

# PPP IN NEPAL

## Provisions in the Development Plans and the Budgets

- The concept of the Build, Own, Operate and Transfer (BOOT) in the infrastructure development was incorporated in Nepal's Plan document as early as 1992 though the actual progress was slow due to various reasons. The Eighth Development Plan (1992-1997) envisaged that necessary arrangements would be made for the construction by the private sector viable infrastructure projects, like the proposed Hetauda-Kathmandu tunnel and other roads that could shorten the distance, on the basis of the BOOT.
- The Ninth Development Plan (1997-2002) mentioned that it was not possible to generate supply and export electricity through the efforts of the public sector only, keeping in view both the growing demand for electricity at home and the export market potential. Hence, public-private partnership in the hydro-power development was encouraged, especially with a view to foster confidence of the private sector in implementing the hydro-power projects and reduce the administrative and procedural rigidities faced by the private sector.
- The Tenth Development Plan (2002—2007) adopted the policy of promoting the private sector participation in the construction and maintenance of the road network with the necessary policy and legal reforms as well as improving the facilitative and regulatory role of the government. Measures would be taken to attract and encourage domestic and foreign private sector investments through projects based on the Build, Operate and Transfer (BOT) and Build, Own, Operate and Transfer (BOOT) modalities. While requesting the private sector for such investments, the projects would be provided various concessions so as to expand economic activities and promote employment at the local level. The government's procedures in this regard would be mode simple, short and transparent. Further studies would be

carried out to formulate policies and programs to ensure effective participation of the private sector in the construction and maintenance of the roads. To manage funds for road maintenance, a separate fund under the Road Fund Board would be operationalized with a high priority.

- To attract the private sector in the BOT schemes, necessary documentation related to the concession agreements, guidelines, technical specifications, and feasibility studies would be arranged by establishing a privatization cell in the Ministry of Physical Planning.
- According to the budget for FY 2005/06, investments in the ropeways and railways, including the one connecting the Kathmandu Valley with the Terai in the south, under the BOT would be encouraged.
- The Three-Year Interim Plan (2007/08-2009/10) mentions that, despite the BOOT policy adopted for promoting private sector investment in the development of the physical infrastructure including the roads, the private sector investment could not rise as expected. While the Plan has given the highest priority for the reconstruction and rehabilitation of the physical infrastructure, it also mentions about fostering the private sector involvement in the development of the physical infrastructure through the BOOT by making the related Act simpler and practical.
- The Plan states that an autonomous national transport board would be established for strengthening the partnership and cooperation with the private sector in order to bring about effectiveness in the development and management of the transport sector.

### **Act Relating to Private Sector Investment in the Construction and Operation of the Infrastructure**

- The legislation first came into operation in the form of an Ordinance on 22 August 2003. Though it was ratified as an Act on 14 December 2006 because of the procedural reasons, it was presumed to have come into operation since 12 August 2006.

- **Projects in private ownership could be implemented under any of these modalities: BT, BOT (O=Operate), BOOT(O=Own, O=Operate), BTO (O=Operate), LOT (L=Lease, O=Operate), LBOT(O=Operate), DOT (D=Develop, O=Operate), and other similar methods.**
- **The Government could invite expressions of interest from the concerned parties for the implementation, under this Act, of any project exceeding Rs. 20 million. For the implementation of the project, public notice inviting proposals from the parties in the approved list would be made. The proposal would be selected within 60 days, on the basis of the economic strength, technical capacity, environmental study, royalty to be paid to the Government, proposed amount that the consumers would have to pay in the project implementation process, and any other specified details. Permission for the detailed feasibility study could also be given to an interested party. In specific cases, the projects could also be implemented through the negotiations.**
- **The Government will sign the letter of understanding with the selected party. The party would then have to submit the details relating to the project implementation within the time specified. The Government would then enter into an agreement with the party. The terms and conditions including other implementation details regarding the project would have to be included in the agreement. The party would have to submit 0.5 percent of the total project cost as the performance bond. After the agreement, the party will be provided the letter of permission to implement the projects. The validity of the letter of permission would not exceed 30 years. During the period of the project, the project and its properties would not be nationalized.**
- **The Act has also provided that the priority projects of the government could be implemented under the joint investments of the Government and the private sector, with the condition that the Government's share would not exceed 25 percent of the total project cost.**

- Various facilities in connection with the successful implementation of the project would be provided to the party.
- A project coordination committee under the chairmanship of the Vice-Chairman of the National Planning Commission would be formed to coordinate and monitor the implementation of the project besides identifying and determining the priority of the projects.
- **3.PPP Implementation**
- There have so far not been specific cases of PPP projects under the Act.
- One of the popular PPP projects in Nepal is the Public-Private Partnerships for Urban Environment (PPPUE).
- The PPPUE was launched in March 2002. It's development objective is to increase the access of the urban citizens to basic services while stimulating and strengthening participatory approaches to service delivery.
- Since UNDP's intervention in this area, a number of municipalities are actively pursuing PPP arrangement in service delivery.
- The activities of the PPPUE comprise refining the environment and systems for increased community and private sector participation in basic urban services delivery, building and enhancing the capacity to actively supporting the implementation of such services projects.
- Project activities are focused on the provision of the most essential urban services, namely, water supply and distribution, sanitation( waste water collection and removal and solid waste management ) and, to a lesser extent, renewable energy, road and urban transportation management.
- The second phase of PPPUE started in April 2004 and will run until the end of 2009.
- The forest user's groups that have preserved and protected the local forests throughout the country could also be cited as a general example of the PPP.

- **The independent power producers who sell to the Nepal Electricity Authority(NEA) their electricity , accounting for one-fourth of the total electricity supplied in Nepal, through agreements with the IEA could also be cited as another example of the PPP.**