

PUBLIC PRIVATE PARTNERSHIP IN INFRASTRUCTURE DEVELOPMENT OF NEPAL

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Introduction

PUBLIC - Government (Central and Local)

PRIVATE - Person, Firm, Company, NGO, CBO, Civil Society etc.

Partnership

Partnership is characterized by two or more parties working towards achieving shared and / or compatible objectives in which the parties- share authority and responsibility, invest time and resources, share risks and benefits and enter in to an explicit agreement or contact that sets out terms.

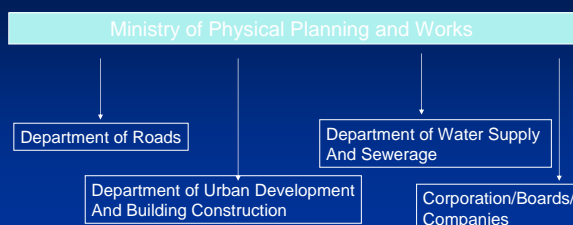
Partnerships normally have qualities of relationship than simple transactions at a point in time or the flow of information and consultation with due trust.

However, in the legal term a partnership would mean that the parties to the partnership are bound by the acts of partners and also liable for partnership debts, on the basis that what one partner does is done as agent for the other.

Private Financing in Build and Operation Act in Infrastructure, 2006 has defined infrastructure as:

"Infrastructure" means the Road, Tunnel, Bridge, Hospital, Canal, Powerhouse, Transmission line, Cable Car Line, Railway Line, Trolley Bus Structure, Tramway, Dry Port, Waterway, Transit Spot, Airport, Exhibition ground, Park, Reservoir, Dam, Sewage disposal, Solid waste processing and management plant, Energy Production and distribution, Stadium, Public Conference Hall, Multi residential building or Public godown and the word also include other infrastructure of similar nature.

Scope of Ministry of Physical Planning and Works



vision:

"New Physical Infrastructure – Foundation of the New Nepal"

Responsibility:

The main responsibility of the Ministry is to increase access of common Nepali people to infrastructure like road transport, water supply, building and housing and to replace centralized and feudal state structure by a new federal state structure. It is necessary to bring backward geographical regions to the national mainstream by identifying infrastructure at the national, regional and local levels so that people of Nepal get freedom from age-old economic backwardness and social oppression.

National Targets:

S.no	Sector	Three Year Interim Plan	
		Details (major activities)	Physical Target
1.	Road Sector (Central)	New Construction	780kms
		Upgrading, Rehabilitation and Reconstruction	2500 kms
		Regular repair, improvement	1450kms
		Periodic maintenance	7300kms
		New Bridge Construction	104 nos.
		Linking additional district Head Quarters	12

Connecting all District Head Quarters with roads .

Target cont...

2. Water Supply & Sanitation	Provision of basic water supply	24,327000 persons
	Provision of high and medium quality water supply	4,293000 persons
	Provision of basic sanitation facility	17,172000 persons

Provide basic water supply and sanitation services to all its people by 2017

Target cont...

3.	Housing and Urban development	Environmental Improvement around Kathmandu Valley	8 towns
		Infrastructure improvement including Attariya of Kailali and Itahari of Sunsari.	% model towns
		Infrastructure development of small towns and emerging markets.	On demand
		Physical environment improved.	25 squatter settlements
		Periodic Plan preparation.	12 municipalities
		Environment improvement	8 secondary towns.
		Preparation of detail land use map of Kathmandu Valley.	
		Preparation of digital base maps.	30 municipalities
		Resettlement	600 internally displaced families.
		Provided with affordable housing.	500m backward families
		Development of compact settlement.	6 districts
		Building code to be enforced	Min. 20 municipalities.
		Design and construction of Parliament Building	
		Construction of additional bldg. complex in Singha Durbar	5 ministries
Trained for earthquake resistant building construction technology.	9000masons		

Resource gap:

Sector	Available Budget		Budget Required as per Three Year Interim Plan (million NRs.)	Resource Gap
	FY	Million NRs.		
Road Sector	2007/08	4438	8836	4398
	2008/09	4882	12123	7241
	2009/10	5370	12123	6753
	Total	14690	33084	18393
Water and Sanitation Sector	2007/08	2316	4270	1954
	2008/09	2547	6618	4071
	2009/10	2802	6618	3816
	Total	7666	17508	9841
Housing and Urban Development Sector	2007/08	814	1463	649
	2008/09	895	2268	1372
	2009/10	984	2268	1283
	Total	2694	6000	3305
Rural Infrastructure Include: Local Transport, Small Irrigation, River Control, Micro hydre and alternative Energy, Rural Water Supply, Sewerage and Sanitation Housing, Building and Urban Development, Solid Waste Management and Social Infrastructure	2007/08	8074	14736	6662
	2008/09	7810	19777	11967
	2009/10	7659	24962	17303
	Total	23543	59475	35932

The government's willingness to PPP arises because:

- As Infrastructure development is one of the important sectors in any economy.
- Its contribution to the growth in GDP and employment is very significant.
- It is a pre-requisite towards achieving overall national development in all sectors.
- A rapid and sustainable development of this sector can be achieved by PPP.
- Over recent years, private sector has demonstrated increased investment capacities, technological and managerial efficiencies
- The government is willing to partner with private sector in achieving its national targets and providing convenience and facilities to the general public as well as create an enabling environment for overall growth in economy through development of tourism, industry, trade, agriculture, etc. Increased investment, increased management efficiencies, introduction of new technologies, are some of the areas that the government is looking forward to in maintaining the assets already created and in construction of new infrastructure facilities through a range of PPP options

- The time has come for Nepalese infrastructure development to be competitive in terms of cost and time because the country has already entered the WTO
- Despite the efforts that have been made, the Infrastructure development has not been able to see its growth and development as intended.
- Over the years the infrastructure sector has mainly adopted conventional employer – contractor models, which has not been sufficient to achieve intended growth and upkeep of constructed facilities.
- The involvement of private sector can contribute to these areas in the following manner

Improved Management Efficiency

- Increased overall management efficiency
- Increased operating efficiency
- Insulating the sector from political intervention
- Improved time management
- Increased responsiveness to consumer's needs performance.

Improved Technical Efficiency:

- bring new technology in to the sector
- work towards quality assurance and
- technology transfer

Improved Economic efficiency:

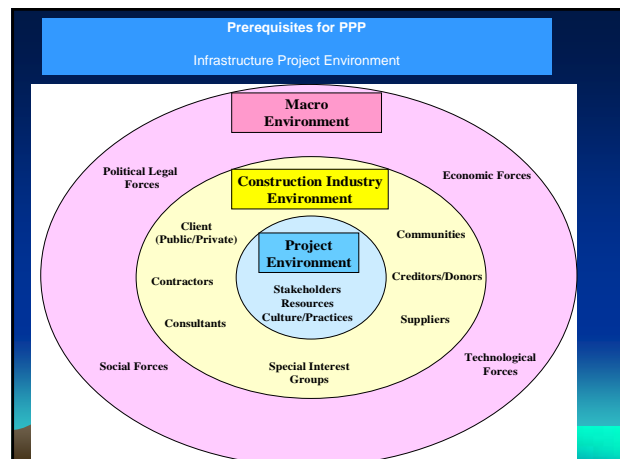
- increased investment
 - partial investments in partnership with the government
 - full and large capital investments for financially attractive projects
- reduction in non-effective generalized subsidies and work towards provision of public subsidies only for the targeted poor group.
- reasonable tariff for return on investment
- commercial risk sharing / other risk transfer

Policy and Legal Environment for PPP options

1. Interim Plan
2. Sectoral Policies
3. Donors Guidelines
4. Procurement Act and Regulation
 - Conventional Contracts
 - Management Contracts
 - PPP options

Legal Environment for PPP

5. Roads Board Nepal Act (Toll collection)
6. Water Supply Management Board Act
7. Private financing in Build and Operation of Infrastructure Act and Regulation



PPP attempts made so far by the Ministry: Roads

- Private sector has been involved in collection of road tolls



PPP attempts made so far by the Ministry: Roads

EOI process has been completed and RFP is being prepared for Kathmandu-Terai fast track road

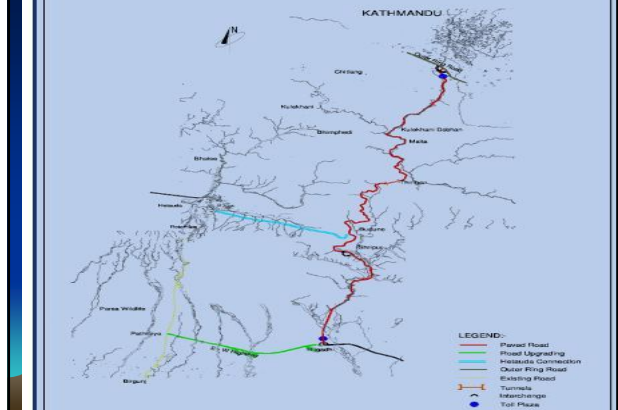
Project Salient Features

- Project components under BOT
Khokana-Nijghad, new construction of 76.2 km long 4 lane road
- Width of the road
Four lane: Carrigeway width – 14 m
Right of way : 50 m – flat terrain; 100m (Average) – other areas
- Tunnel : One tunnel at Thingan, length – 1.3 km
- Design speed : Minimum – 60 km/h, average – 80 km/h
- Toll system: –Outer Ring Road in Kathmandu and at Nijghad
- Alignment route – Khokana-Thingan section runs along the Bagmati river and Thingan Nijghad section runs along the Simat Khola / Bakaiya Khola
- Estimated construction cost – US\$800 million
- Implementation Period; three years

MAP 1: PROJECT LOCATION

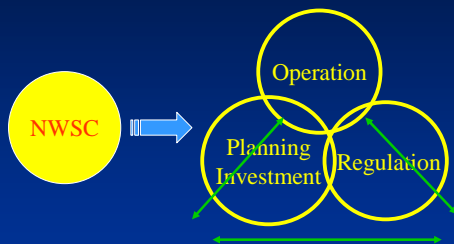


MAP 4 SELECTED ALIGNMENT



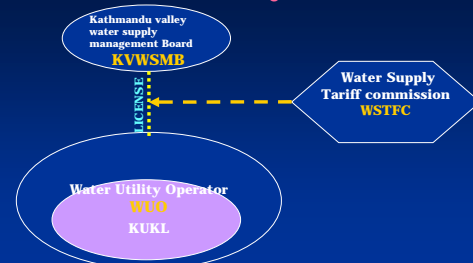
PPP attempts made so far by the Ministry: Water Supply sector

KVWSS, Institutional Reform ?



PPP attempts made so far by the Ministry: Water Supply sector

New Institutional Arrangement



KVWSMB: To be asset owner and responsible for developing and overseeing service policies

WUO(KUKL): Responsible for operating water supply and wastewater system

WSTFC: Economic (Tariff) regulation and safeguarding consumer interests

PPP attempts made so far by the Ministry: Water supply

- Operation and development of Water Supply Distribution System has been awarded to Kathmandu Upatyaka Khanepani Limited (KUKL) under a lease contract for 30 years.

The shareholding structure of the company are

Government	30%
Municipalities	50%
Private Sector	15%
Employees	5%

The board structure of KUKL comprises one member from government, one member from Kathmandu municipality, one member from Lalitpur municipality, one member from remaining three municipalities, one member from NCC and three independent directors from the private sector

PPP attempts made so far by the Ministry: Water supply

Early achievement of Kukul

- Replacement of Pumps and equipment to improve quantity of water
- Several procurement packages for urgently needed equipment, tools, tankers etc has been advertised.
- Improve water treatment process control has been introduced at the main treatment plants
- Water quality monitoring at treatment plants and in the water distribution system has been introduced to provide a better safeguard for public health.
- A strategy for the reduction of Unaccounted-for-Water has been developed and is being implemented in a targeted fashion to achieve early achievements
- A strategy for the treatment, especially disinfection, is nearing completion but it will require significant investment.
- Distribution network improvement schemes have been developed to recondition parts of the network.
- A service for the provision of water to low-income consumers – LICSU has been implemented and a long term plan approved.
- A fully-networked Management information system has been specified and will be advertised for tender in November 2008.
- A strategy for the improvement of customer services is being formulated.

PPP attempts made so far by the Ministry: Water supply

- A no. of PPP options are being implemented at local levels, for example
- Investment and management sharing in Small Towns Water Supply Project
 - Rainwater harvesting and quality improvement programs at the local levels



PPP attempts made so far by the Ministry: Urban development

- A range of community ownership projects in urban development (Land pooling project)



Constraints in PPP ventures

- Lack of experience and understanding of each other's constraints by the government and private parties
- A dedicated unit inside the ministry is required if PPP is to be promoted
- Unbalanced risk sharing detracts private parties to respond
- Inadequate no. of projects developed – need to develop more projects
- Increased interaction between the government and the developer is a must
- Private parties need to suggest their areas of interest



THANK YOU