

# Investment Attraction and Private Sector Capacity



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## Background

- Resources allocated through public treasury for construction and operation of infrastructure and services is less
- Necessary to make operation of assets and service economical, effective and credible
- Need to formulate a resilient policy properly addressing role of private sector in construction and operation of service



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## Past Efforts

- Development of infrastructure - capital-intensive business
- Necessary to create environment to attract domestic and foreign investors
- "Public Infrastructure Construction Operation and Transfer Policy 2000" has been formulated



## Past Efforts .....

- In 2006, "Private Sector Investment Act for Infrastructure Construction and Operation has been enacted
- Rationality of PPP model has been proven with the successful implementation of PPP projects in local level



## Present Context

- Nepal to upgrade its status from least developed country to developing country by the year 2022
- So far few projects related to small urban infrastructure have been implemented in Nepal in PPP model at the local level
- Project proposals have been solicited for Kathmandu-Terai Fast Track
- Prevailing policy on PPP do not match international concept, values and practice



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# Enabling Environment

- NPC – Leading agency for SDG related activities
- Constitution of Nepal 2015
- 15<sup>th</sup> Plan 2019/20-2023/24
- Private Sector Initiatives



# Problems

- Limited resources and poor managerial capability;
- Absence of policy related to risk sharing while implementing projects under PPP model in big infrastructure projects of national importance;
- Absence of appropriate measures to address Viability Gap Funding (VGF);
- Non-transparent project selection;
- Inappropriate feasibility study;





# Challenges

- Increase investment and managerial capability in infrastructure sector
- Projects need to be completed within stipulated time, Investment and responsibilities to be borne by private sector
- Fulfill the responsibilities like project design specification land acquisition, coordination and licensing, payment to private sector, EIA/IEE, etc.



## Challenges .....

- Nepal needs to mobilize and attract more investment;
- Maintain investment-friendly environment and security to business;
- Maintain ease and enhance quality for doing-business environment;
- Ensure the environment for capitalize existing resources, labor, skill, technology and managerial skill



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## Challenges .....

- Inadequate infrastructure and lack of technical, managerial and financial skills;
- Completion of projects in stipulated cost and time;
- Attracting foreign and domestic private sector investment



## Partenering with Private Sector

- Nepalese private sector committed to investing in infrastructure improvements
- Domestic investors willing to invest in mega projects with more than 250 investors from different countries pledged to invest
- The government assured investor-friendly conditions



## Partenering with Private Sector

- Share of government remain around one-third of the financial requirement the rest shared by the private sectors
- Nepalese private sector might involve itself by investing less in transmission and distribution line
- Government will have to partner with the private sector



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## Conclusion

- PPP as a concept needs to be operationalized much more seriously in the era of federalism to finance local infrastructure
- Private sector participation can take a variety of forms such as
  - (a) out-contracting,
  - (b) issuing concessions and
  - (c) franchising

Communities can partake by organizing self-help groups



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**Thank you**