

STATUS OF PROJECTS IN EXECUTION – FY06
SOPE
REGION: SOUTH ASIA
COUNTRY: NEPAL

Operations Policy and Country Services
SEPTEMBER 19, 2006



Report on the Status of Projects in Execution - FY06
SOPE
Region: South Asia
Country: Nepal

Introduction

The Status of Projects in Execution (SOPE) Report for FY06 provides information on all IBRD/IDA projects that were active on June 30, 2006.

The World Bank has issued a SOPE Report every year as an internal communication to the Board of Executive Directors. In accordance with the Bank's revised disclosure policy, since FY02, the SOPE Report is available to the public.

The report is intended to bridge the gap in information available to the public between the Project Appraisal Document, disclosed after the Bank approves a project, and the Implementation Completion Report, disclosed after the project closes.

In addition to the project progress description, the FY06 SOPE report¹ contains project level comparisons of disbursement estimates and actual disbursements, and a table showing the loan/credit/grant amount and disbursements to date for all active projects.

¹ Notes:

- Amounts for Projects in currencies other than U.S. dollars may not match exactly due to exchange rate fluctuations over the life of the project.
- Disbursement graphs are not included for Development Policy Loans, which provide quick-disbursing external financing to support policy and institutional reforms. For these loans, funds are disbursed in one or more stages (tranches), released when the borrower complies with agreed conditions.
- Projects which are not yet effective may not have a planned disbursement schedule and thus may not include a graph.



Country: Nepal**Project Name (ID):** Nepal Power Development Project (P043311)**Country:** Nepal**Board Approval Date :** 05/22/2003**Midterm Review Date :** 03/01/2007**Closing Date :** 06/30/2009**Loan/Credit/Grant Number :** IDA-37660, IDA-H0390**Sector(s):** Power (62%), Renewable energy (30%), Micro- and SME finance (3%), Other social services (3%), Central government administration (2%)**Theme(s):** Climate change (P), Rural services and infrastructure (P), Other financial and private sector development (P), Small and medium enterprise support (S), Public expenditure, financial management, and procurement (S)**Project Development Objectives:**

The project development objectives are to develop Nepal's hydropower potential in an environmentally and socially sustainable manner; improve rural electricity services; and promote private participation.

Progress toward achieving development objective(s):

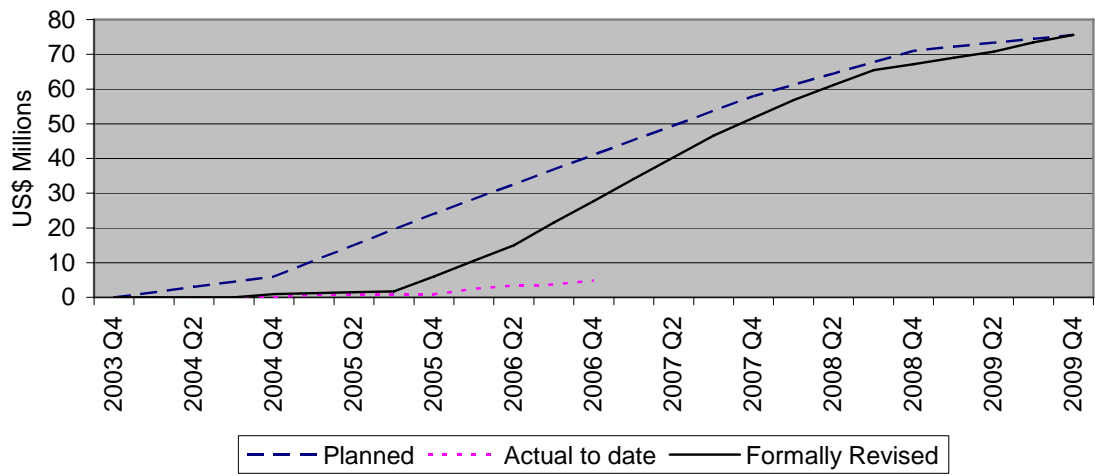
Progress towards achieving the project's objectives in fiscal year 06 has been mixed. While the objective of improving rural electricity access has advanced well with the timely implementation of several micro hydro schemes, progress towards promoting private participation to develop Nepal's hydropower potential remained sluggish. Management and procurement issues, combined with the prevailing security environmental in Nepal, slowed down the decision making process.

More recently, however, following some improvements in the political climate in Nepal, project implementation has picked up considerably. A set of concrete actions agreed with the Government of Nepal and the implementing agencies are being implemented, and provided the progress continues as anticipated, we expect that the achievement of the project objectives would be back on track in fiscal year 07.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/ Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-37660	Effective	54.09	1.05	53.03	0.00
IDA-H0390	Effective	27.05	3.77	22.48	0.76





Project Name (ID): ROAD MAINTENANCE AND DEVELOPMENT (P045052)

Country: Nepal

Board Approval Date : 11/23/1999

Midterm Review Date : 11/11/2002

Closing Date : 12/31/2006

Loan/Credit/Grant Number : IDA-32930, IDA-Q1180

Sector(s): Roads and highways (55%), Central government administration (30%), Other social services (14%), Law and justice (1%)

Theme(s): Rural services and infrastructure (P), Municipal governance and institution building (S), Rural markets (S)

Project Development Objectives:

The development objective is to provide sustainable and efficient road service on the Strategic Road Network.

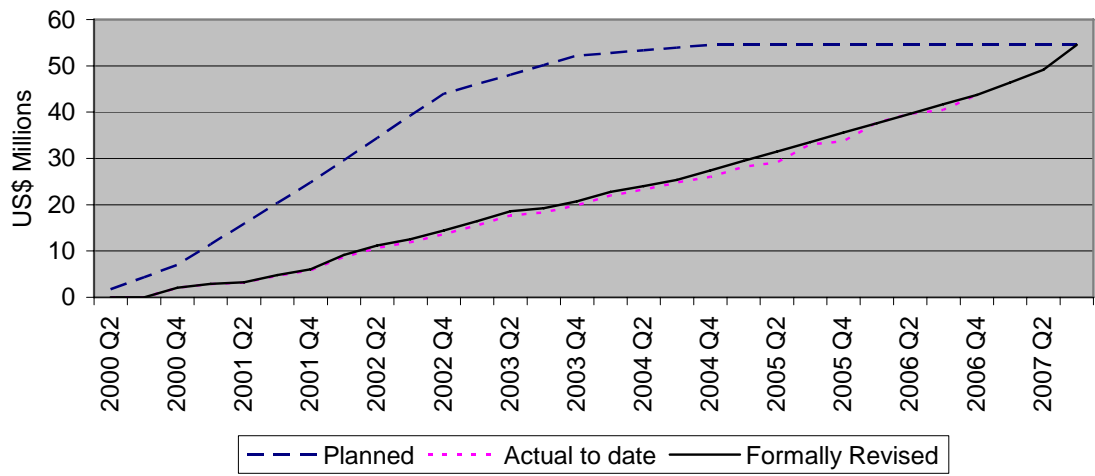
Progress toward achieving development objective(s):

Progress is being made towards achievement of the project development objective. The Roads Board has been operational and a dedicated road maintenance fund has been created; however, the performance of the Board in the generation of adequate resources and efficient operation needs to be improved. The physical outputs and outcomes are progressing. The Institutional Strengthening Program is on track in its work in modernization of Department of Roads (DOR) and is working on ways to improve service delivery in various DOR core and supporting functions. The Medium Term Expenditure Framework target could not be met due to resource constraints and poor security situation.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/ Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-32930	Effective	58.95	43.77	12.57	0.00
IDA-Q1180	Closed	1.50	0.00	0.00	1.50





Project Name (ID): NP: Telecommunications Sector Reform Project (P050671)
Country: Nepal
Board Approval Date : 12/11/2001
Midterm Review Date : 09/21/2005
Closing Date : 09/01/2007
Loan/Credit/Grant Number : IDA-35810, JPN-29212
Sector(s): Telecommunications (55%), Central government administration (45%)
Theme(s): Regulation and competition policy (P), Other financial and private sector development (P), Rural services and infrastructure (P), Infrastructure services for private sector development (S)

Project Development Objectives:

The objective is to strengthen the policy and regulatory environment in the telecommunications sector, to facilitate competition and private sector participation, and increase rural access to services by facilitating private investments and operations.

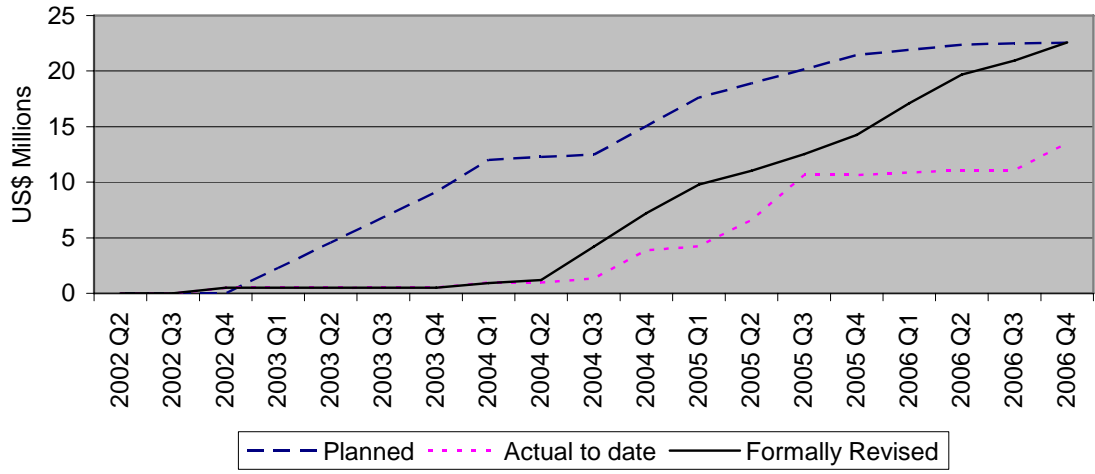
Progress toward achieving development objective(s):

Following the mid term review (MTR) of the project in September 2005, the team came to the conclusion that the environment for project implementation had become increasingly difficult. However, with the recent political developments, including the reciprocal ceasefire and new leadership in Government, there is some hope that implementation can be brought back on track. Following extensive discussions during the MTR, the license of the contractor, STM Communications Services, was revised and an alternate list of Village Development Committees (VDCs) was provided. The Bank was formally notified of these revisions to the license agreement which were approved by the National Telecommunications Authority Board and the Ministry of Information and Communications. STM commenced implementation under the revised license and completed some work that was reviewed and accepted in March 2006. Recent payments (US\$ 2.37 million) have resulted in an improvement in disbursements for the project.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-35810	Effective	25.72	13.51	10.10	2.18
JPN-29212	Closed	0.62	0.63	0.00	0.06





Project Name (ID): Nepal Health Sector Program Project (P040613)

Country: Nepal

Board Approval Date : 09/09/2004

Midterm Review Date : 02/01/2008

Closing Date : 01/15/2010

Loan/Credit/Grant Number : IDA-39800, IDA-H1250

Sector(s): Health (86%), Central government administration (12%), Compulsory health finance (1%), Sub-national government administration (1%)

Theme(s): Health system performance (P), Population and reproductive health (S), Other communicable diseases (S), Child Health (S), Administrative and civil service reform (S)

Project Development Objectives:

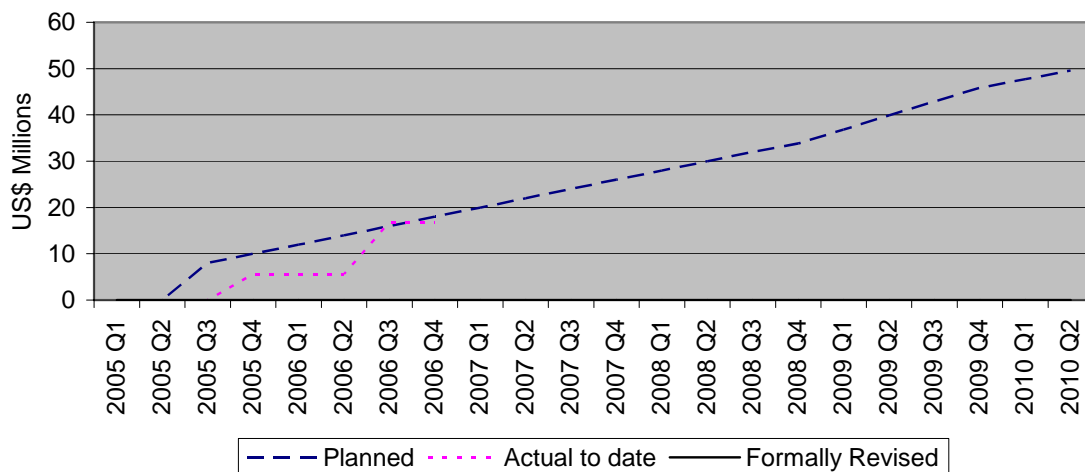
To expand access to, and increase the use of, essential health care services, especially by underserved populations.

Progress toward achieving development objective(s):

The project has achieved significant progress towards establishing a sector-wide approach in the public health sector. The Ministry of Health and Population has developed a three-year plan to expand essential health care services throughout the country. The Government of Nepal has allocated funding to the health sector for essential health care services within the sector and to non-salary costs as per the agreed proportions. Key capacity building studies have been contracted for and procurement of goods and works is proceeding well. The sector program is on track for achieving its project development objectives subject to the security situation not deteriorating again.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-39800	Effective	10.14	0.00	10.14	0.00
IDA-H1250	Effective	40.13	16.76	23.21	0.00



Project Name (ID): Second Rural Water Supply & Sanitation Project (P071285)

Country: Nepal

Board Approval Date : 06/01/2004

Midterm Review Date : 05/15/2007

Closing Date : 08/31/2009

Loan/Credit/Grant Number : IDA-39110

Sector(s): Water supply (90%), Sanitation (5%), Health (5%)

Theme(s): Rural services and infrastructure (P), Participation and civic engagement (S), Gender (S), Other human development (S), Pollution management and environmental health (S)

Project Development Objectives:

The Project has two objectives: (i) to improve sector institutional performance and mainstream "the Board" approach in the Government's system, and (ii) to support communities to form inclusive local water supply and sanitation user groups that can plan, implement, and operate drinking water and sanitation infrastructure that delivers sustainable health, hygiene, and productivity benefits to rural households.

Progress toward achieving development objective(s):

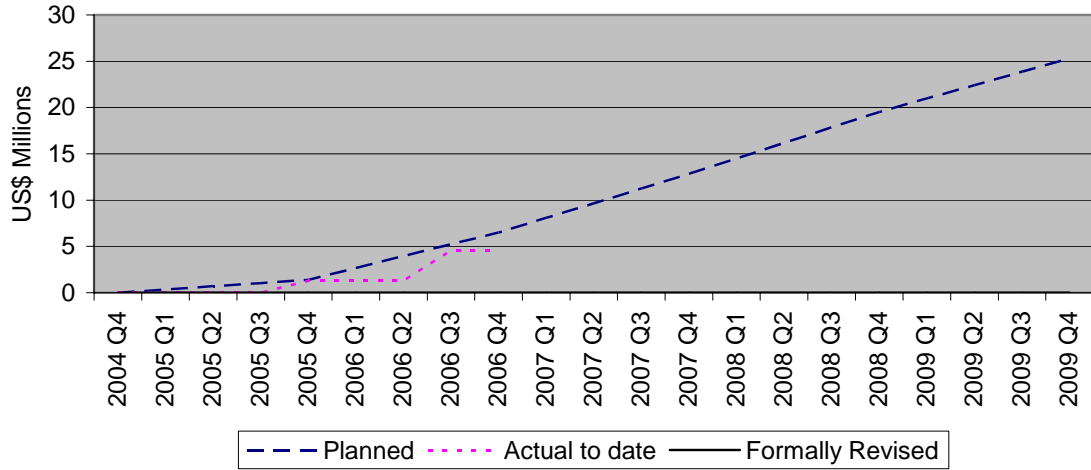
Progress towards achievement of the Project Development Objectives is on track. The first project objective is related to improving institutional performance in the Rural Water Supply and Sanitation (RWSS) Sector. The Government's National Policy 2004 for the sector involves the adoption of an integrated service delivery approach with participation and ownership of the communities' user groups in planning, construction and O&M. In order to ensure implementation of the principles of a common modality in the delivery of RSSW services, effective monitoring and evaluation (M&E) in the sector is essential but progress on developing and operationalizing an M&E system within the Ministry of Physical Planning and Works has been very limited to date. MPPW had started to assume the lead role in coordinating the Sector Stakeholder Group (SSG) meetings. Notwithstanding the lack of progress to date on the M&E front, evidence suggests that at the grassroots, the demand-driven participatory approach is increasingly being adopted across the sector. This bodes well for achieving objective one by the end of the project provided the Government takes actions to address issues as they arise.

The project's second objective, supporting the formation of inclusive and effective functioning of local user groups is also likely to be achieved, as the Rural Water Supply and Sanitation Fund Development Boards approach seems to have been institutionalized to some extent. Despite delays of 8 to 9 months in Batch V schemes progress has been made. The development phase of Batch V schemes has been completed. Water and sanitation user groups/committees have been formed in all Batch V schemes; households and institutional latrines are being built and used; and O&M funds are being mobilized. Batch VI work is also being initiated. Because it has realized the importance of adhering to the scheme cycle, the Board is committed to improve its internal management to avoid implementation delays in future batches.



Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/ Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-39110	Effective	24.99	4.54	20.43	0.00



Project Name (ID): Financial Sector Technical Assistance Project (P071291)
Country: Nepal
Board Approval Date : 12/19/2002
Midterm Review Date : 12/29/2006
Closing Date : 06/30/2007
Loan/Credit/Grant Number : DFID-50593, IDA-37270, IDA-Q1830, IDA-Q1831
Sector(s): Banking (98%), Vocational training (1%), Media (1%)
Theme(s): State enterprise/bank restructuring and privatization (P), Regulation and competition policy (P), Standards and financial reporting (P), Corporate governance (S)

Project Development Objectives:

The objective is to strengthen the financial sector in order to bring about macroeconomic stability and promote private-sector-led economic growth.

Progress toward achieving development objective(s):

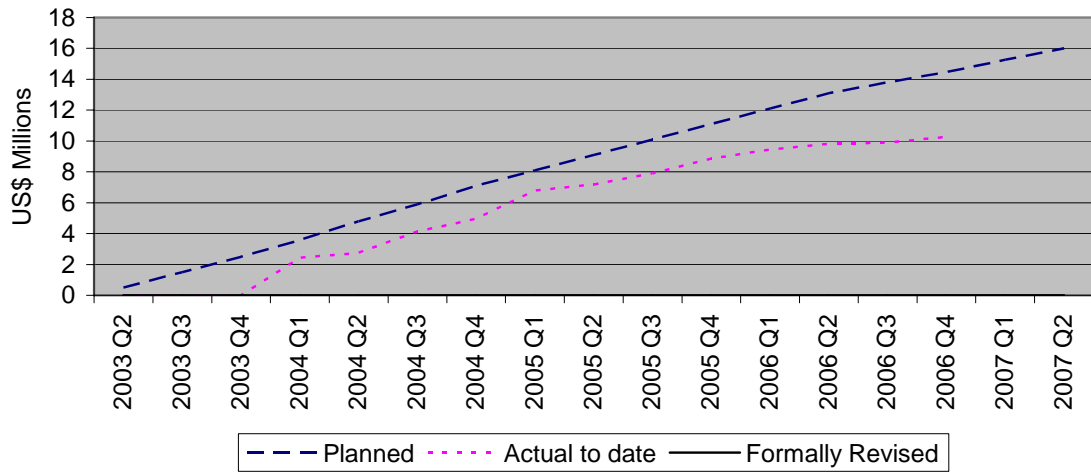
Restructuring of the two public domain banks has progressed well in terms of achieving profitability, reducing excessive staffing, branch computerization, disclosure of financials, and inducing competition in the financial market. The share of public ownership in the financial market has reduced but NPA levels continue to be high despite collection of substantial cash from Bad Debt portfolio; this is due to the weak legal system. Measures undertaken to enhance capacity of the Debt Recovery Tribunal have to date not been sufficient. Debt recovery is a high priority agenda item for the Finance Minister and the Central Bank Governor.

Strengthening of Central Bank's supervision capacity is progressing as planned. However, staff levels remain excessively high even after several rounds of retirements. Improvements have been noted in the quality of financial journalism and the dissemination of reform initiatives to the general public. Slow progress is being made in developing financial disclosure standards and MIS upgrading. The Credit Information Centre also needs strengthening. Enhancing the professional status of Central Bank is to be the focus of this TA for FY 2007.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
DFID-50593	Effective	12.50	6.24	6.13	0.00
IDA-37270	Effective	18.23	10.26	7.87	0.00
IDA-Q1830	Closed	0.55	0.00	0.00	0.55
IDA-Q1831	Closed	0.60	0.00	0.00	0.60





Project Name (ID): Education for All Project (P074633)

Country: Nepal

Board Approval Date : 07/08/2004

Midterm Review Date : 12/30/2006

Closing Date : 01/31/2010

Loan/Credit/Grant Number : IDA-39560

Sector(s): Primary education (70%), Pre-primary education (10%), Adult literacy/non-formal education (10%), Sub-national government administration (5%), Other social services (5%)

Theme(s): Education for all (P), Gender (S), Indigenous peoples (S), Participation and civic engagement (S), Rural services and infrastructure (S)

Project Development Objectives:

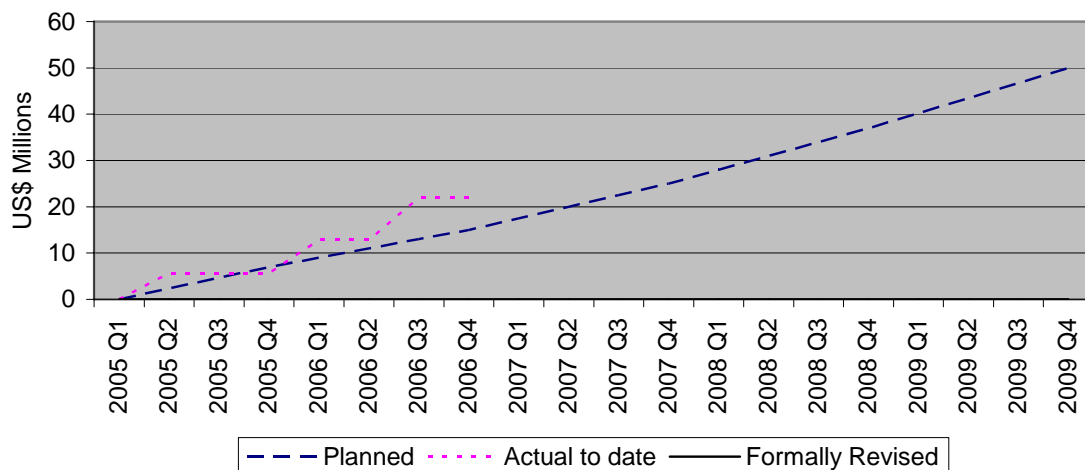
The project's long-term development objective is to improve access to and benefit from basic and primary education for children, especially girls and children from disadvantaged groups, and from literacy programs for poor adults.

Progress toward achieving development objective(s):

Progress towards achievement of the project objectives is on track. The Sector-Wide Approach (SWAp) modality is operational and school block grants, a major reform element, are implemented through out the country. Monitoring through twice a year flash reports is in place. Technical reviews done by independent consultants sponsored by donors are also operational. During the first year the net enrolment rate increased from 84.2% to 86.8%, and the share of out of school girls decreased from 22.0% to 16.6%.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-39560	Effective	50.71	21.94	28.71	0.00



Project Name (ID): Poverty Alleviation Fund Project (P081968)

Country: Nepal

Board Approval Date : 06/01/2004

Midterm Review Date : 02/08/2007

Closing Date : 02/01/2009

Loan/Credit/Grant Number : IDA-H0910, IDA-Q3580

Sector(s): Primary education (26%), Roads and highways (26%), Irrigation and drainage (26%), Other social services (18%), Micro- and SME finance (4%)

Theme(s): Rural services and infrastructure (P), Participation and civic engagement (P), Rural non-farm income generation (S), Social risk mitigation (S), Gender (S)

Project Development Objectives:

The development objective is to support the country's strategy for reaching the poor, excluded and vulnerable communities, using a pro-poor targeted approach which can be subsequently scaled up. The project is intended to provide direct and indirect benefits initially to six pilot districts by creating infrastructure, employment opportunities, enhancing the capacity of local bodies e.g., Village Development Committees and improving government efforts to better coordinate targeted support to the intended target populations.

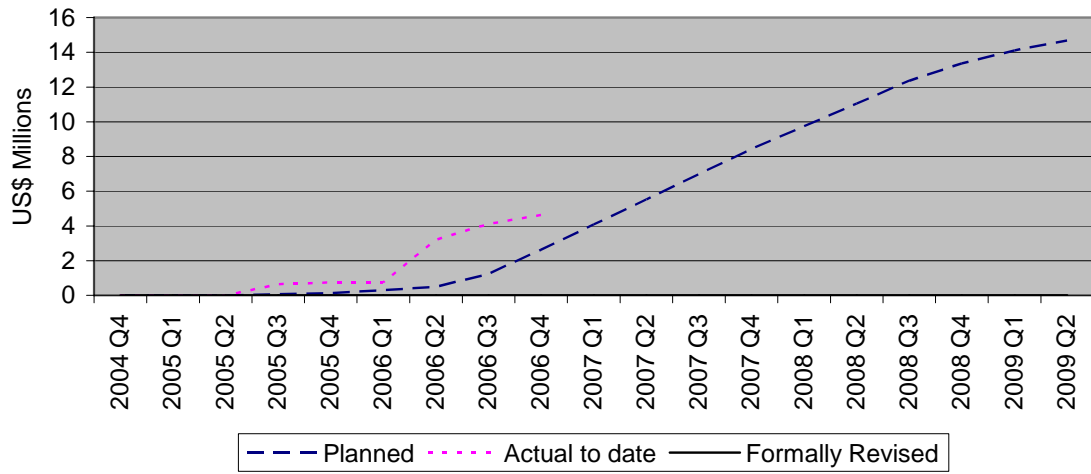
Progress toward achieving development objective(s):

The Poverty Alleviation Fund (PAF) has demonstrated that it is an effective means of getting resources to the poorest and most excluded groups, in rural Nepal. The PAF is about to commit all the available resources, about two years ahead of its original schedule. As of March 2006, the project has reached around 39,133 households (more than 215,232 persons) in 177 Village Development Councils (VDCs) which is about one half of total VDCs in these six districts. There are about 1180 community agreements reached which include a large number of different types of sub-projects. To date, 94% of the beneficiaries are classified as poor. Targeting has also succeeded in reaching excluded groups: 43% of beneficiaries are Dalits and 35% are Janajatis; these two groups account for 15% and 23% respectively, of the population in the six PAF districts. The above results clearly show that the project is achieving its objectives and because of the successful implementation, the government has requested additional financing.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/ Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-H0910	Effective	14.85	4.62	10.19	0.00
IDA-Q3580	Closed	0.44	0.00	0.00	0.44





Project Name (ID): Community School Support Project (P082646)

Country: Nepal

Board Approval Date : 06/30/2003

Midterm Review Date : 05/30/2005

Closing Date : 09/30/2006

Loan/Credit/Grant Number : IDA-38080, JPN-55146

Sector(s): General education (100%)

Theme(s): Education for all (P)

Project Development Objectives:

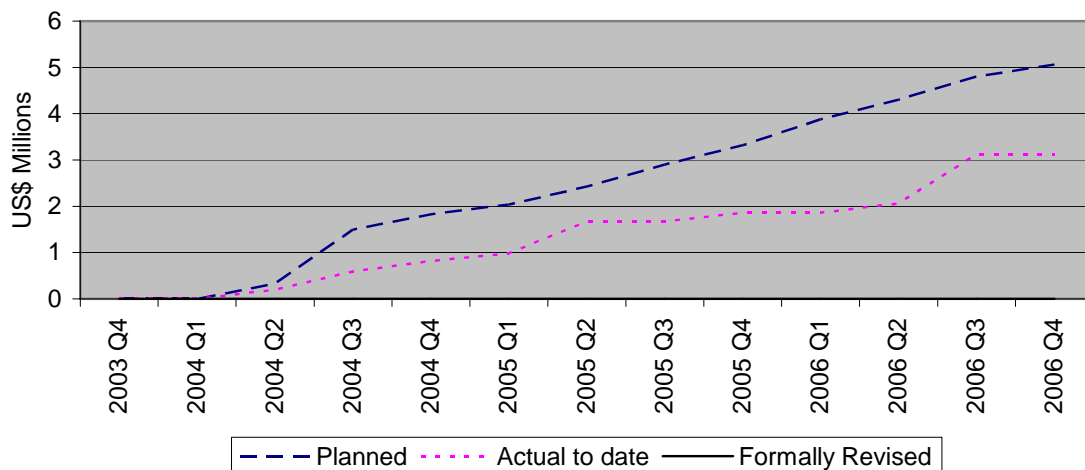
The objective is to test whether community management of schools can better contribute to enhancement of: a) participation rates, (b) quality and efficiency and (c) accountability of schools.

Progress toward achieving development objective(s):

Several key steps towards achievement of the project's objectives have been completed. The project target for transfer of public schools to community management has been met. As planned, 250 schools are receiving project support. A baseline survey of community-managed schools by independent consultants was completed. In house monitoring and anecdotal evidence suggest that community-managed schools are making progress.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-38080	Effective	5.29	3.12	2.15	0.00
JPN-55146	Not Effective	0.70	0.00	0.70	0.00



Project Name (ID): Rural Access Improvement and Decentralization Project (P083923)

Country: Nepal

Board Approval Date : 06/21/2005

Midterm Review Date : 05/31/2007

Closing Date : 12/31/2010

Loan/Credit/Grant Number : IDA-H1710, IDA-Q3870

Sector(s): Roads and highways (100%)

Theme(s): Rural services and infrastructure (P), Decentralization (S), Other social development (S)

Project Development Objectives:

The project's development objective is for residents of participating districts to utilize improved rural transport infrastructure and services and benefit from enhanced access to social services and economic opportunities.

Progress toward achieving development objective(s):

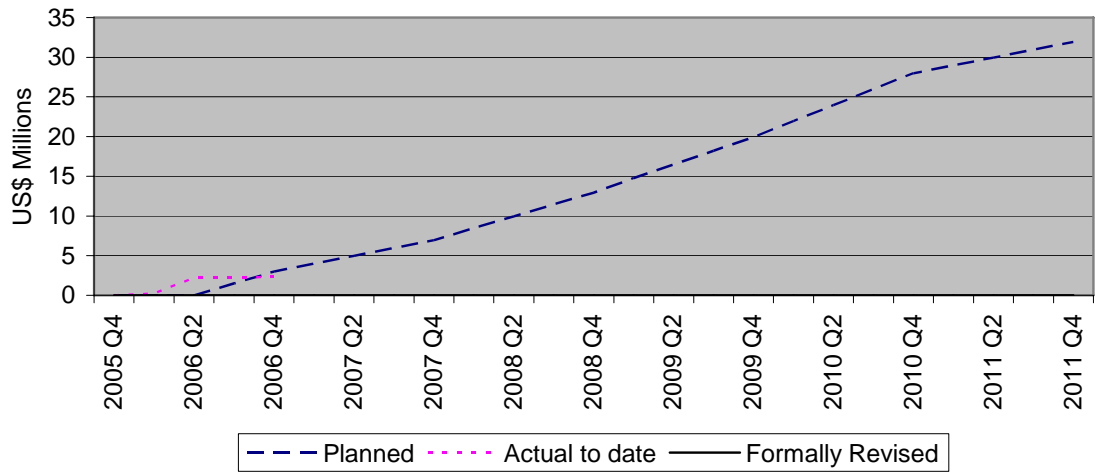
The project became effective on August 16, 2005, and despite the difficult implementation environment with conflict and political instability over the last year, project implementation has progressed well and the project is likely to achieve its development objective. Nineteen of the 20 project districts will complete about 308 km (out of 800 km projected) of all-season road upgrading works during FY07. These improved roads will provide all-season road access to 60,000 households in beneficiary villages. Construction work on 200km of dry-season road construction will begin by November 2006 using community-based contracting. The maintenance sub-component is being implemented in six districts and works for 257 km of routine and recurrent maintenance have been completed. The trail bridge sub-component, will be implemented in 28 districts. So far, 89 trail bridges have been identified and will be constructed in FY07 using community participation. The community infrastructure sub-component has received some good proposals from communities and works are planned to start during the next construction season.

The emphasis on flexible project design, community participation, and transparency in the use of funds has helped to mitigate the risks of conflict in the country. However, to respond to the improved security and political situation in the country, additional districts covered will be mostly conflict affected districts.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-H1710	Effective	31.16	2.34	28.76	0.00
IDA-Q3870	Closed	0.40	0.00	0.00	0.40





Project Name (ID): Financial Sector Restructuring Project (P084219)

Country: Nepal

Board Approval Date : 03/09/2004

Midterm Review Date : 12/29/2006

Closing Date : 09/30/2009

Loan/Credit/Grant Number : IDA-38640, IDA-H0740

Sector(s): Banking (100%)

Theme(s): State enterprise/bank restructuring and privatization (P), Standards and financial reporting (S)

Project Development Objectives:

The objective of the project is to support the on-going efforts to develop a healthier financial sector in Nepal which intermediates funds more efficiently and effectively to the benefit of all segments of society and in a manner which supports private sector development, increased investment and faster growth.

Progress toward achieving development objective(s):

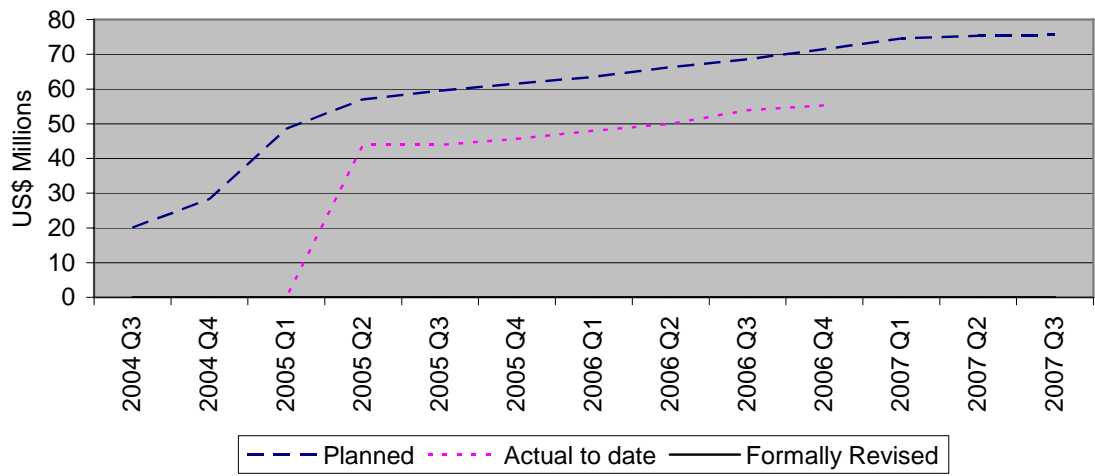
Although progress has been slow in the implementation of reforms in the Central Bank, some advancement has been noted in the area of banking supervision and computerization (final stage of inviting bids) as well as financial disclosure. Whilst international firms have been short-listed for the position of bank privatization experts, the Central Bank has yet to enforce relevant law (Article 86) on privatization. The new HR policy is also yet to be implemented.

Progress in restructuring of the two public banks has been better. Staff levels have been right-sized and the banks registered operating profit/positive cash flows for a third successive year. Financial reports are being disclosed ahead of most private banks and they are IAS compliant. There is also a better credit appraisal mechanism in place and the majority of branch books are supported by computerization. However, non performing asset levels continue to be high, primarily because enforcement of creditor's right remains weak and willful defaulters use courts to prevent foreclosures. Pricing is market based and declining due to competition. The Supreme Court and the Ministry of Finance have, in principle, agreed to undertake legal/judicial reforms in the area of establishing commercial bench training of judges, enhancing Debt Recovery Tribunal capacity, and drafting individual bankruptcy law.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/ Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-38640	Effective	69.97	54.97	15.86	0.00
IDA-H0740	Effective	7.20	0.30	6.90	0.00





Project Name (ID): Nepal Economic Reform TA (P093294)

Country: Nepal

Board Approval Date : 06/28/2005

Midterm Review Date : 06/28/2007

Closing Date : 12/31/2008

Loan/Credit/Grant Number : IDA-H1730

Sector(s): General public administration (93%), Aviation (5%), Telecommunications (1%), Petrochemicals and fertilizers (1%)

Theme(s): Administrative and civil service reform (P), Public expenditure, financial management, and procurement (P), State enterprise/bank restructuring and privatization (S), Health system performance (S), Education for all (S)

Project Development Objectives:

The project will implement key reforms strengthening public sector capacity, improving service delivery and increase social inclusion.

Progress toward achieving development objective(s):

The Government has undertaken all the necessary steps required in the Agreed Action Plan, particularly in establishing a solid foundation and framework for project implementation. Operating Guidelines have been prepared and are fully-owned. An integrated system is now in place as well as high level leadership of the Steering Committee. With recent political developments and the appointment of the new Chief Secretary etc., implementation that had come to a standstill is expected to regain momentum. The implementation unit - Economic Advisory Services Unit (EASU) of the National Planning Commission, received 17 proposals from pre-identified sub-projects and 12 were approved. An additional 36 new proposals seeking support from the Challenge Fund have been received. These are currently being assessed against the Government's key priorities. It is expected that the Challenge Fund would be fully utilized within the project period. An area that requires immediate attention is the strengthening of Procurement function at the EASU. With several sub-projects already approved and more in the pipeline, the Steering Committee would also need to focus on improving the monitoring system, and timely reporting of implementation progress.

Lending Information/Disbursement Summary (USD millions, as of June 30 2006)

Loan/Credit/ Grant	Status	Amount	Disbursed	Undisbursed	Cancellation
IDA-H1730	Effective	2.94	1.00	1.92	0.00



