

TECHNICAL ASSISTANCE  
TO THE KINGDOM OF NEPAL FOR  
ESTABLISHING ECONOMIC POLICY NETWORK  
ADB TA 4288-NEP

**PROCEEDINGS OF THE WORKSHOP ON  
THEMATIC POLICY PAPERS  
(Workshop #5)**

April 2006



## I. Introduction

Workshop 5 of the Economic Policy Network was held on March 31, 2006 at Nepal Administrative Staff College, Jawalakhel. Two policy papers were presented at the workshop sessions.

As per the decision of the Steering Committee held on January 23, 2006 the policy papers with the incorporation of comments from the workshop, are taken to the respective Advisory Committee for final validation. The final report is then forwarded to all concerned ministries and agencies for implementation. The drafts as well as finalized reports are also posted under the 'Economic Policy Network' link within the Ministry of Finance for accessibility of the general public.

The policy papers presented at the workshop were: (i) Prospects and Constraints of Public Private Partnership for Urban Waste Management; and (ii) Policy Reform Networking in Nepal: A Suggested Framework. The workshop was divided into two sessions to discuss each paper. Each session followed (i) a presentation by the consultant, (ii) comments by the reviewer, and (iii) open floor discussion. The session was chaired by former member of National Planning Commission (NPC) Dr. Ram Prasad Yadav.

## II. Prospects and Constraints of Public Private Partnership for Urban Waste Management

### A. Presentation of Paper

The study was carried out by Mr. Badan Lal Nyachhyon for Society of Consulting Architectural and Engineering Firms (SCAEF). The commentator on Mr. Nyachhon's paper was former Chief Secretary of His Majesty's Government, Dr. Bimal Prasad Koirala.

The presentation basically summarized the chapters as per the TOR of the consultant:

### B. Commentator's Remarks

Dr. Koirala expressed that the paper has presented several serious issues concerned with the Urban Waste Management (UWM). He commented that most of the wastes are biodegradable that can be recycled. Households need to separate the wastes for it to be managed effectively though. The problem with urban wastes is that they are visible all around in Nepal. Untreated wastewater and air pollution from vehicle emission are a few major problems as well as pesticide and insecticide use in agriculture—which are very hazardous. Dr. Koirala pointed out that the consultant has overlooked the aspects of industrial sludge in his study. He also pointed out that it is easier to identify and address point source pollution (like brick kilns) rather than non-point source pollution (like pesticide runoff from agricultural fields).

He further explained that UWM is a complex and many tiered issue as it is a mix of biodegradable and chemical wastes. Thus the cost to manage it is high and continues to increase into the future. The ever-increasing urban population makes it difficult for the Government to handle it properly and cost effectively.

Dr. Koirala highlighted the role of private sector in managing wastes. He opined that most wastes can be recycled and provide the raw material needed to produce some other

goods. There is a need to provide incentives to the private sector or to out source the job of reusing the accumulated urban waste. In order to make it a profitable venture, recycling costs have to be reduced so that the private sector would be interested to participate in investments. He also opined that more investment must be mobilized by the Government as well as private sector to manage wastes in both urban and rural areas in Nepal. Economic alternatives have to be explored through PPP models with proper considerations in the areas of (i) contracting out specific jobs, (ii) partnership building, (iii) technical backstopping, and (iv) tax rebate.

Though Nepal is one of the low waste generating countries, solid waste management has emerged as a major problem in the urban areas and is slowly rising in the outskirts and villages. Thus, he stressed the need to formulate different location specific schemes for the urban and rural areas. Till date the aspects of waste generation or management are not covered by any policy. According to him, Municipalities should be encouraged to take sole charge to undertake activities to manage the waste so that the cost of establishing a new institution is avoided. Introduction of standards, and tradable permits have to be enacted in the areas of waste management through appropriate regulatory means. He favored having a separate Industrial Pollution Act.

Dr. Koirala explained that the transitional policy for moving into cleaner production and green productivity was considered by HMG in the past but was not practiced. He also dwelt upon the policy and institutional infrastructures in the areas of solid waste, waste water and gaseous emissions. According to him, the policy structure should not be made cumbersome, which may distract private sector to invest in such areas.

### **C. Deliberation from the audience**

Following the commentator's remarks, the Chairman opened the floor for discussion.

- Mr. Shanker M. Singh explained that though the private sector is attracted to profit earning areas they are equally sensible to environmental issues. He expressed that the Government lacks an inventory of public land and specific provisions to allow long term leasing of such land which could be useful in setting up urban waste management facilities and recycling facilities. There are no legal frameworks for the private sector in river ways/water ways. He further suggested on carbon trading and the possible investment in such fields. He requested EPN to take care of the implementation aspects of this report by involving the private sector.
- Dr. Jiba Raj Pokharel expressed that Nepal needs to adopt the waste management practices of western cultures. In Nepal enough focus is not given to waste by the Government, private sector or households and people. For proper waste management, people's attitudes have to change and at the same time effective treatment facilities should be established. The best practices used by other countries should be adopted. He further suggested that the practices undertaken in Japan and America could be replicated in Nepal with modifications to suit our environment. He requested the consultant to look into it.
- Mr. Mahesh Karki stressed on natural resource planning and the need to create hospital waste and urban waste fund. He drew the attention of the consultant to look into the aspects of waste management at the central level rather than considering only on Kathmandu valley. Measures to adjust dust pollution, alternatives to land filling, financing, introduction of new technology were also mentioned to control solid wastes. He also requested the consultant to shed light on the resettlement policy vis-à-vis solid waste management.

- Mrs. Laxmi Kesari Manandhar pointed out the deficiencies in awareness program in urban areas. She explained that composting of wastes are done in villages whereas it is haphazardly thrown everywhere in towns. She further highlighted that the municipality has to provide different trainings in order to manage wastes. She was critical to mention that the implementation strategy and policy implementation may not be sustainable because municipality's funds won't work alone until there is a change in the psyche of the public.
- Mr. Balaam Rajbhandari suggested the establishment of plastic recycling factory in Kathmandu. He further suggested launching awareness programs to reduce and to manage wastes. A separate committee should be established with a lower level chairmanship in place of Prime Minister because that the Prime Minister's Committee may not be effective due to his unavailability at times.
- Mr. Stalin Man Pradhan opined that the tax collected from rivers (sand extraction) should be utilized in managing water pollution. The Government has set standards but its enforcement has been weak. Thus, the establishment of an institutional arrangement for enforcing environmental standards is necessary. He further suggested that the recyclable wastes have to be categorized and separated properly. Policy has to be formulated in such a way that the waste is managed properly. The biodegradable waste from households could be used as compost which in turn may contribute to reduce its volume by 50%.
- Mr. Chiranjibi Nepal explained the importance of the Procurement Act for Public Private Partnership. He highlighted the involvement of Civil Society in the management of wastes. Mr. Nepal suggested that different programs have to be implemented to create awareness to change people's attitudes. Risk sharing and investment sharing should be introduced in PPP in order to make it effective.
- Mr. Madhukar SJR stressed adopting the Shen Jing model of China as it is the best model for recycling wastes. He further clarified the role of PPP to increase productivity to contribute to the national economy. He suggested that PPP on project approach would be better than program approach.

The Chairman thanked everyone for taking active part in the discussions. He suggested that instead of creating separate environmental entities, every ministry should have a department to address environmental issues. He further hoped that as we have not yet come to any solutions, the ideas presented by the consultant may be instrumental to properly manage urban wastes by harnessing necessary participation of households, Government, and the private sector. He further anticipated that the concerned authorities will come up with a prototype model of PPP for waste management.

The chairman adjourned the first session for a brief tea break.

### **III. Policy Reform Networking in Nepal: A Suggested Framework**

#### **A. Presentation of Paper**

The study was carried out by former Vice Chairman of National Planning Commission (NPC), Mr. Prithvi Raj Ligal. The commentator on Mr. Ligal's paper was former Chief Secretary of His Majesty's Government, Dr. Bimal Prasad Koirala.

The presentation basically summarized the chapters as per the TOR of the consultant.

## B. Commentators' Remarks

Dr. Koirala commended the consultant's work in clearly explaining the evolution of Economic Policy and its Networking in Nepal. As policy making is no more a sacrosanct and confidential activity, a country like Nepal has to revisit its policies quite often to address emerging new issues and international trends by involving all stakeholders including private sector and civil societies. There should be constant review of policies by the stakeholders and they should provide timely suggestions to the government. In this regard, the think tanks outside the government could be a major source of policy inputs to supplement the visions of NPC, which is mostly influenced by government's insiders' views. The ad-hoc policy making practices have to be abandoned and HMG should realize that the public is the main owners of the policies. Thus, constant policy analysis is needed so that the policies take their logical progress. Elected government doesn't necessarily mean good government. Thus, he was keen on these broader issues to be appropriately guiding the vision of the future framing of Economic Policy Network in Nepal.

Dr. Koirala suggested that need based and demand based policies should be implemented so that policy based reform is continued. Mentioning that the spillover benefits of drastic reforms of late eighties and early nineties have been driving the country so far, he emphasized that the idea of readjusting has become vital to move from a narrow orthodox economy to a liberalized economy. Fair institutional linkages play a significant role in the adoption of policies, hence the mechanisms to create such linkages between the government and the outside agencies need to be enhanced. People are interested only on what they get rather than on how the policy is formulated.

As the present TA, provided by Asian Development Bank is due to end shortly, he was inquisitive to know the status of EPN, whether it is being continued with further assistance or through HMG resources? He was in favor of its continuation by all means.

Arguing that the term "Economic Policy" fails to address many other important and contemporary issues intricately related to development, he suggested making it broader by renaming it "Development Policy Network."

The thematic groups should also be framed for Governance and Financial Sector Reforms and all such groups should be represented by concerned secretaries as ex-officio members and chaired by eminent personalities. He stressed that the Chairman of the Steering Committee should either be the Vice Chairman or the Member of the NPC. The membership of this committee should not contain more than 50% government representatives, with other half being from among researchers, academia, intelligentsia, and the private sector. The Member Secretary of this Steering committee has to be a permanently placed Joint Secretary of HMG. Dr. Koirala suggested the Consultant to explore possibilities to link up these works with the economic sub-committee of the cabinet to induct clear cooperation and responsibilities of the Ministers.

The need of temporary natured cross disciplinary team to look into the impact of policy and cost implementation was also highlighted by Dr. Koirala. He suggested carrying out opinion polls occasionally and conducting impact studies as necessary.

Before opening the floor for comments, the chairman gave a brief opportunity to Mr. Lital to clarify few observations so as to help the floor's deliberations.

Mr. Lital opined that renaming it "Development Policy Network" is a good idea. The policies that are evolved through participatory process need to be updated, upgraded and refined accordingly to suit with the country's perspectives. Though the consultancy works have increased tremendously over the years, the output is less than satisfactory. Hence, we should focus more on institutions like the ones suggested as HUB institutions in the Report to garner opinions, suggestions and research. As Cabinet subcommittee is represented by VC and Member of NPC, and concerned secretaries of HMG, the linkages are well

established through the recommended mechanism too. The political interests of accepting certain policies are directly tied with the people's interests and the politicians have to be obviously concerned with it. Regarding financing modalities of the Network he insisted to have 3–5 years continued support of ADB or any other donor to make this effort sustainable.

### **C. Deliberation from the audience**

Following the commentator's remarks, the Chairman opened the floor for discussion.

- Mr. Dwarika N. Dhungel shared that the consultancy culture has deteriorated the quality of policy research in Nepal. The outputs of such works have been below the desired quality level as they are mostly guided by monetary factor and absence of ownership of the work. He also favored the idea of the Development Policy Network as there are needs of developmental studies rather than economic ones and entire local people including those from the rural areas have also to be benefited from such works. The policy should be formulated in accordance with three aspects; participation of stakeholders, Country's regulations and the agenda of the elected government. He wants these types of dialogue to be continued few more times and involve more research institutions. The research institutions should be represented in the steering committee. The secretariat would be best fitted in the NPC if not in the Office of the Prime Minister and the Council of Ministers. Listing of tentative HUB institutions has to be added in the report.
- Dr. Dinesh Pant supported the commentator's observation of establishing a Development Policy Network than the Economic Policy Network. Institutional development weakness is main problem in Nepal. So he was of the opinion to include institutional aspects also in the thematic group. The institutional reform should address work culture, and corporate culture rather than hardware aspects.
- While supporting that political stress, bureaucratic stress and funding stress are identified as the major building blocks of policy, Dr. Rabindra Shakya opined that the institutional stress had also emerged as major contributor to slow down progress. Hence, he suggested the consultant to highlight few lessons learnt from past experiences in his report. According to him, the cabinet subcommittee discussions are non-professional and dominated by non-professional Ministers, so they should not be emphasized. He expressed to see an amicable relationship build up between NPC and this Network. The development process as well as policy implementation is weak in Nepal. He wanted the local level organizations also to be represented in the steering committee and suggested for few more theme groups to look after governance, and social service sector. As of the present recommendation in the report the Ministry of Local Development has been overlooked.
- Mr. Binod Karmacharya explained that the network, at present, has played a worthy role in addressing the policy for the short term but was skeptical whether it would be able to look into long term strategic thinking. Thus this type of project has to be in operation for longer period to eventually turn into a think tank.
- Mr. Shree Sharma requested the involvement of professional associations in the committees.
- Mr. Madhukar SJB Rana opined that the donor funded approach may not contribute in enhancing the feeling of ownership. Hence homegrown policy endeavor should be encouraged. As the Cabinet's economic subcommittee is chaired by the Finance Minister, he suggested making best use of it for policy reform. He supported the recommended structure of the Secretariat to be headed by a full time Joint Secretary level officer.

- Mr. Mahesh Karki opined that the TOR of the Steering Committee needs to be reviewed in view of its status as a recommendatory body on policy affairs. He was not supportive to have donors represented in it. He wanted the linkages to be clearly spelled out with regard to this Network and the prevailing National Development Council, NPC, etc. Should monetary policy be under the purview of such network? In order to implement the policy, different programs or implementation mechanisms have to be suggested. He also suggested investigating the role of the parliament in policy formulation.

Briefly responding to the observations, Mr. Ligal expressed that the linkage with long term and short term policy research will be ensured as the Steering Committee is linked with NPC through its Chairmanship by the Member of NPC. He thanked the participants for thought provoking deliberations and assured to refine his report to the best possible.

The Chairman closed the session by thanking Mr. Ligal, Mr. Koirala and all participants. Mentioning that one time individual consultancy is not enough for framing long term policy reforms he suggested the organizers to continue such dialogues in the future. Highlighting the need of long term policy mechanism, he was hopeful that this study has provided a sound base to initiate discourses to arrive at meaningful results.