

स्थानीय सरकार सबलीकरण



**Public Private Partnerships and Emerging Lessons with Municipal Governments:**  
April 26, 2019

**The Asia Foundation and VROCK & Company:**

A Policy Dialogue on the ‘Public Private Partnerships and Emerging Lessons with Municipal Governments’ was held on April 26, 2019 at Nepali Chulo’s conference center. The dialogue was co-hosted by VRock & Company and The Asia Foundation and was attended by the Federalism Working Group’s various donor members, organizations and relevant stakeholders. This discussion builds on the Asia Foundation’s ongoing DFAT-TAF Subnational Governance program and experiences around public private partnerships and emerging lessons we’re observing in the work with municipalities.

As part of subnational governance program, we believe in inclusive and collaborative decision-making processes that allow communities to make informed decisions based on actual needs and priorities they collectively come up with. To achieve this, the program promotes an enabling environment for the development of strong, effective, and inclusive subnational government by working in the following 3 strategic areas;

1. Generating evidence and data on subnational governance that helps to inform policy and decision making
2. Supporting the transition to federalism through policy and constructive dialogue
3. Improving urban service delivery and economic governance

The current public private partnership work sits under strategic area 3 where the Foundation supports municipalities to play a constructive role in activating their economies by establishing effective engagements with non-traditional actors like the private sector. The evolving transition of Federal Nepal has created conditions for networks like the private sector to effectively negotiate with local government counterparts. Based on the changed environment, municipalities finally have the political cover and would enable an authorizing environment for public and private sector collaboration to promote economic growth.

These interactions between municipal governments and the private sector at the subnational level, has allowed a deeper understanding of the business environment business and regulatory requirements needed to bring in investment and growth. This process has served as a driver to foster improved capacity to strengthen economic governance, innovate and work collaboratively between public and private institutions.

Given the challenges on limited resources and revenue, both the public and private sector bring in distinctive competences that can play a crucial role in jointly problem-solving economic growth priorities for their localities. Bringing in new perspectives at this time allows to build relationships that helps to improve legitimacy, transparency and ultimately create shared values that sustain partnerships for municipalities.

**VROCK Presentation:**

VRock -1 key findings and lessons learned through its experience in the past year, working with the private sector and aligning local level needs and effective governance. The floor was then opened to the audience for two objectives:

1. To share the lessons learned from the field
2. To answer audience queries and make suggestions for future project implementation

**Key Points Discussed**

Increasingly, governments around the world are embracing PPP to address budgetary constraints and to invite private sector innovations and managerial efficiency for better service delivery. As the implementing partner of the Infrastructure Development and Financial Sustainability (IDFS) program under the DFAT-TAF partnership program, VRock highlighted key lessons learned from working with the 3 municipalities: Bharatpur Metropolitan City, Province 3; Waling Municipality, Gandaki Province; and Birendranagar Municipality, Karnali Province.

<p><b>Winning Trust and Building Confidence</b></p> <ul style="list-style-type: none"> <li>• Identifying champions</li> <li>• Orienting all relevant stakeholders</li> <li>• Constant and consistent communication/engagement</li> <li>• Fostering Inclusive participation</li> <li>• Embracing uncertainty</li> <li>• Going an extra mile at all times</li> </ul>	<p><b>Enhancing Capacities on PPPs</b></p> <ul style="list-style-type: none"> <li>• Building Capacity for policymaking and project implementation</li> <li>• Aligning Project interests and priorities of all parties</li> <li>• Availing Alternate Sources of Financing</li> </ul>
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**Key Insights:**

The following insights were highlighted in the open floor discussions with the participants-

**Vertical and horizontal co-ordination**

With the provincial government still grappling to clarify its overlapping roles with the Federal government and define mandates, ensuring strategic communication at the three levels have been a challenge. This directly affects the relation with external stakeholders and the efficiency of the

project selection process. This coordination is also very important in terms of aligning policy and regulatory frameworks that do not contradict each other in the future. Strong Policy frameworks at local levels need to be created prior to working on establishing the Legal Framework to ensure the practicality of implementing PPP projects. However, this poses a major risk i.e. politicization of the private sector. With inaccurate risk analysis and planned coordination, government control of the private sector could be an unintended consequence.

### Capacity Building

Municipalities are playing a central role when it comes to infrastructure development in line with the government's directive and the trend on decentralization, wherein local governments are assigned with increasing authorities, responsibilities and resources. PPP projects can sometimes be complex to prepare and take a considerable amount of time to implement. Specialized skills are thus required, which are not always available, in both the public and private sectors where PPP is still a relatively new concept of development. Efforts need to be made to address these gaps in skills via trainings, workshops, tools and knowledge products.

The PPP Act for Municipalities, 2075 passed at the municipality level mandates the establishment of PPP Unit Committee. Clarification of core services and role of the local govt., committee and private players is therefore important to ensure there are no conflicting interests amongst the various stakeholders of a project.

### Transparency, Accountability and Inclusion

Transparency and accountability are two of the most commonly discussed issues of governance. Both issues are critical dimensions of governance with transparency promoting proactive disclosure of public goods and services while also contributing to accountability that then goes on to ensure a performance-based model that attracts the private sector through an efficient competitive selection process. Accountability provides a tool to ensure PPP's public interest goals and helps in improving organizational performance while improving public perception in democracy.

PPP projects can be complex, with multiple parties having conflicting interests, priorities, goals and mandates. In all its complexity, a key issue is to ensure a PPP projects are inclusive. For advisory support partners like VRock, it is a balancing act, where expectations of all parties must be navigated carefully to not lose credibility and trust of either side while ensuring a optimal outcome that aligns with a pro poor development outcome as well as maintaining financial viability. Thus efforts/actions need to be carefully analyzed to safeguard and stimulate inclusiveness in PPPs.

### Community Participation

Within communities, there is a growing awareness of the benefits of community participation, especially, in infrastructure project activities like planning, designing, executing, managing and operating in some cases. When community members are able to participate in the design and location of the PPP project, people are more likely to use and maintain the facility. It is therefore beneficial to include the community in early planning. While the design chosen is more likely to

be accepted by the community if they have participated in the decision-making process, the physical contribution of labor, participatory decision making or cash to a project increases the ownership and forms a basis for future sustainable management.

In case of participation of women and other vulnerable groups, foundational issues have to be addressed while mainstreaming GESI principles in all processes of project development. Their participation should be encouraged through capacity building and adaptive methods of interaction and impact assessments of projects on livelihoods of such communities need to be carefully analyzed and addressed.

VRock comments –

- With many concerns around disputes, contractual defaults, procurement processes and sharing of risks and benefits, the Implementation Agreement / PDA will address these issues by outlining the responsibilities and accountable entities
- Starting at ground zero is an advantage where we can shape the sustainable model of using PPPs as a means for the economic development of Nepal. These development needs to be locally owned and avoid alienating local communities in order to be a sustainable model.
- PPP is a premise to address resource gaps in delivering a public goods/services
- Capture of state and state capture of private sector will be a tricky challenge to handle
- Dealing with project uncertainties effort to engage the Public and Private sector for productive project implementation and good governance, a continuous support/ lessons sharing is required from the partners and participant organizations of the session

Way forward

- Strengthen legal framework
- Enhance implementing capacity
- Arrange alternative financing for projects
- Scale up

Annex:

Q&A and Input:

1. Pratistha, EPI

- a. Working with 5 municipality
- b. Experiences are similar to VRock - assisted in enacting Acts and regulations
- c. Supporting development of PPP documents and project preparation
- d. Supporting P2,5 & 6 on approach paper
- e. Pokhara Municipality- Sarankot project on PPC

2. Linda Cantro USAID- Public Finance

- a. Locations - Birendra Nagar and Bardiya
- b. Intriguing area- financial analysis is a sensitive factor how much will community engage and how can the public sector not force engagement but encourage **self-participation**
- c. Approach through projects, rather than governance
- d. Fecal Sludge processing plant - Plant is already there - challenge is how the public sector engages the private service providers

3. Keshav Bhusal - ILO

- a. Working in Birgunj and Butwal (DfID)
- b. Employment generation - skills for employment

4. Yanki Ukyab - Niti

- a. Judiciary dimension
- b. Still very central in its orientation - how can Judiciary be engaged in this process

5. Bishnu Puri (UNCDF)

- a. Working with Town Development Fund
- b. Importance of Transparent process
- c. Sharing gain and risks between private and public sector is a critical factor
- d. Alternative finance is a long way to go
- e. UNCDF has undertaken a credit analysis of Bhimbutta, Dharan, Tulsipur, Dharan, Itahari to assess their credit and bond issuing capacity
- f. How is it possible to have JV between two or more local government units - there is little work done on how resources can be shared - Example of drinking water facilities at Dhulikhel and Panauti are good examples

6. Radhika Regmi - Swiss and DFAT funded project focusing on ward level women

- a. Location – Sunsari and Morang
- b. Local government women's role and contribution are not considered important or significant
- c. Need for development of Women Ward chairs

7. Dharana Nepal, DFID

- a. Q: How do we make sure project selection is strategic and not scattered and the selection is coordinated and planned?
- b. Q: How do we ensure communication in all levels for strategic progress?
- c. Need for strategic Projects in consultation with the Province and the Federal level

**8. Phanindra Adhikari, IDEA**

- a. Q: Unpack - how does the PPP Committee work? Is it a co-creation between Private and Public sector working together? How does the financing work? Conflict of interest?
- b. How is the role of civil society being incorporated on inclusion and accountability?
- c. Before legal framework, need for policy framework
- d. Delineation of responsibilities between levels of government and then private sector
- e. Capacity Building is a critical component of success
- f. There is a need for policy framework before legal framework.
- g. What are the core services that the local Govt. must deliver?
- h. What are the different areas that both parties can work on?

**9. John Tynella**

- a. Accountability in a complex structure like PPP?
- b. Q: How can we be accountable when we rely on the private sector to deliver some of our mandates ?
- c. What are the roles and responsibilities of the Municipality and where is the line between the PS and Mun. drawn?

**10. Jeevan Ji Anil (ADB)**

- a. Q: How do we depoliticize everything and in this case the private sector
- b. Risk may be that we may be contributing to more government control of private sector

**11. Sarah Tamang**

- a. About Women and inclusion
- b. Foundational issues need to be worked on
- c. Patronage network
- d. Rebuild the new state in the old ways

**12. Bandu Ranjan – Q: how do you balance between private sector profit motive versus ensuring accessibility of resources**

**13. Deepak - SDC**

**14. Anil**

- a. Nepal has a Long History of BOOT and studies need to be done to document the various (positive/negative) experiences with it.
- b. Are there any studies on the experiences and challenges?

**15. Anuradha - Save the world**

- a. Consolidating long term peace needs Local government to deliver
- b. Displacing communities and livelihoods
- c. We are at ground zero then lets make sure we have a sustainable development

**16. Anjan Panday**

- a. Renewable energy - blended finance (VGF)
- b. Urban Corridor projects in P1 & P5

**17. Gokarna Awasti**

- a. A possible way for success in this is to link with sustainable development goals

**18. Satish N Joshi**

- a. With the uncertainties in this new effort to engage the Public and Private sector for Productive Project implementation and good governance, support/ lessons sharing is required from this group

VRock -

- PPP - premise is to address resource gap in delivering a public good
- Access, equity and inclusiveness
- Capture of state and state capture of private sector
- Ground zero to start with is an advantage.
- These development needs to be locally owned and we should avoid alienating local communities as it is not a sustainable model.
- **Implementation Agreement / PDA would outline the responsibilities and accountable entities**