

# Budget Prioritization and Implementation by Local Governments

during the COVID-19 Pandemic

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# **Budget Prioritization and Implementation by Local Governments during the COVID-19 Pandemic**

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**Democracy Resource Center Nepal (DRCN)**

Kupandole, Lalitpur

## 1. Introduction

Once the COVID-19 pandemic hit Nepal, all the attention of each of the three levels of governments was focused on preventing and controlling its spread. The pandemic created additional pressures upon local governments which carried the duty of service delivery through direct contact with the citizens. Health budgets of local governments for the fiscal year 2019-20 saw an unanticipated increase because of the need to identify the infection and to provide treatment, and also to promote awareness and preparedness against it. Unusual circumstances created by the pandemic also affected local governments' annual budget expenditures and program implementation in the fiscal year 2019-20. Additionally, activities like drafting policies and programs, budget allocation, and determining sectoral priorities and accordingly drafting new plans for the fiscal year 2020-21 had to be carried out under the difficult circumstances of a rapidly spreading pandemic.

control the spread of the COVID-19.<sup>1</sup> This study contains the challenges faced by local governments in implementing the budgets in these trying circumstances for the fiscal year 2019-20, and the procedures adopted by local governments while drafting programs for the ongoing fiscal year 2020-21, along with the priorities identified by them and the accompanying challenges.

Democracy Resource Center Nepal (DRCN) selected a stratified random sample of local units to ensure representation across each of the seven provinces of Nepal. Of the total 753 local units, 52 across all seven provinces were selected.<sup>2</sup> Telephone conversations were held with an elected representative from the selected local units, either with the mayor or chairperson, or their deputy-mayor or vice-chairperson, or with the chief administrative officer.<sup>3</sup> Out of the 52 selected local units, it had been possible to establish telephone contact with 42 local units. In addition to these local units, three local units previously not included in the selection were also included in the study as conversations during the preliminary phase

**Table 1: Local units from each province included in the study**

S.N.	Province	Total local units	Number of sampled local units	Local units contacted over telephone	Local units where telephone contact could not be established
1	Province 1	137	10	9	1
2	Province 2	136	9	7	2
3	Bagmati	119	8	6	2
4	Gandaki	85	6	6	0
5	Lumbini	109	8	6	2
6	Karnali	79	5	2	3
7	Sudurpaschim	88	9	6+3*	3
	<b>Total</b>	<b>753</b>	<b>55</b>	<b>42+3 = 45</b>	<b>13</b>

\* Including three local units additional to the sampled local units.

Local governments are required to present their budgets for the upcoming fiscal year in late June, following the federal government's budget presented in late May or early June, and provincial governments' budgets presented in mid-June. Although most local governments accomplished the task in time, some failed to do so. Public meetings and gatherings had been banned during the nationwide lockdown to

<sup>1</sup> Government of Nepal's Ministry of Federal Affairs and General Administration had made available a 'Framework for Identifying Immediate Needs and COVID-19 Sensitive Planning during the difficult circumstances created by the COVID-19' to local governments.

<sup>2</sup> Government of Nepal's Ministry of Federal Affairs and General Administration has categorized 162 local units out of a total of 753 as (A) Class [Very Rural]; 218 as (B) Class [Rural]; 275 as (C) Class [Moderately Urban] and 98 as (D) Class [Urban]. Sample local units for this study were selected to include local levels from each of the four categories. However, although 'Urban' local units have been selected, no Sub-Metropolitan City or Metropolitan City was included in the study.

<sup>3</sup> All telephone interviews were conducted between August 30, 2020 and September 21, 2020.

revealed relevant information on them. Thus, among the respondents from 45 local units were 26 mayors or chairpersons, 11 deputy-mayors or vice-chairpersons, seven chief administrative officers and one account officer. In some local units where a complete answer to a query was not forthcoming from a respondent, other officials were also consulted. Representatives from a few other local units not included among the sample for the study were also consulted for additional analysis, case studies and for qualitative and sectoral information. Information gathered through media-monitoring has also been utilized. Quantitative and qualitative analysis have been carried out on such information.

A questionnaire had been prepared for telephone interviews, which included factual and thematic questions. The questionnaire contained questions regarding the planning and budget prioritization, budget expenditure and project implementation, the effect of the COVID-19 on project implementation and the change in priorities brought about by the COVID-19. The collected information was subjected to a comparative analysis to present an overall picture of the budget expenditures and priorities at local level during the COVID-19 pandemic. The next section of this report discusses the planning process and budgets of local units for the fiscal year 2020-21. The third section discusses the basis of budget prioritization, along with various projects and programs. In the fourth section, the aspects of budget expenditure and implementation for the fiscal year 2019-20 are considered. The final section contains the conclusion of the study.

## **2. Local governments' planning process for the fiscal year 2020-21**

After the Government of Nepal implemented a nationwide lockdown on March 24, 2020 to prevent the spread of the COVID-19, all activities of local governments came to a complete halt. They focused all of their energies on preventing and controlling the spread of the COVID-19. Workings of local governments were affected just when they were required to prepare for the budgets of the fiscal year 2020-21.

### ***2.1 Citizen participation affected by the COVID-19***

Since public gatherings were prohibited, citizen participation in public discussions on budget planning was not possible. The fearful atmosphere of the COVID-19 had affected even the discussions between ward representatives and other stakeholders.

When asked what challenges had been encountered in drafting plans during the time of the COVID-19 pandemic, 38 percent of local unit representatives responded that their local units did not encounter any significant challenges and that they managed to follow all the required procedures for budget formulation and planning. "All of the necessary seven stages were completed after ensuring citizens' participation at ward and settlement levels. Everything was done in accordance with provisions contained in the Local Government Operation Act," the chief administrative officer of Gokulganga Rural Municipality said. Rural Municipalities which were rural and had relatively smaller populations appeared to have been less affected by the COVID-19, due to which citizens' participation in project selection had not been affected as such. Respondents from many such local units which had not yet been affected by the COVID-19 said that the program planning had been carried out by following physical distancing protocols at ward and settlement levels.

Planning processes had been modified to some extent due to the COVID-19, and the accompanying procedural discussions and citizens' participation had become somewhat limited. In some local units group meetings had been organized in reduced numbers, while in some other local units suggestions had been collected over the telephone, or in yet other places attempts had been made to collect projects and programs by mobilizing volunteers and elected representatives. According to the chairperson of Raksirang Rural Municipality in Bagmati Province, "There were no significant challenges, except for the fact that whereas earlier meetings would have 100 participants, there were maybe only 10 individuals present this time, because of the COVID-19." The mayor of Shankharapur Municipality in Bagmati Province said budget ceilings had been sent to wards, and suggestions had been collected by issuing notices. Similarly, Dipyal Silgadhi

Municipality of Sudurpaschim Province had collected plans by creating teams of between 10 and 15 people, including one elected representative each, from its wards and settlements. The chairperson of Badigad Rural Municipality in Gandaki Province informed that they had collected and prioritized programs by contacting local intellectuals, representatives of political parties and organizations over telephone. Many local governments had collected plans directly at the settlement level by mobilizing health volunteers, officials and ward committee members. However, even though these techniques were adopted, only a limited number of individuals had participated in selecting plans and programs, because of which the issues and demands of various targeted groups, women, indigenous groups, Dalits and other excluded groups and communities had been deprived of representation. Recent years had already been seeing persistent complaints that a miniscule portion of the budgets were being allocated for such targeted groups because of the absence of provisions mandating a fixed portion of the budgets to be allocated for them. Under the difficult circumstances brought about by the pandemic, the number of projects being drafted with public participation had shrunk, and therefore a separate study will be necessary to reveal its effect upon targeted groups.

Although provisions exist for programs to be selected through a participatory process, the practice by elected representatives of prioritizing programs of their personal preference had always prevailed. The chairperson of a rural municipality in Sudurpaschim Province said, “Nearly 50 percent of projects proposed by ward chairs are according to their own personal interest.” A DRCN study has mentioned that this tendency of prioritizing projects of personal preference is not limited to ward chairs, but is also equally present in other municipal representatives, officials, mayors and chairpersons, and deputy-mayors and vice-chairpersons.<sup>4</sup> The fact that this fiscal year’s budget planning and project selection processes took place under lockdown conditions resulted in municipal representatives and officials exerting maximum influence upon the process of programs selection.

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<sup>4</sup> DRCN. 2019. Budget Allocation and Implementation by Local Governments. Lalitpur: DRCN.

About 10 percent of the local government representatives in this study reported that local stakeholders and experts were used to be extensive in previous years during the planning process, but that it had not been possible this year. Some local governments reported that it had not been possible to give adequate attention to plans and programs due to a lack of relevant officials and due to the absence of officials because of the lockdown. “Employees were not present at the office out of a fear of infection. Perhaps that contributed to the lack of attention to sectoral programs,” the mayor of Saipal Rural Municipality in Sudurpaschim Province said. This indicates the need of employees and experts during the process of allocating budgets under sectoral headings and of creating new programs.

## 2.2 Disputes between elected representatives

Misunderstandings between elected representatives and interference into each other’s jurisdictions also affected the annual planning process. *Local Government Operation Act, 2017* divides responsibilities between the chairperson or mayor and the vice-chairperson and deputy-mayor, according to which the vice-chairperson or deputy-mayor leads the Budget and Program Drafting Committee. The annual plan of a local government finds its final and complete form through this Committee. However, in some local units vice-chairpersons and deputy-mayors had been excluded from this process, especially where the post was occupied by a woman. The vice-chairperson of a rural municipality in Province 2 alleged that the male leadership comprising the chairperson, chief administrative officer, and other men had undervalued the leadership and roles of women leaders like her, and been depriving her of any information even though she had a central role in the budget allocation process. She reported that nearly every woman vice-chairperson in the neighboring local units was undergoing the same experience. “Women like us have to work under the pressure from men representatives. Whatever the majority says is being passed. Our morale has collapsed. Who do we turn to? Whatever the chairperson says, it passes. Vehicles are purportedly purchased for the use by the municipality, but then they are used for personal purposes,” the vice-chairperson said.



**Table 2: Number of local units presenting budgets at their assemblies.**

S.N.	Province	No. of local units	Local governments that presented budgets by 24 June, 2020	Percentage	Local governments that presented budgets by 15 July, 2020	Percentage	Local governments that presented budgets by 16 August, 2020	Percentage
1	Province 1	137	107	78.1%	130	94.89%	133	97.08%
2	Province 2	136	76	55.8%	98	72.06%	101	74.26%
3	Bagmati	119	97	81.51%	114	95.80%	115	96.64%
4	Gandaki	85	72	84.71%	83	97.65%	83	97.65%
5	Lumbini	109	101	92.66%	108	99.08%	109	100%
6	Karnali	79	60	75.95%	77	97.47%	79	100%
7	Sudurpaschim	88	70	79.55%	80	90.01%	84	95.45%
	<b>Total</b>	<b>753</b>	<b>583</b>	<b>77.42%</b>	<b>690</b>	<b>91.63%</b>	<b>704</b>	<b>93.49%</b>

Another chairperson from a local unit in Province 2 also reported that there was an ongoing disagreement between him and the vice-chairperson. “During the budget allocation process the vice-chairperson wants everything to be according to her wishes alone. But, she lacks experience. That brings problems,” he said. There were more frequent disagreements and misunderstandings reported between chairpersons and their vice-chairpersons in Province 2 than in comparison to other provinces, because of which the planning process had been affected, consequently delaying the passing of the budget (See: Case Study 1). During this study, a few women vice-chairpersons/ deputy mayors of Province 2 had spoken about their experience of being sidelined during the budgetary process. This has affected the practice of monitoring and controlling the activities of local governments, along with the practice of transparency.

### ***2.3 Delay in approving the budget from the local assembly***

Existing provisions stipulate that, following the planning process, local governments must present their budgets for approval at the local assemblies by the third week of June to be discussed upon and approved by mid-July. According to the data by the Ministry of Federal Affairs and General Administration

(MoFAGA), only 77 percent of the local governments across the country had managed to present their budgets at their local assemblies by 24 June which was the stipulated deadline for the fiscal year 2020-21. About 92 percent of the local governments had presented their budgets by mid-July while by mid-August 94 percent of the local units had managed to do so. Most local governments which failed to submit their budgets by the stipulated deadline were from Province 2. Nearly half of the local governments in Province 2 failed to present their budgets by 24 June. Even two months after the deadline, at mid-August, nearly 26 percent of the local governments there had not presented their budgets. In other provinces, more than 95 percent of the local governments had presented their budgets by mid-August.

Of the 45 local units included in this study, four (9 percent) had not yet passed their budgets for the fiscal year 2020-21 even by mid-September. In some local units elected representatives held the opinion that the delays had been caused by the COVID-19 (See: Effect of the COVID-19 on Program Planning Process). But in most local units main reasons behind the delay in budgets being presented were the conflict and difference in opinions regarding jurisdiction and responsibilities along with disagreements during the project selection process. In some 20 percent of the local units included in this study, respondents said



### Case Study 1: Budget allocation process affected by disputes among elected representatives

Samsi Rural Municipality in Province 2 presented its budget very late, around mid-October. However, it was not without controversy. The Rural Municipality has mixed representation, divided between various political parties. The chairperson and vice-chairperson are from Nepal Communist Party (NCP) while, out of a total of seven wards, two wards have ward chairs from NCP, two from Nepali Congress (NC), and the remaining two have ward chairs from Janata Samajwadi Party (JSP). Although the chairperson and vice-chairperson are from the same party, there is a conflict between the two and since other representatives are from other parties, conflicts with them have carried on from two years ago. This has also affected service delivery. “There are impediments to the implementation of designated programs due to the animosity between the chairperson and vice-chairperson. In the past year 2019-20, school children were deprived of their afternoon meals because of it. No development work has been carried out,” a local journalist reported.

Elected representatives in the Rural Municipality were nearly evenly divided into factions supporting the chairperson or the vice-chairperson. The chairperson-faction alleged that the vice-chairperson, with the assistance of her husband, was interfering in the proceedings of the municipality executive. The vice-chairperson-faction alleged that the chairperson had been mobilizing funds and making decisions without informing them. The vice-chairperson additionally alleged the chairperson of failing to call meetings of the Revenue Consultation Committee and dominating the proceedings of all the committees. Samsi Rural Municipality had not been able to hold any assembly since its village assembly was held in January, 2020.

A separate conflict between elected representatives and the erstwhile chief administrative officer also seemed to have contributed to the interruption of public services delivery, general administrative functions, and activities related to the COVID-19 management.\* The Rural Municipality was without a chief administrative officer through its budget planning process for the fiscal year 2020-21. The chief administrative officer now employed at the Rural Municipality had assumed his position only around mid-September. The chief administrative officer said that although they had contacted the federal government, the provincial government and district level political leaders in order to bring the two contentious parties to an agreement, they had been unsuccessful. Since it was becoming too late to present the budget for approval, a village assembly was called for October 6, 2020. But the vice-chairperson-faction asked for a few additional days, after which the assembly was postponed for October 14, 2020. However, the chief administrative officer said, nobody showed up from the vice-chairperson-faction, after which the budget was approved through a majority vote. The vice-chairperson-faction moved the Janakpur High Court, alleging that they had received no information regarding the assembly, and that members had been forcibly made to affix their signatures to the budget document. The case was sub judice at the Janakpur High Court. The vice-chairperson reported that she had received no information regarding the budget, that she had only heard rumors about the budget being presented, and that the policies and programs had not been presented before the assembly at all. A ward chairperson said, “They went to the homes of a few municipality executive members to get the document signed, and passed the budget after giving them financial enticements. Not even the minimum of values demanded by a democracy has been upheld.”

The conflict between the chairperson and the vice-chairperson is evident in every activity of the Rural Municipality. This has affected the process of drafting plans for the fiscal year 2020-21. “Out of the seven wards in the Rural Municipality, only four wards had submitted demands for projects. Budget was allocated on the basis of that, and to the rest of the wards, lump-sums have been awarded after taking into consideration their population and geography, and in accordance with the chairperson’s discretion,” the chief administrative officer said. The legal provision is for the vice-chairperson to monitor the process of project implementation but, given the conflict existing between the chairperson and the vice-chairperson, the chief administrative officer expressed concern about how the project monitoring process would be carried out.

\* Pathik, Navaraj. 2020. *Janapratidinidhi ra Karmacharibich Juhari, Samsi Gaunpalikama Badhyo Bethiti*. Available at: <https://sunrisekhabar.com/en/news-details/14516/2020-06-14>; accessed January 13, 2021.

that the impossibility of meeting the demands of all the parties involved created disputes, and that conflicts arose between elected representatives, and that it was difficult to satisfy every party involved.

Generally, projects and programs are selected through participation and discussions at the ward level, from where they are sent to the Ward Committee for prioritization before being sent on to the municipal headquarters. Such projects are further categorized at the municipal headquarters according to the priorities of various sectoral committees and the Budget and Program Formulation Committee headed by the deputy-mayors or vice-chairpersons. Although the federal government has determined a few bases for prioritization of programs, the decision making role in the process remains with elected representatives. Because of this, disputes and contentions were found to arise between elected representatives. The possibility of conflict during the budget allocation and program selection process seemed to increase if elected representatives came from different political parties. When elected representatives had been divided between a majority and a minority, making it difficult for conflicts to be resolved in a timely manner, the dates for presenting budgets and also for approving them had been pushed back (See: Case Study 1).

According to the chairperson of Kerabari Rural Municipality in Morang of Province 1, disputes arose mostly from contention over how much budget should be allocated to which project because settlement level committees sent in projects far too numerous for the available budgets to address. Elected representatives were facing difficulties because there were large numbers of projects competing for a limited amount of funds. In many local units this year most projects did not get enough funds allocated to them because additional funds had had to be directed toward the COVID-19 prevention and control.

## ***2.4 Size of budgets for the fiscal year 2020-21***

In nearly every local unit, elected representatives mentioned that the size of the budgets for the fiscal year 2020-21 had grown by some percentage in comparison to previous years (See: Figure 1). Estimated budgets

appear to have grown by approximately 14 percent in comparison to the previous year.<sup>5</sup> Mostly, the size of conditional grants had increased. In some local units, the increase in special grants and complementary grants had contributed to the size of the budgets. It appears that in previous years the complementary grants provided by the provincial government and their estimated ceilings were made available to local governments toward the middle of the fiscal year, but since the grants and their ceilings have been made available at the onset of the fiscal year, the size of the budgets has increased. “Complementary grants used to arrive only at the middle of the year previously. But since it arrived in the beginning of the year, it was included in the budget. That increased the budget,” the chief administrative officer of Sunkoshi Rural Municipality in Bagmati Province said.

Although the size of the grants received from the federal government had increased, elected representatives held the opinion that it would not help in creating new plans according to local needs since the larger share of the grants were in the form of conditional grants. “The size of local government’s budget appears big on paper but most of the programs are under conditional grant,” the chairperson of Dogadakedar Rural Municipality in Sudurpaschim Province said. In the fiscal year 2019-20, NPR 213.8 billion had reached the local level as fiscal equalisation and conditional grants.<sup>6</sup> The amount has increased to NPR 251.2 billion this year. Conditional grants have increased by NPR 37.2 billion while fiscal equalization grants have increased only by NPR 0.2 billion. The fact that the federal government has prioritized conditional grants has resulted in a comparative reduction in share of available fiscal resources to address priorities identified by local levels.

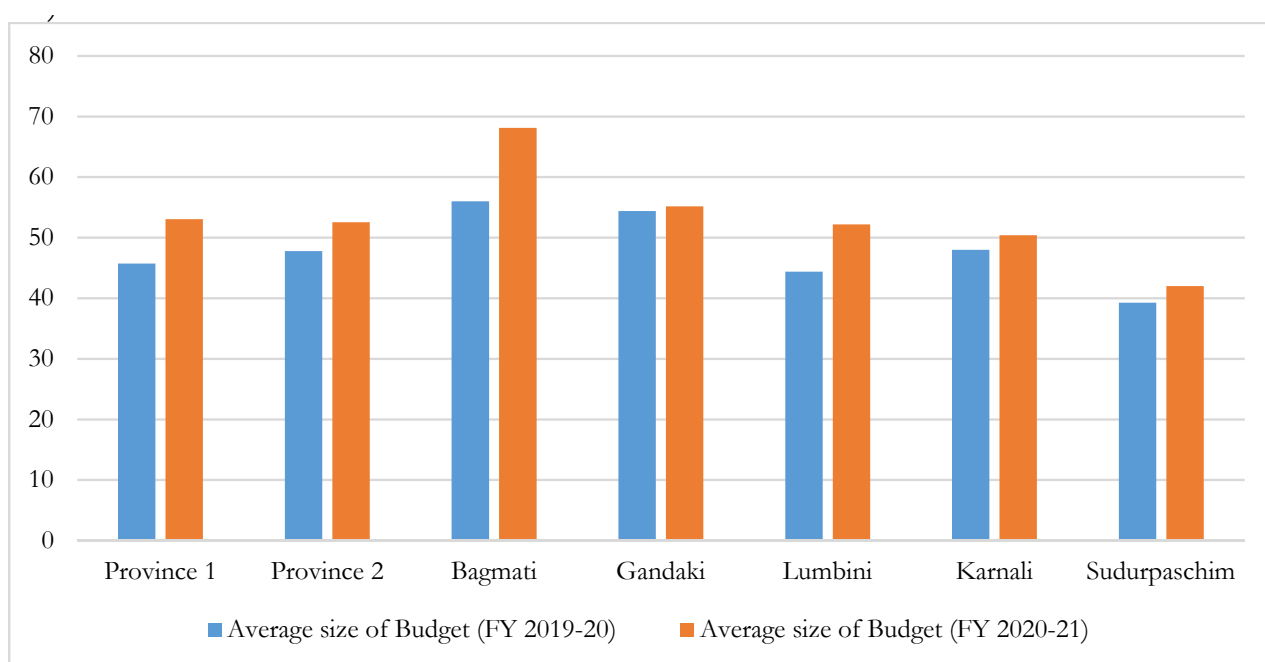
Another reason behind the increase in the size of the budget is the inclusion of the previous fiscal year’s unspent funds. About 20 percent of the local governments in this study had increased their target for revenue collection. Many local governments which had thus increased their revenue collection targets had

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<sup>5</sup> Average figures calculated from budget and estimated budget figures for the fiscal years 2019-20 and 2020-21 as received from representatives of 40 local units out of the 45 included in the study.

<sup>6</sup> Annual budget statement for the fiscal year 2020 -2021. Available at: [https://mof.gov.np/uploads/document/file/AD\\_website\\_20201118075339.pdf](https://mof.gov.np/uploads/document/file/AD_website_20201118075339.pdf); accessed January 13, 2021

**Figure 1: Average size of budget of the local units in the Fiscal Years 2019-20 and 2020-21 (in Crores)\***



*\*Based on figures provided by representatives from a total of 40 local units across Nepal – eight from Province 1, six from Province 2, five from Bagmati, five from Gandaki, five from Lumbini, two from Karnali, and eight from Sudurpaschim.*

new mediums of revenue like natural resources mining and operation. Some local governments had projected that their share of revenues from extraction of stones, gravels and sand from rivers and streams flowing through them would increase. In some local units the projected income had been unnaturally inflated with the aim of pleasing everybody when there was a large number of projects being demanded by the constituents. “There are numerous demands. The actual income is insufficient to fulfill everyone’s demands. Therefore, we have to show revenues in greater volumes than what can be collected,” a chief administrative officer of a local unit in Gandaki Province said. When budgets are drafted in this manner, although superficially it appears to address everyone’s demands, some projects are cancelled during the implementation phase owing to a lack of funds. Since it appears that the fund that will be available from the provincial and federal governments through revenue sharing schemes will not meet projections during the pandemic, it will be difficult for local units that inflated their projected revenue collection without any factual basis to fully implement their projects.

Revenues generated from riverine resources are a good source of funds for local levels, and they seem to have had an important effect on the size of the budgets. The Standards on Extraction, Sale and Management of Stone, Pebbles and, Sand, 2077 passed by the federal government, various regulations passed by provincial governments to address the management of riverine resources, and the *Local Government Operation Act, 2017* all ensure the rights of the local levels over the management of riverine resources, local levels consider such materials obtained from the rivers and through their territory as their main source of revenue. However, conflicts between local levels arising from the utilization of river resources are also very frequent (See: Case Study 2).

## Case Study 2: Conflict between local governments regarding the extraction and use of riverine resources

Local governments have received the rights to the extraction and management of riverine resources like stone, pebbles and sand, and to levying taxes on the same. In 2018, Rapti Rural Municipality in Dang called for expression of interest to extract riverine resources in four spots along the Rapti river. But when Gadhawa Rural Municipality claimed that the spots designated by Rapti Rural Municipality as extraction points for riverine resources fell in Gadhawa Rural Municipality, conflict arose between them. Disputes arose regarding their shared border. But that conflict was resolved in 2018 through an agreement reached at a meeting between representatives of the two rural municipalities, in the presence of the chairperson of the Dang District Coordination Committee (DCC) and representatives from the provincial government. The agreement stated that three of the four spots for which Rapti Rural Municipality had called for expression of interest fell in Rapti Rural Municipality while the remaining spot fell in Gadhawa Rural Municipality, where the latter would carry out an environmental impact assessment and subsequently extract riverine resources.

Before the promulgation of the Constitution of Nepal, the erstwhile District Development Committee (DDC) enjoyed the authority to the management of riverine resources. Therefore, the Dang DDC had already carried out the Preliminary Environmental Assessment (PEA) required before the extraction of riverine resources. After the promulgation of the Constitution, the erstwhile structures and authorities of the DDC were transferred to the local levels. Since the majority of the Rapti river falls in Gadhawa Rural Municipality, the Dang DDC transferred to it the rights to riverine resources extracted from the Rapti river. The PEA completed by the DDC before the promulgation of the Constitution was still valid; therefore it was used by Gadhawa Rural Municipality as the basis for its call for expression of interest (EOI) to extract riverine resources from the Rapti river. But in January of 2019 a local person filed suit at the Tulasipur High Court alleging that Gadhawa Rural Municipality had called for an EOI without carrying out the requisite PEA. The High Court issued a stay order against the EOI, because of which Gadhawa Rural Municipality was unable to collect revenues for the fiscal year 2019-20 from the extraction of riverine resources as it had hoped to. But when the same suit reached the Supreme Court in 2019, the Supreme Court did not issue a stay order like the Tulasipur High Court had done. Although the court is sub judice at the Supreme Court, in accordance with the latest court order, Gadhawa Rural Municipality had moved forward with the EOI process. A representative of the Rural Municipality said that a total of six EOIs had been issued, with the aim of collecting NPR 60 million in the fiscal year 2020-21. The Rural Municipality had increased the size of its budget on the basis of the projected revenues to be collected from riverine resources.

### 3. Sectoral priorities and planning for the fiscal year 2020-21

Of the total 45 local units, 25 (51 percent) had increased their programs in agriculture.<sup>7</sup> Most of the local governments had included programs aimed at animal husbandry and vegetable farming, agricultural grants and self-employment. Some 29 percent of the local governments had given greater preference to the health sector in comparison to the previous year. The COVID-19 had had a major effect on the elevation

of the health sector in terms of local government priority. About 29 percent of the local governments had continued to place physical infrastructure in priority, and DRCN was informed that there had not been significant change in most of the projects. About 20 percent of the local units claimed that priority had shifted away from physical infrastructure and road construction to other sectors because physical infrastructure and roads had improved in standard in comparison to earlier years. Sectors like education and tourism were the priority of very few local governments. Some local governments had felt the need for public buildings along with ward and municipality buildings and allocated budgets accordingly.

<sup>7</sup> The total percentage is above 100 because municipal representatives were asked questions which allowed them to mention one or more priorities.

### *3.1 Sectoral change in priority*

Local government representatives had been asked if there had or not been any change in the priorities of the budget in comparison to the previous year. In most local units, the larger portion of the budget continued to be spent on physical infrastructure, but the new order of priorities included sectors like agriculture, health, education and tourism. In some other local units, it was reported that sectoral priority was gradually shifting because the state of physical infrastructure and roads had improved to an extent in past years. The vice-chairperson of Janaki Rural Municipality in Kailali district said, “We have been gradually shifting our priorities. When we had just won the election, the roads in the village were in absolute disrepair. We aimed at improving roads in the wards, upgrading them at least to gravel roads. In the second year, too, we emphasized physical infrastructure and roads. From the third year on, alongside physical infrastructure, we also began emphasizing agriculture, health and education. On our fourth year, we have decreased the budget for physical infrastructure and increased the budgets for agriculture, animal husbandry, health and education.” It appears that local governments have begun including other sectors in their priority after achieving some of the needs related to physical infrastructure, especially road connectivity. Representatives of various local units like Madi Rural Municipality, Kaligandaki Rural Municipality, Mudkechula Rural Municipality, Siranchok Rural Municipality and Musikot Municipality reported that the priority of their local units had thus changed. “Budgets for (physical) infrastructure have been decreasing. Two years ago, 55 percent of the budget was allocated for that. A year ago it reduced to 43 percent, and this year it has further decreased to 34 percent,” the chairperson of Siranchok Rural Municipality in Gandaki Province claimed. Initially the needs and priorities were of physical infrastructure, but now gradually the priorities are shifting toward agriculture, animal husbandry, industry and social development, according to the deputy-mayor of Musikot Municipality.

### *3.2 Agriculture*

Representatives of most local levels had experienced the need to put agricultural sector under the main priority. Since most of the local residents were tied to the land and agriculture, and since income generation opportunities in other sectors were limited, it was their opinion that the agriculture and animal husbandry would continue to be the main source of income for local citizens. They said that the agriculture had to be prioritized also to combat poverty and the possibility of famine. Therefore, in comparison to earlier years, most local governments had added even more programs and projects in this sector for the fiscal year 2020-21. Most such programs were related to providing grants to farmers for purchasing agricultural material, to facilitating loans at subsidized interest rates or without collateral to those seeking to invest in the agricultural sector, to expanding the infrastructure needed for the sales and distribution and managing the transportation of products, and commercialization of products. The chief administrative officer of Phedap Rural Municipality in Province 1 said that the budget for the agriculture sector had been doubled in comparison to the last year. The chairperson of Chhathar Jorpati Rural Municipality, also in Province 1, said that there were plans to increase the export of dairy and vegetables since the Rural Municipality was a leader in their production. According to the vice-chairperson of Kamal Rural Municipality in Province 1, the Rural Municipality has decided to provide grants after the fact, based upon the volume of agricultural produce, rather than provide grants beforehand and encourage the possibility of their misuse and ensure that only farmers who directly contribute to agricultural productivity receive them. Dogdakedar Rural Municipality of Sudurpaschim Province had also decided to provide farmers with municipal grants of up to 70 percent for the modernization of the agricultural sector, market expansion, and agricultural equipment and technical assistance. The deputy-mayor of Dipayal Silgadhi Municipality said that since health and agriculture were the ‘mechanisms to fight disease and hunger’, the two sectors had been placed under the priority. Arughat Rural Municipality in Gandaki Province had increased its agriculture budget to NPR 22.5 million. The mayor of Sukhipur Municipality in Province 2 said



that deep-boring, tube-wells and wells, electrification of agriculture and other programs related to irrigation had been given priority in order to develop agricultural infrastructure.

Of the local units included in the study, those from Bagmati Province had given relatively less priority to agriculture sector. In comparison, Lumbini Province had more plans and programs in the agriculture sector. The Lumbini provincial government has allocated some 13 percent of its budget for the fiscal year 2020-2021 for land management, agriculture and cooperatives.<sup>8</sup> Most of this budget has been allocated towards agriculture. The provincial government has been implementing programs like One Local-Level - One Product, and on irrigation improvement, agricultural technical services, availability and mechanization of agricultural equipment, research and dissemination in agriculture, accessible loans, elimination of foot and mouth disease for animal health, etc. Kaligandaki Rural Municipality, also in Lumbini Province, had designated each ward as an agricultural pocket and allocated about NPR six million toward vegetable farming and horticulture. “We have plans to farm oranges in wards 2 and 3, mangoes and lychees in ward 4, coffee in wards 5, 6 and 7, and apples in ward 1. We are working together with the Agricultural Knowledge Center,” the chairperson of the Rural Municipality said. He said that citizens who wanted to earn incomes had been given grants of NPR 20 thousand each for growing vegetables and farming pigs and goats, etc. In Lumbini Province, Janaki Rural Municipality, Siyari Rural Municipality and Gadhawa Rural Municipality had also added targeted programs under the agriculture sector.

The average estimated budget of the local governments included in this study is around NPR 500 million. When this figure was taken as the baseline, the budgets allocated for agriculture were up to 8 percent of the total budgets. Since the number of smallholder farmers is so large, it is not clear how much this amount as the budget will serve their needs – especially when distributed as grants and subsidized loans. Local governments had taken the assistance of the private sector and financial institutions in order to expand the scope of their programs. A study into the effectiveness

of agricultural programs implemented by the local units and their results, and into the manner in which grant and subsidy programs have been implemented would make it possible to assess the efficacy of these programs.

### 3.3 Health

Existing healthcare infrastructures experienced an added burden because of the COVID-19 pandemic. Local governments were forced to allocate additional budgets toward tasks to contain the COVID-19 like quarantining, isolation, testing, and contact tracing, and accordingly making changes to municipal priorities in comparison to previous years. Most local governments included in the study had felt the need to increase their health budgets, and some had allocated additional budgets for it. A representative of Miklajung Rural Municipality in Province 1 said that they had allocated an additional NPR 10 million beyond the conditional grants available from the federal government for the health sector. The chief administrative officer of Bakaiya Rural Municipality in Bagmati Province said, “Since we had to change our priorities in comparison to previous years because of the COVID-19, we have allocated more budgets for the health sector.” In previous years, local governments had been allocating very little money toward the health sector.<sup>9</sup> However, additional budgets allocated this year were not towards improving long-term healthcare structures, but towards response against the COVID-19 pandemic and other immediate tasks.

The federal government has designated funds through its conditional grants to the local level for the construction and upgrading of hospitals in the fiscal year 2020-21. The Government of Nepal has allocated

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<sup>8</sup> Lumbini Province has allocated NPR 4,863,500,000/- toward Land Management, Agriculture and Cooperatives.

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<sup>9</sup> In the fiscal year 2019-20, a total of NPR 26,499,000,000 was allocated for the health sector in the 753 local levels across the country. Of this, 81 percent (NPR 21,455,000,000) was in the form of conditional grants while the remaining amount was allocated through fiscal equalisation and internal resources. This indicates that the health budgets of local units are mostly dependent upon conditional grants received from the federal and provincial governments. MoHP and DFID/NHSSP (2019). Budget Analysis Health Sector (2019). Ministry of Health and Population and DFID/Nepal Health Sector Support Programme.

NPR 14.27 billion toward constructing hospital with between five and 15 beds in each of the 272 local units which currently do not have hospitals in order to make basic healthcare services available at the local level. Similarly, approximately NPR 5.10 billion has been allocated to facilitate the appointment of at least one doctor in each hospital. Although some budget amounts are available for the construction of hospitals and for human resources, local governments will have the responsibility of operating these hospitals.<sup>10</sup> There were no examples as of yet to indicate that substantial amounts had been allocated toward operating hospitals in this fiscal year. It appears that local units with smaller budgets and those in rural areas may find operating the hospital expensive and challenging.

### 3.4 Infrastructure

In previous years, infrastructure enjoyed topmost priority across nearly all local units. Some local governments were found to have continued to prioritize the sector. Both the demands of citizens and desires of elected representatives had played a role in this. Local governments which had given topmost priority to physical infrastructure said that the demands came from local residents, and that there was no alternative to paying attention to them. “Roads, electricity and drinking water continue to be the necessity – and therefore they remain a priority,” the chief administrative officer of Sunkoshi Rural Municipality said. The mayor of Loharpatti Municipality in Province 2 said, “Infrastructure always remains the first demand of the people. The total capital expenditure budget is of between 180 and 200 million. Our Municipality lacks roads; therefore road construction is our first priority. Road construction is very expensive. It costs between 40 and 50 million to construct one kilometer of road. We have plans to construct 156 kilometers, but the budget is inadequate. We have had to allocate a small amount each year.” Similarly, the chairperson of Bhokrah Narsingh Rural Municipality clarified

that his Rural Municipality had negligible lengths of black-topped roads before the establishment of the local level, because of which roads had remained the basic necessity of every settlement in the Rural Municipality, and consequently it gained priority in the local level budget.

### 3.5 Other priorities

Local governments mentioned as priority some sectors beyond agriculture, health and infrastructure. Some local governments had placed education as a priority. Madi Rural Municipality in Lumbini Province had created positions for 35 teachers with its internal resources and made the necessary preparations. According to the acting chief administrative officer of Mudkechula Rural Municipality of Karnali Province, the Rural Municipality had adopted the slogan ‘Health, education, infrastructure, employment: the basis for the prosperity of Mudkechula Rural Municipality’ and thus made health its top priority, with education in the second place. A couple of local governments had allocated smaller budgets for education because of the confusion created by the COVID-19 in the sector. The tourism sector had found a place among the priorities of a couple of local units. The mayor of Shankharapura Municipality in Bagmati Province said that emphasis had been given to tourism because the Municipality is host to heritage sites. Similarly, Ramdhuni Municipality of Province 1 and Siranchok Rural Municipality and Devchuli Municipality of Gandaki Province had made tourism their priority.

Local governments had also emphasized the construction of public buildings and ward offices at the local level. In past years, a portion of local governments’ budgets had been spent toward addressing the lack of municipal headquarters, and buildings for ward committees. According to a study completed in 2019, some 47 percent of local governments had been constructing office buildings.<sup>11</sup>

<sup>10</sup> Public Health Perspective Nepal, 2020. Health sector budget of Nepal for fiscal year 2020/21 (2077/78) Available at: <https://www.phpnepal.org.np/publication/current-issue/recently-released/243-health-sector-budget-of-nepal-for-fiscal-year-2020-21-2077-79>; accessed January 13, 2021.

<sup>11</sup> The World Bank. 2019. Nepal: Capacity Needs Assessment for the Transition to Federalism. Available at: <https://plgsp.gov.np/sites/default/files/2020-05/Capacity%20Need%20Assessment%20for%20the%20Federalism%20Report.pdf>; accessed January 13, 2021.



Of the 45 local governments included in our study, two local governments had prioritized the construction of ward offices. Other local governments had finished constructing office buildings or were repairing and maintaining them, but it did not feature among the main priorities. Some of the elected representatives did not provide substantial answers regarding their priorities. Representatives there had answered that they were taking all sectors forward together, or that budget allocations had been made according to the needs present.

### ***3.6 Programs introduced by local units because of the COVID-19***

Local representatives had been asked what new plans and programs had been introduced vis-a-vis the COVID-19. Some 60 percent of the local governments had introduced additional plans whereas the remaining 40 percent had not introduced any special programs. Of the local governments which had introduced special programs, most had mentioned quarantine and isolation facilities to control the spread of the COVID-19, medicines, ambulances, hazard bonus, etc. Other than that, they had also allocated additional budgets for agriculture and animal husbandry along with self-employment schemes in response to the socio-economic effects of the pandemic.

Some local governments in rural areas had emphasized the mobilization of local resources. They had instituted policies to utilize local resources as much as possible while carrying out development works. Some local units had allocated funds in this year to pay for expenses made in the previous fiscal year for the COVID-19 control. Gaumul Rural Municipality in Sudurpaschim Province had decided to construct public buildings at the municipal and ward level, having felt their need for quarantine and isolation facilities during the pandemic, and to serve emergency needs during other disasters. “We realized this year, because of the pandemic, that every ward needs at least one public building. We addressed it in plans and policies. Financial resources of the ward were not sufficient for all wards, so we have allocated budgets to build such structures only in two wards. We will gradually build them in all remaining

wards. We have also requested other organizations for the construction of public buildings,” the chairperson of Gaumul Rural Municipality said. Local governments like these had also allowed somewhat larger budgets for disaster management in comparison to previous years.

Even the local governments which had not introduced any new program aimed at addressing the situation created by the COVID-19 had increased their disaster management budgets by some amount. These funds were to be used in the COVID-19 response. Other than that, such local governments had continued with programs from previous years and not introduced any new plans. Overall, although most local units had introduced a few new programs in response to the COVID-19 situation, nearly 40 percent of the local governments had not introduced any new programs beyond slightly increasing their disaster management budgets.

### ***3.7 Managing employment for returnee migrants***

The number of citizens returning home after losing employment opportunities abroad had increased drastically. In the local units included in the study, 20-30 to 3,000 citizens had returned home from India and other countries. Since the number of citizens who migrate to India for employment opportunities is high in Karnali and Sudurpaschim, the number of returnees was also similarly very high there. Citizens had returned home in large numbers not only from India, but also from other countries, and crucially, from within Nepal. This study had attempted to understand what programs had been introduced by local governments toward managing employment opportunities for such returnee migrants. Representatives of nearly every local unit responded that there were no programs targeted specifically at returnee citizens, but that, overall, there were additional plans and programs aimed at assisting with self-employment. The majority of local governments had allocated budgets to promote and subsidize programs like animal husbandry and vegetable farming and accommodate the migrants within these programs. The chairperson of a local unit in Gandaki Province said, “There are no programs

specifically targeted at returnee migrants. But they can participate in agriculture, industry and animal husbandry programs.” Local governments had also provided emergency assistance to their citizens, including arranging for transportation to bring home their citizens who were stranded at the national border due to the lockdowns.

Representatives of some 20 percent of the local governments said that the aim was to involve citizens returning from abroad in the agricultural sector. Toward this end, local governments had allocated some portion of their internal resources, and were also hoping to receive assistance from the federal government’s plans and programs – of which the agriculture-related programs within Prime-Minister Employment Program were the most important. “The agriculture-related program within Prime-minister Employment Program is worth 10 million rupees. The Rural Municipality has also allocated a large amount in its agriculture budget. We have decided to commercialize agriculture and distribute 100,000 rupees as production-dependent grants,” the chief administrative officer of Miklajung Rural Municipality in Province 1 said.

However, a few representatives of local units in Province 2 and Sudurpaschim Province argued that the local government lacked adequate employment opportunities and that unemployment was already a persistent problem in their local unit, because of which it would not be possible to create employment opportunities for returnee citizens. “About 3,000 people have returned home here. There were already nearly 3,000 unemployed people before that. We are required to provide them with employment opportunities too. Since poverty has been a chronic problem, we have begun the process of identifying poor households. We have to carefully consider the capacity of the local level to manage these issues,” the deputy-mayor of Dipayal Silgadhi Municipality said. Elected representatives told that across the seven local units from Province 2 included in this study, there were at least between 300 and 1,400 citizens who had returned from India, but six of those seven local governments had no new program targeted at those citizens. The mayor of Sukhipur Municipality said, “What employment can our Municipality provide to people who have returned from India? If the situation improves, all laborers will return to India. There is no condition for us to create

employment for them.” The chairperson of Samsi Rural Municipality, where about 1,400 citizens had returned from abroad, also said that the local level cannot make arrangements for them. He said, “Returnee laborers lived here for two-three months, but immediately as the border reopened, they have started returning to India. Nearly 75 percent must have already returned. There is a lot of poverty here. There are no employment opportunities. The Rural Municipality cannot create employment opportunities either. A large share of the Rural Municipality’s budget is spent on building roads and culverts.” The situation was not significantly different in other local units in Province 2. However, the mayor of Kshireswornath Municipality said that the need was felt to provide such returnees with employment or to encourage them toward some form of self-employment, and subsequently a program for riverbank farming training and financial assistance had been initiated with the assistance of an international organization. He added, “We have arranged for an additional budget of about five million rupees above and beyond the conditional grants in order to attract citizens to agriculture.”

#### **4. Effect on the implementation of the fiscal year 2019-20 budget**

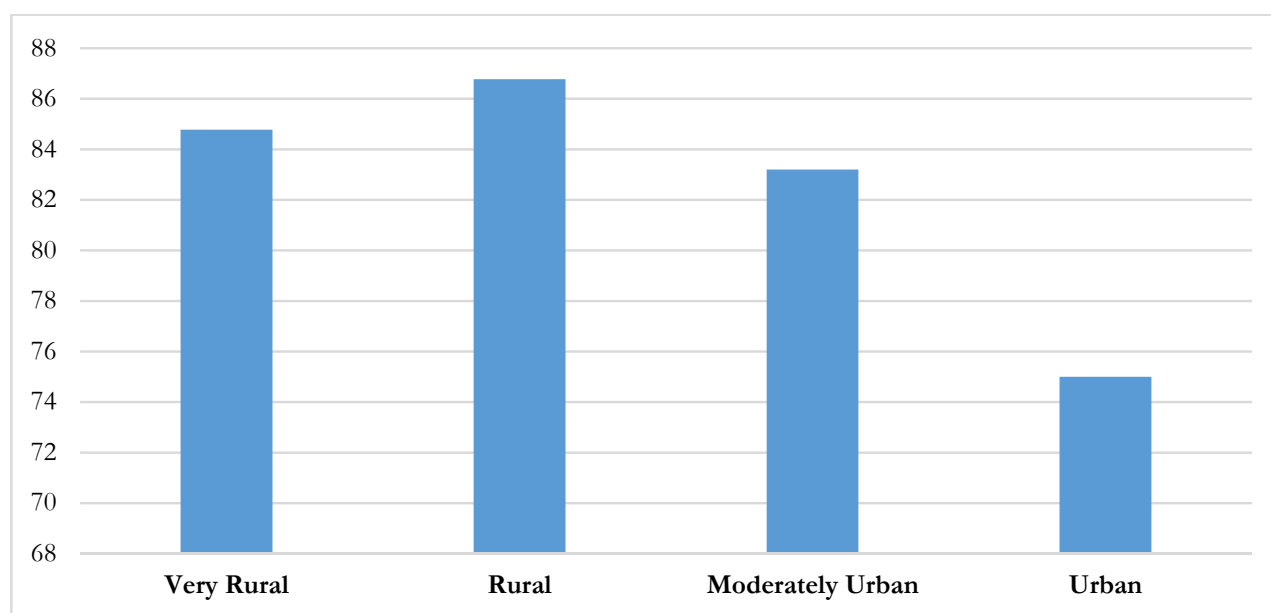
There were certain reasons that would affect the implementation of budgets in the fiscal year 2019-20, of which the COVID-19 pandemic was the main. Budget expenditures of the total income across the local units included in the study were, on average, around 83 percent for the fiscal year 2019-20. In 2018 - 2019, around 78 percent of the income of the local level had been spent.<sup>12</sup> Seen in this context, expenditures of the local units have increased by a few percentage points.<sup>13</sup>

When the pandemic hit even before the fiscal year 2019-20 was half-way through, complications had been added to the implementation of the budget. However, even though many development projects at the local level were affected due to the COVID-19, the overall

<sup>12</sup> Fifty-seventh Annual Report of the Auditor General, 2020

<sup>13</sup> However, since municipal representatives could not give us the exact figures regarding the income and expenditures of the local units during our interviews, these statistics may be inaccurate by some degree.

**Figure 2: Expenditure percentage from total income for the fiscal year 2019-20  
in urban and rural local units\***



*\*The figure contains data for a total of 33 local units, including nine very remote, nine remote, nine moderately urban and three urban local units.*

budgetary expenditures of the local units do not appear to have decreased in comparison to previous years. During the course of the interviews, most representatives claimed that the COVID-19 had not had a significant effect on budgetary expenditure. In urban local units the status of budget expenditure was comparatively weaker. In all other local units, the expenditure was above 83 percent.

#### **4.1 Effects of the COVID-19 and the lockdown**

The study explored how the lockdown imposed by the Government of Nepal to control the spread of the COVID-19 infection had affected the implementation of the budget. Some 40 percent of the local governments had faced difficulties due to the lockdown in transporting goods and raw materials necessary for development and infrastructure work. Representatives of many local units said that a shortage of construction material needed to build physical infrastructure was created because such material could not be transported

in time. When the market experienced a shortage of construction materials, user committees were forced to purchase material at higher prices. The chairperson of Madi Rural Municipality in Lumbini Province said that user committees had complained about having to work at a loss because the cost of the projects had exceeded their estimates. The chairperson said that the Rural Municipality could not provide additional funds even when the cost of the user committees increased. “It is not as if we can increase funds just because the cost of materials has increased. We can only provide funds in accordance with the estimates,” he said. This problem was especially prevalent among more remote local units in Province 1, Karnali Province, and Sudurpaschim Province. In about 20 percent of the local units’ works had come to a standstill also because the workers necessary for the construction works had returned home. “The workers are not locals. Workers all the way from Rolpa and India were active here during the reconstruction following the earthquakes. When they returned due to the lockdown, a shortage of workers was created,” the chairperson of Siranchok Rural Municipality in Gandaki Province said.

Another problem in budget implementation due to the COVID-19 was related to target-group programs and other social programs which included activities like trainings and in-person interactions. Representatives of about 25 percent of the local governments mentioned that the implementation of such programs had faced problems. Since the federal government had banned programs featuring citizen gatherings and meetings since mid-March, and had imposed a nationwide lockdown from the third week of March, programs that required group activities could not be carried out. There were already complaints that local governments had drastically reduced the number of target-group programs. When even the few remaining programs could not be implemented because of the pandemic, targeted groups were deprived of opportunities. There is an equal chance of such programs being affected because of the pandemic through the fiscal year 2020-21.

In about 20 percent of the local units, no effect of the pandemic had been felt upon the budget implementation. In such local units, user committees had been formed in October - November, and the budget was implemented in a systematic manner, so that a lot of the work had been completed before the lockdown, and the remaining work had been accomplished immediately as the lockdown eased. “It was not difficult to finish the work because most of the consumer committees had already been formed well in time,” the chairperson of Kaligandaki Rural Municipality said. Similarly, the chairperson of Raksirang Rural Municipality said, “We pass the working plans for each year. Outsiders tell us that the budgets and plans we implement are good. We, the elected representatives, deploy ourselves during the implementation of the budget.”<sup>14</sup>

In many local units, program implementation had been affected because of the need to prioritize the prevention and control of the COVID-19 pandemic. Generally, local units which used to complete most of their projects by the end of the fiscal year had not been able to create user committees or begin their work

because of the COVID-19 pandemic. Monitoring of projects was also affected because of the lockdown. “When monitoring was affected because of the lockdown, it affected the payment process. In such challenging circumstances, we tried to limit the size of the monitoring group to two or three and attempted to carry out timely monitoring activities. Because of that, it seems that not all aspects of the implementation process received adequate monitoring,” the deputy-mayor of Dipayal Silgadhi Municipality said. Elected representatives said that a significant sum of money had to be channeled to the COVID-19 response. And the amounts received through revenue sharing had also decreased in nearly every local unit because revenue collection had suffered due to the imposition of nationwide lockdown.<sup>15</sup> Local representatives complained that this had created a lack of funds for certain projects.

#### *4.2 Effects from other causes*

In response to the question asking if any other challenges beside the COVID-19 lockdown had affected budget implementation, representatives of about 25 percent of the local units replied that there had not been any other challenges. Representatives in some local units said that budget implementation had been affected because of the lack of necessary employees and because of frequent transfer of available employees. A lack of necessary employees persisted especially in remote and very remote local units. Mudkechula Rural Municipality of Karnali, Dogdakedar Rural Municipality of Sudurpaschim, Madi Rural Municipality of Lumbini and Aurahi Rural Municipality of Province 2 all lacked employees in adequate numbers. Most employees had chosen more accessible local units during the reintegration process, which exacerbated the lack of employees in rural local units. The mayor of Kshreshwarnath Municipality, considered an accessible municipality in Province 2, said, “We have all the employees we need

<sup>14</sup> Kaligandaki Rural Municipality had a total budget of NPR 360 million, and all projects but a program under special grants which was set to refund its budget of NPR 3 million had been completed. In Raksirang Rural Municipality, more than 90 percent of the budget had been spent.

<sup>15</sup> In the fiscal year 2019-20, only 74.4 percent of the revenues estimated by the federal government had been collected. Large portions of local government budgets derived from the revenue sharing by the federal government.



here. Eventually, we even had too many employees. Since this municipality is relatively more accessible, all employees wanted to come here. There were four of sub-overseers alone. We had to send some back.”

In initial years, there were abundant complaints about the lack of employees at the local level. Elected representatives often said that a lack of employees created impediments to the timely implementation of the budget. However, respondents said that the problem had decreased this year in most local units. But there were complaints that the budget implementation could not be efficient because of a lack of experience and training among new employees. “Now nearly all necessary employees are here, so that problem does not remain. But there is a lack of experience among the employees. New employees have been appointed, but they have been sent here without any training. It seems that the sixth grade employees among newly appointed administrative employees have only been given a few days of training. Other employees are gradually learning on the job,” the representative of a rural municipality in Bagmati Province said.

Other than the lack of employees and their frequent transfer, municipal representatives mentioned other problems like the delay in the formation of user committees because of disputes along party lines, delay in receiving grants, delay by contractors in carrying out their work, etc. Elected representatives also claimed that many programs had been affected because the allocated funds and funds from revenue redistribution grants had not reached the local units in time. In the fiscal year 2019-20, the local level had not received the allotted monies from revenue sharing. Similarly, elected representatives had experienced problems in the budget implementation because grants from the federal and provincial governments had not reached them on time. In some local units, the representatives informed DRCN that federal grants would arrive late while many provincial government grants would not be distributed in time. Some (very) rural local units had not received in a timely manner ministry notices and information regarding the budget. Because these rural local units lacked easy access to the internet and communication facilities, they had not been able to

receive in time the information sent by the federal and provincial governments regarding grants and projects.<sup>16</sup>

## 5. Conclusion

By the fiscal year 2020-21, the local level has already presented one partial and three full budgets. Although local governments have garnered more than three years’ worth of experience in drafting budgets and implementing projects, in many local units procedural complications related to annual planning and implementing budgets continue to persist. Although there is a mandatory provision requiring budgets to be presented before local assemblies by the late June each year, 49 local governments had failed to do so even by the mid-August. Most of them (35 local units) were in Province 2. In initial years, they enjoyed the benefit of doubt because of a lack of clarity regarding legal as procedural aspects and a lack of experience among elected representatives. But the fact that many local units are still incapable of presenting budgets in a timely manner and take them forward toward project implementation shows the local governments’ failure to improve their quality of governance and service delivery. This failure to improve is a result, on the one hand, of the failure of local level leadership to function effectively, and the failure of the federal and provincial governments to pay timely attention to the assistance necessary and capacity enhancement of the local level.

Toward the end of the fiscal year 2019-20 and in 2020-21, the project implementation and the planning process were affected to some degree by the COVID-19 pandemic. The ban enforced on public gatherings and programs to control the spread of the COVID-19 infection had affected the participatory planning and implementation process in many local units. Although the federal government provided the local level with model directives to draft plans with the COVID-19 pandemic in mind while identifying immediate needs and to draft projects that were sensitive to the realities borne by the pandemic, most local governments did

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<sup>16</sup> Federal and provincial offices communicate with the local level by publishing directives and other documents on their websites or by corresponding through email.

not bother attempting to draft COVID-19 sensitive plans. Since the participation of local citizens and stakeholders in the project planning process had shrunk because of the COVID-19, there was also the possibility of many projects of public importance being excluded from local governments' priorities or of many projects becoming ignored in the budget.

Some local governments claimed that they were attempting to bring a change in their sectoral priorities between each fiscal year and to pay attention to sectors other than physical infrastructure. They had felt the need for sector outside physical infrastructure – like agriculture, health, employment, etc., – to also receive priority. They had felt the need to increase their budgets in the health sector following the federal government's decision, due to the COVID-19, to build or upgrade hospitals in every local unit. Although there were claims that sectoral programs in agriculture and self-employment had been expanded – if only perfunctorily – in response to the citizens' return from India and other nations during the COVID-19 pandemic, most local governments had not given the issue any special consideration. Local units in Province 2 and Sudurpaschim Province were especially deficient at this.

Planning and development infrastructure programs were affected in most local units because of the COVID-19 and the need to respond to it. Projects had faced impediments also because of a lack of workers and because materials could not be procured on time. In local units where the COVID-19 had had a minimal impact, budget expenditure had been relatively better because they worked in a planned manner from the beginning of the fiscal year. In most other local units, timely budget formulation, approval and implementation was impacted by prevalent disputes between elected representatives, lack of leadership capacity and lack of effective transparency and accountability mechanisms. These local governments need to proactively settle disputes among elected representatives through wider discussion, formulate quality projects and prioritize sectoral areas through participation of local citizens. Province 2 appears to be especially weak in this regard in comparison to other provinces. If the federal and provincial governments identify the difficulties faced by local governments and provide the necessary assistance, and if examples and experiences from local governments that successfully draft and implement quality projects are transmitted to other local units, local governance will improve.

