

Asian Development Bank & Nepal

FACT SHEET

Table 1. Nepal: 2013 Loan, Technical Assistance, and Grant Approvals (\$ million)^a

| Loans | | Technical Assistance | Grants | Total |
|-----------|--------------|----------------------|--------|--------|
| Sovereign | Nonsovereign | | | |
| 330.50 | – | 2.50 | 45.50 | 378.50 |

– = nil.
^a Excludes cofinancing.

Table 2. Nepal: Cumulative Lending, and Grants Financed by ADB Special Funds, By Sector (1966–2013)^a

| Sector | No. | Total Amount (\$ million) | % ^b |
|--|------------|---------------------------|----------------|
| Agriculture and Natural Resources | 58 | 1,021.39 | 25.65 |
| Education | 16 | 350.40 | 8.80 |
| Energy | 21 | 714.70 | 17.95 |
| Finance | 12 | 239.90 | 6.02 |
| Industry and Trade | 10 | 157.23 | 3.95 |
| Multisector | 3 | 51.10 | 1.28 |
| Public Sector Management | 4 | 192.30 | 4.83 |
| Transport and ICT | 26 | 628.06 | 15.77 |
| Water Supply and Other Municipal Infrastructure and Services | 18 | 626.90 | 15.74 |
| Total | 168 | 3,981.98 | 100.00 |
| Total Disbursements | | \$2,541.0 million | |

ICT = information and communication technology.

^a Excludes dropped or canceled loans prior to signing. Covers both sovereign and nonsovereign loans, and grants financed by Asian Development Fund and Other Special Funds. Other Special Funds include Asian Tsunami Fund, Asia Pacific Disaster Response Fund, Climate Change Fund, and Pakistan Earthquake Fund.

^b Total may not add up because of rounding.

Table 3. Nepal: Cumulative Nonsovereign Financing by Product

| Number of Projects | Amount (\$ million) |
|--------------------|---------------------|
| Loans | 49.55 |
| Equity Investments | 3.26 |
| Guarantees | – |
| B Loans | 5.83 |
| Total | 58.64 |

– = nil.

The Asian Development Bank (ADB) has been working as a key development partner with the Government of Nepal since it joined as a founding member in 1966. As of 31 December 2013, ADB provided Nepal with 128 sovereign Asian Development Fund (ADF) loans (\$3.11 billion), 5 nonsovereign loans (\$49.55 million), and 34 ADF grants (\$823.75 million), totaling \$3.98 billion. ADB has also provided technical assistance totaling \$180.3 million. Nepal is an ADB Group A developing member country, making it eligible for concessional ADF loans and grants.

Nepal has made notable socioeconomic progress over the years, particularly in the area of poverty incidence, and meeting a majority of the Millennium Development Goals (MDGs), which are likely to be met by 2015. However, it continues to face challenges in further reducing poverty and socioeconomic disparities, achieving the remaining MDGs, and accelerating its annual growth rate.

ADB-Supported Projects and Programs

As of 31 December 2013, ADB's active sovereign ADF loans and grants comprised 47 loans and grants (37 projects), with a total net amount of \$1.55 billion: 12 in agriculture and natural resources (\$212.3 million); 2 in education (\$85 million); 7 in energy (\$305.2 million); 3 in finance (\$77.7 million); 1 in public sector management (\$21 million); 11 in transport and communications (\$310.2 million); 8 in water and other municipal infrastructure services (\$476.3 million); 1 in industry and trade (\$15.0 million); and 3 multisector (\$51.0 million) projects.

Agricultural assistance focuses on transforming agriculture into a more productive and commercially oriented economic sector. Support is provided to develop key infrastructure, value-chain networks, and local capacity. ADB also assisted in preparing the government's Agriculture Development Strategy, 2014–2034 in collaboration with 11 other development partners.

In education, ADB is supporting enhanced access and equity, improved quality, and strengthened capacity of the basic and secondary education system through a multi-partner, sector-wide program, along with market-responsive and inclusive skills development.

ADB is according high priority to addressing acute power shortages in generation, transmission, and distribution. Support is also provided for institutional reforms, such as restructuring the Nepal Electricity Authority and revising its tariff regime, and facilitating regional power trade and private sector investments.

In transport, ADB is supporting the government's strategic road network to strengthen domestic and regional connectivity through customs modernization, improving urban transport systems in Kathmandu, and enhancing capacity of Tribhuvan International Airport and Gautam Buddha Airport, along with institutional development.

ADB's support in water and other municipal infrastructure services prioritizes the timely completion of the Melamchi Water Supply and associated projects in Kathmandu Valley.

Table 4. Nepal: Project Success Rates

| Sector | % ^a | No. of Rated Projects/ Programs |
|--|----------------|------------------------------------|
| Agriculture and Natural Resources | 54.3 | 35 |
| Education | 77.8 | 9 |
| Energy | 88.9 | 9 |
| Finance | 50.0 | 8 |
| Industry and Trade | 20.0 | 5 |
| Public Sector Management | – | 2 |
| Transport and ICT | 81.8 | 11 |
| Water Supply and Other Municipal Infrastructure and Services | 75.0 | 8 |
| Total | 62.1 | 87 |
| Year of Approval | | |
| 1970s | 81.3 | 16 |
| 1980s | 45.2 | 31 |
| 1990s | 61.5 | 26 |
| 2000s | 78.6 | 14 |

– = nil, ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PVRs), and project/program performance evaluation reports (PPERs) using PVR and PPER ratings in all cases where PCR and PVR/PPER ratings are available.

Sources: PCRs, PVRs, and PPERs containing a rating circulated as of 31 December 2013.

Table 5. Nepal: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2012–2013

| Number of Ongoing Loans (as of 31 Dec 2013) | 19 | |
|---|-------------------|-------------------|
| | 2012 (\$ million) | 2013 (\$ million) |
| Contract Awards/Commitments ^{a,b} | 92.4 | 127.0 |
| Disbursements ^a | 39.0 | 68.6 |
| Number of Ongoing Grants (as of 31 Dec 2013) ^c | 29 | |
| | 2012 (\$ million) | 2013 (\$ million) |
| Contract Awards/Commitments ^{a,b} | 43.2 | 48.0 |
| Disbursements ^a | 50.7 | 90.8 |

Actual Problem Projects (%)

– = nil.

Note: Totals may not add up because of rounding.

^a Includes closed loans/grants that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only Asian Development Fund and other ADB Special Funds.

ADB is focused on promoting gender equality and social inclusion (GESI). More than 50% of all projects have specific GESI action plans. The ADB-supported Strengthening Public Management Program aims to enhance public financial management at the local level, public procurement systems, and fiduciary oversight and anticorruption agencies.

Nonsovereign Operations

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector projects in the form of direct loans, equity investments, guarantees, B loans, and trade finance. Since its inception, ADB has approved \$58.6 million in nonsovereign financing for Nepal, all of which was for four private sector projects.

ADB's Trade Finance Program (TFP) fills market gaps by providing guarantees and loans through partner banks in support of trade. The TFP has done over 8,000 transactions supporting over \$16 billion in trade and over 4,000 small and medium-sized enterprises since 2004. In 2013, the TFP supported \$4 billion in trade through over 2,000 transactions. In Nepal, the TFP works with three banks and has supported over \$69 million in trade between 204 transactions. In addition to filling market gaps, the TFP's objective is to mobilize

private sector capital/involvement in developing Asia. In Nepal, 51% of the \$69 million in trade supported through the TFP was cofinanced by the private sector.

Cofinancing

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, and commercial financing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB's TFP.

By the end of 2013, cumulative direct value-added (DVA) official cofinancing for Nepal amounted to \$1.04 billion for 41 investment projects, and \$72.1 million for 92 technical assistance projects. Cumulative DVA commercial cofinancing for Nepal amounted to \$54.62 million for three investment projects.

In 2013, Nepal received \$31.4 million grant cofinancing from the Strategic Climate Fund, European Commission, Nordic Development Fund, and Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development; and \$300 million loan cofinancing from the Abu Dhabi Fund for Development, European Investment Bank, the Government of Japan, and the OPEC Fund for International Development.

Table 6. Nepal: Projects Cofinanced, 1 January 2009–31 December 2013

| Cofinancing | No. of Projects | Amount (\$ million) |
|-----------------------------|-----------------|---------------------|
| Projects ^a | 18 | 748.21 |
| Grants | 14 | 360.42 |
| Official loans | 5 | 352.00 |
| Commercial cofinancing | 1 | 35.79 |
| Technical Assistance Grants | 28 | 30.48 |

^a A project with more than one source of cofinancing is counted once.

A summary of projects with cofinancing from 1 January 2009 to 31 December 2013 is available at www.adb.org/countries/nepal/cofinancing

Partnerships

ADB is one of Nepal's major development partners. ADB renewed its development partnership through its new country partnership strategy (CPS) 2013–2017, approved in 2013. It was prepared in consultation with all key stakeholders, including the government, private sector, civil society, and other development partners. The CPS is aligned with the government's approach paper for the new Three-Year Plan (2014–2016). ADB's Nepal Resident Mission maintains close collaboration with development partners through shared sector and thematic road maps and implementation of joint programs. Collaboration is also included in the annual country programming exercises, project processing, and policy dialogues with the government. ADB actively participates in the annual Nepal Portfolio Performance Review to enhance Nepal's portfolio performance and development effectiveness. ADB is also a member of various sector and thematic coordination groups, including the education sector-wide approach

group, and working groups in energy, agriculture, water supply and sanitation, and governance, among others.

Procurement

From 1 January 1966 to 31 December 2013, contractors and suppliers were involved in 188,780 contracts for ADB loan projects worth \$122.11 billion. During the same period, contractors and suppliers from Nepal were involved in 8,117 contracts for ADB loan projects worth \$997.65 million.

Table 7. Nepal: Share of Procurement Contracts

| Item | 2012 | | 2013 | | Cumulative (as of 31 Dec 2013) | |
|---------------------------------------|------------------------|---------------|------------------------|---------------|-----------------------------------|---------------|
| | Amount (\$ million) | % of Total | Amount (\$ million) | % of Total | Amount (\$ million) | % of Total |
| Goods, Works, and Related Services | 55.65 | 0.73 | 143.52 | 2.18 | 1,520.18 | 1.20 |
| Consulting Services | 14.22 | 2.44 | 14.74 | 2.92 | 119.25 | 1.27 |

Table 8. Nepal: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2009–31 December 2013

| Contractor/Supplier | Sector | Contract Amount (\$ million) |
|--------------------------------|--|---------------------------------|
| CTCE Kalika JV | Water Supply and Other Municipal Infrastructure and Services | 21.14 |
| Hangzhou–Sharma JV | Water Supply and Other Municipal Infrastructure and Services | 11.91 |
| Hangzhou–Kalika JV | Water Supply and Other Municipal Infrastructure and Services | 11.28 |
| Tundi Construction, Pvt., Ltd. | Water Supply and Other Municipal Infrastructure and Services | 4.99 |
| Kalika Construction Pvt., Ltd | Transport and ICT | 4.06 |

ICT= information and communication technology.

Table 9. Nepal: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Loan Projects, 1 January 2009–31 December 2013

| Consultant | Number of Times Contracted | Contract Amount (\$ million) |
|--|----------------------------------|------------------------------------|
| Training Center Nepal (Pvt., Ltd.) | 14 | 2.23 |
| Building Design Authority Pvt. Ltd., Nepal | 1 | 1.68 |
| Kantipur Manpower Development Center | 3 | 0.99 |
| ERMC (P) Ltd. | 1 | 0.77 |
| Integrated Consultants Nepal (P) JV | 1 | 0.57 |

From 1 January 1966 to 31 December 2013, consultants were involved in 12,432 contracts for ADB loan projects worth \$5.28 billion. During the same period, consultants from Nepal were involved in 586 contracts for ADB loan projects worth \$51.47 million.

From 1 January 1966 to 31 December 2013, contractors and suppliers were involved in 8,894 contracts for ADB grant projects worth \$4.54 billion. During the same period, contractors and suppliers from Nepal were involved in 873 contracts for ADB grant projects worth \$522.53 million.

From 1 January 1966 to 31 December 2013, consultants were involved in 2,433 contracts for ADB grant projects worth \$826.5 million. During the same period, consultants

Table 10. Nepal: Contractors/Suppliers Involved in ADB Grant Projects, 1 January 2009–31 December 2013

| Contractor/Supplier | Sector | Contract Amount (\$ million) |
|-----------------------------------|--|---------------------------------|
| Lama Construction Co., Pvt., Ltd. | Transport and ICT | 9.16 |
| Hulas–Mainawati–Bhagwati | Energy | 8.68 |
| CTCE–Kalika | Multisector | 6.51 |
| Tantia–Tundi | Water Supply and Other Municipal Infrastructure and Services | 6.25 |
| Hangzhou–Kankai | Water Supply and Other Municipal Infrastructure and Services | 4.38 |

ICT= information and communication technology.

Table 11. Nepal: Top Consultants Involved in ADB Grant Projects, 1 January 2009–31 December 2013

| Consultant | Number of Times Contracted | Contract Amount (\$ million) |
|--|----------------------------------|---------------------------------|
| Consolidated Management Services P. LTS (JV) | 2 | 3.81 |
| Environment & Resource Management Consultant | 4 | 1.51 |
| Agro Enterprise Centre | 2 | 1.42 |
| Nepal Consult (P) Ltd. in JV with CEMAT Consultants | 1 | 1.39 |
| TAEC Consult P. Ltd. | 2 | 1.17 |

Table 12. Nepal: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2009–31 December 2013

| Consultant | Number of Times Contracted | Contract Amount (\$ million) |
|--|----------------------------------|---------------------------------|
| PricewaterhouseCoopers Pvt., Ltd., India | 1 | 1.30 |
| International Centre Integrated Mountain Development (ICIMOD) | 2 | 0.90 |
| CSC & Co., Ltd. | 1 | 0.56 |
| Multi Disciplinary Consultants (P) Ltd. | 1 | 0.45 |
| Samuhik Abhiyan (SA) | 1 | 0.44 |
| Individual consultants | 252 | 5.98 |

from Nepal were involved in 244 contracts for ADB grant projects worth \$42.74 million.

From 1 January 1966 to 31 December 2013, consultants were involved in 28,709 contracts for ADB technical assistance projects worth \$3.3 billion. During the same period, consultants from Nepal were involved in 778 contracts for ADB technical assistance projects worth \$25.04 million.

Operational Challenges

The prolonged post-conflict political transition, coupled with the country's weak public institutions pose a difficult development challenge. Governance and project implementation systems, including public procurement and financial management, continue to be key constraints. Fiduciary risks are particularly high at the local level in the absence of elected local bodies since 2002. Capacities are also limited for sound sector planning and sustainable asset maintenance. Frequent transfers of government officials also affect operations.

Accelerated and inclusive economic growth is impeded by the country's rugged terrain, inadequate infrastructure, and the lack of a conducive policy environment for private sector investments. Acute power shortages, difficult labor relations, and fuel shortages are also bottlenecks to accelerating economic growth. A more enabling environment needs to be created to attract private investments in infrastructure and labor-intensive manufacturing and service industries, generating much needed employment opportunities for the poor and disadvantaged.

Future Directions

The new CPS supports the government's development objective of accelerated and inclusive economic growth. It seeks to address the infrastructure bottlenecks in the areas of energy, air and road transport, water supply and sanitation, and irrigation, creating an enabling environment for increased business and employment opportunities. Broad educational assistance will enhance employment opportunities for the

poor, promoting inclusive growth. Helping to strengthen social protection and disaster risk systems will reinforce inclusion. ADB operations will focus on priority sectors—energy, transport, and urban infrastructure and services, followed by agriculture and education. Operations will also mainstream gender equality, good governance, climate change adaptation and environmental sustainability, regional cooperation and integration, and private sector development. The CPS also emphasizes improving portfolio performance by strengthening key sector institutions and governance and public financial management systems.

In 2013, in accordance with the annual country operations business plan, 2014–2016, ADB approved six ADF projects totaling \$376 million, and one under the Climate Investment Fund for \$23.5 million. These are for hydropower development and project preparation, skills development, urban environment improvement, and road improvement. A total of about \$300 million in cofinancing was also leveraged for the energy and urban sectors. Additionally, 11 technical assistance grants totaling \$11.85 million were approved.

About Nepal and ADB

ADB Membership

Joined 1966

Shareholding and Voting Power

| | |
|-------------------------------|--|
| Number of shares held: | 15,606 (0.148% of total shares) |
| Votes: | 55,053 (0.417% of total membership, 0.640% of total regional membership) |
| Overall capital subscription: | \$240.33 million |
| Paid-in capital subscription: | \$12.03 million |

Maliame Bin Hamad is the Director and **Khin Khin Lwin** is the Alternate Director representing Nepal on the ADB Board of Directors.

Kenichi Yokoyama is the Country Director for the Nepal Resident Mission. The resident mission was opened in 1989 and provides the primary operational link between ADB and the government, private sector, and civil society stakeholders in its activities. The resident mission engages in policy dialogue and acts as a knowledge base on development issues in Nepal.

The Nepal government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2013, lending volume was \$13.19 billion (101 projects), with TA at \$155.61 million (248 projects) and grant-financed projects at \$849.02 million (23 projects). In addition, \$6.65 billion was generated in direct value-added cofinancing in the form of official loans and grants and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2009 to 31 December 2013, ADB's annual lending volume averaged \$12.19 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$801.70 million and \$165.66 million in TA over the same period. As of 31 December 2013, the cumulative totals excluding cofinancing were \$203.41 billion in loans for 2,629 projects in 44 countries, \$6.46 billion in 239 grants, and \$4.25 billion in TA grants, including regional TA grants.

Contacts

Nepal Resident Mission

Metro Park Building, Lazimpat, Ward No. 2
P.O. Box 5017, Kathmandu, Nepal
Tel +977 1 4005120
Fax +977 1 4005137
adbnrm@adb.org
www.adb.org/nepal

ADB Headquarters

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444

Ministry of Finance

Singh Durbar, Kathmandu, Nepal
Tel +977 1 421 1161
Fax +977 1 421 1164
www.mof.gov.np

Useful ADB websites

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www.adb.org

Asian Development Outlook
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