in total, four minutes for presentation and three minutes for question and answer from jury.

Presenters

Mr. Sashi Shah, Sustainable Farming

My idea is about sustainable farming. In particular, how would it be if we could get seasonable fruits and vegetables throughout the year? The idea is to provide suitably growing environment for the crops through proper heating and cooling systems by using existing renewable resources.

As the population is growing, there won't be problem for market. In fact, there would be proper demand supply process. Also, the production of seasonable fruits and vegetables will take place throughout the year in arable land.

Although there are many agro-based companies doing green-house farming, very few of them are using technology. Thus, to compete with them, we intend to use cutting-edge

technologies to responsibly and profitably grow crops in arable land using abundant renewable resources.

We will facilitate the existing greenhouse farms with our technologies to help the farm owners to grow varieties of vegetables all year long. The customers can also pay for the products (fruits and vegetables) they want to consume on the basis of weekly or monthly subscription.

We are seeking to invest ten million dollars initially as a start-up capital to fund manufacturing, marketing, and initial product distribution. Based on our sales estimates, we plan to pay investors back thirty percent in year one at twenty percent ROI and seventy percent in year two at thirty percent ROI.

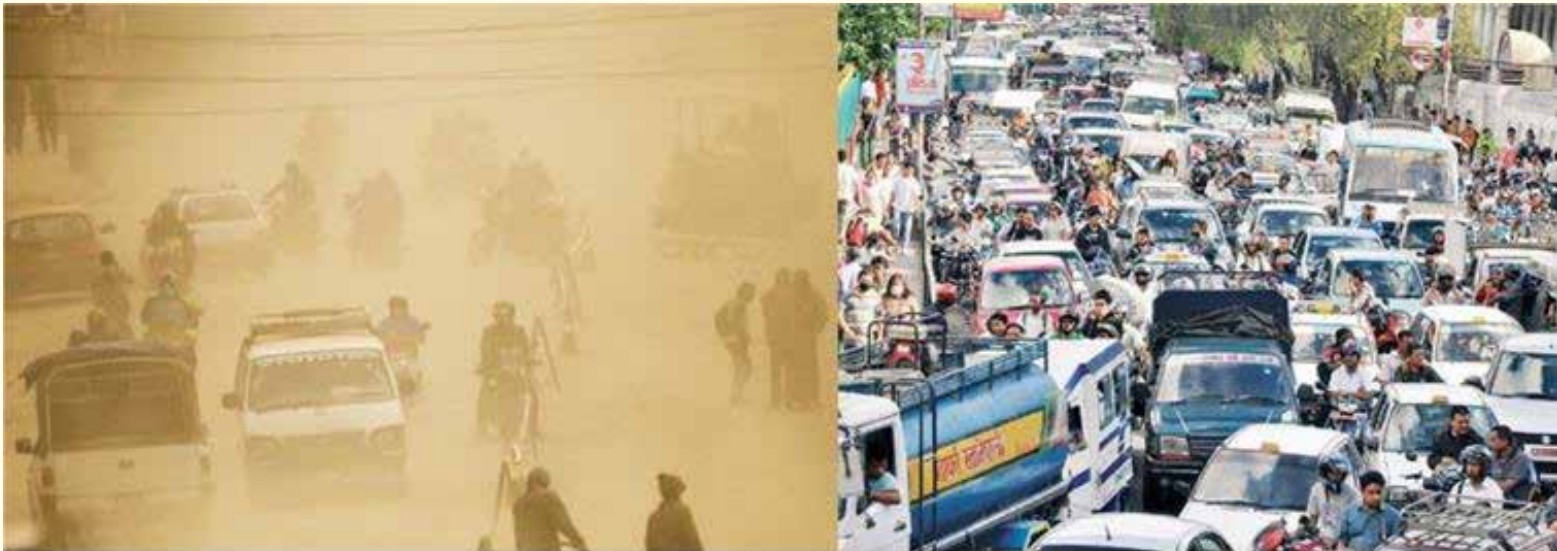
Mr. Saujanya Acharya, Manage our Infrastructure

The problem we are facing today is lack of good infrastructure service. We have infrastructure because it is supposed to provide service. However, we don't have availability and accessibility to service. In this part, there is a lot of discussion going on about the quantity side of the infrastructure. The other point is that the infrastructure needs regular maintenance and repair. With the combination of these two, we can provide service. I would like to focus on the part two mainly because we are not so much accelerating our efforts in that part.

The action plan is simple. Its infrastructure, language and idea. ICT is a fancy word, but it's

useful in some ways. To implement these all in the infrastructure we have today in water, we can put sensors with the help of software. It will reduce the leakage of water. Similarly, we can use cameras and mobile apps which can reduce road disturbance. As we collect various data of different infrastructure types, we can even plan when to do construction of water pipes to minimize the effect on roads. This will provide reliable and efficient infrastructure service and the cost of this would be very little, around five to ten percent. In this way, we should go beyond providing infrastructure alone. People need reliable and efficient infrastructure service.

Ms. Sneha Mehta, Monorail in Kathmandu (1st Idea Winer)



MONORAIL IN KATHMANDU VALLEY

I will be talking about the idea of implementing monorail in Kathmandu valley. It will help solving the traffic jam, pollution and road

accidents in the city. A study conducted by Yale University in 2013 regarding environmental performance index has stated that out of 178

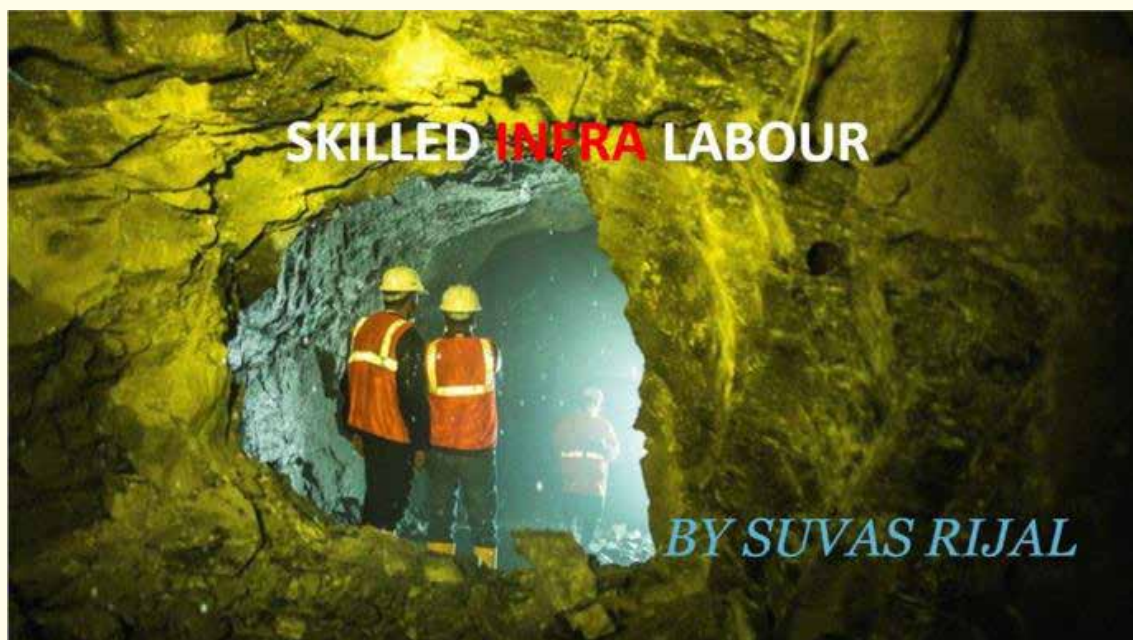
countries, the air quality of Nepal stands at 177th position. The same report has also stated the fact that during the traffic jam, the air pollution increases over twenty times. This data is not to show how vulnerable we are in breathing unhealthy air; the data show that the number of tourists coming to Kathmandu is reduced as well. This has a negative impact on national economy. So, it is high time that we do something to solve the problem.

I have come up with an idea of monorail as it operates with the help of electricity and does not emit fumes like that of diesel engine. So, the air pollution will be reduced and it runs in a separate elevated structure not colliding with other vehicles. There won't be problem of traffic jam. The beneficiaries of the project will be

residents of the Kathmandu Valley, and they will be less vulnerable to the health issues as well. We will also be saving time since we don't have to stick in traffic jam. We would be able to use that time to do something productive. In addition, it will create opportunity for employment as it involves construction works.

The project requires 138 million dollars per mile for the installation of railway track and the total cost will be 3.20 billion dollars for 35.7 km long railway. The revenue will be generated from passengers, advertisement and vendors. The bus drivers and conductors whose livelihood gets threatened due to the project can be used as operational manpower. The technical and managerial manpower has to be the professionals.

Mr. Suvas Rijal, Skilled Labour (3rd Idea Winer)



Many infrastructure projects in Nepal are facing acute shortage of skilled labour. To mitigate this problem, I have made an idea of maintaining roaster to train and supply skilled labour for infrastructure projects. So, the idea is to develop labour intensive business for

infrastructure projects such hydropower, river diversion and irrigation tunnels, and highways and train tunnels.

Nepal has a potential of producing 83,000 MW hydropower. On average, it will need around

1 million labour annually. At the moment, about fifteen hundred Nepalese fly abroad every day as migrant workers. About 57 percent of the population is exploitable for labour, but Nepal has not been able to utilize this capacity.

There opportunities for this project are: the Government of Nepal has made policy reforms such as producing 10,000 MW electricity in the next ten years, and launching FDI and IPP projects. Thus, there is a need of minimum 25,000 labourers per year. Similarly, the other opportunity is the PPP policy as a new avenue

for private investment and FDI and it requires low capital investment for such projects. We will outsource the trained manpower for infrastructure projects and will provide training and development. This will result in accelerated construction work and will guarantee minimum wages. This will change the face of nation by generating employment, reducing the number of migrant workers and creating sustainable and skilled labor market. This will lead to timely completion of infrastructure projects which will ultimately contribute to the economic growth of the country.

Ms. Nirmala Suwal Mechanized Ropeways for Goods Transportation (2nd Idea Winer)



The transportation system is in a miserable condition in the mountainous region as it is vulnerable during the monsoon. We often hear about fatal accidents taking place in the region. And we are wasting local agro products due to lack of accessibility to the market centres resulting into unemployment and under-utilization of land. So, I have come up with an idea of mechanized ropeways which is an aerial transportation by means of cables

operated by motorized system. Mechanized ropeway is a concept that we bring in collaboratively with international experts.

The advantages of mechanized ropeway are that it is locally designed, manufactured and installed, saves time and human energy, is safe and reliable, environmentally friendly, and costs little to install. It can be useful for construction projects for bulk transportation

The beneficiaries would be local communities, agricultural industries, tourism industries, material handling industries, hydropower projects and mining industries. It will bring about an easy access to any topography, create thriving market and job opportunity, uplift economic status of people and will build up confidence in young engineers technicians for using their capabilities for the national development.

There are some ongoing ropeway projects. In Sindhupalchowk, Liping Material Ropeway project is underway with 3 tons of capacity and

is 1,500m long. The other project is Sagarmatha Ropeway from Lukla to Namche with the capacity of 2,000 kg and is 11 km long.

As it is economically sustainable and financially viable, it is possible that it can be replicated, scaled up and sustained in future. It is a promising sector for investors and business persons. In addition, it is simple in design and use of technology. It will link local market with the global one. The concept of the mechanized ropeway can change not only the life of the people but also the nation as a whole.

Mr. Gauri Shankar Rajbanshi, Sustainable Infrastructure for National Prosperity: Development of Mass Tourism in Rara Region

In today's world, the prosperity of any country depends on industrialization and use of new technologies. Although the United States of America is the leader in the overall GDP, China has outweighed the US in export. In fact, China has launched national campaign for industrialization and export in the last three decades. Even if Nepal is not that good in these respects, it has not tapped the opportunity of developing tourism and business sector. At the moment, Chinese tourists are visiting different countries around the world. Nepal can be benefitted if around 2 million tourists visit the country annually. It is necessary to prepare and implement five-year master plan to attract 2.5 million Chinese tourists, 1.5 million Indian tourists and 2 million European and American tourists in Nepal. This is likely to bridge the ever increasing gap lying in export and import.

To bring about rapid and sustainable economic development in the country, new tourist destinations should be identified and developed besides Kathmandu, Pokhara, Sauraha etc. I propose to develop Rara Lake and western Nepal. Rara Lake will open the door for

development of the region. At present, two to three hundred tourist visit every year as it is located in a remote area and has a poor road network. If road network is linked from Jumla to the lake, it will modernize the western Nepal. The number of Indian tourists visiting Rara will increase as it is nearer than Shreenagar for Indians. It can be a popular destination for Indian, Europeans and American tourists.

Therefore, I propose to develop Rara region as a tourist destination and launch a national campaign for attracting 1 million tourists annually. For this, there is a need to expand and develop Nepalgunj and Jumla airport, develop road network around the Rara lake and in other places, manage the proper supply of electricity, and locate hotels and lodges and human settlement in specific places. The private sector should build hotels and lodges in the specified places, manage market and departmental stores, build park, museum, library etc in the specified locations, and construct a railway from Jumla to Rara. Finally, there is a need of feasibility study for this purpose.

Mr. Bidur Mainali Low Head Screw Turbine for Electrification of Low Head Region of Nepal

The second richest country in the world in hydropower but as per the World Bank data, about 81 percent people still live in rural areas. About half of the population still has no access to electricity. And, it is unlikely that government of Nepal would provide electricity through grid line at the moment. The mega hydro projects would take a long time to get completed. In the next few years, the rural people will not be able to use the electricity at the given context.

Therefore, I propose a new idea to solve this problem, which is the installation of new type of turbine that is economically viable and environmentally acceptable. Through this technology, electricity can be produced even at a low height with low environmental effect

compared to other big projects. It can be done in about 50-meter height of a running river. The proposed project details include: Name of Project: Singadevi Sisa Khola Low Head MHP, Tapping VDC, Solukhumbu; capacity of project: 100 KW, head: 5m, and designed flow rate: 1 cubic meter per second, house hold: 500.

The economic evaluation for 100 KW installation is that it costs Rs. 210 million and annual operation and maintenance cost is Rs. 1.5 million, revenue generated is Rs. 5.8 million per annum, payback period is 5.25 years, and IRR is 25%. The project will focus on sustainable infrastructure development, reduce carbon foot print and ease daily activities, develop green agro-based industry, reduce socio-cultural problem of brain drain, and flourish tourism industries.

Mr. Sushanta Bhandari, The Great Himalayan Trail

My idea is that footpaths can be linked as a trekking trail from east to the west end along the foot of Himalaya ranges. It will be the longest and highest footpath on earth, roughly about 1700 KM long. It will be globally significant New Tourism product of Nepal, with spectacular high altitude mountain landscapes.

According to the Immigration Department, the arrival data of tourists is 729,550 in 2016 in Nepal and out of which only 12 to 15 percent tourists went for trekking and mountaineering. To increase the length of their stay and increase the expenditure, development of this trail is very important. The major components of the trail will include trekking agency, transport, information and guiding, and lodging and catering. It is necessary to provide information about various destinations and other issues

associated with the travel and tourism.

There will be airway and roadway to the destination and biking or hiking on the trail. There are 10,705 registered trekking guides to serve the tourists.

There are accommodations in the form of hotels, lodges and home stays. The tourists can go for camping and have organic foods served with Nepali culture and in traditional way. There will be particular location like park, landscapes, mountains, wildlife and more than 50 sightseeing places. As a result of this, more than 460 thousand jobs can be generated annually, total contribution of travel and tourism to the GDP will be Rs. 173 billion (8.1 percent of GDP) and can be accelerated by 5 percent every year. The idea is to have a service oriented business and profit out of good service delivery.

Mr. Bharat Chalise, Advanced Mass Transportation System for Kathmandu Metropolitan City

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Mr. Bharat Chalise, Advanced Mass Transportation System for Kathmandu Metropolitan City

A student from Bhaktapur travelling to Tribhuvan University, Kirtipur usually spends nearly six hours each day passing through Koteswor to Kalanki, 9.6 km distance. Similarly, one has to spend 45 minutes to commute from Sundhara to go to Teku which should not have taken more than five minutes. This is the bitter truth we are going through; hence we should explore solutions to this. In this regard, I am going to present my idea.

The way out for us is Advanced Mass Transportation System for Kathmandu Metropolitan City. The system consists of network of Tramway and Bi-articulated metro bus system inside Kathmandu city. Tramway is proposed inside ring-road while metro bus is

proposed along the ring-road. This will decrease the demand for cars.

The feasibility analysis shows that mass transportation system is highly in demand in the city and there is no need of huge underground as well as above ground structures which will have less construction cost than metro rail and monorail. It not only reduces the number of public vehicles also reduce the privately owned vehicles. The total length of tramway (Kalanki to Koteswor and Sat Dobato to Chakrapath) will be about 20.8 km and the initial investment will be Rs. 3.45 billion. The payback period of 6.5 years for this project is good for investment. However, Metro bus project payback period will be 5.5 years.



NEPAL INFRASTRUCTURE SUMMIT 2017

'Private Sector as an Indispensable Partner'

19-20th Feb 2017, Soaltee Crowne Plaza, Kathmandu

BUSINESS SESSION 4

Value Proposition



Session Chair

Hon'ble Mr. Janardan Sharma, Minister for Energy, GoN

Keynote Speaker

- Hon'ble Mr. Min Bahadur Shrestha, Vice-Chairman, NPC

Panelist

- Mr. Aroop Zutshi, Global President & Managing Partner, Frost & Sullivan
- H. E. Mr. Milan Hovorka, Ambassador of Czech Republic to India
- Mr. Purna Kadariya, Former Secretary, GoN
- Mr. Anil Keshary Shah, President, Nepal Bankers' Association
- Mr. Ramesh Sharma, Former President, FCAN
- Mr. Om Rajbhandary, Executive Chairman, Brihat Group

Moderator

Mr. Anil Chitrakar, President, Sidhharth Inc.

Mr. Anil Chitrakar, Moderator

I would like our honourable minister to set the tone for this session which is 'Value Proposition' or what value does the private sector bring to the table.



Honorable
Mr. Janardan Sharma
Minister for Energy,
GoN

The most important element that Nepal needs today is proper infrastructure. In its absence most of our aspirations are unaccomplished. Hence, we need to focus on this and I would like to thank the organizers for bringing us all together to discuss on this important topic. The Model of PPP is in our national Policy. And I would like to add on 4th 'P' to this PPP model and that would be 'Private Public People Partnership (PPPP)' in our context. There are a lot of positive aspects of this and is the need of the moment, too. In terms of infrastructure development, we do acknowledge the problem but there is lack of willingness among the people to work towards the improvement. In today's world of globalization, we are lagging behind. However, our focus needs to be on our requirement

as well as the need of 'environment friendly physical infrastructure'. In addition, we also need to emphasize on the quality as we are familiar with the results of poor quality of infrastructure in our country. It is time we need to think from long term perspective in our development activities.

The role of private sector is vital in infrastructure development. We need to emphasize on the fact that public and private sector are not different entities, rather they are the parts of a whole. Government should consider private sector as the right hand of governance and work alongside to fulfill the vision we have set for our nation.

Honourable Mr. Min Bahadur Shrestha, Vice-Chairman, NPC



It is a widely accepted fact that a nation cannot develop in the absence of infrastructure.

Such infrastructure should be sufficient and of good quality. Infrastructure provides a variety of critical services that determine economic growth. It triggers business activities, creates jobs, enhances productivity, reduces cost and can make substantive contribution to poverty reduction. Nepal has made an effort to develop its infrastructure since 1950s, however the pace of this has not been satisfactory. Still a large section of population is not connected with modern infrastructure network.

Nepal's slow growth performance can largely be contributed to unreliable and unequal distribution of Infrastructure facilities. We have the lowest per capita electricity consumption and lowest road density in South Asia. Limited and low quality infrastructure, poor selection of projects, inefficient investment, delayed delivery and poor maintenance of ageing infrastructure has highly contributed to persistent infrastructure deficiency. Nepal ranks 98 out of 138 countries in global competitive index data of the year 2016-17. In

context of infrastructure, Nepal scores only 2.2 and in the overall quality of infrastructure 2.6 out of 7. Nepal ranks lowest in electricity and road transport which constitute significant constraint to its development and growth potential. According to one estimate, till 2020 the annual infrastructure investment need of Nepal reach up to 25% of its GDP. This shows the widening investment gap in infrastructure in Nepal and is also an indication of the investment opportunities. Building new infrastructure is critical for our national development target including the Sustainable Development Goals. Our efforts to improve social services and general wellbeing of citizens are also largely dependent on the state of infrastructure. Hence, the GoN has accorded highest priority to infrastructure development. So far, private sector investment and FDI in infrastructure has been very low. Private Investment has tended to be concentrate in sectors with short gestation period. We are looking for more dynamic private sector that can come in infrastructure projects with longer gestation period and making large investment. We welcome FDI in most of the core sectors. Our priority at the moment is shifting

towards building efficient and transformative infrastructure with significant components of skill and technology transfer. The demand for the infrastructure will continue to rise every year. Looking ahead, we need modern expressways, railways, metros, tunnels, bridges, efficient power networks and water systems. The government with limited resources cannot finance all such projects. Hence, private investment is considered indispensable modes of infrastructure financing. Private sector financing allows the government to spend its resources in other needy areas.

Against this backdrop, the government is making relentless efforts to create an attractive market for private sector by reducing transaction cost. Our taxes are one of the lowest and we are ranked fairly in ease of doing business. Current government facilitates private investment by building access roads and transfusion lines up to factory sites, cash and tax subsidies are provided to hydropower generation projects. We are welcoming both joint ventures and fully foreign owned enterprises as well. We have initiated policy, legislative and procedural reforms to ease the process and reduce the cost of doing business. We have introduced institutional vehicles to promote investment in infrastructure, this includes Nepal Investment Board chaired by the prime minister, Industrial Promotion Board, Hydropower Investment and Development Company and PPP center. Currently, we are working on PPP Act and standard operation procedure of PPP center. Soon, we are going to create 3 funds as envisaged by PPP policy 2015 namely Viability Gap Fund, Project Development Fund and Land Acquisition Revolving Fund. The government has issued new foreign investment and one window policy which defines private sectors for foreign investments including hydro power, transportation, agro-based and herbal processing industries, tourism, mines and manufacturing industries. The policy, inter

alia, establishes guidelines for currency repatriation, visa regulation and arbitration facilitates with land acquisition, permits and eases repatriation of investment and profit. It accords foreign investors equal status as of domestic investors and assures foreign investors against nationalization. The 14th Periodic Plan emphasizes the infrastructure development as a means of social integration, regional balance and economic prosperity. We are also working on long term vision document, Envisioning Nepal 2030. Achievement of long term socio-economic goals will largely depend on building and expanding new infrastructure and maintaining existing ones.

We are aware that more needs to be done to achieve political stability and to improve governance, rule of law, incentive structure, and policy integration as well as inter agency coordination. The GoN is committed to carry legal, institutional and procedural reforms further so as to make the investment in infrastructure more effective. Finally, I am confident that this summit will prove to be the milestone for infrastructure planning and development in Nepal.

Mr. Anil Chitrakar, Moderator

Mr. Aroop Zutshi, I would like you to shed some light from the private sector perspective. If the private sector wants the seat at the table, they need to come there with the value proposition. So what are these value propositions that we need to get so that the private sector can engage in infrastructure development?

Mr. Aroop Zutshi Global President & Managing Partner, Frost & Sullivan

There are two broad things that we will be discussing and the first is about 'mega trends'. I think it's important for us to understand outside-in perspective rather than what is happening here today. And then we will talk about what we can do in Nepal and what the relationship between private and public institutions should be. The short answer is without government, there is no infrastructure and without private sector there is no infrastructure. So there is a marriage between these two sets of organizations and this is something that happens all over the world. It's not unique in Nepal, these morals have been working in every part of the world. But before we get in to that, we need to understand what these mega trends are. Mega trends by definition are very transformative in nature. They have impacts on business, society and culture and all these mega trends apply in this context as well. The first and the most important mega trend we've seen globally is urbanization. What we are witnessing now is an unbelievable formation of mega cities, mega regions, mega corridors, mega slums. And what is happening is more and more people from rural areas are migrating to

the big cities and thereby putting pressure on the existing infrastructures. So, infrastructure globally is under severe pressure even for the largest and most developed countries. Today we have more than 476 cities in the world that has a population of more than a million. Every government is struggling to provide solutions to move their people and provide services.

The next trend that we need to understand is that 'smart is the new green'. Historically, we have emitted the access to technology. Today more and more intelligence is coming into our homes and businesses. So we need to think about and start with smart infrastructure rather than the traditional way of looking at infrastructures. Building roads, railways, bridges are the old ways of thinking; it is required but I think future is about smart infrastructure. So what does that mean? We must see smart in every aspect like smart homes, smart businesses, smart cities, smart energy etc.

Basically there are three forms of smartness. The basic form is when a device has some level of intelligence but no ability to communicate.



The second form is when it has some display that shows what is happening; it monitors the system. The third, more advanced, forms of smart devices are those that communicate back and forth and give you data. And I think the data capturing can be a very important part of future infrastructure development all over the world. Today various governments are putting their efforts to create infrastructure for smart cities. And the companies such as Siemens and other large organizations are structuring themselves to cater to this requirement of smart cities because you need to bring in all the different solutions so you can no longer work in silos. So, what do these smart cities really mean? Basically smart city includes eight basic dimensions and they are smart citizens, smart healthcare, smart technology, smart mobility, smart building, smart infrastructure, smart energy and smart governance.

The next important mega trend is on mobility. Having bed to bed mobility is going to become very important. And as we think about mobility we need to look at all kinds and forms of transportation, not just roads. We have an opportunity that we don't have to go to the basic or rather leverage technology. So, important thing is to create a framework that is applicable for Nepal. We need to look at what are the innovative solutions that we can provide to Nepal which will help the country to catapult into the next stage and make it the middle income country as it desires. Now talking about where is Nepal, we obviously know the current deficits that the country is facing. But there are incredible opportunities for transformation in this country. If right projects are identified and executed, the same country which has limited resources, limited infrastructure can catapult much faster. We need to have positive mindset. Let us not talk about what challenges we have, let's talk about the opportunities for change. And that is something that I encourage every citizen of Nepal to look at.

If you look at any country in the world for

economic development, the number one agenda after political stability is infrastructure, and PPP plays a very important role in making it happen. Globally, you can see tremendous investment on infrastructure. We are expecting more than \$27 trillion. However, the next generation of infrastructure will be proactive. We are going to see a lot of data analytic so that many correct decisions can be made. So all the sectors will start to transform and it's important as you build the infrastructure that data analytics is a part of it. In terms of smart energy, if we bring in smart technology, the whole eco system changes and we are able to upgrade and downgrade, upsize and downsize, use different forms of technology to serve the need of the country. In terms of energy requirement, this is fundamental to anything that you want to do as far as economic development is concerned. That is why going smart makes sense. Likewise, in communication technology, it is very vital, we move up the chain from 2G, 3G to 5G. Hence, infrastructure is not just about roads and bridges but also about communication. Nepal doesn't need to start from fresh/scratch, we are now fortunate enough to borrow idea and technology, from those countries that have already done and successfully implemented it. Therefore, we should focus on smart infrastructure, not just infrastructure. To conclude, let's create an independent evaluation of what projects need to be done, let's leverage what is already available and effectively bring that into picture and also create a soft infrastructure which is vital for the development. There is a lot of opportunity and it is time to act now.

Mr. Anil Chitrakar, Moderator

Mr. Om Rajbhandary, you being somebody who is in the private sector and wants to be engaged in infrastructure development, what are the challenges you faced from the private sector perspective?

Mr. Om Rajbhandary Executive Chairman, Brihat Group



First of all, for any country, be it with domestic investors or the foreign investors, it is necessary to have right climate or environment for investment and that is secured by political stability. Investors firstly consider the political environment of the country which is set by the leaders/politicians. As far as the current government is concerned, there are some commendable works done by some of our ministers. The availability of sufficient electricity in our homes today is a good example. Secondly, there should be a right person at the right position will implement the major functions for these development activities to happen. This will strengthen the investor's confidence. When foreign investors visit our country they seek a strong local partner. So, it is important to make sure the local partners are in the right position to invest.

As far as infrastructure is concerned, energy is the major factor we need to leverage upon. And as per my personal experience with our Minister of Energy, I am rightly convinced by his vision on this sector but also in terms of water management. As far as the electricity is concerned, he wants to market it in regional basis which is one of his commitments. That will have a very positive impact in the overall

development of the hydropower sector. We have been working on micro hydropower projects but domestic investors should now invest on mini hydropower. This will not just guarantee fast rate of return but also ensure employment opportunities. This will cater rural areas. And Today's rural area is tomorrow's urban area. The rural market is more profitable margin as there is less overhead cost and marketing cost. So, domestic investors should focus on this area. Similarly, there is a need to change the mindset of the people that 'we produce hydropower to sell', we should prepare to use such energy ourselves and increase the GDP of the nation. So, talking about the value proposition, we currently have the right person in the leadership position which is encouraging the investors. It is time we should go ahead with our plans with the support of both private and public sector.

Mr. Anil Chitrakar, Moderator

Mr. Purna Kadariya, from the public perspective, when government proposes certain reforms, do you see the private sector fully responsive to the opportunities or still there are issues that need to be tackled to invite private sectors?



Mr. Purna Kadariya,
Former Secretary, GoN

We need to look at infrastructure development from another perspective as well. One of the reports conducted by World Bank has clearly indicated 8-12% of GDP needs to be invested for adequate infrastructure in Nepal. There are figures that clearly indicate that transport sector requires investment of at least \$3.5 - \$5.5 billion within next 4-5 years. This has been done on the basis that Nepal will be graduated to middle income country. Similarly, the energy sector is expected to have the investment of \$7 billion. If we talk about the roads in this country, we have still a long way to go. I accept the fact that private sector's involvement is absolutely necessary for our infrastructure development plans but the question arises, is our government fair enough to provide a suitable climate and fulfill the basic requirements for the private sector to invest in these projects. There are three important things that the government should adequately address to encourage private sector investment. The first thing is the reliability of the energy and which I believe has significantly improved. Secondly, we need to control the cost of transportation which directly affects the cost and results in low profit which discourages investment. Our country

needs to work extensively in terms of road facilities as only 10% of the roads are in good condition, 16% is in very poor state. So, the value proposition starts with three dimensions: connectivity, mobility and accessibility. In the positivity side, we have started the connectivity from north to south which is a good start but there is a long way to go.

Likewise, urban development will require the investment of \$22 billion within next 15-20 years and which includes all the factors like transport, water supply, sanitation, solid waste management and most importantly the waste water management. We are delighted by the fact that Melamchi water supply will start from next year but we have not planned about what happens when that 170 million liters of water goes to the drain after it is used. So our planning also should be more practical. There are opportunities in every sector where private sectors can invest. And our government should provide suitable environment to encourage them to participate in development goals.

Similarly, our contracting system also needs

reform as it is still traditional and we are working on it. From next year there will be different kind of contracting system so that the money that has been allocated for a project is well spent and the private sector will be more capable. It is not just the question of money but of capacity, too. We have to improve private sector's capacity to handle these mega projects. Hence, we need to concentrate our national efforts on this situation to improve value proposition.

Mr. Ramesh Sharma Former President, Federation of Contractors' Associations of Nepal

There are ample of opportunities since we are a developing country but we need investment and support from foreign partners. Personally with my experience in the field of construction and travelling to more than 50-60 districts of Nepal, I can assure you that the need for infrastructure is huge. For this, clear policy and vision from the government side is required with right person on the driving seat. I am happy to hear about the implementation of PPP Act discussed by the vice president of NPC and hope this will make the process more structured.

Talking about the value proposition, we from the private sector should be clear about what

Mr. Anil Chitrakar, Moderator

The world of contracting and construction is very well defined, and the private sector has been in the lead in the market. But what are your thoughts in terms of engaging with the government to accept the private sector's role on value proposition?



the project is, who is to be benefitted and what the value is for the local people from that particular project. And, let me tell you that local people have started to understand the value they would receive after getting equity in the Chilime hydropower project which has brought a significant change for the people there. The locals are now cooperating in the implementation of the project. Similarly, if we talk about the construction sector, in the past the Chinese or Indian contractors would create the project for us and leave however, we did not have the skill to maintain them. But we are seeing major improvements in that context as today except few very technical aspects, we can manage to deal with the construction works like

the construction of roads, mega cities, etc. One of the major challenges faced by the country today is the outflow of its human capital.

As many of our panelist have continuously emphasized that Nepalese are very hard working people and that must be the reason the Middle East countries are attracting our human resources. So if only we could retain them by providing more technical and vocational training and relevant work opportunities, this country has the potential to grow faster. As I can already see with the current infrastructure development as well the economic power of people improving, people are able to secure

better education and better necessities. Thus, I believe we definitely need to focus on our roads but our most potential sector is hydropower development. I encourage all the private and foreign investors to invest in the infrastructure projects of Nepal.

Mr. Anil Chitrakar, Moderator

You've heard from several of our speakers emphasizing how Nepal needs more infrastructures, and private sector also wants to get engaged. So any thoughts from your part of the world that the audience can learn from?



H. E. Mr. Milan Hovorka Ambassador of Czech Republic to India

I would like to recognize the tremendous efforts of government and people of Nepal to put the country on the path of sustainable growth and making the objective of becoming a middle income country by next decade. As for the subject, as a representative of a land locked country in the heart of Europe, I can't agree more regarding the importance of infrastructure for social development and sustainable growth. In any country of the world, an efficient,

environment friendly, smart infrastructures are needed to ensure long term prosperity and improve standard of living of the citizens. Listening to the debate it is crystal clear that building such infrastructure system is a shared responsibility.

Government definitely has to play the leading role in setting appropriate economic policy, putting in place appropriate institutions,

creating regulatory framework, predictability and transparency. These elements are very important as without them, I believe businesses may not be able to prepare long term strategies and take informative decisions. And I also fully agree about fair government procurement practices. And after hearing all the panelist talk about how the government is willing to work effectively with the private sector to breach the infrastructure, I believe this will bring huge opportunities for the government as well as the people of Nepal. And I agree with the honourable Minister of Energy on his addition of the 4th 'P' in the PPP model. This is very similar to what happened in the Czech Republic where the contribution of private sector was extraordinary in the infrastructure development process.

The private sector brought enormous new possibilities for additional financing, reducing delivery cost, increasing quality of services, expanding horizons, ensuring access to managerial skills and to new technologies. And listening to my other panelist who spoke about mega trends, I would like to add that in

today's interconnected world, we should not only think domestically, but also regionally and internationally. This is the only way to open up the economy. To this topic of value proposition, I would like to better address it as national value proposition where the government and private sector work together joining hands with the foreign partners and tell the outsider what the country is about and what are its strengths and vision.

Mr. Anil Chitrakar, WModerator

The banks and the financial institutions bring a huge leverage into this scenario because money ultimately matters and we often say that a summit will just be a conversation if we cannot bring money into it. So as a banker and the chairperson of the Bankers' Association, what are your thoughts on the value proposition that the financial sector can bring to this conversation.

Mr. Anil Keshary Shah President, Nepal Bankers' Association

This is a big question in current scenario as we frequently come across the news

of lendable resource crunch, no money in the market and so on. As we talk about value



proposition, we need to be clear about what is this value that we are trying to create. We as a private sector may see the value as something while government may see it as something else and public may perceive it differently. So, we firstly need to have a common value proposition. What is the value proposition we are actually talking about in terms of infrastructure development in Nepal and with the new constitution in place, I think it is critical that we answer this question? With the existence of federal structure, each province will have its own value proposition. So we need to work in the integration process.

As you rightfully said, inspiration without perspiration is useless. So all these infrastructure summit we have, we need to understand that its money that makes it go around. And in the money framework, the banking sector in Nepal is willing and ready to see what we can do in terms of infrastructural development. But we must also realize our limitations. With the debt and liquidity of the markets plus the gap in terms of funding, short term sources of deposit and long term infrastructure project, I want to say don't only rely on banks for financing the infrastructure projects. Banks are definitely there, it is a starting point and a facilitator but we should also look at the FDIs. There is a big difference when a government or the private sector leads an infrastructure project, and that is profit.

The private sector will only come in if the project is profitable. People and government should digest that private sector is for profit and we should give them an opportunity to earn profit. As the honourable minister previously said we mustn't forget the people. And in context of the people, whether you are building a hydro project or transmission line, let us forget about compensating them in terms of money only instead make them partners by selling them the shares at lower prices in such projects. And as banks we are willing to provide loans for such arrangements. With this

there wouldn't be disturbance from local people and also they will own the project. So, the private sector also needs to think differently if we are going to be the indispensable partner in the infrastructure development of Nepal. We cannot continue to have the short term mentality as this is a very long term game. The financial sector and the commercial banks of Nepal are very willing and eager to be the partners. We need to look not only at the foreign investment but also domestic investors as if we look at the current IPOs, there are billions of rupees that Nepali people put in. This shows that our people have the capital and now we need to build up the confidence in them and then the capital will not be a problem.







'Private Sector as an Indispensable Partner'

19-20th Feb 2017, Soaltee Crowne Plaza, Kathmandu

BUSINESS SESSION 5

Financing Resilient and Green Infrastructures



Chair

Hon'ble Mr. Hitraj Pandey, Minister for Federal Affairs and Local Development, GoN

Keynote Speaker

- Hon'ble Dr. Sunil Babu Shrestha, Member, National Planning Commission
- Dr. Bindu Nath Lohani, Former Vice President, Asian Development Bank

Panelist

- Mr. Damir Cosic, Senior Country Economist, World Bank
- Mr. Ugan Manandhar, Deputy Director, WWF Nepal
- Ms. Barsha Shrestha, NC Member, CNI
- Mr. Tim Gocher, Chairman, Dolma Foundation
- Mr. Sashin Joshi, CEO, Nabil Bank Ltd.
- Mr. Sanjeev Sanyal, Economist, India

Moderator

Mr. Sanjay Poudyal, Managing Partner, VRock & Company



Honourable Mr. Hitraj Pandey Minister for Federal Affairs and Local Development, GoN

The conference will present important suggestion to the government as well as the citizens in terms of infrastructure development. In the present scenario, around 42% of Nepalese citizens live in the urban areas. Our primary concern is the sustainable development of our infrastructure to connect our urban areas and its people to the remote ones. The road and transportation infrastructure in our country has not yet been completely developed. The dusty and under construction roads are present even in today's scenario. This has been polluting the environment and the citizens are facing many issues. We are aware that this needs to be managed and should be solved as soon as possible.

I believe that this session will raise many important questions and discussions, and will definitely find a solution, too. In order to develop new infrastructure and maintain our existing infrastructure it is essential that we support the private sector, break barriers and not constrict them within unnecessary laws and policies. Developing new infrastructure is not enough, we also need to focus on green and

resilient infrastructure. Along with that, the preparation and management of the infrastructure should be our key concern. The government should actively participate in making efficient laws and policies to attract foreign investments in the country and I believe many suggestions have been put forward, and will come from this Investment Summit.

Mainly, domestic funds, Labor and entrepreneurship should be given the utmost priority and foreign investment should also be promoted and encouraged in profitable development sectors. I am very hopeful that the discussion will cover all these topics. Nepal government is ready to make laws and conducive policies to attract investors to the country and also expects important suggestions from the private sectors.

Dr. Bindu Nath Lohani Former Vice President, Asian Development Bank



I am going to speak on two items relating to infrastructure development, resilience and climate impacts. I will talk about manmade impacts which are the impacts of climate change and the ways to develop climate proof infrastructure, making it resilient as well as ways to finance them. Firstly, I would like to talk about resilience. We all know that climate impacts and natural hazards are bound to occur. There will be earthquakes and landslides, hopefully not too many. We have to consider many factors when building infrastructure such that these hazards have minimum impacts on them and we should know how to build quality infrastructures. If you look at Nepal, studies show that, due to climate change there will be change in temperature, precipitation and rainfall pattern, in several parts of the country, will be affected.

The investors would like to, and need to, know about these impacts and factor them in their project planning and development. For example, in 2013 it was estimated that Nepal could lose 1.5 - 2 % of our GDP every year due to climate impacts. If the country is growing at, say, 5% and losing 2%, that is a huge loss. Given all of this, I think everybody needs to be aware that we need to climate proof our infrastructure in order to

make sure that the infrastructure being built will continue to provide the expected benefits at the time of planning. What can be about the natural disaster? The best option to follow is start with prevention and this is where we have been lagging behind. The 7.6 Richter scale earthquake that happened in Nepal took lives and damaged so many houses, that is because those houses were not designed to bear the tremble. Many houses designed with the norms to resist an 8-8.5 Richter scale of earthquake were safe. Preventive thinking means quality infrastructure and following norms and code of practice. I strongly advocate not to compromise building infrastructure for today without looking into the extreme impacts, natural and manmade, that can happen tomorrow.

Secondly, usually whenever any natural disaster like earthquake occurs, there will be need for additional resources and additional funds. Therefore, we have to prepare resources for such events and even buy an insurance policy now or buy catastrophe bonds. Then you can claim the insurance of your house and infrastructure. Do that early on so that you can claim later when situation arises. But sometimes, the loss is so high, the insurance company also may not be able to cover. When

these extreme events happen, chances cannot be taken and the government needs to have a backup plan or helping insurance companies should be provided with reinsurance support. In some countries, in the early days, when the insurance goes broke, the government says “Please continue to remain, I’ll take care of the rest because this is unnatural”. In cases, where the catastrophe bonds have been bought, when something happens then we start getting paid for your bonds.

If you look at Asia Pacific region, it pays to plan for prevention and mitigation. Based on the data I have seen on cost-benefit analysis, prevention to benefit is anywhere from 2 to 20 times. One flood in Thailand, took about 9 % of the GDP of that quarter, one flood in Philippines took about 3% of the GDP. The earthquake in Nepal significantly affected our growth. What I am trying to say is, it is important to take these extreme events into account as much as we can. The other point is how to consider man made impacts, climate proofing and how to improve man made infrastructures. We heard earlier that we will be retrofitting the infrastructures. Are our bridges, roads and hydropower projects built say 10 years ago which will have the intended life of another 40 years and safe? Retrofitting infrastructures is weak in Asia and we need to make an assessment about this.

We also need to know what to do when starting a new infrastructure project. How do we make it climate proof and resilient? There is no magic solution to this. We need to start climate screening of all the infrastructure projects as a matter of policy and identify the adaptation measures that be need to be incorporated and should be included in the project. In fact, in my experience, a year ago, in the organization I worked, policy was incorporated to require all infrastructures projects for climate screening and the policy required to include identified adaptation measures into the project. It

could mean increasing cost (I’ll talk about the financing cost, separately later on) but it could be beneficial in the long run. Take hydropower, for an example, to incorporate climate change impacts on a particular location, one will need to know impacts like what will happen to the water availability due to climate change, more water or less water or nothing will change, but we need to know that before we plan and design the project.

I would like to suggest a policy that will make it mandatory for all infrastructure projects to require climate screening as a requirement just, like what countries have done for environmental screening through the preparation of environmental impact assessment. There is no certainty on what might happen after 40-50 years. There is an element of probability, risk and uncertainty. But we need to take those into consideration during decision making.

Talking about financing the projects which will require adaptation financing, fortunately there are funds available provided by the donors. One such fund is the Global Climate Fund (GCF) which is supposed to bring in about 100 billion dollars a year. Today it is about 10.2 billion dollars. About half of the money is for adaptation and the remaining 50 % is for mitigation (green projects). Countries can get access to this fund. The problem is, I have not seen adequate number of well-prepared projects that will qualify funding. There are also funds available from multilateral banks and bilateral donors. For example, annual investment from Asian Development Bank (ADB) for climate related projects is about 3 billion, 2 billion for mitigation and 1 billion for adaptation projects. Similar funds are also available from other donor agencies.

In Nepal, we also know hydropower projects have more opportunities, rightly so, than other options. But this country has not tapped

the solar potential. The potential is enormous and the country could pursue the solar agenda seriously. This will require vision and policy on energy security. It appears that current policies are not very conducive to promoting solar energy. Our neighbors, India and China, are among world leaders and we just need to learn from what they have done. A small piece of what China and India has done is adequate for Nepal. The other priority area, which is a low hanging fruit, is energy efficiency and use of efficient appliances. Let's take an example. I made a simple calculation to show how we can save energy and still do it in a cost-effective way. Suppose we give away 5 million free LED bulbs (7-9 watts) to citizens who are committed to replace their 50 watts bulbs, we save about 40 Watts per bulb. If we are giving out 5 million, we are talking about savings of 200 MW. If the LED costs \$5 for a bulb, then 5 times 5 million is 25 million dollars. At 25 million dollars, we are getting 200MW energy per year, it is cheaper and there is no need to build a hydropower plant. This kind of projects has been achieved in many countries. I don't understand why such a common-sense project is not implemented. There has to be policies, regulation, standards and private sectors involvement in this kind of win-win projects.

Second area, I have been here for a year and a half, I needed to buy my refrigerator and other electronics appliances and started to compare prices. The ones which are cheap will become more expensive if I add the energy cost. I don't know why we are importing those inefficient appliances when it's easy to get efficient and cost-efficient ones (based on life cycle analysis). What I am trying to say is, there are lots of investments in simpler areas where we haven't tapped the opportunities. Again, it appears like a lack of clear policy and institutional arrangement.

It seems to me that a separate Ministry of Renewable Energy, like in India, may be needed

in Nepal. They will have a separate mandate and they will work for the entire country. There are other kinds of projects which are needed in the country, like waste to energy. Every city here needs to handle solid waste and its disposal, turning that into energy is a win-win project. Such projects also are climate mitigation projects and are entitled for carbon credits. The other green project Nepal could/should consider is the use of e-vehicles, especially in cities like Kathmandu. I will not talk more on this due to time constraint. I want to end by mentioning the need for public private partnership for funding creating projects.

Finally, I think that our country needs a public private partnership fund for infrastructure. The banks can put in their money, government can put in their money, any other partners and insurance company can put in their money and we should leverage the private sector as well. The role of government is important in facilitating such a facility. Even pension funds can be utilized for the investment on infrastructure where there are adequate long-term returns.

I also think that banks are not taking enough risks. They need collateral for even the projects that gives 25% return. Why don't they take equity in hydropower projects? If the Bank considers the project is good for loan, they must be bold enough to take the equity risk, on a selective basis. I am happy to talk more on this, some other time.



**Hon'ble Dr. Sunil Babu
Shrestha, Member,
National Planning
Commission**

I strongly believe that the summit will be a platform for knowledge exchange and will benefit all of us. It is believed that the development can only happen at the cost of environment and the environment can only be protected if the development is restricted. But now the time is changed. With the advancement of science and technology the notion has been changed. Today we talk about sustainable development, we have come to realize that the development can protect the environment and the environment can allow the development. It is high time to think about the investment on green and resilient infrastructure not only for ourselves but our future generation as well. Nepal is at risk of earthquake and climate induced hazards such as flood and landslides. It is also one of the most vulnerable countries to climate change risks. We need to protect our infrastructure. But rather than protecting our infrastructure it is better to build resilient communities full of green and resilient infrastructures like green building, hydropower, roads water supplies etc. This will save the cost, time and probably the lives as well. Resilient infrastructure need not be costlier in fact it could be more economical as environment cost

are already internalized. To justify investment, infrastructure needs to be resilient particularly in the vulnerable country like Nepal.

Today more than half of the world's population lives in the cities and even in Nepal two-fifth of the total population now lives in the urban areas. Cities host humans and humans need infrastructure and services. I have no doubt that everyone agrees that urban areas are becoming progressively vital for our sustainability, economic prosperity and quality of life. Nepal has 217 municipalities; our cities can function efficiently and sustainably if backed up with resilient infrastructures. We also need to find a way to revitalize the urban development with a good model of land pulling. In this regard we can learn from the international experiences of the newly developed green cities like Putrajaya of Malaysia where 38% of the open and green space has been allocated within the 48 sq km of city area. I think such experiences are very much useful to develop the capital cities of the newly formed provinces in the country.

Nepal belongs to the Least Developed Countries

with the characteristics of sluggish economic growth and high level of human development. Nepal aims to graduate to a middle income country by 2030. We have adopted a new constitution that protects the democratic and fundamental rights of people. The NPC is making its effort to prepare a long term development vision document 2030 which guides in achieving high, inclusive and sustainable economic growth and the development that upholds social justice and equity. The proposed vision will be made compatible to achieve the SDGs by 2030. Therefore, financing for the resilient infrastructure is a great concern of Nepal towards achieving these goals. Government has started to allocate budgets to the programs and the projects this year. One-third of the budget is allocated to 164 projects that are directly or indirectly dealing with the climate change. Furthermore, Nepal needs to leap forward toward greening the economy, green procurement policies, mechanism for using the green bonds, reforming the policies and taxations. Regulatory institutions could come up with some policy intervention that will help to speed up the development of green and resilient infrastructure and boost the green economy in our country.

We also have huge opportunities in promoting the resilient and green infrastructure in our country in energy, irrigation and water supply projects. Nepal is a country of natural beauty and we have the opportunity to promote green tourism. We can make the greening of our industries by establishing the special economic zone or industrial zones. Transportation is another important sector where we can make the intervention to make our country a better place to live by consuming less fossil fuels and emitting less carbon. The role of railway as a means of transportation is getting fresh attentions. Nepal needs a cheaper mode of transportation system. Researches indicate that railway system is 5-times cheaper than the road transportation system. Fast railway system

connected to seven provinces seems useful for bringing them close in sharing the prosperity among the provinces. Investing in electric railway will have a great economic value for our country.

Nepal is also planning for monorail and metro transport system in the country so why not go directly to hydro rail. Whether it is a reconstruction project after the earthquake or the hydropower project, to ensure the economic security, Ministry of Urban Development needs to recognize priority projects and take actions immediately. Nepal needs a huge investment however the government budget is not sufficient to meet the requirement. That is why the government has planned to seek the major investment, about 54.7% investment, from the private sector during the 14th Periodic Plan. Private investment friendly PPP policy has already been come into existence and the act is being drafted. So this is a huge opportunity for the PPP arrangement in the construction and operation of resilient social and physical infrastructure in our country.

The collaboration among the government institutions, private sector, civil society, development partners, academic and research institutes is a must to improve the sustainability and effectiveness of our resilient infrastructure. For this mutual trust, linkage, communication between public and private sector should be improved at all the levels of project cycle. The PPP center at the NPC should play a vital role to facilitate coordination and monitoring of the bankable projects and maintain the PPP project banks. Similarly, the infrastructure development bank is another necessary institution to be established for financing resilient infrastructure. Existing funding institutions that provide the loan to the municipalities, like town development fund, should also mobilize their funds to the projects developed with PPP modality.

Now the time has come to change the mindset of

both government and the private sector for capturing the resilient infrastructure development opportunity of our country. For the prosperity of our country, we need the facilitating role of the government and strong support from the private sector in terms of financing. To conclude, I would like to say the conditional way of development is not sufficient so we need to redefine our programs and policies to bring prosperity in the country. We have to make our country smart, safer and sustainable with a focus on green economy. And for this combined commitment of private and public sector and efficient implementation with better financing mechanism is required. I pledge on behalf of my entire organization,

National Planning Commission, to offer full support through the plans and programs for the development of green and resilient infrastructure in the country.

Mr. Sanjay Poudyal, Moderator

As per your experience working with the government of India in the capacity of Secretary in the Ministry of Finance, you have exposure to public as well as private sector projects in India especially in PPP model. Could you please shade some light regarding your experience and what will work for Nepal in your opinion?

Hon'ble Mr. Hitraj Pandey, Ministry for Federal Affairs and Local Development, GoN

I think it is very important to remember that for infrastructure financing including green infrastructure, capital requirement is huge. As per the UN estimate, just for infrastructure development globally till 2030, about 110 trillion dollars is required and if you want to do green infrastructure you need an additional 5 trillion dollars. This shows the capital requirement is very huge. The governments are already dead stacked and therefore it is necessary for private sector to come forward and be part of the infrastructure development story. Hence, it is very timely that Nepal's government is putting in place the PPP center. But a lot of work needs to be done on that side since private sector will only come in on two terms. The first is when you have well developed green fenced projects to offer and second when the project is profitable.

Let us move on to the important aspects that Nepal government should consider. For the

long term finance, we must consider it in terms of both equity and debt which requires depth in the financial sector and a lot of policy from the government. So the first part is on equity. For all the projects Nepal is planning to do in terms of road, transportation or energy, you also have to look at the FDIs in good measure. Therefore, it is important to open up the FDI regime. Incidentally in 2013, the Government of India has set up a committee which I happen to chair on FDI policy and the recommendation of that committee have been accepted including the opening of FDI in defense sector. In this year's budget, the Foreign Investment Promotion Board has been abolished which means most of foreign investment can come in automatic route where you simply form a company and invest in it. And to add on, except perhaps geographically on borders or otherwise where you need to keep some kind of a watch, infrastructure is not security sensitive in that sense. So, it can open up completely for FDI

which will help greatly in getting equity. Secondly, in terms of long term debts, we have seen in India that banks do not have the capacity for long term debts in infrastructure projects as infrastructure projects normally requires life cycle of about 25-30 years. There is an asset-liability mismatch in the bank and therefore their horizon is generally 8-10 years, and so debts get loaded upfront and make the project unviable. So you need to look at long term instruments for financing. And institutions like the World Bank and ADB can be extremely useful both in terms of trying to explore possibility of raising Nepali rupee denominated resources from overseas market by providing greater guarantee and hedge fund requirements. Similarly, a credit guarantee enhancement fund could be created with the assistance of these lenders which will help in raising long term finance from the global capital market for infrastructure development.

I would also suggest that on bilateral basis, Government of Nepal can discuss with Government of India and China to see whether the capital market of these two countries be tapped for resources.

So my suggestion and recommendation is that somebody from National Planning Board should write down the entire story because you need to think through the whole process - I institutional requirements, regulatory requirement, financing requirements, project development requirements, building capacity of public officials, to be able to deal with the projects which are long term in nature and the relationship management with private sector which is more in a partnership format than contractual. This is a big story that needs to be created and government should buy that story to be able to move forward.

Mr. Sanjay Poudyal, Moderator

You have been working in Nepal in capitalizing foreign institutional long term investment for Nepal's infrastructure development funds such as pension, insurance. There are growing source of finance for bringing infrastructure development globally. What is your take on bringing these types of long term institutional investors to invest in Nepal?



Prof. Tim Gocher Chairman, Dolma Foundation

I run the Dolma Impact Fund which is the first international private equity fund for Nepal. Our European and international investors

took a risk by backing us and therefore Nepal. The good news is we have completed four investments; we have committed around 50% of

our capital. We have even managed to get some of that capital in the country which is not a small feat! I think the big bottleneck is the FDI process as mentioned earlier by Dr. Mayaram.

In the past 6-12 months, I have been talking to some of the world's largest pension and insurance funds and hearing that the allocation of capital to infrastructure, particularly green infrastructure, is growing because interest rates are so low internationally. Such funds have 20-30 year liabilities and they need higher yields to make the kind of returns to pay those back. Globally, particularly in Asia Pacific, we have seen a large amount of capital available for infrastructure. Listening to these investors, if I had to give suggestions to Nepal on how to attract such capital, the first would be to get a sovereign credit rating which Nepal currently doesn't have. The first question you get asked is the credit rating of Nepal. When I say it doesn't exist, they assume Nepal is in the riskiest possible category and price their rates of return accordingly, or more likely say no altogether.

As Dr. Wagle mentioned, I think Nepal needs to issue a sovereign bond even if that's a small bond issue so that Nepal has a credit rating from which we can insure the credit risk above that. The second suggestion is the capacity of the country to absorb foreign direct investment. I honestly don't think the bottleneck is in entrepreneurs or ability to create projects, but actually getting the money in and out of the country. There are plenty of extremely capable entrepreneurs able to lead from Nepal's side. I am happy to hear that Nepal is planning a large increase in FDI. But let's just take a reality check here.

For example, in order to produce 10 gigawatts of hydro-electricity in 10 years, it would require around 20-25 billion dollars without transmission cost. Let us assume the total required capital for all infrastructure including power, roads, airports etc. is 50 billion dollars. But the total FDI for 2015 for Nepal was 50 million dollars only. If that's a 10-year target, and if for example 50% comes from FDI, then

the country needs to jump from 50 million to 2.5 billion dollars of FDI inflows per year, or a 50 times increase. Something has to change. I'll give you an example of how projects get caught up and delayed. In 2015, the amount of FDI committed to the Department of Industry was about 10 times higher than the actual FDI investment recorded by the central bank.

In other words, 90% of committed projects dropped out (or perhaps were rejected) before they got the money in the country. Every project above 20 million dollars in capital costs has to go through the Industrial Promotion Board. That board has not met for 8 months. There are hundreds of millions of dollars waiting and legally committed to Nepal, much of it for infrastructure projects, which simply can't get into the country. I think we need to look at the word 'promotion' in the Industrial Promotion Board. I'd love somebody to explain how that promotes investment in the country. The best way to promote more investment is to ease the path for such committed investors.

But overall I am positive. Dolma Impact Fund is doing well. Despite bureaucratic delays, we expected these and there are plenty of helpful people in government. Everything I say is intended to help Nepal. We are committed to the country and investing today. We are planning to launch a larger fund specifically for renewable energy by accessing international private sector funds. To do that we need to build up local currency debt markets for long term lending. In addition, masala bonds, Indian currency bonds sold in international market, may be an important source of funding. We need to attract all types of finance to get anywhere near the billions of dollars that Nepal requires but I am positive. That is why I have invested my own money in Dolma Impact Fund.

Mr. Sashin Joshi CEO, Nabil Bank Ltd.



Let me start with some numbers to put things into perspective. As all of you know, the size of Nepal's economy is about 21 billion dollars. We heard yesterday that if we want to take ourselves into another level in terms of infrastructure investment, then we have to spend approximately 10% of our GDP. That is about 2 billion dollars. The amount of money in the banking system could roll within Nepal is more or less as much as the GDP of the country. The amount of banks have actually lent is about 20 billion dollars. That's more money than they actually are in the position to lend.

Now, where will those 2 billion dollars come from? Hypothetically, if banks put 20% of what they have into infrastructure, which is very dangerous from the banking prudential factors, the money would be 4 billion dollars as of now. Typical rule of thumb in project financing is 30% equity and % capital. Even if you take account that we need to put 1.4 billion dollars every year in infrastructure funding, if we want to meet that target of putting our 2 billion dollar every year for infrastructure development. In terms of absolute number, Nepal does not have the capacity. If you look at the banks, they are the dominant player in the financial landscape. We already heard from Dr. Lohani in his presentation that we do not have a capital market to talk about. There is a nascent

equity market but as far as the bond market is concerned it is nonexistent. So we need funding from overseas and for that to happen we need to have a favorable environment in the country. Mr. Tim Grocer mentioned about some of the issue in terms of our own absorption capacity. It's not only about getting the regulation and legal framework right but also getting our people to take those decisions in a timely manner. Why does 90% of FDI commitment not happen? It is because of the reason we have explained before and everyone knows about it. An interesting point that Dr. Mayaram made was the changes that India introduced. One of the things he mentioned is the idea of an automated rule for the FDI. Why do we need industrial promotion board to prove each and every investment? We need to give it to the risk takers to decide whether to take risk and invest in the country or not. If we continue having the bureaucratic hurdles we will never reach that figure of 2 billion dollars. It will be just a dream that will never come true.

Now going back to finance, I mentioned about that the banks are not dominant here and that banks do not have the capacity. If we look at the balance sheet, 95% of the money that the banks have in the books are really short term. Money that they can rely on and can commit resources is just for less than 2 years. It is dangerous for

any financial system to lend in infrastructure of 25-30 years with that 2-year money. So what we need to do is the government has to take a lead in this. We lack long-term financial institution. In order to resolve this either the private sector or the government sector should take the lead. An institution created in India in 2006 called the Indian Infrastructure Finance Company Limited is a body wholly owned by the government. It brings fenced institutions so that the risk and financial resources that are required are not passed on to the government. It is an independent institution. Though they put in relative equity upfront, the rest of the money was reached from the public, through long term bond and the overseas bond market with inherent sovereign guarantee for the bonds. They did not put money on infrastructure project on their own but they used it as a catalyst. They did not put in more than 20% in any project. They acted as a catalyst, as an equity partner risking more amounts and also debt financing. That was used to leverage in the financial market in India to get commercial banks and other nonbank financial institutions to come in and invest. They have been successful in raising more than 7 billion dollars from the international debt market. We need this kind of institution and this can be supplemented by a private institution. The recent banking law approved by the Parliament and waiting for the promulgation from the president will allow private sectors to come up with infrastructure institution.

However, this institution should not be run by business people or their representatives like some banks are being run. If this is done, then they will run into immense profitable interest only and will not get required skill to run this operation. Dr. Lohani also mentioned earlier as to why banks are not taking risks. It is primarily due to the regulatory constraints. The banks here are not allowed to go beyond certain percentage of their own equity in investing in equity of other companies. Unless and until the company shares are listed on the stock exchanges, banks are required to make

100% permission. This is very discouraging. Apart from some of the changes in regulations and laws, there are laws needed to be created and amended, the Foreign Investment and Technology Transfer Act.

This act is almost ready but we have yet not been able to see a draft of that. This is strange. Instead of keeping secrecy of these amendments, the government should be vocal and open about it and take suggestion from the private sector as well. There is an unnecessary secrecy maintained by the government in terms of these amendments which needs to be changed. The insolvency law needs to be changed. For banks to take non-recourse financing or limited recourse financing the insolvency law needs a change from both investors and lenders point of view. The law regarding insolvency and bankruptcy are some of the best laws in other countries.

In all infrastructure financing it is not necessary that there should be regular cash flow since the budget itself becomes viable on its own. There could be many infrastructure projects like roads which may not be viable and bankable on a total cash flow based on the investment required. This is where the government needs to step in and ensure that they consider some level of viability gap funding through subsidies or other instruments. The government should think about social and economic benefits on a long term basis while constituting a project and must not think this as a cost that they have paid.

Mr. Sanjay Poudyal, Moderator

committed fund for green and resilient infrastructure into emerging markets like Nepal. This is a very macro level perspective from the World Bank. Please elaborate more about some micro level infrastructure issue related to Nepal.

Mr. Damir Cosic Senior Country Economist, World Bank



My initial point is to imply that financing for green, resilient and any other kind of infrastructure is not the main problem. I think the speakers that have gone before me have done a good job in highlighting all the options that exists for financing. On the global level we have seen that there is an ocean of money chasing projects because of low return that exists locally in markets. The summit has addressed many issues like financing, mitigating risk, strengthening various national laws and infrastructure and investment climate but one thing that these types of discussions miss is focusing on key governance challenges that undermine good infrastructure programs.

We have already heard a good number of project ideas like solar, railways, monorails here in the panel itself. The lack of governance is what prevents government including Nepal's from identifying, developing and prioritizing infrastructure development and most importantly successfully implementing them. My argument is going to be about good governance and adequate policy that is missing. Money will come if these things are in place. Infrastructure development is getting difficult all around the world. There are corruption scandals, substantial cost turnarounds all over the globe. With the improvement of quality of governance in public investment, the more

financial institutions will come forward for your infrastructure in terms of growth and income. Unfortunately, Nepal is no exception in delivering and improving infrastructure. We know the number and the amount of infrastructure spending in South Asia but what is often missed is even the public spending on infrastructure does not generate completely usable assets. If we take the NPC annual development plan which details capital budget of the government, projects that are in the development plan have been ongoing on average for 11 years. If we disaggregate the projects in roads, power and irrigation, they have been going on for 12, 9 and 16 years respectively. Some road and irrigation projects have been going on for 30 years. The policy of national pride projects gets proposed and the most fearful thing is it takes an average of 13 years to get implemented.

The key question Nepal has to answer is not about the source to finance the projects but on how to identify right strategic infrastructure projects and deliver it on time, within budget and on manner that commands confidence of everybody from public, private sector, banks to investors. You need to have a well-designed integrated system that manages public investments.

We have a tool that assesses countries and we have been doing all over the world. We have identified key eight features and it is quite shocking that Nepal is missing four key things like project selection, budgeting, project implementation and adjustment of project in construction and evaluation of projects exposed. In my view, this is the missing link and governance issues and perverse incentives are no small feat in itself. The missing elements have not been achieved because Nepal doesn't know what needs to be done. Beyond this let us assume that infrastructure is built on its efficient scale, the problem then gets multiplied on what happens next. This is where adequate policies come into play even more. For example, 80 % of traffic flows in 20 % of the roads. Who will be maintaining those roads on routine and periodic basis? Is there an institution for

maintenance of such large infrastructure?

Beyond just pure infrastructure, the reason why we want infrastructure is for broader growth, broader productivity, and enhancement. We can have infrastructure but if lack of competition exists or cartel are prevalent in transportation services, then factories, businesses and entrepreneurs are not going to benefit from this. So, policies on competition are key and crucial.

In summary, I do not think money is the problem. I think system that delivers the right infrastructure on time and budget is the key. Good governance should be maintained and problems should be addressed. Once we get right policies it ensures the benefits from these infrastructures to the development of economy.



Mr. Ugan Manandhar
Deputy Director, WWF Nepal

Infrastructure growth is a key component of development. But we need to know the costs and benefits of infrastructure development. Infrastructure development for economic benefits comes at a cost of huge financial capital, but at the same time at the cost of losing natural capital.

All countries globally including Nepal are concerned about economic growth and prosperity through the development of large infrastructure but a few mention and consider the importance and value of sustaining natural capital that provide different ecological services. Natural capital are qualified for

their values as we use them in different forms of services; but since they are not quantified for their value and are free of costs we lose them. For example: we know that freshwater is an essential primary need to sustain life on earth. Freshwater comes to us from nature from different sources like springs, streams, underground water tables, wetlands, rivers etc. But *do we quantify the value of these natural assets that provide freshwater sources in terms of the economy?*

The answer is “**No**”.

There are not quantified for the value they have as these are available free of cost. However, we are ready to pay a price and sometimes a premium for bottled water. Ecological services from natural assets come in forms of provisional, regulatory, supporting and cultural services, free of cost, but there is a growing tendency to degrade and destroy these natural assets in the name of rampant infrastructure development. Thus, our infrastructure development needs to be more sensible and smarter, understanding our natural capital and how we can avoid damaging and destroying these assets for sustaining the valuable services they provide.

Furthermore, in terms of understanding the impacts of development on environment; as development practitioners, we consider EIAs (Environment Impacts Assessments) as a key hurdle to development. The environment can do without us, but for us to sustain ourselves and our development work, minimally damaging the environment is important. If we are going to undertake infrastructure development in isolation not considering the environment impacts how can we consider our infrastructure developed is going to be sustainable.

An example is the hydropower development sector in Nepal. Hydropower projects are developed in isolation in the catchments of the basins along the river. Each do their individual environment impact assessments and pursue the project constructions. Then either at the

same or different time other infrastructure like rural roads are also start to be sprout along the hillslopes without any design parameters. So, with different infrastructure work ongoing at the same location in different spans of time leaves a void in understanding the cumulative environment impact and the natural assets we have lost at large. Further when the infrastructure is exposed to a natural hazard that cannot withstand the hazards given its design parameters, we lose both the infrastructure and the natural assets leaving a lose- lose situation. The Sanima Hydropower and the BhoteKoshi Hydropower are live examples.

Nepal has been pitched globally as ‘Naturally Nepal’. With this belief, we intend to attract more tourists to the country and showcase its culture and natural beauty ranging from different flora and fauna and specifically, wildlife. But as we develop linear and non-linear infrastructure projects through the habitats of these wildlife; we also ignore the existence of flora and mobility fauna and pursue just our interests in the name of development.

The World Bank has initiated a change in the way they undertake infrastructure development in Nepal. The Mungling- Narayanghat road expansion project has inbuilt the concept of animal passes. This is a stepping stone that has leveraged the new way of thinking to financing and developing infrastructure. The East West Highway expansion will also consider these designs in the near future.

The government profiles the abundance of biodiversity in Nepal in various biodiversity conventions. We thus need to have an integrated approach to conservation and development, and should not think that one is against the other. We need to be on the same page to make Nepal’s development sustainable.

Finally, climate change comes as another overarching threat. Nepal is one of the most vulnerable countries to its impacts of climate change and at the same time it is located in a

seismic zone. Investments in infrastructure development should thus consider both climate and non- climate induced hazards into the designs. Sometimes these hazards can happen simultaneously exacerbating the other hazard. The 2015 earthquake that occurred just before the monsoons and the monsoons following causing landslips is an experienced example. Since the private sector is in the forefront of the investments, it is very important that the private sector is well informed about these types' issues to be incorporated into designs as it influences the sustainability of infrastructure development.

As Dr. Lohani mentioned earlier in his key note speech about hydropower and the uncertainty of water in river streams to maintain hydropower; we currently know about road excavations in Kathmandu that is laying pipes to bring water to Kathmandu diverted from the river Melamchi in Sindhupalchowk district. This project has been going on for

more than 20 years. However, do we know the scenarios of water availability in the Melamchi in the next 10 years due to the impacts of climate change. It is critical understand this through of scientific modeling tools. The information should then be relayed to inform the government; financing sectors and the private sector, else the infrastructure developed will not be sustainable and might end up diverting more rivers for meeting the growing water demands of Kathmandu. This could eventually lead to other environmental impacts and impacts on aquatic biodiversity.

Therefore, understanding nature, its value, and integrating environment into infrastructure growth and developments needs by the government, financing institutions and the private sector is critical to build Nepal better, greener and smarter.



Ms. Barsha Shrestha
NC Member, CNI

We have been listening to ministers, bureaucrats and everyone talking about work progress, policies

and regulations that have happened or is in the pipeline. Sounds positive. But the most important thing we need to discuss is

implementation. We have policies, expertise, money and support but at the same time implementing them has always been a tedious task. Yesterday, the Railway Minister of India committed 340- million-dollar support for the road projects. Again my concern is how this budget will be channelized and how the project will be implemented. We have so many policies to follow and so many ministries to be contacted while implementing the project.

I would like to share my experience in hydropower. We talk about not having long term deposits and expertise in the banks and lack of expertise with the developers. Despite that we should be happy that few hundred megawatt of electricity has been added to the national grid by the private developers. We talk about time and cost overrun and have so many constraints and issues. Hydropower requires huge investment so fund has always been a problem. Presently, with liquidity/credit crunch, many banks are not willing/ able to provide loans. Maybe the ongoing project where we are borrowing at 8% interest rate will not continue to give at the same rate. We have institutes like HIDCL (Hydropower Investment and Development

Company) which is a government institution where different agencies have put their money. Such institutions could be responsible and support with the interest risk and hedging funds, foreign currency exchange rate risk for the development of hydropower projects.

Talking about infrastructure and environment, it definitely has to be kept into consideration. For any private developer this means additional cost. If government could take the initiative to support the private sector and if there were global climate fund here in Nepal it would be a great help. As a developer, when I was in Clean Energy Development Bank which was established for the purpose of financing renewable energy like hydro, wind and solar power. We had funds from FMO, our joint venture partner and there was no exchange risk. I mean to say, there are such international support. There are also funds, expertise available internationally, apart from India and China, which are ready to support countries like ours for green infrastructure. All we need to do is be ready with correct, feasible friendly laws and policies to attract FDI and develop Nepal.





NEPAL INFRASTRUCTURE SUMMIT 2017

'Private Sector as an Indispensable Partner'

19-20th Feb 2017, Soaltee Crowne Plaza, Kathmandu

BUSINESS SESSION 6

Successful PPP Models: Global and Regional Perspective



Chair

Hon'ble Dr. Ram Sharan Mahat, Former Finance Minister, GoN

Keynote Speaker

- Dr. Shankar Prasad Sharma, Former VC, NPC

Panelist

- Prof. Dr. Shambhu Ram Simkhada, Former Ambassador of Nepal to United Nations and Convener, CNI Eminent Persons' Council (Think Tank)
- Mr. Andreas Roettger, Head of Cooperation, European Union
- Mr. Hem Raj Dhakal, Founding Chairman, Chandragiri Hills
- Mr. Zvi Herman, Executive Director, Agriculture Division, Israel
- Mr. K. Jaykishan, CEO, Infrastructure Development Corporation (Karnataka) Limited
- Mr. Alexandre Leigh, Investment Officer, Advisory Services in PPP, International Finance Corporation
- Mr. Kanak Mani Dixit, Executive Director, Himal Southasian Magazine

Moderator

Mr. Ashutosh Tiwari, Columnist, Nepali Times Weekly



**Dr. Shankar Prasad
Sharma, Former VC, NPC**

My talk today is on Public Private Partnership: Regional Perspective. I am trying to discuss what South Asian countries and some of the other countries in the region have done, what are some of the major issues we are struggling with and what are the lessons we can learn from regional politics.

To give you a simplified definition of PPP, it is a provision of public asset and service by a private partner. It's about creating the asset, providing the service by private sector on the basis of market determined revenue streams, that allows for commercial return on investment. This is what the preliminary assumption of PPP is all about. Some of the benefits of PPP are: it mitigates and properly allocates risks, provides incentives for lowering costs, ensures value for money, attracts the right skills and management expertise, promotes innovation, reduces corruption and waste and burden on taxpayers (financing; it is largely paid by users), and operates efficiently. Some of these are implemented in Nepal as well. There are various modalities of PPP arrangements where public and private sector share different levels of risks. There is low level

of investment in infrastructure in the South Asia. In Nepal, there is less than 3 per cent GDP investment in infrastructure annually while in India it is not more than 6.5 per cent. Both the countries need about 11 per cent of GDP investment in infrastructure. Most of the investment goes to electricity and transportation sector. In South Asia, every country is spending about 6.5 percent of GDP on average for the infrastructure development. The need is about 12 per cent in the next five years. The projects are delayed as discussed in various session of this summit. This is the problem. The issue of lack of implementation is a hurdle besides financing. The south Asian countries need nine trillion dollars for the next one year only in the infrastructure development.

So, what is the solution for rising infrastructure gap? PPP modality is widely used in the OECD (Organization for Economic Cooperation and Development) countries, and it is being increasingly accepted in the emerging and developing countries as well. The reasons for this are: rising budget deficit, improved capability of private sector and increasing

acceptance of market driven approach.

The total investment by private sector is rising in South Asia. In terms of PPI as percentage of GDP, India has done a very good job in south Asia. India has mobilized the sources in providing contract to the private sector. So, the growth rate of PPP in India is phenomenal. It's not only in electricity, transport and telecommunication, but the sectors like health, education etc are also coming into this stream. OECD countries have done a lot in the social sectors while in the developing countries the focus is more on telecommunication, transport, and electricity. There are innovative ideas being introduced even in the developing countries. PPP has been taken into consideration significantly by Australia, Japan, Korea, China and India. Some countries have done moderately such as Philippines, Bangladesh, and Indonesia. Performance of Pakistan, Kazakhstan, Nepal and Bhutan is very low.

Some of the successful projects were Public Market, Manaluyong, Philippines; Metro Rail System, Delhi; East Coast Road, Tamil Nadu; Water System, Singapore; Tsunami Relief, East Asia; North Luzon Expressway, Luzon; and Port Expansion, Colombo. As of February 15, 2017, there are 1,436 PPP projects in pipeline in India with 146 billion dollars investment in the sectors like airports, solid waste management, urban public transport, energy and highways. These are some of the experiences. The project development capacity is the key for success. The lessons learnt are that there has to be a clear objective, otherwise it will be difficult to link with the legal components. In addition, there has to be transparent conditions for development, clear and quantified performance indicators linked to bonuses and penalties, transparent and solicited competitive selection of private sector partners, acceptance of the principles of risk and rewards, and active participation by government after reward of concession. PPP centers have been established almost by all countries. The characteristics

of PPPs should be legally recognized, with sufficient institutional capacity, clear mandates and ability for coordination and collaboration (strong mandate). The major roles include policy facilitation, institutional support and training, program and project implementation support, risk management and post-evaluation. In conclusion, the Asia-Pacific region has vast experiences in terms of the PPP. The PPP modalities are evolving tool (telecom, energy, toll roads, water, waste water, education, health and so on). In India, Keller Report has suggested a number of areas for the improvement including re-balancing risk sharing, strengthening policy, governance, and institutional capacity, and establishing Institute of Excellence in PPP to guide the sector, provide policy input, timely advice and undertake sustainable capacity building. Governments should reorient themselves from only focusing on projects to efficient service delivery (PPPs can change the role of government from supplier of services to buyer of services). Project development capacity is vital while government capacity development is key for the future success of PPP in a larger scale.



Mr. Andreas Roettger
Head of Cooperation,
European Union

In Europe, we have a long history of the PPPs, since Roman times through nineteenth century onwards. So, there is a wealth of experience about PPP models. PPP model can be an instrument to address infrastructure deficit. According to the International Monetary Fund (IMF), the contribution of citizens to infrastructure development is about 10 per cent in developed countries, while in developing countries it should be a quarter of this. Building capacity and finding the right partner is much easier said than done. It is necessary to look for capabilities as it is very necessary to have specific capacities in the long run.

It is necessary to reach to those who need the services. In Europe, we have examples on bilateral basis from national to local level. We are jumping into regionalism from different kinds of funds. We have guidelines though a bit older. Since 2009, we have expertise center that provides guidance and platform for network activity. In Europe, sometimes we experience that time runs faster than we expect.

So, there is always gap for the time projected and the time it takes to complete the project. Dr. Sharma has already captured about issues what makes PPPs successful in Europe. I would highlight two more things. The first is to pay due attention to ultimate customer and NGO at the very early stage. The second is how to benefit the poor part of the society. The PPP in health sector may not be beneficial for a country which has not a robust health system. To conclude, we have a lot to share from the European experience on the PPP.

Mr. Zvi Herman, Executive Director, Agriculture Division, Israel



will provide an experience of Israel on PPP model from agro sector. We have come up from a subsistence farming to export oriented one. In terms of PPP development cooperation, Israel and Nepal are long standing bilateral partners in a range of G2G and G2B development cooperation undertaking. Agriculture and rural sector are an integral part of the 'Big Picture' of the national economy and key players in any PPP development program. According to OECD report, the agricultural sector has benefited from high levels of research and development (R&D). Israel's agriculture is unique amongst developed countries. The land and water resources are nearly all state-owned and agricultural production is dominated by co-operative communities. The three percent average annual growth rate of agriculture production is above the rates registered in most OECD countries and significantly above Israel's population growth.

Israel is the first country in the world to make expenditure on R&D (Research and Development) demonstrating innovation, development and creativity. Israel's unique publicprivate- partnerships are key to the countries hi-tech sector's growth; government allocates nearly 4.5% of its annual GDP to R&D, which is the highest in the world. This cutting-edge program has been credited with

jump starting Israel's venture capital industry and with generating Israel's unique startup incubator program.

One of the PPP examples of Israel in rural agro sector is: guided and consolidated credit which involves 50-70 family farm development modalities with the partnership among government, cooperative system and private banking. Similarly, the next is Public Agro R&D and Extension Services which is an evolution towards regional and farmers' organization interaction, and finance and management. Public Agro Investment Facility is another example which supports technology and construction.

Israel has international cooperation program with countries like China, Vietnam and India to scale up agro technology centers of excellence. The PPP model is used in solar energy to develop agro sector based solar systems. Based on the Israel's own Integrated Regional Development modalities, that that involves a three tier system - Family farms holdings, medium and large scale agri enterprises, and Rural townships as urban and industrial centers, are mayor PPP undertakings that have been paneled and practiced in various developing countries and emerging economic markets.



Mr. Kanak Mani Dixit Executive Director, Himal Southasian Magazine

In the last sixty years, we are constantly looking for a right formula and format in terms of development in Nepal. We are essentially taking what donor gives us and try to make it fit into what we would like to do because we have stopped thinking for ourselves at least in the last thirty years. In this context, it is time to stop thinking how we used to think in the past long time ago. Everybody wants progress, equity within the growing economy. I would like to think infrastructure development and service provision both as infrastructure.

We have become real *pichhalaggus* (followers) for acronyms. I hope PPP does not become an acronym because there is so much we can take from it. Corporate social responsibility, governance, PIL and RTI are terms we have not internalized in our public policy of our economy. It is important how we implement them. I think institutions can bring forward infrastructure and service development. Even though we completely reject government corporation, we have continued them because of *bhagbanda* politics. We need to think about government corporation as well. I submit that an NGO working with government should be considered as PPP. Now, it is possible to create

non-profit companies under the Company Act. I think the task should be brought under the rubric of PPP. Otherwise, we will be thinking of one sector of the PPP. The last one is cooperative sector. I believe that cooperative model should also be considered as a way that PPP could be implemented in that sector. To talk about the *Sajha Yatayat*, the majority of the funding is that of the government and there are citizens as the shareholders, too. Could that formula be used to provide infrastructure in the areas where private sector would not go independently and government is not efficient enough to get involved in?

Kathmandu valley transport could be one of the areas for PPP. We must look at possible PPP models in this area. At the moment, public transport should be discussed in the same breath as public health and education. Every day, more than a million people use public transport. So, it is an area ready for the involvement of the PPP. I believe it is an infrastructure and service sector which can be implemented in the Kathmandu Valley and other similar places.

In Kathmandu, private sector is criticized for

cartelling in the public transport sector. There is a need for the private sector, government and cooperatives to come up to provide service in this sector. In my view the broader view of PPP should be implemented to provide services while the need for regulatory mechanism is very high. I would suggest that there are many areas where PPP would work. One of them is public transport in Kathmandu. We often go by what the donors give us rather than prioritizing our agenda. I think donors in Kathmandu are almost oblivion about the pain and suffering of people

in Kathmandu in terms of public transport.

I know that there is a project by ADB, otherwise most of others are on bridges and so on. Allowing the private sector in it would do its best in terms of making profit. Until and unless we have a very strong government with accountability, I don't think PPP model will work. We should look forward to election, leading to accountable governments especially at the local level. Then I would suggest that we should move ahead with PPP.

Mr. K. Jaykishan CEO, Infrastructure Development Corporation (Karnataka) Limited

The way India and Nepal work is similar and there is a lot that Nepal probably learns from the pain India has gone through over the last twenty years while dealing with the PPP. In 1995, we were pretty much in the way that there was a lack of government fund, lack of capacity and there was crying need for infrastructure. At that time, there was a Steering Committee set up by the Government of India and what that committee recommended amongst others was setting up of a specialized financing entity and that entity was created in 1997 by Infrastructure Development Finance Committee (IDFC).

The IDFC started its operation in 1997. It was created in a manner that it was government promoted, but not government controlled. While doing PPP, about eighty percent of the

money comes from the banks. It is important to keep the perspectives of bank and financing institutions in mind so as to make it a success. That was the process the institution was created back then. Before that, there were financial institutions that were focused on lending money for industrial purposes which had collateral in the form of assets etc. The IDFC was happy to give money for five years, eight years and 10 years. They capitalized it quite happily. The IDFC was given grant by the government and it collected money from different sources, too. Afterwards, IDFC realized that there were no projects to lend to. Then IDFC started advising government in terms of trying put in policy frameworks, do project development works after making studies, and make government take it to the market. In those days,



there were two road projects before the creation of IDFC. IDFC was working with ministry of Transport. They introduced a model which reduced the traffic of projects. That started the flow of infrastructure projects in India. And it created a market for infrastructure projects and helped local home-grown contractors move from being a contractor to developer. That's how the IDFC played a role of catalyst for the government of India. It was also realized very soon that it was so much that government of India controls, such as airports, ports, and other large infrastructure. In 2008, they started creating joint ventures with

the state governments. One of such entity is Infrastructure Corporation which I represent today. It was established as a government promoted company but not a government controlled one. There are certain policies and guidelines but by and large it is managed by the private sector. The government also gave them project development fund which was used for carrying out studies on the projects. There are over hundred PPP projects largely in Karnataka. The four key things to have these things done are: policy in place, having selfprojects, capacity building, and development of standard documentation.



Mr. Hem Raj Dhakal
Founding Chairman,
Chandagiri Hills

will be talking about inspiration, prospects, challenges and attraction of our project. This project was developed as a result of the inspiration from the Genting Highland, a Malaysian recreation and amusement project. We wanted to create a destination where people could enjoy various range of entertainment and activities. We established the company in 2009. Although it was considered as a national priority project, it took five years to get approvals as we had to take twenty-two approvals from different ministries. It took

about two years to complete the construction of the project. The initial project cost was 40 million US dollar.

We are talking about tourism sector in Nepal, but unless we prepare better infrastructure, quality tourists are not coming to Nepal. We hope that with this kind of facility tourists will stay for one more day. As a result of this, there is an increase in the occupancy in the home stay in Chitlang area, local people have got opportunities in terms of employment and

livelihood. We have given incentives to local products, too.

The major challenge was the frequent changes in the government, as the government had been changed in about every seven months, inter-ministry coordination was difficult. So, it took five years to get the permission from different regulatory. The management of local stakeholder was a challenge again. The other major challenge was the acquisition of land. The value of land increased almost twenty to twenty-five times during the time. The access to the construction site was very difficult and

skilled manpower was another problem for the large project like Chandragiri Hills.

The major attraction of our project is that we have created a temple, cable car, view tower, conference hall, children playgrounds, etc. The boutique resort and amusement park will come in the second phase. To conclude, there should be strong coordination between the government bodies for such large projects so that it could be implemented in a shorter period of time. The government should provide clear legislation to acquire land. The clear guidelines have to be there for the PPP model.

Mr. Alexandre Leigh Investment Officer, Advisory Services in PPP, International Finance Cooperation



will take a case of Queen Alia International Airport (QAIA), Jordan. It carries more than 97 per cent of all airtraffic in the country. It was built in 1983. There was a strong growth in air traffic since 2000. Terminal had reached its full capacity and was unable to effectively meet future demands or deliver quality services for the rapidly growing traffic. PPP means different things to different people. Transparency, competition, and preparation are major issues for the success of PPP. One key point is the objectives of government when it is decided go for the PPP model. Some government objectives of PPP in QAIA are increased terminal capacity with a new facility, support to the expansion of Royal Jordanian Airlines, promotion of tourism,

increased service quality, and generating a revenue stream. Government of Jordan decided to invite the private sector for the rehabilitation, operation and expansion of QAIA, and appointed IFC in February 2006 as its Lead Advisor for structuring and implementation of a balanced transaction to meet its objectives and elicit the interest of the private sector. The request for qualification stage was based on specific criteria: operational, engineering/construction, net worth, and ability to finance projects of similar size. Then after, the bid evaluation process involved multiple processes. Bidders had to comply with design standards and technical specifications.

Despite multiple regional conflicts, economic downturn, traffic volatility, IFC maintained strong bidder interest throughout the tendering process. The private sector was incentivized to grow traffic with more aggressive airline marketing. The principal contractual arrangement for the project consists of 25-year BOT type contract between the GoJ and the investor whereby the investor undertakes to operate and rehabilitate existing QAIA facilities, capture QAIA revenues, and so on.

The result of the project was a new one billion US dollar state of art gateway into Jordan. It was the largest PPP project ever in Jordan and there was thirty percent increase in airport staff with improved service levels for passengers. There were also highest revenue

share arrangements under an airport PPP and it became a precedent setting example for future PPPs in Jordan and in the region. There was traffic growth as a result of the project as well. The lesson learnt are: political will, government capacity, and commitment for private sector involvement are key for PPP projects and fair and balanced concession agreement ensures stability and durability. While doing such projects, adequate preparation, proper advice and transparent tendering process, generate interests of international investors and provides better value for money. In addition, sound project fundamentals are basic precondition to success and financial strength and commitment of sponsors is key while government support and participation is valuable during construction and implementation.



Prof. Dr. Shambhu Ram Simkhada, Former Ambassador of Nepal to United Nations and Convener, CNI Eminent Persons' Council (Think Tank)

It is argued that any time government engages in economic activities, it inflicts economic injustice to its people in the sense that private sector is not efficient in those activities. Diplomats are also not that much equipped for this. So, we are often blamed for being supportive and for not sharing. The historical diplomacy was considered as a business of a small esoteric group of experts

not to be known or shared or participated. That notion has changed now. That's why, we are gathering here to discuss about PPP.

The discourse on PPPs identify the following some keys points for its success. There will be multiple partners but the state will have a major role. As state could not have sufficient finance as well as expertise, there arises the

need for private partnership. By virtue of that, the other most important thing is the regulatory mechanism. The public sector is the most organized structure in the world. The idea of government is the highest form of institutional arrangement. There is a trend of downward devolution and upward evolution of state mechanism. With the exit of Britain, that evolution and devolution is under some stress. Then, they talk about the good business plan, clearly defined revenue stream, stakeholder support and picking partners carefully. There are many examples how PPPs fail as a result of picking bad partners.

The empirical aspects of PPPs have been dealt in the last two days. Let me cut short in terms of where we stand today. We have spent trillions of dollars overseas while our own infrastructure has fallen into disrepair and decay. We have made other countries rich while the wealth, strength, and confidence of our country have disappeared over the horizon. For too long politicians have reaped the rewards of government while people have borne the cost. In my view, the most salient feature of PPP is trust and faith, but the above statement goes against this.

The positive aspect for us is that the prospects for investment in infrastructure are still there in Nepal. However, we have to be cool while thinking about this and infrastructure development does not mean only building up roads and so on, but it includes much more than that. Nepal is located between two ancient civilizations. Rapid economic development is going to be the key test of whether we are able to achieve this geo-political transformation.

So, making the prosperity agenda as the logical destination of the political transition is the only option at the moment. India and China provide some of the best examples of PPP in infrastructure development, operations and service delivery. CNI Eminent Persons' Council and the visiting Union Minister for

Railways Hon. Suresh Prabhu has had a very fruitful interaction on how we can materialize some of the good ideas of real partnership between India and Nepal not just in developing hard physical infrastructure but some of the essential 'soft infrastructure' necessary to develop and properly use and utilize the existing infrastructure and new ones to be developed with the PPP. The Railway connectivity from Kathmandu to Kolkata and Delhi announced by the Honorable Minister needs to be made a priority outcome of this Summit.



Honourable Dr. Ram Sharan Mahat Former Finance Minister, GoN

It is my pleasure and honor to be invited to chair this session. We heard perspective from international institutions, bilateral bodies, their experiences, perspectives and views on various aspects of PPP model. To speak frankly, PPP is a new format of development. It is a new phenomenon. In fact, it is a deviation from the traditional mode of infrastructure funding. In our college days, infrastructure was the prerogative of government.

In the last three decades, it has come in the development literature that there is infrastructure deficit in every country, more so in developing country and there is no sufficient funding available from the public sector to meet the infrastructure gap. For this reason, private sector was invited. Otherwise, it would be dislocating the government finance. So, this new format was invented. Why in infrastructure?

It is because infrastructure is key to improve efficiency of service sector. Unless you have quality infrastructure, you will not be competitive and you cannot sell in the market because you become more expensive. So, quality service is a must in the broader world

not just for the delivery of services but also to remain competitive in this globalized world. The private sector has an advantage in order to complement government finance. It is to take advantage of efficiency and expertise of the private sector. So, it is reducing the public sector liability in infrastructure where money management potentials are coming from the private sector. That is why, it is in vogue both in developed and developing countries. To make it successful, several things are necessary. Conceptually, PPP is a good thing, but what makes it successful? You have to make proper preparation and have legal clarity; it is a contractual arrangement between the government and private sector. The obligations of private partner, government and developer must be clear. In case it is unclear, the problem arises during the course of implementation. The capacity of the government to implement it should be strong.

There is no alternative to good governance in every aspect of national life, more so in the contracts enforcing the legal provisions. That is where I think the capacity of government must be enhanced. There is also a gap in financing system to fund big infrastructure

projects like roads, airports, irrigation systems in countries like ours which is heavily dominated by commercial banks which draw short term deposits but infrastructure requires long term funding. These are some of the critical issues of PPP which are very important to be considered and government must be very serious. As mentioned by Israeli friend, we think of roads, irrigation system, urban water supply, airports etc. while talking about infrastructure, but several factors associated with productive sector such as agriculture could be considered as infrastructure under PPP model. At the same time, Mr. Dixit said why PPP confined to profit making between private sector and government, why not to extend it to not profit making social sector as well. That is very much possible. PPP must not necessarily mean to happen between government and profit making private sector. In the end, I would say to address the country's infrastructure deficit, there is a need for PPP model projects though there are only a few projects under implementation. I want to emphasize that it is not a substitute for government financing, but it is a complement only.

CLOSING CEREMONY



Chief Guest

Hon'ble Mr. Bimalendra Nidhi, Minister for Home Affairs, GoN

Remarks:

- Dr. Som Lal Subedi, Chief Secretary, GoN

Other Speakers:

- Mr. Hari Bhakta Sharma, President, CNI
- Mr. Birendra Raj Pandey, President, YCNC
- Mr. Krishna Prasad Adhikari, Vice President, CNI

Mr. Hari Bhakta Sharma President, CNI



We had a wonderful, productive time discussing, debating, finding ways and means to develop infrastructure through the public-private-partnership models in Nepal. Let me briefly tell you why CNI wanted to run this infrastructure summit, why it was required for us to forcefully try to organize an infrastructure development summit which is primarily supposed to be done by the government. Number one, Nepal is one of the most beautiful countries we all know. We have the third largest deposits of fresh water in the world in our Himalayas. It is third after Antarctica and Arctic; it is one of the most pristine resources on the planet. Nepal probably furnishes some of the bravest warriors in the world. Many of our brothers and sisters are not afraid of fighting with anyone. We protect the borders of many countries not only in our neighborhood, but around the world. We have people who have done wonderful jobs in great scientific research institutions around the world. We have businesses that have produced profits, as I shared the other day, of 1.5 billion dollars in eight years' after initial investments that have successfully exited.

There have been companies in this country who are distributing dividend ranging from five hundred to nine hundred percent each year. Yet Nepal is the poorest country in South Asia. It is the poorest in terms of employment generation, per capita GDP, and at creating avenues for its own people to work within the country. As an entrepreneur of this nation, I realize this is

what we are doing. That is why, the infrastructure development is very essential. It is the most important and fundamental factors that needs to be improved in the country. That's the reason we are hosting this Infrastructure Summit. Thank you for deliberating, giving ideas, bringing international exposures to the country which could provide us meaningful ways to accelerate investment in infrastructure.

In the near future, we will have taken up your suggestions. We will gradually try to create those structures, both in the private sector and in the government to implement your suggestions. We have very senior government officials participating with us here. Many honorable ministers and right honorable prime minister were with us. We had a wonderful key note speech from one of the most important cabinet members of the Modi government, Mr. Suresh Prabhu, the other day. We have a lot of commitments and we have many wonderful people. What remains to be done is what has always set us behind, and that is the execution of these ideas and commitments. We will try to work hand in hand with the government to make sure that these efforts produce results. We would like to see Nepalese entrepreneurs excel and keep abreast of the way things are changing around the world.

Worldwide, a debate is going on about how a car can drive without a driver and still be more accurate than when driven by a driver. The debate is going on about how a driverless train travels

three thousand miles without having any error? Another debate is going on about how man can go to Mars and establish colonies there. But in this country, we are debating how we can feed twenty million people in the mornings and evenings. We are debating about how we can provide them the basics of life like water supply and transportation, how we can train our children, how we can provide basic health care services. That's the reason us citizens of this country want Nepal to change in our own lifetime, as I said the other day. We don't want our responsibility of making Nepal better place passed on to the next generation of people. This is what I want you to understand. Let us do it in our own life time, so that Nepal will remain a prosperous country which produces good economic results. It has already produced some, but it is nowhere near enough to the required level.

Becoming rich is one part, but making a country richer is another part. So, for those of us who are in business, let us not make profits on which we don't pay taxes. Taxpaying is something like a cleaning habit. We don't go to our bed without cleaning ourselves when we return home from outside. In business, if we don't pay taxes, we are not cleaning our moral hands. You may become clinically fit but you are morally unfit. It is unethical. Let's not do that. Let's pay taxes to the government. And we ask the government to please invest that money for the development of infrastructure and to make Nepal a better place to live. My request to all the political parties through this august gathering is: please give up your political baggage for next five to ten years, give an opportunity for private sector to develop industries and infrastructure - since we would like to invest to establish more industries and develop more infrastructure in that period.

Don't close the country by calling general strikes, don't conduct any strikes for next ten years. Let us see how we can develop this country. Probably after that, we can have another round of debate regarding the politics. You can go on striking after we make our economy strong enough to withstand

political and unexpected shocks of any degree. Please do not threaten economic development opportunities – of goods, labour, capital and ideas. That is what we would like to happen for next 10 years in Nepal.

There is a lot of debate on how Kathmandu will be connected with Delhi or Calcutta with railways. We should also debate on how Kathmandu will be connected to Beijing and further to European countries through right type of railways and other travel infrastructure discussed around the world. Let us not leave our country behind, in poverty, misery and illness. That is our responsibility of changing the economy of our country. I see the faces in this hall, having the capability to transform this country, into a growing and economically prosperous nation with peaceful environment. That is where our effort should be directed. We owe to our long suffering people to make Nepal better place, and I said yesterday before all our international investors, the opportunities in this country are ripe. Believe it or not, I am from the business sector and more projects are making good money here compared to anywhere else.

All the successful FDIs here are some of the best FDIs in the region itself. I encourage you to invest in Nepal and foster joint ventures with companies in this country. Nepal government, believe or not, is very supportive for investment promotion today than ever before. It is willing to develop the country and you can see the presence of the Deputy Prime Minister as a testimony to that objective.

I thank you for being with us. I welcome you in this closing plenary and our appreciation goes out to all the people who have done a wonderful job to make this event very successful. The people who debated and participated, who delivered key notes, who delivered as panelists – they all deserve our sincere gratitude.

I thank all for your full fledged support in our endeavors, in making this 2nd Infrastructure Summit a grand success.

Mr. Birendra Raj Pandey President, YCNC



We have a dream of decent infrastructure which brings in efficiency and productivity, and boosts our growth in trade and employment. And our countrymen will see enough opportunity here in Nepal rather than having to go abroad searching for work. Nepal Infrastructure Summit 2017 is a historic event with magnificent gathering. I believe the two days' deliberations from all the eminent personalities have been meaningful. The discussions were on the issues that shape incentives for investments and enable the private sector to become an indispensable ally in infrastructure led economic growth. The summit focused on strategic vision of the country, value proposition of competitiveness, policy and regulatory networks among others. We had eight different sessions including two panel sessions. There was participation of more than four hundred individuals from fifteen different countries across the globe. There were around seventy speakers in the panel who shared their individual experiences, provided insights into the infrastructure needs of the nation including the key note from honourable Mr. Suresh Prabhu, Indian Minister for Railways.

The first thing is to communicate and establish the strategic vision of the nation. The

Government of Nepal should establish a clear vision for the infrastructure needs of the country beyond 2022 and ensure that plans, strategies and policies are prepared by the line ministries and departments aligned with due inclusion of the private sector. The major sectors for the investments can be roads, railways, tourism, hydro-power, energy, airport, and information and communication technology. Nepal has tremendous potential for growth and private sector has a tremendous opportunity of the investment. We should not be afraid of dreaming and trying to implement it. Nepal needs leverage benefit of having economically powerful neighbors like India and China. Nepal as a country must keep its eyes focused on the mega trends. The next important element is the policy and regulatory networks to ensure investment.

Government of Nepal must fine tune the regulatory frameworks to create a more efficient and attractive investment plan, provide clarity and certainty to investors on the key processes in the investment and development of the infrastructure projects. The deliberations focused on the need for the infrastructure development to achieve the target. Nepal's medium term ambition to become a middle

income country by 2030 needs a huge commitment for investment in infrastructure. The environment is very conducive. All we need is to build confidence among investors and fine tune regulatory frameworks, and simplified procedures to attract more investment.

Private sector must clearly communicate its capacity and capability in investing and developing large infrastructure projects, public private partnership for people and profit. Private sector can ensure good element of smartness in creating infrastructure. Cost effectiveness and reliability are the key elements that the private sector should ensure. Infrastructure financing needs long term financing mechanism for which new funding mechanism should be devised. Private sector must promote competition and establish competitive practices, share bureaucratic and

financing expertise from high growth nations to reduce capacity gap. Private and public sectors are like two sides of a coin that share risks and benefits from competitive advantage for greater public benefit. At the core, we need to build trust and confidence among the stakeholders. We also had eight projects presented in the business Forum. The projects were prepared by the Investment Board of Nepal and there has been a lot of interest from the potential investors. Another attraction of the summit has been the information bazaar where ten innovative ideas were short listed and three of them are to be awarded. The key objective of the endeavor is to incorporate the views of common people in this discourse of nation building. This whole exercise is a part of continuum by the time we meet for the next summit we will report on the progress in each of these issues raised during this summit.



Dr. Som Lal Subedi
Chief Secretary, GoN

It is my pleasure and privilege to know about the rigorous deliberation and discussions in two days of the Nepal Infrastructure Summit 2017. I am informed about the excellent participation, meaningful intervention, thoughtful ideas and wise thoughts of the summit delegates. I highly appreciate your

interest and enthusiasm to explore the investment opportunity in Nepal. I feel that organizing this event is very important particularly to us as we have endured a lot in uplifting our nation to a developing one from the underdeveloped nation where poverty is still becoming a challenge to our dynamic

growth.

I would like to thank the Confederation of Nepalese Industries for arranging such a nice event. Being a mountainous country, given the difficult terrains, scattered settlements and livelihood linked to them, make infrastructure development costly, but it is the highest priority task of the government of Nepal. It is an irony that still two of seventy-five districts headquarters do not have road connectivity. A huge amount of land remains un-irrigated and many emerging towns have inadequate basic urban facilities. That needs tremendous investment and other implementation mechanism.

The Government of Nepal has, therefore, accorded highest priority to the infrastructure financing in its medium term plan as well as the annual budget. The government has increased investment in infrastructure development by about three fold within the last three to four years from 100 billion to 300 billion rupees in local infrastructure. The private sector alone or in collaboration with other stakeholders and vice versa has invested in this sector.

Nepal is falling behind in reaching the aspiration of its people at large and there is still a huge gap in resource need. Studies suggest that Nepal needs to invest eight to nine percent of GDP in the infrastructure sector while the current allocation is roughly five percent. As resource availability for infrastructure is highly important, we need to match the expenditure needs and expenditure capacity with adequate technical capability. The quality of infrastructure development is also a crucial area of improvement. It is high time to have commitment from every stakeholder for building environment friendly and sustainable infrastructure. This will be achieved only when everyone is responsible for ensuring quality while performing their duty. There should be honesty in planning and proper speed during the project implementation and maintenance.

Commitment to quality infrastructure lacks far behind the quality management principle. There should be a greater focus on supervision in every stage of infrastructure development. Therefore, the investment in infrastructure with assured quality should be our focus. Similarly, we need to pay attention to technical accountability to meet the global standard of infrastructure. We have developed significant number of infrastructure either in combination with our development partners, private sector and government itself. In doing so, we are gaining ample experiences, knowledge and working capability individually or in combination. Individuals and corporate entities have successfully shown competency nationally as well as internationally. Several infrastructures are developed in transportation and hydro-sectors and many are in the pipeline. With the experience gained along with these friendly nations in the region, it is likely to take the lead in the infrastructure investment with involvement of national experts in amalgamation of expertise. CNI has timely initiated and organized this event and I hope it will continue to distinguish itself as one of the most dynamic events in paving way for the prosperity of the country. Let us break the ground to embrace new approaches for a more integrated, dynamic, prosperous and inclusive infrastructure development. We should prioritize our infrastructure needs in such a way that it reduces the geographical divide, has synergic effect, facilitates other development activities, reduces the transaction cost and ensure the wide coverage of total population. Public investment alone cannot cater all these needs. The involvement of external and internal private investors is a must to complement the public sector investment. We are aware that government of Nepal has initiated a number of policy and legal reforms in attracting private investment in the country. The policy for public private partnership has been formulated and PPP law is being drafted. Serious efforts are being made for improving the business rating and it has improved since the previous year.

Further, foreign investment and technology transfer law is being revised drastically to ease the foreign investment in Nepal. The government is ready to collaborate further with the private sector. In fact, it shall focus more in service oriented areas while the private sector will lead infrastructure development. Let us therefore create working environment mutually and bring back all nationals performing supremely in their effort. In the meantime, let us justify our investment with climate resilient infrastructure and achieve best value for money.

I believe that our individual and collective commitments and efforts should be merged together in the days to come for nation building. We will know we are resilient and sensitive. Once we unite and stand collectively, this is my belief that our gross happiness index shall outcast every developed nation in the world. Therefore, I am happy to invite you to come to Nepal to invest in infrastructure. There are a lot of virgin areas where you can make your unique investment. Government of Nepal is ready to facilitate you. I would like to take this opportunity to inform you that the government of Nepal is organizing investment summit on 2 and 3 March 2017. This summit will also be an opportunity for you to know about investment avenues in Nepal. I encourage you to participate in that summit, which will be a good event for the investors around the region and the world. As we discussed and shared the ideas as well as experience in this summit on enablers of accelerating investments, information bazaar, value proposition, financing resilient infrastructure and successful PPP models and other values and practices more in the regional and global level have opened new avenues for infrastructure. I would like to appreciate higher dignitaries, experts, panelists and participants for their contribution to make summit a grand success.

No doubt infrastructure development is the backbone for the overall development of any

country. It enables all the opportunities and helps to exploit all the potentials. We need to prioritize the projects, transfer appropriate and sustainable technology, strengthen technical capacity, enhance transparency and accountability, adopt different models, and develop regional connectivity for infrastructure development. Once again I would like to express my sincere thanks to the delegates for active participation, valuable ideas and thoughts on Nepal's infrastructure development. I thank organizers, co-organizers for managing this important event and providing me this opportunity to express my feelings. I wish you safe journey back and hope to see you in similar event in the future.

Hon'ble Mr. Bimalendra Nidhi, Minister for Home Affairs, GoN



I would like to thank the Confederation of Nepalese Industries (CNI) for inviting me as a Chief Guest on the closing session of the second Nepal Infrastructure Summit 2017. I believe this two days' summit has drawn significant and crucial inference towards fulfilling our goals and physical infrastructure through intense discussion. Infrastructure development is the foundation and cornerstone that leads to very progress and prosperity. Nepal suffers from infrastructure deficit both qualitatively and quantitatively. Whatever the factors behind the deficit may be at this point, we cannot afford to be static under any pretext. As we are in the phase of post-disaster reconstruction and nation building, the need for quality infrastructure and sufficient skills cannot be more serious. I would like to reiterate the fact that it is not possible to achieve our goals of becoming middle income countries by 2030 without fulfilling the infrastructure gap first. Private sector is an important pillar of development initiatives. Our constitution provides public private partnership as an integral component of the industrial and economic policy of the state.

Government of Nepal is always ready and committed to creating and sustaining an investment climate for the growth of the private sector by enhancing and facilitating regulatory mechanism. Government of Nepal is working seriously on the way to creating an investment

friendly environment. Introduction of public private partnership policy 2015, amendment to public procurement act 2007, efforts to reduce regulatory burdens and the enhancement of the capacity of the Investment Board of Nepal are some crucial steps towards that end.

I agree that there is a room for improvement both for regulatory as well as investment funds. Both state and non-state actors should have the proposition for ensuring quality during the course of their business. Government of Nepal expects support from private sector in the area of national priorities. Undoubtedly, the government is always willing to be effective by addressing the genuine issues raised by the investors. Many specific laws are being drafted and streamlined for this purpose. Government of Nepal will do everything it needs to do to settle political issues and implement the constitution. We are making necessary preparation for conducting all levels of election within the stipulated timeframe. For that purpose, we had three cabinet meeting today only. With elected bodies at all levels, I am confident that our development pursue will gain further momentum. Finally, I would like to recall my experience of the first CNI summit 2014 as the then Minister of Physical Infrastructure and Transport. Let us be together for nation building. I would like to convey my best wishes to all of you.

VOTE OF THANKS



Mr. Krishna Prasad Adhikary Vice President, CNI

On behalf of the organizer CNI, and co-organizers: Government of Nepal and YCNC, I would like to thank all the institutions and the persons involved in this Summit without the help, cooperation and support, it would have not been possible.

First of all, I would like to thank our sincere respect and indebtedness to the Chief Guest of the Programme, Rt. Hon'ble Prime Minister of Nepal Mr. Pushpa Kamal Dahal "Prachanda" for his valuable time and inspiring address. We express our sincere gratitude to Hon'ble Railways Minister of India Mr. Suresh Prabhu who despite his very preoccupations has kindly consented to be the Guest of Honor and Key Note Speaker of the Programme. We are highly inspired by his inspiring and illuminating Speech. We express our thanks to all the Ministers and the Session Chair, Key note Speakers, Panelists and the Moderators for their valuable, informative and thought provoking deliberations. Thanks are also due to Mr. Wencai Zhang from the Asian Development Bank for the valuable time and the important speech.

We would like to thank and put on record our appreciation to the partners in this Summit Viz. Development partners Investment Board of Nepal, EU, IFC, World Bank, Asian Development Bank, ,WWF Nepal, JICA, NBF and FICCI. We are happy to express our sincere thanks to the Knowledge partners to the Summit viz: Nepal Engineers Association, Federation of Contractors Association of Nepal, Independent Power Producers , Nepal Hydro Association, Society of Consulting Architectural and Engineering Firms, Society of Nepalese Architects, Frost and Sullivan, Asian Institute of Diplomacy & International Affairs and Growth Sellers for their constant encouragement and the valuable inputs at each stage from the preparation to the completion of the Summit.

The Communication partners are also the main institutions that deserve appreciation and thanks. They're: Rashtriya Smachar Samitte, Xinhua News Agency, Press Trust of India, and SEJON. sBy introducing an innovative idea, the Idea Hunt has created new avenues in infrastructure in Nepal, we are thankful to the

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deliberations.

Thank you all

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