



WASH Financing

in Nepal 2020/21

CONTEXT: WASH SDGs and COVID-19

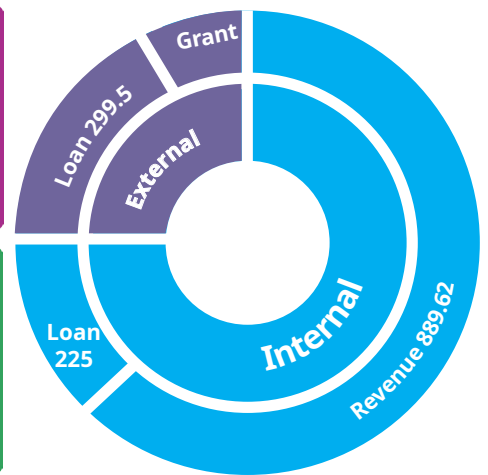
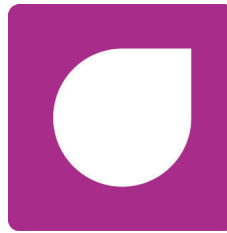


NEPAL GOVERNMENT ANNUAL BUDGET

Total budget:
NPR 1474.6 billion

Sources of budget

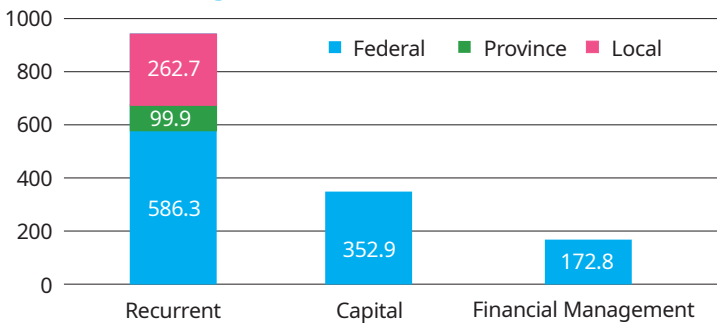
Internal revenue:
NPR 889.6 billion
Internal loan: NPR 225 billion
External grant: NPR 60.5 billion
External loan: NPR 299.5 billion



TYPES OF EXPENDITURES:

Government allocated a total of **NPR 948.9 billion** for recurrent, **NPR 352.9 billion** for capital and **NPR 172.8 billion** for financial management expenditures.

Types of expenditure allocations across three tiers of government 2020/21 (in billion NPR)



(in billion NPR)

	Supplementary fund	Special fund	Conditional fund	Equalization fund	Total
Provinces			36.35	55.19	362.63
Local level	9.96	9.97	161	90.5	

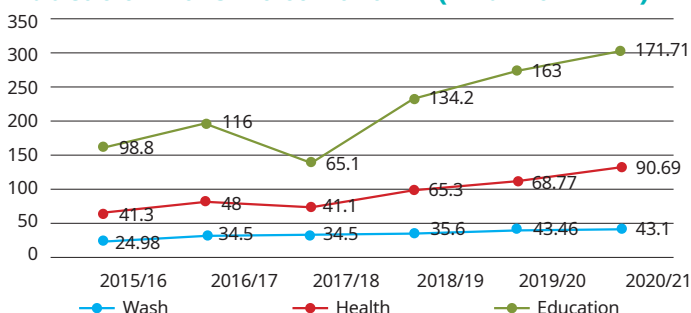
BUDGET ALLOCATIONS ACROSS WASH, HEALTH AND EDUCATION

WASH: NPR 43.1 billion
Health: NPR 90.69 billion
Education: NPR 171.17 billion

In the last six years, there has been an increment of 1.7-fold budget to WASH and Education and 2.2-fold to Health.

WASH budget decreased by 0.83% compared to last year's budget, whereas, health and education budget has increased by 31.9% and 5.3% respectively.

Budget Allocation Trend: WASH, Health and Education 2015/16 to 2020/21 (in billion NPR)



INTER-GOVERNMENTAL FINANCIAL TRANSFER

Province: NPR 99.87 billion
Local level: NPR 262.76 billion
Total: NPR 362.63 billion

6.7% (NPR 99.87 billion) of the total budget to be transferred to provincial governments, out of which NPR 36.35 billion is for conditional fund and NPR 55.19 billion for financial equalization fund.

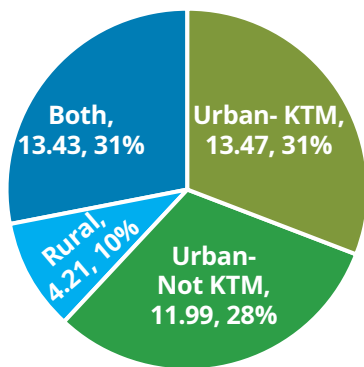
17.8% (NPR 262.76 billion) of the total budget to be transferred to local level governments, out of which NPR 161 billion is for conditional fund and NPR 90.5 billion for financial equalization fund.

Out of that NPR 9.96 billion is provisioned for supplementary fund and NPR 9.97 billion for special fund to provincial and local governments.

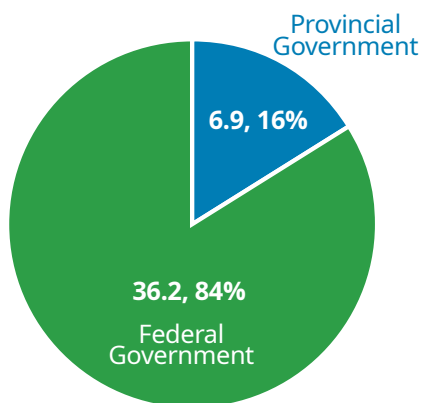


WaterAid

Budget allocation by Rural Urban, 2020-21 (in NPR Billion)



Budget federal vs provinces 2020-21 (in NPR Billion)



WASH ANNUAL BUDGET

Total annual budget for WASH in 2020/21 is NPR 43.1 billion, which is 2.92% of the national budget and 1.3% of GDP. WASH budget this year is decreased by 0.83 % of the last year's budget, however proportion is equal to the last year's budget.

59% of the WASH budget is allocated solely to urban projects, 31% to both urban and rural types of projects and 10% to rural projects. 31% of the WASH budget is directly targeted to Kathmandu valley.

84% (NPR 36.2 billion) of the WASH budget to be expensed by federal government and 16% (NPR 6.9 billion) to be by provincial governments under conditional grant.



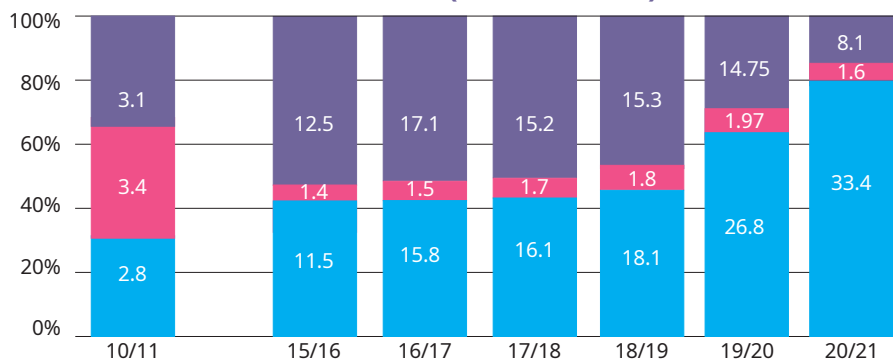
Proportion of WASH budget trend by types of public funding 2010/11 - 2020/21 (in billion NPR)

The share of domestic fund allocation in WASH has increased to 77.5% in 2020/21 from 30.1% in the ten years period from 2010/11 to 2020/21, whereas the share of external funding reduced to 22.5% from 70% in the same period (Share of grant decreased to 3.7 % from 36.6 % and share of loan decreased to 18.8% from 33.3%).

Similarly, the share of domestic fund allocation in WASH increased to 77.5% in 2020/21 from 45.3% in the SDG period from 2015/16 to 2020/21; whereas the share of external fund allocation reduced to 22.5% from 54.7% in the same period (Share of grant decreased to 3.7% from 5.5% and share of loan decreased to 18.8% from 49.3%).

Analyzing WASH budget allocation by different donors/DPs for the SDG period, clearly reveals that the size and proportion of funding by individual donor/DPs are decreasing and are below satisfactory level to fulfil the financing gap to meet the SDG target by public funding.

Proportion of WASH budget trend by type of sources 2010-2020 (in billion NPR)



- Internal Source
- External Grant
- External Loan

Share of donor/DP's funding for WASH in different years of SDG period (in billion NPR)

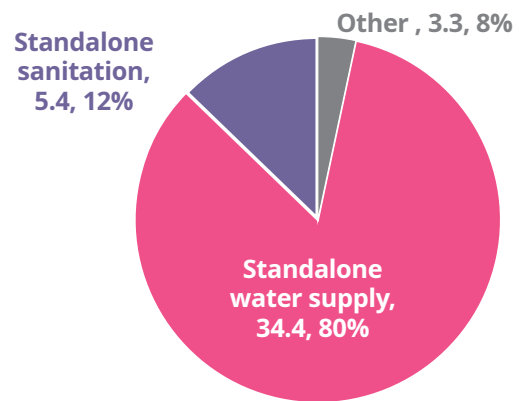
Funding institution	2016/17		2017/18		2018/19		2019/20		2020/21	
	Total	%	Total	%	Total	%	Total	%	Total	%
Government	15.90	46.00	16.10	50.00	18.10	50.84	26.8	61.7	33.4	77.40
Donors/DPs	18.57	54.00	17.28	50.00	17.15	48.18	16.7	38.5	9.7	22.60
UNICEF	0.10	0.40	0.16	0.50	0.11	0.30	0.02	0.03	0.01	0.02
IDA	5.60	16.00	1.95	6.00	2.15	6.04	1.89	4.34	0.99	2.30
OFID							0.66	1.52	0.30	0.70
ADB	11.30	33.00	14.46	42.00	13.60	38.19	12.90	29.68	7.19	16.68
Finland	0.50	2.00	0.66	2.00						
Helvetas	0.05	0.10	0.03	0.10						
UN-Habitat	0.01	0.02	0.01	0.00						
WHO	0.00	0.01	0.01	0.00						
EU	0.01	0.03	-	-						
JICA	1.00	3.00	-	-	1.30	3.65	1.25	2.88	1.25	2.90
Total	34.5	100	34.5	100	35.6	100	43.46	100	43.10	100

BUDGET ALLOCATIONS ACROSS WATER, SANITATION AND HYGIENE

Out of total budget for WASH (NPR 43.1 billion) under the sector ministry, NPR 5.4 billion (12%) is allocated for standalone sanitation projects and NPR 34.4 billion (80%) is allocated for standalone water supply projects.

The increasing trend of standalone sanitation budget for the last four years fell to NPR 5.4 billion this year from NPR 6.8 billion in the last year. A total of NPR 125 million is allocated for the construction of public toilets for 2020/21.

Budget Allocation by water and sanitation, NPR Billion, 2020/21 (In billion NPR)



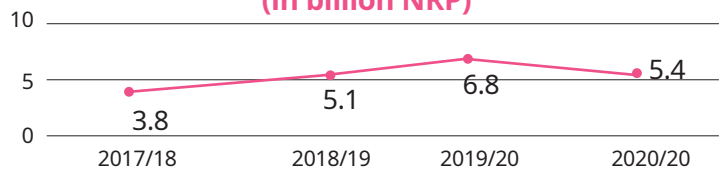
HUMAN RESOURCE CAPACITY DEVELOPMENT AND INFORMATION MANAGEMENT



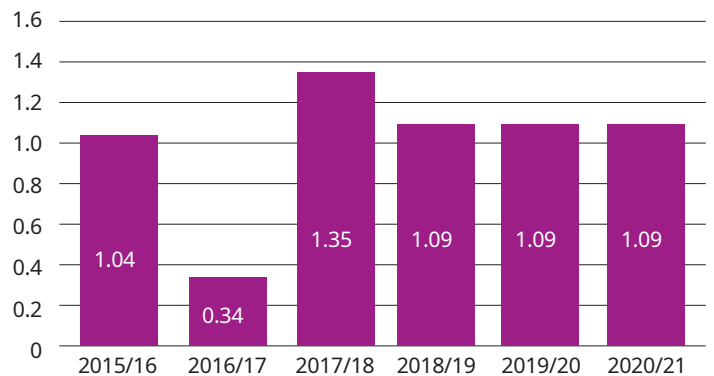
Human resource development budget reduced to NPR 38 million this year from NPR 55.5 million last year. Budget for information management system increased to NPR 115 million this year from 18 million last year.



Standalone sanitation budget trend 2020/21 (in billion NPR)



Budget allocation trend in WASH in Schools 2015/16-20/21 (in billion NPR)



FINANCING IN WASH IN SCHOOLS

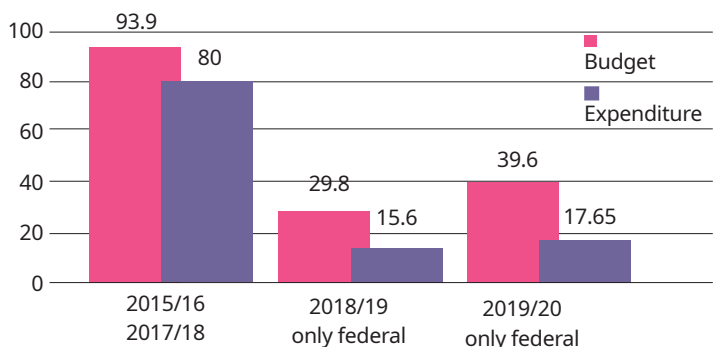
In 2020/21 A total of NPR 1.28 billion has been allocated under conditional grant for the availability of free sanitary pads to girl students from all the community schools of Nepal through local governments

ABSORPTION CAPACITY

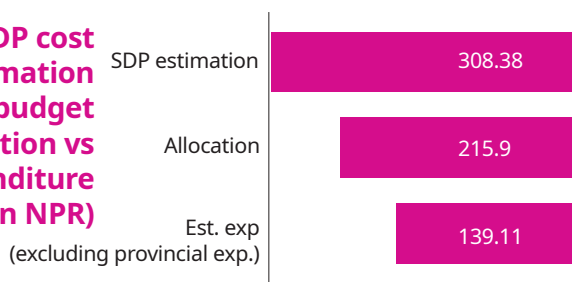
Compare to 85.2 % average fund absorption capacity of the WASH sector budget during the three-year period '2015/16 -2017/18', it could absorb only 52.3 % in 2018/19 and 44.4% in 2019/20.

Draft WASH Sector Development Plan (SDP) has indicated the requirement of NPR 308.38 billion for the period '2015/16-2020/21' to meet WASH SDGs by 2030, but the allocation was only NPR 215.6 billion (70%) and the expected expenditure is only NPR 154 (50%) of the requirement.

Wash sector absorption capacity 2015/16 - 2019/20



SDP cost estimation vs budget allocation vs expenditure (in billion NPR)



WASH BUDGET AND COVID-19

Good hygiene is the first line of defense against Covid-19 and handwashing with soap is recognized as one of the effective measures to prevent spreading of corona virus. Despite the fact, there is no stand-alone targeted program for hygiene under the sector ministry budget.

WASH Sector Programs/Projects for the year 2020/21 (in hundred thousand NPR)

SN	Program/Project	Total	
A.	Ministry of Water Supply	Ministry of Water Supply	
1	Ministry of Water Supply	785	Both
B.	Department of Water Supply and Sewerage Management		
2	Department of Water Supply	27082	Both
3	Human Resource Development Program	382	Both
4	Federal Drinking Water and Sewerage Management Programs	2072	Both
5	National Information Management and Monitoring Project	1150	Both
6	Drinking Water Service Extension and Rehabilitation Project	30850	Rural
7	Drinking Water Quality Improvement Project	5580	Both
8	Third Small Town Drinking Water and Sanitation Project	7626	Urban
9	Climate Adaptive Mega Drinking Water Project	34121	Both
10	Sewerage Construction and Treatment Project	19987	Urban
11	Drinking Water and Sanitation Partnership Program	25835	Urban
12	Urban Drinking Water and Sanitation (Sector) Project	39266	Urban
13	Central Drinking Water Project	19157	Both
14	Integrated Drinking Water and Sewerage Program	1050	Urban
C.	Melamchi Drinking Water Committee		
15	Melamchi Drinking Water Project	54645	Urban
D.	Rural Drinking Water and Sanitation Fund Development Committee		
16	Rural drinking Water and Sanitation Fund Town Development Fund- Drinking Water	11222	Rural
E.	Nepal Water Supply Corporation		
17	Drinking Water Augmentation Program	12050	Urban
18	Drinking Water and Sewerage Program	14110	Urban
F.	Kathmandu Valley Water Supply Management Board		
19	Kathmandu Valley Water Supply Management Board	19970	Urban
20	Sewerage Treatment Centre	1200	Urban
G.	Project Implementation Directorate		
21	Kathmandu Valley Drinking Water Improvement Program	38878	Urban
22	Kathmandu Valley Sewerage Management Program	20000	Urban
H.	Conditional grant for provinces	44019	
	Province 1	7066	Both
	Province 2	6924	Both
	Bagmati	6215	Both
	Gandaki	5644	Both
	Pradesh 5	9075	Both
	Karnali	3456	Both
	Sudur Paschim	5639	Both
GRAND TOTAL OVERALL		431037	

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 **Er. Arun Simkhada**, Joint Secretary, Ministry of Water Supply for the information and verification of analysis, **Mr. Govind Shrestha**, Policy Specialist, for preparing the content and analyzing the information used to prepare this factsheet, **Ms. Tripti Rai**, Country Director for her direction and guidance and **Ms. Shivani Chemjong**, Senior Officer- Communications and Fundraising for her editorial and designing support.

Sources: WaterAid Nepal calculations are based on the information from the Redbooks of Ministry of Finance, Budget Speech 2020/21, Ministry of Water Supply and Federal and Provincial Level Programs, Ministry of Water Supply 2076/77, LMBIS, Ministry of Finance, Draft WASH Sector Development Plan, Ministry of Water Supply, Educational and Physical Program 2020/21, Centre for Education and Human Resource Development, Ministry of Education.

Note: This analysis covers only budget allocated by the federal government and which are reflected in the Redbooks. It does not cover budget allocated by province and local level governments by their own. It also does not cover the cost contribution by the users.

