16 COVID-19

The first wave response from Nepal

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16.1 Introduction

Nepal's new federal system had to provide healthcare services for COVID-19 from the start of the pandemic. At the same time, the new federal system provided economic relief to sectors that were hardest hit.

The capital region of the Kathmandu Valley was particularly affected. Initially, the national government had to impose a complete lockdown for four months beginning on 24 March 2020. During this period, cases of COVID-19 were minimal compared to the economic impact of the virus. Daily wage earners were among many segments of the community dramatically affected. As a result, there was pressure from the business community and workers to ease the lockdown. The national government gradually eased the lockdown. However, afterward, the number of cases of COVID-19 increased significantly.

Nepal's federal system of governance performed well in the critical management of its COVID-19 pandemic response.

Challenges to governance during the pandemic were the needs to provide the following:

- Strengthened relationships among the three tiers of government;
- Needs-based funding to the local government by the provincial and federal governments according to the caseloads;
- Favorable economic and development policies in response to affected sectors, including agriculture, tourism, industry, returning migrants, and informal workers; and
- Effective mobilization against COVID-19 by community support organizations and cooperatives.

Nepal has endured a great deal in the first wave of the COVID-19 pandemic. The new federal country had little experience in coordinating either the economy or the health

Table 16.1 Key Statistics on COVID-19 in Nepal as of 10 January 2021

<i>Cumulative Cases</i>	<i>Cumulative Cases per 100,000 Population</i>	<i>Cumulative Deaths</i>	<i>Cumulative Deaths per 100,000 Population</i>	<i>Case Fatality Percentage</i>
264,521	907.9	1,912	6.6	0.7

Source: World Health Organization Weekly epidemiological update – 12 January 2021. Geneva: WHO, 2021. Available from <https://www.who.int/publications/m/item/weekly-epidemiological-update>

system of the land. The country had to face the collision of an unprecedented health crisis with its new democracy and its fledgling federal system (Table 16.1).

16.2 COVID-19 in Nepal

The first COVID-19 case in Nepal was confirmed on 23 January 2020 in a 32-year-old male who had returned from China on January 9. The second case was confirmed on March 23 in a young female who had flown to Kathmandu from France via Qatar. With a fear of infections from the pandemic, a noticeable number of people departed from the Kathmandu Valley. In the third week of March, Nepal began to see a significant entry of people from India as there was a huge increase in the number of new cases in that country as well. India's decision to implement a lockdown hastened the decision of many to return to Nepal.

To prevent the spread of the disease, Nepal focused its efforts on planning, prevention, and preparation. As prevention measures, the government prepared health guidelines and took safety measures as specified by WHO with the formation of the COVID-19 Crisis Management Centre (CCMC) in June 2020.

Additionally, to prevent spread of COVID-19, the government imposed a nationwide lockdown from March 24 to 15 July 2020 including travel restrictions to and from international destinations immediately, followed by restrictions on domestic flights later.

The first COVID-19 death in Nepal occurred on 14 May 2020, that of a 29-year-old woman, eight days after having given birth. Despite the significant efforts of the government to prevent the spread of COVID-19, the number of cases has been increasing, and until the end of 2020, more than 200,000 people had been affected and 1,337 had died. The situation of COVID-19 in Nepal, as of 31 December 2020, is given in Table 16.2.

As of 23 November 2020, Bagmati province had the highest number of fatalities of all seven provinces (657), followed by Lumbini Province (185). The lowest number of fatalities was seen in Karnali Province (23), followed by Sudurpaschim Province (37). The largest number of active cases occurred in Bagmati province (12,355), followed by Lumbini province (1,840) and Gandaki province (1,827). The lowest number of active cases was in Karnali province (136), followed by Province 2 (343). The details can be seen in Figure 16.1 below:

The situation in Kathmandu Valley is alarming. By 23 November 2020, out of the total affected, 46.66 percent cases had occurred there. Similarly, the fatalities in the valley were 37.47 percent of the total 1,337 fatalities in the entire country up to that date (Figure 16.2).

Table 16.2 Impact of COVID-19 on the Human Sector in Nepal

<i>Total RT-PCR Tests</i>	<i>Total Positive Cases</i>	<i>Total Deaths</i>	<i>Total Recovered Cases</i>	<i>Recovery Rate (%)</i>	<i>Total Active Cases</i>	<i>Death Rate (%)</i>
1,957,454 ^a	260,593 ^a	1,856 ^a	233,624 ^b	89.7 ^b	6,378 ^a	0.71 ^b

Sources: ^a Ministry of Health and Population, Situation Update #38, as of 5 January 2021; ^b Calculations by Carl Stieren from sources: [Worldometers.info](https://www.worldometers.info/coronavirus/country/nepal/). Available from: <https://www.worldometers.info/coronavirus/country/nepal/>;

Note: COVID-19 situation as of 31 December 2020

Figure 16.1 Provincial Distribution of COVID-19 cases in Nepal.

Figure 16.2 COVID-19 Cases in Kathmandu Valley in Nepal.

Similarly, if we compare the COVID-19 situation of Nepal with countries in the South Asian Association for Regional Cooperation (SAARC), the fatality rate of Nepal up to 23 November 2020 was higher (0.6 percent) than Bhutan, Sri Lanka, and Maldives. However, the rate was lower than in the other countries. Nepal's active case rate is 11.4 percent lower than Sri Lanka (30.8 percent), Bangladesh (17.7 percent), and Afghanistan (16.7 percent). However, Nepal's active case rate was higher than those in Bhutan, India, Maldives, and Pakistan. The recovery rate is highest in Bhutan (94.7 percent), followed by India (93.7 percent) and Maldives (91.6 percent). Nepal's recovery rate was 88 percent up to 23 November 2020, which was higher than the rates in Sri Lanka, Afghanistan, and Bangladesh (Figure 16.3).

Figure 16.3 COVID-19 Cases in the SAARC Member States as of 21 November 2020.

16.3 Impact of COVID-19 on the economic sectors

COVID-19 has had a significant negative impact on the Nepalese economy. The impact has occurred in many sectors of economy. Particularly affected were external trade, capital spending by the government and credit expansion of the bank and financial institutions (BFIs). Due to the reduction in revenue, Nepal's federal budget has decreased by about 12 percent from the projected amount. The GDP growth rate that had been projected at 8.5 percent for the last financial year has decreased to about 2 percent. Government expenditures are slowing down, the investment environment has been disrupted, and private investment has also been decreasing. The liquidity position in the economy is increasing, and therefore, the market interest rate has decreased by half from the previous year. Moreover, the tourism sector, which provides about 3 percent of GDP, is completely closed. The earnings of informal sector of the economy have declined, and income of marginalized people has decreased.

The tourism, education, manufacturing, and infrastructure construction sectors have been heavily impacted. The Nepalese economy, which relies heavily on remittances, is affected due to the increase in returnee migrant workers. In response, the national government has formed a team to study the overall impact of COVID-19 on the economy (Table 16.3).

Similarly, the import of industrial supplies, fuel, capital goods, transport equipment, parts, and accessories has decreased owing to the impact of COVID-19. Table 16.4 below demonstrates the trend of imports of major goods during the same period.

Other major areas had losses due to the COVID-19 pandemic:

- **Infrastructure spending decreased:** At the end of the Fiscal Year 2019/2020, the financial and physical progress in the infrastructure development sector decreased 54.6 percent and 18 percent, respectively.
- **Job losses:** Employment declined and restricted economic activity affected livelihoods and income. The road and transport sector, which was estimated to provide 45,000 jobs, could not achieve so. COVID-19 directly affected around 315,000 porters, passenger service, and taxi providers in the tourism sector.

Table 16.3 Monthly Situation of Major Economic Indicators in Nepal (Amounts Rs. Billion)

Particulars	2019					2020				
	Mid-Month									
	March to April	April to May	May to June	June to July	July to August	March to April	April to May	May to June	June to July	July to August
Consumer inflation (Y-O-Y)	4.44	5.29	6.16	6.02	6.95	6.74	5.83	4.54	4.78	3.49
Consumer inflation (compared to previous month)	0.58	1.19	1.14	0.64	2.58	0.62	0.34	-0.10	0.86	1.33
Food and beverage	1.35	1.54	2.52	1.40	3.10	1.68	0.59	-0.55	1.71	2.76
Non-food and service	-0.02	0.93	0.06	0.04	2.18	-0.21	0.14	0.26	0.20	0.22
Exports	8.6	8.7	9.3	9.3	8.8	3.9	3.3	5.9	9.7	9.6
Imports	112.5	116.5	121.7	118.7	106.7	58.3	42.6	75.7	96.0	85.8
Travel income	7.1	9.1	5.4	5.1	4.4	1.7	0.9	1.2	3.0	0.6
Travel spending	6.4	5.7	6.8	9.1	7.0	1.3	0.6	1.0	1.3	1.6
Remittance inflows	71.0	72.1	73.7	80.3	75.4	34.5	53.9	94.0	101.4	92.7
Government expenditure	81.1	86.2	-	-	4.3	64.6	85.8	122.3	210.5	2.0
Current expenditure	57.7	65.3	-	-	3.6	44.6	76.7	98.4	116.0	1.7
Capital expenditure	19.2	19.4	-	-	0.6	8.7	9.1	11.9	65.2	0.1
Revenue	81.0	59.1	-	-	66.8	43.9	16.1	41.0	146.0	58.8
Deposit mobilization	24.9	29.2	43.0	129.3	-14.2	53.4	44.8	74.1	173.1	-5.4
Private-sector credit	46.5	15.6	24.8	30.1	14.7	40.0	-13.3	-10.4	36.8	-17.3
Weighted average deposit rate	6.7	6.7	6.6	6.6	6.8	6.7	6.4	6.2	6.0	5.8
Weighted average lending rate	12.3	12.2	12.2	12.1	12.1	11.8	11.0	10.4	10.1	10.5
Base rate of commercial banks	9.64	9.59	9.48	9.57	9.45	9.36	8.96	8.66	8.50	8.08

Source: Nepal Rastra Bank and FCGO

Table 16.4 Trend of Imports^a in Nepal (Amounts in Rs. Billion)

S.N.	Classification of Goods	2019					2020				
		Mid-Month					Mid-Month				
		March to April	April to May	May to June	June to July	July to August	March to April	April to May	May to June	June to July	July to August
1	Foods and beverages	16.9	16.2	16.8	14.7	15.1	13.4	16.7	19.9	18.2	19.5
2	Industrial supplies	39.3	41.2	44.2	43.8	39.0	19.1	10.4	26.2	35.2	28.2
3	Fuels and lubricants	22.1	22.6	24.6	21.1	15.7	10.9	8.3	7.9	15.0	8.5
4	Capital goods, parts and accessories	15.6	16.5	17.2	20.6	17.1	8.0	2.8	10.2	15.3	14.2
5	Transport equipment, parts and accessories	8.7	10.5	9.3	9.0	9.6	2.5	0.6	3.4	4.0	6.0

Source: Nepal Rastra Bank.

^a Major commodities based on UN trade statistics' classification by broad economic categories (revision 4).

- **Power project shortfalls:** COVID-19 also affected the power projects, especially electricity production; only 149 MW (15 percent) was produced, against the target of 1,000 MW. This was combined with a low demand of electricity especially during lockdown, as the industry sector has almost ground to a halt.
- **Schools closed:** The significant impact of COVID-19 has also been seen in the education sector. With the increase in infected cases, the national government decided to close all teaching institutions and halt regular teaching and exams. A total of 35,520 schools, 1,425 higher education institutions, and 1,349 vocational schools have been impacted. The teaching of 8.1 million children of pre-primary to secondary level has been disrupted as well as that of 143,000 students of vocational training and 423,946 students of higher-level education (National Planning Commission 2020).
- **Healthcare services declined:** In the health sector, because of the fear of transmission of COVID-19 viruses, people rarely visited the Out Patient Departments of hospitals. As a result, the outpatient services have decreased by 90 percent during the 4 months of lockdown. It has also impacted the services for pregnant and new mothers, children, senior citizens, and persons with disabilities. Moreover, regular checkups, vaccine service, treatment of malnourished children, and family planning services have also been disrupted.
- **Tourism hardest hit:** The tourism sector has been perhaps hardest hit by the pandemic. In fiscal year 2019/2020, travel income decreased by 19.2 percent to Nepal Rupees (NPR) 60.89 billion from NPR 75.37 billion in the previous year. In the first month of fiscal year 2020/2021, this had decreased by 86.1 percent to NPR 605.6 million from a height of NPR 4.36 billion in the same period of the previous year (Central Bureau of Statistics, Government of Nepal 2020).

However, there were some beneficial economic impacts. The first economic boost was the reduction in the cases of black-market currency exchanges for remittances, known as *hundi* transactions in Nepal. Despite the decrease in migrant workers, the total amount of remittances has not reduced significantly. The second economic boost was the increase of agricultural production due to the inflow of returnee migrants going back to their villages. The third was the reduction in imports causing increases in foreign currency reserves. The fourth was the necessary and increased attraction to online information and services in all levels of government, causing growth in the digital economy.

16.4 COVID-19 and federalism in Nepal

16.4.1 General features of Nepal's federal system

Nepal is a country of geographical diversity. The country has had a unitary form of government since 1768. In that year, Prithvi Narayan Shah of the Kingdom of Gorkha, after his conquest of neighboring kingdoms, moved his capital to Kathmandu. The Shah dynasty then ruled a unified Nepal from 1769 to 2008.

However, under a centralized monarchy, Nepal was not able to achieve the development goals of the country and, with only a limited democracy, had excluded many from participation in government. As a way forward that united almost all political parties in Nepal, federalism was chosen as the system of state. A central federal

government and seven provinces, federal constituent units of government, were created. Federalism was an inclusive practice for Nepal. So, with the addition of proportional development in all the parts of the country, the mobilization of resources and reducing economic, social and religious discrimination, the monarchy was abolished, and Nepal was transformed into a democratic federal republic.

The Constitution of Nepal, adopted in 2015, affirms Nepal as a secular federal parliamentary republic. The constitution provides three main structures: federal, province, and local levels which exercise the power of the state of Nepal pursuant to the constitution and relevant laws. Nepal has 7 provinces, each province composed of 8–14 districts. The districts, in turn, comprise local governments known as urban and rural municipalities. There are a total of 753 local governments which include 6 metropolitan municipalities, 11 sub-metropolitan municipalities and 276 municipalities (a total of 293 urban municipalities), and 460 rural municipalities. Each local government is composed of wards. There is a minimum number of wards in a local government – at one point, it was 11 wards – and in total, there are 6,743 wards in 753 local governments.

Local governments enjoy executive and legislative as well as limited judicial powers in their local jurisdiction. The provinces have a unicameral parliament based on a Westminster system of governance. Local and provincial governments exercise some exclusive powers and some concurrent powers, shared with provincial and/or federal governments. The Supreme Court is the highest authority to interpret the laws, and it can direct the parliament to amend or enact new laws as required.

The constitution assigned a larger functional, semi-judicial, and fiscal authority to elected local governments. There are also greater responsibilities for effective service delivery and accountability to citizens. The executive power of the local level was devolved to the village assembly and municipal assembly, according to the constitution and federal laws. Those powers provide functions, roles, and responsibilities of village and municipal assemblies. Residual powers – those powers not specified in the constitution – are governed by federal laws. Local levels can formulate periodic plans and annual budgets as well as collecting taxes and exercising other revenue raising powers.

However, tax and revenue collection on matters that fall within the concurrent list and on matters that are not included on any list, are carried out by the federal government. In addition, the constitution states that all revenues received by the Government of Nepal must be deposited into the Federal Consolidated Fund. This fund is then shared among the state and local governments, according to the formula recommended by the National Natural Resources and Fiscal Commission.

There are four mechanisms of fiscal transfers:

- 1 Equalization grants;
- 2 Conditional grants;
- 3 Matching grants; and
- 4 Special grants.

Special grants exist to transfer financial resources from the federal government to provincial and local governments and similarly from the provincial governments to their respective local governments. Moreover, there are also resource sharing and revenue sharing mechanisms among the federal, provincial, and local governments.

Table 16.5 Geographical Area, Population, GDP, MPI, and HDI of Provinces of Nepal

<i>Name of the Province</i>	<i>Area</i>	<i>Population (2011)</i>	<i>GDP (%)</i>	<i>M`PI</i>	<i>HDI</i>
Province 1	25,905 km ²	4,534,943	15	0.085	0.553
Province 2	9,661 km ²	5,404,145	13	0.217	0.485
Bagmati Province	20,300 km ²	5,529,452	41	0.051	0.560
Gandaki Province	21,504 km ²	2,403,757	8	0.061	0.567
Lumbini Province	22,288 km ²	4,741,716	13	0.133	0.519
Karnali Province	27,984 km ²	1,327,957	4	0.230	0.469
Sudurpaschim Province	19,915 km ²	2,552,517	6	0.146	0.478

16.4.2 Provinces: new entities in Nepal's federal structure

Table 16.5 below contains several key indices that detail the situation in the provinces. Gandaki Province and Bagmati Province have almost the same Human Development Index (HDI) value: (0.567 and 0.560) followed by Province 1 (0.553). Similarly, for the Multidimensional Poverty Index (MPI) values of the provinces, the incidence of poverty is highest in Karnali province (0.230) followed by Province 2 (0.217).

Bagmati province and Gandaki province are the provinces having the least poverty (0.051 and 0.061, respectively). Regarding the Gross Domestic Product (GDP), out of the total GDP (at the producers' price) of NPR 3,464.31 billion, the contribution of Bagmati Province is estimated to stand at the highest with 41 percent, and that of Karnali Province is estimated to stand at the lowest with 4 percent in FY 2018/2019. In the case of population, Bagmati province is densely populated (5,529,452) with the geographical coverage of 20,300 km² whereas Karnali Province has lowest number of population (1,327,957) although has covered highest geographical area (27,984 km²).

16.5 Managing emergencies and the delivery of healthcare

With these new governance structures, accountability has also been shared among the three tiers of government. At the federal level, the Ministry of Health and Population is the central organization for the formulation of health-related policies. Budgetary decisions and program implementation have been divided up; the local level is responsible for a large part of the responsibilities. The 753 local governments oversee more than 4,000 health facilities and are responsible for providing the health facilities at the local level. Nepal's federal structure delegates many administrative decisions to the local level. Public health is a shared responsibility across governmental spheres, but primary healthcare and sanitation are exclusively local government functions. The main institutions that deliver basic health services are public hospitals, private hospitals, primary health care centers (PHCCs), and health posts.

Recently, all the central hospitals, provincial hospitals, medical colleges, academic institutions, and hub-hospitals have been designated to provide treatment care for COVID-19 cases. So far, more than 2,000 hospital beds across the country are allocated for isolation of suspected and confirmed cases (Ministry of Health and Population 2020).

16.6 Healthcare mechanisms established by all three levels of government

After the pandemic hit Nepal, new *ad hoc* mechanisms were established by executive decisions to respond to the crisis. An 11-member COVID-19 Prevention and Control High Level Coordination Committee (HLCC) was set up as the main mechanism to respond to COVID-19, reporting to the Deputy Prime Minister. The Committee was “formed under Prime Minister K.P. Oli to carve out precautionary measures against the possible outbreak of COVID-19. The committee comprises ministers from major ministries including Home, Defense, Finance, Health, Tourism, Foreign, Industry, Education, and Agriculture” (The Diplomat 2020). The HLCC was given a sweeping mandate to carry out necessary functions relating to prevention and control of COVID-19. Within less than a month of the formation of the HLCC, the Council of Ministers formed another CCMC with detailed and clear terms of reference, which eventually replaced the HLCC. At the top of the CCMC was a directorate led by the Deputy Prime Minister and five other senior Ministers from the Federal Council of Ministers, which steered the overall response to pandemic. A Facilitation Committee to support the CCMC’s functions was formed under the leadership of the Chief Secretary, which included the Secretary of the Federal Ministry of Home Affairs and the Chiefs of four security forces (Nepal Army, Nepal Police, Armed Police Force, and National Investigation Department).

Four different operations were set up under the Facilitation Committee to deal with the following:

- 1 Health services and treatment (Medical Ops);
- 2 Supply medicine and equipment (Logistic Ops);
- 3 Maintenance of law and order (Security Ops); and
- 4 Information and technology support (Media & IT Ops) (Karki, 2020).

Similarly, at the provincial level as well, CCMCs – a replication of the Federal CCMC – were established in each province, led by the Chief Minister. As part of their roles, the federal government was concentrated on formulating policies, coordinating with the provincial governments and management of necessary human resources and medical equipment and medicines.

The provincial governments focused on establishing isolation centers and testing labs and managed medicines and other essential services as well as functioning as a bridge between federal and local governments.

Similar structures were established in each local government, led by its Chairperson or Mayor. As the coronavirus began to spread, local governments took the lead in establishing help desks, prohibiting public gatherings, establishing information centers, setting up hand-washing facilities, allocating isolation beds, instituting quarantine procedures at public and private hospitals, and relief distribution including food items for the most needy people and implementing testing and tracking schemes.

All the central hospitals, provincial hospitals, medical colleges, academic institutions, and hub-hospitals have been designated for the treatment and care of COVID-19 cases. So far, more than 2,000 hospital beds across the country are allocated for isolation of suspected and confirmed cases (Ministry of Health and Population 2020).

The government has decided to provide a hospital facility in each local body. Priority has been given to the strengthening of health facilities in all subnational levels.

16.7 How intergovernmental relations worked in response to COVID-19

Local governments have been at the forefront of managing and monitoring activities related to the delivery of basic healthcare services and preventing the spread of the COVID-19 virus. Their responsibilities have been critical to the pandemic response effort. The federal and provincial governments have provided local governments with additional standards, directives, and procedures for the prevention and management of COVID-19 infections. Local governments have been initiating and conducting various activities on their own for the prevention and control of COVID-19. Local governments have carried out awareness-raising programs, operated health desks at their main entry points, and have run fever clinics. Elected representatives, officials, and health workers have been active in establishing and managing quarantine facilities and health check-ups. They also played an important role in initiating contact-tracing where infections were identified. They also facilitated the taking of Rapid Diagnostic Tests (RDT) and polymerase chain reaction (PCR) tests (Democracy Resource Center Nepal 2020). The roles of local governments were focused around establishing and managing quarantine facilities and distributing relief material to needy people.

Even though all three levels of government worked together, a systematic but centralized approach was adopted which did not provide much space for subnational governments to influence the response to the pandemic, except for carrying out routine responsibilities with their limited resources.

Furthermore, District Level CCMCs were also eventually set up in all districts with Chief District Officers given greater authority and leadership over the COVID-19 response, which further compromised the roles of provincial and local government.

During the crisis, there was good vertical intergovernmental cooperation as well as horizontal coordination and collaboration among the provincial governments, between the provincial and local governments, and among the local governments. This has significantly helped in managing the quarantines and isolation centers and in sharing the best practices to stop the spread of COVID-19 at the community level.

16.7.1 *Managing the fiscal impact and response to COVID-19*

The lockdown affected economic activities in Nepal in a significant way. Many workers and laborers were severely affected.

The Government of Nepal has tried to respond to the COVID-19 crisis through fiscal and monetary measures.

Fiscal measures targeted by the government fall into three broad categories:

1. **Instituting immediate health measures.** These measures were aimed at increasing access to testing for COVID-19 infections and the establishment of quarantine facilities as well as a waiver on customs duties for medical items related to COVID-19 such as masks, sanitizer, and surgical gloves.
2. **Reducing the impact on livelihoods.** The federal government implemented food distribution programs, extended eligibility for the Prime Minister's Employment Program and provided discounts on utility bills.
3. **Providing economic support to firms.** The national government had deferred the payment of taxes and provided concessional loan facilities to severely affected

businesses. The cumulative cost of these programs is estimated at 5 percent of the GDP. Measures taken by Nepal Rastra Bank, that is, Central Bank, were aimed at providing liquidity support to banks and facilitating the provision of credit to the private sector. The key measures announced by the central bank included a relaxation of regulatory requirements for banks and financial institutions and a reduction of targeted interest rates as part of the country's interest rate corridor (World Bank 2020).

Additionally, to address fiscal issues, the Federal Government established a COVID-19 Prevention, Control, and Treatment fund (COVID-19 fund) at the federal level. Similar funds were also replicated at the provincial and local level at the direction of the national government. The purpose of the COVID-19 fund was to support prevention, control, and treatment of COVID-19 patients, to provide relief to the poor and vulnerable, and to cover the expenses of infrastructure and human resources. A seven-member committee led by the Vice-Chairperson of the National Planning Commission was also formed to operate the Federal COVID-19 fund, with the Secretaries of relevant ministries as members. The provincial and local level funds were each operated by a committee led by Chief Minister and Chairpersons/Mayors, respectively.

In the provincial budgets for Fiscal Year 2020/2021, all the provinces have allocated a significant budget in response to the COVID-19 pandemic. They have allocated budgets mainly on COVID-19 control, relief and rehabilitation, employment generation, and education. They intend to upgrade the quality of hospitals, capacity building of health professionals, special agriculture programs, and subsidized loans to the industries affected by COVID-19.

16.8 The federal system and the management of the pandemic in Nepal

The nationally led response by the federal government was relatively successful in preventing the spread of the pandemic in its early phase. However, once the pandemic started to spread across India, it prompted the mass migration of thousands of Nepali workers back to Nepal. At this stage, governments began focusing on expanding the quarantine and isolation centers in public places. With the increased caseloads, the federal government established nationwide testing labs to the extent possible. Since the first incidence of COVID-19 in Nepal, more than 60 testing labs have been established and equipped, almost from scratch. In all provinces, COVID-19 hub hospitals were established and equipped with testing kits, PPE, gloves, and trained staff at all levels of government.

Quarantine and isolation facilities were also established throughout the country in coordination with provincial and local governments. The federal government slowly increased daily RT-PCR testing from a few hundred tests to over 10,000 per day by October.

Similarly, the role of provincial governments in controlling the pandemic has been praiseworthy. Provinces established isolation centers, their own testing labs, and managed the distribution of medicines and other essential services.

The elected political representatives have been instrumental in managing COVID-19 at the local level.

Within the new federal system in Nepal, local governments have been useful in dealing with COVID-19. The federal structure placed elected governments in decision-making roles and devolved authority. This step has been beneficial in the control of the spread of the virus. It has also increased the response to the pandemic with accountability. However, some unclear roles and responsibilities need to be clarified among the three tiers of government. Also, the capacity of sub-national governments needs to be increased. Institutions need to be created, and human resources and funding need to be found to respond to such crises.

16.9 Innovations and lessons learned during the first wave in Nepal

The experience of dealing with the pandemic had provided some significant positive signs for Nepal's new federal setup:

- **Provinces and municipal governments acted.** The COVID-19 pandemic has proved as an opportunity for the subnational governments, especially local governments, to reach out to people and demonstrate the real essence and benefits of federalism for the local community.
- **Local governments stepped in.** The performance of the local governments in response to the pandemic at the community level has helped federalism gain wider prominence in the country.
- **Roles and responsibilities were clarified for all governments.** Local government, as well as the federal government, found greater clarity regarding their roles and responsibilities and the need for a coordinated approach in this type of pandemic for future.
- **Villages welcomed back Nepalis returning from abroad.** This influx also provided the opportunity for local governments to facilitate and motivate the returnee migrants to stay in their villages and start productive activities or their own work at their residential places to earn income.
- **The health sector will be getting investments.** The health sector, a relatively low priority sector, has risen in prominence. Heavy investments are going to be made in this sector. Service here will be a priority at all levels of government.

16.10 Conclusion and recommendations

The impact of the four-month-long lockdown in response to the coronavirus has affected Nepal's economy significantly. The lockdown was responsible for the halt in revenue collection, reduction in remittance inflows, closure of industries and markets, restrictions in travels, loss of jobs by the Nepalese migrant workers abroad and in domestic labor markets. With the ease of the lockdown, economic activities are gradually returning. However, we are also witnessing an increase in COVID-19 cases which poses further challenges. There are 107,755 cases throughout the country of which 39 percent are in the Kathmandu Valley.

COVID-19 has entered the community transmission stage following a surge in infection and death rates.

As a least developed country, Nepal is facing serious challenges in managing health facilities including testing, tracing, and treatment in isolation. Nobody knows how long this pandemic will prevail. It might continue for months or even years.

With the current state of resources and the ongoing needs, the government could benefit from implementing these recommendations:

- **Build provincial and local capacity.** Nepal is still in the transitional federalism stage regarding transferring powers and responsibilities. The provincial and local governments lack resources and depend heavily on the federal government fiscal transfers for health infrastructure and human resource. Efforts should focus on building the capacity of provincial and local governments to better respond.
- **Create a needs-based model for health financing.** Current and anticipated COVID-19 caseloads require additional budget allocations to local governments. Provincial and federal governments need to develop a transparent and justifiable criterion for allocating funds across different levels.
- **Learn to manage rapidly changing healthcare needs.** Nepal is still facing challenges in managing quarantines/isolations, technical capacity (labs, technologies, and stock of medical supplies) to respond caseloads which should be taken care of.
- **Clarify the roles and responsibilities of each level of government.** More work is needed in strengthening intergovernmental coordination.
- **Focus on testing, tracing, and treatment.** There are already more patients requiring treatment than the absorptive capacity of hospitals, including those in Kathmandu. So, resources need to be directed to where it is needed. To achieve this, health financing needs to be evidence-based and not just one-size-fits-all.
- **Help civil society organizations, private sectors, and nongovernment organizations to mobilize strategically.** These groups are active at different levels. Mobilizing more strategically helps to create awareness and support the revival of economic activities.
- **Help returning migrants.** Provide them with enterprise creation opportunities targeting their current skills to increase their contribution to the national development.
- **Formulate policy to revive each affected industrial sector.** Incentives should provide subsidized loans and reduction of tax/VAT rates.
- **Prioritize the agricultural sector.** Loans with extremely low interest rates to the real farmers need to be provided.
- **Control the border with India according to the COVID-19 case load in both countries.** The major cause of transmission was the open and unregulated border with India. One of the major lessons is how the border between two independent countries should be regulated to control the pandemic.
- **Increase social sector expenditures, especially in healthcare.** More funding for this sector is an urgent requirement for all levels of government.
- **Digitalize all levels of government.** Growth in the digital economy would be spurred by this action. It would help fulfill the government slogan of “Digital Nepal.”

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