

National Symposium on Public Private Partnership (PPP) in Economic Development of Nepal

22-23 October 2008
(6-7 Kartik 2065)
Kathmandu

1

Welcome and Namaste

Ministry of Tourism and Civil Aviation
Leela Mani Paudyal
Secretary

2

HISTORICAL PERSPECTIVE- STAGE 1st

- Development activities in people's participation is a historic phenomenon in Nepal- Involvement of central/local government and communities or people in general)
- Jhara or free labour- constructed Panchayat buildings, irrigation canals, school buildings, roads etc
- Participatory development is a buzz word in the recent development initiatives-particularly in local development activities-return in terms of service
- Schools, roads, irrigations, community buildings, religious/cultural sites are the major areas are developed in people's participation (ownership and sustainability)

3

HISTORICAL PERSPECTIVE contd.....

- Trust (guthi)- an indigenous way of investing in **private property for the benefit of communities around or public in general**
- In Guthi private capital is involved but not for profit purpose
- Sanctity of Guthi is diluted in modern trusts organizations-little or no contribution from individuals
- Guthis can't be expected as a model of mass scale economic development initiative since it is involuntary without expecting return on investment
- Co-operatives could be the entities for economic development than Guthis

4

HISTORICAL PERSPECTIVE-STAGE IIrd

Reasons for the evolution of PEs

- 1930s global recession in capitalist economy
- Role of the then governments globally as welfare states serving from womb to tomb
- Low key status and capabilities of private sectors at that time
- Glamour of socialism in third world countries
- Post colonial economic regime that entailed self reliant economy
- Top down initiatives of economic development
- Return on investment is expected but the return on investment is indifferent with the benefit of so called representative/s of the owners/investors

5

LESSONS LEARNED-STAGE IIIrd

- PES were expected that they will operate with following principles:
 1. Accountable like public sector
 2. Professionally business oriented like private sector
- But the performance of most of the PEs have shown the result other way around
- Wave of Privatization emerged
- The performance of privatized PEs in Nepal too have shown dismal results
- **Can those economic development be done in different ways? Public Private Partnership (PPP)???? Private sector participates in business and invests with the objective of getting return on investment (ROI)**
- **Government sector involves to share excessive risk of private investment, enhance morale of private investors and to safeguard the public interest**

6

WHERE PPP CAN BE A MODEL OF ECONOMIC DEVELOPMENT

- Projects requiring too big investment that private sector may not be ready to take whole risk but sees ample opportunity to secure fair rate of return on investment like aviation Industry
- Projects that involve huge area of land but cost of land can make project unfeasible like:
 1. Construction, operation and maintenance Airports
 2. Exhibition centres
 3. Bus parks
 4. Operation and maintenance of National parks
 5. Conservation and protection of heritage sites
- Public utilities/essential services that government want to privatize but also wants to give message to general people that it is still prudent to the effective delivery of such services
- Local Development Ministry is way ahead in this line delivering local level services in urban areas through PPP where the consumers can pay the fees for services so that private investors can secure ROI

PPP in TOURISM and CIVIL AVIATION

- Tourism and Civil Aviation are key areas of economy of Nepal
- Tourism Infrastructures are government businesses and services are mostly private sector businesses
- Civil Aviation infrastructures are Public Sector business till today
- Global trend is towards privatization of civil aviation infrastructure and operations
- Private Sector can be involved on partnership basis- but no modalities have been developed yet
- NPC should take initiatives for the preparation of modalities suitable to all the Ministries

PPP in TOURISM and CIVIL AVIATION

- In the civil aviation infrastructures the government may provide a capital **subsidy** in the form of a one-time/lump sum **grant** or land or other resources to the private sector and private sector develops infrastructure or creates services and operates for the given number of period
- In another way government may invest certain amount of money let private sector to own majority share, manage and run the business like airport terminals

9

ORGANIZATIONS UNDER THE MINISTRY OF TOURISM AND CIVIL AVIATION

1. Nepal Tourism Board (NTB)
2. Civil Aviation Authority of Nepal (CAAN)
3. Nepal Airlines Corporation
4. Nepal Academy of Tourism and Hotel Management
5. Tara Gaon Development Board
6. Others

10

NEPAL TOURISM BOARD

- Established as an autonomous body by Nepal Tourism Board Act 2053; working in Public Private Partnership (PPP) approach
- Functioning as NTO replacing Department of Tourism from 31 December 1998
- The Executive Committee comprises of five members each from the private sector and stakeholder government agencies
- Almost all programs and activities are conducted jointly with the private sector

11

NEPAL AIRLINES CORPORATION

- **Nepal Airlines Corporation (NAC) was incorporated on 1 July 1958 through enactment of Nepal Airlines Corporation Act. 2019**
- **After 50 years of operation, it has not been able to grow in terms of outreach, infrastructures and aircrafts inventory**
- **Translating PPP model of management into NAC is being now regarded as a priority issue by all and steady progress is being made in this regard**

12

OTHER AREAS OF CONCERN

- **Nepal Academy of Tourism and Hotel Management**
- **PPP could lead to:**
- **Innovation**
- **Diversification in the courses being offered**
- **International recognition**
- **Better optimization of facilities**
- **Diversification of activities**
- **2. Tara Gaon Development Board**
- **PPP could lead to:**
- **Better operations**
- **Diversification of activities**
- **Increase in income through lease provisions**

13

OTHER AREAS OF CONCERN

- Can Private Sector come forward for the utilization of vast area of land in the name of Ministry to develop tourism related services?
- Can private sector come forward with proposal to build or operate civil aviation infrastructure like airports and or terminal buildings in the land of Ministry?
- Can private sector come forward with proposal for the utilization of under utilized facilities of NATHAM?
- Can Private sector work together with Tara Gaon utilizing its resources in terms of Fixed Assets-Land?

14

Thank you