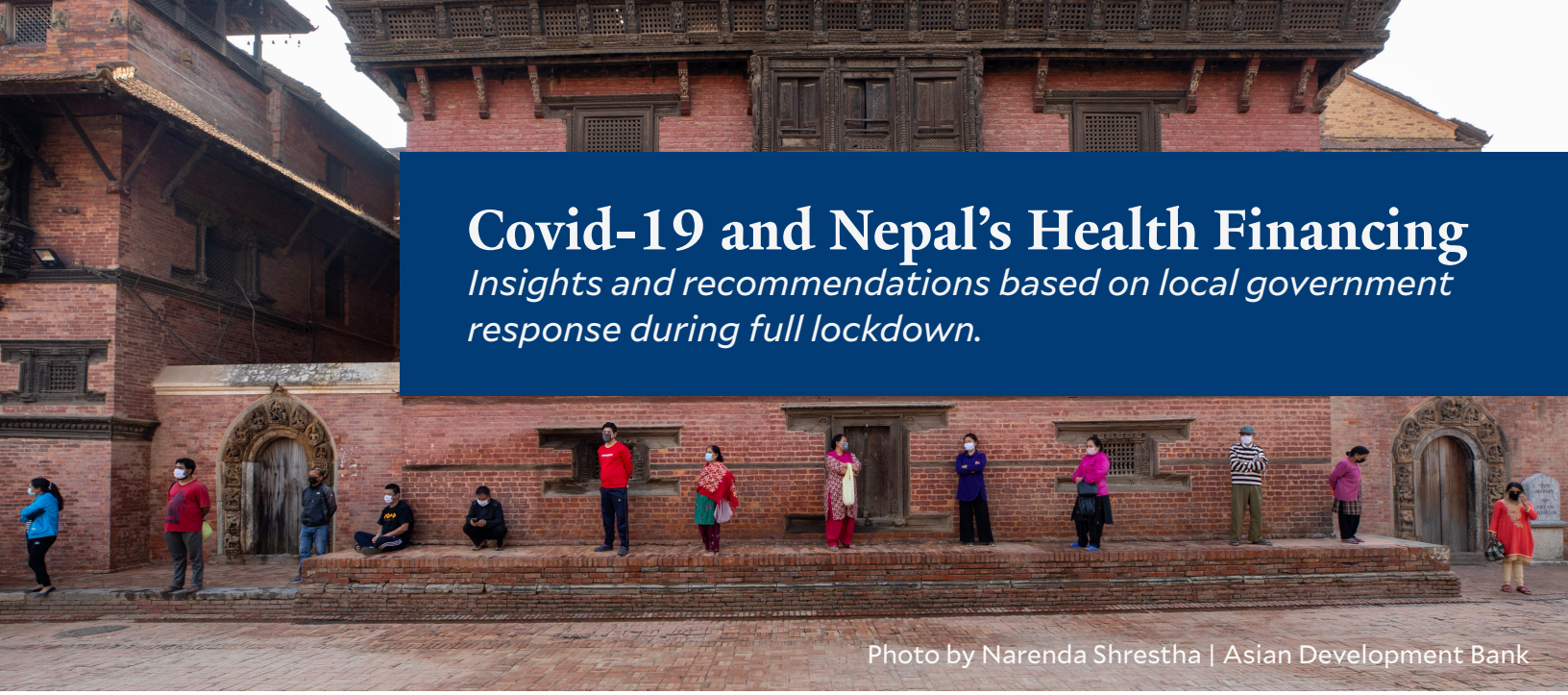

Covid-19 and Nepal's Health Financing

Insights and recommendations based on local government response during full lockdown.

Photo by Narenda Shrestha | Asian Development Bank

Nepal's constitution designates public health as a shared responsibility across government spheres, with primary healthcare and sanitation as exclusive local government functions. During Nepal's Covid-19 full lockdown (March to June 2020), local governments led the frontline response. Prior to the end of full lockdown, in June, a research team surveyed local officials in 113 municipalities to understand health activity financing during lockdown, and to assess local needs and chart activities. The team also collected qualitative insights from provincial government officials.

Key Messages

Insights on health financing:

- Local governments largely rely on their own budgets for Covid-19 related health activities, and report lack of adequate funds as a major challenge.
- Local government health funding is lower in districts with high Covid-19 caseloads: this mismatch arises, in part, because high caseload areas are in the Terai region, where local governments had exhausted much of their annual disaster funds on flood relief.
- Activities for which contributory funding had been mandated from federal and provincial governments saw broad take-up across municipalities. In contrast, activities that were wholly financed by local governments such as public health awareness campaigns saw more limited take-up.

Recommendations:

- In the short run, Covid-19 is a health crisis. Local governments with higher caseloads need timely access to more funds for broader public health activities, including contact tracing programs.
- Present and anticipated Covid-19 caseloads should regularly inform additional budget allocations to local governments.
- Provincial and federal authorities should develop needs-based criteria for allocating their health funds across local governments, district committees, and hospitals/health facilities – and the process should be transparent to all stakeholders.

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Background

Nepal instituted a full lockdown from March 24 to June 14, 2020 and has since begun a partial reopening. At the time of the completion of the survey detailed in this brief, June 18, the number of detected Covid-19 cases was at an all-time high of 7,848. Cases were detected in 74 Nepali districts and 22 deaths had been recorded. Infection was highest in the districts along Nepal's southern border, the Terai region, due to high population density and cross-border transmissions from India. Additionally, 116,215 people were under quarantine.[1]

In March, local governments were given the responsibility of managing quarantine holding centers and testing for Covid-19 in collaboration with provincial governments. They were also charged with implementing public health guidelines, such as ensuring social distancing, disinfecting public spaces, and mobilizing volunteers (e.g. female community health workers) for the prevention and control of Covid-19.

To finance these health responses, local governments received federal grants to support the set-up and operation of quarantine holding centers, and provincial grants for relief distribution. Beyond these grants, local governments largely relied on reallocating funds from their existing disaster relief budgets.

[1] Nepal Ministry of Health and Population, Situation Report 130

About the Survey

The survey was conducted from June 2-16, 2020 in 113 Nepali municipalities and seven provinces by a team of researchers based at Yale University, London School of Economics, and the Governance Lab Research Team in collaboration with Nepal Administrative Staff College (NASC). The team attempted to contact the Mayors, Deputy Mayors, and Chief Administrative Officers (CAO) of the 115 municipalities from the Federalism Capacity Needs Assessment (FCNA) survey conducted by NASC, Georgia State University, World Bank, and UNDP in 2019. The team interviewed 81% of FCNA respondents, averaging 2-3 respondents per municipality. At least one respondent was interviewed in 98% of surveyed municipalities.

The team also conducted interviews with provincial officials across each of the seven provinces. These provincial officials included secretaries or under-secretaries from the Ministry of Economic Affairs & Planning, Ministry of Social Development, Ministry of Internal Affairs and Law, and the Office of the Chief Minister. 18 interviews were completed, while three officials refused to be interviewed and one was unable to be reached.

Nepal's Terai region has experienced the highest incidence of Covid-19.

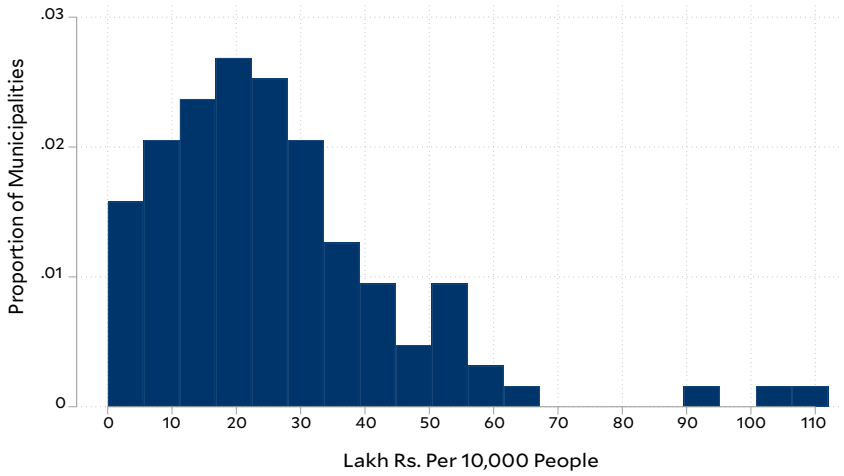
Narayan G. Maharjan/ CC BY-NC 2.0

Analysis

Finding 1: Access to funding for Covid-19 varies widely acress local governments.

Officials report an average funding availability of NPR 83 lakh (NPR 261), which ranges across local governments between NPR 60 and 504 per person (see Figure 1). At the low end, NPR 60 is enough to provide four surgical masks per resident; at the high end, NPR 504 enables rapid diagnostic tests for 52% of the population. Administrative data from the Crisis Management Information System for the month of June corrobate this pattern.[2]

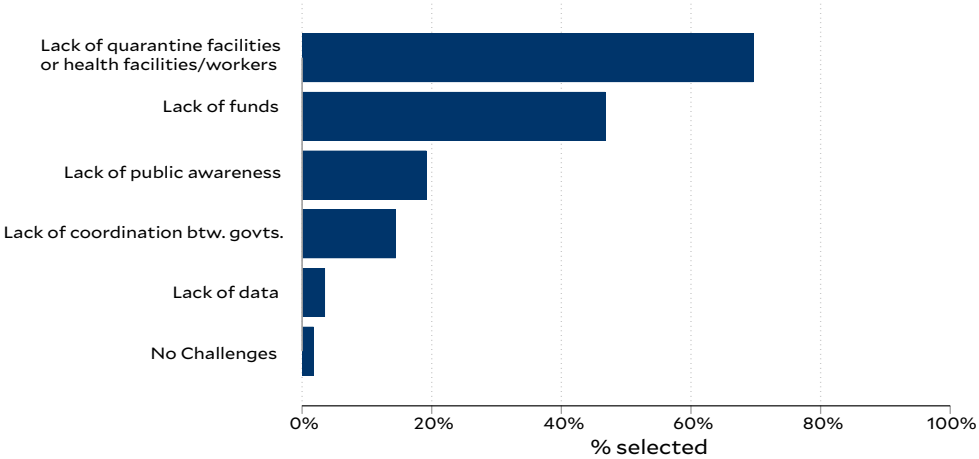
Figure 1: Covid-19 funding allocated to local governments.



Finding 2: Low funding is an obstacle to health programming.

The twin problems most often cited by local officials are a lack of funds and, consequently, a lack of necessary health workers and health facilities.

Figure 2: Challenges faced by local governments.



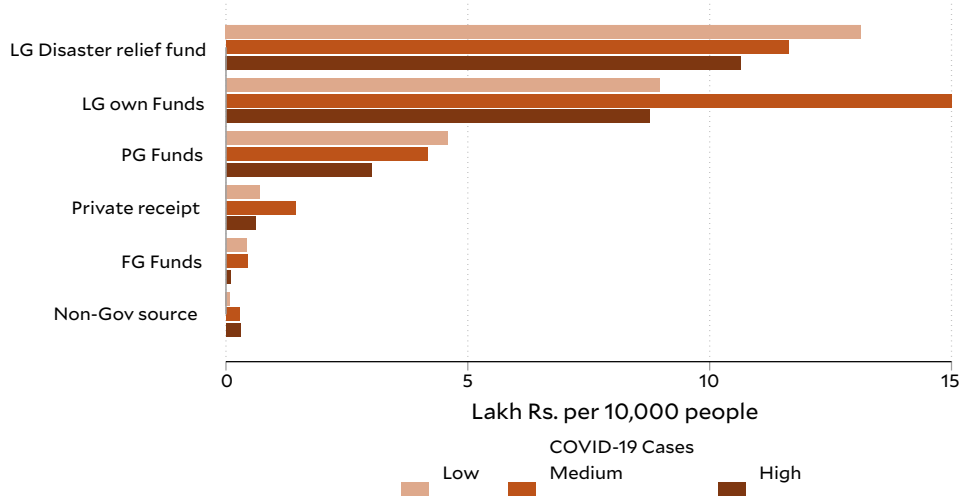
Source: LPGS Survey (2020)

[2]Source: Private correspondence with the Ministry of Federal Affairs and General Administration (MOFAGA)

Finding 3: Local governments are largely funding Covid-19 activities from their own disaster relief.

80% of local governments' available funds for Covid-19 health activities come from reallocating their own budgets (see Figure 3). The total spending on pandemic relief is low: on average, local governments have spent 1.9% of their annual budget on Covid-19.

Figure 3: Covid-19 funding allocated to local governments by caseload.

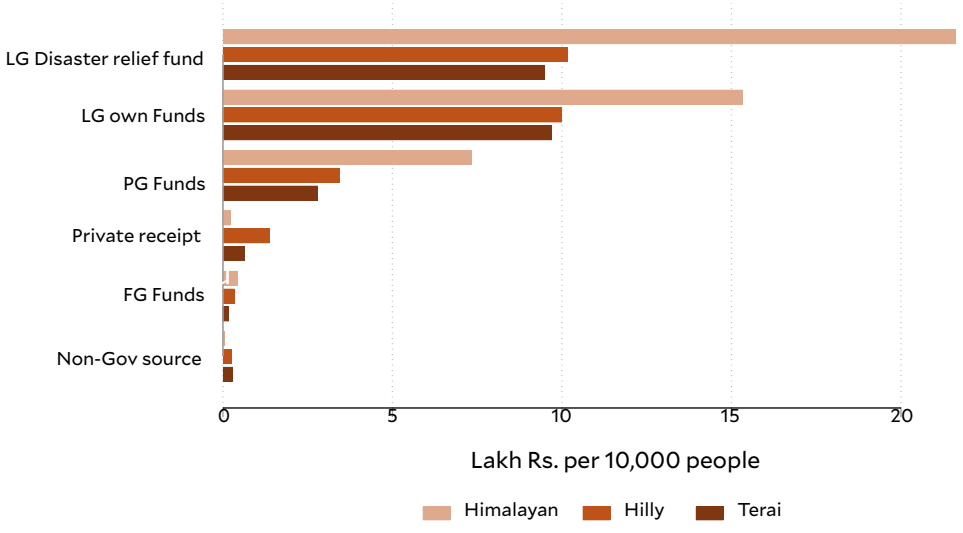


Source: LPGS Survey (2020) & FCNA (2019)

Finding 4: Local governments with high caseloads tend to have less funding available for Covid-19.

Terai municipalities with the highest infection rates often have less access to disaster relief funding (see Figure 4), because much of their budgets were spent on flood relief efforts that occurred earlier in the financial year. On the other hand, Himalayan regions, which largely use these annual funds for less-frequent disasters (e.g. earthquakes, landslides), report accessing roughly 2.5 times more disaster funding for Covid-19 than Terai regions.

Figure 4: Covid-19 funding allocated to local governments by region.



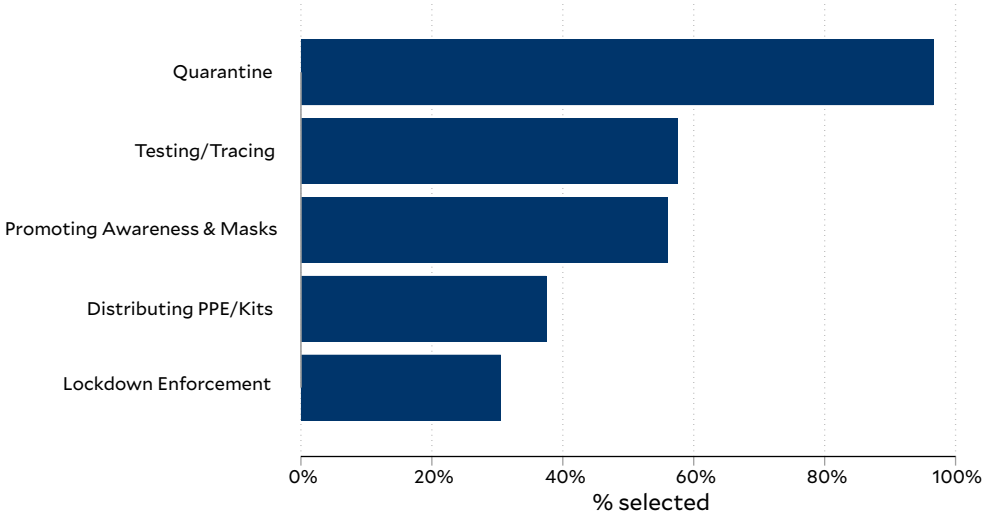
Source: LPGS Survey (2020) & FCNA (2019)

Finding 5: Local governments consistently implement relief measures that are supported by federal and provincial governments, but experience difficulties with measures where they bear the brunt of responsibility.

Nearly all municipalities have taken steps to lower infection rates – 97% have instituted quarantines (see Figure 5). However, implementation rates for public health and hygiene measures have been far lower (under 50%).

A portion of funding for operating quarantine centers comes directly from the federal government, which allocates funds based on the information provided by municipalities. Funds proportionally reflect Covid-19 caseloads. Thus, targeting funding to districts with the greatest need is feasible, and many governments are doing so.

Figure 5: Covid-19 prevention activities



Source: LPGS Survey (2020)

Qualitative insights from survey of provincial government officials.

Alongside the survey of municipalities, the research team also interviewed provincial government officials. The interviews revealed that many provinces have used their budgets and donor support to create Covid-19 management funds, like local governments. Five provinces transferred funds to local governments primarily for food relief and quarantine activities, but two provinces have instead provided funding to district and health facilities. All provinces report also coordinating with district-level Covid-19 response groups.

Recommendations

Public health measures that are necessary to halt the spread of Covid-19 require funds and personnel. The nature of activities such as contact tracing and maintaining social distancing and hygiene practices implies that local level engagement is crucial for their effective implementation. In many Nepali municipalities, local governments have been mandated to administer public health measures.

In the short term (i.e. during 2020), local government budgets are proving inadequate, reflecting a need for additional funds from federal and provincial levels. Such financing will likely pay off. Studies show that accountable and trusted local governments can improve community health during crises, as individuals become more compliant with testing and self-isolating.[3,4]

The survey also points to a need for transparency and clear criteria in the flow of central funds to municipalities. Additional financing must also address the current mismatch between local disaster relief budgets and Covid-19 caseload. Municipalities with higher coronavirus incidence are more likely to report a lack of personnel and facilities, which reflects the double whammy of disasters that these municipalities have faced in the same budget year: floods and Covid-19.

Nepal's emergency infrastructure for the Terai region was built with only one type of shock in mind: floods. However, spending from flood disaster relief funds has already occurred earlier in the financial year. The new pandemic shock has led to inefficient and inadequate disaster relief funding allocations, and funding for Covid-19 in the new fiscal year will face competing demands from another round of flooding.

Furthermore, as Nepali farmers work in close proximity during the agricultural high season and members of the public comingle during festivals, the Covid-19 caseload will likely increase. Given the limited ability of local governments to directly obtain tax revenue, we advise that the federal government reallocate funds based on predictions of Covid-19 infection rates and real-time data.

We also highlight the importance of continued investments in good data systems and the strengthening of heath care systems.

Around the world, governments must adapt to this quickly evolving crisis. In Nepal, such adaptations may include creating a federal emergency fund, rapidly distributing these emergency funds to local governments, and using funds to strengthen local health capacities.

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[3] Christensen, Darin and Dube, Oeindrila and Haushofer, Johannes and Siddiqi, Bilal and Voors, Maarten, Building Resilient Health Systems: Experimental Evidence from Sierra Leone and the 2014 Ebola Outbreak (June 3, 2020). University of Chicago, Becker Friedman Institute for Economics Working Paper No. 2020-28. Available at SSRN: https://ssrn.com/abstract=3562391 or http://dx. doi.org/10.2139/ssrn.3562391

[4] Dube, Oeindrila and Katherine Baicker, "How You Can Protect Your Community, Not Just Your Own Health", The New York Times, March 26, 2020

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