

Country Partnership Strategy for Nepal

FY2014-2018



WORLD BANK GROUP





EXECUTIVE SUMMARY

i. Nepal has achieved remarkable progress over the last years. The country managed to halve the percentage of people living on less than \$1.25 a day in only seven years, from 53 percent in 2003/2004 to 25 percent in 2010/2011. Several social indicators in education, health and gender have also improved. In addition, since the end of the civil war in 2006, Nepal has successfully transitioned away from being a post-conflict country and former combatants have been integrated into the country's armed forces. While the country's political transition – notably the drafting of a new constitution – is taking longer than expected, the November 2013 elections, which resulted in a peaceful transfer in power, were an important step toward the formation of an inclusive and democratic state.

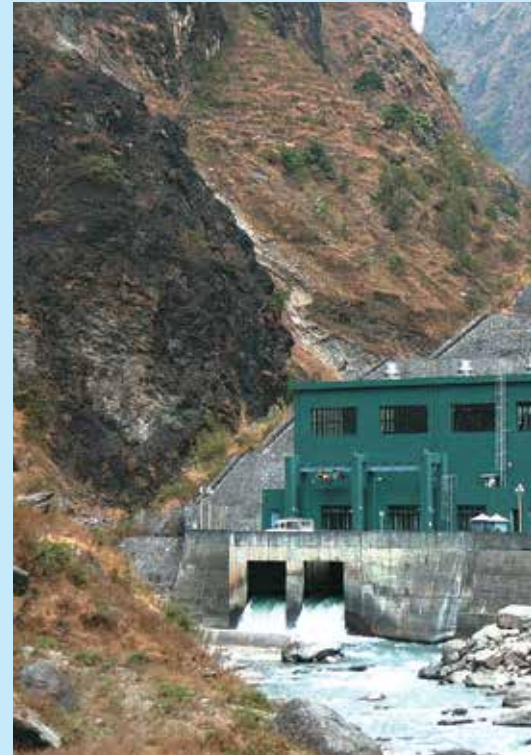
ii. To build on this progress, Nepal needs to take advantage of its economic potential and put in place the prerequisites that will provide faster, sustained and inclusive growth. While the political process remains intricate (understandably so, given Nepal's relatively short experience with democratic governance), the country urgently needs to pay greater attention to the economy. Remarkably, Nepal's economy grew steadily even during the height of the conflict, and economic management remained prudent, resulting in a budget surplus in 2013. Yet growth levels are too low to enable Nepal to continue its past progress and relegate poverty to history. Current growth relies heavily on remittances supporting consumption and growth in basic services with low growth potential.



iii. To move to a higher growth trajectory, Nepal will have to remove bottlenecks to private and public investment in key growth sectors. The most vivid example of Nepal's economic potential is hydropower. While the estimated potential for hydroelectricity generation in Nepal is 84,000 megawatts (MW), of which at least half is economically viable, only 746 MW (less than 2 percent of the viable potential) is currently developed. Hydropower development could be a game changer for Nepal. Development of the sector would reduce load-shedding and provide major revenues through exporting electricity to India and Bangladesh.

iv. The World Bank Group stands ready to support Nepal's aspirations for increasing economic growth through increased investments in key sectors and making growth more inclusive to help equalize opportunities across groups and communities. This constitutes a major shift in World Bank Group (WBG) support away from short-term post-conflict assistance towards establishing the foundations for increased, inclusive and sustainable growth. After three consecutive interim strategies in Fiscal Years (FY) 2007, 2009 and 2011, the WBG will provide more long-term support. The Country Partnership Strategy (CPS) will cover four years from FY2014-2018.





v. World Bank Group support to Nepal will be aligned to the Bank’s twin global goals—eliminating extreme poverty and boosting shared prosperity. A poverty “lens”, developed for the CPS, concludes that Nepal’s progress on poverty reduction has been commendable, yet a significant share of the population remains clustered around the poverty line. It confirms the need for WBG support to focus on removing Nepal’s binding growth constraints to allow for higher income levels. In this context the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) will collaborate to make maximum use of their joint comparative advantage. WBG efforts will be organized within two pillars. Under pillar 1, the WBG will support increasing economic growth and competitiveness, and

will focus on expanding hydroelectric power generation, enhancing transport connectivity, and improving the business environment. Under pillar 2, the WBG will provide support to increasing inclusive growth and opportunities for shared prosperity, aiming to enhance the productivity of agriculture and equalize access to health care, skills development and social protection. Cutting across these pillars, WBG activities will contribute to improving the effectiveness, efficiency and accountability of public expenditure.

vi. WBG support will be guided by the principles of balancing risks and rewards, selectivity and flexibility. In a shift from more cautious approaches taken in past strategies, the WBG will engage in larger programs that



strive for nation-wide impact. Regarding selectivity, this strategy consolidates the WBG's engagement into fewer sectors, where the Group has a comparative advantage and can leverage its financing and analytical resources for greater development impact. In addition, the WBG will maintain programming flexibility, given the politically-fragile country environment.

vii. The WBG's engagement in Nepal will continue to face significant risks that could affect strategy implementation. Given the challenges of developing hydropower potential in particular, the overall risk rating is high—as well as the potential rewards. Among the most significant risks are political instability that can impact economic performance, weak governance and increased corruption and fiduciary risks, and low capacity for program implementation, including for assessing and mitigating

environment and social impacts. Specific mitigation measures have been devised to prevent these risks from impacting CPS implementation and to deal with them once they occur. These include, among others, a more active cross-party engagement and communication to build all-party consensus on development needs; addressing both ex ante and ex post dimensions of public resource use through public financial management activities; increased focus on safeguards during preparation and implementation support through capacity building, training and study tour programs for key officials involved in safeguard work; and in hydropower in particular, taking a more holistic approach that focuses on the necessary governance, policy and institutional frameworks and strengthening the synergies between IDA, IFC and MIGA.

Results Framework for the Nepal CPS FY14-FY18

Country goals ¹ + Constraints/opportunities toward progress on WBG goals ²	Indicative CPS Outcomes and Indicators Targets = FY18 unless specified	Indicative Milestones	Ongoing and Indicative WBG Program
Pillar 1: Increasing economic growth and competitiveness			
<p>Country Goals: Assist in economic progress and social development by developing modern energy through the production and distribution of hydropower.</p> <p>Constraints/Opportunities: Lack of energy main constraint to boost competitiveness and growth as prerequisite for further reducing poverty. High levels of load-shedding and need to rehabilitate and add new generation capacity as well as importing power over the medium-term. Need for increased transmission and distribution both to improve access within Nepal and to link with India for import and eventual export of power. High hydropower potential, but low power generation capacity, low supply and low reliability.</p>	<p>Outcome 1.1: Increased supply of electricity, including import, and improved access to reliable and affordable electricity within Nepal</p> <p>Indicator 1: Power Generation Capacity added or rehabilitated (MW)</p> <p>Local Capacity: <u>Baseline:</u> 0 MW (added or rehabilitated; 2014) <u>Target:</u> 144 MW rehabilitated and at least 20 MW new capacity.</p> <p>Power Imports: <u>Baseline:</u> 100 MW <u>Target:</u> 250 MW cumulative power import from India by end-2017 <i>Source: Project Data (Bank and IFC)</i></p> <p>Indicator 2: Length of transmission and distribution system added or rehabilitated</p> <p><u>Baseline:</u> 0 km (new or rehabilitated; 2014) <u>Target:</u> 600 km new and rehabilitated <i>Source: GoN; Project Data</i></p>	<p>Milestone: Generation - (i) Procurement for turbine and main valve rehabilitation completed by December 2014; (ii) Procurement for EPC contract for 20 MW grid-connected solar project by December 2014.</p> <p>Milestone: Transmission - procurement for all substations, transformers and conductors completed by December 2014.</p> <p>Milestone: Successful commitment of 2 IFC investments by end of CY2015.</p>	<p>Ongoing Financing: (i) Kabelli-A Transmission Project; (ii) Nepal-India Electricity Trade and Transmission Project (IDA); (iii) Kali Gandaki Hydropower Rehabilitation Project</p> <p>Indicative Financing: (i) IFC Investments in Andhikhola, Upper Trishuli and Kabelli projects; (ii) IFC & SREP term loan for banks for small hydropower projects (<=10 MW) financing; (iii) Grid Solar and Energy Efficiency Project; (iv) Hydropower Project or PRG; (v) Scaling-up Renewable Energy Project (TF); (vi) Energy DPO; (vii) Investment for the Indo Nepal Power (IDA); (viii) IDA/IFC Kabelli A Hydropower Project.</p> <p>Ongoing AAA/Others: (i) Technical Assistance for hydropower project preparation and sector reform; (ii) Hydropower Dialogue.</p>
<p>Country Goals: Expand a sustainable and safe transport network that contributes towards national socioeconomic integration, regional balance and development. Enhance the opportunities of income and employment by promoting domestic and international trade. Constraints/Opportunities: Lowest road density in South Asia with one third of hill residents living more than 4 hours from an all-season road. Need to expand regional transportation connectivity and trade with India and potentially China.</p>	<p>Outcome 1.2: Improved transportation connectivity, internally and with India</p> <p>Indicator 1: Number of district headquarters connected with all-season roads DP</p> <p><u>Baseline:</u> 59 <u>Target:</u> 65 <i>Source: GoN and Project Data</i></p> <p>Indicator 2: Average time from ship readiness to unload to final destination for an imported container, on Kolkata-Birgunj-Kathmandu Corridor (days)</p> <p><u>Baseline:</u> 22 days <u>Target:</u> 18 <i>Source: Project Data</i></p>	<p>Milestone: All road construction contracts procured by 2016</p> <p>Milestone: All road up-grading contracts procured by 2016</p>	<p>Ongoing Financing: (i) Bridges Improvement and Maintenance Program; (ii) Road Sector Development Project; (iii) Nepal India Electricity Trade and Transmission Project; (iv) Nepal-India Trade and Transport Project; (v) Rural Transport Project.</p> <p>Indicative Financing: (i) Nepal Fast Track; (ii) Strategic Road Network Project.</p> <p>Ongoing AAA/Others: (i) Fast Track Studies; (ii) Fast Track TA.</p>

1. Approach paper to the 2013/14-2015/16 Development Plan (translated from Nepali original).

2. End extreme poverty and promote shared prosperity.

<p>Country Goals: Ensure financial sector stability through balanced monetary, foreign exchange and financial sector policies.</p> <p>Create enabling environment to improve access to banking and use of available financial means leading to accelerated economic activity.</p> <p>Increase foreign investment by promoting a foreign investment friendly environment for the development of priority sectors.</p> <p>Constraints/Opportunities: Instability in the financial sector, including risks of insolvency of state-owned banks and low levels of capitalization.</p> <p>Low levels of private investment, including compliance cost savings in climate interventions. Low access to finance.</p>	<p>Outcome 1.3: Increased financial sector stability and improved environment for private sector investment</p> <p>Indicator 1: State-owned banks (NBL and RBB) recapitalized as per prudential norms and NBL privatized</p> <p><u>Baseline:</u> Capital Adequacy Ratio (FY13):</p> <p>NBL: -0.49% RBB: 3.33%</p> <p>GoN ownership of NBL: 30% <i>Source: NRB and GoN</i></p> <p>Indicator 2: The NRB program of special inspections has been completed and all undercapitalized institutions have been either resolved or are under formal Prompt Corrective Action.</p> <p><u>Baseline:</u> No inspections</p> <p><i>Source: NRB and project data</i></p> <p>Indicator 3: Amount of new private investment mobilized in priority sectors</p> <p><u>Baseline:</u> 0 <i>Source: IFC</i></p> <p>Indicator 4: Compliance cost savings of investment in climate interventions</p> <p><u>Baseline:</u> 0 <i>Source: IFC</i></p> <p>Indicator 5: Access to finance: Improved access to finance - to be measured by number of beneficiaries (individuals and SMEs, disaggregated by gender)</p> <p><u>Baseline:</u> SMEs: 43,900 (5,268 female owned); Individuals: 2.3 million (of which 1.5 million female) <i>Source: IFC</i></p>	<p>Milestone: The strengthened legal framework for effective bank resolution has been enacted and conflicts between the NRB Act and BAFIA have been removed</p> <p>Milestone: The legal framework for deposit insurance has been enacted and DCGT has operationalized the Act by developing adequate operating capacity and by issuing enabling regulations and bylaws</p> <p>Milestone: 10 IFC led technical advisory and/or PPP projects by 2015</p> <p>Milestone: 4 IFC led investment projects by 2015</p>	<p>Ongoing Financing: (i) IFC facilitated syndication and sponsor equity investment in indicative 500MW hydro project; (ii) SEDF: Investment Climate for Industry (IFC); (iii) Access to finance in SME Ventures and Poultry (IFC); (iv) Financial Sector DPC; (v) IFC equity and debt support to infrastructure companies, MFIs and Fis.</p> <p>Indicative Financing: (i) IFC investments in Andhikhola, Upper Trishuli 1, Joint Development Agreement for Upper Marsyangdi and, and Kabeli power projects; (ii) IFC's support to tourism by investing in hotel projects; (iii) Second Financial Sector DPC.</p> <p>Ongoing AAA: (i) Competitive Industries Study; Program (SEDF); (ii) IFC Nepal Investment Climate Reform Program (SEDF); (iii) IFC advisory with existing clients in Nirdhan and RMDC (FM+A2F); (v) IFC payments projects; (vi) IFC PPP transaction advisory to GoN; (vi) Financial Sector Assessment Program (FSAP); (vii) Financial Sector Development Strategy (TA); (viii) AgriFinance advisory to Nirdhan (TF); (ix) IFC's South Asia Regional Integration in Trade and Investment (SARTI) Policy Program; (x) IFC SME Banking and Financial Infrastructure Projects.</p>
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Pillar 2: Increasing inclusive growth and opportunities for prosperity		
<p>Country Goals: To improve economic status of rural people by increasing the production and productivity of agriculture and livestock commodities in line with the requirements of farmers and other stakeholders. To increase agricultural production and productivity through efficient, sustainable, effective and reliable irrigation system for providing irrigation facility to the agricultural land throughout the year</p> <p>Constraints/Opportunities: Agriculture second greatest source of value-added to the economy; largest source of employment, income and poverty reduction. Only 28 percent of Nepal's arable land is irrigated; most irrigation systems are farmer-managed and in need of modernization and rehabilitation Need to improve agriculture productivity for marketable commodities and increase integration of smallholders in value chains for non-traditional higher value commodities (market-oriented smallholder production) to improve rural incomes.</p>	<p>Outcome 2.1 Increased agricultural productivity and commercialization Indicator 1: Productivity of priority high value commodities Baseline: Tomato : 84t/ha Milk : 978 ltr/year,cow Sugarcane: 39.5t/ha Poultry FCR: 2.1:1 Source: <i>Project Data (PACT and NPSCSP)</i></p> <p>Indicator 2: Percentage increase in the cropping intensity Baseline: Cropping intensity: 1.68 Source: <i>Project Data (IWRMP)</i></p> <p>Indicator 3: Area under irrigation farming Baseline: Irrigated area: 15,817 ha Source: <i>Project Data (IWRMP)</i></p> <p>Indicator 4: Annual smallholder production marketed Baseline: Ginger: 2,288 mt/year Milk: 5,122,260 ltr/year Source: <i>Project Data (PACT)</i></p>	<p>Milestone: Increase in production of tomatoes and milk by 8%, 32% respectively; FCR reduction for poultry by 0.2 (2016). Milestone: Increased cropping intensity by at least 1.90% (2016). Milestone: Increased total area irrigated to at least 18,000 ha (2016). Milestone: Increased volume of ginger marketed by smallholder farmers by 25mt/year (min. 0.5% per year; 2016).</p> <p>Ongoing Financing: (i) Project for Agriculture Commercialization and Trade (PACT); (ii) Modernization of Rani, Jomara, Kulariya Irrigation Project (RJK); (iii) Nepal Zoonoses Control Project (TF); (iv) Irrigation and Water Resource Management Project (IWRMP); (v) Nepal Agriculture Food Security Project (GAFSP grant); (vi) Nepal Poultry Supply Chain Strengthening Project (IFC).</p> <p>Indicative Financing: [Will be determined by the outcomes of on-going AAA]</p> <p>On-going AAA: Sources of Growth in Agriculture</p> <p>Indicative AAA: Strengthening the Poultry Value Chain (IFC)</p>
<p>Country Goals: To provide opportunities for literacy and continuous education to all Nepalese, particularly to women and people from poor communities by linking literacy with way of life and by establishing inter-linkages between skills and work. Create skills and vocational training opportunities to create human resource able to compete both nationally and internationally.</p> <p>Constraints/Opportunities: Low levels of access across to post-basic (secondary and tertiary) education across income groups and gender. Considerable wage premiums for higher levels of education in Nepal as well as for migrant workers. Low levels of employability and need for training to be more employment focused.</p>	<p>Outcome 2.2: More equitable access to education and skills development, of higher quality and relevance Indicator 1: Enrollment rate (NER) in secondary education (by gender and income quintile) Baseline: Male: 30.9% Female: 30.3% Poorest Quintile³: 17.7% Second Poorest: 25.9% Source: <i>GoN (NLSS if available)</i></p> <p>Indicator 2: Number of students graduating annually from tertiary accredited institutions Baseline: 2,000 Source: <i>GoN</i></p> <p>Indicator 3: Percentage of graduates from supported programs gainfully⁴ employed at least for six months after completion of the short term training Baseline: 68% Source: <i>GoN</i></p>	<p>Milestone: 12,000 (3,000 per year) poor students at secondary and tertiary levels receiving scholarships from 2014 to 2017 Source: GoN Milestone: (by mid-term) NER Male:33.5% Female: 33.0% Source: GoN Milestone: 3,500 students graduating from accredited HE institutions; 15 institutions are accredited; 45,000 persons trained</p> <p>Ongoing Financing: (i) School Sector Reform Program (SSRP); education SWAP); (ii) Pro-poor Targeted Stipend Project (TF); (iii) Enhanced Vocational Education and Training Project; (iv) Second Higher Education Project. Ongoing AAA: (i) Nepal Education Studies; (ii) Impact Evaluation of short-term training. Indicative Financing: (i) Higher Education Reforms Project; (ii) Skills Development Project. Indicative AAA: (i) Evaluation of different modalities of enhancing early grade reading skills; (ii) Skills Development Study; (iii) Education Sector Review.</p>

3. NER will be based on EMIS, whereas NER of poorest Qs is based on NLSS data.

4. Gainfully employed means that a graduate earns at least NRs 4,600 per month on average) from the job (or self-employment) that is directly related to the training received by the graduates. The graduate must have been placed in employment within two months of completion of the training.

<p>Country Goals: To increase equitable access and quality of health, education and water supply services to all citizens, especially the marginalized population groups.</p> <p>To increase equitable access to and quality basic- health care services.</p> <p>Provide basic drinking water and sanitation facilities to all citizens of Nepal. Reach universal access to water and sanitation by 2017.</p> <p>Constraints/Opportunities: Low birth attendance in health facilities/ by skilled personal for the poorest quintiles.</p> <p>Low progress in reducing hunger and improving nutrition; high prevalence of poor infant and child feeding practices.</p> <p>High out-of-pocket expenditures for health and low enrollment in health insurance.</p> <p>85 percent water access in rural areas and 55 percent sanitation access. High need for repairs of existing rural water systems. About 5.5 million people suffer from inadequate water service and 16 million from inadequate sanitation facilities.</p>	<p>Outcome 2.3: Improved health and nutrition outcomes, particularly for the poor and disadvantaged</p> <p>Indicator 1: Percentage of births delivered by skilled birth attendants in the poorest two quintiles</p> <p>Baseline: Lowest 10.7% 2nd Lowest 23.7 % <i>Source: Project Data; DHS data</i></p> <p>Indicator 2: Percentage of children 6-24 months of age who consume a minimum acceptable diet in the most disadvantaged VDCs of the 15 project districts</p> <p>Baseline: 11.8 <i>Source: Project Data</i></p> <p>Indicator 3: Proportion of people in a district enrolled in health insurance</p> <p>Baseline: 0 <i>Source: Project Data</i></p> <p>Indicator 4: New households with access to safe drinking water, new Village Development Committees (VDCs) that are open defecation free (ODF) and new public latrines</p> <p>Baseline: Drinking water: 0 (2014; project area only) Sanitation: 0 VDCs (2014; project area only) Public latrines: 0 (2014; project area only) <i>Source: RWSSP3 project data</i></p> <p>Target: Lowest 20% 2nd lowest 30%</p> <p>Target: 25</p> <p>Target: 10%</p> <p>Target: Drinking water: 177,000 new households (2017) Sanitation: 240 new VDCs or about new 116,000 households (2017) New public latrines: 600</p>	<p>Milestone: At least 500 Skill Birth Attendants training to doctors/ nurse/mid-wives completed every year</p> <p>Milestone: at least 200 disadvantaged VDCs have the nutrition project</p> <p>Milestone: Impact Evaluation of Health Insurance completed</p> <p>Milestone: People trained on improved hygiene behavior and sanitation practices from zero (2014) to 0.3 million (2015) and 1.6 million (2017)</p>	<p>Ongoing Financing: (i) Second HNP and HIV/AIDS Project (health SWAp); (ii) Community Action for Nutrition Project.</p> <p>Ongoing AAA: (i) Food Security and Nutrition Thematic Report; (ii) Capacity Assessment of Community Workers to Implement Priority Nutrition Actions in Nepal; (iii) District Profiles of Determinants of Malnutrition in Nepal; (iv) Review of Behavior Change for Infant and Young Child Feeding (IYCF) Interventions in Nepal; (v) Preparation of a strategic communications plan to raise awareness and increase commitment for action against food and nutrition insecurity in Nepal; (vi) Nepal Rural Water Supply and Sanitation Sector-Identification of Options to Increase Sustainable Access to Services.</p> <p>Indicative Financing: (i) Third Rural Water Supply and Sanitation Project; (ii) Third Nepal Health Sector Program.</p>
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<p>Country Goals: To enable economically vulnerable and socially excluded marginalized individuals, groups and communities to cope and manage risks and vulnerabilities by providing them minimum level of social protection.</p> <p>Constraints/Opportunities: Continued high vulnerability of marginalized households, including lack of availability of productive assets.</p>	<p>Outcome 2.4: Improved social protection</p> <p>Indicator 1: Number of marginalized household supported with productive assets</p> <p>Baseline: 416,712⁵ Target: 575,000⁶ Source: PAF-II</p> <p>Indicator 2: Percentage of vulnerable people benefiting from safety net programs⁷</p> <p>Baseline: 42% of poor receive SA Target: 50% Source: HDSP, SSNP and SPP</p> <p>Indicator 3: Number of payment accounts opened (disaggregated by gender)</p> <p>Baseline: 0 (male vs. female: N/A) Target: 1 mn (of which 0.12mn female) Source: IFC's TA Nepal Payments Regulatory Reform</p>	<p>Milestone: Number of Gender and Social and Inclusion (GESI) Strategy in key ministries monitored for progress on gender and inclusion scores.</p> <p>Milestone: GESI Analysis of 3 sectors completed.</p> <p>Milestone: 4,500 new PAF community organizations by end of July 2015.</p> <p>Milestone: 6,120 new PAF community organizations by end of July 2016.</p>	<p>Ongoing Financing: (i) Emergency Peace Support Project; (ii) Poverty Alleviation Fund II Project (PAF II); (iii) Social Safety Nets Project; (iv) Human Development and Social Protection Pilot (TF)</p> <p>Ongoing AAA: (i) Human Development Note (based on NLSS data); (ii) Gender and Social Inclusion Assessment of NLSS; (iii) Food Insecurity Targeting; (iv) Gender and nutrition review of public works; (v) IFC's TA Nepal Payments Regulatory Reform Program</p> <p>Indicative Financing: (i) Social Safety Nets Systems Building Project.</p> <p>Indicative AAA: (i) Social Protection Study; (ii) Review of public works program as a safety net; (iii) Social Protection Programmatic AAA.</p>
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⁵ The figure is based on PAF's Progress Report (as of November 15, 2012)

⁶ This number is based on the estimates for the Second AF suggesting that PAF will cover an additional 153,000 households based on the additional financing of \$80 million for the second AF of PAF II. The additional financing will provide support for about 6,000 additional community organizations.

⁷ Poor people who are benefiting of a reliable and robust safety nets program which has an efficient delivery mechanism

IDA Operations Portfolio

As Of Date 4/15/2014

Closed Projects 89

IBRD/IDA	
Total Disbursed (Active)	730.96
of which has been repaid	0.00
Total Disbursed (Closed)	770.19
of which has been repaid	422.00
Total Disbursed (Active + Closed)	1,501.15
of which has been repaid	422.00
Total Undisbursed (Active)	683.47
Total Undisbursed (Closed)	6.66
Total Undisbursed (Active + Closed)	690.13

Active Projects								Difference Between Expected and Actual Disbursements a/	
Project ID	Project Name	Last ISR Supervision Rating						Orig.	Frm Rev'd
		Development Objectives	Implementa-tion Progress	Fiscal Year	IDA	Cancel.	Undisb.		
P132289	Kali Gandaki Rehab	MS	MS	2013	27.26		27.84		
P125495	NP: Bridges Program Support	MU	MU	2012	60		43.31	9.56	
P120265	NP: Emerging Towns Project	MU	MU	2011	25	6.43	10.50	5.74	-1.52
P104015	NP: Enhanced Vocational Educ & Trng	MS	MU	2011	50	10.37	26.57	24.88	-0.00
P099296	NP: Irrig & Water Res Mgmt Proj	S	S	2008	114.3		59.79	-4.73	9.57
P112893	NP: Kabeli Transmission Project	MU	MU	2011	38		27.09	8.51	
P105860	NP: PAF II	S	MS	2008	245	0.03	82.04	-62.80	-4.69
P110762	NP: Peace Support Project	MS	MS	2008	50	13.06	0.68	15.33	13.71
P118179	NP: Rani Jamara Kulariya Irrigation Proj	S	MS	2012	43		30.68	11.58	
P095977	NP: Road Sector Development Project	MS	MU	2008	117.6		28.49	-46.72	-1.26
P113441	NP: School Sector Reform Program	MS	MS	2010	230		83.16	-32.68	98.65
P090967	NP: Second Higher Education Project	MS	MS	2007	60		9.50	7.68	1.43
P117417	NP: Second HNP and HIV/AIDS Project	S	MS	2010	129.15		57.16	30.34	
P113002	NP: Social Safety Nets Project	S	MS	2009	64.47	5.18	7.81	-30.67	12.13
P087140	NP:Agriculture Commercialization & Trade	S	MS	2009	60		50.75	8.50	
P125359	NP:Community Actionfor Nutrition Project	MU	MU	2012	40		37.68	2.63	
P132750	SNRTP	S	S	2014	100		100.42	0.67	
Overall Result					1453.78	35.07	683.47	-52.17	128.02

Regional Projects with Nepal Components

Project ID	Project Name	Development Objectives	Implementa-tion Progress	Fiscal Year	IDA	Cancel.	Undisb.	Orig.	Frm Rev'd
P144335	Nepal-India Reg Trade & Transport Prj	S	S	2013	99		93.2	-6.0	186.1
P121210	REG: Wildlife Protection: BD and NP	MS	MU	2011	39		31.3	20.3	90.6
P115767	REG:Northeast Regional Electr. Transmiss	MS	MS	2011	138		122.6	64.3	324.9
Overall Result					276		247.0	78.5	602

Nepal Trust Fund Portfolio

(As of March 31, 2014)

USD in Million

S. No.	Project ID	Trust Fund Number	Project	Effective Date	Closing Date	Net Commit. Amount	Disb. FY14	Total Cum. Disb.	% Disb.	Undisb. Balance
1	P090038	TF 56440	Nepal - Biogas Program	3-May-06	31-Jul-15	7.00	1.57	3.55	50.73%	3.45
2	P095978	TF 90264	Nepal - Village Micro Hydro	30-Jun-07	15-Dec-15	1.96	0.00	0.00	0.00%	1.96
3	P090967	TF 93397	Japan Social Development Fund Grant for Pro-poor Targeted Secondary School Stipend Project (C)	2-Jan-09	15-Jan-14	1.90	0.18	1.58	82.87%	0.33
4	P125198	TF 94724	Nepal REDD Readiness Preparation Program	26-Aug-09	30-Jun-15	3.60	0.73	1.43	39.64%	2.17
5	P119113	TF 98650	Program to Promote Demand for Good Governance (C)	24-Jan-11	31-Dec-13	1.41	0.19	1.32	93.53%	0.09
6	P123653	TF 97889	ADKF Small Grants Program	1-Mar-11	28-Feb-14	1.00	0.00	1.00	100.00%	0.00
7	P113441	TF 98235	Nepal: School Sector Reform Program	21-Mar-11	15-Dec-14	120.00	13.41	116.33	96.94%	3.67
8	P125891	TF 99675	Strengthening Institutional Capacity of the DNPWC for the Effective Management of Mountain Protected Areas	25-Aug-11	25-Aug-14	0.50	0.16	0.33	66.04%	0.17
9	P125331	TF 99288	Nepal: Human Development - Social Protection Pilot Project	29-Aug-11	31-Jul-14	1.50	0.34	0.79	52.69%	0.71
10	P124088	TF 99274	Additional Financing to the Poverty Alleviation Fund II	11-Oct-11	30-Jun-14	10.00	0.47	10.00	100.00%	0.00
11	P125770	TF 10452	Strengthening PFM Systems in Nepal	31-Oct-11	30-Jun-15	4.30	1.49	3.15	73.33%	1.15
12	P128744	TF 11208	Nepal: Making markets work for the conflict affected in Nepal	17-Feb-12	17-Feb-16	2.65	0.43	0.79	29.72%	1.86
13	P127040	TF 10455	NP: Strengthening the Office of the Auditor General	23-Feb-12	30-Jun-15	2.30	0.64	0.99	43.24%	1.31
14	P130089	TF 12273	Zoonoses Control Project (ZCP) (C)	5-Jul-12	31-Mar-14	10.00	3.56	5.06	50.60%	4.94
15	P129177	TF 11452	Nepal: Pilot Project for Seismic School Safety in the kathmandu	23-Jul-12	30-Jun-14	1.37	0.10	0.10	7.30%	1.27
16	P131860	TF 12485	Nepal PFM-MDTF Strengthening Civil Society Organizations' use of Social Accountability to improve PFM in Nepal	30-Aug-12	30-Jun-14	0.80	0.35	0.70	87.41%	0.10
17	P127508	TF 13557	Building Resilience to Climate Related Hazards	20-Jun-13	30-Nov-18	15.00	0.00	0.00	0.00%	15.00
18	P127508	TF 13665	Output-Based Aid for Municipal Solid Waste Management	21-Jun-13	30-Jun-17	16.00	6.00	6.00	37.50%	10.00
19	P128905	TF 13719	Nepal Agriculture and Food Security Project	30-Apr-13	31-Mar-18	46.50	4.25	4.25	9.14%	42.25
20	P145359	TF 15780	JSDF for Pro-Poor Urban Regeneration Pilot Project	10-Feb-14	30-Sep-17	2.75	0.00	0.00	0.00%	2.75
21	P145736	TF 16296	Adolescent Girls Employment Initiative II	10-Feb-14	30-Sep-17	0.58	0.00	0.00	0.00%	0.58
TOTAL						255.40	34.12	157.62	61.72%	97.78

S. No.	Project ID	COFN Number	Project	Effective Date	Closing Date	Net Commit. Amount	Disb. FY14	Total Cum. Disb.	% Disb.	Undisb. Balance
20	P105860	COFN C1200	Poverty Alleviation Fund II	31-Jul-08	31-Dec-14	3.94	0.09	3.81	94.29%	0.13

Project Preparation Fund

S. No.	Project ID	PPF Number	Name of Disbursing PPF	Effective Date	Closing Date	Net Commit. Amount	Disb. FY14	Total Cum. Disb.	% Disb.	Undisb. Balance
20	P143036	IDA Q8700	Rural Water Supply and Sanitation Improvement Project	24-Sep-13	30-Jun-14	3.00	0.00	0.00	0.00%	3.00

+ Utilization of Resources as of March 31, 2014 .

* Exchange Rate Adjustment

Adjusted Trust Amount amount in columns 8 are figures derived after cancellation from original Trust Fund amount.

Note:

- 1) The matrix presents the disbursement status of only ongoing portfolio and closed portfolio with disbursement period open. Projects which are already closed are not included in the matrix.
- 2) Japan Social Development Fund Grant for Pro-poor Targeted Project (TF93397) extended until January 15, 2014 (extension letter dated July 31, 2012)
- 3) Social Protection Project (TF 99288) extended until July 31, 2013 (1st extension)
- 4) TF 94724 FCPF REDD Cell extended by one and half year with new closing date of June 30, 2015.(1st extension)

Nepal IFC Portfolio

IFC's Committed and Disbursed Outstanding Investment Portfolio

As of 03/31/2014 (In USD Millions)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
2008/ 2009/ 2010/ 2011/ 2012/ 2013/ 2014	BoK	8.00	0	0	0.74	-	6.40	0	-	0.74	-
2009/ 2013	Buddha Air Nepal	5.45	0	0	0	-	5.45	0	-	0	-
2010/ 2013	Butwal Power Co	8.24	0	0	0	-	5.66	0	-	0	-
2014	Himtal Hydro	-	2.000	0	0	-	0	0	-	0	-
1998	Jomsom Resort	4.00	0	0	0	-	4.00	0	-	0	-
2011/ 2012/ 2013/ 2014	Laxmi Bank Ltd	-	0	0	0.04	-	0	0	-	0.04	-
2009/ 2010/ 2011/ 2013/ 2014	NIC Bank	-	0	0	0.02	-	0	0	-	0.02	-
2012/ 2014	NWEDC	-	3.894	0	0	-	0	3.00	-	0	-
2011/ 2012	Nepal BO2	-	0.283	6.70	0	-	0	0.28	-	0	-
2010	Nirdhan MFB	-	0.187	0	0	-	0	0.19	-	0	-
2012	RMDC Nepal	-	0.539	0	0	-	0	0.54	-	0	-
2009	Smartchoice	-	0.350	0	0	-	0	0	-	0	-
		25.69	7.25	6.70	0.79	-	21.51	4.00	-	0.79	-

* Denotes Guarantee and Risk Management Products.

** Quasi Equity includes both loan and equity types.

Nepal: IFC Investment Operations Program

	2010	2011	2012	2013	2014*
Original Commitments (US\$m)					
IFC and Participants	14	13	35	22	4
IFC's Own Accounts only	14	13	35	22	4
Original Commitments by Sector (%) - IFC Accounts only					
E - Transportation and Warehousing	0	0	0	32	0
O - Finance & Insurance	53	98	73	57	33
P - Collective Investment Vehicles	0	2	19	0	0
V - Electric Power	47	0	8	11	67
	100	100	100	100	100
Original Commitments by Investment Instrument (%) - IFC Accounts only					
Guarantee	51	98	48	57	33
Loan-LN	47	0	23	43	0
Quasi-Equity (Loan Type)	0	0	19	0	0
Straight Equity (incl. Fund)	2	2	10	0	67
Total	100	100	100	100	100

* As of Mar 31, 2014

IDA lending program FY14-18

Fiscal Year	Lending	Indicative IDA (\$ m)
2014	Strengthening the National Rural Transport Program	100
	Irrigation and Water Resource Management AF	50
	Rural Water Supply and Sanitation Project	72
	Others (Trust Funds): • Scaling-up Renewable Energy (SREP) – Biogas	
2015 ⁸	Higher Education Reform Project	Total: 200-300
	Second Financial Sector Development Policy Credit	
	Energy Sector Development Policy Credit	
	Grid Solar and Energy Efficiency Project	
	Kabeli A Hydroelectric Project	
	Technical Assistance for Preparation of Hydropower Project and Sector Reform	
2016	Others (Trust Funds): • ESMAP – Wind Energy Resource Mapping	Total: 200-300
	Third Health SWAp (Health, Nutrition & Population - HNP)	
	Second Energy Sector Development Policy Credit	
	Hydropower Project or IDA Partial Risk Guarantee (PRG)	
	Social Safety Nets Systems Building Project	
	Strategic Roads Network Project	
2017	Others (Trust Funds): • Public Procurement Performance Improvement Project	Total: 200-300
	Hydropower Project or IDA PRG	
	Skills Development	
2018	Local Roads Bridges	Total: 200-300
	Hydropower Project or IDA PRG	
	Nepal Fast Track	

Proposed AAA and TA (FY14-18)

	FY14	FY15	FY16	FY17	FY18	
Advocacy	Poverty and shared prosperity Non-lending Technical Assistance (NLTA)					
	Social protection					
		CEM/Growth study				
			Nutrition policy			
	Mapping local service delivery					
	Competitive industries diagnostic					
	Education PETS					
		Federalism				
	Quality	Hydropower dialogue, studies and TA				
		Fast Track study and TA				
Financial sector strategy TA						
Public Financial Management TA						
		Agriculture growth				
		PEFA				
		Education sector review				
		Skills development study				
Advice	Policy notes					
	Economic updates					
	National risk assessment					
		ROSC				
		Governance reform		Governance reform		

IFC Portfolio and Pipeline Summary

Ongoing Non Lending Activities (IFC)

Business Line	No of projects*	Total IFC-managed funds** (US\$m)
Access to Finance	7	2.9
Investment Climate	3	7.4
Sustainable Business Advisory	2	2.4
Total Non Lending Activities	12	12.7

* Based on primary business line

** Based on product wise split for the projects

*** Data as of Apr 14, 2014

Summary of Ongoing Non Lending Activities (IFC)		
Project Name	Project Description	Expected End Date
Access to Finance		
Sustainable Energy Finance Nepal	Improve the financial performance of Nepalese industry by reducing energy costs as well as emissions of greenhouse gases by helping 2-3 local Nepalese banks to develop a sustainable business in EE finance and promote energy efficiency within industry	FY14
AS to Nirdhan Bank	The overall objectives includes: (i) support Nirdhan to expand its operations and outreach to the clients; (ii) strengthen its risk management system and processes; and (iii) diversify and introduce new products and delivery mechanisms	FY16
Nepal Payment Systems Regulatory Reform	Engage with Nepal Rastra Bank and the Ministry of Finance in Nepal to facilitate the formulation of regulations and policies concerning National Payment Systems. The project also aims to provide capacity building for NRB so that it is able to monitor and regulate the financial sector efficiently.	FY14
TA to M. Nepal on Launching of Mobile Money Initiative and Agent Network Development	Engage with M.Nepal to develop and roll out mobile financial services by developing a mobile banking strategy and product as well as an agent and risk management framework.	FY14
TA to CEDBL, Nepal - Women in Business	Increase access to finance for women entrepreneurs by providing advisory services to a Nepali bank, CEDBL on strategy, product development and portfolio development	FY15
Nepal SME Banking	Improve SME banking practices in Nepal through the following 2 key objectives: (1) Developing SME Banking and Risk Management capacity among regulators and BFIs, and dissemination of SME Banking and RM global best practices through training programs; and (2) Advisory to banks on SME Banking/RM	FY16
RMDC Risk Management and Microinsurance AS	Provide advisory to RMDC across two key components: (i) Support RMDC in creating a strong risk management foundation & allow some of the largest MFIs in Nepal to prioritize RM practices. (ii) Build internal expertise & incentivize RMDC to act as an aggregator & insurance agent in scaling up of Nepal's small & medium size MFIs' insurance business	FY17
Investment Climate		
Nepal ICRP - Regulatory Reform	The objective of the Project is to improve the investment climate in Nepal by (i) identifying and removing major regulatory constraints for starting and operating a business, (ii) reducing tax compliance burden for businesses and (iii) improving the efficiency of export-import procedures.	FY14
Nepal ICRP - Public Private Dialogue	The project will comprise of the following three components: (i) Establishment and Operationalization of NBF Mechanism; (ii) Support private sector reforms to reduce the cost of doing business and capacity building; (iii) Communications and stakeholder engagement	FY14
Nepal Investment Climate for Industry	Support the Government of Nepal in streamlining procedures related to investment, improving air safety and food standards, as well as enhancing the capacity of investment promotion agencies, which will stimulate growth of the tourism sector through additional investments.	FY16
Sustainable Business Advisory		
Nepal SME Ventures	Build a pipeline of investable SMEs for the Fund by igniting interest and helping SMEs develop their managerial capacity and thus become more qualified and attractive for investments.	FY17
PPCR- Promoting Climate Resilient Agriculture, Nepal	Work with agribusiness lead firms to promote improved agricultural and water management practices and introduce new technologies among smallholder farmers producing rice, maize and sugarcane to adapt to climate change.	FY17

* Data as of Apr 14, 2014



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