KEY MESSAGES:

Budgetary expenditure in the WASH sector has been stable in nominal terms, reaching LKR 27.4 billion in 2017, just slightly below the average actual spending (LKR 27.6 billion) on this sector during the period 2013–2017. In real terms, the actual budgeted expenditure for this sector has declined gradually, from LKR 25.5 billion in 2013 to LKR 23.3 billion in 2017. However, there have been significant increases in budget allocations in 2018 (revised estimate LKR 35.4 billion) and 2019 (estimate LKR 47.3 billion).

There has been an important change to the financing structure of the WASH sector since 2015, when the government issued treasury bonds to the National Water Supply and Drainage Board (NWSDB) to strengthen its balance sheet and enable autonomous borrowing. Since then, total public investment in the WASH sector has increased significantly, even as budgeted expenditure has remained static in nominal terms. By 2018, total public investment in this sector reached LKR 109 billion, of which 70 percent was financed through direct borrowings by NWSDB.

Budget execution in the WASH sector has been highly erratic during the period under review. Other than in the year 2015, where there was a 200 percent over-execution, under-execution of budgets has been the norm. Given the capital-intensive nature of WASH expenditure, there is a higher probability of under-execution since the fiscal consolidation process in Sri Lanka tends to curtail capital expenditure across a multitude of sectors.

Foreign financing contributes a significant amount to budgetary financing for the WASH sector. During the 2013–2018 period, foreign funds accounted for 74 percent of budgetary financing, on average. However, direct borrowings by the NWSDB has become the dominant source of public investment in the WASH sector since its introduction. There are limitations in the availability of data at a disaggregated level in the WASH sector. Available data indicates that 66 percent of the budget of key institutions in the sector are allocated for drinking water and 11 percent for sanitation. However, there was insufficient data to determine allocations for hygiene promotion.

With regard to outcomes in this sector, 90 percent of Sri Lankan households have access to safe drinking water, including 65 percent of households receiving piped water and water from protected wells. However, there are regional disparities, with the estate sector only having 43 percent access to improved water sources. An estimated 90 percent of the population has access to improved sanitation facilities, whilst open defecation practices are limited to only 2 percent of the population.
1. INTRODUCTION

This brief is one of four that explore the context of government budgets in Sri Lanka. The first brief, on budget processes, describes chronological events pertaining to the budgets of national and sub-national governments. The remaining briefs, on education and health sectors budgets, explore the extent to which these address the social concerns of citizens.

This brief, on Sri Lanka’s WASH sector budget and expenditure, informs readers of trends in spending on these services in recent years. The analysis includes underlying policy goals and the functional and regional distribution of budget allocations. The main objective of the brief is to function as an informative piece on the WASH sector budget. As such, the brief summarizes budget information in a manner that would be easily understood by different stakeholders, including civil society and the broader population, who may lack technical knowledge on the subject. This piece also serves to increase transparency on how much is being spent to meet the goals of the WASH sector. The brief is the result of a research partnership between UNICEF and Verité Research that aims to unpack the contours of government budgets in Sri Lanka.

Data for the brief was gathered from Sri Lanka’s Central Government Annual Budget Estimates 2013–2019. The WASH sector includes budget allocations to the line ministry—Ministry of City Planning and Water Supply and Higher Education (MCPWS)¹—that are identified as being spent on water or sanitation. Allocations for hygiene promotion that may be attributed to the health sector have been excluded as these are not easily identifiable in central budgets. In addition, health sector-specific expenditure is discussed in a separate brief, as mentioned above.

¹. Name of Ministry is as at 16th January 2019.
Data on provincial allocations for the WASH sector has not been used in the brief, as there is limited disclosure on allocations specific to this sector in Provincial Council (PC) Budget Estimates. Data from the Central Government’s Annual Central Budget Estimates has been integrated with data from other key government and independent organisation reports including, the 2018 GLAAS Survey. Finally, local authority-level [municipal councils (MC), urban councils (UC) and pradeshya sabhas (PS)] data has not been included in this brief because of the difficulties and time constraints in accessing this information. Information at this level is not publicly available and would need to be obtained by physically visiting each of around 340 local government authorities. Further, disaggregated data for the WASH sector is not available at this level.

The brief was developed under several constraints:

- First, availability of and comparability of data/information varied over time. These variations are seen across the central government level.
- Second, ministerial portfolios have undergone significant ad-hoc changes, rendering a meaningful comparison of budgets from one year to the next infeasible. The fluidity and movement in portfolios have increased considerably since 2014.
- Third, disbursements at the PC and local authority-level have not been considered in this analysis (as mentioned above), posing a significant constraint in the case of WASH, a sector which has considerable resource mobilization at this level.

2. HOW IS THE WASH SECTOR DEFINED?

2.1 Institutional framework

The WASH sector consists of national and sub-national institutions involved in the provision of water, sanitation and hygiene services. Sri Lanka’s WASH sector is almost completely owned and operated by government entities. However, there is a growing reliance on community-based organizations (CBOs) to manage rural schemes.2 Central-level government authorities are responsible for the development, construction and management of water and sewage systems; the provision of support to CBOs and local authorities to ensure maintenance and operation of rural water supply schemes; and the promotion of water preservation. Additionally, these entities are responsible for determining and implementing tariffs for WASH services.3 At the sub-national level, PCs and local authorities are responsible for (i) resource allocation and quality control of water supply services and (ii) provision of WASH facilities to varying degrees in their respective regions.

Central government

At the central government level, the MCPWS oversees the WASH sector. This ministry is primarily responsible for formulating policies and programmes for the WASH sector, disbursing funds to relevant institutions, and monitoring progress on water supply and sanitation related activities.

The NWSDB, a state-owned monopoly, is the implementing body of the MCPWS. It is responsible for implementing water supply and sanitation projects, providing water supply and sanitation facilities nationally and providing support to CBOs and local authorities.4 In 2018, the NWSDB delivered piped water supply services to approximately 40 percent of the population. It has responsibility for several large-scale water supply and sanitation projects previously under local government bodies. In

---

2. CBOs are mostly involved in managing water supply schemes in rural areas to provide piped water supply. Although the government often provides capital to these CBOs in their initial stages, they generally operate as self-financed and independent entities.
addition, it prepares and enforces tariffs for services provided by the government.

Another central-level WASH institution is the Department of National Community Water Supply (DNCWS). The DNCWS, under the supervision of the Ministry of City Planning, Water Supply and Higher Education, is responsible for providing water and sanitation facilities to rural localities in particular that are not covered by the NWSDB.

In addition, the Ministry of Health, Nutrition and Indigenous Medicine maintains responsibility for hygiene promotion. The Health Promotion Bureau, which falls under the purview of the Ministry, conducts these activities along with regulating water quality. This brief does not include allocations to the Ministry of Health, Nutrition and Indigenous Medicine, as it is difficult to isolate allocations to hygiene promotion and regulation of water quality from the health budget. This is because these allocations are often amalgamated with other health-related expenditures under this Ministry.

Sub-national government

The central government transfers a portion of the funds allocated for the WASH sector to the nine PCs through the Finance Commission. The PCs are tasked with equitably allocating resources and maintaining the quality and standards of services of water supply and sanitation projects. These entities do not have separate departments dedicated to the supply of water and sanitation facilities. Rather, various provincial ministries implement ‘water supply and drainage’ programmes. Further, local authorities under each PC, including MCs, UCs and PSs, are responsible for providing water and sanitation services and determining tariffs for these public utilities. This brief does not include sub-national level WASH spending as there is limited disclosure on allocations specific to this sector in Provincial Council (PC) Budget Estimates.

Overall, the WASH sector is fragmented and is characterized by an overlapping mandate of institutions involved in water supply and sanitation services. Moreover, there are different institutional structures for urban versus rural water supply. The NWSDB, operating through 11 regional support centers, is the primary institution responsible for providing water supply in urban areas, except for locales where MCs or UCs are involved in delivering this service. These councils fall under the Ministry of Provincial Councils and Local Government (MPCLG). In rural areas, local government authorities fulfill the same function under the MPCLG with CBOs receiving support from local government, NWSDB and the Department of National Community Water Supply. Development partners have also supported rural water supply by working with either MPCLG or MCPWS, depending on the project.

In the sanitation sub-sector, the Colombo Municipal Council for example, manages the sewerage system of the city, while NWSDB fulfills this mandate in some other urban areas. Households themselves assume the primary responsibility for rural sanitation with local authorities providing septic services in some areas. However, the capacity to provide sanitation services and supervise facilities is uneven across the country. In the estate sector (i.e. tea plantation areas), plantation companies supply water with other private sector organizations providing limited sanitation support, such as de-sludging services.

2.2 Strategic and Policy Framework

Several sector-specific strategic documents provide guidance to the WASH sector. These include the National Drinking Water Policy, the National Sanitation Policy, and the Rural Water Supply and Sanitation Policy. In addition, the Government of Sri Lanka’s Vision 2025 seeks to ensure equitable access to safe drinking water and sanitation for the entire population by improving access to piped water supply facilities in underserved urban, rural and estate areas. The National Drinking Water Policy aims to provide an adequate quantity of drinking water at an affordable cost to the entire population. Among other things, this policy promotes decentralization

6. During the period 2013-2018, there were no allocations made for the ‘water supply and drainage’ programmes. See Provincial councils, Annual Reports 2013-2018.
of operational responsibilities to the lowest appropriate level and encourages citizen participation in water supply planning and development. The National Sanitation Policy’s main areas of action include: (1) raising awareness among decision makers for improved sanitation; (2) improving sanitation services in schools; and (3) promoting environmental sanitation through local government services. The policy also aims to promote collaboration of all stakeholders in the sector to achieve these goals. The Rural Sanitation Policy assigns responsibility to CBOs, private sector and NGOs for the provision of sanitation services. It also encourages end users to manage sanitation facilities sustainably and to participate in capital investment aimed at creating these facilities.

The policies for the WASH sector attempt to address various water sanitation issues, including chronic kidney disease due to poor water quality, and the risk of water degradation due to natural disasters, deficient agriculture practices and pollution from agrochemicals and industrial waste. The increasing incidence of chronic kidney diseases (CKDs), primarily in the dry zone, has triggered concerns over the quality of ground water in affected areas. Consequently, in its Vision 2025, the government singles out the areas affected by CKDs as priority areas for ensuring access to safe drinking water. Sri Lanka also suffers from water degradation due to development activities, recurrent natural disasters, such as floods, droughts and landslides, and faces additional risks related to climate change. The above-mentioned National Drinking Water and National Sanitation policies recognize the importance of disaster risk reduction and preparedness, accompanied by adequate funding. Sri Lanka’s National Adaptation Plan for Climate Impacts also takes the water sector into consideration and recognizes the adverse effects of climate change on the availability of safe drinking water.

The WASH Sector requires significant investment due to the scarcity of water, water degradation, increased demand because of development activities, and aspirations to improve the quality of water and sanitation services. The Kelani River Basin Multi-stakeholder Partnership was established in 2016, with USD 50 million worth of initiatives aimed at containing pollution of this water resource, a critical component of WASH in Colombo and the Western Region. Several rainwater harvesting schemes, which are deemed suitable water supply options for the rural poor, particularly in the dry zone, have been implemented in the country.

Budget and Expenditure Analysis

This section of the brief analyses public sector spending trends in Sri Lanka’s WASH sector. This analysis is based exclusively on budget and expenditure data that is publicly available. Specifically, this section focuses on budget and expenditure trends for the years 2012–2019 at the central level.

---

The WASH Sector was allocated LKR 47.3 billion in the 2019 Budget Estimate (see Figure 1). In nominal terms, this represents a 70 percent increase compared to the 2018 budget estimate, but only a 33 percent increase relative to the 2018 revised budget. In real terms, the 2019 allocation to the sector increased by 62 percent relative to the 2018 Budget Estimate, and by 28 percent relative to the 2018 Revised Budget. It is important to note that the initial allocation to the sector (i.e. as indicated in the Budget Estimate) is not a reliable indication of how much is actually spent on WASH activities. In fact, the sector’s allocations tracked in Budget Estimates, Revised Budget Estimates and Actual Expenditure have significantly varied between 2013 and 2018, both in nominal and real terms.

**FIGURE 1 | WASH sector budgetary allocations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Current LKR Billion (Nominal Terms)</th>
<th>Current LKR Billion (Real Terms, Inflation Adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Estimate 35.0</td>
<td>Estimate 34.2</td>
</tr>
<tr>
<td>2014</td>
<td>35.4</td>
<td>33.7</td>
</tr>
<tr>
<td>2015</td>
<td>6.0</td>
<td>5.6</td>
</tr>
<tr>
<td>2016</td>
<td>32.0</td>
<td>28.6</td>
</tr>
<tr>
<td>2017</td>
<td>22.8</td>
<td>19.2</td>
</tr>
<tr>
<td>2018</td>
<td>27.9</td>
<td>22.4</td>
</tr>
<tr>
<td>2019</td>
<td>47.3</td>
<td>36.5</td>
</tr>
</tbody>
</table>

**Source:** Author’s own calculations using Ministry of Finance and Mass Media, Budget Estimates 2013–2019.

**Note:** At the time of writing this brief, the 2017 public expenditure accounts had yet to be finalized.

WASH sector actual expenditure stagnated between 2013 and 2017 (see Figure 1). In nominal terms, actual budgetary spending in the WASH sector increased from LKR 26.1 billion in 2013 to LKR 30.4 billion in 2015, or by 17 percent. In real terms, the sector’s budgetary spending increased by 11 percent over the same years. In 2016, WASH expenditure declined to LKR 26.7 billion, which brought it back to 2013 nominal-terms spending, but below real-terms expenditure for the same year. Nevertheless, 2017 budgetary expenditure in the WASH sector increased in nominal terms (LKR 27.4 billion) and is expected to further increase in 2018 and 2019 given the remarkable increase in the sector’s Budget Estimates.
4. WHERE DO WASH RESOURCES COME FROM?

The domestic funds in the WASH sector are derived from direct borrowings by NWSDB followed by national tax revenue.19 NWSDB expanded its direct borrowings since 2015, resulting in a significant increase in overall public investment in the WASH sector. In 2016, total public financing for the WASH sector was LKR 38.7 billion20, in 2017 this increased to LKR 70.5 billion rupees21, and in 2018 it reached LKR 109 billion rupees.22 In 2018, 70 percent of public investment in the WASH sector was through direct borrowings of NWSDB.23 All borrowing by the NWSDB for water supply and sanitation projects is obtained under the subsidized debt service system of the government. Therefore, debt service of all foreign and local banks funded projects is borne by the General Treasury under the following criteria: (i) Urban Water Supply Projects—50 percent; (ii) Rural Water Supply Projects—75 percent and (iii) Sewerage and Wastewater Projects—100 percent.24

The NWSDB also sets national tariff rates, and local authorities including MCs apply a similar tariff to their water supply schemes, with some adjustment for local cost conditions. Although tariff revenue collected by the NWSDB covers the cost of water, it is insufficient to cover capital investments and debt servicing.25 To address this shortfall, the NWSDB applies a constant tariff across all its services, allowing cross-subsidization to reduce losses from costly projects.

The government is exploring private-public partnerships as a source of financing in this sector. In 2018, with the assistance of the International Financial Corporation (IFC), the NSWDB launched its first ever Build Own Operate Transfer (BOOT) project in Welivita, to address the issues of water shortages in the East of Colombo.26

Foreign resources come in the form of grants and loans from international organizations and donor countries.27 International donors that significantly contribute to the WASH sector include the International Development Association (IDA) of the World Bank Group (WBG), the Asian Development Bank (ADB), Japan, the Chinese government, the International Federation of Red Cross and Red Crescent Societies, etc.28, 29 Domestic and foreign funds are disbursed to local organizations by the treasury. Recently however, the NWSDB has entered into direct financial contracts with lenders with a letter of guarantee from the treasury, without using the treasury as an intermediary.30

Foreign resources make up the largest share of central-budget level WASH sector funding31 (see Figure 2). Between 2013 and 2018, foreign resources have consistently outweighed domestic resources at the central budget level: foreign funds averaged approximately 74 percent relative to 26 percent of domestic funds.32 However this does not take into account the NWSDB financing of WASH initiatives through its direct borrowing. A significant rise in foreign resources occurred in 2015 due to a USD 165 million concessionary loan from the IDA, which aims to expand access to piped water and improved sanitation services in select districts.33 Foreign funding

31. There is inadequate data on the breakdown of funding for sector expenditure at the provincial and local government levels.
32. The data includes actual expenditure between 2013 and 2016, the revised budget in 2017 and the 2018 Budget Estimate.
also increased in 2016, when Japan International Cooperation Agency (JICA) provided a USD 216 million loan for the implementation of Phase II of Anuradhapura North Water Supply Project, aimed at providing safe drinking water to communities currently depending on unsafe water.\textsuperscript{34, 35}

\textbf{FIGURE 2 | WASH sector sources of funding at central level}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{wash_sector_funding.png}
\caption{Central-level: Nominal Terms}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{central_level_proportional_terms.png}
\caption{Central-level: Proportional Terms}
\end{figure}


\textsuperscript{34} The amount of the loan is available from OECD-CRS. The description of the project is available on Japan Ministry of Foreign Affairs and JICA websites. See: \url{https://www.mofa.go.jp/files/000142559.pdf} and \url{https://www.jica.go.jp/english/our_work/social_environmental/id/asia/srilanka/c8h0vm000090s39h.html}.

\textsuperscript{35} OECD-CRS. According to Japan’s Ministry of Foreign Affairs, Japan provided a loan to Anuradhapura North Water Supply Project Phase 2 in 2016. See: \url{https://www.mofa.go.jp/files/000142559.pdf}. 
5. HOW ARE WASH SECTOR RESOURCES SPENT?

5.1 Recurrent versus capital expenditure

WASH sector spending in Sri Lanka is divided into recurrent and capital spending. Recurrent refers to spending on salaries, operating costs, goods and services, transfers and financial operations. Capital expenditure refers to spending aimed at expanding access to water and sanitation and improving quality of the services such as the purchase, improvement or development of assets and resources.

Capital expenditure heavily dominates direct government budgetary spending on the WASH sector (see Figure 3). Between 2013 and 2017, central-level government budgetary capital expenditure in the sector averaged LKR 27.3 billion (or 99 percent of sector spending), while recurrent expenditure averaged LKR 0.3 billion (or just 1 percent). Similarly, the central government’s budgetary allocations to the 2018 revised sector budget and 2019 budget estimate maintain the recurrent-to-capital ratio at 1 percent to 99 percent. This large share of capital spending reflects the nature of the WASH sector, one that requires large investments for water and sanitation infrastructure and facilities. As is to be expected, this is evident at the central level given that the central government is responsible for the development, construction and management of water supply and sewage systems.

5.2 Spending by functional classification

The WASH sector requires better budget and expenditure tracking by functional classification. The Sri Lankan Budget Estimates and Expenditure Reports do not track sector allocations by the functional areas used.

![Figure 3: WASH sector recurrent versus capital expenditure at the central level](image)


---

36 According to the International Monetary Fund (IMF), the functional classification of budgets categorizes expenditure according to the purposes and objectives for which they are intended. See IMF Fiscal Affairs Department, Technical Notes and Manuals 09/06: Budget Classification (2009).
by UNICEF, such as: urban and rural water supply, urban and rural sanitation, and hygiene. Improving the capacity to track functional spending in the sector is essential to better understand how resources are spent and which areas require increased or more efficient spending.

Administration and Establishment Services dominated budgetary expenditure in the WASH sector between 2015 and 2017 and received the largest allocation in the 2018 and 2019 budgets (see Figure 4). The MCPWS tracks its spending by eight administrative areas: (i) Administration and Establishment Services; (ii) Minister’s Office; (iii) State Minister’s Office; (iv) Emerging Small Townships Water Supply Scheme; (v) Large Scale Water Supply & Sanitation Schemes; (vi) Sewerage Scheme; (vii) Tsunami-affected Area Water Supply and Sanitation; and (viii) Water Sector Community Facilitation. Between 2013 and 2017, the average yearly expenditure for Administration and Establishment Services was LKR 13.4 billion (or 48 percent); this was followed by an average LKR 9.2 billion dedicated to Large Scale Water Supply and Sanitation Schemes (or 33 percent); an average LKR 2 billion for Water Sector Community Facilities (7 percent); and an average LKR 1.8 billion for Emerging Small Townships Water Supply Schemes (6 percent), with the cumulative budgetary expenditure for the remaining functional areas averaging less than 1 billion (6 percent). In 2019, Budget, Administration and Establishment Services was allocated LKR 38 billion, corresponding to 81 percent of this year’s sector budget, or 33 percentage points above the 2013–2017 expenditure average. By contrast, the allocation for Water Sector Community Facilitation is worth LKR 7.8 billion, or 16 percent of the 2019 sector budget, while all the other functional categories are allocated less than LKR 1 billion each.

According to the latest United Nation’s Water Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS) Survey, more than half of the government’s WASH budget is dedicated to drinking water. In 2018, the Government of Sri Lanka participated in the GLAAS survey carried out with the support of WHO and UNICEF. The survey revealed that challenges in tracking financing in the WASH sector stem from the fact that disaggregated financial allocations for the sector are not available in budget documents, as agencies tap into just one budget line. Nevertheless, the survey noted that approximately 54 percent of the 2018 MCPWS budget was dedicated to drinking water activities, while just 0.1 percent was allocated to sanitation activities.

**FIGURE 4 | WASH sector functional classification**


---

37. This category only existed in the 2013, 2014 and 2015 budgets.
6. HOW WELL HAS THE WASH SECTOR EXECUTED ITS BUDGETS?

The execution of WASH sector budgets has exhibited a highly erratic trend (see Figure 5). Between 2013 and 2017, the average execution rate of WASH sector budgets was 83 percent, excluding 2015 when the sector’s resources were significantly over-executed (i.e. over 200 percent execution rate). Despite the high average execution rate, it is important to note that WASH budget execution has greatly varied over the years. Three factors explain the variation in the execution of WASH budgets: (i) politicization of the budget (ii) changes in funding structure of the NWSDB and (iii) capital-intensive nature of the central-level WASH budget.

The year 2015 was an outlier due to the exceptionally low budget estimate (LKR 6 billion) and revised budget estimate (LKR 15.2 billion). The actual expenditure in 2015 (LKR 30.4 billion) was slightly higher than average actual expenditure (LKR 27.6 billion). A few factors could help explain the exceptional nature of 2015. First, election cycles have played a significant role in the implementation of the WASH sector budget.
of sector budgets; 2015 was the year of the most recent presidential and parliamentary elections, possibly explaining a component of the higher expenditure that year. Second, 2015 also saw a change in the funding structure of the NWSD, with the treasury issuing treasury bonds in favour of the entity to strengthen its balance sheet and enable non budget dependent spending by the Board. It is possible that the over-execution in 2015 can be partially explained by these changes in the source of financing as well. Other than in 2015, the general trend has been under-execution of budgets. Fiscal consolidation leading to underspending of the capital budget is a common budgetary phenomenon, whether considering the total budget or a particular sector. Given that most of the central-level WASH budget is directed towards capital spending, under-execution may well occur.

7. HOW WELL HAS THE WASH SECTOR PERFORMED?

Sri Lanka is on track towards ensuring access to safe drinking water under Sri Lanka’s Vision 2025 and Sustainable Development Goal (SDG) 6.1. According to the 2016 Sri Lanka Demographic Health Survey (DHS), 90 percent of households have access to safe drinking water. Improved sources of drinking water that provide safe drinking water include: piped water (36 percent), protected wells (29 percent), semi-protected wells (11 percent), rural water supply projects (8 percent), tube wells (3 percent) and bottled water (3 percent). The remaining 10 percent of the population rely on unimproved sources of water, including river, tanks, streams and springs (6 percent), unprotected wells (2 percent), and other unsafe water sources (2 percent). In addition to the source of water, accessibility (measured in time to reach safe drinking water) also plays a key role in relation to safe drinking water. There is considerable risk of water contamination during transport or storage, if water is collected from a source not readily accessible. The remaining 10 percent of the population rely on unimproved sources of water, including river, tanks, streams and springs (6 percent), unprotected wells (2 percent), and other unsafe water sources (2 percent). In addition to the source of water, accessibility (measured in time to reach safe drinking water) also plays a key role in relation to safe drinking water. There is considerable risk of water contamination during transport or storage, if water is collected from a source not readily accessible. According to the 2016 DHS, approximately 19 percent of households must travel to get water, but are able to access water within 30 minutes.

However, progress has been uneven across the country. According to the 2016 DHS, 98 percent and 91 percent of the urban and rural population, respectively, have access to safe drinking water. However, estates underperform significantly, with only 43 percent access to improved water sources. For example, Nuwara Eliya, a district hosting a substantial share of the estate population, has an access rate of about 54 percent. Colombo, on the other hand, has an access rate of 99.9 percent. Further, the type of improved water source varies across different localities. In urban areas, household-level piped water is the most common source (74 percent); in rural areas it is protected dug wells (34 percent); and in the estate sector it is tap borne water (19 percent).

Sri Lanka could improve efficiency of its water supply by reducing non-revenue water and increasing water conservation activities to tackle potential water supply challenges. Non-revenue water country-wide is only 27 percent compared to 46 percent in Colombo. The expansion of water-intensive industries is set to exert further pressure on water resources. As such, the government will have to come up with new ways to conserve water, by, for instance, tapping into sources currently unavailable for usage or by recycling water. Similarly, the government must address degradation of river environments caused by waste dumping and clay mining.

44. In the 2016 Sri Lanka Demographic Health Survey, households that use bottled water for drinking are classified as using an improved source only if their water source for cooking and hand washing comes from an improved source, because the quality of bottled water is unknown. See: Department of Census and Statistics (2016), p.12.
47. Ibid, p.16.
Sri Lanka’s improved sanitation\textsuperscript{52} coverage reaches 90 percent\textsuperscript{53} of the population, and open defecation practices are limited to less than 2 percent of the population\textsuperscript{54}; however, piped sewerage is available only to 2 percent of the population.\textsuperscript{55} Piped sewerage is mainly available in Colombo, Ekala, Ja-ela, Moratuwa, and Ratmalana,\textsuperscript{56} which are all in the Western province. The rest of the population uses latrines and septic tanks. Inadequate wastewater disposal also remains a challenge, especially in densely populated urban and semi-urban areas, posing risks of water contamination.\textsuperscript{57} Areas requiring special attention include rural sanitation and availability of sanitation facilities for people with disabilities.\textsuperscript{58}

\textsuperscript{52} Improved sanitation facilities are those designed to hygienically separate excreta from human contact, and include: flush/pour flush to piped sewer system, septic tanks or pit latrines, ventilated improved pit latrines, composting toilets or pit latrines with slabs. See: WHO, GLAAS 2018/2019, p.9. Available at: https://www.who.int/water_sanitation_health/monitoring/investments/glaas-2018-19-country-survey-guidance-en.pdf.

\textsuperscript{53} Department of Census and Statistics (2016), p.15.

\textsuperscript{54} According to the 2018 GLAAS Survey, the open defecation rate was 1.4 percent in urban areas in 2016, and 1.7 percent in rural areas.


\textsuperscript{56} Ibid.

\textsuperscript{57} Ibid.

\textsuperscript{58} WHO and UNICEF Joint Monitoring Program. Available at: https://washdata.org/. The data is for 2015.
GLOSSARY OF BUDGET TERMS:

**Budget Estimate:** First allocation of funds, approved by parliament

**Revised Budget Estimate:** Revised allocation of funds, approved by parliament

**Actual Expenditure:** Allocated funds that are spent by the end of the fiscal year

**Budget Execution:** Percentage of allocated funds spent out of the total allocation

**Nominal/Current Values:** Numbers not corrected for the effect of inflation

**Real/Constant Values:** Numbers corrected for inflation

ABBREVIATIONS:

- **ADB:** Asian Development Bank
- **BOOT:** Build Own Operate Transfer
- **CBOs:** Community-based Organizations
- **CEA:** Central Environment Authority
- **CKD:** chronic kidney diseases
- **CRS:** Creditor Reporting System
- **DHS:** Demographic Health Survey
- **DNCWS:** Department of National Community Water Supply
- **GLAAS:** Global Analysis and Assessment of Sanitation and Drinking Water
- **IDA:** International Development Association
- **IFC:** International Financial Corporation
- **IMF:** International Monetary Fund
- **IUCN:** International Union for Conservation of Nature
- **JICA:** Japan International Cooperation Agency
- **LKR:** Sri Lankan Rupee (Local Currency)
- **MC:** Municipal Council
- **MCPWS:** Ministry of City Planning and Water Supply
- **MPCLG:** Ministry of Provincial Councils and Local Government
- **NGO:** non-governmental organization
- **NWSDB:** National Water Supply and Drainage Board
- **PC:** Provincial Council
- **PS:** Pradeshya Sabha
- **PwC:** Price Water House Coopers
- **SDG:** Sustainable Development Goal
- **UC:** Urban Council
- **UNICEF:** United Nations Children’s Fund
- **WASH:** Water, Sanitation, and Hygiene
- **WBG:** World Bank Group
- **WHO:** World Health Organization