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12 - 13 September 2024

The Soaltee Kathmandu

Urban Development in Nepal: Current Status and Way Forward

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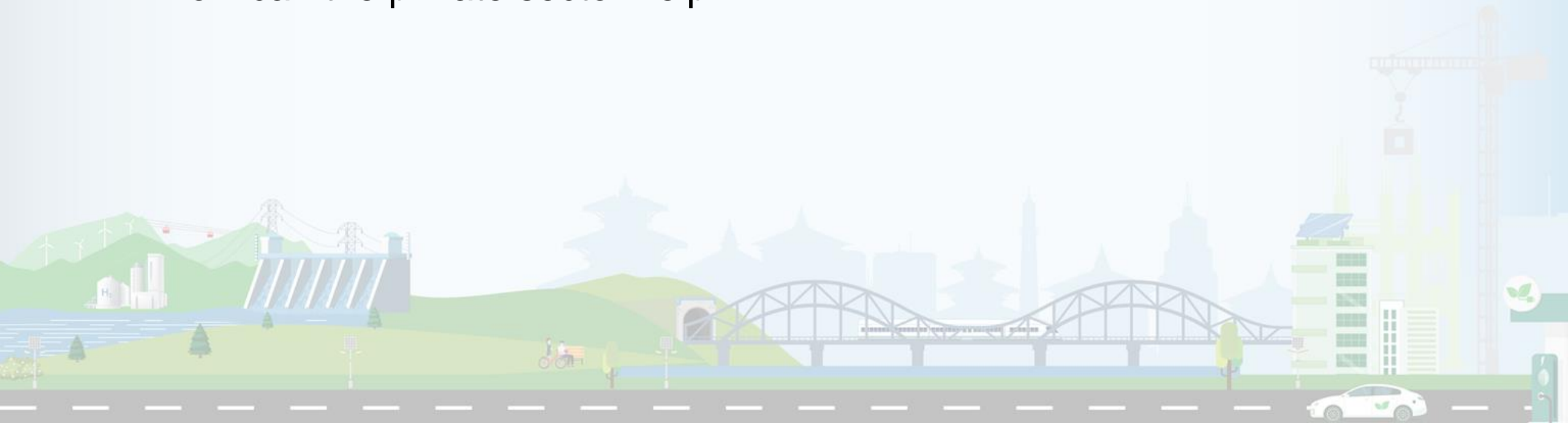
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Presentation Content

- Why is urbanization necessary?
- What is wrong with Nepal's urbanization?
- How can the private sector help?





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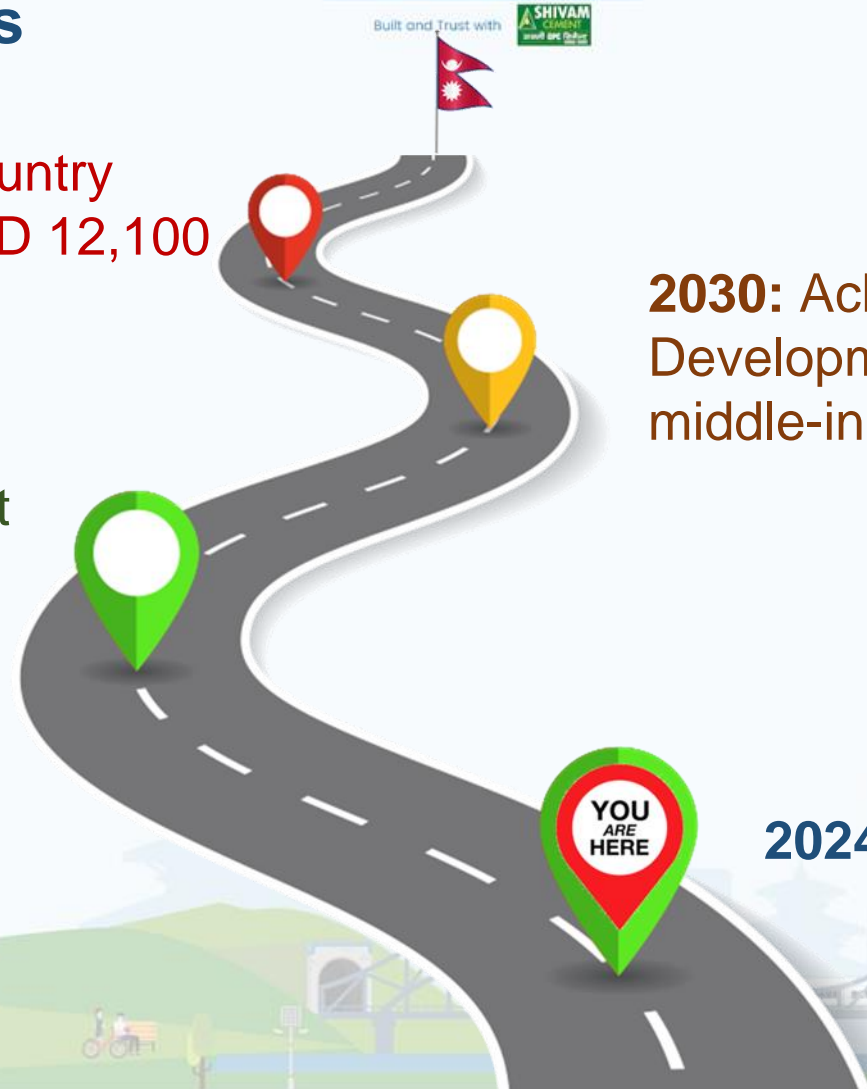
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Nepal's Ambitious Goals

2043: Become a developed country with a per capita income of USD 12,100 per annum

2026: Graduate from the Least Developed Country status

2030: Achieve the Sustainable Development Goals | Become a middle-income economy



2024



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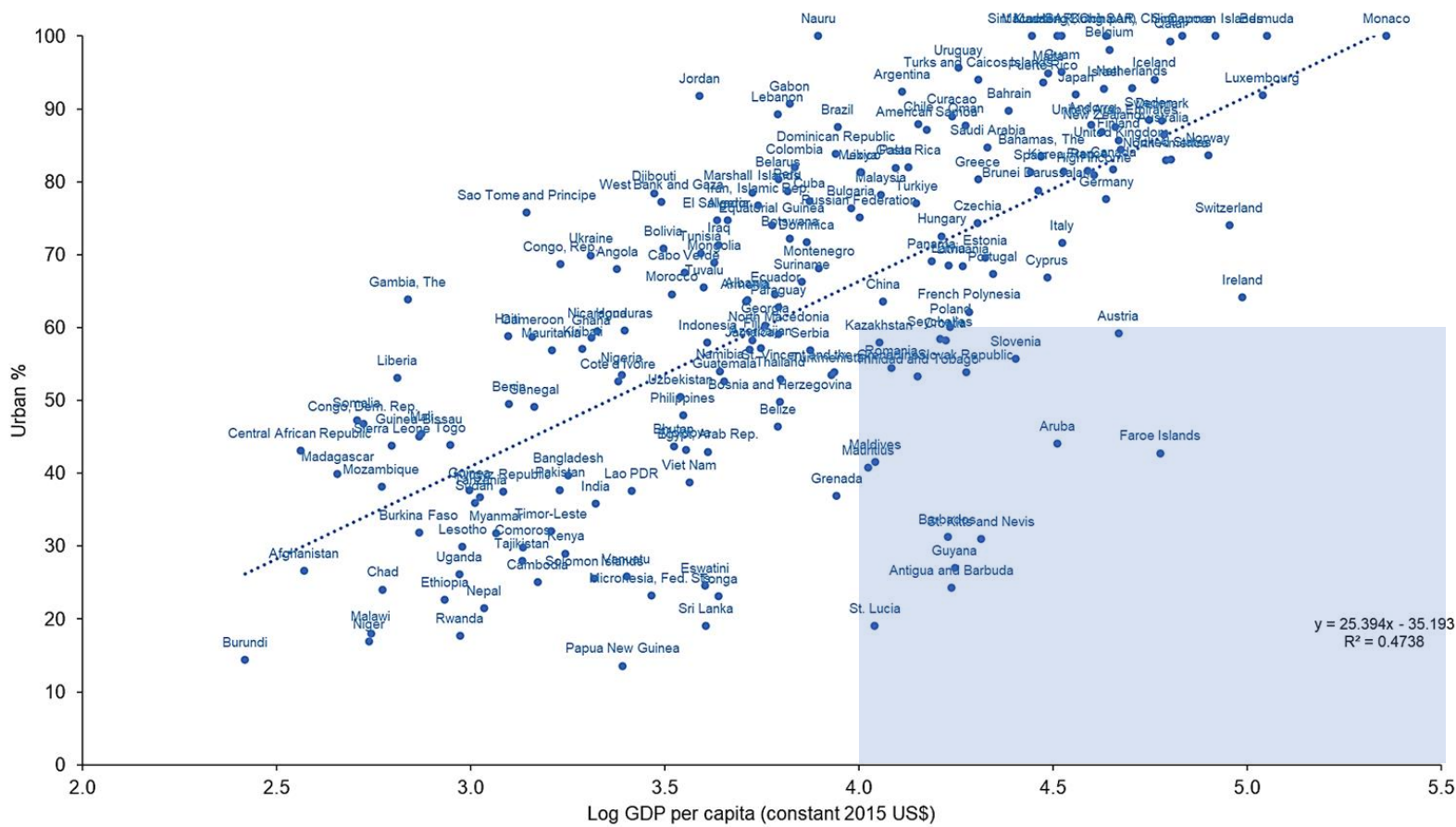


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Urbanization vs GDP



Urbanization and growth go together: very few countries have ever reached middle income status without significant urbanization (Annez & Buckley, 2009).

Urbanization and per capita GDP across 197 countries, 2022 (constant 2015 US\$)

Source: Joshi (2024), based on the data from World Bank



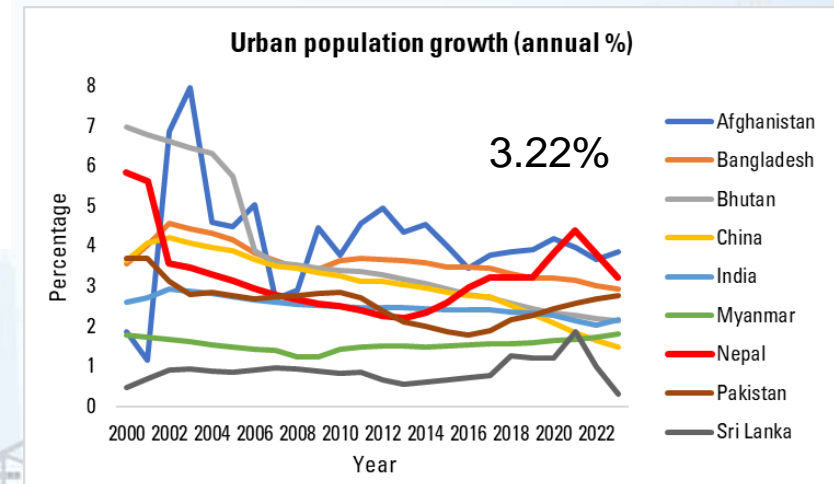
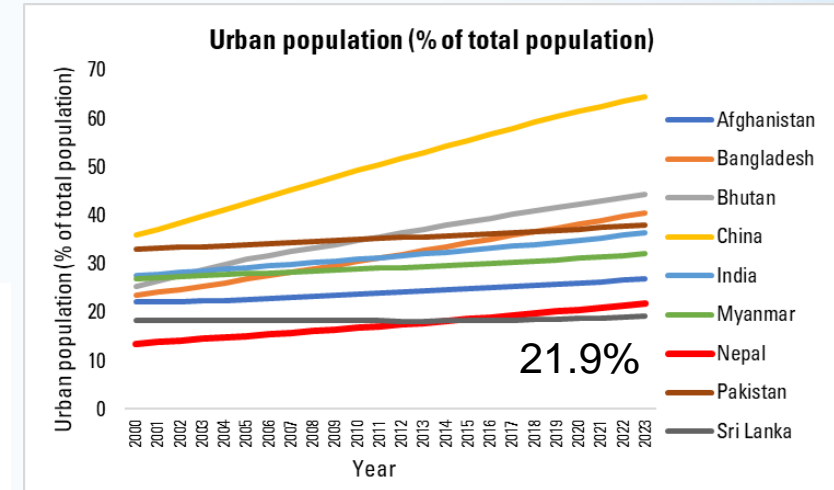
Urbanization in Nepal

Urban population in Nepal in 2021

Category	Total	With at least one urban ward	With no urban ward	Population in 2021 (in million)			
				Urban ward	Per-urban ward	Rural ward	Total
Municipalities	293	193	100	7.2 (38.0%)	7.9 (41.6%)	3.9 (20.4%)	19.1 (100.0%)
Rural municipalities	460	73	387	0.6 (5.9%)	3.5 (36.1%)	5.7 (58.0%)	9.8 (100.0%)
Total	753	266	487	7.8 (27.1%)	11.5 (39.8%)	9.6 (33.2%)	28.9 (100.0%)

Source: Joshi (2024), based on the data from NSO (2024).

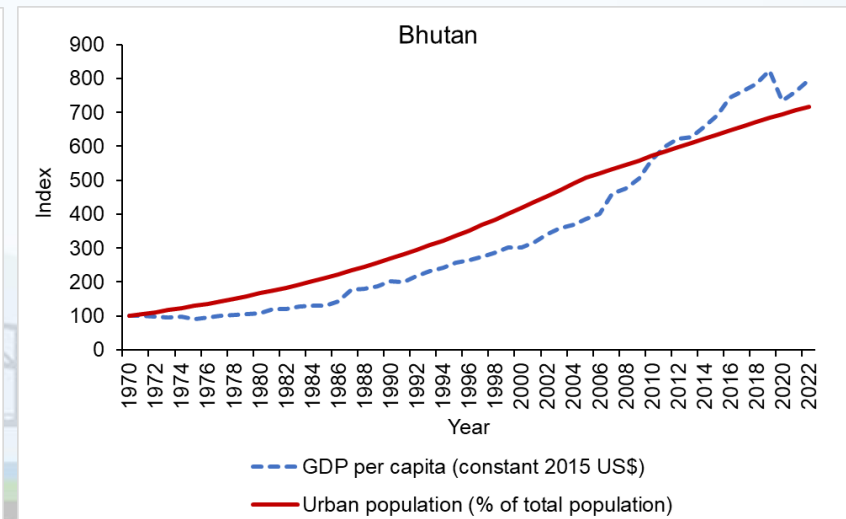
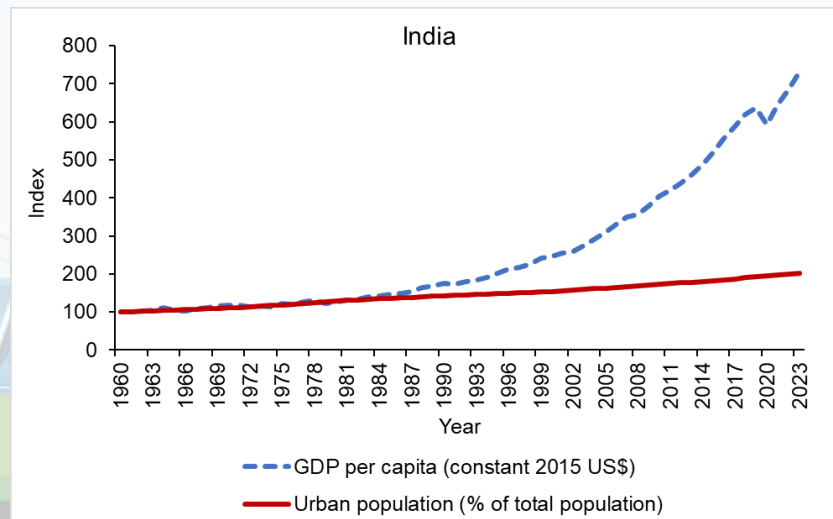
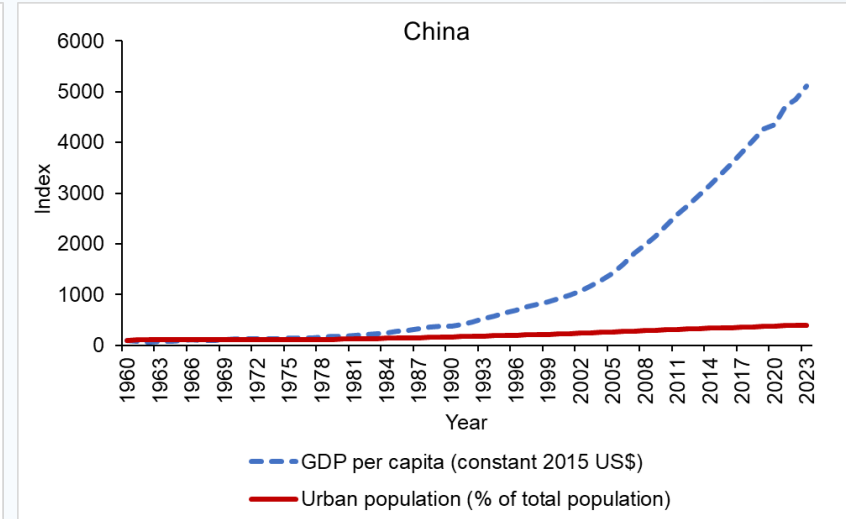
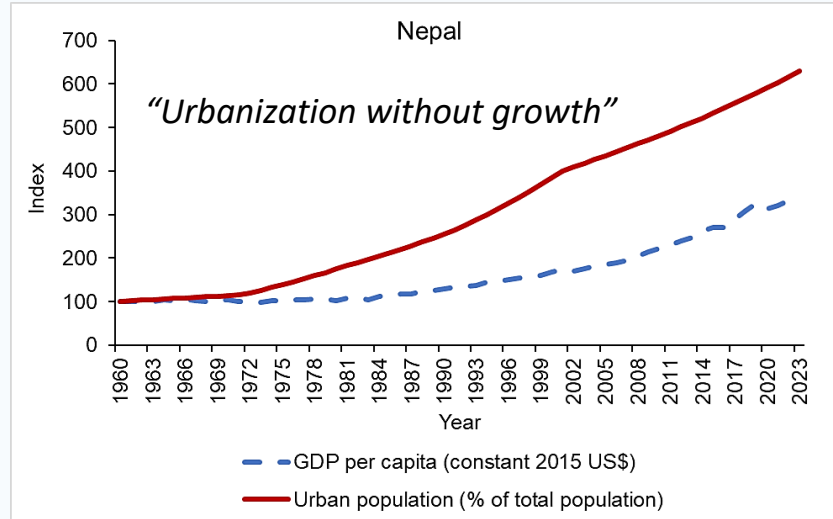
National Statistics Office: 27.1 % (2021)
 World Bank: 21.9% (2023)



Source: Joshi (2024), based on the data from World Bank



Urbanization vs. GDP Growth

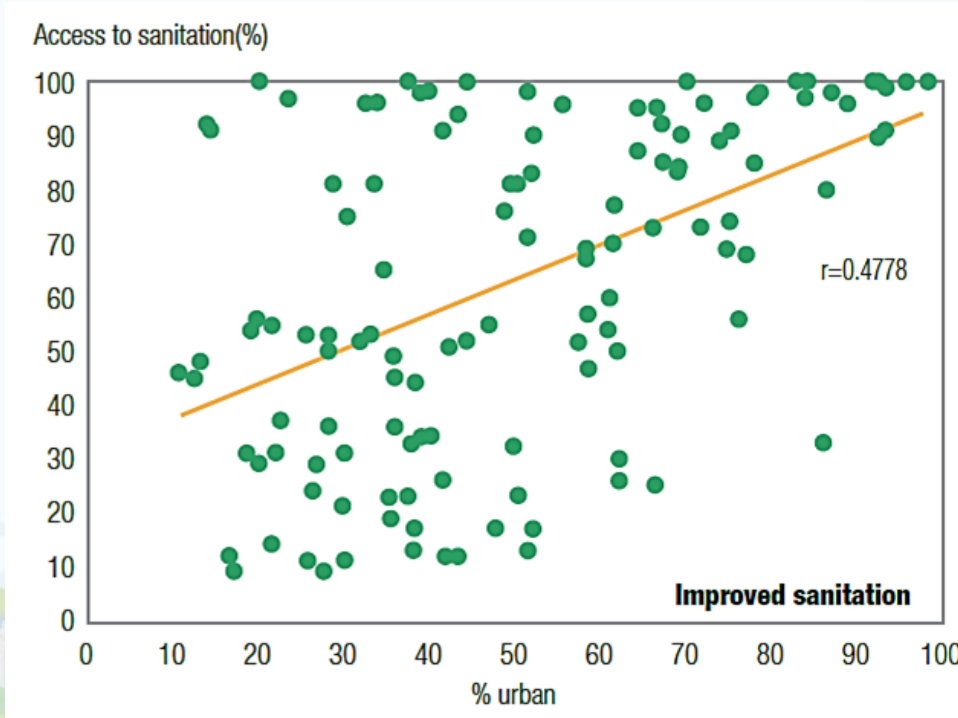


Source: Joshi (2024), based on the data from World Bank



Urbanization vs. Infrastructure

- Urbanization stimulates economic growth by influencing infrastructure availability.
- Positive correlation between urbanization level and infrastructure provision



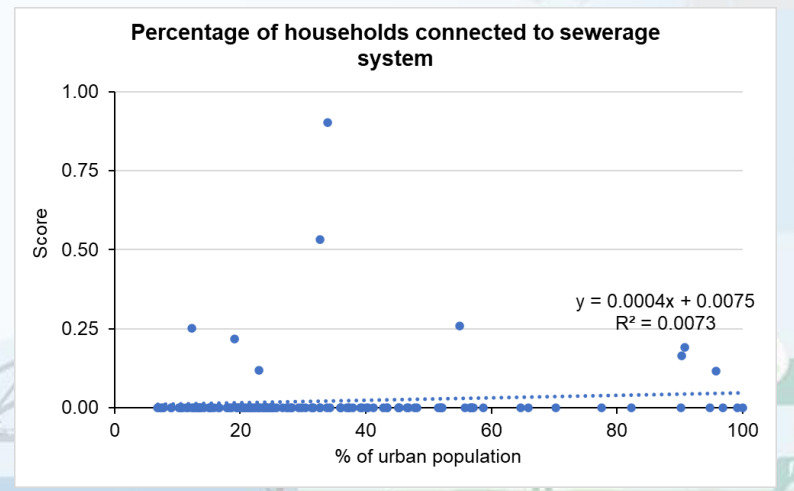
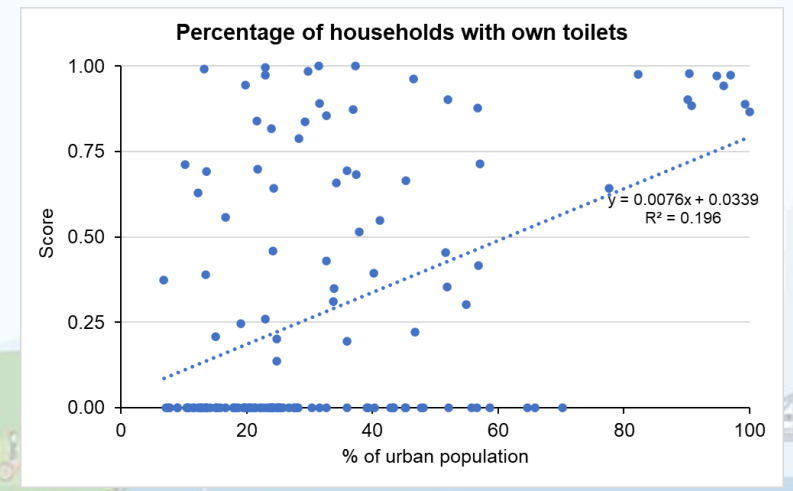
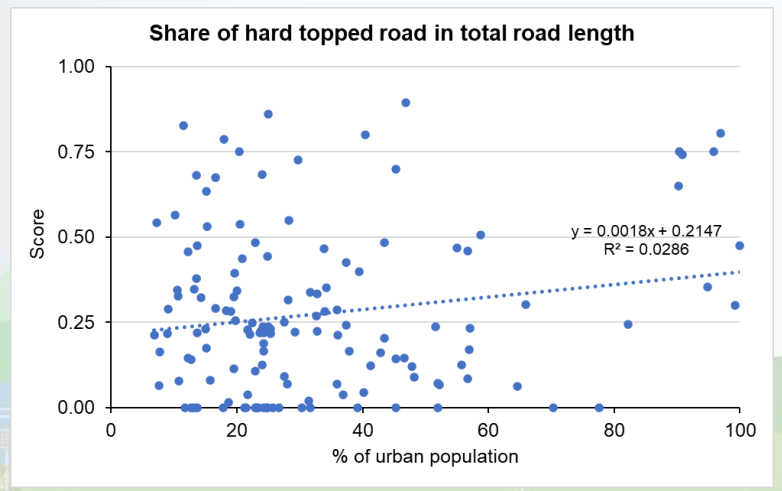
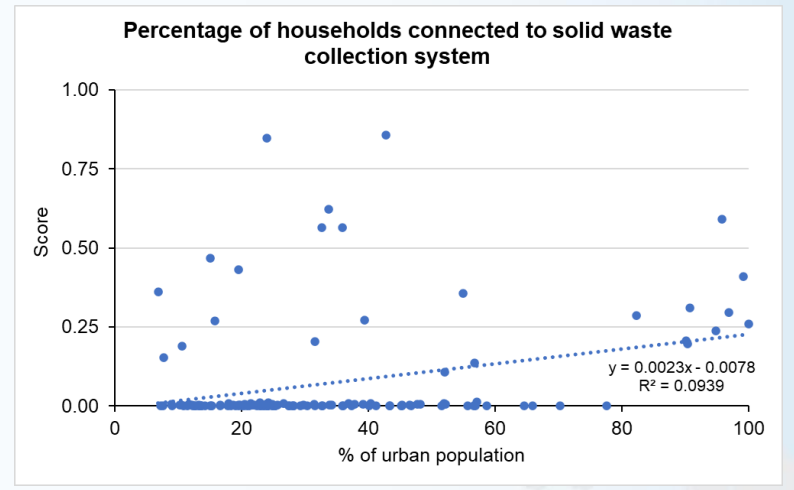
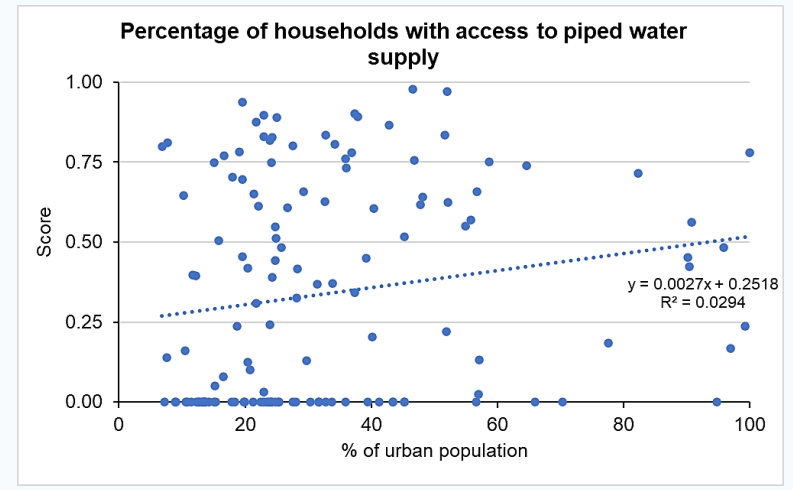
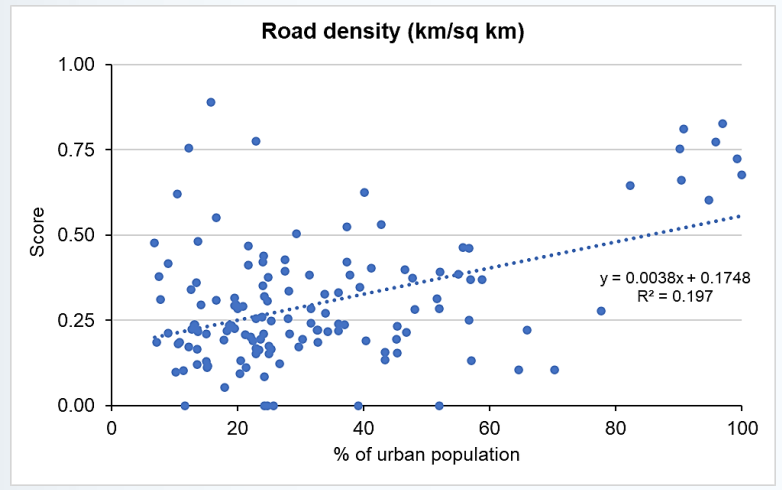
Source: UN-Habitat (2013).





Status of Municipalities

N= 136 municipalities



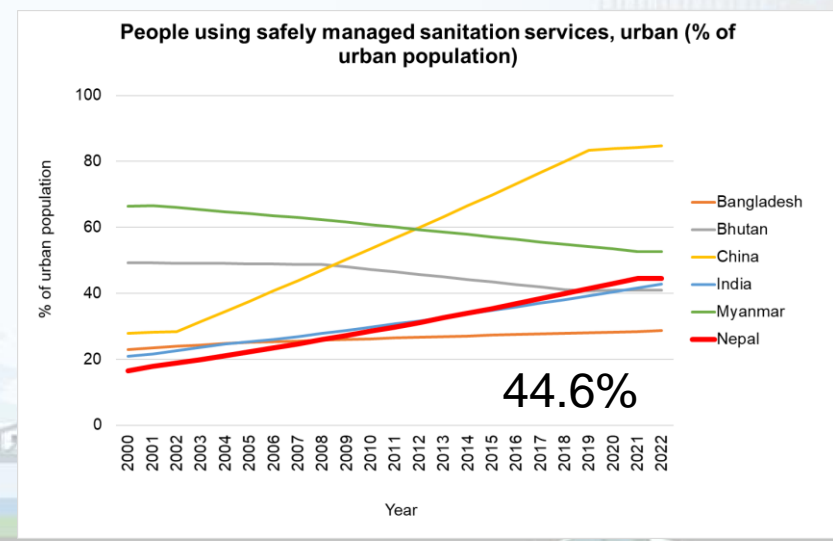
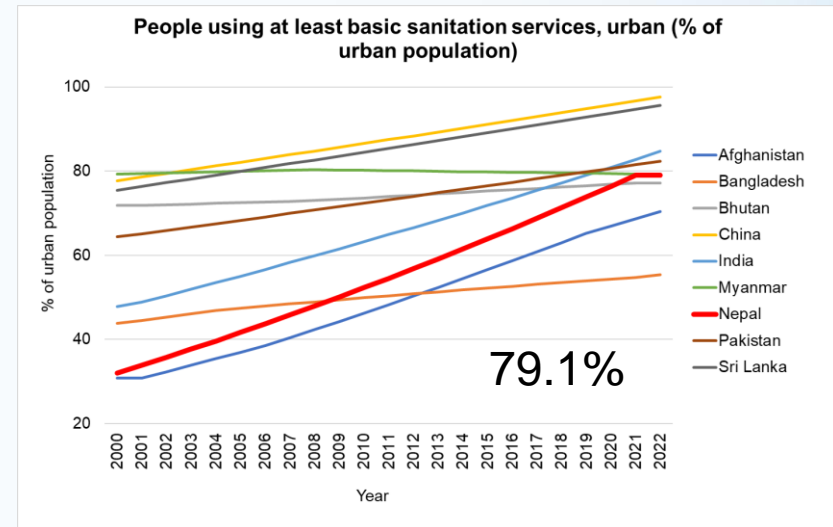
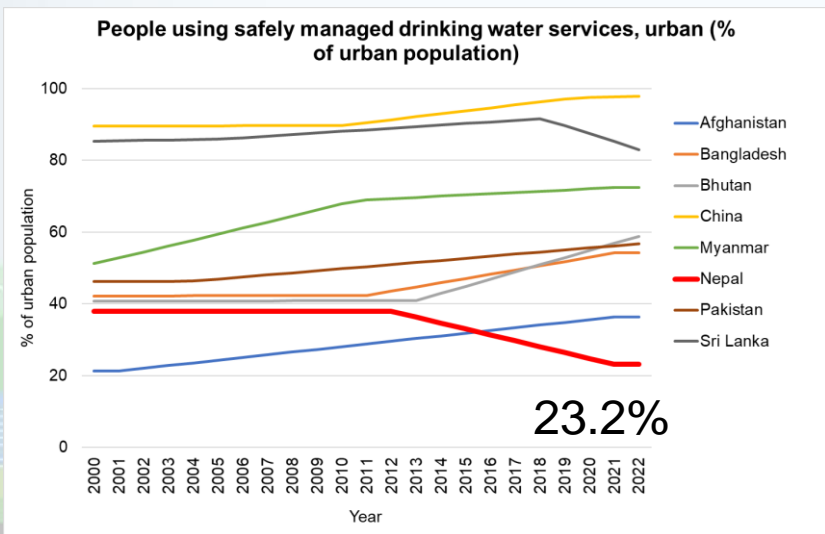
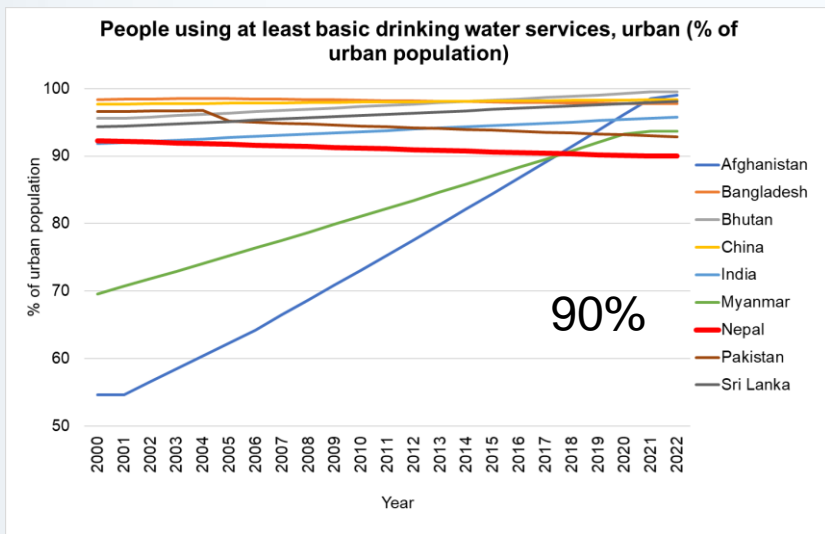
Source: Based on the data from Grid Consult et al. (2020) and NSO (2024).



Status of Nepal

Drinking water

Sanitation

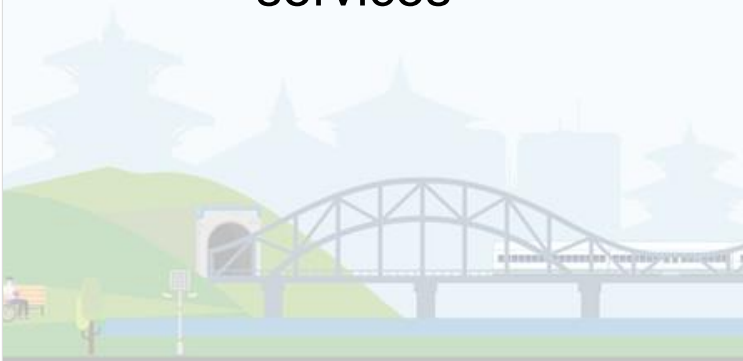


Basic services

-67% point
(Drinking water)

-34.5% point
(Sanitation)

Safely managed services





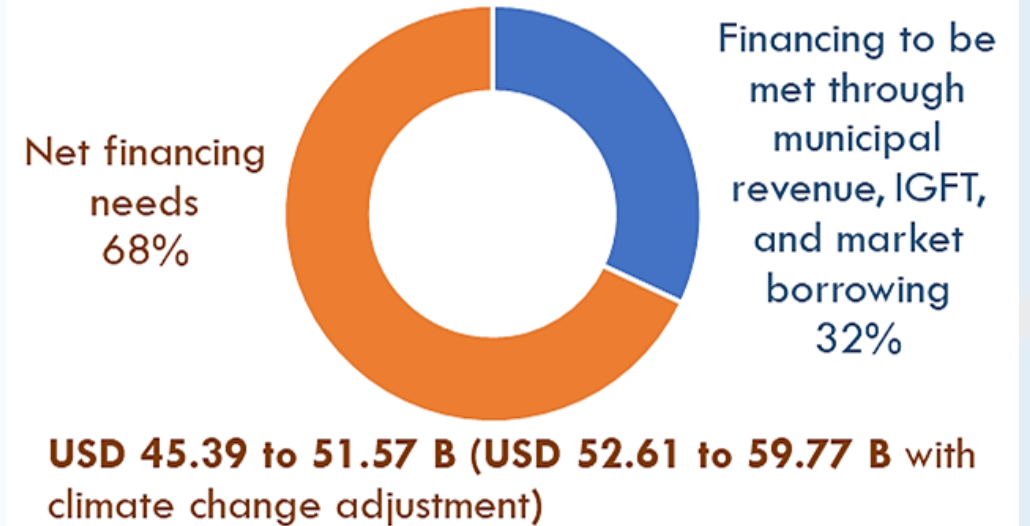
Urban Investment Needs

Indicators and targets to be achieved by 2030/31 as set in National Urban Development Strategy (NUDS) 2017

Indicators	Targets
1. Road density (new roads and upgradation)	Minimum 7.5 km per sq. km (old 58 municipalities) and 5 km per sq. km (new municipalities)
2. Piped water supply coverage	80% of urban households with 100 liters per capita per day supply
3. Toilet facilities connected with sewerage system	100% of urban households
4. Road length covered by storm drainage	Minimum 60% (minimum 20% in core areas)
5. Electricity connection	100% of urban households
6. Landfill sites	100% of municipalities

Source: MOUD (2017).

Total financing needs (2018/19-2030/31):
USD 66.75 to 75.84 B



Source: IIDS (2019), ADB (2017), MOUD (2017), TDF (2016).

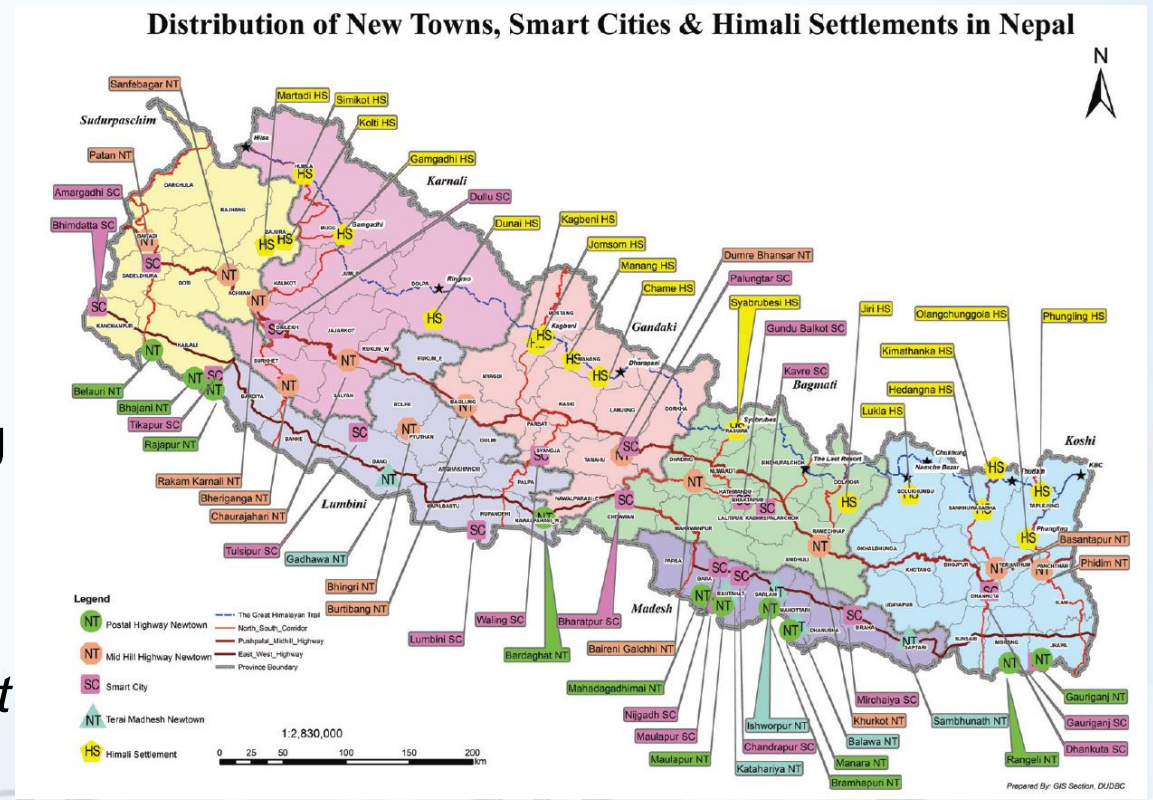
Government alone cannot afford urban development

Urban Development Strategy

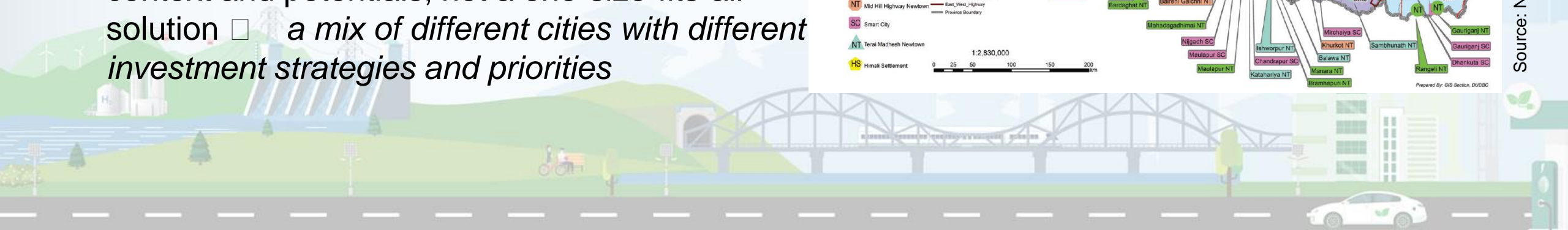
NUDS (2017): Development of urban systems across the country to manage urbanization and reduce **urbanization disparity**.

But let's thinking about

- Leveraging the diversity of urban and urbanizing areas
- Addressing urbanization by considering local context and potentials, not a one-size-fits-all solution *a mix of different cities with different investment strategies and priorities*



Source: New Town Project Coordination Office





Investment Strategies & Priorities

New Cities/ urbanizing areas

- Application of emerging technologies in urban service delivery
- Climate proofing

Enhancing infrastructure for better service delivery, sustainability and climate resilience

'Greening' infrastructure for environmental protection and climate change mitigation

- Integration of green/blue infrastructure with traditional infrastructure
- Low-carbon development

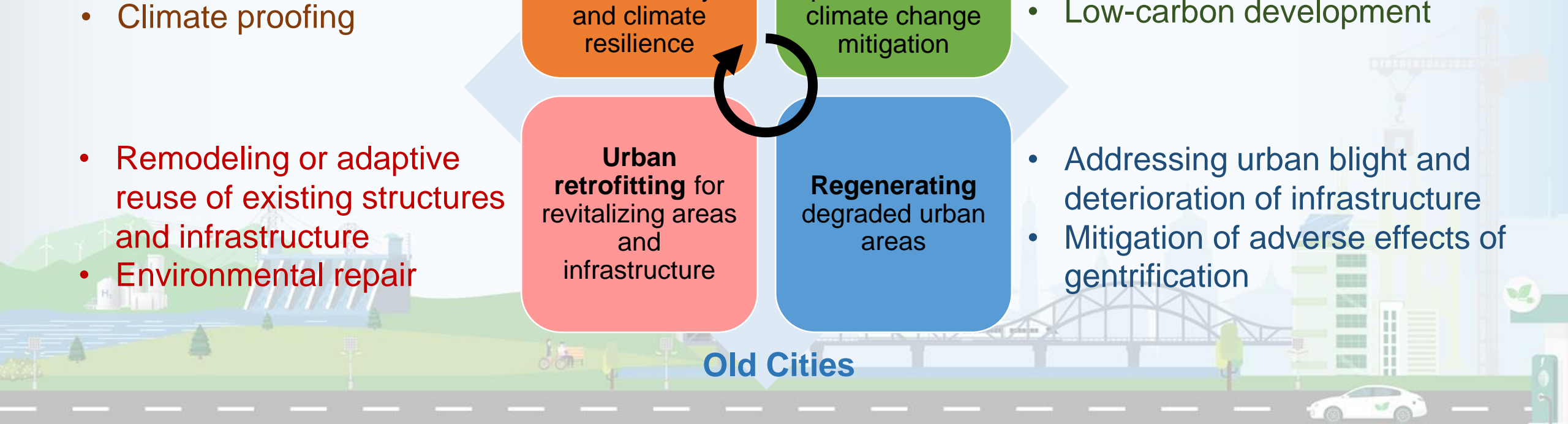
- Remodeling or adaptive reuse of existing structures and infrastructure
- Environmental repair

Urban retrofitting for revitalizing areas and infrastructure

Regenerating degraded urban areas

- Addressing urban blight and deterioration of infrastructure
- Mitigation of adverse effects of gentrification

Old Cities

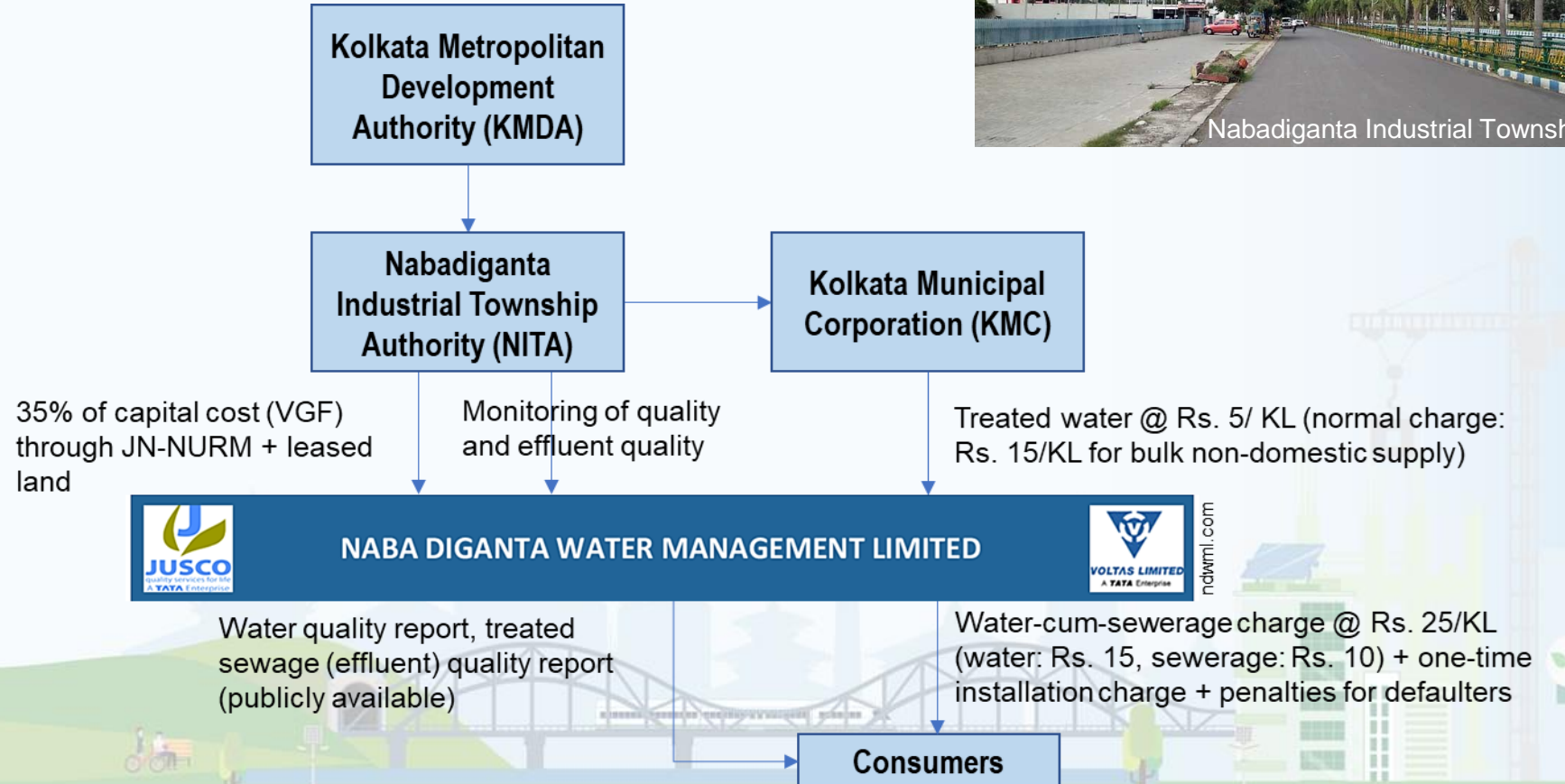




Cases from India

Combined Water Supply and Sewerage Project (Salt Lake, Kolkata, India)

- Build, Operate, and Transfer (BOT) model
- Competitive selection of a private developer with lowest tariff as the bid parameter
- Project period: 30-year term + possible renewal for another 30 years
- Multi-agency collaboration
- Prohibition of groundwater extraction



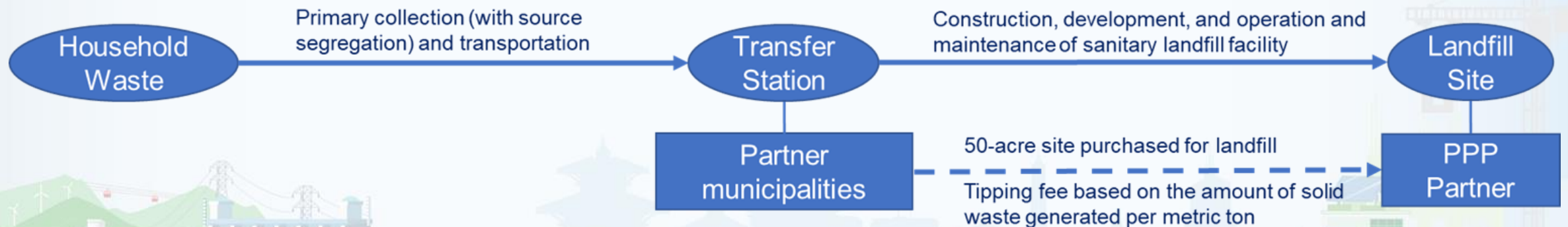
ndwml.com

telegraphindia.com



Cases from India

- **Centralized Biomedical Waste Treatment Facility (Surat, Gujarat):** Delivery of biomedical waste management services in Surat and nearby towns (= economies of scale)
- **Integrated Solid Waste Management Project (Alandur, Pallavaram, and Tambaram Municipalities, Tamil Nadu):** Cost shared by Govt of India (35%), Govt. of Tamil Nadu (15%), and PPP partner (50%)



- **City Bus Service (Surat, Gujarat):** From 15 to 102 buses (CNG) within a year of privatization (contracted for 5 years). New operator selected in 2013 after the first failed to breakeven.



Challenges in Urban PPP

- No interest when/if high investment risks, low financial and social returns, and inherent uncertainties (De Paula et al., 2023)
 - Short-term return on investment goals vs. the long-term sustainability objectives (Koppenjan & Enserink, 2009)
 - Collaboration problems:
 - Multiple federal agencies with a stake in urban sector
 - Urban development happens at municipal level, but local governments lack technical capacity
 - Role of provincial governments still unclear
 - Lack of trust (both ways)
- Learn from India's cases
 - Opportunity to address in Urban Development bill
 - Start with technically capable municipalities
 - Develop a compendium of (no so) successful urban PPP projects in Nepal



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Conclusion

- Urbanization a necessity for economic growth but quality of urbanization matters
- Quality of urbanization = quality and availability of infrastructure
- Huge infrastructure deficit in Nepal = opportunity for private sector investment
- Priority areas for investment leveraging urbanization disparity

Enhancing
infrastructure

'Greening'
infrastructure

Regenerating

Urban
retrofitting

- Lessons from successful examples of urban PPPs adopt/adapt considering Nepal's context.



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Thank you

