

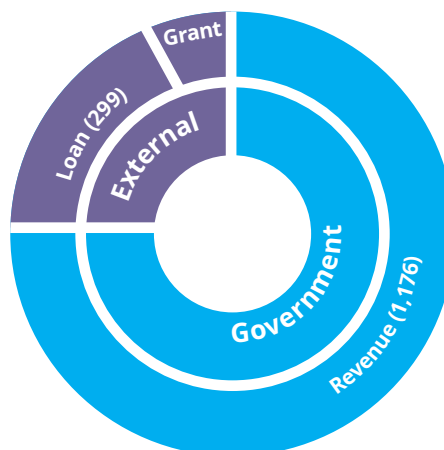
WASH Financing in Nepal 2019/20

Context: Sanitation and Water SDGs



NEPAL GOVERNMENT ANNUAL BUDGET

Total budget: NPR 1533 billion
Internal revenue: 77% (NPR 1176 billion)
Foreign grant: 4% (NPR 58 billion)
Foreign loan: 19% (NPR 299 billion)



■ Government ■ External

INTER-GOVERNMENTAL FINANCIAL TRANSFER

6.4% (NPR 99.84 billion) of the total budget to be transferred to provincial governments, out of which NPR 55.3 billion is for financial equalization grant and NPR 44.5 billion for conditional grant

14% (NPR 213.8 billion) provision to be transferred to local level governments, out of which NPR 89.95 billion is for financial equalization grant and NPR 123.87 billion for conditional grant.

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

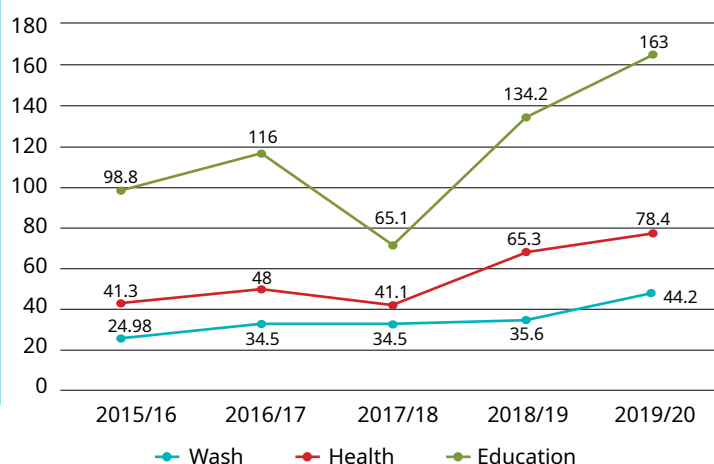
Governments	Financial equalization fund	Conditional fund	Total
Provinces	55.3	44.55	99.84
Local level	89.95	123.87	213.8
Metropolitan city	3.1	4.6	7.75
Sub metropolitan city	3.5	4.5	7.99
Municipality	39.8	55.5	95.29
Rural municipality	43.5	59.2	102.78
Total	145.2	168.4	313.66

BUDGET ALLOCATION ACROSS WASH, HEALTH & EDUCATION

Health: NPR 78 billion (5%)
Education: NPR 163.7 billion (10.7%)
WASH: NPR 44.2 billion (3%)

In the last five years, there has been an increase of 1.6-fold in education budget, 1.8-fold in WASH budget and 1.9-fold in the health budget.

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

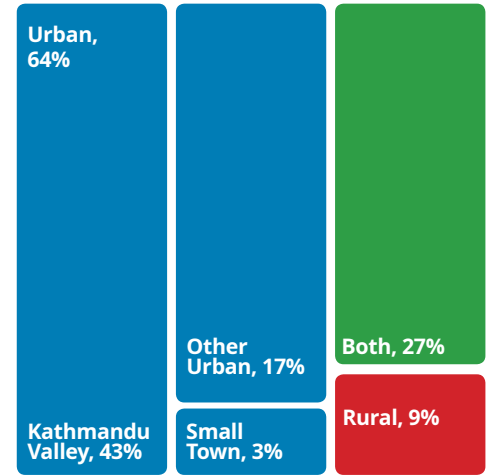


WASH ANNUAL BUDGET

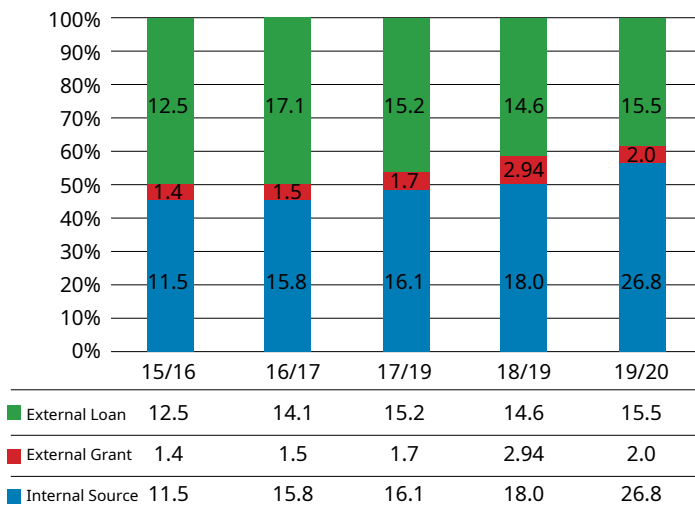
Total annual budget for WASH in 2019/20 is NPR 44.23 billion, which is 24% increment of the last year budget i.e. 35.5 billion.

64% of the WASH budget has been allocated solely to urban projects, 27% to both urban and rural types of projects 9% to solely rural projects.

43% of the total WASH budget has been shared by five projects targeted to Kathmandu Valley i.e Melamchi Drinking Water Project, Kathmandu Valley Sewerage Management Project, Kathmandu Valley Drinking Water and Improvement Project, Kathmandu Valley Water Supply Management Board and Sewerage Treatment/Refinement Centre.



WASH budget allocation trend by type of sources 2015/16-19/20 (in billion NPR)



FINANCING MECHANISM IN WASH

61% (NPR 26.8 billion) is expected to come from internal sources, 35% (NPR 15.5 billion) is from external loan and 4% (NPR 2 billion) from external grant.

In the last four years, share of domestic finance on WASH reached to 61% of the total WASH budget in 2019/20, compared to 45% in 2015/16.

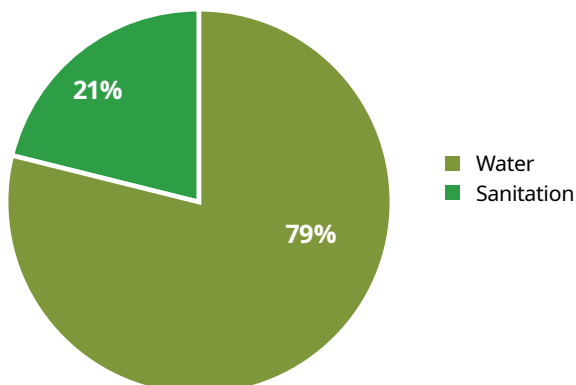
ALLOCATIONS ACROSS WATER AND SANITATION

As per the policy, 20% of the water and sanitation combined budget should be utilized for sanitation. With this assumption, the total estimated budget allocated for water is 79% and sanitation is 21% of the total budget.

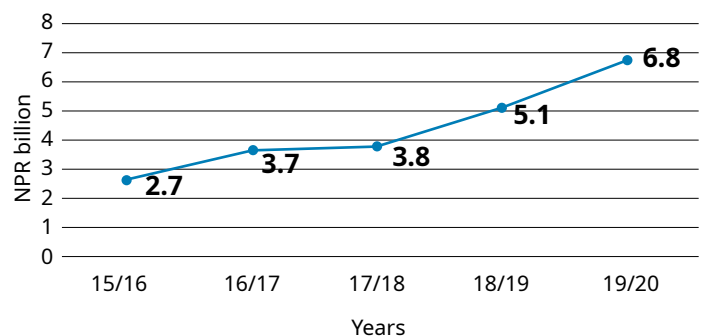
Out of NPR 44.2 billion, NPR 6.8 billion is allocated to standalone sanitation. Almost all the budget allocated to standalone sanitation goes to urban projects.



Estimated budget allocation across water and sanitation 2019/20, in billion NPR



Stand alone sanitation budget trend (in billion NPR)



ALLOCATION BY HUMAN RESOURCE DEVELOPMENT

Government allocated a total of NPR 55.5 million to human resource development.

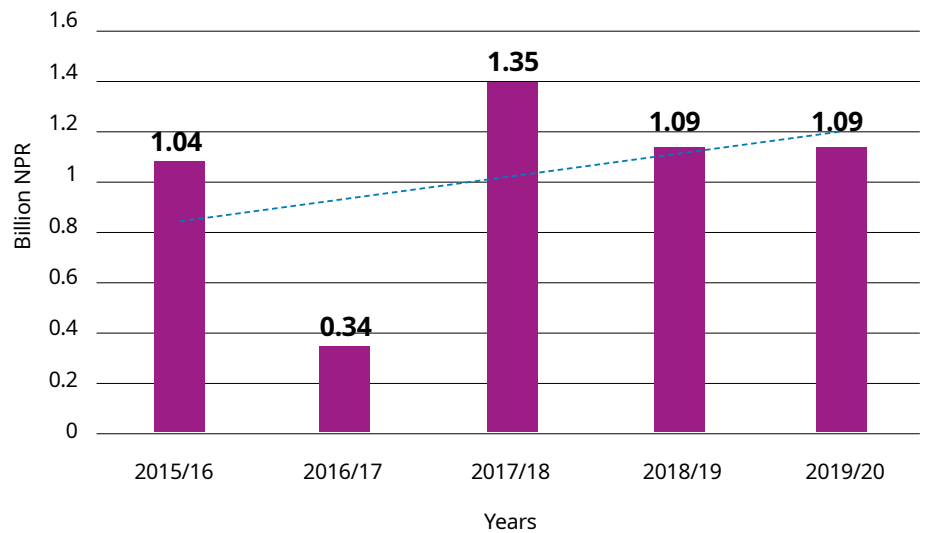
ABSORPTION CAPACITY

WASH sector utilized a total of 86% (NPR 80 billion out of NPR 93 billion) of the allocated budget in three years from 2015/16 to 2017/18. Allocation and utilization of the budget in different financing models i.e. projects run by only domestic sources, only external loan, combined of domestic and external grant, domestic and external loan, domestic, external grant and loan are presented in the table.

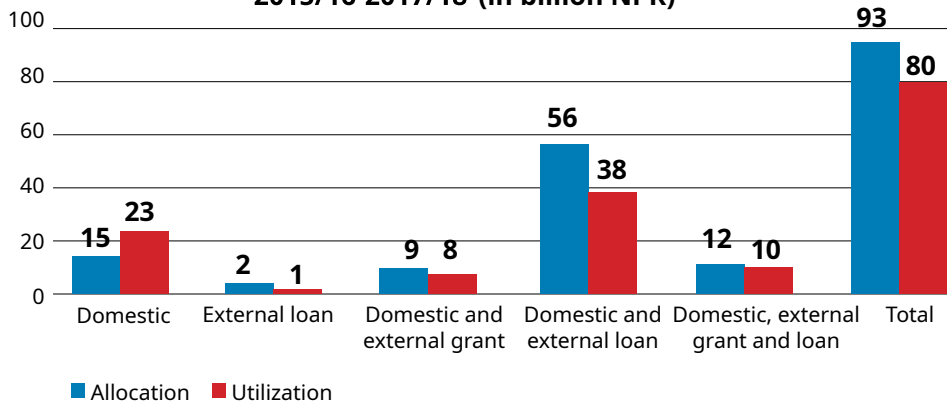
FINANCING IN WASH IN SCHOOLS

Centre for Education Human Resource Development, Ministry of Education, Science and Technology has allocated NPR 1.09 billion for School Toilets with WASH Facilities.

Budget Allocation Trend in WASH in Schools 2015/16 - 19/20 (in billion NPR)



Budget absorption capacity of different financing models 2015/16-2017/18 (in billion NPR)

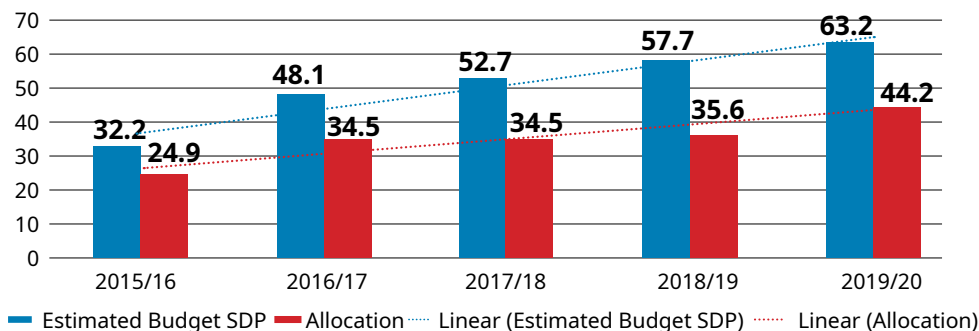


FINANCING GAP

Draft WASH Sector Development Plan of Nepal has estimated a requirement of NPR 1,641 billion, excluding user's contribution to meet SDG targets on WASH by 2030. The recent trend of allocation can predict the availability of less than half on the overall WASH budget and less than one fourth for sanitation requirements.

As shown in the chart, there is a linear widening of the financing gap over time to meet the SDG targets. It is however encouraging to note that the gap is little narrowed this year in comparison to last year, due to 24% budget increment. Otherwise, allocations were almost stagnant in the past three consecutive years.

SDP budget estimation vs allocation (in billion NPR)



WASH Sector Programs/Projects for the year 2018/19 (in hundred thousand NPR)

Programmes/projects	Federal budget	Provincial transfer	Total	Urban/rural
A. Ministry of Water Supply				
Ministry of Water Supply	842		842	Both
Department of Water Supply and Sewerage Management	21538		21538	Rural (20000)
Human resource development	535		535	Both
Federal Drinking Water and Sewerage Management Programs	1515		1515	Both
National Management Information Project	180		180	Both
Drinking Water Rehabilitation Project	23173		23173	Both
Drinking Water Quality Improvement Project	3,573	1,350	4923	Both
Third small town drinking water and sanitation project	15287		15287	Urban
Climate adaptive big drinking water project	29514	23,204	52718.1	Both
Sewerage construction and treatment project	8,530	1,400	9930	Urban
Drinking Water and Sanitation Partnership Program	19735	149	19883.86	Both
Urban Drinking Water and Sanitation Program	34169		34169	Urban
Deep tube well project (Maintenance)	0	1,098	1098.49	Both
Terai Madhesh Drinking Water Improvement Project	0	11,388	11387.97	Both
Rural Drinking Water and Sanitation Fund	21397		21397	Rural
Melamchi Drinking Water Project	73895		73895	Urban
Urban Drinking Water Management Improvement Program	102		102	Urban
Total A	253985	38589.42	292574.42	
B. Ministry of Federal Affair and General Administration				
Rural Water Resource Management Project	185		185	Rural
Total B	185		185	
C. Ministry of Finance				
Drinking Water Augmentation Program	11600		11600	Urban
Drinking Water and Sewerage Program	14000		14000	Urban
Kathmandu Valley Water Supply Management Board	11000		11000	Urban
Sewerage Treatment/Refinement Centre	19900		19900	Urban
Kathmandu Valley Drinking Water Improvement Program	46172		46172	Urban
Kathmandu Valley Sewerage Management Program	39400		39400	Urban
Town Development Fund - Drinking Water	7500		7500	Urban
Total C	149572		149572	
Grand Total	403742	38589.42	442331.42	

ACKNOWLEDGEMENT

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Note: This analysis covers the budget allocated by the federal government and not the budget allocated by province and local level governments. Financing gap in water and sanitation has been estimated by proportionate aggregation of the total cost mentioned in the draft WASH Sector Development Plan (SDP). Total budget estimated in the SDP includes cost for the theme 'Ecosystem and Water Production' and 'Solid Waste Management', but this analysis does not cover the budget allocated to these themes. Annual WASH budget presented in this factsheet does not include budget allocated for WASH in Schools.

Sources: WaterAid Nepal calculations are based on the information from the Redbooks, Ministry of Finance, Draft WASH Sector Development Plan, Ministry of Water Supply and Federal and Provincial Level Programs, Ministry of Water Supply 2076/77, Centre for Education Human Resource Development, Ministry of Education, Science and Technology.

