

## SUMMARY ASSESSMENT OF DAMAGE AND NEEDS

### A. Overall Damages

1. On 25 April 2015, a 7.8 magnitude earthquake struck Nepal, causing widespread destruction and loss of life. The initial earthquake was followed by aftershocks and another powerful quake on 12 May 2015. The earthquake affected 31 out of 75 districts in Nepal. Among the affected districts, 14 in the central and western regions with a total population of 5.4 million have been most severely affected.<sup>1</sup>

2. In all the affected districts, the following damages were reported: (i) 8,790 deaths and over 22,300 injured, (ii) nearly 500,000 houses were destroyed and 250,000 damaged, and (iii) around 95,100 people remain displaced. The United Nations Office for the Coordination of Humanitarian Affairs estimates that 2.8 million people still need humanitarian assistance. In rural areas, 864,000 people are in immediate need of assistance, as they have lost their homes and live below the poverty line. An estimated 1.4 million people need food assistance, but the severe impact on agriculture-based livelihoods has been aggravated by the large loss of livestock. About 236,000 people need immediate livelihood support for agricultural inputs. Key infrastructure, including schools, health facilities, access roads, temples, and heritage sites were also damaged and destroyed.

3. It is estimated that the total value of disaster effects in all the affected districts (including direct damages and indirect losses) is NRs706 billion. Of that amount, NRs517 billion (73% of the total effects) represents the value of destroyed physical assets, and NRs189 billion, (27% of the total effects) represents the losses and higher costs of production of goods and services arising from the disaster (Table 1).

**Table 1: Summary of Earthquake Damages in Affected Districts by Sector**  
(NRs million)

Sector	Disaster Effects			Distribution of Disaster Effects	
	Damages	Losses	Total	Private	Public
<b>Social Sectors</b>					
Housing and human settlements	303,632	46,908	350,540	350,540	
Health	6,422	1,122	7,544	1,394	6,150
Education	28,064	3,254	31,318	2,365	28,953
Cultural heritage	16,910	2,313	19,223	8,948	10,274
<b>Subtotal</b>	<b>355,028</b>	<b>53,597</b>	<b>408,625</b>	<b>363,247</b>	<b>45,377</b>
<b>Productive Sectors</b>					
Agriculture	16,405	11,962	28,366	25,813	2,553
Irrigation	383	-	383	-	383
Commerce	9,015	7,939	16,953	16,953	
Industry	8,394	10,877	19,271	19,271	
Tourism	18,863	62,379	81,242	75,105	6,137
Finance	5,015	26,890	31,905	20,937	10,969
<b>Subtotal</b>	<b>58,074</b>	<b>120,047</b>	<b>178,120</b>	<b>158,079</b>	<b>20,042</b>
<b>Infrastructure Sectors</b>					
Electricity	17,807	3,435	21,242	15,569	5,673
Communications	3,610	5,085	8,695	1,712	6,983
Community infrastructure	3,349	-	3,349	-	3,349
Transport	17,188	4,930	22,118	-	22,118

<sup>1</sup> The 14 severely affected districts are Okhaldunga, Ramenchhap, Dolakha, Sindhupalchowk, Kabhrepalanchok (Kavre), Lalitpur, Bhaktapur, Kathmandu, Nuwakot, Rasuwa, Dhading, Makwanpur, Gorkha, and Sindhuli. Government of Nepal, Central Bureau of Statistics. 2012. *National Population and Housing Census 2011*. Kathmandu.

Sector	Disaster Effects			Distribution of Disaster Effects	
	Damages	Losses	Total	Private	Public
Water and sanitation	10,506	873	11,379	-	11,379
<b>Subtotal</b>	<b>52,460</b>	<b>14,323</b>	<b>66,783</b>	<b>17,281</b>	<b>49,502</b>
<b>Cross-Cutting Issues</b>					
Governance	18,757	-	18,757	-	18,757
Disaster risk reduction	155	-	155	-	155
Environment and forestry	32,960	1,061	34,021	1,755	32,266
<b>Subtotal</b>	<b>51,872</b>	<b>1,061</b>	<b>52,933</b>	<b>1,755</b>	<b>51,178</b>
<b>Total</b>	<b>517,435</b>	<b>189,028</b>	<b>706,461</b>	<b>540,362</b>	<b>166,099</b>

Note: Numbers may not sum precisely because of rounding.

Source: Government of Nepal, National Planning Commission. 2015. *Nepal Earthquake 2015 Post Disaster Needs Assessment*. Kathmandu.

## B. Economic Impact

4. Gross domestic product growth in FY2015 was projected before the earthquake at 4.6% due to subnormal monsoon rains and slowdown in remittance inflows, but it is expected to further slow to 3.0% from the impact of the earthquake. Growth in FY2016, however, could rebound to 4.5% because of post-earthquake recovery and reconstruction activities. Per capita gross domestic product in FY2015 will likely be decreased to \$762 from the pre-earthquake projection of \$785.<sup>2</sup>

5. The earthquake has caused a setback to Nepal's progress in reducing poverty and meeting Millennium Development Goals. It is estimated that an additional 2.5% of the estimated population in 2015 will be pushed below the poverty line compared to the no-earthquake baseline scenario (21.2% of the estimated population in 2015). Similarly, the income shock and loss of livelihoods, schools, health facilities, and houses will likely slow the progress in other socioeconomic indicators (footnote 2).

## C. Damages to Education Sector

6. The total damages and losses in the education sector are estimated at NRs31.3 billion. More than 80% of this has occurred in the 14 most-affected districts (Table 2). Approximately 8,000 community (public) schools have been affected by the earthquake, with 25,134 classrooms fully destroyed and another 22,097 partially damaged. In institutional (private) schools, 956 classrooms were fully destroyed and 3,983 classrooms partially damaged (footnote 2).

**Table 2: Estimates of Damages and Losses to the Education Sector**  
(NRs million)

Subsector	Disaster Effects			Distribution of Damage and Loss	
	Damage	Loss	Total	Public	Private
ECD	402	12	414	302	112
School (grades 1–12)	24,642	3,191	27,833	1,162	26,671
TVET	487	7	494	10	484
Higher education	2,430	42	2,473	891	1,582
NFE and LLL	23	1	24		23
Administrative buildings	79	2	82	82	
<b>Total</b>	<b>28,063</b>	<b>3,255</b>	<b>31,320</b>	<b>2,447</b>	<b>28,872</b>

<sup>2</sup> Government of Nepal, National Planning Commission. 2015. *Nepal Earthquake 2015 Post Disaster Needs Assessment*. Kathmandu.

ECD = early childhood development, LLL = lifelong learning, NFE = nonformal education, TVET = technical and vocational education and training.

Note: Numbers may not sum precisely because of rounding.

Source: Government of Nepal, National Planning Commission. 2015. *Nepal Earthquake 2015 Post Disaster Needs Assessment*. Kathmandu.

7. Of the total damages and losses of NRs31.3 billion, the damage to infrastructure and physical assets is estimated at NRs28 billion. Indirect losses are estimated at NRs3.2 billion, mainly on account of activities associated with the establishment of temporary learning centers, child-friendly spaces, and water, sanitation and hygiene facilities; demolition of buildings; removal of debris; and cleanup and minor repair costs associated with the use of less-affected schools as temporary shelters. Of the total damages and losses caused by the earthquake, the public sector accounted for 92% and the private sector accounted for 8%.

#### D. Damages to Livelihood

8. The earthquake affected the livelihoods of about 2.3 million households and 5.6 million workers across 31 districts, and it resulted in the loss of 95 million workdays and NRs17 billion worth of personal incomes in FY2015. It is estimated that 48.9% of all workdays lost occurred in the agriculture sector, followed by the tourism sector (31.2% of all workdays lost), the industry sector (11.4%) and the commerce sector (8.3%) (Table 3).

**Table 3: Damages to Employment and Livelihoods by Sector**

Sector	Workdays lost	Income loss (NRs)	Income loss (\$) <sup>a</sup>
Agriculture	46,431,436	4,603.3	46
Commerce	7,898,324	2,667.1	26.7
Tourism	29,662,443	6,200.2	62
Industry	10,822,634	3,654.5	36.5
<b>Total</b>	<b>94,814,837</b>	<b>17,125.1</b>	<b>171.2</b>

Exchange rate is \$1 = NRs100.

Source: Government of Nepal, National Planning Commission. 2015. *Nepal Earthquake 2015 Post Disaster Needs Assessment*. Kathmandu.

#### E. Access to Finance

9. In Nepal, approximately 60% of the total population do not have accounts at formal financial institutions, but are relying on semiformal sources such as nongovernmental organizations and savings and credit cooperatives or microfinance institutions (MFIs) to support their livelihoods. The earthquake has further limited their access to finance. In addition to physical damages to MFI facilities, the sustainability of MFI operations is now a major concern since many of their borrowers have lost their livelihood sources and will be unable to pay back their loans. A prolonged disruption in MFI operations will be a severe obstacle in rebuilding livelihoods in the affected communities.

10. The earthquake affected a large number of unbanked rural households, and it is estimated that approximately 30% of the 1.5 million MFI borrowers have been affected. Similarly, it is estimated that around 155,000 (31%) of the 500,000 members of financial intermediary nongovernment organizations (FINGOs) in Nepal have been impacted.<sup>3</sup> Of the 1,049 branches of MFIs across the country, 156 branches (14.9% of the branch network) have been affected by the earthquake. Most of the MFIs lost data, especially those with weak or nonexistent

<sup>3</sup> FINGOs are generally semiformal and not supervised by the financial regulatory authority.

management information systems. The cost of reconstruction and data recovery is expected to hamper MFIs' sustainability.

11. Preliminary estimates of the impact on MFIs' assets reveal that one-third of the "deprived sector lending" exposure to the microfinance sector is considered "portfolio at risk," which translates to \$115 million outstanding loans affecting 700,000 households.<sup>4</sup> Similarly, \$4.5 million in outstanding loans and advances of FINGOs are at risk, which is around 8% of the FINGOs' total portfolio of \$55 million across the country. Likewise 11% of the FINGOs' total savings of \$30 million is at risk.

12. As most of the affected borrowers do not have alternative income-generating activities and sources of repayment, MFIs are likely to face both liquidity and solvency issues, impacting their capacity to assist their communities in times of need. The microfinance sector is especially vulnerable due to the lack of alternative sources of funding, weak or nonexistent information technology systems, and low connectivity. Some MFIs could be susceptible to rapid loss of liquidity as members withdraw their funds to pay for immediate expenses and there are no central liquidity facilities available to supply additional funds.

## **F. Recovery Strategy**

13. In the recovery and reconstruction phase it is critical to increase disaster resilience by increasing public awareness and investing in the principle of "build back better."<sup>5</sup> While the government plans to utilize the rehabilitation and reconstruction budgets to assist the poorer strata and rural population to revive the social and productive sector, it is critical to ensure the availability of finance through banking and nonbanking institutions, including cooperatives, for the recovery of the private sector.

14. The recovery strategy for schools involves three major elements: (i) improving existing policies, guidelines, and systems to ensure that new education buildings meet higher standards of safety; (ii) working to make all new schools and other education institutions climate and disaster resilient; and (iii) strengthening disaster preparedness through school-based disaster risk management and community-based disaster risk management training and planning.

15. A key component of the livelihood recovery process is enabling households to resume their income-generating activities while increasing resilience to future shocks. If the delivery channel of MFIs is interrupted, affected people will lose their only source of stable and accessible funding. A priority need is injection of liquidity into MFIs to relend to people so they can restart their income-generating activities and livelihoods. There is a huge potential for eligible MFIs and cooperatives to provide assistance in rebuilding livelihoods. With MFIs' extensive member networks and long and trusted presence in the rural affected areas, MFIs could be effective delivery mechanisms and channels.

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<sup>4</sup> In Nepal, financial institutions are classified into four categories: Class A (commercial banks), Class B (microfinance development banks), Class C (finance companies), and Class D (microfinance institutions). Under the deprived sector lending scheme, which is a Central Bank of Nepal's scheme of a mandatory allocation of part of banks' (class A–C institutions) total portfolio to microfinance sector, Class A-C institutions have to lend 3%–5% of their portfolio to microfinance institutions (Class D).

<sup>5</sup> "Build back better" is a concept adopted at the 3<sup>rd</sup> World Conference on Disaster Risk Reduction which promotes structural improvements in reconstruction for better disaster resilience.