In recent years, Nepal’s economic and social progress has included reducing poverty rates, increasing literacy rates, and narrowing gender disparities. The country aims to achieve the Sustainable Development Goals by 2030. However, poverty is still high in rural areas and among socially disadvantaged groups. The global outbreak of coronavirus disease (COVID-19) in 2020 and the subsequent nationwide lockdown to contain the contagion has adversely affected Nepal’s economic growth, equity, and poverty reduction achievements.

Nepal was a founding member of the Asian Development Bank (ADB) in 1966. The bank’s assistance has since been directed mainly to improvements in energy security, transport, water supply and urban infrastructure services, agriculture and irrigation, and education. Since 1966, ADB has committed over $7 billion in financial and technical assistance for Nepal. Cumulative loan and grant disbursements to Nepal amount to $4.39 billion. These were financed by regular and concessional ordinary capital resources, the Asian Development Fund, and other special funds.

**ADB-SUPPORTED PROJECTS AND PROGRAMS**

ADB provided immediate support to the Government of Nepal in its response to the COVID-19 pandemic. This included resources for containment and prevention, protection of economically vulnerable groups, and relief to small businesses. ADB committed a $250 million concessional loan to strengthen Nepal’s health systems and mitigate the economic and social impacts of the pandemic, particularly on the poor. The bank also helped provide critical personal protective equipment to enable frontline workers to safely screen and treat COVID-19.

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To support sustainable recovery from the COVID-19 pandemic and foster inclusive growth in Nepal, ADB will continue to invest in developing infrastructure, improving access to basic services, and protecting communities, especially the poor and vulnerable.
To improve power supply and distribution systems, ADB is supporting the government with significant investments. A $200 million concessional loan will finance, among other things, the reinforcement and modernization of the power supply system in Kathmandu Valley and two provinces where supply interruptions are frequent and prolonged. The project is aligned with the South Asia Subregional Economic Cooperation program on intraregional power trade. In addition, the $156 million Electricity Grid Modernization Project will finance the automation of grid substations throughout the country and help reform and strengthen the Nepal Electricity Authority.

In aviation, ADB is providing a $150 million concessional loan to help restructure the current Civil Aviation Authority of Nepal and strengthen its oversight functions, management accountability, and operational efficiency. The program loan will also assist the government in securing external fiscal financing to mitigate economic and social shocks caused by COVID-19.

In water management, ADB is providing $50 million for the Priority River Basins Flood Risk Management Project to improve the resilience of communities to flooding in six river basins. Meanwhile, the Melamchi Water Supply Project has provided the longest tunnel in Nepal (26 kilometers), which will carry an additional 170 million liters of potable water every day from the Melamchi River to the Kathmandu Valley.

To expand access to quality education, ADB is helping finance the government’s School Sector Development Plan. The bank is also supporting government efforts in policy reform, institutional capacity building, gender equality and social inclusion, and climate change mitigation.

**NONSOVEREIGN OPERATIONS**

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments in loans and equity investments from ADB’s own funds in 2020 amounted to $1.4 billion for 38 transactions in economic and social infrastructure, finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2020, ADB mobilized $1.9 billion of long-term project cofinancing and $3.3 billion of cofinancing through its Trade and Supply Chain Finance Program and Microfinance Program. Total outstanding balances and commitments of nonsovereign transactions funded by ADB’s own resources stood at $14.3 billion as of 31 December 2020.

**PARTNERSHIPS**

ADB is a member of the International Development Partners Group, which brings together major multilateral and bilateral institutions in Nepal. The bank also engages in regular dialogue with diverse stakeholders, including the government, development partners, the private sector, and civil society organizations.
A summary of projects with cofinancing from 1 January 2016 to 31 December 2020 is available at [www.adb.org/countries/nepal/cofinancing](http://www.adb.org/countries/nepal/cofinancing).

### PROCUREMENT

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 are awarded on the basis of international competition, which is open to firms and individuals from all ADB members.

#### Share of ADB’s Procurement Contracts

**Goods, Works, and Related Services**

ADB’s procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled $14.19 billion in 2019 and $29.79 billion in 2020. Cumulative procurement since 1966 has been $216.35 billion covering 222,415 contracts.

For contractors and suppliers from Nepal, 2,324 contracts worth $198.79 million have been awarded since 1966.

### OPERATIONAL CHALLENGES

Accelerated and inclusive economic growth in Nepal is impeded by the country’s rugged terrain, infrastructure gaps, and inadequate human capital. Lack of adequate infrastructure services is a binding constraint to private sector investment, growth, and development.

Weak governance has long affected the effectiveness of development assistance and Nepal faces challenges to ensure the smooth implementation of federalism. These challenges include limited capacity at subnational levels, slow progress in requisite legislation and deployment of staff, lack of clarity about mandates and responsibilities of the three tiers of government, and a greater need for coordination among these tiers.

Start-up delays, low disbursement, contract management, and availability of materials also affect the implementation of ADB-supported projects in Nepal.
FUTURE DIRECTIONS

To support sustainable recovery from the COVID-19 pandemic and foster inclusive growth in Nepal, ADB will continue to invest in developing infrastructure, empowering businesses, and protecting communities, especially the poor and vulnerable. The bank will also assist Nepal in procuring and delivering COVID-19 vaccines safely and effectively.

Under its country partnership strategy, 2020–2024 for Nepal, ADB will support hydropower and renewable energy projects; improved road and air transport infrastructure; and better logistics and trade facilitation (especially under regional cooperation). The bank will work to reduce costs for businesses, attract private investment, develop livable cities and urban municipalities, deliver quality education and skills training, and lift agricultural productivity to boost rural incomes. Across its portfolio, ADB will continue to prioritize gender equality, social inclusion, disaster resilience, and environmental sustainability.

ADB will continue to work with Nepal to build sound institutional capacities for sector planning, high project readiness, effective implementation, and sustainable asset management.

ABOUT NEPAL AND ADB

ADB Membership
Joined 1966

Shareholding and Voting Power
Number of shares held: 15,606 (0.147% of total shares)
Votes: 54,720 (0.411% of total membership, 0.632% of total regional membership)

*Overall capital subscription: $224.77 million
*Paid-in capital subscription: $11.25 million

*United States dollar figures are valued at rate as of 31 December 2020.

Janardan Sharma “Prabhakar” is the Governor and Madhu Kumar Marasini is the Alternate Governor for Nepal in ADB.

Wan Farisan bin Wan Sulaiman (Malaysia) is the Director and San Thida (Myanmar) is the Alternate Director representing Nepal on the ADB Board of Directors.

Sharad Bhandari is the ADB Officer-in-Charge 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 68 members, 49 from Asia and the Pacific 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. In 2020, lending volume was $26.9 billion (149 projects), with technical assistance at $293.56 million (275 projects) and grant-financed projects at $1.08 billion (62 projects). In addition, $16.41 billion was generated for sovereign and nonsovereign cofinancing in the form of loans and grants, B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB’s Trade and Supply Chain Finance Program and Microfinance Program. From 1 January 2016 to 31 December 2020, ADB’s annual lending volume averaged $19.69 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged $805.5 million and $230.81 million respectively over the same period. As of 31 December 2020, the cumulative commitments excluding cofinancing were $323.17 billion in loans for 3,369 projects in 44 countries, $11.3 billion in 495 grants, and $5.01 billion in technical assistance grants, including regional technical assistance grants.

CONTACTS

Nepal Resident Mission
Asian Development Bank
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 8632 4444
Fax: +63 2 8636 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
Asian Development Bank
www.adb.org

Annual Report
www.adb.org/documents/series/adb-annual-reports

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

ADB Data Library
data.adb.org

Notes:
Figures are estimated by ADB unless otherwise stated. “$” refers to United States dollars.
Data are updated as of 31 December 2020 unless otherwise indicated.