Local government budget delays are impeding Nepal’s COVID-19 response

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Six months into the fiscal year 2021/22, 24 of Nepal’s 753 local governments have yet to approve their annual budget and plan, failing to deliver on what is arguably their most critical constitutional role. With Nepal grappling with the multifaceted effects of COVID-19, concerns are rising that these local governments will be left floundering in their pandemic response.

In the absence of an approved annual budget, the 24 local governments are unable to collect the required revenue for administering COVID-19 testing and maintaining quarantine centres. In addition to this, their capacity to reopen schools, provide industry relief packages, disseminate public health messaging, and respond to COVID-related increases in domestic violence and mental health issues is significantly limited. A recent Human Rights Watch report indicated that these service gaps have contributed to a number of “preventable deaths”, and threaten to reverse decades of progress in health, gender equality and education.

While several factors have contributed to this delay in timely approvals, two stand out.
First, in Nepal, local elections, like federal and provincial ones, are contested on party lines. If the mayor’s party does not have a majority, representatives of other political parties form alliances to push for their preferred budget outcomes. If the mayor agrees to the negotiations, the annual plan and budget are approved by a majority; otherwise, their approval is delayed until the mayor compromises.

The greater the number of parties in the municipal assembly, the more effort and negotiation it takes to forge alliances and agreement on budgets and plans, thus increasing the chance of missing approval deadlines. In June 2021, the Lalitpur Metropolitan assembly stalled for a week before being pushed through by a coalition of political parties.

If the mayors and deputy mayors are from different political parties, deadlock is also possible. As per the law, deputy mayors, 92% of whom are women, command considerable control and influence over design of the budget. As such, a tug of war often ensues, with both parties aiming to secure a favourable budget allocation through their top two representatives in the municipality.

Although complex, this conflict provides a unique opportunity for the deputy mayors to negotiate and assert alternative plans and priority demands, which may not have been possible if the mayor and deputy mayor belonged to the same political party. Last fiscal year, the deputy mayor of Samsi Rural Municipality filed a lawsuit against the mayor over insufficient consultation and information about the budgeting and approval processes. The conflict between the mayor and deputy mayor resulted in a 90-day delay in budget approval.

Second, budget allocation is a complex political exercise amongst the local power elites. At the ward level (the lowest unit of local government, with five elected members), budget allocations may be influenced by the political affiliations of mayor, deputy mayor and the ward chairs. At the same time, ward chairs try to secure more budget for their constituents irrespective of their link to the parties of mayor or deputy mayor. This creates a highly competitive political environment
between the chairs, mayors and deputy mayors that often bypasses the political affiliations.

In July 2021, in a municipality in Karnali Province, disagreement over distribution of budget between ward chairs (as one group) and mayors and deputy mayors (as another group) made the national news, despite most of them belonging to the same party. Likewise, in Lumbini Province, in a dramatic attempt to increase their budget, ward chairs walked out of the municipal assembly. This delayed the approval of the annual budget and plan by 13 days.

In this highly contentious environment, the space for citizen engagement is limited. This space has been further reduced by the restrictions imposed to control the spread of COVID-19, which enhanced the discretionary power of the elected representatives in budget distribution.

Failure to approve budgets amidst a global pandemic not only jeopardises essential care, but also shatters peoples’ expectations of Nepal’s federal system of governance. Urgent action is required to establish participatory systems and policies that place less discretion in the hands of a few powerful locally-elected representatives. This includes a strengthened local government committee, processes with clear division of roles and functions, and more inclusive participation by municipal assembly members in annual planning and budgeting. Unfortunately, these reforms are unlikely to happen in time to enable an effective pandemic response.

*This post is part of a collaborative series with The Asia Foundation. It is also part of the #COVID-19 and Asia series.*

**Disclosure**
Nepal’s struggle with the COVID-19 crisis has been difficult. For many weeks, very few cases had been identified in the entire country. Despite this, the government imposed a strict lockdown on 24 March in order to keep the virus from spreading. Ten weeks later, on 12 June, the government began easing the blanket lockdown, unfortunately coinciding with COVID cases just beginning to rise.

While there have been few deaths, there is a sense that the easing of the lockdown was in response to immediate political and economic pressures, rather than an improving health situation. And now, Nepal is on a steep upward curve, with almost 16,000 confirmed cases as of 6 July – on average over 450 new cases identified daily. While this number is small by global comparison, it tells a deeper story of the relatively weak institutional and governing structures of one of the poorest countries in the world. Like its South Asian neighbours, Nepal is facing the local governance challenges of delivering basic services to citizens in its response and recovery efforts.

In the first weeks of the pandemic it became clear that, beyond the immediate health threat and accompanying economic crisis, the destabilising effects of the
pandemic could result in a larger, longer-term political crisis. The hard-earned progress achieved after promulgation of a new Constitution in 2015, which initiated greater decentralisation and democratisation under a federal system, could be derailed.

Nepal’s federal system is still fragile and incomplete. There are as many overlapping mandates as there are gaps in institutional capabilities, duties and incentives. Keeping the federal system afloat and running, even in pre-COVID times, required an enormous amount of face-to-face coordination, between three tiers of government – national, provincial and municipal. Nepal’s answer to the political challenge of clarifying the division of power between these three tiers of government had been to park it in the too-hard basket and go all out on coordination. But now they are finding, coordination is not just an added bonus for the functioning of governance in Nepal, it is essential.

In a country where more than a third of the population lack internet access and 38% live in rural areas, it was difficult (if not impossible) to imagine that online platforms could offer an alternative to face-to-face engagement between government officials. To the surprise and delight of many, however, the opposite has been the case. An almost insatiable appetite for ‘Zooming’ is enabling even more effective coordination than was happening only a few months ago.

In early June, with the pandemic showing no sign of abating, the National Association of Rural Municipalities (NARMIN) and Municipal Association of Nepal (MUAN) initiated a series of virtual meetings with local governments. They wanted to test what could be achieved in terms of coordination between local government officials via Zoom. In the span of one week, they hosted 24 sessions with a total of 1,280 government representatives. The sessions reached at least 600 of the country’s 753 local governments, with representatives from all seven provinces and attendees participating from all levels of government. The Minister for Federal Affairs and General Administration along with representatives of National and Provincial Planning Commissions attended these meetings.
themselves. The result far exceeded initial expectations in both number of participants and level of engagement.

These meetings have provided a space for municipalities to raise their concerns over upcoming federal and state budget plans and to exchange information on COVID-19 response. It is a crucial time in the budgeting cycle with the new fiscal year beginning mid-July when the federal and state budgeting process requires input from local governments to make local policy implementation meaningful.

Over the past month, The Asia Foundation has adapted our sub-national governance program to support these virtual platforms for dialogue, cross-learning, discussion and decision-making. Coordinating with the Kathmandu-based central project team from their base in the provinces, our field support officers are working closely with local partners. While internet connectivity is essential, a little face-to-face engagement is also required to foster willingness to use a virtual platform in municipal administrations, and to make sure everything runs smoothly.

In addition to addressing urgent issues necessary for coordination, the meetings are providing a space for a more robust, open and inclusive dialogue. The Zoom platform has introduced a little informality into the meetings – perhaps by eschewing some of the usual face-to-face meeting protocols that otherwise set a more formal tone. As a result, municipal representatives are emboldened to ask more candid and pointed questions of senior state and federal level decision-makers on the calls. The meetings provide a platform for achieving consensus in real time across different levels of government on COVID-19 response, as well as enhanced coordination around basic service delivery.

Gently but firmly, local government representatives have seized the unique opportunity to express their broader discontent with the response of provincial and federal levels of government to the pandemic, by highlighting the implications for local relief efforts.
Although some connectivity issues have arisen, the platform has allowed both NARMIN and MUAN to reach a number of remote locations that were difficult to access pre-pandemic. More women have been able to participate because of the lack of travel involved. Indeed, the level of participation on Zoom has highlighted the weaknesses of the previous system, where travel and time commitments mitigated against participation for so many. In a breathtaking sweep of digital access, a one-on-one meeting between the chairperson of a rural municipality and a federal minister has become possible. It has also clearly elevated the urgency of remedying Nepal’s digital divide, and providing access to those municipalities that still lack internet connectivity.

What does seem to be working is a combination of the buzz around using a new online platform, the broader and more inclusive scope of participation, and a nudge from our local field officers. Making the most of these key ingredients while the momentum is there, NARMIN and MUAN plan to conduct a series of workshops with all 753 local governments, together with a number of federal ministries. It is just one way that Nepal’s local governance systems can improve their response to COVID-19 and, potentially, build back better and more resilient.

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