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THE WORLD BANK GROUP'S

COUNTRY PARTNERSHIP FRAMEWORK FOR NEPAL

FY2019-FY2023

What is a Country Partnership Framework?

A Country Partnership Framework (CPF) guides the World Bank Group's engagement in a country and is updated every four to five years, depending on the country. In the context of the CPF, the World Bank Group (WBG) includes the World Bank (i.e. the International Development Association (IDA)/International Bank for Reconstruction and Development (IBRD)), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The CPF identifies key objectives and development results contributing to the WBG goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. It serves as a tool to gauge the effectiveness of WBG support in a country.



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What are the building blocks of a Country Partnership Framework?

To prepare a CPF the WBG considers the country's development priorities for the medium and longer term. The CPF is informed by the Systematic Country Diagnostic (SCD), which identifies the key challenges and opportunities faced by a country in advancing the World Bank Group's goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. The SCD incorporates a range of country analyses. In addition, the CPF considers feedback from stakeholder consultations. The CPF is also informed by the WBG's comparative advantage.

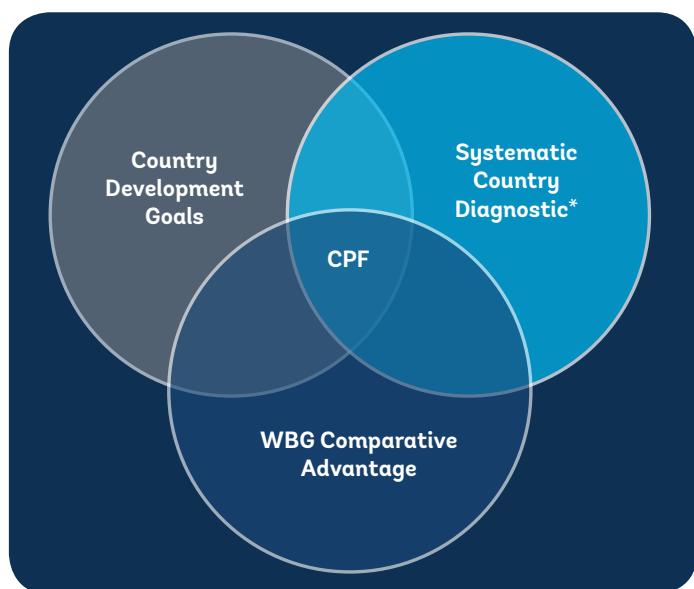
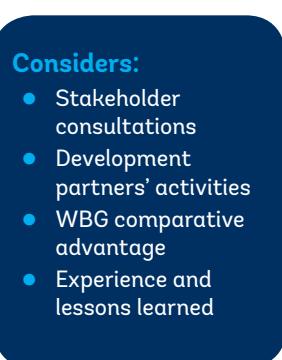
In preparing the CPF for Nepal, the WBG carried out the SCD. The WBG also carried out extensive consultations for the SCD and the CPF involving face-to-face meetings, online outreach, facebook, and SMS survey. It reached representatives from the government at the national and sub-national levels, the private sector, the civil society, and the development partners. In addition, it reached thought leaders and heard from approximately 200,000 citizens from across the country through SMS.



What is the focus of the new World Bank Group Country Partnership Framework for Nepal?

The World Bank Group Country Partnership Framework (CPF) for Nepal covers a period of five years – FY2019 to FY2023. The overarching goal is to support Nepal's new federal system that can deliver on higher sustained growth for poverty reduction, inclusive development, and shared prosperity. The new federal structure introduced by the 2015 Constitution presents unprecedented opportunities to reset Nepal's development trajectory. There is a new-found optimism for greater political stability, inclusion, good governance and sustainable growth following the elections in 2017 and the placement of a new government in early 2018.

Building blocks of Nepal CPF



* The Systematic Country Diagnostic (SCD) incorporates the Risk and Resilience Assessment, the Country Economic Memorandum, and the Poverty and Mobility Analysis. Other key analytical work ongoing includes the Country Private Sector Diagnostic, InfraSAP, and Policy Note on Federalism.

What are the challenges and opportunities facing Nepal?

The government has expressed a strong resolve to focus on results and strengthen governance. Nevertheless, the new federal system poses challenges for the country and may be a source of instability against a backdrop of heightened popular aspirations. In the early years of federalism, when the roles, responsibilities, and accountabilities of different levels of government are being clarified, there is a risk of weakening governance and increased rent seeking behavior, deteriorating public services and infrastructure, increasing uncertain investment climate, and unchanging or increasing exclusion or inequity.

What are the World Bank Group Instruments available to support a country?

The World Bank can provide:

- **Investment Policy Financing:** Financing for a wide range of activities aimed at creating physical and social infrastructure necessary to reduce poverty and create sustainable development.
- **Development Policy Financing:** Financing that is rapidly disbursing (budget support) to help the borrower achieve sustainable poverty reduction.
- **Program-for-Results Financing:** Financing to help improve the design and implementation of the government's development programs and strengthen its institutions and capacities.
- **Catastrophe Deferred Drawdown Option (CAT-DDO) and Pandemic Emergency Financing (PEF):** Financing aimed at providing liquidity after a natural catastrophe (CAT-DDO), and in response to pandemics, to help contain the outbreak and associated human and financial costs (PEF).
- **Advisory Services and Analytics:** The World Bank also provides technical assistance, economic and sector work, business advice, donor aid coordination and reimbursable advisory services.

IFC provides solutions in private sector development through investment, advice, and asset management products to help create markets and open opportunities where they are needed most. IFC products are mutually reinforcing, delivering financing and global expertise to clients to solve key development gaps. They enable companies to manage risk and expand their access to foreign and domestic capital markets. IFC works closely with the WB and MIGA to maximize finance for development.

MIGA can provide political risk insurance guarantees to private sector investors and lenders to encourage cross-border investments into developing countries.

How does the CPF tap into the opportunities and address the challenges in Nepal?

The CPF prioritizes the following areas:

(1) Strengthening public institutions.

The WBG will be explicit in its support to strengthening public institutions for effective economic management, service delivery, and public investment not only at national level, but also at sub-national levels.

(2) Private sector led jobs and growth.

The WBG will contribute to generating more and better jobs through private sector-driven growth, building on ongoing work to improve access to energy and infrastructure connectivity, regulatory environment and financial sector stability.

(3) Inclusion and resilience.

The WBG will work to achieve greater inclusion for the poor, vulnerable, and marginalized groups through human capital development, with greater resilience against climate change, natural disasters, and other exogenous shocks.

Across all its activities, the World Bank will aim to achieve greater gender equity and inclusion, to ensure citizen engagement, to incorporate climate co-benefits, and to maximize financing for development.

What kind of support has the World Bank Group provided to Nepal?

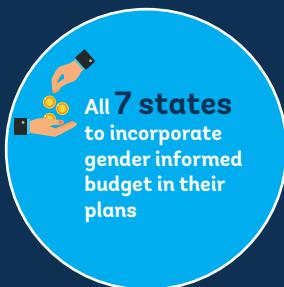
The World Bank portfolio in Nepal comprises of 23 projects, with a net commitment of US\$2.7 billion. Education (4 projects; US\$531M), agriculture (4 project US\$498M), and energy (5 projects, US\$342M) comprise the largest share of the WB portfolio.

IFC is focused on key development gaps and creating markets in financial inclusion, sustainable infrastructure (largely power and connectivity), and competitiveness. IFC is ramping up in energy through investment and advisory, including in the transformational UT-1 hydropower project. IFC is building on its support for financial institutions focused on the underserved including MSMEs. IFC is continuing to boost competitiveness especially in tourism, agribusiness, manufacturing, and financial sector.

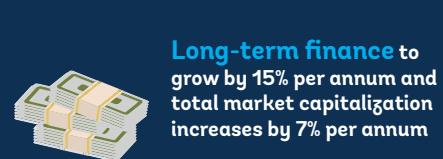
What are the results envisioned at the end of the CPF period (FY2023)?

The CPF incorporates results indicators to monitor the World Bank Group's contribution to Nepal's development. The World Bank Group will be carrying out a mid-term review to take stock of the progress in achieving the indicators. Some examples of indicators include:

PUBLIC INSTITUTIONS:



PRIVATE SECTOR-LED JOBS AND GROWTH:



Border crossing time at selected border posts reduced from 2.3 days to 1.5 days



20% increase in tourism spending in targeted destinations

INCLUSION AND RESILIENCE:



20% out-of-school students (5 to 16 years) brought to school



1,182,000 households with access to water and sanitation services



750,000 people with access to improved private health services



30,000 people with access to improved nutrition



0.6 million persons with access to social security allowance



116,800 farmers to adopt climate smart agricultural practices