RESPONDING TO COVID-19
INSIGHTS FROM PROVINCES AND LOCAL GOVERNMENTS*

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On the road to Jumla, Karnali Province

KEY TAKEAWAYS

Priority of provincial governments shifting from COVID-19 emergency response to economic recovery. Response of provinces broadly characterized by strong and increased allocation (grants) to local governments; priority spending on infrastructure, agriculture, and employment; and commitment to strengthening health infrastructure and service delivery.

The annual plan of local governments continues to be strongly influenced by the COVID-19 context and is matched by varying levels of direct allocations on response, relief, prevention, and control. Their preference for infrastructure development remains unchanged, albeit is now being packaged as part of economic recovery.

COVID-19 has supported the strengthening of health infrastructure and critical care facilities across all three provinces. However, citizen access to these facilities remains limited due to the absence of adequate and qualified health professionals, especially outside provincial headquarters and remote areas.

Patronage, politicization, and procurement irregularities remain widespread and continue to undermine the efficacy of response to COVID-19.

STATUS OF COVID-19 IN PROVINCES***

PER 100,000 POPULATION	NEPAL	PROV. 2	LUMBINI	KARNALI	BAGMATI
TOTAL TESTS	14,120	3,897	8,304	8,176	42,176
POSITIVITY RATE	19.5%	17.8%	23.0%	25.1%	17.1%
RECOVERY RATE	93.3%	96.5%	96.5%	92.5%	95.2%
FATALITY RATE	1.4%	2.7%	2.5%	1.1%	1.1%
VACCINATION RATE (AT LEAST ONE DOSE)	18.1%	11.2%	15.3%	15.7%	30.6%
VACCINATION RATE (BOTH DOSES)	13.6%	7.1%	15.5%	8.6%	26.5%

Source: Ministry of Health and Population, Nepal

Province 2 has recorded the lowest rate of infections among the three provinces. This, however, is belied by the fact that only 3,897 out of every 100,000 population have been tested there.

Province 2 and Lumbini have a fatality rate higher than the national average. This can be attributed to several factors, including, among other things, the mismatch between spatial distribution of case load and critical care facilities in the provinces. For comparison purposes, in the Karnali Province, it can be observed that the case load and the critical care facilities are both concentrated in the provincial capital (Surkhet).

Province 2 has the lowest rate of vaccination of all provinces, with 11.2 percent of the population receiving at least one dose and 7.1 percent receiving both doses. The provincial Health Department at Health at Ministry of Social Development claims they have been receiving fewer vaccines than in demand. They also attest this to delayed reporting of vaccination by the local governments.

*** As of 11 August, 2021

POLICY PRIORITY AND ALLOCATIONS: PROVINCES

SECTORAL ALLOCATIONS BILLIONS (NPR)	PROVINCE 2		LUMBINI		KARNALI	
	2020	2021	2020	2021	2020	2021
COVID RESPONSE	0.972	0.450 ↓	1.000	0.580 ↓	1.545	0.539 ↓
HEALTH	0.978	0.900 ↓	0.873	0.655 ↓	2.770	3.047 ↑
GRANTS TO LOCAL GOVERNMENT	2.836	3.165 ↑	5.140	4.842 ↓	2.996	6.509 ↑
ROAD	0.969	1.952 ↑	4.665	4.433 ↓	5.790	7.290 ↑

Provisional allocations for 2021 compiled by the RENT team from the budget speech of respective provinces

Response to Recovery: While COVID-19 continues to heavily inform provincial allocations, in the current fiscal year, the priority has shifted from emergency response to recovery and economic revival. All three provinces have drastically reduced direct allocations on COVID emergency response – as much as 65 percent in Karnali Province. Provinces have been using this allocation to support the operation and management of quarantine centers; testing; incentives for frontline workers; and relief distribution.

Provincial allocations on health have increased significantly from the pre-COVID period and continue to remain modest despite shifting priority to economic recovery. Commitments and allocations of the Karnali Province are especially noteworthy. For two years in a row, the Province has allocated eight percent of its total budget to the health sector. Of the NPR 3 billion allocated to the sector in the current fiscal year, the Province has set aside NPR 2.5 billion for the strengthening of the provincial health infrastructure and improving the quality of health services. It aims to upgrade capacity and strengthen service delivery of all 10 district hospitals within the provincial jurisdiction, including, in each hospital, the installation and operation of at least an oxygen plant, one ventilator, and five ICU units.

Policy Priorities on Recovery: In the current fiscal year, provincial governments have prioritized physical infrastructure (road, irrigation, urban development, and water supply and sanitation), agriculture, and employment for COVID-19 recovery and economic revival. Allocations on infrastructure continue to be dominated by road – six percent of the total budget in Province 2; 11 percent in Lumbini; and a whopping 20 percent in Karnali. Where Lumbini and Karnali have prioritized agriculture, Province 2, despite questions around efficacy and transparency, has given continuity to the Electoral Area Development Programme with an allocation of close to two and half billion. Except for Lumbini Province, provincial grants to local governments have increased – Karnali Province doubling its allocation from the previous fiscal year. Federal Government grants to provinces have marginally increased from the previous year.

POLICY PRIORITY AND ALLOCATIONS: LOCAL GOVERNMENTS

COVID-19 continues to hold a strong influence on policies and plans of local governments, yet, in terms of setting priorities and actual allocations, there exist significant variations. While factors such as differences in budgetary allocation practice and transparency of actual spending limit comprehensive comparison, it can be broadly assessed that policy priorities and allocations (including those directly or indirectly related to COVID-19) are influenced by a multitude of factors including, among others, access and flow of federal and provincial grants; rate and spread of infections; internal revenue; and capacity to mobilize and direct local private sector and civic institutions for sourcing complimentary allocations.

Though local governments continue to heavily rely on federal and provincial allocations, however, they continue to make some level of direct allocations on COVID response, prevention, and control. Priority and preference for local infrastructure, especially roads, remains unchanged. However, many local governments now are packaging this and other "development" heading as part of recovery and economic revival. Resource allocations while crucially important for local governments to strengthen COVID response and economic recovery, they, however, do not adequately provide insights on the quality, effectiveness, and outcome of such transactions. Below, we briefly outline several case studies on COVID-19 related transactions of local governments.

Case Study 1: Municipality A

Preferential Allocation of COVID-19 Agriculture Grant

Municipality preferentially distributed NPR 5.4 million provincial agriculture grant earmarked for COVID-19 impacted returnee migrations to 250 individuals. Beneficiaries were selected in an ad hoc fashion and were mostly politically affiliated to the Mayor and some relatives of affiliated ward chairs. This transaction supported the flow of moderate political benefits to the Mayor and his party as both are faced with re-election uncertainties with strong and competing opposition politics. The net outcome of this transaction was adverse as the support did not reach the intended individuals (returnee migrants), as well as, those that received the support, neither had the intention nor did receive sufficient funds to bring about any sort of positive development impact.

Case Study 2: Municipality B

Disbursement of Municipal Funds for Health Infrastructure Strengthening

Mayor unilaterally facilitated the disbursement of NPR 4.1 million of the municipal budget to a local hospital as part of support for COVID-19. The hospital receiving the support is located in a different municipality. The mayor is the Chairperson of the hospital management committee. This transaction while has contributed to a positive development outcome, at the same time also benefits the Mayor financially and politically. The Mayor intends to compete for the provincial assembly in the next elections.

Case Study 3: Municipality C

Agriculture Land Lease for COVID Impacted Landless Returnee Migrants

The municipality has implemented a policy of leasing public land at nominal rates to landless returnee migrant households impacted by COVID-19 for agriculture purposes. In the first phase, the municipality has leased one hectare of land to over 60 households. Known recipients of this scheme are household categories targeted by the policy, indicating potential for positive and productive development impact with self-employment creation in the short-term. This municipal policy is also supportive to interest of the Mayor and the patron to secure and strengthen their vote bank in the constituency.

Public Private Partnership for Strengthening Health Infrastructure

The municipality has come up with an ambitious policy to construct a 50-bed hospital with an oxygen plant by the next fiscal year. It has initiated a PPP type crowd sourcing investment scheme and has requested interested local residents to make desired contributions to be converted into share ownership in the establishment. Though innovative and with potential for good developmental outcome, the fact that the municipality is in the process of collecting funds without an investment plan or a detailed project report indicates high levels of informality. Given the Mayor's locally powerful clients with moderate economic capabilities, the possibility of informal profit-sharing agreement between the Mayor and his clients for the implementation of the project cannot be ruled out.

From the above case studies, it can be observed that while the decisions remain within the remit of formal power of the municipalities, however, are surrounded by varying levels of informality, and weak adherence to formal procedures. These variations in municipal resource allocation decisions and policies are consistent with the differences in power configurations and capabilities that SOAS and PEI are mapping with the tracking exercise.

SPENDING ON HEALTH INFRASTRUCTURE: IMPACT, EQUITY, AND EFFICACY

Strengthening of Health Infrastructure, but lack of health professionals: While the pandemic exposed and led to a near breakdown of the country's underdeveloped health sector, it has, somewhat paradoxically, also contributed to its strengthening. Since the pandemic began, the sector has received large sums of money from the federal, provincial, and to some extent the local governments. Consequentially, this has supported significant improvements in health infrastructure and facilities across the country. The improvements can especially be seen in the remote municipalities, and provincial and district hospitals have expanded their infrastructures and recruited more medical personnel and healthcare providers. For example, before the pandemic, Karnali Province had a total of 17 ICU beds and 6 ventilators, available only in two districts – Surkhet and Jumla. Now the province has a total of 76 ICU beds and 38 ventilators. One of the most rural districts of Karnali, Humla, now has 5 ICU beds with a dedicated oxygen plant. A similar trend can be studied in Province 2 and Lumbini. The strengthening of health infrastructure while an important achievement in itself, however, is yet to be supported by adequate and skilled medical professionals to achieve the desired impact on COVID response and management.

Newly Added Heath Facilities Fail to Come Into Operation

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Procurement Irregularities: Irregularities in procurement for COVID relief and response have been observed across all three provinces, impacting both quality of health infrastructure and timely delivery of services to those in need.

Prolonged Negotiations Over Commission Delays Procurement in Province 2

In Province 2, the provincial and local governments have been caught flouting the public procurement process and awarding tenders to businesses that are run by their family or friends. For example, the son of the Social Development Minister of Province 2 earned himself a contract for procuring ventilators and PCR machines. Prolonged formal and informal and fees led to the actual procurement being significantly delayed; impacting the ability of citizens to access these services on time.

Cooption and Sub-Standard Procurement in Karnali Province

Karnali Province had allocated NPR 4 million to district hospitals to establish oxygen plants. Of the three companies that had applied for the tender, two companies belonged to a kin of the Chief of the Provincial Health Service Division. Expectedly, one of the two companies was awarded the contract. As a consequence of the cooption between medical equipment contractors and health officials, it was common, especially in remote areas, for contractors holding a contract for the installation of oxygen plants to instead supply oxygen concentrators. Such irregularities were noted in Salyan and West Rukum districts. These cases are currently being investigated by the provincial legislative committee.

Patronage and politicization of relief: Despite large federal and provincial spending on strengthening health infrastructure, allocations have been far from equitable. With the second wave of the pandemic unfolding with the probability of elections in November 2021, patronage and politicization defined the distribution of federally-sponsored funding for hospitals and medical aid (including oxygen cylinders).

Power Politicians Grab Large Share of Heath Budget for their Constituencies

Ministers of the outgoing government and affiliated party members successfully diverted a fair chunk of the federal funding and aid to their respective constituencies. For example, NRR 30 million was allocated to Gulmi (Pradip Gyawali), and NPR 15 million each to Syangja (Padma Aryal); Arghakanchi (Top Bahadur Rayamajhi); Dang (Shankher Pokharel). Related constituency leaders widely advertised such federal allocation, in some cases, even staging an in-person handover event in the constituency.

One of the many ponds of the city of Janakpurdham, Province 2

CONCLUSION

A variety of responses are observed from provincial and local governments on COVID-19: some quite effective, others marked by corruption, patronage, and delays. These differences, however, are not random but are related to differences in the interests, power, and capabilities of relevant political and business actors that SOAS and PEI continue to track as part of the tracking exercise

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* The findings of this policy brief are based on the evidences and observations generated from the provincial and select local governments in Province 2, Lumbini, and Karnali as part of the Responding to Nepal's Transition (RENT) programme.

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