



# Local Government Covid Response: Financing and Commitments

Insights from LPG Survey Wave 3: April 2021

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## Insights

1. Mismatches of federal funding to local governments persist, both per-capita and in terms of Covid caseloads. Local government spending levels remain relatively low.
2. Local governments report persistent challenges in coordinating support from the federal level.
3. Overall, local government involvement in pandemic-related federal activities has declined over time.

The Covid-19 pandemic has tested Nepal's newly decentralized government's ability to coordinate activities across three spheres of shared responsibilities: quarantines, testing, and awareness campaigns. To effectively participate, local governments need clarity on scope of involvement, and funding that aligns with their responsibilities.

We have conducted 3 survey rounds with local government and provincial officials: June 2-June 18, 2020; October 5-October 23, 2020; and March 30-May 9, 2021. Here, we report findings from Survey round 3 which was coincident with a surge in Covid cases, targeted lockdowns, and political re-alignment.

## Findings

### 1: There are persistent mismatches in funding, both per-capita and in terms of caseloads.

*Note: Federal funds are disbursed quarterly, and municipalities can reallocate funds across budget categories throughout the year. In all rounds, we asked officials to report total Covid-19 funding available at that time for current fiscal year.*

1. **Consistent with rounds 1 and 2, Himalayan regions maintains higher per-capita funding:** In round 3 Himalayan regions (with 6.7% of population) report more than two times higher per capita funding available relative to Terai regions (over 50% of the population): 17.6 v/s 7.5 Lakhs rupees per 10,000 people (see Figure 1). They report spending more than four times as much (14.4 v/s 3.4 Lakhs rupees per 10,000 people).
2. **Funding differences traceable, in part, to current fiscal year's population-band based federal equalization grant:** Himalayan regions received four times as much per capita grant funding as Terai (364 v/s 88 Lakhs rupees per 10,000 people).

3. **Hilly and Terai districts continue to face higher per-capita Covid caseloads than Himalayan districts.** See Figure 2, especially during the September 2020 and April 2021 spikes. As of June 4, 2021, Himalayan districts accounted for only 2.4% of all cases, whereas Terai and Hilly districts (the latter of which comprises 42.8% of the population) accounted for 35.2% and 62.4% of cases, respectively. Per capita cases were almost twice as high in Terai (1,563 per 100,000) and quadruple in Hilly (3,261 per 100,000) as Himalayan districts (813 per 100,000)<sup>1</sup>.

Figure 1. More populous regions report fewer Covid-19 funds per quarter.

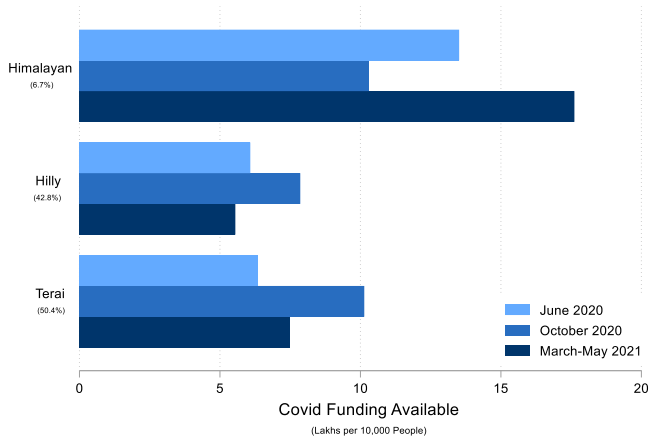
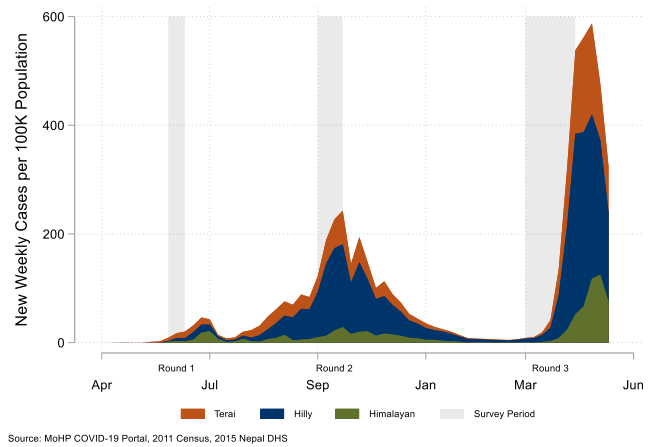


Figure 2. Most Covid-19 cases are recorded in more populous Hilly and Terai regions.



4. **Allocation mismatches now extend to vaccines.** Municipalities in Himalayan regions report receiving more doses as a share of their population (8%), and high distribution rate (90% of those received). Municipalities in Terai regions, by contrast, received fewer doses (5.5%) and distributed slightly fewer (87%).

## 2: Limited spending of allocated funds.

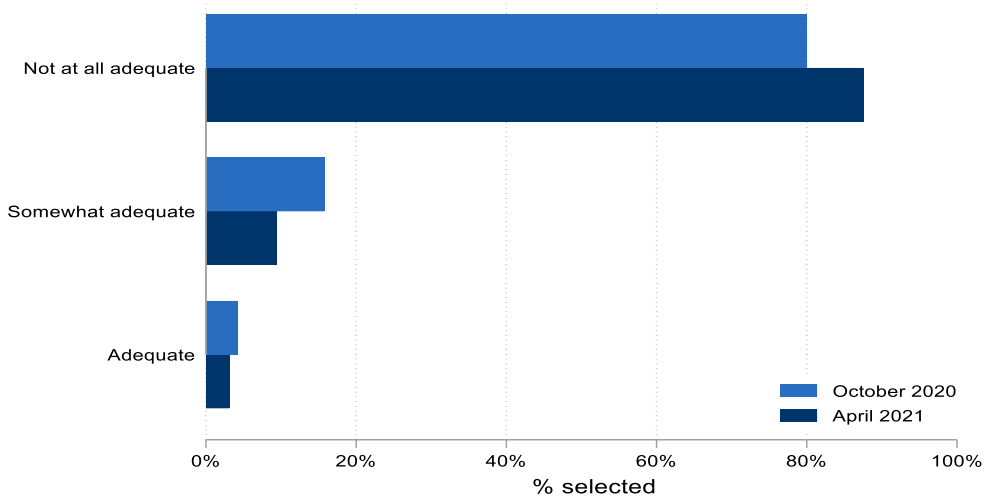
1. The median district has spent 44% of Covid allocated funds by round 3 (up from 17% in Round 2). There are no significant differences across regions or caseloads.
2. Consistent with fund allocation being mismatched to need, rate of spending is declining in total available funds (a 1% increase in available funds is associated with a 0.071-point decrease in the percentage of funds spent).

## 3: LGs report persistent coordination challenges at the federal level.

1. Relative to previous survey waves in April 2021 fewer municipalities reported external challenges in addressing Covid (such as migration, or other resource constraints, such as medical or funding shortages). However, they report worsening coordination and support with the federal government (see Figure 3), although the increase in coordination challenge in round 3 relative to round 2 is not statistically significant.
2. The Federal Government ultimately makes most decisions around vaccine distribution quantities and plans:
  - 90% of municipalities reported that the individual in charge of the vaccination response was a health officer, not an elected official.
  - Only 51% of municipalities had a vaccination administration plan. This was slightly higher in Terai districts (60%) with higher caseloads than Himalayan (42%) with lower caseloads.

<sup>1</sup> As of June 9, 2021.

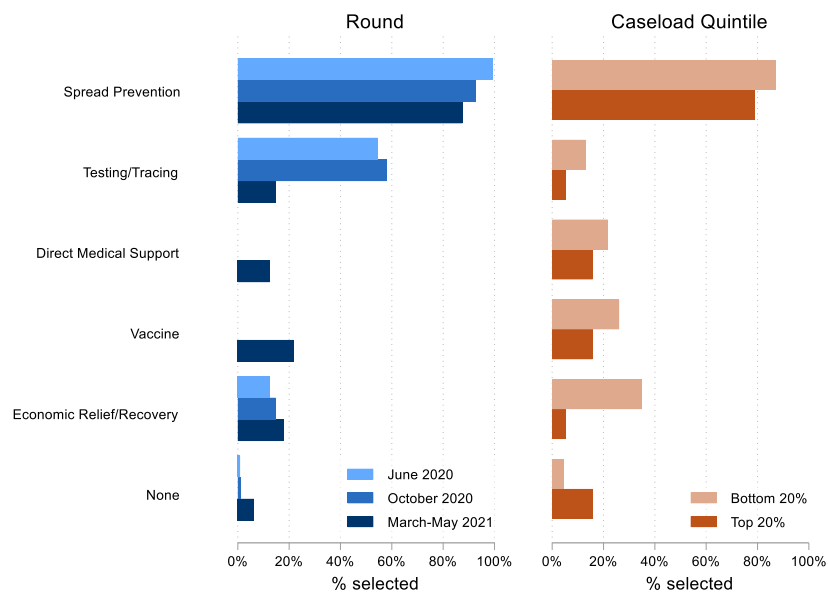
Figure 3: Most municipalities feel that they are insufficiently supported by the Federal Government



#### 4: Local Governments are becoming less involved in supporting federal activities.

1. Even as cases rose, 6% of municipalities reported not engaging in Covid-related activities in April 2021, up from 1% in October 2020. The share of municipalities focused on spread prevention activities (e.g., lockdown and quarantine enforcement, encouraging social distancing, and managing migrants) fell from 99% to 87.5%.
2. In Himalayan regions, which had the lowest caseloads, 13.3% of municipalities reported engaging in no Covid-related activities, vs 7.7% in Terai.
3. Despite this, only 3.5% of municipalities see a reduced focus on Covid as a major challenge.
4. Municipalities in districts that had the worst per-capita caseloads during Nepal’s second wave of the pandemic were also less likely to engage in Covid-related activities during our last survey round in April 2021 (see Figure 4).

Figure 4: Districts with high caseloads in March-May engaged in fewer Covid-related activities, and all districts engaged in fewer in general in round 3.



Source: LPGS Round 3 (2021)