

LOCAL GOVERNMENTS' RESPONSE TO THE COVID-19 PANDEMIC IN NEPAL:

Findings from a Nationwide Panel Survey of
Local Officials



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and
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Municipalities in Nepal**



Principal Investigators:

Rohini Pande, Yale University
Michael Callen, London School of Economics
Stefano Fiorin, Bocconi University
Trilochan Pokharel, Nepal Administrative Staff College

Research Team:

Jenna Allard, Dhruva Bhandari, Medha Joshi, Binod Kumar Paudel, Sarah Danner, Chandra Bhandari, Roshani Bhujel, Anup Bhurtel, Chandni Kayastha, Tenzing Lama, Keshar Shahi, Deepak Singhania, Satish Wasti and Aaron Wolf

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About Us

Inclusion Economics Nepal (IEN) is a policy-engaged research initiative promoting inclusive institutions, economies, and societies. IEN is based at Nepal's Governance Lab at the Daayitwa Abhiyaan and works closely with the wider Inclusion Economics network: Inclusion Economics at Yale University, Inclusion Economics India Centre, and exploratory engagements in Sub-Saharan Africa. The researchers of the Inclusion Economics network ask how policy can promote inclusive and accountable states, markets, and societies; and how citizens – including the vulnerable and marginalized – can gain influence to make political and economic systems more responsive to their needs, both now and in the future.

The Nepal Administrative Staff College (NASC) was set up as a nation-wide autonomous institution under the Nepal Administrative Staff College (NASC) Act in 1982. NASC aims to build the capacity of the public sector in the areas of management, governance, administration, public policy, development management, and other priority areas as defined by the Government and public institutions in an innovative and problem-solving approach; conduct research on the functional areas prioritized by the Government; provide policy and reform inputs to the Government; apply innovative approaches in the capacity building; and implement organization development interventions to improve the performance of public sector organizations.

Municipal Association of Nepal (MuAN) is a non-profit, non-political, umbrella organization, established in 1994, to represent the urban municipalities of Nepal. With 293 municipality members, MuAN has established its credibility as a national voice for municipalities, and it aims to safeguard the common interests of municipalities through advocacy and lobbying, networking, and advisory support to municipalities. Since its establishment, MuAN has also been a key government partner supporting policymaking and implementation at the local level. MuAN is actively engaged in lobbying and advocacy in the context of ensuring a devolved local governance system in the new constitution of Nepal, preparation of model laws at municipal level in the new federalized context.

National Association of Rural Municipalities in Nepal (NARMIN) is an umbrella association of 460 rural municipalities in Nepal that was originally established at the National Association of Village Development Committees in Nepal in 1995. NARMIN aims to be a professional representative of rural municipalities and contribute to developing these bodies as efficient, transparent, responsive governments. NARMIN works to empower rural municipalities by representing and promoting their interests and strengthening their institutional capacity for local self-governance and effective service delivery to the people.



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Executive Summary

In this report, we utilize data from nationwide phone surveys conducted with local government officials to understand how local governments responded to the Covid-19 pandemic and shaped post-pandemic recovery policies. We particularly shed light on the following five questions. How are Covid-19 activities dispersed across local governments, do they respond to demand fluctuations and which factors predict municipal engagement? What policy goal trade-offs does the allocation of time and budget towards Covid-19 activities involve? Do politicians share the priorities of their constituents to ensure that the recovery responds to local needs? Key findings include:

Local Government's Covid-19 Response:

- **Pre-pandemic healthcare capacity enabled some local governments to respond proactively:** Local governments with more healthcare facilities and staff conducted more testing and tracing activities during the pandemic.
- **Federal funding for disaster management was not aligned with municipality Covid-19 caseloads:** The more populous Hill and Terai regions saw higher caseloads but had less funds available than Himalayan regions. Likely reflecting this, municipalities with high incidence of Covid-19 cases and quarantined citizens saw, at best, slightly higher testing and tracing activities. Understanding funding needs of municipalities can improve targeting of funds.
- **As local officials spent more time on Covid-19 related committees, they spent less time addressing other social issues that were exacerbated by the pandemic:** Deputy Mayors (DM) report an increase in gender-based violence during the pandemic, yet despite an increase in the demand for case settlements, DM allocated more time to Covid-19 related responsibilities, eg. serving on Covid-19 committees, leaving less time for work on judicial committees.

Covid-19 Recovery:

- **Local officials are attuned to local needs, but there are some differences between elected officials' policy priorities and their**

citizens' stated needs: Citizens believe local officials are more attentive and increasingly responsive to their needs than federal and provincial representatives. We find partial alignment of priorities between citizens and local officials. Indeed, local officials' priorities reflect objective indicators of community need, eg. leaders emphasize education programs in low literacy regions and road construction efforts in remote municipalities. However, while citizens and elected officials prioritize both infrastructure and education, elected officials prioritize infrastructure but not education.

- **Although local officials report a lack of funds as the main constraint in delivering infrastructure, a large proportion had not spent a majority of allocated infrastructure funds, and many approved projects had not been implemented:** This suggests a lack of capacity to spend funds. Indeed, urban municipalities without process and capacity indicators¹ in place are less able to spend their allocated funds;
- **User Committees (UCs) are the primary mechanism for involving citizens in infrastructure decisions:** Yet local governments² reporting significant intervention from local elites and high-level politicians in UCs have significantly lower project implementation rates, potentially hampering the effectiveness in holding local leaders accountable to deliver infrastructure that represents constituent preferences.

This report illustrates how Nepal's local governments are maturing, despite weathering crises like the Covid-19 pandemic. Our analysis offers key lessons for managing crises and building inclusive recoveries, and points to the need for a continuing investment in the capacity of Nepal's local governance system.

¹ Capacity indicators: thematic infrastructure committee, infrastructure procurement evaluation committee, infrastructure maintenance committee, local government has digital database and periodic plans for infrastructure in place.

² Throughout this report, local government refers to elected and appointed officials at the municipal level.



1. Introduction

Local Governance in Nepal

The 2015 Constitution of Nepal instituted a three-tier federal structure with each of the federal, provincial, and local levels functioning autonomously. A fundamental goal of the new federal structure was to bring government and elected officials closer to the citizens they serve and hence improve policy outcomes and service delivery. The upper local tier is made up of 753 new municipal governments, with elected mayors and Deputy Mayors, while the lower local tier comprises 6,473 wards with four seats on each ward committee, headed by a fifth, separately elected ward chair.

While Nepal has made historic strides in building a more inclusive and decentralized governance system, many challenges remain.³ Local governments (LGs) are authorized to formulate laws, collect taxes, plan and budget for local economic development, deliver health, education and infrastructure services to their constituencies. However, they face technical, administrative, and financial constraints on their ability to formulate new laws and regulations.⁴

The Covid-19 Pandemic in Nepal

The Covid-19 pandemic created an early test of the ability of Nepal's newly decentralized government to represent their constituents⁵ while also effectively taking action to contain the spread of the disease and mitigate the economic and social effects of the pandemic.

On March 24, 2020, the Federal Government of Nepal responded to the nascent pandemic by closing borders and imposing a national lockdown. This strict response brought the country's economy to a standstill. To reduce associated economic distress, the Federal Government instituted a national Covid-19 relief package with relief provisions for businesses and vulnerable citizens. In January 2021, the Federal Government coordinated with operation and task force committees at the federal, provincial, district, and local levels to initiate a nationwide vaccination effort, beginning with frontline workers and the elderly (age 65 and above), which has been in operation in coordination with the operation and task force committee at the federal, provincial, district, and local level.

While these public health actions are ratified in Nepal's 2015 Constitution as a shared responsibility between different spheres of government, there is also considerable ambiguity in powers.⁶ The concurrent powers between multiple levels of government span broad subjects such as *health services* and *law and order* – both key issues in the response to Covid-19. In practical terms, local governments coordinated closely with other spheres of government on many Covid-19 response policies. In some cases, the need to act decisively across government agencies created new constitutional challenges.

³ International Center for Public Policy Andrew Young School of Policy Studies at Georgia State University (2019).

⁴ Acharya (2018).

⁵ While local governments have previously been put to the test with the distribution of relief and reconstruction funds (Bhusal et al., 2020).

⁶ The Asia Foundation (2020).

Despite the exclusive functions of local governments laid out in the Constitution, timely executive orders have made local and provincial governments responsible for coordinating Covid-19 public health activities. This includes coordination between local government and provinces to identify suspected cases, arrange transportation to swab collection centers, and mobilize case investigation and contact tracing teams. Additionally, provincial and local governments have begun undertaking their own measures, such as providing additional relief, tracking at-risk groups, creating quarantine facilities, administering awareness campaigns, and working in coordination with the District Administrative Office (DAO) to respond to rapidly changing circumstances.

In this report we explore how local governments responded to the Covid-19 pandemic and which local policy priorities are shaping the post-pandemic recovery. We particularly shed light on the following questions: How are Covid-19 activities dispersed across local governments, do they respond to demand fluctuations and which factors predict municipal engagement? How does the allocation of time ABD the budget towards Covid-19 activities affect other desirable policy goals? Do politicians share the priorities of their constituents – with a focus on infrastructure investments – to ensure that the recovery responds to local needs?

Sample & Coverage

Between June 2020 and December 2021, our research team conducted four rounds of 20-30 minute phone surveys of Mayors, Deputy Mayors and Chief Administrative Officers (CAOs). The survey was designed in close consultation with NASC and FCDO staff.

The first and second survey rounds cover 115 local levels, 77 districts, and 7 provinces. We selected these municipalities to coincide with the sample of the previous Federalism Capacity Needs Assessment (FCNA) survey conducted by Nepal Administrative Staff College (NASC), Georgia State University, World Bank, and UNDP in 2019. Our research team then extended the sample to cover all 753 local levels in the third and fourth rounds. Our team was generously and effectively supported by the Nepal Administrative Staff College (NASC), National Association of Rural Municipalities in Nepal (NARMIN), and Municipal Association of Nepal (MuAN) in order to bolster response rates.

Survey questionnaires in all rounds included modules on Covid-19 activities, responsibilities, and challenges; the level of coordination between different spheres of government as well as between actors at the local level; and funding efforts and budget allocations. Survey rounds also included one-time modules on the work of judicial committees in responding to gender-based violence incidents, infrastructure priorities of local officials, capacity and budget indicators of LGs to ensure a timely and inclusive recovery.

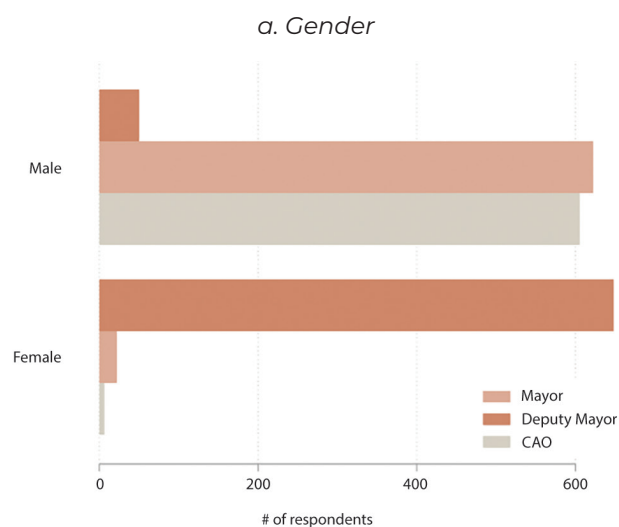
The panel data structure allows us to track COVID-related modules over the course of the pandemic and offers fine-grained insights into the response and adaptation behavior of LGs in dealing with this health crisis.

Survey dates, sample size, and actual response are listed in Appendix Table 1.

Respondent Demographics⁷

Mayors and Chief Administrative Officers (CAOs) are predominantly male, while DMs are predominantly female. This is true for officials across Nepal as well as for respondents in our sample. Among successful round 4 survey participants, 97% of Mayors and 97% of CAOs are male, while 93% of Deputy Mayors are female (see Figure 1, a).

Figure 1: Respondent Demographics

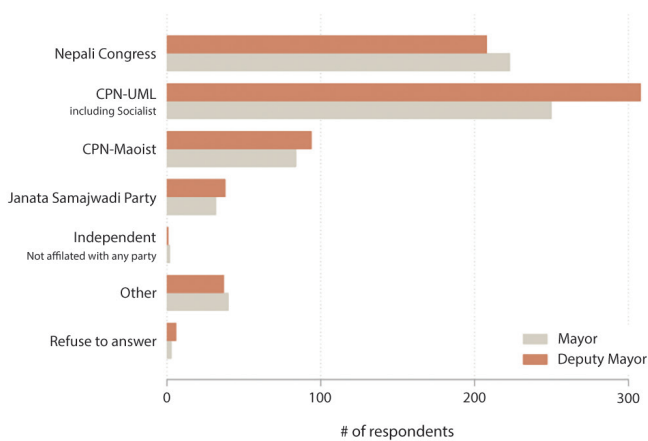


Source: LPGS Round 4 (2022).

⁷ The demographics section paints a picture of the composition of local leaders at the time when the LPGS surveys were conducted and prior to the 2022 local election.

41% of round 4 survey respondents are affiliated with CPN-UML, followed by Nepali Congress (34%), CPN-Maoist (14%), Janata Samajwadi Party (6%) and CPN-UML (Socialist) (4%). Less than 1% of respondents are not affiliated with any party (independent). Among CPN-UML members, DMs constitute 55% and Mayors 45% (see Figure 1, b).

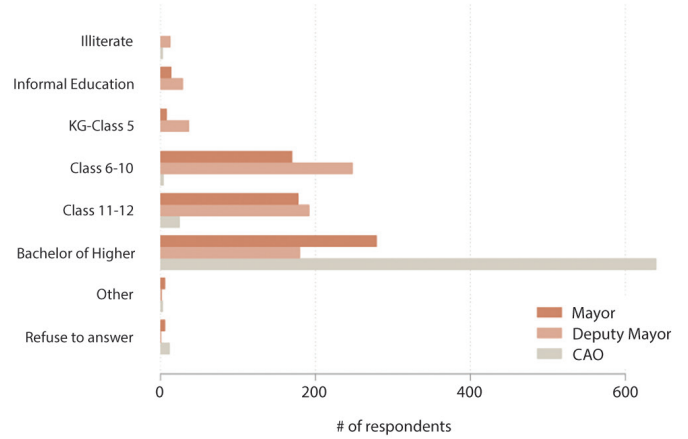
b. Party Affiliation



Source: LPGS Round 4 (2022).

The CAOs are at least Section Officer and Bachelors degree is the criteria to apply for the job. Among Mayors this share drops to 43% and among DMs to 26%. While a Bachelor's degree (or higher) is still the most prevalent educational status for Mayors (followed by Class 11-12 and Class 6-10), most DMs classify as Class 6-10 graduates (see Figure 1, c).

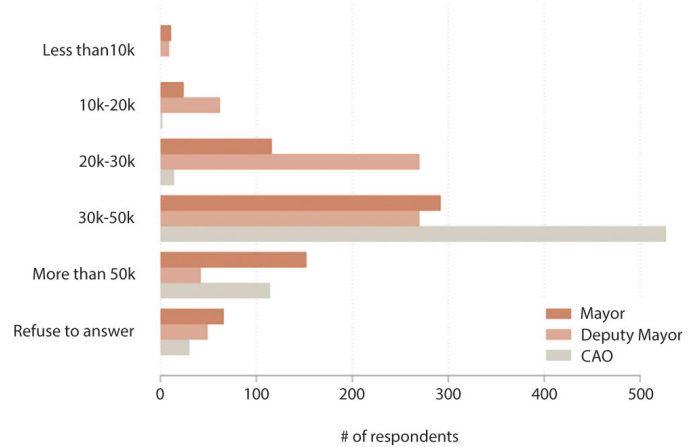
c. Education



Source: LPGS Round 3 (2021).

Almost all CAOs obtain income of at least 30,000 NPR, with the majority (80%) falling into the 30 - 50 k income bracket. Among Mayors, 49% are in the 30 - 50 k bracket, while roughly a quarter obtains a higher income. Among DMs, approximately 40% earn an income of 20 - 30k and 30k - 50k, respectively (see Figure 1, d).

d. Income



Source: LPGS Round 3 (2021).



2. Covid-19 Impact and Response

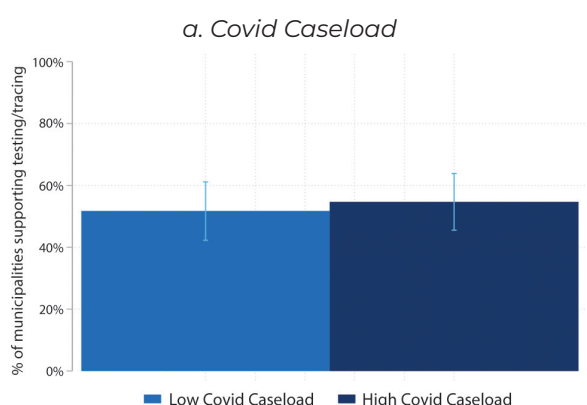
The Covid-19 pandemic created both a public health and an economic crisis. A key purpose of our survey was to assess whether and how local governments responded, and which local capacities were important in shaping that response.

a. Health Capacity of Local Governments and Covid-19 Response

- Testing and tracing activities do not vary by (a) Covid-19 caseload; (b) number of returnee migrants and (c) number of individuals in quarantine;
- Higher health capacity of local governments⁸ predicts more testing and tracing activities.

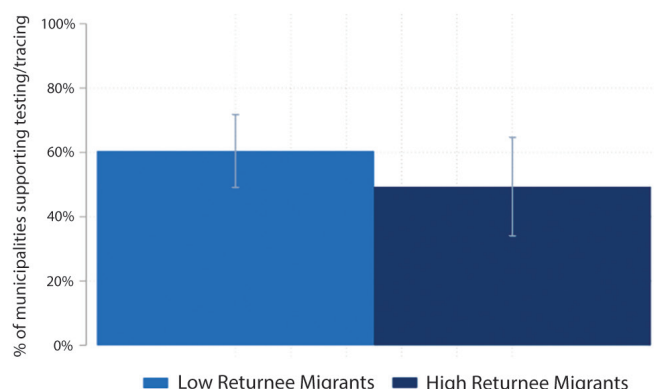
To understand how testing and tracing activities vary between local governments and if they are responsive to demand fluctuations, we consider two factors. First, municipalities' Covid-19 burden, measured by Covid-19 cases at the district level, number of returnee migrants, and quarantine center overload. Second, we measure the health capacity of local governments by a health index using data from the Federalism Capacity Needs Assessment (FCNA) survey⁹ and the Health Management Information System (HMIS)¹⁰. The health index¹¹ includes indicators for staff shortage, particularly health related staff, number of hospitals in municipalities, as well as information on planning and monitoring capacities of local government in the health sector.

Figure 2: Testing and Tracing Activities¹²



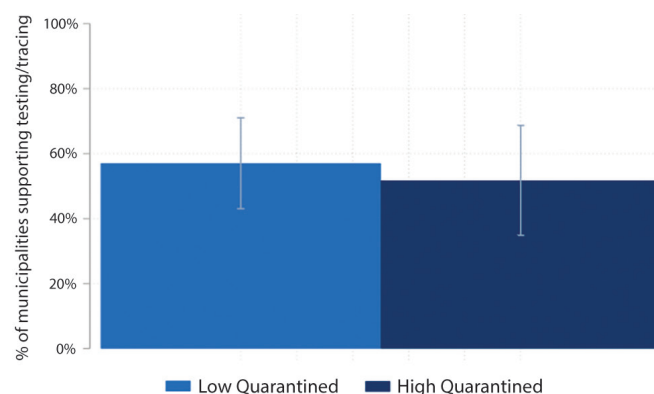
Source: LPGS Round 1 (2020).

b. Returnee Migrants



Source: LPGS Round 1 (2020).

c. Quarantine Caseload



Source: LPGS Round 1 (2020).

We find that testing and tracing activities by local governments do not vary by COVID-19 induced burdens (see Figure 2) but they do correlate with their pre-existing health service capacities. In fact, local governments with high health service capacities are 13 percentage points more likely to report engaging in testing of potential cases and contact tracing activities (see Figure 3).

8 Capturing nine indicators related to health staff, planning capacities, and infrastructure (based on survey round 1)

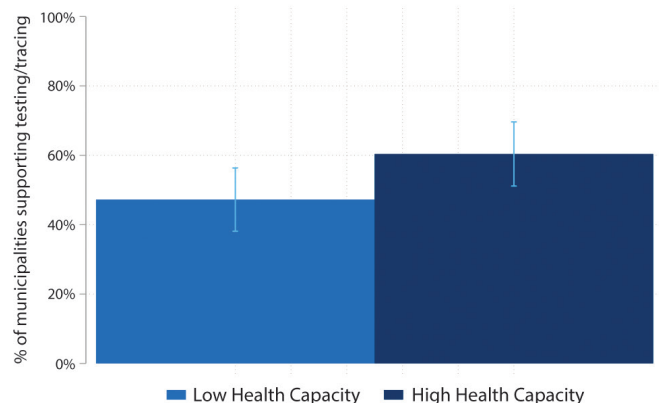
9 International Center for Public Policy in the Andrew Young School of Policy Studies at Georgia State University (2019).

10 Government of Nepal, Ministry of Health and Population, Department of Health Services (2020).

11 We use the Kling Liebman Katz (KLK) index method to generate a health index as a measure of health capacity. This method first standardizes health capacity related variables against their mean and standard deviation and then combines those standardized variables by taking their average to construct the index. The index values are distributed around mean zero. A positive value of this index signifies relatively high health capacity, while a negative value is low capacity. The distribution of the health index across Nepali municipalities is positively skewed.

12 Covid-19 caseload data is retrieved from the CMIS portal, as reported by LGs. We order the municipalities by caseload and assign a 'high caseload' indicator to municipalities above the median and a 'low caseload' indicator otherwise.

Figure 3: Higher Health Capacity of Local Governments Predicts Greater Testing and Tracing Support



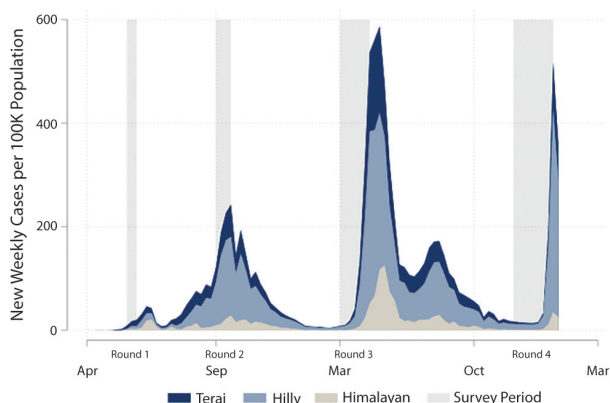
Source: LPGS Round 1 (2020).

b. Coordination between Spheres of Government

- *Mismatch Between Funding and Demand: most Covid-19 cases are recorded in more populous regions [Hilly and Terai], but these constituencies have (a) less per capita funds available and (b) fewer Covid-19-related activities (including spread prevention, direct medical support, vaccination, and economic relief/recovery).*

Hilly and Terai districts faced higher per-capita Covid-19 caseloads than Himalayan districts; especially during the September 2020 and April 2021 caseload spikes (see Figure 4). 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 compared to Himalayan districts (813 per 100,000).

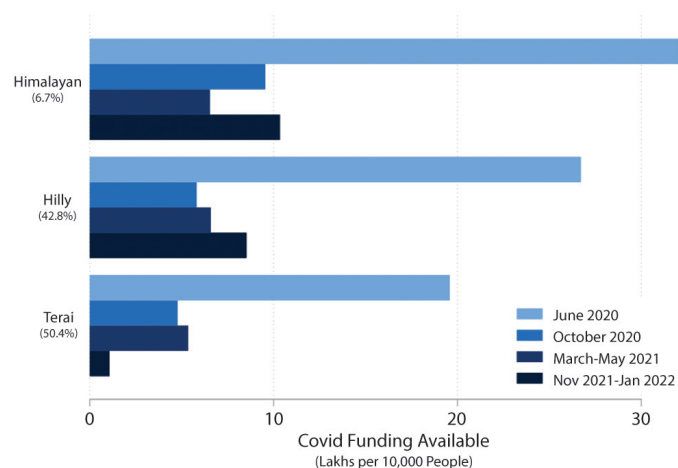
Figure 4: Most Covid-19 Cases are Recorded in More Populous Hilly and Terai Regions



Source: MoHP Covid-19 Portal (2022), Nepal Census (2011) & Nepal DHS (2015).

Despite having significantly lower rates of Covid-19, 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 vs 7.5 Lakhs rupees per 10,000 people (see Figure 5). Accordingly, they report spending more than four times as much (14.4 v/s 3.4 Lakhs rupees per 10,000 people). Local governments in Himalayan regions also report receiving more vaccine doses as a share of their population (8%), and high distribution rate (90% of those received). Local governments in Terai regions, by contrast, received fewer doses (5.5%) and distributed slightly fewer (87%)¹³.

Figure 5: More Populous Regions Report Fewer Covid-19 Funds Per Quarter



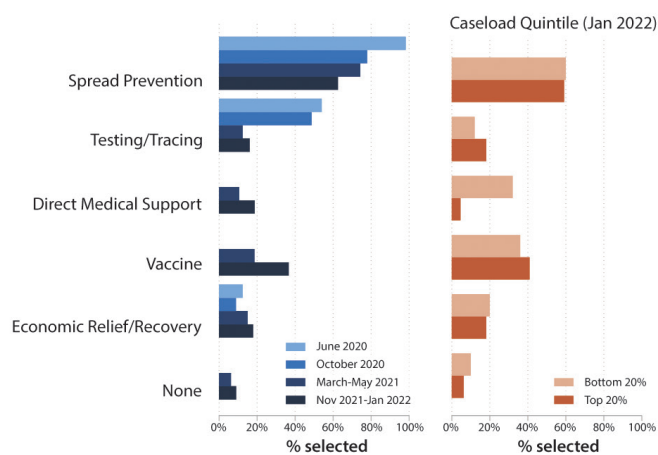
Region with percentage of total population below in parentheses.

Source: LPGS Round 1-4 (2020-2022) & Nepal Census (2011).

Local governments report worsening coordination and support with the federal government over the course of the pandemic, although the increase in coordination challenge in round 3 relative to round 2 is not statistically significant. The Federal Government ultimately makes most decisions around vaccine distribution: 90% of local governments reported that the individual in charge of the vaccination response was a health officer, not an elected official, and only 51% of local governments had a vaccination administration plan.

¹³ Vaccination data is retrieved from the Ministry of Health and Population website (at district level). It is based on the government's vaccine roll-out and not on reports by LGs.

Figure 6: Between June 2020 and January 2022, Districts with High Caseloads Engaged in Fewer COVID-19 related Activities, and All Districts Engaged in Fewer Activities in General¹⁴



Source: LPGS Rounds 1-4 (2020-2022).

Even as cases rose, 6% of local governments reported not engaging in Covid-related activities in April 2021, up from 1% in October 2020. The share of local governments focused on spread prevention activities (e.g. lockdown and quarantine enforcement, encouraging social distancing, and managing migrants) fell from 99% to 87.5%. Despite this, only 3.5% of local governments see a reduced focus on Covid-19 as a major challenge. Local governments in districts that had the highest per-capita caseloads during Nepal’s second wave of the pandemic were also less likely to report engaging in Covid-19 related activities during survey round 3 in April 2021 (see Figure 6).

c. Gendered Impact of the Covid-19 Pandemic

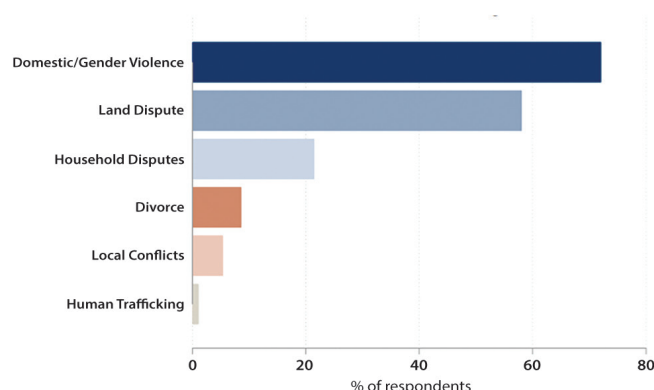
- *DMs report an increase in domestic violence incidents (exacerbated by the return of male migrant returnees);*

DMs allocate time to Covid-related responsibilities such as serving on Covid committees, leaving less time for core activities, ie. serving on judicial committees, despite an increase in demand for case settlements.

Restrictions on mobility, economic distress, delays

in the delivery of services, as well as an increase in gender-based violence (GBV) and household conflict¹⁵, all associated with the Covid-19 pandemic, suggest that women have been hit particularly hard. Data provided by the Nepal Monitor¹⁶ suggests that GBV cases increased precipitously during the nationwide lockdown in March 2020 leading to a record-high of more than 150 documented GBV cases countrywide in July 2020. Our surveys with Deputy Mayors (DM) provides a unique opportunity to understand how their responsibilities have changed through the pandemic, as well as how they perceive gender issues in their local municipalities. First, female leaders’ policy preferences are often more aligned with the women in their jurisdictions, and thus empowering and building their capacities can improve female empowerment overall.¹⁷ Second, DMs sit on the Judicial Committee, and settle disputes (with and without mediation) involving property, divorce, assault, and wage payments.¹⁸

Figure 7: Drastic Increase in Domestic and Gender-based Violence during Covid-19



Source: LPGS Rounds 1-4 (2020-2022).

DMs report adjudicating more cases related to GBV (65%), household disputes (20%) and divorce (10%) (see Figure 7). Nearly 40 percent of respondents believe that the return of male migrants led to a spike in domestic violence.

Despite this increase in demands for GBV case mediation and adjudication, over one-fourth of DMs report that, due to additional Covid-related responsibilities (90% are serving on at least one local Covid-related task force), they have been spending less time on Judicial Committee work.

14 This graph displays the COVID-19 related activities that local governments engage in over the course of the pandemic between June 2020 and January 2022 (left panel) and maps this engagement to COVID-19 caseloads in January 2022 (right panel). In particular, the right panel shows the share of municipalities in the bottom quintile/top quintile (as measured by COVID-19 cases), who have the respective activity in place.

15 Nepal Research Institute & CARE Nepal (2020).

16 Nepal Monitor (2023).

17 Chattopadhyay, R., & Duflo, E. (2004).

18 Tamang, S. (2018).

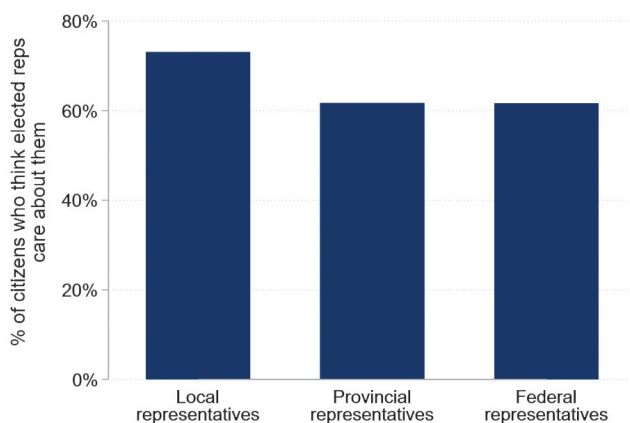
3. Covid-19 Recovery

a. Policy Priority Alignment

- Relative to federal and provincial representatives, citizens believe that local officials are more attentive and increasingly responsive to their needs;
- Citizens prioritize infrastructure and education; both elected and appointed officials prioritize infrastructure, but only elected officials highly prioritize education;
- Local officials' priorities reflect objective indicators of community need, e.g. remoteness.

In theory, decentralized political systems can better represent the views and needs of local constituents because local governments have more information on citizen preferences relative to higher-tier governments. Geographic proximity may also help citizens better hold their representatives accountable. Relying on data from the third survey round and a citizen survey (SNP) conducted by Kathmandu University, Interdisciplinary Analysts, and Asia Foundation in Feb-March 2020¹⁹, we ask how the policy goals of elected politicians and appointed officials compare with citizen priorities.

Figure 8: Citizen Perceptions of Three Tiers of Government



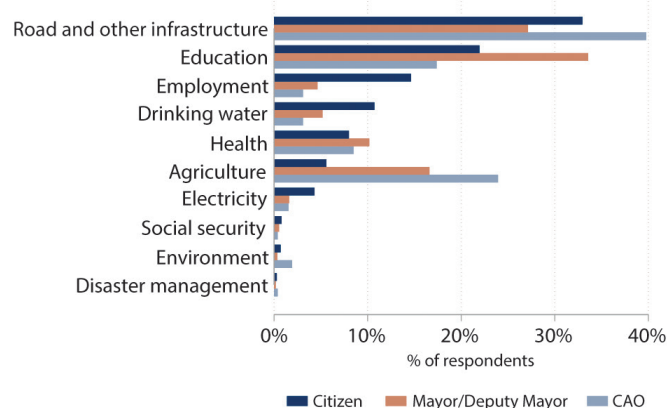
Source: SNP (2020).

Citizens believe local representatives prioritize them more than higher-tier representatives and perceive local government responsiveness as increasing more over time. Figure 8 shows that 73% of citizen respondents said local representatives cared about people like them, compared to 62% for provincial and federal

19 Kathmandu University (2020).

representatives. Likewise, 59% of respondents perceive local government as becoming more responsive to people's needs compared to previous year. Corresponding figures for provincial and federal governments were 45% and 44% respectively.

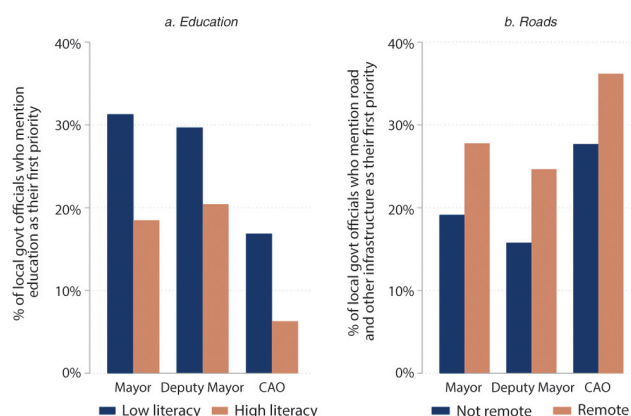
Figure 9: Policy Priorities of Local Policymakers and Citizens



Source: LPGS Round 3 (2021) & SNP (2020).

Figure 9 shows that a plurality of citizens report road and other infrastructure as their first priority (33%), and education as their second priority (22%). It further shows that elected officials (mayors and DMs, 34%) are twice as likely as appointed officials (CAOs, 17%) to report education as their main priority. Appointed officials (40%) are substantially more likely than elected officials (27%) to cite roads and other infrastructure as their main goal, and tend to prioritize agriculture (24%) over education. There is also evidence that local officials are more likely to cite education as their main policy goal in low literacy rate municipalities (see Figure 10) and are more likely to cite roads and other infrastructure as priority in remote municipalities (see Figure 10).

Figure 10: Local Government Need and Policymaker Priorities



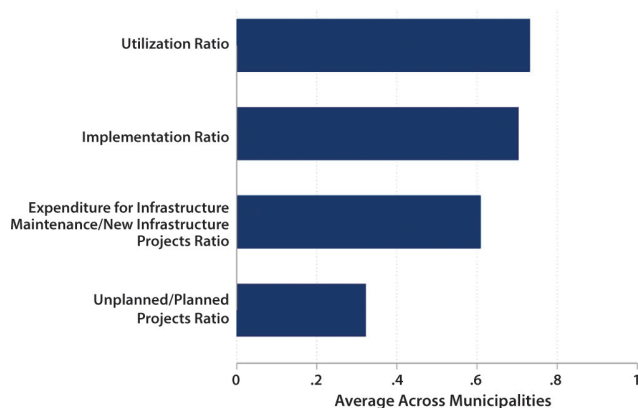
Source: LPGS Round 3 (2021).

b. Infrastructure Spending

- *Most local officials report a lack of funds as a key constraint in delivering infrastructure. However, a large proportion had not spent a majority of allocated infrastructure funds, and many approved projects had not yet been implemented. This points to a potential lack of capacity to spend funds. Indeed, our analysis suggests urban municipalities without process and capacity indicators²⁰ in place are less able to spend their allocated funds.*
- *User Committees (UCs) are the primary mechanism for involving citizens in infrastructure decisions; yet local governments that report the influence of local elites and high-level politicians in UCs have significantly lower project implementation rates.*

Resilient infrastructure is critical for economic growth. Nepal's 2017 move to three spheres of government – and, therefore, decentralization of policy decision-making - was predicated on the idea that bringing government closer to the people would give them a greater voice in policymaking. Local municipalities are legally empowered to deliver local infrastructure to their constituents, yet face resource and capacity constraints. In this context, the Local Infrastructure Support Programme (LISP) aims to improve Nepal's new local and provincial governments' responsiveness to local infrastructure demands; and thereby create jobs and drive local economic development. It will maintain a focus on BEK strategic objectives by increasing the legitimacy, capacity, and accountability of local governments.

Figure 11: Effective Infrastructure Delivery Outcomes

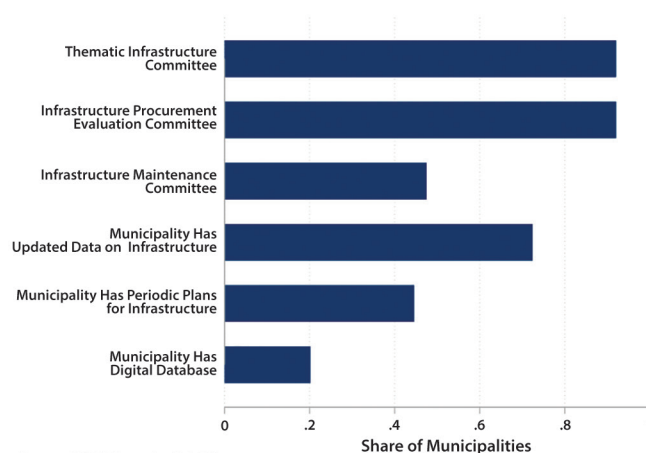


Source: LPGS Round 4 (2022).

We measure outputs of effective infrastructure delivery using two sets of indicators: The first set includes proxies for implementation capacity measured by (1) the proportion of allocated capital budgets that were spent in the past fiscal year (from now on referred to as utilization ratio) and (2) the number of implemented infrastructure projects in the past fiscal year as a proportion of submitted projects (thereafter implementation ratio). The second set includes potential proxies for political and elite capture measured by (1) the proportion of implemented projects that were unplanned (as a share of planned projects) and (2) the proportion of budget allocated to building new infrastructure as opposed to maintaining existing infrastructure in the past fiscal year.

Figure 11 reveals that average utilization and implementation ratios across local governments are below 75%, that the average expenditure for new infrastructure projects exceeds the allocation of budget towards the maintenance of existing infrastructure by 40%, and that roughly one unplanned project is implemented for every three planned projects. This is a surprising finding since, in terms of existing capacity, local governments primarily cite a lack of funds. Roughly 40% of local government officials name insufficient local budgets as the main obstacle in delivering necessary infrastructure to their constituents.

Figure 12: Process and Documentation Capacity



Source: LPGS Round 4 (2022).

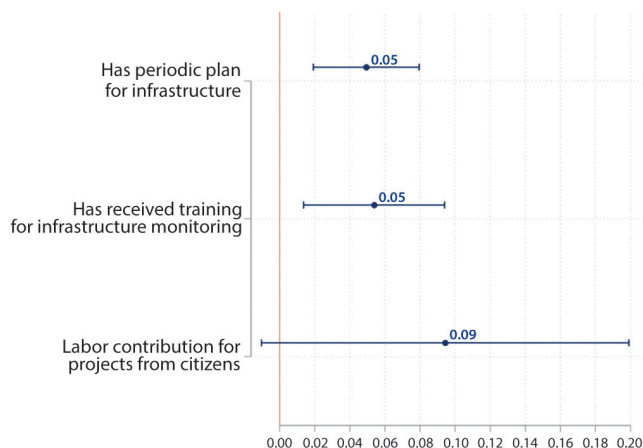
Furthermore, less than 50% of local governments have periodic infrastructure plans in place and less than 60% of local government agents have received training for infrastructure project monitoring (with a substantially lower share in rural than urban municipalities) (see Figure 12).

²⁰ Thematic infrastructure committee, infrastructure procurement evaluation committee, infrastructure maintenance committee, local government has a digital database and periodic plans for infrastructure in place.

Staff capacity is also stretched: on average, local governments report roughly 0.42 full-time technical engineers per 10,000 residents, but this ranges from 0.35 in rural areas to 0.45 in urban municipalities.

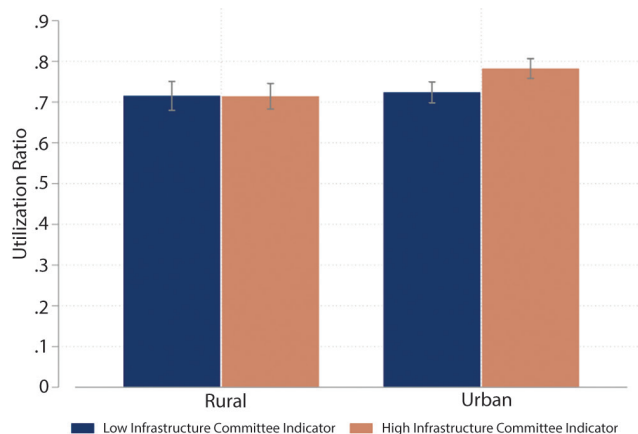
Figure 13: Local Government Capacity and Infrastructure Delivery

a. Capacity Indicators Predict Higher Utilization Ratio of Allocated Funds



Source: LPGS Round 4 (2022).

b. Infrastructure Committee Index Predicts Higher Utilization Ratio of Allocated Funds



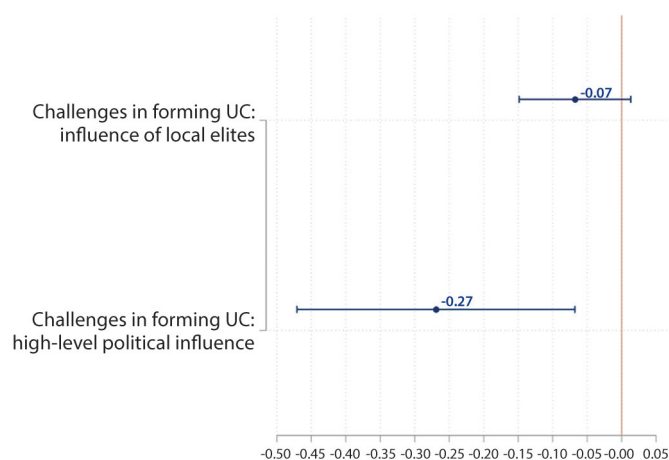
Source: LPGS Round 4 (2022).

To examine how local governments that have not set up infrastructure delivery processes use funds, we construct an infrastructure committee index that assigns a high infrastructure committee indicator if local governments possess a (a) thematic infrastructure committee, (b) infrastructure procurement evaluation committee, and (c) infrastructure maintenance

committee, zero otherwise. Urban low capacity areas are significantly less likely to spend allocated infrastructure funds than are high capacity urban areas. Additionally, local governments with both periodic infrastructure plans and local officials that are trained in infrastructure monitoring have higher funds utilization ratios (see Figure 13).

Reported challenges in the formation of User Committees (UCs) help to shed light on why accountability mechanisms may be weak at the local level. User Committees (UCs) play a major role in shaping local policies. Government officials award 80.65% of infrastructure contracts to UCs (82.02% in rural and 78.32% in urban areas) and mention UCs as an important mechanism for soliciting feedback from community members. At the same time, roughly 20% of respondents acknowledge that the influence of local elites and high-level politicians poses a challenge to the formation of UCs and the recruitment of members in their municipality.

Figure 14: Elite Capture of User Committees (UCs) Hampers Infrastructure Delivery



Source: LPGS Round 4 (2022).

Our analysis further shows that political interference and elite capture predicts substantially lower project implementation rates²¹, providing suggestive evidence that dysfunctional UCs impede accountability. More needs to be done to engage citizens in infrastructure decision-making processes to create an environment in which officials are incentivized to align their infrastructure priorities with the preferences of their constituents (see Figure 14).

21 Project implementation rates are calculated by dividing the number of executed projects by the number of planned projects.

4. Looking Ahead: Local Governance in Nepal

Over the course of four survey rounds, in a collaborative effort between NASC, MuAN, NARMIN, and Inclusion Economics Nepal, our research team sought to understand how local governments responded to the Covid-19 crisis and planned for post-pandemic recovery.

Despite a lack of resources or constitutional clarity, local governments were critical in implementing Nepal's Covid-19 response. Many responded quickly to support the nationwide lockdowns, and then transitioned their efforts to direct medical support, spread prevention activities, and financial assistance over the course of 18 months. Local officials coordinated within their own governments and with other spheres in order to build new policies and utilize relief funds.

Despite these successes, the pandemic also exacerbated existing inequalities among and within LGs, and created new policy challenges. As we have shown, LGs with higher health-care capacity before the pandemic were more able to conduct testing and tracing activities to protect their citizens. Many researchers have already highlighted the disproportionate effects of the pandemic on disadvantaged populations, and DMs in our sample have also noted how lockdowns increased gender-based violence while diverting official staff time away from judicial matters.

In order to respond effectively to future crises, our analysis suggests that the federal system should ensure:

- Flexible resource flows to LGs which can enable them to respond quickly, as vulnerabilities to specific types of crises might vary widely across municipalities.
- Greater clarity of roles, especially in areas of shared Constitutional responsibility, which is critical to enable different spheres of government to coordinate quickly.

Critically, for many citizens in Nepal, the longer-term social and economic impacts of the Covid-19 crisis persist. Thus, local governments must be accountable as they plan inclusive and resilient policies for economic growth. As our work illustrates, there is alignment between the policy preferences of locally-elected officials and their constituents in many areas, yet in the case of infrastructure, some channels for citizen involvement may not truly represent the majority of stakeholders. Additionally, while local governments may effectively identify key policy priorities, they may fail to use available budgetary resources to effectively deliver services.



In order to deliver on promises of inclusive recovery in Nepal, our analysis shows that there are three underpinning investments that local governments need to make:

- Tracking key measures of local needs, government expenditures, and policy outcomes by collecting and maintaining data at the local level. This will enable local governments to identify policy priorities and measure success.
- Following processes to implement planned budget priorities and spend allocated funds in order to ensure that local governments can deliver on constitutional roles and electoral promises
- Building channels for getting feedback directly from citizens in order to ensure that all citizens' interests are represented when planning local priorities

Since their inception, Nepal's local governments have strengthened through crises, by building resilient infrastructure, programs, and processes. In 2017, many supported earthquake reconstruction efforts. Just 3 years later, local governments responded effectively to the Covid-19 pandemic. And while the 2022 local elections provided a referendum on their performance, local governments need sustained input and engagement from their constituents. In the coming years, natural disasters may become increasingly frequent or severe in the wake of climate change, and the lessons from Nepal's response to the Covid-19 pandemic could again prove valuable. Our analysis offers key lessons for managing crises and building inclusive recoveries, and points to the need for a continuing investment in the capacity of Nepal's local governance system.



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Appendix

Table 1: Survey Details

Survey Round	Survey Date	Planned Sample Size	Actual Sample Size	Survey Contents/Modules
Round 1	June 2 - 18, 2020	115 Mayors 115 DMs 115 CAOs	86 Mayors 97 DMs 102 CAOs	Covid-19 prevention activities, planning, logistics, responsibilities, and formation of Covid-19 committee; food relief measures, Covid-19 related support for subgroups (elderly, disabled, pregnant women, children), efforts to secure funding, Coordination with and support from other organization and governments.
Round 2	October 5 - 23, 2020	115 Mayors 115 DMs 115 CAOs	95 Mayors 102 DMs 101 CAOs	Covid-19 prevention activities, lockdown enforcement, testing and tracing, quarantine centers, PPE and other hygiene kit distribution, LG general roles, responsibilities and capacity; challenges faced by LGs; coordination with and support from other levels of government; working relationship between CAOs and Mayors, Belief and perception towards COVID impact" reads awkwardly; if I'm getting the meaning right, how about "beliefs and perceptions about the impact of Covid-19 impact.
Round 3	March 30 - May 9, 2021	753 Mayors 753 DMs 753 CAOs	661 Mayors 702 DMs 687 CAOs	Awareness of international organizations working in the area, Covid-19 related activities and challenges, Support from provincial and other LGs, Migration, Judicial committee work, gender based violence and discrimination, Vaccine administration and challenges, Conditional and unconditional funds received and spent, Funding source, e.g. collection from internal taxes and fees.
Round 4	November 21, 2021 - January 22, 2022	753 Mayors 753 DMs 753 CAOs	649 Mayors 703 DMs 612 CAOs	Covid-19 activities, Key challenges faced by LGs, Support from and coordination with federal (MOFAGA) and provincial governments, Allocated Covid-19 funds, Infrastructure priorities and capacity (thematic and procurement evaluation committees), Number of planned and implemented projects for different infrastructure categories (roads, water/sanitation, irrigation, urban development), Capital expenditure towards and size of infrastructure projects, Infrastructure periodic plans and data availability, Engineering and administrative staff to carry out infrastructure projects, Trainings regarding infrastructure monitoring, Community participation mechanisms (User Committees, public hearings), Performance of contractors, Constituent priorities, Perception towards merit of federalism, Political ambitions of respondents.

Collaborating Organizations



Yale University



UK Aid



The London School of Economics and Political Science



Nepal Administrative Staff College



National Association of Rural Municipalities in Nepal (NARMIN)



Municipal Association of Nepal (MUAN)



Governance Lab Pvt. Ltd.
(Govlab)



Milap Road, Sanepa -3, Lalitpur, Nepal
Phone: +977 - 5455739, ien@govlab.com.np
www.govlab.com.np/inclusion-economics-nepal/