

OCTOBER 2015

100117

NEPAL

Country Snapshot

The World Bank Group



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ECONOMIC OVERVIEW

NEPAL	
	2014
Population, million	28.1
GDP, current US\$ billion	19.4
GDP per capita, current US\$	690

Source: World Bank, WDI

Nepal experienced a massive shock with two devastating earthquakes causing large damage, slowing growth. In addition, revenues underperformed leading to a deficit. Remittances surged in the aftermath of the disasters resulting in a strong current account surplus and growing reserves. Growth will continue to be affected in FY2016 due to delays in setting up the National Reconstruction Authority and increased political instability. As the political process stabilizes and recovery starts in full, growth is expected to rebound.

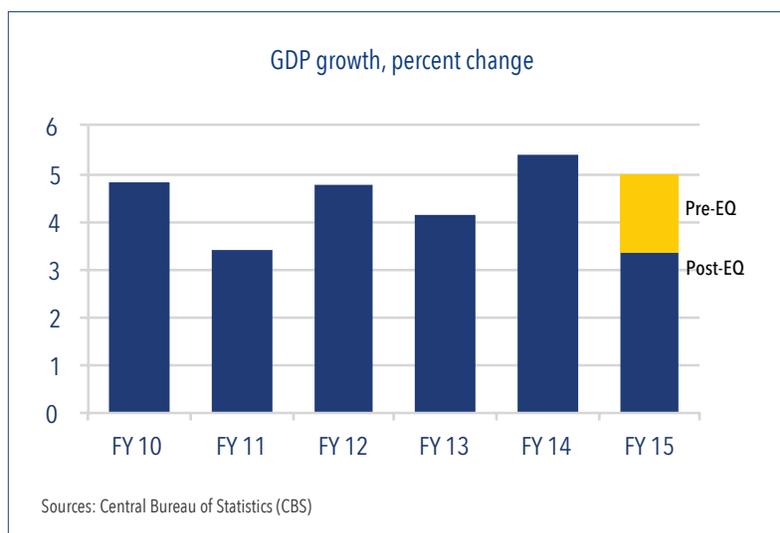
Recent developments

Devastating earthquakes in April and May of 2015 took a huge human toll, destroyed homes, factories, cultural heritage sites, and slowed economic growth. The Government of Nepal, through a Post Disaster Needs Assessment (PDNA), estimated the value of physical damage at \$5.2 billion with an additional \$1.9 billion in economic losses. In total, the estimated value of damages (de-

struction of capital stock) and losses (changes in flows) is one-third of FY2013/2014 gross domestic product (GDP). Estimates of damages are equal to 100 percent of combined annual public and private capital investment. In addition, growth is estimated to have slowed to 3.4 percent in FY2014/2015, 1.6 percentage points lower than a pre-earthquake estimate, reflecting both the weak agricultural season at the start of the fiscal year as well as earthquake-related disruptions.

Fortunately, before the disaster struck, Nepal's macroeconomic fundamentals were in a good shape. Both external and fiscal accounts were in a surplus for several years, while public debt was low and declining. While not optimal, this was achieved on the back of large inflows of remittances (29 percent of GDP in FY2014/2015) that have offset the gaping trade deficit, while persistent under-implementation of the capital expenditures has kept the fiscal accounts in surplus. As a result of the earthquake, in FY2014/2015 the revenue target was missed for the first time in several years and, despite worsening budget execution, led to a deficit (1.2 percent of GDP). Remittances grew 12 percent in FY2014/2015, even though the outflow of migrant workers declined (down 1 percent year on year) for the first time since 2009, reflecting a post-disaster surge in remittances in the last three months of the fiscal year.

In the aftermath of the earthquake, political priorities appear to have changed. The government carried out a very credible PDNA and successfully organized an international donor conference that resulted in significant pledges of reconstruction aid. In addition, the largest four political parties forged an agreement to adopt a new constitution after eight years of deliberations, paving the way for a new chapter in country's history. However, progress remains fragile. There have been delays in the setting up the National Reconstruction Authority. In addition, political unrest and violence has erupted in parts of the country in protest against constitutional proposals to demarcate provinces in the future federal Nepal.



Outlook

As a response to the earthquake, the government announced a very ambitious budget for FY2015-2016 in which total spending is to increase by 9 percentage points of GDP while the capital expenditure is to be doubled to 15 percent of GDP. In addition, several notable measures were also announced to streamline capital expenditure procedures to address persistent underutilization of the budgets. Despite this, growth is projected at 3.7 percent in FY2015/2016 as the effects of the earthquake, sub-optimal planting season, increased protests and nationwide strikes, and delays in adopting the budget and establishment of the National Reconstruction Authority all took a toll on activity, especially in the first part of the year. Growth is expected to pick up to 5.5 percent in FY2016-2017 on the back of the increased investment (both public and private) as the political process stabilizes and the earthquake recovery speeds up in earnest.

Consequently, the reconstruction will lead to a surge in imports, which will tip the current account balance into deficit, despite increasing remittances. Similarly, fiscal spending on capital expenditure is expected to grow, leading to a larger deficit. However, financed by a combination of increased foreign grant assistance and concessional borrowing, it will not endanger debt sustainability. Inflation is expected to remain in the high single digits, despite lower oil and food prices and falling inflation in India, reflecting domestic bottlenecks.

Challenges

Nepal faces several simultaneous challenges ahead—effective implementation of post-earthquake recovery coupled with the completion of political transition to a new federal constitution while leveraging its endowments (hydro-power potential, human capital) to achieve a faster growth and create economic opportunities for its citizens at home. Delays or missteps in any one of these challenges may lead to permanently forgone opportunities and income.

Low- and middle-income countries in general tend to experience a permanent loss of potential output following a geological disaster like the one experienced by Nepal given their lower capacity to execute spending efficiently and effectively in rebuilding lost capital stock. In fact, the key growth constraint for Nepal in the past has been the insufficient public investment and resulting infrastructure deficit. While the quantity of public investment may increase as a result of a newly proposed and empowered National Reconstruction Authority, ensuring the quality of spending will be even more critical.

Furthermore, permanently lower oil prices may reduce economic opportunities in the oil-exporting Gulf Cooperation Council countries, which are an important destination for Nepali migrants and a key source of remittances for the country.

(annual percent change unless indicated otherwise)

	2012	2013	2014	2015 f	2016 f	2017 f
Real GDP growth, at constant market prices	4.8	4.1	5.5	3.4	3.7	5.5
Private Consumption	16.1	3.4	3.4	3.0	3.5	3.6
Government Consumption	15.9	-6.9	18.0	14.3	12.8	18.8
Gross Fixed Capital Investment	-5.5	23.1	7.4	12.1	14.0	24.5
Exports, Goods and Services	1.9	10.3	23.7	5.4	5.0	9.0
Imports, Goods and Services	3.4	14.2	18.0	9.0	10.0	15.0
Real GDP growth, at constant factor prices	4.6	3.5	5.0	3.0	3.7	4.8
Agriculture	4.6	1.1	2.9	1.9	2.5	2.6
Industry	3.0	2.5	6.2	2.6	2.0	2.7
Services	5.2	5.6	6.3	4.0	5.0	6.9
Prices						
Inflation (GDP price deflator)	6.6	8.6	7.6	9.9	9.7	11.0
Inflation (Consumer Price Index)	9.5	9.0	8.4	7.5	8.2	8.6
Current Account Balance (% of GDP)	5.4	4.0	5.5	5.7	2.6	-1.7
Fiscal Balance (% of GDP)	-0.6	0.8	0.8	-0.9	-0.7	-1.8

Sources: World Bank, Macroeconomics and Fiscal Management Global Practice
Notes: f = forecast. In annual percent change unless indicated otherwise.

RECENT SECTOR DEVELOPMENTS

Beyond Nepal's political challenges, poor and insufficient infrastructure is the country's single most important economic bottleneck to growth—and therefore to more jobs, improved services, better livelihoods, and lower poverty. Nepal ranked 143rd out of 144 countries in overall quality of infrastructure¹. The most binding bottlenecks to growth and investment, electricity and transport, account for about two-thirds of the total infrastructure investment need, which is estimated at 8 to 12 percent of GDP per annum until 2020. Higher infrastructure spending is needed to boost Nepal's competitiveness and accelerate growth.

Energy Sector: Limited access to reliable and affordable electrical power continues to be a fundamental reason for Nepal's poor economic competitiveness. Nepal has an estimated potential of 84,000 megawatts (MW) of hydroelectric genera-

tion capacity. Of that amount, at least half is economically viable, but only 746 MW is currently developed (1.7 percent of the total viable potential). This is far below peak demand of about 1,100 MW. Figures get starker during winter when only about 250 MW is usable. While 75 percent of the population is estimated to have access to electricity (grid and off-grid), load shedding of up to 18 hours per day is evident in grid-covered areas during the dry season. The World Bank recognizes that Nepal urgently needs to increase its hydroelectric generation, transmission, and distribution systems and further expand off-grid generation capacity to bring power to end-users. Given its high potential, export of power from Nepal to its neighbors would be a significant source of revenue and a potential game-changer. Key challenges in the energy sector include: poor financial performance of the power utility, Nepal Electricity Authority; lack of policy to guarantee private investment in hydropower; and lack of policies for compensation for transmission line right of way (ROW). These challenges can be addressed respectively by: (i) preparing a corporate development plan that details the technical and financial performance improvements and a loss reduction master plan that outlines the targets

1 The Global Competitiveness Report 2012/13

and actions for transmission and distribution loss reduction; (ii) providing a reasonable coverage of country risks through guarantees for obligations of government entities and partial risk guarantees from multilateral development banks; and (iii) formulating a transmission line ROW compensation policy that provides site-specific justifiable compensation for restricted land use.

Transport Sector: The transport sector is of vital importance for Nepal, much beyond its impact on economic growth. With its challenging topography, Nepal has the lowest road density in South Asia. One-third of residents in the hill areas live on average more than four hours away from an all-season road, and 60 percent of roads are unable to provide all-weather connectivity. Road maintenance is the foremost challenge to improving transport services. Although access to paved roads doubled (from 24 percent to 51 percent of the population) over the past six years, the quality has not improved. In addition, Nepal needs to expand its regional transportation connectivity to India and potentially China, its huge and fast-growing neighbors who could boost its appetite for regional trade. Key challenges in the transport sector include improving transport connectivity to build an integrated and economically prosperous Nepal and getting more mileage out of each rupee spent in the sector. In order to address these challenges, it is important to: (i) prioritize maintenance of assets over new construction and enhance monitoring mechanisms for maintenance grants; (ii) strengthen the capacity of implementing agencies and eliminate mandate overlaps; and (iii) improve the quality of public transport services so that commuters have a viable option to private vehicle use.

Private Sector: Nepal's long transition to multi-party democracy has not provided the private sector with the stability and predictability it needs to take long-term investment positions in the country. With the prospect of improved political stability, Nepal can finally reap the dividend of peace if it acts strategically to provide key building blocks for private-sector activity. The following measures can assist Nepal to develop an effective investment climate to foster greater economic growth: (i) increase access to finance to small and medium enterprises (SMEs) by enhancing the weak enabling financial infrastructure and addressing the issue

of poor credit information; (ii) alleviate the regulatory burden on firms by simplifying bureaucratic procedures and making laws and regulations clear, especially in the areas of licensing and taxes; (iii) promote professional skills development and reduce non-wage costs of labor by increasing flexibility for employers and improve monitoring for better labor relations and greater productivity; (iv) improve terms of trade through targeted interventions, revamping export subsidies and enhancing trade finance; and (v) attract foreign direct investment by updating Nepal's investment legislation and investment procedures.

Agriculture Sector: Agriculture is the mainstay of the rural economy and a source of income for a majority of Nepalis. With 66 percent of the population engaged in agriculture and with a 35 percent contribution to GDP, agriculture is an important source of growth, jobs and poverty reduction, at least over the medium-term. About 92 percent of the poverty reduction achieved over the last seven years took place in rural areas, and incomes in the rural areas are expected to continue to drive poverty reduction over the medium-term due to the concentration of the poor in the countryside. Therefore, poverty reduction will continue in Nepal only if agricultural productivity improves, rural households sell more of their produce in the market (the share has increased from 25 percent in 2003/04 to 41 percent in 2010/11), and at the same time, opportunities are created for surplus labor to be productively employed in other areas. There is a strong need to modernize agriculture through increased productivity, commercialization, and diversification. This requires boosting agricultural productivity, promoting agribusiness development, supporting crop diversification in remote areas, modernizing land policy and administration, and enhancing the government's strategic policy framework.

Health Sector: Nepal has made impressive progress towards achieving a number of Millennium Development Goals. However, it has made relatively less progress on reducing hunger and persistently high childhood malnutrition, and inequitable access to health continues to haunt the sustainability of health sector progress. Chronic energy deficiency in women remains high, at 23.9 percent in the Far-West and 19.3 percent in the Mid-West. Poor infant and child feeding practices are prevalent,

with only 24.4 percent of children between 6 and 24 months being fed adequately and 13.4 percent of babies being born with low birth weights and to mothers younger than 20. In 2011, 78 percent of births in the richest quintile took place in health facilities, but the corresponding number was only 11 percent for the bottom 20 percent. Furthermore, high out-of-pocket expenditures for health care—due to a lack of health insurance—create a formidable poverty trap: they represent about 49 percent of monthly household consumption among the poorest 20 percent. Improvements in health and nutrition are also closely linked to necessary improvements in water and especially sanitation. While access to improved water and sanitation are 87 percent and 91 percent, respectively, in urban areas, for rural areas, water access is 85 percent but sanitation access is only 55 percent. About 5.5 million people suffer from inadequate water service and 16 million from inadequate sanitation facilities. Nepal aims to reach universal access to water and sanitation by 2017 but that target will likely be missed due to the damage caused by the recent earthquakes that severely impacted 14 of the country's 75 districts. Key challenges in the sector include inequality in access to health services and the fact that the quality of health services is low and unequally distributed. It is necessary to improve and institutionalize the decentralized accountability of health delivery systems, including availability of qualified health workers and essential medical consumables.

Education Sector: Basic opportunities in education remain unequally distributed and significantly correlated with income, location, and ethnicity. Low access to, and low quality of, skills development opportunities hinder employability. Challenges remain in increasing workers' productivity and technical skills in both the formal and informal sectors, domestically and abroad. Over 400,000 workers migrate abroad each year. Of them, more than 75 percent are engaged in low-skilled jobs. Wage premiums for higher levels of education are considerable in Nepal, and a person with higher secondary education earns almost five times more than a person with primary education (grades 1-5) and two times more than one with basic education (grades 1-8). The poor quality of Nepal's public education is a key concern requiring a shift in policy focus

towards better and more regular monitoring and evaluation. It is important to ensure that national assessments of student achievement are properly institutionalized and learning outcomes are monitored regularly and systematically, ideally using international quality assessment tools.

Social Protection: A more efficient and poverty-focused social protection program can help Nepal reduce its level of extreme poverty and prevent people from falling back into poverty. Despite the recent encouraging trends in poverty reduction, the existing social protection system is inadequate for providing reliable safety nets. Social protection spending in Nepal has increased substantially in recent years, from 0.5 percent of GDP in 2004/05 to 2.4 percent in 2010/11, compared to 1-2 percent on average in South Asia. This increase in spending, however, has been driven in part by a proliferation of costly and inefficient social protection programs with a limited impact on reducing poverty and inequality. Some social assistance schemes—including cash transfers and scholarships—have had only a modest impact on poverty, due to small benefit sizes and weak targeting. Coverage is limited with only 15.5 percent of Nepal is either directly or indirectly benefiting from a cash transfer program, well below the current poverty level of 25 percent. Nepal's social protection system is fragmented and poorly coordinated, delivered by a range of line ministries and agencies. It is necessary to develop a more effective social protection system that can better leverage resources to help the poorest without jeopardizing fiscal sustainability.

Disaster Management: Nepal is heavily vulnerable to climate change and natural disasters. A 7.8 magnitude earthquake struck central Nepal in April 2015. That earthquake and its sequence of aftershocks caused 8,700 deaths and some 25,000 injuries. The PDNA found that total damages and losses resulting from the earthquake sequence amounted to about \$7 billion, and reconstruction needs amounted to about \$6.7 billion. The assessment confirmed that subsistence-based rural households were the worst affected. The housing sector accounts for 53 percent of the damage, followed by the productive sector with 25 percent of the damages. Moreover, records show increasing incidents of drought, flooding, hailstorms, land-

slides, and crop disease. Climate change is expected to increase these incidents, with floods, droughts, and ecosystem degradation directly affecting the livelihoods of the poor. This calls for a comprehensive disaster preparedness plan.

Governance and Public Financial Management:

Nepal continues to rank low on international governance indicators, such as Transparency International's Corruption Perception Index (116 out of 177 countries) and the World Governance Indicators (declining trend over the last decade). Building sound and effective Public Financial Management (PFM) systems is key to boosting spending—particularly investment and to achieving greater value for each rupee spent. Transparent public finances are also necessary for accountability and to generate public consensus around development priorities. To improve the government's capacity to implement PFM reforms, it will be necessary to leverage the second Public Expenditure and Financial Accountability (PEFA) assessment to develop a vision for PFM reform. It will also be important to streamline and strengthen budget preparation, improve budget execution, and improve transparency and performance of public spending.

WORLD BANK PROGRAM IN NEPAL

International Development Association Lending

The World Bank Group (WBG) fielded its first economic mission to Nepal in 1963 to assess the country's development prospects and challenges. It approved its first credit in 1969 for a telecommunications project. Since then, the World Bank has provided Nepal \$3 billion in credits and \$1.2 billion in grants. Currently the Bank supports 23 projects worth \$1.86 billion. The World Bank provides about \$250 million in new financing to Nepal every year through its concessionary window, the International Development Association (IDA). The International Finance Corporation (IFC), the private sector arm of the World Bank Group, currently has an investment portfolio in Nepal of about \$60 million.

Nepal Country Partnership Strategy and IDA 17 Allocation

After three consecutive Interim Strategies in Fiscal Years 2007, 2009 and 2011, the World Bank Group is providing more long-term support through the Country Partnership Strategy (CPS) covering FY2014-2018. The CPS aims to support Nepal's aspirations for higher and more inclusive economic growth to help equalize opportunities across population groups. Aligned to the Bank's twin global goals—eliminating extreme poverty and boosting shared prosperity—the CPS support is focused on removing Nepal's binding growth constraints to allow for higher income levels. In this context, the IDA, IFC and the Multilateral Investment Guarantee Agency (MIGA) are collaborating to make maximum use of their joint comparative advantage. WBG efforts are organized within two pillars. Under pillar 1, the WBG supports increased economic growth and competitiveness, focusing on expanding hydroelectric power generation, enhancing transport connectivity, and improving the business environment. Under pillar 2, WBG provides support to higher and more inclusive growth and opportunities for shared prosperity, aimed at enhancing the productivity of agriculture and equalizing access to health care, skills development, and social protection. Cutting across these pillars, WBG activities contribute to improving the effectiveness, efficiency and accountability of public expenditure.

IDA 17 Program and Pipeline: Nepal's indicative allocation under IDA17 is about \$840 million, a 30 percent increase over the IDA16 allocation. In addition to the increase in Nepal's IDA financing envelope, there have been changes in the composition of the financing. Under IDA16, Nepal received grants and credits at a 45-55 ratio due to its moderate levels of debt distress. The most recent joint International Monetary Fund (IMF)-World Bank debt sustainability analysis assessed Nepal's risk of debt distress to be low. Given this improvement in its debt-distress rating, Nepal's financing under IDA17 is on a credit-only basis. In response to the needs arising from the devastating earthquakes, the World Bank Group is providing up to half-a-billion dollars to finance the reconstruction of Nepal, of which \$300 million consists of new funding from the IDA Crisis Response Window. The pipeline planning for IDA17 for FY2016 is as follows:

Project Name	Board Approval	IDA (\$m)	Other (Grant) (\$m)	IBRD+ IDA+ Other (\$m)	Status
Quarter 1					
School Sector Reform Program Additional Financing	10/12/15	0.0	59.3	59.3	On Track
Nepal: Power Sector Reform and Sustainable Hydropower Development Project	09/25/15	20.0	0.0	20.0	On Track
Quarter 3					
UT1 - Upper Trishuli Hydro Project	03/29/16	80.0	0.0	80.0	On Track
Strategic Roads Development Project	03/30/16	150.0	0.0	150.0	On Track
Nepal Third Financial Sector Stability Credit DPC3	03/31/16	100.0	0.0	100.0	On Track
Quarter 4					
Business Models for Private Sector-Led Off-Grid Energy Access Project	05/31/16	0.0	8.0	8.0	On Track
Total (6)		350	67	417	

Current IDA Portfolio and Trust Fund

The current portfolio comprises 23 active projects with a net commitment of about \$1.86 billion. Of these, 20 active IDA projects have a combined net commitment of \$1.87 billion, including a \$100 million Financial Sector Development Policy Credit 2 (DPC2). Four active Trust Fund (TF) projects of \$5 million and above account for a net commitment of \$92.87 million. In addition, there are three regional projects with net commitments of \$240 million. In response to the need arising from the devastating earthquakes on April 25, 2015, and May 12, 2015, five projects were extended: Kabeli Transmission Project, Road Sector Development Project, Irrigation and Water Resources Management Project, Project for Agriculture Commercialization and Trade, and Second HNP and HIV/AIDS Project.

As of June 30, 2015, the TF portfolio consisted of 14 active TFs (recipient executed), with a total commitment amount of about \$122.66 million. There are three operations supported by the Multi-Donor Trust Fund (MDTF) for Public Financial Management supporting the areas of cash management, strengthening of the audit function, and strengthening the social accountability system.

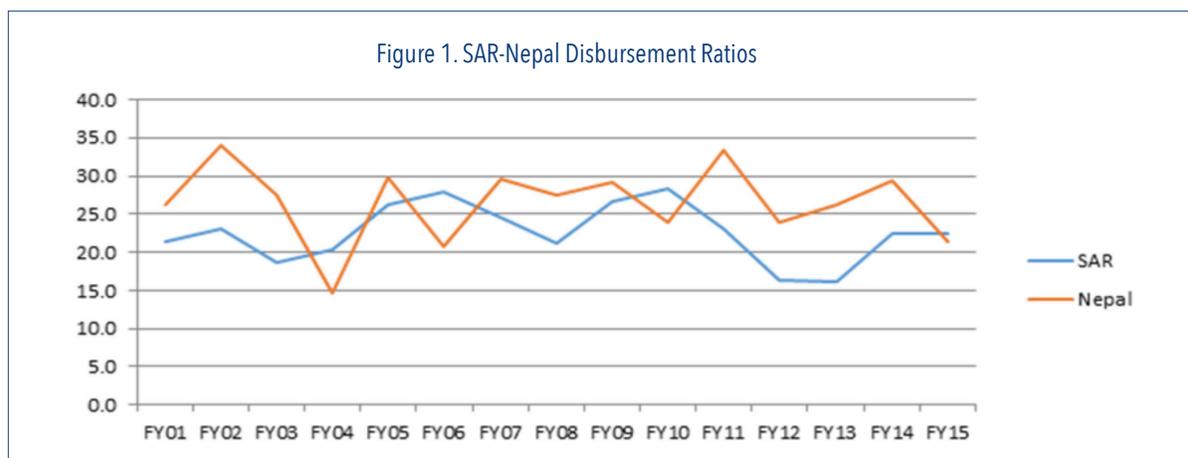
Number of Projects Approved in FY2015

Five projects with a total value of \$291 million were approved from IDA sources and \$250 million from the Crisis Response Window to respond to emergency needs arising from the April and May 2015 earthquakes. The emergency funds supplement the \$50 million Financial Sector Stability DPC2 and provide \$200 million in financing for the Earthquake Housing Reconstruction Project.

Portfolio Performance and FY2015 Disbursements

Portfolio quality and implementation progress remain a challenge in Nepal. The earthquakes have added to the project implementation challenges and impacted the country's development progress. Implementation issues affecting the portfolio include: (i) delays in approval of work plans that include procurement plans; (ii) frequent turnover of project staff; (iii) weak safeguard capacity; (iv) weak procurement and financial management capacity; and (v) weak monitoring and evaluation capacity.

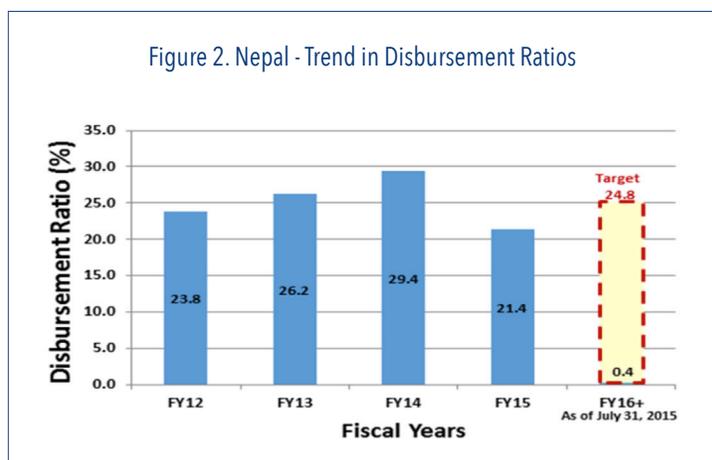
Disbursement in FY2015 accelerated in the last quarter and reached \$153.33 million or 21.4 per-



cent ratio— slightly lower than the annual target of 24 percent. With the exclusion of the Program-for-Results (PforR) operation and three regional projects (which are not counted in the calculation of disbursement ratio), total disbursement in absolute amount was \$198.78 million. In terms of breakdown between IDA and TF portfolio, the IDA portfolio (comprising 18 projects) achieved a ratio of 22.6 percent (total disbursement \$147.11 million), and the TF portfolio (comprising two projects) achieved a ratio of 9.38 percent (total disbursement \$6.22 million). Figure 1 compares Nepal disbursement ratio with the South Asia region

Figure 2 illustrates Nepal’s disbursement ratio trend of five fiscal years.

Overall, despite its fragile country context, Nepal has maintained a relatively stable track record in disbursements, faring better than many IDA countries. During the past four years, disbursements



averaged about 25 percent (FY2014 had an exceptional ratio of 29.4 percent).

Knowledge Products

Several key strategic pieces of technical assistance, analytical and advisory services, and economic and sector work have been undertaken or are nearing completion. These include the Support to the Medium Term Expenditure Framework anchoring the government’s Three Year Plan; Household Renewable Energy Access; Nepal Nutrition Policy Dialogue; Social Protection Study; Rural Water Study Dissemination; Second PEFA Assessment; and a report on the Observance and Standards of Codes in accounting and auditing.

Areas of Joint IDA-IFC Collaboration

Since 2008, IFC has been working closely with Nepal’s private sector through investments and advisory services. To boost private-sector growth, IFC works to promote private investment in infrastructure, tourism, financial markets, transportation, and trade finance. Despite the recent earthquakes, IFC has funded and mobilized a record \$59.6 million for the FY2015 and signed eight cooperation/advisory agreements—the highest one-year output in IFC’s history in Nepal. IDA and IFC have been jointly collaborating in the energy and financial sectors and on private-sector development.

Shortage and efficiency of electricity is a key concern for the private sector and a top economic concern nationwide. Through investment and technical advice, IFC has been helping unlock barriers for new infrastructure projects, particularly in hydropower, to help meet Nepal's growing needs. Nepal energy has been identified as a key area for support. IFC and IDA are jointly working to deliver transformative hydropower projects in the short, medium and long term. A total of 3,000 MW of hydropower projects have been identified for support under this joint implementation plan.

IFC Advisory is also in advanced discussions with the Ministry of Energy (MOE) and Department of Electricity Development on signing a memorandum of understanding for advisory support and for preparing up to three medium-size hydropower projects for competitive bidding. IFC also: supports the Ministry of Science, Technology and Environment on reforming hydropower environmental impact assessment guidelines; works with the Nepalese Sugar Mill Association to support mills in connecting to the national grid to export surplus power; and assists the cement industry in increasing energy efficiency and attracting investment.

IFC, through the Trade and Competiveness Global Practice, works closely with the Government of Nepal and the private sector to focus on: (i) improving Nepal's investment climate; (ii) enhancing regional connectivity; and (iii) promoting investment op-

portunities in tourism. It supports improvements in government-to-business services, business regulations, and investment policies, such as enhancing transparency and sustaining reforms through technology-led, government-to-business services. Tourism sector competitiveness work focuses on improving standards for the sector, facilitating catalytic investment, and providing policy advice and streamlining regulations with the objective of promoting quality tourism in Nepal. As part of the South Asia Regional Trade and Integration Facility, IFC supports modernizing customs procedures and improved risk-management practices and automation to increase efficiency of service delivery for the key regulators.

IFC invests in commercial banks and venture funds that provide loans to micro, small, and medium enterprises (MSMEs), which employ an estimated 1.75 million people and account for a fifth of the country's GDP. IFC advisory programs facilitate growth of small and medium enterprises (SMEs) in Nepal, helping enhance their financing options through a supportive financial infrastructure including institutions, financial product development, risk management, and improved payment regulations. Last year IFC added two more banks to its growing global trade finance program, bringing the total banks enrolled to seven. An emergency medium-term facility is also being processed to assist small hydropower producers and SMEs.

NEPAL: AGRICULTURE AND FOOD SECURITY PROJECT (TF 13719)

KEY DATES:

Approved: February 11, 2013

Effective: April 30, 2013

Closing: March 31, 2018

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	58.00	NA	NA
Borrower	11.50	0	11.50
Co-financing	NA	NA	NA
Total Bank Financing	46.50	10.72	35.78
IDA	NA	NA	NA
Trust Fund (GAFSP)	46.50	10.72	35.78

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

On June 7, 2011, the Government of Nepal received a competitive grant of \$46.5 million from the Global Agriculture and Food Security Program (GAFSP) to implement the Agriculture and Food Security Project (AFSP). The World Bank is the administrator for GAFSP as well as the supervising entity for AFSP, which is the first project in Nepal that brings together two ministries -- agriculture and health -- to increase agricultural productivity and improve access to and utilization of nutritious food.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The goal is to enhance food and nutritional security of targeted communities in selected locations of Nepal. Key expected outcomes of the project are: (i) increased productivity of targeted crops and livestock products; and (ii) access to and utilization of nutritious food to nutritionally vulnerable groups (pregnant and nursing mothers, and children between six and 24 months old). The project comprises three components: (i) technology development and adaptation; (ii) technology dissemination and adoption; and (iii) food and nutritional status enhancement. It aims to reach 162,500 beneficiaries, including 45,000 pregnant and nursing women.

RESULTS ACHIEVED:

The project has made considerable progress, including: (i) release of eight promising crop varieties and six improved technologies for rice, wheat, maize, potato, lentil, soybean and buckwheat; (ii) production of 8.3 metric tons of breeder seeds and 49.9 metric tons of source seeds; (iii) importation of 129 improved goats from Australia and the United States for breed improvement; (iv) establishment of 438 farmer field schools; (v) formation of 710 livestock farmer groups, of which 91 percent are female; and (vi) initiation of a nutrition improvement program through behavior change communication and establishment of nutrition-based vegetable gardens.

KEY PARTNERS:

Ministry of Agriculture Development, Ministry of Health and Population, Nepal Agricultural Research Council, U.N. Food and Agriculture Organization

NEPAL: IRRIGATION AND WATER RESOURCE MANAGEMENT PROJECT (IDA CREDITS 4515-NP & 5344-NP AND IDA GRANTS H338-NP & H902-NP)

KEY DATES:

Board Approval (original): December 6, 2007; AF I: September 29, 2008; AF II: December 23, 2013

Effective (original): April, 24, 2008; AF I: January 30, 2009; AF II: April 10, 2014

Closing (original): June 30, 2015 (AF1): June 30, 2016; (AF2): June 30, 2018

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	132.34	77.85	48.39
Borrower (GON)	10.0	6.5	3.5
Borrower (WUAs)	8.1	3.1	5.0
Co-financing	NA	NA	NA
Total Bank Financing	114.24	74.35	39.89
IDA	114.24	74.35	39.89
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

Two-thirds of Nepal's population is engaged in the agriculture sector, which contributes 36 percent towards the nation's total GDP. With only about 28 percent of the total agricultural land under year-round irrigation, there is a scope for both expanding the area under irrigation and improving water delivery and management efficiency. The recently developed Agriculture Development Strategy, funded under a multi-donor initiative (including the Bank), also emphasizes the need for irrigated agriculture.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The Irrigation and Water Resources Management Project (IWRMP) aims to improve agriculture productivity and the management of selected irrigation schemes and to enhance institutional capacity for integrated water resources management. It aims to ensure efficient integration of water resources and crop production to derive full benefits from investments in irrigation. The project has four main components: (i) irrigation infrastructure development and improvement; (ii) irrigation management transfer to water user associations in the Tarai (plains); (iii) institutional and policy support for integrated water resources management; and (iv) integrated crop and water management.

RESULTS ACHIEVED:

IWRMP's first phase ended in June 2014 and in December 2013, the project secured an additional financing of \$50 million to complete the outstanding schemes and scale up the best practices achieved. Productivity of key agricultural crops has increased in a range of 25 percent to 45 percent, with corresponding increase in cropping intensity. Thirty-two stations of Babai, West Rapti and Karnali River Basin have been equipped with telemetry system – nine are hydrological stations and 23 are meteorological stations. Through the IWRMP, 114 farmer-managed irrigation schemes have been rehabilitated, management transfers covering an area of 23,100 hectares. Through improved technology and reliable availability of water, productivity of rice, wheat, maize, and potato have increased by 52, 53, 53 and 51 percent, respectively. Cropping intensity has increased from a baseline of 168 percent to 220 percent. Following the earthquake of April 2015, IWRMP underwent restructuring to extend the closing date by one year for the parent project which has made available \$2 million to support recovery activities.

KEY PARTNERS:

Ministry of Agriculture Development, Department of Irrigation, Water and Energy Commission

NEPAL: PROJECT FOR AGRICULTURE COMMERCIALIZATION AND TRADE (PACT)
(IDA CREDITS 4603-NP & 5180-NP AND IDA GRANTS H486-NP & H813-NP)

KEY DATES:

Board Approval (original) June 4, 2009; AF: November 15, 2012
 Effective Date (original) November 13, 2009; (AF) March 18, 2013
 Closing Date (original) June 30, 2015; (AF) June 30, 2018

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	81.85	33.96	47.89
Borrower	2.23	1.73	0.5
Co-financing (Beneficiaries)	19.62	8.61	11.01
Total Bank Financing	60.00	23.62	33.32
IDA	60.00	23.62	33.32
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

Nepal's mountainous landscape and infrastructure gaps have weakened linkages in the food value chain, exacerbating the challenges in agricultural growth and food security. Its entry into the World Trade Organization presents new opportunities for market integration provided the competitiveness of the agriculture sector can be significantly enhanced. It is strengthening emerging commodity value chains, and providing local and international access to markets by forging backward and forward linkages in selected value chains.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to improve the competitiveness of project-supported smallholder farmers and agribusiness within selected commodity value chains. This is to be achieved by: (i) agriculture and rural business development through provision of matching grants to commodity value-chain actors mainly for technology support and agribusiness development; (ii) support for sanitary and phyto-sanitary facilities to regulate and maintain food quality; and (iii) project management.

RESULTS ACHIEVED:

PACT has so far supported over 223 cooperatives, 140 farmer groups, 145 private firms and nine producer associations, reaching out to 65,386 direct beneficiaries, of which over 42 percent are women. The three new windows supporting medium and micro enterprises (for rural districts and Integrated Pest Management) are under implementation, and are expected to reach out to smallholders and micro enterprises as well as different actors of a single value chain to strengthen backward and forward linkages. These activities are further being supported through establishment of the Agribusiness Innovation Center, construction and rehabilitation of central and regional markets, laboratory equipment, and training support to the Department of Food Technology and Quality Control, Department of Livestock Services and Department of Agriculture (DoA).

KEY PARTNERS:

Ministry of Agriculture Development, InfoDev

NEPAL: POVERTY ALLEVIATION FUND II ADDITIONAL FINANCING (IDA GRANT H857-NP)

KEY DATES:

Board Approval: (original) December 6, 2007; First AF: June 2, 2011, Second AF: June 5, 2013
Effective: (original) March 19, 2008; First AF: October 11, 2011; Second AF: October 4, 2013
Closing: (original) June 30, 2014; (AF1): December 31, 2014; (AF2): December 31, 2017

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	309.20	NA	NA
Borrower	30.50	5.58	24.92
Co-financing (Beneficiaries)	14.70	9.71	5.00
Co-financing (IFAD)	4.10	3.81	0.12
Total Bank Financing	245.00	187.59	50.08
IDA	245.00	187.59	50.08
Trust Fund	12.65	10.00	1.82

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

The Poverty Alleviation Fund (PAF) was established around nine years ago, operating in six pilot districts. To date, PAF has successfully reached out to vulnerable groups – especially those disadvantaged due to gender, caste, ethnicity or physical isolation – in 55 districts. PAF also has demonstrated significant commitment to the strengthening of community organizations (COs) and their capacity to manage finances and activities, including creation of networks and cooperatives to support marketing and production of products.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to improve living conditions, livelihoods, and empowerment among the rural poor, with particular attention to groups that have traditionally been excluded by reasons of gender, ethnicity, caste, and location. The project has four main components: (i) small-scale community infrastructure to provide capacity-building support and sub-grants to community organizations for local infrastructure projects (ii) sustainable income generation to provide capacity-building support and sub-grants to community organizations for income-generation activities; (iii) product development, market linkages, and pilots to support those community organizations that are more advanced; and (iv) capacity-building and institutional strengthening to support the formation and development of community organizations and the creation of cooperatives and market alliances.

RESULTS ACHIEVED:

PAF is now operating its regular program in 55 districts and has made agreements with 25,139 Community Organizations. The project has so far directly benefitted 716,385 households and has indirectly benefitted an additional 50,663 households (through PAF-financed infrastructure sub-projects), of which 64 percent fall under the category of ultra-poor (food sufficiency less than three months). CO-member households are 25 percent Dalit, 27 percent Janajati, 3 percent Muslim, 29 percent Brahmin/Chhetri, and 16 percent other ethnicity. About 74 percent of CO members are female. Out of 31 major districts greatly affected by the April and May earthquakes, PAF covers 14, seven of which are "major crisis hit" as per the Post-Disaster Needs Assessment. PAF intends to provide support to these districts through infrastructure rehabilitation, income generation, and skills development. For this purpose approximately \$11 million (\$8 million from IDA and \$3 million from the International Fund for Agricultural Development (IFAD) has been set aside, and a concept note with a detailed implementation arrangement and budget is being prepared.

KEY PARTNERS:

Poverty Alleviation Fund, IFAD

NEPAL: MODERNIZATION OF RANI JAMARA KULARIYA IRRIGATION SCHEME (IDA CREDIT 4981-NP AND IDA GRANT H716-NP)

KEY DATES:

Board Approval: July 5, 2011
Effective: November 30, 2011
Closing: September 30, 2017

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	48.00	NA	NA
Borrower (GON)	5.00	NA	NA
Borrower (WUAs)	NA	NA	NA
Co-financing	43.00	18.38	20.97
Total Bank Financing	43.00	18.38	20.97
IDA	48.00	NA	NA
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

The Rani Jamara Kulariya Scheme (the Rani Scheme) is one of the most prominent farmer-managed irrigation schemes in Nepal, with a cultivable command area of 14,300 hectares (the project area), of which about 11,000 hectares are currently being irrigated. It is located in the Tarai area of Kailali District in the Far Western Development Region, one of the least developed in the country. Bank support is proposed in two phases. The first, currently under implementation, mainly focuses on modernization of the higher-order irrigation infrastructure (especially intakes and feeder and branch canals), as well as the preparation and initiation of an agricultural development program. The proposed second phase would mainly focus on the modernization of the lower-order irrigation infrastructure (sub-branch and tertiary canals and water courses) and implementation of a comprehensive agricultural improvement program.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The objective is to improve irrigation water delivery and management in the project area by improving performance of the irrigation systems and strengthening community-based irrigation management. These activities seek to build resilience through more efficient water delivery and management against water-induced hazards such as droughts, floods, and changes in water availability during the agricultural seasons. The project also supports the agricultural development that will result in a modest increase in yields, especially in the upper part of the command area. The project comprises four components: (i) scheme modernization; (ii) strengthening Water Users Associations; (iii) agricultural production support; and (iv) project management.

RESULTS ACHIEVED:

The feeder canal connecting the three main branch canals is substantially completed, with earthworks and most structures finished. The main work on the three branch canals is the construction of 23 large hydraulic-control structures. Six of them have been completed; seven are under construction. The construction of the remaining ones will start in October 2015 after the monsoon season. The completed structures were tested and the initial results show that all structures are functioning as per design. About 60 kilometers (km) of the 82-km road improvement is completed and out of the planned 10 bridges, five are completed and bringing improved access to the scheme areas. About 9.5 km of river training works have been completed and training works for about 8.8 km is ongoing and will mostly be completed by the end of 2015. The completed river training works have performed well and were able to contain serious flooding in the Karnali River. Agricultural activities, such as demonstrations and farmers field schools, are starting to show results and many farmers are already reporting modest yield increases.

KEY PARTNERS:

Department of Irrigation, DoA

NEPAL: BUILDING RESILIENCE TO CLIMATE RELATED HAZARDS (TF013665/TF013557)

KEY DATES:

Approved: January 15, 2013
Effective: June 20, 2013
Closing: November 30, 2018

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	31.3	NA	NA
Borrower	0.3	0.25	0.05
Co-financing	NA	NA	NA
Total Bank Financing	NA	NA	NA
IDA	NA	NA	NA
Trust Fund	31.0	6.70	24.30

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

Nepal is prone to a range of hydro-meteorological (hydromet) hazards such as floods and droughts, the frequency and intensity of which are expected to increase with climate change. The poorer sections of the country are typically the worst affected and have the least capacity to deal with such risks. A well-functioning hydromet network, forecasting and early warning system is crucial for strengthening resilience to such risks. The existing network is mainly manual, with limited real-time data collection, transmission and storage, and there is no system for issuing authoritative warnings for weather-related disasters to government authorities, key user groups, or communities at risk. Improved agro- meteorological information is also an urgent priority for the agricultural sector. The Building Resilience to Climate-Related Hazards Project is one of four projects financed through the Nepal Pilot Program for Climate Resilience under the Strategic Climate Fund. Implementation of this project is supported by the World Bank. Other development partners participating in the Nepal PPCR program include the Asian Development Bank (ADB) and the IFC.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project's main objective is to enhance government capacity to mitigate climate-related hazards by improving the accuracy and timeliness of weather and flood forecasts and warnings for climate-vulnerable communities, and to support development of agricultural management information system services to help farmers mitigate climate-related production risks. The project has four components: (i) institutional capacity strengthening of the Department of Hydrology and Meteorology (DHM); (ii) modernization of hydro-meteorological observation networks and forecasting; (iii) enhancement of DHM's service delivery system; and (iv) creation of an agriculture management information system anchored at the Ministry of Agricultural Development (MOAD).

RESULTS ACHIEVED:

DHM, under the Ministry of Science, Technology and Environment, has contracted a system integrator firm to design and prepare bidding documents for modernization of its observation network, forecasting, and services. Draft design documents have been prepared and are being finalized. Priority bidding documents for upgrading the country's meteorological and hydrological networks and installation of radar are under preparation. The demolition of DHM's building is in progress. Design of the proposed new building and bidding documents are being finalized. DHM is issuing various consultancies, which are at different stages of procurement. MOAD, in collaboration with the Nepal Agricultural Research Council (NARC), has started to prepare basic agro-advisory bulletins and is piloting them at the district level. A good practice example of inter-institutional collaboration is the formation of JOWGRAM -- a joint working group between DHM, MOAD and NARC -- to exchange data and information, and facilitate preparation of agro-weather advisories and products that can be distributed to farmers. Various training activities have been undertaken by DHM and MOAD at the national and district levels. MOAD has also undertaken several study tours in FY2015 to Kenya, India and the United States to learn from international experience on development of agricultural management information systems and outreach to farmers.

KEY PARTNERS:

MOAD, DHM, NARC, ADB, IFC

NEPAL: POST DISASTER SECOND FINANCIAL SECTOR STABILITY CREDIT- DPC2

KEY DATES:

Approved: June 29, 2015
Effective: Not yet effective
Closing: December 31, 2015

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	100	0.00	0.00
Borrower	NA	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	100	0.00	0.00
IDA	100	0.00	0.00
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

The credit is the second in a series of three Development Policy Credits. The first credit (DPC1) was a stand-alone single-tranche \$30 million SDR equivalent credit approved by the IDA's Board in June 2013. The second and third DPCs are two programmatic single-tranche development policy operations that support the reform program of the Government of Nepal (GON) to address financial sector vulnerability.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The development objectives of the proposed credit are to support the financial sector medium-term reform program initiated by the Nepalese authorities to reduce the vulnerability of the banking sector and increase its transparency. Although this operation was designed prior to the April 2015 earthquake, the magnitude of the devastation that ensued, as well as the heightened vulnerabilities of the financial sector as a result of the disaster, have resulted in an additional objective. That objective is to provide the GON with much-needed short-term financial support to expedite and scale up relief and recovery efforts while mitigating new emerging financial-sector weaknesses and allowing it to play its role in the broader post-disaster recovery effort. The proposed credit is composed of four policy areas: (i) enhancing financial-sector development and restructuring, and consolidating the financial system; (ii) strengthening the legal and regulatory framework for crisis management; (iii) improving banking supervision and payment systems; and (iv) enhancing the governance and transparency of the banking system. The second and third areas in particular assume special significance in the aftermath of the earthquake.

RESULTS EXPECTED (AT THE END OF THE DPC SERIES IN JUNE 2017)

- A strengthened coordination framework for design and implementation of financial-sector reforms is established.
- The restructured and recapitalized Rastriya Banijya Bank and Nepal Bank Limited (NBL) meet all regulatory norms (including Capital Adequacy Ratio (CAR) > 10 percent) and state control of NBL has been divested.
- The banking system has been stabilized and consolidated with all banks being either CAR-compliant or in prompt corrective action programs, and the number of financial institutions has been reduced to fewer than 130.
- The legal framework for bank supervision, regulation, and financial crisis management has been strengthened by the enactment of amendments to the Nepal Rastra Bank (NRB) Act and the Deposit and Credit Guarantee Fund Act.
- The institutional capacity of the NRB and Deposit and Credit Guarantee Corporation (DCGC) has been strengthened by start of operations of a Supervisory Information System for NRB and a Deposit Guarantee Information System for DCGC.
- The governance and transparency of the banking system has been strengthened by the enactment of a new Banks and Financial Institutions Act and the implementation of Nepal Financial Reporting Standards by Class A and B financial institutions.

IMPLEMENTING AGENCY:

Ministry of Finance

KEY PARTNERS:

NRB, Department for International Development (DFID), IMF

NEPAL: ENHANCED VOCATIONAL EDUCATION AND TRAINING (IDA CREDIT 4924-NP AND IDA GRANT H673-NP)

KEY DATES:

Approved: April 21, 2011
Effective: August 23, 2011
Closing: October 30, 2015

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	50.40	25.77	24.23
Borrower	10.90	0.33	10.57
Co-financing	0.00	NA	NA
Total Bank Financing	39.50	23.28	13.66
IDA	39.50	23.28	13.66
Trust Fund	663.00	68.00	595.00

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

With a growing youth population and a rising number of people entering the labor force, the Government of Nepal is implementing various programs to improve access to technical and vocational education and training (TVET) for the poor and disadvantaged youth. This first IDA TVET project in Nepal contributes to the government's efforts by reaching out to more than 75,000 youths who will get access to short-term skills training, technical education, opportunities for certifying their existing skills, and other inclusive processes. The project also supports quality enhancement of institutions offering Technical School Leaving Certificate and Diploma programs through the provision of matching and performance grants. Initial delays in the commencement of key activities in the first two years led to restructuring of the project in December 2013, with partial cancellation of funds amounting to \$10.5 million. The project has now achieved or exceeded all of its key performance indicator targets, and GON has requested an extension of the project closing date to continue support for skills training in great demand by youths and contribute to the post-earthquake reconstruction activities. The request has been endorsed by the World Bank, and the project is currently being restructured to extend its closing date to June 30, 2017.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project's goal is to expand the supply of skilled and employable labor by increasing access to quality training programs, and by strengthening the technical and vocational education and training system in Nepal. It consists of four components: (i) strengthening technical education and vocational training regulatory activities and capacity building; (ii) strengthening technical education; (iii) supporting short-term training and recognition of prior learning; and (iv) project management and monitoring and evaluation. The project is providing short-term training, stipends to students for technical education, and performance-based grants and/or matching grants to technical institutes. It also has provisions for certifying existing skills gained through informal methods, and for creating a larger pool of trainers in the country.

RESULTS ACHIEVED:

- About 73.5 percent of graduates from supported programs have been gainfully employed for at least six months after the completion of training.
- More than 12,470 youths have been tested and certified on pre-existing skills by the National Skills Testing Board.
- The share of girls, Dalits and disadvantaged Janjatis enrolled in supported institutions has increased to 58.1 percent.
- A total of 409 skills test managers, 1,707 lead and assistant trainers, and 5,104 skills test assessors have been trained.
- Around 4,070 students, selected using a means-testing method, have received or are receiving scholarship support, and around 55,000 youths have received short-term training through results-based and voucher-based modalities. This includes a special window for providing short-term skills training exclusively to women in non-traditional trades.

KEY PARTNERS:

Ministry of Education, Council for Technical Education and Vocational Training, Employment Fund, Adolescent Girls Employment Initiative Project

NEPAL: HIGHER EDUCATION REFORMS PROJECT (IDA CREDIT 5586-NP)

KEY DATES:

Board Approval: February 19, 2015

Effective: May 22, 2015

Closing: June 30, 2020

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	663.00	68.00	595.00
Borrower (GON)	598.00	68.00	530.00
Co-financing(Donors)	0	0	62.62
Total Bank Financing	65.00	0	62.62
IDA	NA	NA	NA
Trust Fund	663.00	68.00	595.00

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

Higher education in Nepal is provided by nine universities and four health academies governed by separate acts. The Ministry of Education (MOE) and the Ministry of Health and Population (MOHP) are the focal ministries for universities and health institutions. Higher education enrollment has been on the rise, with an average annual growth rate of 14.7 percent. The gross enrollment rate in higher education increased from 7 percent to 17.1 percent from 2005/06 to 2012/13, an increase higher than that of most countries at comparable levels of economic development. Despite significant achievements over the past decade, weak relevance, low quality, internal inefficiency, inequity, and inadequate financing continue to pose major challenges in the higher education sector. IDA has been a key partner supporting higher education through other projects in the past as well. One of the main goals of the GON's Approach Paper to the Thirteenth Plan (2013-16) is to achieve job-centered, poverty-reducing, sustainable, and broad-based economic growth. Human resources and skills development is a priority sector highlighted for Nepal's economic growth and development. The project supports government programs to help develop the required human resources and add to the national knowledge base.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project development objective is to support reforms in selected institutions for improving quality, relevance, and efficiency of higher education, and to assist under-privileged students with equitable access. The project comprises two components. The first component, implementation of reforms, uses a results-based Disbursement Linked Indicators (DLI) approach to finance four result areas. Component two uses normal Investment Project Financing (IPF) mode to finance costs associated with project management and capacity building. Results Area 1: Systemic and Institutional Reforms includes major reforms for: (i) more effective public funding; (ii) institutionalization of the national accreditation system; (iii) greater institutional autonomy; and (iv) strengthening of the examination system. Results Area 2: Academic Reforms and Relevance, focuses on: (i) better learning outcomes in all programs; and (ii) introduction/expansion of programs in market-relevant and priority areas of development for Nepal. Results Area 3: Equity supports meritorious students belonging to the two poorest quintiles selected through nationwide Proxy Means Testing approach. Results Area 4: Academic Excellence and Research supports the government in financing research, development, and innovation. Component 2 supports effective implementation and monitoring. It finances inputs and activities required to achieve the above-stated results and enhance the capacity of the implementing, coordinating, and participating agencies, including in conducting various surveys and studies.

RESULTS ACHIEVED:

The following results (DLIs) have been achieved as of July 31, 2015: Guidelines for: (i) performance based funding of higher education institutions funded through the Higher Education Reform Project; (ii) formula based funding of regular grants for community campuses; and (iii) formula based funding for universities and autonomous campuses funded from regular grants have been endorsed by the University Grants Commission (UGC). Tribhuvan University (TU) has adopted (i) revised autonomy campus rules for constituent campuses; and (ii) rules for academic autonomy for constituent and affiliated campuses. TU has also adopted: (i) revised academic rules for ensuring completion of academic calendar within one year; and (ii) a plan for examination reform (with special focus on centralized examinations). Areas of priority for new programs and the criteria and procedures for selection of programs and institutions have been approved by UGC. Proxy Means Testing (PMT) processes for selection of students are revised by the Student Financial Assistance Fund Development Board (SFAFDB) and database and process is computerized; and UGC has: (i) revised the existing guidelines for research funding; and (ii) identified priority areas for research support. TU has adopted the parallel recruitment and promotion rules.

KEY PARTNERS:

MOE, UGC, TU, SFAFDB,, and other universities and higher education institutions that are interested to participate in the project.

NEPAL: SCHOOL SECTOR REFORM PROGRAM (IDA CREDIT 49050-NP; 46520-NP & IDA GRANT H6610-NP,H5180-NP)

KEY DATES:

Board Approval (original): September 22, 2009, AF May 15, 2013

Effective: December 23, 2009, (AF): September 3, 2013

Closing (original): December 15, 2014, (AF): July 15, 2016

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	4040.32	2889.47	1150.85
Borrower	2958.97	2282.63	676.34
Co-financing (Donors)	470.00	407.45	62.55
Total Bank Financing	230.0	203.61	26.39
IDA	230.0	203.61	26.39
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

The School Sector Reform Program (SSRP) is a government initiative that aims to enhance access to and improve the quality of education. It covers Grades 1–12 as well as early childhood education and development and non-formal education. SSRP focuses on basic education to achieve the education Millennium Development Goals (MDGs) by 2015. It is being implemented through a sector-wide approach, with financial contributions from the government and 14 development partners, including the World Bank. The original IDA financing (\$130 million) was for five years (2009-2014). In addition, the program received a grant of \$120 million, administered by the Bank, from the Education for All-Fast Track Initiative Catalytic Trust Fund (now known as the Global Partnership for Education–GPE) in 2010. This TF closed on December 15, 2014. In June 2013, the board approved \$100 million in additional IDA financing along with an extension of the project closing date to July 15, 2016. Another \$63.3 million is in pipeline through a combination of grants from two trust funds: GPE and Result for all Children.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to support the government's SSRP to increase access to and improve quality of school education, especially for marginalized groups. The three main components of the program focus on: (i) basic education (Grades 1-8); (ii) secondary education (Grades 9-12); and (iii) strengthening institutional capacity. The program finances both the recurrent and the development expenditures for school education, focusing on the SSRP's three pillars of enhancing access, promoting inclusion, and improving quality. The key policy reforms supported include increased community management of schools, public private partnership for improved delivery of textbooks, and improved learning outcomes through establishment of a standardized student assessment system.

RESULTS ACHIEVED:

Nepal has made remarkable progress in enhancing access to basic school education. Starting from a baseline of 73 percent, the net enrollment rate for basic education has increased to 87.60 percent, surpassing the end of program target of 85 percent. The completion rate for basic education has reached 66.7 percent. Nepal has achieved gender parity in net enrollment for both basic and secondary education. The assessments of student learning outcomes for grades 3, 5 and 8 have been completed and the final reports are publicly available. An equity strategy has been developed and will be implemented before the end of the current fiscal year.

KEY PARTNERS:

MOE, ADB, Australia, Denmark, European Union, DFID, Finland, Norway, UNICEF, Global Partnership for Education, JICA, Japan, U.S. Agency for International Development (USAID), UNESCO World Food Program.

NEPAL: GRID SOLAR AND ENERGY EFFICIENCY PROJECT (IDA CREDIT 5566-NP)

KEY DATES:

Board Approval: December 22, 2014

Effective: Not yet effective

Closing: December 31, 2020

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	138.00	0.00	130.73
Borrower	8.00	0.00	8.00
Co-financing (IFC)	1.00	0.00	1.00
Co-financing (Others)	130.0	0.00	122.73
Total Bank Financing	130.0	0.00	122.73
IDA	NA	NA	NA
Trust Fund	138.00	0.00	130.73

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

The project supports the government strategy to deal with the current crisis in the energy sector. To fight the energy crisis, generation capacity has to be increased and system loss should be reduced. Currently, the system loss of the Nepal Electricity Authority (NEA) stands at 26.3 percent, incorporating both technical and commercial (non-technical) losses. Many activities have been carried out to reduce the system losses, such as conductor upgrade work for 132 kilovolt (kV) cross-border transmission line and capacitor banks installation in some substations. However, the distribution system needs to be rehabilitated to further reduce the technical losses. The non-technical losses, such as leakages, are also deemed high. NEA is trying to engage an ambitious program of expanding access to and improving the quality of electricity service. A key aspect of this program is to curtail power system losses to acceptable levels.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project development objectives are to: (i) increase solar photovoltaic generated electricity to supply to the NEA grid; and (ii) reduce NEA's distribution losses in selected distribution centers. The project has two components. Component 1: (Grid-connected Solar Photovoltaic Farms Development) This component will support: (i) design, supply, construction, commissioning, and operation and maintenance of grid-connected solar farms to supply electricity directly to NEA's distribution network; (ii) provision of technical advisory services to assist NEA with, among other things, the procurement and supervision of the engineering, procurement, and construction contract for the solar farms; and (iii) provision of capacity-building activities to assist NEA with, among other things, independent bid evaluation, project management, contract execution, and operation and maintenance of the solar farms. Component 2: (Distribution System Planning and Loss Reduction) This component will support: (i) preparation of a distribution master plan; (ii) preparation of a system loss reduction master plan; (iii) carrying out a set of activities in system-loss reduction in selected NEA's distribution centers. Those include: (i) replacing conductors of distribution feeders or building distributions lines to reduce line losses; (ii) adding or replacing distribution transformers to maintain voltage levels and reduce transformer losses; and (iii) adding capacitor banks to compensate reactive power to manage voltage levels; and (iv) building the capacity of NEA in distribution system planning and management. That latter aspect includes provision of equipment, software, and training for distribution system loss identification and reduction planning, and development of a geographic information system database.

RESULTS ACHIEVED:

IDA financing has not been made effective because the owner's engineer has not yet been hired, and that is a condition for moving forward. Currently, there is a short list of candidates. International competitive bidding for an engineering, procurement and construction contract for design, supply, installation and initial operation of a 25-megawatt (MW) grid-connected solar farm (estimated cost of \$50 million) was advertised on April 13, 2015. The bid submission date was extended from June 11, 2015 to August 31, 2015 upon request of bidders. Terms of reference (TOR) for the loss-reduction master plan was prepared by the counterparts and is under review by Bank team.

IMPLEMENTING AGENCY:

Nepal Electricity Authority

KEY PARTNERS:

Ministry of Finance (MOF), MOE

NEPAL: KABELI A HYDROELECTRIC PROJECT (IDA CREDIT 5338-NP AND IDA GRANT H900-NP)

KEY DATES:

Board Approval: July 1, 2014

Effective: Not yet effective (Subsidiary Agreements between MOF and the Hydroelectricity Investment and Development Company Ltd (HIDCL) not yet signed; public private partnership (PPP) between NEA and Kabeli Energy Limited (KEL) not yet signed)

Closing: December 30, 2019

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	108.70	6.00	102.70
Borrower	23.10	6.00	27.10
Co-financing (IFC)	38.60	0.00	38.60
Co-financing (Others)	1.00	0.00	1.00
Total Bank Financing	84.60	0.00	84.60
IDA	46.0	0.0	41.98
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

While Nepal is endowed with a huge theoretical hydropower potential of about 84,000 MW and economically viable potential of 43,000 MW, the installed hydropower generation capacity as of July 2013 was merely 746 MW. Similarly, 75 percent of the population of Nepal is estimated to have access to electricity (grid and off-grid) according to the 2013 Census, however, service is not necessarily available due to shortage of supply, with load shedding of up to 18 hours per day in grid-covered areas in the dry season. The World Bank Group, ADB, DfID and other development partners are jointly working on a transformational hydropower engagement program to develop Nepal's hydropower potential to meet the country's immediate power needs and to export to enhance growth and regional integration. The current (KAHEP) project -- 37.6 MW, jointly financed by IDA and IFC including IFC-Canada Climate Change Program (CCCP) with a local sponsor group -- would demonstrate development of hydropower through a PPP. KAHEP is consistent with the joint IDA/IFC Country Partnership Strategy for Nepal (FY2014-16), which stresses the importance of increased supply of electricity and improved access to reliable and affordable electricity to increasing economic growth and competitiveness. It is also consistent with the government strategy to deal with the current energy crisis and to attract private investments in hydropower. If successful, the project will demonstrate the viability of future hydropower projects through proper PPP arrangements and attract investors to the country and the sector.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project development objective is to add hydropower generation capacity to supply the NEA grid through public private investments. KAHEP has three components: (i) the KAHEP component (\$102.6) with IDA, IFC and CCCP funding in credit terms to construct the hydropower project including a diversion dam, intake, settling basins, a headrace tunnel, a semi-underground powerhouse and a tailrace canal; (ii) the MOE component (\$2 million), with IDA funding in grant terms to support implementation and compliance; and (iii) the Investment Board Nepal (IBN) component (\$4 million), with IDA funding in grant terms.

RESULTS ACHIEVED:

The negotiated financing agreement as well as project agreement have been signed, but not yet made effective since the following have not yet been achieved: (i) signing of subsidiary agreements (SAs) between the MOF and HIDCL and between HIDCL and KEL; (ii) signing of a power purchase agreement (PPA) between NEA and KEL. The new deadline for effectiveness is October 31, 2015. Negotiations on the PPA have been concluded and the negotiated PPA has been submitted to the NEA board for approval. Negotiations on the SA between HIDCL and KEL are underway and signing of both SAs was expected by September 21, 2015. Bidding for the two packages of the KAHEP--civil works and equipment--have been concluded and signing of contracts are pending for effectiveness of IDA financing. Construction schedules have been agreed with potential winning bidders for a 38-month contractual construction period. For the IBN component, contracts for hiring members of the project review pane are pending; signing will be carried out soon after project effectiveness. For the Department of Electricity Development (DOED) component, the TOR for hiring a firm for the cumulative impact assessment has been finalized and procurement is underway.

IMPLEMENTING AGENCY:

KEL, IBN, DOED

KEY PARTNERS:

MOE, HIDCL

NEPAL: KABELI TRANSMISSION PROJECT (IDA CREDIT 4932-NP AND IDA GRANT H676-NP)

KEY DATES:

Board Approval: May 10, 2011

Effective: September 21, 2011

Closing: December 31, 2016

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	47.74	14.85	32.89**
Borrower	7.80	0.00	7.80**
Co-financing (Community)	1.94	0.00	1.94**
Total Bank Financing	38.00	14.85	19.43**
IDA	38.00	14.85	19.43**
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

Nepal has rich hydropower resources that could potentially support export of hydropower to other countries in the region. However, it faces an energy crisis of unprecedented severity (up to 18 hours/day load shedding in dry seasons) due to generation shortages and transmission bottlenecks. IDA funding will help develop the transmission facility to exploit hydropower potential in the Kabeli River corridor, where about a dozen private power-generation projects are in various stages of development, including the Kabeli A Hydropower Plant, 37.6 MW, which is financed jointly by IDA/IFC.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to support the addition of transmission capacity to the Integrated Nepal Power System, and to provide access to electricity and cooking fuel to communities in the area of the Kabeli 132-kV transmission line. The project has three components: (i) construction of a new 132 kV transmission line in eastern Nepal, with associated substations; (ii) community-based rural electrification-grid extension; and (iii) enhanced rural energy services. The first and second components are under implementation by the Nepal Electricity Authority (NEA), while the third is being implemented under the Alternative Energy Promotion Center (APEC).

RESULTS ACHIEVED:

Of the 90-km-long transmission line, section I of 34 km is expected to be commissioned by September 2015, and this would enable transfer of 22 MW of electricity generated by the private hydropower generator. Of 95 towers, 91 have been erected and 31 km of the 34-km line strung. Construction work on section II will be started soon. All four substations within this transmission-line corridor as planned have been completed.

Detailed rural electrification mapping for the 5-km corridor under the transmission line alignment has been completed. Under the micro-hydro (MH) component, 108 solar home systems, nine institutional solar systems and 227 bio-gas plants have been provided. This component has been modified from developing community-based micro-hydro plants to a mini-grid connecting existing MH plants from Taplejung, Panchthar and Ilam, as communities were not interested in the MH plants initially identified. So far, 140 kW of existing MH plants are to be connected with the mini-grid.

Due to initial delays, the project completion date has been extended from June 30, 2015 to December 31, 2016.

IMPLEMENTING AGENCY:

NEA, APEC.

KEY PARTNERS:

MOE

NEPAL-INDIA ELECTRICITY TRANSMISSION AND TRADE PROJECT (IDA CREDITS 4902-NP & 5263-NP AND IDA GRANTS H660-NP & H858-NP)

KEY DATES:

Board Approval: (original) June 21, 2011; Additional Financing (AF): June 24, 2013
 Effective: (original) September 29, 2011; AF: December 31, 2013
 Closing: December 31, 2016

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Borrower	30.00	2.00	28.00
Co-financing (Others)	69.90	69.90	0.00
Total Bank Financing	138.00	49.59	77.63
IDA	138.00	49.59	77.63
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

Nepal has rich hydropower resources that could potentially make revenues through export of hydropower to other countries in the region in the future. However, at present it is facing energy crisis of unprecedented severity (up to 18 hours/day load shedding in dry seasons) due to generation shortages and transmission bottlenecks. While the government is seeking both public and private investments in hydropower generation and transmission facilities in Nepal, this project complements the government strategy for addressing the electricity shortages through import of electricity from India. It will also enable the export of surplus hydropower energy to India in the long term.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The development objectives are to establish cross-border transmission capacity between India and Nepal of about 1,000 MW to facilitate electricity trade between the two countries, and to increase the supply of electricity in Nepal by the sustainable import of at least 100 MW. The project has three components: (i) Component A1 and A2: the design, construction, and operation of approximately 130 km of a 400 kV double circuit north-south cross border transmission line between Muzaffarpur in India and Dhalkebar in Nepal; (ii) Component B1, B2 and B3: the design, construction and operation of approximately 285 km of a 400 kV double circuit east-west transmission line for the Hetauda-Dhalkebar-Inaruwa segment with concomitant substations in Nepal (B1), synchronization of operation of the Nepal and Indian grids and Transmission Lines (B2) and Integrated Financial Management Information System of NEA (B3); and (iii) Component C: technical advice for: preparation of a transmission system master plan for future transmission system development in Nepal; strengthening the institutional capacity of the NEA's transmission business, including to increase cross-border transmission links; and the MOE and NEA to develop understanding of the concepts of benefit-sharing in export-oriented hydroelectric projects.

RESULTS ACHIEVED:

Construction of the cross-border 400 kV MD transmission line financed by the government and others as stated above was nearly completed and commissioning of the line was expected in September 2015. For supply and installation of towers for the 400 kV HDI transmission line, the detailed route alignment survey and preparation of plan profile is completed. The check survey is 96.25 percent complete. Of 399 locations involving private land affected by tower foundations, land parcels data have been confirmed for 383. Of 790 towers, foundation work has been completed for 176, and 111 towers erected. Procurement for all major substations, conductors and transformers under the project has been completed, and supply and installation are underway. Execution of the contract for transmission master plan signed between NEA and EDF France on December 2, 2013 is on schedule. Data collection, demand forecast, generation scenario/export potential have been completed and the draft final report was submitted to NEA. EDF also conducted a workshop to present the transmission master plan/draft final report to NEA and other key stakeholders including development partners, private hydropower developers etc. for comment. The final report was expected in September 2015.

IMPLEMENTING AGENCY:

NEA

KEY PARTNERS:

MOE

NEPAL: SREP – SUPPORTED EXTENDED BIOGAS PROJECT (TF 16552)

KEY DATES:

Approved: August 27, 2014
Effective: November 24, 2014
Closing: December 31, 2019

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	35.50	0.00	35.50
Borrower	27.60	0.00	27.60
Co-financing (Others)	NA	NA	NA
Total Bank Financing	7.90	0.00	7.90
IDA	NA	NA	NA
Trust Fund	NA	NA	NA

PROJECT BACKGROUND:

The Nepal SREP-Supported Extended Biogas Project (NSEBP) is supported by the Scaling-up Renewable Energy Program in Low Income Countries (SREP) of the Strategic Climate Fund (SCF). The public launch of the project was held on February 3, 2015.

A recently issued government document notes that about 85 percent of the total final energy consumption in Nepal is met by biomass in terms of firewood (75 percent), agricultural residues (4 percent), and animal waste (6 percent). The rest is met by commercial sources, such as petroleum products, coal, and electricity (around 2 percent). The low level of commercial energy consumption in the country reflects the very low level of industrial activities. Recent studies have indicated that Nepal has very good potential for expanded biogas production. Biogas can be used on-site for cooking, for industrial thermal heating processes (e.g. steam production), and also to produce electricity in retrofitted generators that can use both diesel and biogas. Frequently identified potential opportunities for commercial biogas production on a larger scale include cow farms, poultry farms, pig farms, slaughter houses, beverage industry, fruit processing, sugar mills, distilleries, hotel and restaurant kitchen scraps and food waste, and food processing establishments such as noodle factories. At present, firewood or coal is mostly used to produce steam during agro-processing, where steam is mechanically injected through pipes to boil and pasteurize food or heat other items, as required. By contrast, on-site availability of biogas (if generated from organic waste byproducts of the same production process) could be used instead to meet thermal energy requirements for steam generation.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project development objective is to promote large off-grid biogas energy generation in Nepal. The project has two components: (i) technical assistance (\$1 million); and (ii) financing of investments (\$ 6.9 million).

RESULTS ACHIEVED:

Both project development objective indicators -- off-grid biogas generated for thermal application from large-scale project (>12.5 m3) and off-grid biogas-based electricity generated -- have not shown any progress since none of the biogas projects have been commissioned so far. However, an assessment of the intermediate result indicator for the technical assistance component, namely the number of large biogas proposals submitted for investment evaluation, reveals that 34 sub-project proposals (or 85 percent of targeting 40 proposals for the first year of implementation) have been submitted since the project launch in February 2015. Among the 34 sub-project proposals submitted, six sub-projects are in the detailed feasibility study stage and 16 are in the feasibility study stage.

IMPLEMENTING AGENCY:

AEPC

KEY PARTNERS:

National Rural and Renewable Energy Programme, as a joint implementation partner for the biogas program in Nepal with the SREP of SCF.

NEPAL: KALI GANDAKI A HYDROPOWER PLANT REHABILITATION PROJECT (IDA CREDIT 5246-NP)

KEY DATES:

Board Approval: May 15, 2013

Effective: December 31, 2013

Closing: June 30, 2017

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	30.36	1.03	27.55**
Borrower	3.10	0.03	3.07**
Co-financing	NA	NA	NA
Total Bank Financing	27.26	1.00	24.48**
IDA	27.26	1.00	24.48**
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

Kali Gandaki A is a 144 MW run-of-river plant. It is the largest single hydroelectric facility in Nepal, providing about 25 percent of the total electricity supply in Nepal as well as six hours per day of peaking capacity. It is located on the Kali Gandaki River in Syangja district, below the confluence of the Kali Gandaki and Andhi Khola rivers. The ADB funded the original plant, with a total cost \$453 million and it was commissioned in 2002. After 10 years of operation, the plant's available generation capacity has sharply deteriorated due to sedimentation, erosion, and cavitation of the power turbines (from silt and floating debris). There are safety issues that need to be addressed and a plant operations manual finalized to improve plant operation performance and dam safety management.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to improve the reliability of power supply from the plant, through rehabilitation and safety measures, as well as to improve the government's response capacity in case of an energy crisis. The project has four components: (i) civil works (\$9.1 million); (ii) electro-mechanical works (\$16.6 million); (iii) technical assistance and capacity-building (\$4.7 million); and (iv) contingent emergency response (financing would be reallocated into this component if an emergency response were required). The rehabilitation program aims to: improve dam safety management; reduce the total quantity of sediment entering into the turbine passage; reduce the cavitation in the turbine in the dry season; and enhance plant safety by improving the operation of the main inlet valves, as well as by repairing the control systems.

RESULTS ACHIEVED:

Procurement for four major activities has been completed. There have been implementation delays that are being discussed with NEA management to accelerate the implementation. There were two reasons for the delays. First, legacy issues with the old suppliers, and, secondly, slow decision making on NEA's management side. The issues with the old suppliers have been resolved. The negotiation with the contractor has resulted into cost savings of around \$8 million.

IMPLEMENTING AGENCY:

NEA

KEY PARTNERS:

MOE

NEPAL: EARTHQUAKE HOUSING RECONSTRUCTION PROJECT (IDA CREDIT 5706-NP)

KEY DATES:

Board Approval: June 29, 2015
 Effective: Not yet effective (Pending Environment and Social Management Framework disclosure)
 Closing: July 31, 2020

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	200.00	0.00	200.70**
Borrower	NA	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	200.00	0.00	200.70**
IDA	200.00	0.00	200.70**
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

On April 25, 2015, a 7.8 magnitude earthquake struck central Nepal. That earthquake, and its sequence of aftershocks, caused 8,700 deaths and some 25,000 injuries. A Post-Disaster Needs Assessment (PDNA), completed on June 15, 2015, found that total damages and losses resulting from the earthquake sequence amounted to about \$7 billion, and reconstruction needs amounted to about \$6.7 billion. As the earthquake sequence destroyed 490,000 houses -- mostly traditional mud-brick and mud-stone houses built and occupied by the rural poor -- and rendered another 265,000 houses at least temporarily uninhabitable, the largest single need identified in the PDNA was housing and human settlements, accounting for \$3.27 billion of needs. This project will enable the reconstruction of about 15 percent of the housing destroyed in the earthquake sequence. An accompanying multi-donor trust fund is being established to enable development partners interested in contributing to housing reconstruction to participate in this effort.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to restore affected houses with multi-hazard resistant core housing units in targeted areas and to enhance the government's ability to improve long-term disaster resilience. Component 1: Housing Reconstruction, \$185 million. This component will finance the provision of housing grants for reconstruction of approximately 55,000 multi-hazard resilient core housing units. Eligibility will be determined by an assessment of recovery needs and willingness to participate and adhere to project guidelines for resilient construction, quality standards, and timelines. The component will also finance the establishment of a program of owner-driven housing reconstruction in targeted areas including: (i) social, environmental, and technical support mechanisms for beneficiary households; (ii) training of artisans and beneficiaries; (iii) communication and outreach; (iv) supervision and certification of compliance with multi-hazard resistant standards and of completion of multi-hazard resilient core housing units; (v) implementation of the environmental and social management framework including identified safeguard mitigation measures; (vi) development of a grievance redress mechanism; and, (vii) other enabling activities. Component 2: Disaster Risk Management Systems, \$10 million. This component will support the government in putting in place systems to provide better disaster risk reduction, preparedness, and disaster response, in line with global best practices. The component will finance, as needed, support in the areas of, among others, disaster risk management, risk assessment and financing, structural engineering, remote sensing, land use and zoning, permitting and approval of site and building plans, professional accreditation, curriculum development, building code implementation and enforcement, studies on safety net practices in post-disaster situations, and inclusive and gendered practices in disaster-mitigation planning. Component 3: Project Implementation Support, \$5 million. This component will finance the establishment and operation of the project management unit, the project implementing units, and the district-level project implementation units. This will cover support to strengthening capacity to effectively procure and manage delivery systems, including damage assessment, beneficiary household identification, payment system, management information system, grievance redress, and communication/outreach. In addition, the component will also finance consultancies/service providers required for the preparation and supervision of specific activities, monitoring, and evaluation.

RESULTS ACHIEVED:

- The program operations manual and Environmental and Social Management Framework (ESMF) are at advanced stages and being consulted.
- The beneficiary survey, which will define the household eligibility for the program, is advancing and planned to be launched in October.
- The uniform housing platform is coalescing, with donors and non-governmental organizations (NGOs) converging on a single approach for reconstruction

KEY PARTNERS:

JICA and USAID and the Shelter Cluster, convened by the International Federation of Red Cross and Red Crescent Societies and comprising about 20 large international NGOs.

NEPAL: SECOND HNP AND HIV/AIDS PROJECT (IDA CREDIT 4707-NP AND IDA GRANT H557-NP)

KEY DATES:

Board Approval: April 20, 2010

Effective: October 4, 2010

Closing: January 15, 2016

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	1527.3	NA	NA
Borrower	489.80	NA	NA
Co-financing	908.38	NA	NA
Total Bank Financing	129.12	119.58	6.07
IDA	129.12	119.58	6.07
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

In 2004, donors moved to a sector-wide approach (SWAp) in the health sector to align donor support with the government of Nepal's priorities and also reduce transaction costs to the government. The International Development Agency (IDA), DFID, AusAID, KfW of Germany and GAVI, the Swiss-based vaccine network, are currently pooling funds. The sector-wide approach aims to address key challenges, including: (i) access, social inclusion and equality in health-service utilization; (ii) making better progress on the MDG targets for nutrition and HIV/AIDS, which are not on track; (iii) sector governance and accountability; and (iv) maintaining gains in reducing maternal mortality and increasing vitamin A and immunization coverage.

The project's original closing date was July 15, 2015. However, the Bank received a request for an extension of the closing date by six months to help the government to respond to the needs arising from the April 2015 earthquake. The project was extended until January 15, 2016.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to enable the government to increase access to essential health-care services and their utilization by the poor and the underserved. Its targets are to increase the percentage of pregnant women receiving iron and folic acid to 87 percent, with 90 percent of children being fully immunized and skilled attendance at 35 percent of births.

With components of health-service delivery and health systems strengthening, the project supports the Nepal Health Sector Program II, which aims to increase access to and utilization of quality essential health services, reduce cultural and economic barriers to accessing health care services, and improve the health system to achieve universal health coverage.

The government has assumed responsibility for achieving these goals by extending and sustaining coverage of essential health care services, including reproductive health, child health, communicable and non-communicable disease control, curative care, oral health, eye care, environmental health, and rehabilitation of disabled people. The program ensures free health care to all who access services in public-health facilities at district hospitals, primary care centers, and health posts.

RESULTS ACHIEVED:

Two of the three results indicators exceed targets: coverage of skilled birth attendance has reached 55.6 percent, and iron folic acid coverage has increased to 91 percent. Nutritional status of children under five has improved, with a decline in stunting from 49 percent in 2006 to 37.4 percent in 2014, and in underweight status from 39 percent to 30.1 percent in 2014.

KEY PARTNERS:

Ministry of Health and Population, DFID, Australia, KfW and GAVI and other SWAp signatories.

NEPAL: COMMUNITY ACTION FOR NUTRITION PROJECT
(SUNLAUL HAZAR DIN) (IDA CREDIT 5137-NP AND IDA GRANT H786-NP)

KEY DATES:

Approved: June 26, 2012
Effective: August 24, 2012
Closing: June 30, 2017

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	40.00	4.86	31.37
Borrower	NA	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	40.00	4.86	31.37
IDA	40.0	4.86	31.37
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

As part of the scaling-up nutrition movement, the government has realized the need to address malnutrition across multiple sectors, and has developed and endorsed a multi-sector nutrition plan for the country. The plan envisages an equal role of nutrition-sensitive and nutrition-specific interventions in realizing the nutrition goals during the first 1,000 days of a child's life. Motivated by this initiative, the Bank has extended support to the implementing agency through the Sunaula Hazar Din project to address community-wide risk factors that contribute to malnutrition.

The project was currently restructured in order to also address the emergency nutrition needs in the 14 critically affected districts following the earthquake that struck Nepal on April 25, 2015.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

In order to cater the needs of the earthquake affected districts, the project development objective was revised to "to improve practices that contribute to reduced under-nutrition of women of reproductive age and children under the age of two and to provide emergency nutrition and sanitation response to vulnerable populations in earthquake affected areas." The Ministry of Federal Affairs and Local Development (MOFALD) implements the project by rolling-out a social mobilization initiative through a community-driven Rapid Results for Nutrition Initiatives (RRNIs), where each ward in a selected Village Development Committee (VDC) will commit to a series of pre-defined nutrition-relevant goals, each to be met within a 100-day period. The achievement of the goals will be the responsibility of RRNI teams (one for each ward), supported by a coach who will support all RRNI teams in one VDC. The RRNI approach will be rolled out in a sequenced manner across the original 15 project districts. An impact evaluation is built into the project design.

The earthquake relief component will be implemented through an assistance from UNICEF, which has recently signed an agreement with the MOFALD to support the delivery of essential evidence-based emergency nutrition interventions to protect the lives of children, pregnant women and breastfeeding mothers in the 14 affected districts in a period of nine months.

RESULTS ACHIEVED:

Approximately 1,485 sub-projects have now been completed and at least 1,000 additional sub-projects are currently running in the early starter project VDCs. The remaining half of project VDCs will implement sub-projects starting FY2016.

KEY PARTNERS:

MOFALD

NEPAL: PUBLIC FINANCIAL MANAGEMENT MULTI-DONOR TRUST FUND

KEY DATES:

Approved: December 2010
 Effective: December 2010
 Closing: June 30, 2015

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	18.04	11.05	6.99
Borrower	1.38	1.29	0.09
Co-financing	NA	NA	NA
Total Bank Financing	NA	NA	NA
IDA	NA	NA	NA
Trust Fund (MDTF)	16.66	9.76	6.90

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

Public financial management (PFM) is a key element of the government's strategy for strengthening public service delivery and ensuring inclusive and broad-based development. After the recent earthquake there is greater need for directing appropriate resources in an efficient, timely, transparent, and accountable manner towards relief and reconstruction activities. As part of this effort, a multi-donor trust fund (MDTF) to support PFM was established in December 2010. Currently there are seven donors to the MDTF: the European Union (EU), DFID, the government of the Swiss Confederation, the governments of Norway and Denmark, DFAT and USAID.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The MDTF aims to strengthen the performance, transparency and accountability of public financial management systems in Nepal. The trust fund has four components: (i) strengthening PFM systems and capacity; (ii) enhancing accountability in PFM; (iii) deepening knowledge related to PFM by undertaking analytical work for knowledge dissemination, and (iv) program management and administration. Currently, there are sub-projects under MDTF to modernize the PFM systems both through the supply side and demand side. Supply side work includes: a project with the Ministry of Finance to modernize payments through a Treasury Single Account (TSA); upgrading audit systems through an intervention with auditor general; and strengthening budget process for results. Demand side work aims to expand civil society demand-side collaboration with the government's supply-side services on PFM accountability, transparency and inclusion. In addition, the trust fund helped conduct analytics (operational risk assessment framework and public expenditure tracking survey) to inform the PFM reform dialogue.

RESULTS ACHIEVED:

TSA has been rolled out across all 75 districts one year ahead of target and operates on an on-line basis. More than 13,500 of approximately 14,000 bank accounts have been closed, leading to interest cost savings of over \$2 million. The Financial Comptroller General Office (FCGO) website publishes daily, monthly and quarterly budget execution reports that has led to informed decision making by line managers across departments. Core treasury systems have been enhanced to pilot commitment control and revenue management information systems. Nepal's financial reporting standards (both public sector and private sector) have been aligned with international standards. The second Public Expenditure and Financial Accountability (PEFA) assessment has recently been completed that evidences upgrades to 19 indicators (61 percent) and high impact research has been initiated. Implementation of risk-based audit planning according to International Standards of Supreme Audit Institutions (ISSAI) framework has been initiated in the Office of the Auditor General (OAGN). Performance audit is at par with ISSAI Standards. Efficiency in audit process has been enhanced through use of electronic working papers. Peer review of OAGN completed by a team from the comptroller and auditor general of India will help develop next strategic development plan. Due to collaboration between civil society organizations and the OAG, a multi-stakeholder working group has been created and developed broad guidelines to mainstream citizen participation in performance audits in Nepal. The demand-side project led to increased citizen awareness about the local planning and budgeting process, greater participation by women and marginalized groups in local governance structures, and the use of the community scorecard to improve the community management of government schools. Line Ministry Budget Information System supported FY2016 budget formulation. General Equilibrium Model of Nepal and the World simulated a post-disaster needs assessment reconstruction scenario.

KEY PARTNERS:

OAG, Public Expenditure Financial Accountability Secretariat, FCGO, Program for Accountability in Nepal, Canadian Centre for International Studies and Cooperation and donors (Australia, U.K., EU, Denmark, Norway, Swiss and USAID).

NEPAL: RURAL WATER SUPPLY AND SANITATION IMPROVEMENT PROJECT (IDA CREDIT 5446-NP AND IDA GRANT H945-NP)

KEY DATES:

Board Approval: May 29, 2014
Effective: November 10, 2014
Closing: June 30, 2020

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	90.0	9.7	73.4
Borrower	10.5	1.7	8.8
Co-financing	NA	NA	NA
Total Bank Financing	72.0	7.2	57.90
IDA	72.0	7.2	57.90
Community	7.5	0.8	6.7

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

The Joint Monitoring Program database notes that Nepal has achieved the MDG target for access to improved water supply but is off target for access to improved sanitation. The true situation in rural areas may be worse, as surveys conducted by the National Management Information Project show that 44 percent of the existing rural water systems are in need of repairs or rehabilitation. There are challenges to achieving the national targets for universal access by 2017. Sustainability and functionality of water schemes and sanitation systems have increasingly been a source of concern. The project supports efforts to adopt an inclusive, community-driven approach in which local communities play the lead role in planning, design and implementation of schemes, as well as in the operation and maintenance of services. The project also aims to support the long-term sustainability of water supply systems in selected districts.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The development objectives of the project are to: (i) increase sustainable access to improved water services and promote improved sanitation and hygiene practices in rural areas; and (ii) develop and implement a long-term support mechanism to promote the sustainability of water-supply schemes in selected districts. The components of the project are: (i) increasing access to improved water supply and sanitation and hygiene practices; (ii) district level institutional strengthening; (iii) technical assistance/capacity building and project management; and (iv) contingency emergency response. The project is implemented in 55 districts, which were selected based on objective ranking with respect to their access to safe water and sanitation. Thus, the project has a strong poverty focus, as it also reach out the unserved areas.

RESULTS ACHIEVED:

Of 397 schemes targeted in Batch IX under retroactive financing, 154 schemes were completed, and 3,512 community water points were constructed, benefiting over 22,000 households (135,000 people) with access to safe water. With the project's social inclusion and gender focus, 49.4 percent of beneficiaries are female, 15.5 percent are Dalit, 32.5 percent are disadvantaged Janajati and 4 percent are religious minority. The remaining 243 schemes are under implementation at various phases. With completion of these schemes by the end of 2015, close to 400,000 people will have access to safe water.

A Sanitation Revolving Loan Fund approach is adopted for 424 retroactive schemes carried over from RWSSP-II. Retroactive schemes are operated in 68 VDCs. A total 16,360 household and 68 institutional toilets were constructed. From Batch X onward, a Community Led Total Sanitation approach will be followed.

KEY PARTNERS:

Ministry of Urban Development, Rural Water Supply and Sanitation Fund Development Board, NGOs.

NEPAL BRIDGES IMPROVEMENT AND MAINTENANCE PROGRAM (IDA CREDIT 5138-NP)

KEY DATES:

Board Approval: June 28, 2012

Effective: December 20, 2012

Closing: July 15, 2017

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	147.60	NA	NA
Borrower	87.60	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	60.00	29.31	25.88**
IDA	60.00	29.31	25.88**
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

The existing bridge stock in Nepal is over 35-40 years old and in urgent need of rehabilitation and maintenance. There are still many gaps in the Strategic Roads Network (SRN) caused by lack of bridges. This contributes to a substantial lack of physical access to economic centers and social services, particularly in remote areas. Nepal's topography and geology also complicate efforts to provide adequate transport infrastructure. The lack of physical access is seen as one of the root causes of the high level of poverty incidence in remote areas. The Bridges Improvement and Maintenance Program has been designed by the government to address these issues.

PROGRAM DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project aims to provide safe, reliable, and cost-effective bridges on Nepal's SRN. It supports the government's initiative under the Program for Results lending instrument (the Bank's first such advance through IDA, and the first infrastructure project/program to use this instrument). The overall program outlay is approximately \$150 million and the Bank's share is roughly 40 percent. The scope of the program encompasses three primary activities: (i) planning, technical design and quality control of bridges; (ii) major and minor maintenance of existing bridge assets; and (iii) new bridge construction. It has six DLIs.

RESULTS ACHIEVED:

- The program has successfully turned around its status from unsatisfactory to satisfactory, and is on course to achieve its targets.
- The mid-term review suggests that all the program development objective (PDO) indicators are likely to be achieved. And the program is making good progress in achieving all DLIs related to PDO indicators. For instance, the following are the achievements; (i) percentage of bridges on SRN rated as being in good or fair condition - 56.1 percent (target: 75 percent); (ii) percentage of bridges on SRN rated as structurally unsafe - 3.74 percent (target: 1 percent); (iii) percentage of bridge works completed on planned schedule - 26 percent (target: 50 percent).
- The program has achieved a significant accomplishment in preparation and implementation of major maintenance works.

KEY PARTNERS:

Department of Roads

NEPAL: NEPAL-INDIA REGIONAL TRADE AND TRANSPORT PROJECT (IDA CREDIT 5273-NP AND IDA GRANT H863-NP)

KEY DATES:

Approved: June 28, 2013
Effective: September 10, 2013
Closing: December 31, 2019

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	101.00	11.24	91.19
Borrower	NA	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	99.00	11.24	81.19
IDA	99.00	11.24	81.19
Trust Fund	NA	NA	NA

**Reflect exchange rate fluctuation between US\$ and SDR

PROJECT BACKGROUND:

Nepal is a geographically small landlocked country nestled between China and India, the world's two most populous nations and among the world's most rapidly growing economies. Nepal's territory is mostly mountainous and hilly and its transport infrastructure is poor, leaving many communities with limited access to local and international markets. As a consequence, transport costs are high and the country depends almost entirely on India for transit routes. Sharing an approximately 1,800-km-long border and 26 border points, India is often considered Nepal's "natural" trading partner. The port complex of Kolkata-Haldia in India has been serving as Nepal's access to the sea and is a major transit point for Nepal's third-country trade. India also provides a large market for Nepali goods and services, and is Nepal's largest trading partner, with about 60 percent of Nepal's trade going to or coming from India. Despite its proximity and deep economic relations with India as well as China, Nepal's trade outcomes have been poor. Since 2007, exports have been stagnant while imports have increased by more than 50 percent. That suggests an urgent need for an action plan to improve export competitiveness particularly by focusing on reducing inefficiencies and bottlenecks that increase the cost of exports on regional and international markets.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The main development objective is to decrease transport time and logistics costs for bilateral trade between Nepal and India and transit trade along the Kathmandu-Kolkata corridor for the benefit of traders by reducing key infrastructure bottlenecks in Nepal and by supporting the adoption of modern approaches to border management. The strategy includes: (i) reducing the time and cost of trade-related transactions through efforts at simplification, harmonization, and automation; (ii) building the capacity of domestic trade-related institutions, including for sanitary and phyto-sanitary inspections, trade negotiations, logistics, and monitoring and regulating trade-related sectors; and, (iii) enhancing the government's ability to coordinate trade-related institutions and development partners.

RESULTS ACHIEVED:

- Contract for Bhairhawa Inland Clearance/Container Depot improvement works awarded and about 50 percent progress has been achieved.
- Three contracts for Narayanghat Mugling road improvement works awarded and contractors mobilized.
- Consulting services for Narayanghat Mugling road improvement supervision works and Kathmandu-Naubise-Mugling road improvement design works mobilized.
- Consultants for quality advisory services for National Single Window mobilized.

IMPLEMENTING AGENCY:

Ministry of Commerce and Supplies; Ministry of Physical Infrastructures and Transport; Department of Roads; Department of Transport Management; Department of Customs; Trade and Export Promotion Centre; Nepal Intermodal Transport Development Board.

KEY PARTNER:

IFC

NEPAL: ROAD SECTOR DEVELOPMENT PROJECT (IDA CREDITS 49240-NP & IDA GRANTS H6730-NP; H3390-NP)

KEY DATES:

Board Approval: (original) December 6, 2007; AF (1): November 23, 2010; AF (2): June 2, 2011
Effective: (original) February 21, 2008; AF (1): April 11, 2011; AF (2): July 8, 2011; Restructuring: June 17, 2015
Closing: June 30, 2016

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	176.6	NA	NA
Borrower	58.5	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	107.2	98.01	10.86**
IDA	107.2	98.01	10.86**
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

Nepal has the second lowest road network density in the region. Only two-fifths of the population has access to paved roads within a 20-minute walk. The substantial lack of accessibility to economic centers and social services in the remote areas is seen as one of the main impediments to poverty reduction and economic development. By 2016, the government of Nepal aims for 86 percent of the population to live within two hours (in the plain districts) or four hours (in hilly districts) walking distance to a paved road. Connection of all district headquarters with all-weather roads has been one of the key elements of the Road Sector Priority Investment Plan of 2007. The Road Sector Development Project (RDSP) has been designed against this backdrop to support the Strategic Roads Network.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project seeks to provide all-season road access to the residents of beneficiary districts, reducing travel time and improving access to economic centers and social services. The project aims to connect eight remote district headquarters in the Mid-Western and Far-Western regions of Nepal. The original project outlay was approximately \$43 million with additional financing of \$75 million. However, in June 2015 an amount of SDR4.5m (\$6.75m) was cancelled as requested by the government. The project components are: (i) road development (utilizing 83 percent of the funding); and (ii) institutional strengthening and policy reform. In the aftermath of the devastating April 2015 earthquake the project closing date was extended by a year to June 2016.

RESULTS ACHIEVED:

A 2012 survey showed that the amount of paved roads in poor condition had been reduced to 11.3 percent, below the target of 15 percent.

- An interim analysis using the Geographic Information Systems shows that the target of increasing the population's access to all-weather roads (6 percent) is likely to be achieved.
- All major contracts, barring six linked to road component, are now completed. The Periodic Maintenance target has been achieved with the completion of 2,610km against the target of 2,550km. All eight district headquarters of Mid-Western and Far-Western regions are now connected.

All RDSP road safety contracts funded by Global Road Safety Facility (GRSF) under Road Safety Support Project (RSSP) are now completed.

KEY PARTNERS:

Department of Roads (DOR), DFID

NEPAL: ROAD SAFETY SUPPORT PROJECT (TF 18701)

KEY DATES:

Board Approval: June 9, 2015

Effective: June 9, 2015

Closing: July 15, 2016

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	7.47	0.00	7.47**
Borrower	NA	NA	NA
Co-financing DFID)	NA	NA	NA
Total Bank Financing	NA	NA	NA
IDA	NA	NA	NA
Trust Fund (Global Road Safety Facility)	7.47	0.00	7.47**

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

The government of Nepal's continuing efforts to expand road access to a greater number of districts has often omitted safety-related considerations. Statistics from the Nepal Police Traffic Directorate estimate that in FY2012/13 there were over 13,500 road traffic accidents in Nepal. The challenges posed by road safety outside the Kathmandu Valley tend to be more severe than in the valley itself. For example, in FY2009/10, the rate of fatalities per 10,000 registered vehicles in regions outside Kathmandu ranged from 7 to 33 times higher than the rate of fatalities observed in the valley. In many instances this disparity is a result of mass-casualty events from vertical drops that are a common feature on roads in Nepal's hill and mountain districts. In this context, the RSSP has been designed with the support of Global Road Safety Phase 2 Multi-Donor Trust Fund to improve the safety features of the IDA supported Road Sector SDP roads. RSDP has been serving as a key program in developing Nepal's strategic road network in the Far and Mid-Western regions.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The project objective is to reduce the risk of roadway departure crashes on selected sections of RSDP roads and to strengthen the government of Nepal's capacity for improving road safety. The project total outlay is \$7.47 million (4.5m Great British Pound equivalent) that will fund investments in parallel to the IDA-supported RSDP.

There are two components:

Component A - Capacity strengthening for the Implementation of Road Safety Action Plan (\$0.80 million equivalent).

Component B - Improved physical safety of RSDP roads (\$6.67 million equivalent). This component funds procurement and installation of crash barriers in high-risk sections of RSDP roads.

RESULTS ACHIEVED:

- The project is in its initial stage of implementation. However, it has made substantial progress with regard to both the components. Initial evidence confirms that the project is most likely to achieve its objectives if the current pace of implementation is sustained.
- DOR has already procured the crash barrier contracts including the contracts of the inspection agent.

Capacity strengthening component is progressing well. The Nepal Road Safety Council has been established and the procurement processes for goods and consultancies are being initiated. DOR has also completed the preparation of Detailed Project Reports of two pilot road-safety activities (one in Pokhara sub-metropolitan city and the other one in a small stretch of a highway.)

IMPLEMENTING AGENCY:

DOR, Ministry of Physical Infrastructure and Transport

KEY PARTNERS:

DOR, Ministry of Physical Infrastructure and Transport, and Global Road Safety Facility

NEPAL: STRENGTHENING THE NATIONAL RURAL TRANSPORT PROGRAM (IDA CREDIT 5336-NP AND IDA GRANT H899-NP)

KEY DATES:

Approved: December 23, 2013

Effective: April 2, 2014

Closing: July 15, 2019

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	175.4	NA	NA
Borrower	63.9	NA	NA
Co-financing (DFID)	11.51	NA	NA
Total Bank Financing	100	9.29	82.79
IDA	100	9.29	82.79
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

Over the past decade, poverty has reduced significantly in rural areas of Nepal, where 83 percent of the population lives. To maintain this positive trend and to achieve significant development gains, it is necessary to continue the effort to improve transport connectivity in rural areas. Nepal's topography and geology, combined with rural population distribution, significantly complicate efforts to provide all-weather transport links to many rural communities. Improving connectivity throughout Nepal is key to ensuring that economic growth reaches rural areas. The project has been designed to enhance physical access to markets and social and economic services, as well as assistance during emergency events. Initially, 33 districts are eligible to participate under the project, which covers more than half of the total population of Nepal. It is the third IDA operation to support Nepal's rural transport sector in the past 15 years.

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The objective is to enhance the availability and reliability of transport connectivity for rural communities in participating districts. Components call for institutional strengthening and technical assistance (\$19.7 million) and civil works (\$155.7 million). The first will fund: (i) institutional strengthening and technical assistance; (ii) beneficiary monitoring of physical works of the project; and (iii) an impact study of selected project interventions. The other component will support districts in upgrading or rehabilitating rural transport infrastructure, and maintaining rural transport infrastructure.

RESULTS ACHIEVED:

- The project is in its early stage of implementation. It had faced some teething problems. However, initial indications show that the project is set to accomplish its physical targets and likely to achieve its indicators (both PDO and intermediate results indicators).
- The progress of output-based maintenance sub-component is satisfactory. In fact, the routine maintenance achievements are ahead of the plan (Year 2 target: 740km; achievement as of July 2015: 2,639 km)
- The project has also made good progress in periodic maintenance related activities. It is expected to achieve its Year 2 target (757 km).
- Good progress has been made with regard to road upgrading/rehabilitation sub-component. The progress with regard to institutional strengthening and technical assistance component has been satisfactory.

KEY PARTNERS:

Ministry of Federal Affairs and Local Development, DFID

NEPAL: URBAN GOVERNANCE AND DEVELOPMENT PROGRAM: EMERGING TOWNS PROJECT (IDA CREDIT 4905-NP AND IDA GRANT H661-NP)

KEY DATES:

Board Approval: May 10, 2011
 Effective: October 2, 2011
 Closing: July 31, 2016

FINANCING IN MILLION US DOLLARS (AS OF JULY 31, 2015):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	28.97	NA	NA
Borrower	5.00	NA	NA
Co-financing (GIZ) (Municipalities)	3.00	NA	NA
	2.10	NA	NA
Total Bank Financing	18.45	9.43	6.91
IDA	18.45	9.43	6.91
Trust Fund	NA	NA	NA

***Reflect exchange rate fluctuation between US\$ and SDR*

PROJECT BACKGROUND:

The project marks the re-engagement of the World Bank in the urban sector in Nepal after an absence of more than 10 years. It aims at developing a sustainable approach for strengthening the planning, implementation, and revenue-raising capacity of six emerging towns (each 30,000-70,000 population) located in the Western and Eastern regions of Nepal. The municipalities have been selected based on their growth potential and their strategic location along the North-South transport corridors (highways).

PROJECT DEVELOPMENT OBJECTIVE AND BRIEF COMPONENT DESCRIPTION:

The objective of this project is to improve the capacity of the participating municipalities to plan, implement, and fund urban development activities. It has three components: (i) strengthening municipal planning capacity through provision of grants to the municipalities; (ii) provision of financing for municipal infrastructure sub-projects to improve municipal capacity to implement infrastructure investments; and (iii) institutional development and project management support to the participating municipalities and project agencies.

RESULTS ACHIEVED:

The project has been improving the planning and implementation capacity of the six participating municipalities for municipal development investments in line with the project objective. All municipal sub-projects have entered into the construction phase, and construction works are on track in eight of the 15 sub-projects. The municipalities have utilized the municipal grants to carry out small works, such as road upgrading, with at least 35 percent of the grant resources earmarked toward activities benefiting women and disadvantaged groups. Institutional development activities support municipalities to prepare their own revenue mobilization plan, asset management, and investment plan. Despite some delay, the project continues to work closely with municipalities for institutional development.

KEY PARTNERS:

Ministry of Urban Development

