

Business Plan

(2016/17-2019/2020)

Submitted to
Town Development Fund

Business Plan for
Leading TDF towards a Visible and Sustainable Financial Intermediary
Institution of Nepal

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Chapter 1 INTRODUCTION

1.1. Background

Town Development Fund (TDF) was established as TDF Board, by Formation Order 1988 under Development Board Act 1956 and it was made autonomous under TDF Act 1997. Initially, TDF was funded by loans from the World Bank, grants and technical assistance from German Technical Cooperation (GTZ) and equity fund from the then HMG/N until July 1997 and technical assistance from United Nations Centre for Human Settlements (UNCHS) until December 1993. These funds were pooled as a capital of TDF for providing loans including soft loans and grants for social infrastructure projects, urban utility projects and revenue revenue generating projects.

1.2. Objectives of TDF

The main objectives of TDF are to a) provide financial support to municipalities to implement social and income-generating projects, and b) strengthen the technical, managerial and financial capabilities of municipalities in formulation, implementation and evaluation of urban development plans and programs.

1.3. Board Composition

TDF Board is chaired by the Secretary of the Ministry of Urban Development (MoUD); two Joint Secretary level members from Ministry of Finance (MoF) and Ministry of Federal Affairs and Local Development (MoFALD), two technical and financial expert members nominated by the board, 5 Mayors from five development regions nominated by GoN and the Executive Director of TDF as member secretary.

1.4. System and Process

TDF's system and process has been designed and is in place which includes loan grant policy, comprehensive manuals, and guidelines, for its operations. TDF's legal mandate, legal authority and processes are comprehensive.

TDF has adopted Standard Operating Procedures (SOPs) to ensure the quality of its business process and complete it in the stipulate time.

1.5. Human Resource Management

Though TDF has approved 64 positions, only 42 positions have been fulfilled on both permanent and contract basis at present. TDF often faced high turnover of technical staffs in the past years.

Chapter 2

LOCAL BORROWING ASSESSMENT AND POSITIONING OF TDF

2.1 Business Area

2.1.1 TDF's Mandate, Functions, Duties and Powers of the Fund¹

TDF aims to alleviate economic and social poverty in urban sectors through long term financing in social infrastructure and revenue generating projects with functions, duties and powers of the fund as follows:

- formulate the policy relating to operation and management of the Fund and implement and cause to implement,
- approve the annual and periodic programmes and budget of the Fund and to manage or cause to manage the required amount,
- provide financial and technical support to institutions related to town development to conduct revenue generating and basic social infrastructure projects, and to carry out extension, development and construction of the town, city infrastructure,
- build-up technical and financial bases required for the construction, development and expansion of the Towns and implement or cause to implement programmes related to the town development and encourage the participation of institutions relating to town development to the maximum extent in such programmes,
- provide training and consulting services to institutions relating to town development in the field of town development,
- do or cause to do activities according to an agreement made by the Government of Nepal (GoN) with any international organisation or foreign government in relation to the fund,
- invest resources of the Fund in shares, debentures or any other types of bond-paper of any other corporate body established under the prevailing laws without making any negative impact in the benefit of the Fund,
- make available annual report and audit report in relation to the annual activities of the Fund to GoN,
- approve the organisational structure of the Fund and create necessary posts accordingly.

2.1.2 Municipal Infrastructure Sectors and Loan Products

TDF's major financing sectors are as below²:

- i. Social infrastructure projects (drainage, public toilet, slum area improvement...)
- ii. Basic utility infrastructure projects (drinking water and sanitation, roads, bridges, public/municipal buildings...)
- iii. Economic or revenue generating infrastructure projects (bus park, touristic place development, market place development...)

¹ TDF Act 2053

² TDF, Lending and Grant Policy

Type of Loan Products and terms are as follows:

- i. Infrastructure loan for Social Service for up to 25 year payback period at 5-9.5% interest rates and loan grant ratio from 20 loan : 80 grant to 90 loan : 0 grant and 10% matching from client.
- ii. Infrastructure loan for the urban basic services projects for 20 years payback period at 5-12% interest rate and loan grant ratio up to 60:10 and 10% matching from client.
- iii. Income generating infrastructure loan for 20 years payback period at 5-12% interest rate (100% loan/no grant)

2.1.3 Positioning of TDF in the Municipal Finance System

Municipal financing in Nepal is mainly based on a non-commercial source i.e. from bilateral (giz) and multilateral (ADB, IDA) grant and loan contributions.

TDF loans have triggered urban infrastructure development and growth, which are supplemented by grants in appropriate situation and composition. Municipalities have focused on need-specific capital projects compatible with their technical and financial capabilities. Municipal borrowing capacity and revenue generating capacity of individual projects are the determinants, which make project bankable to be financed by TDF. Other commercial banks are not in the position to finance municipal infrastructures for long term.

Given the narrow revenue base and limited capacity of government to perpetually finance capital expenditures without corresponding returns, the capacity of municipalities to finance their development from effective use of loans, and supported by grants, has become an imperative condition to meet the longer term goal of improvement in basic services.

Urban centres with poor infrastructure can not function as "engines of economic Growth". To meet the Sustainable Development Goals (SDGs), and reach Nepal's national objective of sustainable inclusive growth, it is estimated that Nepal must invest \$40 billion in infrastructure over the 2009 -2025 period.

TDF has also financed social development projects in several municipalities, which have helped to improve the living conditions of urban poor.

2.2 Demand for TDF Debt Financing

2.2.1. Pace of Urbanization

Nepal's urban population, as elsewhere in the region, has grown, making up 23% in 2011 and 42% in 2015 in 217 municipalities. These are encouraging trends of urbanization and economic development. Despite its relative strength, the urban economy operates under severe constraints in Nepal, with limited urban infrastructure in key cities and towns. Urban areas have mostly grown haphazardly, and expanding over flood-prone areas. Urban growth has not adequately transformed potential production sectors in the hinterlands.³

³ ADB, 2010; Unleashing Economic Growth: Region Based Urban Development Strategy for Nepal

These facts suggest the need for multiyear investments in environmental and urban physical/logistic infrastructures based on systemic access to long term financing.

2.2.2. Analysis of Infrastructure Financing Need

The NUDS and Urban Infrastructure Financing Strategy (draft) are based on four premises; first that municipal infrastructure is best created locally as envisioned under the LSGA, second, the fiscal transfer system must be rational, predictable and untied so that municipalities can leverage capital grants with debt, third municipal own source revenues, such as Integrated Property Tax (IPT), must be modernized and simplified so that municipalities can capture the benefits of rising land values, and fourth enable *TDF to evolve into a strong financial intermediary* that functions as an open-access criteria-based lender for municipal infrastructure development. To move towards designing a financing system, rather than the current situation of financing projects, reforms in all the three components of the municipal financing system, namely the Own Source Revenue- OSR, the Inter Government Fiscal Transfer-IGFT and the local borrowing framework are needed.

The current municipal finance system operates under several operational and framework constraints. First, OSR has yet to establish billing systems and valuations that are updated regularly. These facts result in systemic inefficiency and an inability to judge standard performance measures/metrics such as tax base, tax rate, collection ratios and so forth. Second, various components of the capital grants are often tied to specific sectoral targets (Annual Road Fund), sometimes delayed. These characteristics add to unpredictability of municipal revenue streams and disincentives multi- year planning. Third, a clear borrowing framework is lacking, and municipalities have no access to debt on a repeated and demand driven basis. TDF was set up to provide long term finance for municipal infrastructure, but has limited capital, stressed loan assets, and low earnings. TDF functions more as an agent for on-lending multilateral loans for pre-selected municipalities and projects rather than a lender of significance - accounting for less than 5% of the annual municipal capital spending. Hence the need for reforms on all three aspects, namely the OSR, Inter Government Fiscal Regulation -IGFR and the borrowing framework so that the National Urban Development Strategy could be implemented over the medium term.

At present, the total number of municipalities accounts to 217 including 12 Sub-Metropolitan and one Metropolitan city. The infrastructure status of these municipalities is pathetic; and this requires quick response from the government and TDF to create basic infrastructures in the newly constituted municipalities.

Consequently, the future demand for adequate infrastructure and public services will be immense, particularly, as poverty increasingly displays urban characteristics and challenges all actors to improve the quality of life in poor urban communities. The Business Plan also analyses the borrowing capacity of the municipalities during 2008/09-2010/11 and estimates total borrowing capacity⁴ of the 58 municipalities at

⁴ Measured in terms of debt servicing to be about 25 percent of net operating surplus of municipalities.

only Rs 795 million. Out of 58, only 24 municipalities had the capacity to borrow more than Rs 10 million.

2.2.3 Opportunities for Public Private Partnership

Public Private Partnership (PPP) as an alternative approach of public procurement for the planning and implementation of physical infrastructure and services.

TDF can structure PPP as a fee based activity, it does not appear necessary for standalone commercial complexes to be provided with scarce longer term finance which TDF has access to. In the medium run TDF might like to develop a PPP financing policy especially for real estate projects including Land Pooling projects. This refers to establishing a sound appraisal system with adequate contractual arrangements and security mechanisms to cover intrinsic risk of PPPs. Even more important is to build up awareness and know-how about the managing of PPP contracts by the public authorities.⁵

2.3. Urban Infrastructure Finance in Federal Polity

Federal government can provide an environment to promote marketability of municipalities' financial resource mobilization from non-government sources through (i) appropriate macroeconomic and regulatory policies – especially those which are conducive to the accumulation of resources to invest through long-term savings pools - to help municipalities have access to borrowing; and (ii) devolving sufficient powers to local government.

2.4. Functional Assignment in the Constitution

Nepal's new constitution describes the assignment of expenditure and revenue functions to the federal, provincial and local governments. The new federal Act will have a strong impact on how urban infrastructure could and should be financed in Nepal.

2.5. Urban Financing Framework

Urban infrastructure investments can be sustainably financed through a mix of local revenue, transfers from central and provincial levels of the government, borrowing from dedicated financial intermediaries like TDF, by forging partnership with private sector, NGOs and community organizations, and opting for commercial borrowing for financially viable projects.

The infrastructure-financing gap is less likely to be met with conventional sources of funding, nor could TDF at its current business policies and practices, meet the gap. While evolving TDF as the most responsible financial intermediary for financing urban infrastructure, enhancement of its institutional capacity through legal and regulatory reform and organizational restructuring is crucial. Exploring all other complementary and sustainable ways of financing for urban infrastructure along with enhancing the financial intermediary role of TDF is the strategic orientation of the municipal financing framework.

⁵ ADB, In the frame of the Institutional Development Component to TDF a concept for planning and implementing PPPs shall be elaborated and tested with TA support from ADB. For details see Chapter 3.8.

Chapter 3

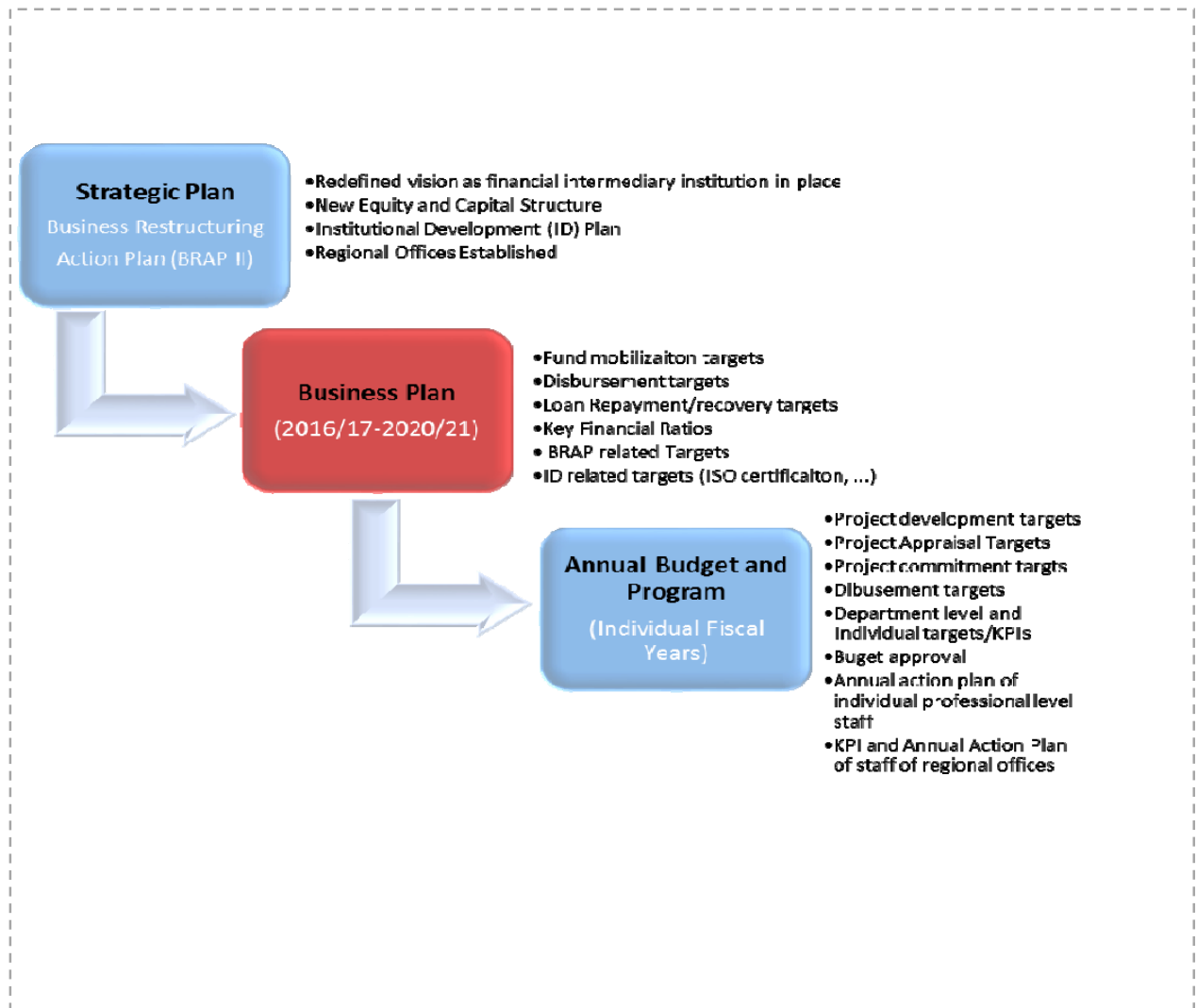
KEY COMPONENT OF 4 YEAR BUSINESS PLAN

3.1. TDF Strategic Planning: Foundation for the proposed Business Plan

It is high time that TDF need to be transformed into a visible and sustainable Financial Intermediary Institution by implementing BRAP II (2016/17-2019/20). BRAP II will focus on some crucial strategic actions, which help TDF to graduate towards its long cherished goal.

TDF will approve and implement a time bound **Business Plan (2016/17-2019/20)** with specific business targets, strategic action plans and institutional development package. Annual program and budget will be based on targets sent in the four year Business Plan.

Figure 1: Strategic Plan, Business Plan and Annual Plan



3.2. Rationale of the Proposed Business Plan

This business plan has major focus on transforming TDF into a full fledged urban financing intermediary.

TDF's BRAP II will be a broad guiding framework, which is visionary, conceptual and directional. On the other hand, TDF's annual budget and program can be taken as an operational plan, which is a bundle of specific activities, budget line, timeline and responsibility allocation for individual fiscal year/s only, this is why, it has limited horizon. Hence, the proposed business plan will be the road map for TDF management for four years.

3.3. Methodology and Process

This business plan came up through institutional analysis of TDF, analysis of borrowing capacity of municipalities (borrowers), SWOT analysis, analysis of funding

sources and recommendation of strategic action plans in logical framework. The projection of business scenario is based on the following components:

- a) Funding trend of the last 5 years
- b) Investment areas and disbursement trend of last 5 years
- c) Repayment/recovery trend of the last 5 years
- d) Assessment and extrapolation of **investment of existing 217 municipalities** in coming 4 years now (investment need assessment)
- e) Projection/extrapolation of **borrowing capacity of municipalities/towns**
- f) Assessment of **Financing Gap**
- g) **Demand for debt financing and possible debt financing through TDF**
- h) **TDF's capital restructuring**
- i) **Business targets** (funding, disbursement, repayment, profitability,...)

3.4. Assessment of Municipal (borrower's) Revenue Base

3.4.1. Own Source Revenue- OSR

Main areas of OSR are taxes, service charges/fees, fines/penalties, rental income from municipal properties and other income. However, the municipalities have not been able to mobilize adequate OSR for meeting the ever-increasing spending requirement, particularly in the infrastructure.

3.4.2. Inter Government Fiscal Transfers (IGFT)

Average percentage of municipal IGFT to the GDP is 0.42 percent only. The Constitution of Nepal, 2072 embodies three tiers of government - Federal, provincial and Local. The Constitution refers to spheres of competence as - federal functions, provincial functions, local functions, and concurrent functions of federal and provincial governments, and concurrent functions of federal, provincial and local governments⁶. GON's initial vision of the country's intergovernmental transfer is laid down in the Constitution of Nepal, 2072 and Local Self-Governance Act, 1999 (LSGA). The distribution of revenue between the federal, provincial and the local level entity shall be transparent⁷.

⁶ As functions have not been defined, the constitutional arrangement needs to be carefully detailed in order to avoid confusion, overlaps and duplication in the allocation of functions.

⁷ Clause 60, Constitution of Nepal, 2072

3.5. Investment Gap Analysis

3.5.2 Net Infrastructure Financing Requirement

The net financing requirement could be partly met through innovative and special financing vehicles. The investment requirement of TDF is calculated after making some assumptions about the contribution of those innovative financing vehicles for urban infrastructure.

Table: Infrastructure Financing Gap in 217 municipalities (NRs in billions)

Source and Use of Municipal Fund	Base Year	Business Plan Period (FY)			
		Year I	Year II	Year III	Year IV
	2016/17	2017/18	2018/19	2019/20	2020/21
1) Own Source Revenue	9.49	10.55	11.74	13.08	15.13
2) Recurrent Expenditure	8.18	9.40	10.81	12.44	14.30
3) Previous Debt Services	0.11	0.19	0.20	0.30	0.34
4) Revenue Surplus (1-2-3)	1.20	0.96	0.72	0.34	0.48
5) Unconditional Grant (IGFT)	10.95	12.31	13.85	15.58	17.53
6) Revenue Sharing (IGFT)	1.48	1.67	1.90	2.16	2.47
7) Conditional Grant (IGFT)	9.82	10.10	10.39	10.68	13.51
8) Amount Available for Capital Investment (4+5+6+7)	23.45	25.04	26.86	28.77	34.00
Total Investment Need (Scenario 1: meeting 60% of physical target)	69.90	72.68	75.58	78.59	81.72
Total Investment Need (Scenario 1: meeting 75% of physical target)	87.37	90.85	94.47	98.24	102.15
Total Investment Need (Scenario 1: meeting 90% of physical target)	104.85	109.02	113.37	117.88	122.58
Financing					
Revenue Surplus	1.20	0.96	0.72	0.34	0.48
Total IGFT	22.24	24.08	26.14	28.42	33.52
Market Borrowing (Capacity Constraints as 25% of Revenue Surplus)	0.30	0.24	0.18	0.09	0.12
Net Financing Requirement (Scenario 1)	46.15	47.40	48.54	49.74	47.60
Net Financing Requirement (Scenario 2)	63.63	65.57	67.44	69.38	68.03
Net Financing Requirement (Scenario 3)	81.10	83.74	86.33	89.03	88.46
Cost Sharing (3%)	1.38	1.42	1.46	1.49	1.43
PPP (3%)	1.38	1.42	1.46	1.49	1.43
PCP (included NGO) (2%)	0.92	0.95	0.97	0.99	0.95
TDF Financing Requirement (Scenario 1)	42.46	43.61	44.66	45.76	43.79
Cost Sharing (3%)	1.91	1.97	2.02	2.08	2.04
PPP (3%)	1.91	1.97	2.02	2.08	2.04
PCP (included NGO) (2%)	1.27	1.31	1.35	1.39	1.36
TDF Financing Requirement (Scenario 2)	58.54	60.33	62.04	63.83	62.59
Cost Sharing (3%)	4.05	4.19	4.32	4.45	4.42
PPP (3%)	2.43	2.51	2.59	2.67	2.65
PCP (included NGO) (2%)	1.62	1.67	1.73	1.78	1.77
TDF Financing Requirement (Scenario 3)	72.99	75.37	77.70	80.13	79.61

- i) The projected financing gap has been arrived at by assuming 15% growth of recurrent expenditure, 16% growth of OSR, and 12.5% growth of IGFT based on estimated amount for 2015/16. Average recurrent expenditure growth of 35 municipalities (except Metro and Sub Metro) has been taken for the projection of recurrent expenditure of remaining all 170 municipalities (which is 15% and derived by adding up 3% to the 12% actual growth rate). Own Source Revenue assumed to be increased by 16% for old 58 municipalities but for the remaining new 159 municipalities, it is assumed to grow by 8% (half the rate of old municipalities) for first three years and then by 16% throughout the projection period..

- ii) The Investment Need Target is set as 60% for scenario 1, 75% for scenario 2 & 90% for scenario 3 for 217 municipalities on the basis of amount estimated by NUDs for 58 municipalities
- iii) Market Borrowing (Capacity Constraints) is considered as 25% of Revenue Surplus that means constraints of market borrowing with potential municipal revenue for capital investment

3.8. Key Issues, Challenges and Prospects : SWOT Analysis

TDF's key issues, challenges and prospects are analyzed using SWOT tool and key points of analysis are as given below:

3.8.1. Strengths

- i. Twenty seven years of experience in urban infrastructure financing and having its own ACT to make it an autonomous fund.
- ii. Adoption of common loan and grant financing policy.
- iii. Standard Operating Procedures (SoPs) and clearly defined job descriptions for all departments, divisions and units in place at least for current level of functions.
- iv. Market oriented remuneration and benefits have been provided for the contract based experts and the long term benefit to permanent staffs has been conceptualized.
- v. Key Performance Indicators (KPIs) is introduced for performance orientation of organization.
- vi. New Employees' Service Conditions Bye-Laws in place.
- vii. Strong equity base (NRs 3 billion now).
- viii. A systematic approach of clients credit worthiness assessment and project appraisal on the basis of defined "Project Appraisal Manual" is under testing phase.
- ix. Increasing trend of revenue and profitability in last three years.
- x. Wide scope of tasks provisioned through the Act and Regulation - urban local bodies (municipalities & urbanizing VDCs-small towns), TDCs, corporations, boards, authorities, NGOs, users committees related to urban development as its clients; and all infrastructure development sectors provisioned under LSGA as the sectors of financing.
- xi. Provision in the act to raise fund through the government, international donors and other national & international financial institutions.
- xii. Provision of fund-raising through the issue of shares, bonds, debentures, and also through consortium and bridge financing approach.

3.8.2. Weaknesses

- i. No legally defined equity structure and its long term vision.
- ii. No clearly defined legal basis for financing to private sector under PPP approach.
- iii. High turnover of experts and the staffs and thereby loss of institutional memories & experiences; no institutional mechanism in place to retain the memory.

- iv. No proper communication and grievance handling mechanism in place.
- v. No proper implementable mechanism in place for securing its loan during the default cases.
- vi. Project appraisal system (Manual) yet to be approved and adopted
- vii. Low level of investment as compared to the volume of fund available
- viii. MIS yet to be fully linked with SOPs and KPIs.

3.8.3. Opportunities

- i. Huge monopolistic market potential and its increasing trend (217 municipalities with 42 % urban population)
- ii. Potentialities to make consortium or bridge financing with other financing institutions and also raising fund from domestic and international capital market.
- iii. Government and the clients agreed on the central government revenue intercept as the security provision for TDF loan.
- iv. Major donors like WB, ADB and KfW are interested to further extend their financing support.
- v. The financial institutions like EPF, CIT and various insurance companies, which have long term fund available, are interested to work with TDF for mobilizing their fund in the urban sector.
- vi. Concurrence from MoF on TDF's Common Financing policy and the proposed criteria for the lender & the loan manager received.
- vii. Government's initiation for the preparation of 'National Urban Development Strategy" and the 'National Urban Infrastructure Financing Strategy ' and related Urban Financing Framework will be approved by GoN soon.

3.8.4. Threats

- i. Low level of borrowing capacity of the municipalities,
- ii. Weak capacity of municipalities on project prioritization, project development, procurement, financial management and also less priority on the operation & maintenance of assets.
- iii. Still uncertainty about the new local election which is basis of ownership of TDF financed projects.
- iv. Continuous transfer of executive officers in municipalities.

3.9. Strategies

To address the issues identified on the above SWOT analysis, essential reform strategies for the next four years period are given as below:

3.9.1. External Strategies for the Creation of Enabling Environment

- i. Allocate certain percentage of annual profit for supporting weak municipalities and small towns to enhance their capacity for sustainability of projects financed by TDF.

- ii. Work with government for the preparation of proposed 'National Urban Development Strategy' and 'National Urban Infrastructure Financing Policy' for Nepal.
- iii. Work with government and donors for participation in PPP projects.
- iv. Work together with Local Body Fiscal Commission to incorporated debt financing criteria as an integral part of municipal finance system and MCPM.
- v. Establish the information system about the borrowing capacity of all the potential clients on annual basis.
- vi. Work with the governments and the donors to include the technical assistance packages, as an integral component of the loan investment, especially for the financial reform and the service delivery improvement of the municipalities.
- vii. Ensure the beneficiary/public commitment on the proposed tariffs, fees & taxes before taking decision on any investment.
- viii. Establish an open access - criteria based fund in TDF (at least targeting for the Business Plan period).
- ix. Work together with the CIT, EPF and the insurance companies for mobilizing their long term fund in urban infrastructure development.
- x. As provisioned in the foreign aid policy of Nepal, work together with the government and donors for establishing a pooled fund in TDF under a joint framework agreement (JFA).

3.9.2. Internal Strategies for Institutional Development

- i. Development and implement BRAP II along with Business Plan as essential instruments for transforming TDF into Urban Financing Intermediary Institution.
- ii. Approve and adopt the project appraisal manual 2017.
- iii. Apply fully the TDF's Common Financing Policy and the criteria for TDF as a lender and a loan manager during negotiation with new loans.
- iv. Further enhance the system automation – i.e. integrate SOPs, KPIs and micro-banking system with MIS.
- v. Fully adopt performance based monitoring system, SOPs and KPIs for all of the business units and thereby link the performance based incentive mechanism.
- vi. Make work-out study of all the problematic projects & clients in a regular basis and restructure or reschedule its loan installment payment as necessary.
- vii. Develop TDF as a prudential financial institution by adopting internationally standardized key financial indicators.
- viii. Optimize the operational costs.
- ix. Establish an appropriate communication and grievance handling system and institutional mechanism.
- x. Increase the equity capital of TDF (NRs 20 billion) by 4 years time frame.
- xi. Apply the market based interest rates and initiate alternative ways of fund raising like PPP and bond market along with some pilot projects.

3.9.1. Strategic Direction

Realising only a long-term perspective would enable TDF to justify needed and suggested changes in policies, procedures, organisation and institutional development, the outline of "Business Restructuring Action Plan –BRAP II of TDF" will be further developed (see annex I), approved and implemented to transform existing TDF into an **Urban Development Bank/Urban Financing Intermediary Institution**.

Municipalities should be considered as long term partners and should include the component of technical assistance and capacity building while designing the project for them.

3.9.2 Capacity Development

Being the techno-finance institution, the current organisation capacity of TDF is still weak and lacks the adequate expertise in technical as well as financial aspects to meet its objectives, mandates and also ever growing demand for debt financing.

TDF will further utilize inputs of senior professional staff such as urban planning expert, sanitation expert, construction management expert, contract management expert, fund management expert, banking expert, social scientists, and economists. In order to provide expert- advice to its clients on urban infrastructure planning, detail feasibility processes and relevant technical subjects and guide the consultants working for urban infrastructure development projects funded by TDF, it will have a pool of technical and financial experts on updated roster.

3.9.3. Organisation Structure

The existing organisation structure and the section's functions will be further reviewed as per upcoming challenges and demands. TDF's regional offices will be opened in the provincial capitals/regions. The present structure will be restructured as per TDF's new transformation into Financial Intermediary Institution.

3.9.4 Performance Orientation

Performance (KPI) based system for promotion will be followed up in the days to come. Each department/divisions and individuals will be performing to achieved the annual targets of agreed KPIs, which will be closely monitored on trimester basis and evaluated on yearly basis.

3.9.5. Reward Framework for Higher Results

Reward (in the form of pay and benefits) will be a inbuilt tool for TDF to achieve the mandate through the development, recruitment and retention of the quality staff. To work well, staff will be given special coaching, mentoring, training and exposures to different working environment. Putting energy into creating and implementing a training and staff development strategy will set TDF aside as an excellent employer, committed to the development of staff.

Chapter 4

BUSINESS PLAN IN LOGICAL FRAMEWORK

4. Logical Framework

TDF's vision, mission, core values, goals, key results and action plan are framed as below:

4.1. Mission

TDF aims to alleviate economic and social poverty in urban sector through long term financing in social infrastructure and revenue generating projects.

4.2. Vision

TDF envisions to be a **leading financial intermediary institution** for promoting the sustainable urban infrastructure financing in Nepal.

4.3. Goal

The specific goals of TDF are as below:

- Transform TDF into a visible and sustainable financial intermediary by 2020
- Ensure replacement of donor based funding by extension of donor support prior to 2018.
- Achieve target of NRs 25 billion of investment as on 2020.

4.4. Core Values of the TDF

Core values of the institution will be as following:

- Improving the living condition of people especially the poor through enhanced debt financing for urban infrastructure development projects,
- Economic development of country through sustainable urban infrastructure financing and

4.5. Key Result Areas –KRA and Action Plan

To lead the organization towards its vision and achieve the goal, the following KRA, task and activities will be the determinants:

Table 5: Key Result Areas-KRA, Tasks and Action Plan

Key Result Area-KRA	Result Indicators	Activity/Action	Timeframe	Responsibility
1. TDF as a financial intermediary institution restructured and evolved	TDF Act drafted and approved by GoN	<ul style="list-style-type: none"> • Bring TDF under the umbrella of MoF from MoUD • Draft special legislation for the operation of TDF as an autonomous institution • Get the new TDF act approved • Enact bylaws of financial procedures and business operations 	<p>July 2016</p> <p>Aug 2016</p> <p>Dec 2017</p> <p>Dec 2017</p>	<p>MoUD, MoF, TDF</p> <p>TDF, MoF, Molly</p> <p>Legislative parliament</p> <p>TDF, MoF</p>

Key Result Area-KRA	Result Indicators	Activity/Action	Timeframe	Responsibility
2. TDF's capital base restructured	Consolidated existing sources of capital Increased capital to Rs 5 billion Increased capital to Rs 10 billion Increased capital to Rs 20 billion including by public share offerings Under Plan B: Total capital will be NRS 7 Billion by 4 th year.	<ul style="list-style-type: none"> Conduct study of TDF's new capital structure Agree on new capital structure with owners of equity and TDF Board Approve the capital structure 	July 2016 July 2017 July 2018	TDF TDF TDF
3. Municipal/ Client's borrowing capacity assessment mechanism enhanced	Establish system for assessment of borrowing capacity of clients for entity financing	<ul style="list-style-type: none"> Frame work borrowing capacity assessment approved Establish mechanism for updating of financing data of clients Establish system for authentication of borrowing capacity assessment report 	Feb 2017 March 2017 Dec 2017	
4. Tariff system for municipal utilities designed and enhanced	Established a functional system for recommending/fixing tariff system at central/local level	<ul style="list-style-type: none"> Develop guidelines for setting tariff for municipal utilities/ sectors (water, waste management, sewerage...) Establish legal/institutional mechanism for setting tariff 	July 2017 Dec 2017	
5. Appraisal system enhanced	Approved entity appraisal system/borrowing capacity assessment Approve project appraisal manual	<ul style="list-style-type: none"> Draft borrowing capacity assessment guidelines Draft project appraisal manual 	July 2017 July 2017	
6. Financial operations of TDF strengthened	<ul style="list-style-type: none"> Enhance loan portfolio by raising disbursements 1.5 billing in FY 2017/18 Improved loan recovery (90% by 2018/19) 	<ul style="list-style-type: none"> Open offices in provinces to widen financial services Restructure staffing and develop specialized cadre in project appraisal Establish EESCROW Accounts in selected projects 	July 2018 July 2018 July 2017	TDF TDF TDF
7. Borrowing capacity of TDF strengthened	<ul style="list-style-type: none"> Enhanced borrowing capacity of TDF Adopted borrowing tools Maintained TDF balance sheet clean 	<ul style="list-style-type: none"> Undertake credit rating of TDF Strengthen staffing and business model Innovate proper instruments for borrowing (bonds, certificates, etc.) Approach international financial institutions for soft loans 	July 2017 July 2017 July 2018 Dec 2017	TDF TDF MoF, TDF

Key Result Area-KRA	Result Indicators	Activity/Action	Timeframe	Responsibility
8. New sectors identified and financed	<ul style="list-style-type: none"> Promoted PPP model of financing commercial projects 	<ul style="list-style-type: none"> Get PPP law enacted Set proper operational guidelines for PPP projects Set proper operational guidelines for PCP 	July 2017 Oct 2017 Oct 2017	TDF TDF, MoFALD
	<ul style="list-style-type: none"> Promoted PCP model of financing community infrastructure projects 	<ul style="list-style-type: none"> Develop cost recovery mechanism of PCP projects Enhance transparency through credible people's participation in projects 	July 2017	TDF, MoF
	<ul style="list-style-type: none"> Promoted Land Pooling Projects 	<ul style="list-style-type: none"> Support to develop/finance at least 4 land pooling projects 	2017-2019	TDF/MoF/NPC
	<ul style="list-style-type: none"> Joined consortium with other financial institutions for financing mega projects 	<ul style="list-style-type: none"> Set proper rules and guidelines for consortium financing Develop capacity for undertaking consortium projects Get first right to loan recovery from sales of collateralized assets 	July 2018 Jan 2019 July 2018	TDF, MoF TDF TDF, MoF
9. Investment Targets	<ul style="list-style-type: none"> NRs 25 billion in 4 years (refer annex II) Under Plan B: Cumulative target will be NRS 13 Billion by 4th year 	<ul style="list-style-type: none"> Initiate discussion with GoN, development partner –ADB, WB, KfW for extension and new programs Initiate co-financing schemes in drinking water/sanitation sector Increase GoN contribution in Revolving Fund Projects 	by 2019/20	TDF
10. Loan Collection and Repayment Recovery Targets (LCR)	<ul style="list-style-type: none"> 90% loan recovered (refer annex III). 	<ul style="list-style-type: none"> Implement EEESCROW Accounts TA support to clients for implementing revenue enhance plan and financial operating plan Loan rescheduling Support Rehab of project Follow ups 	by 2019/20	TDF

Note: World Bank has discontinued support for the proposed Urban Governance and Development in Emerging Towns Program -UGDP/ETP II (in proposed 19 municipalities) recently in July 2016. Similarly, as per recent BMZ/German Mission to Nepal, TDF's expected TDP IV program support through KfW is less likely to come since German Government policy has focused on hydro, reconstruction and health facilities of Nepal. There will be no more projects from ABD after **Small Town Water Supply and Sanitation Program-STWSSP III**. These scenarios will negatively impact TDF's ambitious investment and equity targets made earlier while drafting the business plan. Hence the **Business Plan (2016/17-2019/20)** has incorporated contingent plan under Scenario B regarding equity and investment targets for four years time frame i.e. 7 billion and 13 billion respectively. Donor assisted funds will be contingent on GoN initiatives.

4.8. Transformation of TDF into a strong Financial Intermediary

It is obvious that (i) existing banks and financial institutions can not cater the demand for large borrowings for infrastructure projects; (ii) they can not serve investment demand in infrastructure projects of long term nature (25 years and of low rate of return (below the cost of capital); (iii) they cannot finance social infrastructure projects without supporting viability gap funding by other agencies like the government, municipality or the TDF; (iv) they are not interested in public sector or even PPP projects because of the political risk of the project; and (v) banks feel that financing municipal infrastructure projects incurs loan recovery hassles unlike for the private sector projects whose loan collateral could be captured and auctioned to recover the loan as per the law.

There is a need that a full-fledged financial law is enacted to operationalize TDF as a fully functioning financial intermediary. TDF, as a financial intermediary will be operated within a special Act formulated for municipal financing as the existing laws on banks and financial institutions will not serve the special purpose of this institution. The intermediary will have a strong capital base mostly owned by the government institutions and development partners. The intermediary will be a specialized agency to infrastructure financing and will co-work with other financial institutions to finance large municipal infrastructure projects.

The intermediary will be able to raise its equity capital through public offering of the shares up to 40 per cent and also would be enabled to raise fund from the capital market by issuing bonds and certificates of deposits for institutional savers. The intermediary will come under the umbrella of the ministry of finance to better coordinate international funding agencies and mobilize resources from the domestic capital market. TDF's operational expenses (personnel cost of NPR 19.5 million i.e. 20%, office expenses NPR 11 million i.e. 11%) have tended to range around 31% of total income, and it would be necessary to rationalize some of these costs centres under operation. TDF's operating costs is higher mainly because it has to extend technical support to its clients.

4.9. Capital Structure

Given the huge investment demand for urban infrastructure, the proposed financial intermediary will have to possess at least NRs 20 billion of capital at the beginning along with an equal amount of other sources of fund. The proposed capital structure will be as below:

Table 8: Proposed Capital Restructuring

Sources	Capital in NRs Billion
TDF (Existing)	4.00
GoN	9.00
Donors/IFIs	5.00
Others	2.00
Total	20.00

Annex I: Business Restructuring Plan –BRAP II (2016/17-2019/20)

Town Development Fund							Rs in million
Outcome Area	Key Activities/Tasks	Time Line	Budget Plan in 4 years				Total
Business Restructuring Plan (BRAP) II Preparation and Approval			2016/17	2017/18	2018/19	2019/20	
TDF Restructured to lead towards urban development bank/Urban Financial Intermediary Institution	Prepare and approve BRAP II	Year I	0.50				0.50
	Implement BRAP II	Year I-IV	0.50	2.00	3.00	3.50	9.00
	Review of existing TDF Act 2053 and new Act drafted	Year I	0.50				0.50
	Draft new O&M study for federal and provincial levels,	Year I	1.00				1.00
	Design organizational structures for each levels,	Year I	0.50				0.50
	TDF Board restructured as per new provisions of the revised TDF Act,	Year I	3.00				3.00
	Draft concept of establishing new branch offices at provincial/municipal/regional levels	Year I		0.30			0.30
	Draft and approve National Urban Infrastructure Financing Framework	Year I	5.50				5.50
	Defined new capital structure	Year I	0.50	0.50			1.00
	Draft new Act of TDF as part of BRAP II	Year I	0.80				0.80
	Conduct studies on issue of fixed income security (bonds),	Year I	0.30	0.50	0.50	1.00	2.30
	Initiate internal and external audits for ISO certification of TDF's business process	Year I	1.00	0.50	0.50	0.50	2.50
	Initiate extension of output based financing in solid waste management, water supply and other possible areas based on pilot results (prepare framework for extension...)	Year I		1.00			1.00
Prepare model appraisal for urban transport sector projects and initiate financing urban transport project	Year I	0.50	0.50			1.00	
Sub Total			14.60	5.30	4.00	5.00	28.90
Administration and HR Management							
New organizational set up for TDF based on the reviewed organogram established and operationalized	Establish regional/provincial offices	Year III		5.00	6.00	8.00	19.00
	Hire/depute key staff in regional/provincial offices	Year I		0.60	0.70	0.70	2.00
	Hire/depute key positions at central office as per new organogram	Year I					-
	Business Development Specialist (Engineer) #	Year I	1.50	1.50	1.50	1.50	6.00
	Planning, Monitoring and Evaluation Specialist for Hire/depute	Year I	1.50	1.50	1.50	1.50	6.00
	Planning Monitoring and Evolution Expert (establishing planning, accounting, budgeting, financial reporting and internal controls systems)#						
	Fund Management Specialist #	Year I	1.50	1.50	1.50	1.50	6.00
	Municipal Water and Sanitation Specialist #	Year I	1.50	1.50	1.50	1.50	6.00
	Financial Management Specialist #	Year I	1.50	1.50	1.50	1.50	6.00
Project Finance and Risk Management Specialist #	Year I	1.50	1.50	1.50	1.50	6.00	
Sub Total		Year I	9.00	14.60	15.70	17.70	57.00

Outcome Area	Key Activities/Tasks	Time Line	Budget Plan in 4 years				Total
Business policy and monitoring		Year I					
Business policy and procedures as per new requirement (Act) updated/ revised	Revise policy and procedures	Year I	45.00	35.00	25.00	20.00	125.00
	Adopting and publishing byelaws and regulations	Year I	10.00		10.00		20.00
	Update/revise manuals for feasibility studies, project structuring, project economic and financial analysis, and operation and maintenance of municipal infrastructure assets	Year I	10.00	10.00	5.00	5.00	30.00
	Develop and operationalize web portal for submission of bankable projects by municipalities to be financed by TDF	Year I	10.00				10.00
	Conduct workshops on business policy and procedures	Year I	12.00				12.00
Sub Total		Year I	87.00	45.00	40.00	25.00	197.00
Infrastructure financing and risk management		Year I					
Functional cells, systems, procedures, skills, capacities for infrastructure financing established	Establish functional cells for administration and management for loans and grants; project appraisal, client appraisal/rating, and procurement as per new sectors and higher scale	Year I	45.00	35.00	25.00	10.00	115.00
	Review of manuals on lending and grant policy, operation and maintenance and land pooling	Year I		1.50			1.50
	Conduct workshop on infrastructure financing policy	Year I	1.00	1.00	0.50		2.50
Sub Total			46.00	37.50	25.50	10.00	119.00

Outcome Area	Key Activities/Tasks	Time Line	Budget Plan in 4 years				Total
Financial and Fiduciary Management							
	Implement ESCROW Accounts in selected municipalities and WUAs	Year I-IV	0.50	0.50			1.00
	Conduct procurement training	Year I-V	1.00	1.00	1.00		3.00
	Initiate fiduciary status cheque of clients	Year I-V	0.50	0.50	0.50		1.50
	Initiate improved reporting system (trimester basis)	Year I-IV	0.50	0.50	0.50		1.50
Sub Total			2.50	2.50	2.00	-	7.00
Business promotion and Advisory services							
Establishing systems, rules, procedures and capacities for business promotion, communication and client relations, website and advisory services	Business development specialist	Year I-IV	24.00	24.00	24.00		72.00
	Establishing Technical assistance and consultancy unit for municipalities and small towns	Year I-II		10.00	10.00		20.00
	Project development unit; monitoring unit for construction; post construction monitoring and evaluation	Year I-V	10.00	10.00	10.00		30.00
	Workshop on information and communication strategy	Year I		10.00			10.00
Sub Total			34.00	54.00	44.00	-	132.00
Capacity Development of TDF and Clients							
Capacity of TDF staff and clients enhanced	Conduct regional workshops for municipalities	Year I-IV	12.00	8.00			20.00
	Conduct TNA for TDF staff and train the staff	Year I-IV	8.00				8.00
	Send TDF staff in training, twinning programs for better exposures	Year I-IV		60.00			60.00
	Conduct in house workshop and orientation programs	Year I-IV		1.00	1.00	1.00	3.00
Sub Total			20.00	69.00	1.00	1.00	91.00
Functional Networking System and Enhance Exposure to outside resources							
TDF's functional network with similar organization established	Make renewal of TDF's membership of CITY NET, CDIA	Year I-IV	12.00	8.00			20.00
	Initiate new membership of TDF in ICMA	Year I-IV	8.00				8.00
	Make MoU with IDFC/TNUDF/HUDCO/other similar organization for partnering in the areas of interest	Year I-IV		60.00			60.00
Sub Total			20.00	68.00	-	-	88.00

Outcome Area	Key Activities/Tasks	Time Line	Budget Plan in 4 years				Total
3. Technical Assistance (TA) to Municipalities/Clients							
Improved Asset Management, procurement; project design; contract management, construction management, O&M and institutionalizing procedures (Sustainable financing for sustainable urban infrastructures)	Support in preparing Indicative/master plans	Year I-IV	24.00	24.00	24.00	6.00	6.00
	Support municipalities in borrowing capacity assessment	Year I-IV	1.00	0.50	0.20	-	6.00
	Support in preparing Revenue Improvement Action Plans (RIAP) of municipalities	Year I-IV					6.00
	Orient municipal officials in TDF's SOP, Business Plan, due diligence issues, procurement, contract management, supervision, tax issues and reporting	Year I-IV	5.50	6.00	6.00	7.00	6.00
	Support WUAs in preparing business plan	Year I-IV					6.00
	Support municipalities and WUAs automation (billing, accounts keeping, E-bidding, one line project registration)	Year I-IV	3.00	5.00	0.50	0.30	6.00
Sub Total			33.50	35.50	30.70	13.30	36.00
Equipment and logistics							
TDF office/s quipped	Computers (laptops and desktops) and peripherals	Year I-IV	12.00	8.00			20.00
	Install Hybrid solar system in office	Year I-II	8.00				8.00
	Procure 5 vehicles for regional offices	Year II-IV		60.00			60.00
Sub Total			20.00	68.00	-	-	88.00
Total			286.60	399.40	162.90	72.00	843.90
Note: BRAP II is an integral part of Business Plan (2016/17-2019/20)							

Annex II: Investment Plan (2016/17-2019/20)

Ongoing Programmes: Business Plan Targets (in NRs Million)													
Donor/programme Name	Total Fund Available (Committed)		Project Phase out Date	Actual Potential Investment (Fund Balance) as of		Plan for Disbursement Targets in 4 fiscal years (NRs in Millions)					Remarks		
	USD	NRs		USD	NRs	2072/73	2073/74 (2016-17)	2074/75 (2017-18)	2075/76 (2018-19)	2076/77 (2019-20)		Grand Total for Four Years	
						Total of Based Year	Total of Year I	Total of Year II	Total of Year III	Total of Year IV			
TDPII/TDPIII (KFW) - Grant	Loan (KFW)	-	-		628.13	420.00	352.00	467.00	211.00		1,030.00	1,030.00	
	Grant (KFW)	-	141.88		84.15	40.74	32.40	26.49	3.20	-	62.09	62.09	
	Service Charge	-	-		6.73	3.26	2.59	2.12	0.26		4.97	4.97	
	Grant with service Charge	-	-	Dec-17	90.88	44.00	34.99	28.61	3.46	-	67.06	67.06	
	MF Grant (GoN)	-	-		125.63	22.60	59.41	35.03	15.83		110.26	110.26	
Sub Total	Sub-total KFW & GoN (L/SL/G)	-	-		-	844.64	486.60	446.40	530.63	230.28	-	1,207.32	1,207.32
DHP(KFW)-Grant-construction						8.70	34.00	46.00			80.00	80.00	
DHP(KFW)-Grant-Study-supervision							2.72	3.68			6.40	6.40	
DHP(KFW)-service Charge						1.30	2.11	2.85			4.96	4.96	
Sub Total - DHP						10.00	38.83	52.53			91.36	91.36	
Gon/MG-Suprvsion						10.00	13.50	20.25	27.00	33.75	94.50	94.50	
Gon/MG						100.00	125.00	187.50	250.00	312.50	562.50	875.00	
TDP(Revolving Fund)						80.00	100.00	150.00	200.00	250.00	450.00	700.00	
						190.00	238.50	357.75	477.00	596.25	1,107.00	1,669.50	
UGDP/ETP (WB)	Loan (IDA)		368.98	Jul-16	0.61	308.01	130.30	96.56	218.47	114.97	430.00	430.00	
	Grant (IDA)/GoN		371.15		1.76	195.62	390.01	268.54	490.84	261.61	1,021.00	1,021.00	
	Sub-total Grant: IDA & GoN	-	371.15		1.76	195.62	390.01	268.54	490.84	261.61	-	1,021.00	1,021.00
Sub Total		-	740.13		2.37	503.63	520.31	365.10	709.32	376.58	-	1,451.00	1,451.00
GPOBA (WB) - Grant	Grant (IDA/GPOBA)	4.28	428.00	30-Jun-17	4.07	406.60	89.65	136.01	102.36	84.93	62.66	385.95	385.95
Sub Total		4.28	428.00		4.07	406.60	89.65	136.01	102.36	84.93	62.66	385.95	385.95
STIUEIP (ADB) - Loan	Loan (ADB)	8.70	870.00		4.82	482.06	320.20	308.54	424.14	338.72	65.91	1,137.31	1,137.31
Sub Total		8.70	870.00	-	4.82	482.06	320.20	308.54	424.14	338.72	65.91	1,137.31	1,137.31
IUDP (ADB) - Loan	Loan (ADB)	8.59	859.40		7.27	726.69	355.07	300.00	336.78	355.07	249.83	1,241.68	1,241.68
Sub Total		8.59	859.40	-	7.27	726.69	355.07	300.00	336.78	355.07	249.83	1,241.68	1,241.68
STWSSSP II (ADB) - Loan	Loan (ADB)	17.00	1,700.00	30-Sep-15	2.43	242.62	86.67	783.50	453.06	80.29	6.20	1,323.05	1,323.05
Sub Total		17.00	1,700.00		2.43	242.62	86.67	783.50	453.06	80.29	6.20	1,323.05	1,323.05
STWSSSP III (ADB) -	Loan- ADB	18.00	1,800.00	31-Jan-21	17.86	1,785.96	425.17	500.00	550.00	250.00	100.00	1,400.00	1,400.00
Sub Total		18.00	1,800.00		17.86	1,785.96	425.17	500.00	550.00	250.00	100.00	1,400.00	1,400.00
KSUTP (ADB) - Grant	Loan (ADB/GEF)	3.04	304.00		3.04	273.60	40.00	52.00	100.00	152.00		304.00	304.00
	Grant (ADB/GEF)	0.76	76.00		0.76	68.40	-	20.00	25.00	31.00	-	76.00	76.00
Sub Total		3.80	380.00		3.80	342.00	40.00	72.00	125.00	183.00	-	380.00	380.00
Total of Agreed		60.37	6,777.53		42.60	5,334.20	2,523.67	3,188.88	3,641.57	2,375.87	1,080.85	9,724.67	10,287.17

Donor/programme Name	Total Fund Available (Committed)		Project Phase out Date	Actual Potential Investment (Fund Balance) as of		Plan for Disbursement Targtes in 4 fiscal years (NRs in Millions)						Remarks	
	USD	NRs		USD	NRs	2072/73	2073/74 (2016-17)	2074/75 (2017-18)	2075/76 (2018-19)	2076/77 (2019-20)	Grand Total for Four Years		
						Total of Based Year	Total of Year I	Total of Year II	Total of Year III	Total of Year IV			
Proposed ProjectS (New)												-	
STWSSSP -TA-I						198.30	46.00	115.00	69.00		230.00	230.00	
<i>Cofinanacing</i>	<i>Loan (ADB)</i>	800.00	80,000.00				500.00	1,000.00	3,500.00	5,000.00	10,000.00	10,000.00	
	<i>Grant (GoN)</i>	10.00	1,000.00				100.00	200.00	700.00	1,000.00	2,000.00	2,000.00	
Sub Total		810.00	81,000.00	-	-	-	600.00	1,200.00	4,200.00	6,000.00	12,000.00	12,000.00	
<i>GPOBA (WB) - Grant</i>	<i>Grant (IDA/GPO BA)</i>	10.00	1,000.00						250.00	300.00	550.00	550.00	
Sub Total		10.00	1,000.00	-	-	-	-	-	250.00	300.00	550.00	550.00	
TDP IV (KfW)	<i>Loan</i>		15.00					185	370	370	925.93	925.93	
	<i>Grant</i>		100.00					14.81	29.63	29.63	74.07	74.07	
	Sub-Total (KfW)		115.00					200.00	400.00	400.00	1,000.00	1,000.00	
	<i>MF Grant (GoN)</i>		200.00					30.00	60.00	60.00	150.00	150.00	
UGDP II (WB)	<i>Loan (IDA)</i>		500.00	Jul-16					125.00	375.00	500.00	500.00	
	<i>Grant (IDA)</i>		300.00						75.00	225.00	300.00	300.00	
	<i>Grant (GoN)</i>		200.00						50.00	150.00	200.00	200.00	
	Sub-total Grant: IDA & GoN		500.00							250.00	750.00	1,000.00	1,000.00
Fixed Income Security (Project)												-	
	<i>Loan</i>	3.00	300.00							75.00	75.00	75.00	
Sub Total new		3.00	300.00										
Grand Total		870.37	87,777.53	-	42.60	5,334.20	2,721.97	3,834.88	5,156.57	7,544.87	8,530.85	24,504.67	25,067.17

Contingent plan B:

Total investment by the end of business plan = NRS. 13 billion

Particulars	Base year (2072/73)	Year 1	Year 2	Year 3	Year 4
TDF (as per existing trend) NRs billion (cumulative)		3.5	4.5	8.5	13.0

Annex III: Loan Recovery Plan (2016/17-2019/20)

SN	Projects	2016-2017	2017-2018	2018-2019	2019-2020
	KfW II				
1	<i>Principal</i>	23.34	23.34	30.96	41.08
	<i>Interest</i>	21.68	28.71	35.40	38.31
2	KfW III				
	<i>Principal</i>	36.80	56.26	65.05	65.05
	<i>Interest</i>	29.36	45.22	58.83	62.24
3	KfW IV				
	<i>Principal</i>	-	-	6.17	46.96
	<i>Interest</i>	-	5.41	18.53	43.63
4	STWSSSP I				
	<i>Principal</i>	54.41	54.41	54.41	54.41
	<i>Interest</i>	37.13	33.32	29.52	25.71
5	STWSSSP II				
	<i>Principal</i>	-	-	229.14	247.15
	<i>Interest</i>	114.35	151.81	173.66	161.32
6	STWSSSP III				
	<i>Principal</i>	-	-	-	115.58
	<i>Interest</i>	25.24	52.63	76.01	88.93
7	Co-financing STWSSSP IV				
	<i>Principal</i>	-	-	-	-
	<i>Interest</i>	11.25	48.06	156.72	373.30
8	UEIP				
	<i>Principal</i>	14.04	14.04	14.04	14.04
	<i>Interest</i>	10.27	9.21	8.16	7.11
9	STIUEIP				
	<i>Principal</i>	-	-	-	58.66
	<i>Interest</i>	50.94	71.51	94.38	109.89
10	IUDP				
	<i>Principal</i>	-	-	-	71.81
	<i>Interest</i>	19.80	23.57	42.00	68.66
11	KSUTP				
	<i>Principal</i>	-	-	66.80	66.80
	<i>Interest</i>	1.17	4.85	11.70	15.87
12	UGDP/ETP				
	<i>Principal</i>	-	-	-	38.20
	<i>Interest</i>	9.33	10.21	19.32	23.44
13	UGDP II				
	<i>Principal</i>	-	-	-	-
	<i>Interest</i>	-	-	5.63	29.66
14	STWSSSP I - TA				
	<i>Principal</i>	9.47	13.30	22.89	28.64
	<i>Interest</i>	9.61	16.15	22.17	23.27
15	GON/RF				2.941176471
	<i>Principal</i>	5.69	14.03	26.53	43.19
	<i>Interest</i>	9.06	18.41	31.09	44.10
	Total Repayment from Client (Principal Receivable)				
	<i>Principal</i>	52.54	64.70	396.52	772.12
	<i>Interest</i>	282.70	440.53	694.74	1,027.49
	Total Receivable	335.23	505.23	1,091.26	1,799.61
	<i>Expected to Recovery</i>				
	<i>Princiapl</i>	47.28	58.23	356.87	694.91
	<i>Interest</i>	254.43	396.48	625.27	924.74
	Total Recovery	301.71	454.71	982.13	1,619.64
	Recovery %	90.00%	90.00%	90.00%	90.00%

Annex IV: TDF's Capital Restructure Plan (2016/17-2019/20)

Particulars	Base year (2072/73)	Year 1	Year 2	Year 3	Year 4
TDF (as per existing trend)	3.0	3.2	3.5	3.7	4.0
GoN	-	2.0	4.0	6.5	9.0
Donors/IFIs	-	1.5	2.5	3.5	5.0
Others/Province/municipalities	-	0.5	1.0	1.5	2.0
Total	3.0	7.2	11.0	15.2	20.0
		140%	53%	38%	32%

Contingent plan:

Plan B:

Total Equity =NRs 7 billion

Note: This business plan will be reviewed as and when found necessary as per changed scenario.