

OCTOBER 2016

NEPAL

Country Snapshot

The World Bank Group



Standard Disclaimer:

This volume is a product of the staff of the International Bank for Reconstruction and Development/The World Bank. The findings, interpretations, and conclusions expressed in this paper do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Copyright Statement:

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The International Bank for Reconstruction and Development/The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA, telephone 978-750-8400, fax 978-750-4470, <http://www.copyright.com/>.

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA, fax 202- 522-2422, e-mail pubrights@worldbank.org.

*Photos credits: World Bank Photo Library
Cover Design and Text layout: Duina Reyes*

ECONOMIC OVERVIEW

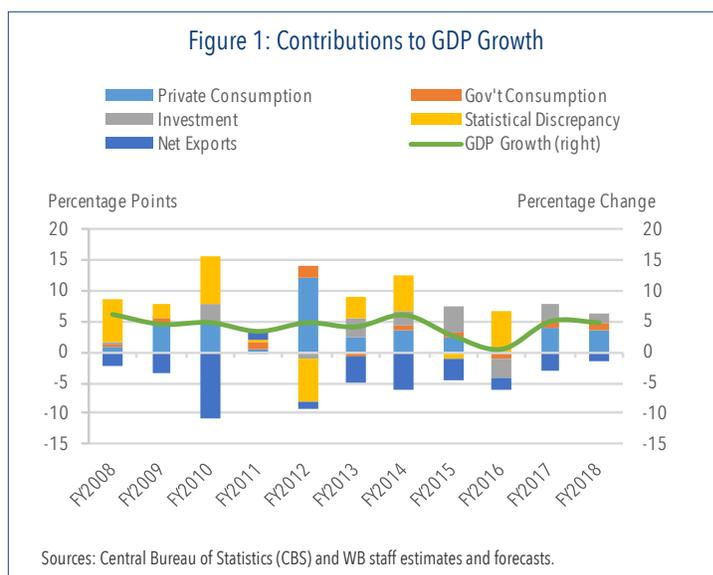
NEPAL	
	2015
Population, million	28.33
GDP, current US\$ billion	21.36
GDP per capita, current US\$	762

Source: World Bank, WDI

After registering the weakest growth in 14 years during FY2016, economic activity is recovering. Agricultural production is expected to be positive given the favorable rainfall during the monsoon season, and construction activity is expected to rise with the increase in disbursements of housing reconstruction grants. Coupled with increased government spending, in FY2017, economic growth is expected to reach 5 percent.

Recent developments

Nepal experienced its slowest growth in 14 years in FY2016. Real GDP growth, which slowed to 2.7 percent in FY2015 on account of a devastating earthquake, was further dragged down to 0.6 percent in FY2016 due to the sluggish post-earthquake reconstruction activities and the disruption in cross-border trade. However, economic activity is recovering.



Following two years of low rainfall, precipitation is reaching between 90 to 110 percent of long-term average this monsoon season, increasing agricultural productivity. Expected rice production is forecasted to be 4.8 million tons, up from 4.2 million tons a year ago, giving a much needed boost to income of the 60 percent of the population that work in agriculture. Post-earthquake reconstruction activities are picking up speed after a slow start, with over half a million households deemed eligible for rural household reconstruction grants. All beneficiaries are expected to receive a first tranche of \$500, with two further tranches by November 2016.

Imports rebounded with the ending of trade disruptions and have recovered to the same level as last year (down 0.7 percent y/y in NPR terms). Exports, however, have yet to recover to the same level as before the trade disruptions, and contracted by 24 percent for the year as whole. Consequently, the trade deficit for FY2016 increased to around 30 percent of GDP. While the growth rate of remittances has slowed to 7 percent for the year—the lowest in 5 years—the contribution of remittances to the GDP remains high at 29.6 percent, helping offset the trade deficit.

Inflation continues to be relatively high, despite the normalization of imports and a favorable external environment (including low food and oil prices and moderating inflation in India). Inflation was 10.4 percent (y/y) in July. A sharp uptick in rental prices of housing following the earthquake has been the largest contributor to headline inflation.

The weak economic growth of the past two years has setback the steady reduction in poverty. Poverty headcount rate is estimated at 11.8 percent in FY2015, down from 15 percent in FY2010, but is projected to increase slightly to 11.9 percent in FY2016, measured at the \$1.90 a day line. A contributing factor has been the higher inflation. Based on a simulation exercise, other things being equal, a 2 percentage points increase in overall inflation would raise poverty headcount rate by 0.8 percentage point (measured at \$1.90), pushing approximately 225,000

people back into poverty. The recent surge in housing prices is expected to exacerbate poverty as housing expenditure on average accounts for 10 percent of total consumption. A 2 percent increase in housing prices would swell the ranks of the poor by an additional 31,000 people.

In contrast to other aspects of the economy, government revenues performed well. Driven by surging imports in the last six months of the fiscal year, as well as a one-off improvement in the collection of outstanding taxes, revenues increased to 23.2 percent of GDP, up from 21.2 percent in the previous year. Expenditure, led partly by higher spending on reconstruction activities, increased to 21.5 percent of GDP, up from 20.1 percent a year ago. As a result, the government registered a surplus (1.7 percent of GDP) for the fourth year in a row.

Outlook

Growth in FY2017 is expected to recover to 5 percent after two years of under-performance. Activity is expected to rebound helped by an increased average level of precipitation this monsoon season that will boost agricultural output, and by increased investment (both public and private) as the political process stabilizes and post-earthquake reconstruction efforts gain momentum. A pickup in the manufacturing sector is expected

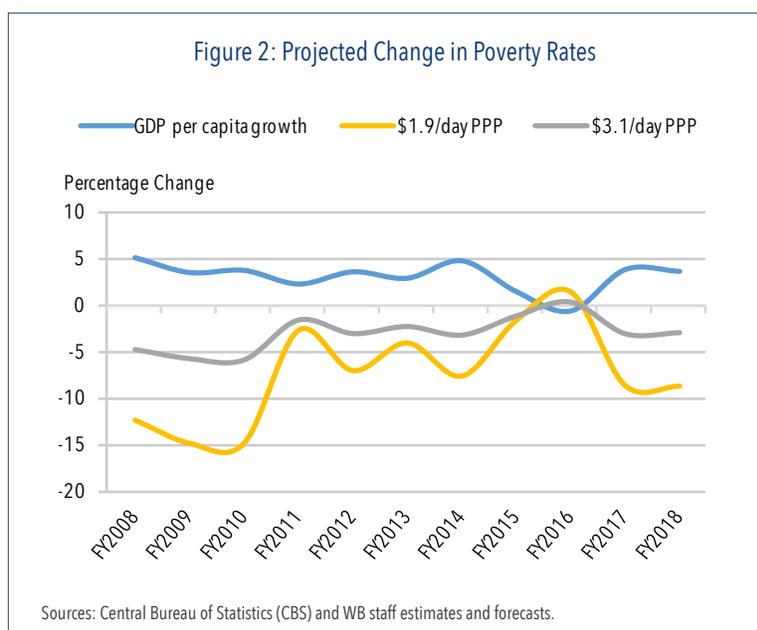
starting in FY2017, with the apparel and garment industry getting duty free access in the US market. The higher inflation rate resulting from the trade disruptions is expected to remain in the short term owing to persistent supply-side bottlenecks and will continue to disproportionately affect the poor and the vulnerable.

The fiscal accounts are expected to swing into deficit, but remain within manageable limits. The FY2017 budget plans include an expenditure increase of nearly 10 percent of GDP. However, as in previous years, significant underspending of the budget is expected. Nonetheless, the Government's recurrent expenditure is expected to grow substantially in FY2017 owing to an increase in post-earthquake related cash assistance, as well as measures introduced to raise civil servants' compensation, pensions and social protection. Overall, the fiscal deficit is expected to widen in the near term. Similarly, the current account surplus is expected to narrow and turn into a deficit as imports pick-up, driven by reconstruction needs and slower growth in remittances.

Challenges

Domestic risks predominate and are weighted on the downside. The political environment remains fluid as coalition governments have changed, on average, once a year since 2007. In July 2016, a

	2013	2014	2015	2016 e	2017 f	2018 f
Real GDP growth, at constant market prices	4.1	6.0	2.7	0.6	5.0	4.8
Private Consumption	2.9	4.1	2.9	-0.6	5.0	4.5
Government Consumption	-6.6	10.1	7.3	-5.4	11.0	11.0
Gross Fixed Capital Investment	16.8	11.4	19.6	-12.2	12.6	6.0
Exports, Goods and Services	10.3	18.4	7.5	-3.2	13.6	8.9
Imports, Goods and Services	14.2	21.0	9.5	3.5	10.1	5.9
Real GDP growth, at constant factor prices	3.8	5.7	2.4	0.8	5.0	4.8
Agriculture	1.1	4.5	0.8	1.3	3.5	3.0
Industry	2.7	7.1	1.5	-6.3	4.0	4.0
Services	6.2	6.0	3.8	2.8	6.3	6.2
Inflation (Consumer Price Index)	9.9	9.1	7.2	9.9	9.0	8.0
Current Account Balance (% of GDP)	3.1	4.8	3.8	4.1	0.3	-1.6
Fiscal Balance (% of GDP)	1.6	1.8	0.8	1.7	-1.0	-1.4
Debt (% of GDP)	32.2	28.5	25.6	25.1	24.9	25.3
Primary Balance (% of GDP)	2.4	2.4	1.5	2.4	0.0	-0.4



RECENT SECTOR DEVELOPMENTS

Beyond Nepal’s political challenges, poor and insufficient infrastructure is the single most important economic bottleneck to growth, and therefore to more jobs, improved services, better living conditions, and lower poverty. Nepal ranked 100th out of 140 countries in overall quality of infrastructure.¹ The biggest bottlenecks to growth and investment -- electricity and transport -- account for about two-thirds of the total infrastructure investment need of about 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

Lack of sufficient and reliable electricity is one of the fundamental constraints to Nepal’s economic growth. In order to meet the growing demand of electricity and to achieve its goals to become a lower middle income country in the near term, Nepal will require a huge investment in the power sector, both public and private. Nepal has an estimated potential of 84,000 Mega-Watts of hydroelectric generation capacity. Of that amount, at least half is economically viable, but only 846 MW is currently developed (1.8 percent of the total viable potential). This is far below peak demand of 1,385 MW. The situation is worst during the winter when only about 250 MW is available. While 75 percent of the population is estimated to have access to electricity (grid and off-grid), power outages of up to 14 hours per day occur 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. Given its high potential, export of electricity from Nepal to its neighbors could be a

new Government was sworn in, with terms to last nine months as a part of the power sharing agreement among the coalition partners. A new constitution was adopted last year that stipulates a series of elections (local, provincial, federal) beginning in 2018, which will further add to political uncertainty.

The external environment is also not likely to be favorable. Nepal’s economy is highly dependent on remittances, which account for nearly 30 percent of GDP. Almost 97 percent of total Nepali migrants (excluding those working in India) work in Gulf Co-operation Countries and Malaysia. As oil prices in particular, and commodity prices in general, are likely to remain at present levels during the near-term, there is an increased possibility of a slowdown in remittances from Nepali workers in these countries.

Nepal faces several simultaneous and daunting challenges. The country needs to complete its political transition and set up a new federal structure. It also needs to find a way to successfully leverage its endowments (e.g. hydropower potential, human capital) to achieve rapid growth, continued poverty reduction and expanded economic opportunities for its citizens. Nepal also needs to regain investors’ confidence, particularly for hydropower development, against a background of limited track record in mobilizing large-scale private investment.

¹ The Global Competitiveness Report 2015/16

significant source of revenue and a potential game-changer. Key challenges in the energy sector are lack of sector vision and enabling environment to attract private investment, especially with regard to safeguard investments and ensure predictability in the power market. The reforms and initiatives needed to deliver sufficient and reliable electricity pose a massive challenge, involving changes in policy, legal, regulatory and institutional areas. These challenges can be addressed by; (i) GoN endorsing a comprehensive national energy policy that articulates its vision, strategy, and time-bound roadmap to transform the energy sector, (ii) Parliament endorsing new acts and amendments to existing energy sector acts, (iv) The government is planning to bring into operation the Transmission Grid Company and Power Trading Company, and (v) GoN setting a cost-reflective power tariff regime, with a transparent, targeted and fully-funded subsidy mechanism for vulnerable consumers.

Transport Sector

The transport sector is of vital importance for Nepal, much beyond its impact on economic growth. The mountainous Himalayan kingdom 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 not passable in all weathers. Road maintenance is one of the foremost challenges for the sector. 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 substantially. The poor quality of the roads has hampered the enhanced mobility needed to accelerate economic growth. In addition, Nepal needs to expand its regional transportation connections to India and potentially China, its two huge and fast-growing neighbors which are vital for any expansion of regional trade. Key challenges in the transport sector include improving transport connectivity to build an integrated and 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) construct or improve vital transport links north-south and east-west of Nepal including the construction of Kathmandu-Terai expressway, also known as the Fast Track, and the improvement of East-West Highway; (ii) prioritize maintenance of assets over new construction

and enhance monitoring mechanisms for maintenance grants; (iii) 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.

Financial Sector

Nepal's financial sector is bank-dominated, and is characterized by a large number of institutions, significant state-ownership, and the existence of various kinds of banking licenses. While headline capital adequacy and asset quality figures appear comfortable, there are concerns whether the data fully reflects reality. Excessive credit growth during FY2008-11, weak supervision and enforcement of prudential regulations and a liberal bank licensing policy have contributed to weaknesses in the sector. The Nepal Rastra Bank (NRB) responded with large-scale liquidity support through multiple lending windows and regulatory forbearance, rather than intervening and closing weak and insolvent banks because the process for bank resolution is more complex and posed risks for NRB. NRB introduced a series of measures to strengthen banking regulation and supervision, some of which were supported jointly by the **UK Department for International Development and an International Monetary Fund Technical Assistance CFID/IMF** and the Bank's Development Policy Credit (DPC) operations. Efforts have been undertaken to strengthen the resolution framework for problem banks, which has contributed to consolidation in the banking system. The devastating 2015 earthquakes as well as the trade disruption with India in the same year have created potentially new threats to the stability of the financial system which exacerbate Nepal's already complex financial sector challenges. While risk is spread throughout the system, balance sheets are thought to be weaker in smaller commercial banks, development banks and in finance companies. Risks related to real estate exposure may be underestimated. Stress testing suggest a risk from real estate exposure although price correction has helped reduce vulnerabilities to some extent.

There are emerging challenges posed by overheating of the stock-market during FY2015/16 and a potential adverse impact to the entire financial system should there be a rapid decline

in stock prices. NRB conducted a Special Inspection Program (SIP) of 54 Banks and financial institutions (BFI) that constituted more than 60 percent of financial system, exposing a myriad of problems in addition to Capital Adequacy problems at specific BFIs. The asset quality, i.e. Non-Performing Loan (NPL) ratio, may have been adversely affected by the 2015 earthquakes and the trade blockade but the full extent of the damage is yet to be assessed. While there has been a declining trend in NPLs over the last few years, the quality of the banks' assets and the amount of the financial buffer may not be as high. The first phase of the Government's program for the financial sector was completed in FY2011-13 and supported by the Bank's Development Policy Credit Phase 1 (DPC1). The second phase of the Government's financial sector reform program (2014-2017), focuses on reforms designed to achieve two overarching policy objectives: first, to ensure the stability of the financial system by improving the quality of regulation, supervision, transparency and governance to levels closer to international norms, and second, to start improving access to formal financial services. Despite the impact of the earthquake, the overall reform program is expected to maintain these key objectives in the proposed DPC3. The 2014-15 reforms were supported by DPC2 and the on-going DPC3 reflects the main recommendations of the 2014 Financial Sector Assessment Program (FSAP conducted jointly by **the World Bank and the International Monetary Fund**). The aim is to reinforce banking-sector stability and pave the way for development of a robust and more inclusive financial sector.

Private Sector

Although Nepal is ranked at 99th on "Ease of Doing Business" indicators, one of the best in South Asia, a lot of ground is still to be covered to ensure a private sector-driven economic growth. Nepal needs to tackle the key development gaps such as lack of energy/power, connectivity and transport, job creation and financial inclusion. The role of the private sector in addressing these key development gaps cannot be overstressed. The government is expected to undertake key reforms to spur private sector investments, both domestic and foreign investments. Nepal's Foreign Direct Investment (FDI) stands at less than 1 percent of GDP, which is by far the

lowest in South Asia. With two giant economies sitting alongside Nepal, there is already a demand for goods and services where Nepal has a comparative advantage. To create a vibrant private sector, Nepal needs to undertake policy and regulatory reforms and enhance the execution capacity of key institutions. Learning lessons from other countries in the region and other developing economies, reforms need to be undertaken in areas such as financial infrastructure to promote financial inclusion not only at the small and medium enterprises (SME) level but also at an individual level. Regulatory hurdles facing foreign direct investments need to be tackled at the policy and procedure level; there is a lack of clear and streamlined process for foreign investors. Nepal needs to work towards improving its trade through targeted interventions, revamping export subsidies and enhancing trade finance. The capital market operations need to be improved to ease foreign investors. Policy reforms are needed to create a conducive market for venture capital and private equity.

Infrastructure such as roadways and airports need to be further improved if Nepal is to attract more tourists. They could be developed through Public Private Partnership (PPP) investments, a successful model implemented by governments across the world. Similarly, hydroelectric power, which is one of the key strengths of the country, should be fully leveraged. The government needs to tap into resources from within the country and attract foreign investments to reap the benefits from its hydro potential. India and Bangladesh, which are hungry for electrical power, offer Nepal a huge opportunity in terms of selling energy. Agriculture is another area in which the private sector can make substantial contributions. The government will have to lay down policies to attract private capital in agriculture. Manufacturing and services will play a key role in creating the much required jobs, and policy reforms in business registration, taxation and labor relations will be key to getting these sectors to contribute more to Nepal's economic prosperity.

Agriculture Sector

Agriculture is the mainstay of the rural economy and a source of income for the majority of Nepali. 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. Between FY04 and FY11, about 92 percent of the spectacular decrease in poverty in Nepal occurred in rural areas – primarily as a result of rising farm incomes. However, most of the increase in agricultural income was due to higher producer prices, which contributed 78 percent compared to only 22 percent from rising yields. Any strategy for further poverty reduction and shared prosperity in Nepal should include a program to increase broad-based agricultural productivity through: developing new technologies and varieties that are more productive, climate resilient, and nutritious; disseminating better technologies and varieties; and using high-impact innovative extension approaches to ensure farmers are able to use technology appropriately. Other steps needed to achieve the structural transformation and modernization of agriculture needed to further boost the rural economy include: (i) increasing competitiveness of selected value chains in domestic and export markets, (ii) building the capacity for developing and implementing food safety and quality standards, (iii) promoting agro businesses across the food system, (iv) addressing the contribution of agriculture to achieving environmental sustainability in the context of a changing climate, and (v) promoting evidence-based program design and sound sector policies.

Health Sector

Although Nepal has achieved significant improvements in health indicators, there are numerous challenges that need to be addressed. Between 1996 and 2013, the maternal mortality ratio (MMR) decreased from 790 to 190 per 100,000 live births, while under-five child mortality (U5-MR) decreased from 141 per 1,000 in 1990 to 36 per 1,000 in 2014. At the same time, the proportion of under-five children who are stunted due to chronic malnutrition remains high at 37.5 percent. Similarly, health service utilization indicators have improved but gaps remain. While 85 percent of children aged 12-23 months have been vaccinated against measles, only 67 percent have received all recommended immunizations. Overall only 55.2 percent of births take place in a health facility, and this proportion is only 27.9 percent among the poorest quintile. Furthermore, high

out-of-pocket expenditures for health care — due to an inadequate financial protection mechanism — create a formidable poverty trap: they represent about 49 percent of monthly household consumption amongst the poorest 20 percent. There remain inefficiencies in the public sector management in the health sector, specifically related to poor financial management, weak internal controls and poor procurement and supply chain management. There is an urgent need to focus on strengthening health systems and institutions for improved governance and citizen engagement and making qualified health workers and essential medicines available to all citizens.

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. 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.

Key reform areas the Bank has already initiated and would continue to support to address the above challenges are: (a) quality, efficiency, market relevance, and equity; and (b) governance and management. Reforms under quality, efficiency, market relevance, and equity would include: (i) academic reforms - revision of existing programs and introduction of new ones at undergraduate and graduate levels; (ii) examination reforms including examination standardization and curriculum

diversification at secondary level; (ii) transparent and merit-based recruitment/promotion and performance management systems for teachers; (iii) research and innovation in higher education; (iv) enrollment expansion in the science and technical streams in secondary and higher education; (v) performance-based support for technical and non-cognitive skill development towards more productive employment; and (vi) extension of poverty targeting for scholarship support. Reforms under governance and management would include: (i) autonomy of higher education institutions with provision of quality assurance and accreditation; (ii) improved school governance and management including teacher accountability through special package of support to community schools including partnership with non-for-profit private schools; (iii) strengthening the practice of an informed decision-making process at various levels of education by further improving the Education Management and Information System (EMIS) and making it more robust and web-based; and (iv) strengthening the fiduciary management and financial accountability at central, district and local levels.

Social Protection

Despite the recent encouraging trends in poverty reduction, incidence of poverty remains high at 25.2 percent. A large proportion of Nepali households live around the poverty line and are vulnerable to natural disasters and economic shocks. Social protection, therefore, is an essential part of poverty reduction but the social protection system is inadequate for providing reliable safety nets. It is fragmented across many programs and agencies with little coordination and lacks robust systems for the efficient delivery of help. It also has a limited impact on reducing poverty and inequality as most programs are targeted to specific demographic categories. Based on the analysis of Nepal Living Standards Survey (NLSS) III, in the absence of social assistance programs (cash transfers and scholarships), the poverty head count would increase by only 0.4 percentage points from 25.2 to 25.6 percent. The existing social protection schemes cover less than 50 percent of the poor. Cash transfers, the largest social assistance scheme, cover 17.5 percent of the population either directly or indirectly. The World Bank is currently preparing a project to strengthen systems for civil

registration and social protection. The project will help the government establish a national population register and an electronic beneficiary database and switch from manual to electronic payments for delivery cash transfers. On labor, the World Bank is engaging in an analysis of the labor market outcomes for youth in Nepal. This will build the basis for development of a pipeline project.

Disaster Risk Management and Climate Resilience

A 7.8 magnitude earthquake that struck central Nepal in April 2015 and its sequence of aftershocks caused 8,700 deaths and some 25,000 injuries. The Post-Disaster Needs Assessment found that total damage and losses resulting from the earthquake amounted to about \$7 billion, and reconstruction needs amounted to about \$6.7 billion. It 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. The Government is implementing an ambitious and comprehensive reconstruction program to recover from this event. Nepal is highly vulnerable to seismic events that lead to floods, landslides and glacial lake outbursts. With climate change, the frequency and intensity of weather extremes including drought is expected to increase, bringing significant adverse social and economic consequences. Nepal has only a limited capacity to forecast weather patterns and extreme events or to track medium to long term changes in climate. It also has limited capacity to issue accurate early warnings to vulnerable communities. This calls for comprehensive investment in disaster risk management and early warning systems, while also ensuring resilient recovery from the 2015 earthquake.

Water and Sanitation Sector

The GoN considers access to basic water supply, sanitation, and hygiene (WASH) a human right and vital for improving socio-economic conditions and reducing poverty but Nepal faces challenges in providing universal coverage of WASH services to the people. According to the Joint Monitoring Program (JMP) 2015, only 24 percent

of people (50 percent urban and 18 percent rural) have access to piped water and 68 percent to other improved water sources. However, actual functioning water services are significantly less, providing effective coverage for only 40 percent of the people. The JMP showed that only 46 percent of the population have access to improved sanitation (56 percent in urban and 43 percent in rural areas), while 18 percent have access to shared latrines. The current national target of universal access to WASH by 2017 appears unachievable. An added challenge in Nepal is rapid urbanization, with the urban population estimated at 38.5 percent in 2014, up from 17 percent in 2011. The number of municipalities has increased to 217 in 2015 from 58 in 2011. Nepal's population is projected to have an equal rural-urban split by 2030 which will have a big impact on government plans for water supply and sanitation. The GoN's 15 Year Plan (2015-2030) for Small Towns Water Supply and Sanitation released in February 2015 points to the importance of providing WASH services in urban areas.

With the formation of a separate Ministry of Water Supply and Sanitation in December 2015, there is now renewed focus on achieving universal access to basic WASH services, and meeting the Sustainable Development Goals (SDG) by 2030. The new ministry is in the process of finalizing a WASH Sector Development Plan (SDP, 2015-30) with a clear implementation strategy for urban and rural WASH services and considerations for climate change, disaster risk reduction, and improved sector governance. The SDP targets access to basic WASH services for all and improved service levels (medium/high) to 25 percent of the population by 2020, 50 percent of the population by 2025 and to everyone in Nepal by 2030. In support of the GoN's sector policy the World Bank, with UNICEF co-financing, is preparing to help the Government develop a sector financing strategy for the WASH sector based on the final SDP. The Bank has also been carrying out a study to investigate options for delivering water and sanitation services for municipalities with a population of 20,000-60,000, in support of the GoN's 15-Year Plan for small town WASH strategy. The other main Development Partners – ADB and JICA – have been supporting Nepal with a number of WASH projects to improve access in urban areas and strengthen the sector performance.

Governance and Public Financial Management

Various government priorities have an impact on governance, and in particular the post-earthquake reconstruction effort. The government committed to fund and implement reconstruction plans in an efficient and transparent fashion. It has expressed the desire to promote economic development through better and higher levels of public investments. Overall performance of public investment management, however, remains weak. Fiscal and Administrative Federalism and acceleration of fiscal decentralization are major challenges given the corruption risks and potential mismanagement of funds by the new provinces and village development committees. Local elections tentatively targeted for March 2017 are expected to completely change the governance landscape and will impact the Bank's engagement, in particular at the local level.

Key constraints to Bank engagement in the governance sector are: (i) fragmented institutional landscape in the Public Financial Management (PFM) area and the lack of shared vision about strategic priorities; (ii) policy paralysis due to the contested nature of federalism; (iii) low quality of accounting and financial reporting in government and State-owned Enterprises (SOEs) as well as in the private sector; (iv) low procurement capacity of public entities; and (v) substantial fiduciary risk in the Bank-financed portfolio and development portfolio in general, with high risks of fraud and corruption. Over the medium term, the Bank's strategic focus related to governance will be to: (i) support the GoN in the second phase of PFM reforms through the PFM Multi-donor Trust Fund (MDTF), (ii) enhance the performance of the PFM systems to better support service delivery, reconstruction and economic development objectives, including public procurement management system; (iii) support administrative and institutional reform efforts in the context of the new constitution; (iv) provide high-quality support to the Bank portfolio, with a special focus on energy, reconstruction and education/health sector-wide approaches (SWAPs); (v) mainstream governance into the portfolio; and (vi) mitigate risks of fraud and corruption through various approaches including a partnership between the Bank and the Supreme Audit Institute (SAI) on forensic audit.

FY17

Project Name	Board Approval	IDA (\$m)	CRW (\$m)	Total(\$m)	Status
Quarter 1					
Additional finance to Road Sector Development Project	08/25/16	5.0	50.0	55.0	Approved
Quarter 2					
Strengthening Systems for Social Protection and Civil Registration	10/28/16	150.0	0.0	150.0	On Track
Nepal Health Sector Management Reform Program	10/31/16	150.0	0.0	150.0	On Track
Nepal Third Financial Sector Stability Credit DPC3	11/07/16	100.0	0.0	100.0	On Track
Quarter 3					
Nepal Livestock Sector Innovation Project	02/15/17	80.0	0.0	80.0	On Track
Nepal School Sector Development Program	03/09/17	150.0	0.0	150.0	On Track
Nepal Energy Sector Development Policy Credit	03/21/17	150.0	0.0	150.0	On Track
Total (6)		785	50	835	

Procurement Management

The WBG has focused on building the local procurement capacity and supporting counterparts in the procurement process. In many projects, delays related to procurement have been encountered such as during initiation and decision making, as well as in contract completion. With the Bank's New Procurement Framework becoming effective July 1, 2016, the World Bank has been providing training for project and Bank staff. to those involved in Trust Fund projects.

Social and Environmental Safeguard Management

The vast majority of projects in Nepal are Category B, where social and environmental risks are expected to be moderate. In general, the infrastructure projects, such as energy and road sectors projects, have higher social and environmental risks. The most recurring safeguard issues are related to land compensation, livelihood support, tree cutting permit and compensatory plantation, and landslides and soil erosions. In all projects, required safeguard instruments have been developed and agreed in line with domestic laws and World Bank safeguard policies.

WORLD BANK PROGRAM IN NEPAL

WBG Support

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 a total of \$4.75 billion in assistance (\$3.48 billion in credits and \$1.27 billion in grants). Currently ² the Bank supports 22 projects worth \$1.57 billion. The International Finance Corporation (IFC), the private sector arm of the World Bank Group, currently has an investment portfolio in Nepal of about \$52 million.

Country Partnership Strategy (FY14-18) and IDA 17 Allocation

After three consecutive Interim Strategies in Fiscal Years 2007, 2009 and 2011, the WBG is providing

² As of July 31, 2016

FY15				
Project Name	Board Approval	IDA (\$m)	CRW (\$m)	Total(\$m)
Quarter 1				
Kabeli-A Hydro Electric Project	7/1/14	46.0	0.0	46.0
Quarter 2				
Nepal: Grid Solar and Energy Efficiency	12/22/14	130.0	0.0	130.0
Quarter 3				
Higher Education Reforms Project	02/19/15	65.0	0.0	65.0
Quarter 3				
Earthquake Housing Reconstruction Project	06/29/15	0.0	200.0	200.0
Financial sector stability DPC2	06/29/15	50.0	50.0	100.0
Total (6)		291	250	541

FY16				
Project Name	Board Approval	IDA (\$m)	CRW (\$m)	Total(\$m)
Quarter 1				
Nepal: Power Sector Reform and Sustainable Hydropower Development	09/25/15	20.0	0.0	20.0
Total		20	0	20

more long-term support through the Country Partnership Strategy (CPS) covering four years from FY2014-2018. The current 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 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 WBG institutions - IDA, IFC, and 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. The mid-term review of implementation of CPS is being carried out in the first half of FY17. Lessons from two years of implementation will lead to fine tuning, as needed, of WBG support to Nepal in the remaining two years.

Under the IDA17, Nepal has committed \$291 million from IDA and \$250 million from Crisis Response Window (CRW) in FY15, \$20 million in FY16, and is expected to commit \$617 million from IDA and \$50 million from CRW in FY17. Nepal's total commitment under IDA17 is estimated at \$928 million, a 45 percent increase over the IDA16 allocation, and \$300 million new funding from CRW to respond to the emergency needs after the devastating earthquakes in 2015. Under IDA16, Nepal received grants and credits at a 45-55 ratio due to its moderate levels of debt distress. The joint International Monetary Fund (IMF)-World Bank debt sustainability analysis (2014, 2015) assessed Nepal's risk of debt distress to be low and given this rating,

Nepal's financing under IDA17 is on a credit-only basis. The pipeline of operations to be financed by IDA in FY2017 is as shown in table 1.

Current IDA Portfolio and Trust Fund

The current portfolio comprises 22 active projects with a net commitment of about \$1.57 billion. Of these, 18 active International Development Association (IDA) projects have a combined net commitment of \$1.42 billion. 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.

As of August 31, 2016, the TF portfolio³ consisted of 11 active TFs (recipient executed), with a total commitment amount of about \$70.28 million. There are two operations supported by the Multi-Donor Trust Fund (MDTF) for Public Financial Management supporting the areas of cash management and strengthening the social accountability system.

Number of Projects Approved in FY2015 and FY2016

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 2015 earthquake. The emergency funds supplement the \$50 million Financial Sector Stability DPC2 and provide \$200 million in financing for the Earthquake Housing Reconstruction Project.

In FY2016, only one project with a total value of \$20 million was approved for Power Sector Reform. Three other operations planned for FY2016 delivery slipped for various reasons to FY2017 delivery.

Portfolio Performance and FY2016 Disbursements

The 2015 earthquake and the trade disruption that immediately followed it, resulting in an acute fuel

crisis, adversely impacted overall development programs including World Bank-financed projects. This led to a FY2016 disbursement level of 16.7 percent, one of the lowest in recent history. Apart from the earthquake and the fuel crisis, other issues affecting the portfolio include: (i) delays in approval of work plans that include procurement plans; (ii) frequent turnover of project staff especially the signatories; (iii) weak safeguard capacity; (iv) weak procurement and financial management capacity; (v) delay in submitting the revised signatory lists, validating the tokens for electronic withdrawal etc.; (vi) effectiveness delay of three energy projects; and (vii) delay in submitting financial reports and audit reports.

As seen in previous years, disbursement in FY2016 accelerated in the last quarter and reached \$155.04 million or a 16.7 percent ratio, which was lower than the revised annual target of 18.2 percent. With the inclusion of the Financial Sector DPC, 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 \$288.38 million. The IDA portfolio achieved a ratio of 16.8 percent (total disbursement \$144.80 million), and the TF portfolio achieved a ratio of 15 percent (total disbursement \$10.24 million).

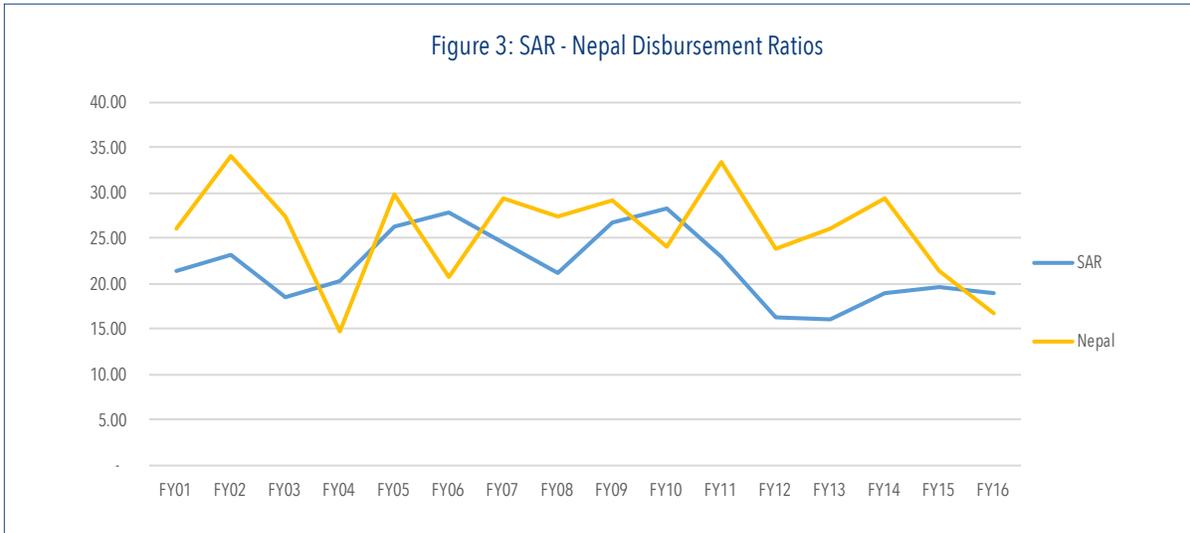
Despite its fragile country context, Nepal has maintained a relatively stable track record in disbursement (except for FY2016 for exceptional reasons), faring better than many IDA countries. During the past four years, disbursements averaged about 23 percent (FY2014 had an exceptional ratio of 29.4 percent).

Knowledge Products:

Several strategic technical assistance, analytical and advisory services, and economic and sector products were completed in FY2016. These include the Sources of Growth in Agriculture; the Public Expenditure and Financial Accountability (PEFA) Assessment; FY2016 Development Update, MTEF 2016 Preparatory Work; Strengthening Budgeting Process; Statistical Capacity Building; Disaster Risk Management Country Program; Enhancing Investment Climate in Nepal Supporting Nepal's Trade Strategy and Analytical Study on Next Steps for Fast Track.

3 Excluding TF above \$5 million

Figure 3: SAR - Nepal Disbursement Ratios



IDA-IFC Complementarity and Collaboration

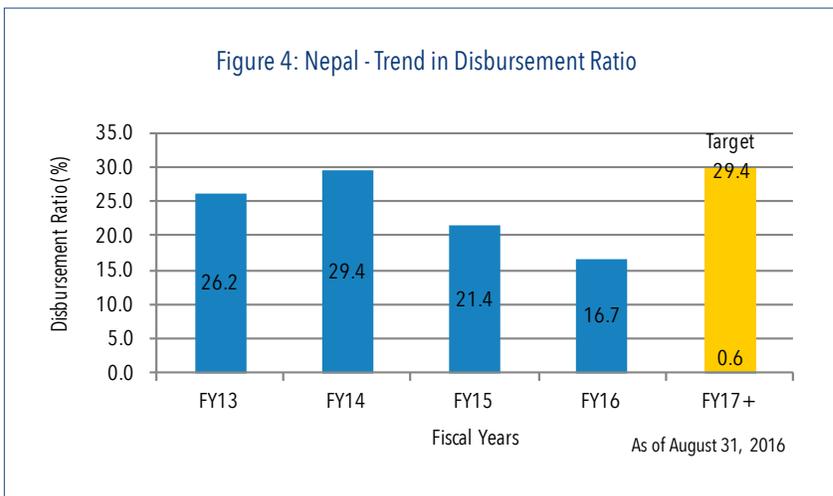
IFC has been working closely with Nepal’s private sector through investments and advisory services. To boost private-sector growth, IFC works to promote private investment in infrastructure, tourism, financial markets, agriculture, manufacturing, services, transportation, and trade finance. Despite the recent earthquakes and border related disruptions, IFC was able to maintain its cumulative committed portfolio at \$52 million as of the end of FY2016 and its advisory services portfolio stood at \$13.3 million. 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 through the Joint Implementation Plan.

IFC has also signed a Memorandum of Understanding with the Ministry of Energy and Department of Electricity Development 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 connect 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

Figure 4: Nepal - Trend in Disbursement Ratio



GoN and the private sector to focus on: (i) improving Nepal's investment climate; (ii) enhancing regional connectivity; and (iii) promoting investment opportunities 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. In tourism, its work focuses on improving standards, facilitating catalytic investment, and providing policy advice and streamlining regulations to promote quality tourism. IFC is also closely engaged with the Government in drafting a tourism destination development plan. 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 the 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 coun-

try'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. IFC is also engaged with the Nepal Rastra Bank (central bank) to introduce environment and social risk management guidelines for the financial institutions. IFC has provided a credit line to seven commercial banks under its global trade finance program to facilitate trade operations to SMEs. The IFC SME Ventures Program (Business Oxygen Pvt. Ltd.) a \$14 million private equity fund with IFC's commitment of \$7 million was re-launched in October 2015 to provide risk capital financing to scalable SME's. In the microfinance space, IFC has invested in two microfinance development banks, RMDC, a wholesale lender to microfinance institutions and Nirdhan Utthan Bank Limited, the largest microfinance development bank in the country. IFC has also provided advisory services to Nirdhan Utthan Bank Limited to spur the use of micro insurance by its customers.

NEPAL: AGRICULTURE COMMERCIALIZATION AND TRADE PROJECT

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)

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	60.00	29.12	27.78**
Borrower	NA ^a	NA	NA
Co-financing (Beneficiaries)	NA	NA	NA
Total Bank Financing	60.00	29.12	27.78**
IDA	60.00	29.12	27.78**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

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. Nepal is strengthening emerging commodity value chains, and providing local and international access to markets by forging backward and forward linkages in selected value chains. 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:

- Agriculture and rural business development through provision of matching grants to commodity value-chain actors mainly for technology support and agribusiness development;
- Support for sanitary and phyto-sanitary facilities to regulate and maintain food quality;
- Project management.

KEY ACHIEVEMENTS:

PACT has so far supported over 283 cooperatives, 227 farmer groups, 342 private firms and 16 producer associations, reaching out to 81,700 direct beneficiaries, of which 42.5 percent are women across Nepal's five development regions. Project support for these stakeholders is based on a value chain approach and the project activities have helped strengthen the linkages among those taking part in a given commodity value chain. Project value chain activities are further being supported through the 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). Additionally, more than 1,000 sub projects across Nepal's 75 districts are being implemented by PACT stakeholders under the project's matching grant scheme; this program includes support to farmers and SMEs and contribute to smallholders' enhanced access to markets, improving MOAD's IPM agenda, or the competitiveness of export-promoting as well as import-substituting value chains.

IMPLEMENTING AGENCY:

Ministry of Agriculture Development

KEY PARTNERS:

Ministry of Livestock Development, Food and Agriculture Organization, Development Impact Initiative (DIME-WB)

a Not Applicable

NEPAL: IRRIGATION AND WATER RESOURCE MANAGEMENT PROJECT

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):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	132.34	77.85	48.39
Borrower (GON)	10.00	6.50	3.50
Borrower (WUAs)	8.10	3.10	5.00
Co-financing	NA ^a	NA	NA
Total Bank Financing	114.24	81.80	32.44**
IDA	114.24	81.80	32.44**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

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 Agriculture Development Strategy (2015 – 2035) has recognized irrigated agriculture as engine of economic growth to alleviate poverty through judicious use of water, increased income through adoption of high value agriculture and value chain approach to agriculture development. 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:

- Irrigation infrastructure development and improvement;
- Irrigation management transfer to water user associations in the Tarai (plains);
- Institutional and policy support for integrated water resources management;
- Integrated crop and water management

KEY ACHIEVEMENTS:

IWRMP's first phase (2008 to 2014) ended in June 2016 after securing a closing date extension of two years in 2014. In December 2013, the project secured an additional financing of \$50 million to internalize the gains it had made and scale up the best practices. With the reliable supply of irrigation, water farmers are now able to cultivate three crops a year. Productivity of target crops (rice, wheat, maize and potato) has increased in a range of 44 percent to 73 percent, with corresponding increase in cropping intensity from 149 to 213 percent. Sixty-eight percent of the beneficiaries at the tail end of the systems are satisfied with the availability of water. A total of 158 schemes (73 percent) have been rehabilitated and modernized covering an area of 17,643 ha against the end-of-the-project target of 217 schemes (20,038 ha). The project is on course to meet the target of irrigating 20,034 ha. Four Agreements have been signed between the Water Users Association from the four Agency Managed Irrigation Schemes in Kankai, Sunsari-Morang, Narayani and Mahakali systems to transfer management functions covering an area of 23,100 ha. Similarly, three new Agreements have been signed under the Additional Financing to handover 16,500 ha of command area. IWRMP support to the Water and Energy Commissions Secretariat (WECS) has resulted in the installation of telemetry systems in 32 sub-stations in Babai, West Rapti and Karnali River Basins. IWRMP together with the Power Sector and Hydro Power Development Project is currently supporting the development of seven river basin management plans. The basin management plans will guide the development of master plans for the hydropower, irrigation and drinking water sectors in Nepal. With the availability of year round irrigation, water and promotion of improved productivity of rice, wheat, maize, and potato have respectively increased by 47, 44, 73 and 61 percent over the baseline. To make best use of irrigation water, the focus is now placed on crop diversification to include high value crops, vegetables in particular which fetch higher income and enjoy year round market. In addition, in response to the request from the Government of Nepal, the agriculture component supported the construction of 5,944 livestock sheds, 10 community crop storage facilities and provided 90 units of farm equipment including 30 power tillers to four earthquake affected districts in the project area.

IMPLEMENTING AGENCY:

Ministry of Agriculture Development, Ministry of Irrigation, Water and Energy Commission and Water Users Associations

a Not Applicable

NEPAL: POVERTY ALLEVIATION FUND II ADDITIONAL FINANCING

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)

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	310.95	NA ^a	NA
Borrower	30.50	NA	NA
Co-financing (Beneficiaries)	14.70	NA	NA
Co-financing (IFAD)	8.10	3.40	4.70
Total Bank Financing	245.00	215.90	29.10**
IDA	245.00	215.90	29.10**
Trust Fund	12.65	10.00	1.82

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

BACKGROUND AND OBJECTIVES:

The Poverty Alleviation Fund (PAF) commenced in 2007 and is now operating its regular program in 55 districts and has made agreements with 28,139 Community Organizations (CO). Out of the 31 districts impacted by the April and May earthquakes in 2015, PAF covers 14 districts, out of which seven were severely impacted as per the Post-Disaster Needs Assessment (PDNA). PAF is providing support to these districts through infrastructure rehabilitation, income generation and skills development. 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:

- Small-scale community infrastructure to provide capacity-building support and sub-grants to community organizations for local infrastructure projects;
- Sustainable income generation to provide capacity-building support and sub-grants to community organizations for income-generation activities;
- Product development, market linkages, and pilots to support those community organizations that are more advanced;
- Capacity-building and institutional strengthening to support the formation and development of community organizations and the creation of cooperatives and market alliances.

KEY ACHIEVEMENTS:

- The project has so far directly benefitted 825,000 households and has indirectly benefitted an additional 47,000 households (through PAF financed infrastructure sub-projects), out of which 64 percent fall under the category of ultra-poor (food sufficiency less than three months).
- CO member households constitute 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. According to the independent evaluation, PAF intervention resulted in a 22 percent increase in real per capita consumption net impact in the short-run (within the first three years).
- The net per capita consumption growth is maintained at 7 percent even over a medium-term (seven years)

IMPLEMENTING AGENCY:

Poverty Alleviation Fund Board Secretariat

KEY PARTNERS:

IFAD, Ministry of Federal Affairs and Local Development

^a Not Applicable

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)

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	58.00	NA	NA
Borrower	11.50	NA	NA
Co-financing	NA ^a	NA	NA
Total Bank Financing	46.50	10.72	35.78
IDA	NA	NA	NA
Trust Fund (GAFSP)	46.50	18.76	27.73

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

BACKGROUND AND OBJECTIVES:

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. The project development objective is to enhance food and nutritional security in targeted communities of Nepal. Key expected outcomes include:

- Increased productivity of targeted crops and livestock products;
- Access to and utilization of nutritious food to nutritionally vulnerable groups, including pregnant and nursing mothers, and children between six and 24 months old.

KEY ACHIEVEMENTS:

- The project has reached 85,072 beneficiaries of which 91 percent are women (end of project target is 112,000). In terms of crops, the project has released 24 new crop and livestock technologies.
- A preliminary impact assessment indicates crop productivity has increased by 23.2 percent in paddy, 18.6 percent in wheat, 13.6 percent in maize, and 25.9 percent in potatoes.
- The seed replacement rate (SRR) has increased from 7.2 to 13.4 percent in main paddy; from 4.6 to 9.6 percent in wheat; from 14.7 to 17.8 percent in maize; and from 16 to 23.4 percent in potato;
- Eggs production has increased by 84.7 percent, milk production has increased by 46.2 percent in cows and by 10.9 percent in buffaloes, and crossbred goats are reaching 16kgs body weight within 4 months compared to 12 months before the project.
- The percentage of women taking animal proteins has increased by 16.8 percent and taking fruits and vegetables has increased by 36.8 percent. The percentage of children taking improved diets has increased by 36 percent.

IMPLEMENTING AGENCY:

Ministry of Agriculture Development, Ministry of Health and Population, Nepal Agricultural Research Council

KEY PARTNERS:

U.N. Food and Agriculture Organization

a Not Applicable

NEPAL: ENHANCED VOCATIONAL EDUCATION AND TRAINING

KEY DATES:

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

FINANCING (in million US Dollars) :

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	39.50	33.24	3.53**
Borrower	NA ^a	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	39.50	33.24	3.53**
IDA	39.50	33.24	3.53**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

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, especially women, the poor, and youth belonging to socially marginalized groups, for access to short-term skills training, technical education, and 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. It successfully uses a pay-for performance modality of implementation. 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:

- Strengthening technical education and vocational training regulatory activities and capacity building;
- Strengthening technical education;
- Supporting short-term training and recognition of prior learning;
- 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.

KEY ACHIEVEMENTS:

The project has achieved or exceeded all of its key performance indicator targets, and is on track in closing satisfactorily on June 30, 2017.

- The project intervention has resulted in about 71.6 percent of graduates from supported programs being 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 proportion of girls, Dalits and disadvantaged Janajatis enrolled in supported institutions has increased to 55.1 percent.
- A total of 2,109 lead and assistant trainers, 150 master trainers, 449 skills test managers, and 5,770 skills test assessors have been trained.
- Around 4,470 students, selected using a means-testing method, have received or are receiving scholarship support, and around 71,550 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.

IMPLEMENTING AGENCY:

Ministry of Education

KEY PARTNERS:

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

a Not Applicable

NEPAL: HIGHER EDUCATION REFORMS PROJECT

KEY DATES:

Board Approval: February 19, 2015

Effective: May 22, 2015

Closing: June 30, 2020

FINANCING (in million US Dollars) :

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	653.34	151.32	502.02**
Borrower (GON)	588.34	140.00	448.34
Co-financing(Donors)	0.0	0.0	0.0
Total Bank Financing	65.0	11.28	51.34**
IDA	65.0	11.28	51.34**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

Nepal accords high priority to education. This is evidenced by the large share of the country's national budget allocated to the education sector. These investments have produced some encouraging results in access and equity. The relatively new and small, albeit fast expanding, higher education (HE) sector has not been able to adequately meet the human resource needs of the economy. This is attributed to weak relevance, low quality, internal inefficiency, inequity and inadequate financing. The development objectives of the Project are "to support reforms in selected institutions for improving quality, relevance and efficiency of higher education; and to assist under-privileged students for equitable access". The Project is expected to support reforms in Tribhuvan University, other public universities and about 150 constituent and affiliated campuses using results-based financing (Disbursement Linked Indicators). The intervention will benefit over 500,000 current and future students, including scholarships for 9,500 students from poor families with preferential treatment to female students, and support for research, development and innovation to more than 500 students and faculty members selected through a competitive process.

KEY ACHIEVEMENTS:

The progress of the project is being monitored through achievement of yearly targets for seven Disbursement Linked Indicators (DLIs) corresponding to systemic reforms, five key performance indicators (KPIs) measuring outcomes, and intermediate indicators.

- In the first year, the progress towards achieving the DLIs and key performance indicators (KPIs) (year one ended on July 15, 2016) is modest owing to the impacts of April and May 2015 earthquakes and the trade disruptions, as well as some procedural delays in selection of new academic programs.
- Out of the seven DLIs, the progress of three DLIs (DLI 4, DLI 6, and DLI 7) is in between 90 to 100 percent of year one targets; progress of DLI 1, DLI 2 and DLI 3 is 60 to 70 percent, and DLI 5 is lagging behind with an achievement of only 20 percent of the target.
- Out of six key performance indicators, progress of three indicators is on track, progress of the two other indicators is 60 percent of the target, and one of the indicators is yet to be reported.
- DLI 1 - A Quality Assurance and Accreditation Agency (QAAA) with functional autonomy established at University Grant Commission (UGC) - is still pending.
- Since accreditation of HEIs can be handled by quality assurance and accreditation division (QAAD) at UGC, the failure to establish QAAA would not have impact on disbursements. The downside of not establishing QAAA is the perceived conflict of interest in UGC having the dual role of funding and accrediting agency.

IMPLEMENTING AGENCIES:

University Grants Commission, Tribhuvan University and Student Financial Assistance Fund Development Board

KEY PARTNERS:

NEPAL: GRID SOLAR AND ENERGY EFFICIENCY PROJECT

KEY DATES:

Board Approval: December 22, 2014

Effective: June 14, 2016

Closing: December 31, 2020

FINANCING (in million US Dollars) :

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	138.00	0.00	130.73**
Borrower (GON)	8.00	0.00	8.00
Co-financing(Donors)	0.0	0.0	0.0
Total Bank Financing	130.00	5.00	117.61**
IDA	130.00	5.00	117.61**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

The project supports the government strategy to expand energy generation capacity and reduce system loss. The system loss of the Nepal Electricity Authority (NEA) was estimated at 26.3 percent in 2014, incorporating both technical and commercial (non-technical) losses. Many activities have been carried out to reduce the system losses. 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.

The project development objectives are to:

- Increase solar photovoltaic generated electricity to supply to the Nepal Electricity Authority (NEA) grid
- Reduce NEA's distribution losses in selected distribution centers. The Project has two components. Component 1: (Grid-connected Solar PV Farms Development) Component 2: (Distribution System Planning and Loss Reduction).

KEY ACHIEVEMENTS AND EXPECTED RESULTS:

The operations became effective in June 2016 with the hiring of the owner's engineer, which was a condition for moving forward. The procurement for an Engineering, Procurement and Construction (EPC) contract of a 25 MW grid connected solar farm (estimated cost \$50 million) is ongoing.

International competitive bidding for an Engineering, Procurement and Construction (EPC) contract for design, supply, installation and initial operation of a 25 MW grid connected solar farm (estimated cost \$50 million) is concluded and a bid evaluation report is being finalized for Bank's review and clearance. Owner's Engineer will supervise the EPC contractor. The Terms of Reference (TOR) for the loss reduction master plan have been cleared by Bank and the procurement process will be initiated soon.

IMPLEMENTING AGENCY:

Nepal Electricity Authority

KEY PARTNERS:

Ministry of Finance, Ministry of Energy

NEPAL: KABELI A HYDROELECTRIC PROJECT

KEY DATES:

Board Approval: July 1, 2014
 Effective: June 20, 2016
 Closing: December 30, 2019

FINANCING (in million US Dollars) :

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	108.70	10.00	94.58**
Borrower	23.10	10.00	13.10
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	46.00	0.00	41.98**
Trust Fund	NA ^a	NA	NA

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

BACKGROUND AND OBJECTIVES:

The Kabeli A Hydroelectric Project (KAHEP), 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 public private partnership (PPP). The KAHEP is consistent with the joint IDA/IFC Country Partnership Strategy for Nepal (FY14-16), 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's strategy to deal with the current energy crisis and to attract private investments in hydropower in Nepal. If successful, the project will demonstrate the viability of future hydro power projects through proper PPP arrangements and attract investors and financiers to the country and the sector.

The project development objective is to add hydropower generation capacity to supply the NEA grid through public private investments. KAHEP has three components:

- 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;
- The Ministry of Energy (MOE) component (\$2 million), with IDA funding in grant terms to support implementation and compliance;
- The Investment Board Nepal (IBN) component (\$4 million), with IDA funding in grant terms.

KEY ACHIEVEMENTS:

The project just became effective, and procurement contracts have just been awarded to work on the construction or rehabilitation of hydropower to achieve the target of generation 37.6 MW.

IMPLEMENTING AGENCY:

Kabeli Energy Limited, Investment Board Nepal, Department of Electricity Development

KEY PARTNERS:

Ministry of Energy, Hydropower Investment Development Company Limited, Ministry of Finance.

a Not Applicable

NEPAL: KABELI TRANSMISSION PROJECT

KEY DATES:

Board Approval: May 10, 2011
 Effective: September 21, 2011
 Closing: December 31, 2016

FINANCING (in million US Dollars) :

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
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	16.12	18.54**
IDA	38.00	16.12	18.54**
Trust Fund	NA ^a	NA	NA

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

BACKGROUND AND OBJECTIVES:

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:

- Construction of a new 132 kV transmission line in eastern Nepal, with associated substations;
- Community-based rural electrification-grid extension;
- 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 (AEPCC).

KEY ACHIEVEMENTS:

- Out of the 90 km long transmission line, Section I - 34 km - has been completed.
- Construction work on sections II and III has already started. For section II, 27 percent foundation and 7 percent of tower erection has been completed and for section III 35 percent of the foundation is completed.
- All four substations within this transmission line corridor as planned have been completed.
- For component 2, work on rural electrification is underway.
- Under the Rural Enhanced Energy Services component, 227 solar home systems, nine institutional solar systems and 230 bio-gas plants have been provided. Micro hydro construction could not be initiated under this component due to difficulty in identifying the suitable community scale micro hydro. Therefore, community-based micro-hydro plants has been modified to a mini-grid connecting existing MH plants from Taplejung, Panchthar and Illam, as communities were not interested in the MH plants initially identified. 140 kW of existing MH plants are expected to be connected to the mini-grid.

IMPLEMENTING AGENCY:

Nepal Electricity Authority, Alternative Energy Promotion Center

KEY PARTNERS:

Ministry of Energy, Ministry of Finance

a Not Applicable

NEPAL: KALI GANDAKI A HYDROPOWER PLANT REHABILITATION PROJECT

KEY DATES:

Board Approval: May 15, 2013
 Effective: December 31, 2013
 Closing: June 30, 2017

FINANCING (in million US Dollars) :

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 ^a	NA	NA
Total Bank Financing	19.18	4.39	13.53**
IDA	19.18	4.39	13.53**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

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 to be finalized to improve plant operation performance and dam safety management. 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:

- Civil works;
- Electro-mechanical works;
- Technical assistance and capacity-building;
- Contingent emergency response.

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.

KEY ACHIEVEMENTS:

Significant progress has been made in the electro-mechanical works (comprising 50 percent of the total project financing). Procurement has all been completed and contracts signed. The implementation of the civil works component has been delayed because of procedural delays in hiring a consultant and the impact of the 2015 earthquake and trade disruption. The earthquake may have worsened the slope stability issues in the headworks area and an early estimate indicates that the remedial works may require funding beyond what is currently allocated in the project. The geological investigation of the slope by the Soil, Rock, and Concrete Laboratory, NEA and the Hydraulic Model Testing on headworks are underway and will be completed in late 2016. Investment activities on civil works to enhance the slope stability and to improve system efficiency will be decided by NEA based on the results of the investigation.

IMPLEMENTING AGENCY:

Nepal Electricity Authority

KEY PARTNERS:

Ministry of Energy, Ministry of Finance

a Not Applicable

NEPAL: POWER SECTOR REFORM AND SUSTAINABLE HYDROPOWER DEVELOPMENT PROJECT

KEY DATES:

Approved: September 25, 2015

Effective: June 02, 2016

Closing: June 30, 2020

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Borrower	28.00	0.00	28.60**
Co-financing (Others)	1.50	0.00	1.50
Total Bank Financing	20.00	0.00	20.00
IDA	20.00	0.00	20.60**
Trust Fund	2.50	0.00	2.50

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

BACKGROUND AND OBJECTIVES:

This Project intends to offer a single window for a comprehensive set of technical and analytical studies, capacity-building activities and policy dialogue on the energy sector and to support hydropower and transmission line projects involving large-scale private and public investments in hydropower. The Project Development Objectives are to strengthen the capacity of the power sector agencies to plan and prepare hydropower and transmission line projects following international standards and best practices. It also will improve the readiness of the power sector agencies for regulatory and institutional reforms.

It has three components:

- Preparation of hydropower and transmission line investment projects;
- Studies for policy recommendations and sector reform;
- Capacity Building for Safeguard Management and Hydropower Development.

The project will support preparation of the Upper Arun Hydropower Project (UAHEP) (335 MW) and Ikhuwa Khola Hydropower Project (IKHP) (30 MW), and priority high voltage transmission line projects to be identified during project implementation.

It will also support:

- Preparation of a river basin planning in an integrated water resource management (IWRM) approach for selected river basins;
- Provide recommendations for improvement of water resources management and regulations, including updating of the Water Resource Act and capacity building of the WECS;
- Power System Expansion Plan, including updating the Generation Master Plan;
- Establishment and operationalization of a power trading company;
- The NEA business restructuring for improved management and efficiency, including provision of computerized management tools and installations of smart meters to enhance the distribution business management, and conducting asset evaluation.
- Capacity building activities such as preparing guidelines, sector vision policies etc.

KEY ACHIEVEMENTS:

The project has just become effective, and preparation of hydropower project (360 MW), has started. The activities related to the preparation of transmission line projects (150 km) has not yet started. The Government is has started the process of carrying out the five key policy and sector reforms important for the hydropower development.

IMPLEMENTING AGENCY:

Nepal Electricity Authority

KEY PARTNERS:

Ministry of Finance, Ministry of Energy

REGIONAL PROJECT : NEPAL-INDIA ELECTRICITY TRANSMISSION AND TRADE PROJECT

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) :

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	237.90	135.60	91.47**
Borrower	30.00	5.00	25.00
Co-financing (Others)	69.90	69.90	0.00
Total Bank Financing	138.00	60.70	66.47**
IDA	138.00	60.70	66.47**
Trust Fund	NA ^a	NA	NA

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

BACKGROUND AND OBJECTIVES:

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:

- 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;
- 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 (HDI) 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);
- Component C: technical advice for: preparation of a transmission system master plan for future transmission system development in Nepal;

It will also 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.

KEY ACHIEVEMENTS:

The construction of the cross-border 400 kV DM transmission line financed by the Government of Nepal and others has been completed and is operating at 132 kV as an alternate arrangement. The line is importing 80 MW from India at present. Similarly, the Transmission Line Master Plan has been finalized and is ready to be implemented for future transmission lines. In terms of physical progress, HDI Line: 50 percent foundation and 41 percent erection of towers completed; Hetauda-Bharatpur (HB) line: 62 percent foundation and 41 percent erection completed; Bharatpur-Bardaghat line: 29 percent foundation and 29 percent tower erection has been completed. There is good progress in construction of substations in HB line. The procurement and supply of materials had been completed for substations of the HDI Line and foundation work and installation is on-going.

IMPLEMENTING AGENCY:

Nepal Electricity Authority

KEY PARTNERS:

Ministry of Energy; Ministry of Finance

a Not Applicable

NEPAL: SREP – SUPPORTED EXTENDED BIOGAS PROJECT

KEY DATES:

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

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed	Undisbursed**
Total Project Cost	35.50	0.33	35.17
Borrower	27.60	0.00	27.60
Co-financing (Others)	NA ^a	NA	NA
Total Bank Financing	7.90	0.33	7.57
IDA	NA	NA	NA
Trust Fund	7.90	0.33	7.57

BACKGROUND AND OBJECTIVES

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 National Rural and Renewable Energy Program Document (June 2012) 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, i.e. 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. 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 retro-fitted 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, among others. 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.

The project development objective is to promote large off-grid biogas energy generation in Nepal. The project has two components: technical assistance (\$ 1 million) and (2) financing of investments (\$ 6.9 million). By installing 350 large scale biogas plants (consist of 340 commercial and 10 municipal biogas plants), the project is targeting to generate 1,445,000 m³ off-grid biogas for thermal application and 5.73GWh electricity.

KEY ACHIEVEMENTS:

- One commercial biogas plant for thermal application completed construction in April 2016 and two sub-projects are under construction.
- Sixty-nine sub-project applications have been submitted to the Alternative Energy Promotion Centre (AEPC).
- The 42 sub-projects that obtained approval to proceed with feasibility studies include 26 sub-projects with less than 35 m³ digester capacity, 10 sub-projects with less than 100 m³ capacity, and six sub-projects with more than 100 m³ capacity.
- The Technical Review Committee (TRC) of AEPC has approved feasibility studies of 11 sub-projects.

IMPLEMENTING AGENCY:

Alternative Energy Promotion Centre (AEPC)

KEY PARTNERS:

National Rural and Renewable Energy Programme (NRREP), as a joint implementation partner for the biogas program in Nepal with the Scaling-up Renewable Energy Program in Low Income Countries (SREP) of the Strategic Climate Fund (SCF)

a Not Applicable

REGIONAL PROJECT: STRENGTHENING REGIONAL COOPERATION FOR WILDLIFE PROTECTION IN ASIA PROJECT

KEY DATES:

Approved: April 7, 2011
Effective: June 29, 2011
Closing: December 31, 2016

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	3.00	2.52	0.40**
Borrower	NA	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	3.00	2.52	0.40**
IDA	3.00	2.52	0.40**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

This regional program has the long-term vision to stabilize and, if possible, increase the population and habitats of critically endangered animals in Asia. Since wildlife and habitats cross administrative boundaries and because knowledge and capacity vary widely across and within countries, a regional approach is being taken to address cross-border issues, build synergies, share skills, knowledge and experiences and build regional collaboration for the conservation of critical habitats and ecosystems.

The project aims to assist the participating governments to build or enhance shared capacity, institutions, knowledge and incentives to collaborate in tackling illegal wildlife trade and other selected regional conservation threats to habitats in border areas. The project focuses on select country-specific initiatives as well as key mutually agreed regional activities that are crucial to attaining the regional strategic goals. The project comprises three components. Component 1 supports capacity building for addressing the illegal trans-boundary wildlife trade. Component 2 promotes wildlife conservation in Asia; and Component 3 provides for project coordination and communication.

KEY ACHIEVEMENTS:

The Nepal component of the project continues to perform well in all aspects of implementation. Even during the difficult times of the trade disruptions and fuel shortages, progress has been consistent and the project is on track to achieve its development objective. Key achievements in Nepal include:

- The Wildlife Crime Control Bureau (WCCB) has been established at a central level and 22 district-level WCCBs established at field level. (Kathmandu Valley WCCB has been effectively working on wildlife crime control);
- Capacity building in wildlife forensic of NAFOL (National Forensic Laboratory) and DPR (Department of Plant Resources);
- International training on an 'Environmental Enforcement Information and Intelligence Management Course' together with INTERPOL for 28 participants from 11 countries; Wildlife Crime Database – Management Information System (WCD-MIS) is in place;
- Judicial dialogue on wildlife crime with the judges of Kathmandu Valley joined by 83 participants;
- Revisions to local legislation to ensure effective compliance with Nepal's obligations under CITES have been drafted and are in the process to receive parliamentary approval;
- 127 park staff trained in topics of Tiger and Prey base monitoring, Routine patrol based monitoring, Smart Patrolling, Scene of crime, and wildlife forensics; sub-projects are under implementation with a focus on Human Wildlife Conflict, Habitat Management, Anti-poaching and Wildlife Crime Control. The South Asia Wildlife Enforcement Network (SAWEN) statute has been ratified by Sri Lanka, India, Nepal and Pakistan.

IMPLEMENTING AGENCY:

National Trust for Nature Conservation

KEY PARTNERS:

Ministry of Forest and Soil Conservation, Department of National Parks and Wildlife Conservation, Department of Forests.

NEPAL: COMMUNITY ACTION FOR NUTRITION PROJECT (SUNAULA HAZAR DIN)

KEY DATES:

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

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	40.12	4.86	19.80**
Borrower	NA	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	40.00	16.65	19.68**
IDA	40.00	16.65	19.68**
Trust Fund	0.12	0.003	0.12

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

BACKGROUND AND OBJECTIVES:

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 restructured to also address the emergency nutrition needs in the 14 critically affected districts following the 2015 earthquake. To cater to the needs of the earthquake affected districts, the project development objective was revised to "to improve practices that contribute to reduce 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 is being implemented through an assistance from UNICEF, which 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.

KEY ACHIEVEMENTS AND EXPECTED RESULTS:

- Approximately 3,920 sub-projects have been completed and more than 1,000 are undergoing completion review in the communities.
- In FY2016-17, an additional 7,500 projects are expected to be completed.
- With support from UNICEF, 2,685 severely acute malnourished children 6-59 months old were treated and 17,384 moderately acute malnourished children 6-59 months old were provided support with supplementary food.

IMPLEMENTING AGENCY:

Ministry of Federal Affairs and Local Development

KEY PARTNERS:

UNICEF

a Not Applicable

NEPAL: EARTHQUAKE HOUSING RECONSTRUCTION PROJECT

KEY DATES:

Board Approval: June 29, 2015

Effective: January 28, 2016

Closing: July 31, 2020

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	220.54	28.30	192.28**
Borrower	NA	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	200.00	20.00	180.70**
IDA	200.00	20.00	180.70**
Nepal Earthquake Reconstruction Multi-Donor Trust Fund	20.54	8.30	12.28

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

BACKGROUND AND OBJECTIVES:

On April 25, 2015, a 7.8 magnitude earthquake struck central Nepal, together with the aftershocks, resulting in 8,700 deaths and around 25,000 injuries. A Post-Disaster Needs Assessment (PDNA), completed on June 15, 2015 estimated damages to be around \$7 billion with reconstruction needs of about \$6.7 billion. Of the 490,000 houses destroyed, most were traditional brick or stone structures built with mud mortar, inhabited by the rural poor, whereas another 265,000 were rendered at least temporarily uninhabitable. Thus, the largest single need identified in the PDNA was housing and human settlements, estimated to be around \$3.27 billion or almost half of the total needs. The Project is being financed from the IDA Crisis Response Window (CRW), enabling the reconstruction of about one-tenth of the housing destroyed. An accompanying Multi-Donor Trust Fund (MDTF) was established to facilitate development partners interested in contributing to housing reconstruction. So far the MDTF has contribution commitments from USAID, Switzerland, and Canada totaling USD 20.54 m. JICA is providing parallel financing of around \$100 million for housing reconstruction. Government of Nepal has established the National Reconstruction Authority (NRA) as the apex institution to develop reconstruction policies and oversee its implementation. The governance structure of the Authority is headed by the Prime Minister, whereas a Chief Executive Officer leads the management. Implementation modality is owner-driven reconstruction. Eligible beneficiaries, whose houses were severely damaged or destroyed during the earthquakes, will receive subsidies of approximately \$2,000 each to be disbursed in three installments of approximately \$500, \$800 and \$700, contingent upon completion of their houses, in compliance with approved construction standards.

KEY ACHIEVEMENTS:

- The Central Bureau of Statistics (CBS) completed a census of the rural areas affected by the earthquake, whereas it is in process in three districts of Kathmandu valley. The survey covered over 700,000 households and led to collection of damage and socio-economic data to determine eligibility for subsidy. The survey is being funded by WB managed Trust Funds.
- The NRA has issued guidelines for distribution of housing subsidies, mobilization of international NGOs, grievance redressal, environmental impact, land acquisition, procurement, etc. The NRA also prepared the Post Disaster Recovery Framework that presents the government's reconstruction roadmap for the next 5 years.
- As of August 2016, out of 188,093 eligible beneficiaries, 131,557 have enrolled in the Project area and 30,448 have received the first installment into their individual bank accounts; 316 engineers, 105 sub-engineers and 140 assistant engineers have been deployed in the Project area to support reconstruction.

IMPLEMENTING AGENCY:

National Reconstruction Authority

KEY PARTNERS:

JICA, DFID, Switzerland, Canada, UNDP, UNOPS, USAID, other I/NGOs

NEPAL: BUILDING RESILIENCE TO CLIMATE RELATED HAZARDS

KEY DATES:

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

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	31.3	8.62	22.98
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	8.37	22.93

BACKGROUND AND OBJECTIVES:

Nepal is highly exposed to a range of hydro-meteorological hazards such as floods and droughts, the frequency and intensity of which are expected to increase with climate change. The poorer sections of the population particularly, women and rural populations – 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 observation network is mainly manual and the capacity to forecast weather, extreme events and long term climate changes is limited. There is also limited capacity to provide weather based services to users such as farmers and flood/hazard vulnerable communities. The Building Resilience to Climate-Related Hazards Project is one of the four projects financed through the Nepal Pilot Program for Climate Resilience (PPCR) 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 and the International Finance Corporation.

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:

- Institutional capacity strengthening of the Department of Hydrology and Meteorology (DHM);
- Modernization of hydro-meteorological observation networks and forecasting;
- Enhancement of DHM's service delivery system;
- Creation of an agriculture management information system anchored at the Ministry of Agricultural Development (MOAD).

KEY ACHIEVEMENTS AND EXPECTED RESULTS:

- DHM is in the advanced stages of the bid evaluation process for a majority of goods packages. In the coming year, significant progress is expected in the installation of hydromet observation systems and improvements in forecasting.
- The bid evaluation process for upgrading DHM's new building is ongoing and construction is expected to commence in November 2016. Additionally, DHM is undertaking several initiatives to strengthen its institutional capacity including drafting of a hydromet law, developing a new organizational structure and strengthening its technical staff capacity to support the modernization process.
- MOAD, in collaboration with the National Agricultural Research Council (NARC), has started issuing agro-advisory bulletins to three districts namely Banke, Bara and Rupendehi and expects to scale up delivery to additional districts this year.
- A mobile application (Hamro Krishi) is already being used by farmers and a SMS alert system has been established in coordination with Nepal Telecom.
- An important achievement is the strong collaboration between DHM, MOAD and NARC through a technical working group. The agencies are actively collaborating in the development and delivery of agro-weather advisories through exchange of agricultural information, weather data and forecasts.

IMPLEMENTING AGENCY:

Ministry of Agricultural Development, Department of Hydrology and Meteorology

KEY PARTNERS:

Nepal Agriculture Research Center, Asian Development Bank, International Finance Corporation

NEPAL: URBAN GOVERNANCE AND DEVELOPMENT PROGRAM: EMERGING TOWNS PROJECT

KEY DATES:

Board Approval: May 10, 2011
 Effective: October 2, 2011
 Closing: January 31, 2017

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	24.67	NA ^a	NA
Borrower	5.00	NA	NA
Co-financing (GIZ) (Municipalities)	3.00	NA	NA
	2.10	NA	NA
Total Bank Financing	14.57	12.06	1.66**
IDA	14.57	12.06	1.66**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

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).

The project objective is to improve the capacity of the participating municipalities to plan, implement, and fund urban development activities. It has three components:

- Strengthening municipal planning capacity through provision of grants to the municipalities;
- Provision of financing for municipal infrastructure sub-projects to improve municipal capacity to implement infrastructure investments;
- Institutional development and project management support to the participating municipalities and project agencies.

KEY ACHIEVEMENTS:

- Municipalities have been receiving the additional grants based on the minimum condition performance measures set by the Government of Nepal and have used the grants to carry out small projects, such as road upgrading, with at least 35 percent of the grant resources earmarked toward activities benefiting women and disadvantaged groups.
- Municipalities have prepared and adopted Revenue Enhancement Plans (REPs), Operations and Maintenance (O&M) plans as well as Investment Plans (IPs).
- Implementation of billing software for revenue collection and building by-laws are also under way.
- Construction of six municipal sub-projects, ranging from market areas, parks and roads, have been completed and the remaining nine sub-projects are expected to be completed before the project closing date.

IMPLEMENTING AGENCY:

Ministry of Urban Development

KEY PARTNERS:

Ministry of Federal Affairs and Local Development, Department of Urban Development and Building Construction, Town Development Fund

a Not Applicable

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):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	147.60	NA	NA
Borrower	87.60	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	60.00	41.63	41.63**
IDA	60.00	41.63	41.63**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

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 (BIMP) has been designed by the government to address these issues. The Program aims to provide safe, reliable and cost-effective bridges on Nepal's Strategic Roads Network. It supports the government's initiative using a new lending instrument: the Program for Results. The Program is the first of its kind in infrastructure that received Bank's loan under the new lending instrument. 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 disbursement-linked indicators (DLIs).

KEY ACHIEVEMENTS:

Two DLIs are already achieved: DLI-2 (minor maintenance) and DLI-4 (Program performance management). The Bank is anticipating a government restructuring request to readjust two DLI targets. Following are some results achieved. PDO level results indicators:

- Percentage of bridges on SRN rated as being in good or fair condition – 57.1 percent (Target: 75 percent);
- Percentage of bridges on SRN rated as structurally unsafe – 3.74 percent (Target: 1 percent);
- Percentage of bridge works completed on planned schedule – 63 percent (Target: 50 percent).

Intermediate Results Indicators:

- Completion of major maintenance of bridges: 5,680m achieved (target 17,125); (
- Completion of minor repairs of bridges (all target 3500m achieved);
- New bridges built or improved: 5,736m completed (target 6,000);
- Two other indicators: Bridge Management System and Grievance Redressal Mechanism are progressing well and all targets are likely to be achieved.

The Program is on course to achieve its targets barring one, and there is a concern regarding the achievement of DLI 1 (major maintenance).

IMPLEMENTING AGENCIES:

Department of Roads, Ministry of Physical Infrastructure and Transport (MOPIT)

KEY PARTNER:

Swiss Agency for Development and Cooperation (SDC)

a Not Applicable

NEPAL: ROAD SECTOR DEVELOPMENT PROJECT

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, 2017

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed (as of July 31, 2016)	Undisbursed (as of July 31, 2016)
Total Project Cost	169.03	NA ^a	NA
Borrower	58.50	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	110.53	99.09	9.37**
IDA	110.53	99.09	9.37**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

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 walking distance. 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 has been designed against this backdrop to support the Strategic Roads Network.

The original project outlay was approximately \$43 million. The Project received an additional financing of \$75m in end-2010. However, in June 2015 an amount of SDR4.5m (\$6.75m) was cancelled as requested by the Government. In the aftermath of the devastating 2015 earthquake, the project closing date was extended by a year to end-June 2016. Further, to complete the project's incomplete activities, which were hampered by the unofficial trade blockades, the closing date was extended for another one year: June 30, 2017. The Project's Second Additional Financing of 55 million has been approved by the Board on August 25, 2016. The Second Additional Financing will be implemented until mid-July, 2019. 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 project components are road development (utilizing 83 percent of the funding) and institutional strengthening and policy reform.

KEY ACHIEVEMENTS:

- All eight district headquarters of Mid and Far-Western regions are now connected.
- A 2012 survey showed that the number of paved roads in poor condition had been reduced to 11.3 percent, well below the target of 15 percent.
- An analysis using the Geographic Information Systems (GIS) shows that the target of increasing the population's access to all-weather roads (6 percent) has been achieved.
- The Project has overachieved the periodic maintenance target (target – 2,550 km; achievement – 2,595km).
- All upgrading contracts under the project are now complete -- 690 km of roads have been upgraded against a target of 700 km and 30 km of road sections are left incomplete due to the slope instability. This operation is being undertaken under the second additional financing of the project.

IMPLEMENTING AGENCY:

Department of Roads, Ministry of Physical Infrastructure and Transport (MOPIT)

KEY PARTNERS:

DFID

a Not Applicable

NEPAL: STRENGTHENING THE NATIONAL RURAL TRANSPORT PROGRAM

KEY DATES:

Approved: December 23, 2013

Effective: April 2, 2014

Closing: July 15, 2019

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31,2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	175.40	NA	NA
Borrower	63.9	NA	NA
Co-financing DFID)	11.51	NA	NA
Total Bank Financing	100.00	17.92	73.48**
IDA	100.00	17.92	73.48**
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

Over the past decade, poverty has reduced significantly in rural areas of Nepal, where 83 percent of the population lives. In order 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, 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. In the aftermath of the devastating 2015 earthquake, three more quake-affected districts were added to 33 existing districts.

The project 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

- Institutional strengthening and technical assistance;
- Beneficiary monitoring of physical works of the project;
- 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.

KEY ACHIEVEMENTS:

The project is on course to achieve its objectives and has accomplished several noteworthy milestones.

- The progress of output-based maintenance sub-component is satisfactory, with routine maintenance (RM) achievements ahead of the plan (Year 3 target: 2,389km; achievement as of July, 2016: 5,969 km).
- The project has made some progress in periodic maintenance related activities. It is not expected to achieve its Year 3 target (1,235 km).
- The Project currently employs over 2,500 full-time road maintenance group members, and the overwhelming majority of them (roughly three-fourths) are women.
- There has been significant improvement in occupational health and safety practices of routine maintenance groups.

IMPLEMENTING AGENCY:

Ministry of Federal Affairs and Local Development, DOLIDAR

REGIONAL PROJECT: NEPAL-INDIA REGIONAL TRADE AND TRANSPORT PROJECT

KEY DATES:

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

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	101.00	NA ^a	NA
Borrower	NA	NA	NA
Co-financing (IFC)	2.0	NA	NA
Total Bank Financing	99.00	18.96	73.43
IDA	99.00	18.96	73.43
Trust Fund	NA	NA	NA

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

BACKGROUND AND OBJECTIVES:

Transport costs in Nepal 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. The main development objective of the Regional Project 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:

- Reducing the time and cost of trade-related transactions through efforts at simplification, harmonization, and automation;
- 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;
- Enhancing the government's ability to coordinate trade-related institutions and development partners.

KEY ACHIEVEMENTS:

- Pavement works at Bhairhawa Inland Clearance/Container Depot have been completed.
- Three contracts for Narayanghat Mugling road improvement works were awarded, with about 25 percent of the work completed.
- The contract for Birgunj shed works was awarded, and about 10 percent of the work has been done.
- The feasibility and detail design for Kathmandu-Naubise-Mugling road improvement works and of the ICD/ CFS at Kathmandu (Chovar) is in progress.
- The development of National Trade Portal under TEPC is in progress, the bidding process for the development and implementation of National Single Window is in progress and a Study on the Axle Load Control and Road Transport Safety has been completed.

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 PARTNERS:

IFC

^a Not Applicable

NEPAL: ROAD SAFETY SUPPORT PROJECT

KEY DATES:

Board Approval: June 9, 2015

Effective: June 9, 2015

Closing: July 15, 2017

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31,2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	7.47	1.92	5.55**
Borrower	NA ^a	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	1.92	5.55**

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

BACKGROUND AND OBJECTIVES:

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 are 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 Road Safety Support Project 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. The grant closing date was extended for a year from July 15, 2016 to July 15, 2017 to enable the government to complete all its planned activities in order to achieve its development objectives which was not possible within the original closing date. This is as the post-earthquake uncertainties and unofficial trade blockades have substantially hampered the project's implementation.

The Project objective is to reduce the risk of roadway departure crashes on selected sections of Road Sector Development Project (RSDP) roads and to strengthen the Government of Nepal's capacity for improving road safety. 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.

KEY ACHIEVEMENTS:

Both components of the project have made good progress. One area of concern is the achievement of the intermediate outcome indicators, which is the establishment of a dedicated unit for managing road safety. The Government is making an effort to establish the unit within the project period. All major contracts under Component B (improved physical safety of RSDP roads) have been procured and their implementation has started. They are linked to the installation of approximately 70km of steel W-beam crash barriers. Under the institutional strengthening component:

- All targeted activities of the Nepal Road Safety Action Plan (2013), barring the Road Safety Council related activities, have started and are expected to be achieved; progress on Nepal Road Safety Council & Secretariat operationalization has been insignificant;
- All contracts for Piloting road safety are procured and implementation has started.

IMPLEMENTING AGENCY:

Department of Roads, Ministry of Physical Infrastructure and Transport

KEY PARTNERS:

Global Road Safety Facility

a Not Applicable

NEPAL: MODERNIZATION OF RANI JAMARA KULARIYA IRRIGATION SCHEME

KEY DATES:

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

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31,2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	49.0	26.83	18.52**
Borrower (GON)	5.00	3.00	2.00
Borrower (WUAs)	1.0	0.60	0.40
Total Bank Financing	43.00	23.23	16.12**
IDA	43.00	23.23	16.12**
Trust Fund	NA ^a	NA	NA

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

BACKGROUND AND OBJECTIVES:

The Rani Jamara Kulariya 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. The project 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 project has four components:

- Scheme modernization;
- Strengthening Water Users Associations;
- Agricultural production support;
- Project management.

There is a proposed second phase that would 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. The project development objective of phase 1 is to improve irrigation water delivery and management in the project area. This is being achieved 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.

KEY ACHIEVEMENTS:

- Irrigation infrastructure is gradually being completed and is starting to have an impact on agricultural production.
- Road improvement to ease access to the scheme and river training to reduce the chance of flooding in the project area are substantially completed.
- Training of Water Users Associations (WUA) continues and four WUA offices are either complete or under construction.
- Agricultural demonstrations and farmers field schools continue to be conducted.
- Based on crop cutting samples, average yields (ton/ha) of main crops are showing increases (baseline in brackets): paddy (winter) 3.0 (2.8); paddy (monsoon) 3.1 (2.6); wheat (2.2 (1.7); and maize 2.1 (1.6).

IMPLEMENTING AGENCY:

Department of Irrigation, Department of Agriculture with participation of WUAs

a Not Applicable

NEPAL: RURAL WATER SUPPLY AND SANITATION IMPROVEMENT PROJECT

KEY DATES:

Board Approval: May 29, 2014

Effective: November 10, 2014

Closing: June 30, 2020

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31,2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	90.0	12.76	70.32
Borrower	10.5	2.30	8.20
Co-financing	NA	0.00	0.00
Total Bank Financing	72.0	9.46	55.62**
IDA	72.0	9.46	55.62**
Community	7.5	1.00	6.50

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

BACKGROUND AND OBJECTIVES:

While Nepal has achieved the Millennium Development Goal (2015 Joint Monitoring Program), the country 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 (NMIP) show that 44 percent of the existing rural water systems are in need of repairs or rehabilitation, with no system in place to support the communities to do so. Therefore, the national targets for universal access by 2017 is unachievable. Nepal also has many challenges to achieve Sustainable Development Goals (SDG); that is, to ensure availability and sustainable management of water and sanitation for all. 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. 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 Project is implemented in 55 districts (out of 75 districts), 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. The Project comprises four components:

- Provides access to improved water supply and sanitation and promotion of improved sanitation and hygiene practices.
- Supports district level institutional strengthening, with aim to promote the long term sustainability of schemes in selected districts through enhancing institutional arrangements and strengthening linkages among key agencies during planning, implementation and post construction of such schemes.
- Supports Technical Assistance/Capacity Building and Project Management.
- The Contingency Emergency Response with zero allocation. Following the 2015 earthquakes, the project was restructured in August 2015 to include activities for "early recovery and rehabilitation of Water Supply, Sanitation, and Hygiene (WASH) services" in the affected districts.

KEY ACHIEVEMENTS:

- Out of 379 schemes in Batch IX under retroactive financing, 280 were completed, 7,220 community water points were constructed providing over 246,000 people (49 percent female) with access to safe water.
- The remaining 99 schemes are under implementation at various phases to be completed by December 2016. With completion of these schemes, an estimated 330,000 people will have access to safe water.
- Development Phase for Batch X started in July 2016 and contracts were signed with 107 Support Organizations to implement about 550 water supply schemes.
- The Sanitation Revolving Loan Fund (SRLF) approach is adopted for retroactive schemes which are carried over from RWSSP-II. A total 30,385 household and 94 institutional toilets were constructed. From Batch X onward, the Community-Led Total Sanitation approach will be followed. Under Batch X, an agreement was made with 92 Support Organizations for 124 Village Development Committees (VDC) for ODF (Open Defecation Free) and 225 VDCs for post ODF and work started.

IMPLEMENTING AGENCY:

Ministry of Water Supply and Sanitation, Rural Water Supply Fund Development Board

KEY PARTNERS:

NGOs as Partner Organizations

NEPAL: PUBLIC FINANCIAL MANAGEMENT MULTI-DONOR TRUST FUND

KEY DATES:

Approved: April 11, 2010
Effective: December 16, 2010
Closing: January 31, 2018

FINANCING (in million US Dollars):

Financing source	Total amount	Disbursed(as of July 31, 2016)	Undisbursed(as of July 31, 2016)
Total Project Cost	22.96	15.41	7.55
Borrower	NA ^a	NA	NA
Co-financing	NA	NA	NA
Total Bank Financing	NA	NA	NA
IDA	NA	NA	NA
Trust Fund (MDTF)	22.96	15.41	7.55

BACKGROUND AND OBJECTIVES:

The Nepal Public Financial Management (PFM) Multi-donor Trust Fund (MDTF) was activated in December 2010. It is administered by the World Bank and jointly funded by the following donors: UK Department for International Development (DFID), the Governments of Norway and Denmark, Australia DFAT, USAID (United States Agency for International Development), the European Union and the Government of the Swiss Confederation. The decision to extend the MDTF has been adopted at the last steering committee in April 2016.

The objective of the MDTF for PFM is to support Government of Nepal's Public Financial Management reform Program, Phase II (PFMRP II) which builds on the progress of the first phase of PFM reform (PFMRP-I), findings of the second PEFA assessment and the priority PFM areas identified by the Government of Nepal (GoN). The key results expected from the projects to be funded through the MDTF are

- Improved resource management as a result of strengthened PFM systems and processes
- Increased awareness and oversight of government PFM processes by diverse constituencies.

Furthermore better knowledge of value for money challenges and PFM governance gaps, contributing to improved design of PFM intervention at the country and sector level have been expected.

KEY ACHIEVEMENTS:

The MDTF has funded several sub-projects, analytical activities and technical assistance initiatives that have helped modernize various PFM sub-systems of the budget cycle and accountability framework and also strengthened the institutional capacity of the institutions performing these functions. It has also contributed to increased PFM awareness among stakeholders and a better coordination among development partners around PFM reform support, as evidenced by the second Public Expenditure and Financial Accountability (PEFA) assessment report concluded in 2015. The MDTF has also supported the implementation of a consolidated Treasury system for the entire government, leading to the closure of thousands of accounts in commercial banks and substantial savings for the government. Treasury systems have been strengthened by the implementation of a Financial Management Information system (FMIS), called Single Treasury System of Accounts, to process and monitor budget expenditure spending from central government to the 75 districts with a current coverage of 100 percent. A tax collection module (RMIS) has been added to TSA. A budget preparation FMIS called Line Ministry Budget Information System (LMBIS) has been developed and is being mainstreamed in line ministries. Furthermore, the Office of the Auditor General (OAG) has been strengthened in terms of compliance with professional standards. In addition, an IT software has been developed which is used to support the conduct of audit and the processing of the various documents and audit files. OAG has also benefited from a partnership with the Pakistan Auditor-General (SAI) to conduct an audit of post-disaster relief. Additionally, citizen engagement in PFM has been strengthened through the implementation of various social accountability tools at community level (Village Development Committees) like Grievance redress mechanisms (GRM), expenditure tracking and citizen awareness of the local budget process. Citizen engagement in the external audit process has led to pilot experiments of participatory audit with the OAG and the adoption and publication by the OAG of a Participatory Audit Guidance. In addition, the PEFA Secretariat's capacity to lead the various stakeholders in PFM reform as well as to enhance awareness and knowledge on PFM reform issues has been strengthened.

IMPLEMENTING AGENCY:

OAG, Public Expenditure Financial Accountability Secretariat, FCGO

KEY PARTNERS:

Ministry of Finance, and Development Partners (Australia, U.K., EU, Denmark, Norway, Swiss and USAID), SAI Norway

a Not Applicable

