



MONITOR

Nepal Infrastructure Summit 2014 Special

Talking Business, Talking Change

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Page 8

Newsletter

Nepal Infrastructure Summit 2014

Summit Laid the Milestone for Infrastructure Development in Nepal



Rt. Hon'able Prime Minister Mr. Sushil Koirala inaugurating the Nepal Infrastructure Summit 2014 at Hyatt Regency, Kathmandu

Confederated of Nepalese Industries (CNI), in association with the Government of Nepal and Youth Community of Nepalese Contractors, organized Nepal Infrastructure Summit 2014 in Kathmandu on November 11 and 12, 2014. The summit, the first of its kind and scale ever to be organized in Nepal, was an initiative by the private sector through CNI. The two day summit, which was attended by over 600 participants including more than 100 from abroad, was organized on a Public Private Partnership (PPP) model with an aim of 'Accelerating Investment in Infrastructure' of Nepal.

The summit, in which different multilateral and bilateral development agencies, Federation of Indian Chamber of Commerce and Industry (FICCI), Investment Board Nepal (IBN), various multilateral

and private sector organizations were partners, was inaugurated by the Rt. Hon'able Prime Minister of Nepal Mr. Sushil Koirala and Hon'able Minister for Road Transport and Highways, Government of India Mr. Nitin Gadkari was the guest of honor and keynote speaker of the summit.

CNI president Mr. Narendra Kumar Basnyat as the chair of the inaugural and closing ceremony in his welcome note said that the first ever Nepal Infrastructure Summit will be a milestone in setting a platform for constructive discussion in the sector. "The summit aims to specifically identify key constraints such as policy hurdles, lack of financing instruments, difficulties related to land acquisition issues, and seek for undeterred commitment from all stakeholders to address these constraints," said Basnyat.

Continue Page 2



Message

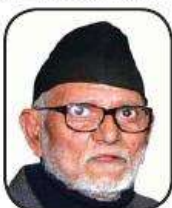
It is well understood that infrastructure development is a prerequisites for socio-economic development of any country. The role of private sector is vital in this regard. However in the present Nepalese scenario, private investment in infrastructure attributes a very small portion of the country's GDP.

The private sector involvement in infrastructure can be driven through the mechanism of Public Private Partnership (PPP) where private sector can use its resources and expertise in developing and managing infrastructure projects in collaboration with the government. Private investment, whether domestic or foreign, needs the right environment including business friendly policies, laws and regulations for infrastructure sector. Similarly, those laws and regulations must be enforced effectively to ensure the security of investment.

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

The summit brought lessons from Nepal's past experience into wider discussion. There was an opportunity to hear the experiences of our Chief Guest, distinguished Ministers and especially from our Guest of Honor and keynote speaker Hon'able Mr. Nitin Gadkari whose experience on planning, thoughts and initiatives have brought a drastic transformation on infrastructure development in India.

Likewise, distinguished speakers and experts highlighted their perspective on the related sectors on the summit, which could be the guideline for the development of an institutional mechanisms where CNI will work on following up on the commitments made by the different actors along with the government and development partners. This will also provide a platform for investors looking at Nepal as an investment destination while working forward towards reducing the risks in investments.



Nepal is the Right Place for Investment in the 21st Century: PM Koirala

Rt. Hon'able Prime Minister Mr. Sushil Koirala said that

Nepal is an ideal place for business in the 21st century because of its environment, market reach and natural resources. "If you are looking for a place to establish your business in the next decade, Nepal is the best place for you to invest," said PM Koirala in the inaugural speech of Nepal Infrastructure Summit 2014.

working, industrious and intelligent youth of Nepal.

Although statistics show that Nepal can produce around 83 thousand megawatts of hydropower, the fact of the matter is that it is producing less than 1% of that potential so far. "To meet the growing demands of the Nepali economy and to export power to the growing economies in the region, especially India where there is huge power deficit, there is need for large investment in the sector," said PM, adding that



The summit was successful in highlighting the need of infrastructure for socio-economic development, bringing out very constructive inputs and conclusions from



TIA cannot solve the Air Traffic Congestion: Experts

Talking at the session, 'Private Sector Investment in Air Transport Infrastructure' in Nepal Infrastructure Summit-2014, experts reveal that the Tribhuvan International Airport (TIA) alone is not sufficient to meet the growing demand for flights and suggested the government to opt for possible alternatives as soon as possible.

According to them TIA's infrastructure is bursting and cannot solve the congestions for the simple fact that it was not designed for the present times. So the government should devise a system to decongest it or look for alternatives. This means it has to undergo a major upgrade and find an alternative airport so that it can off load some of its present traffic and in turn become a bit more systematic and passenger oriented.

First off all TIA needs to get a major face lift and modernization in order to make the air transport

customer oriented. It also needs an alternative airport to help meet Nepal's present and future demands and this is where Siddhartha International Airport (SIA) at Bhairahawa could be a viable option. TIA and SIA should be Nepal's medium to long term strategy in the development of its air transport system. Development of both these airports would help manage and facilitate further growth in air transport.

An alternative airport to meet present and future demands, SIA at Bhairahawa could be a viable option.

However carrying out the projects of both airport requires a lot of investment, around one billion USD, equal to the total annual capital expenditure of the Government of Nepal. Therefore, only government finance is not enough and other means of financing have to be undertaken. One way forward would be the PPP model, which requires institutional and regulatory reforms. The PPP model takes care of further capital expenses of the government in the form of operational, maintenance and other related costs.

Continue from Page 1

Nepal Infrastructure ...

"We expect the summit to be a step forward to help address the funding gap between Nepal's demand for infrastructural services and the supply of it, by building the confidence of local investors while attracting foreign investors," he said also expressing CNI's commitment to make the Nepal Infrastructure Summit an annual event.

Chief Guest of the program Prime Minister Sushil Koirala said that since the country is targeting to graduate from Least Developed Country to Developing Country by 2022, the government is committed in encouraging investments from domestic and foreign investors in areas including railway, hydropower, tourism and agro-based industries. "The government is committed to filling the gap to make investment secure," said Koirala, adding that the availability of quality infrastructure is a pre-requisite for poverty reduction, delivering services to people, ensuring a basic standard of living, and accelerating economic growth.

The five major sessions of the Summit were:

- Outlook and Opportunities of Infrastructure Sector
- Framework for Sustainable Infrastructure Development for Socio-economic Growth
- Investment Climate in Nepal
- Infrastructure Financing Mechanisms
- Enabling Policy Initiatives

"The mission of any legislature is to eradicate poverty, increase employment opportunity and for that, two important things are necessary: industry and infrastructure," he said, adding that India is ready to extend all kind of support and assistance to Nepal in the matter. He added that his experience in infrastructure development shows that if the government wins the public confidence, fund raising will not be a problem.

Similarly, Finance Minister Dr. Ram Sharan Mahat said the development of infrastructure in the country has shown positive indications in recent days, increasing the optimism among the people. "Events like this are instrumental to explore the potential of infrastructure sector and attracting the foreign investment in the same," said Mahat. Meanwhile, Mr. Bimalendra Nidhi, Minister for Physical Infrastructure and Transport reiterated that the government has been giving priority to infrastructure sector which is reflected in the current three-year interim plan. "The Government can now assure the investors that they will have reasonable rate of returns on their investment in Nepal," Nidhi added.

Addressing the inaugural session President Emirates of CNI Mr. Binod Kumar Chaudhary said private sector needs to increase its investment in infrastructure. "As the state of Nepal's infrastructure is poor, there is need for huge investment from the private sector," Chaudhary said adding that just G2G (Government to Government) undertakings and coordination won't be sufficient in framework advancement and that the private sector extensively needs to be included simultaneously.

CNI Senior Vice-president Mr. Hari Bhakta Sharma said that Nepal has the favorable opportunity to gain from the oversights and experiences of other nations and that the nation ought to prioritize foundation advancement. "The reasons for holding the summit were manifold, the main ones being, infrastructure and its development lies at the heart of any country's development and are crucial for a country to achieve high and sustainable economic growth," Sharma said, adding that it is highly necessary for any country to learn

Project Bank is Necessary: Summit

Nepal Infrastructure Summit-2014 highlighted the necessity of a project bank to expedite the pace infrastructure development in the country. Speakers of the concluding session of the summit were of the view that the bank should have a list of clearly defined viable projects with estimated cost as well as potential rate of returns.

Similarly, the summit stressed that in order to attract private sector within a broader investment framework there should be a mechanism of viability gap funding. Since the gestation period of large infrastructure project is long and the real rate of return is low, such mechanism with clearly defined responsibility and accountability of both the government and private investment will be instrumental to ensure the reasonable return of return from investment.

Experts revealed that absence of bank for ready to run projects different development agencies and foreign investors have not found the project of their interest and the money that they were planning to inject in Nepal have gone to other countries.

Continue from Page 1

Nepal is the ...

According to Koirala, Nepal has untapped opportunities in sectors such as manufacturing, agriculture, tourism, infrastructure to name a few. He further stated that there is incomparable scope for investing in the hydroelectricity sector. "If you could produce besides the domestic markets, there are ever growing markets in neighborhood," said PM, "we have already signed PTA with India".

PM Koirala further stated that the government is working in identifying and resolving the bottlenecks of doing business and improving the investment climate in Nepal. The steady rise in the Ease of Doing Business Index is evidence of the government's readiness to help and support domestic as well as international

Meanwhile, guest of honor as well as key note speaker of the program Indian Minister for Road, Transport and Highways Nitin Gadkari said that a strong political commitment is needed for infrastructure development. Gadkari said, "If there is a will, there is a way. If not, there are seminars, workshops, discussions and survey". Strong political will from the political leadership is the basis for making variety of infrastructure development, said Gadkari, also known for creating Mumbai-Pune express route, sharing his experience of developing the express way.

from national and international best practices and find ways to implement them.

The major reason for organizing the summit was to highlight all problems, barriers and constraints that impedes infrastructure sector and provide solutions, guidelines and answers to these problems. This was also a forum for relevant stakeholders to voice their concerns and try to solve the problems that they have been facing on a daily basis. Given the enormous scope of infrastructure and infrastructural issues, the summit was focused on the theme of "Accelerating Investment in Infrastructure".

investors. Investment in quality infrastructure could also help uplift a substantial portion of the population above the poverty level. He stressed that facilitation of trade and infrastructure development must be carried out on a regional basis.

PPP- The Best Model for Infrastructure Development: Gadkari

Union Minister of Road Transport, Highway and Shipping of India, Nitin Jairam Gadkari, the key note speaker of Nepal Infrastructure Summit 2014, suggested Public Private Partnership (PPP) as the best model for infrastructure development. Addressing the inaugural ceremony of the summit in Kathmandu, Gadkari said that Nepal should adopt the PPP model with some structural policy reforms. "PPP model has always been a success story for India, which can help eradicate poverty and generate more employment opportunities," said Gadkari, suggesting the Nepal Government to learn from India's "success story" in road and infrastructure development. "India is ready to extend all kinds of support and assistance to Nepal in the matter," he added. "Capital is not a problem," he said, while sharing the experience on how they built projects like Mumbai-Pune expressway, India's first access controlled toll



Guests of honour hon'able Mr. Nitin Gadkari delivering key note speech in the summit

road amid various problems. He said that the important aspect was political will and leadership. "Indian government had been providing 10 to 40 per cent viability gap funding to different projects," Gadkari said that such provisions make projects commercially

viable under PPP by attracting investors. According to Gadkari, Nepal should focus on development mainly in water, power, transport and communications in order to overcome poverty. "It will be a great pleasure to see Nepal as one of the developed countries of the world," he added. He added that his experience in infrastructure development shows that if the government wins the public confidence, fund raising will not be a problem. A government is supposed to control its policy with transparency and vision, Gadkari said, adding "You can donate eye but you cannot donate the vision." He shared how he raised money from the public through issuance of bonds in absence of government funds to build roads and fly overs in Mumbai. "This is the time for you to change things, and the government needs to focus on how it can increase the employment, increase employment potential and raise GDP," he said.

Summit Suggests Infrastructure Financing Institution

Most of the experts and panelists of Nepal Infrastructure Summit 2014 have identified requirement of an effective Infrastructure Financing Institution (IFI) to facilitate investment for large scale infrastructure projects as a priority and suggested the government for its establishment. The consensual agreement reached during the discussion of technical session "Infrastructure Financing Mechanism" realized the growing need for increased investments and resources for large scale physical infrastructure development projects. This was one of the key findings and highlights of the summit as such an institution

Such an institution will enable to bridge the funding gap for large scale projects.

coordination among the stakeholders in forming IFI. Pant cited a clear example of the lack of financing from domestic level in the Kathmandu-Kulekhani Tunnel Highway. Mr. Sashin Joshi, CEO of NIC Asia Bank, said that this type of financing institution can also create a refinancing facility to mitigate the asset liability mismatches of commercial banks. Joshi raised the question that, "if the banking sector is at the core of infrastructure financing, then why has it not been successful?" According to Joshi, Nepali BFIs have around Rs 1.1 trillion (\$11.3 billion) deposits; however, they do not have the ability to invest in long-term projects and have been focusing on short-term business on retail and trade financing. Mr. Kush Kumar Joshi, Chairman of Nepal Purbadhar Bikas Company Ltd. (NPBCL) which is planning to develop the Kathmandu-Kulekhani Tunnel Highway was of the opinion that infrastructure financing so far has not been prioritized in Nepal as much as it should be. Mr. Deepak Rauniyar, CEO of Hydropower Investment and Development Company Ltd. (HIDCL) stated that HIDCL has been established to provide long-term

Organizer's Voice



Tulasi Prasad Sitaula, Secretary Ministry of Physical Infrastructure and Transport

Various conferences focusing on hydro and road projects have been held in the past, but this was indeed the first conference representing the overall infrastructure sector. We have learned many things from this summit. The ministry thinks that the whole country will benefit from this summit. Experts from many countries that have made good progress in infrastructure like India and China shared their ideas and experiences; we have learned many things from them. Although the country has a huge potential in the infrastructure sector, we have not been able to show the world how capable we are. To show this potential, we have to organize events like Nepal Infrastructure Summit frequently. Given the growing interest among foreign investor about business opportunities and possibilities in Nepal, the summit was the right platform to update them about the infrastructure sector.

Vishnu Agarwal Coordinator, CNI Infrastructure Committee

The summit was successful in providing learnings from national, regional and international experiences, which Nepal needs to put forward on enabling policy initiatives to attract private sector investment in infrastructure by identifying key impediments



is still lacking in Nepali context. "There is a huge funding gap in infrastructure sector and the government alone will not be able to fulfill it," said Dr. Minendra Rijal, Minister of Information and Communications. He therefore suggested all the concerned stakeholders to identify key concern areas in amending the Banks and Financial Institutions Act (BAFIA). According to experts, the proposed IFI would be instrumental in creating a viable solution to solve the problem of funding gap and of portfolio financing.

Mr. Radesh Pant, Chief Executive Officer (CEO) of Investment Board Nepal, highlighted that infrastructure projects need large and long term investment and also carries much higher risk. "Domestic BFIs having limited resources are not able to invest in such long term projects," Pant said, adding that there is a need for regulatory reform and proper

concessional financing for larger hydropower projects. "We have gotten concessional financing from ADB, but that has not been utilized properly.

Mr. Maha Prasad Adhikari, Deputy Governor of NRB, stated that a specific institution related to infrastructure financing has been envisaged. "To overcome the problem of financing in large scale infrastructure projects, NRB has proposed to form 'Infrastructure Development Bank' in the new amendment to BAFIA," he said, "the modality and the capital structure of the bank, however, is yet to be finalized". According to Adhikari, such an institution, bigger and separate from the existing commercial and development banks, will enable to bridge the funding gap for large scale projects in energy, transportation, and aviation, among others.

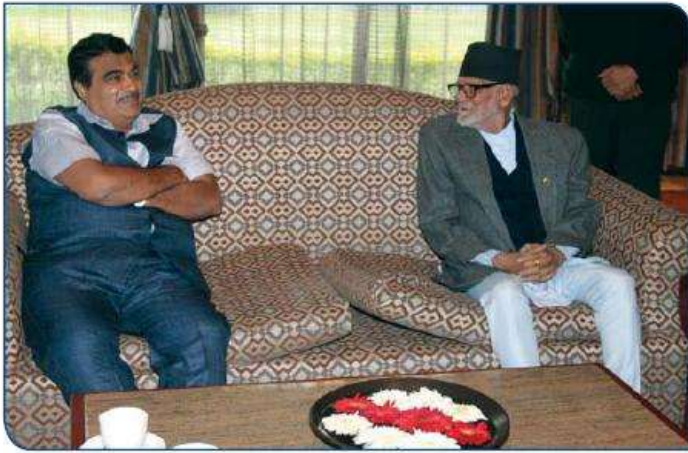
in infrastructure development and demonstrating its commitment for creation of investment friendly environment.



Nicholas Pandey
President, YCNC

On the summit, the government made a commitment to create investment opportunities for infrastructure projects including roads, airports and hydropower construction while international development partners and the private sector pledged to increase their investment into these areas. The success of the summit was driven by the optimistic and forward looking outlook among both the public and private sector in infrastructure development in the coming years. This momentum of working closely alongside with the Government of Nepal can help address issues on Infrastructures development.







Dr. Ram Saran Mahat
Hon'able Minister of Finance

The government has taken various initiatives to create a favorable environment for investors which have been termed as second generation economic reforms. Similarly, the government is also committed towards providing security for infrastructure projects and playing the role of an effective facilitator for investment.

Decisions of the government permitting IFC and ADB to issue local currency bonds, signing of the PTA/PDA with India and GMR, starting of construction of three international airports and reviewing and amending of various laws are all positive signs indicative of a favorable environment for investment in the country.

The macroeconomic indicators of the country are positive; the surplus budgets in the current fiscal year, the lowest public borrowing in the South Asian sub-continent, comfortable foreign exchange reserve reflect the strength in the macroeconomic front. However, the only thing we lack is investment and that is what we want to attract and make Nepal an investment haven.

There is no doubt that Nepal remains a friendly country in terms of domestic and external investments from the private sector. Energy shortages will also be taken care of within the next 3 years. We are now at peace and ready to push development partners to invest in infrastructure. Many decisions related to infrastructure development are coming soon including the agreement between all the political parties on the Labor Law tabled in the parliament. Therefore, we would like to assure the private sector that Nepal is a safe investment market and can provide a decent return on your investments.

Dr. Minendra Rijal
Hon'able Minister of Information and Communication



The state has been adopting a policy to collaborate with the private sector for some years now as the government's sole efforts will not be adequate for



Bimalendra Nidhi
Hon'able Minister of Physical Infrastructure and Transport

The Nepal Infrastructure Summit is very fitting and well-timed. The occasion marks and illustrates the bonding of the public and private sector in working towards our common endeavor to support and facilitate Nepal's entry into the club of developing nations by 2022.

The development of physical infrastructure is a priority for the Government, one which is well reflected in our thirteenth plan. Government is well aware of the issues related to the requirement of accessibility to the infrastructure services by the people in creating employment opportunities and also widening and extending current environment to bring additional income to the family and their dependents.

The road development in Nepal has a history of only six decades. Nepal ranks the lowest in this region in terms of road density serving the population and the area. Our efforts so far have been based on providing people accessibility to road heads within 4 hours in the hilly and mountainous region and 2 hours in the plains. The subsequent plan is aimed at reducing the total walking hours to all weather roads. In fulfilling our objectives, we have received significant support from the People and Government of India and other development partners.

We have also initiated development of an integrated transport system supplemented by other mode of transports like railways and waterways. In addition to the five border railway extension from the Indian border under the support from the Government of India, we have recently started the construction of railway from Bardibas to Simara with the limited resources available to the Government. I take this occasion to call upon our bilateral friends, development partners and private sector to come forward to finance or invest in transportation projects.

Radha Gyawali
Hon'able Minister of Energy



government's sole efforts will not be adequate for physical infrastructure development. The government has also made efforts to bring in mega investments for infrastructure development and is ready to reform the banking and financial sector for this.

On behalf of the government, the central bank will do the needful with regards to the financing of mega infrastructure projects. Nepal is now an investment-friendly country and we urge you to let your investment flow in for the construction of airports and fast-track roads without any hesitation and take back the fruits of capital flow.



Mahesh Basnet
Hon'able Minister of Industry

Although the policies related to infrastructure are good, there are problems in implementation and operational procedures. Similarly, there are some problematic provisions which have to be amended and the amendments should be enforced in a very short time. On the other

hand, corruption in the development activities and weak governance in the administrative system are the main hurdles for infrastructure development in Nepal.

The infrastructure summit was a major step by the private sector to push for the development infrastructure sector for socio-economic growth of the country. As it is well established that industrialization and employment generation is not possible without development of basic infrastructures, the government of Nepal has put the infrastructure sector in the forefront. Accordingly, it has been focusing on development of industrial infrastructure like Special Economic Zones (SEZ) in different regions of the country.

Experiences show that our infrastructure development has not been sustainable and the general public as well as business community have been victimized. Forum like the infrastructure summit should discuss on those pertinent issues and should provide recommendations for sustainable development strategy. The government will take these recommendations very seriously.

The state of infrastructure development in Nepal so far is not satisfactory. However, there is huge investment opportunities in this sector including hydropower which can help build a bright and prosperous Nepal. I would like to call on Nepali and international investors to increase investments in these areas.

As the development of infrastructure, especially power projects, is instrumental for socio-economic growth of the country, the government is committed to bringing in national and international investors into the country. We need to remove policy hurdles to ensure a smooth inflow of investment.

Prof. Dr. Govinda Raj Pokharel
Hon'able Vice-Chairman, National Planning Commission

Sustaining a national debate on infrastructure development and helping translate the vision of a prosperous Nepal into a reality are two crucial aspects in the country's current priorities. In this regard, the Government is committed to reform where ever necessary. A few Acts and Regulations that would assist in attracting investments in infrastructure sector are being tabled.

The government has provided a positive signal to investors. There are 3 components that no one else can compete with Nepal in; Tourism, Hydropower and Agriculture. It will not be a problem attracting investors to develop these sectors. For this the government has shown that it can work with multinational companies along with development partners.

As the reforms are taking place, having a positive mindset for investment is essential. Recently the mindset of Nepali investors towards investment has been changing and this is a very promising scenario for foreign investors as well. However, the idea in peoples mind that the public sector is perfect and born to be correct is not true, the public sector needs the help of the private sector to be effective. Younger generation should step forward for skills and technology transfer in the infrastructure sector.



Experts' View

January-February, 2015

7



Dr. Swarnim Wagle
Hon'able Member, National Planning Commission

Economic growth of Nepal in the last 200 years has been very sluggish, mainly because of sub-allotment of economic resources. Infrastructure has direct and indirect effect to economic growth; with direct being development of roads, telecom, electricity and indirect being public investment crowding in private investment, which can increase the

rate of the returns and number of users. Nepal's performance has been poor in terms of infrastructure investment. Currently only 5 % of GDP is being invested in infrastructure, which needs to be at least 12 % of GDP to keep up with the required economic growth rate.

We should learn from what has been done in the past and make required corrections and changes for the future. This will help us manage the external environments. We should plan to optimize the utilization of existing infrastructure. Lastly we should not forget sustainability while moving forward in infrastructure development.

Dr. Yub Raj Khatriwada
Governor, Nepal Rastra Bank

The private sector can generate resources through public limited companies to invest in the infrastructure sector. Since the country's private sector has been doing business by establishing mostly private limited companies, they have not been able to generate low-cost resources from the public. They usually depend on bank loans for capital which is usually expensive.

With the exception of banks and financial institutions (BFIs) including insurance companies, and lately hydropower companies, most of the successful companies



Leela Mani Paudyal
Chief Secretary, Government of Nepal

Although there were problems with the bureaucracy of Nepal, they are now being addressed and corrective action is being taken. One of the examples is members of the bureaucracy are being deployed for a hands on experience to many private companies. This has helped them get some

experiences of how the system is being run on the other side. It has been observed that the bureaucrats who have gone for such training come back with new ideas, means and ways of doing things in businesslike manner. They realize the problems that people have been facing while dealing with the government. This system has definitely helped bureaucrats in better understanding problems and helped in solving them. This has led to people changing their attitude towards government officials and understanding them. In a nutshell 'bureaucratic mindset' has been changing.

Dr. Shankar Sharma
Former Vice-Chairman, National Planning Commission

The government has done a commendable job in terms of infrastructure development by opening opportunities for the private sector to invest in. But the partnership being done with the private sector has only been on hydropower and telecommunication sector until now. The government should provide incentives to initiate partnerships with the private sector in infrastructure sectors other than hydro and telecom.

Pipeline projects or bank of the feasible projects should be put forward. However, the Government is lagging behind in this regard. With the creation



companies, and lately hydropower companies, most of the successful companies of private sector have not gone public. The investment climate in Nepal has been improving; however, people will not trust the businesses as long as the funding is generated only through private companies. The trend can be changed if the private sector starts to run businesses through a public limited company. The government has already permitted the International Finance Corporation (IFC) and the Asian Development Bank (ADB) to issue local currency bonds up to one billion USD. If an international agency can collect money from the public then why not domestic companies?



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

Our financial system is not capable enough to finance air transport infrastructure. Air transport infrastructure is vital for capital formation and capacity building of the nation. Many countries have moved ahead by following the PPP model and they have been quite successful in this endeavor. This model helped governments offload some of the huge

infrastructure development works to the private sector, and they in turn have enhanced their services to match customer requirements.

This model can be governed by contractually enforced performance standards and through natural commercial incentives. This system has been proved to provide higher returns to the private investors, good revenue to the government and better facilities and experience to the customers. As a result, the private partners would be compelled to provide world class facilities and services. The government on its part is now discussing these large infrastructure projects with the private sector and other related bodies.

Rakesh Sood
Former Indian Ambassador to Nepal



I am really impressed by the latest development in Nepal's hydropower sector. Among the latest developments, Nepal and India have signed a PTA enabling the two countries to trade power like any other commodity, and Investment Board Nepal and GMR Company of India have signed a PDA for the 900 MW Upper Karnali Hydropower Project.

In this context, Nepal needs to learn from past mistakes and work on building confidence among investors. The Infrastructure Summit is the need of the hour for Nepal to win the confidence of foreign investors as an environment for investment is now developing with the start of a peace process after a decade-long civil unrest. If the pace of encouraging development in the country continues and policy reforms are institutionalized, Nepal has a bright future in bringing in foreign investment.

However, the government is lagging behind in this regard. With the creation of a project bank, capacity to negotiate with big companies will also be increased. This will enhance the capacity of the government to minimize risks to some extent and to assure the private sector that Nepal is a safe investment market.



Arjun Karki
Secretary, Ministry of Urban Development

Attracting foreign direct investments in the infrastructure sector is a must as it is very capital intensive and adequate funding cannot be generated from the domestic market only. We have a capital deficit, so an option is to create a system where foreign investors do not have to run from table to table of government offices. The political leadership should make quick decisions on infrastructure related issues and should promote a culture of encouraging bureaucrats who can make decisions quickly.

Rajendra Kishore Kshatri
Secretary, Ministry of Energy



The government is mulling unbundling the Nepal Electricity Authority as part of sectoral reform and establishing two separate entities to look after national transmission and grid connectivity and trade power in the near future. Ministry of Energy will be taking the Electricity Act and the Regulatory Commission Act to Parliament soon, and that once enforced would start to bring about changes. Similarly, the government immediately needs to reach a decision on how to mitigate issues like land acquisition, write offs, forest clearance and political force majeure that will most certainly surface in the days to come.



Khadga Bahadur Bisht
President, IPPAN

Formulation and amendment of Acts and Regulations is a must to guide sectoral reform in the infrastructure sector. India and Nepal both embarked on sectoral reforms in the 1990s. Since then, India has made significant progress while Nepal is still stuck in the guidelines formed in 1992. While India is talking about 1,200 kV transmission lines today, Nepal is talking about 400 kV and has been stuck at just 132 kV for a very long time now.



Experts' View

January-February, 2015

8



Binod K. Chaudhary
President Emeritus, CNI

Since the very beginning of establishment, CNI has always been advocating that only Government to Government (G2G) undertakings and coordination will not suffice in framework advancement and extensive inclusion of the private sector is needed simultaneously. Latest experiences of India, China

and Malaysia have proven that the private sector should be in the forefront of infrastructure development. The government's endeavor should be to facilitate in the fast completion of project by easing legal frameworks.

Beyond the government projects, FDI should be attracted. For this, there must be policy predictability and cheap capital for the period of 20 to 30 years. Since infrastructure projects have long gestation periods, huge capitals at reasonable interest rate and predictable policy as well as good business environment are the pre-condition for FDI in this sector. The signing of PTA with India, PDA with GMR, and development plans of two regional airports in Bhairahawa and Pokhara have clearly signaled that the Government is now serious about the infrastructure development.

As the Indian market has opened for hydropower, Nepal can now also invite Chinese and Japanese investors as they have advanced technology. Huge



Wu Chuntai
H.E. Ambassador of China to Nepal

The Asian Infrastructure Investment Bank (AIIB) has been established to finance the gap in infrastructure projects in the region. That would help Nepal get a bigger share from the bank for infrastructure project financing. There is a need for an infrastructure investment mechanism to attract big investment in physical infrastructure to help graduate the country to a Developing Nation status within seven years. China is very willing to work together with Nepal and assist in infrastructure development projects. China's President Xi Jinping had placed high importance on development of its neighboring country Nepal.

Andreas Rottger
Counsellor, Head of Cooperation, European Union



First and foremost, for socio-economic growth of any country is positive attitude among the stakeholders. When you talk about socio-economic growth, infrastructure development is a pre-condition.

low cost capital and are well experienced in the sector. The visit of Indian Prime Minister Mr. Narendra Modi few months back and this visit of union minister Mr. Nitin Gadkari have been very instrumental for Nepal in spreading a positive message among the foreign investors.

Hari Bhakta Sharma
Senior Vice-President, CNI



The private sector has long been insisting on increased focus on infrastructure development, as poor infrastructure has hit Nepali industries hard. The government has now realized the need to take lead in eliminating infrastructure bottlenecks. CNI's initiative to organize Nepal Infrastructure Summit is an ideal example to showcase how the government and private sector can both work together.

However, policy reforms and confidence building measures from the government and the political class is still needed to attract the private sector's investment in infrastructure. There should be a feeling among the investors that their investment is secure. To this end, good examples set in other countries and what we have learned in this summit can be helpful for us.

Most of the foreign delegates attending the summit are aspiring investors looking to explore the scopes of investment in Nepal. If Nepali investors start investing, it will encourage foreigners to put their money here as well. CNI will institutionalize an Infrastructure Cell and make doable follow ups to facilitate infrastructure investment.



Anuj Agarwal
Vice-President, CNI

Nepal is one of the best countries in terms of the returns on investments; hence it has been very successful in terms of FDIs so far. In this context, it needs to build its own model with long term strategy for infrastructure development which should be based on its past experience. But the major challenge lies in the fact that different agencies/companies have been

moving forward with their own models. It has been difficult to bring those moving forward with their individual models to come together and agree on one single model which can benefit all.

It needs to be noted that the country's private sectors involvements in the mega projects have taken place only more recently. However, the success achieved by the country's private sector in cement manufacturing, tourism and hydropower, among others, exemplify that Nepali entrepreneurs have slowly started strengthening their capabilities and expertise in infrastructure sector as well.

Programs like Nepal Infrastructure Summit will help in resolving problems through wider consultation and identify further issues to move forward. As political stability is instrumental for economic growth, getting the constitution written is something that needs to be done immediately. Once this is completed it would be much easier for development partners to move forward with new projects.

The remittance flowing into the country has not properly been put into positive use and much more could be achieved with it if managed properly. Similarly, investment climate, mindsets of the politicians, rule of law are the issues that always go hand in hand with development. We should utilize what we have with us and not look to donors all the time as this leads to a dependency culture and not much can be achieved by this. We should ensure inclusive growth in whatever we do. The benefits should always reach the maximum number of people at the local level.



Kenichi Yokoyama
Country Director, ADB Nepal Resident Mission

Regarding investments in infrastructure development the main challenge is the implementation of projects. In order to expedite the pace of infrastructure development and to increase investment in the sector, there should be clear checks and balances while implementing projects. To this end, a scientific monitoring and

evaluation mechanism should be established.

In Nepali context, although 'A' Class contractors have been performing well to the required levels but the others have not been able to meet the standards. However, ADB's support has been consistent for infrastructure development of Nepal. In the mean time, ADB is working with NPC to develop a clear strategy, so that investment in infrastructure sector can be accelerated at least to 10-12 percent the country's GDP.

S.D Muni
Professor, Jawaharlal Nehru University



Political stability is a must for attracting investment either domestic or foreign. Peace, stability and regional harmony are the political DNAs for foreign investment. However, attracting investment is hard to realize without an active and productive public-private partnership to build a conducive environment for doing business.

The development discourse of Nepal has been irregular as its advocates tend to speak for the sake of it, sometimes without sufficient technical understanding of the issues at hand and without a holistic approach to their call for investment. Such summits as this one should help rectify these shortcomings.