

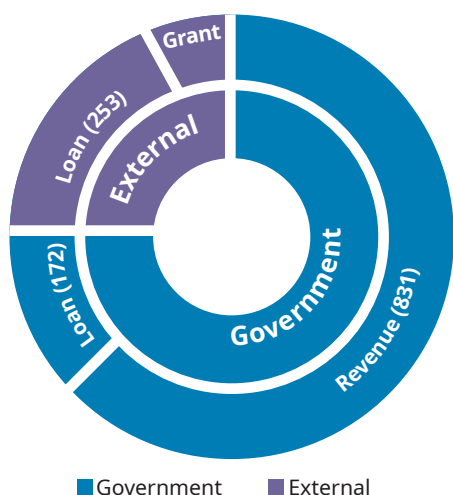
# WASH Financing in Nepal 2018/19

Context SDG 6



## NEPAL GOVERNMENT ANNUAL BUDGET

Total Budget: NPR 1315 billion  
 Internal revenue: 63% (NPR 831 billion)  
 Domestic borrowing: 13% (NPR 172 billion)  
 Foreign grant: 4% (NPR 59 billion)  
 Foreign loan: 19% (NPR 253 billion)



## INTER-GOVERNMENTAL FINANCIAL TRANSFER

8.6% (NPR 113 billion) of the total budget to be transferred to provincial governments, out of which NPR 50 billion for fiscal equalization grant and NPR 63 billion for conditional grant.

14.8% (NPR 195 billion) provision to be transferred to local level governments, out of which NPR 85 billion for fiscal equalization grant and NPR 110 billion for conditional grant.

### Inter-governmental financial transfer to provinces and municipalities (in billion NPR)

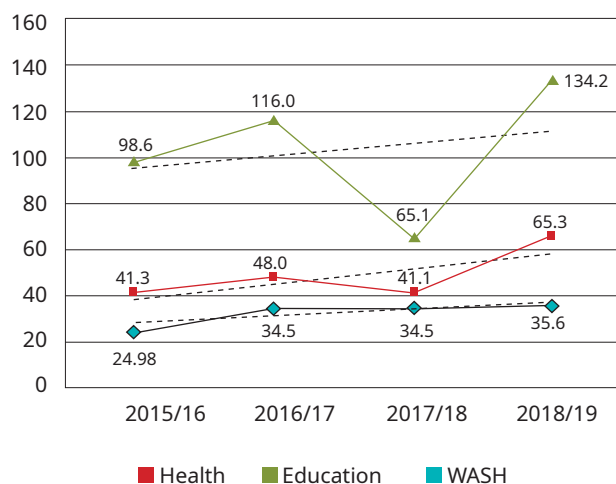
Governments	Financial equalization fund	Conditional fund	Total
Provinces	50.29	63.13	113.43
Local Level	85.2	109.84	195.05
Metropolitan City (6)	2.6	4.05	6.71
Sub metropolitan city (11)	3.5	4.48	8.04
Municipality (276)	38.16	50.17	88.34
Village Municipality (460)	40.81	51.13	91.95
<b>Total</b>	<b>135.5</b>	<b>172.98</b>	<b>308.48</b>

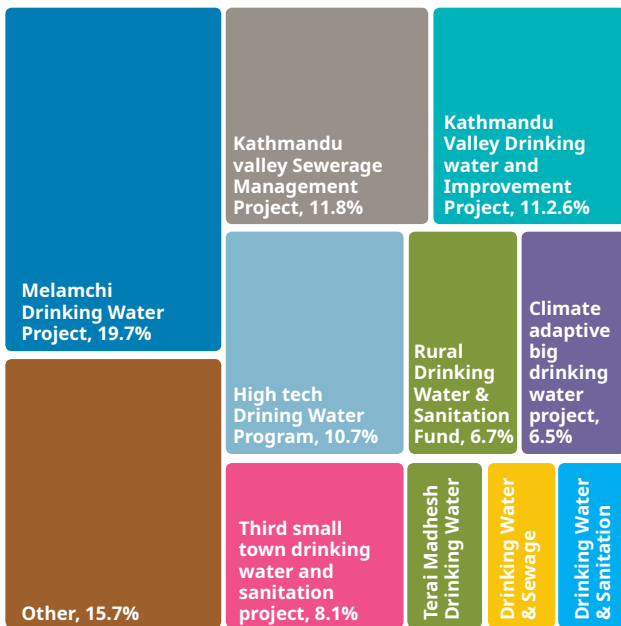
## BUDGET ALLOCATION ACROSS WASH, HEALTH AND EDUCATION

Health: NPR 65 billion (5%)  
 Education: NPR 134 billion (10%)  
 WASH: NPR 35.6 billion (3%)  
 Federal Affair and General Administration: NPR 74.4 billion. (6%)

In the last four years, there has been an increase of 1.4 fold in education and WASH budget and 1.6 fold in the health budget.

### Budget Allocation Trend: WASH, Health and Education 2015/16 to 2018/19 (in billion NPR)





## WASH ANNUAL BUDGET

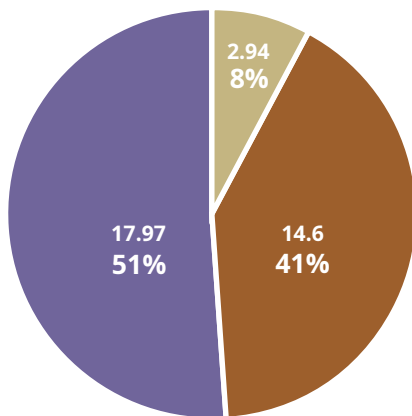
Total Annual budget for WASH in 2018/19 is NPR 35.6 billion.

The WASH budget has been allocated through the Ministry of Water Supply (67%), Ministry of Finance (32%) and Ministry of Federal Affair and General Administration (1%).

The budget has been allocated to 27 WASH projects/programs, out of which ten projects are budgeted above one billion rupees. (Please refer to Page no. 5 for WASH Sector Programs/Projects for the year 2018/19 (in million NPR))

43% of the total WASH budget has been shared by three projects targeted to Kathmandu Valley i.e Melamchi Drinking Water Project, Kathmandu Valley Sewerage Management Project and Kathmandu Valley Drinking Water and Improvement Project.

Share of Internal & External Sources in WASH (in billion NPR)

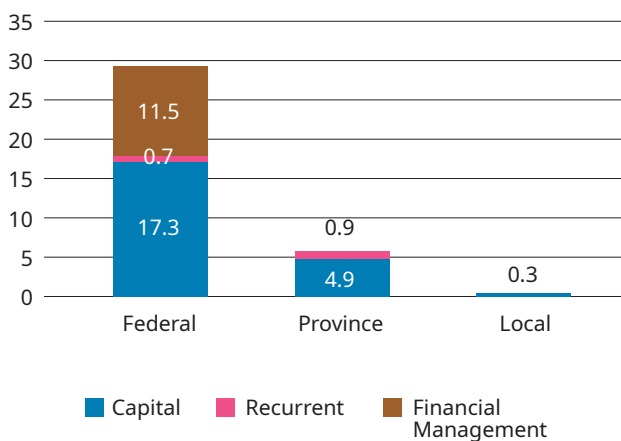


Internal source External Grant External Loan

## FINANCING MECHANISM IN WASH

51% (NPR 17.97 billion) is expected to come from internal sources, 41% (NPR 14.6 billion) is from external loan and 8% (NPR 2.5 billion) from external grant.

Financing type in federal, province and local levels 2018/19 (in billion NPR)



Capital Recurrent Financial Management

Capital expenditures share 63% (NPR 22.5 billion), recurrent expenditures share 5% (NPR 1.6 billion) and financial management expenditures share 32% (NPR 11.5 billion) of the total WASH budget.

Recurrent cost share 2.3% of the federal level WASH budget and 15.6% of the provincial level WASH budget.

Out of the NPR 35.6 billion expenditure on WASH, NPR 29.5 (83%) will be transferred to federal structure, NPR 5.8 billion (16%) to provincial and NPR 0.31 (1%) billion to local level structures.

INGOs contributed 7.5% (NPR 2.6 billion) on WASH<sup>1</sup> in 2017/18.

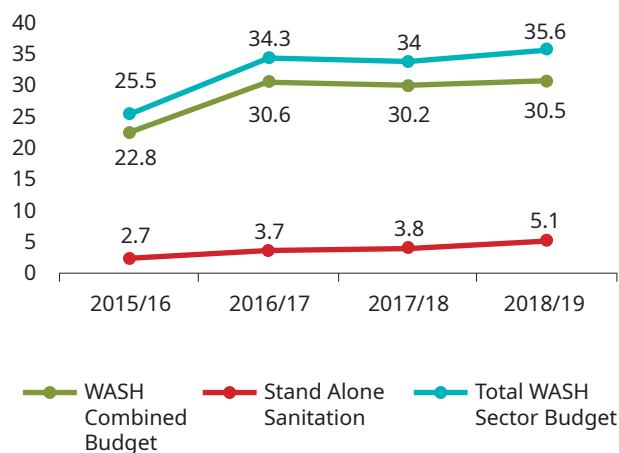
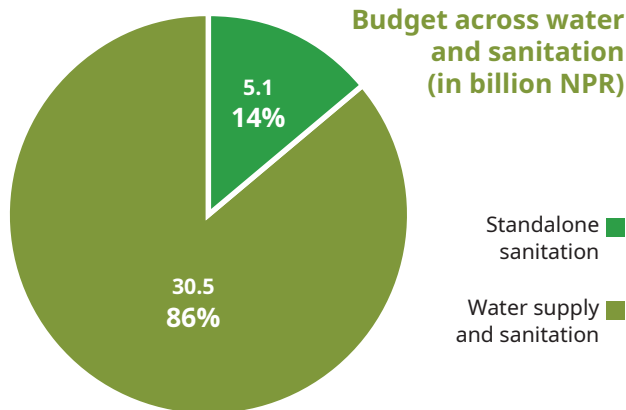
<sup>1</sup> WaterAid and AIN Desk Survey result of 19 INGOs in 2017/18

## ALLOCATIONS ACROSS WATER AND SANITATION

Estimated expenditure on water and sanitation projects is NPR 30.5 billion (86%) and on standalone sanitation project is NPR 5.1 billion (14%). Almost all budget allocated to stand allocation sanitation budget goes to urban projects, except NPR 0.3 billion to Environmental Sanitation.

As per the policy 20% of total budget allocated for Water supply and sanitation (combined) projects should be utilized for sanitation; while in the case of small towns it is 15%.

There has been an increase in the WASH combined budget by 1.4-fold in the last four years and a 1.9-fold increase in the case of standalone sanitation.

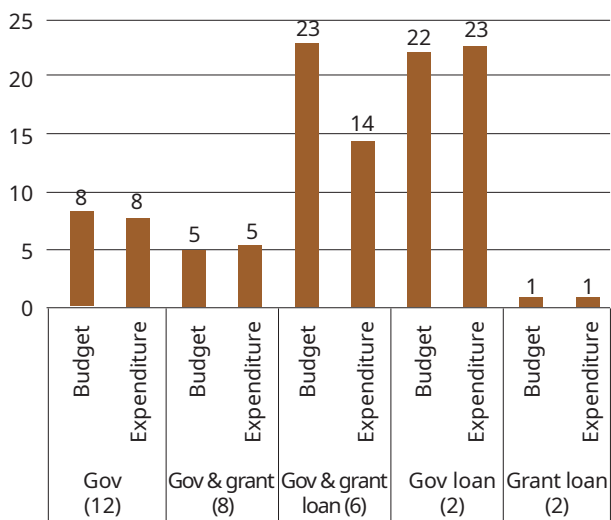


## ALLOCATION BY HUMAN RESOURCE DEVELOPMENT AND OPERATION AND MAINTENANCE

Government allocated a total of NPR 48.3 million to human resource development. There are no specific projects for operations and maintenance, except a project of NPR 508.8 million for rehabilitation of schemes.



### Absorption capacity of different financing models 15/16-16/17 (in billion NPR)



## ABSORPTION CAPACITY

WASH sector utilized 86% of the allocated budget in the two years from 2015/16 to 2016/17. Budget allocated to the financing model composed of sources from domestic, grant and loan utilized only 63% of the allocation, compared to other financing models like, only domestic, domestic and grant, domestic and loan and grant and loan.

Out of the 6 projects composed of domestic, grant and loan category financing model, two mega projects 'Kathmandu Valley Drinking Water and Improvement Project' and 'Kathmandu Valley Sewerage Management Project' utilized only 55% and 43% of the allocations.



# FINANCING GAP

## SDG/SDP TARGETS

Draft WASH Sector Development Plan of Nepal (SDP) has estimated a requirement of NPR 1,641 billion, excluding user's contribution, to meet SDG targets on WASH by 2030. However, the recent trend of allocation can predict an availability of only NPR 816 billion on WASH by the end of 2030, estimating a gap of NPR 818 billion, (50%) to meet the target.

In case of sanitation it is estimated that there is an availability of only NPR 137 billion by the end of 2030, estimating a gap of NPR 412 billion, (76%) to meet sanitation targets.

The chart reveals that the financing gap in WASH sector is widening each year to meet SDG targets.

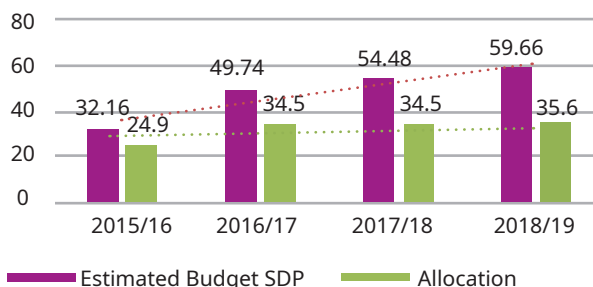
**Financing Gap to meet SDG targets on WASH (in billion NPR)**



**Financing Gap to meet SDG targets on Sanitation (in billion NPR)**



**SDP budget estimation vs allocation (in billion NPR)**

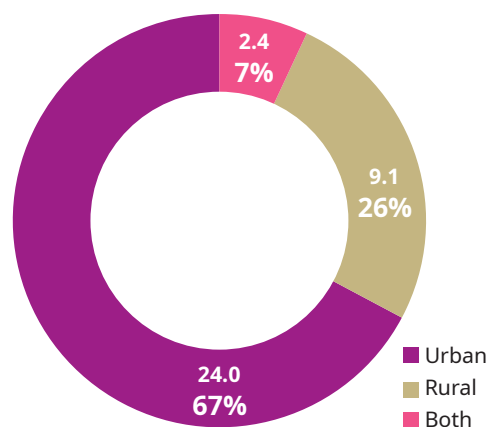


## NEED VERSUS ALLOCATION FOR BASIC SERVICES

SDP targets to achieve basic water and sanitation for all by 2020. It would require approximately NPR 30 billion to provide basic water and sanitation services to 10% uncovered population at the rate of NPR 10 thousand per capita cost. That means, it would require NPR 10 billion each year to meet basic water and sanitation for all by 2020. If we assume 60% of the budget allocated to rural and both types of projects are strictly utilized for uncovered population, it will contribute only two third of the requirement to meet basic coverages by 2020.

Based on the analysis of allocation in different projects, an estimated NPR 24 billion (67%) is allocated for urban types of projects, whereas NPR 2.4 billion (7%) for rural types and NPR 9.1 billion (26%) each for rural and non-separable or both types of projects.

**WASH budget by rural and urban type 2018/19 (in billion NPR)**



## Major findings

- Based on the current trend in financing, there is more than 50% gap in WASH financing. When we look at sanitation alone, there is 78% gap in financing as per draft SDP requirements.
- WASH is highly dependent on external sources, relying 49% of the budget on external sources, especially loan, 41%.

## WASH Sector Programs/Projects for the year 2018/19 (in million NPR)

Programs/Projects	Federal Budget	Provincial Transfer	Local Transfer	Total	Urban/Rural
<b>A. Ministry of Water Supply</b>					
Department of Water Supply and Sewerage	146	0	0	146	Both
Ministry of Water Supply	76	0	0	76	Both
National Information Management & Monitoring Project	14	0	0	14	Both
Drinking Water Rehabilitation Project	509	140	0	649	Both
Drinking Water Quality Improvement Project	190	195	0	385	Both
Rural Drinking Water & Sanitation Fund	2399	0	0	2399	Rural
Melamchi Drinking Water Project	7066	0	0	7066	Urban
Human Resource Development	48	0	0	48	Both
Sewerage Construction and Treatment Project	423	140	0	563	Urban
Third small town drinking water and sanitation project	2894	0	0	2894	Urban
Climate adaptive big drinking water project	2271	70	0	2341	Both
Drinking Water and Sanitation Partnership Program	987	122	0	1109	Urban
Urban Drinking Water and Sanitation (Sectoral) Program	872	0	0	872	Urban
Federal Quality Monitoring and Program Implementation Offices	50	0	0	50	Both
Environmental Sanitation Program	0	0	310	310	Both
Deep Tube well	0	110	0	110	Both
Terai Madhesh Drinking Water Improvement Program	0	1200	0	1200	Both
High tech Drinking Water Program	0	3818	0	3818	Both
<b>Sources total A</b>	<b>17945</b>	<b>5795</b>	<b>310</b>	<b>24050</b>	
<b>B. Ministry of Federal Affair and General Admiration</b>					
Rural Water Resource Management Project (village)	14	0	0	14	Rural
Rural Water Supply & Sanitation Project in Western Nepal	7	0	0	7	Rural
<b>Sources total B</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>21</b>	
<b>C. Ministry of Finance</b>					
Drinking Water Augmentation Program	750	0	0	750	Urban
Town Development Fund -Drinking Water	940	0	0	940	Urban
Kathmandu Valley Drinking Water Mgmt. Board	500	0	0	500	Urban
Kathmandu Valley Drinking water and Improvement Project	4022	0	0	4022	Urban
Drinking Water & Sewerage Program	1100	0	0	1100	Urban
Kathmandu Valley Sewerage Management Project	4199	0	0	4199	Urban
Sewerage Treatment/Refinement Centre	20	0	0	20	Urban
<b>Sources total C</b>	<b>11531</b>	<b>0</b>	<b>0</b>	<b>11531</b>	
<b>Grand Total</b>	<b>29497</b>	<b>5795</b>	<b>310</b>	<b>35602</b>	

## Sustainable Development Goals; Status and roadmap: 2016-2030, National Planning Commission of Nepal

Target and Indicators		2015	2019	2022	2020	2030
<b>Target 6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</b>						
<b>6.1.1</b>	<b>Proportion of population using safely managed drinking water services</b>					
1	Population using safe drinking water (%)	15	35	50	65	90
2	Household with access to piped water supply (%)	49.5	60.3	68.4	76.5	90
3	Basic water supply coverage (%)	87	90.2	92.6	95	99
4	Households with E.coli risk level in household water $\geq 1$ cfu/100ml (%)	82.2	60.3	43.8	27.4	1
5	Household with E.coli risk level in source water $\geq 1$ cfu/100ml (%)	71.1	52.1	37.9	23.7	1
<b>Target 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, special attention to the needs of women and girls and those in vulnerable situations</b>						
<b>6.2.1</b>	<b>Proportion of population using safely managed sanitation services, including a hand-washing facility with soap and water</b>					
1	Households using improved sanitation facilities which are not shared (%)	60	69.3	78.7	85.7	95
2	Proportion of populations using latrine (%)	67.6	75.7	83.8	90	98
3	Sanitation coverage (%)	82	86.5	89.9	93.3	99
4	Urban households with toilets connected to sewer systems/proper FSM (%)	30	46	62	74	90

### Draft WASH Sector Development Plan 2017-2030, Ministry of Water Supply (Key extracts)

<b>Target 6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</b>					
		2015	2020	2025	2030
	Basic water supply (%)	85	100		
	ODF (%)		100		
	Proportion of population have access to medium level services (%)	15 (High + Medium)	25	40	50
	Proportion of population have access to high level service (%)		15	30	50
<b>Target 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, special attention to the needs of women and girls and those in vulnerable situations</b>					
1	Total sanitation (%)	NA	20	50	100
3	Large & mega systems have wastewater management (WWM) system	None	20%	50%	100%

## Acknowledgement

WaterAid Nepal wishes to extend their gratitude to all those, who in one way or the other have contributed their efforts and support to make this endeavor a reality. To **Mr. Arun Simkhada**, DWSS for providing information and contributing in data verification, **Mr. Govind Shrestha**, for preparing the content and analyzing the information used to prepare this factsheet, **Ms. Tripti Rai**, for her direction and guidance which was crucial in preparing the document and **Ms. Shivani Chemjong**, for her editorial and designing support.

**Note:** Separate cost for water and sanitation in this analysis has been estimated by proportionate aggregation of total cost estimated in the draft WASH Sector Development Plan (SDP). Total budget estimated by SDP also includes cost for the theme 'Ecosystem and Water Production' and 'solid waste management'. However, this analysis does not cover the budget allocated to projects related to such themes.

**Source:** WaterAid calculations are based on the information from the Redbooks, draft WASH sector Development plan and Foreign Aid Co-ordination and Planning Section/ DWSS.