



POLICY RESPONSES TO THE COVID-19 PANDEMIC IN NEPAL

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As soon as COVID-19 cases were reported in Nepal in early 2020, the Government of Nepal took several measures to minimize the spread of the virus and provide support to vulnerable groups. In addition to imposing a lockdown, the government took steps to bolster the health, financial and monetary, and business sectors. Despite these measures, capacity constraints in the health sector, political instability, and the return of a large pool of migrant workers to Nepal all contributed to increased spread of the disease and heightened vulnerability among the food insecure and those whose livelihoods were harmed by the lockdowns. This brief draws on the COVID-19 Policy Response (CPR) Portal (IFPRI 2020) to summarize the policies put in place by the Government of Nepal to combat the virus, as well as some of the challenges with implementation.

THE EVOLVING COVID-19 SITUATION

The first COVID-19 case in Nepal was reported on January 23, 2020, but case numbers remained low in the following months. Nevertheless, the government implemented the first nationwide lockdown on March 24, 2020 (Figure 1), which prohibited domestic and international travel, closed the border, and limited non-essential services. Even though the nationwide lockdown officially ended on July 21, 2020, a significant rise in COVID-19 cases resulted in local movement restrictions, including a lockdown imposed in Kathmandu Valley from August 19 to September 10, 2020 (WFP 2020). In 2021, after several months of relatively low daily COVID-19 cases, Nepal experienced an alarming surge starting in mid-April. The government again issued a lockdown order in Kathmandu Valley on April 29, which was later extended with some relaxed provisions.

These necessary lockdown measures were taken to combat the spread of COVID-19, but their impacts were felt throughout the economy. Average inflation rose from 4.6 percent in 2019 to 6.1 percent in 2020, primarily driven by higher food inflation (8.6 percent) caused by supply and trade disruptions in the agriculture sector (World Bank 2021). The informal sector, which accounts for nearly 80 percent of the labor force and disproportionately employs internal migrants, experienced significant job losses. Job losses abroad also led to the return of Nepalese migrant workers from countries like India.

All these factors contributed to rising food insecurity in the country, which was further exacerbated by the loss of maize crops to locusts in June and July 2020 (ACAPS 2020). Analysis undertaken to measure the cost of the 17-week nationwide lockdown in 2020 shows that as compared to a hypothetical no-COVID baseline, Nepal suffered a 33 percent decline in GDP that resulted in nearly 6 million additional people falling into poverty (Pradesha, Thapa-Parajuli, and Diao 2021).

At the subnational level, the highest number of cases and deaths have been reported in Bagmati, the province with the largest population and where Kathmandu is located (Table 1). Compared to other provinces, Bagmati also has the highest number of PCR testing laboratories, and thus COVID-19 testing may be partly driving the considerably higher case rate relative to other provinces (Ministry of Health and Population 2021). The health systems outside of Kathmandu are generally considered weaker and testing facilities have not been readily available.

NEPAL'S POLICY RESPONSES TO COVID-19

To address the growing challenges arising from the pandemic, the government set up two new structures. The High-Level Coordination Committee for COVID-19 Prevention and Control was established in early March 2020 to coordinate the federal government's response to the virus. Subsequently, the COVID-19 Crisis Management

Centre was established in April 2020 to monitor the supply of essential medical equipment and health materials, maintain peace and security, and conduct other necessary activities for prevention, control, and treatment of the virus.

Health responses were the most common measures taken to combat COVID-19 (Figure 2). These included several steps by the government to ensure that citizens and medical staff had access to free testing and treatment. The government also expanded healthcare insurance by discounting premium rates and increased expenditures to improve health facilities in rural cities and towns across the country to better deal with the potential crisis.

Monetary and financial policies to support borrowers and financial institutions were also quite common. Both debt restructuring and loan repayment deferrals were made available to a broad spectrum of borrowers. Microfinance institutions were allowed to extend loan repayments by six months, and a refinancing fund was increased, with preference given to small and medium enterprises (SMEs). The country's central bank, Nepal Rastra Bank, also pushed financial institutions to encourage their clients to use digital banking services and electronic payments. To facilitate this, all banks, financial institutions, and payment service providers waived fees associated with electronic payments, including those associated with ATMs and mobile money.

The economic impacts of the COVID-19 lockdowns tested the resilience of Nepali citizens across all income levels, but concerns for the poor led the government to implement a number of social safety net policies to prevent vulnerable

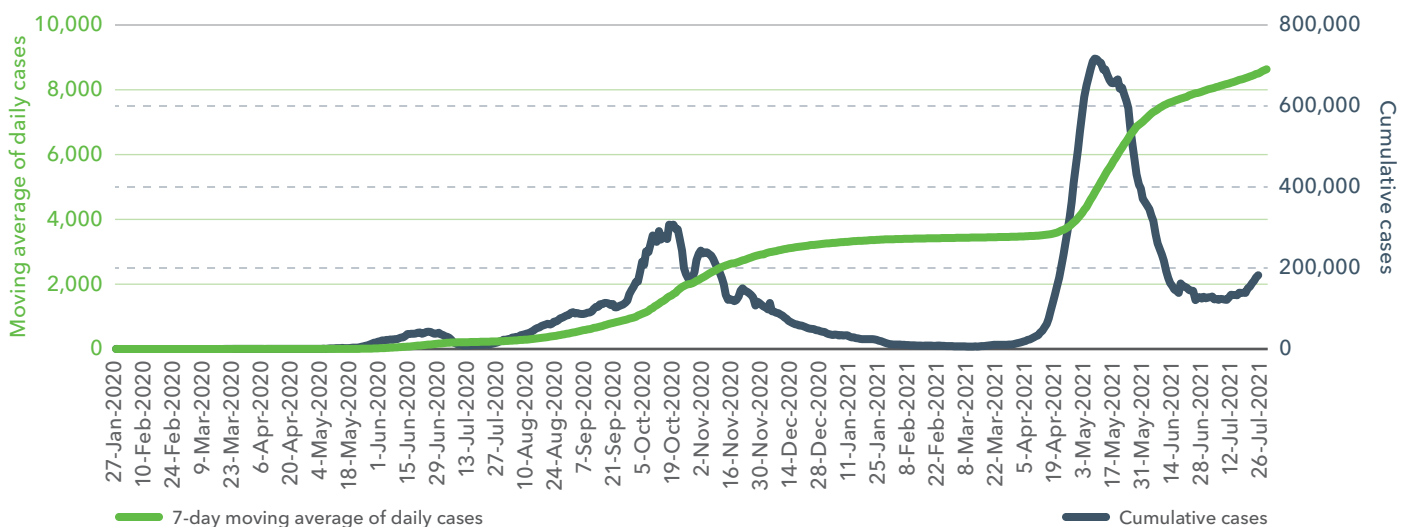
populations from falling further into poverty and to support households' recovery following the pandemic. Through the Food Management and Trading Company and Salt Trading Corporation, the government provided a 10 percent discount on rice, flour, lentils, salt, sugar, and oil supplies for individuals and families whose daily wages had fallen due to COVID-19 (Central Bank of Nepal 2020). Electricity was provided free to small households while larger households received a 25 percent discount on their bills. Internet bills were also reduced by 25 percent.

TABLE 1 Province-wide cumulative cases and total deaths in Nepal (as of July 20, 2021)

PROVINCE	CUMULATIVE CASES	TOTAL DEATHS	POPULATION SIZE (2011 Census)
Province 1	80,044	1,308	4,534,943
Province 2	44,261	736	5,404,145
Bagmati	341,011	4,081	5,529,452
Gandaki	58,283	1,002	2,403,757
Lumbini	89,136	1,581	4,499,272
Karnali	19,754	424	1,570,418
Sudurpaschim	36,262	450	2,552,517
Nepal	668,751	9,582	26,494,504

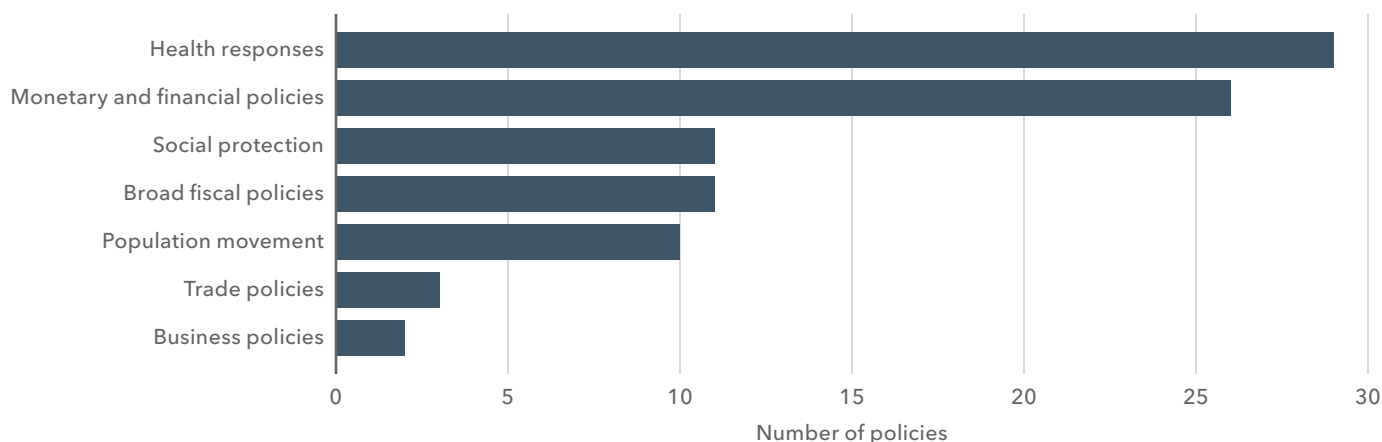
Source: WHO (2021b) and Central Bureau of Statistics (2012).

FIGURE 1 COVID-19 cases in Nepal



Source: Our World in Data, 2021

FIGURE 2 Distribution of Nepal's policy responses to COVID-19 in 2020



Source: IFPRI (2020).

Various forms of wage support were also introduced to help reduce the impact of the lockdown on both formal and informal workers. For instance, the government asked companies, especially those in the tourism sector, to pay salaries for employees during the early part of the crisis and allowed them to use social welfare funds for this purpose. Informal sector workers who lost their jobs due to COVID-19 were given the opportunity to participate in public-works projects for a subsistence wage or receive 25 percent of their local daily wage should they choose not to participate. The government also made available concessional loans to start enterprises in the country for migrant workers who had received foreign employment permits but were not able to travel due to the pandemic.

Financial support was introduced to help private businesses survive the lockdown and prevent mass unemployment. Nepal Rastra Bank provided NPR 100 billion (US\$835 million) for a refinance facility to provide concessional loans at 5 percent interest to SMEs and agricultural, hotel, and tourism industries. Additional working capital loans were also made available to those engaged in the most affected sectors, such as hotels and restaurants, travel, tourism, commercial transportation, entertainment, and poultry. Special tax incentives were provided to individuals and organizations importing and supplying essential medicines and materials used to treat, prevent, and control COVID-19. This measure included an exemption of the excise duty on internal production of ethanol for sanitizer and personal protective equipment (PPE) and a VAT exemption on raw materials used by pharmaceutical industries. Like many other countries in the CPR Portal, Nepal also

established a COVID-19 Prevention, Control, and Treatment Fund to prevent and combat the pandemic. The government initially put NPR 500 million (US\$4.2 million) in seed money into the fund with hundreds of institutions, business firms, and individuals later making contributions.

CITIZEN RESPONSES TO COVID-19 POLICIES

The Government of Nepal's efforts to contain the spread of COVID-19 were often met with resistance by citizens. Throughout 2020, 143 protest events were recorded. Many of these protests and acts of civil disobedience were held in opposition to lockdown restrictions. Examples include clashes between locals and police in the city of Pathari Shanishchare when locals tried to open a local flea market in defiance of the lockdown. Taxi and rickshaw drivers also staged various protests of transport restrictions and insufficient aid programs. Other demonstrations were carried out against the unsatisfactory implementation of government-provided aid packages, with protests organized to draw attention to the low-quality food that was distributed and inadequate targeting of government aid for the poor. Implementation of aid programs was hampered by the lack of data on poor households, corruption, and lack of proper coordination between the federal, provincial, and local levels of government (Rayamajhee et al. 2021). Demonstrations were also held by citizens because of limited access to PCR testing and within quarantine facilities along the border where returning migrants were sequestered. There were also a few instances of protests by health workers because of PPE shortages and inadequate pay, as well as poor conditions for treating COVID-19 patients.

These various incidents of civil disobedience highlight the challenges faced by the government's response to the COVID-19 pandemic. During the peak of the 2021 surge in infections, the country's healthcare system was overwhelmed, with hospitals operating at capacity and staff unable to keep up with overwhelming demand. Shortages of oxygen, ventilators, and essential medicines were also recorded in numerous locations (WHO 2021a). At the same time, Nepal's political situation was in turmoil. Attempts to dissolve the parliament in late 2020 and early 2021 ultimately resulted in a change in the Prime Minister. By mid-2021, only 7 percent of the eligible population had received at least the first dose of a COVID-19 vaccine, as global vaccine scarcity has constrained vaccination efforts in the country.

CONCLUSION

The Government of Nepal took a proactive approach to managing the spread of the first wave of COVID-19 in the country. Lockdowns were imposed early, before many cases had been reported. Unfortunately, these necessary lockdowns led to falling demand for goods and services that brought about a loss of employment and economic contraction. In response to these challenges, the government introduced policies to boost the health sector and protect those working on the front lines. Lending facilities were introduced to support businesses, with a focus on the tourism sector and SMEs. While some of these measures helped to sustain businesses, wage employment dropped dramatically, prompting the government to introduce social safety net programs and food subsidies to help families cope with the crisis. Though the introduced policies have been promising, effective implementation remains a significant challenge. With the recent surge in cases beginning in April 2021, the weak capacity of the healthcare system, monetary constraints, and vaccine supply shortages have all come to the forefront. Going forward, a balanced approach is required that puts citizens' health and safety first, while focusing attention on recovery efforts to help direct Nepal back to a strong growth trajectory.

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