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INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

COUNTRY PARTNERSHIP FRAMEWORK

FOR

NEPAL

FOR THE PERIOD FY2025 - 2031

[P502276]

**Maldives, Nepal, and Sri Lanka Country Management Unit
South Asia Region**

**The International Finance Corporation
South Asia Region**

The Multilateral Investment Guarantee Agency

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CURRENCY EQUIVALENTS

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Currency Unit = Nepali Rupee (NPR)

US\$ 1 = NPR 136.87

FISCAL YEAR

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	MAPS	Methodology for Assessing Procurement Systems
Cat DDO	Catastrophe Deferred Drawdown Option	MDTF	Multi-Donor Trust Fund
CCDR	Country Climate and Development Report	MIGA	Multilateral Investment Guarantee Agency
CEM	Country Economic Memorandum	MSME	Micro, Small, and Medium Enterprises
CLR	Completion and Learning Review	NDC	Nationally Determined Contributions
CPE	Country Program Evaluation	NEET	Not in Education, Employment, or Training
CPF	Country Partnership Framework	NLSS	Nepal Living Standards Survey
DFS	Digital Financial Services	NPR	Nepali Rupee
DPC	Development Policy Credit	OECD	Organization for Economic Co-operation and Development
DRM	Disaster Risk Management	PBL	Performance-based Lending
DSA	Debt Sustainability Analysis	PFM	Public Financial Management
e-GP	Electronic Government Procurement	PLR	Performance and Learning Review
ESF	Environment and Social Framework	PPP	Public Private Partnership
EU	European Union	PPP	Purchasing Power Parity
FCDO	Foreign and Commonwealth Development Office	PSW	Private Sector Window
FDI	Foreign Direct Investment	SCD	Systematic Country Diagnostic
FY	Fiscal Year	SDC	Swiss Agency for Development and Cooperation
GDP	Gross Domestic Product	SDR	Special Drawing Rights
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	SME	Small and Medium Enterprises
GNI	Gross National Income	SRSP	Shock-responsive Social Protection
GPE	Global Partnership for Education	TA	Technical Assistance
GROW	Global and Regional Opportunities Window	TF	Trust Funds
IDA	International Development Association	TSA	Treasury Single Account
IEG	Independent Evaluation Group	UNDP	United Nations Development Programme
IFC	International Finance Corporation	UNESCO	United Nations Educational, Scientific and Cultural Organization
ILO	International Labour Organization	WB	The World Bank
IMF	International Monetary Fund	WBG	World Bank Group
IPF	Investment Project Financing	WHO	World Health Organization
JICA	Japan International Cooperation Agency		
KfW	Kreditanstalt für Wiederaufbau		
KWPF	Korea World Bank Partnership Facility		

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**FY25-31 COUNTRY PARTNERSHIP FRAMEWORK
FOR
NEPAL**

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FY2025-31 COUNTRY PARTNERSHIP FRAMEWORK FOR NEPAL

I. INTRODUCTION

1. **Nepal's poverty reduction story over the last 30 years is nothing short of remarkable; its US\$2.15 poverty rate fell from over 55 percent in 1995 to 0.37 percent in 2022,¹ a feat as impressive as almost any country in history. Yet, it has done so without transformative domestic growth, investment, or job creation. Nepal's greatest challenge now is to realize its full potential by building an economy that creates sustained domestic growth and jobs.** Nepal's reliance on remittances – which has been such an important element in the country's poverty reduction story – has been central to the country's growth but has not translated into quality jobs at home, reinforcing a cycle of lost opportunities and the continued departure of many Nepalis abroad in search of employment. A staggering 82 percent of Nepal's workforce is in informal employment, far higher than global and regional averages.² Nepal is also highly exposed to natural disasters and climate shocks – it is the second most vulnerable country globally to mortality risk from multiple hazards,³ including earthquakes, natural disasters (including those exacerbated by a changing climate), and disease outbreaks. Growth and development in Nepal cannot happen without sustained efforts to reduce risks, prepare for crises, and build resilience across the economy to these threats.

2. **Two critical development challenges – (i) job-creating growth and (ii) resilience to natural disasters, including those caused or exacerbated by climate change – are the foundation upon which the World Bank Group (WBG) is building its FY25-FY31 engagement.** Underpinning these are other challenges such as limited connectivity, which hampers growth, jobs, resilience, and access to services, especially given the country's diverse geography and topography. The three-tier federal system, the cornerstone of Nepal's post-conflict democracy, remains weak, reinforcing the persistent need to build public institutions to deliver results.

3. **This Country Partnership Framework (CPF) outlines the strategic approach to the WBG's proposed engagement in Nepal for FY25-31.** The design and priorities of this CPF are informed by a comprehensive analytical and evaluation program,⁴ a broad-based consultative process, and, critically, the Government of Nepal's 16th Development Plan (FY24/25-28/29) which lays out its national development priorities. The WBG's engagement in Nepal is grounded in a rich tradition of partnership with the government, development partners, the private sector, and civil society – and this new CPF builds on that legacy. This CPF is unique in that the WBG has partnered with the Asian Development Bank (ADB) to undertake a fully joint country strategy planning approach. As ADB and WBG together account for around 70 percent of total official development assistance to Nepal – financing nearly one-fourth of the central government's capital expenditure⁵ – and have a strong track record of cooperation in sectoral investment and policy dialogue, management from both institutions decided to take this collaborative approach to the next level by jointly preparing both strategies. Consultations with the government and other stakeholders at the federal, provincial, and local levels were held jointly, and a fully coordinated framework for sectoral engagement has been developed.

¹ Staff calculations.

² Nepal Living Standards Survey IV (NLSS, 2024). In line with the Government's definition, individuals engaged in subsistence agriculture are excluded from the calculations.

³ Nepal Climate Risk Country Profile 2021: <https://tinyurl.com/ycke3bpk> and Ministry of Forests and Environment, Government of Nepal. 2019. Climate Change Scenarios for Nepal for National Adaptation Plan.

⁴ Including but not limited to the streamlined Systematic Country Diagnostic (SCD, 2024); Completion and Learning Review (CLR, 2025); Country Economic Memorandum (CEM, 2025); Country Climate and Development Report (CCDR, 2022); NLSS, 2024; Public Expenditure Financial Accountability Assessment (PEFA, 2024); Nepal Human Capital Review, 2025; and other strategic documents of the Government.

⁵ Based on Red Book data for fiscal year 2020/2021.

4. **The CPF aims to balance the dual challenge of building institutions for sustained, lasting development and delivering near-term impact and results.** To do so, it introduces two principles for prioritizing and programming WBG interventions.

- **Principle 1: Exclusive Focus on Two Development Challenges.** The two central development challenges – (i) job-creating growth and (ii) resilience to natural disasters – form the framework through which the WBG will structure the annual programming for its analytical, advisory, and lending work. An additional element is the cross-cutting issue of helping strengthen the public sector institutions to meet these challenges. Over the CPF period, the expectation is that the program will be almost fully reorientated to exclusively address these two challenges.
- **Principle 2: Balancing Ambition for Transformation and the Need for Near-term Results.** With some notable exceptions, Nepal has faced serious challenges in recent years in translating its externally financed projects and programs into tangible outcomes. While systemic problems in public service delivery are at the core of this, a critical lesson learned is the need to reduce complexity and risk in the bulk of the program. This CPF, therefore, envisions programming with greater differentiation between complex, ambitious, and high-risk/high-reward engagements (envisaged to make up about 20 percent of the program) and those that offer more immediate development dividends with less complexity and risk. The latter is expected to make up around 80 percent of the program, characterized by simplicity of design, the use of existing successful programs and engagements, and phased and programmatic approaches that divide important issues into “bite sized” pieces within a framework for medium-term action, often leveraging partners, to ensure long-term impact and strategic relevance. The goal of this differentiation is to implement a program that addresses Nepal’s significant development challenges while also achieving short-term impact.

5. **Building on the two principles, the CPF will focus on three Outcomes fully aligned with the WBG Corporate Scorecard:** (i) More and Better Jobs; (ii) Connected Communities; and (iii) Green Planet and Resilient Populations. As a cross-cutting theme, the CPF also intends to engage on public sector institutions, governance, accountability, and effectiveness to help strengthen the public sector’s capacity to absorb and utilize scarce resources effectively and deliver results for Nepal and its people. In addition, One WBG solutions will be scaled up as the CPF aims to incentivize private sector participation in priority areas.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1 Social and Political Context

6. **Ten years after a Comprehensive Peace Agreement ended the conflict in Nepal, the 2015 Constitution restructured the country from a unitary state under a monarchy into a federal democratic republic.** The 2015 Constitution introduced a three-tiered system of public administration comprising a federal government, seven provincial governments, and 753 local governments. Nepal’s political system is characterized by a multi-party democracy and, since the onset of democracy, governments have been coalition-based. The country’s political situation is fluid due to shifting alliances within successive coalition governments. Since the general elections of 2022, the government has undergone four reshuffles, exacerbating challenges related to high staff turnover, the consistency of policy implementation, and, overall, have hampered the ability of the public sector to fully deliver – leading to growing discontent with the political status quo.

7. **The rollout of the federal public administration structures has begun in earnest, but serious implementation challenges persist.** Since the adoption of the 2015 Constitution and the country’s transition to federalism, some progress has been made in establishing institutional structures, adopting key legislation, and building the core blocks of public financial management. At the same

time, building a fully functioning federal system has been slow, with key legislative reforms still pending and roles and responsibilities often not fully defined. Challenges persist in establishing a fiscal system that fully aligns with the needs of the new federal structure. Additionally, broader political challenges hinder the administrative and policy decisions required to help the system reach its full potential. As of April 2, 2025, close to 45 bills, including the Civil Service Bill, remain pending for discussion in Parliament. While local governments have been incrementally able to deliver on their mandates, considerable challenges persist, particularly at the provincial level, due to legal ambiguities and severe capacity constraints.

8. **Nepal's unique geography and strategic location between China and India offer opportunities for greater linkages to its neighbors and beyond but limit its economic flexibility amid competing strategic interests.** Greater integration in South Asia is seen as a path towards development for many countries in the region, with Nepal as an important anchor for trade and logistics. However, progress has been limited. While India has committed to buy 10,000 megawatts of electricity from Nepal over 10 years – a major development in unlocking Nepal's vast hydropower potential – translating that broad commitment into bringing concrete investments to fruition has been slow and challenging. Nepal faces a delicate balancing act in engaging with both neighbors.

9. **Nepal continues to face internal challenges in addressing critical social development needs.** While there has been notable progress in key health and education indicators in recent decades, challenges remain. A child born in Nepal today is expected to reach only 50 percent of his or her potential productivity. A fourth of children are stunted, a third of the working-age population lacks primary education, and learning outcomes are poor, hampering future productivity. Young women are increasingly out of the labor force, with 47 percent not in employment, education, or training (NEET), more than double the rate of young men (22 percent). A major barrier to improving service delivery is the fragmentation, and lack of clarity of roles and coordination between the three levels of government. Many national programs, such as basic health services, school education, and temporary employment programs, are managed at the local level, with minimal coordination between provincial and federal agencies. This lack of coordination disproportionately affects poor, vulnerable, and marginalized communities, who already face additional barriers in accessing essential services.

10. **Nepal is experiencing an early demographic transition and can significantly improve its development trajectory by maximizing the potential of its demographic dividend.** Reduced fertility and mortality rates are producing smaller and healthier families, a youth cohort, more workers, and fewer dependents. Consistent with the experience of most countries at similar levels of development, Nepal is also going through a process of spatial population redistribution through urbanization, with many Nepalis seeking opportunities in Kathmandu and secondary cities; a significant majority of Nepalis now live in urban and peri-urban areas. Nepal's demographic transition is uniquely intertwined with significant migration abroad – around 2.1 million Nepalis (approximately 7.4 percent of the population) currently live outside the country and recent data shows that the rate of migration is not slowing.⁶ Migrants tend to be young, working-aged men and the challenge of creating quality jobs in Nepal requires increasing and improving the distribution of opportunities, resources, and choices for all, especially for women, youth, and vulnerable and marginalized people. Gender gaps in paid work and unrecognized unpaid domestic and care work continue to negatively impact women's quality of life and productivity. Investing in health, education, skills, resilience, and an enabling work environment could help create more productive employment, taking advantage of the once-in-a-lifetime labor dividend.

2.2 Recent Economic Developments and Outlook

11. **Remittances contribute to economic resilience but have failed to ignite sustained stronger economic growth.** Over the past decade, real GDP grew at an average rate of 4.2 percent – a

⁶ Nepal Labour Migration Report 2022, Ministry of Labour, Employment and Social Security. <https://tinyurl.com/2wdze5mk>

commendable performance given multiple external shocks, including the 2015 earthquakes and the trade supply disruptions along the Indian border in 2015-16, but below that of regional peers. Remittances, accounting for around one-quarter of GDP in FY24, have been the backbone of economic growth, sustaining private consumption and the services sector. Remittances have not translated into productivity increases or job creation. As a result, Nepal's income level remains below that of peer economies, and at its current trajectory, it would take nearly two decades to reach upper-middle income status.

12. **Structural bottlenecks constrain domestic economic growth and job creation.** Real exports have stagnated for decades and failed to contribute meaningfully to economic growth, partly due to an appreciating real exchange rate and domestic trade policies, including relatively high input tariffs on intermediate goods and raw materials. Poor transport and logistics infrastructure has further undermined export competitiveness. Manufacturing has steadily declined from an already low base, and the tourism sector remains underdeveloped. Hydropower, which could enable stronger growth and export earnings through affordable and green energy, has progressed too slowly to have a significant impact. Inadequate infrastructure, regulatory hurdles, and digital literacy gaps continue to hold back Nepal's digitalization efforts. Other structural challenges include the lack of adequate physical connectivity and weak governance. All these constraints have left Nepal unable to generate sufficient domestic jobs or achieve higher economic growth.

13. **Nepal's fiscal reliance on trade taxes has made public finances highly vulnerable to external shocks, while inflation and external imbalances remain challenges.** Average inflation has remained high, only recently falling below Nepal Rastra Bank's target of 6.5 percent in FY24, driven by declining non-food and services inflation amid lower global oil prices. Nepal has also struggled with persistent trade deficits, driven by the steady decline of nominal exports relative to GDP. Rather than broadening the tax base, governments have taken the predictable route of relying on trade taxes and de-facto tariffs, which accounted for nearly 45 percent of tax revenue over the past decade. This has not only introduced an anti-export bias but has also made public finances highly sensitive to external shocks. While the 2023 import restrictions temporarily reduced external deficits, they also led to a sharp drop in trade tax revenue, pushing the fiscal deficit to a decade-high of nearly 6 percent of GDP.

14. **Prudent debt management has helped preserve fiscal space, mitigating risks despite rising public debt.** Nepal is one of the few developing economies at low risk of external and overall debt distress under the Low-Income Country Debt Sustainability Framework. While public debt reached 42.7 percent of GDP in FY24⁷, more than half came from concessional external financing, which offers lower interest rates and longer maturities. This has kept debt servicing costs manageable and limited liquidity pressures. Additionally, Nepal's large foreign exchange reserves, bolstered by remittances, provide an extra buffer against external shocks, reinforcing macroeconomic stability.

15. **Economic growth is expected to accelerate in the medium-term but remains dependent on remittance-driven consumption and services.** Real GDP growth is projected to rise to 4.5 percent in FY25, close to historical averages. However, growth continues to be largely driven by private consumption and services. Without targeted policies to unlock high-potential sectors such as tourism and digital industries, Nepal risks continuing its pattern of slow structural transformation. Furthermore, downside risks, including geopolitical tensions, economic slowdowns in partner countries like India, and natural disasters, could weigh on future growth prospects. Nonetheless, Nepal has demonstrated resilience in managing external shocks, and ongoing support through the

⁷ This is based on the numbers reported by the authorities and, as such, do not account for the negative balance of the Treasury Single Account (TSA). Other numbers are as per the World Bank–IMF joint Debt Sustainability Analysis (DSA).

International Monetary Fund's (IMF) Extended Credit Facility and development partners will help sustain near-term macroeconomic stability.

Table 1. Key Macroeconomic Indicators

	FY21	FY22	FY23	FY24e	FY25f	FY26f	FY27f	FY28f	FY29f
Real economy (percentage change, unless otherwise stated)									
Nominal GDP, current prices (NPR, billions)	4,353	4,977	5,349	5,705	6,167	6,702	7,283	7,929	8,632
Real GDP growth (at market prices)	4.8	5.6	2.0	3.9	4.5	5.2	5.5	5.7	5.8
Consumer prices (period average)	3.6	6.3	7.7	5.4	5.0	4.5	4.3	4.2	4.0
Fiscal sector (as percentage of GDP, unless otherwise indicated)									
Total revenue and grants	23.3	22.9	19.3	19.4	19.2	19.4	19.7	19.9	20.1
Expenditures	27.2	26.1	25.2	21.9	21.7	22.2	22.6	22.8	22.9
Fiscal balance including grants	-4.0	-3.2	-5.8	-2.5	-2.5	-2.8	-2.9	-2.9	-2.8
Total public debt	39.9	40.5	42.9	42.7	43.2	43.3	43.4	43.4	43.3
Balance of payments (as percentage of GDP, unless otherwise indicated)									
Current account balance	-7.7	-12.5	-0.9	3.9	3.6	2.8	2.4	2.1	2.0
Exports of goods and services	5.1	6.7	7.0	7.6	8.7	9.5	10.0	10.1	10.3
Imports of goods and services	37.9	42.3	34.7	32.9	33.7	34.9	35.6	35.9	36.1
Remittances (as percentage of GDP)	22.1	20.2	23.2	25.3	24.9	24.5	24.3	24.1	24.0
Gross official reserves (US\$ billion, eop)	11753	9513	11709	15271	15571	15776	15853	15660	15364
Gross official reserves (in months of concurrent imports)	10.2	6.9	10.0	13.0	12.2	11.0	9.9	9.0	8.0
Memorandum items									
Population, million	29.5	29.7	29.7	29.7	..	..	..	..	..
GDP per capita, current prices (USD)	1253	1386	1378	1446	..	..	..	..	..

Sources: Nepal Rastra Bank, Ministry of Finance, National Statistics Office, and Financial Comptroller General Office for historical data; and World Bank for projections and estimates.

2.3 Poverty and Shared Prosperity on a Livable Planet

16. **Poverty and inequality have substantially reduced in Nepal over the last decade, primarily driven by remittances, although significant regional disparities in living standards remain.** Living standards have improved across the income distribution and in both urban and rural areas, with minimal differences across male and female-headed households. Inequality has also gone down. Utilizing the revised 2023 national poverty line, one-fifth of Nepal's population lives in poverty, with significant variations across Nepal's seven provinces. Poverty is highest in Sudurpaschim (34.2 percent) and Karnali (26.7 percent), while Bagmati (12.6 percent) and Gandaki (11.9 percent) have the lowest rates. Madhesh and Lumbini, with above-average poverty rates (22.5 and 24.4 percent) and larger populations, have the largest number of poor.⁸ These regional disparities pose political and social challenges, especially for the elderly and small children left behind due to migration. Targeted policies are needed to protect these groups and promote rural-urban integration, ensuring that disadvantaged areas are not solely reliant on transfers and remittances. With limited job opportunities at home and higher wages abroad,⁹ emigration remains a preferred option for Nepalis across the income distribution. Remittance-receiving households have increased over the past decade and per capita remittances have risen for both poor and non-poor households. Rapidly growing emigration has also indirectly impacted domestic wages in the non-agricultural sector. Rising wages in this sector have been another key driver of the observed reduction in poverty between 2011 and 2023. With rising remittances, increased demand for non-agricultural goods and services for non-farm labor has also pushed up non-farm wages and shifted employment towards non-agricultural jobs.

17. **Nepal's impressive progress faces significant risk from shocks, including health, economic, and disaster shocks, compounded by the lack of targeted policy instruments for the poor.** Structural vulnerability to individuals falling back into poverty remains high due to a weak domestic labor market

⁸ NLSS, 2024.

⁹ Migrant workers earned three times more than domestic workers on average.

and a focus on categorical social assistance programs that have limited reach among the poor and are not easily scalable in response to shocks. Nepal also faces increased risks due to natural disasters and a changing climate. Moreover, rural areas remain structurally reliant on agriculture, with 89 percent of rural households engaged in crop production, which is particularly vulnerable to natural disasters and climate hazards. The absence of a strong risk reduction and disaster risk management policy and institutional framework – along with still developing social safety net framework and programs – limit the capacity to mitigate and respond to such shocks.

18. Nepal’s substantial reductions in poverty have yet to generate equitable opportunities for women in the labor market. The country has made significant progress in secondary and higher education enrollment and some aspects of maternal health. However, these improvements have not led to equal participation in paid employment, with women’s labor force participation just at 24 percent compared to 53 percent for men. On average, women also earn 25 percent less than men, although the pay gap is less severe in formal employment. Their limited participation is driven by many factors and exacerbated by rigid social norms that shape educational and employment choices. Adolescent fertility remains high, girls are considerably underrepresented in science, technology, engineering, and mathematics, and women shoulder most of the unpaid domestic and caretaking work. Further, many forms of gender-based violence and child marriage remain prevalent.¹⁰ In an environment where remittances have pushed up both wages and reservation wages, women may find it challenging to secure employment that offsets the costs of family care, further limiting their participation in the labor market.

2.4 Main Development Challenges

19. Key analyses and Nepal’s 16th Development Plan broadly converge on a set of intertwined development challenges facing the country. The 2024 streamlined SCD (annex 3) concluded that the six constraints identified in the 2018 SCD largely remain relevant, although progress on addressing them has been uneven. These constraints relate to (i) weak public sector institutions cutting across all sectors; (ii) job creation and private sector investment; (iii) equitable acquisition and use of human capital; (iv) harnessing the potential of natural resources; (v) resilience to shocks; and (vi) getting more from migration. The Country Economic Memorandum identifies four areas where challenges persist, hindering growth and domestic job creation: (i) harnessing international migration for employment and welfare; (ii) real exchange rates, trade policy, and exports; (iii) realizing the opportunities for strategic sectors – like hydropower or tourism – to boost growth and create jobs; and (iv) strengthening the digital sector.

20. The 2022 Country Climate and Development Report (CCDR) identifies ways for Nepal to achieve its development objectives while transitioning to a more sustainable and inclusive development path. It recommends seven policy packages that can help Nepal meet the adaptation and resilience priorities identified in its Nationally Determined Contributions (NDC) and National Adaptation Plan as well as its own 2045 net zero target: (i) taking an integrated approach to water, agriculture, and forests; (ii) harnessing the hydropower opportunity and energy transition; (iii) managing sustainable urbanization; (iv) strengthening low-carbon resilient connectivity; (v) scaling up finance for resilience and low-carbon development; (vi) strengthening household and community resilience; and (vii) strengthening governance for climate change and disaster risk management.

21. Nepal’s development challenges converge with several global challenges identified by the WBG and regional challenges such as air pollution. While Nepal applies global knowledge and lessons from other countries to tackle these issues, its diverse landscape and susceptibility to environmental challenges have fostered innovative local solutions in areas such as community forestry, biodiversity protection, and energy access. For example, it is a global leader in building wildlife-friendly roads and

¹⁰ Police Headquarters Crime Investigation Department Women, Children and Senior Citizens Service Directorate. 2024. Annual Factsheet on Gender-Based Violence Fiscal Year 2080/81 (Shrawan to Ashad) July/Aug 2023 to Jun/July 2024. Naxal, Kathmandu.

has expanded its forest cover from 25 percent in the 1990s to 46 percent in 2022.¹¹ Nepal's expansion of its hydropower capacity is central to its entry into regional power trade through the Sub-South Asian Power Pool, which was initiated in 2022 when Nepal began trading power on India's power exchange.

22. **Nepal has faced increasing challenges in translating externally financed engagements into tangible development results.** The challenges in establishing a well-functioning public administration system manifest themselves in the implementation challenges faced by WBG- and other Development Partner-supported programs. The disbursement rates of WB operations have fallen significantly in recent years, reflecting the government's larger challenges in delivering development results domestically. Only 63.5 percent of Nepal's capital budget was executed in FY24. Several factors contribute to this situation, including (a) the incomplete transformation of the former unitary system of public administration into a three-tiered and decentralized one; (b) issues related to the independence of the civil services; (c) governance issues, broadly, including corruption, which have hampered the credibility of the public sector; and (d) a range of granular issues, from challenges with control and oversight entities to widespread procedural issues in areas such as land acquisition, tree cutting and civil works procurement, leading to risk aversion and bottlenecks in decision-making. And the key challenges which underpin this CPF – building a platform for job creating growth and addressing the resilience challenge – are profound and multifaceted; simple and short-term solutions for such complex issues are not obvious, especially given the challenges of Nepal's political and policy making apparatus. Making real and lasting progress in these areas will be contingent on deep reforms and a concerted effort across the political spectrum which has been largely elusive in recent years.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

3.1 Government's Program and Medium-Term Strategy

23. **Nepal's 16th Development Plan (FY24/25-28/29), approved in May 2024, is broad and ambitious.** Its primary goal is to achieve development, good governance, social justice, and prosperity through the structural transformation of the economy. Key areas of structural transformation identified include strengthened economic growth – also at the regional and local levels – enhanced production and competitiveness, productive employment, sustainable social security, and ecological sustainability and climate change. The Plan emphasizes building human capital, developing infrastructure and connectivity, and sustainable and resilient urbanization. It also highlights the importance of reducing poverty, increasing opportunities for women, an inclusive society, governance reform, financial management, and capital formation.

3.2 Lessons Learned and Feedback from Consultations

24. **The implementation of the FY19-24 CPF provides important lessons** (Box 1). The CPF focused on three areas that are still relevant for Nepal: (i) public institutions; (ii) private sector-led jobs and growth; and (iii) inclusion and resilience. The Completion and Learning Review (CLR, annex 2) rates the development outcome for the FY19-24 period as "Moderately Satisfactory". Eight of the twelve CPF objectives were either achieved or mostly achieved, three were partially achieved, and one was not achieved.

¹¹ Forest Research Training Center, Nepal.

Box 1: Key Lessons from the Completion and Learning Review (CLR) of the FY19-24 CPF

The CLR identifies several key lessons that inform the design and implementation of this CPF. These lessons emphasize:

- **Prioritization and selectivity:** There is a need for greater prioritization and selectivity considering Nepal's political economy challenges, federalism transition, and absorptive and implementation capacity, with a focus on long-term institutional strengthening.
- **Focused results architecture:** There is a need for a more realistic and focused results architecture for both public and private sector interventions, supported by investment in data generation capacity.
- **Engagement with development partners:** Sustained engagement with development partners is key to improving program effectiveness.
- **One WBG:** Scaling up the 'One WBG' approach, including IFC's and MIGA's programs, requires stronger cooperation, flexibility, and innovative solutions.

These lessons are also consistent with recommendations from ADB's Country Assistance Program Review (2024), including the focus on improving development effectiveness and private sector development.

25. **Stakeholder consultations were carried out jointly with the ADB at federal, provincial, and local levels of government and with representatives from the private sector, civil society, and development partners. An online survey targeted youth aged 18 to 35.** A key message from the consultations was the need to strengthen provincial and local level authorities' ability to plan and implement programs. Other messages emphasized the lack of economic opportunities and jobs for youth, which drives internal migration to the capital and international migration to India and other countries. The consultations also highlighted the need to enhance private sector engagement, leverage resources, and focus on agriculture productivity and commercialization. A 2024 Country Opinion Survey highlighted that the WBG is considered one of the most trusted institutions in Nepal. Stakeholders urged the WBG to ensure effectiveness through more accountability and transparency in the use of funds, and by considering the local context when developing policies and programs. Additionally, the WBG was encouraged to collaborate more with provincial and local governments and the private sector.

26. **The Independent Evaluation Group's (IEG) analysis of the WBG's support to Nepal between FY14-FY23 reported success in several areas but highlighted challenges in building institutions and reforming policies.** The 2024 Country Program Evaluation (CPE) noted achievements in areas such as infrastructure and disaster reconstruction – sectors largely free of political contention or where government programs preexisted. Evaluating WBG support for Nepal's federalism transition, private sector development and job creation, and climate and disaster resilience, the CPE recommends a focus on (i) promoting counterpart capacity and fostering coalitions for change among counterparts, stakeholders, and development partners; (ii) improving program implementation through enhanced technical support, proactive project restructuring, and more candid results monitoring; and (iii) considering political economy challenges during the program design and implementation stages, with a stronger focus on improving citizen engagement and strengthening subnational institutions.

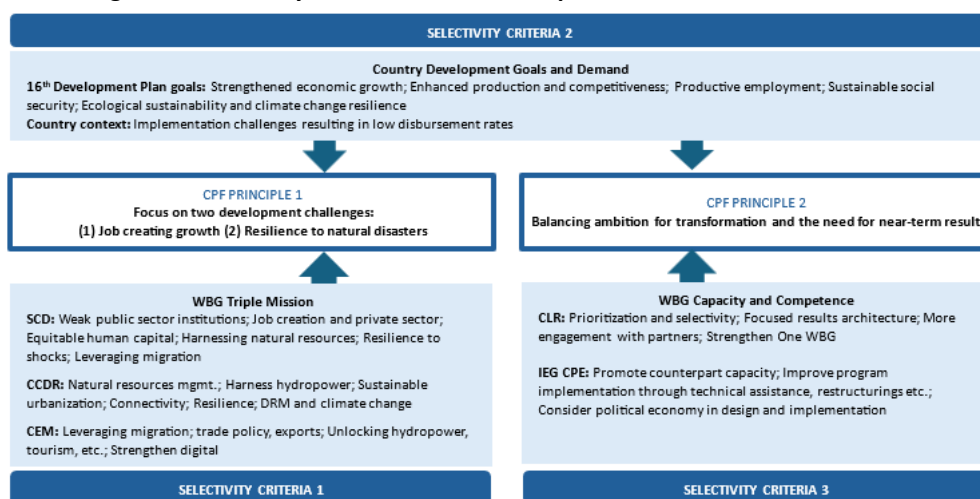
27. **This CPF reflects lessons from past engagements, IEG's evaluation, and stakeholder consultations.** A simpler results framework fully aligns with the Corporate Scorecard, and selectivity and prioritization are embodied in the CPF's focus on just two development challenges and on balancing ambition for transformation with the need for near-term results. 'Institutions' is identified as a cross-cutting theme to help strengthen public sector capacity to absorb and effectively utilize scarce resources and address implementation bottlenecks. Lessons learned are also reflected in both the joint strategy process with ADB and the identification of key sectors for One WBG engagement.

3.3 Overall Approach and Selectivity Going Forward

28. **The CPF will span a seven-year cycle, with the first five coinciding with Nepal's 16th Development Plan.** Although the main challenges remain broadly the same as in the previous CPF, this CPF incorporates several shifts based on the WBG evolution and lessons learned. It builds on two principles: an exclusive focus on two development challenges – job-creating growth and resilience to

natural disasters (Principle 1) and balancing ambition for transformation and the need for near-term results (Principle 2). The CPF uses the three standard selectivity criteria: (i) WBG Mission to end extreme poverty and boost shared prosperity on a livable planet; (ii) Country development goals and demand; and (iii) WBG Capacity and Competence (Figure 1).

Figure 1: Selectivity Criteria and CPF Principles: What and How



Selectivity Criteria 1: WBG Mission in the Context of Nepal’s Development Challenges

29. **The deep analytical work conducted in recent years, along with routine WBG analytical work to understand the dynamics of the economy and society in Nepal, have helped to hone a focus on the two central challenges at the heart of Nepal’s development pathway:** (a) lack of sustainable, and job-creating growth; and (b) Nepal’s extreme exposure to natural disasters, including those caused by and exacerbated by climate change; as well as the foundational and cross-cutting issue of the public sector’s weak capacity to deliver results. These are fully consistent with the findings of the SCD and other analytical underpinnings of the WBG’s engagement in Nepal.

Selectivity Criteria 2: Nepal’s Development Goals and Client Demand

30. **The proposed CPF Outcomes align with Nepal’s 16th Plan and its commitment to environmental sustainability and social inclusion, and priorities identified during CPF consultations.** Binding constraints include the government’s absorptive and implementation capacity, as well as demand. Priority will be given to areas with strong political will for reform, absorptive capacity, or proactive efforts to address bottlenecks. Further selectivity will be based on the need to balance ambition for transformation with near-term results, weighing trade-offs between complex, high-risk/high-reward engagements and more immediate, achievable interventions grounded in a realistic assessment of constraints. This will ensure that while supporting Nepal’s long-term goals remains critical, efforts are directed toward areas where tangible progress can be made within the CPF period. Additionally, commitment to providing a budget and making funds available at the level of government responsible for implementation will also be important.

31. **The CPF will remain flexible to adapt to factors, including demand and needs, that may change during the strategy period.** Given the relatively limited IDA program compared to Nepal’s extensive development needs and successive governments’ views that borrowing, no matter how concessional, should be focused on infrastructure and growth-related operations, the WBG will use the range of instruments at its disposal to maintain a robust engagement in complementary sectors. This includes advisory and analytical work and partner-supported activities financed through grants and is planned to cover areas like environmental management, human capital development, and public sector capacity building and institutional strengthening. In the immediate term, fewer new IDA-

financed operations in health and education are likely. However, as the broader development aid landscape evolves, the WB will adjust its program to both complement partners with growing programs and help fill the gaps left by those adjusting their priorities and/or scope of support. The WB will remain engaged in areas critical to the jobs and skills agenda, complementing partners' engagements in developing foundational skills and labor market-relevant skills for young people. As such, engagement will pivot to largely focus on the development of a well-functioning safety net (if there is demand), which has been identified as central to the country's resilience agenda.

Selectivity Criteria 3: WBG Capacity and Competence

32. **The WBG's strengths lie in leveraging financing, guarantees, knowledge, and expertise across the WB, IFC, and MIGA, as well as in enabling and mobilizing private capital.** The CPF proposes a strengthened emphasis on One WBG solutions, scaling up engagement, programmatic approaches, and leveraging knowledge. Considering the limitations in Nepal's legal framework and policies, the WBG's engagement in the early years of this CPF will likely focus on reforms and investment needed for job-creating growth, especially related to the investment climate for domestic and foreign private sector development. Depending on success in this area, IFC and MIGA will step up their engagements to support the private sector. Greater use will also be made of innovative financial instruments, including guarantees through the WBG Guarantee Platform and capital market risk transfer instruments (like Catastrophe Bonds and international reinsurance products), which will help the program go beyond the relatively limited IDA financing available to mobilize private capital.

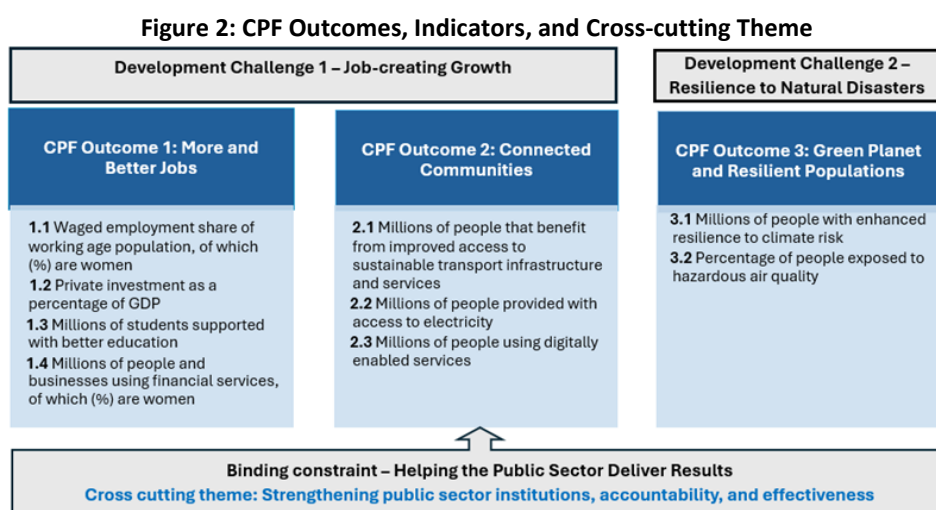
33. **The WBG's partnership with the ADB lies at the heart of the CPF. Beyond this, convening and coordination with the development partner community in Nepal has been central to the WBG's ability to identify critical reforms and development priorities, and these efforts will be further strengthened.** Close partnership with the ADB is seen as central to improving program effectiveness and increasing scale and replicability. The WBG and ADB have a strong track record of collaboration, including joint and parallel financing in areas such as education, gender, roads, water, and cross-financing the upcoming Upper Arun and Dudhkoshi Storage Hydroelectric Projects. Greater collaboration through the joint strategic approach with ADB will increasingly drive development during the CPF period towards jointly identified objectives and results in selected areas, considering each organization's comparative advantage. Early in the CPF period, the WBG and ADB are planning a joint policy-based engagement in the areas of business environment, jobs, and growth. Other areas include improving capital expenditure and public financial management. In some sectors, support will be complementary – for example, the development of the East-West Highway (a significant strategic road network) and upgrading provincial/local road networks. In addition, in the immediate term, while there is a large need for energy transmission infrastructure and investment, ADB and other partners are currently funding significant programs in this space.

34. **Based on lessons from the previous strategy and the program's pivot to respond to COVID-19, the CPF will dynamically adapt the program through the business planning process and a Performance and Learning Review.** This could include redirecting the program as priorities shift away from areas of low absorptive capacity, low demand, or where other financing has been secured and WBG support is no longer needed. In a changing country context, this will allow the WBG to focus on emerging opportunities where its support is best suited to help the government achieve scale and replicability. The program also needs to be flexible to assist the government in responding to shocks, including natural disasters and disease outbreaks.

3.4 Proposed CPF Program

35. **The CPF's overall goal is to contribute to the WBG's mission to end extreme poverty and boost shared prosperity on a livable planet and support Nepal in implementing its 16th Plan in select areas.** The CPF identifies three Outcomes that correspond to the two identified development challenges: job-creating growth and the need for greater resilience to natural disasters, including

those caused, or exacerbated, by climate change. Within the framework of these development challenges, the WBG will measure its impact through the CPF Outcomes selected as proxies for the program: More and Better Jobs; Connected Communities; and Green Planet and Resilient Populations (Figure 2). Connectivity is essential for both services and resilience, but it is also a crucial pre-condition for job-creating growth. Given that it is a sizeable part of the WBG’s program in Nepal, it has a dedicated Outcome in the CPF framework. The CPF also identifies strengthened public sector institutions, governance, accountability, and effectiveness as a cross-cutting theme and intermediate step to help the public sector deliver results. While the Outcomes and the selected indicators do not encompass all activities supported by the WBG throughout the 7-year CPF period, they represent the majority of the program, with measurable metrics to track results.



CPF Outcome 1: More and Better Jobs

36. **This Outcome supports key building blocks for job-creating and sustainable growth to create more and better jobs.** These include (i) building a better and more investment friendly business environment with enabling reforms for private sector-driven growth and investment; (ii) supporting urban centers and critical job-creating sectors like tourism; and (iii) improving the quality of education and skills for the labor market. It will be measured by the following indicators from the Corporate Scorecard:

Indicator 1: Waged employment share of working age population, of which (%) are women (client context indicator)
Indicator 2: Private investment as a percentage of GDP (client context indicator)
Indicator 3: Millions of students supported with better education
Indicator 4: Millions of people and businesses using financial services, of which (%) are women

Better Business Environment for Private Sector Growth and Investment

37. **Major policy reforms and investments are needed to shift the economy toward dynamic growth.** Nepal’s current growth model, heavily reliant on remittances and consumption, has proven resilient but is insufficient to meet the country’s ambitious development targets. On the supply side, the quality of skills is a binding constraint for productivity, a challenge exacerbated by outward migration which makes it harder for firms to retain skilled professionals and offer competitive opportunities. High turnover leads to increased training costs and disruptions in productivity, further deepening the challenges of workforce stability and economic competitiveness. Low levels of foreign direct investment (FDI) hinder the transfer of managerial know-how and the diffusion of the latest technologies, which are critical drivers of improved firm performance. At the firm level, low productivity stems from considerable factor market and regulatory constraints, particularly those that facilitate domestic competition between firms, the entry of productive firms, and the exit of less productive ones. Nepal’s cities, where the bulk of total factor productivity-driving investments will

take place, have potential but lack a conducive environment for investment and job creation and require substantial investments in livability and competitiveness to attract the employment-creating industries Nepal aspires to have, as well as institutional strengthening to deliver transparent and efficient services. Women's labor force participation in Nepal is low by international standards, with a large gender gap in skilled employment, unpaid labor, wage gaps, unequal access to opportunities, and restrictive social norms. Increasing female labor participation and productivity would require reducing household-work tradeoffs and ensuring equal access to assets.

38. The WBG intends to support policy reform, including monetary and trade policy, to promote competitiveness, FDI, and productivity growth. In the immediate term, the centerpiece of the WBG's focus on job creating growth is likely to be a Development Policy Credit (DPC) to address key business environment constraints to unlock private investment. This flagship engagement is likely to be prepared jointly with ADB under the Full Mutual Reliance Framework and with a single matrix for policy reform. The engagement would embody the One WBG approach, with a team of staff from IFC, WB, and ADB. Support will largely focus on challenges in the investment and enterprise landscape, attracting FDI, and the broader business environment challenges that limit investment and firm creation and expansion, including binding constraints on micro, small, and medium enterprise (MSME) growth and access to finance. The WBG also plans to focus on strengthening the investment climate for domestic and foreign investment and enhancing access to finance for underserved sectors, particularly those with job creation potential. This includes increasing access to finance for women, youth, and marginalized populations. These initiatives will be complemented by guarantees available under the WBG Guarantee Platform to encourage FDI and support the private sector, potentially with IDA Private Sector Window (PSW) resources. Other efforts will aim to leverage policy reforms to meet MSMEs' short-term capital needs, infrastructure financing, and business support services.

39. IFC will focus on the diversification of financing opportunities to expand financial inclusion. Through advisory and upstream interventions, improving Nepal's financial infrastructure will be prioritized, including credit reporting, secured lending (including de-risking instruments such as partial credit guarantees and secured transaction registries), and payment systems. With the greater focus on job creation and growth — especially in critical sectors such as tourism and digital — a focused effort to identify opportunities and finance these sectors, including through Public-Private Partnership (PPP) modalities, will characterize joint IFC, MIGA, and WB efforts. To support private capital mobilization by domestic and international investors, the WBG will work with the government to support reforms like those supporting hybrid financing instruments/structures, including mezzanine financing. Current regulations only allow pure debt or equity investments or both. Reforms that broaden the product mix would allow firms with different risk profiles to secure investments.

Support to Urban Centers and Tourism as Growth Engines

40. With urban areas increasingly concentrating people, assets, and opportunities, a renewed focus on improving the competitiveness of cities — both in the Kathmandu Valley and, equally importantly, in secondary cities — is integral to Nepal's medium-term growth and jobs challenge. With a population of four million, the Kathmandu Valley is the largest urban agglomeration in Nepal and one of the fastest-growing metropolitan regions in South Asia. It accounts for about one-third of the country's urban population and sustains a rapid pace of population growth. The Kathmandu Valley is also a major destination for internal migration due to its economic opportunities. If managed properly, growth in the Valley can generate productivity gains, economic opportunities, and rising incomes for the entire country. However, it suffers from uncontrolled growth, poor or nonexistent planning, traffic congestion, and significant environmental degradation. Housing is often substandard (and unsafe, given the area's high exposure to seismic risk), and major investments are needed in basic services like water supply, sewage and wastewater treatment, urban transport, and drainage. This rapid and unplanned growth has led to a situation where fairly urgent measures are needed to create a livable, competitive urban environment that not only provides a high quality of life to the Valley's

inhabitants but leverages Kathmandu's assets as a tourist and investment destination. Kathmandu's relatively mild climate – especially compared to other cities in the region – offers a natural competitive advantage that could be leveraged as heat stress and rising temperatures intensify across the region due to climate change. Beyond Kathmandu, a similar story characterizes medium-sized cities like Pokhara, Biratnagar, Janakpur, and the municipalities that make up greater Lumbini – rapid population growth and a dynamic of unplanned urban expansion, underinvestment in critical infrastructure for livability like water and sanitation and urban transport, and the need for better urban governance and institutions.

41. **Under this CPF, the WBG plans to put a greater emphasis on Nepal's transition to a greener, inclusive, and more resilient model of urban development in both the Kathmandu Valley and in medium-sized and secondary cities,** provided there is demand and buy-in from the various government actors and institutions involved. Support would likely include integrated urban planning and regeneration and, critically, investing in resilient infrastructure such as urban transport, water supply, and sanitation.

42. **Tourism remains relatively underdeveloped in Nepal, despite the country's impressive natural and cultural assets, but holds potential as a driver of private sector-led growth and jobs.** Some areas, like the greater Kathmandu Valley and Everest, are in a better position to develop this potential. However, other areas with significant tourism potential often lack adequate infrastructure, including regional connectivity and facilities, hampering efforts to attract visitors. Nepal ranks 105 of 119 countries in the Travel and Tourism Development Index 2024, with infrastructure and services identified as the primary constraints for tourism take-off.¹² Among these areas lacking infrastructure and facilities, Lumbini and Gandaki stand out for their numerous cultural sites, natural beauty, and viability to attract private investment in the medium term. However, both would require major investments to realize this potential. For example, Lumbini is part of the Buddhist circuit, tracing the historical Buddha's journey across India and Nepal. To capitalize on this potential, the government had developed a National Tourism Strategic Plan in 2016 that is still pending implementation.

43. **In addition to supporting connectivity, adopting a regional perspective, the WBG plans to explore partnering with the private sector to support the sustainable development and growth of Nepal's tourism sector in way which creates employment opportunities.** International experience shows that tourism can be an important sector for employing women, who currently comprise only 20 percent of Nepal's tourism workforce and are largely confined to lower-level positions. Enhancing employment opportunities and enhancing Nepal's overall tourism offer requires a multifaceted approach to engage local governments, the private sector, and communities. The WBG envisages a multiphase programmatic engagement in the tourism sector, comprising multiple operational and analytical engagements over time, that would support a comprehensive tourism strategy. These activities would potentially include operational efforts to enhance connectivity, provide support for private sector investment in tourism, finance critical investments in cultural assets and the resilience of existing infrastructure, enhance conservation of protected areas, and support critical policy interventions to ensure that Nepal's tourism sector can benefit from greater private sector dynamism and investment, including from MSMEs and foreign investors.

Quality of Education and Skills for the Labor Market

44. **While Nepal is at an early stage of its demographic transition, it utilizes less than 20 percent of its human potential due to weak education and health and limited employability and connectivity, especially among its poorest and most disadvantaged.**¹³ Increasing the competitiveness, productivity, and employability of the Nepali labor force, at home and abroad, will be a key element of leveraging Nepal's demographic dividend. Investing in better health and skills

¹² World Economic Forum, 2024.

¹³ Nepal Human Capital Review, 2025.

development is especially relevant for women and youth. At 35 percent, the share of youth not in employment, education, or training in Nepal is the highest in South Asia, except for Afghanistan. For female youth, the share is nearly 47 percent. The lack of skills constrains the employability of people and the job creation potential of firms. Enhancing women's access to high-growth sectors and employment opportunities requires strengthening school-to-work transitions and equipping girls and women with relevant skills and networks. Priorities include expanding education and training in digital literacy and science, technology, engineering, and mathematics while revitalizing the Technical and Vocational Education and Training sector to upskill women for the evolving job market.

45. **During the first half of the CPF period, the WB plans to continue supporting improved quality of education through an ongoing innovative sector-wide approach that anchors major investments from several development partners, including ADB.** The CPF envisages further engagement in the sector through a range of analytic, advisory, and investment tools, including potentially for quality of education and research and innovation. In the latter part of the CPF period, support is likely to gradually shift towards skills development for the labor market. Programmatic support is planned to enhance the development of skills essential for navigating a changing world of work, productive livelihoods, and local and global employment. The WB and ADB aim to work closely to articulate a comprehensive skills development agenda and requisite financing. To boost the efficiency and productivity of working populations, including informal workers, youth, and women, efforts will likely focus on strengthening foundational skills, digital skills, and soft skills such as teamwork and collaboration. Additionally, the WBG will aim to foster partnerships with industries to implement and scale up apprenticeships and on-the-job training, targeting crucial skills demanded by employers. This is likely to be complemented by continued support for a coherent employment delivery system at the federal and local levels, providing employment services to workers and employers. Improving the impact of efforts in the sector will require action and capacity at all three tiers of government, including through policy and advisory work to continue clarifying roles and responsibilities. An important agenda will be enhancing the capacity and accountability of local governments and schools in delivering education services.

CPF Outcome 2: Connected Communities

46. **Connectivity, including regional connectivity, is crucial for growth, jobs, resilience, and services, especially considering Nepal's geography and topography.** Support under this Outcome focuses on: (i) roads, bridges, and transportation systems; (ii) energy access and reliability; and (iii) digital connectivity and services. WBG engagement under this Outcome will be measured by the following indicators from the Corporate Scorecard:

Indicator 1: Millions of people that benefit from improved access to sustainable transport infrastructure and services
Indicator 2: Millions of people provided with access to electricity
Indicator 3: Millions of people using digitally enabled services

Transport Infrastructure

47. **Increased access to climate-resilient infrastructure and efficient services, including transport connectivity and green mobility, is paramount to job creation and facilitating private sector activity, tourism, productivity, and growth in Nepal.** Enhanced regional, national, provincial, and local connectivity ensures that businesses can access markets more effectively, local communities can better access economic opportunities, and tourists are encouraged by safe and reliable access to cultural and natural destinations. International experience demonstrates that investments in safe and reliable infrastructure and transportation services can also be critical to enhancing women's human capital, mobility, and labor force participation – all important challenges in Nepal. Investments in cross-border corridors can enhance regional trade and reduce costs. Moreover, investing in connectivity would also directly create construction, maintenance, and service sector jobs.

48. **Through ongoing and new investment lending, the WB plans to focus on national, provincial, and local connectivity.** Resilient roads, bridges, and transportation systems will be designed to withstand natural disasters, ensuring continued functionality, even in adverse conditions. As the two major development partners in the sector, with combined investments in transport infrastructure worth approximately US\$1.7 billion, the WB and ADB are closely coordinating their portfolios to achieve maximum developmental impact and avoid redundancies. They will also seek to enhance their sectoral collaboration. In addition to connecting people to sustainable transport infrastructure and services, engagements are also designed to increase the number of people with enhanced resilience to climate risk.

49. **A One-WBG approach is instrumental in delivering transformative transport solutions in Nepal.** With a focus on de-risking transport development and operation, synergy among the WB, IFC, and MIGA through the WBG Guarantee Platform will harness their collective expertise and resources. The WB has a large and ongoing program to provide financing and create a conducive regulatory environment for sustainable and impactful transport in Nepal. This engagement is expected to remain in place for the bulk of the CPF period. A frontier area where the WBG has had limited presence but is likely to expand is urban transport, linked to the broader urban development and competitiveness agenda. Here there is a significant need to further develop transparent regulatory frameworks and the kind of well-organized and efficient urban transport systems that have transformed urban landscapes in a number of developing countries, and which could, in principle, leverage PPPs, including attracting private investment and commercial financing. IFC will aim to mobilize private investments and commercial financing for transport projects with WB support in addressing viability gaps and enhancing project bankability for private sector participation, as well as de-risking through WBG Guarantee Platform instruments. By engaging with local and international private investors, IFC aims to attract the necessary capital for the development and operation of sustainable transportation systems in electric mobility, cable cars, and logistics and warehousing. There will be an emphasis on innovative financing solutions, including private capital mobilization and the use of concessional finance products that blend public and private funds to optimize project finance. MIGA can offer political risk insurance to foster confidence for foreign private investments in transport, potentially with IDA PSW involvement, while the WBG Guarantee Platform can leverage its instruments to support investment in the sector.

Increased Energy Access and Reliability

50. **Greater energy connectivity, reliability of supply, and its resilience are important to ensure that businesses can thrive and contribute to local communities' better access to economic opportunities and services.** Nepal's abundant hydropower resources, combined with its geographic location, have the potential to transform its economy and shape long-term economic development by providing low-carbon energy for domestic use and export. Despite its potential, hydropower remains vastly underutilized. By attracting private sector investments and fostering innovation in the renewable energy sector, Nepal can build a more sustainable, resilient, inclusive, and diversified economy, promoting both environmental health and green investments. The potential for low-cost, low-carbon hydropower is one of Nepal's few competitive advantages given its landlocked geography. The greater development of these abundant resources would do more than provide revenue from energy export; it could help provide the foundation for a broader transformation of the economy, particularly in the digital and tourism sectors.

51. **The WBG is planning to support renewable energy to enhance reliable energy access and regional energy trade through the development of selected large-scale hydropower plants, designed to withstand natural disasters and remain functional in adverse conditions.** Taking advantage of Nepal's energy resources and fully developing them requires investment throughout the energy value chain – from generation to transmission to distribution – exceeding the capacity of any single financier. In the immediate term, the WBG will likely continue to support transformative investments in

generation (complementing ongoing work to support distribution). However, given the uncertainties and long gestation periods associated with large generation projects, flexibility is needed to support the sector's investment needs. The WBG's ongoing program represents major commitments to engage in the development of hydropower in Nepal. This includes ongoing support for Upper Trishuli 1 – which received a MIGA guarantee, as well as financing from the WB, IFC, ADB, and other International Financial Institutions – and the proposed Upper Arun and Dudhkoshi Storage Hydroelectric Projects. Supported by upstream policy reforms, a continued focus on promoting private participation in hydropower generation, transmission, distribution, and regional power trade is critical to Nepal's climate change mitigation efforts and is central to the government's approach. WBG Guarantee Platform instruments could also facilitate increased private sector engagement in these areas. In addition to hydropower, other renewables will remain central to WBG engagement. MIGA and IFC will aim to utilize the IDA PSW for eligible projects to mitigate risk as required. Efforts will also be made to institutionalize a Public-Private Dialogue Platform on energy.

Digital Connectivity and Services

52. **Broadened and deepened digital development, including broadband connectivity and enhanced digital government services, are crucial for growth, responsive governance, and effective citizen-focused service delivery.** A focus on expanding reliable and high-speed broadband connectivity across the country, especially in rural and underserved areas, will be the cornerstone of the WBG's digital development plan for Nepal. Ensuring universal access to affordable broadband requires investments from various sources and significant mobilization of private capital. Another focus will be to increase access to digital services, and the WBG would support the efforts of the government to better utilize digital technologies in the provision of public services, an area where there has been little progress in Nepal compared to peer and neighboring countries. The WB's engagement in this area – which continues to be undertaken in close coordination with development partners – remains fully aligned with the Global Challenge Program on Accelerating Digitalization.

53. **The WBG is advising the government on policy reforms to improve the enabling environment for investments in broadband infrastructure while also strengthening institutions to ensure competitive and inclusive markets.** This focuses on regulatory changes to simplify the licensing process, encourage competition, and reduce the costs of deploying broadband infrastructure through initiatives such as infrastructure sharing. IFC is evaluating possible investment opportunities to expand broadband networks beyond the current areas to those that are traditionally underserved. These can potentially be supported by WBG Guarantee Platform instruments. The WB and IFC are also working to promote investment in Nepal's data hosting capabilities to modernize the country's data infrastructure to encourage private firms to invest in data center operations. IFC is exploring investment opportunities in this sector, potentially supported by Guarantee Platform instruments. The collaboration also includes developing a policy framework that enables PPPs to open the market to private operators, supporting innovation in cloud services. Planned investments in digital government enablers and services will improve access to digital services for all people and businesses. To develop the digital innovation ecosystem, the WB and IFC are aligning efforts to address the talent gap as Nepal faces a shortage of skilled IT professionals. A One WBG joint action plan will support the coordination of these efforts toward maximizing finance for development.

CPF Outcome 3: Green Planet and Resilient Populations

54. **As Nepal is prone to natural disasters, particularly those caused by, or whose impacts are exacerbated by, climate change, this Outcome will support strengthening resilience to these shocks, reducing risks, and preparing for crises.** It focuses on: (i) strengthening the institutional framework for crisis and disaster preparedness at all levels of government; (ii) investing in risk reduction in the built environment; (iii) strengthening household and community resilience through the development of adaptive safety nets and resilience of the public service delivery system, and (iv) supporting more

sustainable use of land and natural resources, including transformation of rural economies towards higher value-added agriculture. Progress in this area will be measured by the following indicators from the Corporate Scorecard:

Indicator 1: Millions of people with enhanced resilience to climate risk
Indicator 2: Percentage of people exposed to hazardous air quality (client context indicator)

Strengthening the Institutional Framework for Crisis and Disaster Preparedness and Investing in Risk Reduction in the Built Environment

55. **Increased preparedness to handle shocks is crucial as Nepal faces recurrent natural disasters such as earthquakes, floods (including from glacier lake outbursts), droughts, heat waves, forest fires, and landslides.** Compounding these inherent risks is Nepal’s limited financial and other capacity to reduce, prepare for, respond to, and manage these events – which have a disproportionate impact on the most vulnerable, as well as women and girls. Risk reduction will be central to the WBG approach, and this requires investment and policy reform across the whole of the economy; assets like roads, bridges, irrigation systems, and other infrastructure investments are exposed to risk in urban and rural areas of the country. The WB estimates that every US\$1 investment in risk reduction could save US\$4 of expenditure in reconstruction or remediation. Therefore, a “build better before” approach, instead of having to “build back better”, will be central to the WBG’s engagement.

56. **Building on its previous substantial engagement, including support for reconstruction after the 2015 earthquake, the WBG is well positioned to increase its support for climate and disaster-related risk preparedness.** During the CPF period, the WB aims to focus on supporting the strengthening of the policy and institutional framework and its implementation capacity and making critical investments for crisis and disaster preparedness and response. The program is likely to include engagements in risk reduction (for example, in the safe schools’ space), preparedness (for early warning systems including hydrometeorological systems, recognizing the importance of transboundary cooperation), and further support on disaster risk finance to help Nepal build a modern, layered approach to managing the financial impacts of disasters. This is likely to include exploring sovereign risk transfer instruments (including through the capital markets).

57. **IFC will continue to support the greening and increased resilience of Nepal’s financial sector through advisory services and/or investments for financial institutions and regulators.** This could entail credit lines for banks to on-lend for green initiatives, coupled with advisory services to the same banks to identify green assets and upgrade management information systems to accurately record pertinent information on their green portfolios. Other inventions could include supporting financial intermediaries to issue green bonds, partial credit guarantees, uptake in climate risk insurance products, and the adoption of integrated risk management frameworks that help banks comply with disclosure standards. WBG Guarantee Platform instruments could support such initiatives.

Strengthen Household and Community Resilience through the Development of Adaptive Safety Nets

58. **Shock-responsive social protection (SRSP) programs and systems can improve household resilience to shocks before, during, and after disasters, helping maintain livelihoods and reducing instances of falling back into poverty.** Despite high levels of vulnerability, only a third of Nepal’s population and only about half of the poorest households are covered by social protection programs. Existing programs are not shock-responsive, and delivery systems are fragmented and nascent, in part because 82 percent of workers are in the informal sector with limited access to safety nets.

59. **Contingent on client demand, the WB plans to expand its ongoing programmatic support to strengthen social protection delivery systems and support the implementation of shock-responsive social protection standards by leveraging digital solutions,** an area where it has a comparative advantage. Support would potentially include the development of an integrated social protection system, including an integrated social registry with demographic and socio-economic data of all

households which can be used to identify beneficiaries for regular social protection programs as well as disaster relief. Support would aim to reorient social protection towards promoting household resilience and strengthening the institutional arrangements for more coherent social protection policies and delivery.

Support more Sustainable Use of Land and Natural Resources and Transformation of the Rural Economies towards Higher Value-added Agriculture

60. **Managing the rural space as an integrated system and increased adoption of sustainable natural resource management can generate multiple benefits for people, prosperity, and the planet.** Agriculture and livestock contribute to over 21 percent of Nepal's GDP and agriculture employs 61 percent¹⁴ of the working population. It is also the largest employer of return migrants. A high percentage of women are engaged in unpaid low productivity work in agriculture and informal jobs, highlighting the need for structural labor transitions for young women to high productivity and paid jobs. Better management and use of resources coupled with sustainable development of value chains and local enterprises in agriculture and forestry – recognizing the importance of regional cooperation – can together increase growth, expand jobs, build resilience, and protect livelihoods, while also helping protect vulnerable infrastructure.

61. **The WBG aims to harness opportunities to improve livelihoods associated with sustainable use of agricultural land and other natural capital such as forests and water, in concert with other development partners, particularly ADB.** Such support would require an integrated systems approach to build on ongoing engagements. Elements could include the expansion of year-round irrigated agriculture, local enterprise development, and shifting agricultural expenditures from subsidies to public goods provision. Support to improve agricultural practices, develop more resilient landscapes, and invest in a systemic animal health system – key for achieving sustainable food systems – will be considered over the course of the CPF, although no immediate investments are planned. IFC, through advisory services and investments in both real and financial sector clients, will aim to support increased productivity and sustainability in agribusiness. Private sector investments could be supported by WBG Guarantee Platform instruments. Given the program's focus on jobs and growth, the WB is likely to focus any future engagement in the forestry space in areas where economic development is central to harnessing the economic potential of forests. Given the selectivity embedded in the CPF, pure conservation efforts would likely not be part of the WB's IDA-funded program during the CPF period. Engagements will aim to increase the number of people with enhanced resilience to climate risk but are also designed to contribute to more and better jobs under Outcome 1.

62. **Nepal ranks second globally for the share of population exposed to hazardous air pollution.** The Indo-Gangetic Plains and Himalayan Foothills region, which Nepal shares with Bangladesh, India, and Pakistan, has the world's worst air pollution. Considering the need for transboundary, multisectoral, and coordinated solutions to address this issue, a series of regional and national interventions are planned, aiming to strengthen air quality governance and reduce air pollution in critical sectors. The Series of Projects responds to evidence showing that coordinated, airshed-wide action is the cheapest, fastest, and most effective way to achieve cleaner air for residents in this sub-region. As part of this broader program, programmatic support to Nepal for clean air is planned, in partnership with ADB and other development partners, to address some of the main sources of pollution in Nepal.

Cross-cutting theme: Strengthening public sector institutions, accountability, and effectiveness

63. **Strengthening public sector institutions, accountability, and effectiveness are central to achieving results across all CPF Outcomes.** Robust institutions serve as a vital bridge to ensure

¹⁴ ILO estimates, 2023.

selected WBG interventions and the government's broader efforts translate into tangible development outcomes for Nepal. To help the public sector deliver services and be a credible partner to the private sector and civil society within Nepal's three-tiered system of public administration, the CPF identifies several priorities: (a) making further progress in defining the roles and responsibilities of the levels of government; (b) putting in place a well-functioning fiscal system with credible budget and transfer mechanisms to ensure that capital and recurrent costs are properly funded; (c) enhancing the capacity of government to deliver citizen-centric services; (d) continuing to develop transparent and accountable management of public finances and results monitoring; and (e) continuing to support Nepal's commitment to inclusive public sector planning and execution approaches, with a focus on ensuring the voice, participation, and leadership of women and marginalized communities, consistent with the commitment to do so in Nepal's 16th Development Plan. Success here will require all three levels of government to become more efficient and effective in planning and execution, areas where there remain significant capacity and implementation challenges. Addressing these issues requires a good understanding of the political economy to ascertain what is realistically achievable within the country's constraints and these issues require stand-alone work but are also central to the success of any WBG-supported sectoral intervention. The CPF period will likely see continued support through trust fund-funded technical assistance, analytics, and advisory support in these areas.

Gender, Social Inclusion, and Citizen Engagement

64. **Promoting the economic empowerment of women and creating a more inclusive and supportive environment for their advancement in the economy and society is a central pillar of the 16th Development Plan, and the CPF is aligned with this vision.** In support of the three CPF Outcomes, the strategic priorities in this regard are to: (i) reduce barriers to women's productivity and economic participation; (ii) support women in high-growth sectors, opportunities, and entrepreneurship; and (iii) mitigate the impacts of shocks for women and girls and strengthen their adaptive capacities. The WBG will continue to support Nepal's ambitious efforts to advance the economic empowerment of women, reduce gender-based violence, and support human capital accumulation, voice, and agency. This includes tracking progress on gender outcomes across the portfolio. Addressing gender-based violence is essential for female labor force participation and for broader social and economic empowerment. Considering Nepal's history of conflict and persistent multi-dimensional inequalities, and because social inclusion is a critical element of Nepal's 16th Development Plan, it remains an important element of WBG programming and engagement. Additionally, the Nepal Citizen Engagement Country Roadmap outlines a three-step strategy with actionable measures to create enabling conditions for citizen engagement, strengthen citizen engagement systems across the federal structure, and empower community-based participatory structures in the CPF priority areas.

IV. IMPLEMENTING THE CPF

4.1 Financing Envelope

65. **The CPF period straddles three IDA replenishment cycles – IDA20, IDA21, and IDA22.** Regular IDA resources or performance-based allocation (PBA) available to Nepal are expected to be approximately SDR1,500 million, equivalent to US\$1,956 million in FY26-31 (using the IMF end-January 2025 valuation rate).¹⁵ Some IDA20 resources will be made available for commitment in the final months of FY25. Additional IDA resources can be sought through the Private Sector Window, Crisis Response Window, Scale Up Window, and the new Global and Regional Opportunities Window (GROW) for “projects that address climate adaptation and mitigation and/or address global challenges while contributing to cross-border externalities”, as well as trust fund resources. Nepal may transition

¹⁵ Actual PBA is determined annually and will depend on: (i) total IDA resources available, (ii) the number of IDA-eligible countries, (iii) the country's performance rating, per-capita gross national income, and population, (iv) implementation of IDA's Sustainable Development Finance Policy (SDFP), and (v) the performance and other allocation parameters for IDA borrowers.

from an IDA-only to an IDA “Gap country”¹⁶ or to IDA-blend status. This transition depends on Nepal’s creditworthiness in FY26 and will occur if its Gross National Income (GNI) per capita exceeds the IDA operational cutoff, assuming the same financing terms for IDA21 as IDA20.

66. **The WBG anticipates robust engagement during the CPF period.** Proposed interventions under the CPF will be delivered through development policy financing (approximately one per year), performance-based operations, programmatic approaches (including relevant Global Challenge Programs), investment project financing, guarantees, analytical and advisory services, and technical assistance. Importantly, the WB envisages several critical programmatic engagements to underpin a significant part of the lending program – including, potentially, in (a) growth, jobs, and the business environment; (b) air quality; (c) integrated urban development; and (d) sustainable and job-creating tourism. The current active IDA portfolio in Nepal comprises 19 operations, including 12 investment projects, three program-for-results operations, and four Development Policy Credits (DPCs) including one with a Catastrophe Deferred Drawdown Option (Cat DDO). As of end-March 2025, net commitment is US\$2.0 billion, of which approximately US\$1.3 billion remains undisbursed. The recipient-executed trust fund portfolio is worth US\$141.25 million.

67. **IFC investments are expected to be at least US\$750 million during the CPF period, but contingent on PCM enabling reforms that create markets and enable greater private sector participation.** IFC intends to expand its pipeline by leveraging its advisory and upstream services and introducing innovative financing solutions into the Nepali market. IFC will continue to leverage and efficiently utilize concessional finance to ensure necessary risk mitigation and that incentives are provided to clients to enable them to meet their development objectives. However, scaling up IFC’s program in Nepal requires strengthening of its upstream enabling environment with necessary reforms that open the market for private sector investments, leveraging public investment management frameworks to identify opportunities for private sector solutions, and complementing investments with relevant advisory services to build capacity.

68. **MIGA does not have a predetermined envelope for guarantees over the CPF period.** As of end-February 2025, MIGA’s gross outstanding exposure in Nepal comprised the Upper Trishuli 1 Hydropower Project and stood at US\$87 million. MIGA provided guarantees against the Breach of Contract risk and utilized IDA PSW. Going forward, MIGA will seek to leverage the WBG Guarantee Platform, housed at the Agency, for additional opportunities to support private sector investment in Nepal, and potentially trade finance transactions, including those consistent with food and nutrition security. MIGA will also explore the use of IDA PSW and other first-loss facilities in its projects.

4.2 Operationalizing the CPF

69. **The longer time horizon of the CPF is complemented by the WBG Business Planning approach to support implementation.** Annual Business Planning exercises with the government and partners will inform pipeline programming, knowledge and analytical needs, and advisory services. These exercises will fully align with the government’s annual work program and budget cycle, incorporating consultations with the Ministry of Finance and the National Planning Commission to ensure alignment with government programs and plans. The process will follow a two-part approach. First, an annual portfolio review (jointly with the ADB) at the beginning of the FY (August-September) to address implementation bottlenecks and draw lessons from the ongoing program. Second, a planning and pipeline exercise in February-March to review progress toward results, reassess risks, and adjust the program and pipeline to respond to emerging opportunities and/or risks.

¹⁶ IDA-eligible countries that have a per capita GNI above the operational cut-off but are not creditworthy are “Gap countries” or those that have limited creditworthiness are “Blend countries.” Blend countries have eligibility for a blend of IDA and IBRD financing resources. The country’s creditworthiness is defined as ‘the ability to service new external debt at market interest rates over the longer term.’ Conversely, a lack of creditworthiness implies a need for concessional resources as part of a sustainable longer-term financing package for a country’s development program.

70. Addressing portfolio implementation challenges and utilizing more programmatic approaches to complex challenges will be front and center during the CPF period. The disbursement ratio in FY24 dropped to below 9 percent, reflecting wider challenges in executing capital investment in Nepal. Nonetheless, it is significantly below investments financed by the government and ADB. Of the 19 projects in the portfolio, six are at risk and two are problem projects as of end-March 2025. In line with Principle 2 of the CPF – balancing ambition for transformation and the need for near-term results – efforts will be made to focus on development results and portfolio differentiation. Going forward, the portfolio will have a smaller number of complex and ambitious, high-risk/high-reward engagements (envisaged to be around 20 percent), such as the programs in tourism and hydropower. The remaining 80 percent of the program will be characterized by simplicity of design, fewer project activities, and will use phased approaches to divide complex development challenges into more “bite-sized” pieces, utilizing more programmatic approaches like Series of Projects and Multi-phased Approaches. This would allow the WBG and Nepal to embed individual operations in medium-term strategic frameworks, ensuring aggregate impact while allowing for progress to be made incrementally and for learning to be more central to WB operational engagement. A good example is the planned Series of Projects to address Nepal’s air quality challenge. An issue as complex as improving air quality requires a long-term commitment across sectors and instruments (with investment by both the public sector and private actors, policy reform, surveillance, enforcement, etc.), but showing progress and learning what does and does not work well requires an approach which sequences interventions. So, the medium-term commitment is likely to be critically important but a relatively limited piece of the puzzle – the replacement of highly polluting industrial boilers and the development of the institutional framework for air quality monitoring and management – would be the first element in a longer-term program.

71. In addition to program differentiation, the WB will address implementation challenges through a set of more granular portfolio management efforts aimed at improving the performance of the WB’s operations. Ensuring alignment with the country context, appropriateness of design, and readiness for implementation will be ever more crucial elements of the WB’s managerial approach to its program in Nepal. For example, the WB has eliminated the need for counterpart financing of IDA-financed operations, as budget system rigidities have been an element of the implementation challenges. Moving forward, if projects are not performing, greater and more immediate efforts for restructuring or closure will be pursued. The WBG will also support the government in developing operational frameworks to reduce the turnover of project-engaged staff. For example, the WB will now include explicit clauses on staff turnover in its financing agreements. Hands-On Expanded Implementation Support will be utilized for both procurement and technical matters as appropriate. The WBG also intends to make greater use of the WB’s risk assessment tools at the portfolio level. Ongoing efforts to use the WBG and ADB’s convening power to address systemic implementation challenges will continue, including those related to financial management, procurement, and environmental and social risks.

72. Despite Nepal’s robust legislative and institutional framework for public financial management (PFM), weaknesses in the system have contributed to the implementation challenges, including low absorption of capital budgets.¹⁷ The PEFA Assessment 2024 highlighted limitations in macroeconomic forecasting, public investment management, policy-based budgeting, the implementation of budgeting procedures, and delays in the scrutiny of audit reports. The budget modality in use for results-based operations affects budget utilization. Declining revenue and increased recurrent expenditure have also led to budget cuts, including for WB-financed projects. A major analytical effort to better understand the broad challenges with capital budget execution is

¹⁷ As per the Nepal PEFA Assessment 2024, 15 out of 31 indicators were scored at a level of C or below. These indicators include Expenditure Outturn (D), Expenditure Composition Outturn (D+), Revenue Outturn (D+), Central Government Operations Outside Financial Reports (D), Fiscal Risk Reporting (D), Public Asset Management (D+), Macroeconomic and Fiscal Forecasting (D+), Fiscal Strategy (D), Internal Audit (D+), External Audit (D+), Budget Documentation (C), Procurement Management (C), Public Access to Fiscal Information (C), and Legislative Scrutiny of Audit Reports (C).

underway – in coordination with the ADB – that is expected to provide a range of policy and institutional recommendations to improve the government’s capital budget utilization, an issue which both affects the WB’s portfolio performance but is equally macro critical and is widely recognized as a drag on Nepal’s overall economic performance. Additionally, the WB aims to establish specific provisions for results-based operations within national systems and continue working with development partners on technical assistance for PFM reform.

73. **Nepal’s public procurement system faces several weaknesses.** This includes a disjointed legal framework inconsistent with international standards, which needs to be updated, a lack of a dependable procurement information system, and weak procurement planning and execution processes. Moreover, the underutilized electronic government procurement (e-GP) System and shortage of qualified staff further undermine procurement performance. The WB and ADB are seeking to assess Nepal’s procurement system using the OECD’s Methodology for Assessing Procurement Systems (MAPS) to guide future reforms. The WB is also initiating dialogue with oversight agencies (such as the Office of the Auditor General and the Commission for Investigation of Abuse of Authority) to facilitate consistent interpretations of public procurement laws and regulations.

74. **Nepal has national laws, regulations, and institutional setups to manage environmental and social (E&S) risks and impacts of development projects, but their implementation is weak.** Challenges such as regulatory gaps, capacity issues, funding, and E&S staffing shortages hinder effective project preparation and implementation. For instance, in infrastructure-heavy sectors, issues like land acquisition, forest clearance, community health and safety, and right of way further exacerbate institutional capacity gaps, delay projects, and cause cost overruns. Additionally, limited human resources and weak contract management capacity impede environmental protection agencies and project E&S personnel from effectively overseeing and monitoring compliance. At the provincial and local levels, the institutional setup and capacity remain nascent.

75. **The WB, together with ADB and other development partners, has supported reforms, capacity building, and harmonization efforts to streamline compliance with multiple donors’ requirements and strengthen E&S systems in Nepal.** Given the Environmental and Social Framework (ESF) simplifications and the reliance on Nepal’s E&S system for IPF projects with low and moderate risk, addressing key gaps in government E&S systems is important. This will require a strategic shift towards programmatic capacity building, professionalizing the E&S risk management practice, strengthening the country’s E&S approval processes, ensuring adequate E&S staffing based on risk levels, and building on the ESF Overview Assessment for project-level E&S due diligence among other things. The WB will prioritize scaling up ongoing training for the provincial and local levels, incorporating Environmental, Social, Health, and Safety capacity-building and ESF components in projects to strengthen institutional capacity, supporting policy reforms, enhancing digital tools for effective E&S monitoring and reporting, and working with academic institutions and policy think tanks to develop a cadre of skilled E&S professionals.

4.3 Partnerships

76. **Now more than ever, sustaining and strengthening collaboration is essential. This includes expanding the close partnership between the IFC, MIGA, and the WB to work as ‘One WBG’.** IFC will continue to work with the WB, MIGA, and other development partners to ensure its program delivery is in line with government priorities and the CPF objectives. Likewise, MIGA will seek stronger collaboration with the WB and IFC through WBG Guarantee Platform instruments to support the private sector. To this end, MIGA will leverage its regional representation for South Asia. In addition to the close collaboration with ADB outlined throughout the CPF, collaboration with other development partners is critical. The WBG will continue to work closely with development partners (Table 2) through joint policy dialogue, existing platforms, trust funds, and in specific operations, for example, the ongoing sector-wide approach in the education and health sectors and the PFM Multi-

donor Trust Fund. Collaboration among partners in supporting the government in improving service delivery, air quality management, digital development, and disaster risk management is also strong and will continue.

Table 2. Partnerships and Links to CPF Indicators

CPF Results Indicators	WBG	ADB	FCDO	SDC	Others
1.1: Increased waged employment	✓	✓	✓	✓	KWPF, ILO
1.2: Increased private investment-to-GDP	✓	✓	✓	✓	GIZ
1.3: More students with better education	✓	✓	✓	✓	Joint Financing Partners: ADB, EU, FCDO, GPE, Finland, Norway, UNICEF Non-Joint Financing Partners: JICA, WFP, UNESCO
1.4: Increased usage of financial services	✓	✓	✓	✓	KFW (GIZ), UNDP/UNCDF, AIIB
2.1: Improved access to transport infrastructure and services	✓	✓			JICA
2.2: Improved access to electricity	✓	✓	✓		KFW, FCDO, ADB, AIIB, JICA
2.3: More people using digitally enabled services	✓				
3.1: More people resilient to climate risk	✓	✓	✓	✓	KWPF, Australia, JICA, UNDP
3.2: Better air quality	✓				Green Climate Fund

4.4 Knowledge and Data

77. **The CPF will implement the current WB Knowledge Strategy for Nepal to ensure that knowledge activities are strategic, prioritized, and focused on key development challenges.** The Knowledge Strategy envisions focusing on the generation, sharing, and application of knowledge, including global knowledge, related to (i) growing the economy to deliver productive jobs and (ii) improving development effectiveness, in full alignment with identified development challenges. In addition to the core analytical products informed by global knowledge, strong client demand will guide the selection of knowledge activities and priority will be put on just-in-time delivery that can respond to changes in the environment. Advisory services will play a central role in supporting policy reform and designing and implementing operations and investments in areas such as growth, jobs, and investment climate. Efforts will continue to help build the capacity of clients in project implementation by disseminating knowledge and experiences related to procurement, financial, and environmental and social risk management. Exchange programs will also be part of enhancing the client's global knowledge and best practices. The knowledge program will engage not only the government, but also think tanks, academia, and other development partners. The WB and IFC will collaborate on advisory services, and the annual business planning, involving WB, IFC, and MIGA, will determine specific activities. In FY26, knowledge gaps across sectors will guide the selectivity of new knowledge platforms in support of CPF outcomes. To support policy development and results monitoring in line with the Corporate Scorecard, the CPF will also focus on supporting the generation of data to measure results under the chosen indicators.

V. MANAGING RISKS TO THE PROGRAM

78. **The overall risk to the CPF program is 'Substantial'** (Table 3). The political and governance, macroeconomic, institutional capacity for implementation and sustainability, fiduciary, environment and social risk categories are all rated as *Substantial*.

Table 3: Risk Rating for CPF FY25-31 (SORT)

Risk Categories	Rating	Risk Categories	Rating
Political and governance	Substantial	Institutional capacity for implementation and sustainability	Substantial
Macroeconomic	Substantial	Fiduciary	Substantial
Sector strategies and policies	Moderate	Environment and social	Substantial
Technical design	Moderate	Stakeholders	Moderate
Overall: Substantial			

79. **Political and governance (Substantial).** Nepal's political situation and political volatility pose substantial risks to CPF implementation, particularly with the protracted transition to a fully functioning federal state. Delays in clarifying responsibilities, funding, and accountability for local projects and services are leading to increasing tension between the national and subnational levels of government. The continued high turnover of government officials also remains a substantial challenge. The WBG will seek to address these risks by sustaining its dialogue with the government and major political parties and through regular engagement with line ministries to ensure the continuity of strategic dialogue during government transitions. The WBG is also strengthening its dialogue at the subnational levels, including through the provincial consultations undertaken for this CPF. Efforts are also being made to better consider political economy challenges and adapt interventions to the context of federalism. However, some risks, especially those related to the political economy, are exogenous and can only be partially mitigated.

80. **Macroeconomic (Substantial).** While Nepal remains at low risk of debt distress and has demonstrated consistent, if slightly anemic, growth, its dependence on remittances and the widening trade deficit pose significant risks to the economy. Any slowdowns in growth in partner economies would weigh on the incomes of Nepali workers abroad and reduce remittances, stall the post-pandemic recovery in tourism, and slow already sluggish exports. Higher commodity prices of key imports would slow the recovery in energy-intensive sectors, aggravate food insecurity, and impose fiscal costs. Susceptibility to environmental- and climate-related disasters could result in high fiscal costs of reconstruction and recovery. To mitigate these risks, the WBG is supporting the government in addressing regulatory barriers and persistent infrastructure gaps that impede private sector growth and domestic job creation, and in strengthening fiscal management that can withstand shocks.

81. **Institutional capacity for implementation and sustainability (Substantial).** Nepal's weak capacity is exacerbated by the incomplete transition to a three-tiered system of public administration that is causing uncertainty in collective and individual responsibility for implementation and results, leaving many critical positions vacant (especially at the subnational level), and has manifested as stagnation in decision-making and execution at all levels of government. In addition to working to deepen its understanding of political economy challenges that impact engagement in the federal context, the WBG will also continue to enhance its coordination with the Ministry of Finance to more consistently ensure project quality at entry and focus on the joint monitoring and periodic review of the portfolio to identify measures to improve implementation. Realism and simpler design, balanced with efforts to enhance the capacity of the implementing agencies, and closer results monitoring will be more systematically built into new projects.

82. **Fiduciary (Substantial).** Weak procurement and financial management capacity and systems as well as vested interests continue to pose substantial risks. To mitigate these, the WBG is supporting the strengthening of public financial management at the national, provincial, and local levels as well as procurement capacity. The next phase of the WB's PFM MDTF-funded project is under preparation to support the implementation of the government's forthcoming PFM Reform Strategy. The WB is also leveraging its influence to convene implementation and oversight agencies to enhance the quality of project audits. Procurement guidance notes on the application of procurement rules to clarify ambiguities and accelerate execution are being developed for each level of government.

83. **Environment and social (Substantial).** Regulatory gaps in E&S systems, inadequate technical capacity and commitment, and risks associated with tendering of PPPs (particularly transparency and openness in the tendering and management of PPPs) present a substantial risk to the CPF. To mitigate this and support the transition to the use of country systems for low and moderate risk projects, a WB-supported capacity-building program focuses on ESF requirements and strengthening country systems. Additionally, ongoing WBG and ADB coordination will be further deepened to address regulatory gaps and build government capacity where possible.

Annex 1: CPF Results Framework

Mapping of CPF Outcomes to WBG Scorecard

Scorecards Outcomes	CPF Outcome 1: More and Better Jobs	CPF Outcome 2: Connected Communities	CPF Outcome 3: Green Planet and Resilient Populations
2. No Learning Poverty	▪ 1.3 Millions of students supported with better education		
5. Green and Blue Planet and Resilient Populations			▪ 3.1 Millions of people with enhanced resilience to climate risk ◆ 3.2 Percentage of people exposed to hazardous air quality
8. Connected Communities		▪ 2.1 Millions of people that benefit from improved access to sustainable transport infrastructure and services	
9. Affordable, Reliable and Sustainable Energy for all		▪ 2.2 Millions of people provided with access to electricity	
10. Digital Connectivity		▪ 2.3 Millions of people using digitally enabled services	
14. More and Better Jobs	◆ 1.1 Wage and salaried workers (% of employment), of which (%) are women		
12. Gender Equality	▪ 1.4 Millions of people and businesses using financial services, of which (%) are women.		
15. More Private Investment	◆ 1.2 Private Investment as a percentage of GDP		
▪ WBG Results Indicator		◆ Client Context Indicator	

CPF Outcome 1: More and Better Jobs (CS)	
Client Context Indicator 1.1: Wage and salaried workers (% of employment), of which (%) are women	
Baseline: 21.5% (2022), of which 8.4% are women	Contribution
Client Context Indicator 1.2: Private investment as a percentage of GDP	
Baseline: 21.1%	Contribution
WBG Results Indicator 1.3: Millions of students supported with better education	
Baseline: 0	FY31 Target: 0.51 million (WB)
WBG Results Indicator 1.4: Millions of people and businesses using financial services, of which (%) are women	
Baseline: 0	FY31 Target: 0.74 million (WB), 2.2 million (IFC), of which 20% are women
Intervention Logic: Nepal has made little progress on jobs and private sector investments. Domestic labor markets are unable to provide productive opportunities for domestic workers, including for return migrants and more educated and qualified youth. Labor productivity is low, particularly in agriculture and services. It is crucial for the WBG to support the growth foundations that create more and better jobs. This includes fostering a better business environment for private sector growth and investment, supporting urban centers and critical job-creating sectors like tourism, as well as better-quality education and skills for the labor market. This also includes creating job and investment opportunities for qualified migrants to return home to contribute to economic growth. 1.1. Wage and salaried workers (% of employment), of which (%) are women. The WBG will focus on addressing challenges in the enterprise landscape including a focus on MSMEs, which contribute to 22 percent of Nepal's GDP and over 45 percent of all jobs and provide potential opportunities to returnee migrants. Support will also focus on urban centers and job-creating sectors like tourism as growth engines. 1.2. Private investment as a percentage of GDP. The WBG will support regulatory and policy reform, including monetary and trade policy, to promote competitiveness, FDI, and productivity growth. These initiatives will be complemented by potential guarantees from the MIGA/WBG Guarantee Platform to encourage private investment in Nepal. IFC investments (with mobilizations) across the real and financial sectors will also contribute to this. 1.3. Millions of students supported with better education. Improved access to secondary and tertiary education and skills training has not resulted in an increase in formal sector jobs. With ADB, the WB plans to support a comprehensive skills development agenda. To boost the efficiency and productivity of working populations, including informal workers, youth, and women, efforts will focus on strengthening foundational, digital, and soft skills. 1.4. Millions of people and businesses using financial services, of which (%) are women: Focus will be on improved access to financial services for individuals and MSMEs, including for women and underserved segments, as access to credit remains a binding constraint. The WBG plans to support improved access to financial services through investments and capacity building for financial institutions to improve access to credit and digital financial services. Lessons Learned and Knowledge: A renewed emphasis on policy changes required to facilitate private sector-led job creation is needed, especially to help students develop market-relevant skills, and expedite slow progress in strengthening regulation, reduce government intervention in markets, reduce tariffs and increase FDI. Scaling up the 'One WBG' approach, including through joint WB/IFC/MIGA teams that work toward agreed outcomes is critical to supporting government efforts to create more and better jobs by encouraging private sector investment. New knowledge is encapsulated in the Country Private Sector Diagnostic which identifies tourism, agribusiness, education, health, and IT as instrumental to enabling private sector growth, which will inform engagement.	

Risks and Mitigation: There is a risk of policy reversals in response to entrenched interests. This risk will be mitigated through public-private sector dialogue and a focus on supporting quick wins with widespread support while continuing dialogue on other policies.

Key ongoing engagements

IDA:

- Sustainable entrepreneurship ecosystem and rural market linkages
- Support youth employment services and labor market outcomes
- Equitable Access, and quality higher education focused on access, labor market needs, innovation, and support to governance of School Education
- Strengthen financial sector stability and TA
- Business renewal and job creation TA

Potential new engagements (18-24 months)*

IDA:

- **Jobs and Growth/Business Environment DPC (FY26)**
- **Sustainable and Inclusive Finance project (FY26)**
- **Tourism engagement Phase 1 (FY27)**
- **Youth Employment Phase 2 (FY27)**
- **Integrated Urban Development engagement (FY27/28)**

IFC:

- IFC investments/PPP in tourism, manufacturing, Banking for Women, Digital Finance
- Global Trade Finance Program (GTPF) to support SMEs
- Advisory support to financial institutions and DFS provider and capital market development
- Sustainable Tourism advisory

MIGA:

- WBG Guarantee Platform engagements, including in PPPs, trade finance guarantees, FDI etc.

CPF Outcome 2: Connected Communities (CS)

WBG Results Indicator 2.1: Millions of people that benefit from improved access to sustainable transport infrastructure and services

Baseline: 0

FY31 Target: 9 million (WB), 0.7 million (IFC)

WBG Results Indicator 2.2: Millions of people provided with access to electricity

Baseline: 0

FY31 Target: 0.46 million (WB), 0.06 million (IFC)

WBG Results Indicator 2.3: Millions of people using digitally enabled services

Baseline: 0

FY31 Target: 4 million (WB), 0.8 million (IFC)

Intervention Logic: Considering Nepal's diverse geography and topography and vulnerability to climate and environmental risks, connectivity is crucial for growth, jobs, and services. To this end, WBG support will focus on resilient roads, bridges, and transportation systems, access to reliable electricity and improved digital connectivity. Interventions under this Outcome will also contribute to improved access to markets and economic and education opportunities, supporting CPF Outcome 1. Additionally, they will provide a foundation for enhanced service delivery and disaster response, promoting resilience and supporting CPF Outcome 3.

2.1. Millions of people that benefit from improved access to sustainable transport infrastructure and services. Transport connectivity is critical to job creation and facilitating private sector activity and productivity. The WBG will focus on national, provincial, and local connectivity. Resilient roads, bridges, and transportation systems will be designed to withstand disasters, ensuring continued functionality even in adverse conditions.

2.2. Millions of people provided with access to electricity. Energy connectivity and resilience are important for market access for businesses, economic opportunities for local communities, and tourism. To this end, WBG support will focus on renewable energy to enhance reliable energy access and regional energy trade, including through large-scale hydropower projects.

* LEGEND: **RED** indicates more complex, higher risk – higher reward operations; and **GREEN** indicates operations characterized by simplicity of design, building on current engagements and hence lower risk.

2.3. Millions of people using digitally enabled services. Broadened and deepened digital development, including broadband connectivity and enhanced digital government services, is a crucial element for growth, responsive governance, and effective citizen-focused service delivery. A focus on expanding reliable and high-speed broadband connectivity across the country to enable digital services, especially in rural and underserved areas, will be the cornerstone of the WBG's digital development plan for Nepal. This includes addressing three areas within the digital economy: broadband policy reforms, data hosting, and innovation ecosystem development. Another focus will be to increase access to digital services. The WB and IFC are also working to promote investment and use in Nepal's data hosting capabilities, which could be supported by MIGA guarantees.

Lessons Learned and Knowledge: Nepal's mountainous terrain and vulnerability to natural disasters necessitate infrastructure that can withstand and respond to natural hazards and climatic events such as floods, landslides, and earthquakes. Although private investment in hydropower has a limited direct potential for jobs, it has strong potential for private sector investment due to more reliable and cheaper electrification and other positive spillovers. New knowledge from the Nepal Digital Diagnostic points to regulatory and policy barriers, including an outdated legislative framework, weak enforcement of laws and regulations, and complex licensing schemes.

Risks and Mitigation: In addition to procurement risk, more specifically, there is a risk of enduring inadequate coordination between the implementing agencies, utility relocation, tree cutting and replenishment and permitting for quarries and concrete and asphalt plants, that could continue to cause significant delays in infrastructure development. This risk will be mitigated by the set-up of interministerial bodies tasked with expediting decision making.

Key ongoing engagements

IDA:

- Transport infrastructure, strategic and rural roads, regional connectivity
- Construction and maintenance of resilient bridges
- Cross border trade and competitiveness
- Rural Infrastructure management, capacity building and governance support
- Energy sector reforms, renewable and hydropower energy generation.
- Inclusive Digital Transformation policy support and TA
- TA on Urban and E-mobility
- TA for operational support on Social Protection and Jobs to address knowledge gaps

IFC and MIGA:

- Upper Trishuli 1 Hydropower (with IDA PSW)

Potential new engagements (18-24 months)

IDA:

- Electricity Supply Reliability Improvement Project (FY25)
- Digital Nepal Project, digital government services and broadband access (FY26)
- Upper Arun Hydroelectric Project (FY27/28)

IFC:

- Investments and PPPs in hydropower, transport, including for electric vehicles.
- Investments and PPPs for digital connectivity
- Advisory on environment and social advisory on bankability and improvement of standards in hydropower

MIGA:

- Potential WBG Guarantee Platform engagements in energy and infrastructure

CPF Outcome 3: Green Planet and Resilient Populations (CS)

WBG Results Indicator 3.1: Millions of people with enhanced resilience to climate risk

Baseline: 0

FY31 Target: 11 million (WB), 0.8 million (IFC)

Client Context Indicator 3.2: Percentage of people exposed to hazardous air quality

Baseline: 70.3% (2023)

Contribution

Intervention Logic: Nepal faces recurrent natural disasters with limited financial capacity to manage these risks. Enhancing the sustainability of infrastructure and natural resources and building resilience to shocks for communities and the economy are critical. The WBG plans to support the strengthening of the institutional framework for crises and disaster preparedness at all levels of government, more sustainable

use of land and natural resources, and the transformation of the rural economies towards higher value-added agriculture, and, provided there is demand, the development and institutionalization of shock-responsive social protection.

3.1. Millions of people with enhanced resilience to climate risk. The WB will support policy and institutional reforms to strengthen disaster risk preparedness and response capacity, as well as risk reduction and community resilience. A Cat-DDO and related programmatic support will help improve Nepal's preparedness for climate and disaster-related risks. Support in the areas of resilient infrastructure, irrigation, and sustainable landscapes, including forests, also contribute to this indicator target. IFC will continue to support the greening of Nepal's financial sector through advisory services and/or investments for financial institutions and/or regulators.

3.2. Percentage of people exposed to hazardous air quality. Nepal ranks second globally for the share of population exposed to hazardous air pollution. Addressing the air quality in Nepal is crucial for people, climate, and livability, and hence by extension, for jobs and growth. A series of regional and national interventions are planned, aiming to strengthen air quality governance and reduce air pollution in critical sectors.

Lessons Learned and Knowledge: Critical for building resilience is an approach that reduces risk exposure through the direct mitigation of disasters and climate hazards and strengthens the financing and coping mechanisms for when they do occur. Risks related to recurrent disasters exacerbated by climate change vary across Nepal's diverse terrain and mitigation requires a spatially differentiated approach. Inclusive forest user groups have been critical to the equitable sharing of the benefits of improved forestry productivity and environmental sustainability. New knowledge relevant to this outcome comes from the 2022 CCDD which emphasizes an integrated network approach to water, forests, and agriculture.

Risks and Mitigation: The risk of opposition to climate-smart agriculture and changes in forestry and water management practices will be mitigated by dialogue with all stakeholders and by supporting policies that help ensure that the benefits of changes are retained within the communities and businesses that implement them.

<u>Key ongoing engagements</u>	<u>Potential new engagements (18-24 months)</u>
IDA: • Policy support to Green, Resilient, and Inclusive Development including climate resilience, forest management and Carbon Financing TA • Governance in Water and Urban Sectors and TA • Sustainable entrepreneurship ecosystem and rural market linkages • Irrigation, agriculture productivity, food and nutrition security and water management and TA • Disasters including climate induced disasters and health emergency support • Forestry Management and TA	IDA: • Modernization of Rani Jamara Kulariya Irrigation Project - Phase 3 (FY25) • Nepal Clean Air and Prosperity Project (FY26) and subsequent phases in FY27/28 • Social Protection Phase 2 (FY27) IFC: • IFC investments to support greening of financial sector and farmers (e.g. climate smart agriculture) • Investments in agribusiness and IFC Advisory related to agribusiness and climate smart agriculture. • Investments in infrastructure and transport that support reduction in emissions MIGA: • Potential WBG Guarantee Platform engagements in projects that support climate risk resilience and/or contribute to emissions reduction

Annex 2: Completion and Learning Review

**Document of
The World Bank**

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**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COMPLETION AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP FRAMEWORK
FOR
NEPAL**

FOR THE PERIOD FY19-FY24

**Nepal Country Management Unit
South Asia**

**The International Finance Corporation
Asia Pacific**

The Multilateral Investment Guarantee Agency

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FISCAL YEAR¹⁸

July 16 - July 15

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2024)

Currency Unit = Nepali Rupee (NPR)

US\$1 = NPR 133.40

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	GDP	Gross Domestic Product
AS	Advisory Services	GHG	Green House Gas
ASA	Advisory Services and Analytics	GoN	Government of Nepal
BRCRHP	Building Resilience to Climate-Related Hazards Project	GRID	Green, Resilient, and Inclusive Development
CAR	Capital Adequacy Ratio	GSEEP	Grid Solar and Energy Efficiency Project
Cat-DDO	Catastrophe Deferred Drawdown Option	GTFP	Global Trade Finance Program
CCB	Climate Co-Benefits	HEI	Higher Education Institution
CCDR	Country Climate and Development Report	IDA	International Development Association
CE	Citizen Engagement	IEG	Independent Evaluation Group
CERC	Contingent Emergency Response Component	IFC	International Finance Corporation
CLR	Completion and Learning Review	InfraSAP	Infrastructure Sector Assessment
CPF	Country Partnership Framework	IPF	Investment Project Financing
CPS	Country Partnership Strategy	IPFMRP	Integrated Public Financial Management Reform Project
CSA	Climate Smart Agriculture	MDTF	Multi-donor Trust Fund
CSO	Civil Society Organization	MIGA	Multilateral Investment Guarantee Agency
CPF	Country Partnership Framework	MIS	Management Information System
DE	Development Effectiveness	MoF	Ministry of Finance
DFI	Development Finance Institution	MoFAGA	Ministry of Federal Affairs and General Administration
DNA	Digital Nepal Acceleration	MSMEs	Micro, Small, and Medium Enterprises
DP	Development Partner	NDC	Nationally Determined Contribution
DPC	Development Policy Credit	NEA	Nepal Electricity Authority
ESG	Environmental, Social, and Governance	NIRTTP	Nepal-India Regional Trade and Transport Project
EVENT	Enhanced Vocational Education and Training Project	NLSIP	Nepal Livestock Sector Innovation Project
EVM	Effective Vaccine Management	NLSS	Nepal Living Standards Survey
E&S	Environmental and Social	PASA	Programmatic Advisory Services and Analytics
FANSEP	Food and Nutrition Security Enhancement Project	PEFA	Public Expenditure and Financial Accountability
FCGO	Financial Comptroller General Office	PFM	Public Financial Management
FCI	Finance, Competitiveness, and Innovation	PforR	Program-for-Results
FCNA	Federalism Capacity Needs Assessment	PIU	Project Implementation Unit
FCPF	Forest Carbon Partnership Facility	PLR	Performance and Learning Review
FCV	Fragility, Conflict, and Violence	PMU	Project Management Unit
FWG	Federalism Working Group	PPCR	Pilot Program for Climate Resilience
FDI	Foreign Direct Investment	PPP	Public-Private Partnership
F4G	Finance for Growth		
GBV	Gender-Based Violence		

¹⁸ Fiscal year for Government of Nepal

RMDC	Rural Microfinance Development Centre	TA	Technical Assistance
SCD	Systematic Country Diagnostic	TF	Trust Fund
SDC	Swiss Agency for Development and Cooperation	UNDP	United Nations Development Program
SFM	Sustainable Forest Management	UT-1	Upper Trishuli-1
SME	Small and Medium Enterprise	WB	The World Bank
SNG	Subnational Government	WBG	World Bank Group
SREP	Sustainable Renewable Energy Program	WHO	World Health Organization
SSA	Social Security Allowance	YETI	Youth Employment Transformation Initiative
SSDP	School Sector Development Program		

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NEPAL FY19-24 COMPLETION AND LEARNING REVIEW

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NEPAL FY19-24 COMPLETION AND LEARNING REVIEW

Country Partnership Framework (FY19-23): Discussed by the Board of Executive Directors on August 7, 2018
Performance and Learning Review: Discussed by the Board of Executive Directors on January 17, 2022

I. INTRODUCTION

1. **This Completion and Learning Review (CLR) assesses the implementation of the World Bank Group's (WBG) Country Partnership Framework (CPF) for Nepal (FY19-23),** extended until FY24 through a Performance and Learning Review (PLR). It assesses the achievements of the CPF program and WBG performance and derives lessons to inform the forthcoming CPF.

2. **Nepal made remarkable improvements in living standards over the last decade.** Nepal's poverty rate decreased from 25.16 to 3.57 percent between 2011 and 2023.¹⁹ Improvements were supported by economic growth but driven by factors like remittances and non-agricultural wage incomes. Over the past decade, real GDP grew at an average rate of 4.2 percent. In FY23, average inflation reached a seven-year high of 7.7 percent and the fiscal deficit was 5.8 percent of GDP due to the dependence of tax revenue on imports. The higher fiscal deficit and slower economic growth increased public debt, which reached 42.7 percent in FY24 (up from 27.2 percent in FY19). However, Nepal's public debt remains sustainable.

3. **The CPF reflected opportunities presented by Nepal's emerging federal context and was well aligned with Nepal's 2030 vision²⁰ and its 14th and 15th Periodic Plans.** The CPF was prepared as Nepal transitioned to a federal state under the 2015 Constitution, which introduced a three-tier governance structure – federal, provincial, and local. The WBG program in the CPF, informed by the Systematic Country Diagnostic (SCD), was implemented in this new federal structure and supported Nepal's goal to become a middle-income country (MIC) by 2030. The CPF organized WBG assistance in three interrelated focus areas: (a) strengthening *public institutions* for effective service delivery, (b) improving conditions for *private sector-led jobs and growth*, and (c) addressing *inclusion* in human development outcomes and building *resilience* to climate change, natural disasters, and health shocks.

4. **The PLR introduced several adjustments in the CPF to respond to the post-COVID-19 global and country context,** including five thematic shifts within the three focus areas to: (a) support Nepal's long-term development trajectory by pivoting to Green, Resilient, and Inclusive Development (GRID) as the overarching framework, (b) leverage COVID-19 relief and economic recovery to build back better, (c) leverage the WBG's comparative advantage to focus on fiscal federalism within the federalism agenda, (d) unlock human capital development for post-COVID-19 recovery and resilience, and (e) harness digital development for better service delivery.

5. **The CPF Development Outcome is rated 'Moderately Satisfactory'.** (See Annexes 1 and 2). The program made significant progress in reaching the 12 CPF objectives, with two fully 'Achieved', six 'Mostly Achieved', three 'Partially Achieved', and one 'Not Achieved'. These objectives were supported by 42 indicators (see Table 1).

Table 1: Outcomes of CPF Indicators

Ratings	Status	Percentage
Achieved	25 of 42	59%
Mostly Achieved	10 of 42	24%
Partially Achieved	3 of 42	7%
Not Achieved	4 of 42	10%

¹⁹ These figures are based on the 2011 poverty line. Nepal's new poverty line increases the real value of the poverty threshold by 70 percent and shows that 20.27 percent of the population lives in poverty (Nepal Living Standards Survey IV).

²⁰ Nepal's [long term Development Strategy, 2030](#) serves as a guide for graduating from Least Developed Country status, achieving the Sustainable Development Goals, and becoming a middle-income country by 2030.

6. **Overall WBG performance is rated ‘Good’, but implementation faced severe challenges.**²¹ Progress was made in the CPF’s 12 objectives (see above) and flexibility in its design allowed timely adjustment to the federal transition and COVID-19, and the pivot to GRID. Efforts were made to deepen collaboration within the WBG and with Development Partners (DPs) to leverage financing, partnerships, and technical expertise to support Nepal’s MIC ambitions. With that said, the CPF correctly identified risks, particularly political and governance risks arising from the federal transition, some of which materialized. The program faced significant challenges – implementation continued to be extremely slow despite proactive efforts such as regular monitoring, follow-ups at the highest and sectoral levels (in collaboration with other DPs), and a strong in-country presence of task team leaders (TTLs). Various factors contributed to these implementation issues, including inadequate focus on project readiness, challenges arising from the dynamic nature of the post-federalization political economy, weak institutional capacity, and exogenous factors like COVID-19 and frequent changes in government and bureaucracy.

II. PROGRESS TOWARD CPF DEVELOPMENT OUTCOMES

7. **The CPF’s overall Development Outcome is rated ‘Moderately Satisfactory’.** Annex 1 presents a summary of ratings by Focus Area and Annex 2 assesses progress for each objective²².

Focus Area 1: Public Institutions

8. **Nepal’s 2015 Constitution introduced a federal system, offering an opportunity to strengthen public institutions to enhance equity and inclusion.** To leverage this, WBG interventions focused on improving budget and revenue management as well as service delivery in the new federal system. This Focus Area is rated **Moderately Satisfactory** as both objectives were *mostly achieved*.

9. **Objective 1.1: Improved budget and revenue management was mostly achieved.** The multi-donor trust funded (MDTF) Integrated Public Financial Management Reform Project (IPFMRP) aimed to create an enabling environment for fiscal federalism implementation. Key IPFMRP results that support Objective 1.1 include (i) real-time availability of all tax collection information at the federal and provincial levels, (ii) gender-informed aspects in budgets across all provinces, (iii) citizen involvement in one or more stages of the budget process in more than 50 percent of subnational governments (SNGs), and (iv) publicly available consolidated public expenditure data for all SNGs. Despite this progress, capital expenditure spending continues to bunch in the last quarter of the fiscal year due to slow decision-making and weak procurement capacity. While WB provided support through the Programmatic Fiscal and Public Financial Management (PFM) Development Policy Credits (DPCs) and the IPFMRP, this challenge will persist without radical reforms. DPCs helped the Government of Nepal (GoN) establish a legal and regulatory framework for PFM systems and procedures in the federal context. However, the latest Public Expenditure and Financial Accountability (PEFA) Assessment (2024) shows mixed results in PFM performance. Improvements were made in the transparency of intergovernmental fiscal relations through transparent and rule-based fiscal transfers and efficacy in taxpayer registration and collection transfer to the treasury, but budget credibility declined with a higher variance between budgeted and actual expenditure and revenues. Further, the lack of an effective PFM reform coordination mechanism caused implementation delays.

10. **Objective 1.2: Strengthened institutions for public sector management and service delivery**

²¹ The WBG performance rating is based on a four-point scale – Superior, Good, Fair, and Poor. A ‘Good’ rating is given when the design and implementation of the program successfully contribute to key CPF Objectives and the timely adaptation to changing circumstances and priorities, and a sound program of ongoing activities is in place for the next engagement period.

²² Data cutoff: June 30, 2024, with some projects collecting data only until their closure date.

was mostly achieved. Progress was observed in improving management and service delivery in health, education, and social protection. The Strengthening Systems for Social Protection and Civil Registration Project helped expand digitized service delivery through technical and human resource support across the local level. This resulted in 738 of 753 local governments adopting online registration and 5.3 million civil events registered between July 2019 and June 2024. The Health Sector Management Reform Program contributed to improving Nepal's Effective Vaccine Management score²³ from 64 percent to 82.2 percent during the CPF period. Births registered within the first year of birth in the Management Information System (MIS) increased from 7,000 to 1,198,931 between 2018 and June 2024. In education, the School Sector Development Program helped increase funds disbursed to community schools in compliance with eligibility and utilization guidelines from 92.63 to 99.9 percent. However, per the WB Country-Level Institutional Assessment and Review, key global indicators did not reflect significant changes in Nepal's public institutional strength.

11. **WB commissioned Advisory Services and Analytics (ASAs) to strengthen the core functions and systems of public institutions for the federal transition.** To support newly elected officials, the Federalism Capacity Needs Assessment (FCNA) identified gaps between needs and capacity at all levels of government, laying the groundwork for federalism implementation and informing GoN programs like the Provincial and Local Governance Support Program. FCNA was also supported by the Swiss Agency for Development and Cooperation (SDC) and United Nations Development Program (UNDP). To make WB's federalism engagement more strategic, the PLR narrowed its focus to the implementation of fiscal federalism. To strengthen intergovernmental fiscal transfers, under the Nepal Fiscal Federalism Advisory Support Program, WB conducted a Fiscal Gap Analysis to assess SNGs' expenditure needs and revenue capacity. This analysis is contributing to GoN's ongoing review of the federal Fiscal Equalization Grants distribution formula. The Fiscal Federalism Update 2023 identified key reforms to improve fiscal federalism outcomes, including the need for a clear fiscal federalism roadmap.

Focus Area 2: Private Sector-Led Jobs and Growth

12. **Unlocking private sector engagement is critical to achieving Nepal's MIC target by 2030.** WBG interventions sought to support a shift in Nepal's economic structure to improve the environment for private sector investments and create income opportunities for the poor, youth, women, and the vulnerable. This Focus Area is rated **Moderately Satisfactory** as two objectives were *achieved*, two were *mostly achieved*, one was *partially achieved*, and one was *not achieved*.

13. **Objective 2.1. Improved power generation capacity and access to electricity was achieved.** During the CPF period, Nepal began exporting electricity to India during the monsoon season and continued importing during the dry season. The Grid Solar and Energy Efficiency Project (GSEEP) and the Sustainable Renewable Energy Program helped expand renewable energy capacity by 25 MW via a solar plant supplying the Nepal Electricity Authority (NEA) grid and a 4.94 GWh annual increase in off-grid biogas-based electricity. GSEEP helped supply 33 GWh of green electricity and upgraded and expanded 3,608 km of distribution lines, including substations, providing 500,000 people access to new or improved electricity services. The Nepal-India Electricity Transmission and Trade Project improved regional energy exchange by constructing 85 km of high voltage 400 kV transmission lines, enhancing the reliability of electricity supply through imports. The transmission lines are operating at capacity, with a maximum of 700 MW traded. The Energy DPC series²⁴ supported institutional reforms strengthening the sector's financial performance, including a plan for NEA staff efficiency, tariff reform

²³ The Effective Vaccine Management score is a standard score with nine parameters to determine the management and quality of vaccine management at the central, regional, and service delivery levels.

²⁴ The third Energy DPC was dropped due to legislative delays related to the Electricity Bill.

support, and operationalizing the Electricity Regulatory Commission. The MIGA and IFC-supported hydropower project, Upper Trishuli-1 (UT-1), and IFC's Nepal Hydro Sector Development Advisory Project contributed to an additional 661 MW of generation capacity (under construction or operational).

14. **Objective 2.2. Increased transport connectivity, improved maintenance, and road safety was partially achieved.** WB investments led to improvements in transport infrastructure. The Second Bridges Improvement and Maintenance Program helped increase the share of bridges in good and fair condition in targeted routes from 75 to 83 percent over 2018-24. A 12.17 percent increase in the population within a two to four-hour walking distance of an all-weather road in the targeted Terai and hill districts was achieved under the Project for Strengthening the National Rural Transport Programs.²⁵ Due to delays in recruiting a project management consultant for design works during the pandemic, the target of implementing the Safe Corridor Demonstration Program on 95 km of road was not met. Overall, road safety remains an issue, with fatalities and injuries costing 5.6 percent of GDP (WHO, 2020). Road accidents accounted for 2.9 percent of total deaths in Nepal in 2020.

15. **Objective 2.3. Improved financial sector stability and financial inclusion was mostly achieved.** WBG helped improve Nepal's financial stability and inclusion and enabling environment for long-term finance. Nepal's capital fund coverage²⁶ increased from 0.95 to 1.6 percent during the CPF period. WB's engagement in the agriculture sector helped increase access to finance for producer groups through subprojects. The Nepal Livestock Sector Innovation Project (NLSIP) helped 447 businesses attract US\$12.65 million in loans from over 30 financial institutions, with US\$5.95 million equity contributions. IFC implemented a programmatic approach to expand small and medium enterprise (SME) financing through commercial banks, committing US\$216 million during FY19-24. This complemented IFC MSME financing through microfinance institutions and private equity funds. This engagement has helped IFC's clients provide financing to 63,727 SMEs and 2,068,195 individuals.

16. **WB supported policy reforms targeting weaknesses in corporate governance, risk management, and the operational framework,** as identified in the Deposit and Credit Guarantee Fund's assessment based on WB Principles for Public Credit Guarantee Schemes for SMEs. The reforms are designed to increase green guarantees as a share of total new credit guarantees. The Finance for Growth (F4G) DPC series played a pivotal role in strengthening the stability of the financial sector by reinforcing the central bank's oversight and risk management capacity, including through the implementation of the Supervisory Information System. Additionally, the disclosure of climate risk exposure within loan portfolios, amendments to the Money Laundering Prevention Act, and revisions to the Banking and Financial Institutions Act strengthened regulatory governance and risk management.

17. **Objective 2.4. Improved regulatory environment for competitiveness was achieved.** The Nepal-India Regional Trade and Transport Project (NIRTP) helped improve transport and logistics networks by expanding and modernizing key border crossings and trade routes. This helped reduce transit times (from 61 hours to 54 hours for both export and import) and trade costs, facilitating smoother cross-border movement of goods and strengthening Nepal's connectivity with India and China. NIRTP also helped implement modern customs management systems and enhanced customs and regulatory bodies' capacity to streamline trade procedures through targeted training programs.

²⁵ In the Terai districts, the population within two hours walking distance from an all-weather road increased by 12.35 percent, whereas in the Hill districts, the population within four hours walking distance from an all-weather road increased by 11.81 percent.

²⁶ Capital fund coverage measures total capital as a percent of total insured deposits in the financial system.

18. **Objective 2.5. Improved income opportunities was *mostly achieved*.** To support income opportunities, agriculture projects co-financed agrifood SMEs and producer groups' investment plans, leveraged grant funding, and facilitated a stronger alliance between producer groups and private sector buyers. NLSIP and the Food and Nutrition Security Enhancement Project (FANSEP) supported select value chains and helped increase sales of commercial and nutritional products like milk. FANSEP beneficiary households experienced a 15.58 percent increase in income. The Youth Employment Transformation Initiative (YETI) Project and the Enhanced Vocational Education and Training Project II (EVENT II) led to temporary employment for 132,000 people and vocational training for 110,000 youths. YETI helped establish 740 Employment Service Centers at the local level, which register unemployed individuals and other job seekers and identify employment opportunities, among other functions. Around 82 percent of EVENT II vocational training participants found employment within six months. The training was pro-poor and pro-equity, offering financial incentives for female participants and individuals from disadvantaged communities. Nonetheless, the overall picture remains concerning. Over a third of Nepali domestic workers were self-employed or engaged in unpaid work in 2023. The population outside the labor force remains high among the secondary (52 percent) and tertiary (28 percent) educated, and unemployment rates are high across all education levels. COVID-19 impacted two in every five Nepali workers, and 22 percent of lost jobs remain unrecovered, while 23 percent transitioned to lower-quality employment.

19. **Objective 2.6. Increased Access to Digital Services was *not achieved*.** Internet access has increased in Nepal in the last five years. However, the Digital Nepal Acceleration (DNA) Project, aimed at supporting GoN's Digital Nepal Framework, had to be fully canceled after remaining in unsatisfactory status due to a change in GoN's position on its implementation arrangements. Inadequate progress in amending the Telecommunications Act led to a related prior action in the Second Fiscal DPC being dropped. Despite these setbacks, WBG has continued to engage on the digital agenda through regular dialogue with the private sector and GoN. Under the F4G DPC, WBG supported the adoption of digital payment systems via the Retail Payments Strategy, Interoperability of Payment Transactions, and QR code standardization, contributing to nearly tripling the use of digital payments in Nepal since July 2019.

Focus Area 3: Inclusion and Resilience

20. **Promoting greater inclusion and protecting the most vulnerable will enable Nepal's inclusive and resilient development.** WBG engagements in this Focus Area sought to operationalize Nepal's GRID agenda and mainstream the climate agenda across sectors. This Focus Area is rated ***Moderately Satisfactory*** as three objectives were *mostly achieved* and one was *partially achieved*.

21. **Objective 3.1. Improved equity in access to quality education was *mostly achieved*.** WB's support focused on results-based financing for GoN's School Sector Development Program (SSDP) through a Program for Results (PforR) operation, where it was instrumental in convening nine DPs. WB's support for SSDP contributed to (i) bringing back 68.7 percent of out-of-school children in fifteen disadvantaged districts to schools or learning centers and (ii) 75 percent of poor students achieving at least a 1.6 GPA in the 2020 Secondary Education Examination. WB also supported higher education, including in establishing engineering and other curricula in universities, strengthening quality assurance, and adopting digital solutions. The Higher Education Reforms Project helped establish sixteen autonomous academic programs at the Bachelor and Master levels in various universities. Aligned with market needs, autonomous programs foster an environment for active learning through project works, internships, and other activities.

22. **Objective 3.2. Improved access to services and support for the well-being of vulnerable groups was *mostly achieved*.** This objective was supported by WB interventions in the water and agriculture sectors and gender-based violence (GBV) prevention. The Rural Water Supply and

Sanitation Improvement Project provided 1,140,770 individuals with improved water supply. To address malnutrition among six to 23-month children and promote a nutrient-rich diet, FANSEP helped establish nutrition gardens for highly vulnerable households and supported nutrition field schools where existing mothers' groups received skill-based nutrition education. This improved the uptake of nutrition-rich foods significantly. The Integrated Platform for Gender-based Violence Prevention and Response Project improved GBV survivors' access to support services and justice. It supported a 24-hour toll-free helpline offering multisectoral services like shelter, psychosocial support, legal aid, and child support. Since 2017, 69,580 GBV survivors have benefitted from these services.

23. **Objective 3.3. Increased resilience to health shocks, natural disasters, and climate change was *partially achieved*.** Social protection in Nepal has limited coverage of the poor and lacks scalability during shocks. To strengthen this system, the Strengthening Systems for Social Protection and Civil Registration Project helped Nepal transition to an online civil registration system, digitize the Social Security Allowances (SSA) beneficiary database, and shift to electronic payments. Around 98 percent of 6,743 wards now register civil events online and all SSA beneficiaries receive allowances in their banks. To build resilience as natural disasters become more frequent, the Building Resilience to Climate-Related Hazards Project (BRCRHP) strengthened weather, water, and climate services by helping install 88 meteorological and 70 hydrological stations, one weather radar, and calibration labs. The Climate Adaptation and Resilience for South Asia Project helped enhance government policy, standards, and capacity on climate-resilient development and decision-making. The Earthquake Housing Reconstruction Project (EHRP) helped rebuild around 300,000 earthquake-affected houses to multi-hazard resilience standards and install 34 multi-hazard early warning systems in 13 municipalities. EHRP contributed to Nepal's overall shift toward more resilient construction practices and, together with a Catastrophe Deferred Drawdown Option (Cat-DDO), helped update the Nepal National Building Code 105 on Seismic Design of Buildings.

24. **WB supported disaster risk financing solutions** through a Cat-DDO, Finance for Growth and the GRID DPC series, EHRP, Contingency Emergency Response Components (CERCs) in projects, and Trust Funds (TFs). These include a Disaster Risk Financing Strategy, an Implementation Plan, and risk-based pricing for climate-related insurance products. Together, these lay the groundwork for an additional tier of non-sovereign private sector financing (via insurance products and/or catastrophe bonds) to address earthquakes and floods. The GRID DPC series is supporting policies to strengthen hydrometeorological network capacity, which will improve data by sequencing a series of disaster risk financing products. A Cat-DDO and Pandemic Emergency Financing supported GoN policies to improve technical and institutional capacity to manage climate change and natural disaster risks. The Cat-DDO helped create an enabling environment through the approval of the Disaster Risk Reduction and Management Regulation and National Climate Change Policy (2019) and provided US\$24.5 million to GoN following significant flooding events in 2020.

25. **Objective 3.4. Improved adoption of sustainable natural resource management was *mostly achieved*.** WBG engagements in the agriculture and forest sectors have helped increase resilience through the sustainable use of natural resources. WB Agriculture Project FANSEP helped 25,195 farmers (71% female) and Nepal Livestock Sector Innovation Project farmers 47,673 (48.3% female) adopt climate-smart agricultural (CSA) practices. IFC's Pilot Program for Climate Resilience Nepal advisory project helped an additional 12,000 farmers (43 percent female) adopt CSA practices. The Nepal Emission Reduction Program for Terai Arc Landscape used carbon financing to incentivize greenhouse gas (GHG) reductions through reduced deforestation and forest degradation, and by promoting sustainable forest management (SFM) and better land use across five provinces. The program, through 2021 emissions reduction purchase agreements, will make payments upon the independent verification of reduced emissions which will conclude around project closure. According to the GoN's report (under verification), between 2018 and 2021, there was a net decrease of

approximately 2.3 million CO₂e. The Forest for Prosperity Project is helping improve SFM in the federal context, with a focus on the Madhesh and Lumbini Provinces.

III. WORLD BANK GROUP PERFORMANCE

26. **WBG's overall performance is rated 'Good'.** The CPF enabled the WBG to respond to a changing global and country context and GoN's priorities. Although most of the planned IDA program was carried out, implementation remained a critical challenge due to an insufficient focus on project readiness. Further, the trend of frequent government changes, resulting in a high turnover of bureaucrats and project staff, contributed to delays in decision-making.

Design

27. **The CPF was aligned with GoN's development priorities.** The program was informed by GoN's aim to become a MIC by 2030, as outlined in its *Envisioning Nepal 2030*, and the 14th (FY16/17-18/19) and 15th (FY19/20-23/24) Periodic Plans. Of the six action areas in the SCD that reinforced GoN's development priorities and [IDA19 policy commitments](#), the program, based on WBG's comparative advantage, focused on three areas – strengthening public institutions, improving private sector-led jobs and growth, and promoting greater inclusion and resilience.

28. **Lessons from the previous Country Partnership Strategy (CPS) FY14-18 were incorporated into the CPF design.** The CPS was implemented during Nepal's period of federal transition, 2015 earthquakes, and trade disruptions, warranting flexibility. A similar approach continued in the CPF FY19-24, with not all engagements predetermined at the design stage to ensure flexibility and adaptability. In response to the COVID-19 pandemic, CERCs were introduced in all 11 new IPFs (compared to six in the CPS) and three IPFs were restructured to add CERCs. WBG also responded swiftly to COVID-19 by restructuring its portfolio, balancing the short-term need to protect lives and livelihoods with medium- to long-term opportunities for recovery. Recognizing the nascency of the federal Nepali state and its need for reforms and capacity building, the program also evolved to focus on policy support through an increased number of DPC operations (e.g., Energy DPC and GRID DPC series), which were not predetermined at the CPF design stage. Both ASAs and DPCs contributed to the design and implementation of core federal arrangements, including formulas for equalization grants, allocation of tax revenues across government levels, and expenditure mandates. Similarly, when DPCs were found to not address development challenges, the program dropped planned interventions (e.g., Third Energy DPC and Third Fiscal DPC).

29. **The CPF results framework could have been more streamlined, outcome-oriented, and realistic.** The results framework fails to capture some key results, such as the outcomes of the US\$700 million Earthquake Housing and Reconstruction Project. The results chain for some objectives could have been stronger. The Integrated Public Financial Management Reform Project was expected to support Indicator 1.1.1 on capital bunching, but its interventions were not comprehensive enough to notably influence it within the given timeframe. Greater focus on private sector engagement within the results framework would have been beneficial. Some indicators are output-oriented, like Indicator 3.3.3: 'Adoption of disaster risk financing and insurance schemes,' and some are not clearly defined e.g. Indicator 3.2.3 Number of Gender Based Violence (GBV) survivors have access to justice and support.

30. **The overall risk to achieving CPF objectives was assessed as *Substantial* at the CPF approval and PLR stages, with some risks materializing.** The risks were well-identified, and the mitigation measures were somewhat successful. Three High risks were identified: (a) political and governance, arising from federal transition, (b) fiduciary, related to weak governance and financial irregularities at the national and SNG levels that could increase in the early years of federalism, and (c) environmental

and social (E&S), including climate change. At the PLR-stage, efforts to strengthen federalism and improved engagement with political leaders and GoN officials led to political and governance risks being revised from High to Substantial. WB efforts to streamline E&S risk management capacity and improve the PFM system also lowered fiduciary and E&S risk ratings from High to Substantial. However, the risk related to political uncertainty remains unchanged. Since 2017, including after the November 2022 elections, Nepal has had three prime ministers, six government changes, and two dissolutions of the Federal Parliament's House of Representatives (as of June 2024), along with several changes in the cabinet and bureaucracy.

Program Implementation

31. **Lending remained high but project implementation slowed down significantly.** Between FY19-24, the program delivered over US\$2.4 billion in IDA commitments through 26 national (US\$1.6 billion) and two regional (US\$725 million) operations. US\$280 million of IDA financing was delivered in FY24. At the beginning of the CPF period, there were 24 operations with US\$2.2 billion in net commitments, of which seven were in problem status and 43 percent of the funds were undisbursed. As of June 30, 2024, the portfolio includes 24 projects with a net commitment of US\$2.3 billion, with seven projects (71 percent of net commitment) in problem status and 73 percent of funds undisbursed. About 57 percent of closed projects evaluated by IEG received "satisfactory" outcomes, at par with South Asia's average of 58 percent but below the global average of 80 percent.

32. **Project design became more complex due to the federalism transition, multi-sectoral engagements, and a greater mix of financing instruments.** WBG increasingly supported challenging, transformational projects to aid Nepal's MIC ambitions and federalism transition, recognizing that despite early-stage challenges and capacity limitations, federalism is vital for the country's long-term development. Nepal explored a mix of WB financing instruments, including multi-sectoral IPFs (50 percent) which included carbon financing, programmatic DPCs (28.9 percent), and PforRs (21.1 percent). While multi-sectoral collaboration enhanced engagement between sectors, limited coordination within GoN negatively impacted the implementation of multi-agency projects such as the Nepal Strategic Road Connectivity and Trade Improvement Project. Attempts to introduce IPF components providing TA in transport and education PforRs were unsuccessful due to GoN's reluctance to use credit funds for TA. While slow to implement, regional projects yielded benefits and paved the way for future cooperation and improvements. For example, the Nepal-India Regional Trade and Transport Project facilitated policy dialogue and agreements between the two governments to automate and streamline procedures.

33. **The program strongly featured policy operations with at least one DPC each year from FY17-24,** including three in FY19 and two per year in FY20, FY21, and FY24. The DPCs supported GoN's policy reforms and priorities, addressing key policy issues with the aim to aid the GRID transition and strengthen fiscal, financial sector, and sectoral (i.e., energy sector) governance systems. The ongoing GRID DPC series anchor GoN's transition to more sustainable, efficient, climate-resilient, and inclusive green growth. The Fiscal DPC series that concluded in FY24 supported GoN in strengthening the regulatory and institutional framework to protect the most vulnerable and support sustainable business growth while advancing GRID. The F4G DPC series supports GoN in strengthening financial sector stability and resilience, diversifying financial solutions, including green finance, and increasing access to financial services. Through the F4G DPC, IFC and WB helped GoN implement key 2018 Nepal Country Private Sector Diagnostic recommendations, such as a more flexible application of the interest rate cap on external commercial borrowings. Overall, reforms initiated with DPC support have been sustained.

34. **IFC expanded its program to address key development gaps, amid COVID-19's impact on private investment.** Its investment portfolio grew from US\$45 million in FY18 to US\$566 million,

including mobilization, as of June 30, 2024. Between FY19 and FY24, IFC committed US\$631.4 million in long-term financing, including mobilization, and utilized an additional US\$109.3 million in blended finance to de-risk and enhance the bankability of a private equity fund and two hydropower projects. Concessional funds were co-invested alongside IFC investments as senior debt, subordinated debt, and/or equity. IFC's main additionality was both financial (particularly longer tenor financing and resource mobilization) and non-financial (knowledge, innovation, and capacity building). For example, to better support SMEs, IFC introduced green financing and foreign currency syndication in commercial banks. Collaborating with eight other Development Finance Institutions (DFIs), IFC was the lead arranger for a US\$453 million financing package to UT-1, a 216 MW hydropower plant – one of the largest foreign direct investment (FDI) projects in Nepal. IFC also leveraged advisory services (AS) and upstream interventions across sectors, notably finance, hydro, environmental, social, and governance (ESG) practices, agribusiness, and tourism. IFC's advisory portfolio includes 19 ongoing projects budgeted at US\$8.9 million. Over the CPF period, eight AS projects were completed, of which seven had positive Development Effectiveness ratings (see Annex 6).

35. **MIGA's gross outstanding exposure in Nepal was US\$87 million as of end-June 2024.** This exposure is driven by a MIGA guarantee that supports the development, construction, operation, and maintenance of UT-1. MIGA applied its breach of contract guarantee instrument to support FDI in UT-1. UT-1 is aligned with MIGA's Strategy and Business Outlook FY18-20, which sought to promote FDI in IDA countries and support climate finance projects. For this project, MIGA worked with the WB, utilizing the IDA Private Sector Window, as well as with IFC, a reflection of a strong 'One WBG' approach. MIGA is currently exploring additional projects in renewable energy.

36. **ASAs helped bridge knowledge gaps, inform policy reforms, and create a base for WBG work on inclusion and resilience.** ASAs sought to address knowledge gaps related to jobs, strengthening local governments, poverty, and natural resource management identified in the SCD. The 2022 Public Expenditure Review (PER) provided reform recommendations that were promoted through the Fiscal DPCs. The 2024 PEFA assessment will inform the PFM strategy for all tiers of government, DP interventions, and the next phase of PFM MDTF support. An assessment of social protection systems, the Human Development PER, and the Human Capital Review informed project design and implementation. With DPs, WB set up the Federalism Support Platform to address gaps in the design and implement policy and regulatory frameworks for fiscal federalism. An ongoing GRID PASA anchors the shift to operationalize GRID as the national development vision. The Nepal Country Climate and Development Report (CCDR) strengthened the basis for investment and policy decisions in support of the Paris Agreement and informed WBG's lending and policy dialogue. The Disaster Risk Financing Strategy is expected to help streamline access to timely resources during emergencies by pre-arranging financing, plans, and systems. Findings from the Crisis Preparedness Gap Analysis are being discussed with GoN, the private sector, and others to bolster preparedness and response efforts. Overall, WBG engaged on and disseminated the findings of ASAs. However, core ASAs could have been sequenced better. More than five years lapsed between extended core ASAs like the Financial Sector Assessment Program and Fiduciary Assessment, limiting their ability to inform the program.

37. **Overall, the WBG deepened its engagement in the five thematic shifts introduced in the PLR, although progress varied.**²⁷ The WBG supported GoN's COVID-19 response by restructuring and repurposing funds from several projects, financing vaccine procurement (including the first 2 million doses used to vaccinate frontline workers), conducting analytical work to assess vaccine rollout readiness, and preparing a communications strategy for vaccine uptake. These efforts contributed to Nepal's high COVID-19 vaccination rates. WBG's COVID-19 Nepal Business Pulse Survey provided

²⁷ WBG validated the PLR and the thematic shifts through broad consultations, including with federal and subnational governments and a Public Perception Survey reaching 1,000 respondents.

insights into the pandemic's impact on SMEs. IFC supported commercial bank and private equity fund clients to help MSMEs weather the pandemic's impact, and IFC advisory projects supported the tourism industry's recovery. The WB portfolio also evolved to strongly reflect GRID objectives and efforts to strengthen fiscal federalism and improve human capital outcomes. While several projects supported the adoption of digital technologies for better public service delivery, changes in GoN's stance on its implementation arrangements stalled the now-canceled DNA project. Similarly, conflicting views among government agencies on GoN priorities and implementation modalities prevented the materialization of the proposed Unlocking Human Capital for a Prosperous Nepal Project.

38. Internal WBG collaboration was complementary and productive but can be strengthened. This collaboration delivered key policy reforms for private investments through DPCs and ASAs. UT-1 was jointly supported by IDA/Private Sector Window, a MIGA guarantee, and IFC's advisory, equity investment, and loan facilities. WBG also collaborated on the CCDR. Opportunities for more WBG collaboration exist in sectors like renewable energy, digital, tourism, urban development, and transport. One MIGA staff member is now based in New Delhi, co-located with WB teams, and covers South Asia, enhancing the potential for collaboration.

39. CPF implementation was characterized by strong collaboration and coordination with DPs to improve development effectiveness. Dialogue and engagement were robust with DPs across sectors. The FCNA, jointly undertaken with UNDP and financed by the UK and SDC, provided recommendations on the institutional and functional needs of the newly elected SNGs. To support investment in human capital, WB contributed through PforRs in health and education, together with other DPs. WB also enhanced its engagement with DPs at the strategic level. It also led DPs in supporting GoN's GRID ambitions by helping establish a Nepal GRID Partnership Platform and develop the GRID SAP. The SAP defines a multi-sector program to drive an economy-wide shift to a GRID path and outlines external financing from major DPs for ten priority transitions over 10 years. To better support private sector development, IFC fostered partnerships with DFIs active in Nepal. These partnerships have enabled greater policy advocacy through platforms like the DFI-DP Working Group, increased financing for investment projects across sectors (e.g., private equity, hydro, and banks), and expanded IFC's advisory program across sectors with funding from donors.

40. Project implementation slowed down significantly. The disbursement ratio from FY19 to FY22 heavily relied on EHRP, masking limited disbursements in other projects. Approved in response to the 2015 earthquakes as an emergency response, US\$700 million was provided through two additional financings. EHRP's emergency nature and ring-fenced implementation arrangements, along with a relatively stable core project team supported by specialized consulting services, contributed to rapid service delivery and high disbursements. Following its closure, the disbursement ratio for investment projects dropped from 23.7 percent in FY19 to 9.2 percent in FY23 and further deteriorated to 8.8 percent in FY24. Implementation is affected by frequent government changes, rapid turnover of civil servants and project staff, slow decision-making largely stemming from a fear of oversight agencies, procurement delays in large infrastructure projects (e.g., in the transport sector), inadequate focus on readiness criteria (e.g., the DNA Project (which had to be fully canceled), transport sector projects, water project, and forestry project), and low SNG implementation capacity (e.g., water governance and urban governance). Most projects approved during the CPF period did not consistently meet project readiness criteria before board approval, mainly due to the pressure to deliver what was programmed for the fiscal year. This led to long delays before their first disbursements.

41. Despite WB's multipronged approach to overcome systematic implementation bottlenecks, challenges persist. WB worked closely with GoN to address systemic implementation issues through

Annual Portfolio Performance Reviews, escalating high-level issues, and building capacity on WB financial and procurement policies and E&S risks. WB also pursued proactive cancellations where required (full: DNA project, partial: Rural Economic Enterprise Development Project and COVID-19 Project to name a few). Despite a strong in-country presence of 90 percent of TTLs and/or co-TTLs to provide implementation support, overall implementation lagged. Projects were generally underprepared and ambitious and implementing agencies at SNGs remain nascent with weak institutional capacity. Moreover, the lack of GoN ownership of procurement reforms, limited use of the e-GP System, weak procurement capacity and planning, and slow procurement of technical assistance firms to plug capacity gaps led to implementation delays across the portfolio. The lowest bidders were often awarded contracts without applying the procurement tools available to address abnormally low bids. E&S risk management is constrained by weak capacity and GoN's unwillingness to address inadequate staffing. There is also no comprehensive regulatory framework to manage grievances from local communities that may result in lack of adequate redress mechanism and non-compliance with World Bank standards.

IV. ALIGNMENT WITH CORPORATE GOALS

Alignment with the Twin Goals

42. **The CPF program was well aligned with the twin goals of reducing poverty and boosting shared prosperity in a sustainable manner.** All Focus Areas contributed to building a foundation for shared prosperity. Under Focus Area 1, WBG interventions sought to improve expenditure and revenue management for fiscal decentralization, which is crucial for SNGs to conduct their core service delivery functions. Focus Area 2 focused on improving Nepal's competitiveness and creating an enabling environment for private sector investments through improvements in access to electricity and connectivity. Under Focus Area 3, interventions supported equal opportunities in human capital development, especially in education, to better equip the poor and vulnerable to participate in the economy. Interventions also helped strengthen their resilience to the impacts of shocks.

43. **Nepal updated its official poverty data in early 2024, after a 12-year gap.** Poverty estimates were delayed due to the weak legal framework governing data production and utilization, and inconsistent government funding for official statistics. Delays and gaps in data impacted the WBG's work in Nepal. For instance, the latest figures on poverty and labor were not available when the 2018 SCD and 2021 Nepal Light Poverty Assessment were conducted. Nonetheless, the recently released Fourth Nepal Living Standards Survey) shows the country has made remarkable improvements in living standards over the last decade – average real per capita consumption went up by 66 percent, with larger gains at the bottom of the income distribution. The poverty rate decreased from 25.16 percent in 2011 to 3.57 percent in 2023 (when using the poverty line from 2011). These large gains and the 12-year gap since the last survey motivated Nepal to raise the minimum welfare threshold for measuring poverty. The new poverty line increases the real value of the poverty threshold by 70 percent and shows that 20.27 percent of the population lives in poverty. A decomposition of the key drivers of poverty reduction completed for the 2024 streamlined SCD shows that remittances and non-agricultural wage income are most significantly associated with poverty reduction in Nepal. While WBG's investment portfolio does not directly support these key drivers, investments in human capital and infrastructure connectivity (areas with improvements over the last decade) are important complementary investments that likely underpin the observed poverty reduction. However, much remains to be done to foster poverty reduction and equitable growth across the country. NLSS-IV is a key milestone for evidence-based policy action in Nepal, especially in the federal context, with provincial poverty estimates being made available for the first time. Going forward, WBG will continue to work with DPs and GoN to build on this to strengthen the country's data ecosystem.

Corporate Commitments

44. **Progress has been made in mainstreaming gender in the Nepal portfolio.** The program achieved a 100 percent gender tag for projects and Nepal made significant efforts to implement the South Asia Regional Gender Action Plan's recommendations. Overall, WBG operations helped narrow gender gaps and demonstrated stronger development outcomes for both men and women, especially sector-specific outcomes.

45. **The Nepal program achieved 100 percent compliance with Citizen Engagement (CE) requirements throughout the CPF period** through stringent periodic CE monitoring and the reporting of beneficiary feedback. This was facilitated by citizen participation in decision-making bodies, Grievance Redress Mechanisms, and Citizen Satisfaction Surveys, and social audits. TA and ASAs for the FY20 portfolio-wide CE assessment and the Federalism Filter on CE have improved the quality of CE mechanisms and their integration with CE country systems in the federal context.

46. **Climate considerations are reflected throughout the portfolio and the program performed well on Climate Co-Benefits (CCB) and supported Nepal's second Nationally Determined Contribution (NDC) and the transition to GRID.** Climate adaptation and mitigation were mainstreamed in project design and implementation through the CCB and Paris Alignment. From FY18-24, Nepal achieved an average of 34 percent CCB for 37 projects, including IPFs and DPCs, above the corporate target of 28 percent. The CCDD, TA via the Climate Support Facility TF for NDC implementation, the GRID DPC series, and IFC's climate finance supported the climate agenda. More than 50 percent of IFC's advisory portfolio as of FY24 is climate focused. Supported by the F4G DPC, IFC also helped establish the Environmental and Social Risk Management Framework for Nepal's financial sector.

V. LESSONS LEARNED

47. **The design and implementation of the CPF FY19-24 offer lessons that can inform the next CPF and future operations.** Key lessons are presented below, while operations-specific lessons are in Annex 2.

48. **Lesson 1: Greater prioritization and selectivity should be pursued, considering Nepal's political economy challenges, federalism transition, and absorptive and implementation capacity, with a focus on long-term institutional strengthening.** The portfolio grew considerably but was not accompanied by adequate improvements in implementation, coordination mechanisms, and procurement planning across all government tiers. Despite progress in transitioning to federalism, SNGs grapple with low capacity, weak ownership of projects, and unclear mandates. Going forward, while WB should consider innovative ways to address implementation capacity gaps, it should also leverage existing resources. These include (a) Practice Group-Country Management Unit expertise to keep project design simple, (b) strict adherence to the project Readiness Filter, (c) strong DP advocacy for more capacity-building efforts by the federal government, and (d) sustained strong in-country presence of TTLs to effectively support PIUs/PMUs and improve engagement across teams to address procurement and E&S issues. Further, the mismatch between the portfolio's expansion and GoN's implementation capacity suggests that Nepal may have reached its absorptive capacity.²⁸ This warrants a candid assessment of the risks related to future expansion, favoring a more cautious approach with greater prioritization and selectivity. Project selection should rely on reliable and verifiable indicators of improvements in implementation capacity and a more mature federal transition. For projects that are then selected, more frequent risk assessments – including of political

²⁸ Absorptive capacity is a country's ability to effectively utilize external resources for development goals and sustainably managing projects.

economy challenges – and mitigation plans can enable more proactive measures to effectively address implementation challenges.

49. **Lesson 2: The results architecture should be more realistic and focus on both public and private sector interventions, supported by investment in data generation capacity.** The results framework could have aligned better with WBG engagement, more realistically considered interventions' impact, and identified outcome indicators reported post-project closure, including the sustainability and impact of DPC-supported reforms. Nepal's weak data ecosystem made it difficult to track and verify indicators not associated with WBG projects, including process-oriented indicators not linked to program outcomes. Some objectives were complicated by the inclusion of multiple sub-indicators that remained too ambitious. A better balance between public and private sector-related indicators as well as the number of indicators supporting each objective would have also improved the results framework. Avoiding these limitations should be considered while developing the results framework for the forthcoming CPF. Further, supporting Nepal's data generation capacity should be prioritized, including through better sequenced and demand-driven ASAs in collaboration with WB regional and global teams, DPs, and GoN.

50. **Lesson 3: Sustained engagement with DPs is key to improving program effectiveness.** WBG deepened its strategic and sectoral engagement with DPs, leading efforts to elevate DP coordination from information sharing to upstream strategic engagement. Together with the German Embassy, WB led the harmonization of DPs' immediate COVID-19 relief. Building on this, WB and the UK co-led the DP GRID Task Team to support the MoF's GRID Platform. Further, ADB and WB, who together contribute around 70 percent of the total official development assistance Nepal receives, are well coordinated in their programs. As ADB and WB have a joint approach in preparing their upcoming country strategies, there is an opportunity to further increase the impact and scale of their support through deeper collaboration. Regular sectoral dialogue, including via DP working groups and co-financing, has helped to collectively troubleshoot some implementation issues and should be prioritized in the next CPF.

51. **Lesson 4: Scaling up the 'One WBG' approach, including IFC's and MIGA's programs, requires stronger cooperation, flexibility, and innovative solutions.** Nepal needs substantial resources and investment to achieve its development goals, beyond what the public sector can alone provide. Strong IFC-WB collaboration and partnership with GoN have been key in delivering financing and advisory support to private sector clients and improving the business environment through reforms. Examples of the 'One WBG' approach in practice include (a) complementary IFC-WB ASAs, such as the Provincial Investment Climate Assessment and (b) UT-1, which engaged WB, IFC, and MIGA. Enhancing coordination through such initiatives will allow WBG to explore more opportunities, such as public-private partnerships, to crowd in private capital. Leveraging innovative approaches requires internal flexibility and increased support for private sector clients. For example, combining or sequencing advisory services and investments proved successful in recent IFC transactions. This approach was used to set standards for large private hydro projects (UT-1), the first-ever green trade finance facility in Nepal and globally (Global IME Bank), and Nepal's first-ever foreign currency syndicated loan (Siddhartha Bank). Assessing the likely realization of IFC's long-term pipeline under various economic scenarios is also critical, as some key projects did not materialize during the CPF period. For instance, early hydro projects' viability was affected by prolonged negotiations with the off taker, delays due to E&S sensitivities, and lack of internationally experienced sponsors in Nepal. COVID-19 also hindered overall business development efforts, leading to an adjustment of IFC's initial investment target of US\$800 million-1.2 billion to US\$550-600 million at the PLR stage. Further, to address the gap between policy formulation and implementation, the next CPF should also support building GoN capacity in promoting and facilitating private investments.

CLR Annex 1: Summary of Progress on Nepal FY19-24 CPF Results Matrix

CPF Outcome	Status at CLR	Overall Rating
Focus Area 1: Public Institutions		
Objective 1.1: Improved budget and revenue management		Mostly Achieved
Indicator 1: Proportion of capital expenditure spent in the last quarter of fiscal year	Mostly Achieved	
Indicator 2: Tax collections information available on real time basis for federal and provincial levels of government	Achieved	
Indicator 3: Number of provinces incorporating gender informed budget in their plan	Achieved	
Indicator 4: Sub-National Government (SNG) involve citizens in budgetary process	Achieved	
Indicator 5: Consolidated local government public expenditure data available in the public domain	Achieved	
Objective 1.2: Strengthened institutions for public sector management and service delivery		Mostly Achieved
Indicator 1: Number of Local Governments where civil events are registered online	Mostly Achieved	
Indicator 2: Percentage improvement in Effective Vaccine Management (EVM) Score	Achieved	
Indicator 3: Percentage of funds disbursed to community schools in compliance with eligibility and utilization guideline	Achieved	
Indicator 4: Number of births registered in Management Information System (MIS) within the first year of birth	Achieved	
Focus Area 2: Private Sector-Led Jobs and Growth		
Objective 2.1: Improved power generation capacity and access to electricity		Achieved
Indicator 1: Additional Generation Capacity in select areas (excluding imports)	Achieved	
Indicator 2: Number of people provided with new or improved electricity services in targeted areas.	Achieved	
Indicator 3: Additional generation capacity under construction or operational	Achieved	
Indicator 4: High-Voltage Import capacity transmission line completed	Achieved	
Indicator 5: Increase access through off grid biogas-based electricity generated	Achieved	
Indicator 6: Increase access through renewable energy-based capacity addition to the national grid	Achieved	
Objective 2.2. Increased transport connectivity, improved maintenance, and road safety		Partially Achieved
Indicator 1: Percentage of bridges in good and fair condition in targeted routes.	Mostly Achieved	
Indicator 2: Percentage of population within 2 and 4 hours of walking distance in the targeted Terai and hill districts	Mostly Achieved	
Indicator 3: Periodic Maintenance of roads within the Core Road Network	Mostly Achieved	
Indicator 4: Number of Kms on which the Safe Corridor Demonstration Program (SCDP) implemented	Not Achieved	
Objective 2.3. Improved financial sector stability and financial inclusion		Mostly Achieved
Indicator 1: Capital fund coverage of the total insured deposits to strengthen financial system’s safety net.	Mostly Achieved	
Indicator 2: Number of targeted SMEs, agriculture producer groups and individuals with access to finance	Achieved	
Objective 2.4. Improved regulatory environment for competitiveness		Achieved
Indicator 1: Time needed to meet regulatory requirements for import/export and transit activities	Achieved	

Objective 2.5. Improved income opportunities		Mostly Achieved
Indicator 1: Number of farmers/producer groups increase in sales of value-added products/income in selected value chains	Mostly Achieved	
Indicator 2: Sales of value-added products/income of targeted producer groups in selected value chains	Achieved	
Indicator 3: Percent of additional people employed	Achieved	
Indicator 4: Share of female and disadvantaged youth completing market relevant short-term training program	Achieved	
Objective 2.6. Increased Access to Digital Services		Not Achieved
Indicator 1: Population with access to the internet (as % of population)	Not Achieved	
Focus Area 3: Inclusion and Resilience		
Objective 3.1: Improved equity in access to quality education		Mostly Achieved
Indicator 1: Number of out-of-school children brought to schools or learning centers in most disadvantaged districts (basic grade level 1–8)	Achieved	
Indicator 2: Number of students enrolled in higher education institutions.	Achieved	
Indicator 3: Percentage of poor students with at least a GPA of 1.6 in 2020 Secondary Education Examination (SEE)	Achieved	
Indicator 4: Number of higher education institutions (HEI) with specific autonomous academic programs initiated.	Partially Achieved	
Objective 3.2: Improved access to services and support for the well-being of the vulnerable groups		Mostly Achieved
Indicator 1: Number of households have access to water and sanitation services in targeted districts/state	Mostly Achieved	
Indicator 2: Children aged 6–23 months, in targeted districts, with minimum acceptable diet (Percentage)	Achieved	
Indicator 3: Number of Gender Based Violence (GBV) survivors have access to justice and support	Mostly Achieved	
Indicator 4: Number of pregnant and lactating mothers receiving improved nutrition services and products in targeted areas/state	Mostly Achieved	
Objective 3.3: Increased resilience to health shocks, natural disasters, and climate change		Partially Achieved
Indicator 1: Number of eligible beneficiaries who have access to social security allowance program in selected districts	Achieved	
Indicator 2: Accuracy and timeliness of weather and flood forecasts and early warning dissemination	Not Achieved	
Indicator 3: Adoption of disaster risk financing and insurance schemes	Not Achieved	
Objective 3.4: Improved adoption of sustainable natural resource management		Mostly Achieved
Indicator 1: Increase in number of farmers adopting climate smart agricultural practices in targeted districts/States	Achieved	
Indicator 2: Net Decrease in greenhouse gas emissions from deforestation and forest degradation	Partially Achieved	
Indicator 3: Number of sub-national land use/spatial plans governing sustainable natural resources use	Achieved	
Indicator 4: Additional ha of degraded forest rehabilitated.	Partially Achieved	

CLR Annex 2: Detailed Evaluation of the Nepal FY19-24 CPF Results Matrix²⁹

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Focus Area 1: Public Institutions			
CPF Objective 1.1: Improved budget and revenue management Rating: Mostly Achieved			
Indicator 1.1.1: Proportion of capital expenditure spent in the last quarter of fiscal year (Revised) Baseline: 75% (2018) Target: 40% (2024) Status at PLR: 54.9%	Mostly Achieved Actual (Jun. 2024): 49% Source: Programmatic Fiscal and PFM DPC Financial Comptroller General Office (FCGO) Government Data (Used to calculate the proportion of capital expenditure spent in the last quarter of the fiscal year 2023)	Indicator 1.1.1 revised its target from 65 percent to 40 percent during the PLR with the aim for better results. The revised target is ambitious for two key reasons: First, the interventions supported under the Bank operations affect actual capital spending only up to a certain extent and need time for the outcomes to materialize. The interventions do not account for behavioral factors, most importantly slow decision-making. Second, external shocks (COVID-19 and the FY23 revenue shock) have limited improvements in the bunching of spending. Suggestion: The forthcoming CPF should consider these factors when formulating indicators.	Projects Closed by End of CPF • First Fiscal Reforms DPC (P160792, IDA Cr.6195-NP, US\$200 million) • Second Programmatic Fiscal and PFM DPC-II (P168869, IDA Cr. 6440-NP, US\$100 million) • Integrated Public Financial Management Reform Project (TA) (P164783, TFOA7474 & TFOA7475, US\$9 million) • Nepal Programmatic Fiscal Policy for Growth, Recovery and Resilience DPC (P173982, IDA- Cr. 6902 NP, US\$150 million) Projects Active at End of CPF • Nepal Urban Governance and Infrastructure Project (P163418, IDA Cr. 6778-NP,
Indicator 1.1.2: Tax collections information available on real time basis for federal and provincial levels	Achieved Actual (Jun. 2024): 100% of tax	Indicator 1.1.2 was recalibrated during PLR to limit its scope to federal and provincial governments. The rationale was to make realistic target that is commensurate to the	

²⁹ Data cutoff: June 30, 2024, with some projects collecting data only until their closure date.

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
of government (Revised) Baseline: 90% of tax collections available with a lag of two months Target: 90% of tax collections available on real-time basis (2024) Status at PLR: Target met for provincial (100%) and federal government (100%)	collection information available on real-time basis for federal and provincial levels of government. Source: Programmatic Fiscal and PFM DPC Financial Comptroller General Office Revenue Management Information System (RIMS) – daily updates on federal government tax collection Provincial Revenue Management Information System data is not publicly available but was a prior action under the Fiscal and PFM DPC series, which was validated by the Bank’s legal team. The system continues to be operational in all seven provinces.	limited interventions supported by the Bank. Suggestion: The forthcoming CPF should consider these factors when formulating indicators.	US\$150 million) ASA Completed by End of CPF • Nepal Fiscal Federalism (Transition) (P165688) • Nepal Fiscal Policy Analysis and Management Program (P157724) • Programmatic Federalism Support Platform (P168170) • Support for Fiscal Management (P160712) • Nepal Federalism Transition Support (P165942) • Federalism Capacity Needs Assessment (P168504) • Urban Governance and Federalism (P165231) • Nepal FCI Policy Engagement (P168914) • Macro Monitoring and Analysis FY19 (P152522) • Macro Monitoring and Analysis FY20 (P172106) • Debt Reform Plan Nepal (P170679) • FY18 Nepal Development Updates (P165663) • Policy Notes for the new Government (P166154) • Partnership for Knowledge Based Poverty Reduction and Shared Prosperity in Nepal
Indicator 1.1.3: Number of provinces incorporating gender informed budget in their plan (Revised) Baseline: 0 (2018) Target: 7 adopt gender-informed aspects in the budget (2024) Status at PLR: Target of 7 expected to be achieved in FY22 based on the progress made and work plan, subject to situation allowed by COVID-19	Achieved Actual (Jun. 2024): 7 provincial governments adopted gender-informed aspects in their budget. Source: Programmatic Fiscal and PFM DPC Sources for each province: Koshi, Madhesh, Bagmati, Gandaki, Lumbini, Karnali, Sudurpaschim	Sustainable capacity-building mechanism is crucial for program effectiveness. Under IPFMRP, based on the Standardized Training Module on Gender Responsive Budgeting significantly contributed to scaling up capacity-building activities through various platforms. Government ownership is a prerequisite for program success. The Ministry of Federal Affairs and General Administration (MoFAGA) coordinated and organized a specific orientation session to scale up capacity-building through DP-supported programs. Suggestion: There is a need to mainstream sustainable	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
		capacity-building mechanisms in the Bank's interventions to the greatest extent possible rather than only providing stand-alone training.	(P163078) - Nepal Light Poverty Assessment 2021 (P175443) - Macro Monitoring and Analysis (P174718) - Nepal Public Expenditure Review (P172086) - Public Expenditure and Financial Accountability (PEFA) Assessment (P175522)
Indicator 1.1.4: Sub-National Government (SNG) involve citizens in budgetary process (Revised) Baseline: Not established (2018) Target: 50% of SNG involve citizens in one or more stages of the budgetary process (2024) Status at PLR: Estimated at least 700 SNGs (92% of total SNGs – 753 Local + 7 Provincial) involve citizens in one or more stages of the budgetary process, which is yet to be validated through survey planned by MoFAGA.	Achieved Actual (Jun. 2024): 56% of 739 municipalities include NGOs, user committees, cooperatives and other community organizations inputs in the local level plans and budgets. Source: Data corresponds to MoFAGA's Local Institution and Self-Assessment (LISA) Indicator 3.2.4 findings for FY2 2 (latest available data)	Intra- government Coordination Mechanism can go a long way to resolve implementation bottlenecks. The absence of an effective PFM Reform Coordination Mechanism for the three tiers of government created challenges. The project struggled to coordinate provincial and local governments' implementation of the Citizen Engagement Strategy recommendations. Suggestion: Strongly advocate for the development of an effective PFM Reform Coordination Mechanism.	ASA Active at End of CPF - Nepal Subnational Public Expenditure and Financial Accountability (PEFA) Assessment in Gandaki Province (P180249) - Nepal Fiscal Federalism Advisory Support Program (P175376)
Indicator 1.1.5: Consolidated local government public expenditure data available in the public domain (New) Baseline (2018): No consolidated reporting of data Target (2024): Consolidated data for all provincial and local, as well as for each province and each locality reported on an annual basis.	Achieved Actual (Jun. 2024): Consolidated data for all provincial and local governments available in the public domain. Source: Public expenditure data from FCGO's latest report for FY22-23 based on NPSAS standards (available in Nepali)	Suggestions: An offline module of SuTRA should be developed, as several local governments still struggle to maintain updated accounts due to connectivity issues. The Bank needs to coordinate with DPs supporting SuTRA enhancements to align efforts to develop of a fully Integrated Financial Management Information System (IFMIS). The Bank, together with all relevant stakeholders, also needs to support local governments in publishing their	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Status at PLR: An information system is in operation at the provincial level that should enable reporting at the provincial level. Sub-National Treasury Regulatory Application (SuTRA) is currently being rolled out (already at over 730 local level) and should facilitate reporting for each locality by 2024.		annual financial statements. There is also a need for a robust PFM reform coordination mechanism to effectively bring the required agencies and governments together.	
	Additional Evidence Objective 1.1: N/A		
CPF Objective 1.2: Strengthened institutions for public sector management and service delivery Rating: Mostly Achieved			
Indicator 1.2.1. Number of Local Governments where civil events are registered online. (Revised) Baseline: 72 Local Governments (December 2017) Target: 753 Local Governments (2024) Status at PLR: 227 Local Governments	Mostly Achieved Actual (Jun. 2024): 738 Local Governments The remaining 30 wards under 15 Local Governments have infrastructure and connectivity challenges. Total number of civil events registered online during the CPF period (Jul 2019-March 2024): 5.3 million (5,269,624) Source: Strengthening Systems for Social Protection and Civil	Building institutions work best within a programmatic approach. In this phase, SP interventions focused on and was successful in strengthening core systems of delivery to improve efficiency and access. Suggestion: The next SP operation needs to look at improving the impact of SP the benefits and services on poverty alongside continuing to strengthen the systems.	Projects Closed by End of CPF - Nepal Health Sector Management Reform (PforR) (P160207, IDA Cr. 5913-NP, US\$150 million) - Nepal School Sector Development Program (P160748, IDA Cr. 5971-NP, US\$185 million) - School Sector Development Program AF (GPE) (P167047, TF0B0095, US\$23.96 million) - COVID 19 School Sector Program (GPE) (P174209, TF0B3579, US\$10.8 million)

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
	Registration Project		- Additional Financing for Nepal Health Sector Management Reform Program for Results (P176694, IDA Cr. 6911-NP, US\$50 million) - Additional Financing to SSDP (P176616, IDA-6904, US\$50 million) - Strengthening Systems for Social Protection and Civil Registration (P154548, IDA Cr. 5912-NP, US\$114.51 million) - Nepal Livestock Sector Innovation (P156797, IDA Cr. 6149-NP, US\$80 million) Projects Active at End of CPF - Nurturing Excellence in Higher Education (P171516, IDA-68840, US\$60 million) - School Sector Transformation Program (P177647, US\$100 million) - Nepal COVID-19 Emergency Response and Health System Preparedness Project (P173760, IDA Cr. 6604-NP, US\$29 million) - Additional Financing: Nepal COVID-19 Emergency Response and Health Systems Preparedness
Indicator 1.2.2: Percentage improvement in Effective Vaccine Management (EVM) Score Baseline: Average EVM score of 64% with 2 parameters achieving 80% (2018) Target: Average EVM Score of 80% with any 6 parameters achieving 80% (2024) Status at PLR: Average EVM Score 82.2% with 7 parameters achieving 80% (EVM Survey 2021)	Achieved Actual (Jun. 2024): 82.2% with 7 parameters achieving 80% Source: EVM Survey 2021 The 2021 EVM Survey is the endline survey that determines the results attributable to the Nepal Health Sector Management Reform Program. No other surveys have been conducted after 2021.	Prioritizing maintenance ensures the sustainability of investments. While significant investments continue to be made in strengthening the vaccine management system, the hardware and software (personnel related) investments for the routine maintenance and repairs of such systems are constrained, limiting the productivity and life of these investments. Safe and effective management and disposal of vaccine waste is a chronic challenge and continues to be a lagging priority in terms of hardware investments, training, accountability setting, and reporting/monitoring. Suggestion: Supporting better medical waste disposal practices should be explored	
Indicator 1.2.3: Percentage of funds disbursed to community schools in compliance with eligibility and utilization guidelines (Revised) Baseline: 92.63% (2016) Target: 95% (2024) Status at PLR: 93.56%	Achieved Actual (Jun. 2024): 99.90% Source: The 2024 figure is calculated based on the cumulative expenditure of SSDP FY 2017-22 and the cumulative ineligible expenditure from the Audited Financial Statements from the Office of the Auditor General.	Suggestion: Capacity-building for improved coordination among the tiers of government and timely monitoring and reporting while activating the Federalism Filter is needed.	
Indicator 1.2.4: Number of births	Achieved	Suggestion: The next Social Protection operation needs to	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
registered in Management Information System (MIS) within the first year of birth (New) Baseline: 7,000 (2018) Target: 600,000 (2024) Status at PLR: 348,340	Actual (Jun. 2024): 1,198,931 Source: Strengthening Systems for Social Protection and Civil Registration Project	continue to strengthen data ecosystems.	Project (P175848, IDA Cr. 6847-NP, US\$75 million) - Nepal Quality Health Systems Program-for-Results (US\$100 million) ASA Closed by End of CPF - Urban Governance and Federalism (P165231) - Nepal Federalism Transition Support (P165942) - Nepal Fiscal Federalism (Transition) (P165688) - Federalism Capacity Needs Assessment (P168504) - Health Financing Strategy Support (P166804) - Technical Assistance for Improving Municipal Solid Waste Management Services for Urban Local Governments in Nepal (P169652) - Addressing Malnutrition and Investing in Early Years in Nepal in a federalized context (P168830) - Promoting Inclusive Citizen Participation in Performance Audits in Nepal (P169375) - Digital Nepal (P171113) - Human Development Public Expenditure Review (P169010)

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
			- Nepal Federalism Platform 2.0 (P175376) - Improve Integration of Social Protection Systems in Nepal (P168213) ASA Active at End of CPF - Integrated Approach to Employment and Social Protection (P170572) - Accelerating Human Capital Development in the Maldives, Nepal, and Sri Lanka (P177660)
	Additional Evidence Objective 1.2: N/A		
Focus Area 2: Private Sector-Led Jobs and Growth			
CPF Objective 2.1: Improved power generation capacity and access to electricity Rating: Achieved			
Indicator 2.1.1: Additional Generation Capacity in select areas (excluding imports) (Revised) Baseline: 0 (2018) Target: Increase by 25 MW (2024) Status at PLR: 11.65 MW	Achieved Actual (Jun. 2024): 25 MW Source: Nepal Grid Solar Energy Efficiency Project	The indicator was revised at PLR to revise the target from 63MW to 25 MW. This followed the closure of Kabeli A project that did not achieve its PDO. To achieve the PDO, stringent policy on effective project and contract management mechanisms, along with relevant and timely advisory services need to be established for all projects- and particularly for risky and transformational projects.	Projects Closed by End of CPF - Nepal Energy Sector Development Policy Credit (P154693, IDA Cr. 6313-NP, US\$100 million) - Kabeli-A Hydro Electric Project (P122406, IDA Cr. 5338-NP & Gr. H900-NP, US\$ 46 million)

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
		Complex land acquisition, resettlement, and significant procurement challenges may adversely impact project implementation. The transmission route alignment is cumbersome should not be a part of the contract. The decision-making process for land acquisition, compensation, and forest clearance also needs to be streamlined. Suggestions: The Bank should spend more time and resources working with agencies to manage the coordination issues. At present, Inter-ministerial, inter - agency and inter-department coordination within the government is inadequate.	• Second Energy Sector DPC (P170248, IDA Cr. 6639-NP, US\$100 million) • Nepal Grid Solar and Energy Efficiency (P146344, IDA Cr. 5566-NP, US\$130 million) • Power Sector Reform and Sustainable Hydropower (P150066, IDA Cr.5728-NP, US\$20 million) • Additional Financing Power Sector Reform and Sustainable Hydropower (P175306, US\$1 million) • Nepal-India Electricity Transmission and Trade (P115767, IDA Cr. 4902-NP & Gr.H660-NP / IDA Cr. 5263-NP & Gr.H858-NP, US\$138 million) • Sustainable Renewable Energy Program- Supported Extended Biogas Project (SREP) (P131592, TF16552, US\$7.9 million) Projects Active at End of CPF • Upper Trishuli 1 (UT1) – Hydropower project (IFC + MIGA guarantee) (35701) US\$87 million in gross outstanding exposure as of end-June 2024 • Business Models for Private Sector -Led Mini-Grid Energy
Indicator 2.1.2: Number of people provided with new or improved electricity services in targeted areas. Baseline: 55 (2018) Target: 500,000 (2024) Status at PLR: 19,500	Achieved Actual (Jun. 2024): 500,000 Source: Nepal Grid Solar and Energy Efficiency Project Database. 107,672 households (average household size if 4.4) benefitted from improved or new electricity services. This is based on the distribution system built and electricity generated from biogas plants and 25 MWp solar plant.		
Indicator 2.1.3: Additional generation	Achieved		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
capacity under construction or operational Baseline: 0 (2018) Target: New construction to deliver 516 MW (2024) Status at PLR: 316 MW	Actual (Jun. 2024): 661 MW Source: This number is attributed to investment in Upper Trishuli-1 Hydro (216 MW) and Nepal Hydro Sector Development Advisory Project (445 MW) (IFC) (Upper Trishuli-1 is still under construction but is expected to generate 1,427 GWh electricity per year.)		Access (P149239, TFA8336 & TFA8382, US\$7.61 million) - Plastic Free Rivers and Seas for South Asia (P171269, US\$37 million) ASA Closed by End of CPF - Infrastructure Sector Assessment Program (P165958) - Developing Improved Solutions for Cooking (P149764) - Nepal Hydro Sector Development Project (599991) (IFC) - Renewable Energy Resource Mapping and Geospatial Planning (P150328) ASA Active at End of CPF - Energy Sector Reform Program in Nepal (P171183)
Indicator 2.1.4: High-Voltage Import capacity transmission line completed (New) Baseline: No high-voltage cross-border transmission capacity (2018) Target: 400 kV cross-border transmission line constructed to enhance power imports (2024) Status at PLR: 85 km 400 kV line operational. 260 MW of electricity was imported using partially completed Nepal-India Electricity Transmission and Trade Project (NIETTP).	Achieved Actual (Jun. 2024): 85 km 400 kV cross-border transmission line constructed to enhance power imports (2024) Source: Nepal-India Electricity Transmission and Trade Project (NIETTP)		
Indicator 2.1.5: Increase access through off grid biogas-based	Achieved	Suggestion: The next CPF should take a holistic look at complementarities between operations and lending	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
electricity generated (New) Baseline: 0 GWh/year (2018) Target: 3.4 GWh/year (2021) Status at PLR: 3.4 GWh/year	Actual (Jun. 2024): 4.96 GWh/year Source: This is achieved through completion of commercial and municipal scale biogas projects developed under Sustainable Renewable Energy Program-Supported Extended Biogas Project (SREP)	instruments. For instance, Indicator 2.1.5 was supported by Nepal Grid Solar and Energy Efficiency, ASA: Nepal Hydro Sector Development Project, IFC Renewable Energy Resource Mapping and Geospatial Planning, and Energy Sector Reform Program in Nepal.	
Indicator 2.1.6: Increase access through renewable energy-based capacity addition to the national grid (New) Baseline: 0 MW (2018) Target: 25 MW (2024) Status at PLR: 11.65 MW	Achieved Actual (Jun. 2024): 25 MW Source: Grid Solar Energy Efficiency Project The 25 MW is completed and commissioned and feeding electricity into the national grid.		
	Additional Evidence Objective 2.1: N/A		
CPF Objective 2.2: Increased transport connectivity, improved maintenance, and road safety Rating: Partially Achieved			
Indicator 2.2.1: Percentage of bridges in good and fair condition in targeted routes. Baseline: 75% (2018)	Mostly Achieved Actual (Jun. 2024): 83% Source: Second Bridges	Ensuring Counterpart Funding during planning stage is essential to uninterrupted project implementation. This includes allocation for budgetary resources within LMBIS for project preparation, including Project Design Reports, preliminary environmental and social impact studies, and	Projects Closed by End of CPF • Strengthening National Rural Transport Program (SNRTP: P132759

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Target: 85% (2024) Status at PLR: 79.9%	Improvement and Maintenance Project This data is taken from the Bridge Management System (BMS) owned by GoN.	regulatory clearances for utilities and trees. This will ensure that project starts to implement soon after effectiveness. Suggestions: Streamline Utility Relocation Process: Develop a streamlined process for utility relocation to minimize project delays caused by the current inefficiencies in managing this aspect.	Projects Active at End of CPF • Second Bridges Improvement and Maintenance Program (P161929, IDA Cr. 6317-NP, US\$133 million) • Nepal Strategic Road and Trade Improvement Project (P170409, IDA Cr. 6673-NP, IDA Cr. 6674-NP, US\$450 million) • Accelerating Transport and Trade Connectivity in Eastern South Asia – Nepal Phase 1 Project (P177902, US\$275 million)
Indicator 2.2.2: Percentage of population within 2 and 4 hours of walking distance in the targeted Terai and hill districts Baseline: 0% (2018) Target: Increase by 4% (2019) Status at PLR: 12.17%	Achieved Actual (Jun. 2024): 12.17% Source: Strengthening National Rural Transport Program	Establish Clear Guidelines with National Electricity Authority (NEA) with respect to WB Projects: Define a standardized process for handling World Bank projects with the NEA to avoid case-by-case treatment and expedite agreement negotiations. This should include addressing the different perspectives between NEA and the Ministry of Physical Infrastructure and Transport (MoPIT) regarding transmission line upgrades versus replacements to prevent unnecessary delays. It should also include, strengthening communication and coordination between MoPIT and NEA: to ensure alignment of project objectives and prevent conflicting interpretations.	ASA Closed by End of CPF • Infrastructure Sector Assessment Program (InfraSAP) (Transport) (P165958) (Delivered) • Support the National Road Safety Council (NRSC) (P169402) • Improving Nepal's Regional Transport Connectivity through Waterways (P171169; part of a regional activity) • Nepal Civil Aviation (P171169; part of a regional activity)
Indicator 2.2.3 (New): Periodic Maintenance of roads within the Core Road Network Baseline: 0 lane-km (2020) Target: 1,700 lane-km (2024) Status at PLR: 0 km	Mostly Achieved Actual (Jun. 2024): 1457 km Source: Nepal Strategic Road and Trade Improvement Project	Streamline Tree Felling Approval Process: Develop a clear and time-bound process for obtaining cabinet approval after tree classification and counting, eliminating the current regulatory bottleneck that hinders project commencement. This should also include improve transparency and accountability in cabinet clearances for tree felling processes, ensuring timely approvals without compromising regulatory compliance. In addition, there is a need to foster a collaborative relationship with the Department of Forestry and Soil Conservation (DoFSC) to	ASA Active at End of CPF • Improving Nepal's Regional Transport Connectivity through Waterways (P171169; part of a
Indicator 2.2.4 (New): Number of kms on which the Safe Corridor Demonstration Program (SCDP)	Not Achieved Actual (Jun. 2024): 0 km		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
implemented Baseline: 0 km (2020) Target: 95 km (2024) Status at PLR: 0 km	Source: Nepal Strategic Road and Trade Improvement Project	facilitate smoother project initiation, while adhering to necessary regulatory requirements. Establish Material Sourcing Coordination with Local Governments: Engage with local governments to coordinate the sourcing of materials such as sand and gravel, addressing their perception of priority projects and ensuring equitable treatment for WB projects. This should also include raising awareness of project benefits at local levels, thereby garnering increased support and cooperation, as well as incorporating local priorities into project planning to align with communities' needs and minimize potential conflicts over resource allocation. Regularly Review and Update LMBIS Guidelines: Implement a periodic review process for LMBIS guidelines to adapt to evolving project preparation and implementation challenges, incorporating lessons learned from previous projects. Promote a Collaborative Approach with Development Partners: Foster a collaborative environment among various development partners to collectively address common challenges and ensure smooth project execution. Foster Capacity Building and Knowledge Transfer: Facilitate capacity-building initiatives to enhance the skills and knowledge of local officials and stakeholders involved in project preparation and implementation, ensuring a more efficient process overall.	regional activity) • Nepal Civil Aviation (P171169; part of a regional activity) • Nepal Regional Connectivity and Trade Facilitation Aviation (P171169; part of a regional activity)
	Additional Evidence Objective 2.2: N/A		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
CPF Objective 2.3: Improved financial sector stability and financial inclusion Rating: Mostly Achieved			
Indicator 2.3.1: Capital fund coverage of the total insured deposits to strengthen financial system's safety net Baseline: Around 0.95% of the total insured deposits (2018) Target: Increase to 3% of the total insured deposits (2024) Status at PLR: 1.8%	Mostly Achieved Actual (Jun. 2024): 1.6% Source: Provisional Financial Reports of the DCGF (available in Nepali). (Capital fund coverage = Total equity capital and risk funds/Total deposits and credit insured) Capital fund coverage (leverage ratio) is at 1.6% (as of July 2024), with DCGF's Capital Fund of NPR 27.83 billion, while its deposit and credit exposure amount to NPR 1.43 trillion and NPR 38.78 billion, respectively.	Since Equity Capital is not exclusively earmarked to deposit and credit exposures, a consolidated assessment of DCGF's leverage capacity is required. Based on current data, DCGF will require substantial capital injection to achieve the target of 3 percent.	Projects Closed by End of CPF • Third Financial Sector Stability Credit DPC (P156960, IDA Cr. 5875-NP, US\$100 million) • Fourth Financial Sector Stability DPC (P159547, IDA Cr. 6304-NP, US\$100 million) • Finance for Growth DPC 1 (P173044, IDA Cr. 6715-NP, US\$ 200 million) • Finance for Growth DPC 2 (P176881, IDA Cr. 7050-NP, US\$ 150 million) • First GRID DPC (P177776, IDA Cr. 7190-NP, US\$ 100 million) • Nepal Livestock Sector Innovation (P156797, IDA Cr. 6149-NP, US\$80 million) Projects Active at End of CPF • Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (627165) (IFC) • Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd. (formerly Rural Microfinance Development Centre – RMDC) (641097) (IFC) • Global IME Bank (1000476) (IFC)
Indicator 2.3.2: Number of targeted SMEs, agriculture producer groups, and individuals with access to finance SMEs Baseline: 0 (2018) Target: Additional 32,215 (2024) Status at PLR: 27,215 (IFC)	Achieved (i) SMEs Actual (Jun. 2024): 63,727 (IFC) Source: Latest client data through IFC Reach Survey (2021 and 2023)	Suggestion: The source of data and formulae for computation must be noted in the CPF and PLR RF to ensure consistency in data obtained, especially from secondary sources. It takes 12 months (or more) to get published official data in many instances, which should be considered while determining indicators.	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Agriculture Producer Groups Baseline: 0 (2018) Target: Additional 350 (2024) Status at PLR: Assessment under progress Individuals Baseline: 0 (2018) Target: Additional 600,000 (2024) Status at PLR: 2,108,720 (IFC)	(ii) Agriculture Producer Groups Actual (Jun. 2024): 446 Source: Nepal Livestock Sector Innovation Project (endline survey to be made available online soon; hard and soft copies are available) (iii) Individuals Actual (Jun. 2024): 2,068,195 (IFC) Source: Latest client data through IFC Reach Survey (2021 and 2022) Note: Indicator 2.3.2 (iii) Individuals: This fluctuation in the numbers reported for PLR and the CLR was the result of various changes in clients' reported portfolios, notably caused by COVID-19 and its aftermath		• NMB Nepal (773604) (IFC) • Sanima Bank (1031091) (IFC) • Siddhartha Bank (643678) (IFC) ASA Closed by End of CPF • Policy Note on Agriculture Finance Strategy (P165645) • Nepal FCI Policy Engagement (P168914) • Sustainable Tourism Development and Value Creation in Nepal (P167250) • Women's Non-Farm Employment in Nepal (P172067) • DIME Agriculture and Irrigation in Nepal (P154309) • Digital Nepal (P171113) • Post-COVID Private Sector Recovery TA Program (PSRP) (P174486) ASA Active at End of CPF • Nepal Financial Infrastructure Strengthening Project (604073) (IFC)
	Additional Evidence Objective 2.3: Non-performing Loans (NPL) ratio rose from 3.0 percent in August 2023 to 4.42 percent in October 2024. Capital Adequacy Ratio (CAR) of banks increased marginally from 12.6 percent in December 2023		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
	to 12.93 percent in October 2024 – above the minimum requirement of 11 percent.		
CPF Objective 2.4: Improved regulatory environment for competitiveness Rating: Achieved			
Indicator 2.4.1: Time needed to meet regulatory requirements for import/export and transit activities Baseline: 61 hours (2018) Target: 55 hours (2024) Status at PLR: 54 hours (export) and 59 hours (import)	Achieved Actual (Nov. 2021): 54 hours (export) and 54 hours (import) Source: Nepal-India Regional Trade and Transmission Project (latest data is as of Nov. 2021, has not been monitored since)	Effective governance and institutional capacity-building are critical for sustained progress in the trade sector. The World Bank's assistance underscored the need for investing in institutions, such as customs, regulatory bodies, and trade promotion agencies, to enhance their efficiency, transparency, and effectiveness. Infrastructure development, especially in transportation and logistics, is essential for facilitating trade. The World Bank's involvement emphasized the significance of improving roads and border crossings to reduce trade costs and enhance connectivity with neighboring countries. Targeted trade facilitation measures can promote inclusive growth by benefiting a wide range of stakeholders, from SMEs to marginalized communities. The World Bank's support in Nepal emphasized the need for harmonizing trade-related policies and regulations with India and China, Nepal's largest trading partners, to unlock the full potential of regional trade. Building resilience in the face of external shocks is essential for a country's trade sector. Lessons from the World Bank's involvement in Nepal emphasized the importance of contingency planning, diversification of export markets, and building adaptive capacities.	Projects Closed by End of CPF - Nepal India Regional Trade and Transport (NIRTTP) (P144335, IDA Cr. 5273-NP & Gr. H863-NP, US\$99 million) Projects Active at End of CPF - Nepal Strategic Road and Trade Improvement Project (P170409, IDA Cr. 6673-NP, IDA Cr. 6674-NP, US\$450 million) - Accelerating Transport and Trade Connectivity in Eastern South Asia – Nepal Phase 1 Project (P177902, US\$275 million) ASA Closed by End of CPF - Sustainable Tourism Development in Nepal (P167250) - Nepal Market Creation for Tourism Project (602476) (IFC) - Assessing the Economic Impact of Protected Areas on Local Economies [Nepal Case Study in global ASA] (P171044)

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
		Suggestion: The WBG partnership in Nepal must continue to focus on creating an enabling environment that encourages entrepreneurship, innovation, and private sector investment in trade-related activities.	
	Additional Evidence Objective 2.4: The Nepal-India Regional Trade and Transmission Project resulted in (a) simplification, harmonization, and automation of trade related transactions, (b) adoption of modern approaches to border management, and (c) the reduction of key infrastructure bottlenecks for transit, thereby contributing to the achievement of project outcome "decreased transport time and logistics costs for bilateral trade between Nepal and India and transit trade along the Kathmandu-Kolkata corridor". The construction of an integrated check-post on the Raxaul (India)-Birgunj (Nepal) border (not a direct project output) and the Integrated Customs Depot facilities, along with the technical activities (mentioned above) resulted in a reduction in delays, costs, and red tape. Border crossing times at Raxaul-Birgunj significantly reduced from 2.3 days to 0.87 days, significantly exceeding the target of 1.5 days.		
CPF Objective 2.5: Improved income opportunities Rating: Mostly Achieved			
Indicator 2.5.1: Number of farmers/producer groups increase in sales of value-added products/income in selected value chains Baseline: 0 (2018) Target: Additional 3,290 (of which female 45%) (2024)	Mostly Achieved Actual (Jun. 2024): 2,943 producer groups (of which female 42%) (1359 from Nepal Livestock Sector Innovation Project and 1584 from Food and Nutrition Security Enhancement Project (of which	Building animal health systems is required. Moving from project-based punctual interventions to the establishment of systems for animal health is critical to sustainable improvements in productivity and incomes. Properly working animal health systems are also crucial for ensuring food safety and pandemic control. The engagement of the financing sector through formulation of viable business proposals have	Projects Closed by End of CPF • Poverty Alleviation Fund (PAF) AF II (P105860, IDA Gr. H857-NP, US\$245 million) • Enhanced Vocational Education and Training II (P163018, IDA Cr. 6142-NP, US\$60 million) • Nepal Livestock Sector

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Status at PLR: 320 (gender-disaggregated data under analysis)	female 45%) Source: Nepal Livestock Sector Innovation Project and Food and Nutrition Security Enhancement Project	demonstrated that private sector financing in agriculture sector is feasible (e.g., the significant loan and equity financing of business proposals supported by NLSIP). Greater emphasis needs to be placed on capacity of producer organizations. In terms of business planning and development, private sector SMEs perform better than the cooperatives and farmers groups due to the complexities involved in collective action. Suggestion: The segmentation of target beneficiaries (farmers/producers) is important to customize training and capacity development strategy and financing strategy. Going forward, the results framework/indicators should be more realistic about can be measured based on data readily available.	Innovation (P156797, IDA Cr. 6149-NP, US\$80 million) • Food and Nutrition Security Enhancement (P164319, TF0A8013, US\$22.7 million) Projects Active at End of CPF • NP Modernization Rani Jamara Kulariya Irrigation Phase II (P158364, IDA Cr. 6194-NP, US\$60.66 million) • Youth Employment Transformation Initiative (P160696, IDA Cr. 6487-NP, US\$120 million) • Rural Enterprise and Economic Development Project (P170215, IDA Cr. 6787-NP, US\$80 million) • Forest for Prosperity Project (P170798, TF0B2796 and TF0B2488, US\$24 million) • Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (P171720, US\$4.5 million) ASA Closed by End of CPF • Support to Developing an Inclusive Jobs Strategy for Nepal (P163141) Agriculture Investment Plan (Deliverable of P176456 – GRID Programmatic
Indicator 2.5.2: Sales of value-added products/income of targeted producer groups in selected value chains Baseline: 0 % (2018) Target: Increase by 25% (2024) Status at PLR: Assessment ongoing	Achieved Actual (Jun. 2024): 91% increase Source: Nepal Livestock Sector Innovation Project	Suggestions: There is a need to ensure increased capacity-building at local levels and the prioritization of employment at all levels of government. There is a need to increase engagement between the government and the private sector to increase quality employment.	
Indicator 2.5.3: Percent of additional people employed Baseline: 0% (2018) Target: Increase by 70% (2024) Status at PLR: 75% (data are for Year 2 - FY18-19 of the project)	Achieved Actual (Jun. 2024): 82% of those who completed the short-term training found employed within six months. Under the Enhanced Vocational Education and Training Project, about 110,000 youths completed short-term vocational skills training in five cohorts. In the fifth and final cohort of short-term training, 14,475 youth completed short-term training. Based on sample-based verification, 82% of		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
	those who completed the short-term training found employment within six months. Source: Enhanced Vocational Education and Training Project II		ASA) ASA Active at End of CPF • Integrated Approach to Employment and Social Protection (P170572) • Nepal Climate-Smart • Agriculture Fertilizer Dialogue (Deliverable of P176456 – GRID Programmatic ASA) • Agriculture Sector PER (Deliverable of P176456 – GRID Programmatic ASA)
Indicator 2.5.4: Share of female and disadvantaged youth completing market relevant short-term training program Baseline: 50% (2018) Target: 65% (2024) Status at PLR: 88%	Achieved Actual (Jun. 2024): 78.45% Source: Enhanced Vocational Education and Training Project, about 110,000 youths completed short-term vocational skills training. In the fifth and final cohort, 14,475 youth completed training, of which 78.45% were either female/disadvantaged youth.	Designing results-based funding activities require intensive monitoring and verification mechanisms in place to ensure the credibility of results. Suggestions: Support for enhancing the employability of youth, women, and marginalized groups needs to continue. The focus can be on future-oriented employability skills, for example, digital literacy and the green skills agenda.	
	Additional Evidence Objective 2.5: 1) The Mid-Term Review of YETI reports that 77% of the beneficiaries are poor, with an average wage income of US\$236-437, and over 60% are youth, over 50% women, and around one third Dalits. 2) Over 132,000 people have received temporary employment through YETI. 3) 5,785 full time jobs created in agriculture through FANSEP and NLSIP. (No baseline, so % values cannot be provided for NLSIP and FANSEP) 4) Indicator 2.5.2 is defined as the average increase of sales and measured as the mean value of sales within the individual targeted value chains. The values are calculated after deducting inflation rate by using CPI calculation from Nepal Rastra Bank, taking base year 2014/15. The endline sales value after adjusting with the inflation rate in cow/buffalo milk 573.49 thousand		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
	and goat meat 102.61 thousand has been achieved from the weightage average calculation as in the case of productivity. Yr 7 data will be updated after the survey. (Data Source: Baseline survey 2020, AHHS1 2021, AHHS2 2022 and endline survey 2023).		
CPF Objective 2.6: Increased Access to Digital Services Rating: Not Achieved			
Indicator 2.6.1: Population with access to the internet (as % of population) (New) Baseline: 65% (2018) Target: 85% (2024)	Not Achieved Actual (Jun. 2024): 75% (estimated) The increase in population with access to internet can be attributed to the broader digitalization of Nepal's economy and private sector efforts. Source: World Bank estimates based on data from the global industry association (GSMA) and government data sources (telecom regulator)	Implementation capacity and regulatory framework are the prerequisites for accelerated digitalization in Nepal. Project readiness can be improved, but the likelihood of policy reversal (e.g., related to private capital mobilization) remains high due to political uncertainties. Intensive technical assistance and capacity-building to improve the policy and regulatory framework is needed and should be supported by the government's development cooperation policy. Suggestions: Next CPF should prioritize deeper engagement with all sectoral stakeholders. Private sector can be the driving force in accelerating digitalization. Source used to monitor and verify progress should be identified while formulating the indicator. Data should preferably be periodically updated and publicly available.	Projects Closed by End of CPF - Programmatic Fiscal Policy for Growth Recovery and Resilience DPC (P173982, IDA-Cr. 6902 NP, US\$150 million) Projects Active at End of CPF - Digital Nepal Acceleration (DNA) Project (P176543, US\$140 million) – <i>cancelled in FY25</i> ASA Closed by End of CPF - Digital Nepal (P171113) ASA Active at End of CPF - Digital Development for Maldives, Nepal, and Sri Lanka (P175577) - Digital for GRID in Maldives, Nepal, and Sri Lanka (P177824) - Access to Financial Services Project (602783) (IFC)

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
	Additional Evidence Objective 2.6: Significant investment by private Internet Service Providers (ISPs) in broadband networks have led to about 40 percent of households being connected to fiber internet in 2023, up from 14 percent in 2019. (Source: Tele Geography Global comms data) Continuing reforms, combined with the switch to digital transactions, have supported the increasing use of digital payments and online services. For example, internet and mobile banking services were used to transfer NPR 2.8 trillion (US\$21 billion) in funds in 2023, up from NPR 559 billion in 2020. (Source: Nepal Rastra Bank (NRB) data)		
Focus Area 3: Inclusion and Resilience			
CPF Objective 3.1: Improved equity in access to quality education Rating: Mostly Achieved			
Indicator 3.1.1: Number of out-of-school children brought to schools or learning centers in most disadvantaged districts (basic grade level 1-8) Baseline: 88,875 out-of-school children ages 5-16 (of which female 49%) (2017) Target: 20% reduction from baseline (of which female 50%) (2024) Status at PLR: 68.7% reduction in out-of-school children in 15 most disadvantaged districts (of which 51.8% female)	Achieved Actual (Jun. 2024): 68.7% reduction in out-of-school children in 15 most disadvantaged districts (of which 51.8% female) Source: GPE TF, School Sector Development Program This is based on the baseline Survey data of out-of-school children in 15 most disadvantaged districts (5 in first round, 5 in second round, and 5 in the 3rd round of the Household Survey)	Suggestions: WBG interventions should use a life cycle approach with a focus on early childhood development, foundational learning with cognitive and other skills, teacher/faculty capacity development, research, innovation, and entrepreneurship linking with the world of work – employment and self-employment.	Projects Closed by End of CPF • Higher Education Reform Project (P147010, IDA 55860, US\$65 million) • School Sector Development Program (IDA 59710, US\$185 million) • School Sector Development Program GPE (TF0B0095-NP, US\$23.96 million) • Additional Financing for SSDP (P176616, IDA 6904, US\$50 million) • COVID-19 School Sector Development Program, GPE

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
	and the student enrollment figures in the school of that catchment area. This was reported by the implementing agency and verified by the independent verification agency.		TF0B3579, US\$10.8 million) - Enhanced Vocational Education and Training Project II (P163018, US\$60 million) Projects Active at End of CPF - Nurturing Excellence in Higher Education (P171516, IDA-68840, US\$60 million) - School Sector Transformation Program Operation (P177647, US\$120 million) - School Sector Transformation Program Operation, GPE Grant TF0C0896-NP, US\$ 19.70 million) - GPE System Capacity Grant (US\$1.75 million) ASA Closed by End of CPF - Early Childhood Education Diagnostic (P169661) - Investing in people to close Human Capital Gap for Higher and sustainable inclusive growth (P168816) - Human Development Public Expenditure Review (P169010) - EdTech Readiness study (P177660) - Teaching at the Right level (TaRL) ASAs Active at End of CPF
Indicator 3.1.2: Number of students enrolled in higher education institutions. Baseline: 48 students Target: 1,200 students per year (of which female 45%) (2024) Status at PLR: 650	Achieved Actual (Jun. 2024): 1,350 (female more than 50%) Source: Higher Education Reforms Project (based on enrollment data in FY20 and in FY23/24 collected by WB from individual colleges implementing autonomous programs)		
Indicator 3.1.3: Percentage of poor students with at least a GPA of 1.6 in 2020 Secondary Education Examination (SEE) (Revised) Baseline: N/A (2018) Target: 70% (2023) Status at PLR: 70%	Achieved Actual (Jun. 2024): 75% Source: School Sector Development Program		
Indicator 3.1.4: Number of higher	Partially Achieved		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
education institutions (HEI) with specific autonomous academic programs initiated Baseline: 2 Target: 25 HEI-specific autonomous academic programs initiated (2024) Status at PLR: 14	Actual (Jun. 2024): 16 Source: Higher Education Reforms Project (closed in December 2020). The reported figures are the latest available (2023/24).		Accelerating Human Capital Development in the Maldives, Nepal, and Sri Lanka (P177660)
	Additional Evidence Objective 3.1: 6.76% nationwide reduction against the target of 5.60% in number of out-of-school children. The ongoing Nurturing Excellence in Higher Education Program (NEHEP) further facilitates autonomous academic programs. One HEI has been established/ reconstituted as a degree awarding HEI and another is in the pipeline. NEHEP is also supporting HEIs in conducting labor-market-driven autonomous programs. School Sector Development Program (SSDP) also supported several reforms such as expansion of the National Early Grade Reading Program, teacher time spent teaching, teacher redeployment, and implementation of revised national curriculum framework to improve the quality of education. Education Management Information System (EMIS) data aggregated at the Bachelor and Master-levels for FY 2021/22 (2022/23 data expected to be published in October/ November 2024).		
CPF Objective 3.2: Improved access to services and support for the well-being of the vulnerable groups Rating: Mostly Achieved			
Indicator 3.2.1: Number of households have access to water and sanitation services in targeted districts/state	Mostly Achieved Actual (Jun. 2024): 1,140,770	Finalizing policy and legislative reforms and implementing federalism in the WASH sector is critical to attract investments to close service gaps. Efforts should be made	Projects Closed by End of CPF Integrated Platform for Gender

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Baseline: 518,258 individuals (2018) (approx. 114,913 households) Target: 1,182,000 individuals (of which female 49%) (2024) (approx. 262,084 households) Status at PLR: 875,208 individuals (49% female) (approx. 194,059 households) <i>Note: Average rural household size (4.51) from 2021 Census used for calculations</i>	individuals (approx. 252,942 households) (Approximately 49% of the total beneficiaries reached were women) Source: Under the Rural Water Supply and Sanitation Improvement Project (RWSSIP), 1,140,770 individuals. This figure accounts for both new schemes built under the project and schemes rehabilitated as part of the post-earthquake recovery – community tap and yard connections to 794,994 people and rehabilitation of schemes to 354,776 people in earthquake affected districts.	to implement sectoral reforms and to build a sector investment program. During implementation of RWSSIP, the government implemented a new program that sought to provide households with access to yard connections rather than communal taps. This increased the cost of services under the Project. The Nepal Water Sector Governance and Infrastructure Support Project aims to build WSS capacity at the local level, but disbursement has been slow as foundational implementation arrangements needed to be built. Suggestions: Projects should be designed realistically to account for the need to build capacities at the local and provincial level. Future projects should include sufficient time and resources for building foundational implementation arrangements – before results in reducing service gaps can be seen. New programming should build on an updated sector development plan, with realistic costs and funding availability.	Based Violence Prevention and Response in Nepal (P155096, US\$1.59 million) - NP Rural Water Supply and Sanitation Improvement Project (P143036, IDA 54400 & H9450, US\$66.3 million) Projects Active at End of CPF - Strengthening Systems for Social Protection and Civil Registration (P154548, IDA 59120, US\$115 million) - Food and Nutrition Security Enhancement (P164319, TFOA8013, US\$22.7 million) - Nepal Water Governance and Infrastructure Project (P176589, US\$80 million) ASA Closed by End of CPF - Health Financing Strategy Support (P166804) - Adaptive Social Protection TA (P163514) - Advancing Social Protection II (P164003) - Water Platform and Strategy Development (P168191) - Water Platform 2.0 (P171575) - Early Childhood Education Diagnostic (P169661) - National workshop of
Indicator 3.2.2: Children aged 6-23 months, in targeted districts, with minimum acceptable diet (Percentage) (Revised) Baseline: 18% (2018) Target: 8% over baseline (2024)	Achieved Actual (Jun. 2024): 29% Source: From FANSEP I (DIME Endline Survey – report to be published)	Suggestions: Organizing women of reproductive age in meaningful collectives and supporting them with low-cost inputs, practicable knowledge, and life skills is critical to their empowerment, enhanced decision-making for child and self-health and nutrition. Financial and technical support for healthy and diverse diets must be complemented with social and behavior	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Status at PLR: Assessment under progress	Midline: 27% (August 2022) DIME year 5 survey: 22% (June 2023)	change communication to influence maternal, infant, and young child nutrition at the household level. Community-based platforms are productive mechanisms for delivery of services in the realm of agriculture, health, and nutrition in Nepal. Nutrition is critical to human capital accumulation must be integrated in 'nutrition sensitive' operations to influence outcomes.	Indigenous peoples (Ips)/civil society organizations (CSOs) in Nepal (P171713) • Human Development Public Expenditure Review (P169010) • SPF: Maximizing the Development Impact of the IDA18 FCV Risk Mitigation Regime in Nepal (P171624) ASA Active at End of CPF • GRID PASA (P176456)
Indicator 3.2.3: Number of Gender Based Violence (GBV) survivors have access to justice and support Baseline: 300 GBV survivor/year (2018) Target: 11,000 survivor/year (2024) Status at PLR: 17,821 (support), 4,620 (legal counseling) and 929 (court representation)	Mostly Achieved Actual (2022/2023): 7,383 beneficiaries Source: Nepal Women's Commission data <i>Note: Survivors are defined as the cumulative count of individuals receiving (i) direct services and follow-ups, (ii) linked referrals, and (iii) information resources.</i>	Suggestion: The results framework needs to have a clear definition for and the calculation formulae for indicators tracked	
Indicator 3.2.4: Number of pregnant and lactating mothers receiving improved nutrition services and products in targeted areas/state Baseline: 0 (2018) Target: Increase by 30,000 (2024)	Mostly Achieved Actual (Jun. 2024): 20,982 Source: Food and Nutrition Security Enhancement Project I	Project target was revised to 21,000 in August 2023 and the CPF target is 30,000. Suggestion: RF indicators and the ability to achieve them needs to be more closely assessed at the PLR stage.	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Status at PLR: 707			
	Additional Evidence Objective 3.2: Household Dietary diversity score including nursing mothers and children under two years has reached 7.40 percent as of September 22, 2023. Source: Household dietary diversity score (Component C intermediate result indicator) at the mid-line survey conducted by FANSEP I.		
CPF Objective 3.3: Increased resilience to health shocks, natural disasters, and climate change Rating: Partially Achieved			
Indicator 3.3.1: Number of eligible beneficiaries who have access to social security allowance program in selected districts Baseline: 2.3 million (of which 1.5 million female) (2018) Target: 2.9 million (of which 1.9 million female) (2024) Status at PLR: 2.96 million (of which 1.8 million female)	Achieved Actual (Jun. 2024) 3.8 million (of which 2.2 million female) Source: Strengthening Systems for Social Protection and Civil Registration		Projects Closed by End of CPF • Earthquake Housing Reconstruction Project (P155969, IDA 57060 US\$ 200 million) • Earthquake Housing Reconstruction Additional Financing (P163593, IDA 61640, US\$300 million) • Earthquake Housing Reconstruction Project Additional Financing 2 (P155969, IDA 65300, US\$200 million) • Multi Donor Trust Fund funding for EHRP (Safer Reconstruction) (P162067, TFA4783, US\$15 million) • Nepal Finance for Growth DPC
Indicator 3.3.2: Accuracy and timeliness of weather and flood forecasts and early warning dissemination (Revised)	Not Achieved Actual (Jun. 2024): N/A	Suggestion: Results indicators to be used in the CPF Results Framework need to be measurable beyond the project closing date.	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Baseline: 0.49 (24-hour period) (2017) Target: 0.55 (24-hour period) (2024) Status at PLR: 0.45	Source: Building Resilience to Climate Hazards Project		1 (P173044, IDA-67150, US\$200 million) - Nepal Finance for Growth DPC 2 (P176881, US\$150 million) - Nepal Finance for Growth DPC 3 (P176881, US\$100 million)
Indicator 3.3.3: Adoption of disaster risk financing and insurance schemes (Revised) Baseline: 0 (2017) Target: 1 Increase (2024) Status at PLR: 0	Not Achieved Actual (Jun. 2024): 0 Source: Public Data The Finance for Growth (F4G) DPC identified the lack of progress in adopting disaster risk financing and insurance schemes. The target in the F4GIII DPC is for the achievement of this.	An important lesson from 2015 earthquake relates to the government's Interest Rate Subsidy Program. The program to support rebuilding houses did not have uptake because (i) the interest spread of 2% did not cover the operating cost of the lender and (ii) more importantly, the risk of default was entirely borne by the lender. Building awareness among individuals, businesses, and provincial governments about disaster risks and their responsibilities is critical. Compensation arrangements that encourage public and private participation in risk reduction should be explored.	Projects Active at End of CPF - Strengthening Systems for Social Protection and Civil Registration (P154548, IDA 5912, US\$115 million) - Nepal Development Policy Financing with CAT DDO (P166788, IDA 65430, US\$50 million) - Nepal COVID-19 Emergency Response and Health System Preparedness Project (P173760, IDA 66040, US\$29 million) - South Asia: Climate Adaptation and Resilience for South Asia (P171054, IDA-D6210/ IDA-D6220/ TF-B2642 US\$39.50 million) ASAs Closed at End of CPF - Nepal Advancing Social Protection II (P164003) - Adaptive Social Protection TA (P163514) - Water Platform and Strategy Development (P168191)

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
			• Water Platform 2.0 (P171575) • Support to Government on Pandemic/Epidemic Preparation (P168171) • Nepal Crisis Preparedness Gap Analysis (P179173) ASA Active at End of CPF • Nepal Climate-Smart Agriculture Investment Plan (Deliverable of P176456) • Nepal Climate Change and Development Report (CCDR) (P176737) • GRID Programmatic ASA (P176456)
	Additional Evidence Objective 3.3: Following the adoption of National Disaster Risk Financing Strategy, 2020, efforts are underway to develop guidelines for public asset management, informed by a diagnostic report on Nepal's Contingent Liabilities from Natural Disasters. Health and Education sector public assets have been identified as a priority for catastrophe risk coverage to safeguard uninterrupted services.		
CPF Objective 3.4: Improved adoption of sustainable natural resource management Rating: Mostly Achieved			
Indicator 3.4.1: Increase in number of farmers adopting climate smart agricultural practices in targeted districts/States Baseline: 0 (2017)	Achieved Actual (Jun. 2024): Total 84,868 (54.56% female approx.): 72,868 (of which female 56.6%) (WB) + 12,000 farmers (43%	Experience of NLSIP and FANSEP has shown that CSA practices are adopted when they show clear benefits and returns. The beneficiaries need to understand the tradeoffs (if any) and the practices must be socially and economically viable. It is not possible to measure the outcomes of adopting CSA practices in quantitative terms	Projects Closed by End of CPF • Building Resilience to Climate Related Hazards Project (P127058, TF13557, TF13665 US\$31 million)

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
Target: Additional 84,300 farmers (of which female 45%) (2024) Status at PLR: 15,222 farmers (of which female 40.1%) +12,000 farmers (of which female 43% approx.) (IFC)	female approx.) (IFC) Source: 25,195 from Food and Nutrition Security Enhancement Project (71% female) + 47,673 (48.3% female) from Nepal Livestock Sector Innovation Project IFC intervention: 12,000 farmers (43% female approx.)	due to the lack of benchmark indicators and user-friendly scientific tools. The engagement of private sector in CSA practices remains largely untapped. Suggestions: Uniform approaches (CSA practices) across all agricultural sectors and projects are required. These approaches should be guided by the research findings. Capacity-building of the technicians for greenhouse gas accounting from each practice be provided and monitored. Team should ensure that data units used in the ISR data sheet are consistent.	• FCPF REDD Readiness grant (AF) (P125198, TFA4169, US\$5.2 million) • Nepal Livestock Sector Innovation (P156797, IDA 61490, US\$80 million) • Food and Nutrition Security Enhancement (P164319, TFOA8013, US\$22.7 million) Projects Active at End of CPF • NP Modernization of Rani Jamara Kulariya Irrigation Phase 2 (P158364, IDA 61940, US\$61 million) • Rural Enterprise and Economic Development Project P170215, US\$80 million) • Nepal Grid Solar and Energy Efficiency (P146344, IDA 55660, US\$130 million) • Forests for Prosperity Project (P170798, TFOB2796, and TFOB2488, US\$24 million) • Nepal Emission Reduction Program for Terai Arc (P165375, up to US\$45 million) • Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (P171720, US\$4.5 million) • Accelerating Transport and Trade Connectivity in Eastern
Indicator 3.4.2: Net Decrease in greenhouse gas emissions from deforestation and forest degradation Baseline: 0 (2017) Target: 9 million tons of CO₂ Status at PLR: 0 (First Measurement, Reporting and Verification [MRV] reporting period will cover June 22, 2018-December 31, 2021)	Partially Achieved Actual (Jun. 2024): 2.3 million tons of CO₂ Source: Nepal Emission Reduction Program for Terai Arc Project's Measurement, Reporting, and Verification (MRV) Report. (Submitted to the Carbon Fund and pending verification by the third-party audit firm) The total amount of tons of CO₂ might be lower than anticipated, to be verified during the second submission of the MRV report.		
Indicator 3.4.3 (New): Number of sub-	Achieved		

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
national land use/spatial plans governing sustainable natural resources use Baseline: 0 (2017) Target: 2 subnational land use/spatial plans (2024) Status at PLR: Assessment to be completed in 2023	Actual (Jun. 2024): 2 municipal-level land use plans have approved, and 307 forest management plans were renewed. Source: Forests for Prosperity Project		South Asia (ACCESS) Project (\$27m Green Resilient Component 2C) ASA Closed by the End of CPF • Nepal Forest Note "Forest for Prosperity" (P166888) • Environmental Sector Diagnostics: Priorities for accelerating growth (P164550) • Nepal Federalism Transition Support (P165942) • Water Platform and Strategy Development (P168191) • Water Platform 2.0 (P171575) • Promoting Climate Resilient Agriculture, Nepal (PPCR Nepal) (588487) (IFC) • Valuing Green Infrastructure: Case Study of Kali Gandaki Watershed in Nepal (P161596) ASA Active at End of CPF • GRID PASA (P176456) • Nepal Climate-Smart Agriculture Investment Plan (Deliverable under GRID PASA - P176456) • Practitioner Program in Transboundary Watershed Management in Mountain Economies (linked to P170798) • Development of Forest Accounts (Deliverable under
Indicator 3.4.4 (New): Additional ha of degraded forest rehabilitated. Baseline: 0 (2018) Target: Additional 10,000 ha (2024) Status at PLR: Assessment to be completed in 2023	Partially Achieved Actual (Jun. 2024): 4,877 ha of degraded forest Source: Nepal Emission Reduction Program for Terai Arc Project's Measurement, Reporting, and Verification (MRV) Report. (Submitted to the Carbon Fund and pending verification by the third-party audit firm)	Building on Ministry of Forests and Environment in soil and water conservation, developing a landscape approach would address various challenges at once. Suggestions: The 2022 Forest Regulation sets the stage for further reforms under the upcoming GRID DPC 2 and 3, which would strengthen its implementation through further reforms such as (i) Provincial policy actions; (ii) Strategic Environment Assessment (SEA) guidelines, which can help manage tradeoffs among sectors; (iii) Environmental Impact Assessment (EIA) guidelines; and (iv) Protected Areas and Wildlife regulation to allow for tourism concessions that help protect biodiversity and raise revenues for protected areas and household livelihoods.	

Objectives/Indicator	Status at CLR Review	Lessons Learned and Suggestions for the New CPF	WBG Instruments
			GRID PASA - P176456) • Plastics materials flows and health care waste and Plastic waste diagnostic survey in waterways (SAWI-funded TA - Deliverable under GRID PASA - P176456 • Reducing plastic waste disposed in Nepal's rivers draining in the Bay of Bengal (PROBLUE-funded TA Deliverable under GRID PASA - P176456)
	Additional Evidence Objective 3.4: N/A		

CLR Annex 3: IDA Lending program FY19-24 Planned vs Actual

(Note: The original FY19-22 CPF programmed only select operations in FY19 and FY20.
The PLR documented substantial, new scaled-up lending through FY22, and programmed only FY23)

A. Planned Lending Program and Actual Deliveries July 2018 - June 2024

Legend

IFC Project

Regional Project

CPF Plan (July 2018)		CPF Progress at CLR Evaluation (June 2024)	
Focus Areas ³⁰	Project Name	Status	IDA/TF ³¹ (US\$M)
FY19			
FA2	Business Models for Private Sector -Led Mini Grid Energy Access	Delivered. <i>Business Models for Private Sector-Led Mini Grid Energy Access</i> (P149239) (TF>US\$5m) 1/30/2019	7.61
FA2	Energy Sector DPC	Delivered. <i>Nepal Energy Sector Development Policy Credit</i> (P154693) 9/18/2018	200
FA2	Fourth Financial Sector Stability DPC	Delivered. <i>Nepal Fourth Financial Sector Stability Credit DPC4</i> (P159547) 8/7/2018	100
FA2	Second Bridges Improvement and Maintenance	Delivered. <i>Second Bridges Improvement and Maintenance Program</i> (P161929) 9/26/2018	133
FA1/FA3	Second Programmatic Fiscal and PFM DPC	Delivered. <i>Second Programmatic Fiscal and PFM DPC-II, (P168869)</i> 06/13/2019	100
FY20			
FA2/FA3	Food and Nutrition Security Enhancement	Delivered. <i>Food and Nutrition Security Enhancement Project</i> (P164319) 9/25/2019	22.7

³⁰ FA1 – Focus Area 1: Public Institutions

FA2 – Focus Area 2: Private Sector Led Jobs and Growth

FA3 – Focus Area 3: Inclusion and Resilience

³¹ Delivery amounts for IDA and TF>US\$5 million.

Notes: Items in italics are actuals (approved by the Board).

CPF Plan (July 2018)		CPF Progress at CLR Evaluation (June 2024)	
Focus Areas ³⁰	Project Name	Status	IDA/TF ³¹ (US\$M)
FA2	Accelerating Inclusive Jobs Growth in Nepal	Delivered. <i>Youth Employment Transformation Initiative</i> (P160696) 9/12/2019	120
FA3	CAT DDO	Delivered. <i>Nepal Development Policy Financing with CAT DDO</i> ³² (P166788) 3/10/2020	50
FA2	Energy Sector DPC	Delivered. <i>Second Energy Sector DPC</i> (P170248) 6/2/2020	100
FA2	Not planned	Delivered. <i>Nepal Strategic Road and Trade Improvement Project</i> (P170409) 6/10/2020	450
FA3	Not planned	Delivered. <i>Second Additional Financing Earthquake Housing Reconstruction Project</i> (P170565) 1/14/2020	200
FA1	Not planned	Delivered. <i>Nepal COVID-19 Emergency Response and Health System Preparedness Project</i> (P173760) 4/3/2020	29
FA3	Not planned	Transferred from SARRE. <i>Plastic Free Rivers and Seas for South Asia</i> (P171269)	37
FA3	Not planned	Transferred from SARRE. <i>South Asia: Climate Adaptation and Resilience for South Asia</i> (P171054)	39.5
FA2/FA3	Not Planned	Nepal Strategic Road Connectivity and Trade Improvement	250
FY21			
FA1	Nepal Local Governance and Integrated Infrastructure Support	Delivered. <i>Nepal Urban Governance and Infrastructure Project</i> (P163418) 09/28/2020	150
FA3	FCPF Nepal Emission Reduction Program (TF)	Delivered. <i>Nepal Emission Reduction Program for Terai Arc</i> (P165375) 1/21/2021	45
FA3	Not planned	Delivered. <i>Rural Enterprise and Economic Development Project</i> (P170215) 10/28/2020	80
FA3	Forests for Prosperity Project (with Forest Investment Program and IDA-18 resources) (TF)	Delivered. <i>Forests for Prosperity Project</i> (P170798) 7/8/2020	24

³² US\$25 million from IDA (concessional) financing IDA 18, US\$25 million from other IDA source

CPF Plan (July 2018)		CPF Progress at CLR Evaluation (June 2024)	
Focus Areas ³⁰	Project Name	Status	IDA/TF ³¹ (US\$M)
FA3	Nurturing Excellence in Higher Education	Delivered. <i>Nurturing Excellence in Higher Education Project</i> (P171516) 7/11/2021	60
FA2/FA3	Not planned	Delivered. <i>Nepal Finance for Growth DPC-1</i> (P173044) 9/17/2020	200
FA1/FA2	Not planned	Delivered. <i>Nepal Programmatic Fiscal Policy for Growth, Recovery and Resilience DPC</i> (P173982) 6/16/2021	150
FA1/FA3	Not planned	Delivered. <i>COVID-19 School Sector Program (GPE)</i> (P174209) 9/21/20	10.8
FA3		Delivered. <i>Additional Financing for Nepal: Power Sector Reform and Sustainable Hydropower Development (PSRSHD) Project</i>	1
FA1	Not planned	Delivered. <i>Additional Financing: Nepal COVID-19 Emergency Response and Health Systems Preparedness Project</i> (P175848) 3/18/2021	75
FA2	Nepal Sustainable Tourism Value Creation	Dropped. <i>Sustainable Tourism Enhancement of Nepal's Protected Areas</i> (P165130) scheduled for delivery in FY21 was dropped. Tourism related indicator dropped due to the impact COVID-19 and other reasons	
FY22			
FA2/FA3	Not planned	Delivered. <i>Digital Nepal Acceleration (DNA) Project</i> (P176543) 6/16/22	140
FA1/FA3	Not planned	Delivered. <i>Water Sector Governance and Infrastructure Support Project</i> (P176589) 6/2/22	80
FA1/FA3	Not planned	Delivered. <i>Additional Financing to SSDP</i> (P176616) 8/8/21	50
FA1	Not planned	Delivered. <i>Additional Financing for Nepal Health Sector Management Reform Program for Results</i> (P176694) 8/8/21	50
FA2/FA3	Not planned	Delivered. <i>Nepal Second Finance for Growth Development Policy Financing</i> (P176881) 3/24/22	150
FA1/FA3	Not planned	Delivered. <i>Second Additional Financing to Nepal COVID-19 Emergency Response and Health Systems Preparedness Project</i> (P178205) 1/12/22	18
FA2	Transport PPP (Airport)	Investment in Transport PPP postponed. TA with Policy dialogue ongoing	
FA3	Forest Investment Program- Dedicated Grant Mechanism for Indigenous Peoples and Local Communities	Delivered. <i>Dedicated Grant Mechanism for Indigenous Peoples and Local Communities</i> (P171720) 10/27/2022	4.5
FA2/FA3	Not Planned	Accelerating Transport and Trade Connectivity in Eastern South Asia – Nepal Phase 1 Project	108
FY23			

CPF Plan (July 2018)		CPF Progress at CLR Evaluation (June 2024)	
Focus Areas ³⁰	Project Name	Status	IDA/TF ³¹ (US\$M)
FA1/FA3	Not planned	Nepal Quality Health Systems Program-for-Results	100
FA1/FA3	Not planned	School Sector Transformation Program Operation	120
FA3	Not planned	First Nepal Green, Resilient and Inclusive Programmatic DPC	100
FA2	Upper Trishuli-1 Hydropower (with IFC, MIGA)	Committed in FY2020. Upper Trishuli-1 (35701)	
FA2	IFC investments/PPP in hydropower	Projects did not materialize	
FA2	Banking for Women (IFC)	Project did not materialize	
FA2	Investments for Digital Finance (IFC)	Project did not materialize	
FA2	Global Trade Finance Program (GTPF) to support SMEs (IFC)	Committed in FY2022. GTFP Global IME (37956)	
FA2	Healthcare, agri-business, and manufacturing (IFC)	Business development efforts ongoing	
FA2	IFC Investment in Agribusiness and tourism	Projects did not materialize in tourism due to COVID-19	
FA3	IFC Investment in Health Services	Project did not materialize	N/A
FY24			
FA2	Not planned	Delivered. <i>Provincial and Local Roads Improvement Program Phase 1</i> (P171836) 02/29/2024	100
FA3	Not planned	Delivered. <i>Food and Nutrition Security Enhancement Project II.</i> (P181087) 09/18/2023	20
FA1	Not planned	Delivered. <i>Second Fiscal Policy for Growth, Recovery, and Resilience Development Policy Credit.</i> (P176498) 02/19/2024	100
FA2	No planned	Delivered. <i>Nepal Finance for Growth DPC (3 of 3).</i> (P178531) 05/06/2024	80

Planned Versus Actual ASA (on June 30, 2024)

(Bold=Completed)

ASA Program	Status
ASA Planned in Original CPF	
Nepal Fiscal Federalism/ Fiscal Policy Analysis and Management	Delivered in FY19 as Nepal Fiscal Policy Analysis and Management Program (P157724) 6/28/2019, and Support for Fiscal Management (P160712) 6/26/2019
Nepal Federalism Transition Support/Fiscal Federalism Transition	Delivered in FY19 as Nepal Fiscal Federalism (Transition) (P165688) 4/3/2019 and Nepal Federalism Transition Support (P165942) 6/20/2019
Cost of Federalism and Capacity Gap Survey/Capacity Needs Assessment for federalism.	Delivered in FY20 as Federalism Capacity Needs Assessment (P168504) 11/21/2019; and as Programmatic Federalism Support Platform (P168170) 6/20/2019
Urban Governance and Federalism	Delivered in FY19 as Urban Governance and Federalism (P165231) 5/15/2019
Human Development Public Expenditure Review	Delivered in FY21 (P131564)
Health Financing Strategy Support	Delivered in FY21 as Health Financing Strategy Support (P166804) 7/7/2020
InfraSAP	Nepal - Infrastructure Sector Assessment (P165688) delivered 2/27/2019
Regional Energy Sector Dialogue	ASA delivered
Developing Improved Solutions for Cooking	Developing Improved Solutions for Cooking (P149764) delivered 6/5/2019
Renewable Energy Resource Mapping and Geospatial Planning	Renewable Energy Resource Mapping and Geospatial Planning delivered in FY21 (P150328) delivered 8/21/20
Cross-cutting advisory to bankability of hydropower (IFC)	Completed. Nepal Hydro Sector Development Program (599991)
Environment & social advisory to improve standards in hydropower (IFC)	Completed. Nepal E&S Hydro (601760)
Bridges Impact Evaluation	Ongoing, activity being conducted under BIMP II (PforR) (P161929)
Policy Note on Agriculture Finance Strategy	Policy Note on Agriculture Finance Strategy (P165645) delivered 6/28/2019
Finance and Competitiveness Dialogue	Delivered in FY19 as Nepal FCI Policy Engagement (P168914) 6/28/2019
Insolvency Reform (TA)	Ongoing activity being conducted under Post Covid Pvt sector recovery Program (P174486)

Digital Financial Service (IFC)	Ongoing. Nepal Digital Financial Services (607196)
FinInfra Nepal (IFC)	Ongoing. Nepal Financial Infrastructure Strengthening (604073)
Access to Finance (IFC)	Ongoing. Access to Financial Services Nepal (602783)
South Asia Regional Trade Facilitation Program (SARTI) (IFC)	Completed. South Asia Regional Trade and Investments (597407)
Investment Climate Reforms Industry (IFC)	Completed. Nepal Investment Climate for Industry (593787)
Competition in transport sector Nepal (TA) PPP in SEZs and Industrial Park (TA)	Project did not materialize
Nepal Market Creation for Tourism (IFC)	Dropped. Nepal Creating Markets for Tourism (602476)
Support to Developing an Inclusive Jobs Strategy for Nepal/Nepal Jobs Platform	Delivered in FY20 Support to developing an inclusive jobs strategy for Nepal (P163141) 6/19/2020
IFC advisory Services in Agribusiness and tourism	Ongoing. Nepal Sustainable Agribusiness Supply Chains (605701)
Early Childhood Development	Delivered in FY20 as Early Childhood Education Diagnostic (P169661) 2/5/2020
Integrated Platform for Gender Based Violence Prevention and Response in Nepal (TA) TF	Delivered under Integrated Platform for Gender Based Violence Prevention and Response in Nepal (TF financed project) (P155096)
Adaptive Social Protection TA	Delivered in FY19 TA for adaptive Social Protection in Nepal (P163514)
Water Sector Strategic Platform	Delivered as Water Platform and Strategy Development (P168191) 3/28/2019
Nepal Climate Change	Delivered in FY23 Nepal Climate Change and Development Report (P176737)
Nepal Advancing Social Protection II	Delivered in FY20 as Advancing Social Protection II (P163514) 12/9/2019
Adaptive Social Protection TA	Delivered in FY19 TA for adaptive Social Protection in Nepal (P163514) 3/28/2019
Environmental Sector Diagnostics: Priorities for accelerating growth	Delivered in FY19 as Nepal Environment Sector Diagnostics: Priorities for accelerating sustainable growth (P164550) 6/28/2019
Catchment and hydropower ASA	ASA delivered
ASA not planned in Original CPF	
Macro Monitoring and Analysis FY19	Delivered (P152522) 6/17/2019
FY2018 Nepal Development Updates	Delivered (P165663) 8/20/2018

Policy Notes for the new Government	Delivered (P166154) 2/1/2019
Debt Reform Plan Nepal	Delivered (P170679) 6/27/2019
Macro Monitoring and Analysis FY20	Delivered (P172106) 6/18/2020
Macro Monitoring and Analysis FY21	Delivered (P174718) 6/25/2021
Nepal Macro Monitoring and Analysis FY2022	Delivered (P177436) 6/20/2022
Nepal Macro Monitoring and Analysis FY2023	Delivered (P179714) 6/20/2023
Nepal Macro Monitoring and Analysis FY2024	Delivered (P500910) 6/7/2024
Nepal FCI Policy Engagement	Delivered (P168914) 6/26/2020
Nepal Public Expenditure Review	Delivered (P172086) 6/22/2021
Technical Assistance for Improving Municipal Solid Waste Management Services for Urban Local Governments in Nepal	Delivered (P169652) 6/16/2020
Partnership for Knowledge Based Poverty Reduction and Shared Prosperity in Nepal	Delivered (P163078) 6/28/2020
PER for Nutrition in Nepal	Delivered (P168568) 11/1/2019
Addressing Malnutrition and Investing in Early Years in Nepal in a federalized context	Delivered (P168830) 6/28/2020
Promoting Inclusive Citizen Participation in Performance Audits in Nepal	Delivered (P169375) 6/28/2020
Nepal Light Poverty Assessment 2021	Delivered (P175443) 6/18/2021
Sustainable Tourism Development and Value Creation in Nepal	Delivered (P167250) 6/28/2019
Capacity building and implementation support for the National Road Safety Council	Delivered (P169402) 12/18/2020
Support to developing an inclusive jobs strategy for Nepal	Delivered (P163141) 6/19/2020
Digital Nepal	Delivered (P171113) 9/30/2020

Investing in people to close Human Capital Gap for Higher and sustainable inclusive growth	Delivered (P168816) 6/11/2019
Water Platform 2.0	Delivered (P171575) 4/11/2019
Nepal Fiscal Federalism Advisory Support Program	Delivered (P175376) 5/31/2024
National workshop of IPs/CSOs in Nepal	Delivered (P171713) 12/4/2019
Women's Non-Farm Employment in Nepal (P172067) 6/25/2020	Delivered (P172067) 6/25/2020
SPF: Maximizing the Development Impact of the IDA18 FCV Risk Mitigation Regime in Nepal	Delivered (P171624) 6/30/2021
DIME Agriculture and Irrigation in Nepal	Delivered (P154309) 6/17/2020
Support to government on Pandemic Epidemic preparation	Delivered (P168171) 3/27/2020
Nepal Debt Management Performance Assessment	Delivered (P180525) 9/13/2023
Nepal Crisis Preparedness Gap Analysis	Delivered (P179173) 12/22/2023
Nepal Public Expenditure and Financial Accountability (PEFA) Assessment 2022	Delivered (P175522) 12/31/2023

CLR Annex 4: World Bank Nepal Portfolio FY19-24

Project ID	Project Name	Lending Inst. Type	Approval FY	Bank Approval Date	Closing Date	Total Commitment
Ongoing Projects						
DPF/DPCs (3)						
P166788	Nepal Development Policy Financing with CAT DDO	DPF	2020	10-Mar-2020	30-Nov-2024	50.00
P176498	Second Fiscal Policy for Growth, Recovery and Resilience Development Policy Credit	DPF	2024	29-Feb-2024	28-Feb-2025	100.0
P178531	Third Nepal Finance for Growth DPC	DPF	2024	6-May-2024	25-Apr-2025	80.0
IPF (16)						
P154548	Strengthening Systems for Social Protection and Civil Registration Project	IPF	2017	02-Dec-2016	30-Jun-2024	109.36
P156797	Nepal Livestock Sector Innovation Project	IPF	2018	07-Dec-2017	30-Jun-2024	46.26
P164319	Food and Nutrition Security Enhancement Project	IPF	2019	25-Sep-2018	30-Jun-2024	22.70
P160696	Youth Employment Transformation Initiative Project	IPF	2020	12-Sep-2019	15-Jul-2025	120.00
P173760	Nepal: COVID-19 Emergency Response and Health Systems Preparedness Project	IPF	2020	03-Apr-2020	15-Jul-2024	87.6
P149239	Nepal: Private Sector-Led Mini-Grid Energy Access Project	IPF	2019	30-Jan-2019	31-Mar-2025	7.61
P158364	NP Modernization of Rani Jamara Kulariya Irrigation Scheme - Phase 2	IPF	2018	20-Mar-2018	15-Jul-2025	61.00
P163418	Nepal Urban Governance and Infrastructure Project	IPF	2021	28-Sep-2020	15-Jul-2025	150.00
P170215	Rural Enterprise and Economic Development Project	IPF	2021	28-Oct-2020	15-Jul-2025	37.31

Project ID	Project Name	Lending Inst. Type	Approval FY	Bank Approval Date	Closing Date	Total Commitment
P170798	Forests for Prosperity Project	IPF	2021	08-Jul-2020	30-Sep-2025	24.00
P165375	Nepal Emission Reductions Program in the Terai Arc Landscape	IPF	2021	21-Jan-2021	31-Dec-2025	45.00
P170409	Nepal Strategic Road Connectivity and Trade Improvement Project	IPF	2020	10-Jun-2020	15-Jul-2027	301.64
P176589	Water Sector Governance and Infrastructure Support Project	IPF	2022	02-Jun-2022	15-Jul-2028	80.00
P177902	Accelerating Transport and Trade Connectivity in Eastern South Asia – Nepal Phase 1 Project	IPF	2022	28-Jun-2022	15-Jul-2028	275.00
P181087	Food And Nutrition Security Enhancement Project II	IPF	2024	18-Sep-2023	30-Jun-2027	20.00
P171836	Provincial and Local Roads Improvement Program - Phase 1	IPF	2024	29-Feb-2024	15-Jul-2029	100.00
Program for Results (4)						
P161929	Second Bridges Improvement and Maintenance Program	PforR	2019	26-Sep-2018	15-Jul-2024	118.21
P171516	Nurturing Excellence in Higher Education Program for Results	PforR	2021	11-Jun-2021	15-Jul-2026	60.00
P177647	School Sector Transformation Program Operation	PforR	2023	24-Mar-2023	16-Jul-2027	120.00
P177389	Nepal Quality Health Systems Program-for-Results	PforR	2023	28-Apr-2023	15-Jul-2028	100.00
	NEPAL Total Ongoing Projects					2115.68

Closed Projects						
Project ID	Project Name	Lending Inst. Type	Closing FY	Net Comm. Amt Total	Project Closing Date	Project Closing Date
2019						
P159547	Nepal Fourth Financial Sector Stability Credit DPC4	DPF	2019	100.00	30-Jun-2019	30-Jun-2019
P160792	Nepal Fiscal Reforms DPC	DPF	2019	200.00	28-Feb-2019	28-Feb-2019
P154693	Nepal Energy Sector Development Policy Credit	DPF	2019	100.00	31-Mar-2019	31-Mar-2019
P105860	Poverty Alleviation Fund II	IPF	2019	242.07	31-Dec-2018	31-Dec-2018
2020						
P113441	Nepal: School Sector Reform Program	IPF	2020	220.81	15-Jul-2019	15-Jul-2019
P122406	Kabeli-A Hydro Electric Project	IPF	2020	17.24	30-Dec-2019	30-Dec-2019
P095977	Road Sector Development Project	IPF	2020	128.52	15-Jan-2020	15-Jan-2020
P132750	Project for Strengthening the National Rural Transport Program	IPF	2020	91.50	15-Jan-2020	15-Jan-2020
2021						
P173044	Finance for Growth Development Policy Financing	DPF	2021	200.00	30-Jun-2021	30-Jun-2021
P147010	Higher Education Reforms Project	IPF	2021	62.66	31-Dec-2020	31-Dec-2020
P170248	Second Programmatic Energy Sector Development Policy Credit	DPF	2021	100.00	30-Jun-2021	30-Jun-2021
P127508	Building Resilience to Climate Related Hazards	IPF	2021	24.92	15-Nov-2020	15-Nov-2020
2022						
P173982	Nepal Programmatic Fiscal Policy for Growth, Recovery and Resilience DPC	DPF	2022	150.00	31-May-2022	31-May-2022
P115767	Nepal-India Electricity Transmission and Trade Project	IPF	2022	115.32	31-Oct-2021	31-Oct-2021

P131592	SREP-Supported Extended Biogas Project	IPF	2022	4.18	31-Aug-2021	31-Aug-2021
P144335	Nepal-India Regional Trade and Transport Project	IPF	2022	76.71	30-Nov-2021	30-Nov-2021
P143036	NP Rural Water Supply and Sanitation Improvement Project	IPF	2022	62.60	15-Jul-2021	15-Jul-2021
2023						
P176881	Nepal Second Finance for Growth Development Policy Financing	DPF	2023	150.00	30-Jun-2023	30-Jun-2023
P160748	Nepal School Sector Development Program	PforR	2023	235.00	16-Jul-2022	16-Jul-2022
P160207	Nepal Health Sector Management Reform Program	PforR	2023	200.00	16-Jul-2022	16-Jul-2022
P146344	Nepal: Grid Solar and Energy Efficiency	IPF	2023	107.39	15-Dec-2022	15-Dec-2022
P150066	Nepal: Power Sector Reform and Sustainable Hydropower Development (PSRSHD)	IPF	2023	12.01	30-Dec-2022	30-Dec-2022
P177776	First Nepal Green, Resilient and Inclusive Programmatic DPC	DPF	2023	100.00	30-Jun-2023	30-Jun-2023
P155969	Earthquake Housing Reconstruction Project	IPF	2023	700.00	30-Jun-2023	30-Jun-2023
P162067	Multi Donor Trust Fund Funding for Earthquake Housing Reconstruction Project	IPF	2023	14.11	30-Jul-2022	30-Jul-2022
2024						
P164783	Integrated Public Financial Management Reform Project	IPF	2024	9.00	16-Jul-2023	16-Jul-2023
P163018	Enhanced Vocational Education and Training Project II	IPF	2024	56.50	16-Jul-2023	16-Jul-2023

CLR Annex 5: IFC Committed and Outstanding Portfolio FY19-24

IFC Program Evolution

Annual Program (US\$ millions)							
	FY19	FY20	FY21	FY22	FY23	FY24	FY19-FY24
Total LTF Commitments	35.0	397.5	19.6	45.0	62.3	72.0	631.4
Of which: Own Account	35.0	105.7	19.6	45.0	38.5	47.5	291.3
Of which: Mobilization	-	291.8	0.0	0.0	23.8	24.5	340.1
Total STF	4.4	7.1	10.3	5.4	0.5	0.9	28.6

Own Account Portfolio

Own Account Committed Exposure (US\$ millions, as of June 30, 2024)					
	MAS ³³	INR ³⁴	FIG ³⁵	CDF ³⁶	Total
Committed Exposure	8.9	116.6	82.6	17.7	225.8
Top 3 exposures (project names and outstanding amounts)	UT-1 (US\$106.1M), Global IME Bank (US\$30M) Siddhartha Bank (US\$24M)				

³³ Manufacturing, Agribusiness, and Services (MAS)

³⁴ Infrastructure and Natural Resources (INR)

³⁵ Financial Institutions Group (FIG)

³⁶ IFC Disruptive Technologies, Venture Capital, and Funds (CDF)

CLR Annex 6: IFC Approved or Active Advisory Services in CPF Period FY19-24

Over the CPF period a total of 8 AS projects were completed, of which seven had positive DE rating. Of these, 4 were validated by IEG; all the ratings are shown below.

Evaluation Year	Project ID	Project Name	Primary Business Area	DE rating
2018	593787	Nepal Investment Climate for Industry	EFI	Mostly Unsuccessful (IEG validated)
2019	580627	AS Nirdhan Bank	FIG	Mostly Successful (IEG validated)
2019	588487	PPCR- Promoting Climate Resilient Agriculture, Nepal	MAS	Mostly Successful (Self-Rated)
2019	601861	Nepal Local Shares	ESG	Successful (Self-Rated)
2020	600378	ESRM for the financial sector in Nepal	ESG	Mostly Successful (IEG validated)
2022	599991	Nepal Hydro Sector Development	INR	Mostly Successful (IEG validated)
2022	604128	RMDC-Business Model, Credit Risk Management & Partner Trainings	FIG	Successful (Self-Rated)
2023	604269	Corporate Governance for Yeti Nepal	MAS	Successful (Self-Rated)
2024	601760	Nepal E&S Hydro	ESG	Highly Successful (Self-Rated)
2024	607527	Sanima Bank RM	FIG	Mostly Successful (Self-Rated)

List of all IFC Advisory Services with Concept Note approved or active during the CPF period.

Project ID	Project Name	Project Stage	Primary Business Line Name
600409	SA Umbrella SME-Risk Banking	DROPPED/ TERMINATED	Financial Institutions Group
602476	Nepal Creating Markets for Tourism	DROPPED/ TERMINATED	Country Advisory
602669	Nepal Tourism	COMPLETED	Manufacturing, Agribusiness & Services
602670	Nepal Health	COMPLETED	Manufacturing, Agribusiness & Services
602671	Nepal Agri study	COMPLETED	Manufacturing, Agribusiness & Services
602672	Nepal PSD	COMPLETED	Economics & Private Sector Development
602783	Access to Financial Services (Nepal)	PORTFOLIO	Country Advisory
602810	Nepal LCF	COMPLETED	Treasury Advisory Services

602811	E&S Risk Diagnostics	COMPLETED	ES&G Sustainability Advice & Solutions
602812	Nepal Airport project- Capacity Building	DROPPED/ TERMINATED	Transaction Advisory
603075	Trishuli CIA and Stakeholder Engagement	COMPLETED	ES&G Sustainability Advice & Solutions
604073	Nepal Financial Infrastructure Strengthening	PORTFOLIO	Financial Institutions Group
604128	RMDC-Business Model, Credi Risk Management & Partner Trainings	COMPLETED	Financial Institutions Group
604136	Nepal Housing Market Study	COMPLETED	Manufacturing, Agribusiness & Services
604229	PMS: CSA Nepal	PMS, GA	IFC
604269	Corporate Governance for Yeti Nepal	COMPLETED	ES&G Sustainability Advice & Solutions
604279	UT-1 Local Shares	COMPLETED	Infrastructure
605008	Civil Society Engagement	COMPLETED	Economics & Private Sector Development
605200	Assessing viability of investment in coffee in Nepal	COMPLETED	Manufacturing, Agribusiness & Services
605477	SA Power Pool Upstream Seed	PORTFOLIO	Infrastructure
605697	ESG Project for Nepal	UMBRELLAS	ES&G Sustainability Advice & Solutions
605701	Nepal Sustainable Agribusiness Supply Chains	PORTFOLIO	Manufacturing, Agribusiness & Services
605817	ESG Urja Developers Nepal	COMPLETED	ES&G Sustainability Advice & Solutions
606136	Nepal Infrastructure PPP	PIPELINE	Transaction Advisory
606422	Sana Kisan Advisory	PORTFOLIO	Financial Institutions Group
606793	Nepal Tourism Green Recovery A2F	COMPLETED	Country Advisory
606900	Nepal Digital Infrastructure Regulations	PORTFOLIO	Infrastructure
606920	Nepal Leasing	COMPLETED	Financial Institutions Group
607180	Integrated ESG Project for Nepal	PORTFOLIO	ES&G Sustainability Advice & Solutions
607196	Nepal Digital Financial Services	PORTFOLIO	Country Advisory
607203	Nepal Business Enabling Environment	PIPELINE	Country Advisory
607275	Nepal Cancer Hospital and Research Center Expansion Advisory	DROPPED/ TERMINATED	Manufacturing, Agribusiness & Services
607310	Nepal Capital Market Development	PORTFOLIO	Country Advisory
607394	Nepal cable car	PORTFOLIO	Infrastructure
607420	Nepal EV	PORTFOLIO	Infrastructure
607477	Laxmi Sunrise Bank Risk Management	PORTFOLIO	Financial Institutions Group

607501	Nepal Gender Market Diagnostic and Scoping	PIPELINE	Financial Institutions Group
607527	Sanima Bank RM	COMPLETED	Financial Institutions Group
607697	Upaya City Cargo	PORTFOLIO	Infrastructure
608310	NWEDC Nepal	PORTFOLIO	ES&G Sustainability Advice & Solutions
608496	SME V Dolma II AS	PORTFOLIO	Disruptive Technologies & Funds
608580	Nepal Cities Advisory	PIPELINE	Country Advisory
608622	Nepal Climate Finance Advisory	PIPELINE	Country Advisory
608668	Siddhartha Bank Advisory	PORTFOLIO	Financial Institutions Group
608675	NMB Bank Advisory	PORTFOLIO	Financial Institutions Group
608686	Global IME Bank Advisory	PORTFOLIO	Financial Institutions Group

CLR Annex 7: MIGA's Guarantee Portfolio as of end-June 2024

Investor Name	Project Name	Business Sector	Investor Country	Gross Exposure (US\$)
Korea South-East Power Co., Ltd.	Upper Trishuli-1 Hydropower	Infrastructure	Korea, Republic of	87,403,500

Annex 3: Streamlined 2024 Systematic Country Diagnostic for Nepal

The 2018 Systemic Country Diagnostic (SCD) identified six priority areas aimed at boosting growth, reducing poverty, addressing sources of fragility, and reducing vulnerability: (i) improving public institutions, (ii) increasing private sector investment for job creation, (iii) acquiring and using human capital, (iv) developing natural resources, (v) increasing resilience to natural disasters and health shocks, and (vi) getting more from migration. This 2024 streamlined SCD assesses progress on these priorities and proposes a reprioritization, focused on areas in which progress has been weak but is urgently needed and areas that are becoming binding constraints to progress on all other priorities. Reprioritization is also motivated by alignment with the World Bank Group's new mission statement, and with Nepal's upcoming 16th Development Plan.

Recent Developments: Strong Progress on Reducing Poverty and Improving Human Capital, but Insufficient Growth and Low Productivity

Nepal significantly reduced poverty since 2011, driven in large part by international migration. The poverty headcount rate (based on the national poverty line) decreased from 25.16 percent in 2011 to 3.57 percent in 2023 (Figure 1), and the Gini index for consumption inequality fell by 1.5 percentage points to 31.3ⁱ Per capita expenditures increased in both urban and rural areas, and the prosperity gap plummeted from 6.70 to 3.98.ⁱⁱ Higher rates of international migration were the key driver of the strong and equitable improvements in economic welfare. These large increases in mean per capita expenditures, as measured in the Nepal Living Standard Surveys, and the 12-year gap since the last survey motivated a revision of the national poverty line to account for shifting consumption patterns and new, higher norms for living standards. The revised poverty line increased the real value of the poverty threshold by 70 percent. Using this threshold, the poverty headcount rate was 20.3 percent in 2023, with substantial variations across Nepal's seven provinces.

Officially recorded remittances in Nepal remain among the highest in the world (figure 2). In 2022, remittances accounted for 22.8 percent of GDP, placing Nepal in the world's top 10 remittance-receiving countries.ⁱⁱⁱ Migration continued to increase, with the annual outflow (excluding to India) reaching 750,000 people in FY23. Per capita remittances and the share of households receiving remittances increased, with larger increases at the lower end of the distribution. Remittances accounted for 32 percent of poverty reduction, second only to rising domestic wages in the nonagricultural sector, which accounted for 35 percent. As in the past, rising domestic wages were accompanied by a shift in employment toward nonagricultural jobs and could reflect higher emigration.^{iv}

Nepal's economy has grown at a moderate pace since 2010, punctuated by several external shocks. Real GDP grew at an average annual rate of 4.3 percent between 2010 and 2023, interrupted by the 2015 Gorkha earthquakes, the 2016 blockade, the 2017 landslide, and the 2020 COVID-19 pandemic. On the demand side, growth was driven by consumption and, to a certain extent, investments, both bolstered by significant remittance inflows. The production structure of the economy has further shifted from agriculture to services, with services now contributing over half of GDP. The service sector also accounted for 47 percent of all wage jobs (excluding subsistence employment in agriculture). Labor force participation outside subsistence agriculture remains low, particularly for women (30 percent compared with 54 percent for men).^v

Nepal's growth has been inadequate to narrow the income gap with peer countries. Even after attaining lower-middle-income status in 2019, Nepal's GDP per capita has fallen behind that of its peers, and the current growth rate is not sufficient to catch up. Labor productivity trails that of peers, particularly in agriculture and industry. The gap is narrower in the services sector. The transition to fiscal federalism and external shocks have increased fiscal deficits. The move from a centralized to a tiered government system, coupled with frequent external shocks, has increased spending pressures. The average annual fiscal deficit doubled between 2015–19 and 2020–23, from 2.3 percent of GDP to 4.7 percent of GDP. As a result, public debt increased from around 25 percent of GDP in 2015 to 43 percent of GDP in 2023.

Figure 1: A decade of sustained poverty reduction
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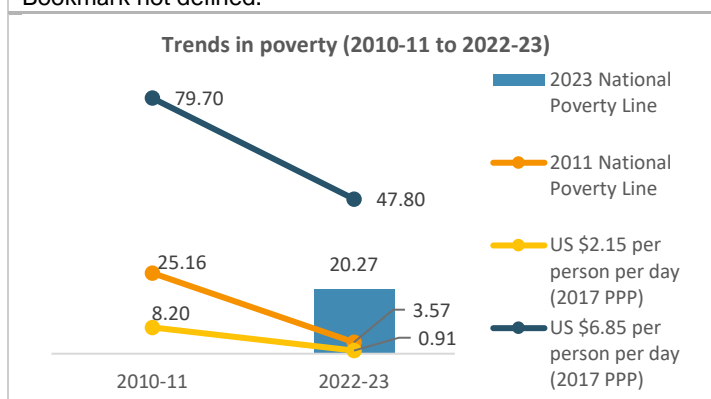


Figure 2: Supported but not driven by consumption and services-led growth

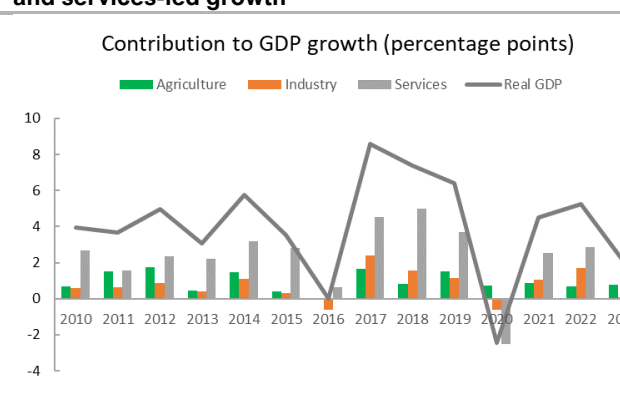
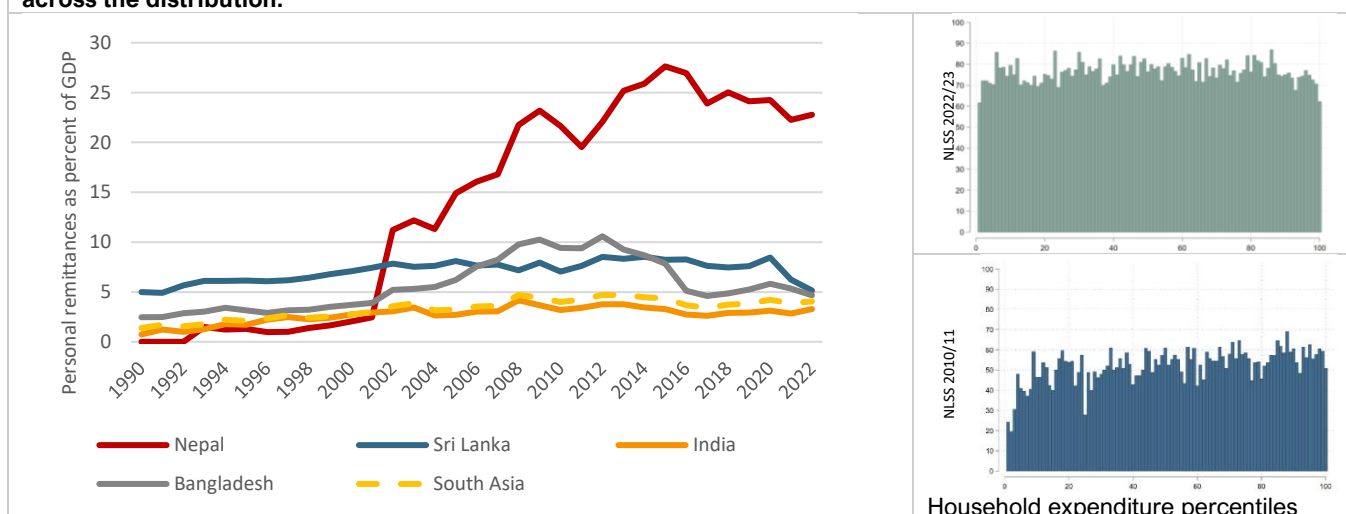


Figure 3: Personal remittances continue to account for a large share of GDP and per capita receipts have increased across the distribution.



Exports are low and inflation high. External competitiveness has deteriorated in recent years, with exports of goods and services representing a mere 6.8 percent of GDP in 2022. Distortions from large remittance inflows, lack of connective infrastructure, and low tourism receipts were critical factors in the export slump.^{vi} Remittances and inflation contributed to the appreciation of the real exchange rate, reducing the competitiveness and profitability of the export sector. Limited investment opportunities, because of the nascent stage of the private sector, likely resulted in overinvestment in nonproductive assets, particularly real estate. The restricted openness of Nepal's capital account has curbed foreign direct investment (FDI), which stood at just 0.4 percent of GDP in 2022, and limited the development of the export sector, job creation, and productivity growth.

Policy measures to mitigate external imbalances and curb inflation inadvertently slowed growth and increased the fiscal deficit in FY23. Import restrictions narrowed the external deficit but resulted in a decade-high fiscal deficit of 6.1 percent of GDP in FY23, because of Nepal's reliance on tariffs for revenue. The restrictions also led to a major slowdown of growth, to 1.9 percent in FY23, down from 5.6 percent in FY22. The decline was driven mainly by a contraction in manufacturing and construction, as well as sluggish wholesale and retail trade. Growth is projected to recover to an annual average rate of 5 percent over the medium term, slightly above the average of the past 10 years.

Nepal recorded strong progress on human capital outcomes, but inequality of opportunity persists. Since 2014, child malnutrition declined, and school attendance and access to health care, including maternal and child health; basic sanitation; clean water; and electricity rose.^{vii} Between 2011 and 2023, net school attendance rates increased from 78 percent to 96 percent at the primary level and from 30 percent to 48 percent at the secondary level.^{viii} Historic patterns of spatial and socioeconomic exclusion continue to limit opportunities of disadvantaged groups and places, however: Stunting rates are 1.4 times higher in Karnali, the second-poorest

province, than the national average, and ethnicity accounts for over 60 percent of inequality in malnutrition and primary school completion outcomes.^{ix} Nepali women also face constraints in their legal rights regarding property ownership, inheritance, labor protections, and access to finance and markets, as indicated by scores on the Women, Business, and the Law Index.^x

Government spending on health and education, alongside increased private demand, has boosted basic education and health outcomes.^{xi} However, within the national budget, education funding decreased from 15 percent to 10 percent between 2016 and 2022, while health expenditures increased from 6 percent to 7 percent. Private spending on health and education rose (Table 1), with a notable shift towards private primary schools (from 21 percent to 38 percent) and health facilities (from 17 percent to 37 percent) between 2011 and 2023.^{xii} Despite this, health insurance coverage remains low, at 12 percent for adult women and 13 percent for adult men.^{xiii}

Progress in growth, poverty reduction, and human capital outcomes occurred despite a weak domestic labor market, which experienced declining labor force participation and high unemployment, even among the relatively educated. Over half of employment was in subsistence activities in 2017,^{xiv} but the share of agriculture in domestic output and employment has been declining, with paid jobs gradually shifting toward services and manufacturing activities. Nevertheless, around a third of total employment was in self-employment or unpaid work in 2023. The population out of the labor force remains high, including among people with secondary education (52 percent) and tertiary education (28 percent), and unemployment rates are high across the education distribution, except among the small population of workers with tertiary education.^{xv} Nepal's labor market also exhibits vulnerability and sluggish recovery from shocks. COVID-19 triggered the largest job losses in the South Asia Region, affecting two out of five Nepali workers. Eighteen months into the crisis, 22 percent of lost jobs remained unrecovered, and 23 percent of workers had transitioned to lower-quality employment.^{xvi}

The migration of predominantly male Nepali workers has helped strengthen resilience and reduced poverty, through strong remittance inflows. Migrant workers earn three times more than domestic workers on average,^{xvii} with the average migrant worker with nine years of education earning the same as worker in Nepal with tertiary education.^{xviii} During COVID-19, the correlation between the labor income shock and economic distress was small or close to zero for migrant households.^{xix} The impacts of out-migration on the country of origin depend on its net benefits. Benefits include remittances, human capital accumulation, skills and knowledge flows, and labor allocation efficiency; large-scale migration can also impose economic, societal, and human costs, however.^{xx}

The transition to federalism has been accompanied by progress in access to the first mile of connective infrastructure, basic infrastructure services, and the emergence of new economic centers; last-mile challenges related to equity and the quality of service delivery remain. Over the past decade, basic connectivity increased dramatically, with the share of the population living within 2 kilometers of any type of paved road rising 39 percent and distances to markets falling in both rural and urban areas. Access to electricity, soared, increasing 76 percent increase in rural areas over this period (Table 1). Spatial heterogeneity in population density and growth at the subnational level are correlated with proximity to new growth centers, such as provincial capitals, border crossings, and newly connected towns, and could offer potential for public and private investments in leveraging agglomeration externalities. At the same time, spatial inequities persist, and challenges related to quality remain. The distance to a paved road is much longer in the poorest provinces (walking time in Sudurpaschim is three times the national average), and access to electricity is much lower (close to half the national average in Karnali).

The lack of targeted policy instruments for the poor leaves Nepal's progress in poverty reduction vulnerable to economic and climate shocks and other uninsured risks. Increasing climate variability is likely to increase risks to livelihoods, economic growth, and food security by reducing agricultural productivity, damaging infrastructure, and limiting water availability. Along with other factors, increased flooding and heat stress in the south and more landslides, water stress, and glacial lake overflow in the north would increase food insecurity and poverty.^{xxi} Nepal's fiscal model relies largely on public infrastructure and service delivery for resource distribution. In 2023, Nepal allocated 1.6 percent of GDP to public spending on social assistance; categorically targeted programs accounted for almost all these expenditures (1.5 percent of GDP). More than a third (38 percent) of the poorest 20 percent of the population now receives some social assistance, but 85 percent of

these people receive assistance through programs that target seniors, single women, or people with disabilities. The COVID-19 crisis exposed the challenges of relying solely on categorical systems that have limited scalability and cannot be flexibly reoriented to meet emerging needs during an emergency. Nepal's inability to activate a system of direct transfers in response to the pandemic resulted in a minimal emergency fiscal response, covering just 2 percent of households, a fraction of the regional average of nearly 20 percent.

Progress on Priorities since the 2018 SCD

Since the 2018 SCD, constitutional mandates have supported improved political representation, but women and disadvantaged groups continue to be underrepresented. In the 2022 federal parliament, the representation of women rose marginally, the representation of Dalits declined, and the overrepresentation of the dominant caste groups increased relative to 2017 (see Table 1).^{xxii} The share of women in higher decision-making powers at the local level remained below 5 percent. In decision-making positions in the civil service (chief district and administrative officers), the share of Madheshis, Janajatis, Dalits, and women remained 3–19 percent despite new mandates on hiring.^{xxiii}

Strong provisions on transparency and accountability have been established since 2018, but accountability remains weak, despite requirements for public disclosures and citizen engagement in budget processes and monitoring of service delivery at all three levels of government. Oversight mechanisms such as the Provincial Accounts Committees (PACs) have had limited impact, particularly at the federal and provincial levels, and oversight at the local level, where PACs are optional, is weak. Measures of budget oversight and transparency declined since the last SCD, as did key measures of institutional quality (see Table 1). Demand-side accountability remained weak, with low global rankings on opportunities for public participation and limited effectiveness of de jure mechanisms.

Progress in creating more and better jobs and increasing productivity was weak, with shifts out of agriculture and self-employment largely into low-quality jobs. Despite a 14-percentage point shift toward wage jobs between 2017 and 2023, the quality of employment remained low, with 27 percent of all paid jobs in elementary occupations in 2023. Women were more likely than men to move into wage jobs (19 percentage points versus 10 between 2017 and 2023), to be occupied in elementary occupations (33 percent versus 24 percent), and to have higher unemployment rates regardless of their education level in 2023. Exports of goods and services declined substantially since the beginning of the decade, falling to levels significantly below those of peer countries.

The private sector is dominated by micro, small, and medium-sized enterprises (MSMEs) and remains hampered by an inadequate regulatory environment. MSMEs contribute around 22 percent of GDP and account for over 45 percent of all jobs in Nepal. Most of these enterprises are microenterprises; 4 in 10 are single-person firms. Half of all businesses, which employ a quarter of the total workforce, are unregistered.^{xxiv} The top four constraints to doing business that firms reported in 2023 included political instability, tax rates, customs and trade regulations, and access to finance.^{xxv} The share of firms citing electricity as the main obstacle to doing business fell by 17 percentage points and the share citing transportation declined by 3 percentage points.

Limited access to finance continues to constrain private sector growth, despite the expanded reach of formal financial services. Formal financial services expanded significantly, reaching 90 percent of the population and 87 percent of MSMEs, but access to credit for firms remains constrained. Only 35 percent of all establishments in the economic census reported receiving credit from banks. Almost two-thirds of micro and small enterprises lacked access to credit for business operations. In contrast, almost half of medium-sized and large enterprises reported having access to credit, although access to bank credit was lower across the board.^{xxvi} Although the banking sector expanded by 496 percent, and domestic credit increased from 51 percent of GDP in 2011 to 97 percent in 2022, the increase was from a low base; progress is insufficient to fuel the growth and job creation needed to support graduation to upper-middle-income status by 2030. FDI is deterred by complex and restrictive policies, including a long “negative list” of sectors barred from FDI and restrictions on foreign exchange transactions.^{xxvii}

Notwithstanding significant improvements in addressing multidimensional poverty and enhancing access to basic services, challenges persist in the quality and utilization of human capital. Despite a rise in secondary school enrollment rates, 11.2 percent of students dropped out before completing secondary school in 2022. Tertiary enrollment remained below 20 percent throughout the past decade.^{xxviii} Measures of quality also remain of concern. Nepal scores only 50 percent on the Human Capital Index, which measures the potential a Nepali child born today can expect to attain by age 18 given the country's risks of poor health and education. Learning-adjusted years of schooling are just 7.2 years, and Nepal ranks in the bottom quartile on learning effectiveness. Even with positive returns to tertiary education, human capital remains underutilized. Over one-third of youth are not in education, employment, or in training (NEET). One in four children remained stunted in 2022, despite impressive reductions in malnutrition rates.^{xxix}

Challenges implementing federalism limit equitable improvements in human capital outcomes. Revenues are held by the federal government, but the mandate for service delivery is devolved to the local level. The lack of effective financing and systems for decentralized delivery and a lack of clarity on functional responsibilities limits the scope for equitable and accountable service delivery. Within the health sector alone, for example, there are 25 overlapping functions between the federal and provincial governments and 15 functions overlapping across all three levels of government.

Progress toward creating a robust social protection framework that can improve resilience to shocks has been limited. Over the past decade, the coverage of social assistance in Nepal increased through (i) a 10-fold increase in real terms in targeted allowances for seniors and a 6-fold increase in benefits for single women and (ii) cash-based support (mostly of low-value) through a range of new sectoral programs. These programs helped reduce poverty by 2 percentage points in 2023 (compared with 0.25 percentage points in 2011). However, more than half of this impact comes from the allowance for seniors alone, with all new transfer programs taken together accounting for a mere 0.25 percentage point decline in poverty. This limited progress, and the absence of targeted direct transfer mechanisms that can both reach the poor and be scaled up in response to shocks, calls for urgent action, especially given Nepal's high vulnerability to climate change and weak insurance markets.

Limited progress has been made in improving the productive potential of natural resources. Hydropower could significantly boost Nepal's government revenues and export earnings and contribute to domestic and regional decarbonization. Private investments in hydropower increased by 29 percent. Although it is important for growth, it has limited direct potential for jobs in Nepal.^{xxx} Its impact on productivity is likely to be indirect, through improved and cheaper electrification. Recent evidence from a nationwide and large-scale expansion of micro-hydropower suggests that although it led to an increase in manufacturing establishments and had some impact on labor market outcomes, the impacts were muted in remote locations. Increasing the productive potential of hydropower investments will therefore also require investments in agglomeration externalities that promote urbanization with growth.^{xxxi} In **agriculture**, small improvements in access to irrigation and markets were accompanied by increased land fragmentation and a decrease in the share of farming households producing for the market.^{xxxii} **Forest cover** continued to increase (from 26 percent in 1992 to 45 percent in 2019), in part thanks to successful community-led model of forest development. New data highlight the need for evidence-based assessments of economic and biophysical potential that systematically take social, environmental, and institutional risks, including those related to private sector regulation into account, and the development of private forests, supported by remittances.^{xxxiii}

Migrant destinations and job types became more diversified. Most migration is still to the Gulf countries and Malaysia (65 percent) and for low-skill jobs (61 percent), but 14 percent of all work migrants now work in other destinations, including Australia, Japan, and the Republic of Korea, thanks in part to the expansion in bilateral labor agreements that aim to manage and regulate emigration. Access to international migration opportunities has also become less unequal, with workers at the lower end of the consumption distribution increasingly able to access more lucrative jobs in destinations other than India. **On their return, however, migrants face challenges**, with 56 percent out of the labor force or unemployed. Skills acquired abroad are not utilized, with only 15 percent of return migrants employed in the occupation they worked in abroad. Lack of appropriate domestic jobs and access to finance hinder returnees' utilization of skills, highlighting the need for migration policies that can both better leverage and mitigate the complex effects of emigration. Evidence gaps related to

this priority that will be analyzed in the Nepal Country Economic Memorandum include remittances and human capital investments, local labor market spillovers and the general equilibrium effects of migration, and the implications of migration related to gender norms and economic outcomes of left-behind members.

Table 1: Progress on priority areas and objectives since SCD 2018

Focus Area	Objectives	Changes since 2018 SCD
Improving public institutions	Increased inclusiveness in the political process	- 0.79 pp female underrepresentation relative to population in federal parliament + 5.8 pp overrepresentation of dominant castes relative to population in federal parliament + 2.8 pp underrepresentation of Dalits relative to population in federal parliament - 20 pp in deputy mayor positions which have a formal mandate for candidacy
	Improve accountability and strengthen the rule of law	+ 20.6 in the global ranking on political stability + 16 in the global ranking on rule of law + 11 in the global ranking on control of corruption - 2 in the global ranking on transparency - 4 in the global ranking on budget oversight +2 in the global ranking on public participation (bottom quintile)
	Support for the federalism transition & invest in the capacity of the subnational level	- 10 in ranking on the E-Government Development Index on government modernization - 0.2 in the CPIA Public Sector Management and Institutions cluster from 2017 (2.9) - 3 in the global ranking on government effectiveness, lowest among structural and regional peers) - 5 in Statistical Performance Index (37/100) on data sources including macro, government finances, and statistical data
Increasing private sector investment to create more and better jobs	Encourage investments in infrastructure (roads and electricity)	+ 38% households within 2 hours of walking distance to a paved road (to 76.1%) * - 9.3 km in average distance to the closest paved road (to 4.7 km) * + 24% households with access to electricity (to 94%) * - 17 pp in firms reporting electricity as the key business constraint* - 3 pp firms reporting transport as the key business constraint*
	Strengthen regulation and reduce government involvement in markets	- 8 pp firms reporting political instability as the key business constraint* +11 pp firms reporting tax rates as the key business constraint* + 7 pp firms reporting customs and trade regulations as the key business constraint* + 4 pp firms reporting access to finance as the key business constraint*
	Increase openness by reducing tariffs and increasing FDI	- 0.5 pp in FDI as a share of GDP (to 0.2%), below average for regional peers and lower-income countries
	Increase access to credit for women, rural entrepreneurs, SMEs	+ 29 pp in access to formal financial services (to 90%); +32 pp for women (to 89%), +30 pp for rural population + 36 pp in MSME access to formal financial services (to 87%) + 0.44 pp in adults borrowing from formal financial institutions (to 14.17%); + 1.27 pp for adult women (to 14.10%)
Equitable acquisition and use of human capital	Address barriers to health and education posed by remoteness, low income, and norms	62 to 68 on HOI (↓ inequality) to children not stunted** 65 to 68 on HOI (↓ inequality) in children, not underweight** 72 to 74 on HOI (↓ inequality) for children finishing 6th grade on time (age 15) ** 52 to 54 (↑ inequality) on HOI for starting 1st grade on time**
	Reduce high malnutrition rates	- 9 pp in stunting rate*** - 8 pp in underweight***
	Support the provision of quality secondary health and education services (and reduce out-of-pocket expenditures)	+ 17 pp net secondary enrollment over a decade (to 48 percent) * + 1 pp enrollment in tertiary education to reach 14%, lowest among structural and regional peers* + 47% out-of-pocket expenditure for public education and +53% for private education (primary)* + 15% out-of-pocket expenditure for public education and +29% for private education (secondary)* + 10% out-of-pocket expenditure on health*
	Support agricultural growth by improving market access, and year-round irrigation	+ 7 pp access to all-year irrigation* + 6 pp access to irrigation for farming households (to 71%) * - 4 km average distance to the main market* + 4% in use of main markets in rural areas (2011) * - 9% farming households selling to the market (to 39%) *

	(particularly in the Tarai)	
Harnessing the potential of natural resources	Enable private sector investment in hydropower	+29% private hydropower investments
	Increase action to reduce environmental risk	Ranks 116/135 in readiness to cope with climate change, similar to the average for regional peers, above structural peers
Increase resilience against shocks	Improve targeting and coverage of social protection	No change in targeting, social assistance programs are not poverty-targeted. + 12 pp coverage in categorical programs that reach the elderly, single women, and disabled (to 37%) +10 pp coverage in programs that include benefits through maternal and child health (to 24%) + 9 percent coverage of child grants
	Enable the development of insurance markets, particularly in health	+ 6pp increase in access to health insurance for men and women aged 15-49
Getting more from migration	Provide information, language, and soft skills for migrants	Two-day mandatory pre-departure orientation training for all migrant workers Soft skills, and language training for domestic workers
	Diversify destinations for temporary migration	+ 3 pp increase in households with international migrants - 6 pp workers in traditional migrant destinations with unskilled jobs +9 pp workers in new migrant destinations with service sector jobs
Note 1: Objectives that are not reported due to lack of indicators that can objectively measure progress or data include (i) Reduce the role of social networks and nepotism in labor markets in Priority 2; (ii) Improve planning and interagency coordination in Priority 4; and (iii) Address constraints to private sector investment in Priority 6. Trends in firm credit access are not available. Note 2: The period for assessing change is from 2018 to 2022 where indicators come from WDI; and 2017 to 2021 from Findex. The period for other indicators is noted with an asterisk. * Indicators assessed over ten years, due to census sources or data gaps with the base year being 2011 (NLSS -III; 2013 (Enterprise surveys), and 2012 (Agricultural Census). ** Indicators assessed over the period 2014-2019, based on the MICS survey. 2018 SCD assessed on the 2014 MICS. *** Indicators assessed over the period 2016-2022, based on the DHS survey. 2018 SCD assessed on the 2016 DHS.		

Relevance of 2018 SCD Priorities and 2024 Reprioritization

The constraints identified in the six priority areas of the 2018 SCD remain largely relevant, starting with the overarching risks to the current growth and welfare model. Despite welfare gains and growth that surpassed projections, challenges remain, including reliance on international remittances, limited improvements in the domestic private sector, low productivity, and weak job growth. Table 2 summarizes progress on the indicators and priority areas identified in the 2018 SCD.

Table 2: Progress on priorities and objectives outlined in the 2018 SCD

Priority area	Progress	Objectives	Progress	
Improving public institutions	Poor	Support the transition to federalism and increase inclusiveness in the political process. Improve accountability and strengthen the rule of law. Support the transition to federalism and invest in capacity at the subnational level.	Weak Weak Poor	Legend Progress since the last SCD
Increasing private sector investment to create more and better jobs	Poor	Invest in infrastructure (roads and electricity). Strengthen regulation and reduce government involvement in markets. Increase openness by reducing tariffs and increasing foreign direct investment. Increase access to credit for women, rural entrepreneurs, and small and medium-sized businesses.	Moderate Poor Poor Moderate	
Encouraging the equitable acquisition and use of human capital	Moderate	Address barriers to health and education posed by remoteness, low income, and norms Reduce the role of social networks and nepotism in labor markets. Reduce high malnutrition rates. Support the provision of good-quality secondary health and education services.	Moderate No data Strong Moderate	
	Weak	Support agricultural growth by improving market access and year-round irrigation.	Weak	
				SCD 2018 priority ranking

Harnessing the potential of natural resources		Enable private sector investment in hydropower.	Strong	1	
		Improve planning and interagency coordination.	Poor	2	
Increasing resilience against shocks	Poor	Increase action to reduce environmental risk.	Poor	3	
		Improve targeting and coverage of social protection.	Weak	4	
		Enable the development of insurance markets, particularly in health.	Moderate	5	
Getting more from migration	Moderate	Address constraints to private sector investment.	Poor		
		Provide information, language, and soft skills for migrants.	Weak		
		Diversify destinations for temporary migration.	Moderate		

Nepal's persistent vulnerability to climate shocks and uninsured risks calls for immediate actions to reduce risk exposures and strengthen coping mechanisms. Nepal faces high climate risks, as a result of structural reliance on agriculture as a source of subsistence (89 percent) and income (39 percent). Climate risks present a spatially differentiated challenge. The Terai/plains require direct mitigation of climate hazards and related damage to human life and physical assets; mountainous areas need investments in coping strategies. A weak policy environment for climate action and social assistance severely limits the capacity to mitigate and respond to shocks.^{xxxiv}

Harnessing the potential of natural resources will require a sector-specific approach to assess the fiscal-equity-sustainability tradeoffs and investments in public resource management capacity. Nepal is rich in natural resources, especially forest cover, water availability, and hydropower potential. These resources contribute very little to GDP growth, however, because of low private investment, informality, and in some cases the lack of established markets to trade and common property resources that are community managed. Assessing productivity gains and crowding in private sector investment will require a sectoral approach, as the fiscal-equity-sustainability tradeoffs vary across natural resource types. Sustaining equitable access to public forests through the involvement of inclusive forest user groups will be critical to both environmental sustainability and the equitable sharing of the benefits of improved productivity.

Weak public institutions are becoming a binding constraint to progress on other priorities and the equitable delivery of services. Nepal has achieved many milestones toward operationalizing federalism, but advances have not improved government effectiveness or service delivery. Important measures of governance quality, such as regulatory quality and government effectiveness, were stagnant or declined over the past decade (see Table 2). In health and education, for example, overlaps between the three tiers of government remain, and reliance on conditional grants from the federal government undermines the devolution of service delivery. Although devolved federal funds represented 65 percent of provincial and local government revenues in 2021, 46 percent of those funds were tied to conditional grants.^{xxxv} These constraints are compounded by a lack of adequate staffing: In FY23, 29 percent of government employee positions remain vacant across the three tiers of government.

Beyond the assessment of progress, two additional criteria are used to reprioritize areas for action in this SCD. They include the identification of constraints that are preventing progress in other areas and relevance to the World Bank Group's mission to reduce poverty and boost shared prosperity on a livable planet, including by strengthening the alignment of priority areas with Nepal's adoption of the Green, Resilient, and Inclusive Development (GRID) approach.

Areas for Action in the 2024 Streamlined SCD

This Streamlined SCD proposes four priority areas and high-level outcomes. Priority 1—strengthening public sector institutions, accountability, and effectiveness—is critical to facilitate progress in other priority areas. Priority 2—creating an enabling policy environment for private sector-led growth and job creation—is reframed to emphasize the role of policies that facilitate job creation. Priorities 3 and 4 highlight the need to strengthen inclusion, sustainability, resilience, and climate considerations through both existing and new pathways to reducing poverty and boosting shared prosperity on a livable planet.

Priority 1: Strengthening public sector institutions, accountability, and effectiveness.

High-level outcome 1: Increased and equitable access to public services and institutions

Key priorities: (i) Establish budgets, financing, and capacity that reflect federal and local mandates, and improve intergovernmental coordination; (ii) develop and use modernized and digital systems for public procurement, financial management, and data ecosystems, in order to improve public sector management and service delivery; (iii) improve the effectiveness and targeting of public spending; and (iv) strengthen mechanisms for accountability and inclusion.

Objective i: Support the implementation of federalism with appropriate budgets, financing, and functional capacity.

- Clarify functions, expenditure, and revenue responsibilities across the three government tiers.
- Operationalize intergovernmental coordination mechanisms and improve coordination.
- Improve intergovernmental fiscal transfer formulas and mechanisms to allow more flexibility for subnational governments to plan and spend resources to deliver services.
- Align civil service recruitment with the roles of the three tiers of government and pass the Federal Civil Service Bill.

Objective ii: Improve public sector effectiveness and modernize service delivery systems.

- Develop and use modernized and digital systems, to increase transparency, efficiency, and equity in government functions (public procurement, financial and revenue management, data ecosystems for public sector management, and service delivery).
- Strengthen subnational capacity to plan and provision for business service delivery (registration, construction permits, utility connections, property transfers, etc.)
- Review mandatory rotation for civil servants in key technical positions, to ensure business continuity and build capacity.
- Strengthen public financial management and procurement through system-wide investments.
- Develop a revised public financial management (PFM) reform strategy, improving capital spending, revenue forecasting, and climate and gender-responsive PFM systems.
- Implement the fiscal federalism roadmap.

Objective iii: Manage fiscal sustainability and improve the effectiveness and targeting of public spending.

- Improve public investment planning and align infrastructure planning across tiers of government.
- Develop capacities for project appraisal and monitoring systems and procurement at all three tiers of government.
- Strengthen institutional capacity for revenue generation and management capacity, including at the provincial and local levels.

Objective iv: Operationalize and strengthen mechanisms for accountability and inclusion.

- Monitor implementation of existing requirements on transparency and citizen engagement (including periodic self-disclosure of financial reports, seven-step planning, and budgeting).
- Remove legal and institutional barriers to equality of women under the law.
- Establish feedback systems for key public services that allow citizens to evaluate the quality of delivery in a timely manner.
- Improve public access to data by establishing clear policies that enable data use and oversight-related planning, spending, and project implementation functions.
- Increase the effectiveness of oversight entities such as the Public Accounts Committees, as well as the monitoring and evaluation committee at the local level.
- Improve implementation of annual audit recommendations.

Priority 2: Creating an enabling policy environment for private sector-led growth and job creation.

High-level outcome 2: More and better private sector jobs

Key priorities: (i) Adopt trade and policy reforms to promote competitiveness, FDI, and productivity growth, and improve the regulatory environment; (ii) expand and improve access to connective infrastructure (physical and digital) and financial inclusion and strengthen the economic linkages to hydropower; and (iii) foster urban productivity, and support the growth of secondary economic centers, to reap agglomeration externalities.

Objective i: Remove distortions in the macro-policy framework and improve the business environment for the private sector. • Prioritize productivity-enhancing reforms, to counter the effects of real exchange rate appreciation under the peg to the Indian rupee. • Reduce or eliminate high trade costs and cascading tariffs, to incentivize exports, and gradually reduce import taxation. • Foster trade and regional integration, to better integrate Nepal into global and regional value chains. • Ease restrictions on capital movements and international payment flows, attract more FDI and private finance by streamlining processes, and pass the draft Foreign Investment Act. • Ease regulatory constraints to doing business, including taxes, customs, and trade regulations.	Objective ii: Expand access to physical and digital connective infrastructure and access to finance. • Scale up access to finance and credit, especially for MSMEs, and support private financing solutions. • Complement investments in physical infrastructure (roads, electricity, and water) with digital connectivity to increase returns to human and physical assets. • Reduce spatial and socioeconomic gaps in digital and financial inclusion. • Strengthen backward and forward economic linkages with the hydropower sector. • Improve connectivity, to facilitate trade and hydropower exports.
Objective iii: Foster urban productivity • Leverage potential for agglomeration economies in secondary cities and emerging population growth centers. • Strengthen institutional and financial capacity for municipal services and local and urban planning. • Establish an institutional system for urban development that includes cabinet approval of the National Urban Policy and legislative approval of the Urban Development Act.	Objective iv: Strengthen public-private collaboration for financing and investments in Infrastructure. • Improve Public Investment Management frameworks to identify and prioritize projects, focusing on projects suitable for delivery by the private sector. • Strengthen the institutional, legal, and regulatory enabling environment for public-private partnerships, to mobilize private-sector investment in infrastructure. • Implement sectoral reforms to attract private participation in infrastructure (by for example, streamlining generation, transmission, and distribution and establishing regional power trade in the electricity sector).

Priority 3: Strengthening pathways for inclusive and sustainable growth and poverty reduction.

High-level outcome 3: More inclusive and sustainable returns to human, natural, and physical assets

Key priorities: (i) Sustain and improve returns to migration and leverage the skills of return migrants; (ii) support good-quality and equitable human capital acquisition and use; (iii) support natural capital–reliant livelihoods, by improving the productivity of water, land, and forest resources; and (iv) strengthen public delivery systems make them inclusive.

Objective i: Improve economic returns to migration. • Continue to diversify job opportunities for migrants, including through bilateral agreements to open new destinations that provide skilled jobs. • Invest in upskilling, including language training for aspiring emigrants. • Expand and strengthen pre-migration facilitation services.	Objective ii: Strengthen public capacity for equitable delivery of health and education and align mandates with resources. • Establish effective financing and delivery systems for decentralized and targeted delivery. • Support the enactment of existing laws, including the Education Bill, the Higher Education Bill, the TVET Bill, and the National Human Resources for Health Strategy 2021 bill.
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• Enhance migrants' protection, safety, and facilitation of remittances and financial literacy during migration. • Reduce costs and facilitate the reintegration of return migrants into domestic labor & credit markets.	• Collect better data to target human capital investments and support improved service quality and equity (gender, social, and economic). • Advance skill training and education for girls.
Objective iii: Support natural capital–reliant livelihoods • Support value addition and productivity of high-potential agricultural households identified based on a socioeconomic typology. • Support more productive and sustainable use of forest and water resources. • Strengthen successful modalities of natural capital use and conservation, particularly in the forestry sector.	Objective iv: Invest in the quality of education and skills of labor market entrants. • Improve the portability of skills through accreditation and certification processes. • Incentivize higher education institutions to develop Nepal's comparative advantages in specific job sectors, through partnerships with the private sector. • Evaluate economic returns to ongoing skill training programs, and identify sectors with potential for targeted support, such as digital services.

Priority 4: Promoting a greener and more resilient future development path.

High-level outcome 4: Enhanced resilience to economic and environmental shocks

Key priorities: (i) Strengthen infrastructure climate resilience and the institutional framework for crisis and disaster preparedness at all levels of government, (ii) strengthen household and community resilience, through the development of shock-responsive safety nets; and (iii) improve governance for natural resource management.

Objective i: Strengthen institutional capacity for disaster preparedness, management, and financing. • Clarify roles and responsibilities and coordination mechanisms for all levels of government. • Establish data-driven systems for multihazard risk assessment, loss and damage, resilience planning, and disaster risk financing and insurance. • Improve multihazard early warning systems, and invest in water, weather, and climate services (hydro met policy and master plan). • Address climate-related health risks, strengthen health information and surveillance systems, and assess climate readiness of health infrastructure.	Objective ii: Strengthen household, community, and infrastructure resilience. • Reorient social assistance systems to be scalable and to target the poor. • Establish better data and systems to identify, validate, and reach poor and vulnerable households and communities. • Strengthen resilience and productivity in the agricultural sector. • Strengthen infrastructure resilience, including through updating building codes and monitoring for compliance. • Strengthen community resilience through digital and financial inclusion.	Objective iii: Improve governance for natural resource management. • Strengthen local capacity and funding for operations and management in the water sector. • Strengthen land governance through an integrated land act and land valuation system; pilot implementation of the Land Use Act to support better land utilization. • Develop subnational forest management plans based on granular data, and design performance-based transfers of forest royalties from federal to provincial to municipal level. • In the hydropower sector, streamline and standardize processes for public-private partnerships, reform and strengthen the capacity of the National Electricity Authority, and strengthen cross-border trade and investment. • Strengthen regional integration and trade links, to increase hydropower exports.
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- ⁱ National Statistics Office (Nepal) and World Bank Staff estimates. Nepal has effectively eradicated extreme poverty (US\$2.15 per person per day poverty line, 2017 PPP). The 2022–23 poverty rates using international lines, Gini index, and the prosperity gap are based on the 2022–23 welfare aggregate comparable with NLSS III. The same indicators with the updated 2022–23 welfare aggregate, i.e., the official estimates for 2022–23 and the benchmarks for future comparisons, are: Poverty headcount rate is 0.37 percent (US\$2.15) and 44.07 percent (US\$6.85); the Gini index and prosperity gap are 30.02 and 3.78, respectively.
- ⁱⁱ World Bank staff estimates. The prosperity gap measures the average per capita expenditure shortfall relative to a prosperity standard of US\$25 (2017 PPP).
- ⁱⁱⁱ World Development Indicators. These indicators are used extensively throughout this SCD update. They are not referenced at every instance of use because of space constraints.
- ^{iv} Shrestha, M. 2017. “The Impact of Large-Scale Migration on Poverty, Expenditures, and Labor Market Outcomes in Nepal.” World Bank Policy Research Working Paper 8232.
- ^v World Bank Staff estimates based on Nepal Labor Force Survey 2018.
- ^{vi} International tourism receipts accounted for roughly 29 percent of exports (2.3 percent of GDP) in 2019 (WDI). Direct and indirect jobs in tourism-related sectors account for 11.5 percent of employment in establishments, but two-thirds of these jobs were in restaurants and mobile food service establishments, which cater to a much broader customer base (Nepal Bureau of Statistics based on NLFS 2018).
- ^{vii} MICS 2019, DHS 2023.
- ^{viii} World Bank Staff estimates using NLSS III and NLSS IV. All estimates from 2023 come from NLSS IV unless otherwise indicated. They are not referenced at every instance of use because of space constraints.
- ^{ix} World Bank. 2023. *An Uneven Playing Field: Sub-National Disparities in Human Opportunity in Nepal*; DHS Survey 2023.
- ^x <https://wbi.worldbank.org/en/wbi-data>.
- ^{xi} Since 2018, government spending on these sectors as a share of GDP has outpaced the average for lower-middle-income countries.
- ^{xii} World Bank Staff estimates using NLSS IV.
- ^{xiii} DHS 2023.
- ^{xiv} Rupert Bulmer, E., A. Shrestha, and M. Marshalian. 2020. *Nepal Jobs Diagnostic*. Job Series 22, World Bank. This document is drawn on extensively in this SCD update to inform the jobs narrative. It is not referenced at every instance of use because of space constraints.
- ^{xv} World Bank staff estimates based on NLSS IV and NLFS 2017 (based on a comparable labor module).
- ^{xvi} World Bank. 2023. “Tracking the Labor Market Recovery from COVID-19 in Nepal.” Brief 1.
- ^{xvii} Sapkota, S., M. Shrestha, and S. Shrestha. “Returnees: A Primer on a Data and Research Agenda for Nepal.” Unpublished report: World Bank Staff estimate based on NLSS IV.
- ^{xviii} World Bank Staff estimates based on NLSS IV; Nepal Labor Force Survey 2017.
- ^{xix} World Bank. 2021. *Risks to Poverty, Vulnerability, and Inequality from COVID-19: Nepal Light Poverty Assessment*. This document is used extensively throughout this SCD update. It is not referenced at every instance of use because of space constraints.
- ^{xx} World Bank. 2023. *World Development Report 2023: Migrants, Refugees, and Societies*.
- ^{xxi} World Bank, 2022. Nepal Country Climate and Development Report.
- ^{xxii} Biswokarma, J.B. 2023. *Election Results 2022: Data Analytics on the Status of Gender and Social Inclusion*. Dignity Initiative Kathmandu, National Statistics Office; Nepal Housing and Population Census 2021.
- ^{xxiii} Pande, R., M. Callen, S.A. Prillaman, S. Fiorin, B. Paudel, and S. Danner. 2022. *Is Nepal on a Path towards Gender Inclusive Political Leadership? An Analysis of the 2022 Local Level Elections*. National Inclusion Commission. Impact of Reservation in Existing Civil Service Report, 2079 (in Nepali), 13–15.
- ^{xxiv} Nepal Economic Census 2018 for all credit and firm statistics.
- ^{xxv} World Bank Enterprise Surveys, 2013 and 2023.
- ^{xxvi} Nepal Economic Census 2018.
- ^{xxvii} Nepal Country Private Sector Diagnostic 2018.
- ^{xxviii} MICS Survey 2019.
- ^{xxix} DHS 2023.
- ^{xxx} The number of jobs across the hydro value chain is estimated at 5,400 (NEA 2021). Only 4 percent of Nepal’s primary energy mix comes from hydropower, and industry consumes only 8 percent of total energy consumption (World Bank Group. 2022. *Skills Needs Assessment for Green Jobs in Nepal*).
- ^{xxxi} Meeks, R., F.H. Thompson, and Z. Wang. 2023. “Electrification to Grow Manufacturing? Evidence from Mini grids in Nepal.” Duke Global Working Paper 36, Duke University, Durham, NC.
- ^{xxxii} Nepal Agricultural Census 2022.
- ^{xxxiii} Nationally representative forestry module in NLSS-IV.
- ^{xxxiv} World Bank. 2022. *Nepal: Country and Climate Development Report*.
- ^{xxxv} World Bank. 2023. *Nepal Fiscal Federalism Update*; World Bank staff calculation