



NEPAL

High-Priority Country Plan

GLOBAL WATER STRATEGY | 2022-2027

In 2022, Nepal was designated as a High-Priority Country (HPC) under the U.S. government Global Water Strategy (GWS). Over the next five years of the Strategy period, USAID/Nepal will continue its efforts to support the Government of Nepal (GoN) and other stakeholders to strengthen water security, sanitation, and hygiene (WSSH) systems, including increasing access to area-wide sanitation and sustainable, safe water supplies in communities and institutions, as well as facilitating the sound management of water resources. USAID/Nepal's investments will build on the considerable achievements and learning in strengthening WSSH capacities across federal, provincial, and municipal institutions. Over the Strategy period, USAID/Nepal will aim to strengthen WSSH systems (50 institutions), including increasing access to safely managed sanitation (16,200 people) and basic water services (75,500 people) in communities and institutions (schools and health care facilities). Over \$828,000 will be mobilized for water, sanitation, and hygiene (WASH) services.

CONTEXT

Nepal's water sector faces challenges in quantity, quality, and reliability, which are compounded by the substantial threats that climate change poses to water resources and human health. The country's geographic location, on the boundary of two tectonic plates, combined with unstable soils, heavy monsoon rains, steep topography, and lack of year-round road access to many areas contribute to a high vulnerability to disasters, particularly earthquakes and floods. The impact of disasters is more pronounced among marginalized and remote populations. The frequency, duration, intensity, and geographic extent of floods and droughts are forecasted to increase in the future, and the timing will become more unpredictable. Changing rainfall patterns and temperatures and climate-induced disasters are depleting spring water sources, the primary source of drinking water in the mid hills, and discharge has declined over 30 percent in the last 30 years.¹

The agriculture sector is the major consumer of fresh water with 96 percent of the total consumption, just under 4 percent is used for domestic purposes, and the remainder is used by the industrial sector.² In 2007, Nepal was classified as experiencing "economic water scarcity" due to a lack of investment and insufficient human and institutional capacity to plan and manage the water supply to satisfy demand.³ Protecting sources and conserving the diminishing surface and underground drinking water resources are critical for Nepal's continued development.

In both urban and rural settings, 90 percent of households have access to at least basic drinking water, and 64 percent have a handwashing facility with soap and water.⁴ Nepal has moved from less than 15 percent access to at least basic sanitation service in 2000 to over 80 percent in 2022. However, these figures mask issues related to the equity and sustainability of services due to both global (climate change) and local constraints (technical, institutional, and political). Management of water supply and sanitation systems is weak, resulting in challenges to timely maintenance and repair. In 2019 the GoN estimated that only 28 percent of drinking water systems were fully functional.⁵

Water Quality and Contamination: Groundwater and surface water are frequently contaminated with biological and chemical contaminants, which are further aggravated by open disposal of solid waste and contaminated wastewater. At present, less than 3 percent of wastewater or fecal sludge is treated. According to a nationwide study, 75 percent of source water and 85 percent of household drinking water samples tested positive for fecal contamination.⁶ Frequent outbreaks of waterborne diseases, such as typhoid and cholera, have increased during the previous decade, due to the contamination of water sources.⁷

Hygiene and Health Risks: Nepal has made substantial progress in the past decade to improve hygiene coverage, but there are considerable differences across the country depending on geography and socioeconomic status. Diarrhea, which inhibits the ability to absorb consumed nutrients, is a serious threat for children under age five, potentially leading to increases in undernutrition. The World Health Organization (WHO) estimates that diarrhea causes 6,071 deaths per year in Nepal, mostly in children under age five, while a 2022 study found that diarrhoeal disease incidence in Nepal increased 4.4 percent with a 1°C increase in mean temperature and a 1-cm rainfall increase.⁸ Meanwhile, warming in Nepal is projected to be higher than the global average.⁹

Social Inclusion: Though the Constitution enshrines gender equality and disability inclusion, gender intersects with class, caste, religion, ethnicity, and other complex sociocultural factors in complicated ways to determine social status and access to resources.¹⁰ There is a mandate for 33 percent representation of women and the inclusion of representatives from different social and economic backgrounds in Water Users and Sanitation Committees, but major cultural barriers limit women's and marginalized communities' access, agency, and participation in WASH-related policy and practice.¹¹

NATIONAL PRIORITIES

The 2015 Constitution of Nepal states that “Each citizen shall have the right to access to clean water and hygiene.”¹² Several national policy frameworks, including the Water Resources Strategy 2002,¹³ National Water Plan 2005,¹⁴ National Irrigation Master Plan 2019,¹⁵ 15th Five Year Plan (2019–2023),¹⁶ National Water Resources Policy 2020,¹⁷ Water Supply and Sanitation (WASH) Act 2022, Sustainable Development Goals Road Map 2015–2030,¹⁸ and the Ministry of Energy, Water Resources and Irrigation 2018 White Paper¹⁹ provide an enabling environment for water management in support of inclusive water security. The GoN has recognized WASH as a basic human necessity and is committed to achieving universal, safely managed water and sanitation access by 2030, in line with Sustainable Development Goal (SDG) Goal 6: Ensure access to water and sanitation for all. Aligned with Nepal's federalism principles, actions to mainstream and localize the SDGs are embedded in the three tiers of government delineated in the 2015 constitution: federal, seven provinces, and 753 local governments responsible for over 40,000 small-scale WSUCs, with each municipality required to have a WASH unit.

The GoN has a draft WASH Sector Development Plan (SDP) that covers up to the year 2030. The current phase, from 2021 to 2025, focuses on improved service levels, functionality, and sustainability.²⁰ The National Adaptation Plan presented in 2021²¹ includes a medium-term goal of climate-resilient health, drinking water, and sanitation systems and services for 2030, recognizing the economic and environmental benefits of improved management and services. The government is working to identify any gaps or overlaps and propose amendments to clarify the institutional arrangements with its main sector development partners.

In 2022–2023 the GoN allocated a total of \$372 million to WASH, which represents 1 percent of the annual federal budget and 2.3 percent of the combined federal and provincial budget.^{22,i} However, budget utilization is less than 30 percent on average. Recent economic constraints resulted in a steep decline in WASH investment in fiscal year 2023–2024—only 1.6 percent of the total budget, reflecting the current economic downturn. At current budget levels, there will be a \$1 billion gap to meet national targets for WSSH SDG 6 by 2030, indicating a need for significant technical and financial assistance from donors and international development banks. At present, 38 percent of Nepal's 2021–22 WASH budget comes from external sources including loans. The main sources the GoN envisions to fill future gaps in WASH funding are significant loans from the Asian Development Bank and World Bank and grants from USAID, the Embassy of Finland, Japanese International Cooperation Agency (JICA), UK Foreign Commonwealth and Development Office (FCDO), UNICEF, and WHO.

i The combined allocation of Rs 49.1 billion (\$372 million) represents a combined allocation at the federal and provincial levels. Of this, \$289 million was allocated in the federal budget—significantly less than appropriations for health, education, water, and energy sectors..

USAID APPROACH AND RESULTS FRAMEWORK

USAID/Nepal's core activities address all four Strategic Objectives (SOs) under the GWS: to improve access to safe drinking water, promote sustainable sanitation practices, and build the capacity of local communities and institutions to manage water resources in a resilient manner. The flagship investment in WSSH is the Karnali Water Activity (Karnali Water), which was launched in 2021. This Activity focuses on safe drinking water access, fecal sludge management, agriculture water management, and conservation in rural communities. At the watershed level, Karnali Water strengthens sector governance and financing to support improved water resource management and mitigate shocks. USAID/Nepal's Health and Hygiene Activity (HHA) is supporting improved sanitation and infection prevention in health facilities and communities through investments in WASH infrastructure and training that directly support both SO 1 and SO 2. The geographic focus of USAID/Nepal's WSSH portfolio are mainly nine districts (Mugu, Jumla, Dailekh, Kalikot, Jajarkot, Rukum West, Dolpa, Salyan, and Surkhet) in Karnali Province, two districts (Kailali and Achham) in Sudharpachim Province, and two districts (Bardia and Rukum East) in Lumbini Province.



STRATEGIC OBJECTIVE I

Strengthen Water and Sanitation Sector Governance, Financing, Institutions, and Markets

Nepal's WSSH sector faces critical challenges in governance and financial sustainability. This is compounded by a lack of clarity about the roles and responsibilities across the three tiers of government and different legal and policy frameworks, including the lack of an independent regulator and oversight of tariffs. The move to federalism poses significant challenges in managing a resource that does not respect administrative boundaries, but also offers opportunities to increase accountability and investments for improved water and sanitation services.

Intermediate Results (IRs):

IR 1.1 Develop, strengthen, and implement inclusive laws, policies, and regulations: USAID/Nepal Activities aimed at strengthening the enabling environment for Water Resources Management (WRM) and WSSH focus on improving government capacity and the regulatory environment at the federal, provincial, and local levels, and supporting local governments to pass WASH legislation guided by gender equality and social inclusion (GESI) principles. These Activities also include efforts to improve transparency surrounding the process for setting tariffs and to enable streamlined registration of water sources to avoid conflicts, all informed by a strong gender, equity, and inclusion analysis and action plans. This work will be done in close collaboration with and under the guidance of a Project Steering Committee chaired by the Ministry of Water Supply. USAID/Nepal will support mapping of assets, risks, and attitudes to better manage the water resources for multiple, competing uses.

IR 1.2 Effectively mobilize and target public and private financing: To enhance joint planning processes and advocate for greater government resource allocation to WASH, USAID/Nepal will, through its Activities, continue to mobilize funds from municipal governments and communities prior to beginning any construction. These Activities support providers to improve tariff collections and utilization of revenues, and will develop and test different WASH business models including consolidation of multiple smaller water systems under professional management. For sanitation, investments will explore engaging the private sector along the sanitation value chain. USAID/Nepal will also advocate for greater allocation to and use of existing public resources for operations and maintenance and strengthening the budgeting and financing capabilities of local governments to improve resilience.

USAID/Nepal's Activities in water and sanitation improvements also provide a platform for additional investment in specific geographies by USAID Feed the Future (FTF) and Environment funding. These sectors, according to their geographic selection criteria, complement the governance and service delivery Activities by integrating green infrastructure for water source protection or agriculture-related livelihoods.

IR 1.3 Improve the capacity and performance of regional, national, and sub-national institutions: USAID/Nepal Activities will seek to improve the capacities of municipal and provincial governments to plan, administer, and execute WRM and WSSH sector budgets, ensuring better alignment of funding to meet the expectations and priorities of citizens, leading to support for the new federalist system. This includes a capacity assessment in all 29 municipalities for WASH service delivery, and developing a comprehensive capacity-building plan

for each municipality. At the ecological unit, these activities are governed by One Water Steering Committees at the Karnali River Basin and at sub-watershed levels to improve management of their shared water resources.

IR 1.4 Advance transparency, accountability, equity, and efficiency through participatory, data-driven decision-making: Leadership, coordination, and sector learning are supported by good data that enable evidence-based decision making. USAID/Nepal will work with local governments to strengthen their abilities to support, oversee, and regulate WASH services, with a focus on access to services for the most vulnerable. This will include training and coaching on the use of Nepal’s national WASH database (N-WASH) for asset management and improved service delivery. USAID will use the results of the spring source mapping across 29 municipalities to facilitate a broad-based participatory process to develop and update Water Use Master Plans (WUMPs) that address water issues more broadly, rather than focusing on drinking water service delivery alone. WUMPs include lists of prioritized investments for future water systems based on transparent data and focused on unserved and underserved populations. These Activities will also support local governments in developing WUMPs to increase the transparency of their investments, and to access federal block grant funding for WASH.



STRATEGIC OBJECTIVE 2

Increase Equitable Access to Safe, Sustainable, and Climate-Resilient Drinking Water and Sanitation Services and Adoption of Key Behaviors

USAID/Nepal’s current portfolio makes a concerted effort to focus on the equitability and sustainability of services, going beyond basic service improvements to reach the most vulnerable, and incorporating climate resilience into infrastructure design and construction. The current geographic focus of USAID/Nepal’s WSSH portfolio (including investments in WRM) is mainly in Karnali Province; this may expand to other provinces in the future, if the need is identified and resources are available to expand. Karnali Water works in 29 municipalities of eight districts (Kailali and Achham in Sudharpachim Province; Mugu, Jumla, Dailekh, Kalikot, and Surkhet in Karnali Province; and Bardia in Lumbini Province) with an integrated WASH and WRM approach,ⁱⁱ and WASH in Healthcare Facilities (HCF) works in seven districts: Surkhet, Dailekh, Salyan, Rukum West, Jajarkot, and Dolpa in Karnali Province, and Rukum East in Lumbini Province.

Intermediate Results (IRs):

IR 2.1 Increase area-wide access to safe, equitable, and affordable sanitation services: Based on earlier learning, USAID/Nepal will continue to support Activities that focus on moving away from interventions that necessitate Fecal Sludge Treatment Plant construction in all target locations. Future Activities aimed at expanding access to safe, equitable, and affordable sanitation services will allow projects to achieve the goals of safely managed sanitation value chains through other technologies, and with a focus on financial sustainability of the services. They will explore other technical options including small-bore sewers and decentralized wastewater treatment systems.

IR 2.2 Increase access to equitable, safe, reliable, and affordable drinking water services: USAID/Nepal will continue to support the GoN’s policy of “One House, One Tap” by extending water services to the household or compound through expanded multiuse systems where yield is sufficient. This work will provide expanded water-for-productive-use access through the development of community-level business plans to formalize management and repair arrangements. As a result, the capacities of municipalities and WUSCs will also be strengthened to effectively plan, manage, and sustain water systems. Through this Activity, USAID/Nepal will also continue to strengthen the equitable provision of water services, particularly to unserved and underserved populations, by integrating transparent prioritization processes into WUMPs and, in rural areas where there is no possibility for gravity-fed systems, constructing solar lifting systems.

IR 2.3 Improve performance and climate resilience of water and sanitation service providers: Based on detailed capacity assessments of WUSCs, USAID/Nepal will explore the potential of developing water systems that serve multiple municipal governments. This would allow for a higher level of professionalization, capture economies of scale for improved water and sanitation services, and better link sustainable water supply to water resources. Through these Activities, USAID will also collaborate with the Embassy of Finland to pilot test “Service Centers” at the municipal level to provide technical and financial support to small rural water systems.

ⁱⁱ This includes the following municipalities: Khatyad, Soru, and Chhayanaath Rara in Mugu district; Tila in Jumla district; Mahawai, Shuvakalika, Tilagufa, Khadachakra, and Naraharinath in Kalikot district; Ramaroshan, Panchadeval Binayak, Kamalbazar, and Turmakhad in Achham district; Aathbis, Thatikandh, Chamundabindrasaini, Bhairavi, and Dullu in Dailekh district; Barahatala, Panchapuri, and Chaukune in Surkhet district; Thakurbaba, Madhuban, Geruwa, and Rajapur in Bardiyadi district; and Tikapur, Janaki, Lamkuchuha, and Mohanyal in Kailali district.

IR 2.4 Increase adoption of key hygiene practices: USAID/Nepal is promoting the adoption of key water and hygiene-related practices including water efficiency, water conservation, safe drinking water handling and storage, and menstrual hygiene. These Activities will strengthen the correct and consistent adoption of key infection-prevention behaviors alongside targeted WASH infrastructure improvements in selected HCF. USAID/Nepal is also supporting education and role-playing around six key hygiene and food safety messages through government-to-government (G2G) programming, integrating hygiene into the GoN Routine Immunization program, which is being scaled up nationally, and through the integrated nutrition Activity.



STRATEGIC OBJECTIVE 3

Improve Climate-Resilient Conservation and Management of Freshwater Resources and Associated Ecosystems

Nepal's freshwater resources are under increasing strain. All USAID/Nepal investments in water will include climate-resilient conservation and integrated management interventions to conserve and allocate water against the competing demands for the resource.

Intermediate Results (IRs):

IR 3.1 Allocate and use water resources more equitably and efficiently: Through its water Activities, USAID/Nepal supports WUMP development in each of the 29 focus municipalities.ⁱⁱⁱ The Soil and Water Assessment Tool and climate-smart Water Accounting will be used to model water resources coming into and leaving the municipality. With this data, USAID/Nepal is able to track equitable and efficient allocation of water services at the municipal level, where water resources are provided. With Environment funding, USAID/Nepal can invest in water catchment and water source protection and rehabilitation, and help to operationalize existing WRM structures, such as WUSCs, as a strategic wraparound to the WASH funding. Similarly, with FTF funds, USAID/Nepal is able to enhance livelihoods by training farmers to use water-efficient production methods and connecting them to markets.

IR 3.2 Enhance reliability and quality of water resources through watershed management, including protection, restoration, and nature-based solutions: USAID/Nepal will continue to encourage collective action in four watersheds of the Karnali River Basin by mapping assets, risks, and attitudes; convening stakeholders to align interests; co-designing and co-implementing plans and interventions; and rigorously monitoring, learning, and adapting for impact and sustainability. This will help ensure well-protected and managed water catchment areas are supported by ecological flows for sustainable water services. One Water Committees will build municipal and provincial capacity for WRM functions at the watershed level, including water resources planning and regulation, water quality management, and pollution control, while promoting community participation in WRM.

Where appropriate, economic tools and approaches will be explored to link water catchment protection to investments in water supply schemes. As part of non-revenue water interventions, investments to reduce water losses in distribution systems and improve sanitation will help to protect freshwater ecosystems.

IR 3.3 Improve the climate resilience of water resources management (WRM): To ensure WASH investments are climate resilient, USAID/Nepal will support nature-based solutions that protect and conserve wetlands and forests that sustain water availability and quality. These approaches will be embedded at the municipal level; in the Integrated WRM plans at the watershed level, and in the One Water approach at the sub-watershed and Karnali River basin levels, bringing together stakeholders from different levels of government and civil society.

ⁱⁱⁱ USAID Karnali Water targets its support to 29 municipalities covering the Rara Khatyad, Tila, Middle Karnali, and Lower Karnali watersheds.



STRATEGIC OBJECTIVE 4

Anticipate and Reduce Conflict and Fragility Related to Water

Nepal's water resources are already under stress from population growth and more extreme weather events. Conflict-sensitive programming is required to prevent and manage any future conflicts that may arise from inequitable access, or seasonal or permanent shortages of fresh water.

Intermediate Results (IRs):

IR 4.1 Strengthen capacity to predict, prepare for, and adapt to shocks impacting water and sanitation systems in fragile settings: Through its work focused on strengthening climate-resilient water and sanitation systems, USAID/Nepal is leveraging research to model the effects of a changing climate on the timing, duration, and intensity of water events to help inform design and planning. It will apply this modeling in both the municipal-level WUMPs and the watershed-level Integrated Water Resources Management plans.

IR 4.3 Strengthen cooperation and reduce conflict over water and sanitation programming: Many of USAID/Nepal's interventions will support cooperation and reduce conflict. These include the development of Municipal Water legislation that outlines the process for registering water sources to reduce conflicts related to water access. The One Water Steering Committees, central to USAID/Nepal's WRM activities, aim to strengthen the enabling environment for water security and provide a forum for convening stakeholders that crosses administrative and cultural boundaries. These committees are vital for strengthening planning and collaboration at the watershed level, and enabling improved service delivery through shared sectoral policies, strategic investments, and regulatory reforms. Integrated Water Resources Plans consider current and forecasted future resource demands to identify potential conflicts and take action to prevent or mitigate them. Finally, the business plans that USAID/Nepal supports for all multiple-use water systems also build community coherence in planning for productive uses of the additional water that is provided to a community.

IR 4.4 Strengthen coherence across humanitarian, development, and peacebuilding approaches to water and sanitation programming: The GoN-led WASH Cluster in Surkhet acts as a provincial sector coordinating platform even when the official Humanitarian Cluster mechanism is not activated, and USAID/Nepal WASH Activities are active participants. Through this mechanism, USAID and its partners will share information about current and planned Activities, for example, sharing information to prepare for landslides prior to the rainy season and pre-positioning response materials. USAID/Nepal is a member of the Federal WASH Cluster when it is activated for humanitarian responses.

PRINCIPLES

USAID/Nepal integrates the Operating Principles under the GWS USAID Agency Plan throughout its programming. Interventions will operationalize many GoN policies and **support national and local systems** that lead to sustainable services, in addition to empowering local stakeholders to improve sustainable access to drinking water, sanitation, and hygiene. A systems approach focused on catalytic investments to improve the enabling environment for sustainable WASH service provision underlies all of USAID/Nepal's water and sanitation programming. GESI is integrated throughout Mission WASH programming. This includes WASH monitoring systems that disaggregate data for gender, sex, disabled and vulnerable groups; evaluation of service provider performance on equity criteria; improving service providers' customer approach to meet the needs of **marginalized and underserved people and communities**; and increasing women's agency in household decision making. USAID/Nepal leverages **data, research, and learning** to guide decision making while also addressing critical sector data gaps. **Resilience is incorporated into all aspects of programming**, particularly in the context of investing in climate-resilient water and sanitation infrastructure and withstanding shocks and stresses. USAID/Nepal will incorporate resilience in WASH Activities to prevent, reduce, and/or manage climate stresses and other disaster risks to WASH systems and water resources.

Illustrative learning questions include:

- Does taking a watershed-level approach to water services delivery help resilience?
- What is the impact of WASH investments on livelihoods?
- How can improved water governance and management capacity reduce conflict around water access?
- How can longer-range planning for sanitation services that will require public land in the future be supported?
- What knowledge and incentives are required to increase the participation of professional (private sector) players in the sector?
- How can rural water and sanitation services scale up with financial viability?

MISSION RESULTS FRAMEWORK

The approach outlined in this plan aligns with USAID/Nepal's broader Country Development Cooperation Strategy (CDCS) results framework for 2020–2025. The Mission's current and future WASH investments will contribute across all of USAID/Nepal's CDCS Development Objectives, and to USAID's commitment to localization, which includes shifting power to local actors, including those from marginalized and underrepresented groups, and providing them a space to influence and exercise leadership over program priority setting.

Development Objectives (DOs):

DO 1: More Effective, Participatory, and Equitable Democratic Ecosystem: Under the 2015 Constitution, responsibility for water and sanitation service delivery has been devolved to the local government, so all WASH sector investments directly support DO 1. USAID/Nepal aims to strengthen the provincial and local government institutions responsible for the delivery of WASH services by building their capacity, professionalizing service delivery, and improving service providers' financial performance. The Mission also works with the local government to transparently prioritize planned WASH investments in municipalities, whether funded by USAID or other sources.

DO 2: Broad-Based and Inclusive Economic Growth Fostered: USAID/Nepal supports IR 2.4: Marginalized and vulnerable communities integrated into market systems by designing and constructing water systems for domestic and productive uses. It also works with communities to prepare business plans for additional water, maintenance, and systems repair to support water service sustainability.

DO 3: Inclusive Health and Education Systems Strengthened: In the communities where USAID/Nepal is constructing water systems, all schools and health care facilities will be connected to the piped network. The Mission works specifically in health care facilities to improve quality of care through training and infrastructure improvements. These interventions support all three IRs under DO 3: IR 3.1: Quality of health and education services improved; IR 3.2 Equitable access to health and education services improved; and IR 3.3 Health and education systems' capacity to prepare for and recover from shocks increased.

DO 4: More Equitable and Improved Natural Resources and Disaster Risk Management: Through efforts to build the capacity of watershed management councils, establish sustainable financing schemes, insure WASH infrastructure, promote nature-based solutions, and facilitate partnerships that support WRM and sustainable livelihoods, USAID/Nepal is supporting DO 4. These interventions will help increase self-reliance and improve long-term water security for vulnerable communities. USAID/Nepal is also modeling water availability at the municipal level and using the data to inform the participatory and inclusive WUMP process, which contributes to both IR 4.1: Natural resources conservation enhanced, and IR 4.4: Resilience of women, marginalized and vulnerable groups increased.

USAID/Nepal's work on WASH legislation clarifies authorities and the process for registering water sources to reduce conflict. Karnali Water also increases resilience by supporting livelihoods through the construction of multiple-use water systems wherever yield is adequate, and leveraging other funding types (FTF, Environment) for complementary and strategic investments in productive uses of water, primarily agriculture.

KEY RISKS AND MITIGATION STRATEGIES

The main risks associated with successful achievement of USAID/Nepal's WASH goals are:

Climate change. Increasing water scarcity due to climate change is the principal environmental risk to improving drinking water access. Nepal is already experiencing reduced precipitation in the dry season, which decreases recharge of the shallow aquifers on which most water supplies depend and portends losses in agricultural productivity and associated economic hardship. This risk is exacerbated by a rapid increase in domestic and productive water demand. Extreme events are also becoming more common during the monsoon, and rainfall is increasing during the monsoon months. To mitigate the impacts of climate change, USAID/Nepal ensures that all Activities conduct a Climate Risk Management screening prior to implementation and all interventions take climate resilience into account. The Mission will also mitigate the climate change risk by operationalizing WRM structures at the local, sub-watershed, and watershed levels; investing in climate-resilient, nature-based solutions for water management; and using adaptive approaches in response to climate shocks and stressors like droughts, floods, and landslides.

Inadequate resource mobilization and utilization. Budget utilization is low at the federal and local levels, while additional funds are required at the service delivery level because user fees or tariffs are insufficient to cover operational and maintenance costs. This plan's sustainability depends on local systems in which local governments, utilities, and WRM entities have sufficient public resources, viable water user fee structures, and transparent systems to increase the quality and extent of services. The private sector must also be incentivized to invest in parallel with government structures. USAID/Nepal will address this risk by coupling investments in local systems strengthening with evidence generation to support the investment case for WASH and WRM, targeting federal policymakers, donors, and the private sector.

Economy and impact on inflation. As a landlocked country, Nepal is import-dependent and procures fuel, chemical fertilizers, and food on the international market to keep its economy growing. The war between Russia and Ukraine has raised the price of these goods, with annual inflation currently around 8 percent. This may affect local governments' and households' ability to invest in water and sanitation improvements. USAID/Nepal will mitigate this risk by strategically linking economic opportunities with water management and water access Activities.

COVID-19/pandemic disease. While COVID-19 cases and deaths dropped in late 2022, there was a surge of cases in April 2023 with many new variants circulating. The public is still urged to be cautious and practice vigilance due to the unstable nature of the virus and the potential for other disease outbreaks. USAID/Nepal is mitigating risks arising from COVID-19 by improving access to water supply systems and handwashing facilities, ensuring that water is available for infection prevention and control.

EXPECTED RESULTS AND BUDGET

Through the 2023–2028, USAID/Nepal’s activities are expected to achieve the following targets:



At least **75,500 people** gaining access to at least basic drinking water service



At least **16,200 people** gaining access to safely managed sanitation service



At least **50 health facilities** gaining access to safely managed drinking water services



\$828,000 mobilized for WASH services



At least **50 institutions** strengthened to manage water resources or improve water supply and sanitation services

This plan is costed based on prior year resources that are still available for programming, the FY 2022 estimated allocation of \$6.6 million, and the FY 2023 President’s Budget Request of \$5.1 million.

Endnotes

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