MANAGING COVID FUNDS
COUNTRY BRIEF

International Budget Partnership

FREEDOM FORUM
"A Nepali CSO (civil society organization) dedicated to democracy, human rights and governance"

MANAGING COVID FUNDS IN NEPAL

COVID-19 has had an enormous impact on Nepal and the region at large. The first case of COVID-19 was reported in Nepal in January 2020, and by the end of March the authorities had imposed a nationwide lockdown including a ban on domestic and international flights and a closure of land border crossings. After lifting the restriction in July 2020, the government reimposed them due to the rapidly rising number of COVID-19 cases.[1]

The scale of the interventions needed to confront the pandemic challenged the government in unprecedented ways. The Government of Nepal introduced four key emergency fiscal packages to respond to the crisis, including a stimulus package to regularize business and enterprises, a guideline to provide relief to the working class and those working in the informal sector, and a refinancing program to facilitate the revival of industries, professions, and businesses affected by the nationwide lockdown.

In the budget speech for fiscal year 2020/21, then Finance Minister Dr Yubaraj Khatiwada announced new measures in the areas of healthcare, including the establishment of additional hospital facilities; support to business, such as a lending program for small and medium-sized enterprises and those in the tourism sector; and job creation, including in the labor-intensive construction sector, and training for work in the manufacturing and services sectors. In addition, the government announced the expansion of the child grant social support program to an additional 11 districts to cover 25 districts in total.

COVID-19 was a blow to an economy already plagued by growing inequality, with disadvantaged groups bearing the brunt of the health and economic fallout. But even in this challenging context, the role of the government is essential to help the country through the hardest parts of the crisis.

How open and accountable has the COVID response been in Nepal?

Responding to the pandemic in an open and accountable manner is not only a way for the government to show its commitment to the wellbeing of its citizens, but also a way to ensure tangible benefits for everyone – from reducing the risks of corruption and misuse of public resources to ensuring more equitable and effective policy outcomes. In other words, shortcuts and limitations are neither necessary nor inevitable. Even during crises, accountability can work if everyone does their part in an open and collaborative manner. An urgent and speedy response does not have to come at the expense of accountability.

[1] https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

INTRODUCTION

To this end, civil society partners across 120 countries, including Nepal, worked with the International Budget Partnership (IBP) to undertake a rapid assessment of emergency fiscal policy packages in the period from March 2020 to September 2020. The policy initiatives, such as the "Health Care, Business Support and Job Creation measures in the Budget Speech of Fiscal Year 2020-21" adopted in Nepal, aimed at addressing the impact of the COVID-19 emergency. Our goal was not merely to assess how governments fared, but also to generate lessons on how they can respond better, both to the ongoing COVID-19 crisis and to future crises.

Figure 1: Levels of Accountability in Early COVID-19 Fiscal Policy Responses

Level of accountability	No. of countries (out of 120)	Countries
Substantive	0	
Adequate	4	Australia, Norway, Peru, Philippines
Some	29	Bangladesh, Brazil, Bulgaria, Canada, Chile, Colombia, Costa Rica, Croatia, Fiji, France, Germany, Indonesia, Italy, Jamaica, Japan, Kyrgyz Republic, Mongolia, New Zealand, Nigeria, Paraguay, Poland, Portugal, Sierra Leone, Slovakia, Slovenia, South Africa, Sweden, United Kingdom, United States
Limited	55	Afghanistan, Angola, Argentina, Armenia, Azerbaijan, Bolivia, Bosnia and Herzegovina, Botswana, Cameroon, China, Côte d'Ivoire, Czech Republic, Dominican Republic, Ecuador, El Salvador, Georgia, Ghana, Guatemala, Honduras, Jordan, Kazakhstan, Kenya, Lesotho, Liberia, Macedonia, Madagascar, Malaysia, Mali, Mexico, Moldova, Mozambique, Namibia, Nepal, Nicaragua, Niger, Pakistan, Papua New Guinea, Romania, Russia, Rwanda, Senegal, Serbia, Somalia, South Korea, Spain, Sri Lanka, São Tomé e Príncipe, Thailand, Timor-Leste, Togo, Trinidad and Tobago, Uganda, Ukraine, Vietnam, Zambia
Minimal	32	Albania, Algeria, Benin, Burkina Faso, Burundi, Cambodia, Chad, Comoros, Dem. Rep. of Congo, Egypt, Equatorial Guinea, Eswatini, Ethiopia, Hungary, India, Iraq, Lebanon, Malawi, Morocco, Myanmar, Qatar, Saudi Arabia, South Sudan, Sudan, Tajikistan, Tanzania, The Gambia, Tunisia, Turkey, Venezuela, Yemen, Zimbabwe

This rapid assessment of emergency fiscal policy packages focused on three critical pillars of accountability: public access to relevant information; oversight by the legislature and national audit office; and opportunities for citizen engagement. These pillars help ensure resources are used effectively to meet peoples' needs and that governments can be held accountable.

KEY FINDINGS

Key finding: Limited transparency and minimal citizen engagement opportunities, but promising oversight practices that can strengthen accountability.

The findings of our assessment in Nepal indicate that the overall transparency of the stimulus and response packages was limited and the mechanisms for citizen engagement in their formulation and implementation were minimal. There are opportunities to build on oversight measures to ensure greater accountability of the response and recovery.

Figure 2: Nepal in Limited Category Along with 55 Other Nations in COVID-19 Fiscal Management

Our three key findings are as follows:

1. **Decision-making on the formulation and implementation of the stimulus and response packages included very little or no input from the public, especially from those most impacted by the crisis**.

Citizen participation in the formulation and execution of the COVID-19 fiscal and policy responses did not take place, thereby excluding the public from having a voice in decisions on priority-setting during the pandemic, and depriving the government of contributions that could greatly improve the effectiveness of its actions.

Figure 3: Public Participation Rating in COVID-19 Fiscal Management of Nepal

While the government had established mechanisms for public participation through its pre-budget submission process and e-consultations during budget implementation through Hello Sarkar, it did not extend these practices to the current crisis for a more effective response.[2]

2. The government provided minimal information on the implementation of the COVID-19 response package.

The government was more transparent during the introduction of the emergency fiscal policy response, providing adequate macroeconomic and aggregate budget information and some information on policy measures, but transparency on COVID-19 spending is lacking. The government's opacity has brought youth to the streets in the thousands as part of their "Enough is Enough" campaign to demand spending information and improve the handling of the COVID-19 crisis.[3]

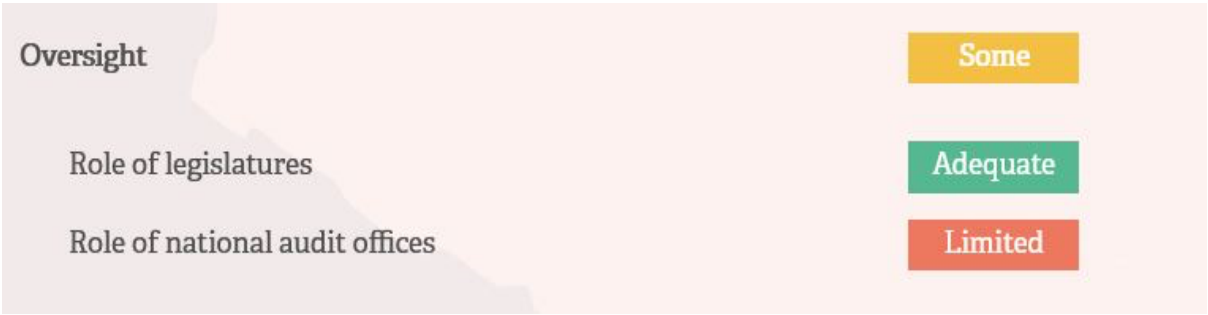
Figure 4: Transparency Ratings for COVID-19 Fiscal Management of Nepal

[2] https://gunaso.opmcm.gov.np/home

3. While there has been adequate legislative oversight, accountability measures can be strengthened.

The House of Representatives has played an important accountability role during the pandemic. It received and debated regular or special reports, including information on the execution of emergency fiscal policy packages, and heard testimony from executive members to gain a better picture of emergency-related policy execution. Furthermore, the Parliamentary Public Accounts Committee investigated irregularities in procuring medical equipment and supplies to ensure those responsible would be held accountable.

Figure 5: Oversight Rating of Parliament and Supreme Audit Institute in COVID-19 Fiscal Management of Nepal



According to the Office of the Auditor General (OAG), there is no practice of real-time audits and concurrent monitoring from the supreme audit body, though the OAG has changed its audit plans and schedule to audit COVID-related expenses. It is yet to be seen how the government will respond to the findings of the special audit on COVID-19 spending.

RECOMMENDATIONS

Ensuring transparency, participation, and oversight now and over the long term is crucial both for accountability and the effective and equitable use of precious resources. The 2019 Open Budget Survey found that that there was significant room for improvement in Nepal.

It is imperative to address the accountability shortcomings of COVID-19 fiscal and policy responses, both during the crisis and beyond.

In light of this, we call on the government to work with state and non-state actors to take the following steps:

Recommendation 1: Act now to strengthen accountability to ensure an equitable and effective response to the COVID-19 crisis.

- Publish monthly progress reports on the implementation of the measures in the budget speech, including data and analysis on budget execution and performance, disaggregated by impact on disadvantaged groups, including women and girls.
- Disclose all details related to procurement contracts linked to the emergency spending wherever possible in open formats.
- Establish inclusive public participation mechanisms in the formulation and implementation of emergency fiscal measures, such as those above. There are opportunities to build on pre-pandemic participation mechanisms with the executive and parliament, as well as the OAG, which has long engaged civil society and citizens in the audit process to enhance accountability.[8]
- Empower and resource the OAG to conduct expedited audits on emergency spending programs, and ensure the government takes remedial measures in response to audit findings.
- Restore the role of the legislature as keeper of the public purse, including approving expenditures, consulting with the public and interest groups, monitoring policy implementation, and following up on audit findings.

Recommendation 2: Strengthen systems for accountability to ensure the equitable and effective use of precious public resources in the future.

- Introduce and/or review and update the legal and regulatory framework to clarify roles, responsibilities, and approaches to be adopted during times of crisis, for example in the areas of resource management, procurement, oversight, and participation.
- Ensure the audit findings of the OAG are acted upon swiftly and that substantive audit follow-up is strengthened beyond the emergency.