

Asian Development Bank & Nepal

FACT SHEET

Table 1. Nepal: 2014 Approved Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
325.00	–	4.10	79.00	408.10

– = nil.
Note: Grants and technical assistance include cofinancing.

Table 2. Nepal: Cumulative Lending, Grant, and Technical Assistance Approvals^{a, b}

Sector	No.	Total Amount (\$ million) ^c	% ^c
Agriculture, Natural Resources, and Rural Development	174	1,064.27	22.58
Education	44	393.92	8.36
Energy	64	1,016.61	21.56
Finance	34	250.99	5.32
Health	10	8.76	0.19
Industry and Trade	28	164.70	3.49
Information and Communication Technology	2	34.00	0.72
Multisector	6	12.72	0.27
Public Sector Management	56	239.42	5.08
Transport	62	796.54	16.90
Water and Other Urban Infrastructure and Services	51	732.42	15.54
Total	531	4,714.35	100.00

^a Grants and technical assistance include cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c 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 with the Government of Nepal since the foundation year of 1966. Despite recent conflict and complex political transition, Nepal has made economic and social progress. Literacy rates are up, while poverty rates are sharply down. Gender equality and social inclusion are gaining momentum. Road access to isolated rural communities has improved, with trade and transport networks expanding.

While Nepal will likely meet a majority of the Millennium Development Goals by 2015, accelerating growth and reducing disparities remain challenging. Investment in infrastructure, particularly in the energy sector, is critical to improving quality of life and stimulating private investment.

As of 31 December 2014, Nepal received 531 loans, grants, and technical assistance projects totaling \$4.71 billion. As of 31 December 2014, the current ADB portfolio in Nepal consisted of 39 projects and programs amounting to about \$1.78 billion.

Cumulative disbursements to Nepal for lending and grants financed by ordinary capital resources, the Asian Development Fund, and other special funds amounted to \$2.70 billion.

ADB-Supported Projects and Programs

The ADB country partnership strategy (CPS), 2013–2017 prioritizes three infrastructure sectors: energy, transport, and water and other urban infrastructure and services. The CPS also focuses on human resources development, along with agriculture and rural transformation. The programs mainstream gender and social inclusion, governance, and environmental sustainability, while promoting regional cooperation and private sector development.

ADB prioritizes addressing acute power shortages in generation, transmission, and distribution. Support is also provided for institutional reforms such as financial restructuring of the Nepal Electricity Authority to ensure the long-term financial sustainability of the sector, along with regional power trade. The Rural Electrification, Distribution, and Transmission Project provided new connections to 119,000 rural households, benefiting 860,000 people.

In the transport sector, ADB is supporting the strategic road network to strengthen domestic and regional connectivity. The programs have helped build or upgrade about 614 kilometers of roads linking the hills to the plains, connecting remote villages to schools and hospitals in towns and cities, and providing farmers with access to markets.

ADB support in the urban sector focuses on institutional strengthening to ensure that urban infrastructures are sustained. Between 2010 and 2012, ADB-assisted projects helped to provide 2.7 million people with access to clean water, to install sewer lines, and to establish wastewater treatment facilities capable of treating over 7,000 cubic meters of wastewater per day.

Table 4. Nepal: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2007	100.00	1
2008	50.00	4
2009	100.00	1
2010	50.00	2
2011	100.00	2
2012	66.67	3
2013	100.00	1
Total	71.43	14

Note: "Year" refers to the circulation year of the project completion report (PCR). Compared with the numbers in previous years' fact sheets, the success rates reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2014.

Table 5. Nepal: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2013–2014

	Number of Ongoing Loans (as of 31 Dec 2014)	
	2013 (\$ million)	2014 (\$ million)
Contract Awards/Commitments ^{a,b}	127.0	186.2
Disbursements ^a	68.6	81.8
	Number of Ongoing Grants (as of 31 Dec 2014) ^c	
	2013 (\$ million)	2014 (\$ million)
Contract Awards/Commitments ^{a,b}	48.0	24.4
Disbursements ^a	90.8	69.5
Actual Problem Projects (%)	8	

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 supporting to improve access to and the quality of school and higher education, and technical education and vocational training.

Agriculture assistance aims to commercialize the sector and raise its productivity. Support is provided to develop key rural infrastructure, value-chain networks, and local capacity. ADB has also assisted in preparing the Agriculture Development Strategy, 2014–2034.

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 financing for four private sector projects in Nepal.

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 10,300 transactions supporting over \$20.5 billion in trade and over 6,000 small and medium-sized enterprises since 2004. In 2014, the TFP supported \$3.8 billion in trade through over 1,900 transactions. In Nepal, the TFP works with one bank and has supported over \$69 million in trade between 206 transactions. In addition to filling market gaps, the TFP's objective is to mobilize private sector capital/involvement in developing Asia. In Nepal, 51.26% 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, other concessional financing, and **commercial financing** such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's TFP.

By the end of 2014, cumulative direct value-added (DVA) official cofinancing for Nepal amounted to \$1.30 billion for 44 investment projects, and \$72.1 million for 86 technical assistance projects. Cumulative DVA commercial cofinancing for Nepal amounted to \$54.62 million for three investment projects.

In 2014, Nepal received \$79.0 million grant cofinancing from the governments of Japan, Norway, and the United Kingdom, the Gender and Development Cooperation Fund, the Sanitation Financing Partnership Trust Fund under the Water Financing Partnership Facility, and the Strategic Climate Fund; and \$185.0 million loan cofinancing from the European Investment Bank, and the OPEC Fund for International Development.

Table 6. Nepal: Projects Cofinanced, 1 January 2010–31 December 2014

Cofinancing	No. of Projects	Amount (\$ million)
Projects ^a	18	978.24
Grants	13	427.42
Official loans	7	522.00
Commercial cofinancing	1	28.82
Technical Assistance Grants	24	30.21

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

A summary of projects with cofinancing from 1 January 2010 to 31 December 2014 is available at www.adb.org/countries/nepal/cofinancing

Partnerships

As one of the government's major development partners, ADB renewed its commitment to Nepal through its CPS, 2013–2017. The strategy was prepared in consultation with key stakeholders, including the government, the private sector, civil society organizations, and other development partners. The CPS is aligned with the government's Three-Year Plan, 2014–2016.

The ADB Resident Mission in Nepal collaborates closely with development partners, through shared sector and thematic road maps, and in the implementation of joint programs. ADB actively participates in annual country programming exercises, project processing, and policy dialogues with the government.

ADB is also a crucial contributor to the annual Nepal Portfolio Performance Review to enhance development effectiveness in the country. ADB is also a member of various sector and thematic coordination groups, including the education sector-wide approach.

Procurement

Share of ADB's Procurement Contracts

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries, and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts were awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

ADB's procurement contracts for goods, works, and related services under loan and grant operations totaled \$6.59 billion in 2013 and \$8.58 billion in 2014. Cumulative procurement, as of 31 December 2014, was \$135.21 billion.

ADB's procurement contracts for consulting services under loan, grant, and technical assistance operations totaled \$511.13 million in 2013 and \$555.30 million in 2014. Cumulative procurement, as of 31 December 2014, was \$9.98 billion.

Table 7. Nepal's Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2013		2014		Cumulative (as of 31 Dec 2014)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	145.34	2.21	164.32	1.91	1,688.35	1.25
Consulting Services	15.38	3.01	14.61	2.63	133.87	1.34
Total Procurement	160.71	2.26	178.93	1.96	1,822.21	1.26

Goods, Works, and Related Services

From 1 January 1966 to 31 December 2014, contractors and suppliers were involved in 194,667 contracts for goods, works, and related services under ADB loan and grant projects worth \$135.21 billion. During the same period, 9,069 contracts were awarded to contractors and suppliers from Nepal worth \$1.69 billion.

Table 8. Top 5 Contractors/Suppliers from Nepal Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2010–31 December 2014

Contractor/Supplier	Sector	Contract Amount (\$ million)
CTCE Kalika JV	TRA, WUS	63.16
Northwest Civil Aviation Airport Construction Group Ltd.	TRA	32.60
Hangzhou-Kalika JV	WUS	16.94
Hangzhou-Sharma JV	WUS	13.30
Lama Construction Co. Pvt., Ltd.	ANR, TRA, WUS	12.28
Others		522.78
Total		661.06

ANR = Agriculture, Natural Resources, and Rural Development; TRA = Transport; WUS = Water and Other Urban Infrastructure and Services.

Consulting Services

From 1 January 1966 to 31 December 2014, consultants were involved in 45,584 contracts for consulting services under ADB loan, grant, and technical assistance projects worth \$9.98 billion. During the same period, 1,670 contracts were awarded to consultants from Nepal worth \$133.87 million.

Table 9. Top 5 Consultants from Nepal Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2010–31 December 2014

Consultant	Sector	Contract Amount (\$ million)
Environment & Resource Management Consultant	ANR, TRA, WUS	4.19
MSV Inc., Nepal	TRA	3.54
Consolidated Management Services	ANR	3.49
Building Design Authority (P) Ltd.	WUS	3.33
Training Centre Nepal Pvt. Ltd.	EDU, TRA	2.99
Individual consultant/s		11.67
Others		38.14
Total		67.37

ANR = Agriculture, Natural Resources, and Rural Development; EDU = Education; TRA = Transport; WUS = Water and Other Urban Infrastructure and Services.

Operational Challenges

Development challenges persist for Nepal due to protracted political transition and public institutions with weak project planning and implementation capacity. Governance and project implementation systems, including public procurement and financial management, continue to constrain progress. Contract management also remains a challenge, calling for capacity building of contractors, consultants, and project agencies. Fiduciary risks are particularly high at the local level, in the absence of elected local governments since 2002. The government's capacity to efficiently plan sector management and sustainable asset maintenance is limited, with the frequent transfer of government officials also affecting operations.

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

Future Directions

Nepal must strive to realize its potential in hydropower generation, tourism, high-value agriculture, and modern service industries. To achieve higher economic growth that is more inclusive and sustainable, the country needs to substantially scale up the quantity and quality of public capital expenditure.

ADB's CPS, 2013–2017 for Nepal seeks to address the infrastructure bottlenecks in the energy sector, air and road transport, water supply and sanitation, and irrigation, to create an enabling environment for increased business and employment opportunities. ADB operations will also focus on agriculture and education, while resources will also be directed toward the goals of gender equality, good governance, climate change adaptation and environmental sustainability, regional cooperation and integration, and private sector development.

ADB will work with Nepal to build sound institutional capacities, and to reinforce the nation against the risks of natural calamities and climate change.

In 2014, as provided for in the country operations business plan, 2014–2016, ADB approved five Asian Development Fund projects totaling \$325.0 million, and one cofinanced with the Gender and Development Cooperation Fund and the Department for International Development of the United Kingdom. These projects will cover community-managed irrigation, power system expansion, water supply and sanitation in small towns, and the Melamchi Water Supply Project. Additionally, six technical assistance grants totaling \$4.1 million were approved; two for project preparation, and four for capacity development.

About Nepal and ADB

ADB Membership

Joined 1966

Shareholding and Voting Power

Number of shares held:	15,606 (0.148% of total shares)
Votes:	55,036 (0.417% of total membership, 0.640% of total regional membership)
Overall capital subscription:	\$226.03 million
Paid-in capital subscription:	\$11.31 million

Maliambi 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 ADB Country Director for Nepal. The Nepal Resident Mission was opened in 1989, and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting 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 2014, lending volume was \$12.92 billion (113 projects), with TA at \$158.88 million (256 projects) and grant-financed projects at \$405.34 million (17 projects). In addition, \$9.24 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2010 to 31 December 2014, ADB's annual lending volume averaged \$12.10 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$697.97 million and \$156.69 million in TA over the same period. As of 31 December 2014, the cumulative totals excluding cofinancing were \$216.21 billion in loans for 2,729 projects in 44 countries, \$6.87 billion in 256 grants, and \$3.75 billion in TA grants, including regional TA grants.

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