

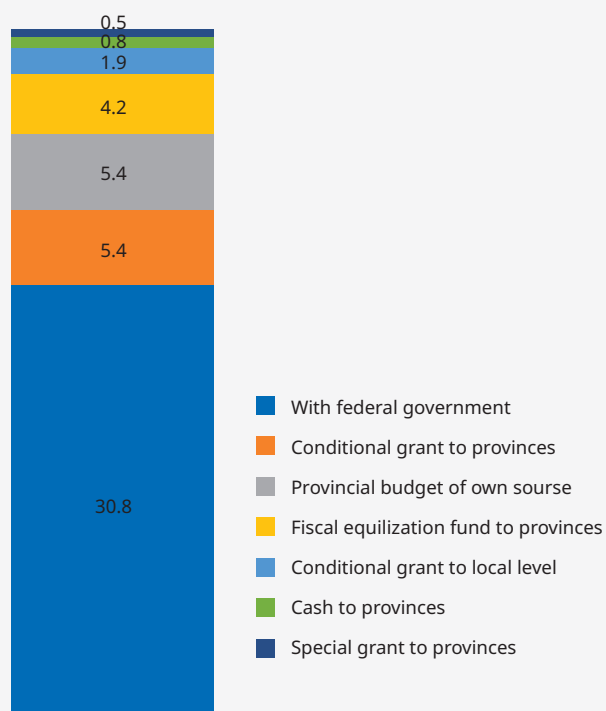
WASH FINANCING

IN NEPAL 2022/23

CONTEXT: SEVEN YEARS TO SDGs 2030

WASH BUDGET WITH FEDERAL AND PROVINCIAL GOVERNMENTS 2022/23

In billion NPR

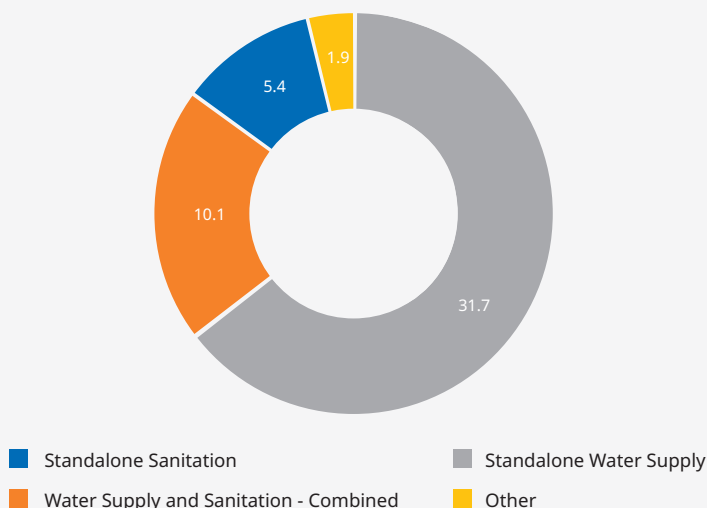


In 2022/23, federal and provincial governments combined allocated NPR 49.1 billion to the Water, Sanitation and Hygiene (WASH) sector in Nepal. Out of the total budget, NPR 30.8 billion has to be expensed by the federal government, NPR 16.4 billion (Transfer of NPR 5.4 billion conditional, NPR 4.2 billion fiscal equalization, NPR 0.8 billion cash, and NPR 0.5 billion special grants and NPR 5.4 billion from the province's own source) has to be expensed by the provincial governments and NPR 1.9 billion (Conditional grant from federal transfer) has to be expensed by the local governments

NPR 49.1 billion is 1 percent of the GDP (2021) and 2.3 percent of the combined federal and provincial budget.

FEDERAL AND PROVINCIAL WASH BUDGET BY SANITATION AND WATER SUPPLY 2022/23

In billion NPR



In 2022/23, federal and provincial governments combined allocated a total of NPR 5.4 billion (11%) to standalone sanitation project/programs, NPR 31.7 billion (64.6%) to standalone water supply project/programs, NPR 10.1 billion (20.6%) to combined water supply and sanitation program/projects and NPR 1.9 billion (3.8%) to other projects. There is reduction of 10.2 billion in budget allocated for combined water supply and sanitation programmes compared to 2021/22.

OVERALL FEDERAL BUDGET BY SOURCES - 2022/23

In billion NPR

OVERALL BUDGET: NPR 1794 billion (1.8 Trillion)

Domestic source: NPR 1240 billion (1.2 Trillion)

Revenue: NPR 1240 billion (69%)

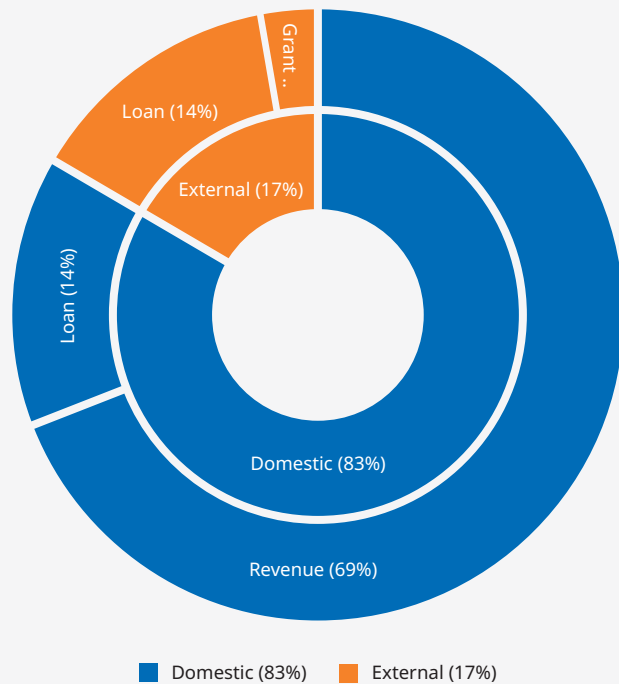
Loan: NPR 256 billion (14%)

External source: NPR 373 billion

Grant: NPR 55 billion (3%)

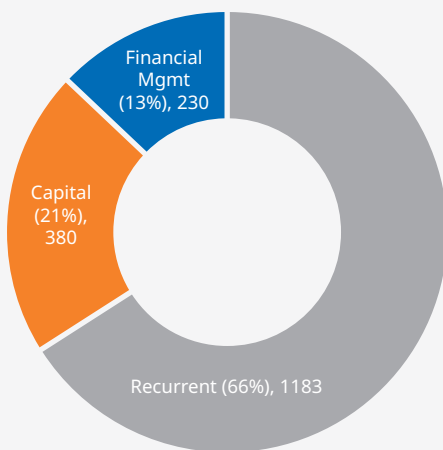
Loan: NPR 242 billion (14%)

Compared to 2021/22, the overall budget has increased by 8.9 percent this year.



OVERALL FEDERAL BUDGET BY COST - 2022/23

In billion NPR



Out of the overall budget, the government allocated a total of NPR 1183 billion (66%) for recurrent cost, NPR 380 billion (21%) for capital cost and NPR 230 billion (13%) for financial management cost.



OVERALL FEDERAL BUDGET TO THREE TIERS OF GOVERNMENT - 2022/23

In billion NPR

BY COST	Federal	Province	Local
Recurrent cost (66%)	753 (64%)	129 (11%)	300 (25%)
Capital cost (21%)	380 (100%)	0	0
Financial management cost (13%)	230 (100%)	0	0
Total	1363 (76%)	129 (7%)	300 (17%)

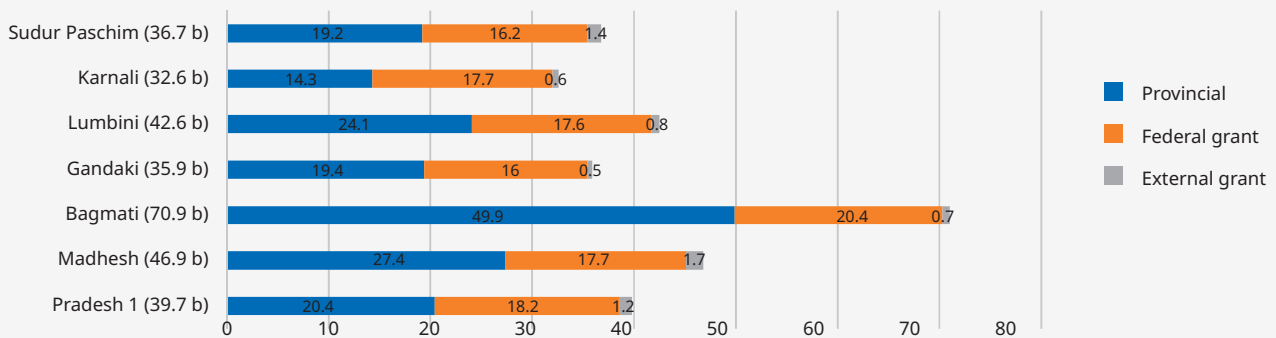
OVERALL PROVINCE BUDGET BY COST 2022/23

In billion NPR

Province	Capital	Recurrent		Financial management	Total
		Province	Transfer to local level		
Pradesh 1 (39.7 b)	21.5	15	3.1	0	39.7
Madhesh (46.9 b)	25.9	18.8	2	0	46.9
Bagmati (70.9 b)	41.6	19	8.3	2	70.9
Gandaki (35.9 b)	22.1	11.1	2.1	0.5	35.9
Lumbini (42.6 b)	24.5	13.3	4.8	0	42.6
Karnali (32.6 b)	19.4	9.2	4	0	32.6
Sudur Paschim (36.7 b)	24.1	10.9	1.4	0.3	36.7
Total	179.1	97.3	25.7	2.8	305.9
%	59	32	8	1	100

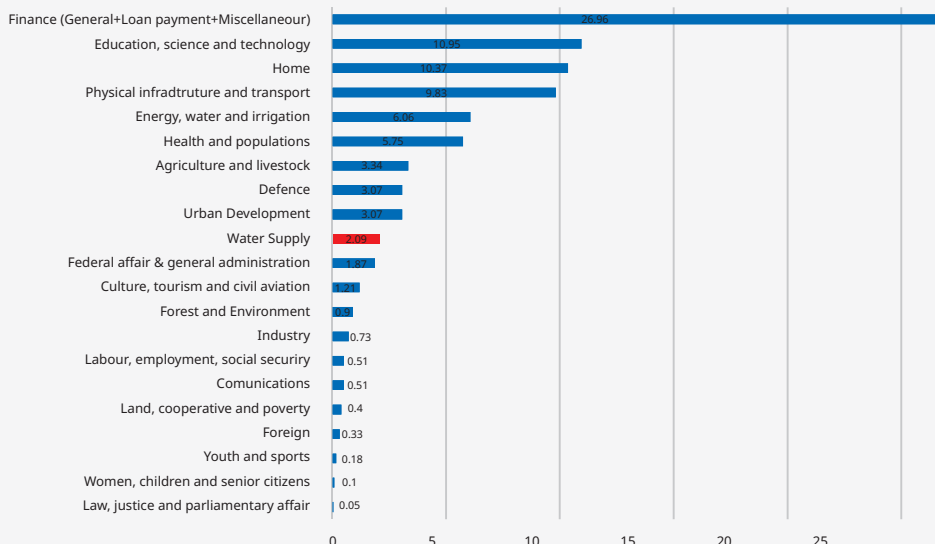
OVERALL PROVINCE BUDGET BY SOURCE 2022/23

in billion NPR



Overall budget of seven provinces is NPR 305.3 billion (increased by 43.5 billion from 21/22), consisting of federal transfer NPR 130.7 billion (NPR 123.8 federal grant and NPR 6.9 external grant) and their own sources NPR 174.7 billion.

FEDERAL BUDGET : WATER SUPPLY VS OTHER MINISTRIES 2022/23 Percentage

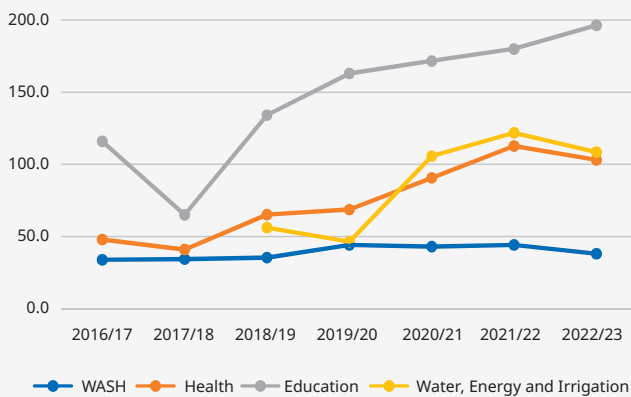


Federal budget for WASH is NPR 38.16 billion, which is 2.09 % of the national budget and 0.9% of GDP. Federal **WASH budget this year has decreased by 13.6 % from last year's budget.**

WASH Ministry comes under the rank of 10th highest receiving budget among 21 ministries. Ministries of Finance, Education, Science and Technology, Physical are amongst the top three highest receiving Ministries.

FEDERAL BUDGET ALLOCATIO TREND: WASH, HEALTH, EDUCATION AND WATER, ENERGY AND IRRIGATION 2016/17 - 2022/23

In billion NPR

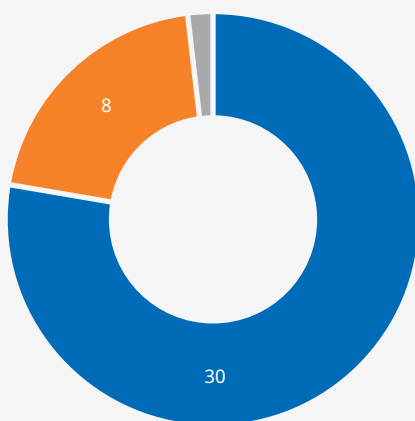
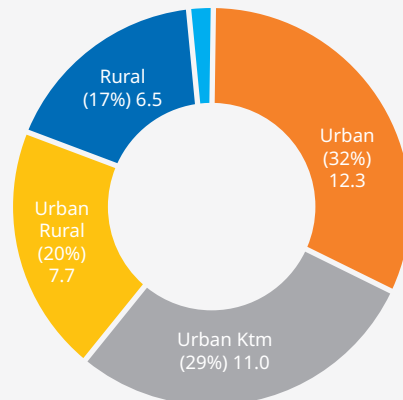


Government allocated NPR 38.2 billion to WASH, NPR 103 billion to Health, NPR 196 billion to Education, and NPR 108 billion to water, energy and irrigation sectors. There has been steady increase in the Education, Health, WASH and Water, Energy and Irrigation sectors budget for the last five years till 2021/22, but there is a reduction in budget in Health, WASH and Water, Energy and Irrigation sectors in 22/23.

FEDERAL WASH BUDGET BY RURAL AND URBAN SETTINGS 2022/23

in billion NPR

61% of the WASH budget is allocated solely to urban projects, 20% to both urban and rural types of programs and 17% to rural programs. 29% of the WASH budget is directly targeted to Kathmandu valley.

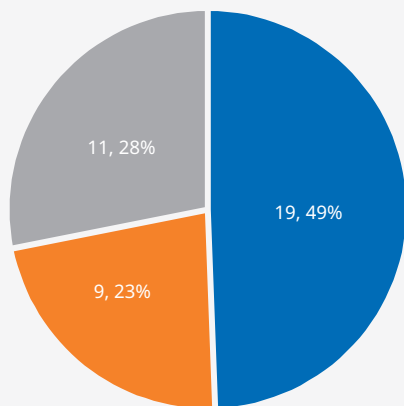


■ Services through large network systems
■ Basic services ■ Other

FEDERAL WASH BUDGET BY SERVICES 2022/23

in billion NPR

Out of the budget allocated to WASH services, 20% (NPR 8 billion) is allocated for programs related to basic services, 78% (NPR 30 billion) for programs related to large network systems, and 2% (NPR 1 billion) for support services. Out of the support services, NPR 45 million is allocated to capacity building program, whereas NPR 95 million and NPR 611 million are allocated to MIS/Monitoring and Admin/Management costs.

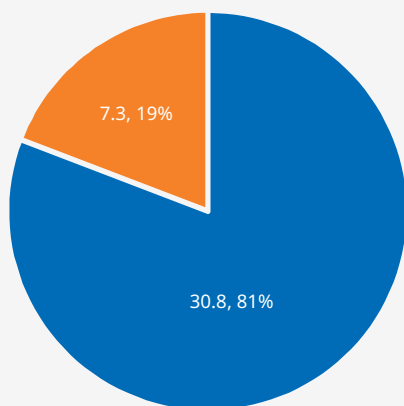


FEDERAL WASH BUDGET BY SERVICES 2022/23

in billion NPR

49% (NPR 19 billion) of the budget allocated to WASH is for capital cost, whereas 23% (NPR 9 billion) for recurrent cost and 28% (NPR 11 billion) for financial management cost.

■ Capital ■ Recurrent ■ Financial Management



FEDERAL WASH BUDGET TO BE EXPENSED BY FEDERAL AND PROVINCIAL LEVEL 2022/23

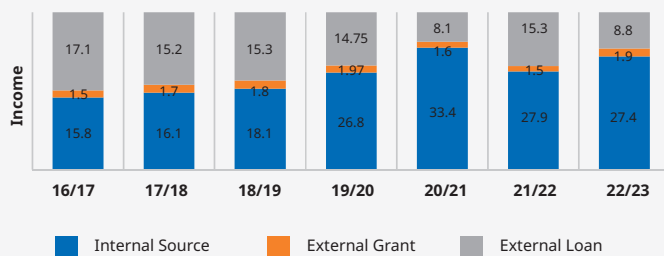
in billion NPR

81% (NPR 30.8 billion) of the WASH budget to be expensed by federal government and 19% (NPR 7.3 billion) to be expensed by provincial governments under conditional grant.

■ Federal ■ Province

TREND IN PROPORTION OF FEDERAL WASH BUDGET BY PUBLIC FUNDING 2016/17-22/23

in billion NPR



In the last six years of the SDG period, the share of the proportion of external funding reduced to 28% in 2022/23 from 54% in 2016/17

FEDERAL WASH BUDGET BY DEVELOPMENT PARTNERS: 2016/17- 2022/23

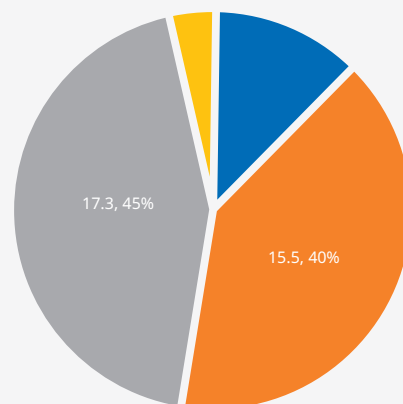
In billion NPR

Funding institution	2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Federal government	15.90	46.00	16.10	50.0	18.10	50.84	26.8	61.7	33.4	77.40	27.4	61.99	27.433	71.90
Donors/DPs	18.57	54.00	17.28	50.0	17.15	48.18	16.7	38.5	9.7	22.60	16.8	38.01	10.722	28.10
UNICEF	0.10	0.40	0.16	0.5	0.11	0.30	0.02	0.03	0.01	0.02	0.01	0.02	0.003	0.01
IDA	5.60	16.00	1.95	6.0	2.15	6.04	1.89	4.34	0.99	2.30	0.00	0.00	0.353	0.92
OFID							0.66	1.52	0.30	0.70	0.36	0.80	0.207	0.54
ADB	11.30	33.00	14.46	42.0	13.60	38.19	12.90	29.68	7.19	16.68	12.92	29.19	8.288	21.72
Finland	0.50	2.00	0.66	2.0					-		0.18	0.40	0.240	0.63
Helvetas	0.05	0.10	0.03	0.1					-		-		-	
UN-Habitat	0.01	0.02	0.01	0.0					-		-		-	
WHO	0.00	0.01	0.01	0.0					-		-		-	
EU	0.01	0.03	-	-					-		-		-	
JICA	1.00	3.00	-	-	1.30	3.65	1.25	2.88	1.25	2.90	1.25	2.83	1.400	3.67
IMF/ECF											2.00	4.52	0.000	0.00
JFPR											0.11	0.24	0.232	0.61
Total	34.5	100	34.5	100	35.6	100	43.46	100	43.10	100	44.25	100	38.15	100

FEDERAL BUDGET ACROSS WATER AND SANITATION 2022/23

in billion NPR

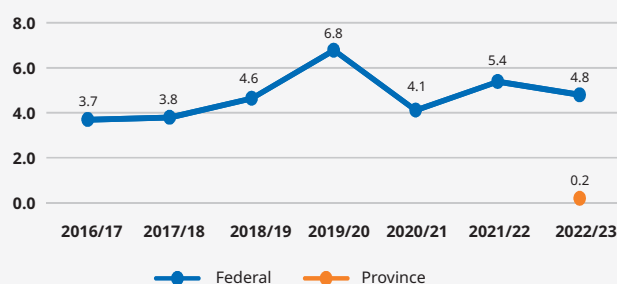
- Standalone Sanitation
- Water Supply and Sanitation -Combined
- Standalone Water Supply
- Other



Out of the total federal budget for WASH (NPR 38.15 billion), NPR 4.8 billion (12%) is allocated for standalone sanitation projects, NPR 17.13 billion (45%) is for standalone water supply projects, and NPR 15.5 billion (40%) for water supply and sanitation combined projects.

STANDALONE SANITATION BUDGET TREND AT THE FEDERAL AND PROVINCE LEVEL 2016/17 TO 2022/23

in billion NPR



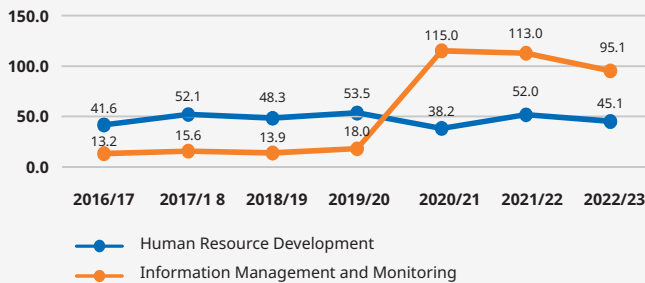
On average, the standalone sanitation budget trend is almost stagnant for the last five years. There is no standalone hygiene budget.

COVID-19 in WASH BUDGET 2022/23

A total of NPR 257.2 million is allocated for Covid-19 specific project this year with support from Japan Fund for Poverty Reduction (JFPR)

BUDGET ALLOCATION TREND IN CB AND MIS 2016/17-2022/23

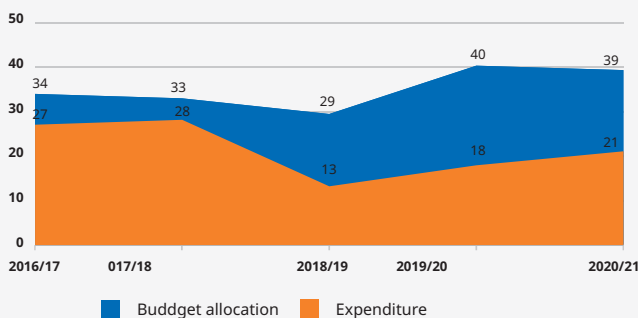
In million NPR



In 2022/23, WASH budget to stand alone Human Resource Development Program program is NPR 45.1 million and National Management of Information Programs is NPR 95.1 million.

BUDGET UTILIZATION BY WASH SECTOR AT THE FEDERAL LEVEL 2016/17 TO 2020/21

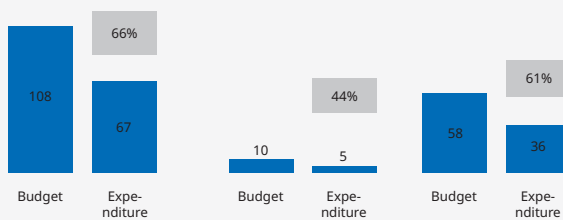
In billion NPR



In the past five years of SDG period from 2016/17 to 2020/21, WASH sector utilized only 63% of the allocated budget. Compared to 82 % average fund utilized during the period '2016/17-2017/18', it could utilize only 48% after the implementation of federal structure in '2018/19-2020/21'.

FEDERAL WASH BUDGET UTILIZATION BY COST 2016/17 - 2020/21

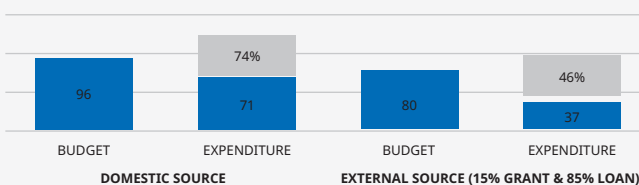
In billion NPR



Out of the utilized budget, 66% is capital cost, 44% is recurrent cost and 61% is financial management cost.

EXPENDITURE AGAINST ALLOCATION BY WASH FUNDING TYPES AT FEDERAL LEVEL IN NEPAL 2016/17 - 2020/21

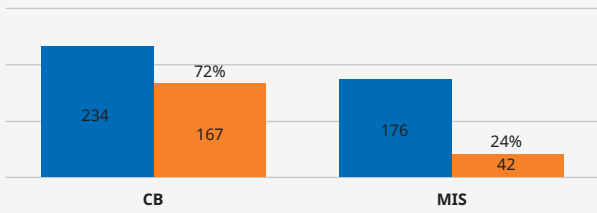
In billion NPR



Out of the expenditure in the same period, it could utilize 74% domestic funds and only 46% external funds.

WASH BUDGET ALLOCATION AND EXPENDITURE BY CAPACITY BUILDING AND MIS/ MONITORING IN NEPAL 2016/17 - 2020/21

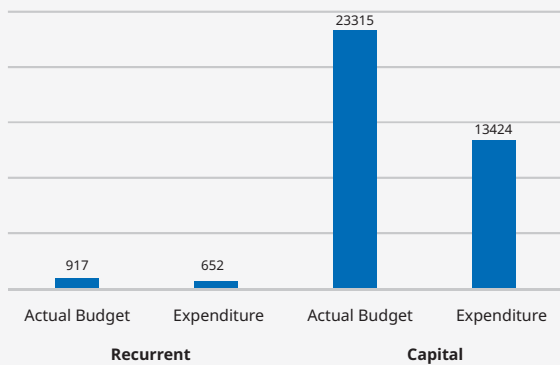
In million NPR



In the past five years of SDG period from 2016/17 to 2020/21, Capacity Building (CB) programs utilized 72% of the allocated budget and Management Information System (MIS) programs utilized 24% of the allocated budget.

BUDGET UTILIZATION BY MINISTRY OF WATER SUPPLY PROGRAMS/PROJECTS 2021/22

In million NPR



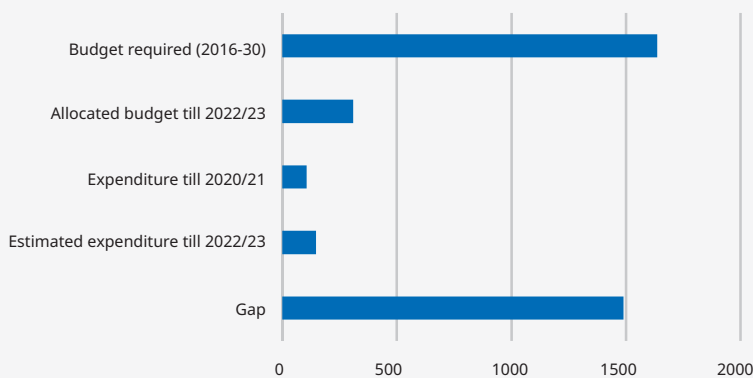
The Ministry of Water Supply utilized only 58% of the actual allocated budget in 2021/22, consisting of 71% from the recurrent cost and 58% from the capital cost.

Out of 19 program/project budget heads, two program/projects utilized above 80% of the actual budget, three utilized between 60% to 80% of the actual budget and eleven program/projects utilized below 60% of the Actual budget.

Please refer to the table in the second last page of this sheet for actual budget and expenditures according to sub budget heads.

WASH BUDGET ALLOCATION AND GAP 2016 TO 2030

In billion NPR



Sector Development Plan (SDP) has estimated NPR 1636 billion budget for the period '2016-2030' to meet national targets for WASH SDG by 2030, but the allocation is only NPR 310 billion (19%) and the estimated expenditure is only NPR 147 billion (9%) by 2022/23.

Province and local governments are also allocating some budget from their own sources, which is very low compared to the requirement.

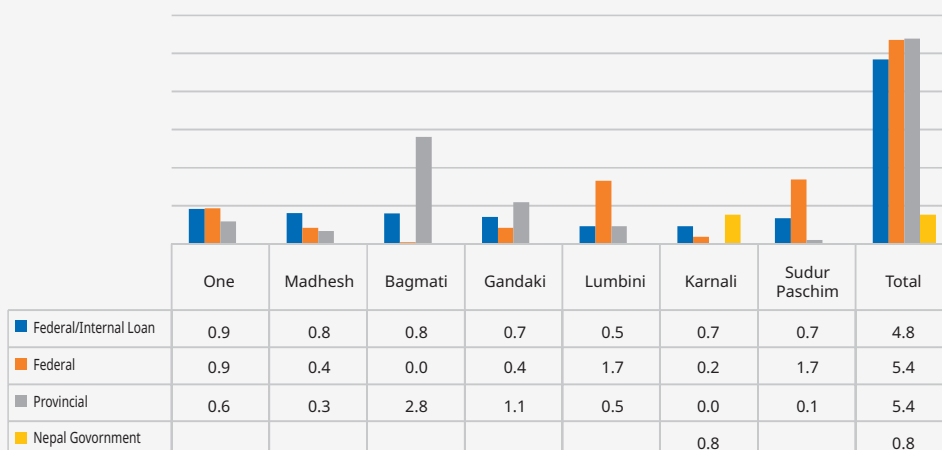
The financing gap at present remains similar to when estimated in 2016.

WASH BUDGET IN PROVINCES BY SOURCES 2022/23

In billion NPR

Province wise financial sources for the WASH budget are presented in the chart.

WASH budget in Province 1 is NPR 2.3 billion (6.2% of the overall province 1 budget), Madhesh is NPR 1.6 billion (3.3% of the Madhesh Pradesh budget), Bagmati is 3.4 billion (5.2% of the Bagmati Pradesh budget), Gandaki is NPR 2.2 billion (6.2% of the Gandaki Pradesh budget), Lumbini is NPR 2.4 billion (6.1% of the Lumbini Pradesh budget), Karnali is NPR 1.4 billion (4.4% of the Karnali Pradesh) and Sudur Paschim is NPR 2.2 billion (6.7% of the Sudur Paschim Pradesh).

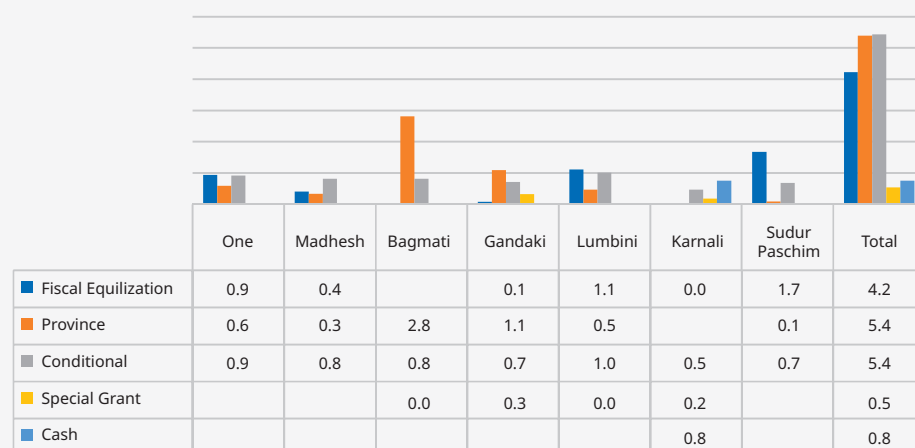


In 2022/23, provinces in total allocated NPR 16.6 billion in the WASH sector, consisting of NPR 5.5 billion from the provinces of their own sources, NPR 4.4 billion from federal/internal loan, NPR 5.4 billion from the federal grant and NPR 7.6 billion from the Nepal government.

WASH BUDGET ACROSS SEVEN PROVINCES BY FUND TRANSFER MECHANISM 2022/23

In billion NPR

In total, 25.9% (NPR 4.2 billion) of the provincial budget is from fiscal equalization grants, 33% (NPR 5.4 billion) from the provinces of their own, 3.3% (NPR 0.5 billion) from special grants and 4.7% (NPR 0.8 billion) from cash.

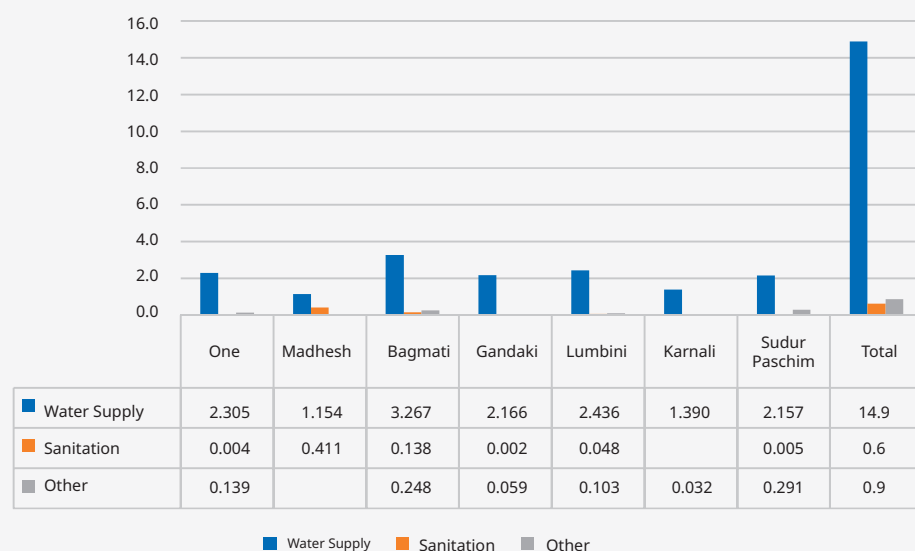


WASH BUDGET ACROSS SEVEN PROVINCES BY SERVICES 2022/23

In billion NPR

Out of the total WASH budget in seven province i.e. NPR 16.4 billion, 91% (NPR 14.9 billion) is for water supply, 4% (NPR 0.6 billion) is for Sanitation and 5% (NPR 0.9 billion) is for other support services.

96.8% (NPR 15.8 billion) of the WASH budget in seven provinces is capital cost where it is 3.2% (NPR 0.5 billion) for recurrent cost.



WASH Expenditure Against Budget Heads Under the Ministry of Water Supply 2021/22

In million NPR

Program/Project (Budget heads)	Actual Budget		Expenditure		Expenditure (%)			Development Partner
	Recurrent	Capital	Recurrent	Capital	Recurrent (R)	Capital (C)	Total (R+C)	
Ministry of Water Supply	101	31	63	29	63	96	70	
Melamchi Water Supply Project	78	2471	64	809	82	33	34	ADB
Kathmandu Valley Bulk Water Transmission Project (Second)		403		119		29	29	ADB
Department of Water Supply and Sewerage Management	65	164	50	28	76	17	34	
Human Resource Development Program	36	13	24	5	67	41	60	UNICEF
Federal Water Supply and Sewerage Management Program	292	33	220	28	75	86	76	
National Information Management and Monitoring Program	19	21	3	1	18	7	12	UNICEF
Water Service Extension and Rehabilitation Program	2	5455	1	3511	79	64	64	GON
Water Quality improvement Program	13	463	9	212	66	46	46	UNICEF
Climate Resilient Large Water Supply Project	41	3207	34	2594	82	81	81	GON
Sewer Construction and Treatment Program	15	1578	11	761	70	48	48	GON
Water Supply and Sanitation Cofinancing Program	41	2264	31	1205	76	53	54	
Urban Water Supply and Sanitation (Sector) Project	145	4421	91	2432	63	55	55	ADB
Central Water Supply Project	9	2318	6	1578	68	68	68	
Integrated Water Supply and Sewerage Managemen Project	9	74	4	7	51	10	14	
Covid 19 Response Program	11	105	3	15	30	14	15	JFPR
Sustainable Sanitation Project	0	179	0	0	0	0	0	Finland/EU
Water Supply Governance and Infrastructure Promotion Project	1	20	0	3	88	17	18	WB
Rural Water Supply and Sanitation Fund Board	40	97	37	86	92	89	90	
Total	917	23315	652	13424	71	58	58	

FEDERAL WASH SECTOR PROGRAMS/PROJECTS FOR THE YEAR 2022/23

(IN HUNDRED THOUSAND NPR)

Program/Project	Budget (In billion NPR)				Types of Services
	Total	Domestic	External	Financial Management	
Ministry of Water Supply	996	996	-	-	Support - Adm & Mgmt
Melamchi Water Supply Project	8077	7,917	160	-	Large Network -Urban
Kathmandu Valley Bulk Water Transmission Project	16,950	3461	13,489	-	Large Network -Urban
Department of Water Supply and Sewerage Management	2,042	2,042	-	-	Support - Adm & Mgmt
Human Resource Development Program	451	426	25	-	Support - Capacity building
Federal Water Supply and Sewerage Management Programs	3,071	3,071	-	-	Support - Adm & Mgmt
National Management Information Project	951	951	-	-	Support - MIS/ Monitoring
Water Service Extension and Rehabilitation Program	956	956	-	-	Basic - Rural
Water Quality Improvement Program	6,795	6,765	30	-	Large Network - Urban
Climate Resilient Large Water Supply Project	32,374	32,374	-	-	Large Network - Rural
Sewerage Construction and Treatment Program	24,442	24,442	-	-	Large Network -Urban
Water Supply and Sanitation Co Financing Program	21,598	21,598	-	-	Large Network - Urban
Urban Water Supply and Sanitation (Sector) Project	41,443	10,275	31,168	-	Large Network - Urban
Central Drinking Water Project	28,153	28,153	-	-	Large Network - Rural
Integrated Water Supply and Sewerage Management Project	3,086	3,086	-	-	Large Network - Urban
Covid-19 Response Project	2,572	253	2,319	-	Large Network-Urban
Sustainable Sanitation Project	3,000	600	2,400	-	Basic - Rural
Nepal Water Governance and Infrastructure Promotion Project	3,998	471	3,527	-	Large Network - Rural/ Urban
Rural Water Supply and Sanitation Fund	128	128	-	-	Basic - Rural
Town Development Fund _ Water Supply Sector (TDF)	7,037	-	-	7,037	Large Network- Urban
Water Supply Augmentation Program (NWSC)	6,650	-	-	6,650	Large Network- Urban
Water Supply and Sewerage Program (NWSC)	16,000	-	-	16,000	Large Network- Urban
Kathmandu Valley Water Supply Management Board	17,600	-	-	17,600	Large Network- Urban
Sewerage Treatment Centre (KUKL)	1,000	-	-	1,000	Large Network- Urban
Kathmandu Valley Water Supply Improvement Project (PID)	27,166	-	-	27,166	Large Network- Urban

Program/Project	Budget (In billion NPR)				Types of Services
	Total	Domestic	External	Financial Management	
Kathmandu Valley Sewerage Management Project (PID)	19,278		-	19,278	Large Network- Urban
Kathmandu Valley Water Supply Improvement Project (Second) - (PID)	12,576		-	12,576	Large Network- Urban
Total Federal	308,390	147,965	53,118	107,307	
Conditional grant for provinces/local level governments	73,187	73,187			
Province 1	9,196	9,196			Basic - RuralUrban
Madhesh	8,221	8,221			Basic - RuralUrban
Bagmati	8,084	8,084			Basic - RuralUrban
Gandaki	7,195	7,195			Basic - RuralUrban
Lumbini	10,035	10,035			Basic - RuralUrban
Karnali	4,697	4,697			Basic - RuralUrban
Sudur Paschim	6,828	6,828			Basic - RuralUrban
Local Level Government	18,931	18,931			Basic - RuralUrban
Total	381,577	221,152	53,118	107,307	

ACKNOWLEDGEMENT

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SOURCES

WaterAid Nepal calculations are based on the information from

- Redbooks of Ministry of Finance 2016/17 to 2022/23
- Red books of seven provinces 2022/23
- Line Ministry Budget Information System 2021/22
- Programs/projects of federal, provincial and local levels, Ministry of Water Supply, 2022/23 (2079/80)
- Draft WASH Sector Development Plan, Ministry of Water Supply

NOTE

This analysis covers only the budget allocated by the federal and province levels reflected in the respective Redbooks and Line Ministry Budget Information System. It does not cover the budget allocated by local levels and cost contribution by the users.

