

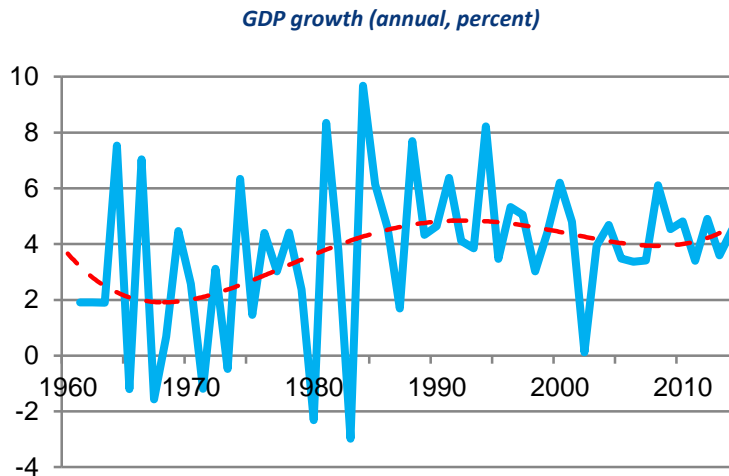


Nepal: Country Snapshots

March 2014



With GDP growth averaging over four percent per annum, Nepal has made good progress during the past thirty years in improving human development and reducing poverty. A noteworthy feature of Nepal's economy is that it has continued to grow during the recent decade-long period of conflict (1996-2006). However, unlike many other post-conflict countries, it did not experience acceleration in growth following the end of hostilities. With a small export base given its size and limited financial integration, Nepal's economy is relatively insulated from global shocks. However, many households are dependent on remittances from migrant workers abroad; these transfers have grown rapidly in recent years and are now equivalent to more than 25 percent of GDP. Nepal has already reached the first Millennium Development Goal (MDG1) of halving extreme poverty during 1990-2015, and has also made substantial progress in reaching other MDG milestones related to key human development outcomes. Over the past 15 years, real per capita consumption has grown by an average of 3.5 percent per year and the Human Development index has improved at a rate of 2.6 percent annually through 1980-2010.



Nepal's current growth 'model' is based on remittance financed consumption, but achieving faster growth will require it to remove constraints to investment. Economic activity in Nepal remains driven by consumption; weak investment continues to constrain the economy's full growth potential. Gross fixed capital formation (GFCF) has risen only moderately from 20 percent of GDP in FY05 to a peak of 22.2 percent in FY10 before ebbing again down to just above 21 percent in FY13, significantly below the shares observed in most other South Asian countries. During this period, government GFCF remained in a narrow band between 2.7 - 4.7 percent of GDP. Such modest levels of investment are not due to tight fiscal balances and/or excessive recurrent spending: between FY10 and FY13, the budget balance has oscillated between a deficit of 1 percent of GDP and a surplus of 2 percent of GDP in FY13, when Nepal was the only country in South Asia to report a budget surplus. Likewise private investment has remained subdued despite Nepal's tremendous unexploited hydroelectric capacity and expressed interest by foreign investors. The spectacular growth in remittance transfers recently has translated into a buildup of liquidity in the financial system, but relatively low uptake of credit by the private sector. Moreover foreign direct investment has increased rapidly, but from a minuscule base (\$38 million in FY10 to \$102 million in FY13), and in FY13 amounted to just 0.5 percent of GDP.

Recent Economic Developments

Growth

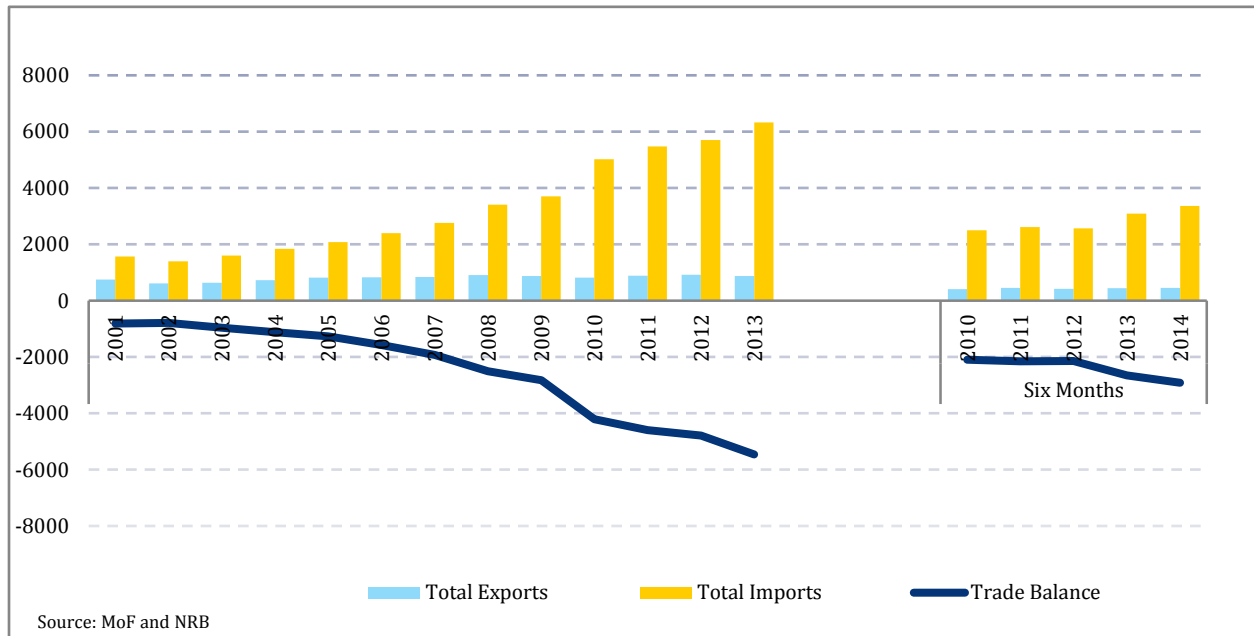
Economic growth slowed to 3.6 percent in FY13 but is expected to rebound to 4.5 percent this year. Growth in FY13 fell to 3.6 percent compared to 4.9 percent in FY12, reflecting both a poor monsoon and heightened political instability. The weak monsoon and an inadequate supply of agricultural inputs during the peak plantation season led to a disappointing performance from agriculture, with growth of 1.3 percent in FY13 compared to 5.0 percent growth in FY12. Industrial sector growth slowed from 3.0 percent in FY12 to 1.6 percent in FY13 as private sector investment was put on hold due to political uncertainty. The only source of relief came from significant growth of the services sector (6.0 percent in FY13 compared to 4.5 percent in FY12) mostly aided by growth in remittance transfers (12 percent growth from FY12 in dollar terms). Economic growth is expected to rebound to 4.5 percent in FY14 owing to favorable weather patterns and continued high growth in remittance transfers. Agriculture output is expected to recover in FY14 and services growth to continue at a healthy rate. With a good monsoon, the production of Nepal's two staple crops has

expanded significantly, compared to the same period in FY13. Higher than anticipated inward remittance flows are expected to drive service sector growth, particularly wholesale and retail trade and social services. In contrast, industrial activity is likely to remain lackluster due to structural constraints and to only-modest increases in public capital spending.

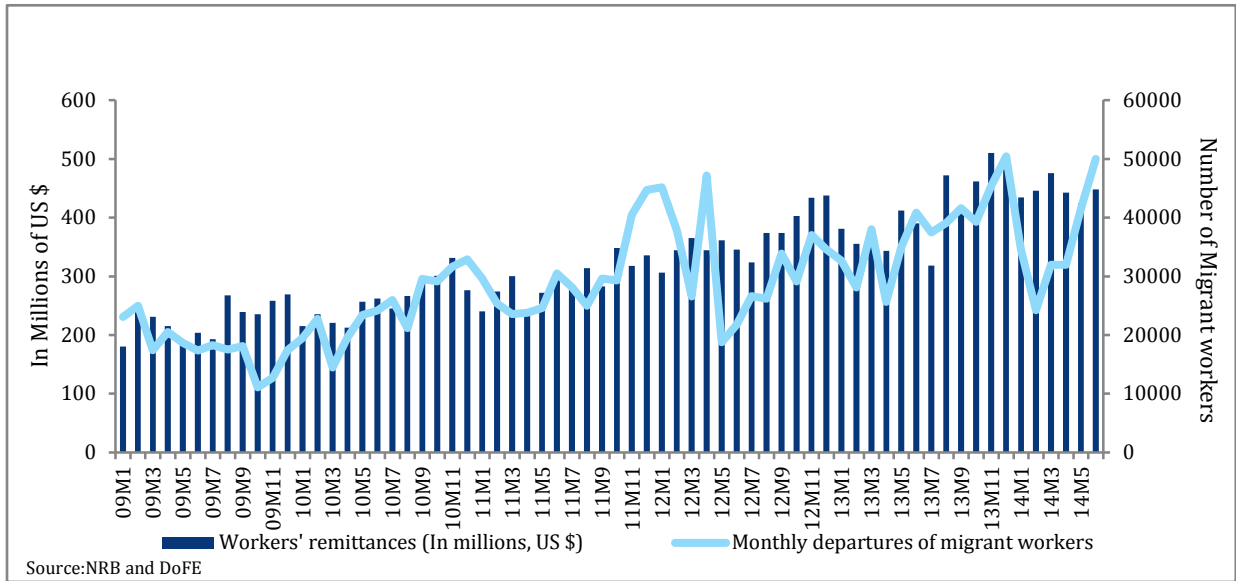
External Sector

Nepal is in a comfortable balance of payments position thanks to rising remittances. In the first six months of FY14, Nepal accumulated a significant current account surplus, driven in part by a slower deterioration in the trade balance, and a significant increase in the rate of growth of workers’ remittance transfers. In the first six months of the fiscal year, exports of goods increased by 16 percent (against 10.2 percent at the same time last FY) while import growth was 23.3 percent (versus 24.6 percent in FY13). As a result, the trade gap continued to grow, by just under 25 percent of GDP, albeit at a slower pace than in the corresponding period of FY13 (28 percent of GDP) – reflecting in part the impact of the rupee’s depreciation (making Nepalese exports more attractive to Indian importers). Moreover, in parallel, workers’ remittances grew by a whopping 34.4 percent from the beginning of the fiscal year, much in excess of the already impressive 22 percent growth registered in the first half of FY13 (in local currency terms). In FY14, the current account surplus is expected to reach 2.4 percent of GDP (down slightly from 3.3 percent in FY13) with gross official reserves equal to 7.8 months of imports of goods and services.

Exports, Imports and Trade Balance FY 2001-14 (In US \$ Million)



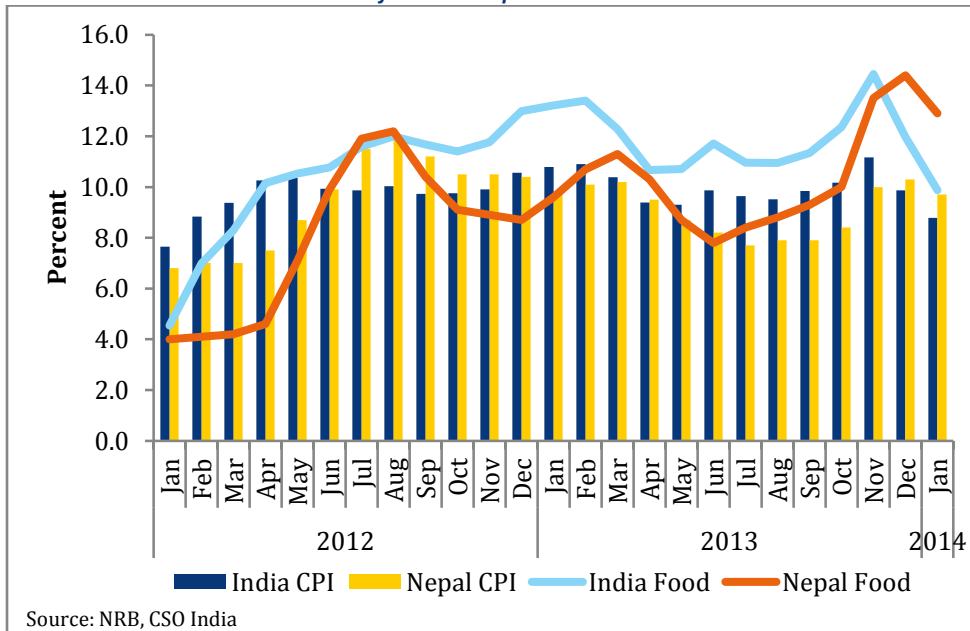
Monthly Remittances Inflows and Movement of Migrant Workers



Inflation

Inflation remains high and will likely be close to 10 percent in FY14. Inflation stood at 9.7 percent (year-over-year) in January 2014, driven by rising food prices, and is expected to remain just under 10 percent in FY14. This is in contrast with FY13, when non-food items were pushing inflation up. A range of factors affected food prices during the first half of FY14. The price of meat was driven upwards by avian-flu fears, leading authorities to impose quarantines on imports and to destroy vast numbers of animals. Increases in the prices of cereal grains have reflected (i) high demand in the run-up to the election in November 2013, reflecting both campaign-related expenditures and 'stockpiling' by households in anticipation of possible strikes; (ii) high food prices in India, allowing (iii) hoarding of supply to the market by middlemen. Overall, Nepal's inflation closely 'tracks' the evolution of prices in India, its largest trading partner, with which it shares a long open border.

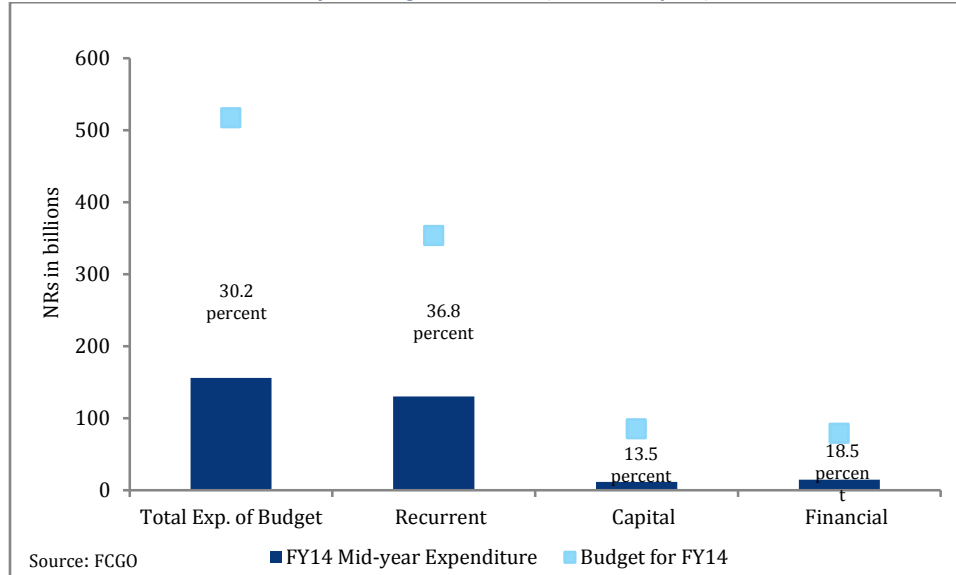
Inflation in Nepal and India



Fiscal Sector Performance

Nepal's fiscal position is paradoxical: despite ample room to manoeuvre, much needed capital spending is low and lagging. The budget is expected to be in surplus for the second consecutive year. A combination of low public expenditures coupled with robust revenue growth accounted for a significant budget surplus and declining debt in the first half of FY14. With a large increase in foreign grants, the overall government surplus ballooned to NRs 56 billion. Reflecting this comfortable fiscal position the government of Nepal did not issue any fresh T-Bills in FY14 and domestic debt fell to NRs 217.6 billion. For FY14 the government is expected to maintain a surplus of 0.3 percent of GDP, with public debt falling to around 30 percent of GDP (31 percent in FY13).

Mid-year budget execution (relative to plan)

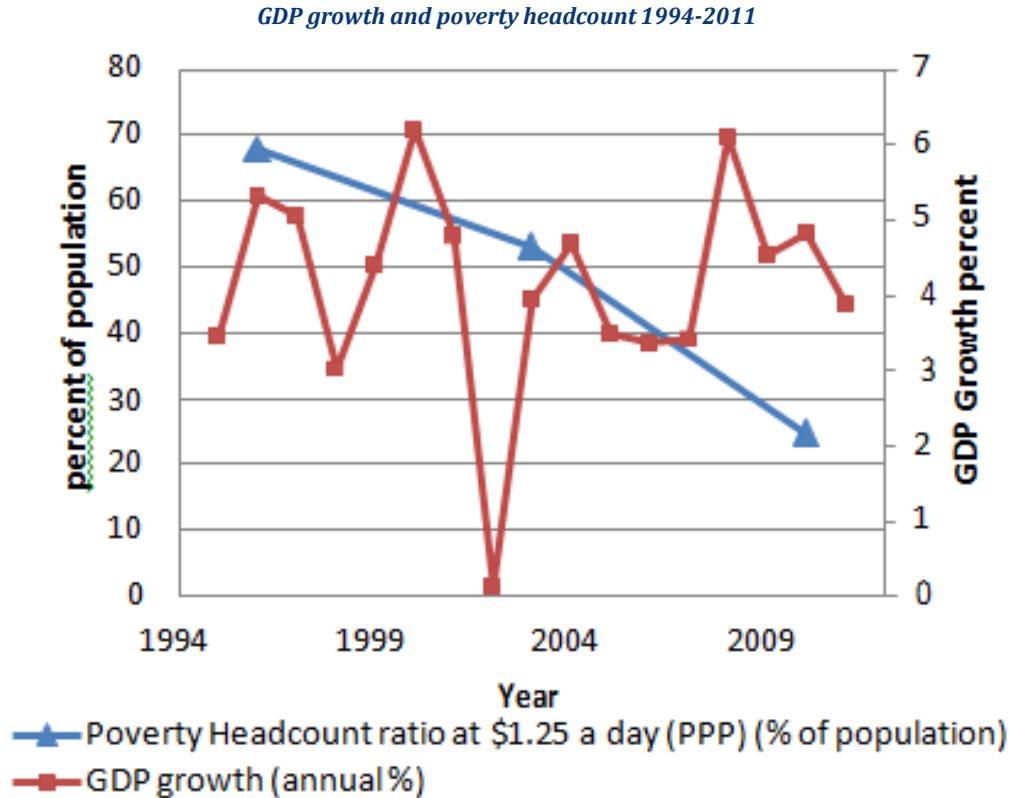


Financial Sector

The financial sector remains fragile. In mid-2011, a financial crisis nearly erupted in Nepal. Withdrawals of deposits from smaller financial institutions and severe liquidity constraints across the banking sector exposed the vulnerabilities of the financial system and required urgent intervention by Nepal's central bank and bank regulator, the Nepal Rastra Bank (NRB). The World Bank, together with the International Monetary Fund (IMF), was called upon by the NRB and the government of Nepal to provide assistance, both technical and financial, to support efforts to contain the developing crisis, and to provide longer-term support for institutional and regulatory changes that would contribute, over time, to a more robust system. Due to quick and effective intervention by the NRB, and thanks to a favorable environment (notably continuing large flows of remittances which contributed liquidity to the system), a full-blown financial crisis was averted. However, financial sector health remains fragile owing to banks' impaired balance sheets, exposure to real estate and to liquidity risks. A February FSAP mission concluded that "Nepal faces heightened and serious financial sector challenges [which] reflect a decade of political instability; lax licensing; a very poorly performing and large public bank sector; and a growing and highly interconnected financial sector". Stress tests carried out showed that "recognition of NPLs (non-performing loans) could place the banking system under duress even under a benign medium term economic outlook".

Poverty and Shared Prosperity

The "Nepal paradox" lives on, with impressive progress on poverty reduction and human development despite modest economic performance. Nepal has been reducing poverty at an impressive rate of 2.5 percentage points per year since 2004 and has already reached the MDG1 goal of halving extreme poverty. It has also made substantial progress in reaching key MDG milestones and human development outcomes. Over the past 15 years, real per capita consumption has grown by an average of 3.5 percent per year and the Human Development index has improved at a rate of 2.6 percent per year through 1980-2010. Some 25 percent of the Nepali population still found themselves below the poverty line in 2010-11 a significant drop of about 30 percentage points from 1995-96. Using the international poverty line of PPP \$1.25 per capita per day, the proportion of poor in the population halved to 24.8 percent, and Nepal is now in better shape than both Bangladesh and India in terms of poverty prevalence.



Most of the poverty reduction occurred in rural areas, reflecting Nepal's low level of urbanization. Nearly 92 percent of the poverty reduction happened in the rural areas of the country with rising incomes from self-employment in farming, wage employment in non-agricultural (rural) jobs and remittance receipts accounting for three fourths of the increase in incomes of the bottom two quintiles. With the population dependent on agriculture stable at 15 million (due to declining family size and people moving out of agriculture) agriculture income growth (around 3 percent per year) registered fully as per-capita income growth on the back of higher returns to agricultural inputs and rising wages in the rural economy. Although improvements in living standards have been shared across all parts of the country (ecological belts, regions and ethnic groups) and have in fact been faster among lower expenditure classes, poverty prevalence continues to vary widely across areas, regions and groups, while remaining essentially a rural phenomenon. Over the period 2004-05 to 2010-11 every expenditure class enjoyed a rise in per capita consumption with the poorer classes experiencing the greater increase, thereby lowering overall inequality. Nonetheless important contrasts remain. Poverty is significantly higher in rural than in urban areas (27.4 vs. 15.5 percent) and highest in the far-western development regions (45.6 percent) and mountainous ecological regions (42.3 percent). Nearly 90 percent of the poor live in rural areas but poverty prevalence and share in the total are otherwise inversely related, with most of Nepal's poor found in the central regions (with relatively low prevalence), the Terai and Hills.

Poverty headcount disaggregated

| Region | Incidence | | | Distribution of the | |
|---------------------------|----------------|--------------------|----------------------------|---------------------|------------------|
| | Headcount rate | Poverty gap (x100) | Poverty gap squared (x100) | Poor population | Total population |
| Urban | 15.5 | 3.2 | 1.0 | 11.7 | 19.0 |
| Rural | 27.4 | 6.0 | 2.0 | 88.3 | 81.0 |
| Eastern | 21.4 | 3.8 | 1.0 | 19.8 | 23.3 |
| Central | 21.7 | 5.0 | 1.8 | 30.8 | 35.7 |
| Western | 22.2 | 4.3 | 1.4 | 16.9 | 19.2 |
| Midwestern | 31.7 | 7.7 | 2.7 | 16.4 | 13.0 |
| Far western | 45.6 | 10.7 | 3.8 | 16.0 | 8.8 |
| Mountain | 42.3 | 10.1 | 3.5 | 11.8 | 7.0 |
| Hill | 24.3 | 5.7 | 2.1 | 42.8 | 44.2 |
| Terai | 23.4 | 4.5 | 1.3 | 45.4 | 48.7 |
| Mountains | 42.3 | 10.1 | 3.5 | 11.8 | 7.0 |
| Urban - Kathmandu | 11.5 | 2.8 | 1.0 | 2.6 | 5.7 |
| Urban - Hill | 8.7 | 1.7 | 0.5 | 1.5 | 4.4 |
| Urban - Terai | 22.0 | 4.3 | 1.3 | 7.5 | 8.6 |
| Rural Hills - Eastern | 15.9 | 2.9 | 0.8 | 4.0 | 6.3 |
| Rural Hills - Central | 29.4 | 8.5 | 3.7 | 10.8 | 9.3 |
| Rural Hills - Western | 28.0 | 5.3 | 1.8 | 10.5 | 9.5 |
| Rural Hills - Mid and Far | 36.8 | 8.9 | 3.1 | 13.3 | 9.1 |
| Western | | | | | |
| Rural Terai - Eastern | 21.0 | 3.7 | 0.9 | 9.6 | 11.6 |
| Rural Terai - Central | 23.1 | 4.1 | 1.1 | 13.9 | 15.1 |
| Rural Terai - Western | 22.3 | 4.4 | 1.4 | 5.9 | 6.6 |
| Rural Terai - Mid and Far | 31.1 | 7.2 | 2.5 | 8.5 | 6.9 |
| Western | | | | | |
| Nepal | 25.2 | 5.4 | 1.8 | 100.0 | 100.0 |

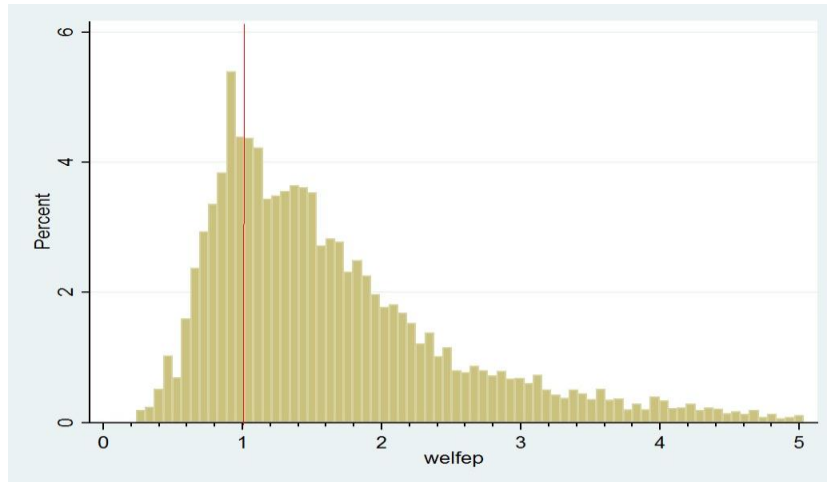
Source: World Bank staff estimates based on 2010-11 NLSS.

Overall inequality is low although aggregate, consumption-based numbers hide the extent to which specific groups and communities have fallen behind and fail to capture other, non-consumption-based patterns of exclusion. With a GINI coefficient at 30 percent in 2010-11, Nepal is one of South Asia's most equal countries in terms of per capita consumption, with urban areas slightly more unequal than rural but only modest differences between the more (Eastern) and less (Western) equal regions. At the same time, regional consumption and subjective poverty rankings differ greatly. For instance people living in relatively less poor urban areas and the poorest mountain areas both feel underprovided in schooling and healthcare. Among the ecological zones the sharpest poverty in public goods is felt in mountains, with over 25 percent reporting inadequate schooling against 16 percent in the Terai.

Access to public goods has also improved significantly for all, but with widening gaps between income groups. Most multi-dimensional indicators of poverty have declined sharply over the past 15 years as public provision of education and health infrastructure - the immediate priorities for a developing country such as Nepal - complemented the purchase of private provision made possible by rising remittance incomes. The largest improvements were in "child out of school", "time taken to primary school" and "safe deliveries" while more modest gains were recorded for undernourishment, sanitation and access to reasonable cooking fuels. While multi-dimensional indicators of poverty declined for consumption-impooverished people as well, they did so at a slower pace than for the population as a whole.

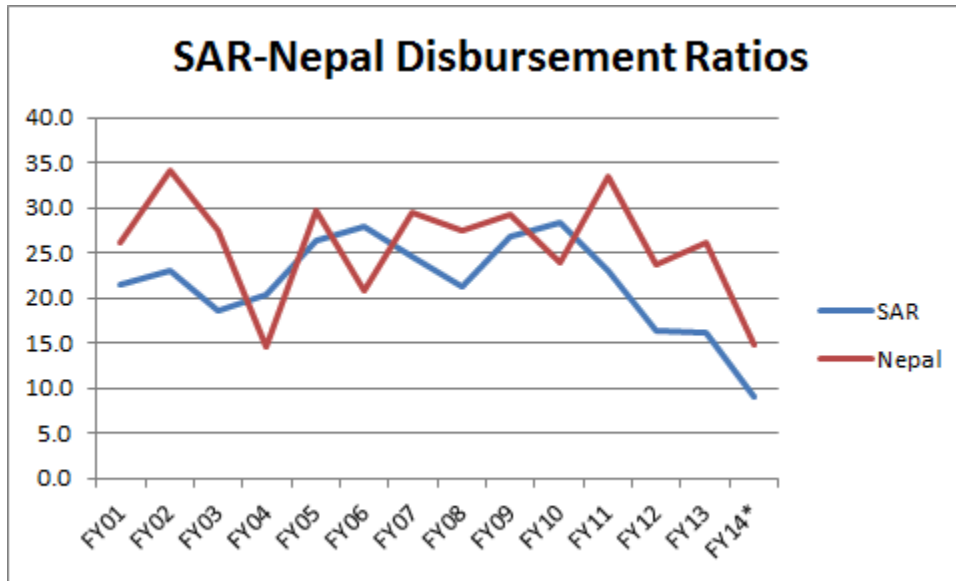
Finally although fewer households than ever remain below the poverty line, many are still clustered just above that threshold, making vulnerability to risks and shocks a salient issue. The vast majority of Nepalis consume less than twice the bare minimum that defines the boundary with poverty. Moving to a more inclusive and resilient society in Nepal will mean finding a growth path that maximizes gains not only for those that still live in utter deprivation, but also for lifting the majority of the population economically and socially.

Nepal's population clustered above the poverty line (daily consumption / \$1.25 PPP)



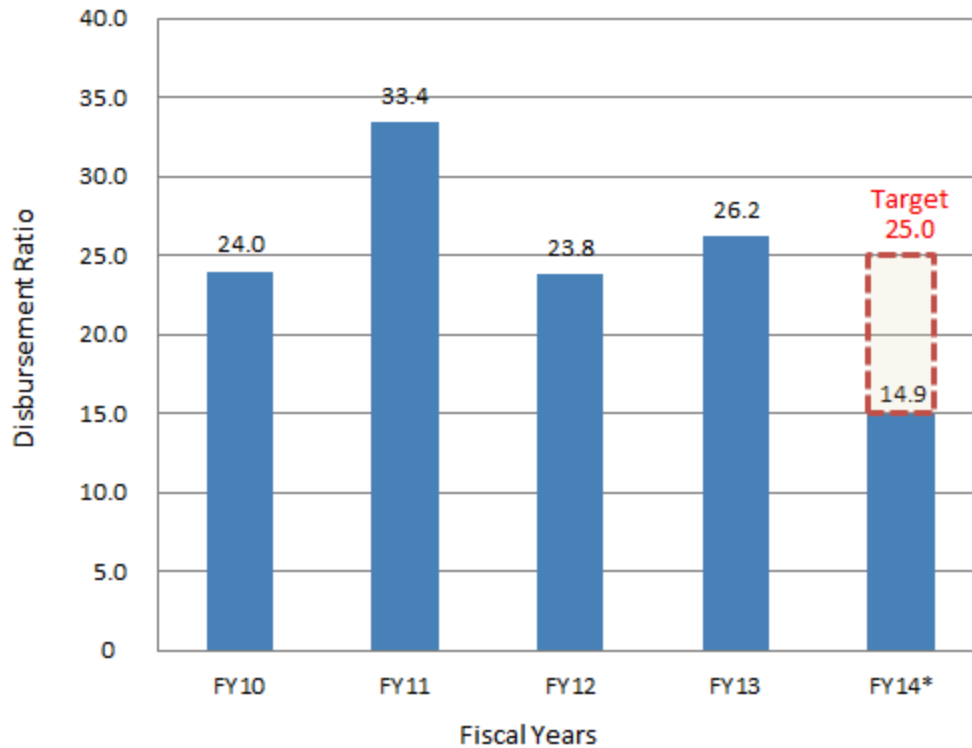
Portfolio and Programs: The current portfolio comprises 20 active projects with a net commitment of about **\$1.506 billion** (this includes 17 active IDA projects with a net commitment of about \$1.375 billion and three active Trust Fund projects of \$5 million and above, with a net commitment of \$87.5 million). Current cumulative IDA disbursements are \$660.77 million (about 48 percent of net commitments) and cumulative trust fund disbursements are \$15.06 million (about 17 percent of net commitments). In addition, there are three regional projects with net commitments of \$240 million, of which about \$24 million (10 percent of net commitments) have been disbursed (see table attached). Three IDA projects amounting to \$221.95 million closed in December 2013.

Disbursements: Recently, disbursements have significantly improved, from \$83.37 million in December 2013 to \$129.49 million as of February 2014. The disbursement ratio improved, from 8.5 percent in December 2013 to 14.9 percent in February 2014, and is likely to reach 19 percent by end-March. The disbursement ratio for Nepal as of February 2014 is above the regional average of 9.0 percent and Bank-wide average of 12.7 percent. Nepal’s annual target of achieving a 25 percent disbursement ratio is likely to be achieved. Following chart compares Nepal disbursement ratio with South Asia region:



Following chart illustrates Nepal’s disbursement ratio trend of five fiscal years:

Nepal - Trend in Disbursement Ratio



Overall, despite its fragile country context, Nepal has maintained a relatively stable track record in disbursements, better than similar IDA countries. During the past four years, disbursements averaged about 27 percent (FY11 had an exceptional ratio of 33.4 percent). This good progress is due to rigorous and proactive follow up by the country management unit (CMU) and the task teams, portfolio review meeting with the Ministry of Finance, and subsequent follow-ups and timely payment actions by the Bank.

Audit Reports: As of February 2014, 17 out of 38 audit reports required for FY2012/13 audits have been received, which comprises about 45 percent. About 21 audit reports are now overdue, and warning letters have been issued providing 90-days grace period, which ends on May 15, 2014. Task teams and the CMU are following up on outstanding reports, in which there has been a progress in their submission, compared with previous years.

Knowledge Products: Several key strategic pieces of TA/AAA/ESW have been undertaken or are nearing completion, including the Country Partnership Strategy (2014-18), policy notes for the new government, thematic reports on food security and nutrition, mapping local service delivery, competitive industries (CI) diagnostic, NLTA for hydropower scale-up in Nepal, Second Public Expenditure and Financial Accountability (PEFA) Assessment, etc.

Challenges: While these are positive developments, portfolio quality and implementation progress remains a challenge in Nepal. Currently, there are 11 projects at risk, which comprise about 55 percent of the portfolio. Of this, five projects (25 percent) are actual problem projects. Generic implementation issues affecting the portfolio are as follows: (i) Delays in approval of work plan that include procurement plan; (ii) Frequent turnover of project staff; (iii) Weak safeguard capacity; (iv) Weak procurement and financial management capacity; and (v) Weak monitoring and evaluation capacity.

Portfolio Initiatives in FY14

In order to improve the overall quality of the IDA portfolio and the TF portfolio, the following initiatives are being undertaken:

- Bi-annual joint portfolio reviews with the Ministry of Finance and project authorities;
- Coordinating the annual Nepal Portfolio Performance Review (NPPR) led by the Ministry of Finance with participation by other development partners and an overall objective to address generic implementation issues (next meeting tentatively scheduled for April 23, 2014);
- Close partnership with SARDE, Asia Learning and Loan Department to organize various training and clinics to both Bank staff and counterpart staff on matters related to portfolio management (e.g. results M&E, procurement management, financial management, safeguard management and disbursement);
- Intensive follow-ups with project officials by task teams on implementation issues;
- Proactive actions such as restructuring and cancellation of funds;
- Active follow-up by task teams on high value contracts;
- Quality review of ISRs together with SARDE;
- GAAP assessment to explore how to best integrate GAAP into overall project design;

Development of IDA Portfolio FY2010-2014*

| Fiscal year | 2010 | 2011 | 2012 | 2013 | 2014* |
|---|-------------|--------------|--------------|--------------|--------------|
| Number of Projects | 15 | 17 | 18 | 19 | 17 |
| Net Commitments (\$ million) | 1,079 | 1,259 | 1,346 | 1,534 | 1,375 |
| Undisbursed Balance (\$ million) | 730 | 806 | 693 | 740 | 719 |
| Number of Problem Projects | 3 | 3 | 2 | 5 | 5 |
| Disbursement Ratio (%) | 25 | 31 | 24 | 2 | 14.9 |

*As of February 28, 2014

Trust Fund (TF) portfolio: The Trust Fund (TF) portfolio consists of 17 active TFs (recipient executed), with a total commitment amount of about \$250.50 million, out of which \$153.01 million has been disbursed (about 61 percent of net commitments). Most TF commitments are in the HD sectors. A Program for Accountability in Nepal (PRAN) is under implementation since 2010, financed through the State and Peace Building Fund (SPF) to improve governance and

| NEPAL | | IDA16 Amount (US\$ million) | Status/Board Date |
|--------------|---|-----------------------------|--------------------------|
| Fiscal Year | Project Name | Total | |
| 2012 | Modernization of Rani Jamara Kulariya Irrigation Schemes | 43 | Approved |
| | Bridge Improvement and Maintenance Project | 60 | Approved |
| | Sunaula Hazar Din (Community Action for Nutrition) | 40 | Approved |
| | Total | 143 | |
| 2013 | Agriculture Commercialization and Trade Project (PACT) AF | 40 | Approved |
| | School Sector Reform Project AF | 100 | Approved |
| | Kali Gandaki 'A' Rehabilitation | 27.3 | Approved |
| | Poverty Alleviation Fund (PAF) II AF | 80 | Approved |
| | Financial Sector DPC | 30 | Approved |
| | Nepal-India Regional Trade and Transport Project | 39.7/1 | Approved |
| | Nepal-India Electricity Transmission and Trade AF | 39 | Approved |
| Total | 316.3 | | |
| 2014 | Strengthenign National Rural Transport Project | 100 | Approved |
| | Irrigation and Water Resource Management AF | 50 | Approved |
| | Rural Water Supply and Sanitation Project | 71 | On Track May 29, 2014 |
| | Total | 221 | |

- /1 National IDA Allocation (Total \$99 million)

institutional performance in Nepal. There are three operations supported by the Multi-Donor Trust Fund (MDTF) for Public Financial Management (PFM) supporting the areas of cash management, strengthening of the audit function, and strengthening the social accountability system.

IDA 16 Program and Pipeline: Under IDA16, Nepal's indicative allocation is about \$634 million (with a grant/credit share of 45 percent to 55 percent). In FY12, only about 70 percent of the FY12 IDA allocation was used, but the FY13 pipeline was programmed to make up for this shortcoming and delivered 110 percent of the FY13 IDA resources. For FY14, the rest of the IDA16 allocations, including funds from cancellations, have been allocated. About 67 percent of the FY14 allocation has been committed within the second quarter and the rest is planned to be allocated in the fourth Quarter. The pipeline planning has allowed for the absorption of whole of the IDA16 funds, including the funds from cancellations.

MODERNIZATION OF RANI JAMARA KULARIYA IRRIGATION SCHEME

Key Dates:

Approved: July 5, 2011
 Effective: November 30, 2011
 Closing: September 30, 2016

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|-----------------------------|--------------|-----------|-------------|
| Total Project Cost | 48.0 | | |
| Borrower | 5.0 | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 43.0 | 10.74 | 31.18 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

The Rani Jamara Kulariya Scheme (the Rani Scheme) is one of the most prominent Farmer Managed Irrigation Schemes in Nepal, with a cultivable command area of 14,300 hectares (the project area), of which about 11,000 ha is currently being irrigated. This scheme has been developed by the farmers (mostly from the indigenous Tharu community) since 1896 in the Far Western Development Region, one of the least developed regions in the country. It constitutes three independent traditional irrigation systems constructed, operated, and managed by the farmers. Each of the systems draws water from the Karnali River (a tributary of the Ganga River) and has an extensive canal infrastructure, with three branch and 41 sub-branch canals that have a total length of about 230 km. The project has been designed to modernize the scheme.

Project Development Objective and Brief Component Description:

The project aims to improve irrigation water delivery to, and management in, the Rani Jamara Kulariya irrigation scheme, through improving the performance of the irrigation systems and strengthening community-based irrigation management. Bank support for the Rani Scheme is proposed in two phases. The ongoing phase one focuses on modernization of the higher-order irrigation infrastructure (especially intakes and feeder and branch canals), enhancing the capacity of the water user associations to operate and maintain the improved or new irrigation infrastructure, and the preparation and initiation of an agricultural development program. Phase 2 will mainly focus on the modernization of the lower-order irrigation infrastructure (sub-branch and tertiary canals and water courses), continuation of the water user association support program, and implementation of a comprehensive agricultural improvement program.

Results Achieved

Implementation of the Command Area Protection (CAP) works is progressing well and as planned. The works that were completed at the time of the peak discharges in the Karnali River have performed well and were credited with avoiding serious flooding of the irrigation areas. Several training exercises have been provided to the three water users associations (WUA) on resource generation, women's participation in irrigation and basic account keeping. Exchange visits to other irrigation schemes have been organized. The preparatory work for the construction of WUA offices is ongoing. A number of agricultural related activities such as: demonstrations, farmers field schools (FFS), and seed multiplication have been carried out successfully. It has been agreed that the activities start focusing more on the introduction and testing of on-farm water management techniques and design of cropping patterns to make the best use of irrigation water. Except for a few packages, all major procurement has been completed. The main contract under the project for the construction of the feeder canal and the modernization of the three main branch canals has seen some delay due to slow mobilization, delays in payment of the advance to the contractor and in provision of designs. Targets for implementation of the contract have been set, but it is likely to stretch beyond the target date of late November 2014 and may require one additional construction season.

Key Partners:

Implementing agency: Ministry of Agriculture Development; Department of Irrigation

IRRIGATION AND WATER RESOURCE MANAGEMENT PROJECT

Key Dates:

Approved: December 6, 2007; AF I: September 29, 2008; AF II: December 23, 2013

Effective: April, 24, 2008; AF I January 30, 2009; AF II *yet to be effective*

Closing: June 30, 2018

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 114.24 | 54.62 | 60.17 |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 114.24 | 54.62 | 60.17 |
| IBRD | | | |
| Trust Fund | | | |



Irrigation canal at Bigante irrigation, Pokhara

Project Background:

Two-thirds of Nepal's population is engaged in the agriculture sector, which contributes 36 percent toward the nation's total Gross Domestic Product (GDP). In view of its potential to alleviate poverty and promote economic growth, the government has accorded the agriculture sector a top priority, second only to hydroelectric power generation. 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 funded under a multi-donor initiative (including the Bank), also emphasizes the need for irrigated agriculture.

Project Development Objective and Brief Component Description:

The Irrigation and Water Resources Management Project aims to improve agriculture productivity and the management of selected irrigation schemes and to enhance institutional capacity for integrated water resources management. The primary beneficiaries are water users of 134 farmer-managed irrigation systems covering about 20,000 hectares, mainly in the hilly regions. The project also targets the irrigation management transfer in four agency-managed irrigation systems and essential structural improvements covering about 23,000 ha. Through the agriculture component of the project, the project aims to ensure efficient integration of water resources and crop production to derive full benefits from investments in irrigation. The project has four main components: (i) irrigation infrastructure development and improvement; (ii) irrigation management transfer to water user associations in the Terai (plains); (iii) institutional and policy support for integrated water resources management; and (iv) integrated crop and water management.

Results Achieved:

Out of 134 schemes targeted for completion by June 30, 2014, 80 schemes (including 7 groundwater schemes) have been completed and 54 schemes are steadily under implementation. Rehabilitation/construction works in Kankai and Sitagunj are near completion while works in Narayani Block 8 and Mahakali I are likely to be carried over beyond June 2014. Activities to develop the capacity of Water User Associations (WUAs) at these four schemes are ongoing at varying pace. Financial planning by WUAs for the upcoming operational year and their effort to mobilize resources shows improvement in their institutional behavior. However, WUAs will still require some financial, technical and institutional support in the future. Water Resources Information Centre (WRIC) has been established at the Water and Energy Commission Secretariat (WECS). Altogether 32 stations of Babai, West Rapti and Karnali River Basin have been equipped with telemetry system. Among these, nine are hydrological stations and 23 are meteorological stations. Eleven hydrological and meteorological stations have been upgraded with the construction of observatory and fencing. Data upload from the telemetry systems to the Water Resources Information System (WRIS) is ongoing. Agricultural yields have seen an average increase of 25-30 percent in project areas. Planned activities under the regular integrated crop and water management program are progressing well. The additional financing of US\$50 million will be used to rehabilitate and modernize an additional 80 schemes, strengthen water user associations, update the Water Resource Information System at the central level and consolidate the gains made in agriculture.

Key Partners:

Implementing agency: Ministry of Agriculture Development, Department of Irrigation, Water and Energy Commission

NEPAL AGRICULTURE AND FOOD SECURITY PROJECT

Key Dates:

Approved: February 11, 2013.
Effective: April 30, 2013
Closing: March 31, 2018

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|---------------------------|--------------|-----------|-------------|
| Total Project Cost | 58.0 | | |
| Borrower | 11.5 | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | | | |
| IBRD | | | |
| Trust Fund (GAFSP) | 46.5 | 4.0 | 42.50 |



Agriculture research site, Jumla, Far West Nepal

Project Background:

On June 7 2011, the government of Nepal received a competitive grant of \$46.5 million from the Global Agriculture and Food Security Program (GAFSP) to implement the Agriculture and Food Security Project (AFSP). The GAFSP was established in April 2010 at the request of the Group of 20 (G20) to help countries make lasting improvements through sustainable investment in agriculture and food security. Seven countries and the Bill and Melinda Gates Foundation have pledged about \$1.1 billion over three years, with the U.S. as the largest donor. The World Bank is the administrator for GAFSP as well as the supervising entity for AFSP. The AFSP is a multi-sector project executed by the Ministry of Agriculture Development to tackle food and nutrition security. It is the first project in Nepal that brings together two ministries – Agriculture and Health – to increase agricultural productivity and improve access to and utilization of nutritious food. The project targets 19 hill and mountain districts of mid-western and far-western regions of Nepal where the prevalence of low birth weight babies is reported at 14 percent. Forty-six percent of the children under five are stunted and 32.6 per cent underweight. While the overall poverty rate for Nepal is 25 percent, it increases to 45 per cent in the project area.

Project Development Objective and Brief Component Description:

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

Results Achieved:

The project is it is fairly early to report on the projects' deliverables. However, the project management team has completed most of the preparatory groundwork to move the project further rapidly. A Memorandum of Understanding (MOU) has been signed between the Ministry of Agriculture Development (MOAD) and the main implementing partners - Ministry of Health and Population and Nepal Agriculture Research Council - to expedite implementation. The project is receiving support from the World Bank's Development Impact Evaluation Initiative (DIME) to design and implement an impact evaluation system to measure impact of project interventions. With the help of DIME, the project has been able to identify the target Village Development Committees (VDCs) that need intervention. A MOU has also been signed between AFSP and the Food and Agriculture Organization (FAO) under which the latter will provide technical assistance related to conducting farmer field schools and other technology/knowledge dissemination activities

Key Partners:

Implementing agency: Ministry of Agriculture Development

Other implementing agencies/partners: Ministry of Health and Population; Nepal Agriculture Research Council

Development Partners: Food and Agriculture Organization (FAO) of the United Nations

PROJECT FOR AGRICULTURE COMMERCIALISATION AND TRADE (PACT)

Key Dates:

Approved: June 4, 2009; AF: November 15 2012
 Effective: November 13, 2009; AF March 18, 2013
 Closing: June 30, 2018

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|-----------------------------|--------------|-------------|--------------|
| Total Project Cost | 60.0 | 8.70 | 52.37 |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 60.0 | 8.70 | 52.37 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

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

Project Development Objective and Brief Component Description:

The project (PACT) aims to improve the competitiveness of project-supported smallholder farmers and agribusinesses within selected commodity value chains by: (i) helping farmers to engage in profitable market-oriented production; (ii) creating and strengthening industry-wide partnerships among producers, traders, processors, and other stakeholders; and (iii) strengthening the national system of sanitary, phytosanitary (plant health) and food quality management. Component (i) supports agriculture and rural business development. Component (ii) includes the provision of matching grants to commodity value chain actors mainly for technology support and agribusiness development. The project also supports the identification of commercially-viable value chains and preparation of commodity-specific value chain development plans for the promotion of high value commodities. Component (iii) aims to increase the ability of farmers and agribusinesses to respond to sanitary, phytosanitary and food-quality standards to meet domestic and international market requirements.

Results Achieved:

In four years, PACT's support has resulted in a significant increase in volume, sales and productivity of the selected commodities value chains, mainly targeting high value fruits and vegetables, cereal crops, dairy and meat products. Procurement of laboratory equipment for the Department of Food Technology and Quality Control (DFTQC), Department of Livestock Services (DoLS) and Department of Agriculture (DoA), and the implementation of a food analysis training program, has improved the departments' respective capacity to conduct monitoring and verification of quality standards. The project has generated high demand through advocacy to farmers and agribusinesses to increase investments and seek financing through the competitive grant scheme. As a result, there is demand for agribusiness support from all parts of the country, demand from the private sector to engage at a larger and more significant scale, and demand for increased services for quality monitoring and certification for exports. PACT has so far supported over 124 cooperatives, 65 farmer groups, 54 private entrepreneurs and eight producer associations, reaching out to around 42,800 beneficiaries, of which over 42 percent are women. Under the project's competitive matching grant program, two new windows have been developed to better respond to emerging demands and enhance the support to project objectives: (i) Micro grants of up to \$ 10,000 support the integration of smallholders and micro enterprises in emerging value chains. This window is specifically geared to districts not covered by the PACT prior to the Additional Financing. (ii) Medium size grants of up to \$ 100,000 are specifically geared to strengthening backward/forward linkages between different actors of the same value chain in any given region (e.g., linking dairy processors with milk cooperatives and dairy farmers). The PACT is in the process of recruiting the consortium to lead the establishment of the Agribusiness Innovation Center; technical assistance is provided by InfoDev.

Key Partners:

Implementing agency: Ministry of Agriculture Development
 Other implementing agencies/partners, NGOs: InfoDev

KABELI TRANSMISSION PROJECT

Key Dates:

Approved: May 10, 2011
Effective: September 21, 2011
Closing: June 30, 2015

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|--------------------------|--------------|-----------|-------------|
| Total Project Cost | 47.69 | | |
| Borrower | 7.8 | | |
| Co-financing (Community) | 1.94 | | |
| Total Bank Financing | | | |
| IDA | 38.0 | 8.53 | 28.46 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

Nepal has rich hydropower resources that could potentially support export of hydropower to other countries in the region. However, it faces an energy crisis of unprecedented severity (up to 18 hours/day load shedding in dry seasons) due to generation shortages and transmission bottlenecks. IDA funding will help development of the transmission facility to exploit hydropower potential in the Kabela River corridor, where about a dozen private power generation projects are in various stages of development. One of them is the Kabela A Hydropower Plant, 37.6 megawatts (MW), which receives IDA/IFC financing, with a Board date in FY14.

Project Development Objective and Brief Component Description:

The project aims to support the addition of transmission capacity to the Integrated Nepal Power System, and to provide access to electricity and cooking fuel to communities in the area of the Kabela 132 kiloVolt (kV) transmission line. The project has three components: (i) construction of a new 132 kV transmission line in eastern Nepal, with associated substations; (ii) construction of low-voltage distribution lines and associated infrastructure to provide access to electricity; and (iii) provision of on-grid electricity to communities in the area of the transmission line, as well as provision of off-grid electricity and cooking fuel to selected communities for which grid extension under the second component is not a feasible option. The first and second components are under implementation by the Nepal Electricity Authority, while the third is being implemented under the Alternative Energy Promotion Center.

Results Achieved

Thirty-five solar home systems, three institutional solar systems and 25 bio-gas plants have been provided under the third component. No results yet in other components as the project components are under implementation. The main contract for supply and construction of the transmission line became effective in October 2011. Due to initial mobilization delays, the line survey was not completed until March 2013. The final alignment avoids dense forest areas as far as possible. Yet to be prepared is the livelihood training plan, as a part of the rehabilitation program for project affected communities. The Nepal Electricity Authority is hiring a safeguards adviser for regular and periodic review of safeguard activities, and construction supervisors to assist the authority with transmission-line construction activities. The land for substations has been acquired and civil works started. The progress of the electrification program for the affected communities has been slow.

Key Partners:

Implementing agency: Ministry of Energy ; Nepal Electricity Authority; Alternative Energy Promotion Center

KALI GANDAKI A HYDROPOWER PLANT REHABILITATION PROJECT

Key Dates:

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

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|-----------------------------|--------------|-----------|-------------|
| Total Project Cost | 30.4 | | |
| Borrower | 3.1 | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 27.26 | 0.0 | 27.26 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

Kali Gandaki A is a 144 MW run-of-river plant. It is the largest single hydroelectric facility in Nepal, supplying about 25 percent of total generation 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 Asian Development Bank (ADB) funded the original plant, which cost \$453 million and was commissioned in 2002. After 10 years in 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 management improvement issues, as well as a need to finalize the operations manual for the head works, including the dam.

Project Development Objective and Brief Component Description:

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

Results Achieved:

The project has been effective as of December 31, 2013. Procurement for the four major activities has been cleared by the Bank and is underway.

Key Partners:

Implementing agency: Ministry of Energy; Nepal Electricity Authority

NEPAL-INDIA ELECTRICITY TRANSMISSION AND TRADE PROJECT

Key Dates:

Approved: June 21, 2011; AF: June 24, 2013

Effective: September 29, 2011

Closing: December 31, 2016

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|-----------------------------|--------------|-----------|-------------|
| Total Project Cost | 237.9 | | |
| Borrower | 30.0 | | |
| Co-financing (Others) | 69.9 | | |
| Total Bank Financing | | | |
| IDA | 138.0 | 15.08 | 123.19 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

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

Project Development Objective and Brief Component Description:

The development objectives are to: (a) establish cross-border transmission capacity between India and Nepal of about 1,000 MW to facilitate electricity trade between the two countries; and, (b) increase the supply of electricity in Nepal by the sustainable import of at least 100 MW. The project has three components: (i) The design, construction and operation of an approximately 130 km of 400 kV double circuit north-south cross border transmission line between Muzaffarpur in India and Dhalkebar in Nepal (DM; this line will be implemented by two companies in Nepal and India without World Bank financing or oversight). (ii) The design, construction and operation of approximately 285 km of 400 kV double circuit east-west transmission line for the Hetauda-Dhalkebar- Duhabi (HDD) segment, together with concomitant substations in Nepal. The Dhalkebar substation will receive electricity through the north-south transmission line under component (i) above. (iii) Technical advisory services (a) for the Owners' Engineer for Nepal Electricity Authority for overseeing component (ii) of the project, (b) for preparation of a transmission system master plan for future transmission system development in Nepal, (c) for strengthening the institutional capacity of the Electricity Authority's transmission business, including to increase cross-border transmission links, and (d) for the Ministry of Energy and the Nepal Electricity Authority to develop understanding of the concepts of benefit-sharing in export-oriented hydroelectric projects.

Results Achieved:

Given the nature of the project, results will accrue after the transmission line is commissioned. A contract was awarded in February 2013 for supply and installation of towers for the HDD 400 kV transmission line and is now being implemented. The check survey for the right-of-way is nearing completion, and consultation with and compensation to project-affected persons will follow before construction begins. Procurement for three substations are under review by the Bank and conductors for the transmission line is under process. Procurement for supply and installation of the DM line (not financed by the Bank) is under progress with contract awarded to the lowest evaluated bidder. In June 2013, the Board approved US\$39 million in additional financing to provide continued support to implementing the critical transmission lines that was not completed until the project closing time under the Power Development Project.

Key Partners:

Implementing agency: Ministry of Energy; Nepal Electricity Authority

EMERGENCY PEACE SUPPORT PROJECT

Key Dates:

Approved: May 6, 2008
 Effective: September 19, 2008
 Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 36.50 | 33.42 | 1.92 |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 36.50 | 33.42 | 1.92 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

A Comprehensive Peace Agreement from November 2006 and a 23 Point Agreement in December 2007 included provision of allowances to individual Maoists in cantonments and relief and rehabilitation to families of the conflict-affected. It was in this context that the Bank responded to a request from the government to provide urgent support to the peace processes.

Project Development Objective and Brief Component Description:

The project aims to contribute to the peace process by providing interim cash transfers and services to eligible conflict-affected groups, and by increasing transparency and accountability in benefit delivery. It is expected that 14,800 families and 4,700 widows of those deceased in the conflict will receive cash interim relief; 25,000 conflict-affected and their family members will receive employability services, and at least half will be placed in the job market. The project has three components: (i) rehabilitation support to conflict-affected families and individuals; (ii) cash benefits to the families and widows of those killed as a result of conflict; and (iii) building the capacity of key institutions in support of the peace progress. Rehabilitation support includes provision of employment and self-employment services and psychosocial counseling services to conflict-affected people.

Results Achieved

The Ministry of Peace and Reconciliation has successfully completed delivery of employment and self-employment services to 14,770 conflict-affected beneficiaries in two phases. A pilot phase covering 12 districts provides services to 3,030 beneficiaries. Phase I covering 42 districts provided services to 11,740 conflict-affected people. Phase II that was to cover the remaining 19 districts has now been cancelled due to delay in procurement and the consequent lack of time to complete the activity before closing date. The ministry has finalized the guidelines for psychosocial counseling services. The actual delivery of psychosocial services under the project has been cancelled as it cannot be completed within the remaining project period. This will likely be picked up by the Nepal Peace Trust Fund. With regard to cash transfers, 96 percent of the families of the deceased (14,200) and 98 percent of widows (4,620) have received cash benefits, against a target of 95 percent in each category. The project has been restructured in January 2014 to cancel SDR8.45 million (approx. \$13.1 million). The project is expected to close on time in June 30, 2014.

Key Partners:

Implementing agency: Ministry of Peace and Reconstruction
 Other implementing agencies/partners, NGOs: International Organization of Migration (Technical Assistance)

SOCIAL SAFETY NET PROJECT

Key Dates:

Approved: September 29, 2008; AF May 26, 2010

Effective: January 28, 2009; October 6, 2010

Closing: September 30, 2014

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 59.15 | 52.37 | 7.83 |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 59.15 | 52.37 | 7.83 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

Nepal faces frequent food crisis in parts of the country largely due to weather conditions and natural disasters. The Social Safety Net Program is an emergency response project to address food crisis by providing immediate relief to food insecure households (and some flood hit households), to build the resilience of vulnerable people in the medium-term, and to build government capacity to provide safety nets in the long-term.

Project Development Objective and Brief Component Description:

The project aims to enable the government help highly food- insecure households to access more nutritious food in the short- term and also to create opportunities for improved agriculture production in food-insecure districts in the long run. SSNP takes a holistic approach through its components focusing on (i) immediate relief to food insecure households through food- and cash-for-work programs; (ii) medium-term response by supporting subsidization of transportation of seeds and fertilizers to food-insecure districts and the development of seed varieties that are better suited to food-insecure areas; and (iii) a longer-term approach through strengthening of the government's cash transfer systems and piloting new approaches to improving the nutritional status of women and children. The Ministry of Federal Affairs and Local Development is the key implementing agency, with various components implemented by Department of Agriculture, the National Agricultural Research Council, and the Poverty Alleviation Fund, and technical support from World Food Program.

Results Achieved:

Since its initiation, the project has supported over 3 million people. Under the food and cash- for- work program, over 34,000 metric tons (MT) of food has been distributed and \$3.2 million has been disbursed as cash. Over 98 percent of the supported households are reported to have increased their ability to meet their food needs. In addition, since 2010, the Nepal Agriculture Research Center has produced over 129.38 MT of breeder seeds and 1,654 MT of foundation seeds, including seeds of varieties that are better suited to food-insecure areas. A total of 11,214 MT of fertilizers and 783 MT of seeds of improved varieties of paddy, wheat and maize have been made available in remote districts of the country. To date, the project has directly benefitted over 168,263 individuals, of whom 58 percent are estimated to be women. Some progress has also been made on components that support system strengthening for cash transfers and on the Community Challenge Fund for nutrition. Most of the components are near completion with over 87 percent of project funds now disbursed. Pilot projects to test approaches for improving the cash transfer and safety net systems in Nepal have recently started implementation. This includes a branchless banking pilot in three districts (Baglung, Banke and Surkhet) and a nutrition pilot in 4 districts (Rautahat, Sindhuli, Sarlahi, Ramechhap).

Key Partners:

Implementing agency: Ministry of Federal Affairs and Local Development

Other implementing agencies/partners, NGOs, and academia, if any: Poverty Alleviation Fund, Department of Agriculture National Agricultural Research Council

Donor Agency: World Food Program

ENHANCED VOCATIONAL EDUCATION AND TRAINING

Key Dates:

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

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 60.9 | | |
| Borrower | 10.9 | | |
| Co-financing | 0.0 | | |
| Total Bank Financing | | | |
| IDA | 39.50 | 12.45 | 26.48 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

With a growing youth population and rising unemployment, the government of Nepal is implementing programs to improve access to technical education and vocational training for the poor and disadvantaged youth. This first IDA technical and vocational training project contributes to government programs by reaching out to more than 75,000 youths, who will get access to short-term skills training, technical education, and opportunities for certifying their existing skills adopting appropriate targeting tools and other inclusive processes.

Project Development Objective and Brief Component Description:

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

Results Achieved:

After a significant start up delay, all project components are now moving ahead. Progress in the key performance indicators include short term training of 7,864, testing and certification on preexisting skills of over 6,200 youths by the National Skills Testing Board, and 60 institutions have been selected for support through matching and/or performance grants. A total of 294 skills test managers, 870 lead and assistant trainers, and 3,827 skills test assessors have been trained. The Council for Technical Education and Vocational Training has initiated work on the establishment of a Training Management Information System, an online system for affiliation of training providers, and examination evaluation. The systems will be fully populated with relevant data and become operational by July 2015. About 2,644 students are currently receiving scholarship support, while around 1,500 will be selected in the next fiscal year. Voucher-based financing support is being provided to more than 7,000 youths who have completed or are undergoing the training. A decentralized, operational management information system is currently being used as the main tool for project monitoring. This is a problem project. Despite the progress noted, disbursements remain very low. Low disbursements and start up delays in some of the project sub-components were issues of concern in the first half of the project period. Based on a joint World Bank and government assessment of progress, the project was restructured (level 2) in December 2013. The restructuring included a cancellation of SDR 6.7 million (around \$10.5 million) of IDA financing, a revision of some results indicators and targets, and changes in the prices of Disbursement Linked Indicators (DLIs).

Key Partners:

Implementing agency: Ministry of Education, Council for Technical Education and Vocational Training

SCHOOL SECTOR REFORM PROGRAM

Key Dates:

Approved: September 22, 2009, AF May 15 2013

Effective: December 23, 2009, September 3, 2013

Closing: July 15, 2016

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|------------------------|--------------|-----------|-------------|
| Total Project Cost | 2481.0 | | |
| Borrower | 1885.0 | | |
| Co-financing (Donors) | 366.0 | | |
| Total Bank Financing | | | |
| IDA | 230.0 | 128.54 | 103.37 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

The School Sector Reform Program is a government initiative that aims to enhance access to and improve the quality of education. It covers Grades 1–12 as well as Early Childhood Education and Development and non-formal education. The School Sector Reform Program focuses on basic education to achieve the education Millennium Development Goals by 2015. It is being implemented through a sector wide approach, with financial contributions from the government and a dozen development partners, including the World Bank.

Project Development Objective and Brief Component Description:

The project aims to support the government's School Sector Reform Program to increase access to and improve quality of school education, particularly basic education (Grades 1-8), especially for the marginalized groups. The three main components of the program focus on (i) Basic education (Grades 1-8); (ii) Secondary education (Grades 9-12); and (iii) Strengthening institutional capacity. The program finances both the recurrent and the development expenditures for school education, focusing on the School Sector Reform Program's three pillars of enhancing access, promoting inclusion, and improving quality. It supports the following areas for the three pillars referenced above: (a) Basic education, including childhood education and development and literacy, and lifelong learning; (b) Secondary education, which includes technical education and vocational training; and (c) Institutional capacity strengthening for delivery and monitoring of educational services and products. The key policy reforms being supported include increased community management of schools, public private partnership for improved delivery of textbooks, and improved learning outcomes through establishment of a standardized student assessment system.

Results Achieved:

The program has made good progress across its four performance indicators: (a) net enrollment rate (NER) for basic education, (b) basic education completion rate, (c) gender parity index (GPI) for basic education, and (d) the completion of learning assessment for grade 8 students. Starting from a baseline of 73 percent, the NER for basic education has increased to 86.30 percent, surpassing the end of program (2013/14) target of 85 percent. Similarly, the completion rate for basic education has reached 63.8 percent. Nepal has achieved gender parity in net enrollment for basic education, achieving the end of program (2013/14) target, and for secondary education, with a GPI in NER of 0.99. The assessment of learning outcomes for grade 8 students has been completed and the final report has been published. The final NASA report for grades 3 and 5 is nearing completion. Achievement tests for grades 3 and 5 have also been completed. Original IDA financing was for five years (2009-2013). In June 2013, the Board approved \$100 million in additional financing to support the three original components and fill the financing gap in the remaining two years of the government's School Sector Reform Program. It supports key quality, governance and accountability challenges in the school system.

Key Partners:

Implementing agency: Ministry of Education

Donor partners: SWAp pooling partners: ADB, AusAID, Denmark, EU/DFID, Finland, Norway, UNICEF, and Global Partnership for Education. Parallel financing provided by Japan, USAID, UNESCO, and WFP.

SECOND HIGHER EDUCATION PROJECT

Key Dates:

Approved: February 22, 2007

Effective: July 27, 2014

Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 77.4 | | |
| Borrower | 17.4 | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 60.0 | 49.46 | 14.65 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

Higher education in Nepal is provided by nine universities and four health academies, governed by separate Acts. The Ministry of Education and the Ministry of Health and Population are the focal ministries for universities and health institutions. IDA has been a key partner supporting higher education through the First Higher Education Project, the Engineering Education Project, and the Second Higher Education Project.

Project Development Objective and Brief Component Description:

The objectives of the project are (a) enhanced quality, efficiency and relevance of higher education through a set of systemic reforms, and incentives to selected institutions; and (b) improved access for academically qualified students from disadvantaged groups in (i) higher education and (ii) higher secondary education. The project has four components: (i) Reform grants and research funding; (ii) Student financial assistance; (iii) Higher secondary education; and (iv) Strengthening system capacity. The first component includes incentive grants, performance grants, and matching grants to participating universities and colleges. Student financial assistance seeks to overcome the constraints being faced by meritorious girls and disadvantaged groups. The second component supports higher secondary education to permit better functioning of universities by phasing out Proficiency Certificate Level programs from universities and colleges. The third component seeks to enhance the capacity of the University Grants Commission and the Ministry of Education to improve the quality of higher education through monitoring and evaluation, policy analysis and reviews. The project is supporting higher education policy reforms in the area of autonomy, quality assurance and accreditation, poverty targeting, and the development of a higher education policy.

Results Achieved

Key achievements include autonomy for four university campuses affiliated with the Tribhuvan University and decentralization of 49 campuses. Eleven institutions have already received accreditation. Twenty- six new market relevant programs have been introduced under Tribhuvan University, with 22 papers published in refereed journals and 44 in professional journals. Girls' share in higher education enrolment has risen to 46 percent while the educationally disadvantaged dalits' and janjatis' share has risen by over 16 percent. Enrolment in project supported higher secondary schools has reached 210,100, with gender parity achieved, and enrolment share of extremely disadvantaged groups rising to over seven percent. Over 8,300 needy students have received scholarships. Targets have already been surpassed in all of the above result areas. The Proficiency Certificate Level has been phased out from the Tribhuvan University, and the Higher Education Management Information System has been developed. Significant progress has also been made towards developing the Higher Education Policy, with the first draft expected in 2013. The project, closing in June 2014, is maintaining a steady pace and is expected to accomplish most of its objectives. Strong ownership and commitment from the government to continue with institutionalization of the reforms is reflected in the recent request for continued higher education support from IDA.

Key Partners:

Implementing agency: Ministry of Education, University Grants Commission

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 (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 40.0 | 2.04 | 37.97 |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 40.0 | 2.04 | 37.97 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

As part of the Scaling-Up Nutrition movement, the government of Nepal has realized the need to address malnutrition across multiple sectors, and has developed and endorsed a Multisectoral 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.

Project Development Objective and Brief Component Description:

The project aims to inculcate attitudes and practices known to improve the nutrition of women of reproductive age and children under the age of two, thereby creating demand for nutrition-related services and products. These services and products will be provided through existing public- and donor-funded programs, and, to a limited extent, through the project directly. The Ministry of Federal Affairs and Local Development implements the project and will roll-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 15 project districts. An impact evaluation is built into the project design.

Results Achieved

Four sub projects of 100 days each, as pilots, were completed in September, 2013. Lessons learnt have been considered while finalizing the operations manual. The team saw that the RRNI teams of these four sub-projects and communities were just as motivated and dedicated to work on their own subprojects as they initially were at the outset of the project. However, more initiatives have not taken off due to poor project management, and the Bank team has stressed the need for accelerated implementation during the last supervision support. Baseline survey for impact evaluation has been completed. The project had held three regional workshops to raise its profile and inform stakeholders about how it would work. The client has hired two firms which will recruit the coaches who to help set up the RRNIs. A firm to train the coaches is on board and the first round of training is expected to complete by March 31, 2014.

Key Partners:

Implementing agency: Ministry of Federal Affairs and Local Development

SECOND HNP AND HIV/AIDS PROJECT

Key Dates:

Approved: April 20, 2010
Effective: October 10, 2010
Closing: July 15, 2015

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|-----------------------|--------------|-----------|-------------|
| Total Project Cost | 1527.3 | | |
| Borrower | 489.80 | | |
| Co-financing (Others) | 908.38 | | |
| Total Bank Financing | | | |
| IDA | 129.15 | 68.99 | 59.30 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

In 2004, donors moved to a Sector-Wide Approach (SWAp) in the health sector to reduce transaction costs to the government of Nepal. IDA, DFID and AusAID are currently pooling funds. The SWAp aims to address key challenges, including: (i) access, social inclusion and equality in health service utilization; (ii) making better progress on the Millennium Development Goal targets for nutrition and HIV/AIDS, which are not on track; (iii) sector governance and accountability; (iv) coordination across ministries concerned with water, sanitation and hygiene, nutrition and road safety (which all impact health status); and (v) maintaining gains in reducing maternal mortality and increasing vitamin A and immunization coverage.

Project Development Objective and Brief Component Description:

The project aims to enable the government to increase access to essential health care services and their utilization by the poor and the underserved, specifically by raising the percentage of pregnant women receiving iron and folic acid to 87 percent, children being fully immunized to 90 percent, and skilled attendance at birth to 35 percent by the end of the project. The project, through the SWAp format, supports the Nepal Health Sector Program II, which aims to increase access to and utilization of quality essential health services, reduce cultural and economic barriers to accessing health care services, and improve the health system to achieve universal health coverage, all in close partnership with non-state actors. The government has assumed a responsibility to achieve these goals by extending and sustaining coverage of essential health care services including reproductive health, child health, communicable and non-communicable disease control, curative care, oral health, eye care, environmental health and rehabilitation of disabled people. The program ensures free health care to all who access services in public health facilities at district hospitals, primary care centers, and health posts. It has two elements: health service delivery, and health systems strengthening.

Results Achieved:

Nepal has made good progress on key results indicators. Two-out-of-three results indicators already exceed targets: coverage of skilled birth attendance has reached 46 percent (against a target of 35 percent) and iron folic acid coverage has increased to 91 percent (against a target of 87 percent). Immunization coverage has remained at 86 percent since the last reporting period. Progress has also been made in exclusive breastfeeding and vitamin A supplementation for children under five. Nutritional status of children under five has improved, with a decline in stunting from 49 percent in 2006 to 41 percent in 2011, and in underweight status from 39 percent to 29 percent. The joint planning and review process is partly credited for cushioning the sector from the budget unpredictability that Nepal went through in 2012-13. Joint Annual Reviews and Annual Work Plan and Budget discussions are improving and have become more results-focused, and the quality of budget preparation has improved. There are areas where performance is lagging, requiring more attention in the coming year (e.g. contraceptive prevalence rate, equity of access to quality services, vacant positions). Further, procurement complaints are being filed, and an investigation by the Integrity Vice Presidency is underway. A detailed fiduciary risk assessment has recently been concluded, indicting a high-risk environment.

Key Partners:

Implementing agency: Ministry of Health
Other implementing agencies/partners, NGOs, and academia, if any, and
Development partners: DFID, AusAID, Germany's KfW and GAVI

STRENGTHENING REGIONAL COOPERATION FOR WILDLIFE PROTECTION

Key Dates:

Approved: April 7, 2011

Effective: Bangladesh: June 29, 2011; Nepal: July 20, 2011

Closing: Bangladesh: December 31, 2016; Nepal: May 31, 2016

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|-----------------------|-----------|-------------|
| Total Project Cost | 39.0 | | |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 3.0 (NP) 36.0 (BD) | 1.33(NP) | 1.74(NP) |
| IBRD | | | |
| Trust Fund | | | |

Project Background:

The Strengthening Regional Cooperation for Wildlife Protection project complements ongoing national and regional efforts to protect natural habitats and biodiversity conservation by focusing attention on the control of illegal trade in wildlife and trans-boundary wildlife conservation issues. The project was an outcome of the Global Tiger Initiative, but focuses on stabilizing and, if possible, increasing the population and habitats of critically endangered fauna in South Asia. Each project phase is designed that each participating country would attain regional or cross-boundary goals and also address national priorities. Nepal and Bangladesh are participating in Phase I while Bhutan has joined Phase II.

Project Development Objective and Brief Component Description

The project development objective (PDO) is to assist the participating governments to build or enhance shared capacity institution, knowledge and incentives to collaborate in tackling illegal wildlife trade and other selected regional conservation threats to habitats in border areas. The Bangladesh program is \$36 million and comprises the following components: (1) capacity building for addressing the illegal trans-boundary wildlife trade (\$8.3 million); (2) promoting wildlife conservation in Asia (\$23.5 million); and (3) project coordination and communication (\$4.6 million). The Nepal program is \$3 million and comprises the following components: (1) capacity building for addressing the illegal trans-boundary wildlife trade (\$0.9 million); (2) promoting wildlife conservation in Asia (\$1.6 million); and (3) project coordination and communication (\$0.2 million).

Results Achieved:

Despite the risks of India's absence in the regional operation and implementation delays, some progress in meeting the PDO is being made through: (i) India's commitment to cooperate on regional wildlife conservation as demonstrated by its signature of Memorandum of Understanding (MOUs) with Bangladesh, Bhutan and Nepal; (ii) Bangladesh's decision to assume the leadership for regional collaboration in trans-boundary wildlife protection and management by convening meetings among Bangladesh, Bhutan, India and Nepal, including those for the South Asia Wildlife Enforcement Network (SAWEN); and (iii) the provision of institutional support to SAWEN's secretariat under the Nepal project. SAWEN is envisaged to be the mechanism for regional collaboration in addressing illegal wildlife trade (especially in tiger parts) and trans-boundary conservation issues in South Asia. Since the last supervision mission of July 2013, the sluggish pace of implementation of the Bangladesh project has reversed. The preparation and submission of sub-project proposals under the project's competitive funding windows (amounting to 66 percent of the IDA credit) accelerated. Commitments vis-à-vis the allocation for the funding windows amount to 70 percent, although disbursement stands at only 14 percent of the IDA credit. The launch of large civil works under the sub-project activities will lead to a significant rise in disbursements in the first half of FY15. Implementation of the Nepal project remains satisfactory with disbursements at 45 percent of the total IDA grant. The allocation for the competitive funding windows (amounting to 50 percent of the IDA grant) is fully committed. The implementation of all sub-projects approved under the funding windows accelerated since June 2013. The ratings for PDO achievement and implementation progress for APL 1 reflects the status of the Bangladesh project in view of the latter's larger project cost and IDA credit compared to those for Nepal.

Key Partners

Implementing agency: Bangladesh: Ministry of Environment and Forests and Bangladesh Forest Department; Nepal: Ministry of Forests and Soil Conservation; Department of National Parks and Wildlife Conservation; Department of Forests and National Trust for Nature Conservation

URBAN GOVERNANCE AND DEVELOPMENT PROGRAM: EMERGING TOWNS PROJECT

Key Dates:

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

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|--|--------------|-----------|-------------|
| Total Project Cost | 28.55 | | |
| Borrower | 5.0 | | |
| Co-financing (GIZ) (Municipalities) | 3.0 2.1 | | |
| Total Bank Financing | | | |
| IDA | 18.45 | 7.14 | 10.99 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

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

Project Development Objective and Brief Component Description:

The original goal was to improve delivery and sustainable provision of basic services and priority infrastructure in the participating municipalities. A project restructuring in July 2013 realigned the goal to improving the institutional capacity of the municipalities, helping them better plan, implement and fund urban development activities. The project has three components: (i) strengthening municipal planning capacity through provision of grants to the municipalities; (ii) provision of financing for municipal infrastructure sub-projects to improve municipal capacity to implement infrastructure investments; and (iii) institutional development and project management support to the participating municipalities and project agencies.

Results Achieved:

The project experienced significant implementation delays in its first year. There has been recent progress with the preparation of the municipal sub-projects. Three municipal sub-projects have entered construction phase, and procurement notices for four additional sub-projects have been published. Construction phase of three sub-projects will start by mid-April and the procurement process for all municipal sub-projects is expected to be completed by July 2014. The municipalities have utilized the municipal grants to carry out small works such as road upgrading, with at least 35 percent of these grant resources earmarked towards activities benefiting women and disadvantaged groups. The project has experienced significant implementation delays since approval. Proactive measures have been taken to address the shortcomings including: (i) establishing effective institutional and coordination mechanisms, (ii) finalizing the pipeline to advance preparation of the municipal infrastructure sub-projects, (iii) building implementation capacity of the Project Coordination Office and the Town Development Fund, which provides loans to municipalities for infrastructure projects, and (iv) provision of adequate staffing in the Project Coordination Office. The project restructuring, along with a reduction in project scope with a cancellation of \$6.6 million for the municipal infrastructure sub-projects to reflect the lower than expected borrowing and implementation capacity of the municipalities, has been completed to realign the outcomes and results framework to the institutional capacity of the municipalities. In line with the new project objective, the restructuring has provided funds for enhanced institutional development support for the six municipalities.

Key Partners:

Implementing agency: Ministry of Urban Development, Municipalities
Donor partners: GIZ

PUBLIC FINANCIAL MANAGEMENT- Multi-Donor Trust Fund

Key Dates:

Approved: December 2010

Effective: December 2010

Closing: June 30, 2015

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|---------------------------|--------------|------------|-------------|
| Total Project Cost | 10.2 | 6.3 | 3.9 |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | | | |
| IBRD | | | |
| Trust Fund (MDTF) | 10.2 | 6.3 | 3.9 |



Project Background:

Public Financial Management (PFM) is a key element of the government's strategy for strengthening public service delivery and ensuring inclusive and broad-based development form a central part of the public financial management process. The PFM agenda has also been a top priority for Nepal's development partners to promote efficient and effective public service delivery. As part of this effort, a multi-donor trust fund to support PFM was established in December 2010.

Project Development Objective and Brief Component Description:

The project aims to strengthen the performance, transparency and accountability of public financial management in Nepal. The trust fund has four components: (i) strengthening PFM systems and capacity (including by implementing a Single Treasury Account, raising public sector accounting standards, and strengthening the Public Expenditure and Financial Accountability Secretariat); (ii) enhancing accountability in PFM (by strengthening the Office of the Auditor General and strengthening the use of social accountability); (iii) deepening knowledge related to PFM (by undertaking analytical work for knowledge dissemination (ongoing analytical works include a Public Expenditure Tracking Survey in the education sector and an Operational Risk Assessment)); and (iv) program management and administration.

Results Achieved:

The key results expected are: (1) improved resource management as a result of strengthened PFM systems and processes; (2) increased awareness and oversight of government PFM processes; and (3) better knowledge of value for money challenges and PFM governance gaps, contributing to improved design of PFM interventions at the country and sector levels. Under the first component, the Treasury Single Account (TSA) has been successfully implemented in 75 districts, covering about 99 percent of the budget, and capturing around 99 percent of budgeted expenditures and 97 percent of the receipt transactions of the central government. Key areas of concern are frequent staff turnover, delays in recruiting consultants for implementing public sector accounting standards, and delays in starting-up the Public Expenditure and Financial Accountability assessment. Under the second component, efforts to strengthen the Office of the Auditor General are on track, moving it toward a risk-based approach, and building upon the benefits of a recent visit to the UK's National Audit Office. Under the third component, the project is extending grants to civil society organizations to create awareness about PFM. In addition, an analysis of how audit recommendations are implemented in Nepal was completed in 2012 and the education Public Expenditure Tracking Study will be completed in March 2014. An operational risk assessment on PFM reform concluded in August 2013.

Key Partners:

Implementing agency: Office of the Auditor General, Public Expenditure Financial Accountability Secretariat, Financial Comptroller General's Office

Other implementing agencies/partners, NGOs: Program for Accountability in Nepal (PRAN); Canadian Centre for International Studies and Cooperation (CECI)

Donor partners: Australia, The UK Department for International Development (DFID), Denmark, Norway. (Potential partners include the EU, SDC).

ZOONOSIS CONTROL PROJECT

Key Dates:

Approved: April 30, 2012

Effective: July 5, 2012

Closing: March 31, 2014

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | | | |
| Borrower | | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | | | |
| IBRD | | | |
| Trust Fund | 10.0 | 5.06 | 4.94 |



Livestock workers culling avian flu infected birds

Project Background:

Like other countries in Asia, Nepal risks the spread of infectious disease, like avian influenza, that transmits from animals to humans. Ensuring that this risk is mitigated will help to protect and increase livestock productivity and strengthen the livelihoods base for food-insecure communities.

Project Development Objective and Brief Component Description:

The Zoonosis Control Project aims to enhance Nepal's capacity for the prevention and control of infectious diseases that transmit between animals and humans (zoonoses), under a One Health approach. Building on the avian influenza prevention and control mechanisms developed under the IDA-financed Avian Flu Control Project (AICP), this project aims to expand the scope to key zoonotic diseases under a One Health approach, with particular emphasis placed on the country capacity for overall coordination, preparedness, and prevention by strengthening the capacities of the Department of Livestock Services (DoLS) and the Department of Health Services (DoHS). The project will also develop early warning mechanisms to mitigate livestock disease risks induced by climate change. The project includes four components: (i) animal health (ii) climate sensitive disease risk mitigation (iii) human health and (iv) communication. The direct beneficiaries of the project are the farmers and rural population whose livestock is affected by zoonotic diseases and who depend on livestock for their livelihoods, food security and nutrition.

Results Achieved:

Signed in July 2012, the project, at the onset, suffered delays due to delayed release of budget from the government of Nepal. However, in the last one year, the project has made progress. Under the animal health component, a total of 11,270 samples have been collected and 4,275 samples tested and analyzed. Under the Nepal Agricultural Research Council, a total of 4,158 fecal samples (for internal parasites) and 2,611 serum samples (for zoonotic disease) have been collected and the testing is underway. Vector analysis of Blue Tongue, identified as one of the priority viral disease indicators for climate sensitive disease, is being carried out immediately. Out of nine construction works, the Veterinary Epidemiology Centre at Kathmandu is now completed and handed over. District Livestock Service Office, Standard Drug and Administration Office and Laboratory at Kathmandu; Avian Disease Investigation Laboratory at Chitwan; warehouse cum regional veterinary laboratory at Biratnagar; training hall and dormitory at Duhabi and Janakpur; and model quarantine check post at Bhairahawa are nearing completion. Similarly, renovations of three quarantine check posts at Kakarvitta, Birtamod, and Gadduchowk; Veterinary Council Office and Rabies Vaccine Production Centre in Kathmandu; and the installation of a three-phase electrical power supply in six laboratories in Janakpur, Pokhara, Dhangadi, Surkhet, Biratnagar and Chitwan are close to being completed. A level 2 restructuring in November 2013 made provision for culling and compensation operations to control Avian Flu. With the availability of funds, the project was able to successfully execute stamping out operations of 191 (H5N1) Avian Flu outbreaks in 18 affected districts, without a single human mortality. Since the project closes in March 2014, the project management teams are working towards completing all the agreed/outstanding activities.

Key Partners:

Implementing agency: Ministry of Agriculture Development Department of Livestock Services; Department of Agriculture and the Department of Health Services

ROAD SECTOR DEVELOPMENT PROJECT

Key Dates:

Approved: December 6, 2007; AF June 2, 2011
Effective: February 21, 2008; AF July 8, 2011
Closing: June 30, 2015

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 176.6 | | |
| Borrower | 58.5 | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 117.6 | 89.32 | 27.98 |
| IBRD | | | |
| Trust Fund | | | |



RSDP is providing all-weather connectivity to remote district headquarters

Project Background:

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

Project Development Objective and Brief Component Description:

The project seeks to provide all season road access to the residents of beneficiary districts, reducing travel time and improving access to economic centers and social services. The project aims to connect eight remote district headquarters in the mid-western and far-western regions of Nepal. The original project outlay was approximately \$43 million with additional financing of \$75 million. The components are: (i) road development (utilizing 83 percent of the funding); and (ii) institutional strengthening and policy reform.

Results Achieved:

Progress towards the achievement of project goals has been moderately satisfactory. Results of a socioeconomic impact study report (October 2011) show that two results indicators have surpassed targets for roads under the original project scope. A survey carried out in end-2012 showed that 11.3 percent of paved Strategic Road Network roads are now in poor condition; the target was to reduce this to 15 percent. Achievements against project indicators will be fully assessed through a final socio-economic impact study (planned in 2014). Intermediate results indicators under the road development component are likely to be achieved. All intermediate results indicators under the institutional development component are also likely to be achieved except one: the road asset management tools used for prioritization of road maintenance and upgrading works. The Bank team has been working with the project team to update the road inventory and conditions of roads, which will provide the key inputs for the implementation of road asset management tools. Implementation progress deteriorated substantially in recent months after the untimely transfer of key project officials. Performance slowed in almost all areas including implementation of road works, social and environmental safeguards, and financial management. The Bank raised concerns with senior government officials and the situation has started to improve. However, the performance of the project in recent months has improved considerably. A detailed performance analysis will be conducted in the next review, which is due in end-March, 2014. The project is expected to achieve its physical output targets. All major road works contracts are now procured and are under implementation.

Key Partners:

Implementing agency: Department of Roads

Donor partners: Department of International Development has recently agreed to finance the road safety related works under the project through a Trust Fund (Global Road Safety Facility). This is now being processed. The DFID funding will help making the RSDP roads safer.

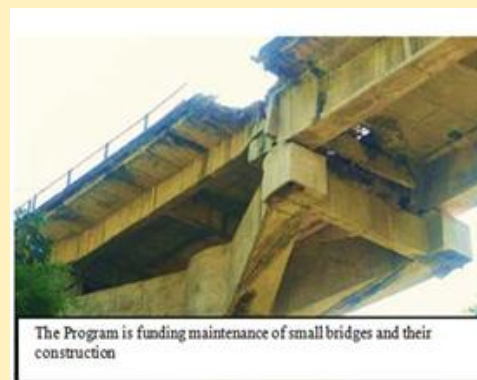
BRIDGES IMPROVEMENT AND MAINTENANCE PROGRAM

Key Dates:

Approved: June 28, 2012
Effective: December 2012
Closing: December 15, 2017

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 69.0 | | |
| Borrower | 9.0 | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 60.0 | 14.44 | 44.91 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

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

Project Development Objective and Brief Component Description:

The project aims to provide safe, reliable and cost effective bridges on Nepal's Strategic Roads Network. The project supports the government's initiative under the Program for Results lending instrument (the Bank's first such advance through IDA, and the first infrastructure project to use this instrument). The overall program outlay is \$150 million and the Bank's share is roughly 40 percent. The scope of the project 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.

Results Achieved:

The program plans to finance major maintenance of 330 bridges, minor maintenance of 95 bridges and new construction of 121 bridges. It also plans to support the development and management of the Bridges Maintenance System and the development and operation of a new approach to addressing grievances. The Bridges Improvement and Maintenance Program has started operations. Two of the three results indicators will be assessed at the mid-term of the project. The other indicator is a disbursement-linked indicator (DLI). There had been a delay in the program start up. This is due to the non-fulfillment of an effectiveness condition. Initially the program encountered teething problems, such as delays in streamlining budget allocation procedures and delays in the procurement of technical support consultants. However, program performance has deteriorated considerably in recent months due to the poor program management. The Bank has raised this issue with senior government officials. That said, there are a number of achievements. They include: the development of a five-year bridge-by-bridge plan program to help guide the achievement of physical disbursement-linked indicators, continued progress on realizing the Program Action Plan, full adaptation of the Bridges Maintenance System to prioritize maintenance of program bridges, and the revision and approval of the Environmental and Social Management Framework that included bridge related issues. An impact evaluation has been designed and funding secured.

Key Partners:

Implementing agency: Department of Roads

STRENGTHENING THE NATIONAL RURAL TRANSPORT PROGRAM

Key Dates:

Approved: December 23, 2013
 Effective: *Not yet effective*
 Closing: July 15, 2019

Financing in million US Dollars (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|----------------------|--------------|-----------|-------------|
| Total Project Cost | 175.4 | | |
| Borrower | 63.9 | | |
| Co-financing (DFID) | 11.51 | | |
| Total Bank Financing | | | |
| IDA | 100 | 0 | 100 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

Over the past decade, poverty has reduced significantly (over 90 percent) 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 complicates 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, social and economic services, and assistance during emergency events. Initially, 33 districts are eligible to participate under the project, which covers more than half of the total population of Nepal. The project is the third IDA operation to support Nepal's rural transport sector over the past 15 years. The design of this operation reflects lessons learned from sustained engagement. The project has a distinct philosophy: maintenance first. One of the sub-components of the project (rural road maintenance) has also adopted an output-based disbursement approach. Project activities will be implemented at the district level.

Project Development Objective and Brief Component Description:

The project development objective is to enhance the availability and reliability of transport connectivity for rural communities in participating districts. Component A: institutional strengthening and technical assistance (\$19.7 million). Component A will fund three categories of activities. They are: (i) institutional strengthening and technical assistance; (ii) beneficiary monitoring of physical works under Component B of the project; and (iii) an impact study of selected project interventions. Component B: civil works (\$155.7 million). Component B will support districts to implement physical works needed for: (i) upgrading or rehabilitating rural transport infrastructure; and (ii) maintaining rural transport infrastructure.

Results Achieved:

No results achieved as the project has yet to go into effect. However, the client has already initiated preliminary activities linked to the project's implementation.

Key Partners:

Implementing Agency: Ministry of Federal Affairs and Local Development (MoFALD)
 Donor Partner : Department for International Development , UK (DFID)

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 (as of February 28, 2014)

| Financing source | Total amount | Disbursed | Undisbursed |
|-----------------------------|--------------|-----------|-------------|
| Total Project Cost | 31.3 | | |
| Borrower | 0.3 | | |
| Co-financing | | | |
| Total Bank Financing | | | |
| IDA | 31.0 | 6.0 | 25.0 |
| IBRD | | | |
| Trust Fund | | | |



Project Background:

Nepal is prone to a range of hydro-meteorological (hydromet) hazards such as floods and droughts, the frequency and intensity of which are expected to increase with climate change. The poorer sections of the country – namely 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 network is mainly manual, with limited real time data collection, transmission and storage, and there is no system for issuing authoritative warnings for weather-related disasters to government authorities, key user groups, or communities at risk. Improved agro- meteorological information is also an urgent priority for the agricultural sector. The Building Resilience to Climate-Related Hazards Project is one of five projects financed through the Nepal Pilot Program for Climate Resilience under the Strategic Climate Fund.

Project Development Objective and Brief Component Description:

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

Results Expected:

By financing modernization of Nepal's hydromet observation network, supporting improvements in the accuracy and timeliness of weather and flood forecasts and capacity strengthening of responsible institutions, the project is expected to strengthen the resilience of climate vulnerable communities. The project will help improve access to agro-meteorological information to farmers in 25 districts so that they can better manage climate related risks at the farm level, by financing development of an agriculture management information system. The project will help establish early warning system in two river basins in the western and eastern parts of Nepal.

Key Partners:

Implementing Agency: Ministry of Agricultural Development; Department of Hydrology and Meteorology

Donor Partner: Asian Development Bank and International Financial Corporation.