



# Asian Development Bank & Nepal

## FACT SHEET

**Table 1. Nepal: Development Indicators**

<b>Non-MDG</b>	
Population in millions	27.02 (2008)
Annual population growth rate (%)	2.2 (2006–2008)
Adult literacy rate (%)	56.5 (2007)
Percent of population in urban areas	16.8 (2007)
<b>MDG</b>	
Percent of population living on less than \$1.25 a day	55.1 (2004)
Percent of population living below the national poverty line	30.9 (2004)
Under-5 mortality rate per 1,000 live births	55 (2007)
Percent of population using an improved drinking water source	89 (2006)

MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2008*. Manila.  
UNESCO. 2009. Institute for Statistics Data Centre.  
World Bank. 2009. World Development Indicators Online.

Nepal has made slow, but steady progress in reducing poverty in the past decade, with poverty incidence estimated to have declined to 31% in 2004, from 42% in 1996. Social and human development indicators, such as life expectancy, infant and maternal mortality rates, and adult literacy, have all improved, and despite a decade-long conflict, the country has made notable progress on the Millennium Development Goals (MDGs). Nevertheless, Nepal remains one of the poorest countries in the world, with per capita income of \$468 per annum, wide income disparities, and poor access by a large section of the population to basic social services.

Nepal's development challenges remain great. Delivering services and fostering economic activity in a landlocked country with rugged topography is difficult and costly. About 80% of Nepal's population still lives in rural areas, and the country is characterized by small landholdings, rapid population growth, and a fragile ecology, resulting in chronic poverty in many parts of the country. In addition, the political transition that Nepal is currently undergoing is proving to be arduous, weakening the country's focus on reform and development agenda.

The economic policy and budget announced by the new coalition Government that took office in August 2008 aims to attain stronger and inclusive economic growth and create significant employment opportunities to support the peace process. Giving continuity to the existing Three-Year Interim Development Plan (fiscal year [FY]2008–FY2010), the new Government's development policies and program seek to substantially scale up investments in partnership with the private sector in agriculture, water resources, tourism, and transport infrastructure facilities. The Government is also expected to formulate a new peace-building and poverty reduction strategy to bridge the Three-Year Interim Plan and guide Nepal's reform and development over the post-constituent assembly election transitional period.

### Relationship with ADB

Nepal is a founding member of the Asian Development Bank (ADB) and, as of 31 December 2008, cumulative lending to the country reached \$2.30 billion, with investment grant projects amounting to \$332.2 million and technical assistance (TA) of \$132.1 million. The assistance is focused on agriculture, education, water supply and sanitation, transport and communications, finance, energy, and public and private sector governance.

Nepal has undergone significant political changes, including restoration of peace in April 2006 and the landmark constituent assembly elections in April 2008, since the preparation of the Nepal Country Strategy and Program (CSP) 2005–2009 in 2004. However, a midterm review of the CSP in 2008, based on extensive and participatory assessment of its effectiveness and relevance in Nepal's transitional political environment, indicates that the strategic thrusts of the

CSP remain largely valid. Addressing deep-seated social exclusion, wide socioeconomic and interregional disparities, and poor governance—the root causes of poverty and conflict identified in the CSP—remain Nepal's key development priorities.

ADB has been supporting government efforts to reorient its development approach and assistance programs toward effective monitoring and achievement of development results through a number of TA projects aimed at operationalizing and mainstreaming Managing for Development Results both at the central (planning) and ministerial (implementation) levels.

## Impact of Assistance

Geographic isolation of the rural population and their resulting exclusion from basic social services and economic opportunities have been among the root causes of poverty underlying the decade-long conflict in Nepal. Designed within the framework of ADB's conflict-sensitive CSP, the ongoing Decentralized Rural Infrastructure and Livelihood Project, approved in September 2004 for \$40 million, has been supporting Nepal's ongoing peace process by addressing the development needs of conflict-affected communities in 18 districts. The project promotes community-based, inclusive development approach that seeks to raise incomes of the rural poor and connect them to markets and economic opportunities through development of rural infrastructure and livelihood restoration facilities, along with employment creation and empowerment of excluded communities for development. The project has provided employment to nearly 150,000 unskilled local laborers using labor-

Table 2. Nepal: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	270	300	320	340	...
GDP growth (% change per year)	4.4	3.2	3.7	2.7	5.3
CPI (% change per year)	4.0	4.5	8.0	6.4	7.7
Unemployment rate (%)	...	...	...	...	...
Fiscal balance (% of GDP)	-0.9	-0.8	-1.6	-1.8	-2.0
Export growth (% change per year)	14.8	11.4	2.6	1.9	12.8
Import growth (% change per year)	15.9	12.5	17.8	13.1	26.3
Current account balance (% of GDP)	2.7	2.0	2.2	-0.1	2.6
External debt (% of GNI)	46.3	39.0	37.8	35.5	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.  
ADB staff estimates.  
World Bank. 2009. World Development Indicators Online.

Table 3. Nepal: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
–	–	4.6	159.3	163.9

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$2,301.0 million  
Cumulative Disbursements (as of 31 Dec 2008) : \$1,703.7 million

based, environmentally friendly, and participatory approaches while constructing 91 kilometers of district roads and 54 trail bridges. Given this employment opportunity, poor people in the project areas, who previously had little or no cash incomes, have been organized into building groups and are earning about \$4 per person daily. Moreover, these building groups largely comprise poor women (40%) and disadvantaged ethnic and caste groups (80%), indicating effective poverty targeting. Poverty reduction activities of the projects have been further enhanced and sustained through savings and credit schemes being operated among the building group members, which have helped to promote livelihood and income-generating activities at the local level. In addition to the increasing participation of poor women, targeted and specific capacity-building activities under the project have helped raise awareness and build confidence and leadership among the women

Table 4. Nepal: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	48	746.23	32.43
Education	10	160.40	6.97
Energy	13	400.90	17.42
Finance	2	63.30	2.75
Industry and Trade	9	142.23	6.18
Law, Economic Management, and Public Policy	2	65.00	2.82
Multisector	7	157.06	6.83
Transport and Communications	15	302.86	13.16
Water Supply, Sanitation, and Waste Management	10	263.00	11.43
<b>Total</b>	<b>116</b>	<b>2,300.98</b>	<b>100.00</b>

<sup>a</sup> Total may not add up because of rounding.

Table 5. Nepal: Project Success Rates

By Sector	Percentage <sup>a</sup>	No. of Rated Projects/ Programs
Agriculture and Natural Resources	50.0	34
Education	66.7	6
Energy	87.5	8
Industry and Trade	20.0	5
Law, Economic Management, and Public Policy	0.0	2
Multisector	50.0	6
Transport and Communications	77.8	9
Water Supply, Sanitation, and Waste Management	75.0	4
<b>Total</b>	<b>56.8</b>	<b>74</b>
<b>By Year of Approval</b>		
1970s	81.3	16
1980s	45.2	31
1990s	60.0	25
2000s	0.0	2

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

members of the building groups, enabling them to actively participate in various community development activities. Women's access to new social networks, combined with their own independent identity through membership in the building groups, has also helped promote their social status, leadership roles, and autonomy. Increased cash incomes have particularly enhanced their self-esteem and promoted wider recognition of women's contribution to the improved livelihoods of poor households. Women's contribution to household incomes has particularly influenced positive changes in parental attitudes toward the education of girls, as evidenced by increased enrollment of girl students in schools in the project districts. The intensive social mobilization program under the project has helped build social capital in the project areas by embedding the practice of participation in rural communities, instilling changes in cultural attitudes that inhibit development, and promoting social inclusion and empowerment of excluded and vulnerable groups. The project has also helped catalyze other development activities in the communities through supplementary investments in education, health, water supply, and other community-level infrastructure facilities. By

adopting a participatory approach, involving representatives of all the communities in conflict-affected areas, the project was able to operate even during the conflict period. With its focus on locally identified and implemented development activities in an inclusive manner, it has contributed to the creation of social capital, overcoming the difficulties faced by the state, thereby facilitating the transition to the present post-conflict environment.

In 2003, the Government of Nepal, with assistance from ADB, started the Community-Based Water Supply and Sanitation Project, with the overall objective of expanding the coverage of improved water supply and sanitation facilities to underserved populations, especially to poor and remote areas, and to improve health and hygiene practices related to waterborne and sanitation-related diseases. In Banskhor village, the project has installed 15 shallow tubewells. Water quality testing was done prior to installation of each tubewell to ensure all water was clean and safe. For improved sanitation, through health and hygiene awareness program, residents were motivated to built pit latrines, with 75% of households who constructed the latrines now using them.

**Table 6. Nepal: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008**

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans as of 31 Dec 2008)		20
Contract Awards/Commitments	88.4	64.5
Disbursements	96.8	60.9
Loans at Risk (%)	14.3	5.0

**Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008<sup>a,b</sup>**

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

<sup>a</sup> Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

**Table 8. Nepal: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008**

Contractor/Supplier	Sector	Contract Amount (\$ million)
CTCE-Kalika JV	Transport and Communications	13.80
Prakash-Pioneer-Premier – Nepal	Energy	8.59
Lumbini JV	Multisector	8.55
Gorkha-CWE	Multisector	6.82
Sumec	Multisector	4.56
CGGC-Lama Joint Venture	Transport and Communications	3.77
Hulas Steel Industries, Ltd.	Energy	3.63
Prera Nirman Sewa Pvt., Ltd.	Water Supply, Sanitation, and Waste Management	2.44
Kalika Construction (Pvt.), Ltd.	Multisector	2.24
Sharma and Nepal Adarsh JV	Multisector	2.24

**Table 9. Nepal: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
New Era (P), Ltd.	2	2.87
Environment and Resources Management Consultant	10	1.40
Cemat Consultants (P), Ltd.	2	1.40
Integrated Developments and Research Services	3	1.13
BDA Nepal JV GOEC Nepal	3	1.07
TAEC Consult, Ltd.	3	1.00
SILT Consultants	1	0.72
Building Design Authority (P), Ltd.	3	0.51
Rural Development Services Centre and Integrated Development and Management SC	1	0.47
Multi Disciplinary Consultants (P), Ltd.	3	0.44
Nepalese Individual Consultants*	12	0.38

\* Consultant may have one or more contracts within the period covered.

Health and living conditions of the community in Banskhor village have shown significant improvement. Incidence of water-related diseases has dropped. Girls, freed from hours of walking to and from wells in distant villages, entered school. In addition, the ADB-assisted project has helped create a Water Users and Sanitation Committee, which now maintains the system. The committee is headed by a woman. Gender equity concerns and social inclusion in terms of participation of *dalits* and ethnic groups have been integrated in the different phases of the project. Starting from the planning phase, the participation of women, *dalits*, and ethnic groups has been ensured in water user and sanitation committees and in program activities. The project has also strengthened the participating communities' capacity to plan, cofinance, implement, manage, operate, and maintain improved water supply and sanitation facilities. The project has set up a Sanitation Revolving Fund to provide credit for construction of individual family latrines and to finance sanitation facilities for schools. The ongoing Community-Based Water Supply and Sanitation Project, approved for \$24 million, is being implemented in 21 districts.

## Future Directions

With the approval of the revised Asian Development Fund (ADF) grant framework, Nepal became eligible for 100% of ADF financing in the form of grants for the 2007–2008 biannual country program. With the improvement of Nepal's public debt situation in the recent years, Nepal now receives a blend of loans (50%) and grants (50%), with an average of \$213.8 million in loans and grants programmed for 2009–2010.

The assistance program for 2008 comprised a total project grants of \$159.3 million, including the Governance Support Program (Subprogram I, \$106.3 million); Information and Communication Development Project (\$25 million); Education Sector Program Cluster (Subprogram II, \$8 million); and Rural Reconstruction and Rehabilitation Sector Development Project (Supplementary) (\$20 million) funded by the United Kingdom. The Governance Support Program supports the Government's wider Local Governance and Community Development Program. It will contribute to poverty reduction through inclusive, responsive, and accountable local governance and participatory, community-led development. The Information and Communications Development Project will support making information and technology more accessible in remote areas to enhance delivery of government

**Table 10. Nepal: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Nepalese Individual Consultants*	274	5.60
Devtec Nepal Private, Ltd.	2	0.80
SILT Consultants (P), Ltd.	1	0.42
Management Services	1	0.37
Development Project Service Centre	1	0.36
New Era	1	0.29
TEAM Nepal (P) Ltd.	1	0.16
Institute for Integrated Development	1	0.06
Forum for Rural Women Ardency Development	2	0.05
Lumanti Support Group for Shelter	1	0.04
Jeevan Bikas Samaj	1	0.03

\* Consultant may have one or more contracts within the period covered.

services through an improved network. The Education Sector Program (Subprogram II) focuses on a model-building exercise of the basic education extension to grades 1–8 in a few districts, as well as broad capacity development for system readiness under the broad Education Sector Program adopted by ADB. ADB also approved 10 TA projects, of which four were for project preparation and six for institutional development aimed at enhancing the public procurement system, strengthening capacity for managing for development results, addressing climate change and environmental issues, and macroeconomic analysis.

A total of \$274.2 million has been programmed for 2009: Education Sector Program (Subprogram III, \$50 million); Electricity Connectivity and Energy Efficiency Project I (\$45 million); North–South Fast Track Road Connectivity Project (\$60 million); Air Transport Services Enhancement Project (\$40 million); Improving the Quality of Water Supply, Sanitation, and Urban Service Delivery of Emerging Towns Sector Development Program (\$45.1 million); and Emergency Flood Damages Rehabilitation Project (\$25.6 million). In addition, a regional project on Improving Connectivity and Destination Infrastructure for Subregional Tourism Development for \$25.5 million, six Japan Fund for Poverty Reduction projects for a total of \$9.9 million and a private sector project on West Seti Hydropower for \$45 million have also been programmed. The 2009 pipeline also comprises 11 TA projects for a total of \$5.9 million.

## Operational Challenges

Nepal's development and poverty reduction prospects hinge on achieving lasting peace and stability. With the end of the conflict in April 2006, the development space has expanded considerably. The steady improvement in Nepal's portfolio performance in recent years was sustained in 2008 with a higher contract award ratio of 23.45% of the total outstanding portfolio, comparable to the achievement in 2007. Similarly, a disbursement ratio of 15.35% was achieved. However, the slow and disruptive transitional period indicates that the peace process is still fragile and fraught with significant risks and difficult challenges for development activities. In particular, the long absence of elected local bodies since July 2002 due to an unsettled political environment has been a key constraint to governance, service delivery, and development work at the local level. In addition, labor unrest in the fragile political environment, coupled with severe power shortage, has constrained revival of key sectors of the economy and private investments more generally.

**Table 11. ADB Assistance to DMCs, 2007–2008<sup>a</sup>**

	2007 (\$ million)	2008 (\$ million)	Change (%)
Lending	9,965.59	10,494.27	5.3
ADF Sovereign	1,892.84	1,789.56	(5.5)
OCR Sovereign	7,347.48	6,924.48	(5.8)
OCR Nonsovereign	725.27	1,780.23	145.5
Public Sector	10.00	300.00	2,900.0
Private Sector	715.27	1,480.23	106.9
Equity Investments	79.75	123.08	54.3
Grants	672.71	811.37	20.6
Technical Assistance	252.84	274.50	8.6

ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Excludes terminated loans, equity investments, technical assistance, and grants.

Compounding these emerging constraints are the long-standing challenges posed by the country's difficult topography, poor infrastructure base, and weak institutions and governance. Improving basic infrastructure and strengthening governance and public and market institutions are pressing issues for Nepal.

## Partnership

ADB's Nepal Resident Mission (NRM) intensively engages with the Government and other development partners to improve aid coordination and aid effectiveness. NRM has enhanced its collaboration with key donor partners, such as Denmark, Germany, Norway, the Swiss Development Cooperation, various United Nations agencies, the Department for International Development of the United Kingdom, and the World Bank, through shared background and thematic assessments, strategic alignments, and implementation of programs in support of the Government's own development priorities.

ADB cooperates extensively with civil society organizations to strengthen the effectiveness, quality, and sustainability of the development assistance it provides. Under the ongoing ADB-supported Community Livestock Development, Commercial Agriculture Development and Community Managed Irrigated Agriculture Sector projects, nongovernment organizations and community-based organizations are engaged to mobilize and build capacity of beneficiary communities; help in establishing effective links with project service providers; and facilitate implementation of project activities, their monitoring and public auditing.

## Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for Nepal amounted to \$340.5 million for 22 investment projects, and \$41.6 million for 62 TA projects.

In 2008, the United Kingdom provided \$20.0 million grant cofinancing for the Rural Reconstruction and Rehabilitation Sector Development Program.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at [www.adb.org/Documents/Fact\\_Sheets/Nepal/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/Nepal/cofinancing.asp).

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 387 contracts were awarded to Nepalese consultants worth \$37.37 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which 512 contracts were awarded to Nepalese consultants worth \$13.7 million.

A summary of procurement contracts awarded to companies and consultants from Nepal for goods and works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/Nepal/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/Nepal/procurement.asp).

## About Nepal and ADB

Nepal is the 27<sup>th</sup> largest shareholder among regional members and the 35<sup>th</sup> largest overall.

### ADB Membership

Joined	1966
Shares held	5,202 (0.15%)
Votes	18,434 (0.42%)

**Md. Saad Hashim** is the Executive Director and **Siew-Juan Aw** is the Alternate Executive Director representing Nepal on the ADB Board of Directors.

**Barry J. Hitchcock** is the ADB Country Director for Nepal. The Nepal Resident Mission (NRM) was opened in 1989 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. NRM 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 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

### Country website

Asian Development Outlook

[www.adb.org/Documents/Books/ADO/2009/NEP.pdf](http://www.adb.org/Documents/Books/ADO/2009/NEP.pdf)

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