



Approach Paper

Nepal Country Program Evaluation

World Bank Group Support to Nepal, Fiscal Years 2014–23

November 30, 2023

1. Evaluation Purpose and Audience

1.1 This Country Program Evaluation (CPE) will assess the performance of the World Bank Group’s support to Nepal in achieving its development objectives between 2014 and 2023. The evaluation will focus on the Bank Group’s support to Nepal as it tackled its long-term development challenges while undertaking political and institutional reforms relating to the shift to federalism and responding to multiple shocks and disasters. The evaluation covers the period from fiscal year (FY)14 to FY23. This period spans the last two country strategies—the FY14–18 Country Partnership Strategy (CPS) and the FY19–23 Country Partnership Framework (CPF). The CPE will assess the adaptive relevance and coherence of the Bank Group–supported program by examining how the Bank Group has adapted its support over time in response to changing conditions and priorities. This will include an examination of the Bank Group’s response to the 2015 earthquakes and the COVID-19 pandemic. The evaluation will assess the Bank Group’s work in three important thematic areas—resilience to natural disasters, federalism, and jobs and private sector development—in greater depth.

1.2 The evaluation seeks to identify lessons to inform future Bank Group engagement in support of Nepal’s development priorities, including the next CPF, which is due for completion in 2024. The evaluation’s findings and lessons may also be relevant to other countries emerging from conflict or facing other similar development constraints. The audience for the evaluation includes the Bank Group’s Board of Executive Directors, Bank Group staff and management working with Nepal, and the government of Nepal. The evaluation may also interest a broader set of stakeholders, including international development partners, local and international civil society, the private sector, research organizations, and citizens.

2. Background and Country Context

2.1 Nepal’s development is tied to its geography. Nepal is a lower-middle-income country with a population of 30 million that is landlocked between China and India (map 2.1). Nepal’s gross national income per capita of US\$1,220 in 2021 places it behind all other countries in South Asia except for Afghanistan. GDP growth over the past decade has been driven by remittances from labor migration and has averaged approximately 4 percent, which is low both for the region and against structural comparators. Although rich in certain natural endowments, Nepal’s topography limits connectivity, constrains

service delivery, and makes the country highly vulnerable to climate and disaster risks, including floods and landslides. Nepal is one of the most earthquake-prone countries in the world. Rising temperatures, melting glaciers, and more intense rainfall will likely increase climate-related hazards (World Bank Group 2022). Nepal is among the world’s top 20 countries in hydropower potential and one of the few countries to have expanded forest cover in the past three decades (from 25 percent to 44 percent), for which it has relied on community-based forest management (World Bank 2018a). Nepal can be geographically divided into the mountain region, which includes some of the largest peaks of the Himalayas; the hill region, where the capital is located and which is the traditional locus of political and economic power; and the southern Tarai plains, which is Nepal’s major cereal-producing region and home to approximately half the population, including some historically excluded identity groups.

Figure 2.1. Nepal

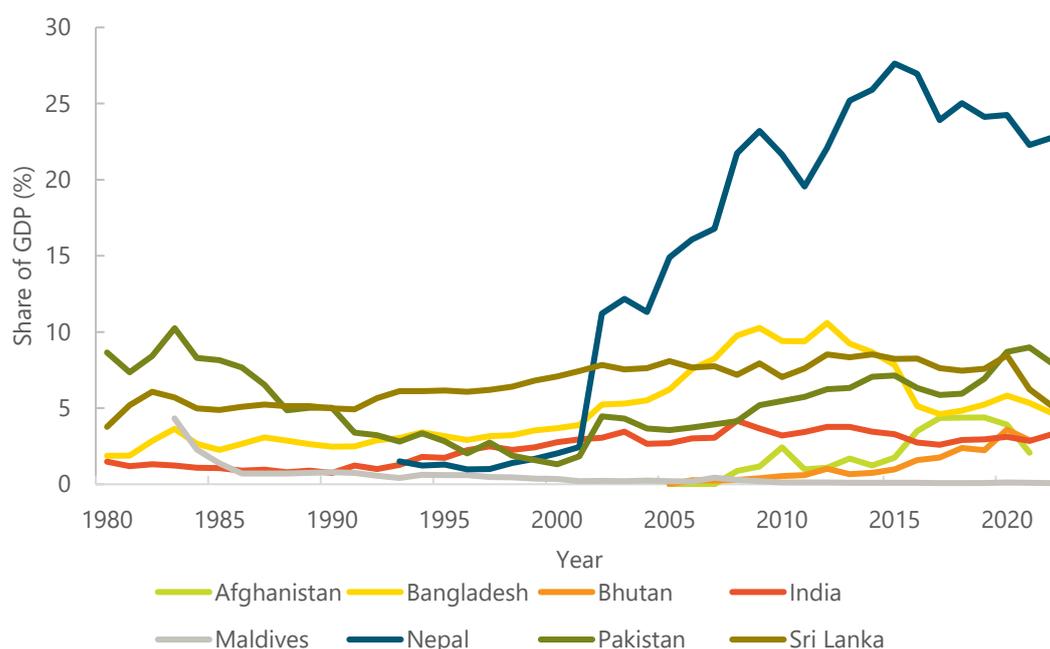


Source: World Bank Cartography unit.

2.2 Remittances are vital to Nepal’s economy and have driven a shift in the composition of the economy away from industry and agriculture toward services and consumption. Nepal is one of the highest recipients of remittances in the world, measured

in per capita terms and as a share of GDP. A significant rise in labor outmigration occurred during the civil war of 1996–2006, which led to a sharp increase in remittances as a share of GDP, from 2 percent in 2000 to 28 percent in 2015 and 24 percent in 2020 (figure 2.1). The industrial base is small and declined from 14 percent of GDP in 2013 to 12 percent in 2022, continuing a decades-old declining trend. Agriculture, forestry, and fisheries accounted for 28 percent of GDP in 2013 and 21 percent in 2022, and for two-thirds of employment in 2013 and only slightly less today.

Figure 2.2. Remittances as a Share of GDP in the South Asia Region (1980–2021)



Source: Independent Evaluation Group based on World Development Indicators (<https://databank.worldbank.org/source/world-development-indicators>).

Note: GDP = gross domestic product.

2.3 Nepal has made strong development progress over the evaluation period. With 3 million Nepalis working abroad and despite modest economic growth, the migration-based economic model has been driving improvements in living standards and human development through increased household income. Electricity access increased from 77 percent of the population in 2013 to 90 percent in 2021. Internet access increased from 13 percent of the population in 2013 to 52 percent in 2021, and mobile phone subscriptions grew from 78 per 100 people in 2013 to 127 per 100 people in 2021. Nepal had already achieved near-universal primary school enrollment and gender parity in basic and secondary education at the start of the evaluation period; the lower secondary education completion rate grew from 79 percent in 2013 to 103 percent in 2022. Infant mortality has fallen steadily, from 32 per 1,000 live births in 2013 to 23 per 1,000 live births in 2023. Nevertheless, Nepal’s score on the Human Capital Index is 0.50, placing it 109 out of 174

countries. Approximately 36 percent of Nepal's children exhibit stunted growth, 10 percent exhibit low weight for height, and almost 53 percent have anemia. In the Gender Gap Index 2022, Nepal scored 0.69 for gender parity; the best scores were in political empowerment (58 out of 146); and rankings were lower for economic participation (98 out of 146), health and survival (109 out of 146), and educational attainment (125 out of 146). The steady improvement in most development indicators over the evaluation period continues a trend that goes back a few decades.¹

2.4 The migration-based model has also delivered brisk poverty reduction, although the lack of official data on poverty since 2011 has hindered a granular understanding of how growth has translated into welfare improvements. The share of households living in poverty, as measured by the international poverty line, was 15 percent in 2011, down from 46 percent in 1996. Poverty is significantly higher in rural areas than in urban areas (27.4 percent of households compared with 15.5 percent) and highest in the far western regions (45.6 percent) and mountainous ecological regions (42.3 percent). Nepal also made progress on shared prosperity in the decade from 2001 to 2011, with consumption among the bottom 40 percent of households growing twice as fast as consumption among the top 60 percent. Yet significant disparities persist across socioeconomic groups, geographic areas, and population groups. Social exclusion based on caste, ethnicity, religion, region, and gender is deeply rooted. According to the literature, the Tarai plains region has been disadvantaged in terms of service delivery. Results from the fourth Nepal Living Standards Survey, including updated poverty statistics, are expected to become available in early 2024.

2.5 In April 2015, a 7.8 magnitude earthquake struck central Nepal (followed by a 7.3 magnitude earthquake less than a month later), causing more than 8,700 deaths and some 25,000 injuries. A large international rescue and relief effort ensued. The postdisaster needs assessment conducted by the government, the World Bank, and other development partners estimated the physical damage from the earthquake at US\$7 billion, with more than 750,000 houses destroyed or inhabitable. The assessment identified housing and human settlements as the largest single need, accounting for US\$3.3 billion in financial needs, almost half the total reconstruction costs. Donors pledged US\$4.1 billion for postearthquake recovery and reconstruction. These efforts are now close to completion, and the government has shifted to a broad disaster risk management program led by the National Disaster Risk Reduction and Management Authority and with disaster committees at the federal, provincial, district, and municipal levels.

2.6 The Nepalese state has transformed several times during the past three decades through uprisings and armed struggle, largely a response to a history of social exclusion

¹ Data are from World Development Indicators (<https://databank.worldbank.org/source/world-development-indicators>).

and tensions between the central state in Kathmandu and the less-developed periphery. The country has shifted from monarchy to ceremonial monarchy to republic, from a Hindu state to a secular one, and from a highly centralized unitary system to a federal state. These shifts were responses to the state's failure to decentralize power and resources, deliver services, and forge a more inclusive social contract. Since the mid-20th century, Nepal has struggled to move away from a feudal past in which political power and economic resources were concentrated among high-caste families from the hills. The 2006 Comprehensive Peace Agreement, which brought the decade-long civil war to an end, put forward the idea of federalism as a mechanism for a more inclusive and pro-poor path to development.

2.7 Nepal adopted a new constitution in 2015. The 2006 Comprehensive Peace Agreement ended the decade-long Maoist insurgency and provided the blueprint for a new constitution and political order. The protracted constitutional process that followed became a tool to institutionalize peace and draft a new social contract. The country has not been on the World Bank's list of fragile and conflict-affected situations since FY14.² An interim constitution was adopted in 2007, and the first Constituent Assembly was elected in 2008 with a mandate to draft a new constitution for Nepal, to restructure the state as a federal republic, and to provide a more inclusive political system for groups that were historically marginalized based on caste, ethnicity, region, or gender. However, the Constituent Assembly became deadlocked. A second Constituent Assembly was formed after elections in November 2012, and the political stalemate reemerged. The 2015 earthquake was a critical juncture in the country's politics, fueling patriotic sentiment and calls for national unity, and ultimately led to the resolution of the political stalemate in relation to the constitution. The leaders of the major political blocs moved quickly after the earthquake, and a constitution that had been promised but not delivered for more than seven years was adopted in just over 100 days.

2.8 The 2015 constitution faced challenges to its legitimacy. These challenges were on matters that marked a significant departure from the principles of the interim constitution, such as that the federal structure did not locate the Madhesi population in purely Madhesi provinces.³ A subsequent Madhesi rebellion led to a blockade of the main overland supply routes into Kathmandu and clashes between security forces and protestors in the Tarai. Most commentators consider the 2015 constitution a compromise document, neither completely reinstating the previous political order nor acceding to all the demands of marginalized groups.

² In many ways, Nepal has provided a model for other societies grappling with conflicts, diversity, and dealing with a difficult external environment.

³ The term Madhesi refers to several ethnic groups who live in the Tarai plains and account for half the country's population.

2.9 Following the adoption of the 2015 constitution, Nepal started to transition from a unitary system to a federal system. The constitution established Nepal as a federal republic with three tiers of government at the federal, provincial, and local levels, and significant decentralization of decision-making and resources to local governments. Seven provinces were established. The creation of a federal polity in a country without preexisting units was a daunting task and remains a work in progress. Ministries needed to be created and merged, the civil service needed restructuring, and numerous laws had to be enacted or amended to comply with the 2015 constitution. In March 2017, more than 3,400 village development committees were consolidated into 753 local government units, followed by the first local-level elections in 20 years. Provincial and federal elections were held in December 2017 and February 2018. The completion of elections in all three tiers of government led to the establishment of a federal structure.

Challenges and Opportunities to Nepal's Development

2.10 Nepal faces many risks and obstacles to its development. The country's development challenges have been remarkably consistent over time, even as the country context has changed significantly (World Bank 2018c). Nepal is exposed to many risks related to natural disasters, climate change, conflict, politics, and geopolitics. Natural disasters, including the devastating earthquakes in 2015, have contributed to the destruction of physical assets and led to constant setbacks. Poorer households, households relying on subsistence agriculture, and households in remote mountainous areas face the highest natural disaster risks, which are increasing because of climate change, according to the Bank Group's recent Country Climate and Development Report (World Bank Group 2022). Nepal is also highly exposed to India and its economic development and has had to manage geopolitical competition between China and India. This exposure has complicated energy exports, for example. Structural factors have been compounded by policy choices that have resulted in weak performance of the large agricultural sector, low public investment, underinvestment in human capital, trade and investment barriers, a weak regulatory environment, low-productivity growth, and low levels of foreign direct investment. Weak governance and institutions across all sectors also present obstacles to development.

2.11 Nepal's dependence on labor migration has perpetuated a low-growth trap. Low economic growth and ongoing political instability and conflict led to a shortage of employment opportunities, which fueled labor outmigration. Remittances have provided a safety net and boosted household expenditure but have not been used to generate faster growth and job creation. The World Bank's 2017 Country Economic Memorandum and the 2018 Systematic Country Diagnostic (SCD) argue that although Nepal's remittances enable greater consumption and lead to higher tax collection, they have impacts such as Dutch disease, given the high dependence of taxation on imports. These documents contend that remittances undermine competitiveness and thus productivity growth through

appreciation of the real effective exchange rate, which enables the growth of low-productivity services, stunts firm growth and job creation, and reduces political pressure to generate more productive employment at home. Large-scale migration also relieves the pressure on policy makers to be more accountable and improve service delivery.

2.12 A new development model is needed to escape the low-growth trap. World Bank analysis suggests a need to restructure public investment; invest in human capital; intensify competition in transport, logistics, telecommunications, and other sectors; enhance oversight of state-owned enterprises; and improve governance and the business climate. Nepal also has opportunities to build new sources of growth, including through hydropower, which has the potential to lead to new investments, improve productivity, and boost exports to a nascent regional energy market. Several detailed diagnostics by the World Bank and International Finance Corporation (IFC), along with the 2013 Enterprise Survey,⁴ point to infrastructure gaps mainly in roads and electricity as a major factor holding back private sector competitiveness and growth in Nepal (IFC 2018; World Bank 2018b, 2019a, 2019b). The infrastructure gaps mainly result from weak institutions. The Bank Group's diagnostics identified the need to strengthen governance in the roads and energy sectors, including through clearer roles and responsibilities of different levels of government, improved interagency coordination, and better implementation of existing policies. Reforms in these areas could help boost job creation at home, productivity growth, and foreign direct investment.

3. The World Bank Group in Nepal

Program Objectives

3.1 Continuity in the Bank Group's strategic objectives in Nepal has been broad (table 3.1). In the Interim Strategy Notes for the immediate postconflict period and leading up to the evaluation period (2007–14), the emphasis was on job creation, increased productivity, improvement of the regulatory environment for private sector investment, infrastructure investments, social inclusion, and improvement of governance and institutions. The Bank Group's strategy laid out in the FY14–18 CPS covered several of the same thematic areas, including energy, transport connectivity, and job creation with a new focus on improved financial sector stability and financial inclusion that has remained to the present. The World Bank shifted from direct service delivery to marginalized populations in the Interim Strategy Note period (for example, through community-driven development) to an emphasis on equity across service delivery in education, health, nutrition, sanitation, and social protection in the CPS. Governance and institutions, and climate change and natural disaster risk management became cross-cutting themes. In the case of governance, this shift resulted in a notable lack of emphasis on core government functions, public administrative

⁴ Enterprise Survey data are available at <https://www.enterprisesurveys.org/en/data>.

reform, and decentralization even as federalism had been part of the national discussion for several years. The CPS's only references to federalism were as a potential research area and in relation to risk mitigation.

3.2 The SCD in 2018 identified political inclusion, promotion of private sector investment, and increased resilience to disasters and health shocks as necessary for addressing Nepal's major development constraints, and the FY19–23 CPF made these items prominent themes. The SCD found that increasing the inclusiveness of the political process, eliminating clientelism, and strengthening the rule of law would be important to addressing Nepal's sources of fragility. In response, the CPF focused on supporting the strengthening of state institutions in the context of federalism. The 2022 Performance and Learning Review extended the CPF by one year to the end of FY24 and focused the World Bank's efforts on fiscal federalism. The SCD recommended promoting private sector investment to create more and better jobs, increase productivity and entrepreneurship, and break the dependence on labor migration. It also found that Nepal could harness its vast natural resource potential far more, including in hydropower and forestry. The CPF focused on private sector-led jobs and growth. The SCD and the CPF both focused on the need to increase resilience to natural disasters and health shocks. The CPF also provided a strategic framework for World Bank support for disaster risk reduction through financial and social protection for poor people, development of risk insurance products, and support for physical resilience and early warning systems. In the postearthquake period, and reflected in the Performance and Learning Review and World Bank Group (2022), the emphasis on the theme of resilience and responsiveness to shocks has also been greater. The Performance and Learning Review responded to Green, Resilient, and Inclusive Development (GRID) as Nepal's new development narrative, increasing emphasis on social protection, household and community resilience, and institutions for climate change and disaster risk management, among others. The increasing focus on resilience is an understandable response to the intensified rate and scale of shocks and disasters.

Table 3.1. World Bank Group Engagement with Nepal: Focus of World Bank Group Country Diagnostics and Strategies

Outcome Areas	Interim Strategy Notes in FY07, FY09, FY11	CPS FY14–18	SCD FY18	CPF FY19–23	PLR 2022
Broad-based growth and job creation					
Productivity, competitiveness, regulatory environment, jobs	Overcome constraints in the productive sector and job creation Improve business climate and policy predictability	Increase competitiveness Improve business regulatory environment for investment	Strengthen regulation and reduce government involvement in markets Achieve greater openness by reducing tariffs and increasing foreign direct investment	Create more and better jobs and higher growth through private sector investment	—
Energy	Overcome constraints in sustainability and productivity	Increase supply and access to reliable and affordable electricity, and tap hydropower potential	Enable private sector investment in hydropower and electricity infrastructure	Improve power generation capacity and access to electricity	—
Transport connectivity, spatial development	Overcome constraints in connectivity	Improve transportation connectivity within Nepal and with India	Encourage investment in road infrastructure	—	—
Financial sector	—	Improve financial sector stability and increase financial inclusion	Increase access to finance for women, rural entrepreneurs, and SMEs	Improve financial sector stability and financial inclusion	—
Natural resources	—	—	Improve planning and interagency coordination in natural resources	—	—
Governance and public sector institutions					
Federal transition	—	—	Support the federal transition and increase inclusiveness in political processes	Improve budget and revenue management and the transfer of resources to subnational levels for service delivery	Focus on fiscal federalism

Outcome Areas	Interim Strategy Notes in FY07, FY09, FY11		CPS FY14–18	SCD FY18	CPF FY19–23	PLR 2022
Inclusion and accountability	Foster accountable institutions		—	Increase inclusion and accountability in federal institutions	—	Build on the risk and resilience assessment
Capacity	Promote capable state structures and systems		—	Invest in capacity at subnational levels	Strengthen institutions for management and service delivery across three tiers	Harness digital solutions
Human capital formation and labor						
Education and health service delivery: access and equity	Ensure equitable access to services, and expand social programs to increase opportunities, especially for poor and excluded populations		Ensure more equitable access to education and skills development, and improve its quality and relevance	Support quality education services Address barriers to health and education posed by remoteness, low income, and social norms	Improve equity in education access, and expand opportunities for youth, women and other marginalized groups (including through vocational education and market-relevant skills)	Unlock human capital for post-COVID-19 recovery and resilience
Labor market, including migration	—	—	—	Reduce role of social networks and nepotism in labor markets Provide information, language, and soft skills to migrants Diversify destinations for emigration	—	—
Health, nutrition, water, and sanitation	—	—	Improve access to and quality of health and nutrition services, especially for poor and disadvantaged people	Support high-quality secondary health services Reduce malnutrition rates	Improve access to services and support for vulnerable groups (health and safe water and sanitation)	—
Social protection	—	—	Provide a more efficient and transparent social safety net system	Improve targeting and coverage of social protection	Address continued inequity, exclusion, and vulnerability to shocks	—

Outcome Areas	Interim Strategy Notes in				
	FY07, FY09, FY11	CPS FY14–18	SCD FY18	CPF FY19–23	PLR 2022
			Develop insurance markets, particularly in health		
Social inclusion	Social inclusion	Reduce the vulnerability of the socially excluded and vulnerable population	—	Foster greater inclusion and resilience	—
Greater resilience to exogenous shocks, including climate change and natural disasters					Use GRID as overarching narrative
Climate and disaster risk reduction	—	—	Increase action to reduce environmental risk	Increase resilience through housing reconstruction, disaster risk management, policy reform, and financial protection	—
Agriculture	—	Increase agricultural productivity and commercialization	Support agricultural growth by improving market access and year-round irrigation	Encourage sustainable natural resource management that improves irrigation, soil management, agriculture productivity, and cropping	—

Source: Independent Evaluation Group.

Note: — = not available; CPF = Country Partnership Framework; CPS = Country Partnership Strategy; FY = fiscal year; GRID = Green, Resilient, and Inclusive Development; PLR = Performance and Learning Review; SCD = Systematic Country Diagnostic; SME = small and medium enterprise.

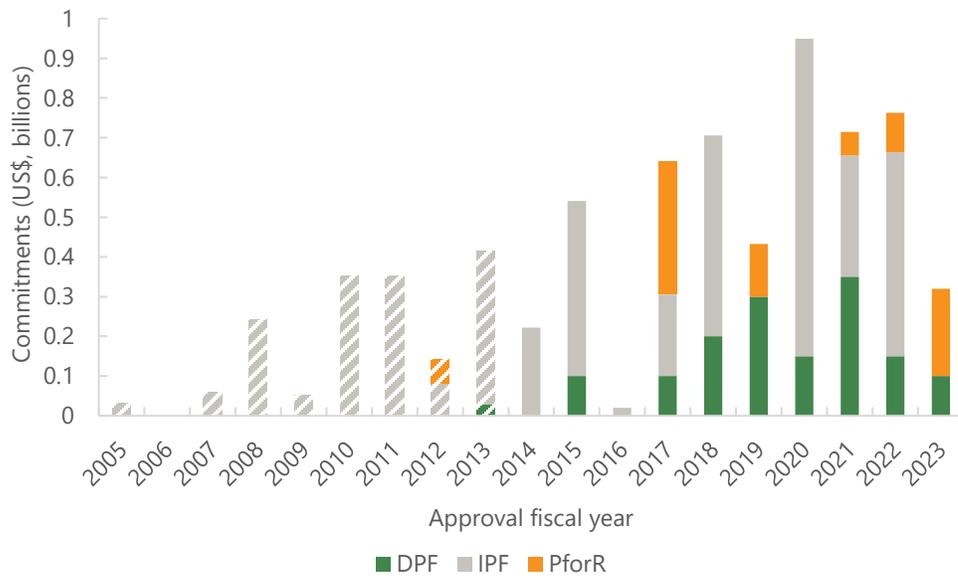
World Bank Group–Supported Portfolio

3.3 World Bank financing increased substantially over the evaluation period, continuing a trend that started decades earlier. Most financing came from performance-based allocation and special windows of the International Development Association (IDA), complemented by trust funds.⁵ The 17th Replenishment of IDA (IDA17; FY15–17) committed US\$1.2 billion, including US\$300 million from the IDA Crisis Response Window to respond to emergency needs after the 2015 earthquake. Nepal accessed approximately US\$2.09 billion during IDA18 (FY18–20), including financing from a new and exceptional Risk Mitigation Regime allocation. Lending commitments reached a high point in FY20 at US\$949 million, as the World Bank responded to the COVID-19 pandemic, primarily through additional financing of investment projects. The World Bank approved US\$1.5 billion of IDA19 financing in a compressed two-year cycle (FY21–22). Large investment projects over the evaluation period relate to transport, digital connectivity, and earthquake housing reconstruction.

3.4 The World Bank has increased policy-based and Program-for-Results lending (figure 3.1). Its lending at the beginning of the evaluation period used only investment project financing. The World Bank added four programmatic series of development policy operations (DPOs) over the period. These DPO series included four financial sector development policy credit operations valued at US\$330 million approved during FY13–19 and two more of US\$250 million approved during FY21–22. Fiscal and public financial management reform development policy credits comprised three operations amounting to US\$450 million, approved between FY18 and FY21 and focused on fiscal federalism, public financial management reforms, and recovery from COVID-19. There were two DPO operations in the energy sector of US\$200 million and a DPO of US\$100 million which aimed to improve the enabling environment for GRID, the first in a programmatic series of three. The GRID series pursues private sector investment in greening Nepal’s economy and creating jobs and livelihoods in community forestry, agriculture, clean air, and solid waste management. The first DPO with catastrophe deferred drawdown option (US\$50 million) was approved in FY19 to provide liquidity support for postdisaster relief and recovery, with a second operation in the pipeline in FY24 for strengthening disaster risk management capacity at the local level. Compared with other countries, the multiplicity of smaller-value sectoral DPOs is relatively unusual, with five DPOs currently under preparation. The World Bank also approved several Program-for-Results operations, predominantly in human development.

⁵ This evaluation defines the portfolio as all financing that was active at some point during 2014–23, even if it was approved before this period.

**Figure 3.1. Lending Commitments by Instrument Type
(for projects active during the CPE period, FY14–23)**



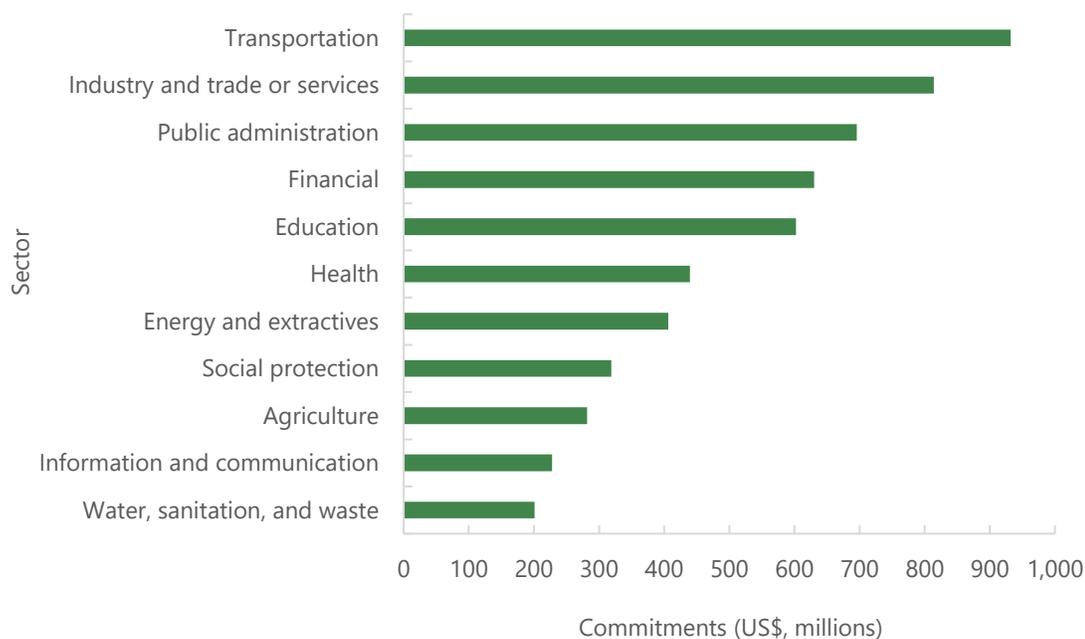
Source: Independent Evaluation Group based on Standard Reports database, November 2023.

Note: Diagonal lines represent projects approved before but active during the CPE. CPE = Country Program Evaluation; DPF = development policy financing; FY = fiscal year; IPF = investment project financing; PforR = Program-for-Results.

3.5 Trust funds have supported the Nepal program. Trust funds and financial intermediary funds such as the Global Partnership for Education and the Climate Investment Funds cofinanced IDA projects or financed smaller projects, with analytical work undertaken through World Bank–executed trust funds, which commonly accompanied projects. South Asia’s Regional Integration, Cooperation, and Engagement team has been active in regional dialogue and convening, including on highly salient sectors for Nepal such as hydropower, transport, and transboundary water.

3.6 Financing is across a broad range of sectors. The transport sector accounted for the largest share of World Bank financing approved over the evaluation period, with more than 17 percent of all commitments. Major financing also went to energy and digital; sustainable development, including agriculture and food, water, environment, and social inclusion; economic policy, including industry, trade, and the financial sector; and human development. Although 10.2 percent of lending is categorized as being for public administration, this is spread across sectoral investment lending and DPOs, rather than investment lending for core government functions (figure 3.2).

Figure 3.2. World Bank Financing Commitments by Sector (FY14–23)



Source: Independent Evaluation Group based on Standard Reports.

3.7 The Bank Group has increasingly emphasized strengthening resilience against risks after major disasters, and the policy dialogue has deepened in relation to the GRID agenda. The World Bank’s analytical and advisory work on disaster risk management has informed policy dialogue and lending, including on the second financial sector stability credit after the 2015 earthquake, the insurance sector, and adaptive social protection. The government and development partners endorsed the Kathmandu Declaration in September 2021 to develop a strategic action plan for GRID, which development partners pledged to support financially. GRID has in recent years become a major vehicle for framing Nepal’s development narrative, convening donors and government around a multisector agenda, and pursuing synergies in the World Bank’s program.

3.8 The Bank Group’s private sector development efforts focused on creating jobs and improving Nepal’s business environment, the energy sector, financial infrastructure, and financial inclusion. Over the evaluation period, IFC had a small portfolio of 11 investments valued at US\$253 million. The portfolio covered five sectors, with 94 percent of financing concentrated in finance and insurance (US\$135 million) and electricity (US\$104 million). The latter was a hydropower investment in Upper Trishuli-1, with a Multilateral Investment Guarantee Agency guarantee and cofinancing from the Asian Development Bank and the Asian Infrastructure Investment Bank. IFC’s investments were supplemented with more than 30 advisory services activities aimed at

strengthening competitiveness and the growth of priority sectors such as financial markets, agriculture, tourism, and manufacturing. Furthermore, the World Bank undertook a financial sector assessment and supported regulatory reforms to strengthen financial stability and expand inclusive financial services. The work progressed from diagnosis to policy reforms to targeted implementation support for financial inclusion and sector development.

3.9 The World Bank has supported the federal transition in different ways. It undertook analytical work on aspects of federalism from 2008, but over time, it put less emphasis on this work until the new constitution became a reality in 2015 (box 3.1). The World Bank adapted to the reality of federalism during the evaluation period. For example, DPOs have supported fiscal decentralization, and many sectoral projects have moved from centralized to decentralized implementation arrangements and have supported local government capacity building. However, there has been no investment project lending for public administration or civil service reform.

Box 3.1. The World Bank's Support to Federalism in Nepal

World Bank support for federalism started through advisory support during the immediate postconflict period after 2006. Trust funds from the Governance Partnership Facility enabled the provision of just-in-time advice and technical assistance to the Constituent Assembly. The World Bank's initial engagement on federalism was also used as a mechanism for furthering country dialogue on aspects of public administration and updating archaic business processes in the civil service. The World Bank's advisory support to the Constituent Assembly continued in some form from 2008 until 2014. Despite this initiative, it is notable that the Country Partnership Strategy for fiscal years 2014–18 contains little mention of federalism.

The adoption of the constitution in 2015 brought a sense of urgency. Nepal needed to overhaul its government structure, redefine civil servants' roles and responsibilities, and create a system for fiscal federalism. The World Bank's focus was on how the federal transition would affect the portfolio, how the sectors could retrofit projects to align with the new federal structure, and how to ensure that public service delivery was not disrupted during the transition. New lending operations targeted local governments, and the existing portfolio was restructured to adapt to the new government structure. The federalism capacity needs assessment was delivered in 2019 and provided a just-in-time assessment of the capacity needs to implement federalism at the three tiers of government (local, provincial, and federal). Furthermore, a federalism filter was designed to incentivize intergovernmental coordination and prioritization of capacity building for federalism through World Bank and development partner operations.

Source: Independent Evaluation Group.

3.10 The Human Development portfolio in Nepal has grown substantially over the evaluation period and expanded from education to also cover health and social protection. Education support extended from basic and secondary to vocational and higher education over the evaluation period. A health sector management reform

Program-for-Results in 2017 was the only health operation until the pandemic, when the number of health sector projects increased substantially, including a vaccination project. The World Bank started supporting social protection around 2017, lending small amounts in combination with policy dialogue and technical assistance.

4. Evaluation Scope and Design

4.1 The evaluation will focus on how well the Bank Group identified and addressed Nepal's key development challenges, explore the extent to which it learned and adapted its strategy over time, and assess effectiveness in three cross-cutting thematic areas. The evaluation's scope includes the World Bank, IFC, and the Multilateral Investment Guarantee Agency. The evaluation will include an overall assessment of the adaptive relevance and coherence of the program over the evaluation period and a deeper dive into the Bank Group's effectiveness and contributions to outcomes in three important thematic areas: disaster and climate resilience, federalism, and private sector development and job creation. These themes were chosen in consultation with the Country Management Unit to represent areas of importance for the next CPF and based on the potential to provide lessons for future Bank Group support to the country. The Independent Evaluation Group (IEG) also chose these themes because they represent the major development challenges and the areas with potential for high development impact identified by the SCD and other diagnostics. The themes cover large parts of the Bank Group's portfolio and 5 of the 11 outcome areas prioritized in the FY14–18 CPS and the FY19–23 CPF. Specifically, the evaluation will focus on the following:

- The relevance and coherence of the Bank Group's program, including how the Bank Group adapted the program over time, its choice of focus areas and lending instruments, and its partnerships. This aspect of the evaluation will also cover the response to the COVID-19 pandemic and pivot to the GRID agenda.
- The World Bank's support for resilience to natural disasters and the impacts of climate change. This theme will also cover the response to the 2015 earthquakes and World Bank support for disaster response, recovery and reconstruction, mitigation, and preparedness, for example, through hydrometeorological services and adaptive social protection and through the integration of disaster risk resilience considerations across the urban, transport, water, energy, agriculture, and other sectors.
- The Bank Group's support for and adaptation to Nepal's pursuit of federalism. This will include a review of the Bank Group's involvement in fiscal federalism and in ensuring viable local and provincial governments. Under this theme, the evaluation will also assess the Bank Group's support for strengthening

governance in the context of constitutional change and the Bank Group's understanding of political economy and conflict dynamics.

- The Bank Group's support for private sector development and job creation. This theme will review Bank Group support to the legal, regulatory, and institutional environment for private sector-led growth, with particular attention to transport, especially roads and trade connectivity); the electricity sector, especially hydropower development and energy trade; tourism; and skills development from a job creation perspective. Under this theme, the evaluation will examine the World Bank's analysis of and approaches to the development opportunities and challenges presented by high remittances.

Evaluation Questions

4.2 The evaluation aims to answer the following questions:

1. How relevant was the Bank Group-supported strategy to the country's development needs, and did it adequately evolve over time to address changing priorities, country context, major shocks and changes, and emerging lessons? How effective was the Bank Group at partnering?
2. How effective has the World Bank been in strengthening Nepal's resilience to natural and climate-induced disasters?
3. How effective has the Bank Group been in preparing for and supporting the transition to federalism? How effectively has the Bank Group adjusted its engagement to the federal structure, and how effective has the Bank Group been as a convenor and thought leader on federalism?
4. How effective has the Bank Group been in its support to Nepal's private sector development and job creation?

4.3 Specific evaluation subquestions for each of the themes are presented in appendix A.

Evaluation Design

4.4 The evaluation will assess the Bank Group's engagement in Nepal through five evaluation criteria. Two criteria—adaptive relevance and coherence—apply to the entire country program, including the selected themes. Three criteria—effectiveness, sustainability, and equity—apply mostly to the selected themes.

- **Relevance:** The CPE will assess the relevance of the Bank Group’s engagement considering Nepal’s long-term challenges and binding constraints (identified through analytical and diagnostic work) and shocks and contextual changes, including COVID-19, disasters, and the introduction of federalism.
- **Coherence:** The CPE will review synergies among the Bank Group’s activities and assess the World Bank’s collaboration and coordination with development partners.
- **Effectiveness (for the selected themes):** The CPE will assess the Bank Group’s contribution to country outcomes over the evaluation period—both expected and unexpected positive and negative results.
- **Sustainability (for the selected themes):** The CPE will assess the Bank Group program’s attention to and progress toward environmental sustainability, fiscal and financial sustainability (including affordability), and durability of key outcomes. Sustainability is inherently hard to evaluate. The evaluation will look for evidence of institutionalized changes, sustained funding, adoption of policy changes, clients’ enhanced capacities, and clients’ ownership.
- **Equity (for the selected themes):** The CPE will assess the extent to which the Bank Group’s support has considered gender dimensions, vulnerable and historically marginalized groups, and lagging regions. It will review the World Bank’s targeting decisions considering Nepal’s historical sources of fragility and how the program contributed to reducing gender and spatial disparities.

Evaluation Methods

4.5 IEG will use a wide range of methods to collect and analyze the necessary evidence to answer the evaluation questions. As described in more detail in appendix A, the CPE’s methods will include analysis of existing academic and evaluative evidence from IEG and other sources, semistructured interviews, portfolio review and analysis, theories of change for the selected themes, geospatial analysis, case studies of provinces, partnerships analysis, and statistical analysis of survey and administrative data.

4.6 This evaluation design has three main limitations. First, many outcomes such as those in relation to resilience, federalism, and competition are still emerging. The evaluation will review intermediate rather than final outcomes in those instances. Second, it is methodologically difficult to assess the Bank Group’s contributions to outcomes to which the government and multiple development partners have contributed. The evaluation will therefore use contribution rather than causal analysis. Third, because of the ready availability of current staff and counterparts, it will be easier

to assess the later part of the evaluation period than the earlier part. IEG's scoping has found that many key officials, partners, and Bank Group staff involved in the first half of the evaluation period are either hard to reach or remember events with less detail.

5. Quality Assurance Process

5.1 The evaluation will undergo standard IEG quality assurance processes, including internal IEG and Bank Group management review and external peer review. This evaluation will be peer-reviewed by the following:

- Erik Bloom, principal evaluation officer, Independent Evaluation Department, Asian Development Bank.
- Sagar Prasai, a Nepali development and political economy analyst who has worked in India and Nepal as the representative for The Asia Foundation. He has worked extensively in various areas of development, including on the issue of a regional hydropower market.
- Nigel Roberts, former World Bank country director and the co-director of the *World Development Report 2011: Conflict, Security, and Development*. Since retiring, he has been advising donors and governments in conflict-affected countries.
- Pallavi Roy, reader in political economy at the Centre for International Studies and Diplomacy, SOAS, University of London.

6. Staffing, Resources, and Outputs

6.1 The team for this evaluation is as follows: Rasmus Heltberg (lead evaluation officer) is the task manager, working under the guidance of Jeffrey Allen Chelsky, manager of the Economic Management and Country Programs unit; Carmen Nonay, acting director for Human Development and Economic Management (until October 15, 2023); and Theo Thomas, director for Human Development and Economic Management (from October 16, 2023). The core team comprises Saku Akmeemana (consultant), Harsh Anuj (data scientist), Deborah Delmar (consultant), Johan M. Lopez (consultant), Stephen C. Miller (consultant), Habiburrahman Sahibzada (economist), and Avjeet Singh (senior evaluation officer). The evaluation will be prepared with an estimated budget of US\$575,000.

6.2 The CPE's main output will be a final evaluation report, expected to be submitted to the Committee on Development Effectiveness in the fourth quarter of FY24. Before submission, we will share the draft report with Bank Group management for comments, according to normal practice, and that is expected to occur in time to inform

the next CPF. We will develop a communications and influence strategy with IEG's Knowledge and Communications team.

6.3 Timeline:

- September 2023: Approach Paper one-stop review meeting
- November 2023: Approach Paper to Committee on Development Effectiveness
- December 2023: Main CPE mission
- February 2024: One-stop review meeting on draft report
- March 2024: Draft report shared with management for comments
- April 2024: Final report to Committee on Development Effectiveness

Bibliography

- Adhikari, Aditya. 2014. *The Bullet and the Ballot Box: The Story of Nepal's Maoist Revolution*. London: Verso.
- Adhikari, Bishnu, Srijana Nepal, and Rakshya Bhattachan. 2023. "Seven Years into Federalism, Is Nepal's Glass Half Empty or Half Full?" *InAsia* (blog), May 3, 2023. <https://asiafoundation.org/2023/05/03/seven-years-into-federalism-is-nepals-glass-half-empty-or-half-full>.
- Bhandari Chandra, Anup Bhurtel, Michael Callen, Chandani Kayastha, Tenzing Lama, Rohini Pande, Binod Paudel, et al. 2020. "COVID-19 and Nepal's Health Financing: Insights and Recommendations Based on Local Government Response during Full Lockdown." Yale Economic Growth Center, New Haven, CT. https://egc.yale.edu/sites/default/files/2020-07/Nepalbrief_20200805_final.pdf.
- Goodhand, Jonathan, Oliver Walton, Jayanta Rai, and Sujeet Karn. 2021. "Marginal Gains: Borderland Dynamics, Political Settlements, and Shifting Centre-Periphery Relations in Post-War Nepal." *Contemporary South Asia* 29 (3): 311–29.
- Grossman-Thompson, Barbara, and Dannah Dennis. 2017. "Citizenship in the Name of the Mother: Nationalism, Social Exclusion, and Gender in Contemporary Nepal." *Positions* 25 (4): 795–820.
- Hachhethu, Krishna. 2017. "Legislating Inclusion: Postwar Constitution Making in Nepal." In *Two Steps Forward, One Step Back: The Nepal Peace Process*, Accord Issue 26, edited by Deepak Thapa and Alexander Ramsbotham, 59–63. London: Conciliation Resources.
- Harrowell, Elly, and Alpaslan Özerdem. 2018. "The Politics of the Post-Conflict and Post-Disaster Nexus in Nepal." *Conflict, Security, and Development* 18 (3): 181–205.
- Hoffman, Susanna. 1999. "After Atlas Shrugs: Cultural Persistence and Perpetuation in the Context of Disaster." In *The Angry Earth: Disaster in Anthropological Perspective*, edited by Anthony Oliver-Smith and Susanna M. Hoffman, 302–325. Abingdon, Oxon and New York: Routledge.
- Hutt, Michael. 2020. "Before the Dust Settled: Is Nepal's 2015 Settlement a Seismic Constitution?" *Conflict, Security, and Development* 20 (3): 379–400.
- Hutt, Michael. 2021. "Bhukampa: Nepali Recitations of an Earthquake Aftermath." In *Epicentre to Aftermath: Rebuilding and Remembering in the Wake of Nepal's Earthquakes*, edited by Michael Hutt, Mark Liechty, and Stefanie Lotter, 367–402. Cambridge, UK: Cambridge University Press.
- IFC (International Finance Corporation). 2018. *Creating Markets in Nepal*. Country Private Sector Diagnostic. Washington, DC: World Bank.

- IMF (International Monetary Fund). 2020. "Nepal: 2019 Article IV Consultation." Country Report 20/096, IMF, Washington, DC.
- IMF (International Monetary Fund). 2022. "IMF Executive Board Approves US\$395.9 Million ECF Arrangement for Nepal." Press release 22/6, January 13, 2022.
- Jha, Dipendra. 2018. *Federal Nepal: Trials and Tribulations*. New Delhi: Aakar Books.
- Jha, Prashant. 2014. *Battles of the New Republic: A Contemporary History of Nepal*. London: C. Hurst and Company.
- Johnson, Kelly, and Thomas Walker, eds. 2022. *Responsive by Design: Building Adaptive Social Protection Systems in South Asia*. Washington, DC: World Bank.
- Khan, Mushtaq, Pallavi Roy, Sagar Prasai, Anurag Acharya, Avinash Karna, and Saumitra Neupane. 2022. *Challenge of Inclusive Federalism in Nepal: A Political Settlements Analysis of Madhesh Province*. Kathmandu: Policy Entrepreneurs, Inc.
- Khan, Mushtaq, Siddhartha Mainali, Saumitra Neupane, Shreeya Rana, Pallavi Roy, and Aslesh Shrestha. 2023. *Characteristics of Better-Performing Nepali SMEs and Implications for Policy*. Kathmandu: Policy Entrepreneurs, Inc.
- Lal, C. K. 2019. "The Long Decade." MyRepública, April 29, 2019.
<https://myrepublica.nagariknetwork.com/news/the-long-decade>.
- Liechty, Mark. 2019. "Disasters and 'Conditions of Possibility': Rethinking Causation through an Analysis of Nepal Earthquakes." Paper presented at the 4th annual conference of the Northern European Conference on Emergency and Disaster Studies, Uppsala, Sweden, June 10–12.
- Muni, S. D. 2015. "Nepal's New Constitution: Towards Progress or Chaos?" *Economic and Political Weekly* 50 (40): 15–19.
- National Planning Commission. 2015. *Post Disaster Needs Assessment, Vol. A: Key Findings*. Kathmandu: Government of Nepal.
<https://www.worldbank.org/content/dam/Worldbank/document/SAR/nepal/PDNA%20Volume%20A%20Final.pdf>.
- Ramsbotham, Alexander, and Deepak Thapa. 2017. "Introduction: Two Steps Forward, One Step Back." In *Two Steps Forward, One Step Back: The Nepal Peace Process*, Accord Issue 26, edited by Deepak Thapa and Alexander Ramsbotham, 5–10. London: Conciliation Resources.
- Ruszczky, Hanna A. 2018. "The Earthquake and Ideas Lying Around." In *Evolving Narratives of Hazard and Risk: The Gorkha Earthquake, Nepal, 2015*, edited by Louise Bracken, Hanna A. Ruszczyk, and Tom Robinson, 125–140. Cham, Switzerland: Palgrave Macmillan.

- School of Arts (Kathmandu University), Interdisciplinary Analysts, and The Asia Foundation. 2022. *A Survey of the Nepali People in 2022*. Kathmandu: School of Arts, Kathmandu University.
- Steytler, Nico. 2021. *The Pivotal Role of the National Natural Resources and Fiscal Commission in Nepal's Intergovernmental Fiscal System*. Kathmandu: The Forum of Federations.
- Strasheim, Julia. 2018. "No 'End of the Peace Process': Federalism and Ethnic Violence in Nepal." *Cooperation and Conflict* 54 (1): 83–98.
- Thapa, Deepak. 2017. "Stability or Social Justice? Political Settlements in Nepal." In *Two Steps Forward, One Step Back: The Nepal Peace Process*, Accord Issue 26, edited by Deepak Thapa and Alexander Ramsbotham, 13–17. London: Conciliation Resources.
- World Bank. 2013. *Nutrition in Nepal: A National Development Priority*. Washington, DC: World Bank.
- World Bank. 2017a. *Climbing Higher: Toward a Middle-Income Nepal*. Washington, DC: World Bank.
- World Bank. 2017b. *Nepal Risk and Resilience Assessment*. World Bank, Washington, DC: World Bank.
- World Bank. 2018a. "Country Forest Note: Nepal." World Bank, Washington, DC.
- World Bank. 2018b. *Nepal—A New Approach for a Federal Nepal*. Systematic Country Diagnostic. Washington, DC: World Bank.
- World Bank. 2018d. "Framework for World Bank Support to Nepal's Transition to a Federalist Structure." World Bank, Washington, DC.
- World Bank. 2019a. *Nepal Energy Infrastructure Sector Assessment*. Washington, DC: World Bank.
- World Bank. 2019b. *Nepal Infrastructure Sector Assessment: Private Sector Solutions for Sustainable Infrastructure Development*. Washington, DC: World Bank.
- World Bank. 2022. "Nepal—Performance and Learning Review of the Country Partnership Framework for FY19–FY24." Performance and Learning Review 168048NP, World Bank, Washington, DC.
- World Bank. 2023. *Nepal Development Update, April 2023: Fine-Tuning Policy in a Turbulent Environment*. Washington, DC: World Bank.
- World Bank Group. 2022. "Nepal: Country Climate and Development Report." World Bank, Washington, DC.

Appendix A. Evaluation Design

To help answer the evaluation questions listed in section 4, the evaluation will seek to assess the following subquestions.

Relevance to needs and evolution over time:

- To what extent did the World Bank Group support respond to major shocks and changes? to emerging lessons? Did it respond at project level (for example, in choice and design of project components) and at portfolio level (for example, through shifts in sectors, themes, adoption of the Green, Resilient, and Inclusive Development agenda, or lending instruments)?
- To what extent did the Bank Group mobilize the necessary expertise and resources to deliver and supervise the program?

Coherence and collaboration:

- To what extent were there synergies among the Bank Group's lending, knowledge, convening, and partnership activities?
- How effectively did the World Bank and International Finance Corporation convene, collaborate, complement, and coordinate with development partners? Did they exploit complementarities and put in place a division of labor with partners? What were the experiences with cofinancing and joint studies?

Resilience to natural disasters, the impacts of climate change, and other shocks:

- How effectively has the World Bank integrated disaster risk resilience considerations across key sectors, including the urban, transport, water, energy, and agriculture sectors? What were the factors behind the World Bank's success or lack thereof in these efforts?
- To what extent has the World Bank incorporated lessons learned and adapted to changing circumstances in this theme? To what extent does the Green, Resilient, and Inclusive Development agenda incorporate lessons learned?
- How effective has World Bank support been in strengthening the capacity for disaster risk resilience at all levels of government by supporting policies and institutions?
- To what extent has the World Bank's support to Nepal been inclusive of the needs of disadvantaged and vulnerable groups and regions?

Federalism:

- How effectively did the Bank Group support the federalism transition, including through its advisory services and analytics and its engagement with development partners?
- Once the new constitution was adopted, how effectively did the World Bank adapt its financial and technical support to the federal structure and support the three tiers of government?
- How relevant and effective was the World Bank's focus on the fiscal dimensions of federalism ?
- How well did the World Bank understand the shifting local political economy and use this information to inform design and implement operations? Did the World Bank incorporate an understanding of conflict dynamics, social exclusion, and spatial inequalities in project design and implementation?

Private sector development and job creation:

- How well did the Bank Group identify and address the main constraints to private sector development and job creation?
- Was the design and implementation of World Bank support informed by relevant and robust analytics? Are the underlying theories of change credible to support private sector development and job creation objectives in Nepal? Did the World Bank prioritize the sectors, initiatives, and reforms with the largest job creation potential?
- To what extent has the Bank Group contributed to enabling the conditions for job creation and helped improve the legal, regulatory, and institutional environment for private sector-led growth (including for foreign direct investment)? Did Bank Group interventions contribute to improved trade connectivity and to inclusive and sustainable job creation? What factors have influenced the achievement of results, and what have been the main challenges faced during implementation?

Evaluation Methods and Approaches

Literature review and analysis: The evaluation will review existing evaluative evidence from the Independent Evaluation Group (IEG) and development partners, including IEG's Completion and Learning Review for Nepal (fiscal years 2014–18), Project Performance Assessment Reports, and relevant thematic evaluations conducted by IEG and development partners. The evaluation will also use evidence from project and

strategy self-evaluations and IEG's validations of them to assess project and strategy results and performance. The evaluation will undertake quantitative analysis of project outcome ratings and the qualitative factors that influence effectiveness based on Implementation Completion and Results Report Reviews. The evaluation will also analyze major World Bank analytical and diagnostic work on the country's long-term challenges and binding constraints. Specifically, the evaluation will assess the quality, relevance, and influence of the Bank Group's diagnostics within the three priority areas: disaster resilience, federalism, and private sector development.

Stakeholder interviews: We will conduct semistructured interviews with government officials, academics and think tanks, civil society representatives, development partners, private sector representatives, project beneficiaries, and Bank Group staff.

Portfolio identification and analysis: A portfolio review and analysis will help identify and map lending and nonlending projects, operations, and activities to the selected outcome areas. We will use project theme and sector code data from the operations portal and undertake text analysis of operational data based on a defined taxonomy and manual screening and validation. We will also review and analyze project-level data. The evaluation will apply a federalism lens to examine how the Bank Group has identified, framed, and addressed the federal transition and how it has engaged with the evolving political economy. The portfolio review and analysis will also assess the adaptation of the Bank Group program over time and in response to implementation experience across sectors, themes, and instruments.

Partnerships analysis: The Country Program Evaluation will review relevant activities of development partners during the evaluation period. We will source data using IEG's partnership tool and validate it with semistructured interviews and public secondary data. The analysis will focus on assessing the extent to which the Bank Group has coordinated and cooperated with development partners to leverage its own and partners' comparative advantages, divide labor, and avoid duplication.

Theory-based approach: This Country Program Evaluation will apply a theory-based approach to reconstruct theories of change for the selected outcome areas. We will use these theories of change to make explicit the expected pathways for change from a strategic perspective and to identify the key underlying hypotheses or assumptions about how the Bank Group activities were expected to influence the desired changes. We will then test the theories and assumptions of Nepal's country program design against observed results to extract findings at the outcome level and identify general patterns at the program level.

Geospatial analysis: We plan to use geospatial analysis to assess the extent to which the design and implementation of World Bank interventions have addressed spatial and socioeconomic disparities. The geospatial analysis will focus on the earthquake response, the transport (roads) sector, and federalism. Potential questions to address include the following: To what extent did the earthquake housing reconstruction support cover the most affected areas? To what extent did World Bank support for basic service delivery (human development and water) across provinces align with provinces' population sizes and assessed vulnerability? To what extent did the World Bank's support contribute to making government allocations more equitable across territorial units (depending on data availability)? To what extent was Bank Group support to roads geographically and socially inclusive (depending on data availability)?

Case-based analysis: We will undertake case studies to allow for a deeper analysis of outcomes and illustrate in detail program implementation successes and challenges related to the three special themes. We will select subnational administrative units from units with more World Bank engagement and include both more- and less-developed locations. The team will use cross-case analysis to identify patterns within and across thematic areas. These case studies are not intended to be representative of the Bank Group's overall experience in Nepal, and they will not be sufficient to extract program-level conclusions. Instead, we will use the cases to inform an in-depth and grounded understanding of the drivers and factors that have affected the achievement of results in key outcome areas and to draw lessons that could inform future operations.

Statistical analysis of survey and administrative data: We plan to gather and analyze evidence from multiple sources, including official government statistics and surveys and digital and international data sources, to analyze perceptions of government actors and service delivery and examine trends in relevant sectoral outcomes. For example, the private sector development analysis will use data from multiple rounds of the Enterprise Survey, from the Nepal Household Survey on Access to Finance, and from transport impact studies. We are working with the Development Data Partnership to explore innovative digital data sources on transport sector outcomes.

Table A.1 shows how the Country Program Evaluation's questions and methods are linked.

Table A.1. Evaluation Design Matrix

Evaluation Questions	Literature Review	Stakeholder Interviews	Portfolio Analysis	Partnerships Analysis	Theory-Based Approach	Geospatial Analysis	Case-Based Analysis	Statistical Analysis
EQ 1: How relevant was the World Bank Group–supported strategy to the country’s development needs, and did it adequately evolve over time to address changing priorities, country context, major shocks and changes, and emerging lessons? How effective was the Bank Group at partnering?	√	√	√	√			√	
To what extent did Bank Group support respond to major shocks and changes? to emerging lessons? Did it respond at project level (for example, in choice and design of project components) and at portfolio level (for example, through shifts in sectors, themes, or lending instruments)?	√	√	√					
To what extent did the Bank Group mobilize the necessary expertise and resources to deliver and supervise the program?		√	√					
To what extent were there synergies among the Bank Group’s lending, knowledge, convening, and partnership activities?		√	√	√			√	
How effectively did the World Bank and IFC convene, collaborate, complement, and coordinate with development partners? Did they exploit complementarities and put in place a division of labor with partners? What were the experiences with cofinancing and joint studies?		√		√				
EQ 2: How effective has the World Bank been in strengthening Nepal’s resilience to natural and climate-induced disasters?	√	√	√		√	√	√	√
How effectively has the World Bank integrated disaster risk resilience considerations across key sectors, including the urban, transport, water, energy, and agriculture sectors? What were the factors behind the World Bank’s success or lack thereof in these efforts?	√	√	√	√	√		√	√

Evaluation Questions	Literature Review	Stakeholder Interviews	Portfolio Analysis	Partnerships Analysis	Theory-Based Approach	Geospatial Analysis	Case-Based Analysis	Statistical Analysis
To what extent has the World Bank incorporated lessons learned and adapted to changing circumstances in this theme?	√	√	√		√			
How effective has World Bank support been in strengthening the capacity for disaster risk resilience at all levels of government by supporting policies and institutions?	√	√	√		√		√	√
To what extent has the World Bank's support to Nepal been inclusive of the needs of disadvantaged and vulnerable groups and regions?	√	√	√			√	√	√
EQ 3: How effective has the Bank Group been in preparing for and supporting the transition to federalism? How effectively has the Bank Group adjusted its engagement to the federal structure, and how effective has the Bank Group been as a convener and thought leader on federalism?	√	√	√	√		√	√	√
How effectively did the Bank Group support the federalism transition, including through its analytic and advisory services and engagement with development partners?	√	√	√	√				
Once the new constitution was adopted, how effectively did the World Bank adapt its financial and technical support to the federal structure and support the three tiers of government?		√	√				√	
How effectively did the World Bank support the fiscal dimensions of federalism?		√	√				√	
How well did the World Bank understand the shifting local political economy and use this information to inform design and implement operations? Did the World Bank incorporate an understanding of conflict dynamics, social exclusion, and spatial inequalities in project design and implementation?	√	√	√					

Evaluation Questions	Literature Review	Stakeholder Interviews	Portfolio Analysis	Partnerships Analysis	Theory-Based Approach	Geospatial Analysis	Case-Based Analysis	Statistical Analysis
EQ 4: How effective has the Bank Group been in its support to Nepal's private sector development and job creation?	√	√	√	√	√	√	√	√
How well did the Bank Group identify and address the main constraints to private sector development and job creation?	√	√	√		√			
Was the design and implementation of World Bank support informed by relevant and robust analytics? Are the underlying theories of change credible to support private sector development and job creation objectives in Nepal? Did the World Bank prioritize the sectors, initiatives, and reforms with the largest job creation potential?	√	√	√	√	√		√	√
To what extent has the Bank Group contributed to enabling the conditions for job creation and helped improve the legal, regulatory, and institutional environment for private sector-led growth? Did Bank Group interventions contribute to inclusive and sustainable job creation? What factors have influenced the achievement of results, and what have been the main challenges faced during implementation?	√	√	√		√		√	√

Source: Independent Evaluation Group.

Note: EQ = evaluation question; IFC = International Finance Corporation.

Appendix B. Preliminary Portfolio Review

This Country Program Evaluation (CPE) for Nepal covers a span of 10 years: fiscal years 2014 through 2023. Bank Group activities that were active at any time between July 1, 2013, and June 30, 2023, are included in the evaluation's scope, though the focus will be on activities approved within the evaluation period. Table B.1 shows the portfolio's size based both on activities that were active at any point in the evaluation period and on activities that were approved during the period.

Table B.1. Sources of Financing for the World Bank Group Portfolio: Nepal (FY14–23)

	Active over the Period			Approved over the Period		
	US\$, millions	Share of total financing (%)	Activities (no.)	US\$, millions	Share of total financing (%)	Activities (no.)
IDA financing	6,956.8	88.4	74 ^a	5,109.0	88.5	44 ^a
Recipient-executed trust funds	507.6	6.4	48 ^a	266.0	4.6	28 ^a
IFC investments	253.8	3.2	11	253.8	4.4	11
MIGA	87.4	1.1	1	87.4	1.5	1
World Bank ASA	40.7	0.5	103	40.7	0.7	103
IFC advisory services	23.8	0.3	34	15.0	0.3	25
Total	7,870.1	100	271	5,771.8	100	212

Source: Independent Evaluation Group.

Note: ASA = advisory services and analytics; FY = fiscal year; IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

a. The numbers for IDA financing and recipient-executed trust fund activities include additional financing and development policy financing series tranches as independent projects.

World Bank Financing

International Development Association financing active at some point in the period included 74 projects with aggregate commitments of US\$7 billion. The transportation sector had the largest share of the portfolio at 17 percent. The next three most prominent sectors were industry and trade/services (12 percent), education (12 percent), and public administration (10 percent). The Earthquake Housing Reconstruction Project was the largest project at US\$700 million, including additional financing. Other large commitments include the programmatic Finance for Growth development policy financing series and the programmatic Nepal Fiscal Reforms development policy credit series.

World Bank Advisory Services and Analytics

Within World Bank advisory services and analytics, the thematic areas on which the most resources were spent were social protection (US\$10.1 million), central government (US\$5.4 million), other public administration (US\$4.0 million), health (US\$3.4 million),

and subnational government (US\$1.4 million). Fifteen South Asia regional advisory services and analytics included “Nepal” in either the advisory services and analytics name or the development objective description. These advisory services and analytics addressed topics such as trade, regional economic growth, tourism, and migration.

International Finance Corporation Investments

Eleven International Finance Corporation investments covered five sectors. Ninety-four percent of financing was concentrated in two sectors: finance and insurance (US\$135 million) and electric power (US\$104 million).

International Finance Corporation Advisory Services

The International Finance Corporation managed US\$28.9 million in advisory services during the CPE period, with US\$5.1 million in client contributions.

Multilateral Investment Guarantee Agency

During the CPE period, there was one Multilateral Investment Guarantee Agency–insured project in Nepal: the Upper Trishuli-1 Hydropower Project. This project was also the top recipient of International Finance Corporation investment support. In recent decades, the Multilateral Investment Guarantee Agency has insured three projects in Nepal, all related to power generation.

Identifying the Disaster Risk Management and Resilience Portfolio

The CPE has preliminarily identified a portfolio for the disaster risk management and resilience theme, composed of 20 projects with aggregate commitments of US\$842 million. World Bank projects were assigned to this theme if they were mapped to one or more of the following sectors or themes in Standard Reports: themes level 2—disaster risk management; themes level 3—disaster preparedness; themes level 3—disaster response and recovery; themes level 3—disaster risk finance; themes level 3—disaster risk reduction; and themes level 3—flood and drought risk management. When completing the CPE, we will update this list based on a manual review.