



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 24-Jun-2024 | Report No: PIDDC00691



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies) Nepal	Operation ID P505734	Operation Name Nepal: Digital Service Transformation for Access and Resilience	
Region SOUTH ASIA	Estimated Appraisal Date 03-Feb-2025	Estimated Approval Date 24-Apr-2025	Practice Area (Lead) Digital Development
Financing Instrument Investment Project Financing (IPF)	Borrower(s) Nepal	Implementing Agency Ministry of Communications and IT	

Proposed Development Objective(s)

To increase the use of broadband and digital services, and to improve the capacity of individuals and businesses to engage in the digital economy.

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? Yes

SUMMARY

Total Operation Cost	60.00
Total Financing	60.00
of which IBRD/IDA	60.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	60.00
IDA Credit	60.00



Environmental and Social Risk Classification

Moderate

Concept Review Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

- Nepal's economy slowed significantly to 1.9 percent in FY23, marking the lowest growth rate since FY20; however, recent data indicate signs of economic recovery.** On the supply side, the services sector emerged as the primary driver of growth, buoyed by increased activity in tourism-related services. On the demand side, private consumption fueled growth, supported by high remittance inflows.
- Nepal's economic growth is projected to rebound to 3.3 percent in FY24.** This momentum is expected to continue, with the forecast reaching 4.6 percent growth in FY25, and 5.3 percent by FY26, close to its long-term potential. The services sector is expected to continue as the primary driver of growth over the medium term. Industrial sector is also poised for growth in the medium term, fueled by a significant expansion in the electricity sub-sector and hydropower exports. Currently, over 3,000 megawatts of additional electricity generation capacity are under construction, with some new generation expected by FY26.
- The current account balance is projected to record a surplus in FY24, for the first time since FY16, and then gradually narrow thereafter.** This will be driven by robust remittance growth fueled by record international migration in FY23. Services exports are expected to rise as tourism recovers. Meanwhile, services imports are likely to surpass exports due to continued emigration for work and study.
- Nepal faces significant risks due to climate change and natural disasters.** Nepal's temperature is projected to increase by about 0.9°C between 2016 and 2045 under a medium-range emissions pathway. Winters are projected to be drier and monsoon summers wetter, with up to a threefold increase in rainfall. The number of people in Nepal annually affected by river flooding caused by climate change could increase to around 350,000 in 2030. Climate variability is impacting the Nepali economy through lower agricultural productivity, road damage, and high energy imports during the dry season, among other impacts. Floods and landslides have been the most frequent hazards over the past 40 years; these events are expected to increase as climate change accelerates. Nepal is also in a seismically active zone, which poses risks to the significant infrastructure investments planned in the coming decade.

Sectoral and Institutional Context

- Millions of people across the South Asia Region (SAR) lack access to economic opportunities and public and private services enabled by digital technologies.** This limits the ability of households and businesses to take advantage of digital access to information, services, and markets. Currently, SAR has only 3 fixed-broadband subscriptions per 100 adults, well below other regions. Unreliable or unaffordable connectivity and incomplete digitalization of public services lead to pervasive gaps in the delivery and access of public and private services, e.g., only one-third of people across SAR made or received a digital payment. This hampers effective human capital formation and, in times of crises and recovery, support to the most vulnerable. And limited development of digital capabilities among firms and individuals restricts job creation, employment, and income generation; skills gaps remain significant and could grow as technologies evolve and migration continues.



6. **Nepal has seen significant progress on many fronts of its digital development over the past decade.** Seventy-two percent of people subscribe to basic mobile telephony (2024), 52 percent of people are estimated to use the internet (2021), and 29 percent of people are estimated to have made or received a digital payment (2021). Several Government of Nepal (GoN) ministries, departments, and agencies (MDAs) have begun to digitize, including to simplify government-to-citizen (G2C) services. These include the launch of a unified mobile portal for G2C services, an integrated office management system, and a Government Enterprise Architecture 2.0. The digital payments architecture is robust. Estimates suggest that IT services exports are equal to more than US\$500 million and that about 100,000 people work in the digital industries. The Digital Nepal Framework (DNF), the national digital development strategy that GoN adopted in 2019, and other national strategies and plans, seek to use digital technologies as an integral part of Nepal’s development strategy. For example, GoN has declared FY25-FY35 as an “IT Decade” to make Nepal a global IT hub and generate jobs.

7. **Despite these improvements and ambitions, overall digital development in Nepal remains low** due to outdated legal frameworks and weak institutional capacity and coordination, gaps in digital connectivity and data infrastructure, and limited digital capabilities among people and businesses.

8. **The GoN regards digital development as a vital catalyst for growth and inclusive development.** The DNF is a comprehensive national digital strategy with the goal of leveraging digital technologies for economic transformation. However, the DNF has only been partially implemented, while the global technology ecosystem has evolved significantly over the past five years. In particular, the scope and implementation approach of the DNF needs to be simplified and focused on high-priority activities and operate within a well-defined results framework. MoCIT is currently assessing and updating the DNF with advisory support from the WB (P177824).

Relationship to CPF

9. **The proposed Project supports the objectives of the current Country Partnership Framework (CPF)** (FY19-23, extended to FY24 by PLR dated January 17, 2022), which had an objective on accelerating digital development under the CPF Focus Area 2 (Private Sector-Led Jobs and Growth). It will also support the upcoming CPF (FY25-29; P502276), by directly supporting the implementation of the proposed cross-cutting theme of “broadened and deepened digital development.” This Project will also support the three proposed high-level outcomes (HLOs), including (i) increased job opportunities through digital skills development, (ii) enhanced livelihoods, sustainability, and resilience to shocks through improved digital services and connectivity, and (iii) improved and inclusive human development through improved and inclusive digital service delivery.

C. Proposed Development Objective(s)

10. To increase the use of broadband and digital services, and to improve the capacity of individuals and businesses to engage in the digital economy.

Key Results (From PCN)

- Number of people using broadband internet (millions); of which (%) women
- Number of people using digitally enabled services (millions); of which (%) women
- Number of new or better digital economy jobs (millions); of which (%) women; of which (%) youth

D. Concept Description

11. **The proposed Project is the first of a Series of Projects (SOPs) implementing the SAR region’s operationalization of the proposed Global Challenge Program (GCP) on Accelerating Digitalization.** The SOP aims to



support: (1) affordable quality connectivity and data hosting capabilities; (2) digital public infrastructure and high impact use-cases; and (3) digital skills and empowerment. Apart from this proposed Project, the SOP may include Bangladesh and possibly India and Sri Lanka in a first phase. Other SAR countries may join in or be mapped to the SOP the future. Together with analytics and knowledge exchange activities, the aim is to connect 100 million more individuals to broadband and support 250 million people and businesses to use improved digitally enabled services and transfers.

12. **Supporting the GCP as part of the SOP, the proposed Project will:** (1) support the expansion of broadband connectivity through policy and regulatory reforms that enable private capital; (2) enhance digital government through more resilient and sustainable digital infrastructures and improved digital services; and (3) expand participation in the digital economy through programs to promote digital skills and jobs, and by digitally empowering individuals and small businesses.

Legal Operational Policies	Triggered?	
	Last approved	Current
Projects on International Waterways OP 7.50	No	
Projects in Disputed Area OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

13. **The Project poses moderate environmental and social risks.** These include minor civil work activities during the refurbishment of digital services, the installation of IT equipment, and the enhancement of digital public infrastructure. There may be noise pollution from backup generators and emissions to the air from backup generators and e-waste problems from the unused or malfunctioning electronic equipment. There are also specific occupational health risks related to the installation of IT equipment, such as fire hazards due to the presence of flammable materials in high-powered installation areas, working at elevation for overhead cables.

14. Without robust citizen engagement, including effective stakeholder consultation and communication plans, there is a risk of exacerbating gender gaps and excluding rural communities and vulnerable groups from project benefits. Additionally, there are concerns regarding data privacy and protection. As the level of digitization increases, there are risks that digital “harms” such as unauthorized surveillance, privacy breaches, online gender-based violence/cyber harassment, and online scams may increase. An Environmental and Social Management Framework (ESMF), will be prepared before appraisal.

CONTACT POINT

World Bank



Siddhartha Raja
Senior Digital Development Specialist

Borrower/Client/Recipient

Nepal

The Secretary
Ministry of Finance
fso@mof.gov.np

Implementing Agencies

Ministry of Communications and IT

The Secretary
Ministry of Communications and IT
secretary@mocit.gov.np

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Siddhartha Raja
----------------------	-----------------

Approved By

Practice Manager/Manager:	Vyjayanti Tharmaratnam Desai	04-Jun-2024
Country Director:	Lada Strelkova	24-Jun-2024